

Ref. A04952

PRIME MINISTER

Cabinet: Civil Service Dispute

Following the meeting which you had with the Lord President, the Chancellor of the Exchequer and the Secretary of State for Employment yesterday, the Lord President will report orally to Cabinet.

2. He will presumably report on the resolutions of the annual conferences. He will indicate that, though resolutions were passed in favour of all-out strike action, the union leaders would probably prefer (though they may not be able) to avoid being driven to the position of acting on those resolutions. They might have support for a one or two-day strike, but it is not thought likely that support for a five-day strike, in which there would be no strike pay, would be other than poor and patchy; and this could weaken rather than strengthen the position of the unions. The union leaders are meeting on Tuesday 26th May to consider the position. There is now a "window" during which it may be possible to get some sort of discussions going. But the omens for an early settlement are not very propitious.

3. The Lord President will no doubt report that your meeting yesterday narrowed the options to be considered, in case the Government wished to counter-escalate. It really came down to three:

- (a) The possibility of indicating that the Government might not be able to maintain the operative date of 1st April, if the dispute was drawn out for a long time. A reasonably vague formula of that kind would make it unnecessary at this stage to be specific about whether, if the threat were to be carried out, it would be carried out selectively, in respect only of those who had taken industrial action, or generally, in respect of the whole of the non-industrial Civil Service. As you said, indiscriminate action would seem unfair to those who had continued to work normally or even harder than that; but many of those responsible for management believe that people who have stayed at work would prefer not to be specially rewarded by Government for doing so, and selective action,

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discriminating against those who had not taken industrial action, could be very divisive later. There might be other ways of rewarding those who had not taken industrial action. If it was decided to defer the operative date selectively, it would probably be wise to apply it only to those who continued to take action after the date on which a definite indication of the threat was made.

- (b) The possibility of imposing a 7 per cent increase. Your meeting yesterday agreed that that was a course of action to be followed only if it was pretty certain that it would lead to an end to the dispute. Done at the wrong moment, it could even exacerbate it.
- (c) The possibility of introducing legislation to enable white-collar workers to be laid off. There was a growing feeling that legislation on these lines ought to be introduced, not just in respect of the Civil Service but generally. Your meeting took the view that it could be introduced in the context of this dispute only if there was some obvious and immediate reason in the dispute for doing so.

4. If the Lord President does not say anything about the proposal for a long-term inquiry, you could say that your meeting had more or less agreed draft terms of reference, so that the Lord President would have the basis for discussion with the unions, if opportunity arose.

5. As to the ingredients for any discussion with the unions in the next week or two, you could say that the Government had already conceded a 7 per cent increase within a 6 per cent cash limit, and had offered a long-term inquiry. These were two significant concessions. Other possible concessions considered at your meeting were a slight increase in the offer, say, to $7\frac{1}{2}$ per cent; and the possibility of offering arbitration in 1982, subject to the provision that the Government would not override arbitration except with the prior approval of Parliament. There were indications that it would be possible to increase the offer to $7\frac{1}{2}$ per cent, or even 8 per cent, within the cash limit, because numbers were falling even faster than expected; but presumably people would not have agreed to lower rates of pay if numbers had been rising faster than expected; and your meeting was not inclined to make any move on that. So far as arbitration in 1982 is concerned, when it was last discussed the Cabinet recognised that it

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Informed talks

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5 working days

-30%

28 people

- Disruption

might be helpful to offer arbitration in 1982, subject to the Government being able to seek Parliamentary approval to override the outcome if it felt obliged to do so, but the Lord President was told that he should not offer this concession without the prior agreement of the Chancellor of the Exchequer. That was, of course, ^{intended to apply for} at the time when you were away in India, and you may wish to reaffirm that the Lord President should not offer this concession without prior agreement by yourself and the Chancellor of the Exchequer.

HANDLING

6. The Lord President should be asked to open the discussion, by describing the present position of the industrial action, the possibilities of discussion with the unions in the next two weeks, and the prospects for the future of the dispute. During the course of his report, he should deal with the provisional conclusions reached at your meeting yesterday.

7. You may then wish to invite the Chancellor of the Exchequer to report on the effects of the industrial action on the revenue and the Public Sector Borrowing Requirement. Other Ministers who might be invited to report are the Home Secretary (the prisons), the Secretary of State for Trade (air traffic control officers), the Secretary of State for Scotland, the Minister of Agriculture (computer payment of farm grants), and the Secretary of State for Transport (the Driver and Vehicle Licensing Centre at Swansea). The Secretary of State for Social Services may like to report the state of things in his Department, though that still appears to be quiet.

CONCLUSIONS

8. You will not want to ask the Cabinet to reach definite decisions on escalation. The Cabinet might be asked to endorse the Lord President's general approach both to the possibility of discussions with the unions and to the possibilities of escalation, to note that no decisions are required at this time, and to agree that decisions should be taken as and when required by the Lord President in consultation with yourself, the Chancellor of the Exchequer and the Secretary of State for Employment.

REA

ROBERT ARMSTRONG

20th May, 1981

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