



CONFIDENTIAL

PRIME MINISTER

Non-Industrial Civil Service: Pay Dispute
(E(81) 67)

BACKGROUND

At their meeting on 9th June (E(81) 19th Meeting) the Committee considered an outline scheme, proposed by the Lord President, under which the 7 per cent pay offer to the non-industrial Civil Service would be implemented from 1st April for all Civil Servants except those on strike. The Committee came to no conclusions about this scheme or variants of it; or on whether to impose a 7 per cent pay settlement; or to withhold the 7 per cent settlement from everybody until the strike was over. Instead they asked the Lord President to refine his scheme so that it could be available if required. The present paper by the Lord President fulfils the remit. His conclusion (in paragraph 14 of his paper) is that no decision should be taken yet on the paying or withholding of the 7 per cent increase; that he should have authority to indicate the possibility that the operative date of the settlement cannot be held indefinitely at 1st April; and that the setting up of the inquiry into Civil Service pay should be announced next week.

Flag A

2. Your colleagues will also have John Hoskyns's minute to you of 12th June in which he argues against the use of a selective payment scheme and in favour of withholding retrospective payment of the 7 per cent offer, after due notice, as the most sensible response to a decision by the unions to escalate the dispute - if indeed this is the decision of the meeting on 18th June when the Council of Civil Service Unions is to discuss strike tactics.

3. The following issues arise:-

- (a) Should the selective penalty scheme be introduced? The Lord President argues that the scheme should be put on ice (and implies that it is too complex to be effective) and John Hoskyns argues that a selective response to selective action is an inadequate response to that action. It seems doubtful whether the circumstances are yet right for the introduction of this scheme.



CONFIDENTIAL

- (b) Should a 7 per cent increase be imposed? The Lord President argues that this would make sense only if and when the Government was sure that the industrial action is petering out. John Hoskyns argues that imposition now would be irrational. Clearly the question of imposition does not arise at the moment.
- (c) Should the implementation date of the 7 per cent offer be deferred until the strike is over? John Hoskyns argues for this, after due notice, in order to put maximum pressure on civil servants to bring their unions to call off the action. The Lord President sees merit in hinting at the possibility but not, as yet, adopting it as announced policy. Perhaps there is at this stage relatively little between them, since the Lord President's hints would in effect be very like John Hoskyns's due notice. But it is one thing to hint at it; it would be another thing to have to do it. The hint of it might help to encourage a settlement this year; actually to do it would increase the difficulty of getting a satisfactory settlement without renewed industrial action (which would no doubt be more determined) next year. This is not so much a question of "fairness" as of calculation of balance of advantage.
- (d) Should the Chairman and terms of reference of the inquiry be announced next week? This possibility was discussed last time and there is no reason to suppose that any colleagues will dissent.

HANDLING

4. You will want to ask the Lord President to introduce his paper and then to take colleagues through the issues identified above and seeking a collective view on each.

CONCLUSIONS

5. These will follow from the discussion.

RIA

Robert Armstrong

16th June 1981