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From for 9.20 mtg.

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PRIME MINISTER

cc. P/S Chancellor  
Mr. Hoskyns  
Mr. Downey

CIVIL SERVICE DISPUTE

copied to Mr. Whitmore  
Mr. Hankover,

After your discussion with the Chancellor yesterday evening, which followed your meeting on the Civil Service dispute, John Hoskyns and I agreed with him that we should try and commit to paper a plan for bringing the dispute to an end, incorporating the ideas we discussed.

Our objectives are:

1. to preserve the cash limits intact;
2. to bring about a settlement soon; but
3. to be widely seen as having won.

To this end the necessary features of our handling of the dispute should be:

1. Not to concede any form of arbitration for next year, because it would breach next year's cash limit;
2. To provide both a stick and a carrot, because the carrot on offer is insufficiently attractive to bring about a settlement unless we have raised the potential costs to the unions of continuing; and
3. Not to lead us into a blind alley if this effort fails. The plan outlined would still leave us holding useful cards - the operative date, and perhaps a management-organised ballot - even if the unions walked out of the discussions.

I understand from CSD that the Lord President will be considering over the weekend advice from his officials on how to proceed. The CSD's approach is likely to differ from ours in a number of ways, but of course we should not prejudge what the Lord President may decide:

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1. They may think the carrot insufficient unless something is conceded on arbitration for 1982;
2. They may not want to make the operative date <sup>threat</sup> that explicit; and
3. They may prefer to say that the extra ½% can be financed from manpower savings already achieved. No

Such an approach would not accord with our objectives, nor with our assessment of what is needed to bring about a settlement.

Do you agree therefore, that subject to the Chancellor's comments (I have had a preliminary word about it with Gordon Downey):

(a) The attached plan is worth trying?

(b) A meeting of E should be called as soon as possible, perhaps Tuesday? -

(c) The Lord President should be told what you have in mind, and asked to bring to the meeting details of the feasibility of the manpower savings, and of withdrawing the operative date?

(d) The attached plan should be turned into a paper suitable for circulation at the meeting?



JOHN VEREKER

3 July 1981

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STEPS TOWARDS A SETTLEMENT OF THE CIVIL SERVICE DISPUTE

1. Essential Preconditions

- (a) Plug any potential leaks. We must not let any suggestion that the Government is softening appear publicly. (Bernard Ingham will, if asked, tell the Lobby that the Government is standing firm; papers circulated will be kept to an absolute minimum.)
- (b) Confirm the feasibility of the "jobs or  $\frac{1}{2}$  per cent" offer: how many more jobs would have to go, and how would we prove it since we have not announced a target for April 1982? (£30 m. would be 3,000 jobs at £10,000 per job; the CSD are working on this now.)
- (c) Take legal advice on withdrawal of operative date. How much notice do we have to give? Does that close off any subsequent options, such as selectivity? (The CSD should be asked to consult Lord Chancellor's Office about this.)

2. Ministerial Agreement

We need agreement in E: other groups are affected by the extra  $\frac{1}{2}$  per cent, and some Ministers (e.g., Mr. Jenkin) are strongly opposed to non-selectivity. So the remaining steps should be put to E on Tuesday, on the basis of an oral discussion (or a paper circulated at and withdrawn after the meeting).

3. The Stick

Lord Soames should announce on Wednesday that the Government has decided, in view of the COCSU decision to continue industrial action despite the enquiry being set up, "that unless industrial action ceases by 15 July, the operative date will be withdrawn". He explains that this means the Government is no longer committed to 1 April. The new operative date will be subject to negotiation in the light of the progress of the

/ dispute.

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dispute. At the same time he announces the other members of the inquiry team.

4. Approach to the Unions

The Unions should then be told privately (CSD can decide by what channel) that the Government is ready to let them off the hook; that there is not much to offer but a face-saving formula might be possible; and that the Government would like to re-open negotiations, provided these are kept informal and are not attended by publicity (which would make it impossible for either side to compromise). If the stick has been wielded, this carrot should get them to the table.

5. The Deal

CSD should be allowed to say how the negotiations should be conducted, but it might be best to settle the deal privately at official level, and then have it endorsed by Ministers. However it is done, the elements of the eventual package are:

- (i) The restoration of the operative date to 1 April.
- (ii) The restoration of lost seniority, leave and pension rights but not of lost pay to those who have been on strike.
- (iii) The offer increased to 7½ per cent in return for union agreement to an additional 3,000 (?) fewer jobs by 1 April 1982, plus union understanding that the Government will say publicly that the unions chose money not jobs.
- (iv) A re-affirmation by the Government that, although they are not committed to arbitration in 1982, they do not rule it out.

/ (v)

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- (v) Some token concession on the enquiry - perhaps, if the rest of the team is satisfactory, let the unions propose one member.

6. The Public Presentation

Ministers should defend this deal on the grounds that:

- (i) The cash limit is intact;
- (ii) The extra  $\frac{1}{2}$  per cent represents a direct trade off between jobs and wages. We regret that the unions chose wages; if others do the same, obviously unemployment will rise.
- (iii) It is a step towards restoring good relations between the Government and its employees, who are in general a hard-working and dedicated bunch who were led astray by the illusion that public servants were immune from the pressures that have operated in the private sector;
- (iv) Yes,  $7\frac{1}{2}$  per cent is more than some other public sector groups have got; but we are not running an across the board incomes policy [and the dispute was starting to cost the taxpayer money].

3 July, 1981.