

SECRET

3

PRIME MINISTER

Civil Service Industrial Action

You may find it helpful to have this note of the main current developments in the Civil Service dispute, following yesterday evening's decision by the unions to continue and intensify their programme of selective action.

The general feeling of employing Departments is that the unions are now wriggling on a hook of their own making, in that they know that further action will not be effective but they are mandated by the membership to continue. The brave words about intensified selective action are unlikely to be matched by developments, since there is little intensification possible; and it is not expected that they will be able to get in the extra contributions for which they have appealed for the strike funds. Indeed, if the union leaders are now looking for a way out, the failure of their appeal for a new levy might provide the opportunity. The extent to which continued action is supported by the TUC will be an important factor to watch. Support is probably drifting away from the unions, and is likely to continue to do so unless some new development renews their militancy.

The pattern of industrial action today is much the same as before, with some indications of rather more effective organisation of their disruption by the air traffic controllers.

You should know that Customs and Excise have secretly arranged for a private computer firm to prepare the necessary paper work for the largest VAT payers, on the basis of data smuggled out of the Southend VAT computer centre. If this operation is successful, it will enable collection of some 75 per cent of VAT due. Before long it will no doubt become

/ public

SECRET

SECRET

- 2 -

public knowledge, but C & E are naturally anxious to keep it quiet for as long as possible.

The CSD has been making an assessment of the recovery problems, which should be completed early next week: two features of it of which you may wish to be aware in advance are that the period of recovery is in many cases going to last well into the period of negotiations for the 1982 settlement, with obvious consequences for the next pay round; and that there is one particular potential cost if the dispute drags on, which is the loss of one year's taxation of unemployment benefit, worth some £400 million, because industrial action on the DHSS and Employment computers is endangering the planned starting date of April 1982.

J.

19 June 1981

SECRET