

PRIME MINISTER

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Civil Service Industrial Dispute : Negotiations

The Lord President is coming in tomorrow morning to report the progress made over the weekend in the negotiations with the Civil Service unions. I discussed this with Mr. Hayhoe this morning, and you may find it helpful to have this note of where we have got to and where we might go next.

The Negotiations So Far

Very little new was said by either side over the weekend; and the reason the talks lasted for so long was apparently because of a determination by the unions to be seen to be negotiating at considerable length. Both Mr. Hayhoe and CSD officials appear to have stuck rigidly throughout to the previously agreed positions on the three issues under discussion: the long-term, 1982 and 1981.

There is now a reasonable meeting of minds on the long-term inquiry. The unions were initially hostile, arguing that it was unnecessary, but have apparently now been brought to see the advantages.

On 1982, the unions' insistence on access to arbitration is unchanged. The unions also made a point of the need for a degree of agreed fact-finding as a basis for the 1982 settlement, and Mr. Hayhoe quite rightly rejected a continuation of the pay research system. Nevertheless, there may be ground for further discussion here: the Government has accepted the principle that there will be a continuing comparability element in pay determination, so some fact finding will be necessary, even if not for next year.

This year's settlement was not discussed until yesterday. The unions demanded a "significant" change in the 7 per cent offer, and Mr. Hayhoe simply repeated the form of words which you used in the House of Commons on 19 May - "the Government believe that the maximum amount that can be awarded within the 6 per cent cash limit - in view of decreased numbers - is some 7 per cent".

The atmosphere in the negotiations was good, although individual union leaders displayed some bitterness. It was agreed, and remarkably the agreement appears to have been adhered to, that neither side would comment to the media on the substance of the negotiations.

Where Next?

Mr. Hayhoe told me that he had reached no firm assessment as to whether the unions were prepared to accept the present offer. It could be, although on balance it was probably unlikely, that they simply wished to exhaust all the negotiating possibilities before giving in; but it could also be that they wished to be seen by their members and by the public to be making a serious attempt to reach agreement, before saying that because of Government intransigence the intensified industrial action should proceed. I understand that Lord Soames will be seeing Bill Kendall secretly this afternoon, and Mr. Hayhoe will also be having private discussions.

If the negotiations break down, Lord Soames will probably want to tell Cabinet that the unions will not settle on the present terms, and that certain improvements in the offer need to be made (notably arbitration for 1982, which the CSD have always thought unavoidable); and the CSD have asked the big employing Departments to brief their Ministers on the extent of the recovery problems, which will predispose them to settle.

I think it is important that Cabinet consider not only the desirability of bringing the dispute to an end by making concessions, but also the possibility of bringing it to an end by escalating the Government's response to the industrial action. At your meeting on 19 May it was agreed that escalation measures would be looked at again after the negotiations; you may want to discuss with Lord Soames tomorrow the leading contenders, which are -

- (i) A selective change in the operative date of the settlement, so that only those who have been working normally get their 7% backdated to 1 April;

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- (ii) Making annual leave conditional on a period of, say, four weeks continuous normal service; and
- (iii) The introduction of a lay-off provision for white collar workers into the legislative programme for the next session.

The threat of the first two in particular might tip the balance between acceptance of the Government's offer and continuation of industrial action.



1 June 1981