

PREM 19/402

32/67

PART 5.

Confidential file

Pay and Pensions.

CIVIL SERVICE.

Civil Service pay dispute / strike.

Part 1 : May 1979

Part 5 : May 1981.

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
23.5.81							
26.81							
29.5.81							
1.6.81							
2.6.81							
9.6.81							
8.6.81							

PREM 19/402

Material used by
official historian
DO NOT DESTROY

PE
ends.

PART

5

ends:-

CSD

to

HMT

8.6.81

PART

6

begins:-

9.6.81

✓ Mr Flaherty
Mr Voecher



Civil Service Department
Whitehall London SW1A 2AZ
01-273 4400

From the Private Secretary

John Wiggins Esq
Private Secretary to the Chancellor
of the Exchequer
HM Treasury
Parliament Street
LONDON SW1P 3AG

8 June 1981

Dear John,

CIVIL SERVICE PAY: INDEPENDENT ENQUIRY

I have shown the Lord President the Chancellor's minute of 3 June to the Prime Minister. His comment was: "Suits me".

I am copying this to Tim Lankester (No.10), Richard Dykes (Employment) and David Wright (Sir Robert Armstrong's Office).

Yours sincerely,
Tim Buckley.

J BUCKLEY



*Prin Minute
You can't
enter.*

APPOINTMENTS - IN CONFIDENCE

Mr LANKESTER

*mtg
For/for 19/5
TL*

TL

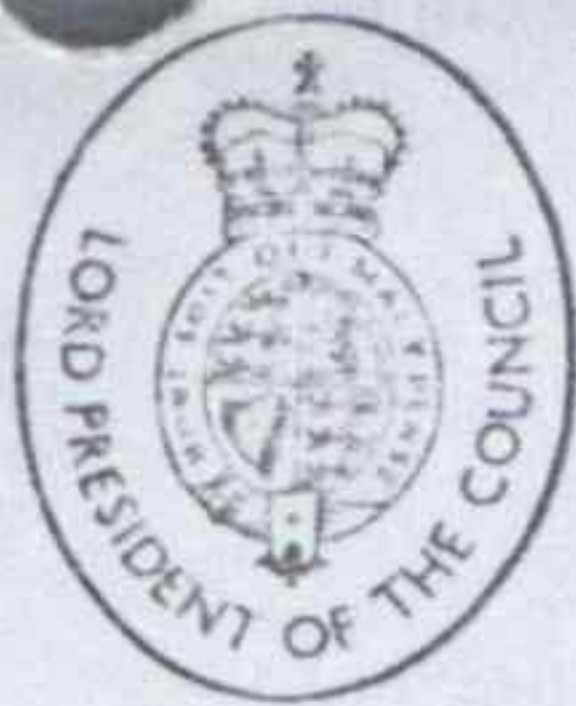
MEMBERSHIP OF PROPOSED INQUIRY INTO CIVIL SERVICE PAY

Before leaving for Canada Sir Derek Rayner made these comments on some of the names given in the list attached to Lord Soames's minute of 1 May.

- Sir D Barron: Available, given his succession to the chairmanship of the Midland Bank?
- Sir D Steel: Not known to Sir DR personally, but has a high reputation.
- Sir C Fraser: A figurehead - Mr Lord is actually running Dunlop.
- Sir J Greenborough: Useless - like most people who become President of the CBI.
- Mr M Bett: As Sir D Steel.
- Mr P Laister: Awful, useless.
- Mr A Lord: Good mind, very ambitious, not very loyal.
- Lord Shepherd: Knows the pay ropes, difficult to do without him.
- Mrs H Brigstocke: A collector of rich parents and acquaintances.

gp

C PRIESTLEY
8 May 1981



Civil Service Department
Whitehall London SW1A 2AZ
01-273 4400

From the Private Secretary

Mike - oh, dear.

8 June 1981

R.

Richard Tolkien Esq
Private Secretary to the
Chancellor of the Exchequer
HM Treasury
Parliament Street
LONDON SW1P 3AG

*cc Venables
Duguid*

Dear Richard,

CIVIL SERVICE DISPUTE: FACT SHEET AND REDUNDANCY FIGURES

The Chancellor wrote to the Lord President on 3 June covering both the Fact Sheet and the Lord President's letter of 29 May about redundancy figures.

We had a word on the telephone about the Fact Sheet and you subsequently circulated it to the Cabinet.

On redundancies, it may be helpful if I expand a little on what the Lord President had in mind at the end of the first paragraph of his letter of 29 May. As you point out, the Answer which our Minister of State gave on 16 April indicates that in 1980-81 there were about 1,000 redundancies (as strictly defined) and early retirement under special schemes. There were a further 3,200 who left the Civil Service prematurely because management wanted it that way - and that would cover cases which elsewhere would be defined as redundancies. Even so, 4,200 out of 500,000 non-industrial civil servants clearly presents a picture of greater job security than the 500,000 redundancies for the employed population as a whole. As the Lord President said, he is in no doubt that the Civil Service has greater job security than the private sector as a whole. But, when we look at that sector comprising insurance, banking, finance and business services, which is more comparable to the non-industrial Civil Service than the generality of the employed population (which, of course, includes a higher proportion of manual workers), it looks as though redundancies and early retirements run at the rate of 5 per 1,000. This is pretty much the sort of figure which we seem to be getting for the non-industrial Civil Service.

There are a number of problems about these figures and reservations from the Department of Employment. This is why the Lord President suggested an official working party to see if it would be possible to bring forward figures which could be used with confidence and which could be fully justified.

Against this background the Lord President would be grateful if the Chancellor would think again about his suggestion for officials to come up with figures which rest on a firm foundation.

A copy of this letter goes to Tim Lankester at No. 10.

*Yours sincerely,
Jim Buckley.*

J BUCKLEY

Civil Service Dispute

Mr Hayhoe repeated in the Commons the Lord President's statement. It passed off quietly with Mr. Hayhoe deftly handling the few awkward Questions.

For the Opposition Alan Williams argued that negotiations for 1982 would have no meaning without an arbitration fallback; that the Government had misjudged the mood and anger of the civil servants; and that you personally had instructed that the PRU system should be torn up. He asked for confirmation that you now intended to interfere in leave and promotion arrangements, and to use the honours system to penalise strikers, thus dragging in the Royal Prerogative. He asked whether 7% was the maximum figure compatible with cash limits, given that the Government usually underspent by 3%. Mr. Hayhoe confirmed that 7% was the maximum figure which could safely be offered to safeguard the 7% cash limit policy. He characterised the civil servants' action as vindictive towards the community as a whole.

A number of Government backbenchers came to Mr. Hayhoe's support, including John Peyton, Robert McCrindle and Geoffrey Johnson Smith. Enoch Powell repeated his Question to you of last Thursday, arguing that previous Governments had learned the folly of trying to readjust realities when battling inflation, and that it was therefore a mistake to attempt to attack inflation by fixing money wages below it. Fortunately Mr. Hayhoe had been in the House when you answered last Thursday, and simply stood by your reply.

Several Opposition Members followed Mr. Williams in personalising your role in the dispute - and David Winnick drew attention to weekend reports that Lord Soames had been ready to compromise but had been overruled by you. On the Government side, Terence Higgins wanted the Government now to withdraw the offer to negotiate next year with no predetermined

/cash

cash limit. Kenneth Lewis argued that the Government was in a free-for-all bargaining situation of its own choosing and should therefore give its ministerial negotiators the flexibility required to reach a settlement. Sir David Price wanted to draw attention to the differences in treatment of various grades and categories of civil servants over the past two years, to avoid the impression that the average increase of nearly 50% simply applied across the board.

We may find that the Opposition continue to attempt to present this long drawn out dispute as one of your choosing, against the inclinations of some of your Cabinet colleagues.

MAJ

8 June 1981

Published Papers

The following published paper(s) enclosed on this file have been removed and destroyed. Copies may be found elsewhere in The National Archives.

House of Commons Hansard
Civil Service (Dispute)

08/06/81
Columns 21-24

Signed AWayland Date 15 February 2011

PREM Records Team

Cabinet / Cabinet Committee Document

The following document, which was enclosed on this file, has been removed and destroyed. Such documents are the responsibility of the Cabinet Office. When released they are available in the appropriate **CAB (CABINET OFFICE) CLASSES**.

