

PREM 19/400

32/65

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Pay and Pensions.

CIVIL SERVICE

PE 1: May 1979

PE 3: March 1981

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
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PART 3 ends:-

Hand sand extract of 15/4/87

PART 4 begins:-

CSD to MAP + alt of 16/4/87.

TO BE RETAINED AS TOP ENCLOSURE

Cabinet / Cabinet Committee Documents

Reference	Date
CC (81) 9 th Conclusions, Minute 1	5.3.81
CC (81) 11 th Conclusions, Minute 4	12.3.81
CC (81) 12 th Conclusions, Minute 4	19.3.81
CC (81) 13 th Conclusions, Minute 4	26.3.81
C (81) 14	7.4.81
LCA to CC (81) 15 th Conclusions, Minute 4	9.4.81
C (81) 15	13.4.81
LCA to CC (81) 16 th Conclusions, Minute 2	14.4.81

The documents listed above, which were enclosed on this file, have been removed and destroyed. Such documents are the responsibility of the Cabinet Office. When released they are available in the appropriate CAB (CABINET OFFICE) CLASSES

Signed *O'Wayland*

Date *21 July 2011*

PREM Records Team

Published Papers

The following published paper(s) enclosed on this file have been removed and destroyed. Copies may be found elsewhere in The National Archives.

House of Commons Hansard, 5 March 1981, columns 425-428
"Civil Service (Dispute)"

House of Common Hansard, 23 March 1981, columns 633-636
"Civil Service (Dispute)"

House of Lords Hansard, 15 April 1981, columns 982-983
"Civil Service Dispute"

Signed AWayland Date 21 July 2011

PREM Records Team

STATEMENT
CIVIL SERVICE DISPUTE

WEDNESDAY 15 APRIL 1981

AW
B'W

With permission, Mr Speaker, I should like to make a further statement about the Civil Service dispute.

In my statement on 5 March, I explained that non-industrial civil servants had been offered an increase of 7% from 1 April and that the Government had at the same time stated its desire and intention to establish for the future a new, ordered and hopefully agreed system for determining Civil Service pay.

This offer and the statement of intention were not accepted by the Unions. Instead they embarked on a programme of industrial action including strikes which has continued without interruption since 9 March. The industrial action as a whole has been designed to cause the maximum amount of damage at minimum cost to the Unions. The number actually on strike has rarely exceeded 3,700. But the guerrilla tactics have included walk-outs for part of the day, protest meetings in working hours, and non-co-operation with management.

I can assure the House that those on strike do not receive any pay or allowances and that the period of absence does not count for pension purposes. Staff attending their offices but refusing to work normally are being relieved of their duties without pay. The Unions' stated objective has been to damage the work of Government, but this damages the community as a whole. *Any extra cost to the Government can only be met by the taxpayer.*

Further, despite assurances to the contrary they have increasingly sought to disrupt services to the public. Local offices, providing benefits and services to the public, have more than once been closed for part or whole of the day without prior warning, meaning fruitless and time-wasting journeys by many members of the public. There have already been delays and frustrations for passengers at ports and airports and the threat to hit the Easter traffic is to be deplored.

Despite this calculated programme of disruption by a minority of civil servants which has hit the public and done great damage to the reputation of the Civil Service itself,

I am glad to tell the House that the work of all Government Departments has continued. The bulk of Government revenue is being banked and delays generally have been kept to a minimum. Measures have been taken to overcome the threat to the country's defence capability.

There is another side to the coin. Many civil servants have shown themselves to be loyal to their service and have worked hard and conscientiously to keep the work of their departments going, in some cases in the face of threats and intimidation. I am sure that the House will join me in thanking and paying tribute to them.

There have been suggestions that the Government should be taking steps to bring the Unions back to the negotiating table. I must make the position quite clear. Our offer of 7% for the 1981 settlement is the most that can be afforded from cash limits this year - which means the most which we think it right to ask the taxpayer to finance. Indeed some 1½ - 2 million people in the public service have already settled within these ^{cash} limits. The Civil Service has had pay increases

of almost 50% in the last two years. That fully rectified the adverse effects of the previous Administration's incomes policies. Against that background, and at a time when pay settlements generally have fallen sharply and are now well within single figures, we see our offer this year as being both fair and reasonable.

Mr Rt hon and Noble Friend and I know that there are many civil servants who recognise this fact but are nonetheless concerned that future arrangements for settling their pay should not be confined by cash limits predetermined by the Government without any negotiation. We understand that concern and we told the Unions before the industrial action began that they could come and talk to us about future arrangements at any time. This still stands, we are ready and willing to talk whenever they are. I hope this House will agree that this will be a much better and more fruitful idea than pursuing disruptive industrial action.

From the Private Secretary



Civil Service Department
Whitehall London SW1A 2AZ

01-273 4400

14 April 1981

BNW
15W

Nick Sanders
Downing Street

Dear Nick,

CIVIL SERVICE PAY DISPUTE

I attach a draft of the statement which the Lord President will make in the Lords at about 1130 tomorrow morning. The Minister of State, Mr Hayhoe, will repeat it in the Commons in the afternoon.

We hope to be able to include a passage on the industrial action which took place today but I am sure you will understand that there will be not enough time to circulate that in advance.

I am sending a copy of the statement to the Private Secretaries to the Home Secretary, Chancellor, Secretary of State for Employment, Chancellor of the Duchy of Lancaster and the Secretary of State for Environment as well as to David Wright in Sir Robert Armstrong's office.

Yours sincerely
Jim Buckley!

J BUCKLEY

My Lords, with the leave of the House I should like to make a further statement about the Civil Service dispute.

In my Statement on 5 March, I explained that non-industrial civil servants had been offered an increase of 7% from 1 April and had been given a clear statement of our desire and intention to establish for the future a new, ordered and agreed system for determining Civil Service pay.

The offer and the statement of intention were not accepted by the Unions. Instead they embarked on a programme of ~~strike and guerilla~~ industrial action which has continued without interruption since March 9. ^{including strikes,} ~~They have set out~~ ^{the unions have chosen to ignore} to damage the work of Government Departments, but they have overlooked the fact that what damages the work of Government damages the community as a whole.

Further, despite assurances to the contrary, they have increasingly sought to disrupt services to the public. Local offices, providing benefits and services to the public, have more than once been closed for part or ^{the} whole of the day without prior warning, ^{rendering in} meaning fruitless and time-wasting journeys ^{for} by many members of the public. There have already been delays and frustrations for passengers at ports and airports and ^{seriously delay} the threat to ^{disrupt} hit the Easter traffic is to be deplored. If it is carried out, that will mean that hundreds of thousands of travellers will face a ruined holiday. What good purpose can that possibly serve?

^{Unions' aim} The industrial action is intended to cause the maximum amount of damage at minimum cost to the Unions. ^{themselves} The number ^{of civil servants} actually on strike has rarely exceeded 3,700. But the guerrilla tactics have included

walk-outs for part of the day, protest meetings in working hours, and non-co-operation with management.

I can assure the House that those on strike do not receive any pay or allowances and that the period of absence does not count for pension purposes. Staff attending their offices but refusing to work normally are being relieved of their duties without pay.

Despite this calculated programme of disruption by a minority of civil servants which has hit the public and done great damage to the reputation of the Civil Service itself, I am glad to tell the House that the work of all Government Departments has continued. The bulk of Government revenue is being banked and delays generally have been kept to a minimum. Measures have been taken to overcome the threat to the country's defence capability. The unions have sought to represent these measures as strike-breaking. They are not. ~~We have no intention of using the Armed Forces to break strikes.~~ But it is our plain duty to ensure the safety of the realm and we shall do what is needed.

There is another side to the coin. Many civil servants have shown themselves to be loyal to their service and have worked hard and conscientiously to keep the work of their departments going, in some cases in the face of threats and intimidation. I am sure that the House will join me in thanking and paying tribute to them.

There have been suggestions that the Government should be taking steps to bring the Unions back to the negotiating table. I must make the position quite clear. Our offer of 7% for the 1981 settlement is the most that can be afforded from cash limits this year - the most which we can ask the taxpayer to finance. The Civil Service has had pay increases of almost 50% in the last two years. That fully rectified the adverse effects of the previous Administration's incomes policies. Against that background, and at a time when pay settlements generally have fallen sharply and are now well within single figures, we see our offer this year as being both fair and reasonable. Indeed ^{about} 1½ million people in the public service have settled at around 7%.

I know that there are many civil servants who recognise this but are concerned about future arrangements for settling their pay. I understand that concern, but it cannot be an adequate reason for taking industrial action now. We have given a clear undertaking about our intentions for Civil Service pay arrangements in the future. We held a number of meetings on the subject with the Unions before the industrial action began, and we have made clear that ^{we are ready to resume these talks} ~~they can come and talk to us~~ at any time. We have made clear that all relevant factors are open for discussion - those which are of concern to the Unions as well as those of concern to the Government. Both the Government and the Unions have said that they see the need for changes in the present arrangements. ^{The Government wants to work out} ~~Working them out is the~~ ^{and agree these changes with the unions. That process cannot be helped if the unions continue to} ~~real problem and it will not be solved by continued~~ industrial action.

SECRET

IN Whitmore
14j



10 DOWNING STREET

14 April 1981

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer

Dear Geoffrey

CIVIL SERVICE STRIKE

I understand that at Cabinet this morning the Lord President said that he might want to use tomorrow's statement to indicate a willingness to take an initiative with the unions over the current strike. Obviously he would not reveal his negotiating position in any detail, though I am not at the moment clear whether he might be tempted to indicate willingness to hold an independent enquiry into the arrangements for pay for the longer-term.

I understand the Lord President told Cabinet that if today's action was widespread, he would not want to indicate readiness to negotiate before Easter. On the other hand, if the response to today's call for action were very limited, he might use the statement as a vehicle for an initiative.

Our understanding is that there has been quite a widespread response today (the preliminary assessment is close to a 50% strike). On this basis alone, we do not think the Lord President should make a move tomorrow. In any event, we do not think that the unions are being conspicuously successful at present. They must be concerned that the press is so strongly against their action. Interference at the ports over the Easter weekend may make them even less popular.

It seems to us that there is a real risk of the Government starting to make concessions just at the very point where the unions are beginning to feel uncertain about the strength of their position. On balance, we think it better for any initiative to wait until after Easter. I understand that this view was shared by those present at Barney Hayhoe's monitoring meeting this afternoon, to the extent that managerial considerations are relevant. It is also the view of Douglas Smith at the Department of Employment - who has, I think, a good sense of negotiating tactics.

I accept, of course, that if we delay the initiative until next week and the Civil Service unions step up their action, particularly at the airports, there is a risk that we will be appearing to respond to pressure then. This is a fair point, but depends crucially on our

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assessment of the likelihood of them stepping up their action. Any negotiation is a war of nerves; we think the risk is worth taking. If the unions become uncertain about the strength of their position, there is a much better chance that we shall emerge from the negotiations with only limited concessions about 1982. If we make concessions too swiftly about the longer-term enquiry, there may be strong pressure later to concede arbitration for 1982 - which I am sure you agree would be a big mistake.

Yours ever
John

JOHN HOSKYNS

SECRET



Caxton House Tothill Street London SW1H 9NA

Telephone Direct Line 01-213.....

Switchboard 01-213 3000

Pm Minister

This comment

from Mr Prior

has just come

in.

14 APRIL 1981

TL

Tim Lankester Esq
10 Downing Street
LONDON SW1

Dear Tim

CIVIL SERVICE PAY

As you know, Mr Prior is unable to attend Cabinet this morning. However, he has seen Sir Robert Armstrong's letter of 10 April to John Wiggins to which was attached a draft of the proposed basis for the 1982 settlement. He has the following comments:

1 Although he would prefer contact with the civil service trade unions before Easter, it is essential that the Lord President should have a clear negotiating position. This must mean that not only the attitude towards 1982 is decided, but that Cabinet should also have taken a decision in principle about some long term enquiry. Any contact with the unions before decisions have been reached by the Cabinet will almost certainly founder.

2 It would be up to the Lord President to decide how much of his hand to reveal at the start of negotiations.

3 As to the factors referred to in para 3 of the draft, these are all parts of a meaningful collective bargaining - they would need to be spelt out to cover our public position.

4 In para 5 of the draft Mr Prior would prefer the statement in the first set of brackets. He further suggests that the word "modify" should be inserted instead of "override".

I am copying this letter to Sir Robert Armstrong, John Wiggins and Jim Buckley.

Mamie Fahey

MISS M C FAHEY
Private Secretary



PRIME MINISTER'S QUESTIONS: 14 APRIL

INDUSTRIAL ACTION AT GCHQ

Line to Take

1. GCHQ, like other Government departments, was affected by the one-day strike of civil servants on 9 March. About 28% of all members of GCHQ, taking the headquarters and the outstations together, stayed away from work; the most serious effect was the closure of the Headquarters communications centre for 24 hours. However, the level of absence in those parts of GCHQ directly and immediately concerned with current work was in fact only 18%, and the effectiveness of the Department in its most critical functions was maintained.
2. There have subsequently been three periods of industrial action at outstations, and a fourth is in progress. The impact of these occurrences has varied. Whilst the action has been serious, it has not prevented GCHQ from fulfilling its main tasks.
3. Finally I should like to put it on record that, for some months past, GCHQ staff have been called upon to work unusually long hours, including over weekends. With the exceptions I have noted, the staff have responded loyally to the heavy demands thus placed on them.



The National Archives

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PRIME MINISTER

COST OF CIVIL SERVICE PAY INCREASES

You said recently in the House that the offer of 7 per cent to the civil service will lead to an increase of 11 per cent over last years pay. This is just to advise you to be chary of using that figure. Taking account of plusses and minuses it looks as if it will be notably lower than that - between 8 and 9 per cent.

S

SOAMES

13 April 1981

PRIME MINISTER

7% for the pay rise itself
+ 1% for staging
+ 1% for incremental drift
9%

+ elements for industrials staging and, possibly, one or two other bits and pieces
- manpower savings \Rightarrow 8-9% MJS

Ref. A04712

PRIME MINISTER

Civil Service Pay Dispute

(C(81) 15)

This memorandum by the Chancellor of the Exchequer and the Lord President was commissioned by the Cabinet on 9th April. Its salient features are:-

- (1) It records the Cabinet's agreement not to increase the 7 per cent offer for 1981 (paragraph 2a.); and it indicates (in the last paragraph) that, if the unions refuse to respond to Government overtures for a settlement, it may be necessary to reconsider the operative date of 1st April.
- (2) It invites the Cabinet to decide whether to deal with the establishment of a longer-term system of pay determination by means of negotiations with the unions or by means of an independent inquiry (paragraph 3).
- (3) It describes (in paragraph 6) the proposed arrangements for flexibility in the operation of the cash limit system in 1982, which would retain the Chancellor's right in the last resort to determine the amount of cash available while not setting a predetermined "pay factor" limit on the amount of a settlement, and therefore leaving some room for negotiations.
- (4) It refers to a note which has been prepared to serve as a negotiating brief for discussions with the unions on the arrangements for the 1982 settlement (paragraph 9); because of the sensitivity of this it will not be circulated in advance but handed round at the meeting and withdrawn at the end of it. A copy of the note is attached to this brief.

BACKGROUND

2. The purpose of this meeting is to give the Lord President his negotiating brief for opening up with the unions while you are away.

3. Given that there is no disposition to increase the 7 per cent offer, the Lord President's only room for manoeuvre lies in what he says about

- (a) the system for the longer term;
- (b) the 1982 settlement.



The prospects for a settlement of the current dispute will depend on what he can say about these two questions.

The system for the longer term

4. The Government is already committed to establishing an ordered and agreed system for determining Civil Service pay for the longer term. The question is how to proceed: by means of negotiations with the unions, or by means of an independent inquiry?

5. For the purposes of the current dispute, the minimum position must be to reassert the commitment to establishing an ordered and agreed system, and to promise to discuss with the unions how to proceed.

6. The argument in favour of proceeding by way of negotiations with the unions is that the Government remains in control of the process, and cannot be presented with unpalatable proposals from an independent but authoritative source. But the process of negotiation will not be easy. As the work now in process in MISC 54 already makes clear, what the Government will be trying to get in negotiation will be a series of differences from and changes in the old arrangements which would be improvements from the Government's point of view but would be retrogressive from the unions' point of view. The unions will be well aware of this; and they are not in a mood to be particularly trustful of the Government.

7. Technically the Cabinet do not need to decide at this meeting whether to proceed by way of negotiation or by way of an independent inquiry; and it would be perfectly possible to start by way of negotiation and turn to an independent inquiry only if and when negotiation had run into the sand. But I believe that the Cabinet should decide at this meeting whether the Lord President should be authorised to offer an independent inquiry, if he judges that it would be useful to do so, because such an offer could well prove to be one of the crucial points in securing a settlement of the present dispute.

The 1982 settlement: flexibility in the cash limit system

8. The Lord President will not be discussing the cash limit system with the unions. What matters here is that the Cabinet should be convinced that the various forms of flexibility proposed by the Chancellor give a reasonable freedom

of manoeuvre for negotiation. The paper goes a considerable way in that direction. It envisages:

- (1) provisional decisions on cash limits which do not distinguish the "pay factor" from the "price factor", but have in effect a single "inflation" factor;
- (2) announced cash limit decisions which are realistic but on the low side of realistic, with provision for additional money to be available from the central contingency reserve, if it is necessary to make an offer which goes outside the announced cash limit;
- (3) some flexibility to adjust numbers;
- (4) possible changes in structure of votes.

9. I doubt whether the Cabinet need discuss these matters in detail: they should be able to welcome the additional flexibility. The Secretary of State for the Environment may ask about the implications for local government. The local authorities of course have flexibility through their access to rate revenue as an alternative source of income. It would in theory be possible to top the Rate Support Grant up from the contingency reserve; but the Chancellor will want to be sure that that possibility is not referred to outside the Cabinet Room.

The 1982 settlement: negotiating brief

10. The document to be handed round at the meeting - copy attached - sets out the proposed negotiating brief. The passages in square brackets are those where there is a point of substance for discussion or decision:

- (a) The second sentence of paragraph 1 is in very general form; it could be made more specific, once the Cabinet had decided whether to deal with the long term by means of negotiations or an independent inquiry.
- (b) There is a critical point in paragraph 5. It is the question of the Government's stance on arbitration in 1982. Under the Civil Service Arbitration Agreement, which has not been suspended, the Government is committed to let a claim on pay go to arbitration if agreement is not reached in negotiation. Despite this, Governments have on occasion (including this year) refused to allow a claim to go to arbitration. The



unions will certainly ask whether the Government will be prepared to allow arbitration next year. The first set of words in square brackets would not commit the Government either way: it would leave the matter open. The second set of words in square brackets would commit the Government to letting the claim go to arbitration if negotiations failed. Either way, the Government would (in the last sentence) be reserving the right not to accept the results of arbitration, but would be undertaking not to modify an award without the approval of Parliament.

11. The Chancellor prefers the non-committal form of words, because he feels that a commitment now would be a promise to allow unilateral access to arbitration. The Lord President believes that the combination of:

- (a) no commitment to go to arbitration
- (b) reserving the right to modify the award

would stand no chance of carrying the unions towards a settlement of the dispute. He will argue very strongly that, even if he is to start by not making a commitment, he should be authorised in negotiation to offer a commitment to let the claim go to arbitration, if it cannot be settled by negotiation, but should stick to reserving the right to modify the award.

12. I would judge that the Lord President would have a reasonable chance of reaching an agreement which ended the current dispute, if he had authority to offer in the course of negotiations:

- (1) an independent inquiry into the long-term system;
- (2) for 1982,
 - (a) negotiation in good faith and without a predetermined cash limit;
 - (b) a commitment to let the claim go to arbitration if agreement could not be reached in negotiations.

It would be important that he should reserve the right to modify any award in 1982, if its public expenditure consequences were unacceptable; the unions might be brought to accept this, if (as proposed) the Government promised not to modify an award in 1982 without obtaining Parliamentary approval.

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HANDLING

13. You will wish to invite first the Chancellor of the Exchequer and then the Lord President to introduce the paper. We will have the note on the negotiating brief ready to hand round.

14. If the Secretary of State for Employment is there, he should be invited to speak next. Thereafter the Secretaries of State for Defence, Social Services and Trade may all wish to come in.

CONCLUSIONS

15. You will wish to record a conclusion as to whether the Cabinet are content with the negotiating brief proposed by the Chancellor of the Exchequer and the Lord President; and specific decisions on whether the Lord President is authorised to offer, if he judges it appropriate and useful:

- (1) an independent inquiry into the long-term system;
- (2) a commitment to let the 1982 claim go to arbitration if necessary (reserving the right to modify the award if the cost cannot be accommodated within the flexibilities envisaged by the Chancellor).

16. The Cabinet should also decide whether the Lord President is free to increase the 1981 offer to $7\frac{1}{2}$ per cent, if that is all that stands in the way of an agreement which could end the dispute, on the understanding that the increase would have to be accommodated within the 6 per cent cash limit.

ROBERT ARMSTRONG

*(drafted by Sr. R Armstrong
and signed on his behalf)*

13th April, 1981

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SECRET AND PERSONAL

PROPOSED BASIS FOR 1982 SETTLEMENT

The Government accept that, the Civil Service Pay Agreement having been suspended, it is necessary to establish for the future an ordered and agreed system for determining Civil Service Pay. [] They are working out proposals in this regard, and will be discussing this question with the unions shortly. []

2. If it does not prove possible to establish a new system of pay determination in time for the settlement for 1982, the Government will at the appropriate time enter into negotiations with the unions with a view to reaching agreement upon the amount (or amounts) required, given all the circumstances then prevailing.

3. Each side will be free to introduce into the negotiations whatever factors seem relevant and appropriate. For its part, among the factors of which the Government will expect to take account in the negotiations are:

- (a) Supply and demand for different categories of staff: vacancies, job applications, voluntary wastage, turnover.
- (b) Relative security of employment, taking account of unemployment rates, redundancies, etc.
- (c) Movements of other wages and salaries since the 1981 Civil Service settlement.
- (d) Relative attractiveness of terms and conditions of service, including
 - (i) pension contributions and entitlement, including inflation-proofing;
 - (ii) other conditions of service (hours, leave, fringe benefits, etc.).
- (e) General economic circumstances and comparative growth of the pay bill in the Civil Service and the private sector.

SECRET AND PERSONAL

4. The Government will go into these negotiations with a desire to reach agreement and without a pre-determined limit on the cost of any settlement. But the Government would be failing in their duty to the taxpayer, if they did not have in their minds, as they seek to reach agreement on Civil Service pay for 1982-83, the consequences of any settlement for the level of public expenditure. They will hope to reach agreement on a settlement that can be justified by reference to that consideration as well as being acceptable to the Civil Service.

5. If it were not possible to agree a settlement in negotiation, and if it were then agreed to refer the claim to arbitration under the Civil Service Arbitration Agreement, the Government / the Government would be ready to let the claim go to arbitration under the Civil Service Arbitration Agreement, and / would endeavour to find means of financing the award within the planned overall levels of public expenditure. If in the last resort the Government did not feel able to be bound by the award of the arbitration tribunal / because of its consequences for the level of public expenditure / , it would not modify it without seeking and obtaining the authority of Parliament.

number 2

L



the House of Commons ..

for which ^{employee} number (will have to be considered).



010

CONFIDENTIAL

W.A. Duguid

Prime Minister



CIVIL SERVICE DEPARTMENT

WHITEHALL LONDON SW1A 2AZ

Telephone 01 273 5400

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13/4

*Sir Ian Bancroft G.C.B.
Head of the Home Civil Service*

Mike Pattison Esq
Private Secretary
Office of the Prime Minister
10 Downing Street
LONDON SW1

13 April 1981

Dear Mike,

INDUSTRIAL ACTION PROGRESS REPORT

...

The attached Annex shows, by Department, the number of non-industrial civil servants on strike last Friday. The average number out each day last week was 3,300. In the five weeks since the industrial action started, a total of 335,000 man-days has been lost as a result of civil servants being absent without authority for a day or more. Some civil servants have been out for the whole of the five weeks.

These statistics are far from giving the whole picture. Each day there have been many walk-outs - some lasting a short while, some for half a day or more - and protest meetings involving absence from the office. Over 100,000 civil servants, for example, took part in such walk-outs or protests on 1 April. It is not possible to quantify either these or the effects of non-cooperation with management (working to rule, refusing to work overtime, and so on).

The main areas of industrial action last week were:

- (i) INLAND REVENUE - Accounts Offices at Cumbernauld and Shipley still closed; some staff in the Collection Office network on strike; 96 Temporary Relief from Duty (TRD), and others not working normally; and (a new development last Friday) 24 staff now on strike at the Worthing Computer Centre. Management staff - those at Bush House, for example - are working long and hard to bank as many PAYE cheques as possible, but they are under increasing strain. In some cases picketing has been severe and unpleasant.

CONFIDENTIAL

- (ii) MINISTRY OF DEFENCE - The Navy Department continues to be the main target, although there is, increasingly, industrial action in other parts of the Ministry. Computer staff went on strike at the Liverpool Bill-paying Office; contingency plans (based on the experience gained in 1979) have been announced and implemented. TRD action was initiated in some MOD establishments. At the end of the week, the unions were refusing to co-operate in allowing a Polaris submarine to be re-equipped. The unions have said that there will be Service-wide protest action if naval personnel are used to do the work of civilian non-industrials.
- (iii) CUSTOMS AND EXCISE - Industrial action switched back to the Northern Ireland Land Boundary and the West Coast ports. Despite union propaganda to the contrary, traffic is, however, flowing reasonably freely.

The unions announced at the week-end that there is likely to be a change in their tactics and that services to the public could be hit. They made it clear that Easter traffic would be affected by industrial action by Customs and Immigration staff; it is unlikely, however, that Air Traffic Control Officers will be taking further action until after Easter.

I am copying this to the Private Secretaries to Permanent Secretary Heads of Departments and Smaller Departments.

Yours ever,

Jeremy Colman

J G COLMAN
Private Secretary

SELECTIVE ACTION BY NON-INDUSTRIAL CIVIL SERVANTS

SUMMARY OF POSITION - 10 APRIL 1981

Department	Number on strike	Remarks
Customs & Excise	742	280 data processing staff on strike at Southend computer; 243 customs staff at West coast ports; 175 staff on the NI Boundary 7 HQ staff; 38 Manchester Betting Duty Office.
MOD	599	Strikes by computer and other staff at 4 dockyards, 4 RN stores depots, 2 RN armaments depots, Clyde Submarine Base, bill-paying (Liverpool), Mapping and Charting Establishment (Feltham & Taunton) Directorate of Submarine Projects (Bath) and 5 Oil Fuel Depots.
Employment	41	Staff at Runcorn computer handling RPI statistics (plus Job Release Scheme payments and DE Group payroll both so far unaffected).
Environment	12	Driving examiners at test centres.
DHSS	340	230 staff on strike at Newcastle computer recording NI contributions; 10 at North Fylde Central Accounts Office; 95 at Artificial Limb and Appliance Centres.
Inland Revenue	1476	901 on strike at Cumbernauld, Shipley and Worthing computer centres; remainder at various Collection Offices.
Lord Chancellor's Department	14	Staff at Leicester Crown Court.
PSA	10	Strike by maintenance engineers at RAF Brawdy works offices.
Depts of Trade & Industry	140	Strike by staff who handle search facilities at Companies House, London and Cardiff; telephonists at Cardiff.

Scottish Office	25	Staff at the Scottish Computer Centre.
Scottish Courts Administration	235	Strike by <u>staff</u> at Edinburgh and Glasgow Sheriff Courts.
Registers of Scotland	11	Strike by Administrative staff.
Paymaster General's Office	28	Strike by 10 computer staff; 13 in Finance Branch, disrupting Government banking transactions; telephonists.
FCO	49	Clerical Assistants at the Liverpool Passport Office.
GCHQ	not known	Radio operators at one location.
TOTAL	3,722	A net increase of about 386 since a week ago.

MANAGEMENT-IN-CONFIDENCE

From the Private Secretary



Civil Service Department
Whitehall London SW1A 2AZ
01-273 4400

13 April 1981

Tim Lankester
Private Secretary to the Prime Minister
10 Downing Street

Dear Tim,

CIVIL SERVICE PAY AND INDUSTRIAL ACTION

in BM

When the Lord President saw the Prime Minister last Wednesday evening (8 April), I understand there was a reference to a 'hideous piece of buff paper' which had been circulated in departments. The Lord President has asked me to let you see the attached which was the origin I imagine of what the Prime Minister had seen.

The paper was designed to be factual and not appear as special pleading. As you will see from the second enclosure it was circulated within this department as a Head of Division notice but the arrangements in each department might well have differed. As for the colour of the paper, that too is in the hands of each department!

*Yours sincerely,
Jim Buckley.*

J BUCKLEY

MANAGEMENT-IN-CONFIDENCE



CIVIL SERVICE DEPARTMENT

WHITEHALL LONDON SW1A 2AZ

Telephone Direct line 01 273 5448

Switchboard 01 273 3000

26 February 1981

cc -
 PS/Lord President +
 PS/Minister of State
 PS/Permanent Secretary
 PS/2nd Permanent Secretary
 Mr Burrett
 Mr Fraser
 Mr Wilding
 Mr N E A Moore
 Mrs Sloman
 Mr Allan
 Mr Beastall
 Mr Clifton
 Mr Morgan
 Mrs Brown
 Mr Jarmany

Dear Establishment Officer,

CIVIL SERVICE PAY AND INDUSTRIAL ACTION

The Council of Civil Service Unions, following their meeting this morning, have issued a statement about the 1981 pay negotiations. This says that "the present position reached in the discussions, either on the amount proposed or the formula for the future pay system, does not represent the basis for a settlement". It calls for "a national one day stoppage of all non-industrial civil servants on 9 March" to be "followed by whatever action thereafter the major policy committee considers necessary to secure the Council's objective".

2. The Lord President wants to ensure that all Civil Service managers do their utmost to get across to staff the Government's position and the reasons for this. With this letter I am enclosing notes for managers to use in doing this. Please arrange for this material to be disseminated widely to your managers as promptly as possible together with any guidance which you wish to offer them in your own departmental circumstances.

Yours sincerely,

Brian Pearce

J B PEARCE

CIVIL SERVICE PAY

The Pay Offer

The Government's pay offer for 1981 is for a general increase of 7% from 1 April 1981. The Government have made it clear that they cannot go beyond this.

The Civil Service is not being singled out for special treatment. Cash limits for the local authorities and NHS have also been fixed with a factor of 6% for pay.

The average level of pay settlements in the country as a whole is now in single figures. Settlements below the level of inflation are essential if the battle against inflation - which is going our way - is to be won.

The Civil Service is part of the community; it must not expect to be insulated from its difficulties.

Over the last two years civil servants have had large increases which have brought their pay well into line. In the present economic situation a settlement well within single figures is both necessary and realistic. Certainly some groups are doing better. But at a time of high unemployment many do not have the benefit of a secure job and the chance of a 7% pay settlement.

The Future

Much of the present anxiety of civil servants over pay is because the Government suspended pay research this year and replaced it by cash limits. There is genuine concern about what the future arrangements will be and whether the Government will seek to impose increases by fiat with pay comparisons scrapped forever.

This is not the Government's intention.

Lord Soames told the union side on 23 February:

"The Government intend to review the arrangements for determining the pay of the non-industrial civil servants with the object of establishing as soon as practicable an ordered and agreed system which takes account of all relevant factors and which will command the widest possible acceptance."

