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From the Private Secretary

3 July 1981

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INQUIRY INTO CIVIL SERVICE PAY: MEMBERSHIP

The Prime Minister discussed the membership of the Civil Service Pay Inquiry with the Lord President, the Chancellor of the Exchequer and the Secretary of State for Employment last evening. The Lord President had previously sent the Prime Minister a minute dated 1 July with his proposals.

All the names in the Lord President's minute were agreed. The Lord President was asked to consult Sir John Megaw on them immediately. Providing Megaw was content, the Lord President should then approach Lady Seear and Mr. Russell; the Chancellor should approach Mr. Ackers and Mr. Lord; the Secretary of State for Employment should approach Mr. Laird and Mr. Ramsay; John Hoskyns should approach Mr. Foster; and the Prime Minister would approach Lord Lever. The aim should be to announce the membership as early as possible next week. The Civil Service unions should be informed of the membership in advance of the announcement, but they should not be consulted.

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

T. P. LANKESTER

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

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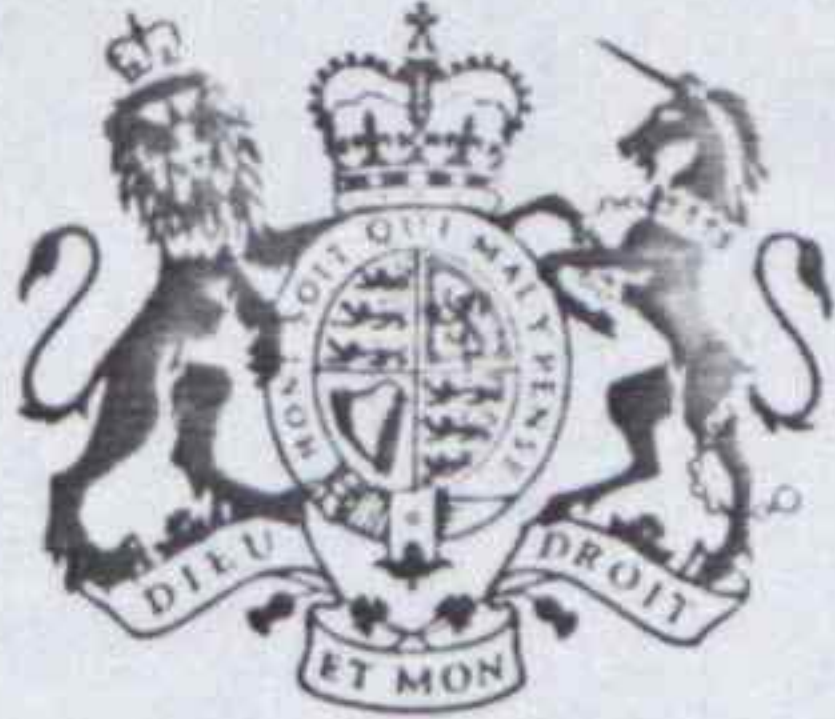
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10 DOWNING STREET

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From the Private Secretary

3 July 1981

cc: [unclear] [unclear]

Dear Tim,

As you know, the Prime Minister held a meeting last evening with the Lord President, the Chancellor of the Exchequer and the Secretary of State for Employment to discuss the Civil Service dispute. Sir Robert Armstrong was also present.

The Lord President said that, at the meeting of the Council of Civil Service Unions (COCSU) earlier that day, the unions had been unable to reach unanimous agreement. The majority of unions had said they would continue with selective action; but the CPSA had said they would consider going for an all-out strike. In his view, industrial action was likely to continue at roughly its present level; it seemed unlikely that the unions would be able to step up their action significantly because they were short of money. The COCSU would be meeting again on 14 July.

The Lord President went on to say that he would very much like to bring the dispute to an end. He had therefore been reconsidering the options for bringing pressure on the unions. There were severe practical difficulties in changing the operative date of the offer on a selective basis. On the other hand, changing the operative date for all civil servants, whether they had taken strike action or not, would have a very damaging effect on the morale of the Civil Service. There was a third option which might be worth considering: the offer could be withdrawn without indicating what the new operative date would be. This would provide something for the union side to come back to the negotiating table to discuss, and it would not involve the Government taking a fixed position in advance. It could be announced immediately after the next COCSU meeting, assuming the latter decided to continue with the action. However, this option was also a step into the unknown, and he could not deny that it too would involve significant risks, particularly as it might affect morale.

In discussion, it was argued that the Lord President's third option should be seriously considered. Its universal application would look more justifiable if it could be shown that a large number of civil servants had taken industrial action at some time or other during the course of the dispute. It would be worth checking on the numbers who had been involved. It was also suggested that other possible measures of strengthening the Government's position should be examined. For example, it seemed absurd that the

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Government was collecting the unions' dues by deductions from monthly pay cheques. (The Lord President said that any change in this practice would require twelve months notice.) On the other hand it was suggested that Ministers should reconsider the idea of offering an extra $\frac{1}{2}\%$ on the basis that this would be found, by additional manpower savings, from within the 6% cash limit. An extra $\frac{1}{2}\%$ might be sufficient to get the unions off the hook; but they might well insist on a further concession for 1982 as well. If an extra $\frac{1}{2}\%$ were to be offered, there would have to be an absolutely clear link between it and the further manpower savings that would be required. The unions would have to be shown to be saying that they preferred the extra $\frac{1}{2}\%$ at the expense of fewer jobs. Against this, it was argued that it was wrong in principle for the Government to be offering the unions this trade-off; the Government was telling the public that more pay meant fewer jobs, yet in a situation where it had responsibility for setting the pay level, it was in effect opting for fewer jobs.

In conclusion, the Prime Minister said that further consideration should be given to how the dispute could be brought to an end. Further thought should be given to the Lord President's proposal to withdraw the offer without saying what the new operative date would be. At the same time, the Lord President, in consultation with the Chancellor, should look again at the possibility of offering an additional $\frac{1}{2}\%$ from within the 6% cash limit, and at how it could be presented as being clearly conditional on additional manpower savings. When this further work had been completed, she herself would like to look closely at the manpower arithmetic, and at how the additional savings would be distributed between departments.

I am sending a copy of this letter to John Wiggins (HM Treasury), Richard Dykes (Department of Employment) and David Wright (Cabinet Office). Please could you all ensure that this letter (I am sending out numbered copies only) is seen on a strictly need-to-know basis only.

Handwritten scribbles

Tim Lamburn.

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