Reference: E (81) 62

Date: 8 June 1981

Signed Wayland Date 15 February 2011

PREM Records Team

APPOINTMENTS IN CONFIDENCE



Prime Minister.

*ALL
in*

MR LANKESTER

CIVIL SERVICE PAY: INDEPENDENT INQUIRY

The Lord President's minute of 5 June to the Prime Minister mentioned possible candidates for membership of the proposed inquiry. You may find it useful to have available for the meeting suggested by the Lord President the enclosed folder giving what information we have about those mentioned.

*h...
folder
attached*

J. G. C.

JEREMY COLMAN
Private Secretary
8 June 1981

APPOINTMENTS IN CONFIDENCE

STATEMENT BY THE LORD PRESIDENT ON CIVIL SERVICE PAY DISPUTE

I regret to inform the House that the talks we have been holding with the Civil Service unions aimed at resolving the present pay dispute broke down on Friday. The talks had been concerned both with future arrangements for determining Civil Service pay, and this year's increase in response to the Unions anxiety about arrangements for settling Civil Service pay in the future. I told them that we were ready to set up an independent outside enquiry to advise on the best up-to-date arrangements. Furthermore since this was unlikely to report in time for the 1982 pay settlement, the Government would not set its cash limit for Civil Service pay next year in advance of negotiations with the Unions.

But the Government was not prepared to agree to the Unions' further demand that they should be guaranteed access to arbitration for 1982 should agreement not be reached in negotiation.

As to this year's increase, the Government originally offered 6% and this was subsequently raised in the course of negotiation to 7% to be financed within the 6% cash limit by savings in

staff and administrative costs. But the Unions insisted that they would not settle at this figure. They wanted more money this year.

The Government is satisfied that the 7% offer for this year, together with the assurances we have given for the future are both fair and reasonable. Indeed over 2 million workers in other public services have already settled at around this figure and faced with the economic facts of life many in the private sector have settled for less.

with lesser security of employment
The Unions have now announced their intention to take further disruptive action and to extend it into ^{the} Social Security and unemployment fields. The Government deplores this decision. It will of course do all within its power to minimise the damage and hardship which is caused to individuals and the country. To continue this dispute can only do damage to individuals, to the country and to the Civil Service - it can be of benefit to no one.

E. B.

INQUIRY INTO CIVIL SERVICE PAY

The following terms of reference are proposed: "Having regard to the public interest in the recruitment and maintenance of an efficient and fairly remunerated Civil Service, and in the orderly conduct of the business of Government and its services to the public; to the need for the Government to reconcile its responsibilities for the control of public expenditure and its responsibilities as an employer; to the need for good industrial relations in the Civil Service; and to recent experience of operating the existing arrangements for determining the pay of the non-industrial Civil Service:

To consider and make recommendations on the principles and the system by which the remuneration and other conditions of the non-industrial Civil Service should be determined and on other matters related to pay, including management, structure, recruitment and grading".

PRIME MINISTERE DISCUSSION: NEXT MOVES ON THE CIVIL SERVICE PAY DISPUTE

E tomorrow considers the next moves in the Civil Service pay dispute including some forms of escalation.

1. THE PURPOSE OF ESCALATION

1.1 Escalation is an accepted tactic in any negotiation, contractual or otherwise, usually taking the form of a new and unexpected demand or condition. Its purpose is to increase the uncertainty and the "downside" risk of the other side's position.

1.2 Where the negotiation is largely conducted before a public audience, it may also be used to increase media and public opinion support. If escalation by the Government, instead of being seen as unfair or unsporting, is seen by the public as reasonable and "about time too", this can greatly increase the pressure on union negotiators and especially militants. It must be right, as the Lord President proposes, to prepare for escalation in response to the unions' strike escalation.

1.3 However, the Government must win this dispute with the minimum sense of grievance amongst ordinary Civil Service union members. It should therefore give due notice before escalating it. Though it must act firmly, it must take great care not to appear trigger-happy.

2. ESCALATION PROPOSALS

2.1 The Lord President is proposing a form of escalation which would provide a penalty - forgoing several months' pay increase - for those who engage in further strike action. We think this is the most effective penalty available, but question whether it should be applied selectively - to strikers only - or, with a longer period of notice and a ballot, to all civil servants. This could provide both a motive and a vehicle to the moderates to outvote the militants.

2.2 We think it might therefore be more straightforward to announce that if the dispute is not settled by, say, the end of June, the settlement for everyone will date only from the eventual date of settlement. Management could even organise a ballot if the unions are unwilling to do so, as BL have done with some success.

3. IS IT RIGHT TO DISCRIMINATE BETWEEN STRIKERS AND NON-STRIKERS?

3.1 The strongest argument in favour of discriminating is that it would further divide opinion within the unions. Strike action is collective action. Disruptive action by small numbers has been chosen as the most cost-effective way of doing the most damage. But it is backed by the unions concerned. If the disruptive action led to a surrender by the Government, all union members would benefit.

3.2 Of course this approach would amount to rough justice. But the source of the rough justice is not the Government: it is the strike action and its organisers. Already it has hit some people - travellers, passport applicants, businesses - much harder than others. Strikes are always unfair in their impact. There is no reason why that unfairness should not extend to civil servants themselves. In any event, even the Lord President's proposals would be open to a charge of rough justice in treating those who struck for a short time in the same way as those who had struck for longer.

3.3 If disruption by a few people costs the country a lot, then the steps taken by the Government should aim to recoup it. The public should be satisfied not simply that those taking disruptive action are being penalised, but that the longer the disruption continues, the less the settlement will cost the taxpayer, who is already suffering enough inconvenience from disruption.

4. OTHER FORMS OF ESCALATION

4.1 There are other forms of escalation which, with due warning, might be considered if this first step is insufficient to bring the dispute to an early close:

- Lay-offs, as already suggested.
- Making the term of the new pay increase run a full 12 months from the (delayed) implementation date.
- Reducing the 7% offer, after a certain date, to 6%.
- Enforcing tight leave conditions (see below).

4.2 Leave. The Lord President says that there are legal obstacles to curtailing the leave of staff who take industrial action. But the CSD have to lay down rules for those who have been on strike and apply for leave. They are proposing that someone who has been on

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strike for more than a week should work normally for at least a week before going on leave. This period could be much longer - perhaps four weeks. That would discourage striking as the leave season is approaching. Those who strike for shorter periods should also have to work normally for a substantial time. We are doubtful about leaving this to management discretion.

4.3 Attempts to tighten the screw in these ways often happen in perfectly civilised and apolitical business negotiations, as each side tries to ensure that it achieves the best possible outcome. They may at first seem shocking and unreasonable if proposed by a Government, because everyone has become accustomed over the years to the idea that only the union side may behave unreasonably, while the employer - and certainly Government as an employer - must be gentlemanly right through to final defeat.

5. THE GOVERNMENT'S MESSAGE

5.1 In short, we should be using this dispute to challenge and then start to shift the conventionally woolly-minded thinking of so many commentators. In addition to the useful notes circulated on 4 June by the Chancellor's office, we attach at Annex A some points on the presentation of the Government's case.

I am copying this minute to all members of E, others attending tomorrow's meeting, Robin Ibbs and Sir Robert Armstrong.

pp
JH
JOHN HOSKYNS

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THE GOVERNMENT'S MESSAGE

1. It is essential that the Government:

- (a) wins, in the sense of preserving its cash limits;
- (b) demonstrates that militancy does not pay;
- (c) uses the dispute to drive home the realities of affordable public spending economics to the country at large.

But the tougher the action, the softer must be the words.

2. The Government's message must therefore continually stress that we regard the 7% offer as fair; fair in the context of settlements in the private sector, and of conditions of service, incremental scales, London Weighting allowances, and security in the Civil Service. We have no wish to be unfair to civil servants in general, or to humiliate them as a profession (though in fact a measure of humiliation for the union militants specifically is, we believe, necessary).