The pay research system was launched 25 years ago. It is a widely held view that the present arrangements are unsatisfactory and they do not command confidence. New ones will take time to work out. They will be discussed with the unions. But it would be unreasonable to expect a detailed statement about them now. What matters is that the Government have clearly stated their desire and intention to return for the future to an ordered and agreed system for settling Civil Service pay. This is a most important declaration of policy and gives civil servants the assurance for which they are looking.

HEAD OF DIVISION NOTICE (81)11
27 February 1981

CIVIL SERVICE PAY

You will be aware from press and television reports that there have been further developments on the pay front. In particular, the Council of Civil Service Unions, following their meeting on 26 February, issued a statement about the negotiations. This said that "the present position reached in the discussions, either on the amount proposed or the formula for the future pay system, does not represent the basis for a settlement". It called for "a national one day stoppage of all non-industrial civil servants on 9 March" to be "followed by whatever action thereafter the major policy committee considers necessary to secure the Council's objective".

In these circumstances, it is important that the Government's position is equally clear to the staff and does not go by default. I therefore attach a note setting out that position on which you and your managers should draw, as appropriate, in talking to your staff.

P L TOWERS

PS 15/016

CIVIL SERVICE PAY

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CONFIDENTIAL

QUEEN ANNE'S GATE LONDON SW1H 9AT



NSS

(all thro)
Mr Verker

13 April 1981

R (O/R) T
to see MS
2/14

Dear Judge

INDUSTRIAL ACTION IN SCOTTISH COURTS

Thank you for your letter of 1 April about the possible need for emergency legislation to deal with the consequences of industrial action in the Scottish courts. I have also seen the letter of 3 April from the Lord President's private secretary to your private secretary.

I agree that it would be sensible to have such legislation ready for immediate introduction should it be required and, subject to the views of colleagues on H Committee and to the point in the next paragraph of this letter, I agree that the precedent of the Administration of Justice (Emergency Provisions) (Scotland) Act 1979 might be followed.

I understand, however, that that Act was considerably more "open-ended" than the emergency legislation we recently secured from Parliament to deal with the consequences of industrial action in prisons. The 1979 legislation was not subject to provision for Parliamentary renewal or review. I wonder if that was right, and if, given the more recent precedent, it would now be acceptable to Parliament.

You will no doubt keep in touch with the business managers about the possible Parliamentary timetable for legislation, bearing in mind the imminence of Easter, and I agree that it would be for L Committee to give formal authority for the introduction of any such Bill. Before that stage is reached, however, there is the main question, to which you referred in your letter, of the effect of such legislation on the general Government handling of the dispute. This is something on which you will no doubt keep in close touch with the Lord President. It would, I suggest, be for you to put specific proposals on the timing of any announcement of legislation either to the Cabinet or to the Prime Minister, having consulted the Chancellor of the Exchequer as well as the Lord President.

I am sending copies of this letter to the Prime Minister and to the other recipients of your letter of 1 April.

The Rt Hon George Younger MP

CONFIDENTIAL



Civil Service
MS
2

com 5
by hand

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

10 April 1981

David Heyhoe, Esq.,
Private Secretary,
Privy Council Office

David Heyhoe
may be wanted
for ITN interview.

Dear David,

CIVIL SERVICE STRIKE : ANSWERS TO QUESTIONS PUT TO MINISTERS

12
10/4

..... I enclose answers which Ministers can use if questions are put to them about this subject. The answers have been agreed with the Civil Service Department, Revenue departments, the Bank of England and National Girobank. The Chancellor has approved them, and asks Ministers to treat questions in a low key way.

I draw particular attention to the background note which explains why it is important to stick closely to the words, particularly for the first answer.

I am sending copies of this letter and the attachments to Tim Lankester and to the Private Secretaries to other members of the Cabinet, as well as to Sir Robert Armstrong.

Yours sincerely,

Richard Tolkien

R.I. TOLKIEN

CONFIDENTIAL

CIVIL SERVICE STRIKE : ANSWERS TO QUESTIONS PUT TO MINISTERS

How to Pay Tax

The payslips sent out by the Inland Revenue and the VAT returns sent out by the Customs and Excise describe the normal methods of payment including the use of the Giro systems. During the current Civil Service strike, taxpayers in doubt about how to pay should be advised to use those systems.

[No public reference should be made to the letters which Customs and Inland Revenue have sent out to large taxpayers or to any special arrangements such as the Inland Revenue's Bush House operation.]

Financial Effect of the Strike

About three-quarters of the normal tax revenues are currently being received by the Exchequer. There is no risk to overall economic management, as the money owed to the Government will eventually be paid over. At most there will be a short term increase in the Government's borrowing from the banking system and the money supply, which will subsequently be corrected. So it will not jeopardise the Medium Term Financial Strategy.

Civil Service Pay

An increase of 7 per cent has been offered. This is reasonable by comparison with settlements in much of the private sector and as much as the Government think it fair to ask taxpayers to bear. The Civil Service has had increases of nearly 50 per cent over the last two years. For the future the Government has said it will discuss with the Civil Service unions how to establish an ordered and agreed system which takes account of all relevant factors and which will command the widest possible acceptance.

BACKGROUND NOTE

..... These answers are for use in a low key way in response to questions. It is important to stick closely to the words, particularly those of the first answer. That answer avoids saying explicitly that taxpayers should not send cheques to the local offices of the revenue departments (one of the normal methods mentioned on the back of the payslips - see attachment). The reason is the risk

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of provoking trouble from the unions whose members operate the
giro systems of the banks and of National Girobank. The revenue
departments will continue to give more explicit advice to large
taxpayers and to the CBI and other employers organisations.

INCOME TAX AND
NATIONAL INSURANCE
CONTRIBUTIONS

Date.....

NATIONAL
Girobank CREDIT

Bootle Merseyside GIR 0AA
Credit Inland Revenue
ACCOUNTS OFFICE, CUMBERNAULD



GIROBANK ACCOUNT No.
111 9052

16A
21C

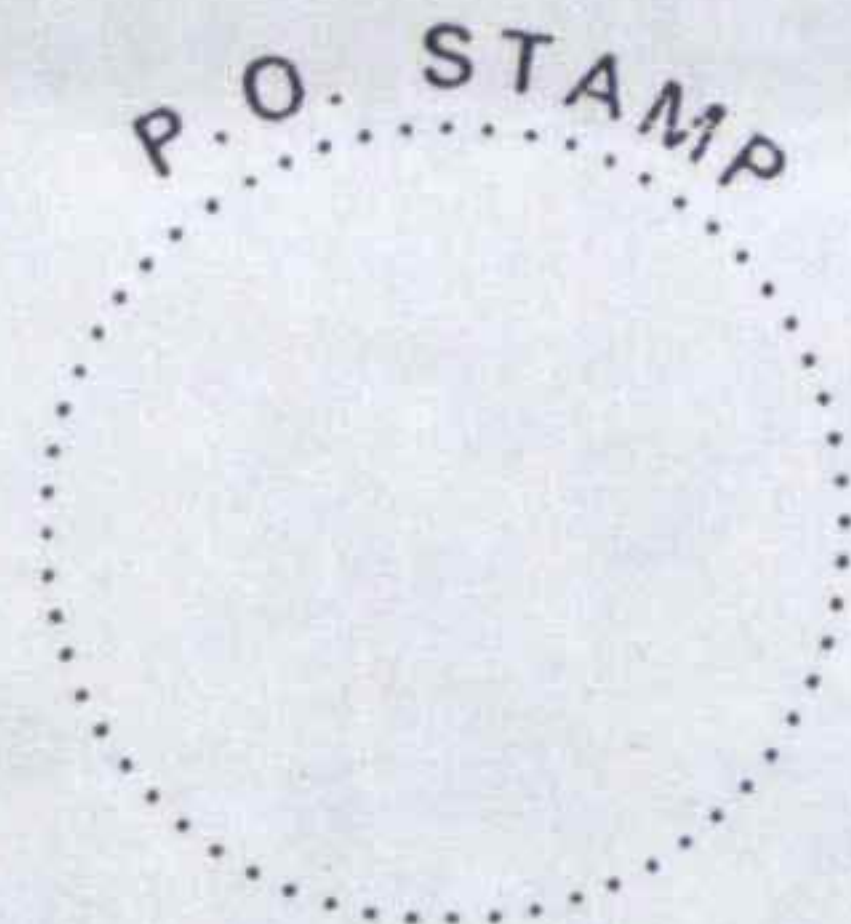
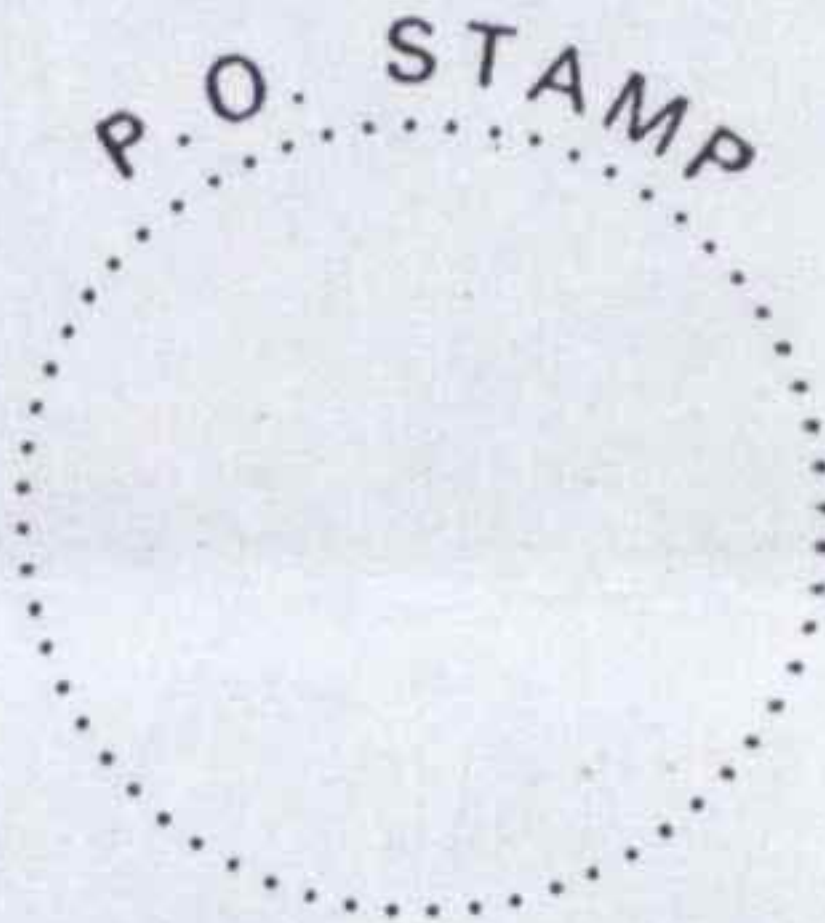
Girobank Account
111 9052

AMOUNT (no fee payable)
£

By transfer from Girobank Account No.
[] [] []

AMOUNT (no fee payable)
£

Enter total from overleaf



Date..... Signature.....

Please leave the space below clear for use by National Girobank.

A71119052

DIRECTIONS AS TO PAYMENT

PAYMENT BY CHEQUE

The total amount due should be sent to the Collector of Taxes by crossed cheque payable to "Inland Revenue" together with a completed payslip (overleaf). Please keep the payslip and, if possible, your cheque unfolded. A receipt will not normally be issued unless you have already asked for receipts to be supplied.

PAYMENT BY GIRO

If you wish to pay by National Girobank or Bank Giro, please complete the form overleaf headed "PAYSLIP" and "bank giro credit" and proceed as follows:-

To pay by Bank Giro

- sign and date the PAYSLIP/bank giro credit form and complete the stub.
- present the payslip and stub with payment to your Bank.

As an acknowledgment the stub will be stamped and returned to you.

Your Bank will make no handling charge for a transfer of this nature.

To pay by National Girobank Inpayment

- enter the total amount of your payment in the space provided on the NATIONAL GIROBANK CREDIT form above.
- sign and date the credit form and complete the stub.
- take both the credit form and stub with your cash payment to a Post Office.

As an acknowledgment the stub will be stamped and returned to you.

**To pay by National Girobank Transfer
(if you have a Girobank account)**

- enter the total amount of your payment and your Girobank Account Number in the spaces provided on the NATIONAL GIROBANK CREDIT form above.

- sign, date and detach the credit form and send it (*unfolded*) direct to the National Girobank.

The stub may be kept for your own record.

The Post Office will not charge you for use of the National Girobank service.

No alteration should be made to the printed particulars on the PAYSLIP/bank giro credit or NATIONAL GIROBANK CREDIT forms.

An official receipt will not normally be issued.

Payment by Giro does not make the Post Office or the Bank to which the giro credit form is presented the agent of the Commissioners of Inland Revenue for receiving the payment.



**INCOME TAX - PAY AS YOU EARN
NATIONAL INSURANCE CONTRIBUTIONS
AND
AMOUNTS DEDUCTIBLE FROM PAYMENTS TO SUB-
CONTRACTORS IN THE CONSTRUCTION INDUSTRY**

50 YEAR

Date of Issue:

The payslip below should be completed, detached and returned with payment of any Income Tax and National Insurance contributions due from you for the above year.

Issued by: Collector of Taxes,
Inland Revenue Accounts Office,
Cumbernauld,
GLASGOW G70 5TR

NOTES

1. DUE DATE FOR PAYMENT. The total amount for which you are accountable in respect of income tax and National Insurance contributions must be paid to the Collector of Taxes not later than the 19th day of each month, as shown in the table below.

PERIOD COVERED	6 Apr. to 5 May	6 May to 5 Jun.	6 Jun. to 5 Jul.	6 Jul. to 5 Aug.	6 Aug. to 5 Sep.	6 Sep. to 5 Oct.
MONTH NUMBER	1	2	3	4	5	6
PAYMENT DUE NOT LATER THAN	19 May	19 Jun.	19 Jul.	19 Aug.	19 Sep.	19 Oct.
PERIOD COVERED	6 Oct. to 5 Nov.	6 Nov. to 5 Dec.	6 Dec. to 5 Jan.	6 Jan. to 5 Feb.	6 Feb. to 5 Mar.	6 Mar. to 5 Apr.
MONTH NUMBER	7	8	9	10	11	12
PAYMENT DUE NOT LATER THAN	19 Nov.	19 Dec.	19 Jan.	19 Feb.	19 Mar.	19 Apr.

2. NATIONAL INSURANCE CONTRIBUTIONS. The amount of National Insurance contributions for which you are accountable is the total of the employees' and employer's contributions shown on the deduction cards.
3. CONTRACTORS IN THE CONSTRUCTION INDUSTRY. If you are a contractor who is not required to operate PAYE in respect of employees you should enter in the "Income Tax" and "Total" boxes on the payslip the amount of your payment in respect of amounts deducted from sub-contractors. All references to National Insurance should be ignored.
4. DIRECTIONS AS TO PAYMENT. See overleaf.

For your use

Cheque No..... Date sent.....

Month No(s)..... IT £..... NIC £.....

INCOME TAX AND
NATIONAL INSURANCE
CONTRIBUTIONS

Date.....



PAYSLIP

bank giro credit

YEAR

Date

Month Number(s)

BANK CODE No.

10-54-00

TOTAL AMOUNT

£

Cashier's stamp and initials

Cashier's stamp and initials

10-54-00

**BANK OF ENGLAND
HEAD OFFICE COLLECTION A/C
INLAND REVENUE**

Income Tax

£

National Insurance

£

Total

£

P30(Z)

Paid in by.....

10 54 00

99

CONFIDENTIAL

10 April 1981

MR LANKESTER

cc Mr Ingham

CIVIL SERVICE STRIKE

1. Mr Hayhoe held the first meeting of his group at 11am today. You have the full record. This covers the main points.
2. Polaris. I am sure you will be consulted directly by MOD on the Polaris problem. It was emphasised that servicing by military personnel was not a practicable long-term solution.

Economic Effects

3. Peter Middleton explained that the economic effects of the temporary increase in the PSBR were not serious, unless they hit confidence. No sign of this yet. The position would be much worse if Giro was hit, or if there was a bank strike (which is not thought likely).
4. The less said publicly about how payments were continuing to be made, the better. There had been a lot of co-operation from CBI, ABCC etc. The staff at Bush House are tired. So far, loyalty to the Department had sustained them, but they were having to put up with a great deal of abuse and pressure.

Other Developments

5. Customs and Excise said that the newspaper reports greatly exaggerated the effects of the strike action so far. Their offices had authority to amend procedures.
6. Inland Revenue have regained possession of the cheques brandished by Mr Christopher on the front page of today's Times.
7. The principle of computer staff allowing wages to be paid was a difficult issue. Mr Hayhoe said that it would be wrong for wages to be paid while other payments were withheld to those who needed them. Departments were trying to apply this principle, but Scottish Office did not want inadvertently to prevent wages going to weekly-paid civil servants who were working normally.
8. Air Traffic Controller action was no longer expected until after Easter. There was some doubt about the credibility of this threat. There could

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be more intensive action at Dover over Easter - causing annoyance, but no serious effects.

9. General

9. Management morale seemed to be holding out. Many walk-outs might prove short-lived.

Publicity

10. Is the overall Government communication effort about right? My own feeling is that Government could do more to communicate its position - but obviously not before Cabinet discusses its next moves on Tuesday morning.

Tactics

11. At the moment, tactics reflect a "low profile" strategy, with a conscious attempt by Government to react firmly, but not to escalate. The meeting presumed that this remained the strategy.
12. The group will continue to report regularly to No.10, with copies to all Departments. The next report is due on Monday. Most people thought that full reports should only be issued weekly.



ANDREW DUGUID

SECRET

W. H. Hester
10 April 1981
Policy Unit

8

PRIME MINISTER

CIVIL SERVICE PAY DISPUTE

Civil Service

This note contains some further thoughts to ensure that there was no misunderstanding of what we were proposing in our minute of 8 April.

1. "OUR" OBJECTIVES AND STRATEGY DEPEND ON OUR ASSESSMENT OF "THEIRS"

1.1 We are not advocating a sweat-it-out war of attrition; nor are we advocating escalation. We are saying that if neither we nor the unions are prepared to compromise on our objectives, then sweating it out will be the consequence, whether we like it or not, and escalation may then be a legitimate tactic.

1.2 This raises three questions. First, what are our objectives? Second, what do we think are their objectives? Third, can we, as a matter of fact, sweat it out if it comes to that?

2. THE MESSAGE

2.1 The rough synopsis in our note of 8 April (attached for reference) suggested the sort of line. The purpose of the message is threefold:

(1) Establish the facts. A scrupulously honest factual background for Civil Service staff and the public, putting the dispute in the context of the larger national problem.

(2) Reassure the moderates. Substantive proposals which will reassure civil servants that we are not planning to exploit them etc as union militants claim.

(3) Isolate the militants. Talk reasonably to the moderates. Recognise that most civil servants are responsible people doing a good job. No animosity towards civil servants as individuals, only concern about the cost-performance of the Civil Service as an institution. Recognise openly that suspension of Pay Research has caused genuine alarm, subsequently played on by the militants.

3. THE SUBSTANCE

3.1 1981. We cannot go beyond 7% or, at the limit, 7½% to provide the unions with a face-saver. Anything more than that, and the anger and

SECRET

disillusionment in the hard-pressed private sector would become almost irreversible.

3.2 1982

3.2.1 We could propose three-quarters indexing (neater than X% points) to average earnings in the private sector. We would have to make it crystal clear that this formula had nothing to do with the longer-term arrangements to be developed by the independent enquiry - and establishes no precedent.

3.2.2 Is there any concession we can afford to make to help the Civil Service unions accept this proposal? On reflection, we believe that the Government could commit itself to leaving the inflation-proof pension system intact for the life of this Parliament. If inflation is going to come down anyway (and with index-linked gilts, it had better) inflation-proofed pensions will be a diminishing problem. With 5 million people affected, ending inflation-proofed pensions is hardly an Election winner.

3.3 1983 onwards. A new system, to be proposed by an independent enquiry, with broad terms of reference (we need this, because the enquiry could well look at regionalisation, merit payments, productivity, management practices generally). We should make it clear that that system will of course require to collect information on pay in the same way as PRU did. (We suspect that the suspension of PRU rankles most of all.) The rules of the game, the analogues etc, will need to be brought up to date, and the market forces aspect introduced. But any administered, as distinct from market, system will need some sort of data bank.

I am sending a copy of this note to Geoffrey.



JOHN HOSKYNS

RESTRICTEDbc Mr. Duguid
Mr. Ingham**10 DOWNING STREET***From the Private Secretary***10 April 1981**Civil Service Industrial Action

The Prime Minister has seen your letter of 9 April, and is quite content with the proposed arrangements for the group under the chairmanship of Mr. Hayhoe. She would like the publicity aspect to be covered by the CSD's Principal Information Officer, though our own Press Office will be kept in touch by the No.10 representative on the group.

I am sending a copy of this letter to Private Secretaries to all Ministers in charge of departments and to David Wright (Cabinet Office).

J. P. LANKESTER

Jim Buckley, Esq.,
Civil Service Department.

RESTRICTED

Jup

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GIA(81)1st Meeting

MS

*ALL
low*

✓ New Lowbuckor
1. Mr. Whitson (by name)
2. Prince Anstet
*The first mtg of the the
new group under the
Hayhoe's chairmanship.*

GROUP ON INDUSTRIAL ACTION

Note of a meeting held on Friday 10 April at 11 am in Room 60/
1st Floor, Civil Service Department, Whitehall SW1A 2AZ. *Nothing of great
note.*

PRESENT

Minister of State, Civil Service Department (In the Chair)

DL
19/4

- Mr L Hawken - Customs and Excise
- Mr E Broadbent - Ministry of Defence
- Mr J W Cooper - Department of Employment
- Mr A G Turner - Department of Health & Social Security
- Mr R F D Shuffery - Home Office
- Mr J F Boyd - Inland Revenue
- Mr A H Bishop - Scottish Office
- Mr R C M Cooper - Departments of Trade and Industry
- Mr P E Middleton - HM Treasury
- Mr D L Davies -) Treasury Solicitor's Department
- Mr R Ricks -)
- Mr A Duguid - No 10
- Mrs M B Sloman - Civil Service Department
- Mr H Jarmany - Information Services Division, CSD
- Mr A A Carter - PS/Minister of State

Mr C C Allan) CSD
Mr G T W Jones) Secretariat

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INTRODUCTION

1. The Minister of State said that the Group had been set up, on the Prime Minister's instructions, to be responsible for monitoring the progress of the industrial action and for co-ordinating the Government's response. It replaced the Steering Committee on Industrial Action (SCIA) and would meet daily until further notice.

CURRENT INDUSTRIAL ACTION

2. Departments reported on developments in the industrial action:-

i. Ministry of Defence

The Department was considering what arrangements could be made to re-equip 'Resolution' in view of the industrial action at the Clyde submarine base. If it did not prove possible to use senior management, servicemen would have to be brought in - approval of Ministers had been obtained.

ii. Inland Revenue

Picketing had become more serious - at Manchester, for example, police assistance had to be obtained. Some staff are now on indefinite strike at the Worthing Computer Centre; picketing was likely to be severe.

iii. Employment

TRD of 70 staff likely to go ahead, following Ministerial approval, unless CPSA HQ officials persuaded them to cooperate with management. Staff in the Unemployment Benefit Service are under increasing pressure as a result of the closure of the DHSS Newcastle computer.

iv. Customs & Excise

The reports of the effect of strike action on the Northern Ireland Land Boundary and West Coast ports are grossly exaggerated.

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Traffic is flowing fairly freely. Possible problem at Holyhead because of the attitude of British Rail unions' members. The TGWU threatening not to clear goods processed by management. Heathrow data processing staff back at work.

v. Scottish Office

← The SCPS and the CPSA were thought to be ready to agree to carry out payroll work and certain other tasks (including teachers' pensions, and payments relating to family benefits and farm outgoers). The Scottish Office will be discussing this with the unions later today and will be making it clear that the form of selective working proposed is not acceptable. In particular, management could not agree that work relating to payments to private Road Contractors should not be maintained. There was a danger that some small firms could go out of business if payments were not forthcoming. The Minister of State said that it is important for the Scottish Office to adopt a robust attitude. The unions had offered to bear the cost of the salaries of staff returning to undertake selective working. The Minister made it clear that this is not acceptable; management's freedom of action had to be maintained. It would not be right to carry out salaries work and not to process other payments intended, in some cases, to relieve hardship. Management had a legal obligation to pay salaries as soon as practicable, but the courts would probably look favourably on management's contingency planning arrangements in the event of a claim for non-payment of salaries and bills. There are difficulties in making fall-back arrangements for the payment of weekly staff. On another point, the unions had refused to cooperate in making additional imprest payments to overcome problems in settling Travel and Subsistence claims.

EFFECTS OF THE INDUSTRIAL ACTION

3. The meeting discussed the effects of the current and projected industrial action. It was thought difficult to predict the outcome

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of any use of servicemen in lieu of civilian staff. There were likely to be protests and walk-outs but of limited duration. The IPCS (P&T grades) were likely to give stronger support than the other unions because of pay difficulties in 1980. The overall effect on the flow of Government money was not easy to assess. 75% of revenue was being banked. The economic effects of the strike had been marginal so far, and there had been no effect on the general level of interest rates. The Borrowing Requirement had increased but there were reasons for this other than the industrial action. The flow of money depended on GIRO continuing to operate and on there being no significant industrial action in the banks. The next PAYE cycle began on 19 April; it would be less easy this time round to achieve as much as 70% of the normal revenue, but there was optimism that this could be achieved.

4. Morale at management level, particularly in Inland Revenue, was under strain. Staff in Bush House were working hard and willingly (but were doing so out of loyalty to their Department rather than to the Government). There were also morale problems in other Departments but not to the same extent. There was a feeling that this would continue to be so provided a low profile is maintained and provided there is evidence of progress.

5. The meeting did not discuss recovery problems but Departments were invited by the Minister to provide up-to-date assessments at the next meeting.

POSSIBLE DEVELOPMENTS

6. It had been reported that selective action by Customs and Immigration Officers had started at Dover. It was thought that there could be intensive action at the same port during the Easter week-end. Action by Civil Aviation Authority staff was unlikely to start until 21 April.

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MANAGEMENT TACTICS

7. This was left for discussion in the light of the outcome of the Cabinet discussion on 14 April and of the statements to Parliament before the Easter recess.

CIRCULATION OF INFORMATION

8. It was agreed that the CSD would continue to report regularly to No 10, copied to Permanent Secretaries, on the progress of the industrial action. Departments agreed to let the CSD have information copies of any internal submissions to their Ministers on developments in the action; CSD would be responsible for ensuring that other Departments were told of any action which might have repercussions.

PUBLICITY

9. Departments described their arrangements for keeping their staff and the media in the picture. The number of local offices (1300 in Inland Revenue alone) caused problems in disseminating information rapidly, but Departments did their best. It was sometimes no bad thing for later information to be available which effectively discredited the unions' claims and credibility. The Minister urged Departments to continue with their efforts to publicise management's position.

SUMMARY

10. The Minister, summing up, said that the discussion had been helpful. There was no reason at present to change the emphasis and direction of Departments' responses to the industrial action, but this would be kept under review. To date, management had not tried to escalate the action but had responded firmly whenever necessary. It was right for servicemen to be used in Ministry of Defence if alternative arrangements were not possible. If this resulted in escalation, then this had to be accepted.

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11. He invited Departments to follow up any points agreed for action at the meeting. In particular, he was anxious to have information about recovery time-scales at the next meeting.

DATE OF NEXT MEETING

13 April, 1981, at 4 pm in Room 1/60.

Civil Service Department
Old Admiralty Building
Whitehall SW1A 2AZ

10 April 1981

CONFIDENTIAL



From the Private Secretary

Civil Service Department
Whitehall London SW1A 2AZ
01-273 4400

Tim Lankester
Private Secretary to the Prime Minister
10 Downing Street
LONDON SW1

9 April 1981

cc Desmond Ingham
Dear Tim,

Prime Minister
Ld Comm's proposals for the daily group to be chaired by Mr Hayhoe. They seem O.K., tho' I don't think our Press Office need be

CIVIL SERVICE INDUSTRIAL ACTION

Thank you for your letter of 8 April (copied only to the Treasury and Cabinet Office) about the revised arrangements which the Prime Minister has decided should be introduced for co-ordinating the Government's response to the present industrial action.

2. The group is to be under the chairmanship of our Minister of State, Mr Barney Hayhoe and will replace the existing Official Group. The Lord President proposes that membership should consist on a regular basis of representatives at Deputy Secretary level of departments mainly involved. At present those are CSD (which will also provide the secretariat), the Treasury, Inland Revenue, Customs & Excise, Ministry of Defence, Department of Employment, Department of Health and Social Security, the Scottish Office and the Departments of Trade and Industry. It should also contain the Home Office, as the Prime Minister has suggested. We think the legal aspects should be covered, as at present, by representation from the Treasury Solicitor who, of course, consults the Law Officers' Department as necessary. You will no doubt let us know who should be invited from No.10.

Approved
to Andrew Desmond
Consult?
Yes
not
IL
9/1

Approved Desmond

3. It would be useful to have someone to cover the publicity aspect. In the existing committee this is done by the CSD's Principal Information Officer. This arrangement could continue unless the Prime Minister prefers to nominate Mr Ingham or one of his staff.

4. The Group proposes to hold its first meeting at 1100 tomorrow, Friday and we are sending out invitations by telephone this afternoon. Although we propose the regular membership should be as set out above it will be essential for other departments to attend should they become seriously involved with industrial action. I am accordingly copying this letter to the Private Secretaries of all Ministers in charge of departments, as well as to David Wright at the Cabinet Office.

Yours sincerely,
Jin Buckley.

J BUCKLEY



Prime Minister.

AM

SW

Mr Whitmore

we spoke. Here is the sketch
an arbitration "bits" by the
Govt.

Also, the Lord President has
asked that the Prime Minister
see (before Cabinet) X on
the first part of the report from
the Scottish Secretary. In the
Lord President's view we shall have
to avoid this sort of thing if
we are to convince the unions
we are in good faith.

Buckley. 8 April 81.

32

To See S 8/4



SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

LORD PRESIDENT'S OFFICE

Mr Allan

~~PS - Mid of State~~

PS - Perm Sec

PS - Second Perm Sec

LP (JB) -

Mr Fraser

7 April 1981

Mrs Stoman

Jim Buckley Esq
Private Secretary to the
Lord President of the Council
Civil Service Department
Old Admiralty Buildings
Whitehall
LONDON SW1A 2AZ

Dear Sir

You may be interested to see the attached note which recounts a meeting which my Secretary of State had with Tony Christopher of the Inland Revenue Staff Federation and a number of those staff on strike at the Inland Revenue Centre in Cumbernauld, when he visited Cumbernauld last week.

I am also sending copies to John Wiggins, Gary Rogers and Sue Tyrrell in Sir Lawrence Airey's office at the Inland Revenue, all of whom were involved in our preparations for this encounter.

