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T.L. Civil Service  
for your files  
(these were on my desk!)  
J.

P.0516

PRIME MINISTER

cc: Mr Wright

CIVIL SERVICE DISPUTE

You are meeting the Chancellor of the Exchequer, the Lord President and the Secretary of State for Employment this morning to discuss the next steps in resolving the Civil Service pay dispute. The only circulated piece of paper is Lord Soames' minute to you of 6 July about the financing of an increase in the pay offer this year from 7 to 7½ per cent. The ideas you have had from John Hoskyns/John Vereker have not been circulated. This is not the occasion for a formal brief but the following check-list may be useful.

2. The points to be covered are:-

Procedure

(a) When are colleagues collectively to be consulted?

Presumably at Cabinet on Thursday.

(b) Is there to be a paper/letter as the basis for discussion?

If so:

(i) Who is to circulate it? The Lord President? The Chancellor of the Exchequer? Both?

(ii) What should it contain? Which brings us to -

Content

(c) Extra half per cent for this year?

(d) Anything new for 1982? The possibilities are:

(i) Nothing.





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(ii) A commitment to arbitration.

(iii) Some form of index-link April 1981 to April 1982 (this is an idea floated in the Treasury. The Chancellor is not keen but it would limit the commitment to 1982 and would be likely to give a lower result than arbitration. It is not however consistent with the "genuine negotiations" which have already been promised).

Tactics and timing

(e) If an extra half per cent is to be offered, does it still make sense in the light of the Lord President's minute, to seek specific offsetting staff savings? Or is it enough to say that the cost will be held by whatever means within the 6 per cent cash limit?

(f) Is any carrot to be accompanied by a stick? The possibilities include:

(i) Deferring the settlement date for everyone despite the well-known objections that co-operating staff will be penalised and be less willing to continue to do so either now or in 1982 if trouble recurs then.

(ii) Selective deferment of the settlement date on the lines earlier proposed by the Attorney General. Again the objections are well known - they are largely technical - but an operation of this kind can more readily be defended on grounds of logic and justice.

(iii) Withdraw the present offer and hope this will encourage the unions back to the negotiating table (the Hoskyns/Vereker approach). It could work by heightening uncertainty, but might make a final settlement including 1 April and 7½% appear like a retreat.





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(iv) Action to prevent the unions collecting their dues (including contributions to strike funds) through the Government's pay machinery. If the Lord President is right that 12 months' notice needs to be given, early action would be represented as a further breach of agreements by the Government. Union leadership would obviously resent it bitterly. The attitude of the staff is less certain.

(g) Should the Government make a public statement of the concessions it is prepared to make on a "thus far and no further" basis? Or would it be better (ie more productive) to sound the unions first?

(h) How does a further statement on the membership of the Inquiry fit into this? A separate operation? Or linked with a more general statement as in (g) above?

(i) When is any statement(s) to be made? Thursday? Friday? Or next week?

P Le CHEMINANT

Cabinet Office

7 July 1981