3. We think that too much reference to past pay settlements and statistics etc will probably confuse public opinion. The question we have to keep repeating, in the simplest possible terms, is "Do the great mass of civil servants really believe, as their leaders maintain, that in present conditions the offer made is unfair?"

4. In debate, we should try to reverse the deeply-engrained assumptions that the Government should always behave like an indulgent parent while the unions behave like recalcitrant children. If the Government is accused of rigidly digging in its heels over "only 1% or 2%", why should the union leaders similarly dig in on such a small margin? Why must everyone be so concerned about ensuring that union leaders do not lose face? This is a negotiation between adults - or should be - and each side should be mature enough to accept defeat with a good grace, victory with magnanimity. Why is it intransigent and irresponsible for Government to escalate, but justifiable for unions to disrupt the payment of benefits to those in need?



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P.0492

PRIME MINISTER

CIVIL SERVICE PAY DISPUTE: NEXT MOVES
(E(81) 62)

BACKGROUND

Following last week's Cabinet decisions on the Civil Service pay dispute the Lord President of the Council met the union representatives last Friday to tell them of the Government's position. It was subsequently agreed that he should bring his proposals on next steps to E Committee (delay until the Cabinet meeting on Thursday not being acceptable). The present augmented E meeting is the result.

2. The Lord President is now seeking (paragraph 10 of E(81) 62) three things:-

(a) Approval to implement the 7 per cent pay increase from 1 April 1981 except for Civil Servants on strike. The means of achieving the latter result is described at length in Annex A to the paper. In essence any Civil Servant on strike in July would lose the 7 per cent increase from 1 April to the end of July; any Civil Servant on strike in subsequent months would lose the pay increase for that month (or week in the case of weekly-paid staff). Such a scheme would not be easy to administer but the Law Officers' view is that it "gives a reasonable chance of success if challenged in the Courts".

(b) A decision that the long-term pay inquiry should be set up quickly with terms of reference as at Annex B to the paper and that an early announcement should be made.

(c) A decision that continuing industrial action should be met by a more vigorous use of TRD (temporary relief from duty).



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HANDLING

3. You may want to ask the Lord President of the Council to report briefly on his meeting with the unions last Friday. It would then be convenient to take each of the proposals in paragraph 10 in turn.

4. On the pay penalty scheme you will want the Lord President to say a few words and then ask the Lord Advocate to comment (the scheme is, I gather, essentially his) together with the Attorney General who might care to expand on the extent to which such a scheme would be proof against challenge in the Courts. Thereafter the objective will be to see whether colleagues back the scheme, or would prefer an alternative - the most obvious ones being either to refuse to implement the 7 per cent for anyone until the dispute is over (thus putting pressure on the union leaders from their members) or to implement the 7 per cent for everyone now (in the hopes that the dispute will fizzle out).

5. On the long-term inquiry you will want to concentrate attention on the practical issue of whether it should be set in motion now before the dispute is over (if the Lord President is right in thinking that the Report is needed by July 1982 the sooner the work starts the better). The terms of reference in Annex B are those to which you have yourself contributed and need cause few problems. Membership of the inquiry is basically for you to settle outside the meeting. In considering the terms of reference and membership, however, you will need to bear in mind that the Lord President has promised the unions that both would be discussed with them. You might inquire whether the discussions which took place last week fulfil this obligation. One other point which might be got out of the way now is whether the inquiry should take the form of a Royal Commission. The argument for this is that, because the Report is to be the basis of later negotiations with the unions and its findings will be the point of departure on contentious issues, the more weight and authority its findings have, the better.

6. The final proposal, for a more aggressive use of TRD, ought to be acceptable to everyone and need not detain the Committee.



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CONCLUSIONS

7. Subject to discussion but the most likely outcome will be:-

(i) endorsement of the proposals in paragraph 10 of E(81) 62;

(ii) [perhaps] a decision that the inquiry should be set up as a Royal Commission;

(iii) an invitation to you to settle the membership of the inquiry with the Lord President, the Chancellor of the Exchequer and the Secretary of State for Employment and to announce the membership and terms of reference at your discretion;

(iv) agreement on the manner and timing of any announcement about the pay penalty arrangements (oral statements to Parliament by you and the Lord President?).

P Le CHEMINANT

Cabinet Office

8 June 1981

- 3 -

CONFIDENTIAL

~~13/06/81~~



Y SWYDDFA GYMREIG
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WHITEHALL LONDON SW1A 2ER
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WELSH OFFICE
GWYDYR HOUSE
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Oddi wrth Ysgrifennydd Gwladol Cymru The Rt Hon Nicholas Edwards MP

From The Secretary of State for Wales

2 pps
5 June 1981

CONFIDENTIAL

h. Verdon

N

De Nave

- with N. 5/6

I have seen a copy of your letter of 3 June to Willie Whitelaw about the difficulties arising from the industrial action at the Driver and Vehicle Licensing Centre (DVLC) at Swansea.

I wish to let you know that I fully agree with and would strongly support the measures proposed in your letter. I should declare an interest in that my son is one of the 200,000 backlog to which you refer - but I have not allowed that to influence my judgement!

/ Copies of this letter go to the recipients of yours.

John
Nee

The Rt Hon Norman Fowler MP
Minister of Transport
Department of Transport
2 Marsham Street
LONDON

CONFIDENTIAL



LORD ADVOCATE'S CHAMBERS
9 PARLIAMENT SQUARE
EDINBURGH EH1 1RH
TELEPHONE 031-226 6831

5 June 1981

The Rt Hon Norman Fowler MP
Secretary of State for Transport
Department of Transport
2 Marsham Street
LONDON
SW1P 3EB

Dear Norman,

I refer to your letter of 3 June 1981 to the Home Secretary proposing to amend the Road Traffic Act 1972 to enable first time applicants for provisional licences to drive provided that they have sent in a valid application form and meet any appropriate conditions, such as the use of 'L' plates. For my part I strongly support your proposal.

I appreciate that prior to Royal Assent the persons affected who drive will be committing an offence and to alleviate the situation in Scotland I could issue a direction to the police and prosecutors in Scotland which would ensure that no prosecution took place in the circumstances described in your letter. I would intend to issue such a direction on the approval of your proposed amendment by the House of Lords Committee.

I am also copying this letter to the recipients of yours.

James

James

MACKAY OF CLASHFERN



see FPP
NPD
CO
bc re reader
re Haskings

10 DOWNING STREET

From the Principal Private Secretary

8 June 1981

Civil Service Pay: Independent Enquiry

The Prime Minister has seen the Chancellor of the Exchequer's minute of 3 June about the terms of reference of the independent enquiry into Civil Service pay.

She has considered the two alternative amendments suggested by the Chancellor, and what she would like to do is to combine them both, with a slight modification, so that the operative part of the terms of reference would now read:

"... to consider and make recommendations on the principles and the system by which the remuneration and other conditions of the non-industrial Civil Service should be determined, and on other matters related to pay, including management, structure, recruitment and grading."

The Prime Minister hopes that we can now settle on this form of the terms of reference, subject to any changes that need to be made to meet the comments which the Lord President has had from the unions.

I am sending copies of this letter to Jim Buckley (Lord President's Office), Richard Dykes (Department of Employment) and David Wright (Cabinet Office).

C. A. WHITMORE

A.J. Wiggins, Esq.,
HM Treasury.

copies to Mr. Horgan
Mr. Verker.

1.
Prime Minister.

1/2 ✓



Agree to have a meeting, as Lord Soames suggests?

Yes. *ms*

MS
Sri

PRIME MINISTER

CIVIL SERVICE PAY: INDEPENDENT INQUIRY

We need to get on and settle the membership of the proposed inquiry into Civil Service pay. I suggest that you might hold a meeting with myself, the Chancellor of the Exchequer, and the Secretary of State for Employment.

In the light of comments made by yourself and others on my minute of 1 May I attach a list of possible candidates divided into the following categories (which of course overlap to some extent):

- a. chairman;
- b. members;
- c. managers with substantial experience in business employing large numbers of relatively low-paid people;
- d. representatives of the small business interest;
- e. former civil servants who left early in their careers;
- f. women;
- g. economists;
- h. trade unionists.