Yours ever

D N G REID
Private Secretary

MANAGEMENT - IN CONFIDENCE

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Copies to PS/CS
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SECRETARY OF STATE'S VISIT TO CUMBERNAULD
MEETING WITH REPRESENTATIVES OF INLAND REVENUE STAFF FEDERATION

The Secretary of State met representatives of the striking Inland Revenue staff last Friday, as arranged, in the course of his visit to Cumbernauld. The group was led by Mr Tony Christopher, General Secretary of the Staff Federation, and Mr Ted Elsley, a member of the Council of Civil Service Unions, and there were six representatives of the strikers from Cumbernauld also present. Mr McClellan and Director SIO were with the Secretary of State at the meeting, and I was also present.

X | Mr Christopher acknowledged that the Secretary of State had no departmental responsibility for the Civil Service pay dispute, but explained that his people had felt they could not miss the opportunity of bending the ear of a Cabinet Minister, to impress on him the depth of feeling in the Service about the present dispute. He regretted the effect that the dispute was having, particularly in Scotland where there were already serious unemployment problems. He then outlined the attitude of those taking industrial action. The strike in Cumbernauld was now entering its fourth week, and the solidarity and determination of the participants was greater than ever. The unions had warned Ministers, in particular the Lord President and the Chancellor, of the nature of action to be taken in the event of a dispute, and subsequent events had borne this out. Civil Servants had reacted against action by the Government which was wholly discriminatory - the pay agreement had been suspended on previous occasions, but on those occasions this had been only a part of wider action to keep the nation's pay settlements within reasonable limits. Civil Servants were also enraged about the proposal to change the means of settling pay, and there was a considerable gulf of view between the two sides on this matter. It now appeared from evidence given by the Chancellor to the Treasury Select Committee earlier in the week that he had also made his mind up about the limit to be imposed on Civil Service pay for the year 1982/83. In these circumstances, Civil Servants believed that they had an employer which held them in contempt, and they regarded the present dispute as a straightforward battle for their economic future. The dispute had already inflicted much damage on the Service, but if the Government persisted to the point of crushing the unions the harm would be irreparable.

Mr Christopher referred specifically to the circumstances of the collection service at Cumbernauld. This was a traditionally moderate sector of the Service, but their unity and loyalty had now been turned against the Government. The regional management of the collection service had, in his view, now collapsed, with more than half of the Principals and SEOs on strike, as a more acceptable alternative to suspension by their employer. The unions had chosen this area as one for disruption to show the strength of their feelings without inflicting damage directly on the public. However, the Government should not expect that the unions would continue indefinitely to direct their action away from the public, and he expected ports and airports to become one of a number of new targets if there was not some movement from the Government in the dispute.

Other points raised by members of the delegation were the awards in excess of 6/7% given to other public sector workers who had more muscle to flex than Civil Servants - miners, water workers, power workers, other staff in nationalised industries, and - on the day before the meeting took place - electricians in the public sector who had been awarded 13%. The unions had drawn their own conclusions from the results of such industrial action, threatened or real. Another member of the delegation asked why any employer should be afraid of arbitration. The Secretary of State replied that any employer would be naturally anxious if he thought an arbiter might reach conclusions which he could not afford. (At the Secretary of State's subsequent press conference, it appears that Mr Christopher drew the conclusion from this statement that the Government believed that arbitration in the present dispute would result in an award in excess of the current offer, but the Secretary of State certainly made no statement in those terms.) Mr Christopher doubted that any responsible arbitration would fail to take account of the resources at the disposal of an employer.

The Secretary of State explained that, of course, he was not the Minister responsible for these matters, but undertook to pass on the nature of the remarks made by the delegation. He stressed that the Government was anxious to enter into discussions on finding a new system for settling pay, and was willing to listen to whatever the unions had to say. He sympathised with the position in which the strikers now find themselves, it never being a pleasant experience to be on strike. He asked, however, for the strikers to consider the difficulty faced by the Government in trying to keep the country sensible about pay. He was much concerned that his employees should be treated fairly, but there were many circumstances in which fairness was an unrealistic objective, and if in the present economic climate the Government were to grant the unions claim, it would invalidate what efforts had been made in helping the economy to recover, it would be bad for the Civil Service because of the hostility a settlement would arouse amongst those who had lost their jobs or had had to settle for little or no increase in the present year.

Mr Christopher acknowledged that he did not disagree with the possible effects of such a settlement as outlined by the Secretary of State. However, he stressed that senior Ministers had been warned what course a dispute between Government and the Civil Service would have taken, and yet made no attempt to avoid a confrontation. It was always unfortunate when an employer or union was put in the position of having to save face, but he stressed that every Civil Servant now believed he was fighting both for his dignity and for his economic future and believed that such a fight could last a very long time.

The Secretary of State thanked Mr Christopher for a useful exchange of views, and said he hoped that both sides could come together for constructive talks before long.

The Secretary of State subsequently visited the Inland Revenue buildings. His entry and exit were unhindered, and while in the building he met the Office Manager, Mr McMaster, and a number of his staff - about 15 to 20 were in the building at the time. He saw the arrangements that were made for payments from major tax payers to be passed along the line, in order so far as possible to maintain a reasonable in-flow of revenue. Mr McMaster estimated that, 4 weeks into the dispute, it would take at least 12 weeks to make up the backlog of work, and until the end of the year to achieve a balance in the accounting system. He referred also to the effect on future developments at the Centre. This matter subsequently made the headlines, because it involved the delay in expansion of the office's activities in Cumbernauld, involving a delay in the creation of up to 200 jobs there.

The background to this matter is as follows. The Cumbernauld office is presently only working at half its full capacity. For example, there are just over 500 staff, whereas it has facilities for 1,000 staff in all. The Inland Revenue operates on a system of 14 regions, of which the Cumbernauld office is responsible for 7, and the other collection centre at Shipley for the other 7. The collection of Schedule D tax is to be centralised in phases at each of the centres. Cumbernauld was to start collection from 2 regions on 1 January 1982. Preparatory work, in particular computer programming and the preparation of address files, has been under way for some time, but were suspended when the industrial action started last month. If it had proceeded to schedule, the recruitment of staff to run the new system would have started in August, building up to the end of the year. There will be progressive corresponding reductions in the local collection offices from which this function is being withdrawn, although I understand that the reductions might not be fully commensurate. A final decision was to be taken in early May, but that was before the dispute began. It is now therefore fairly certain that the decision will have to be to defer implementation of the first phase of the transfer by 12 months, until the collection year starting 1 January 1983. This is, however, a matter on which the decision rests with senior Inland Revenue management in London.

At his press conference the Secretary of State referred to the potential loss of office jobs, but in answer to questions from the press explained at some length that these jobs were only deferred not lost for good. Those press reports that say the latter are therefore wrong. I might say that the gentlemen of the press clearly found some difficulty in grasping the cyclical nature of the Inland Revenue's activities and their consequences on manpower planning.

D N G REID
for PS/S of S.
6 April 1981

CSAT AWARDS UNDER THE CHAIRMANSHIP OF MR CALCUTT QC

AWARD	SUBJECT	CLAIM	OS OFFER	OUTCOME
<p>505 Civil Service Union v CSD</p>	<p>LABORATORY ATTENDANTS: Increase in Salary Scale Terms of reference also invited the Tribunal to decide how the Laboratory Attendants' pay should be treated in the future.</p>	<p>Increase on existing maximum of 22% with corresponding increases on the existing salary scales.</p>	<p>Decrease of 3% on existing maximum and substantial shortening of salary scale.</p>	<p><u>AWARD NEAR OS OFFER</u> Increase of maximum of 4½% with some shortening of salary scale. The Tribunal refused to consider the second half of the terms of reference, effectively telling the parties to sort it out for themselves.</p>
<p>506 Civil Service Union v CSD</p>	<p>ROYAL PARKS AND ROYAL BOTANICAL GARDEN CONSTABULARIES IN ENGLAND AND SCOTLAND: Claim for increased pay scales.</p>	<p>Average increases on the existing maxima of all ranks of about 32%.</p>	<p>Average increases on the existing maxima of all ranks of about 16%.</p>	<p><u>AWARD SUBSTANTIALLY SUPPORTED OS CASE</u> Whilst in general the award was marginally above the OS offer, in some instances the award was below the OS offer.</p>
<p>Institution of Professional Civil Servants (IPCS) and CSD</p>	<p>ADVISORY OPINION: The Tribunal was asked by the parties to consider the pay issues arising from the 1979 Pay Review for the Professional and Technology Group which the union claimed formed a matter of principle and to express an opinion on them.</p>	<p>The Institution of Professional Civil Servants argued that in the 1979 Pay Review the CSD had ignored factors which in the past had consistently been applied to determine the pay of the grades concerned and that the department had without justification changed the criteria on which it calculated its offer and that a point of principle was thus involved.</p>	<p>The CSD submitted that its offer must be based on pay research information directly related to the current year, whatever happened in the past influenced (but no more) the CSD attitude. Major consideration had to be given to the current evidence.</p>	<p><u>OPINION SUPPORTED OS CASE</u> In its advisory opinion, it was clear that based on the submission of both parties the Tribunal favoured the Official Side approach.</p>

AWARD	SUBJECT	CLAIM	OS OFFER	OUTCOME
507 IPCS V CSD	PROFESSIONAL AND TECH- NOLOGY GROUP 1979 PAY REVIEW Claim for increased pay scales. (Following on from the earlier advisory opinion)	Increases for grades in the group, averaging, in cost terms, 43%.	Increases, averaging in cost terms, 19%.	AWARD NEAR OFFICIAL SIDE <u>OFFER</u> Award of increases, in cost terms, of 23%. The award also totally indicated the official Side's position on calcu- lating the pay award on the basis of current evidence. The award was made by the Chairman only; the other members of the Tribunal being unable to agree.
508 IPCS V CSD	SCIENCE GROUP 1980 PAY REVIEW: Claim for increased pay scales.	Increases for grades in group averaging, in cost terms, 23%.	Increases averag- ing, in cost terms, 12.2%	AWARD NEAR OS OFFER The Tribunal found for the OS on the 3 lower grades (with a marginal increase over the offer) and substantially for the OS on the SPSO. The award for the PSO went above the offer but fell far short of the claim.

SECRET

W Whitmore 7c
8 April 1981
Policy Unit

PRIME MINISTER

Top copy returned to J.H.

CIVIL SERVICE PAY

You are discussing this at Cabinet tomorrow. This note offers some lines of thought.

1. WHAT ARE OUR STARTING ASSUMPTIONS?

1.1 Is our objective now to "settle", as Christopher Soames seems to be suggesting? Or to achieve our 7% settlement, without compromising 1982 or long-term arrangements thereafter, even if the price is the continuation of the present disruption?

1.2 How long can we sit out the present level of disruption? For example, is it theoretically possible (provided we can sell it politically) to accept the costs of the present level of disruption almost indefinitely simply spelling out very clearly to the public that this is what we propose to do, and why we have to do it, and that they - the public as a whole - will, as ever, have to pick up the bill in increased taxes? As you know, we believe that as a general rule (ie except where life and limb are endangered) the only way to end the strike-culture is to let it happen - whatever "it" entails - concentrating all our efforts on just one thing - mobilising public opinion to win the battle for us. It is exactly like hijacking.

1.3 We are strongly against compromising on 1982 or thereafter in order to win on 7% now. We have a dispute on our hands and we'd better get out of it what we need to get.

2. WHAT ARE OUR NEGOTIATING OBJECTIVES?

2.1 What is the minimum we must win from the present dispute? For example:

- Not more than 7% this year.
- A smaller increase (eg earnings de-indexed by 5% - a totally different thing from full index-linking of the fatal type we know).
- Longer-term arrangements from 1983 onwards which cannot increase the Civil Service total wage bill, as a percentage of GDP, regardless of the level and trend of inflation.

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- 2.2 What would the wider implications be (knock-on effect, encouragement of militancy in Civil Service and other public service unions, damage to Government credibility, public outrage etc) of settling for "softer" objectives, especially for 1981 and 1982?

3. WINNING A PROLONGED DISPUTE

- 3.1 If we conclude that it is theoretically possible (as at Section 1.2 above) to sweat it out, if necessary for months, then effective communication of this fact should make it unnecessary to do so. The message would be something on the following lines:

"Here are all the basic facts: Civil Service have had pay increases of 50% in the last two years; 7% offered this year; for 1982, average earnings less X%, ie the same as the treatment of the much lower benefits paid to unemployed, most of whom are in the private sector. For 1983 onwards a new system; as proposed by an independent enquiry to be set up. Compare settlements now in the private sector. Total amount of labour-shedding in the Civil Service since the General Election; compare this with redundancies in the private sector. People with inflation-proofed pensions trying to demand more than the country can afford (which can only be met by higher taxes).

"This is why the PRU system was suspended - no intention of victimising civil servants, but look at the facts (as above) and recognise that these are difficult economic times for the country, for which many in the private sector are suffering much more severely. The public service has to bear its share of the hardship and public opinion is very strong on the matter.

"All we are asking is that the civil servants should share in the country's hardship. No-one is forcing them to stay in the Civil Service. They can if they want leave. If they argue that this is not easy because they can't get jobs elsewhere, then they are simply conceding our argument - that jobs are hard to get in the economy and that their jobs are better than many and more secure. And of course modest pay increases are the quickest route to bringing down unemployment.

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"This is what is at stake for the country (as in Section 2.2 above). We're all in the same boat together.

"We are prepared to sit this out. It will take a long time before it affects the Government's finances and thus the economy. But if it does so, we shall all simply have to pay that price. If we conceded an excessive pay claim, the damage to the economy would be immediate and we would have to increase taxes as follows. If the disruption drags on, it will not have much effect for X months. If commonsense has still not prevailed and it does drag on that far, then we shall increase taxes as follows, because we shall certainly not print money and thus raise inflation, nor will we borrow money and thus raise interest rates. The public as a whole will have to pay for the damage, because the disruption, like most strikes and disruption, is aimed in the end not at the Government - which has no money of its own - but at the public, ie you the taxpayer, from whom all the money eventually has to come, for everything Government spends.

"In due course, we may have to use stronger sanctions in order to make the cost of the disruption heavier to those who are causing it, and who could perfectly well call it off. But we shall certainly give fair and ample warning before imposing such sanctions."

- 3.2 Further comments could touch on, for example, the threat to the country's defence, in the context of a world situation in which Russia appears posed to invade Poland. All for an additional 8%.
- 3.3 All this could possibly be done in a Ministerial broadcast - ideally by Geoffrey. Its purpose is to warn people to prepare for prolonged disruption and inconvenience (and thus start to arouse their feelings against the Civil Service unions). Rather like a notice outside a construction project - "apologies for any inconvenience caused while we settle this dispute".
- 3.4 If this was a Ministerial broadcast, it would put Labour in the position of either condoning fiscal or monetary irresponsibility and supporting a Civil Service which is at present unpopular with the public; or broadly agreeing with us.

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3.5 Escalation

If we take this route, it may make sense to stiffen our position by warning that, after a certain date, any eventual settlement will no longer be fully backdated but will move forward with the length of the dispute. Other sanctions may be possible. Each day's delay under such an arrangement could cost the Civil Service membership about £2m in lost pay increase. Suitably publicised, this could increase uncertainty among union negotiators. They don't hold all the cards.

3.6 We stress that this line can only be taken if we are pretty certain that it is possible to sweat it out. Once we are certain, then the more strongly we put this line, the better. It is a matter of - shaping expectations, without bluffing.

4. OTHER COMMENTS

4.1 On balance, we favour Christopher Soames' suggestion of an independent enquiry. MISC 54 seems to be coming up with good ideas, but it could not play out time with 1983 in mind or have the authority on which to base radical changes. We don't want a permanent system before 1983 because 1982 will be another year of Transition - with the need for further fairly rough justice in order to settle below the going rate of inflation.

4.2 Great care will have to be taken with any independent enquiry to appoint the right members and give them the right terms of reference. In particular, they must be required to design a system which cannot, under any circumstances of inflationary acceleration or deceleration, end up inadvertently giving the Government a blank cheque commitment to increase the Civil Service's wage bill as a percentage of GDP.

4.3 It cannot be right to offer arbitration in 1981 when we have already agreed that arbitration is something we want to scrap.

I am sending a copy of this minute to Geoffrey.



JOHN HOSKYNS

SUBJECT

CONFIDENTIAL FILE

ds



cc Mr. Augustid
cc master

10 DOWNING STREET

From the Private Secretary

8 April 1981

BF 13.4.81

Dear Tim.

As you know, the Prime Minister had a discussion with the Lord President and the Chancellor of the Exchequer this evening about the Civil Service pay dispute. In addition to discussing the Lord President's proposals as contained in his paper for Cabinet tomorrow, they discussed the question of co-ordination and monitoring. The Chancellor argued that the Government's position needed to be concerted to a greater extent than it was at present. Information on the conduct of the dispute was coming in in a rather haphazard way. Departments were not sufficiently informed of what was going on in other departments, and departments' response to the dispute needed to be better co-ordinated. He suggested that a Ministerial committee should be established which would meet daily.

The Lord President explained that there was already an official group under CSD chairmanship at Under-Secretary level which met twice weekly. Its job was to co-ordinate the Government's position in the way the Chancellor was suggesting, but it could only be effective if departments affected by the strike kept it fully informed.

The Prime Minister said that, to meet the Chancellor's concern, the present group should be up-graded and should meet, at least for the time-being, on a daily basis. It should be chaired by Mr. Hayhoe and those departments currently affected by the dispute should be represented at Deputy Secretary level. It would be desirable that the Home Office (in view of the police aspect), the Law Officers' Departments, and No.10 should be represented, and also possibly the Department of Employment.

The Prime Minister would be grateful if the Lord President would quickly advise on which departments should be represented with a view to setting up the new group forthwith.

I am sending a copy of this letter to John Wiggins (HM Treasury) and David Wright (Cabinet Office).

Jim Buckley, Esq.,
Civil Service Department.

[Handwritten signatures]
Tim Lahr.

CONFIDENTIAL

Spds.



Ref. A04680

PRIME MINISTER

Civil Service Pay

(C(81) 14)

BACKGROUND

The industrial dispute is now in its fifth week. There are no signs of weakening by the Civil Service unions. The dispute is ugly in the Inland Revenue; elsewhere support is not growing much, but it is not diminishing either. Under the surface damage is being done. I fear that, if the dispute drifts on, the atmosphere will become more sour. The Government has widespread political support; in order to retain that support, and to give the moderates some sign of hope and something to respond to, I believe that the Government needs now to be seen to make a constructive move. I do not think that this can or should wait until you get back from India and the Gulf. If it is not to wait, you will want to be sure before you go that a proper gameplan has been established. You will have discussed these matters with the Lord President and the Chancellor of the Exchequer before the Cabinet meets. Subject to whatever may have emerged from that discussion, there would seem to be three elements on which clarity is needed:-

- (a) Is it agreed that the time has come for some move? Does it matter if the dispute drags on into May?
 - (b) Is the Chancellor prepared to accept that the control of public expenditure has to allow for some room for manoeuvre in the determination of levels of pay (though not of course of the level of Government spending)?
 - (c) Who should control the tactics? Cabinet is too unwieldy (and too leaky) to devise or implement a tactical plan.
2. The Lord President's paper asks colleagues to endorse the framework for a final settlement with the unions set out in his paragraph 9: 7 per cent this year, an independent inquiry into the longer term, and negotiations plus, if necessary, arbitration for 1982. Colleagues may readily accept the first two proposals. But

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1982 is much more difficult - not least for the Chancellor. The Civil Service Department are convinced that, as things now are, it would require a binding commitment either to agree to arbitration if necessary or to accept the results of some linkage to bring the unions to call the industrial action off. But it is not necessary to go as far as that now. Even if something short of that would not win the trick, a proposal to the unions which included a long-term inquiry and a commitment to negotiate in 1982, with an indication of the factors which the Government would be ready to include in the negotiation - comparisons with movements of earnings in the private sector, recruitment and retention, job security - would attract moderate members of the staff and would make it more difficult for the unions to step up or even maintain the level of industrial action, and could well prove enough to break the logjam, and increase union willingness to look for a settlement.

3. Depending on the way the discussion goes, you may well wish tomorrow to seek Cabinet authority for the detailed conduct of the dispute to be left in the hands of yourself, the Chancellor of the Exchequer, the Lord President and the Secretary of State for Employment. Quite apart from the greater ease of handling, and quicker response, which such an arrangement would give, it would also avoid the necessity of having to circulate papers on this dispute widely to colleagues.

HANDLING

4. You will want to ask the Lord President to introduce his paper and then call for comments particularly from the Chancellor of the Exchequer and the Secretary of State for Employment.

CONCLUSIONS

5. The essential conclusions, I suggest, are:-

- (i) For or against the establishment of an independent inquiry to recommend the most appropriate long-term pay negotiation arrangements for civil servants.
- (ii) Remitting the detailed conduct of the dispute to a small group chaired by yourself.

6. It would then be enough simply to take note of the other points made in discussion as general guidance for the smaller group.

8th April, 1981

-2-


ROBERT ARMSTRONG

SECRET

CONFIDENTIAL



Civil Service Department
Whitehall London SW1A 2AZ
01-273 4400

The Rt Hon Sir Michael Havers QC, MP
Attorney General
Attorney General's Chambers
Royal Courts of Justice
Strand
LONDON WC2A 2LL

7 April 1981

g Dupin

7

7/4

Dear Attorney General,

CIVIL SERVICE DISPUTE: TEMPORARY RELIEF FROM DUTY

Following your minute of 2 April, giving advice on ways of streamlining the TRD procedures, further discussions have been held between officials in my Department and in the legal Departments. They took into account the comments in the Lord Advocate's minute of 6 April.

As a result, Departments have been given further guidance on the ways in which the procedures can be modified in certain circumstances, to overcome some of the unions' tactics. I am grateful for your help and for that of the Lord Advocate.

I am copying this (together with a copy of the instruction to Departments) to the Prime Minister, Geoffrey Howe, Jim Prior, James Mackay and Sir Robert Armstrong.

Yours sincerely,

Buckley

(Private Secretary)

*Dictated by the Lord President
and signed in his absence.*

SOAMES

CONFIDENTIAL

PRIME MINISTER

PA
(CF file) 1
Mr
7/4

Civil Service Pay

In the House this afternoon you said:

"I do not regard a 50% increase in pay this year compared with two years ago, and a further offer of 7%, which will lead to an increase of 11% over last year's pay, because of the way in which staging takes effect - together with job security and inflation proof pensions - as bad treatment."

I have talked at some length to the CSD, and also to the Treasury, about the figures underlying the present Civil Service pay offer, It is undoubtedly true that the full cost of the current offer is more than 7%, but I am afraid that none of us can bring it up ^{to} as much as 11%.

The CSD have sent us the attached letter about the figures, but I do not find it very illuminating. I think that the easiest way to tie the figures together is to say that the offer itself entails an extra 7% on the pay bill, assuming that the numbers and grades remain unchanged. Another 1% is to be added for incremental drift and another 1% on top of that to take account of last year's staging. That makes 9%. Everyone is content to agree that the figure of 9% is a fair reflection of the cost of the offer before taking account of any manpower reductions that may be achieved. In drawing up the estimates the CSD also included extra provision for national insurance, increased overtime working, and staging for industrial civil servants, but they would resist adding those figures in to the total drawn up in the way I have described.

No-one has yet followed your remarks up with us, but I am afraid that the unions will do so when they see them in tomorrow's papers and in Hansard. If we get press queries tonight, the Press Office stand ready to say that everyone already knows that the cost of the offer will be more than 7% because of staging, but that the exact figure will depend on the scale of manpower reductions which is achieved. I think that this is a

/sensible

sensible holding line for the moment.

MS

P.S. Can you tell us who it was who gave you the 11% figure?

No - it has come
up in discussion
and I think has been
in the press.

7 April 1981

PERSONAL AND CONFIDENTIAL

PRIME MINISTER

Civil Service Pay

I followed up yesterday your suggestion on Friday that I should consult Mr. Alan Lord about this.

2. His views were as follows:-

- (i) It was important to take a firm line with civil servants who were not prepared to do their work with full flexibility. They should be sent home without pay. If necessary, whole offices should be closed, and the unions obliged to honour their commitment to maintain 80 per cent of the earnings. If there were managers who were refusing to carry out managerial duties (e.g. of giving staff the necessary warnings), they should be invited to consider very seriously where their loyalties should lie. In private industry, if managers persisted in refusing to carry out their managerial duties, their services would be dispensed with.
- (ii) The Civil Service should not be offered any improvement on the 7 per cent already offered. If the Government was prepared to offer an extra $\frac{1}{2}$ per cent if that was all that stood in the way of a settlement, it would be very important to make sure, before playing the card, that it would take the trick.
- (iii) Mr. Lord thought that the main grievance of the Civil Service was that the Government had taken away an agreed system of settling pay without putting anything in its place. The Civil Service was entitled (his word) to assurances from the Government that an "ordered and agreed" system should be restored. Mr. Lord realised that there was no possibility of agreeing a new system in the timescale of the settlement of the current dispute. He saw the arguments for going for an inquiry into the long-term system of pay determination. If Ministers did not wish to commit themselves finally to an inquiry, they



PERSONAL AND CONFIDENTIAL

might say to the unions that they would come forward with proposals for a long-term system of settling Civil Service pay, intended to be fair both to the taxpayer and to the staff, which would enable pay negotiations to take into account as objectively as possible all relevant factors, including relevant outside comparisons (but avoiding circularity), economic circumstances, and recruitment and retention, and that, if it was not possible to decide upon a new system by agreement, the Government would be prepared to consider setting up an independent inquiry like the Priestley Royal Commission.

[I think the weakness of this is that, with a commitment to an independent inquiry in the event of failure to reach agreement, the unions would have little or no incentive to try to reach agreement; they would be too concerned to preserve positions for the inquiry. So my judgment still is that, so far as the long term is concerned, there has to be a straight choice between offering to come forward with proposals for discussion with the unions and going straight to an inquiry.]

- (iv) As for 1982, Mr. Lord thought that the idea of a one-year linkage had attractions - it would ensure that the Civil Service did not lose any more ground but it would also avoid any catching up of lost ground in 1982. Either arbitration or an ad hoc independent review would be more risky in that respect. It should be possible to forecast the outcome of a linkage sufficiently closely to be able to set a realistic cash limit. But it would be important to avoid circularity in the linkage. The best way of doing this would be to link to an index of private sector earnings only (manual and non-manual). If there was no suitable index of private sector earnings available, and the monthly index of average earnings had to be used, it would be important to be able to bring other relevant factors (economic circumstances,



PERSONAL AND CONFIDENTIAL

recruitment and retention) into the negotiating frame, and whatever was offered to the unions would have to be so expressed as to permit this. Thus the Government might say that for the 1982 settlement they would be prepared to negotiate with the unions on the basis of an understanding (or a commitment) that the movement of Civil Service pay between April 1981 and April 1982 would be linked for that year only to the movement of earnings in the private sector. Then, if the only index available was one which combined the private and the public sectors, the Government would be free to argue that the increase in Civil Service pay should be less than the movement of the index because of the various factors that had meant that private sector earnings had risen by a smaller amount than public sector earnings over the period. With a link to private sector earnings, the Government would in effect be asking the Civil Service, with a high degree of job security, to accept the same level of increase as the private sector, with much less job security.

3. On the relationship between cash limits and pay, Mr. Lord emphasised the need to insist upon numbers as the other variable. In private industry it was not too difficult to get across to employees and unions that the employer could afford to pay so much, and that, if the unions demanded higher rates of pay, that had to be taken out in reduced numbers. He recognised that that was more difficult in the Civil Service, where responsibility for pay was centralised in the Civil Service Department, while responsibility for numbers lay largely with Departments, and the union leaders at national level who negotiated on pay were not much concerned with or much interested in numbers. But in the presentation both to the unions and to the public the connection should be stressed, so that civil servants were more aware that, in supporting pressures for higher pay, they were putting their own and their colleagues' jobs at risk.

4. Mr. Lord also made the general point that Ministers might find it easier to deal with the Civil Service, and to bring them to accept the realities of the situation in relation to pay, if they abused them (his word) less in public.



PERSONAL AND CONFIDENTIAL

They were the employers of civil servants. For all employers - in the public services as in private industry - it was just as important, if not more important, in the employers' interest, to speak and treat the employees fair in general at times when it was necessary to be very tough on pay and on numbers, as it was at times when conditions were easier. If Ministers could bring themselves to say in public that they believed in and wanted to see an efficient Civil Service fairly paid for its work, that might help to restore the Civil Service's confidence in the Government as employer.

RA

(Robert Armstrong)

7th April 1981



The National Archives

LETTERCODE/SERIES <i>PREM 19</i>	Date and sign
PIECE/ITEM <i>400</i> (one piece/item number)	
Extract/Item details: <i>Minute from Moss to Parliamentary Clerk dated 7 April 1981, with attachment</i>	
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CIVIL SERVICE DEPARTMENT
WHITEHALL LONDON SW1A 2AZ

Telephone Direct line 01 273 _____
Switchboard 01 273 3000

6 April 1981

E Broadbent Esq CB CMG
Ministry of Defence
Main Building
Whitehall
SW1

Dear Ewen,

TEMPORARY RELIEF FROM DUTY (TRD)

- 1 George Moseley's letter of 21 December 1979 to Neil Cairncross, copied to all members of main EOM and EOM (Small Departments), forwarded the then legal advice on the use of TRD, and enclosed guidance, approved by Ministers, on the procedures to be followed.
- 2 Further legal advice has been obtained on the possibility of streamlining the procedures where particular circumstances justify doing so.
- 3 The TRD procedures were drawn up to provide management with reasonable confidence that possible court actions by individuals would not be successful. For example, in drafting the warning notice the lawyers had very much in mind that, in the event of litigation, the courts would be bound to ask whether reasonable and effective steps had been taken to warn those concerned of the consequences of their action. The warning notices would provide evidence that we had.
- 4 There are dangers in trying to cut corners. Nevertheless, recent legal advice is that, in certain circumstances, the procedures, in particular those relating to the warning period, can be modified. Each case, as always, has to be decided on its merits; it would be even more important for legal advice to be obtained beforehand.
- 5 The general practice has been that, once ministerial approval has been given, four main steps are taken if the full TRD process has to be implemented:-
 - i tell the unions
 - ii oral warning (usually given to staff collectively)
 - iii individual written warning notice
 - iv individual written final notice.
- 6 5 i. and 5 ii. are not a legal requirement. They are not indispensable and can be omitted in particular cases if Departments wish to do so.
- 7 5 iii. and 5 iv. are indispensable if we are to meet the criteria in paragraph 3, but we have been advised that streamlining in one or more of the following ways is possible in certain circumstances:-

Issuing "anticipatory" individual warning notices

These would be given to staff who are not yet in fundamental breach of contract but where management has reasonable evidence to believe that they are likely soon to be. A typical case might be where the industrial action is moving around the office in a "relay" way or where selective action occurs at regular intervals involving the same groups of staff.

ii Shortening the warning notice period

Paragraph 5 of George Moseley's letter of 21 December 1979 pointed out that a period shorter than two days is possible. During the current action, some Departments, having taken legal advice, have applied a 24-hour period. Legal advice is that a period less than that is also possible - depending on the circumstances.

iii Dispensing with an individual warning notice

Instead of an individual warning notice, it is acceptable to display a general warning notice at a place where the staff concerned can be expected to see it. Staff should not be temporarily relieved from duty until management is satisfied that all reasonable steps have been taken to ensure that staff were made aware of the notice. The strong legal advice is that this modified procedure should be used only in the "most exceptional circumstances".

