

cc Mr Vercher



PRIME MINISTER

THE CIVIL SERVICE PAY DISPUTE

We are to meet tomorrow. This note sets out a framework for our discussion.

Industrial Action

In the one-day strike on 9 March an estimated 275,000 non-industrial civil servants took part (52% of the Civil Service). The unions are now taking selective and disruptive action and some 1,300 are on strike. So far, there is no sign of their weakening and selective and disruptive action will probably be extended next week. If - but it is an if - their money-raising is as successful as they say, the unions can keep up this level of selective action for some time and appear ready to do so.

Departments are dealing with industrial action firmly but are using only the management responses which are known and understood by the unions. We are not seeking to escalate at this stage, and, provided serious damage is not being done, some time can go by before we need to decide whether or not to escalate.

Review of Pay System

The review which you commissioned last month is going ahead (MISC 54) under CSD Chairmanship as quickly as possible. Many inputs from a number of sources need to be considered and evaluated. The Chairman has told me that he hopes to complete his work by mid-April but it would not be sensible to bring this forward and to rush it through. What we are seeking here is the possible basis for a long-term ordered and agreed system of Civil Service pay determination. It is important to get that right. Once the work of MISC 54 is cleared, with or without alterations, by Ministers we can open discussions with the unions.

Ending the Dispute

We must therefore consider what is likely to lead the unions to bring the present dispute to an end. We must be clear about timing and about content. I believe that it would be a mistake to make any move towards the unions too soon. We need to let a bit of time go by: movement on our side which might be productive in a couple of weeks time might today simply inflame matters. When the time does come I suspect we will need to tell the unions that for 1982, if we cannot negotiate a settlement, we will agree to a reference to the Civil Service Arbitration Tribunal.

I am copying this to Geoffrey Howe, Jim Prior and Sir Robert Armstrong.

S.