Categories c., d., e. and g. were suggested by the Chancellor. It would be helpful if the Employment Secretary could suggest the names of further suitable trade unionists from whom we might choose.

I suggest we aim at a membership of about 8. It is essential that the members as well as the Chairman should be persons of standing. (If the inquiry took the form of a Royal Commission it might be a bit easier to get good people to serve but it also has its drawbacks). As a rough guess, I think it might take up about two full days a week. This will rule out a number of people. I have inserted "Time?" against some leading names on account of this.

I believe that Sir Hector Laing would make a good chairman, and that we should approach him. If he is unable to spare the time, I suggest we go for Sir Alastair Pilkington. I am sending a copy of this minute to the Chancellor of the Exchequer, the Employment Secretary, and to Sir Robert Armstrong.

SOAMES
5 June 1981 *S.*

PROPOSED INQUIRY INTO CIVIL SERVICE PAY

Chairman

Sir Hector Laing (57) Chairman, United Biscuits Time?
Sir Alastair Pilkington (2)(61) Non-executive Chairman, Chloride
Lord Carr (64) Chairman, Prudential Corporation Time?
✓ A judge (1) The Chancellor has suggested
Mr Justice Lloyd or Mr Justice Webster.
If we do wish to go for a judge, we shall, of course, need to consult the Lord Chancellor.

Members

✓ Sir Kenneth Berrill (60) Vickers da Costa Time?
Alan Lord (52) Dunlop Time?
William Rees-Mogg (52)

Another candidate whom we should not exclude without a conscious decision is:

Phewell Lord Shepherd (62) Chairman, National Bus Company

Managers

✓ Robert Ramsay (59) Ford Time?
Sir John Sainsbury (53) Chairman, J Sainsbury Ltd Time?
Keith Showering (50) Chairman, Allied Breweries Time?
P D Carter (c50) Littlewoods
D S Greensmith (c60) Lewis/selfridge Group
Nicholas Horsley (47) Northern Foods
Ian MacLaurin (44) Tesco

Ken Peach

Small Business

John Bolton (60) Growth Capital Ltd
L V D Tindale (60) Finance for Industry
J W E Helliwell (44) Triplex Safety Glass
(not a candidate if Sir A Pilkington is selected as Chairman)
M J Ashton (45) Ashton & Moore Ltd
J D Merrilees (68) Bendix Westinghouse Ltd
Bernard Dabell (60) Former Chairman of the Council for Small Industries in Rural Areas
James Ackers (c40) Garage proprietor

Former Civil Servants

William Plowden	(46)	Royal Institute of Public Administration
John Sadler	(51)	John Lewis, formerly a Principal in the Board of Trade and the Treasury
Quentin Morris	(51)	Finance Director, BP

Women

✓ Detta O'Cathain	(43)	Chief Group Planning Executive Unigate until March 1981
Frances Cairncross	(36)	Guardian Time?
Sarah Hogg	(c36)	Economics Editor, Economist
Louisa Service	(c50)	Municipal Group of Companies (publishers)
Ann Mackie (Mrs Ann Davies)	(49)	Personnel Manager, Unilever

Economists

Prof Jim Ball	(47)	London Business School Time?
✓ Prof Tom Wilson	(64)	Glasgow University
✓ Prof Christopher Foster	(50)	Coopers & Lybrand Associates

Trade Unionists

Frank Chapple	(59)	EETPU
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2

Crisis to Mr Venka
Mr Duguid.H.W.
Sri

mf

PRIME MINISTER

CIVIL SERVICE PAY

I met the Council of Civil Service Unions this morning. As Cabinet decided yesterday, I told them that

- for 1981 the Government cannot offer more than 7% out of the 6% cash limit;
- for 1982 we have given the important assurance that we will hold negotiations before the cash limit for Civil Service pay is fixed; and we could not agree to their request that the Government should commit itself to arbitration;
- for the longer term we have had useful talks with them about an independent inquiry and we will take account of their views in setting it up.

The unions' response was predictable. They stressed their disappointment and anger at the Government's intransigence. They said the dispute had done lasting damage to industrial relations in the Civil Service, and that they would withdraw from all co-operation with the Government in future. More specifically, they alleged that Ministers had invited them to talks with no real intention of negotiation; and that the unions needed arbitration as a guarantee of the Government's good faith for the future.

The unions said that the industrial action would continue, although their references to this at the meeting were brief. There was also a threat of disruption in the Prison Service. The prospect of further action is bound to be highlighted in press reports. I made clear to the press myself immediately after the meeting that the Government would deplore any such move. I said that we were ready with contingency plans, I also stressed in press interviews that the Government has shown itself to be flexible in talks with the unions - both in the assurances we have given on the longer term and the 1982 negotiations; and in the initial improvement on this year's offer from 6% to 7%. It must now be evident to them that the Government had nothing more to offer and that any further industrial disruption could avail them nothing.

CONFIDENTIAL

The next step will be to decide on our response to the escalation of industrial action. I will circulate a paper on Monday for consideration at E Committee on Tuesday.

I am sending copies of this minute to Geoffrey Howe and Jim Prior and to Sir Robert Armstrong.

A handwritten signature in blue ink, consisting of a stylized 'S' followed by a period.

SOAMES
5 June 1981

CONFIDENTIAL

J. Verker



SECRETARY OF STATE FOR ENERGY

THAMES HOUSE SOUTH
MILLBANK LONDON SW1P 4QJ
TELEPHONE: 01-211 3000

01 211 6402

The Rt Hon Lord Soames GCMG GCVO
CH CBE
Lord President of the Council
Civil Service Department
Whitehall
London
SW1A 2AZ

5 June 1981

Dear Anistyle

12.

4.76

PAY OF PETROLEUM SPECIALISTS

I have seen Geoffrey Howe's letter of 3 June and agree that we should avoid drawing unnecessary public attention to the increases.

However since the proposals are to be put to the IPCS some publicity is probably inevitable, but I hope this will not delay authority to pay the increased rates, and to quote them in recruitment advertising. The arguments in justification quoted by Geoffrey Howe are in my view conclusive and we should, as he suggests, emphasise them in any discussion that may arise.

I am copying this letter to the Prime Minister, Geoffrey Howe and Jim Prior.

Howell

Howell

D A R Howell

copies to Mrs Verelst
Mr Bayliss



1.

Prime Minister.

It might be right
to ask Transport
in view of his
involvement
not
Arranged with
Mr the Chairman
for
for

CONFIDENTIAL

As regards X1, I thought that we
should have only the essential additional
attendees. Once one invites one of the
more peripheral Ministers, they will all want
to come, and it will virtually be a
Cabinet meeting. After the proposed
additional attendance? Yes not

P.0489

MR WHITMORE

cc: Mr Moore
Mr Wright

5 vi

CIVIL SERVICE DISPUTE: E MEETING TUESDAY, 9 JUNE

We have now laid on, as requested, a meeting of E Committee for 10.15 am on Tuesday, 9 June. Additional invitees will be the Secretaries of State for Scotland and Social Services, the Chancellor of the Duchy of Lancaster, the Chief Whip, the Attorney General and the Lord Advocate. We are, however, in agreement with you, excluding the Secretaries of State for Education, Transport, Wales and Northern Ireland and the Lord Chancellor.