8 Although legal advice supports, exceptionally, accelerated procedures, it has been made clear to us that a final notice must be given to each individual if TRD is to be carried through. Ideally the notice should be handed to the individual (and if possible a receipt obtained from him) but in situations where such handing over is not possible the final notice may be sent by recorded delivery to his personal address or, if this is not known, sent to his office.

9 Legal guidance on the use of the modified procedures is being sent to departmental lawyers by the Treasury Solicitor's Office and the Scottish Solicitor's Office.

10 Because of the legal aspects and of the industrial relations implications, it will be important for the appropriate departmental Minister to continue to be consulted before TRD goes ahead. Cases should continue to be reported to the CSD.

11 I should be grateful if you and the other recipients of this letter would see that the guidance procedures are known to those who have a need to know.

12 I am sending copies of this letter to all members of main EOM and EOM (small Departments).

*Yours ever,
A M Fraser.*

A M FRASER

cc D L Davies Treasury Solicitor
J Mullinson Law Officers Dept
L Oates " " "
P Layden Lord Advocate's Dept
J L Jamieson Scottish Office

PS/Permanent Secretary
PS/Second Permanent Secretary
Mrs Sloman
Mr Allan
Mr Hodges

Civil Service



Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

PRIME MINISTER

CIVIL SERVICE STRIKE

I am increasingly concerned that we are not managing the strike effectively. The situation is developing all the time and it is only the CSD, at the moment, which has an overall view. I am bound to say that I do not feel that that Department is taking enough of a grip of the situation and there is some ambiguity about its objectives.

I am afraid the situation may deteriorate rapidly. We need to keep in very close touch and make sure that what is done in various Departments conforms to a coherent strategy. I wonder whether the time has not come to establish a small group of Ministers to assume operational control, meeting daily and reporting to you very frequently?

Prime Minister.

I suspect that this reflects the Chancellor's concern about the particular (G.H.) problem of the Inland Revenue where 6 April 1981 industrial action is escalating more rapidly than elsewhere. I do not have the impression that matters are so serious in other departments that a daily meeting of Ministers is necessary yet. Of course if such a group were set up and its existence became known, the unions would interpret it as a sign that Ministers were getting really worried. Would you like to discuss with the Chancellor and the home President? John Gw

Yes
no

BACKGROUND NOTE

The Chief Secretary said in the House on Monday 30 March that the CGBR for 1980-81 would be between $\frac{1}{2}$ to $\frac{3}{4}$ billion higher than the estimate of £12,760 million included in the Financial Statement and Budget Report. Transactions on the last two days of the financial year were rather better than forecast, and the deterioration in the CGBR is now put at less than $\frac{1}{2}$ billion. The detailed figures underlying this are:-

Strike effect:	£ million
Inland Revenue including national insurance	600
Customs and Excise	250-300
	<hr/>
	850-900
	<hr/>
Total deterioration in CGBR compared with the FSBR estimate of £12,760 million	300-500

The deterioration in the CGBR is less than the total strike effect because of offsetting factors quite unrelated to the dispute. Supply expenditure is £400 million below the amount suggested in the Financial Statement and Budget Report. Interest payments and receipts account for a further £140 million. This will be apparent from the regular Press Notice on the CGBR due to be published on Thursday 9 April.

Latest figures would suggest the cumulative strike effect is now slightly over £1 billion. Inland Revenue and Customs and Excise estimate that about three quarters of the normal tax revenues are currently being paid into the Exchequer accounts. The proportion was rather more than three quarters in March.

The net increase in the borrowing requirement presents no risk for overall economic management. It is not possible to identify the precise method by which the extra borrowing needs are being financed because the Bank of England arrange the totality of central governing financing in the context of the market's general cash position. However, the easier position in the money market in the last few weeks has enabled the Bank to run down its holdings of Commercial Bills. The yield on these is similar to that on Treasury Bills. The net cost to the Exchequer will be equivalent to that of a higher Treasury Bill issue. As a rough rule of thumb, the interest cost of £1 billion is a little over £2 million a week.

Line to take on the Financial Effect of the Strike

About three-quarters of the normal tax revenues are currently being received by the Exchequer. There is no risk to overall economic management, as the money owed to the Government will eventually be paid over. At most there will be a short-term increase in the money supply which will subsequently be corrected. So it will not jeopardise the Medium Term Financial Strategy.

The main effect of the dispute at the moment is inconvenience to the public. But there would be serious damage to the prospects for a further reduction in inflation if the Government conceded an excessive pay settlement.

SUPPLEMENTARIES ON THE FINANCIAL EFFECT OF THE DISPUTE

WHAT EFFECT HAS THE STRIKE HAD ON THE CGBR?

Figures for March indicate that $\pounds\frac{3}{4}$ to 1 billion of tax and national insurance contributions were delayed into the new financial year. There were offsetting factors unrelated to the dispute, mainly lower Supply expenditure. The CGBR in 1980-81 will be published in the regular Press Notice on Thursday. It is likely to be less than $\pounds\frac{1}{2}$ billion higher than the estimate of $\pounds 12,760$ million published in the Financial Statement and Budget Report.

HOW IS THE EXTRA BORROWING BEING ARRANGED?

At the conclusion of the main revenue raising season the Issue Department of the Bank of England was holding a fairly large stock of financial assets, including commercial bills. A rundown of this stock is one route through which the Central Government's financing needs are currently being met.

HOW MUCH WILL THE ADDITIONAL BORROWING COST? The temporary financing costs are not significant compared with the damage to the prospects of a further reduction in inflation if the Government concede an excessive pay settlement.

WHAT WILL THE EFFECT BE ON THE MONEY SUPPLY; WILL IT JEOPARDISE THE MEDIUM TERM FINANCIAL STRATEGY? At most there will be a short-term increase in the money supply which will subsequently be corrected, and will therefore not jeopardise the Medium Term Financial Strategy.

WILL INTEREST RATES RISE? As the increase in the money supply due to the strike is only expected to be temporary, there is no reason why this need lead to higher short-term interest rates.

CONFIDENTIAL



Prime Minister

CIVIL SERVICE DEPARTMENT
WHITEHALL LONDON SW1A 2AZ
Telephone 01 273 5400

Sir Ian Bancroft G.C.B.
Head of the Home Civil Service

Mike Pattison Esq
10 Downing Street
LONDON SW1

6 April 1981

Dear Mike,

INDUSTRIAL ACTION PROGRESS REPORT

The average number on strike each day last week (apart from Wednesday) has been around 3,000. The areas mainly affected (quoting Friday's figures) - Inland Revenue (1300), MOD (540), Customs and Excise (440), Lord Chancellor's Department (360), Scottish Courts Administration (235), and DHSS (260).

The tactics have not changed to any great extent. The main target is still Inland Revenue. Their computers at Cumbernauld and Shipley remain shut down. The collection service has been substantially disrupted by industrial action. A large majority of the 15 regional offices have been directly affected by industrial action. In each of the regions, two offices have been subjected to the TRD procedure which has led, or will lead, to suspension. Of the remaining offices in each region (varying from 12 to 25) the vast majority have been affected by walk-outs to a greater or lesser extent, these walk-outs being in support of the TRD of colleagues. Industrial action has led to some offices being completely closed.

There continues to be industrial action at a number of Defence establishments. The Navy Department remains a main target - the cumulative effects of the strikes being felt increasingly at Rosyth, Chatham and the Clyde submarine base. In all 20 MOD establishments are affected, not all of them on the Navy side. Ministers have approved the use of TRD in several cases in the Department.

One of the main features of the industrial action last week came on Wednesday when there were protest meetings and walk-outs throughout the country. There was also a lobby of Parliament. Final returns have still to be received from Departments. Preliminary indications are that some 105,000 non-industrial civil servants took part in some form of action on Wednesday. In some cases, this meant no more than one hour's absence from the office; others were absent for a half a day or so. The unions claimed that 250,000 took part - this is not supported

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by the evidence claimed so far from Departments.

I am copying this to the Private Secretaries to Permanent Secretary
Heads of Departments and Smaller Departments.

Yours ever,
Jeremy Colman

JEREMY COLMAN
Private Secretary

CONFIDENTIAL



TR
6/4

LORD PRESIDENT OF THE COUNCIL

CIVIL SERVICE DISPUTE: TRD

As you know, I was not invited to the meeting on 2nd April, but I understand that your Department wishes to send further advice to managers about TRD, and consider that it would be desirable that this should take account of the law of Scotland as well as the law of England and Wales, on which the Attorney General has already advised.

Any person who is in substantial breach of his terms and conditions of work may legitimately be sent home and denied access to his place of work until he is willing to resume working normally. All that is necessary, to ensure that this action on the part of the employer will be upheld by the courts, is that the employee should be made aware that this will be the consequence of his action.

While it is highly desirable to give some form of advance warning of the use of TRD, which should be in the form of an individual written notice, if this is impractical, a general notice will suffice, provided it is in a place where employees can reasonably be expected to see it. Management must do everything possible to bring the terms of the warning notice to the attention of an employee before issuing a final notice.

The interval between the initial warning (whether general or otherwise) and the final notice can be left to the discretion of managers, who must consult their departmental legal advisers in individual cases. If the manager considers that his staff could genuinely be influenced by the warning notice, a sufficient interval should be left to enable them to consider the matter. If the staff are clearly engaged in a deliberate course of industrial action then the interval need not be much longer than would be necessary for them to comprehend the terms of the notice. It is essential that the final notice be issued to each employee separately, and, for evidential reasons, highly desirable that it be in writing.

Where special difficulties are encountered, advice should be sought from departmental legal advisers, and my officials are always willing to advise if necessary.

I am copying this to the Prime Minister, Geoffrey Howe, Jim Prior, the Attorney-General and Sir Robert Armstrong.

MJC

MACKAY OF CLASHFERN
6th April 1981

CONFIDENTIAL



Civil Service Department
Whitehall London SW1A 2AZ
01-273 4400

3 April 1981

Godfrey Robson
Secretary of State for Scotland
Dover House
Whitehall
LONDON SW1A 2AU

Dear Godfrey,

INDUSTRIAL ACTION IN SCOTTISH COURTS

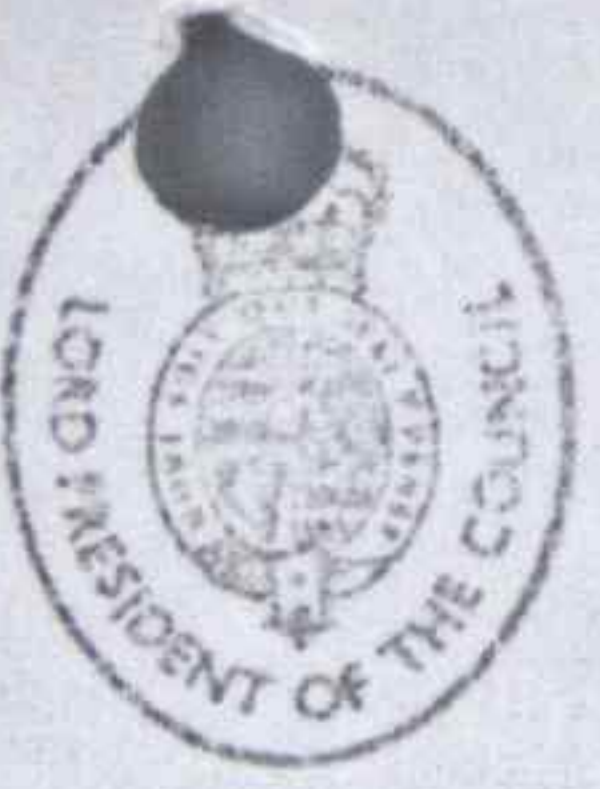
The Lord President has asked me to write to you about your Secretary of State's letter of 1 April.

He sees the difficulties which face you in the Scottish Courts. He is grateful for the line which you are taking in spite of the problems of cases becoming time-barred and he has noted what you say about the necessity for going straight to L Committee with a draft bill should events so dictate.

Yours sincerely,

Jim Buckley

J BUCKLEY



Civil Service Department
Whitehall London SW1A 2AZ
01-273 4400

3 April 1981

From the Private Secretary

Tim Lankester
Private Secretary to the Prime Minister
10 Downing Street
LONDON SW1

*You might refer
him back to his own
letter and ask
why the two figures
such a different
impression?*

Dear Tim,

PAY CASH LIMITS FOR THE CIVIL SERVICE IN 1981-82

The Lord President told me that the Prime Minister had said to him yesterday morning that a 7% pay increase for the Civil Service would lead to an increase of some 11% in the pay bill. We had a word about this earlier today and I promised to let you have a note with the figures.

Very briefly, the situation is as follows:

Provision in Estimates for Civil Service Pay

<u>1980-81</u>	<u>1981-82</u>	<u>% Change</u>
£4629 m.	£5003 m.	8.1

This is made up in the following way:

Increase in the cash limit		% 6	
<u>Plus</u>			
Staging	1.1		
Industrials date	0.4		
National Insurance	0.3		
Overtime and casuals	0.3		
Incremental drift	1.0		
			<u>3.1</u>
			9.1
<u>Minus</u>			
Manpower rundown			<u>1.0</u>
			8.1
			1.

You also asked about the actual increase in pay which a civil servant would receive. Here I would not want the Prime Minister to be misled by the figure of 8.1%. For example 1.1% of it is the result of deferring from the due date of 1 April to the middle of May the 1980 pay settlement for the non-industrial Civil Service. Civil servants would of course see an extra 7% in their pay packets, plus any effect of their incremental scale. Our estimate of incremental drift this year happens to be positive, mainly because of changes in the balance between recruitment and wastage. In other years it has been negative and overall the incremental system is self-financing.

I am sorry to make this seem complicated but I wanted to restrict to a manageable size the number of figures I offered you. If I can give you more explanation please do have a word.

Yours sincerely,

Jim Buckley.

J BUCKLEY



✓ J. Vereker
A. Duguid

Civil Service Department
Whitehall London SW1A 2AZ
01-273 4400

From the Private Secretary

3 April 1981

Tim Lankester
Private Secretary to the Prime Minister
10 Downing Street
LONDON SW1

Dear Tim,

PAY CASH LIMITS FOR THE CIVIL SERVICE IN 1981-82

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		9.1
<u>Minus</u>		
Manpower rundown		<u>1.0</u>
		8.1

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Yours sincerely,
Jim Buckley.

J BUCKLEY



01-405 7641 Extn

TV44
 Copy to Mr Verker.
 mt
 2

ROYAL COURTS OF JUSTICE
 LONDON, WC2A 2LL

Prime Minister.
Helped on the general issue of
TRD has less so on the particular
problem of applying TRD procedures
to what is now going on in the Revenue.

THE LORD PRESIDENT

CIVIL SERVICE DISPUTE: TRD

At this morning's meeting we discussed, with particular ^{2.1v} reference to Inland Revenue offices, recent attempts by staff to thwart the operation of TRD procedures. This involved, amongst other things -

- (a) staff working selectively and then going or staying at home in order to evade service on them of the usual warning notices; and
- (b) staff taking selective action in "relays", with the same object in mind.

2. I do not think these responses, where they form an identifiable pattern of action, are a real problem for management. In case (a) there is no reason why notices should not be sent by post to home addresses. In case (b), subject to what I say below, "anticipatory" notices can be issued and there is no requirement that the staff in question should already have been in breach of their contracts.

3. As you know, the normal TRD procedures (established on the joint advice of the Law Officers and Treasury Counsel) involve an oral warning, followed by a written warning, once breaches of contract have occurred. The latter gives 48 hours notice that, if breaches persist, TRD will be operated. If the warning is not heeded, the individual is then given a final notice that he is being sent home without pay until he is prepared to work normally. But there is no need for management to be placed in a "straitjacket" by this formal procedure, if circumstances clearly warrant some adaptation.

4. The object of the formal warning system, followed by the TRD notice itself, is twofold -

- (a) to encourage staff to think twice before TRD is applied; and
- (b) to provide firm evidence for use in the courts, should any civil servant bring proceedings to test the validity of TRD, that it was properly applied to him having regard to the legal

/constraints



01-405 7641 Extn

ROYAL COURTS OF JUSTICE
LONDON, WC2A 2LL

constraints described in the Joint Opinion of 1 October 1979.

5. However, I do not regard the full TRD procedure as being absolutely of the essence in all cases in order to secure that staff are laid off without pay in a lawful manner. But I think management should be very careful in applying any less rigid formula; each case must be judged on its merits and must not be regarded as setting a precedent for other cases.

6. Against this background, TRD can be streamlined in particular instances so long as the steps taken are reasonable in the circumstances to warn those concerned of the consequences of their actions. Thus management may sometimes be able to justify -

- (a) dispensing altogether with the prior oral warning;
- (b) issuing "anticipatory" warning notices to staff not yet in breach of contract where there is real evidence that they are likely to be in breach in the near future (e.g. when a pattern of "relay" action is established or where bouts of selective action occur at regular intervals involving the same groups of staff);
- (c) giving warning notices to take effect after periods shorter than 48 hours; and
- (d) dispensing altogether with individual warning notices, but displaying instead a general warning notice at a place where the staff concerned will see it, provided that staff are not actually sent home without pay pursuant to the final TRD notice until the general warning notice is drawn specifically to their attention.

7. I have listed these options in ascending order of the difficulties they are likely to cause for management after the event and I would not regard (d) as justified in any but the most exceptional circumstances.



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ROYAL COURTS OF JUSTICE
LONDON, WC2A 2LL

8. From what I heard this morning about recent events in Inland Revenue offices, this may be a unique situation justifying a significant departure from the usual TRD procedure. As I understand it, it is becoming more and more difficult to apply TRD in any form in these offices because middle management are themselves taking part in industrial action and refusing to mount the TRD procedure against their subordinates. More senior staff who are willing to apply the procedure may be working some distance away from the places where this would have to be done.

9. In these circumstances, I am personally doubtful on further reflection whether a streamlined procedure, going even as far as option (d) above, would yield a practical answer. In particular, I doubt whether senior management staff from other offices would be in a position to satisfy themselves, from their own knowledge, that the conditions precedent for issuing a final notice to individuals were satisfied, or to draft it adequately in the absence of prior warning notices stating the facts. But, in the final analysis, this is not a matter for me but for the judgment of those on the spot and therefore I do not exclude TRD (suitably adapted) as a satisfactory response in the Inland Revenue case.

10. These difficulties reflect not so much on the adequacy of the TRD procedure itself but on the capability to mount an adequate management response when increasing numbers of staff normally expected to carry it out are unwilling to do so. Subject to this, I see no reason why the full TRD procedure need be applied in all cases, and I am content that it be modified as appropriate. I think it is worth repeating that it is for management on

/the spot



01-405 7641 Extn

ROYAL COURTS OF JUSTICE
LONDON, WC2A 2LL

the spot, and not for me, to decide what is the appropriate method of applying TRD in particular cases, having consulted their lawyers wherever possible. The legal framework is clearly set out in the Joint Opinion of 1 October 1979.

11. This is copied to the Prime Minister, Geoffrey Howe, Jim Prior and Sir Robert Armstrong.

MM

2 April 1981

CONFIDENTIAL

Civil Service



cc Mr. Vereker
Mr. Lankester ✓
Mr. Hoskyns
Mr. Wolfson
Mr. Duguid

10 DOWNING STREET

MR. BYATT

I believe that John Vereker has sent to you some data on quit rates which we collected from the Institute of Directors. Although the data were not strictly comparable to those which were collected for the Civil Service, the extent of the data was rather remarkable and it did not appear to me that comparability was quite impossible.

When I attended the meeting in the CSD, it seemed that many of the members of the group had very considerable doubts about whether it was possible to get comparable quit rates. As you recall, I said there was a lot of data available on such matters in private firms. They are maintained because they measure the efficiency of the wage benefits package and the recruitment policies. Although I had little experience in recent British industry, what I knew about American firms suggested that there would be quite detailed material available. This appears to be confirmed by the very casual enquiry I made at the Institute of Directors. I am sure that more devoted enquiries could elicit many more data.

Unfortunately we can do very little at No. 10. Resources here are few and thinly spread over a very wide number of areas. I hope something more can be done in the Treasury to pursue this matter.

AW

2 April 1981

A.A. WALTERS

CONFIDENTIAL

SUBJECT

Master



6

Civil Service

10 DOWNING STREET

From the Principal Private Secretary

2 April, 1981.

Dear John,

Civil Service Pay

The Prime Minister held a meeting this morning with the Chancellor, the Lord President, the Secretary of State for Employment, the Attorney General and Mr. Hayhoe, to discuss Civil Service pay on the basis of the paper attached to the Lord President's minute of 27 March. Robert Armstrong was also present.

The Lord President said that in his view some solution along the lines of the approach recommended in paragraph 19 of the paper was now necessary. He could see no end to the present industrial action in the Civil Service, other than through further confrontation and escalation which would irreparably damage management's relations with the civil servants, unless the unions were given an assurance of access to binding arbitration for 1982. The alternative posed in the paper, of a 1982 settlement indexed to the 1981 offer, was in his view less acceptable. The mood of the Civil Service was souring; even at Principal level, officers were now refusing to serve notice of Temporary Relief from Duty (TRD), and the feeling that the Government wanted to control Civil Service pay through the cash limit system was now widespread. Unions were organising the industrial action skilfully, so that there were never more than 3,000 people on strike, and the cost to union funds was therefore manageable. He foresaw that an independent inquiry might be necessary to look at arrangements after 1982. The outcome of arbitration for 1982 might well be acceptable to the Government, given that factors such as Civil Service pensions and job security would be taken into account, and that the record of the Civil Service Arbitration Tribunal was an encouraging one.

The Chancellor said that the most serious industrial action was taking place in his Departments, notably the Inland Revenue and Customs and Excise. Nonetheless, he expected to be able to gather the same proportion of revenue as at present. On the other hand, insufficient pressure was being brought to bear on the

unions' cash flow, since they could afford to pay out up to £750,000 a week, which is what it could cost them if all their members in these Departments came out on strike. He agreed with the Lord President that bitterness was growing among the civil servants, and that we should now try to find a way out of the dispute. But it would be wrong either to hand over the problem to an outside inquiry, or to commit ourselves to the outcome of arbitration for 1982. The Government must retain the ultimate right to set aside the outcome of the pay determination procedure if necessary. In his view, the Government should now open discussions with the unions on the basis of some kind of non-binding formula for 1982.

The Secretary of State for Employment agreed with the Lord President that an independent inquiry along the lines of the Priestley Commission was needed for the longer term, and that although it might be too soon to offer the unions a formula for 1982, he also agreed that arbitration would be preferable to indexation.

In further discussion, some of the possible courses of action were reviewed:-

- (i) An independent inquiry. Although the time might well have come for a full-scale Commission of Inquiry into Civil Service pay, given the length of time that had elapsed since the Priestley Commission, it would be best to wait and see the outcome of Misc 54 before taking that decision; and, unless the Government were prepared to commit themselves to the outcome of such an inquiry, its establishment could not contribute to resolving the present dispute.
- (ii) Raising the offer for 1981. It was generally agreed that although increasing the offer to 7½% with a further manpower squeeze might be a useful contribution to a settlement, it would not in itself be enough, and it should certainly not be offered at this stage.
- (iii) Non-binding arbitration for 1982. Similarly, it was recognised that an offer of access to arbitration for 1982 would not be taken by the unions as a sufficient reason for ending the dispute, unless the Government were to commit itself to implement the outcome.
- (iv) Manpower. One possible way of reconciling the outcome of arbitration for 1982 with the likely cash limit for that year would be a further manpower squeeze. Such an option would have to be agreed by Cabinet, since all Departmental Ministers would have to accept the consequences.

- (v) Retrospection. It would be possible to make it known that there would be no retrospection to 1 April 1981 of this year's settlement, since it was the industrial action that was holding up agreement. But it was agreed that, since the Government could not legally discriminate between those taking industrial action and those working normally, it would not be fair to deny retrospection to the Civil Service as a whole.

The Prime Minister, summing up this part of the discussion, said that Ministers were agreed that none of the proposals suggested in paragraph 19 of the Lord President's paper should be put into effect at this stage. Although offering arbitration for 1982, on the basis that the Government would put in the strongest possible evidence about pensions and job security, might be a possibility, there could be no question of the Government binding itself to the outcome. Indexation between 1981 and 1982, so as to freeze the present relative position of the Civil Service, might also be a possibility to be considered at a later stage. The question of a new independent inquiry could also be considered later in the light of the report from Misc 54, but there were serious drawbacks in putting this issue into the hands of an outside body. Meanwhile:-

- (i) Sir Robert Armstrong should re-examine the interim formula urgently with Sir John Herbecq and his group of officials, possibly in conjunction with Mr. Alan Lord, the Managing Director of Dunlop; and
- (ii) on the basis of advice from this group, the Lord President should put a paper to Cabinet for discussion on 9 April.

There was also a brief discussion of the arrangements for picketing the Inland Revenue offices at Bush House. The Chancellor reported that the small number of Inland Revenue officers working normally at Bush House were being intimidated by a demonstration which could be regarded as a de facto extension of the picket line. The Lord President and the Secretary of State for Employment considered that the demonstration was more likely to be unlawful under criminal law, because it caused an obstruction, than to be an offence under the Employment Act 1980, and should therefore be dealt with by the police. The Attorney General said that if the demonstration did create a measure of intimidation, it would be possible to apply for an injunction to stop it. It was agreed that no action would be taken until it became clear to what extent intimidation did in fact take place.

/ There

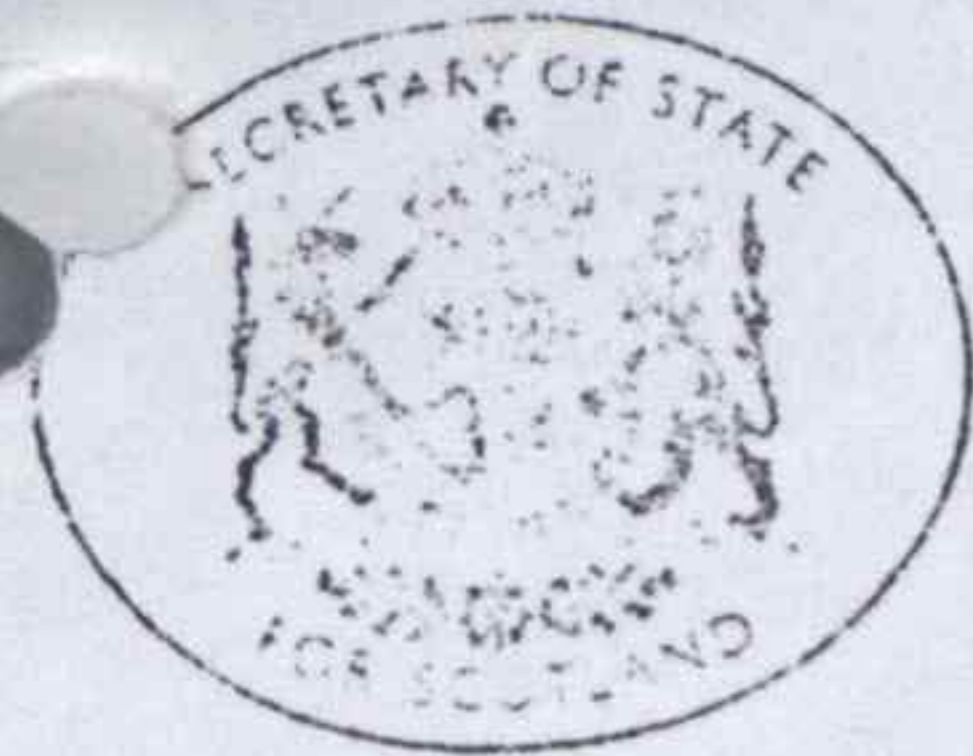
There was also a brief discussion of the application of TRD. The Chancellor reported that the procedure, involving oral, then written warnings to each officer, which in one case was in the hands of one official covering 12 regional offices, was too clumsy to be effective. The Lord President said that he was sure there were ways round this, such as giving general notice. The Attorney General confirmed that if a pattern of behaviour which justified the TRD became apparent, it could be dealt with by, for instance, putting a general notice in a public place. It was agreed that this issue would be resolved by the Chancellor, the Lord President and the Attorney General.

I am sending copies of this letter to Jim Buckley (Civil Service Department), Richard Dykes (Department of Employment), Jim Nursaw (Law Officers' Department), Geoffrey Green (Office of the Minister of State, Civil Service Department), David Wright (Cabinet Office), and to Jeremy Colman (Sir Ian Bancroft's Office).

Yours ever,

Alvin Whitehead

A.J. Wiggins, Esq.,
HM Treasury.



Vs/M R. Friend
Mrs Duncan
Miss R. Kirk
V. S. S. S.
V. S. H. H.
A. S. S. S.
K. S. Workman, SCA

R

SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

The Right Hon William Whitelaw CH MC MP
Secretary of State for the Home Department
Home Office
50 Queen Anne's Gate
London
SW1H 9AT

1. April 1981

Dear Willie,

INDUSTRIAL ACTION IN SCOTTISH COURTS

In 1979 when the business of Scottish courts was disrupted by a strike of court staff in support of the Civil Service pay claim of that year, my predecessor introduced emergency legislation in the shape of the Administration of Justice (Emergency Provisions) (Scotland) Act 1979 to cope with the situation. The current strike has given rise to some pressure for comparable legislation to be enacted.

In the 1979 strike, the Supreme Courts and all the Sheriff Courts (except twelve small rural courts) were affected. The present strike has extended only to the Supreme Courts and the Sheriff Courts at Glasgow, Edinburgh, Aberdeen and Inverness. As a result of decisions taken earlier this week by the unions, staff have returned to duty for the time being except at Edinburgh and Glasgow Sheriff Courts, the two largest Sheriff Courts in the country, where there is to be an indefinite strike. The effect of this is that the High Court, which is peripatetic and which deals with the most serious criminal offences by jury trial, will be able to do little business in Glasgow and Edinburgh because the Sheriff Court staff compile the jury lists and requisition the jurors. Thus the unions appear to be aiming at a situation in which there is no alternative to the introduction of emergency legislation, so demonstrating the key role played by their members in the administration of justice.

Emergency legislation, of course, cannot bring the affected courts back into full operation - only the return of the court staff to their duties will do that. But it does save prosecution cases which would otherwise fall because of the statutory time limits which are a feature of Scottish criminal legislation.

James Mackay and I are naturally concerned about the effect which the strike is having on the disposal of criminal business. For example, in Glasgow in the first week of the strike 300 summary trials did not call and 120 of these are now statutorily time-barred. Each day there are approximately 200 new diets, about half of which are governed by statutory limits and, because of the current delay in the disposal of business, many of these are now likely to be time-barred. The court can deal only with the most serious custody cases and only 50 such

cases were taken during the present period of disruption against the normal load of 300; in other words, many accused have now been released who would otherwise have been held on remand. The position in Edinburgh where many drink and driving cases have been lost is little better. Although the High Court is still affected by the strike in the two cities, it will be able to function insofar that it can ensure the continuation of the cases of those in detention whose trials must, by statute commence within 110 days of committal. The position with regard to civil work is less acute now than it was in 1979 because of amendments made recently to the Prescription and Limitation (Scotland) Act 1973 which give the court a measure of discretion in over-riding time limits, etc. This however does not deal with all cases where rights are liable to be lost by prescription or limitation.

There will be pressure for legislation; already questions have been tabled to Nicky Fairbairn about the effects of the strike, and the Law Society of Scotland have written to the Prime Minister expressing their concern at the failure of the Government to do anything to cope with the second major disruption of business in the courts in two years. In all the circumstances, I have decided that, while there are clear advantages from the administration of justice in introducing some form of emergency legislation - there has been some support for the view that it should be of a permanent character - I have decided that at this stage such a step would be inconsistent with our general policy of keeping down the temperature of the present dispute.

