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MR WHITMORE

cc:- Mr Gaffin
Mr Duguid

CIVIL SERVICE PAY DISPUTE

It may be helpful if I set out where we have got to on the Civil Service pay dispute, as events are moving quite fast.

Negotiations with the Unions

The Lord President saw Mr Kendall and other representatives of the Council of Civil Service unions this morning. The Civil Service Department have prepared the attached summary of the main points he made to them. The Union side did not respond at the time, but have now sent a message to the effect that they would be making written comments later today (and Mr Gaffin has since told me that Mr Kendall will be holding a press conference at 1630 hrs this afternoon; accordingly, Mr Gaffin has advised the Lord President that he should also put the Government's position on record).

Mr Heyhoe gave some further details to his group this afternoon. Most notably, it appears that the central issue of arbitration was, despite its absence from the summary, discussed this morning. The Lord President ruled out arbitration on this year's settlement, but said that although he hoped for a negotiated solution for the 1982 settlement he would not rule out arbitration then. He took note of the considerable interest attached to arbitration by the unions. This seems to me to be sailing too close to the wind, since he does, of course, have to consult the Chancellor before offering arbitration for 1982, and the Treasury are distinctly edgy about it.

The atmosphere of the meeting was good, and the unions did not react sharply when the 7% limit for this year was reaffirmed. Sir John Herbecq commented that he thought the unions were surprised at how substantive a statement the Lord President had made, but they were a long way from calling off the industrial action.

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The Heyhoe Group

Mr Heyhoe's group, charged with responsibility for monitoring the industrial action, is meeting daily. There is no significant new trend in the pattern of industrial action. I have detected the beginnings of some antipathy between the major employing departments and the CSD over the management of the negotiations, as the big employers come under increasing pressure from their senior staff who are carrying the extra work-load. I have asked for a round-up report to be sent to us in time for the Prime Minister's weekend box.

MISC 54

The report of MISC 54, which is now only relevant either as an input to Government evidence for the proposed public enquiry, or if the unions reject such an enquiry, will be discussed for the last time among officials tomorrow morning, and thereafter will go to the Lord President and the Chancellor. I note that it is on the draft Cabinet agenda for 30 April, but there must be some doubt as to whether the Lord President and the Chancellor will be ready to put it forward by then. The report concludes that there are four main options for a new pay agreement, ranging from something closely akin to free collective bargaining, through the mixed approach which I circulated round No.10 in draft some weeks ago, to a fully automatic system with provision for a Government override in exceptional economic circumstances. When this does come to Cabinet, I should like to have the opportunity to provide a short brief.

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23 April, 1981

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