2. The paper or papers for the meeting will be circulated by the Lord President of the Council on Monday - hopefully around midday. Drafts are being put to him for the weekend and, if they arrive in time, I will let you have a copy. However the content is already clear. In brief:-

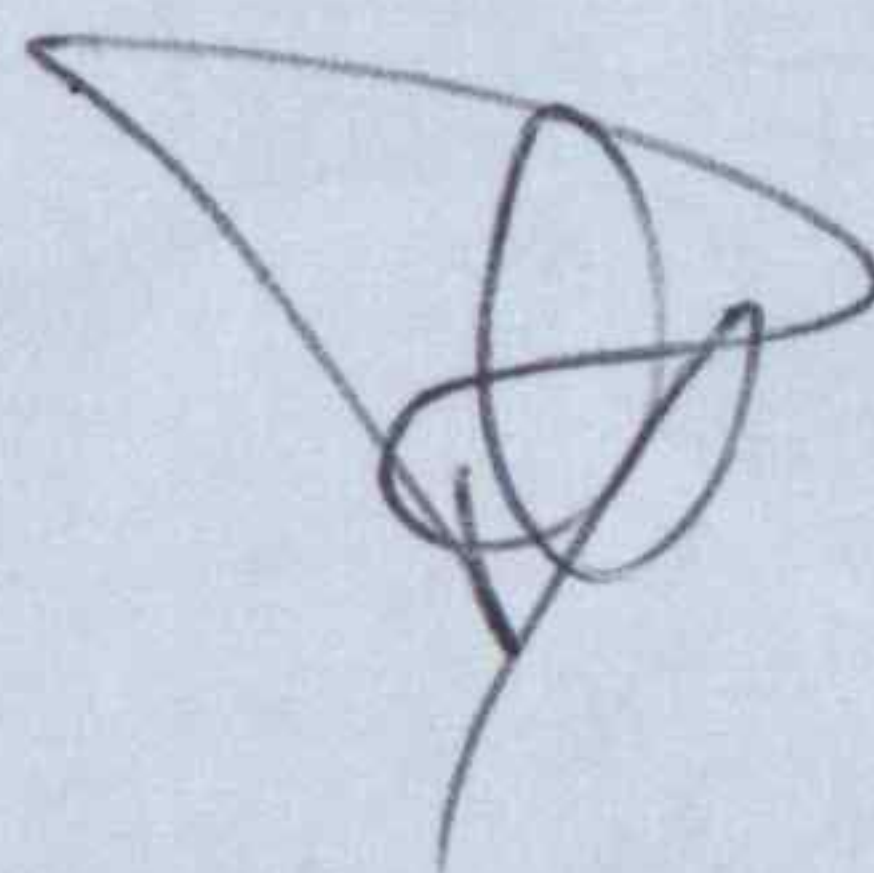
(a) The Lord President will argue that the long term inquiry should now be set up and begin its work. He will be reporting various amendments to the draft terms of reference which have been suggested by the union side in recent discussions. I do not have details but I gather that the proposed changes are unlikely to raise difficulty.

(b) The key question before the meeting will be whether or not to impose a 7 per cent settlement for 1981. The Law Officers, and particularly the Lord Advocate, have apparently devised a scheme whereby it should be possible to distinguish between strikers and non-strikers, with the latter getting their 7 per cent and the former not. Again I do not have details. In any case the issue is a larger one than mechanics. Will an early payment of 7 per cent to most Civil Servants reduce support for the unions, or will it merely reduce pressure from union members on their leaders to come to an early settlement?

CONFIDENTIAL

(c) The Lord President will also be proposing some toughening of local management response to cases of difficulty, essentially through a greater use of TRD (temporary relief from duty).

3. The Lord President will no doubt also use the occasion to tell his colleagues about the reaction of the unions at his meeting with them today. By all accounts it was a fairly lively affair with, so I am told, the representative of the Prison Officers Association signalling squalls on his front which has so far been quiescent.



P Le CHEMINANT

Cabinet Office

5 June 1981

B.R.

1

PRIME MINISTER

Civil Service Pay Inquiry: Terms of Reference

You will remember that I consulted you about the draft terms of reference for the independent inquiry on Civil Service pay a fortnight or so ago, and the text as you agreed it then was as follows:-

"Having regard to the public interest in the recruitment and maintenance of an efficient Civil Service and in the orderly conduct of the business of Government and its services to the public; to the need for the Government to reconcile its responsibilities for the control of public expenditure and its responsibilities as an employer; and to recent experience of operating the existing arrangements for determining the pay of the non-industrial Civil Service:

To consider and make recommendations on the principles and the system by which the remuneration and other conditions of the non-industrial Civil Service should be determined, and on pay-related questions of management structure and practice".

The Chancellor has now sent you the attached minute at flag A proposing a change to the phrase "... and on pay-related questions of management structure and practice" which comes at the very end of the terms of reference. He offers two alternative versions.

I have consulted Mr. Hoskyns about the Chancellor's suggested amendment, since the original phrase was one proposed by the Policy Unit. Mr. Hoskyns' advice is attached at flag B. In effect, he is proposing that the Chancellor's two alternative phrases should be combined and the word "recruitment" added to the new omnibus version. If we adopt Mr. Hoskyns' proposal, the operative part of the terms of reference will read: "... to consider and make recommendations on the principles and the system by which the remuneration and other conditions of the non-industrial Civil Service

/ should

should be determined, and on other matters related to pay, including management, structure, recruitment and grading".

The Chancellor is ready to go along with Mr. Hoskyns' amendment. Are you content to do so too?

KW.

Yes mt.

5 June 1981

Handwritten notes:
6/5/81
J. Halliday



Treasury Chambers, Parliament Street, SW1P 3AG

John Halliday Esq
Private Secretary to the
Secretary of State
Home Office
50 Queen Anne Gate
London SW1H 9AT

5 June 1981

Handwritten mark: 73

Handwritten mark: 9/5/81

Dear John,

TRANSPORT BILL: FIRST PROVISIONAL DRIVING LICENCES

The Chief Secretary has asked me to let you know that he agrees with the proposals in the Secretary of State for Transport's letter of 3 June for dealing with the problems caused by the industrial action at the DVLC.

I am sending copies of this letter to Tim Lankester, to the Private Secretaries to Members of H Committee, and to David Wright.

Yours ever
Terry Mathews

T F MATHEWS
Private Secretary

*cc to David
Veres*

CONFIDENTIAL



LORD ADVOCATE'S CHAMBERS
9 PARLIAMENT SQUARE
EDINBURGH EH1 1RH
TELEPHONE: 031-226 6831

5 June 1981

The Rt Hon Norman Fowler MP
Secretary of State for Transport
Department of Transport
2 Marsham Street
LONDON
SW1P 3EB

TL
R8 8/16
pps

Dear Norman,

I refer to your letter of 3 June 1981 to the Home Secretary proposing to amend the Road Traffic Act 1972 to enable first time applicants for provisional licences to drive provided that they have sent in a valid application form and meet any appropriate conditions, such as the use of 'L' plates. For my part I strongly support your proposal.

I appreciate that prior to Royal Assent the persons affected who drive will be committing an offence and to alleviate the situation in Scotland I could issue a direction to the police and prosecutors in Scotland which would ensure that no prosecution took place in the circumstances described in your letter. I would intend to issue such a direction on the approval of your proposed amendment by the House of Lords Committee.

I am also copying this letter to the recipients of yours.

James
James

MACKAY OF CLASHFERN

SECRET AND PERSONAL



N. Langford
N. Venky
N. Dalglish

7

CABINET OFFICE

70 Whitehall, London SW1A 2AS Telephone 01-233 8319

From the Secretary of the Cabinet: Sir Robert Armstrong KCB, CVO

To see
HW
SV

Ref: A05024

4th June 1981

Dear Clive,

Cabinet: Thursday 4th June 1981

The record of today's Cabinet discussion on the Civil Service Pay dispute has been produced as a Most Confidential Record. I enclose a copy with this letter which also goes to John Wiggins (Treasury) and Jim Buckley (CSD).

The Cabinet Conclusions contain no reference to the existence of this record. It should not, therefore, be referred to or quoted from.

I should also emphasise the considerable sensitivity of this record. It is not being copied to any other Government Department and needs to be protected. I should, therefore, be grateful if John Wiggins and Jim Buckley could ensure that the record does not leave their Private Offices and that the only officials to see it are their Permanent Secretaries.

In due course, I should be grateful if copies could be returned to me in the Cabinet Office.

Yours ever,

David

(D. J. Wright)

C. A. Whitmore, Esq

SECRET AND PERSONAL

CONFIDENTIAL



*cc Mr Vaneha
Mr Dwyer*

QUEEN ANNE'S GATE LONDON SW1H 9AT

4 June 1981

Dear Norman

In P.O.

45

SPECIAL PROVISIONS FOR PROVISIONAL DRIVING LICENCES

Thank you for your letter of 3 June.

