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TO PRIORITY FCO

TELEGRAM NUMBER 310 OF 28 OCTOBER

INFO PRIORITY HM TREASURY (FOR GRAHAM), DOT, ECGD, BANK OF ENGLAND
(FOR PORTER) AND BRUSSELS

INFO SAVING UKREP BRUSSELS AND WASHINGTON

MY TELS NOS 1 AND 2 TO BONN: DUTCH 1984 BUDGET: CIVIL SERVICE PAY

SUMMARY

1. THE PROPOSAL IN THE 1984 BUDGET TO CUT CIVIL SERVICE PAY BY 3.5% HAS PROVOKED INDUSTRIAL ACTION AND ACRIMONIOUS EXCHANGES BETWEEN MINISTERS AND THE TRADE UNIONS. THE GOVERNMENT MAY BE PREPARED TO OFFER SOME MARGINAL CONCESSIONS, BUT IS HOLDING TO ITS INTENTION TO CUT PUBLIC SECTOR PAY SUBSTANTIALLY.

DETAIL

2. THE UNIONS REACTED ANGRILY TO THE PROPOSALS TO CUT PUBLIC SERVICE PAY BY 3.5% FROM JANUARY AND TO EXCHANGE AT LEAST 2% OF THE EXPECTED 2.8% INDEX-LINKED INCREASES FOR EXTRA LEAVE. AT TALKS WITH THE UNIONS, RIETKERK (MINISTER OF HOME AFFAIRS) WAS IMMOVEABLE ON THE 3.5% CUT, BUT UNDERTOOK TO PLACE BEFORE THE CABINET THE UNIONS' ALTERNATIVE BUDGET WHICH INCLUDES A GENERAL PAY CUT OF 1.5% AND INCREASED SPENDING ON PUBLIC WORKS TO CREATE JOBS. FURTHER TALKS ARE SCHEDULED FOR 2 NOVEMBER.

INDUSTRIAL ACTION

3. PROTESTS SO FAR INCLUDE A WORK TO RULE AFFECTING MAIL, TELEPHONE, AND GIRO SERVICES AND DISRUPTION OF PUBLIC TRANSPORT, MAINLY IN THE POPULOUS WESTERN PART OF THE COUNTRY.

4. A PROPOSAL TO MAKE BROADCASTING AND HEALTH CARE WORKERS SUBJECT TO THE PAY CUT HAS MET WITH STRONG OPPOSITION. BROADCASTING STAFF HAVE THREATENED TO DISRUPT PROGRAMMES, AND HEALTH INSURANCE WORKERS MAY REFUSE TO IMPLEMENT THE PROPOSED REDUCTION OF 3.5% IN BENEFITS. TEACHERS HAVE WALKED OUT OF TALKS ON CUTS IN THE EDUCATION BUDGET, AND HAVE WITHDRAWN THEIR OFFER TO FOREGO UP TO THREE YEARS OF INDEXATION IN EXCHANGE FOR RETAINING THEIR EXISTING COMPLEMENT.

5. THE UNIONS ARE PLANNING CONCERTED ACTION IF THE MATTER IS NOT RESOLVED ON 2 NOVEMBER. FOR THE FIRST TIME, HIGHER CIVIL SERVANTS HAVE VOTED IN FAVOUR OF ACTION. THE POLICE UNIONS HAVE DECIDED IN PRINCIPLE TO TAKE ACTION WHICH WOULD DISRUPT "ORDINARY" POLICY WORK, BUT WHICH WOULD NOT INCUR ANY RISK TO LIFE.

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6. IN GENERAL THE CABINET IS STICKING TO ITS GUNS. IN THE PARLIAM-
MENTARY DEBATE AFTER THE QUEEN'S SPEECH MOST OF THE PROPOSALS
WERE APPROVED. ALTHOUGH THERE WAS SOME TENDENCY FOR THE VVD
PARLIAMMENTARY LEADER TO ARGUE THAT CIVIL SERVANTS SHOULD NOT
BE TREATED SO SEVERELY, HE HAS NOT BEEN SUPPORTED BY THE
VVD MINISTERS IN THE CABINET.

CONCLUSION.

7. FURTHER INDUSTRIAL ACTION IS LIKELY, BUT THE WEAK FINANCIAL
POSITION OF MANY UNIONS RULES OUT PROTRACTED STRIKES. OPINION POLLS
INDICATE THAT LESS THAN ONE-THIRD OF PUBLIC SECTOR WORKERS
FAVOUR STRIKES. THE PRIVATE SECTOR UNIONS, MANY OF WHOM
HAVE CONCLUDED BINDING AGREEMENTS TO FOREGO INDEXATION UNTIL THE END
OF 1984, ARE SHOWING NO DESIRE TO BECOME INVOLVED.

8. THE GOVERNMENT WILL THEREFORE WANT TO KEEP INTACT THE MAIN
ELEMENTS OF THEIR BUDGET STRATEGY, IN PARTICULAR TO MAKE A REDUCTION,
ALBEIT SMALL, IN THE GOVERNMENT DEFICIT. THEY WILL PROBABLY
OFFER SOME MARGINAL CONCESSIONS AT THE MEETING ON 2 NOVEMBER. IF
THESE PROVE ACCEPTABLE TO THE UNIONS, THE GOVERNMENT WILL MAKE
THEM UP BY CUTS ELSEWHERE OR BY HIGHER TAXES.

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