However, I do not discount the possibility that developments may dictate a requirement for legislation at a later date and I have asked my officials to make all the preparations necessary to enable me to introduce legislation speedily should this become necessary. I should therefore be grateful for H Committee's approval now that I can, when necessary, go straight to L Committee with a draft Bill. Timing of introduction would, of course, be for consideration by L Committee, consulting the Prime Minister as necessary.

I am copying this letter to all members of H Committee, the Attorney General, the Lord Advocate, the Chief Whip and Sir Robert Armstrong.

Yours ever,
Cunneen



DSG
echlo

10 DOWNING STREET

THE PRIME MINISTER

1 April 1981

Dear Lord Shepherd,

Thank you very much for your letter of 20 March.

I am glad that you have agreed to continue as Chairman of the Civil Service Pay Research Unit Board for the time being pending the outcome of our review of the present arrangements. The proposals you have put to Lord Soames are a valuable contribution to that review.

Yours sincerely
Margaret Thatcher

The Rt. Hon. The Lord Shepherd.

Copy in Appls.

JS



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PRIME MINISTERCivil Service Industrial Action: Possible Formula

You are to meet the Chancellor, the Lord President and the Secretary of State for Employment tomorrow morning to discuss the Civil Service pay dispute and, in particular, the Herbecq Group's paper on possible formulae for a settlement. This latter was commissioned at your earlier meeting on 13th March and was sent to you by Christopher Soames under cover of his minute of *Flag A -* 27th March.

2. The Group has interpreted its remit as being to find the potential building blocks for an agreed settlement in a situation short of outright victory by the Government or by the unions. The essence of the Group's view is that any agreed settlement must comprise three elements: a cash settlement for this year; an agreed approach to next year's settlement; and a provision for the longer term. The Group do not believe that it is practicable to conflate the last two elements, partly because they do not believe it would be possible to complete negotiations with the unions on an "ordered and agreed system" in time for the 1982 settlement; and partly because they do not believe that the staff would settle for anything short of a firm commitment on the 1982 settlement unless they had been decisively worsted in the industrial action. It is this latter element in the package which is likely to be the most difficult for Ministers.

3. In considering these matters you and your colleagues will wish to start off from an assessment of the likely course and duration of the industrial action. As matters stand, the unions are conducting their operations in a fairly restrained way. They have concentrated mainly on revenue collection, and have avoided going for the jugular (e.g. the payment of social security benefits) and have sought, so far as is possible, to avoid action which adversely affects the general public. The Government's response too has been measured and careful. You will want the assessment of the Lord President and the Chancellor on whether, and for how long, the present situation can continue. Are the unions flagging? Is their action hurting Government? You will also want their view on whether this situation can or should be maintained.

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4. In terms of lost revenue, the action so far has not had too serious an effect. Most of the PAYE revenue, from large and medium-sized employers, is getting through by one means or another. Nor are there any signs that the Government is forfeiting public support. That suggests that the Government need be in no hurry to settle the dispute. In the slightly longer term, however, I think the damage is considerable and cumulative. In the Inland Revenue the situation is beginning to deteriorate, with the management starting to lose credibility and in fear of losing control over revenue collection. The unions are learning how to play the rules against management so as to achieve maximum disruption at minimum cost to themselves. Even more seriously, those staff who are staying at work - and often working harder than usual to do jobs which would otherwise be done by those on strike - are losing confidence in Ministers as their employers. I believe that there is a very real danger of increasing politicisation of Civil Service industrial relations, and of lasting change to the relationship between the Government as employer and its staff. This will still further harm the "image" of the Civil Service in the eyes of politicians and the public. The unions ought to care about this, of course; but I think that it ought also to be a matter of concern to Ministers, and to you as Minister for the Civil Service.

5. In a difficult and potentially dangerous situation it will be important that your colleagues approach the issues in an orderly way. Generalities and anecdotes which deflect attention from the critical issues should be avoided if at all possible. One way of handling it might be to structure the discussion as follows:-

- (a) What is the prognosis for the dispute? Is it meaningful for either side to think in terms of "winning" or "losing"? In particular, can the Government hope to "win" and if so what would be needed to achieve victory? Would the strike crumble if the Government steadfastly maintained its present position? Or would escalation be required (e.g. quick legislation to enable staff to be sent home without pay) and would it work?



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- (b) If the judgment is that the Government can and should set out to beat the unions into the ground, the work of the Herbecq Group is irrelevant. On this scenario the only formula would be the 7 per cent already offered together with the statement already made about the Government's intentions to review future pay determination arrangements (reproduced in paragraph 6 of the Report).
- (c) If the judgment is that war a l'outrance carries too many risks and the chances of the strike collapsing of its own volition are too slim, then the question is what formula is required to bring the dispute to an end. The problem here is that any formula which is likely to be acceptable to the unions brings into question the relationship of pay and cash limits in 1982. Those closest to the dispute believe that the staff will not be persuaded to abandon the dispute (nor the unions to call it off) without some sort of assurance that the 1982 pay award will be based on some "independent" element - either some kind of external relativity or indexation or a commitment to arbitration - and will not be determined simply (as this year) by the fiat of the Government. The Chancellor of the Exchequer has long held to the proposition that cash limits must have primacy in determining Civil Service pay. What he said at your last meeting suggested that his view might have softened and that there was scope for flexibility in how cash limits are determined. But the fact is that for sixty years successive Governments have accepted some independent element in the process of determining Civil Service pay - either outside comparisons or arbitration or both - except in periods of formal incomes policy. The Service will accept settlement by fiat this year; but I think they will feel that they have to stand out for some "independent" element, next year as well as in the long term. They will argue that successive Governments have not been ill-served, on the whole, by the arrangements over the last sixty

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years, when there was no ultimate fiat. The key question therefore is how far the Government is prepared to modify the rigidity of the cash limit system as applied to pay, in order to give its employees a greater sense of fairness and fair dealing, and thus ^{lead} to an improvement in relations between the Government and its employees.

- (d) It may be that your colleagues will not be willing or able to agree an attitude on either of the above questions tomorrow, and the issues involved are so important that they probably ought to be decided by the Cabinet as a whole rather than by a small group of Ministers, however senior, before any action is taken. But time presses, and the process of seriously considering a formula or formulae for settlement cannot be deferred.

6. As to the formula itself, I set out below some comments on the elements and alternatives identified in the Report. These are:-

1981

- (a) 7 per cent: This is the offer already made and is containable within cash limits.
- (b) 7½ per cent: This is the maximum which the CSD think can be credibly contained within cash limits. The Herbecq Group's unspoken assumption is that Ministers will place a higher value on maintaining cash limits this year than on concessions for the future and would prefer almost any course to a major breach of cash limits this year. Of course, half a per cent is neither here nor there to the staff. But the dispute is at least in part, about this year's pay; 7½ per cent is the figure already in a number of other major public service settlements (e.g. teachers); a little movement here might just tilt the balance towards acceptance of whatever package is finally agreed. But it should be offered only as the last card, because it will increase the difficulty in dealing with other groups, particularly the nurses: their pay is subject to a 6 per cent cash limit, and there is no scope for reductions of manpower on a scale to cover an offer of 7½ per cent.

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1982

(c) Arbitration: If the Group is right in thinking that the main concern of the staff is to have their pay independently determined; that long-term arrangements cannot be in place in time for next year's settlement; and that the staff will want guarantees, not words, for 1982, then arbitration provides, from their point of view, the cleanest way out. The Civil Service Arbitration Tribunal is available and has a good record of making sensible awards. There would be no question of arbitration on PRU evidence - both sides would be free to display whatever information and arguments they wished - but the staff would no doubt hope that arbitration would help restore ground lost this year. Similarly, of course, the Government could hope (though with no certainty) that its arguments about job security and so on would exert a powerful influence. The staff would expect a firm assurance that the results of arbitration would be implemented and that cash limits would be adjusted as necessary to enable the award to be paid. Without these guarantees they would be likely to regard arbitration as meaningless and as worth nothing in the current dispute. The cash limits point goes of course to the heart of the dilemma.

Not possible

(d) Indexation: A possibly cheaper and more predictable alternative to arbitration would be a promise to index pay from April this year to April next. This would be presented as an interim measure pending agreement on longer-term arrangements. The introduction of indexation into pay bargaining would present its own wider problems, but it would give the staff the certainty they seek while, in effect, continuing through to 1983 the downward step-change in Civil Service pay inherent in a 7 or a 7½ per cent settlement this year. The index would need to be chosen with some care - it would have to be an index of pay rather than prices -

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but, given the depression, is unlikely to prove particularly expensive, especially when measured against the alternative of a further dispute next year.

The Longer Term

- (e) Any formula for the longer term must be loosely drawn if it is not, in itself, to pre-empt the negotiations needed to reach an agreed system. For just this reason the unions might well, if they felt they were winning, seek to strengthen the formula in their own interests. But the real battle would lie ahead, and there is no reason to suppose that the unions would prolong the arguments if they had reached what they regarded as a satisfactory settlement for 1981 and 1982. Indeed it could well be that a suitably loose formula, like the one you authorised earlier (reproduced in paragraph 7 of the Report) would be accepted on the nod. If on the other hand no satisfactory agreement, from the staff's point of view, had been reached on 1981 and 1982, the unions would be likely to take a much closer interest in the formula and to seek, in effect, to conduct the essence of the long-term negotiations now. Not only would this be a time-consuming process but probing of the formula would rapidly expose the lack of depth of the Government's position and might thus strengthen union intransigence.
- (f) An outside inquiry: if in the event it were to prove that the long-term arrangements had assumed a central and difficult role in the current negotiations, it would be open to the Government to suggest that the whole question of longer-term pay negotiation in the Civil Service should be remitted to an outside inquiry. To carry conviction, such an inquiry would have to be high-powered possibly a Royal Commission - and its conclusions would effectively bind both parties. There is, thus, a risk that this course would take events out of the Government's hands. But

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again everyone would be free to put in whatever evidence they pleased, and the results could be presented as an attempt to take these difficult issues "out of politics". A Royal Commission would take some time to produce its report, and a choice of this route would therefore heighten the importance that the unions would place on reaching a suitable agreement on the interim arrangements

HANDLING

7. I suggest that you invite the Lord President and the Chancellor of the Exchequer to report first on the present state of play in the dispute and on the extent of the damage it is inflicting. Thereafter you might seek to guide your colleagues through the discussion on the lines set out above.

CONCLUSIONS

7. These are likely to be of procedure rather than of substance. In particular I think it would be helpful to invite the Lord President to put a paper to Cabinet for its meeting on 9th April assessing the situation and making recommendations for the further handling of the dispute. Major steps cannot be taken without Cabinet approval and you will of course be absent abroad over the Easter period. If you or your colleagues felt that further work should also be commissioned (bearing in mind that the Herbecq Group is already due to produce Reports on the place of manpower savings in Civil Service pay bargaining and the reconciliation of any new pay system with cash limits) this could be put in hand urgently.

(Robert Armstrong)

(approved by Sir R Armstrong
→ signed on his behalf)

1st April 1981

SECRET

PRIME MINISTER

Civil Service industrial dispute: possible formula

Two issues are raised in the paper enclosed with the Lord President's minute of 27 March, which you are discussing on Thursday morning.

1. Have we got to the point of needing to buy the unions off?

In my opinion, certainly not. There is very little evidence of damage being done to the real economy; and inconvenience to the public has not so far been extensive. There is still a reasonable chance of the industrial action petering out. The CSD think that it may, especially if it is ignored; and there has not yet been much noticeable effect - adverse or favourable - of Cabinet's decision to go for TRD. You may want to press colleagues on how many officials have actually been sent home so far.

2. If or when we do get to that point, is the Lord President's formula (summarised in paragraph 19) the right one?

(a) 1981. 7½% looks like a useful face-saver, especially if it is linked to a further manpower squeeze.

(b) 1982. We cannot offer the civil servants arbitration, having just taken it away from the teachers (and possibly the local authority white collar workers as well). If we have to make some promise for 1982, increasing civil service pay in line with the increase of the average earnings index over the next 12 months would effectively freeze the present relative position of the CS, and is the least unattractive option.

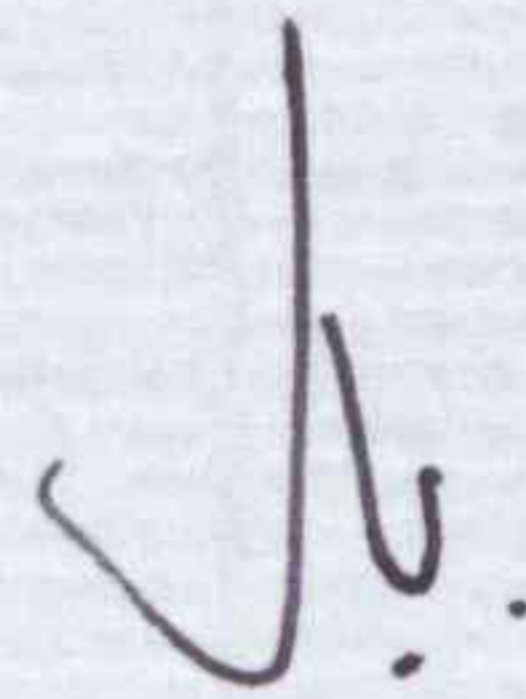
(c) The longer term. We should go no further than what the civil service unions have already been told (paragraph 6).

/ In particular

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- 2 -

In particular we should not use the formula in paragraph 7 ("should not normally fall behind") which institutionalises comparability all over again; and we should certainly not go as far as an independent enquiry (paragraph 9) which would take the pay determination system right outside Government control.



J.M.M. Vereker

31 March 1981

SECRET



10 DOWNING STREET

Mike

Can you give me
a clue on this one?

Alan J
1/4/57

File on Civil Service
despite C DASS
envelopes, empty, bearing
abusive messages to
PM, franked at public
expense: all from one
source)

MAJ.

FILE

ds

31 March 1981

We had a word about the attached envelopes.

If your people can obtain the assistance of local management, there is presumably a good chance of identifying the person responsible for them. May we leave it to you to decide how to follow this up. We would be interested to learn of the outcome in due course.

MIKE PATTISON

h

Don Brereton, Esq.,
Department of Health and Social Security.



10 DOWNING STREET

Prime Minister,

I think you should see
the attached.

Alan

Duty Clerk
30/12/81

PA(CF)

MS

[Handwritten signature]

*ms*

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

30 March 1981

T.P. Lankester, Esq.,
No.10, Downing Street

Dear Tim,

.....
As you know, the Chief Secretary answered a Private Notice question today. I attach briefing material based on what he said or on the information provided for him. If any further information comes through tomorrow morning, we will let you have it in time for the Prime Minister's questions.

There is likely to be some news about the reaction to the process of starting TRD procedures in the Inland Revenue. In Customs information needed for collecting next month's duties is not being provided and about 25 computer staff have received warnings. About half of these are now on strike. It remains to be seen how widespread or how long any reaction to all this will be.

If the Civil Service dispute continues, it could add to the money supply figure for banking April, ending on 15 April which will be announced on 6 May. But the money supply figures for banking March, which ended on 18 March, are expected to be satisfactorily low - about $\frac{3}{4}$ per cent. These will be announced on 7 April.

Although we have no firm information on the clearing banks industrial dispute, it seems possible that the result of the CBU ballot which will be known by Wednesday may be acceptance of the employers' 10 per cent offer. If that happened, it would clearly tend to weaken the BIFU position. But of course we cannot count on that yet.

yours

John

A.J. WIGGINS

Line to take on the Financial Effect of the Strike

About three-quarters of the normal tax revenues are currently being received by the Exchequer. There is no risk to overall economic management, as the money owed to the Government will eventually be paid over. At most there will be a short-term increase in the money supply which will subsequently be corrected.

The central government borrowing requirement for 1980-81 may be £ $\frac{1}{2}$ to $\frac{3}{4}$ billion higher than the estimate in the Financial Statement and Budget Report. This is the net effect of £ $\frac{3}{4}$ to 1 billion effect of the strike, offset by various other factors, quite unrelated to the civil service dispute.

The main effect of the dispute at the moment is inconvenience to the public. But there would be serious damage to the prospects for a further reduction in inflation if the Government conceded an excessive pay settlement.

SUPPLEMENTARIES ON THE FINANCIAL EFFECT OF THE DISPUTE

IS THE WHOLE OF THE £ $\frac{1}{2}$ TO £ $\frac{3}{4}$ BILLION DETERIORATION IN THE CGBR DUE TO THE STRIKE?

The amount of revenue likely to be delayed into next financial year as a result of the dispute is more like £ $\frac{2}{4}$ to 1 billion. There have been some other offsetting factors, unrelated to the dispute, but the figures are still very uncertain. [If pressed, it looks as if supply expenditure may be below the estimate in the Financial Statement and Budget Report].

HOW MUCH WILL THE ADDITIONAL BORROWING COST? The interest cost of any additional temporary borrowing is not likely to be significant.

WHY WERE NO FIGURES GIVEN LAST WEEK? The bulk of the PAYE receipts due in March were not payable until Thursday 19th. It was not sensible to give any figures until we knew how much of that money had been received.

WHAT WILL THE EFFECT BE ON THE MONEY SUPPLY; WILL IT JEOPARDISE THE MEDIUM TERM FINANCIAL STRATEGY? At most there will be a short-term increase in the money supply which will subsequently be corrected, and will therefore not jeopardise the Medium Term Financial Strategy.

BACKGROUND NOTE

The Chief Secretary said in the House today that the CGBR for 1980-81 would be between $\frac{1}{2}$ to $\frac{3}{4}$ billion higher than the forecast made at the time of the Budget. The detailed figures underlying that statement are:-

Strike effect:	£ million
Inland Revenue including national insurance	650
Customs and Excise	<u>250-300</u>
	<u>900-950</u>
 Total deterioration in CGBR compared with the FSBR estimate of £12,760 million	 500-750

Inland Revenue and Customs and Excise estimate that about three quarters of the normal tax revenues are currently being received by the Exchequer. In the Financial Statement and Budget Report, total Inland Revenue receipts (including national insurance) were put at £51,370 million for 1980-81, £5,097 million for March. Total Customs and Excise receipts were put at £22,137 million for 1980-81, £1,624 million for March.

The deterioration in the CGBR is less than the total strike effect because of offsetting factors quite unrelated to the strike. Preliminary figures suggest that, among other things, supply expenditure maybe £300 to 400 million below the amount suggested in the Financial Statement and Budget Report. The figures are still, however, very uncertain.



Civil Service Department
Whitehall London SW1A 2AZ

01-273 4400

From the Private Secretary

30 March 1981

Tim Lankester Esq
Private Secretary to the
Prime Minister
10 Downing Street
LONDON SW1

Dear Tim,

... As requested I attach a draft reply for the
Prime Minister to send to Lord Shepherd in
response to his letter of 20 March.

Yours sincerely,
Jim Buckley.

J BUCKLEY

GA
P/S tyj/2
TL

DRAFT LETTER FROM THE PRIME MINISTER TO:

The Rt Hon Lord Shepherd PC

very much
Thank you *h* for your letter of 20 March.

I am glad that you have agreed to continue as Chairman of the Civil Service Pay Research Unit Board for the time being pending the outcome of our review of the present arrangements. The proposals you have put to Lord Soames are a valuable contribution to that review.

CONFIDENTIAL

1.

Prime Minister.

MR. LANKESTER

Shall we set up the meeting of Ministers next week when the Lord President recommends?

cc: Mr. Duguid

27 iii

Yes

CIVIL SERVICE PAY

Following the Prime Minister's meeting with the Chancellor and the Lord President on 13 March, Sir Robert Armstrong was asked to consult his colleagues on the machinery for including manpower in the pay negotiations; on reconciliation with cash limits; and on a possible interim formula. I understand that as a result, Sir John Herbecq was asked to consider these issues with a small group, that he submitted a report on the interim formula to the Lord President this afternoon and that the Lord President will be putting it to the Prime Minister later this evening.

I believe the substance of the recommendation on the interim formula is that in order to persuade the Civil Service unions to stop their selective industrial action it will be necessary to undertake to allow them access to independent arbitration for next year's pay settlement. That is no doubt a correct assessment of the price that would have to be paid; but I must advise strongly against paying such a price. It would be completely inconsistent with the direction of the work being undertaken by officials to produce an ordered and agreed system for future Civil Service pay within the constraints of what the Government can afford, and it would also be incompatible with the approach agreed in Cabinet yesterday, of attempting to bring an end to the industrial action by Temporary Relief from Duty. I understand that similar advice will be given to the Chancellor.

J.S.

27 March 1981

CONFIDENTIAL



Civil Service Department
Whitehall London SW1A 2AZ
01-273 4400

27 March 1981

Clive Whitmore Esq
Principal Private Secretary
to the Prime Minister
10 Downing Street
LONDON SW1

Prime Minister

ML

27

Dear Clive

INDUSTRIAL ACTION BY IPCS

... I attach a note about today's industrial action
by the IPCS, which has been prepared by our
officials. For the sake of speed I have left
it in the form in which it was sent to this
Office.

*Yours sincerely
Vivien Life*

ML

VIVIEN LIFE
APS Lord President



MANAGEMENT IN CONFIDENCE

APS/LORD PRESIDENT

cc PS/Minister of State
PS/Permanent Secretary
PS/2nd Permanent Secretary
Mr Fraser
Mrs Sloman
Mr Allan
Mr Finn

ACTION BY THE IPCS

Mr Finn, Information Division, has spoken to the Press Office at No 10 and has established that they are concerned about the possible IPCS support for the TRD action taken by Customs & Excise today.

2. There has been widespread support in terms of walk-outs and protest meetings by most unions in several parts of the country today particularly in South Wales, and the Northern regions. The IPCS, in common with other unions, have particularly supported the protest action at Manchester, Preston and S Wales.

3. There is nothing exceptional in this support, and currently there is no indication of further (or more comprehensive) industrial action planned exclusively by the IPCS. In this context we have spoken to the two major employers. MOD and PSA/DOE who have confirmed that that is the position.

4. We will keep you informed of any further developments.

HC Hodge
HC HODGE
IRD

27 March 1981

MANAGEMENT IN CONFIDENCE

CONFIDENTIAL

✓ Vereker
Horskyne
Ingham

2



CIVIL SERVICE DEPARTMENT

WHITEHALL LONDON SW1A 2AZ

Telephone 01 273 5400

Sir Ian Bancroft G.C.B.
Head of the Home Civil Service

Mike Pattison Esq
10 Downing Street
LONDON SW1

27 March 1981

Dear Mike,

INDUSTRIAL ACTION

You may like to have a further progress report on the Civil Service industrial action.

... The number on strike has increased since the last report. At the beginning of the week there were 2,000 on strike. The total today is some 2,750 - details in the attached Annex.

The unions' tactics this week have included increased efforts to prevent the banking of revenue; an all-out strike in the Scottish courts; a strike by C & E staff in East Coast ports; and an extension of the industrial action in the Ministry of Defence. Those developments apart, the mixture is much as before - selective strikes, walk-outs, protest meetings, and general non-cooperation with management.

The industrial action is in general more pronounced than a week ago. Some 14 computer installations have now been hit by strikes. Apart from the immediate effects, the recovery problems for these installations will be considerable - just as they were after the last major industrial action in 1979. Disruptive action has been threatened at a major airport this week-end; we do not have details at present.

We expect the industrial action to intensify for a short time as a result of today's TRD action in C & E and probable similar action in Inland Revenue. But we have no way of telling whether or not sympathetic action will last for more than a few days. The unions have made it clear that a good deal of industrial action can be expected next Wednesday (April 1st). We do not think that there is likely to be a one-day strike; there will almost certainly be demonstrations during the morning. An afternoon lobby of Parliament, starting at 3pm, has been planned. I will let you have further information about these demonstrations, and about the lobby, if and when it becomes available. I will also let you have further progress reports from time to time.

CONFIDENTIAL

I am copying this to the Private Secretaries to Permanent Secretaries, Heads of Departments and Smaller Departments.

Yours ever,

Jeremy

JEREMY COLMAN
Private Secretary

PS

There is a risk of serious delays at three terminals at Heathrow over this weekend caused by the work to rule of immigration officers.

SELECTIVE ACTION BY NON-INDUSTRIAL CIVIL SERVANTS
SUMMARY OF POSITION AT 26 MARCH 1981

Department	Number on strike	Remarks
Customs & Excise	422	250 data processing staff on strike at Southend computer; 172 customs staff at East Coast ports.
MOD	494	Strikes by computer and other staff at 4 dockyards, 4 RN stores depots, 2 RN armaments depots, Clyde Submarine Base, bill-paying (Liverpool), Mapping and Charting Establishment (Feltham), Directorate of Submarine Projects (Bath) and REME Command (Bovington).
Employment	41	Staff at Runcorn computer handling RPI statistics (plus Job Release Scheme payments and DE Group payroll both so far unaffected).
Environment	10	Driving examiners at 3 test centres.
DHSS	240	230 staff on strike at Newcastle computer recording NI contributions; 10 at North Fylde Central Accounts Office.
Inland Revenue	978	901 on strike at Cumbernauld and Shipley computers; 77 at Bush House (London) Collection Office.
PSA	10	Strike by maintenance engineers at RAF Brawdy works offices.
Trade	136	Strike by staff who handle search facilities at Companies House, London and Cardiff.

Scottish Courts Administration	380 (estimated)	Strike by staff affecting Supreme Courts (Edinburgh) and virtually closing 6 Sheriff Courts.
Paymaster General's Office	23	Strike by 10 computer staff and 13 in Finance Branch, disrupting Government banking transactions.
TOTAL	2,734 (estimated)	A net increase of about 770 since a week ago.

SECRET

A

3



PRIME MINISTER

CIVIL SERVICE PAY

When we met on 13 March - yourself, Geoffrey Howe, Douglas Smith standing in for Jim Prior, Barney Hayhoe and myself - we commissioned a group of officials to examine ways out of the present dispute. Here is a copy of their agreed report.

I suggest we should now meet again as soon as convenient next week to discuss how we proceed. I would like to be in a position to talk to the unions by the end of next week, even though we might think it wiser to leave it a while longer. I would like to feel first that they are wanting to talk.

I am sending copies of this minute to Geoffrey Howe and Jim Prior and to Sir Robert Armstrong.

S.

SOAMES

27 March 1981

SECRET

S E C R E T

CIVIL SERVICE INDUSTRIAL ACTION: POSSIBLE FORMULA

Introduction

1. At the Prime Minister's meeting on 13 March, it was agreed that no immediate action should be taken to resolve the Civil Service industrial dispute; but that a formula should be worked out for use if this became necessary. A Group of officials under CSD chairmanship, with members from the Cabinet Office, Treasury and Department of Employment, was appointed to make recommendations on this. The Group will go on to report on the remits from the Prime Minister's meeting on the relationship between Civil Service pay and manpower, and the reconciliation of any new pay system with cash limits.

2. We have assumed that we are being asked for advice on a basis on which the Civil Service Unions might be persuaded to end their industrial action without their having first been driven into submission. Whether and when an approach should be made is for separate consideration.

3. The joint industrial action by the Unions is aimed both at securing more money this year and at getting assurances about how Civil Service pay will be settled in future. So the ground which a formula might need to cover is:-

- a. the level of the 1981 settlement;
- b. longer term arrangements for settling Civil Service pay;
- c. the basis of the 1982 settlement on the assumption that the longer term arrangements will not be in place by then.

1981 Settlement

4. In the earlier stages of the pay negotiations the emphasis of most of the Unions was on getting assurances about the future. For some that remains the priority. But there are signs that a number of the largest Unions may see some improvement on the Government's 7% offer as an essential prerequisite for calling off their action now that this has been launched and their members committed to action in support of the Unions' claim.

5. There can be no question of breaching the 6% pay factor in cash limits. The Government has made clear that that is the most that can be afforded this year. It has also said a pay increase of 7% is the most it can find from within the cash

S E C R E T

S E C R E T

limits. We have however looked at this again against the possibility that it emerged that a return to normal work depended on a token increase of say $\frac{1}{2}\%$ above 7%, and Ministers wished to consider whether that could be found. Our best assessment is that an increase of up to $\frac{1}{2}\%$ might be found within the pay related cash limits as a whole by a further squeeze on staff and other administrative costs. But there would be a significantly greater risk than at 7% to a number of individual cash limits and therefore a need for supplementaries balanced by offsetting savings elsewhere. Very tight cash control would be needed in all departments to ensure that the 6% figure was observed overall.

The Longer Term

6. The Civil Service Unions have been told that:

"The Government intend to review the arrangements for determining the pay of non-industrial civil servants with the object of establishing as soon as practicable an ordered and agreed system which takes account of all relevant factors and which will command the widest possible acceptance."

The basis for a new system is being studied by MISC 54 which is aiming to report by the middle of next month. Even if its recommendations could be made available earlier and its proposals agreed by Ministers and put to the Unions, it is highly questionable whether this would contribute to the early resolution of the present dispute. Some at least of the conditions the Government may wish to introduce into the new system will be highly unwelcome to the Unions and some that they want will be very difficult for the Government. The process of reaching agreement is likely to prove long and laborious. The immediate impact of tabling the Government's proposals while the present dispute is still in progress would be more likely to extend the dispute than bring it to an early end.

7. During the run up to the strike the Unions pressed for an elaboration of the Government's "formula" about the longer term quoted in the preceding paragraph. So far CSD Ministers have confined themselves to saying that matters such as pay comparisons and independent fact-finding would be among the factors covered by the review, and that arbitration had not been ruled out for the future. A rather more detailed response, giving certain assurances about the actual content of the new system, was agreed by the Prime Minister on 3 March:-

a. We have already said that an ordered and agreed system would take account of all relevant factors. In introducing such a system, it would be the Government's intention that the terms and conditions of service of its employees should not normally fall behind the terms and conditions of those employed outside.

b. Providing we can arrive at a satisfactory and ordered system, arbitration would have a part to play in normal times.

c. A new system would be established as soon as practicable but whether all or some of it could be used for the 1982 pay settlement would depend on the progress of the review and the circumstances prevailing at the time.

This formulation was not in the event spelt out in detail since it became clear that it would not have averted the action at that stage.

8. It is unlikely that the Unions would see this response as representing any very significant advance on the statement they already have. To go further however would either prejudice Ministers' position in later negotiations on the longer term arrangements or expose the frailty of the formulation. A great deal would depend on the mood of the Unions at the time when the formula was produced. If they were seeking cover for a retreat or were ready to accept what was on offer for 1981 and 1982, they might accept it without much question and leave the real arguments for the later negotiations. If on the other hand they sought to make a major issue of the text of the formula and to probe the Government's intentions and to seek improvements which would tie the Government's hands the Government would be on good ground in resisting a process which involved trying to settle the major long-term issue in the context of the present strike.

9. The assurances which have been given to the Unions about the longer term have been based on the assumption that the Government would first decide on the factors that it wanted to incorporate in a new system for pay determination and would then decide whether to enter into direct negotiations with the Unions or refer the matter to an outside independent review body, as proposed in the Lord President's paper E(81)16. If the course of the dispute makes it difficult for the Government to carry through this process of deliberation and decision as fully as it would wish it may be that an early announcement of an independent inquiry would offer the Unions an adequate measure of assurance about the longer term future. Such an announcement would certainly help to reinforce public opinion against any continuance of the strike. But an independent inquiry would be a major undertaking and would take a considerable length of time. It could not report in time for the 1982 settlement, and the Unions would undoubtedly want assurances about how their pay would be settled in the interim. This is discussed below.

