

PRIME MINISTER

Civil Service industrial dispute: possible formula

Two issues are raised in the paper enclosed with the Lord President's minute of 27 March, which you are discussing on Thursday morning.

1. Have we got to the point of needing to buy the unions off?

In my opinion, certainly not. There is very little evidence of damage being done to the real economy; and inconvenience to the public has not so far been extensive. There is still a reasonable chance of the industrial action petering out. The CSD think that it may, especially if it is ignored; and there has not yet been much noticeable effect - adverse or favourable - of Cabinet's decision to go for TRD. You may want to press colleagues on how many officials have actually been sent home so far.

2. If or when we do get to that point, is the Lord President's formula (summarised in paragraph 19) the right one?

(a) 1981. 7½% looks like a useful face-saver, especially if it is linked to a further manpower squeeze.

(b) 1982. We cannot offer the civil servants arbitration, having just taken it away from the teachers (and possibly the local authority white collar workers as well). If we have to make some promise for 1982, increasing civil service pay in line with the increase of the average earnings index over the next 12 months would effectively freeze the present relative position of the CS, and is the least unattractive option.

(c) The longer term. We should go no further than what the civil service unions have already been told (paragraph 6).

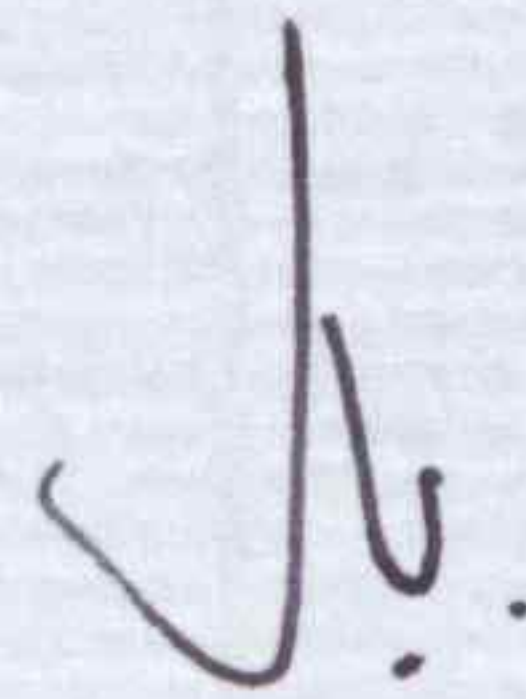
/ In particular



SECRET

- 2 -

In particular we should not use the formula in paragraph 7 ("should not normally fall behind") which institutionalises comparability all over again; and we should certainly not go as far as an independent enquiry (paragraph 9) which would take the pay determination system right outside Government control.



J.M.M. Vereker

31 March 1981

SECRET