

SECRET

PRIME MINISTER

Prime Minister.

This meeting has been arranged for 1630 tomorrow. 2
The following will attend :-
Chancellor + Mr Buckley
Lord President + Sir John Herby.
Secy for Employment + Mr Douglas Smith.

JHL
28.4.

Civil Service Pay Dispute

Following David Wolfson's discussion with you this afternoon, we are setting up a meeting for tomorrow afternoon to discuss the Civil Service pay dispute with your colleagues mostly concerned, together with one official each.

You may wish to explore at that meeting these possible approaches to the problem, so as to clear the ground before discussion in Cabinet on Thursday:

What would happen if we carried on the way we are going at present?

As you know, a group of officials has been meeting daily under Mr. Hayhoe's chairmanship to monitor the effects at present: for ease of reference I attach my notes of the last two meetings, together with the latest figures for the use of Temporary Relief from Duty (TRD). These assessments tend to conceal the important fact that less than 1% of the non-industrial Civil Service is on strike ~~now~~ at one time. It should therefore be rather easy for the unions to continue to finance the strike; and there is no reason to suppose that there will be an early end to it. The unions are clearly unmoved by adverse public opinion. They show no signs of willingness to negotiate. And the conference season now starting means that real negotiations are unlikely until June. By then, unions will be even more reluctant to return to work without more money this year.

On the other hand, the dispute is causing little real damage, and is under control. Other courses of action carry risks.

What would be the consequences of trying to settle the dispute now?

The Lord President will no doubt advise that the key to a settlement now lies in an undertaking to allow the Civil servants access to arbitration next year, which of course Cabinet has already

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/ extensively

extensively discussed. It is difficult to judge whether unions' insistence on more also for this year would be sustained if they were offered arbitration for next. Either way, the consequences would be expensive both in terms of public expenditure, and, more importantly, in terms of the credibility of the Government's approach to public sector pay. An arbitrated settlement for next year would probably split the difference between a cash limit of 5% and a claim of anywhere from 20% up.

What options are open to us for putting pressure on the unions to give up?

It would be an essential pre-condition of any move to escalate the strike - that is, to raise the stakes in terms of both the possible benefits and the possible costs - that Cabinet should be absolutely determined not to give up shortly after starting down that road, or the worst of all worlds would be achieved. But if it was considered desirable to put more pressure on the unions, a number of options could be explored:

- (a) No retrospection of this year's settlement. The unions would be given notice that this year's settlement would take effect not from 1 April but from the date of their agreement to it. You discussed this with the Chancellor last night.
- (b) More thorough use of TRD. Although this would be strongly resisted by the employing Departments, I think even the CSD would admit that there is scope for sending home without pay more of those who are refusing to undertake their normal duties.
- (c) Legislation to permit the laying off of white collar civil servants. (You will recall that Cabinet agreed some time ago that provisional drafting should be put in hand.) This would have the effect of enabling managers to send home those staff for whom there was no work, even if they wished to work normally; ^{but} ~~and~~ it would have the short-term draw-back of unfairly penalising the moderates.

28 April, 1981.

J.V.

TEMPORARY
RELIEF
FROM
DUTY

FIA(81)13

DEPARTMENT	TOTAL ORAL WARNINGS	ORAL WARNINGS FOLLOWED BY :			FIRST WRITTEN WARNING FOLLOWED BY:			FINAL NOTICE FOLLOWED BY :		
		RESUMPTION OF WORK	STRIKE	FIRST WRITTEN WARNING	RESUMPTION OF WORK	STRIKE	FINAL NOTICE	RESUMPTION OF WORK	STRIKE	TRD
CUSTOMS & EXCISE	96 (but other cases where TRD was not pursued)	-	-	96	49	47	-	-	-	-
MINISTRY OF DEFENCE	16 *	-	-	118	121	11	2 (still at written stage)	-	-	-
DEPARTMENT OF EMPLOYMENT	68	68	-	-	-	39 (not preceded by Oral Warning)	-	-	-	-
DEPARTMENT OF HEALTH & SOCIAL SECURITY	53 (but about 150 other cases where TRD was not pursued)	27	-	26	12 (1 pending)	13	-	-	-	-
INLAND REVENUE	About 937	-	-	-	-	603	334	-	-	334
TOTAL	1170	95	-	240	182	713	336	-	-	334

Notes: *134 Warnings were given in total (16 Oral and 118 Written)
 ∅ An unspecified number went on strike after Oral Warning.

27 APRIL 1981