1982 Settlement

10. The Unions have made it clear that an expression of "best endeavours" to have the new longer term system in operation for 1982 will not be sufficient. Their members will want to know how pay is to be settled in 1982 before bringing the present dispute to an end. In asking for this they will be seeking

agreement on the procedures to apply next year as a necessary counterpart to their acceptance of what they see as a low settlement this year.

11. We believe that in practice the negotiations in 1982 will have to take place on an ad hoc basis. It seems very doubtful whether a new pay system, however arrived at, can be in operation in time to provide the basis for next year's settlement. And in any event the economic prospects do not suggest that the climate in early 1982 will be favourable for the launch of new long-term arrangements.

12. If there is no agreed system to provide a framework for the 1982 negotiations the Government will want to be free to argue its case on whatever grounds suit it best and the Unions can hardly be denied a like freedom. In particular they could not be prevented from raising in the negotiations arguments based on outside comparisons. They may seek the reinstatement of pay research procedures pending agreement on a new system. But the Government has made it clear that the pay research system no longer commands confidence and it therefore could not agree to its restoration or the release of last year's pay research evidence whether updated or not. Indeed it will be necessary before long to give notice of final withdrawal from the existing Pay Agreement (at present suspended only for 1981).

13. It must be faced that the Unions will seek to insist that the cash limit arrangements for 1982/83 are devised so as to accommodate a genuine settlement between the two sides and not be used as an instrument for enforcing the Government's will. This would not inhibit the Government from making forceful use of arguments based upon "ability to pay". But a belief that the Government intended to impose a settlement for the third year running would both heighten the risk of industrial trouble next year and strengthen the hands of those in the Unions who argue that a major objective should be to achieve more cash now.

14. The core of the matter is whether, for the 1982 settlement, the Government should be free to impose its own limit, with the Unions having no recourse other than industrial action, or whether the Unions can be given some guarantee of more impartial judgment. We can see no way of maintaining the former position if there is to be any real prospect of an early return to work. We have therefore considered two possible ways of giving them the security they seek. These are discussed below.

15. The first possibility is an undertaking to accept arbitration in 1982. All past experience argues that the Unions would be ready to bind themselves in advance to this, but only on condition that the Government gave a similar commitment. In view of the likely economic position in 1982-83 and the general 'pay climate' which will then prevail this presents very real difficulties. But any insistence that the Government must be free to set aside the outcome of arbitration would make the offer of it worthless in the eyes of the Unions. Indeed, to agree to

go to arbitration but then to refuse to implement the award would be to maximise the risk of further serious industrial action in 1982. So any offer of arbitration, to be of value, would have to involve acceptance of its outcome.

16. It would be natural to expect that any arbitration case would be held before the Civil Service Arbitration Tribunal. A brief note on the Tribunal is annexed. It has a good record especially under its present Chairman and under the Pay Agreements it has consistently avoided "splitting the difference". Indeed in the great majority of recent cases it has found substantially in the Official Side's favour. The outcome would inevitably be less certain with a hearing in which a wide range of factors was before it. But there is no reason to suppose that it would not give full weight to the evidence presented on behalf of the Government.

17. We recognise the difficulties which a promise of independent arbitration for the Civil Service next year would raise. There would have to be a commitment to finance any arbitration award. And there might well be repercussions in the treatment of other public service groups, both this year and next. We have therefore considered whether there are any other approaches to 1982 that might give the Unions the assurance they are seeking that they will not face another imposed settlement.

18. If Ministers could not offer arbitration, the only other assurance which might carry weight with the Unions for 1982 would be a link with income movements generally over the next 12 months. From the Unions' point of view this would rule out any prospect of a 'catching up' increase to make up the ground they might think they had lost in the 1981 settlement. On the other hand they should see it as affording them protection against any further loss of ground. It would, in effect, preserve the status quo, leaving the new system, when in operation, to establish what change, if any, remained to be made in the relative position of the Civil Service in the market generally. We have not had time to consider what might constitute the most appropriate index, but further work is in hand on this point.

Conclusions

19. Our judgment is that, with the Unions in their present mood, a formula aimed at ending the present industrial dispute would need to cover the following ground:-

- a. 1981 settlement. An increase in the Government's offer from 7% to 7½%, but contained overall within the present cash limits, might prove to be important.
- b. The longer term. Here there are two options:
 - i. It might be sufficient for the time being to use the formula agreed by the Prime Minister on 3 March.

ii. Alternatively the Government might propose to remit to a high-powered independent inquiry the task of recommending what should be the form of the new pay system.

c. 1982. Here again there are two options:

i. The Unions might be given an assurance of access to arbitration if a negotiated settlement could not be reached. Each side would be free to argue its own case in its own way and both sides would undertake to accept the outcome.

ii. Alternatively the Government might undertake, as an interim means of preserving the status quo for 1982 pending the introduction of a new system, to increase Civil Service pay by reference to some suitable index of income movements over the next 12 months.

20. We well recognise that either of the two options for dealing with 1982 would present major difficulties for Ministers. But in the absence of a marked change in the present mood we judge it unlikely that any early end to the action could be achieved unless the Unions can be given some form of assurance on which they feel able to rely that pay in 1982 will not be determined purely by Government fiat.

21. In weighing the options we have set out, both for 1982 and for the longer term, we doubt whether there is much to choose in terms of the likely Union response. We cannot say with total confidence that a formula based on these options and covering both 1982 and the longer term would settle the dispute but we believe the prospects to be good at the right time. But we do not believe that either of the options for the longer term, even if accompanied by an increase to $7\frac{1}{2}\%$ in the offer for 1981, would serve the purpose if there was no commitment for 1982. That is not to say that if the action runs on and perhaps is escalated (although the course of escalation is unpredictable) there will not come a time when the Unions are positively looking for a way out and are ready to set their sights much lower. In that situation, a proposal to remit the longer term arrangements to an independent enquiry might in itself be of value as a means of easing the way for a return to normal working and restoring morale. But we are not in sight of that situation yet.

Civil Service Department
26 March 1982

CIVIL SERVICE ARBITRATION ARRANGEMENTS

The arbitration arrangements for the non-industrial Civil Service have been in substantially their present form since 1925. The Civil Service Arbitration Agreement provides for the reference of disputes on pay and similar matters to the independently chaired Civil Service Arbitration Tribunal (CSAT). References are made by the Secretary of State for Employment at the request of either party (though for grades with pay above that of Principal the agreement of both parties is required and has rarely been given by management).

2. The Arbitration Agreement provides that the claims eligible to be dealt with by the Tribunal are:

"claims affecting the emoluments, weekly hours of work and leave of classes of civil servants ...".

"Emoluments" are:

"pay, and allowances in the nature of pay, bonus, overtime rates, subsistence rates, travelling and lodging allowances".

The Agreement makes no provision about the evidence which is admissible before the Tribunal.

3. The Tribunal consists of an independent Chairman, and one member each from panels appointed by the Secretary of State for Employment on behalf of the Official Side and the Union Side respectively. The present Chairman is Mr David Calcutt, QC. His 3-year term expires in March 1982, but he has indicated his willingness to continue for a further term.

100. CSE.

Collection Offices

IR.

PRIME MINISTER

Refusing to do normal work.

Normal duties to banks
receipts at risk
Rep. Offices piloted.

Civil Service Pay Dispute

The Chancellor wishes to raise this in Cabinet again tomorrow. It was left at last week's Cabinet that he should do so as necessary; but it is unsatisfactory that - once again - he has not circulated any note. Furthermore, Lord Soames is of course still away.

The Chancellor is apparently now more convinced than he was last week that the Inland Revenue should suspend staff who refuse to take on work which would normally be done by the two computers which are out of action. As I understand it, he is concerned about management morale, and that, unless action is taken, the 80% of the normal revenue now coming in will be put at risk.

We seem to have two alternatives. Either, we tell the Chancellor that he can raise this in Cabinet - in which case Mr. Hayhoe would need to attend. Or we have a meeting early next week with the Chancellor, Lord Soames and Mr. Prior.



PM YES

100 people.

40%

delayed.

TL

TL

Real damage would be to expedite inflationary pay settlement.

25 March 1981



HS

10 DOWNING STREET

From the Private Secretary

24 March 1981

Dear Jim,

I enclose a copy of the letter from Lord Shepherd which we spoke about this morning. I would be grateful for a draft reply for the Prime Minister to send to Lord Shepherd.

Yours sincerely,

TL

Jim Buckley, Esq.,
Lord President's Office.

JA

24 March 1981

Dear Lord Shepherd,

I am writing on behalf of the Prime Minister to acknowledge your letter of 20 March. I have shown this to the Prime Minister and you will be sent a reply as soon as possible.

Yours sincerely,

T.P. Lankester

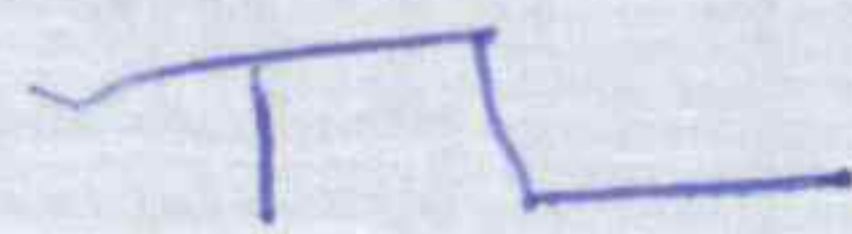
The Rt. Hon. Lord Shepherd

16

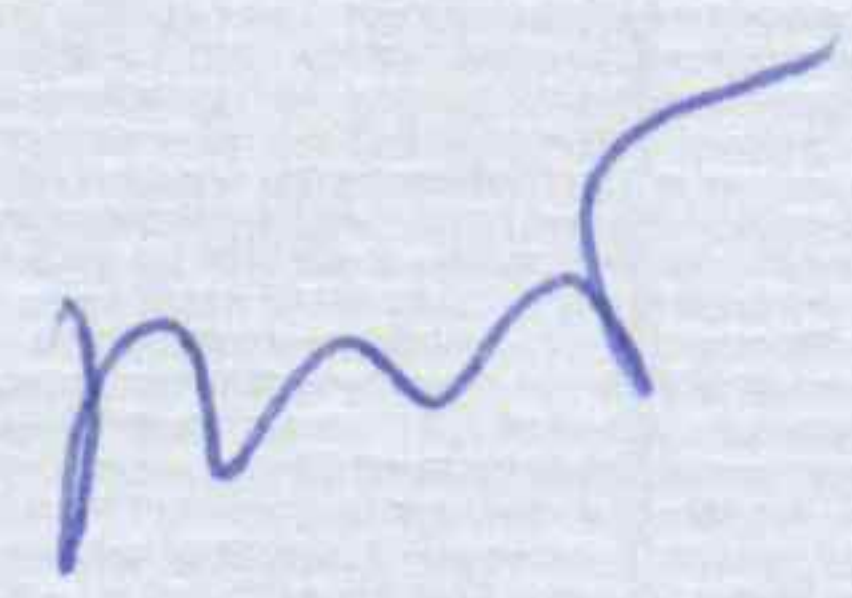
PRIME MINISTER

Lord Shepherd, whom you have recently reappointed as Chairman of the Civil Service PRU Board, has written in with some ideas on how PRU should be reformed. He suggests that we should stick to comparability surveys, but take into account a much wider range of factors - and also that the system should only apply up to Principal level.

His views have been given to CSD in greater detail, and the Official Group will take them into account in their Report. However, I think you will need to send a short reply, and I will get a draft from CSD.



T.P. Lankester



24 March 1981

CONFIDENTIAL



TL
✓ 24/3.

CF.

pl. return the cit'd minute

CABINET OFFICE

in the Wright.

HW
24 in

70 Whitehall, London SW1A 2AS Telephone 01-233 8319

From the Secretary of the Cabinet: Sir Robert Armstrong KCB, CVO

Ref. A04522

23 March 1981

Dear Clive,

Cabinet, Thursday 19 March 1981

Sir Robert Armstrong has decided that a full record of last Thursday's discussion in Cabinet on the Civil Service Dispute should be sent separately to those directly concerned. I enclose a copy with this letter. Copies also go to John Wiggins (Treasury) and Jim Buckley (Civil Service Department).

There is no reference to the existence of this record in the Cabinet minutes and I should be grateful if it could not be referred to or quoted from. It should also be seen only by the Permanent Secretaries in the Treasury and the CSD and the Chairman of the Board of Inland Revenue.

In due course, I should be grateful if copies could be returned to me in the Cabinet Office.

Yours ever,

David

(D J Wright)
Private Secretary

Clive Whitmore Esq

CONFIDENTIAL

MFJ

Civil
Service

MR WRIGHT

Civil Service Pay

The Prime Minister has seen and noted
Sir Robert Armstrong's minute to
Mr. Whitmore of 20 March (AO4515).

NJS

R

23 March 1981

Mr Verker



CIVIL SERVICE PAY RESEARCH UNIT BOARD
67, Tufton Street, LONDON, SW1P 3QS
Telephone: 01-212 7779

CHAIRMAN
The Rt Hon Lord Shepherd P.C.

20 March 1981

The Rt Hon Margaret Thatcher MP
Prime Minister and
Minister for the Civil Service
No. 10 Downing Street
London SW1

M. Thatcher

*See
Appts
files*

I have just received a letter from Lord Soames indicating that you wish me to carry on as Chairman of the Civil Service Pay Research Unit Board for the time being, whilst the future procedures for civil service pay are being settled. In all the circumstances of course I am prepared to continue.

You will remember when we met in May last that we discussed some ideas for changes in the present system. I have since given further thought to this and at the request of Lord Soames I earlier this week gave him a note containing my views on a possible new system. I also summarised in a letter to him the main thrust of the proposals and I think it right to set these out for you. They are:

1. The pay results of comparability surveys would not be applied automatically but account taken of other factors including economic and market conditions.
2. There would be specific data including not only absolute pay levels but also trends.
3. This specific data would enable account to be taken of factors such as pensions, job security, fringe benefits, uprating and the like, but the Board, not the negotiating parties, would process the data and indicate how these items had been taken into account. In effect this would entail a review by the Board of all the sensitive items in the pay package and I consider it unlikely that the existing formulae for dealing with them would be retained. The reports issued on this basis would also enable a very quick assessment of the order of magnitude of civil service pay settlements indicated by the data.
4. The Trade Union and Official Sides would not receive unprocessed data. Individual company reports would not be issued to the negotiators who would no longer be responsible for interpreting the detailed data.

Copy in Appts.

5. The Board would openly publish the pay data and how it had taken into account the various factors affecting pay. This in itself would force a discipline on the negotiators, and departure from the Board's views would need to be justified.

6. The system would stop at Principal level and the interface problem with the higher civil service would be eliminated. This is a more natural break point and would reduce many of the arguments about the validity of job comparisons. Also it is above this level where the incidence of fringe benefits becomes most marked.

7. The pay settlement date would be changed so as to be nearer the end of the 'pay round' and if possible to reduce any adjustment required to relate it to the dates of the data.

8. The Board, not the Director, would have executive responsibility for the basis and conduct of the surveys and the information provided. This, with the extra role given to the Board, would significantly increase the 'independent look' of the system.

I have given a great deal of thought to these matters and I am convinced that the proposals given to the Lord President provide a realistic way forward.

SHEPHERD

Yours very sincerely
T. A. R. Shepherd

CONFIDENTIAL

MR DUGUID

cc Mr. Whitmore
Mr. Wolfson
Mr. Walters

+ 12/20/81

Civil Service Pay

Further to my note yesterday, I have been playing around with possible forms of a new Civil Service pay agreement. I have concluded that it may be worth pursuing an agreement containing two distinct elements: a comparability element, subject to binding arbitration, and an "other market factors" element, which would be entirely in the hands of management, and which would be used to adjust the outcome of comparability studies.

I have tried to set down the outlines of this in the attached note, and would welcome any comments. We have to bear in mind, as always on this subject, that any proposal we put forward must stand some chance of being acceptable to Ministers, to the public as a whole, and to the unions, and must be workable in the first year of coming into effect.

J.

20 March 1981

CONFIDENTIAL

POSSIBLE OUTCOME OF MISC 54

Recommend that Ministers offer the unions a new pay agreement as outlined below. The details are negotiable but the main principles are not. If the unions will not accept the main principles, the Government should say that it will proceed each year by imposing what it considers to be a reasonable settlement, and by taking firm measures (including TRD and layoffs, and [?] dismissal) to counter industrial action.

OUTLINE OF A NEW AGREEMENT

1. Principles (NB: these have no binding effect but are presentationally important for Ministers and unions)

(a) The Government declare its intention to establish a framework in which mutual trust between employer and employee will be re-established, in the belief that the Government's industrial relations should set an example to the nation.

(b) Only the Government can judge the total amount of money the country can afford to pay its civil servants, but both parties recognise that an ordered and agreed system of pay determination is in the national interest.

(c) The basis for determining civil service pay is the supply of and demand for labour. These market forces encompass such factors as the changing patterns of manpower requirement in the civil service, and the relative attractiveness of the civil service as a career.

(d) Pay comparisons with analogue groups provide an essential indicator of market forces.

(e) Other indicators of market forces such as recruitment and retention rates and manpower requirements must also be brought into account, and it must be for management to assess their importance.

/2. Procedure

2. Procedure

There will be two elements in the pay determination process:

- (i) The establishment of pay comparisons, which is to say the equivalent salary scales of civil service analogues.
- (ii) The adjustment of pay comparisons by management to take account of other market forces.

3. The Role of Pay Comparisons

- (a) PRU and PRUB shall continue.
- (b) The scope of the analogues will be changed so as better to reflect the operation of the labour market. More small firms will be included, as will some UK-based foreign firms. Public service (but not public trading sector) analogues will be excluded.
- (c) Both parties will endeavour to agree pay comparisons on the basis of quantifiable and unquantifiable information about these analogues.
- (d) In the event of dispute either side will have access to the Civil Service Arbitration Tribunal, whose ruling will set the pay comparison element in the determination process.

4. The Role of Other Market Forces

- (a) Management will produce evidence of the extent to which current civil service pay levels meet the requirements of the labour market. Such evidence will include
 - (i) Recruitment rates and unfilled vacancies
 - (ii) Voluntary quit rates
 - (iii) Changing manpower requirements
- (b) This evidence will be discussed between management and the unions.
- (c) After discussion, management will use this evidence to adjust the salary levels indicated by pay comparison.

CONFIDENTIAL

- 3 -

(d) In the event of a dispute, management's decision will be final but the adjustment will not normally be substantial .

5. Commitment

(a) Either side may withdraw after 6 months notice.

(b) The Government may suspend in the national interest if there are clear and compelling reasons to do so.

CONFIDENTIAL

copy to Mr V. [unclear]



6

Prime Minister

Ref: A04515

SECRET

These arrangements seem all right. Content?

MR. WHITMORE

MBI
20 iii
MBI

Civil Service Pay

At the Prime Minister's meeting on 13th March, 1981 I was asked to consult Sir Ian Bancroft and Sir Douglas Wass on the machinery for:

- (i) considering the possibility of including manpower as an element in pay negotiation;
- (ii) reconciling cash limits with new elements in the system;
and
- (iii) establishing a possible interim formula should its use become necessary.

2. These remits are interconnected; and the last is, we think, more urgent than the first two. We have asked Sir John Herbecq to take charge of a small working group which will consist primarily of representatives of the Treasury and the Civil Service Department, with the Cabinet Office taking part. Their first duty will be to make proposals for a possible interim formula; they have been asked to report to the Lord President on this by the end of next week.

3. On the reconciliation of cash limits of pay bargaining, the Treasury will produce the first input for the working group. The working group should thereafter be able to produce suggestions which will then need to be discussed more widely with at least a few Departments, before proposals are submitted to Ministers.

4. The Civil Service Department will take the lead in considering the possibility of including manpower as an element in pay negotiations; this work will come in the first instance to the working group, but will probably need to be discussed more widely with a view to a report being made to Ministers as soon as possible.

5. I am sending copies of this minute to the Private Secretaries to the Chancellor of the Exchequer, ~~the~~ Lord President and the Secretary of State for Employment; and to Sir Ian Bancroft and Sir Douglas Wass.

(Robert Armstrong)

20th March 1981

CONFIDENTIAL

MR. WHITMORE W
19/10

c.c. Mr. Wolfson
Mr. Walters
Mr. Ingham
Mr. Duguid

Civil Service Pay: Progress of MISC 54

The papers generated by MISC 54 are voluminous, and it may be helpful if I circulate this brief summary of progress so far, since at any moment we may be asked to produce interim conclusions.

The group is working towards a report, to be drafted by the CSD but agreed by the group, and available in mid-April, which will address the following main issues (it will also address large numbers of subsidiary ones, with which I will not trouble you):

Comparability

The group will recommend a wider range of analogues, to include more small firms, and possibly also foreign firms based in the UK; largely for presentational reasons we will say that other public service groups should be excluded, but we will recommend that some public trading sector analogues should be retained. Although we have not got as far as looking at the institutional arrangements, I think it is implicit in the work done so far that the pay research unit will need also be retained.

Market Factors

The group will acknowledge that comparability alone is an inadequate proxy for the market. We will say that recruitment and retention rates need to be brought into account somehow, but that because of the unproven and probably inadequate data base, voluntary quit rates cannot be sufficiently well quantified to be a part of an agreement at this stage. Further work will be done on VQR data, but the likely outcome is that they should be used as information available for management's use in the negotiations. Mr. Walters is going to investigate whether the CPS might do some research on private sector data on VQRs.

CONFIDENTIAL

/ Regional Pay

Regional Pay

This is shaping up to be a significant issue: there is strong CPRS pressure for regionally or locally determined pay levels, and equally strong CSD resistance. The group will take a paper on it next week.

Automaticity

There are several on the group - possibly even a numerical majority - who would prefer a loose system. Under this, the PRU would produce comparability evidence, and both sides would be free to bring into the negotiations a wide range of other factors. The agreement would be a largely procedural one, and negotiations would rapidly degenerate into free collective bargaining. That would put an enormous weight on the arbitration procedure. I have argued that such a procedure would not be "ordered and agreed", and that Ministers would not accept that arbitration should take so much weight - in effect, that the arbitrator should take the public expenditure decisions that are the Government's responsibility. Positions are quite sharply drawn on this point, and at yesterday's meeting the Chairman's conclusions were helpful:

- (i) The agreement should be as quantified as possible, although clearly some other factors would have to be taken into account.
- (ii) There should be no separate provision for wide ranging unquantifiables such as "economic circumstances" to be included in the agreement, and there should instead be provision for a Government override of the whole agreement, including the arbitration provision; and
- (iii) Access to arbitration should be joint rather than unilateral, but the Government should say that it would "not normally be denied". The CSD will be looking further at that formula, which is probably the central difficulty of the new arrangements, since access has been denied in the last 2 years and would almost certainly be denied next year.

No Strike Agreements

There is no enthusiasm at all in the group for mixing up pay determination arrangements with the contractual arrangements, such as no strike agreements. However, following the Prime Minister's remarks in Question Time on Tuesday, I have insisted that the report indicate that no strike agreements have been considered, even though there are clear difficulties, so that Ministers can if they wish take up the point later.

The group is meeting weekly, for sessions which generally last over 3 hours, and a considerable amount of work is going on between meetings. It would be difficult to accelerate the pace significantly. Future work will cover the problem of "peaks and troughs"; regional pay; institutions (PRU etc.), and cash limits - we are waiting to hear the outcome of Robert Armstrong's discussions about machinery on cash limits and manpower.

I am having lunch on Monday with Brian Pearce, the CSD Under-Secretary concerned, for a preliminary discussion of the drafting of the report; any comments on the foregoing before then would be appreciated.

J.V.

19 March, 1981.

Mr Verker



Prime Minister

CIVIL SERVICE DEPARTMENT
 WHITEHALL LONDON SW1A 2AZ
 Telephone 01 273 5400

MP
 19/
 3

Sir Ian Bancroft G.C.B.
Head of the Home Civil Service

M Pattison Esq
 Private Secretary
 Office of the Prime Minister
 10 Downing Street
 LONDON SW1

19 March 1981

Dear Mike

INDUSTRIAL ACTION

There has been relatively little change since Monday in the nature of the industrial action in the Civil Service. As you know, the main action is in Inland Revenue where the PAYE computer centres at Cumbernauld and Shipley are still closed (900 civil servants on strike). Inland Revenue's contingency plans relating to the medium and large payments (cheques of £3,500 and over), accounting for approximately 80% of the money involved, have worked reasonably well so far. The small payments (some £500 million a month) are not being dealt with for the time being. The Inland Revenue Staff Federation have issued a notice instructing staff at Bush House and in the 14 Regional Offices not to handle cheques which would normally be dealt with at Cumbernauld and Shipley. Apart from picketing, there was a demonstration outside Bush House this morning organised by the Council of Civil Service Unions. This took place between 7.30 am and 8.30 am and was attended by between 150 and 250 (far less than the unions expected). The meeting was addressed by Messrs Kendall, Christopher and Ward, but there was no intimidation of civil servants entering the building.

As forecast in my letter of 16 March, the new targets for industrial action in Customs and Excise are the Channel ports. There is a work-to-rule at ports from Ramsgate to Plymouth (including Dover imports section). 40 staff were on strike in the Dover exports section and 25 at Newhaven and Shoreham. All have now returned to work. 250 Data Processors are still on strike at the VAT office at Southend.

CONFIDENTIAL

M Pattison Esq

19 March 1981

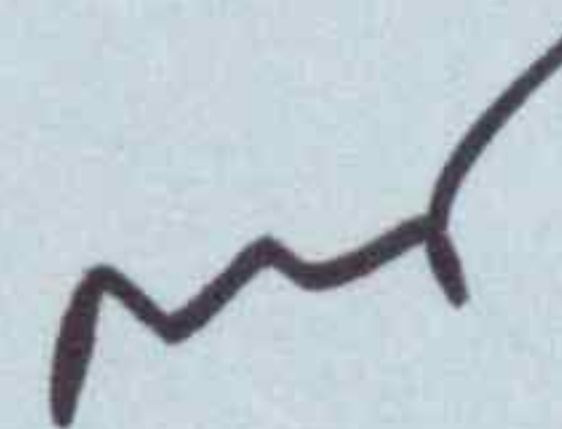
Action in MOD (380 on strike) and DHSS (240) is much as reported earlier in the week. This is causing difficulties but is containable. In the Department of Trade 136 staff who provide company search facilities at Cardiff and London are still on strike.

At present, an estimated 2,000 non-industrial civil servants are on strike in all Departments. There have been a number of 'lightning' strikes in several parts of the country - usually half a day or less - and also protest meetings (some during working hours causing some disruption to work).

The Minister of State will be answering a written Question tomorrow giving details of the numbers of civil servants who took part in the one-day strike on 9 March. The total - based on returns from Departments - is 273,400. A table showing the figures is attached.

I am copying this as before.

Yours sincerely



MS E A THORNTON
Acting Private Secretary

CONFIDENTIAL

ONE-DAY STRIKE 9 MARCH 1981

	<u>Nos. on strike</u>
Ministry of Agriculture, Fisheries and Food	3,870
Civil Service Department	1,020
HM Customs and Excise	16,420
Ministry of Defence	47,820
Department of Employment	28,730
Departments of the Environment and Transport	9,610
Department of Health and Social Security	62,250
Home Office	4,110
Department of Industry	3,370
Inland Revenue	54,920
Land Registry	3,100
Lord Chancellor's Department	2,970
Department for National Savings	6,710
Property Services Agency	7,710
Scottish Office	3,940
Scottish Courts Administration	560
Department of Trade	2,600
Welsh Office	1,120
Other Government Departments	12,570
	<hr/>
Total	273,400
	<hr/> <hr/>

CONFIDENTIAL

MS



cc Cabinet
LAD
CWO
CO

Civil Service

10 DOWNING STREET

From the Private Secretary

19 March 1981

Civil Service Pay

The Prime Minister has read the Attorney General's minute of 16 March in which he commented on the Cabinet conclusions on Civil Service pay from last week's meeting. She has also seen the Chancellor's minute of 16 March in which he explains that he was in fact aware that, in order to suspend civil servants in the circumstances he had in mind, legislation would be required.

I am sending copies of this letter to the Private Secretaries to the members of the Cabinet, Christine Duncan (Lord Advocate's Department), Murdo Maclean (Chief Whip's Office) and David Wright (Cabinet Office).

J. P. LANKESTER

Jim Nursaw, Esq.,
Attorney General's Office.

CONFIDENTIAL



Civil Service Department

Whitehall London SW1A 2AZ

01-273 4400

As Whitmore.

Mr Vesey.

Noted, thank you

To see.

18/3

From the Private Secretary

Clive Whitmore
Principal Private Secretary to
the Prime Minister
10 Downing Street
LONDON SW1

18 March 1981

Dear Clive,

CIVIL SERVICE PAY

There is a small point in your letter of 13 March which could cause confusion. In the second paragraph you report what the Lord President said about the funds available to the unions. In fact, the situation is that the unions hope to have available to them £2 to £3 million in total for their fighting fund: £250,000 is the weekly amount raised by contributions from members. I don't think that we have at the moment a figure for how much the unions are spending.

I am copying this to John Wiggins (Treasury), Richard Dykes (Employment) and to the Offices of Sir Ian Bancroft, Sir Douglas Wass and Sir Robert Armstrong.

*Yours sincerely,
Jim Buckley.*

J BUCKLEY

CONFIDENTIAL

Civil Service



Civil Service Department
Whitehall London SW1A 2AZ
01-273 4400

John Wiggins
Private Secretary to the
Chancellor of the Exchequer
HM Treasury
Parliament Street
LONDON SW1P 3AG.

MBM

17 March 1981

R
143

Dear John,

The Chancellor is reported in the minutes of last Thursday's Cabinet (11th conclusions, item 4) as having mentioned the possibility that some staff at Southend might shortly have to be sent home without pay because there was no work for them to do. We spoke about this on Friday.

You will of course recall earlier Ministerial discussions. But for the guidance of colleagues I should record that in the case of non-industrial staff there are legal difficulties which mean that such a course of action is not a readily-available option.

I am sending copies of this letter to the Private Secretaries to the Prime Minister, members of the Cabinet and Sir Robert Armstrong.

Yours sincerely,
Jim Buckley.

J BUCKLEY

CONFIDENTIAL

contingency
voenes



01-405 7641 Extn

THE PRIME MINISTER
CIVIL SERVICE PAY

ROYAL COURTS OF JUSTICE
LONDON, WC2A 2LL

Ann-Thomas
The Cabinet conclusions may have been too concise. The Chancellor (Flag A) is well aware of the need for legislation if TRD is to be extended.

MW

12.17/3

I have just seen the conclusions of the Cabinet meeting on 12 March and refer to the last paragraph (item 4 on Civil Service pay).

2. I am troubled by the statement, in connection with withdrawal of data processors from work in the VAT computer at Southend, that those not now on strike will "have to be sent home without pay" when they reach the stage of having no useful work to do as a result of industrial action by others.

3. Such a step would be an extension of the procedure known as "TRD" (temporary relief from duty) which is discussed in the legal Opinion of the Law Officers and Treasury Counsel (sent to colleagues on 1 October 1979). The broad conclusion then reached was that TRD would not stand up in the courts unless the staff to whom it was applied were in breach of contract by reason of failing to perform their normal duties. This advice has, I believe, been consistently followed to date and I have no reason to modify it.