I agree that we should take action to avoid hardship during this present emergency, and to reassure the public. The present Transport Bill offers the opportunity, as you say, and I agree that we should use it to take power to deal with any future emergencies of this kind. There will be difficulties, particularly for the police. Learner drivers will have no proof that they have applied for a provisional licence, or that they are even entitled to hold one, ie they may have been disqualified. So there will be enforcement difficulties. There will also be insurance difficulties, as I understand it, because licensed drivers are normally insured to accompany learner drivers with a valid provisional licence. Provisional licence holders are also insured to drive motor cars of motor cycles which they own - if they are not licensed they cannot be insured. If a licence is not held, then I presume that special arrangements will have to be made, and no doubt you will discuss this in due course with the insurance industry.

For the reasons given above I think it right to make it clear that this is not a permanent measure, but rather one designed to cover emergency situations only. Perhaps the best way of ensuring this would be to draft a fairly broad empowering clause enabling you to bring in these arrangements during a limited emergency period. The duration of the latter would be renewable, and would have to take account of the period of cessation of issue of licences, plus the time necessary to eliminate the backlog.

If the emergency powers are agreed it would be helpful to the police if those applying for provisional licences were to keep a copy or duplicate of their application form in case they are asked to produce their licence. I do not suggest that this be made compulsory (there are too many thousands of applications already at Swansea) but the point could be made when the revised arrangements are announced.

Copies of this letter go to the recipients of yours.

Norman Fowler

The Rt Hon Norman Fowler MP

CONFIDENTIAL

4 June 1981


MR WHITMORE

CIVIL SERVICE PAY: INDEPENDENT INQUIRY

I return attached the copy you sent me of the minute to the Prime Minister from the Chancellor.

1. I think the words "other matters related to pay" are too vague and could be interpreted very narrowly as a result.
2. We prefer "management, structure, and grading", with the extra comma inserted between "management" and "structure". In fact, I don't agree with the Chancellor that "practice" narrows the definition. We particularly chose that word because it then included things like recruitment, promotion processes etc. Perhaps if we were able to introduce the word "recruitment" and the Chancellor's second suggestion, we could take care of everything as follows:

". . . Civil Service should be determined, and on other matters related to pay, including management, structure, recruitment and grading".



JOHN HOSKYNS



4

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

4 June 1981

*✓ to the by the
to the by the
to the by the
to the by the*

T.P. Lankester, Esq.
Private Secretary to the
Prime Minister
No.10, Downing Street

Prime Minister

This is the

Cockfield material

now circulated

to all Ministers

in charge of

Depts.

Dear Tim,

CIVIL SERVICE PAY

Jim Buckley circulated on 8 May a note of facts and points for Ministers to use in discussions about the current Civil Service pay dispute.

.....

Subsequently the attached material has been prepared in the Treasury and approved by the Chancellor and the Lord President. As you know, the Prime Minister asked the Chancellor to arrange for it to be circulated to all Ministers in charge of departments. The note is designed to be readily used as a source of the most telling points for speaking purposes.

*DL
4/6*

I am copying this letter and the enclosure to the Private Secretaries of all Ministers in charge of departments, and to David Wright in Sir Robert Armstrong's office.

Yours ever,

Richard Tolkien.

R.I. TOLKIEN

ps A copy also goes - of course - to Murdo Maclean.

Rt

FACT SHEET

1. Pay

Since this Government came into office -

Civil Service pay up by 50%
Other people's pay " " 38%
Prices " " 35%

And since 1970 pay for male non-manuals in National Government [broadly civil service non-industrials - figures for women are distorted by moves to equal pay] has increased by nearly 4% more than for corresponding private sector non-manuals up to 1980.

2. Security

A job in the Civil Service is a job for life -

Redundancies in 1980 in the country as a whole 500,000
(2.3 per cent of the employed population)

Redundancies in the non-industrial Civil Service
in 1980-81 were only 1,000
(0.2 per cent of the non-industrial
civil service)

3. Pensions

All Civil Servants have inflation proof pensions
Virtually no-one in the private sector has an
inflation proof pension.

They cannot be bought at any price

Civil Service pensions have been completely protected
against inflation. Protection of private sector
pensions generally has fallen well short of inflation.

4. The Present Pay Offer

(i) Originally 6%

Increased to 7%

Claim that Government is inflexible untrue.

It is the Unions that walked out. The Government
has always been prepared to negotiate.

(ii) In present difficult circumstances those in work cannot expect pay to increase in line with prices. But the offer of 7% is not far short of the prospective rate of price increase. The increase in prices is expected to fall to 10 per cent later this year and to 8 per cent in the first half of next year.

(iii) Other workers have accepted comparable increases -

Teachers	7½%
Local Authority	
Manual workers	7½%
NHS Ancillaries	7½% for 15 months equal to 6% for 12 months

Many workers in industry have had to accept very small pay increases and some no increase at all.

5. The Strike

The objective of the Union leaders is to damage the Government and inflict hardship on the people:-

- (i) Attempts to cut off revenue with the object of forcing interest rates up thus hitting industry and everyone buying their house with a mortgage.
- (ii) Cutting VAT repayments to damage industry and particularly small businesses.

(iii) Disrupting people's holidays through strike of Air Traffic controllers.

(iv) Disrupting people's holidays through strikes in the Passport Offices.

This action has been much less successful than the Union leadership hoped. Not least because many Civil Servants recognise the duty they owe to the community at large. We owe much to those who have stayed at work in difficult circumstances.

6. The Future

The Government have offered -

(i) Full negotiations next year without constraint of a predetermined cash limit.

(ii) Independent public enquiry into principles on which Civil Service pay should be determined in the future.

Claim that the Government is inflexible untrue.

It is in the interests of their own members that the Unions should accept this offer.

SPEAKING NOTES

1. The Government have been very fair to the Civil Service. In the last two years their pay has increased by 50%. Other people's pay has increased by only 38% and prices by only 35%.
2. Acceptance of the present offer would mean that since the Government came into office Civil Service pay will have gone up by 60%.
3. Historical debates about what happened in the past are irrelevant. What matters is what is happening now. Since coming into office the Government has treated the Civil Service very fairly - much more fairly than the previous Government.
4. Civil Servants enjoy great advantages not shared by most people in employment -

They have job security.

They have inflation proof pensions.

5. The present offer is 7%. Originally the offer was 6% but it was increased to 7%.

This shows clearly that the Union claim that the Government is "totally inflexible" is wholly without foundation.

6. The 7% offer is fair in relation to prices. With output falling and unemployment rising, people in employment cannot expect full compensation for price increases. Nor can they expect compensation for increases in indirect taxes.

The increase in the RPI at present is [12%]. But this is expected to fall to 10% later this year and 8% in the first half of next year.

In relation to these figures the 7% offered is reasonable.

7. It is very fair too in relation to what other workers have had to accept in these difficult times -

Teachers have accepted 7½%

Local Authority manual workers have accepted 7½%

NHS ancillaries have accepted 7½% for 15 months equal to 6% on a 12 month basis.

Most workers in industry are now accepting offers in single figures. Some - to avoid redundancy and unemployment - are accepting very small increases and some no increases at all.

8. The objective of the Union leadership is to damage the country and impose hardship on individuals -

By restricting the flow of revenue the Unions are hoping to force up interest rates thus damaging industry and imposing hardship on everyone buying their house on mortgage.

By cutting off VAT repayments the Unions are hoping to damage industry and particularly small businesses.

By closing down airports and by strikes in passport offices the Unions are trying to disrupt people's holidays.

This union action is not supported by large numbers of Civil Servants who recognise their obligation to the community as a whole. As a result it has proved much less

successful than the Union leadership had hoped. We owe much to those who have stayed at work in difficult circumstances.

9. Apart from the improved pay offer, the Government has offered -

- (i) Full negotiations next year without the constraint of a pre-determined cash limit.
- (ii) An independent public inquiry into the principles on which Civil Service pay is determined.

This offer shows a flexible approach on the part of Government.

It is an offer which it would be in the interests of their members for the Unions to accept.

