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PRIME MINISTER

I enclose a short brief on your meeting with the Chairman and Secretary General of the Staff Side tomorrow.

I suggest that the best course is to listen to them and say you will consider their points.

Since clearly it is going to be extraordinarily difficult to pay out the full amount under the Pay Research Agreement, it might be worth probing the strength of their feelings about (a) staging, if this should prove necessary, and (b) manpower cuts.

Of course, if they are speaking for quotation, they will be more discouraging about the solution than they really believe. My own belief is that if they can be persuaded to speak off the record, they will privately agree that if there is no prospect of the settlement being honoured in full without strings, then they would prefer a package with the maximum amount of manpower cuts and the minimum amount of staging. This solution, although not without difficulty, will probably avoid the worst industrial trouble.

If you feel like paying some tribute to the work of civil servants for this Administration, I know that this would be appreciated very much.

P.C.

PAUL CHANNON

26 February 1980

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BRIEF FOR THE PRIME MINISTER'S MEETING WITH REPRESENTATIVES
OF THE NATIONAL STAFF SIDE: 27 FEBRUARY 1980

Mr Gillman and Mr Kendall of the National Staff Side (NSS) are coming to see the Prime Minister at 11.30 a.m. on Wednesday 27 February at their request. Mr Gillman is Chairman of the NSS, and also General Secretary of the Society of Civil and Public Servants (SCPS) which represents middle management grades. Mr Kendall is Secretary General of the NSS and a former General Secretary of the Civil and Public Services Association (CPSA) which represents clerks.

2. As foreshadowed in Mr Channon's minute of 20 February, Mr Gillman and Mr Kendall have asked for this meeting with the Prime Minister in her capacity as Minister for the Civil Service. They know that the Government will shortly be fixing the cash limit for Civil Service pay and are likely to stress the great importance that they attach to the Civil Service Pay and Arbitration Agreements being honoured and to warn of likely industrial action if they are dishonoured.

3. In particular, Mr Gillman and Mr Kendall are likely to argue:

a. the Government's election Manifesto said that it would reconcile cash limits with pay research in consultation with the unions - in their book breaking the Pay Agreement is no reconciliation;

b. the Government is committed to a formal Civil Service Pay Agreement which requires payment in full from 1 April of the amounts negotiated on the basis of the Pay Research evidence;

c. the Government is also committed to a formal Civil Service Arbitration Agreement which allows access to arbitration on all aspects of the Pay Agreement

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(unilaterally up to and including Principal level) - and they are likely to quote the Government's insistence on arbitration as the proper resolution of last year's dispute with the IPCS;

d. the Government has said in evidence to the PAC and the Treasury/CSD Select Committee that it will determine a global cash limit for the Civil Service when the Pay Research evidence has been assessed - and there must be a presumption that that evidence will influence the Government's decision;

e. the previous Administration unilaterally suspended Pay Research for three years and then staged last year's settlement, denying arbitration on this aspect - the Civil Service is looking to the present Administration for better treatment;

f. discontent on pay is more likely than anything else to unite the moderates behind the militant minority and to lead to industrial action.

Against this background, the burden of the NSS request is likely to be for an assurance that the Pay Agreement will be honoured in full and that there will be no denial of the right to arbitration. Unless the Agreements are honoured in this way, they are likely to argue, industrial action is virtually certain and could be widespread and severe. They may seek to say that a positive response from the Government would lay the foundations for building a new relationship of trust between the Civil Service and the Government as employer - a relationship which has been sadly lacking for some time now.

4. In reply the Prime Minister is unlikely to want to say more than that the Government have not yet taken any decisions and that she will have very much in mind what has been said to

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her, though there are, of course, other considerations to be weighed as well. But she welcomes the chance of consultation on this important issue. She may also wish to stress the need for pay settlements the country can afford and for the maximum improvements in efficiency and reductions in manpower costs to be made to help to offset the cost of pay increases.

5. Although the NSS recognise the inevitability of manpower cuts (and are both expecting and prepared for them), they are anxious to avoid being forced to sign up on a pay/manpower trade-off. The objective of achieving maximum manpower cuts is likely to be better realised by recognising their difficulty over this; but it could be helpful to press them to say whether they attach greater importance to pay or to manpower.

6. Finally, the Prime Minister may wish to assure Mr Gillman and Mr Kendall that decisions will not be taken lightly and that the CSD will be authorised to open final negotiations as soon as those decisions have been taken.