4. I do not have the precise details of what has been happening at Southend, but I understand that the non-striking staff, to whom the Chancellor suggests that this procedure might be applied, are not in breach of contract. Sending them home without pay would probably be held by the courts to be unlawful and I advise most strongly against it.

5. The only safe way of achieving lay-off without pay in circumstances like these would be to take and exercise the powers which are found in the draft contingency legislation recently prepared on the instructions of E(CS).

6. I am copying this to all members of Cabinet, Michael Jopling, the Lord Advocate and Sir Robert Armstrong.

MH

16 March 1981



Lee J. Verket.
or Dunford

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

CONFIDENTIAL

PRIME MINISTER

CIVIL SERVICE PAY

I have seen Sir Michael Haver's minute to you of 16 March about the Cabinet conclusions on civil service pay (item 4). I did not intend to suggest that lay-offs without pay of staff whose work had dried up because of strike action by others could be achieved without a change in the law. I was aware of the Law Officers' advice on this question; the point I wished to make was that we may soon face a situation where it becomes desirable to take and exercise the powers in the draft contingency legislation that has been prepared.

2. I am copying this to all members of Cabinet, Michael Jopling, the Lord Advocate and Sir Robert Armstrong.

GEOFFREY HOWE
16 March 1981



cc Press Office

CIVIL SERVICE DEPARTMENT
WHITEHALL LONDON SW1A 2AZ

Prime Minister

Telephone 01 273 5400

Sir Ian Bancroft G.C.B.
Head of the Home Civil Service

MP
16/3

Mike Pattison Esq
10 Downing Street
LONDON SW1

16 March 1981

Dear Mike

MP

INDUSTRIAL ACTION

You may care to have this summary of the industrial action which began in the Civil Service last week.

As Jeremy Colman let you know last week, the industrial action started with a one-day strike on 9 March. This was not as well supported as the unions continue to make out. Nevertheless the total - when the final returns from Departments have been received we expect this to be less than 275,000 - is not insignificant.

Selective and disruptive action began on 10 March in a few Departments, much as expected. About 1300 civil servants were on strike on 10, 11 and 12 March, and rather more than that on 13 March. Customs and Excise was the prime target - most of the Northern Ireland Land Boundary stations were closed for the week, some 250 computer staff were on strike at the VAT office Southend, there was selective action at ports handling UK/Republic of Ireland traffic, and 'working to rule' at other ports and airports. At Liverpool, the industrial action in the C & E office led to the issue on 11 March of Temporary Relief from Duty (TRD) warning notices to four Clerical Assistants. There were strong union protests in Departments generally in the Liverpool area, followed by sympathetic action in various parts of the country on Friday 13 March. The Council of Civil Service Unions called on civil servants to walk out during the afternoon of last Friday; this received some support, particularly in the North of England, Scotland and Wales. The unions claimed that 100,000 took part. We will receive returns from Departments in due course and expect the union claim to be considerably exaggerated.

MOD and DHSS have also been affected by selective action. Some 350 staff have been on strike in various parts of MOD - mainly in the Dockyards, Naval Stores Depots, and the Clyde submarine base. In DHSS, the computer at Newcastle which holds records of individuals' national insurance contributions is closed (alternative

arrangements have been made to give Local Offices access to the information which would normally be provided from the computer). The computer centre at Livingston was closed for the whole of last Friday - this has meant delay in payment of unemployment benefit in the north of England and Scotland.

The position today is that the unions have called out the staff of Inland Revenue's Cumbernauld and Shipley PAYE computer centres on an indefinite strike. 900 out of the total of 960 have not reported for work. There is no major change so far in the selective action in MOD, but the action in C & E at the Northern Ireland Land Boundary stations and at the ports handling UK/Republic of Ireland traffic, has ended. This means that the staff at the Liverpool C & E office - including the Clerical Assistants who were subject to TRD - are working normally. We understand that the unions will now select a new target in C & E, probably the Channel ports.

The industrial action last week went more or less as we thought - fairly low key until Friday, resulting more in inconvenience than in serious disruption of the work. The action this week with the closure of the Inland Revenue accounts offices is more serious. Inland Revenue have contingency plans to help in countering this, but temporary loss of revenue will be inevitable.

I will report developments as necessary.

I am sending copies of this letter to the Private Secretaries to Permanent Secretary Heads of Departments and Smaller Departments.

Yours sincerely
MS E A Thornton

MS E A THORNTON
Acting Private Secretary

CONFIDENTIAL

MR. LANKESTER

Civil Service Pay

Thank you for letting me see the Lord President's minute to the Prime Minister of 12 March, and the brief which has been given to the Chancellor, both in preparation for this afternoon's meeting with the Prime Minister.

I entirely share, if I may say so, the Lord President's assessment that we must wait and see how effective the industrial action is before deciding what action to take ourselves. If the time does come for the Government to make a move, the Lord President warns that we may need to agree a reference of the 1982 pay settlement to the Civil Service Arbitration Tribunal. I have noted that the Prime Minister disagreed with my earlier suggestion that it would be preferable to raise this year's cash limit; the two may in the end turn out not to be alternatives, but I think that the Prime Minister should be aware that allowing the unions access if they want it to arbitration for next year's settlement (and by implication for subsequent years) could turn out to be a very expensive decision. Next year's pay round is going to be marked by a pay factor in the cash limit of about 6%; tremendous pressure to catch up as a result of this year's pay round, increased national insurance contributions, and the budget measures; and the tone of the round being set by a 25% claim from the miners.

Two points on the Chancellor's brief:

(i) No-one should be under the illusion that the work of MISC 54 is going to lead to a new pay system which will be easily negotiable with the unions. Most of the new ideas being discussed would have, as it is clear Ministers wish them to have, the effect of reducing the increases indicated for the Civil Service by PRU.

(ii) The escalating list of disciplinary measures suggested by the Treasury may well be needed to defeat the unions, but because production of these weapons from our arsenal would have appalling effects on management-staff relations, which would be reflected in a much more difficult climate for future pay negotiations, we

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/ must

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- 2 -

must give the industrial action a change to peter out peacefully first.

↓
2

J.M.M. Vereker

13 March 1981

CONFIDENTIAL

→
Copy to
A. Dennis

CF

MANAGEMENT IN CONFIDENCE



Civil Service
Pm
with map.

CIVIL SERVICE DEPARTMENT
WHITEHALL LONDON SW1A 2AZ

Telephone 01 273 5400

Sir Ian Bancroft G.C.B.
Head of the Home Civil Service

M
12/13/81

M Pattison Esq
Private Secretary
Office of the Prime Minister
10 Downing Street
LONDON SW1

13 March 1981

Dear Mike,

INDUSTRIAL ACTION

You may care to have this summary of the industrial action in the Civil Service this week.

As I have let you know, the one-day strike on 9 March was not as well supported as the unions have made out. Nevertheless, the total (an estimated 275,000) is not insignificant. Selective and disruptive action began on 10 March in a few Departments, the main targets being in C&E and MOD. On average, some 1,300 civil servants have been on strike each day. In addition, there has been a general withdrawal of good-will, allied to working to rule in some Departments (for example of Customs and Immigration staff which will affect Heathrow this weekend).

The industrial action in C&E led to a proposal to place four Clerical Assistants at Liverpool on Temporary Relief from Duty (TRD). This led to protests yesterday in Departments generally in the Liverpool area, and to sympathetic action in various parts of the country today. The Council of Civil Service Unions called on civil servants to walk out this afternoon; this received some support (but we do not yet know how much) in the North of England and Scotland.

The selective industrial action is likely to become more serious next week if, as expected, the Inland Revenue accounts offices at Cumbernauld and Shipley are shut down by the unions for an indefinite period. Inland Revenue have contingency plans to help in countering this, but temporary loss of revenue will be inevitable.

M Pattison Esq

13 March 1981

... I attach a copy of a more detailed note.
I will report developments next week.

Yours ever,

Jeremy

J G COLMAN
Private Secretary

MANAGEMENT IN CONFIDENCE

PS/LORD PRESIDENT

cc PS/Minister of State
PS/Permanent Secretary
PS/2nd Permanent Secretary
F G Burrett
Mr Fraser
Mrs Sloman
Mr Hodge
Mr Jarmany

SELECTIVE INDUSTRIAL ACTION

13 MARCH (16.00)

HALF-DAY STRIKE

CCSU called on all civil servants to strike this afternoon in support of the 4 CAs at Liverpool. At some locations a leaflet was handed to staff returning from lunch. The text (the information in which is quite wrong) is at Annex A.

2. Meetings have been held at various places including Cardiff (300-400 present), Sheffield, Leeds, Manchester, Newcastle and Edinburgh. It is not yet clear how many staff have joined this strike call, which was called at short notice, albeit, probably as part of the overall strategy of lightning strikes.

3. At one location (National Libraries of Scotland) local union officials refused to support the strike call which they considered too rapid and too confused. A list of places where some staff are known to have walked out is at Annex B. At present, the strike appears to be mainly confined to the North of England, Scotland and Wales.

SELECTIVE ACTION

4. The selective action reported in earlier bulletins continues unchanged.

CUSTOMS & EXICSE - TRD

5. A further 4 staff at Liverpool (not 17, as CCSU claim) received first TRD Warning Notices today. If they still refuse to work as directed on Monday, C&E will consider giving them a final notice - but have undertaken to let CSD know before they do so. A message has been sent today to all C&E staff giving management's views of the situation at Liverpool.

DEPARTMENT OF EMPLOYMENT

6. A press notice has been issued explaining delays in payment of unemployment benefit caused by the strike at the Livingston computer. The notice places responsibility squarely on the unions.


C C ALLAN

13 March 1981

P.S. We understand that the unions are seeking to negotiate resumption of normal work in Liverpool Customs & Exicse with effect from Monday. This is confidential.

MANAGEMENT IN CONFIDENCE

TEXT OF CCSU LEAFLET ON HALF-DAY STRIKE

"Four CAs were suspended yesterday at Liverpool for refusing to do the work of 2 COs on selective strike. Seventeen CAs are under threat of suspension this morning and have been given verbal warnings. A nationwide walk-out has been requested this afternoon in support of your colleagues.

WALK OUT AFTER LUNCH

Council of Civil Service Unions"

LOCATIONS WHERE STAFF ARE KNOWN TO HAVE WALKED OUT

(Brackets show approx number of staff involved,
where known)

Rosyth Dockyard (450, and 900 industrials also laid off)
 Faslane Submarine Base
 Beith RN Armaments Depot
 Dept of Trade, Bootle
 Dept. of Transport - 7 Local Vehicle Licensing Offices
 (about 75 staff in all)
 Dept. of Transport - Edinburgh Traffic Area Office (25)
 Welsh Office, Cardiff
 ECGD, Cardiff
 DHSS - 212 local offices (out of 530)
 National Engineering Laboratory, East Kilbride (300-400)
 MOD - RAC Admin Office, Chester (50)
 Admiralty Marine Technology Division, Dunfermline (120;
 180 industrials also laid off with pay)
 Dept of Trade - Business Statistics Office, Newport
 (less than half the staff)
 General Register Office, Scotland (134, ie 30%)
 CSD - Norwich (only)
 MAFF - Norwich (only)
 Transport - Aberdeen and Manchester Traffic Area Offices (105)
 DOE - Manchester Regional Office (75, ie 34%)
 Customs & Excise - many offices affected
 HMSO, Manchester

Note:

DNS Staff at the National Savings Bank Glasgow were informed by management that pay, rounded down to the nearest 15 minutes, would be withheld for any absences and flexible working hours would be suspended. Staff have resumed normal working.



File
10 DOWNING STREET

cc: LD. Pres.
 Meng.
 Sir J. Waas, HMU
 Sir I. Bancroft, CSD
 Sir R. Armstrong, CO

13 March 1981

+ Mr. Verelker.

From the Principal Private Secretary

Dear John,

CIVIL SERVICE PAY

The Prime Minister held a meeting this afternoon with the Chancellor, the Lord President and Mr. Hayhoe, to discuss future arrangements for Civil Service pay in the light of the current Civil Service pay dispute. Sir Robert Armstrong and Douglas Smith were also present.

The Lord President reported that the Civil Service unions were successfully executing a programme of selective and disruptive industrial action, designed to cause considerable inconvenience to the machinery of government in an unpredictable way. How long they could continue would depend on their success in raising funds from their membership; but it was probable that they could carry on for several weeks since they were raising some £2-£3 million a week by contributions of £2 per head, and were spending only £250,000 a week in strike pay. Therefore, although this decision was not immediate, the time would probably shortly come when the Government would have to decide whether to try to settle the dispute, or to escalate it. Possible means of escalation were outlined in his note to the Prime Minister circulated before the meeting, and were not further discussed during the meeting. In the Lord President's view, the way to a settlement would be through the agreement with the unions on longer-term arrangements for pay determination, and specifically on arrangements for the 1982 settlement. He foresaw that the most likely outcome would be that the Government would tell the unions that they intended to negotiate freely for next year's settlement, that both sides could introduce what elements they wished into the negotiations, and that if a negotiated settlement could not be reached, the Government would guarantee access to the Civil Service Arbitration Tribunal, the decisions of which were binding but were not generally as unacceptable to the Government as other arbitration decisions. If, on the other hand, it was the Government's intention to go into the 1982 pay round with a fixed cash limit and to allow no negotiations, then he foresaw no prospect of settling the current dispute.

The Prime Minister said that there was no way to avoid the fact that the Government had to decide on the total sum it could

/ afford

afford for the Civil Service pay bill, so that the negotiations had to concentrate on who should get more, who should get less, and how the manpower numbers should be adjusted.

The Chancellor confirmed that the Government had to retain an effective cash constraint. The problem was that the unions wanted a bargaining procedure referable to measured market rates; but the Government had to set the cash constraint before bargaining began. The Government could not subcontract pay determination to an arbitration procedure, but some arbitral arrangement was needed.

Further discussion concentrated on the following issues.

(1) How to achieve a settlement of the current dispute.

It was suggested that the work currently being undertaken by the Official Group (MISC 54) on elements for a new pay determination system could not possibly be completed early enough for its conclusions to help in the resolution of the current dispute and those conclusions might not in any case be welcomed by the unions. Therefore, there would be advantage in preparing interim conclusions, in the form of a broad outline of any new arrangement, which could be presented at an early date to the unions. On the other hand, there was a clear danger that such a procedure would result in expensive concessions being made over future arrangements, and which could even lead to the worst possible outcome, namely the Government having to suspend the new procedure in its first year of operation.

(2) The relationship between pay and manpower.

The Prime Minister made it clear that in her view it was necessary to negotiate with the unions simultaneously on pay and manpower. But it was recognised that the Government had already set, and announced, its target of 630,000 civil servants by 1984. Possible techniques for relating the two needed further investigation.

(3) Reconciliation of any new system with cash limits.

It was suggested that the difficulty in reconciling a new system, which contained an element of negotiation with the unions, with the Government's overriding responsibility to set cash limits for pay in the public service, resulted from the way in which cash limits were set at an early stage, and either announced or leaked. The Chancellor confirmed that he was ready to consider whether the procedure for the timing and announcement of cash limit decisions might be changed so as to enable negotiations to take place with unions before they were aware of the Government's upper limit. But he was surprised to learn that MISC 54 had not been invited to consider the reconciliation of the new elements with cash limits, and asked that this should be looked at again.

(4) The timing of MISC 54's work.

It was felt that these issues were so urgent as to justify MISC 54's work being undertaken even more quickly than at present planned; the Lord President, however, made it clear that if the present deadline of mid-April were brought forward, there would be a

/ considerable

considerable risk of the Group having to put forward proposals which were not adequately thought through.

The Prime Minister, summing up the discussion, said that Ministers were agreed that no immediate action should be taken to resolve the Civil Service industrial dispute; that work on the new Civil Service pay determination system should not be jeopardised by haste; and that Sir Robert Armstrong should consult Sir Ian Bancroft and Sir Douglas Wass on the machinery for :

- (i) considering the possibility of including manpower as an element in pay negotiation;
- (ii) reconciling cash limits with new elements in the system; and
- (iii) establishing a possible interim formula should its use become necessary.

I am copying this letter to Jim Buckley (Lord President's Office), Richard Dykes (Department of Employment) and to Sir Douglas Wass, Sir Ian Bancroft and Sir Robert Armstrong.

Yours now,

Alwi Whitman.

A.J. Wiggins, Esq.,
HM Treasury.

cc Mr Vercher



PRIME MINISTER

THE CIVIL SERVICE PAY DISPUTE

We are to meet tomorrow. This note sets out a framework for our discussion.

Industrial Action

In the one-day strike on 9 March an estimated 275,000 non-industrial civil servants took part (52% of the Civil Service). The unions are now taking selective and disruptive action and some 1,300 are on strike. So far, there is no sign of their weakening and selective and disruptive action will probably be extended next week. If - but it is an if - their money-raising is as successful as they say, the unions can keep up this level of selective action for some time and appear ready to do so.

Departments are dealing with industrial action firmly but are using only the management responses which are known and understood by the unions. We are not seeking to escalate at this stage, and, provided serious damage is not being done, some time can go by before we need to decide whether or not to escalate.

Review of Pay System

The review which you commissioned last month is going ahead (MISC 54) under CSD Chairmanship as quickly as possible. Many inputs from a number of sources need to be considered and evaluated. The Chairman has told me that he hopes to complete his work by mid-April but it would not be sensible to bring this forward and to rush it through. What we are seeking here is the possible basis for a long-term ordered and agreed system of Civil Service pay determination. It is important to get that right. Once the work of MISC 54 is cleared, with or without alterations, by Ministers we can open discussions with the unions.

Ending the Dispute

We must therefore consider what is likely to lead the unions to bring the present dispute to an end. We must be clear about timing and about content. I believe that it would be a mistake to make any move towards the unions too soon. We need to let a bit of time go by: movement on our side which might be productive in a couple of weeks time might today simply inflame matters. When the time does come I suspect we will need to tell the unions that for 1982, if we cannot negotiate a settlement, we will agree to a reference to the Civil Service Arbitration Tribunal.

I am copying this to Geoffrey Howe, Jim Prior and Sir Robert Armstrong.

S.

SOAMES

12 March 1981

CONFIDENTIAL

CONFIDENTIAL

cc Mr. Duguid

MR. WALTERS

*No handwritten
No Whitmore 1/13/62
Ray likes to see how
this is going. ✓ 11/3*

Civil Service Pay

Many thanks for your note of 10 March about the possible use of a voluntary quit rate as a determinant of Civil Service pay, which we discussed. The Official Group on Civil Service pay met this morning to discuss the paper which I showed you, and made a certain amount of progress.

The CSD clearly wanted to have discussion in the form of consideration of possible improvements to the existing pay comparison arrangements, of which the introduction of market factors of one kind or another might form an element. With some support from the Treasury, I succeeded in arranging that the Group looked first at the possibility of market factors being used as determinates of pay, and I then deployed a (not too greatly) modified version of your proposal. I suggested that, first, recruitment/wastage figures would in themselves be adequate proxies for the market, making it unnecessary to look at wider market factors such as high unemployment, or job security; second, that because recruitment figures could be randomly influenced, only wastage rates constituted good indicators; and third, that the Group should not rule out the possibility of wastage in the form of voluntary quit rates being used as a complete determinant of pay. Even if it turned out that there were practical or conceptual obstacles it should certainly be possible to use them in the sense of paragraph 12(b) of annex B of the CSD paper, that is as specified data available to the parties to be taken into account in the negotiations. I then suggested, in response to the CSD's assertion that it would be hard to construct an appropriate formula for the use of quit rates, that a suitable dynamic formula would be that the rate of change of Civil Service wages should be determined by the rate of change of analogue wages, multiplied by the ratio between the Civil Service quit rate and the analogue quit rate; that this would provide an indicator of the direction in which pay should move at any time, but that clearly some further work needed to be done to define the analogues.

Although the Group had a number of doubts, of which more below, the outcome was as I had hoped: the minutes will record that we

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(which I think

(which I think means you and I) should get together urgently with the Treasury and the CSD to crawl over the details, and put an early paper back to the Group with our conclusions. That will be the point at which the going will get difficult, since the CSD have a virtual monopoly of access to the necessary data, the main employing departments (Defence, Social Security and Revenue) are strongly opposed, and even the CPRS is sceptical.

Some of the points on which we shall be cross-examined:

1. Exclusion of recruitment rates. The point was strongly made that almost all employers look at recruitment rates as an indicator of pay levels, and that if we looked at quit rates ^{alone} we would always be acting retrospectively. I think we may have to look at this again, and I said I had an open mind.
2. Definition of analogues. In response to questioning I suggested that analogues should be grouped by industry, and that the Civil Service should be regarded as a unit. We shall need to demonstrate that the formula is not too insensitive to the decisions on analogue grouping.
3. Data. It was asserted that analogue data would be difficult to come by. We shall need to point to organisations who have already done some work on this.
4. Job security and other factors. There were some who simply did not understand the concept, and insisted that job security would need to be taken into account separately as a sort of "reverse x factor"; but there is the more serious point that if most of the analogues are large organisations, as they may be, they too have high job security.
5. Quantifiability. Some doubted that this approach would lead to a satisfactorily quantifiable outcome. The Treasury and I countered this by pointing out that at least some Ministers did not particularly want a mechanistic formula.
6. Grade differentiation. The CPRS suggested, I think rightly, that we ought to look and see whether quit rates would work better

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- 3 -

at a particular group of grades than at other groups. For instance, at desk level and above in the Civil Service the public expenditure implication of pay is relatively small.

7. Regional differentiation and local bargaining. The CPRS also suggested that it would be a pity if we came up with a system that excluded these possibilities. I suppose it would be possible to measure regional and local quit rates, but it might prove too labour intensive - and the sample would be very small.

8. Finally the CSD made the perfectly valid point that although we were not trying to design a complete blueprint for a new pay agreement, whatever new approach we ~~made~~ decided might be desirable would have to stand up to scrutiny by, first, Ministers and, second, the unions. So some thought would have to be given to the presentability of the package.

I expect the CSD to be in touch with me very soon to arrange a meeting, to which I hope you will be able to come.

J.M.M. Vereker

11 March 1981

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CHANCELLOR

CIVIL SERVICE PAY NEGOTIATIONS

The Lord President will be reporting to colleagues tomorrow at Cabinet. You said you would like to raise the question of the next steps briefly with the Prime Minister this afternoon and you asked for briefing on how things now stand.

2. The strike on Monday was supported by 275,000 which is some 40 per cent of the non-industrial Civil Service. This support was by no means overwhelming, but must be regarded by any standards as a fair turnout, and support was far higher in the great paper factories and computer centres outside London. The real test, however, will be the effectiveness of the selective action, which is now taking place at Southend, the Northern Ireland Land Boundary, and the Paymaster General's Office (which will affect the flow of Government financial statistics). Some 1,200 staff are taking selective action today. The CSD's present preference is to take no action for at least a week, to see how things develop. The Lord President is holding a meeting this evening to decide what if anything should be done to speed up progress in MISC54 on the development of a future pay system for the Civil Service. On its present course it will take some weeks to reach a conclusion, which may be too long for making an impact on the dispute.

3. What is the best way forward? Assuming Ministers are agreed there can be no question of increasing the 7 per cent pay offer, the formula for determining pay in the future would seem to offer the main hope of a negotiated settlement. But it seems unlikely that this on its own would bring an end to the dispute unless it goes rather further than you for one would wish, in restoring a system which gave the major

weight to comparability. Nonetheless it would seem sensible to get MISC54 to reach its conclusions and put them to Ministers with the utmost speed possible. The proposals could then be put to the unions and it would then be clear whether they gave sufficient assurance about the future system to allow a settlement.

4. The main alternative option which could be adopted by the Government would be to go for the jugular and seek a swift end to the dispute by defeating the unions. This could be done by taking an escalating series of actions, beginning with disciplinary measures and lay-offs for those actually taking part in strike action and moving to action against those whose work flow stops because of selective action by others. The stages go as follows:-

- 14/9/54
for duty - red -
of those who refuse to
carry out full duties:
but have no pay.*
- (i) Withdrawal of pay and pension entitlement of those actually taking strike action. This is done as a matter of course by all departments.
 - (ii) Disciplinary measures, e.g. refusal of promotion for those taking action.
 - (iii) Suspension without pay or reduction in pay for people refusing to do work not appropriate to their grade.
 - (iv) Suspension without pay of those who are unable to work because of industrial action by others.
 - (v) Dismissals - first of those who take strike action, and secondly of those who have no work to do because others are taking action.

Following discussion in ECS, the Law Officers have advised that, for non-industrial workers, (iv) and (v) would run foul of the Employment Protection Act. Amending legislation has been prepared, and could probably be got through in about a week.

5. As yet no department has responded by going further than (i). As I understand it CSD have not instructed departments

not to go further but have asked to be told if they judge that it is right to do so. This seems a bit vague - arguably CSD ought to be co-ordinating the Government's response rather more directly. The crucial move is likely to be suspension without pay of those whose work flow dries up because of strike action by others. This would call the selective action bluff since neither the Civil Service unions nor civil servants individually would be able to afford the consequences. In effect it would mean being prepared to send most of the Customs staff at Southend home without pay. CSD's view is that this would lead to an end to strike action (especially selective strike action which threatens Government revenues, etc.) but not to a negotiated settlement - it would mean imposing the 7 per cent. The cost would be an embittered Civil Service and permanently unco-operative and hostile Civil Service unions - and it is doubtful with this background if an acceptable pay system for future years could be negotiated.

6. There are obvious dangers and disadvantages in the "jugular" approach but it may be the only means of bringing the dispute to a swift close without the serious disruptions to the revenue long drawn out selective action would entail. The best way forward therefore might be:-

- (a) To speed up MISC 54's work and see what can be offered in terms of the future pay system, in the hope that this might achieve a settlement.
- (b) If it becomes clear it does not, to take short, sharp, co-ordinated action on the lines described above.

PSJ

P.S. JENKINS
11 March 1981

P.S. I understand this is likely to be raised really in Cabinet so your meeting with the PM is a good opportunity to discuss the handling.

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MR. WALTERS

c. Mr. Whitmore ✓
Mr. Duguid

Civil Service Pay

In preparation for our discussion with the CSD, here is a first shot at a paper for MISC 54. I'd like to send it across to them before we meet, but if you have any immediate comments - or can fill in any of the gaps - I can incorporate them.

I've tried to make it easier for them to swallow - reactions yesterday indicated that we shall have a job to sell it to the CSD, although the Treasury will be helpful.

MJ Hankerson
to see 12
TWH
12

J.M.M. VEREKER

12 March 1981

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"Market Factors" As Indicators of Civil Service Pay

1. It was agreed at MISC 54 on 11 March that, after discussion with the CSD and the Treasury, we should provide the Group with an outline of the possible use of market factors to determine, or at least to indicate, civil service pay levels.
2. The conclusions of E on 12 February make it clear that a principal objective of the new system for civil service pay which officials have been asked to outline is to command the confidence the existing system had lost. The Priestley/Pay Research system is indeed, as MISC 54(81)1 Annex B argues, designed as a proxy for the market: but it is not necessarily the best proxy, because of the difficulty of bringing into account unquantifiable costs and benefits, it has frequently been overridden by Governments, and it has lost the confidence of some of the unions and some of the public. Officials ought therefore to see if it is possible to offer Ministers an alternative approach which is not based on the assumption that the best way forward is to improve the present comparability system. A range of possible usages of the alternative approach put forward in this paper is discussed at the end.

What indicators best reflect the market?

3. The labour market consists of people offering to supply their labour in return for a wide range of benefits offered by potential employers. These benefits include quantifiables, such as pay, hours, holidays, fringe benefits, and pension rights, and unquantifiables such as conditions of work, job security, prospects and job satisfaction. When people voluntarily take up employment, the benefits offered are clearly sufficient compared with the benefits offered by other employers, or by leisure; when they voluntarily leave, the benefits are clearly insufficient compared with those benefits.
4. So only recruitment rates and voluntary quit rates directly indicate the state of the market - that is, the extent to which the benefits offered by employers are competitive. The Priestley pay comparability system ignores this element of competition between

/ employers,

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employers, because it starts from the premise that a civil servant should receive the same quantifiable benefits as his analogue, and does not go on to see whether as a result the civil service is a much more or less attractive profession for that individual.

5. Now there are difficulties over recruitment rates. The number of applicants per job (and thus indirectly the proportion of jobs filled) may be affected by factors not common to the civil service and the analogues, such as the techniques of advertising. And the quality of the successful candidate may be varied in the response to the quality of the applicants. On the other hand at the entry grades it is recruitment shortfalls that provide the most immediate indicator of inadequate benefits being offered.

[This needs further discussion.]

6. Voluntary quit rates, on the other hand, are much better criteria, since they indicate those and only those who have actually left their job. As a working definition, the voluntary quit rate of a Civil Service grade might be regarded as the percentage in that grade who voluntarily (i.e. excluding redundancy, sacking, sickness or death) leave the Civil Service as a whole in a given year. The voluntary quit rate of the analogue group (of which more in the following paragraph) might be regarded as the percentage of the analogues who voluntarily leave the analogue group in a given year.

[The need to disaggregate for age and sex needs further discussion.]

7. Definition of the analogue group, and sensitivity of the outcome to that definition, needs to be investigated. Existing pay research provides the analogues themselves for each main grade: the problem is to define when an analogue has quit his industry. Just as the Civil Service as a whole must be regarded as one industry (because movements between Departments are part of a career pattern rather than a response to market forces) so should analogue companies within defined industries. The starting point could be to regard an analogue group as being synonymous with the Minimum List Headings under the CSO's Standard Industrial Classification (1968, now being revised).

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Application of Voluntary Quit Rate

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Application of Voluntary Quit Rates.

8. At its simplest level, the foregoing implies that civil service pay in a given grade should be set at a level at which civil service and analogue quit rates are equal. Such a formula is clearly unusable since it could imply sudden large changes in pay each year. For practical purposes, from the point of view of both management and unions, we are concerned not with pay levels but with the rate of change of pay - and, in current circumstances, that means rate of increase.

9. The rate of increase of pay (defined to include all quantifiable benefits) in the civil service grade could therefore be equated to the rate of increase of analogue pay (similarly defined) multiplied by the ratio of the civil service quit rate to the analogue quit rate.

10. Thus if the civil service quit rate were half that of the private sector they would get half the proportionate increase in wages. In time that would induce a higher civil service quit rate, so the system would tend to be self correcting.

11. It is important to note that the effect of this application of voluntary quit rates would be on each occasion to move civil service pay closer to the market rate, but it would not on any occasion equate the two, because the market rate itself would move: the movement would be asymptotic.

12. It is also important to note that although this system would represent an important change of approach, and one which we believe would accord more closely with what Ministers want than a series of improvements to PRU, it is not radically different from the present system either in application or necessarily in result. The effect can be seen, for instance, as merely weighting the result that PRU comes up with by a factor which reflects the relative attractiveness, or otherwise, of the civil service to other employment.

Some Problems

13. Preliminary discussion in MISC 54 identified some possible areas / of difficulty.

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of difficulty.

- (i) Data. MISC(54)(81)1, Annex B, confirms the existence of voluntary quit figures for the Civil Service.