C O N F I D E N T I A L



SECRETARY OF STATE FOR ENERGY

THAMES HOUSE SOUTH
MILLBANK LONDON SW1P 4QJ
TELEPHONE: 01-211 3000

01 211 6402

Handwritten: 4/6

The Rt Hon Lord Soames
GCMG GCVO CH CBE
Lord President of the Council
Civil Service Department
Whitehall
London
SW1A 2AZ

4 June 1981

Handwritten: Dear Aristogon

PAY OF PETROLEUM SPECIALISTS

Thank you for your letter of 29 May.

I am grateful for your acceptance of the argument that Petroleum Specialists should be recognised as a special case and for your undertaking to implement the proposed increases as quickly as possible. I am content with your proposals subject to one reservation. I am concerned about the narrowing of the differentials between the top two grades in the structure and the other grades though I recognise the problems particularly in the light of the recent decision on increases for the Open Structure. These are key posts in the organisation and it is imperative that we recruit to them, and retain in them, people of high quality and wide oil field experience. I hope therefore that you will agree that we should pay particular attention to the salaries of the top two posts in April 1982 in the light of movements in salaries for comparable posts in the oil companies in the preceding year, and of decisions about pay for the Open Structure to come into force from 1 April 1982.

I am copying this letter to the Prime Minister, Geoffrey Howe and Jim Prior.

Handwritten: Yours ever
Signature: David

D A R Howell

010

File please
do not



D

M. Crawford.

promised by Richard Tolkin.

R

[Signature]

J. B. ARROW

3/6/11

D

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Redundancies in 1980 in the Civil Service, the police and NHS workers combined were only 2,000

Redundancies and voluntary early retirements in the non-industrial Civil Service in 1980-81 were only 1,000

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This offer shows a flexible approach on the part of Government.

It is an offer which it would be in the interests of their members for the Unions to accept.

~~Copies to~~ M Hodgson
M Verdu.

A²¹



Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

PRIME MINISTER

CIVIL SERVICE PAY: INDEPENDENT INQUIRY

I just had one point on the terms of reference of this enquiry as set out in Mr Whitmore's minute of 22 May. This is that I think the impression 'management structure and practice' may actually be narrower than what it replaces, because it could be taken to refer only to management issues.

2. An alternative, which I would prefer, would be 'management, structure, and grading'. However it would perhaps be better to say quite simply 'other matters related to pay'. I think that this would ensure the broader scope of the reference which you intend.

3. I am copying this minute to the Lord President, the Secretary of State For Employment, and Sir Robert Armstrong.

A handwritten signature in dark ink, appearing to be 'G.H.' with a flourish.

(G.H)

3 June 1981

CONFIDENTIAL

289

file



cc: CO

Mr. Verhel
Mr. Duguid

10 DOWNING STREET

From the Private Secretary

3 June 1981

CIVIL SERVICE PAY: INDEPENDENT ENQUIRY

The Prime Minister has read the Lord President's minute of 1 June, and agrees with the two points he mentions - about the need for the Report to be completed by July 1982, and the possibility that the terms of reference might need to be revised in the light of discussions with the unions.

T. P. LANKESTER

Jim Buckley, Esq.,
Lord President's Office.

CONFIDENTIAL

RH.

010

CONFIDENTIAL

2



DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

ms

Prin h...t

*Mr Fowler mentioned
this in Cabinet*

The Rt Hon William Whitelaw CH, MC, MP
Secretary of State for the Home Department
Home Office
50 Queen Anne's Gate
LONDON SW1H 9AT

W. Whitelaw
[Signature]

3 June 1981

Yes Willie

TL
uk

I am facing a rapidly worsening situation over the hold up in processing applications for first provisional driving licences. This is a result of industrial action which is being taken at the Driver and Vehicle Licensing Centre (DVLC) Swansea as part of the Civil Service dispute. I should be grateful for the agreement of colleagues to my taking powers in the Transport Bill, which is about to enter Committee stage in the Lords, to deal with this.

As the law stands people wishing to take up driving for the first time may not do so until they have actually received their first provisional driving licence. Thereafter, provided a person has previously held a licence and is entitled to obtain one, he may continue driving for up to a year once an application form has been sent to DVLC.

DVLC normally receive some 26,000 applications for first provisional licences a week. They now have a backlog of over 200,000. Many of the letters of complaint I am receiving are from young or unemployed people trying to improve their chances of finding or keeping a job, and real hardship, as well as inconvenience, is being incurred.

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CONFIDENTIAL

By keeping learner drivers off the road the dispute is also having serious consequences for the driving schools. I am told that the livelihood of 15,000 driving instructors, many of whom work in small units or independently, is in jeopardy. The British School of Motoring also say that this may affect their purchasing of new cars, which they tell me in their case are British made.

Even with an early settlement of the dispute it will take many weeks to deal with the backlog of applications. I would therefore like to seize the opportunity, offered by the fact that the Transport Bill is still before Parliament, to amend the Road Traffic Act 1972 to enable first time applicants to drive provided that they have sent in a valid application form and meet any appropriate conditions, such as the use of 'L' plates.

I appreciate that as the Transport Bill will not receive Royal Assent before the end of July I will not be able to make immediate use of such a power. But I see the measure as essential to reassure the public that we are bringing matters under control; to allow people to drive while the backlog is being cleared; and to deal with any future emergencies of this kind.

The Transport Bill is due to go into Committee in the House of Lords on June 4 and two further days - June 8 and 11 - have so far been allocated to it. The measures I am proposing could, I think, be achieved by one short clause, and I am advised it is within the scope of the Bill.

CONFIDENTIAL

CONFIDENTIAL

In view of the very limited time available I should be grateful for the urgent agreement of colleagues. I am copying this letter to members of H Committee. Copies also go to the Prime Minister and to Sir William Armstrong.

*Yours
Norman Fowler*

NORMAN FOWLER

1981 JUL 4

CONFIDENTIAL

~~CF to note~~



CF papers.

With Compliments of the

Lord Advocate

Lord Advocate's Chambers
9 Parliament Square
Edinburgh, EH1 1RH

Telephone: 031-226-6831

CONFIDENTIAL

MINISTRY OF AGRICULTURE, FISHERIES AND FOOD
WHITEHALL PLACE, LONDON SW1A 2HH



From the Minister

The Rt Hon Lord Soames GCMG GCVO CH CBE
Lord President of the Council
Civil Service Department
Whitehall
LONDON
SW1

3 June 1981

INDUSTRIAL ACTION

Thank you for your letter of 29 May.

I should not like you to misunderstand what I was saying in my letter of 21 May to the Prime Minister. I am anxious to do all I can to overcome the problems caused by the closure of our computer, short of taking action that would be counter-productive in its effects on our industries. Some forms of piecemeal action now could hold up other work and delay future payments, and are undesirable on that account. To take action which provoked an extension of the strike could also increase the adverse effect on our industries: I am anxious to avoid that unless the Government as a whole were to decide on an escalation of the dispute.

This however does not mean that nothing can be done. We have already reached agreement with our Trades Unions that all cases of compensation payments for the slaughter of animals should be paid manually. Another category I am seeking to identify and gain co-operation for is the early payment of capital grants to farmers who suffered in the recent bad weather. I am considering urgently what further categories of hardship could be defined. In this connection it is of course important to be seen to deal equitably as between claimants: there is no way in which all claimants could be paid unless the computer strike ended, and in selecting priority cases we need to do so on a basis that can be defended to Parliament and if necessary to the Parliamentary Commissioner for Administration. But I am determined to do all that we can to minimise hardship and to overcome the problems caused by the strike, and my people in the Intervention Board for Agricultural Produce and in this Ministry are already using Barney Hayhoe's Group for consultation and advice to this end.

I am sending copies of this letter to the Prime Minister and to Nicholas Edwards.

PETER WALKER



Ref. A05023

PRIME MINISTER

m Cabinet: Civil Service Pay

For obvious reasons this has not been included on the circulated agenda, and there is no memorandum. Ministers will no doubt expect, however, to hear a report on the state of and prospects for the dispute; and the Lord President is likely to reopen the matters discussed at your restricted meeting on 2nd June.

①

2. You may like to divide the discussion into two parts: a review of the state of and prospects for the dispute, and a consideration of the arguments for and against the concessions which the Lord President thinks might make it possible for him to settle the dispute soon.

