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12 June 1981

Policy Unit

PRIME MINISTER

I agree with John.
mf.

NEXT MOVES ON THE CIVIL SERVICE PAY DISPUTE

After listening to the recent discussions, I am more than ever convinced that the concept of "selective escalation" (eg backdating for non-strikers only) is misconceived in principle and in practical terms. This minute summarises the reasons:

1. A trade union uses selective disruption in order to do the maximum damage to the employer at the minimum cost to its members and funds.
2. The unions claim that their members support this disruption. The members would certainly benefit if it proved successful. If union members did not support it, there would presumably be no voluntary contributions to the strike fund and there would be rank and file pressure to stop disruption and accept 7%.
3. To meet selective disruption with selective retaliation cannot make sense. It cannot reduce the damage done by disruption. But it removes the main negotiating weapon available to Government (ie the withholding of pay increases for everyone until disruption stops).
4. It follows that there can be nothing "unfair" in delaying the implementation date for non-strikers. It is absurd for the Government to fuss about unfairness to civil servants while disruption hits other uninvolved parties in arbitrary (and thus unfair) ways.
5. The idea of "imposing" 7% simply compounds this absurdity. The word may sound very severe, but it is in fact de-escalation in place of escalation. It would remove any risk to non-strikers that their eventual increase will not be backdated. It would remove even the inconvenience of having to wait for the increase until the dispute is settled. The Government would appear quite irrational, as if it was positively anxious to accelerate its own cash outflows.
6. It is quite possible that selective escalation, with or without "imposition", would actually make the disruption drag on even longer, because it would still cost the unions less than the damage caused, and the financial pressure on the moderates would have been removed.

SECRET

SECRET

So we could end up with the great majority of civil servants safely paid their 7%, and the passport queues still standing in the rain in Petty France.

7. We believe that uniform escalation, after due notice, may well be necessary if the trade unions themselves escalate. To ensure that the moderate rank and file can make their voices heard, management could organise a BL-style ballot during the notice period. The Government must get across the simple points made in paragraphs 1, 2 and 4 above to show why we have no choice but to proceed in this way, even though it may seem "unfair" especially to those who have worked hard to keep the system going; and emphasising that that is why we have given the period of warning and arranged the ballot. This would be consistent with your words in the House yesterday:

"Most civil servants are staying loyally at their posts, and many are working overtime to ensure that benefits are distributed. I do not wish to harm them in any way, or to harm their interests".

The choice is theirs, not ours.

8. No problem arises from isolated disruptive action after the end of the period of warning. If the unions have instructed that disruptive action should stop and that no further strike pay will be provided, then such disruptive action would be no different from any other unofficial action. If the unions have refused to do so, then the ultimatum would have been ignored and everyone would lose the backdating. But such an outcome seems unlikely if the membership don't want it and can say so through a ballot.
9. In short, therefore, we believe that it would be better not to escalate at all, than to do so on a selective basis. "Imposing" would be the worst solution of all.

I am copying this minute to all members of E, Robin Ibbs and to Sir Robert Armstrong.



JOHN HOSKYNS

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