̄We need to establish quickly whether analogue organisations have the data, but there is every reason to suppose they do.̄

- (ii) Job Security. This ought to be reflected in relative quit rates - if employees value their job security, they will be more reluctant to leave - but it is possible that the analogues chosen are also atypically secure ones, and much of the public criticism has focussed on the relatively high security enjoyed by the civil service at a time of high unemployment. This problem needs to be resolved by ensuring the analogue sample is not biased in this way.
- (iii) Grade differentiation. Although there is no reason to exclude non-entry grades, it may be that this approach would apply better to some grades than others, and that the others should be inferred rather than calculated.

̄This needs further discussion̄

- (iv) Regional differentiation and local bargaining. The CPRS have rightly said that the new system ought to reflect regional differences in the market. The possibility of establishing regional or local analogue quit rates needs to be investigated.

Possible Usages of this Approach

17. Ministers may conclude that they do not want a mechanistic pay determination system, that is, one which generates quantified indicators of pay which are then applied without a Government override. The precise relationship of the new system to cash limits has yet to be established. The approach discussed in this paper has the advantage of potential use in two possible ways:

/ (i)

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- (i) As a determinant of pay: the formula in paragraph 9 would be incorporated in a new agreement and the outcome would be the pay rise for each grade each year;
- (ii) As a quantified indicator of pay: the new agreement would provide that the quit rate ratios should be specified and available to the parties for them to take into account during the negotiations.

The choice would depend on other factors beyond the scope of this paper. Clearly, one such factor would be negotiability: and as with many of the proposals that MISC 54 is discussing, it is unlikely to be welcomed by the civil service unions. But there is no reason to suppose that selling this proposal to the unions would be any harder than selling other proposals that are likely to be acceptable to Ministers.

Conclusion

15. We recommend:

- (i) That the group endorse this approach as being worth taking further urgently;
- (ii) That steps be taken to establish empirical evidence of its feasibility by gathering the necessary data to see what affect the use of voluntary quit rates as proposed in paragraph 9 above would have had in the 1980/81 pay round.

MR. VEREKER

1. Recruitment figures are not as well defined or as useful as the voluntary quit rate. Recruitment is usually in terms of number of applicants per job - but the number of applicants can be depressed by various means, such as specifying onerous conditions or forms, advertising in obscure places, etc. And it is easy to exclude applications on the grounds that the applicants "did not satisfy the conditions". In short recruitment data are nebulous.

2. The "quit-rate" is a much better criterion - it is serious since the people concerned do actually terminate their job. [One should not include transfers to other jobs in the Civil Service.]

3. There are data on voluntary leavers for all grades, age, sex and length of service (Annex B paragraph 4a). Then we need to find comparable quit rates in large firms where there are comparators for pay.

4. For a given grade, age, sex and length of service find quit rate in Civil Service (Q_s) and quit rate in private sector (Q_p) where the wages are W_s and W_p respectively. Then as a simple rule:

$$W_s = kW_p \frac{(Q_s)}{(Q_p)} \quad \text{where } k \text{ is comparability factor.}$$

so that when the quit rates are equal the wage rate in the service is comparable to that in the private firm. This gives true comparability for each grade-age-sex-length of service category. The wage rates will be equal only if $k=1$. It may well be that k exceeds unity - in which case the civil servants need to receive compensation for the net non-money advantages of the private sector. Conversely k could be less than unity. Only the market will know.

5. The simple rule has obvious attractions in equity. But it might require a considerable leap to get existing pay on this basis. One may design an adjustment. A modified form would be:-

$$W_s = kW_p \frac{(Q_s)^{0.5}}{(Q_p)}$$

Then, if for example, $Q_s = \frac{1}{2}Q_p$

$$\begin{aligned}
W_s &= kW_p \sqrt{2} \\
&= kW_p / 1.4
\end{aligned}$$

If the quit rate in the private sector is twice that in the civil service, then the wage rate in the civil service should be 70% of the private sector wage. A general formula is, of course,

$$W_s = kW_p \left(\frac{Q_s}{Q_p} \right)^a \quad 0 < a < 1$$

where 'a' is the flexibility of the adjustment to quit rates.

6. It is important to note that Q_s and Q_p are themselves dependent on W_s and W_p . If, for example, Q_s were only one half of Q_p , then reducing W_s/W_p would itself increase the quit rate in the civil service grade. It is important therefore to avoid an "overshoot". Thus there is a good argument for adopting a flexibility coefficient 'a' which is quite low. And this means a seemingly gradual adjustment of public to private wages. I would guess that an 'a' of 0.10-0.20 might be acceptable in negotiations. And it would probably be not too far from what I guess is about optimal (on the assumption of annual adjustment). Note whatever the value of 'a', when $Q_s = Q_p$, $W_s = kW_p$.

7. An alternative dynamic rule which may be acceptable under inflationary conditions and which has quite a lot to recommend it is:-

$$\frac{1}{W_s} \cdot \frac{dW_s}{dt} = \left(\frac{Q_s}{Q_p} \right) \frac{1}{W_p} \cdot \frac{dW_p}{dt}$$

or

$$\begin{array}{l}
\text{(rate of increase)} \\
\text{(of wage in service)}
\end{array}
=
\begin{array}{l}
\text{(Quit rate)} \\
\text{(in service)} \\
\text{(Quit rate in)} \\
\text{(privatisation)}
\end{array}
\begin{array}{l}
\text{(rate of increase)} \\
\text{(of wage in)} \\
\text{(private firm)}
\end{array}$$

Thus if the civil service quit rate were half the private sector they would get half the proportionate increase in wages. Note that this will be a self correcting rule. The lower the quit rate

in the service, the smaller the service wage increase - and this will induce a higher service quit rate. Rather neat.

8. The simple objective is to move wages in order to equalise quit rates. We shall only be able to observe k , the comparability factor, when the quit-rates are actually equal. But the appropriate direction of change of W_s/W_p is always given by the relative quit rates.

9. Needless to say this represents only first thoughts -but it might be a basis for more sensible work.

AAW

10 March 1981

cc Mr. Wolfson
Mr. Hoskyns
Mr. Duguid
Mr. Strauss
Mr. Lankester

Civil Service 2,
Pt 3.



CIVIL SERVICE DEPARTMENT
WHITEHALL LONDON SW1A 2AZ

Telephone 01 273 5400

*Sir Ian Bancroft G.C.B.
Head of the Home Civil Service*

Prime Minister

*MAD
19
/3*

Mike Pattison Esq
10 Downing Street
LONDON SW1

10 March 1981

Dear Mike,

[Handwritten mark]

CIVIL SERVICE INDUSTRIAL ACTION

... I enclose a copy of our latest situation report on the selective
... industrial action which is being taken by a number of Civil
Service unions. I also enclose a revised version of the table
I sent you last night which incorporates revised figures from
a number of Departments.

I am copying this as before.

*Yours ever,
Jeremy*

JEREMY COLMAN
Private Secretary

CUSTOMS AND EXCISE

- Northern Ireland Land Boundary. Numbers of staff on strike are:

1 SEO
9 HEOs
45 EOs
84 COs
17 Revenue Assistants
6 Cleaners

All Land Boundary Stations are closed and staff are likely to be out for a week. A management presence is being maintained at a number of key points and Police and Security Service have been alerted.

Southend Computer

A total of 245 staff including 214 data processors are on strike. DP's process VAT and import/export statistics and information is not getting through. Computers are still going but only a small amount of work is being processed. The rest of the staff is being employed on other work.

Arrangements have now been made for mail to be delivered by a private contractor.

Local Offices

Staff are likely to walk out at 4pm in an attempt to delay changes announced in the Chancellor's Budget Speech today. Local management have been briefed to carry out the necessary work.

DHSS

- Newcastle computer remains shut down with a total of 208 staff involved. Union is reported to be holding a meeting with staff on Thursday, to decide if action is to continue.

INLAND REVENUE

- Situation as at 11.30. 30-40 staff on strike in Reprographic Section, which may affect printing of Budget proposals.

DNS

- Messengers in two divisions have imposed an overtime ban resulting in morning mail being delivered late in branches. No effect on public.

PAYMASTER GENERAL'S
OFFICE

- An estimated 10-15 computer operators are on strike and banking operations are suspended.

TRADE AND INDUSTRY

- Common Services At City Road Companies House 100 photocopiers are on strike. Mail is not getting through and this is being pursued with GPO with a view to resumption of deliveries.

GCHQ

- Situation as at 11.30 - indications of some action at Bude with no serious effect on operations.

DEPARTMENT	(a) Total Staff In Post	(b) Total Union Membership in (a)	(c) Total Nos on Strike	% out of (a)	% out of (b)
MAFF	12,775	10,859	*5,365	42	49
CSD	3,465	2,945	943	27 ✓	32
C&E	26,994 /	22,945	16,250	60	71
MOD	114,736	97,526	*47,042	41	48
D Emp	50,224	42,690	27,623	55	65
DOE/DTP	21,110	17,944	8,380	40	47
DHSS	97,998	83,298	61,500	63	74
HO	9,467	8,047	2,541	27 ✓	31
IR	75,942	64,551	53,469	70 ✓	83 ✓
Land Registry	5,683	4,831	3,104	55	64
LCD	10,418	8,855	2,963	28	33
PSA	16,492	14,018	7,647	46	55
DNS	10,057	8,548	7,620	76 ✓	89 ✓
Trade	7,165	6,090	*2,150	30	35
Industry	8,214	6,982	*2,464	30	35
Scottish Office	9,923	8,435	*6,152	62	73
Scottish Courts Admin	881	749	640	73 ✓	85 ✓
Welsh Office	2,332	1,982	1,090	47	55
Others Ø	30,538	25,957	10,013	33	39
TOTALS	514,414	437,252	266,956	52	61

* Estimated Ø Of those departments which have reported so far.



Confidential
CC LPO
C80

10 DOWNING STREET

From the Principal Private Secretary

10 March 1981

Thank you for sending me a copy of your letter of 6 March 1981 to Ian Bancroft about your talk with Mr. Jack Hibbert.

I have shown your letter and Mr. Hibbert's minute to the Prime Minister, and she has read both documents.

I am sending copies of this letter to Jim Buckley and Ian Bancroft.

C. A. WHITMORE

Sir Robert Armstrong, K.C.B., C.V.O.



2.
From: Minister.
To: su.
MB
KMH
9.11.81

CABINET OFFICE

70 Whitehall, London SW1A 2AS Telephone 01-233 8319

From the Secretary of the Cabinet: Sir Robert Armstrong KCB, CVO

Ref: A04406

6th March 1981

Mr. Jack Hibbert, an Under Secretary in the Cabinet Office (Central Statistical Office), was minded to join the strike on 9th March. I asked him to come and see me yesterday. I suggested to him that, however strongly he felt, he should consider seriously whether it was right or responsible for him, as a member of senior management, to take part in the strike. I drew his attention to the following considerations:-

- (1) The fact that the pay of the Higher Civil Service was not settled by collective bargaining but by reference to an independent Review Body implied that not only the Government but also the members of the Higher Civil Service accepted that the ordinary processes of collective bargaining, arbitration and (if need be) industrial action were not appropriate for those levels.
- (2) If he, as a member of senior management, went on strike, he would greatly embarrass his colleagues in senior management who might feel no less strongly but took a different view of where their responsibilities and loyalties should direct them.
- (3) As a member of senior management, he had other means than going on strike of making his views known to the Government.

In furtherance of the last point I said that, if he decided not to join the strike but wished to put his views in writing, I would convey those views to Ministers.

He has decided not to join the strike, and he has sent me a minute, a copy of which I attach. I think that it states very moderately and fairly views which are widely held in the Civil Service. In particular, it makes clear that it is not the amount of the current offer but the suspension of the pay agreement, following the treatment of the Civil Service in a sequence of earlier events, that has roused the strongest resentment.

/I am

Sir Ian Bancroft, GCB

I am sending copies of this letter and Mr. Hibbert's minute to Jim Buckley, with the request that he should show Mr. Hibbert's minute to the Lord President. As the Prime Minister is not only the Minister for the Civil Service but also the Minister responsible for the Cabinet Office, I am also copying this letter and the minute to Clive Whitmore, who may like to show them to the Prime Minister.

ROBERT ARMSTRONG

1. SIR JOHN BOREHAM *JB*
2. SIR ROBERT ARMSTRONG *RA*

Yesterday, after I had explained to Sir Robert Armstrong the reasons why I felt I must register the strongest possible protest against suspension of the Civil Service Pay Agreement, if necessary by joining in the one day strike on Monday 9 March, he suggested that I should put down in writing the points which I wished to make.

I must begin by emphasising again my loyalty to the Government in all matters of official business which you both accepted without question.

The present situation can only be judged in the light of the events leading up to the suspension of the Civil Service Pay Agreement. Individually these events, though damaging to the relationship between the Government and its civil servants, could be tolerated but their cumulative effect has been to bring me to the point where I can no longer stand by without protesting in some overt way.

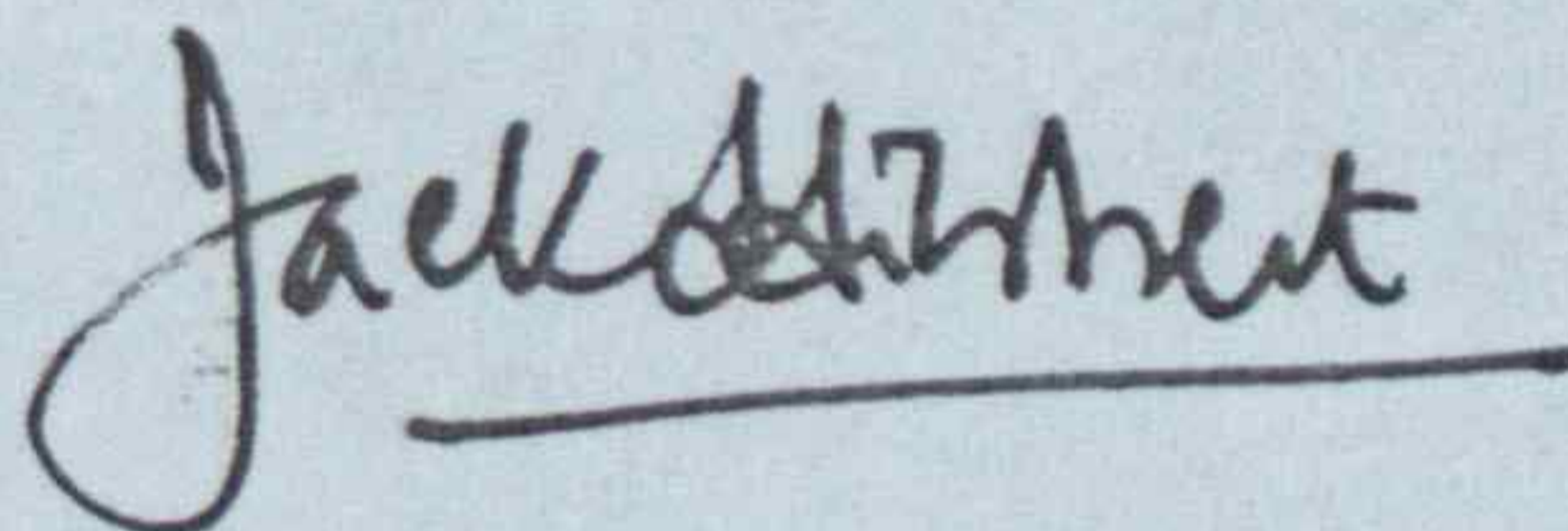
There has been a sustained denigration of civil servants, and the work that they do. This has been accompanied by gross misinterpretation of pay increases, which in fact reflected the earlier staging of awards, thus adding insult to injury. With certain notable exceptions it seems that Ministers have been reluctant, and senior civil servants unable, to correct these assertions publicly. During 1980 there was a period in which, as an under secretary, I found myself being paid less than the grade from which I was last "promoted", a management failure which no self-respecting employer would allow to arise. Although greatly annoyed by this I resolved to try to accept it philosophically despite an instinctive feeling that acquiescence would inevitably lead to further exploitation. Next came implementation of the Review Bodies' recommendations for doctors and dentists, and the Armed Forces, to be followed by a cut of over fifty per cent in the increase recommended by the Top Salaries Review Board (TSRB). Not only was this cut excused on the grounds that it was necessary as an example to others (a fact which seems to have been conveniently forgotten since) but, predictably, it appears to have had no discernible effect on other people's behaviour. All these events I have accepted (though the Clegg debacle made them harder to bear).

More recently, despite assurances that pay research would still have a part to play in the 1981 pay settlement, the Civil Service National Pay Agreement has been suspended and the results of the pay research exercise withheld. The First Division Association has argued strongly against these developments but it seems that rational argument carries no weight. Judging from the evidence from other disputes in the public sector that

the Government will be influenced only by more militant action the Association has recommended its members to support the one day strike on 9 March. Despite a personal revulsion against the idea of striking, and a clear recognition of the seriousness of doing so, I could see no legitimate outlet for my indignation other than by joining in the strike.

The events I have outlined have had a much more serious effect than simply making me angry. They have undermined the relationship between the Government and most civil servants to a point where something more than the Lord President's recent statements is needed. It is the Government's responsibility to set civil servants' pay at whatever level it judges to be right in the prevailing economic circumstances but there are three necessary conditions for this to be done in the orderly fashion which the Government seeks. First, the public image of civil servants and their work must be improved; we do not expect to be loved but we do expect some public recognition of our value from those we serve. Secondly, the facts about pay in the Civil Service and in similar private sector employment should not be suppressed; if the Government believes that some, or all, civil servants should earn less than those doing comparable work elsewhere it should make this clear and explain its reasons. Thirdly, there must be some clearer sign from the Government that it understands the urgency of reaching agreement with the Civil Service unions on the basic criteria for future pay settlements. This will require an initiative from the Government side. In a sentence, we need clarity and honesty about the Government's intentions in order to make any long-term progress.

Sir Robert kindly offered to pass my comments on the present situation to the Lord President. This now seems to be a more satisfactory way of expressing the strength of my feelings than joining the strike. I shall, therefore, not take part in it though, as must be clear, my sympathies are very much on the side of those who are doing so.



J HIBBERT

6 March 1981



CIVIL SERVICE DEPARTMENT
WHITEHALL LONDON SW1A 2AZ
Telephone 01 273 5400

Sir Ian Bancroft G.C.B.
Head of the Home Civil Service

Mike Pattison Esq
10 Downing Street
LONDON SW1

9 March 1981

2, *Antenna*
Prime Minister.
Worryingly high figures
for the Revenue Departments
in view of the campaign of
selective cuts which is about
to start; but overall not bad.
THW
9:30

Dear Mike,

CIVIL SERVICE ONE-DAY STRIKE

... I attach a table showing provisional returns from the 18 main Departments of the numbers of staff who joined today's strike. The percentage of non-industrial civil servants on strike was about 52% (275,000). This is less than $\frac{2}{3}$ of the membership of the unions involved, and of course very much less than the 90% response the unions had predicted. The estimated total of 275,000 strikers today is less than the one-day strike on 2 April 1979 in which only the two largest unions participated (CPSA/SCPS).

There were very wide variations in response between departments, and between regions (more staff joined the strike outside London). Nine of the 18 major Departments had less than half their staff on strike.

I am sending copies of this letter to the Private Secretaries to Permanent Secretary Heads of Departments and Smaller Departments.

Yours ever,
Jeremy

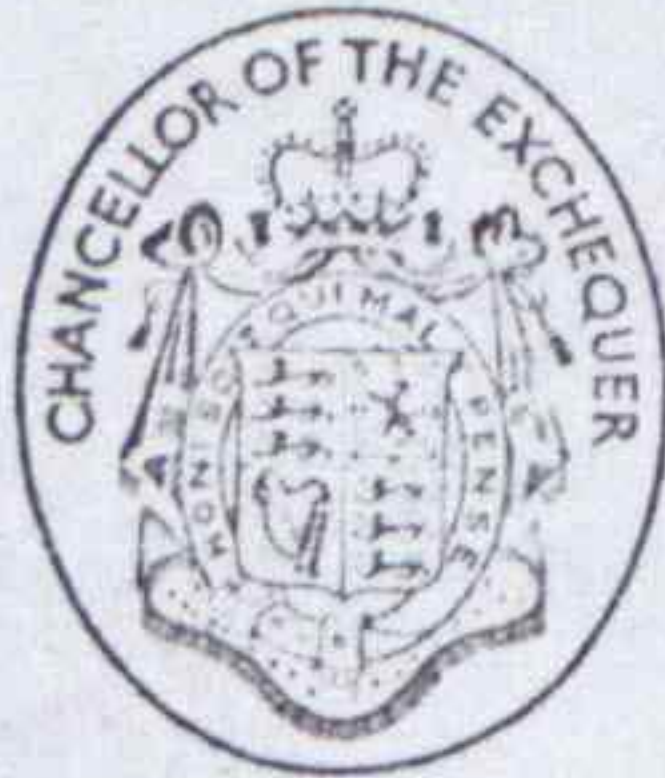
JEREMY COLMAN
Private Secretary

DEPARTMENT	(a) Total Staff In Post	(b) Total Union Membership in (a)	(c) Total Nos on Strike	% out of (a)	% out of (b)
MAFF	12,775	10,859	*5,365	42	49
CSD	3,490	2,967	942	27 ✓	32
C&E	27,394 /	23,285	16,250	60	70
MOD	114,736	97,526	*45,894	40	47
D Emp	50,224	42,690	27,623	55	65
DOE/DTP	21,110	17,944	8,380	40	47
DHSS	97,998	83,298	61,500	63	74
HO	9,550	8,118	2,541	27	31
IR	75,942	64,551	53,469	70 ✓	83 ✓
Land Registry	5,643	4,797	3,104	55 ✓	65
LCD	10,418	8,855	2,963	28	33
PSA	16,438	13,972	*8,014	49 ✓	59
DNS	10,057	8,548	7,620	76 ✓	89 ✓
Trade	7,165	6,090	*2,150	30	35
Industry	8,214	6,982	*2,464	30	35
Scottish Office	9,923	8,435	*6,152	62	73
Scottish Courts Admin	881	749	640	73 ✓	85 ✓
Welsh Office	2,208	1,877	1,090	49	58
Others ∅	22,796	19,376	7,052	31	37
TOTALS ∅	506,962	430,919	263,213	52	61

* Estimated ∅ Of those departments which have reported so far.

CONFIDENTIAL

Civil Service



Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

5th March 1981

J Buckley Esq.
Private Secretary
Lord President's Office

✓ *Mr. Verker*

12

Dear Jim,

573

CIVIL SERVICE INDUSTRIAL ACTION

For the record, the preferred form of words which John Wiggins read over to you over the telephone read as follows:

"Like any employer the Government must always take account of economic circumstances and the ability to pay. The ordered and agreed system at which we are aiming would take account of all relevant factors, including the relative attractiveness of all the terms and conditions of service of those in employment elsewhere".

I note from your letter of today that the negotiations did not reach the point where a form of words needed to be put forward.

I am copying this to Tim Lankester.

Yours ever
Peter

P.S. JENKINS
Private Secretary

RESTRICTED

1. MR LANKESTER
to see

cc Mr Ingham
Mr Verder



2. PRIME MINISTER

I doubt if we
need a statement
pub
Content that Lord Soames and
Mr Hayhoe should make statements
along these lines tomorrow?

PRIME MINISTER

CIVIL SERVICE PAY

MS
4/3

The Civil Service unions yesterday came to see Barney Hayhoe, at their request. As you know I had offered them a meeting when I wrote to Mr. Kendall on 2nd March.

Barney Hayhoe made it quite clear that there was no prospect of increasing the 7% figure.

As to the future arrangements, he emphasised that it would take time to work out the changes and it was therefore impossible to give assurances now about the new system. Since it was clear that yesterday's meeting was not going to lead to them calling off the industrial action, he did not go so far as giving them a particular form of words, but speaking generally said that he would expect matters such as independent fact-finding, comparisons with outside rates and arbitration to be included in the review. He gave no assurances about what would happen in 1982.

The unions are evidently committed to industrial action. I believe that they now accept that there can be no increase on 7% and they appreciate that it is to more progress on the future - 1982 and beyond - that they must look for further movement.

I see advantage in taking every opportunity to get our message across, and I would like to make a statement on the lines of the attached in the Lords tomorrow. Barney Hayhoe would repeat it in the Commons.

I am sending copies of this minute to Cabinet colleagues and Sir Robert Armstrong.

SOAMES

4th March, 1981

RESTRICTED

My Lords, I want to take this opportunity to explain to the House and to the country the present situation regarding the threatened Civil Service strike on Monday. The Government have offered to non-industrial civil servants an increase of 7% from 1 April together with a clear statement of our desire and intention to establish for the future a new, ordered and agreed system for determining Civil Service pay.

For 1981-82 all the public services are operating within pay factors of 6% for their cash limits. For the Civil Service, where the Government is the direct paymaster, it will be possible albeit with considerable difficulty to squeeze a pay increase of 7% from the resources available within the cash limit. That is simply as far as we can go. Other groups like the local authority manual workers and the teachers in England and Wales and in Scotland are settling at about the same level within the constraints imposed by the cash limit. It is evident from this that there is no question of discrimination against the Civil Service.

There are many people in private industry, and in the public sector too, who would feel that such an offer at this time could be classed as a good one, given the general economic climate and civil servants' relative job security.

I know that civil servants are concerned as much about future arrangements for determining Civil Service pay as they are about

this year's cash offer. In August last year I explained to the union leaders that, given the overriding need in the broad national interest for increases in pay to be very restricted, the emphasis in 1981 would have to be on cash limits, reflecting what the Government felt the nation could afford. It was not therefore possible for the Government to operate the existing pay research arrangements in the normal way and in October I suspended them.

A further cause for concern is the pay research system itself which is now more than 25 years old. Over the years it has become top heavy and cumbersome in its operations. It no longer commands general confidence. What is now needed is a thorough overhaul - and this is something I believe to be recognised by the unions as well as by ourselves.

I recognise that civil servants fear that the imposition of increases based on cash limits this year coupled with the suspension of the present arrangements could mean that the Government intends that Civil Service pay should be imposed by fiat each year. But this is not the case. I told the union leaders on 23 February:

"The Government intends to review the arrangements for determining the pay of non-industrial civil servants with the object of establishing as soon as practicable an ordered and agreed system which takes account of all relevant factors and which will command the widest possible acceptance".

Evidently that review has to take place before we can see clearly how the new system will be shaped. We have made every effort to clarify the Government's position and, so far as possible at this stage, to explain our intentions to the union leaders. Recognising their concern about such matters as independent fact-finding, comparisons with outside rates and arbitration, we have made clear to them ^{of pay + conditions} that these and other relevant factors would be covered in the review. We will welcome further discussions as the review proceeds.

The Government therefore finds it hard to understand how in these circumstances the union leaders justify their recourse to the extreme step of recommending industrial action to their members. Surely it would be in the best interests of the Civil Service if the union leaders concentrated on making their contribution to the thinking on the new system rather than calling for industrial action from which no-one can gain and from which the country is bound to suffer.

MS

CONFIDENTIAL



10 DOWNING STREET

From the Private Secretary

3 March, 1981

CIVIL SERVICE INDUSTRIAL ACTION

The Lord President minuted the Prime Minister last night on the above subject, and they had a word about it this morning.

The Lord President explained that Mr Kendall had now asked for a meeting; he had not yet decided whether he or Mr Heyhoe would take the meeting. While he had no intention whatsoever of conceding anything on the 7% pay figure, he wanted to be able to give the unions some sort of a lifeline in terms of the future arrangements for pay determination. The latter had already been discussed by Ministers collectively; he now wanted the Prime Minister's agreement to the form of words suggested in his minute which might be used at the forthcoming meeting.

The Prime Minister said that, in her view, the suggested form of words in paragraph 5a of the minute gave too much emphasis to the idea that Civil Service pay should not fall behind pay outside; the emphasis ought to be on pay and conditions of service. She also hoped that it was implicit that, amongst the relevant factors to be taken into account in the "ordered and agreed system" would be supply and demand conditions.

The Lord President agreed that supply and demand considerations were indeed implicit. To meet the Prime Minister's point about pay and conditions, they agreed that the form of words in paragraph 5a should be amended as follows:-

"We have already said that an ordered and agreed system would take account of all relevant factors. In introducing such a system, it would be the Government's intention that the terms and conditions of service of its employees should not normally fall behind the terms and conditions of those employed outside."

/I am

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- 2 -

I am sending copies of this letter to John Wiggins (HM Treasury), Richard Dykes (Department of Employment) and David Wright (Cabinet Office).

J. P. LANKESTER

J Buckley, Esq
Lord President's Office

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Prime Minister.



PRIME MINISTER

CIVIL SERVICE INDUSTRIAL ACTION

We are now entering a critical phase as we approach the one-day strike called by the Civil Service unions for 9 March as a precursor to further action.

We have made it clear to the unions and the public that we stand absolutely firm on the 6% cash limit and that a 7% pay settlement is the most that can be squeezed out of that. Here we must now stand.

On the other hand, I am anxious to do what we can to prevent industrial action gaining a momentum of its own and becoming harder to stop. So we must seek to build on our formula for the future. The unions have welcomed what we have said about the establishment of an ordered and agreed system but have said that this will not influence their plans unless we can say something about a number of specific matters.

I would like to respond constructively, though we must not of course in advance of our review commit ourselves to the detailed system we might want to introduce for the future; but that should not prevent us putting some flesh on the bones of our formula if it would help us limit serious industrial action in the period ahead.

I am enclosing a copy of the letter I sent today to Mr Kendall. I expect his response tomorrow and he may ask for the meeting within a day or two. If so I would then like to say something on the following lines:

- a. We have already said that an ordered and agreed system would take account of all relevant factors. For instance, it is not the Government's intention that the pay of its employees should permanently fall behind the appropriate market rates, so the new arrangements would need to have regard to the pay of staff engaged on similar work outside;
- b. Providing we can arrive at a satisfactory and ordered system, arbitration would have a part to play in normal times;
- c. A new system would be established as soon as practicable but whether all or some of it could be used for the 1982 pay settlement would depend on the progress of the review and the circumstances prevailing at the time.

I am sending a copy of this minute to the Chancellor of the Exchequer, the Secretary of State for Employment and Sir Robert Armstrong.

S.

SOAMES, 2 March 1981

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→ ~~copy to Mr Wicker~~

Mr. Callaghan
Duty clerk
2/3/81.

MS



W L Kendall Esq
Council of Civil Service Unions
19 Rochester Row
LONDON SW1P 1LP

Civil Service Department
Whitehall London SW1A 2AZ
01-273 4400

March 1981

Dear Mr Kendall,

Your letters awaited me on my return from Brussels on Friday evening.

I must tell you that the Government deeply deplores the decision by your Council to call for industrial action by your members. On the basis of the proposals which we have put to you we consider such action would be quite unjustified.

I am surprised and disappointed by your reaction to the meeting which took place at your request with my officials on 24 February on the future pay arrangements for the Civil Service. I find it hard to understand how on the strength of only one meeting you can dismiss the discussions as abortive. It was surely quite unreasonable to expect snap answers to some of the questions you raised. After all, we are only at the beginning of the work on new arrangements for Civil Service pay.

I am anxious that there should be no misunderstanding of the Government's positive intention to establish an ordered and agreed pay system. You may think therefore that it would be wise for your negotiating committee to have an early meeting with the Minister of State.

Yours sincerely
Christopher Soames

PART

2

ends:-

JVerker to Le Cheminant 25.2.81

PART

3

begins:-

LPC

to

PM

2.3.81

