

PRIME MINISTERE DISCUSSION: NEXT MOVES ON THE CIVIL SERVICE PAY DISPUTE

E tomorrow considers the next moves in the Civil Service pay dispute including some forms of escalation.

1. THE PURPOSE OF ESCALATION

1.1 Escalation is an accepted tactic in any negotiation, contractual or otherwise, usually taking the form of a new and unexpected demand or condition. Its purpose is to increase the uncertainty and the "downside" risk of the other side's position.

1.2 Where the negotiation is largely conducted before a public audience, it may also be used to increase media and public opinion support. If escalation by the Government, instead of being seen as unfair or unsporting, is seen by the public as reasonable and "about time too", this can greatly increase the pressure on union negotiators and especially militants. It must be right, as the Lord President proposes, to prepare for escalation in response to the unions' strike escalation.

1.3 However, the Government must win this dispute with the minimum sense of grievance amongst ordinary Civil Service union members. It should therefore give due notice before escalating it. Though it must act firmly, it must take great care not to appear trigger-happy.

2. ESCALATION PROPOSALS

2.1 The Lord President is proposing a form of escalation which would provide a penalty - forgoing several months' pay increase - for those who engage in further strike action. We think this is the most effective penalty available, but question whether it should be applied selectively - to strikers only - or, with a longer period of notice and a ballot, to all civil servants. This could provide both a motive and a vehicle to the moderates to outvote the militants.

2.2 We think it might therefore be more straightforward to announce that if the dispute is not settled by, say, the end of June, the settlement for everyone will date only from the eventual date of settlement. Management could even organise a ballot if the unions are unwilling to do so, as BL have done with some success.

3. IS IT RIGHT TO DISCRIMINATE BETWEEN STRIKERS AND NON-STRIKERS?

3.1 The strongest argument in favour of discriminating is that it would further divide opinion within the unions. Strike action is collective action. Disruptive action by small numbers has been chosen as the most cost-effective way of doing the most damage. But it is backed by the unions concerned. If the disruptive action led to a surrender by the Government, all union members would benefit.

3.2 Of course this approach would amount to rough justice. But the source of the rough justice is not the Government: it is the strike action and its organisers. Already it has hit some people - travellers, passport applicants, businesses - much harder than others. Strikes are always unfair in their impact. There is no reason why that unfairness should not extend to civil servants themselves. In any event, even the Lord President's proposals would be open to a charge of rough justice in treating those who struck for a short time in the same way as those who had struck for longer.

3.3 If disruption by a few people costs the country a lot, then the steps taken by the Government should aim to recoup it. The public should be satisfied not simply that those taking disruptive action are being penalised, but that the longer the disruption continues, the less the settlement will cost the taxpayer, who is already suffering enough inconvenience from disruption.

4. OTHER FORMS OF ESCALATION

4.1 There are other forms of escalation which, with due warning, might be considered if this first step is insufficient to bring the dispute to an early close:

- Lay-offs, as already suggested.
- Making the term of the new pay increase run a full 12 months from the (delayed) implementation date.
- Reducing the 7% offer, after a certain date, to 6%.
- Enforcing tight leave conditions (see below).

4.2 Leave. The Lord President says that there are legal obstacles to curtailing the leave of staff who take industrial action. But the CSD have to lay down rules for those who have been on strike and apply for leave. They are proposing that someone who has been on

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strike for more than a week should work normally for at least a week before going on leave. This period could be much longer - perhaps four weeks. That would discourage striking as the leave season is approaching. Those who strike for shorter periods should also have to work normally for a substantial time. We are doubtful about leaving this to management discretion.

4.3 Attempts to tighten the screw in these ways often happen in perfectly civilised and apolitical business negotiations, as each side tries to ensure that it achieves the best possible outcome. They may at first seem shocking and unreasonable if proposed by a Government, because everyone has become accustomed over the years to the idea that only the union side may behave unreasonably, while the employer - and certainly Government as an employer - must be gentlemanly right through to final defeat.

5. THE GOVERNMENT'S MESSAGE

5.1 In short, we should be using this dispute to challenge and then start to shift the conventionally woolly-minded thinking of so many commentators. In addition to the useful notes circulated on 4 June by the Chancellor's office, we attach at Annex A some points on the presentation of the Government's case.

I am copying this minute to all members of E, others attending tomorrow's meeting, Robin Ibbs and Sir Robert Armstrong.

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[Signature]
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THE GOVERNMENT'S MESSAGE

1. It is essential that the Government:

- (a) wins, in the sense of preserving its cash limits;
- (b) demonstrates that militancy does not pay;
- (c) uses the dispute to drive home the realities of affordable public spending economics to the country at large.

But the tougher the action, the softer must be the words.

2. The Government's message must therefore continually stress that we regard the 7% offer as fair; fair in the context of settlements in the private sector, and of conditions of service, incremental scales, London Weighting allowances, and security in the Civil Service. We have no wish to be unfair to civil servants in general, or to humiliate them as a profession (though in fact a measure of humiliation for the union militants specifically is, we believe, necessary).

3. We think that too much reference to past pay settlements and statistics etc will probably confuse public opinion. The question we have to keep repeating, in the simplest possible terms, is "Do the great mass of civil servants really believe, as their leaders maintain, that in present conditions the offer made is unfair?"

4. In debate, we should try to reverse the deeply-engrained assumptions that the Government should always behave like an indulgent parent while the unions behave like recalcitrant children. If the Government is accused of rigidly digging in its heels over "only 1% or 2%", why should the union leaders similarly dig in on such a small margin? Why must everyone be so concerned about ensuring that union leaders do not lose face? This is a negotiation between adults - or should be - and each side should be mature enough to accept defeat with a good grace, victory with magnanimity. Why is it intransigent and irresponsible for Government to escalate, but justifiable for unions to disrupt the payment of benefits to those in need?