

ce Sir Robert Armstrong
Mr Hoskyns
Mr Wolfson
Mr Vereker

SECRET

NOTE FOR THE RECORD

At their meeting last evening, the Prime Minister and the Chancellor had a brief word about the Civil Service dispute. The Chancellor said that he thought it was time we looked at the option of denying, or threatening to deny, retrospection to 1 April of the 7 per cent offer. There were several sub-options which should be considered as well - for example, whether to distinguish between those who had withdrawn their labour, or between union and non-union members. The Chancellor commented that, since the unions were beginning to play it rough, it was time we considered doing so as well. The number of people so far affected by TRD was insignificant.

The Prime Minister agreed that the no-retrospection options should be considered quickly. I have not put this in writing to the Treasury because the Lord President has, in the past, been unhappy about the Chancellor talking with the Prime Minister about the Civil Service dispute without him also being present. But I have spoken to the Treasury, and they are arranging for a note to be prepared, in consultation with CSD, as an initiative coming from the Chancellor. Since the dispute is on the agenda for Thursday's Cabinet, I have asked that we have this by tomorrow night.

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28 April 1981

SECRET