The state of the dispute

3. You could ask the Lord President to open; and other Ministers to follow with Departmental reports: the Chancellor of the Exchequer, the Secretary of State for Defence, the Secretary of State for Trade, the Secretary of State for Scotland, the Secretary of State for Social Services, the Minister of Agriculture and the Secretary of State for Transport.

Should we attempt to settle the dispute now?

4. I think it is common ground that there is a "window" now, which closes at the end of this week after which the unions are committed to escalate. The Lord President, whom you will no doubt invite to open the discussion, will argue that there is no possibility of settlement now without:

(i) a token concession on the amount this year;

(ii) agreement to allow arbitration in 1982, subject to Parliamentary override.

He will say that, if authorised to offer these concessions, he would not do so unless he was reasonably sure that they would produce a settlement. It is clear that the union leaders are very anxious to settle quickly if they can; they fear that, if there is further escalation, influence will move more and more away from the moderates to the militants. But they cannot settle without something.



5. Ministers have a difficult political judgment to make, and you may like to take them through the four main elements in it:

- (i) the effects on Parliamentary and public opinion;
- (ii) the implications for other public service settlements;
- (iii) the comparative costs of standing firm and of escalating;
- (iv) the effects on the Civil Service.

6. On (i), the Government's response to this dispute is being anxiously watched by its supporters in Parliament, by the private sector, and by groups like the doctors and dentists (held to 6 per cent), the nurses (still to settle as from 1st April), and the local authority administrative, professional, technical and clerical staff (settlement due as from 1st July). It is above all essential to maintain the principle of settling within a 6 per cent cash limit in the public services. The 7 per cent already offered can be contained within an overall 6 per cent cash limit; so in practice could $7\frac{1}{2}$ per cent, in the Civil Service, but how would the extra $\frac{1}{2}$ per cent affect the prospects for settling with the nurses, where there is not the same freedom for manoeuvre within the cash limit? Would a move to $7\frac{1}{2}$ per cent, justified as being able to be accommodated within the 6 per cent cash limit, be regarded by the Government's supporters and by the private sector as a "sensible marginal adjustment to secure a settlement" or as a "cave-in by the Government"? If the unions escalate the action, and the consequences for the public get worse - difficulty in drawing social security and unemployment benefit, further interference with air travel, inability to get passports, etc. - the unions will no doubt be blamed; will public opinion stay behind the Government?

7. On (ii), other public service settlements, the doctors and dentists have been held to 6 per cent; local authority manuals have had $7\frac{1}{2}$ per cent; NHS manuals have had $7\frac{1}{2}$ per cent over 15 months; teachers have had $7\frac{1}{2}$ per cent, all within 6 per cent cash limits. The nurses will have to be held near to 6 per cent if the cash limit is to be held. They are to discuss their settlement on 9th June. NHS administrative and clerical staff (due on 1st April) are waiting for the Civil Service, whom they have normally followed. Local authority APT and C staff



have claimed 14 per cent from 1st July. They have the right to arbitration. Labour-controlled local authority associations may be less ready to resist the claim than we would wish. From that point of view, is it more advantageous to get a settlement for the Civil Service at $7\frac{1}{2}$ per cent to set an example of moderation or to stick to 7 per cent and have a continuing dispute as an example of firmness of purpose? The Secretaries of State for Employment, Social Services, the Environment and Scotland may have views.

8. On (iii), costs, it is extremely difficult to quantify. The direct extra cost of settling at $7\frac{1}{2}$ per cent would be about £30 million a year; but there would be indirect costs elsewhere, to the extent that this reperculated. There would be both costs and savings from escalation: increased costs to the Government as further delay in revenue receipts increased borrowing and therefore the debt charge (the Chancellor of the Exchequer to comment); increased costs for the more difficult recovery (the Lord President; and a number of Departmental Ministers, including the Chancellor); some prospective staff and other savings forgone (I understand that the introduction of taxation on certain benefits, now scheduled for 1st April 1982, would be bound to slip: the Secretary of State for Social Services may be able to comment on this). On the other hand the Government would be saving on non-payment of VAT repayments, social security and unemployment benefits etc. There are also indirect costs: the airlines are losing revenue as a result of flights cancelled and passengers diverting from British airlines, and this is making the cash position of British Airways and the independents increasingly difficult (the Secretary of State for Trade may be able to say something on this). It is extremely difficult to calculate and therefore to strike any balance of costs; but Ministers should have at least a feel for this aspect of the issue, as part of the overall political judgment.

9. In the cost equation it is also necessary to count the costs of conceding arbitration next year. They could be high; but then so could the costs of not conceding arbitration: we could find ourselves next year in a situation exactly like this year, with the Government looking for a settlement of 5 per cent or less and the unions for at least the going rate and preferably something to "catch up": these are the ingredients of a more serious and damaging dispute than anything we have seen this year.



10. As to (iv), the effects on the Civil Service itself, Ministers should be in no doubt about the effect that the dispute has already had on the sense of loyalty to the Government; that will become worse if the dispute is escalated. A growing number of relatively senior people are saddened and dispirited: "this is not the Service we joined". Escalation will strengthen the hands of the militants, will reduce willingness to co-operate in the implementation of policy changes (in such matters as overtime to implement tax changes, introduction of new technology), and increase the extent of "politicisation" in the Service. But of course there is the risk of wider penalties for escaping these costs.

Alternatives to the Lord President's proposals

11. You may want to take Ministers through alternatives to the Lord President's proposals:

- (i) the threat to postpone the operative date until the end of the dispute;
- (ii) imposition of 7 per cent for 1st April (with or without a concession on arbitration in 1982);
- (iii) legislation to enable employers to lay off white-collar workers for whom there is no work as a result of industrial action.

12. I believe the Secretary of State for Defence, taking stock of the state of feeling in his Department, may argue for imposition of the 7 per cent for 1st April, in the belief that, while there may be some continuing guerrilla action, it would not last long, and that most civil servants would be relieved to have the knot cut, to get their 7 per cent, and to start getting back to normal (though the problem of next year's settlement would remain). If Ministers are attracted by this option, there is a political judgment to make on the timing: is it better taken before the escalation of the dispute has time to get established, or after the escalation has run for a time and there has been a chance to see what support it has?

13. If the escalation was reasonably successful from the unions' point of view, it might become difficult to escape the need for legislation: the Chancellor of the Duchy, the Secretary of State for Employment, the Chief Whip and the Lord Chancellor may like to comment. The key issues being whether such legislation could be passed at all, and if so how quickly?



14. A threat to postpone the operative date might be more effective than imposition if the escalation proved to be a damp squib; but it hardly looks appropriate just at the moment (and might be counter-productive).

15. One possible outcome of the meeting might be to give the Lord President authority to make one of his concessions but not both. He might be authorised to offer arbitration in 1982 (subject to the right of Government to go to Parliament to override the award) but to offer nothing more in 1981. That just might bring a settlement, but I think that the Lord President would judge it unlikely to do so, and the more likely outcome is that the concession would be offered, that it would be enough to keep negotiations going but not to reach a settlement, and that the Lord President would be back next week for authority to increase this year's offer. Nonetheless, it may be worth trying.

16. On a point of detail, if there were any question of offering more this year, I believe that the idea of a conditional "lump sum" in December subject to the money being available within cash limits is too clever by half. The amount in question would, I understand, be about £35 a head. I personally doubt whether the unions would settle for it. Even if they did, there would be high risk of another row in December, if in the event there was not enough money within the cash limit. Furthermore, it could too easily be presented as a "reward for taking industrial action". If there were to be any concession on this year's offer, it would surely be better as a straight extra $\frac{1}{2}$ per cent on the 7 per cent.

CONCLUSIONS

17. I am afraid that this brief is long in length, long in unanswered questions, and short in advice or proposals for conclusions. The arguments for trying to settle are seductive: they always are. On the other hand the political case for standing firm and making no even marginal concessions is clear and strong. Before confirming a decision accordingly, however, Ministers should have in their minds the best assessment they can get or make of the costs and longer-term consequences of escalation and a continuing dispute, and of the risk that public opinion could turn, if the effects of the dispute became increasingly tiresome and disruptive and the unions succeeded in establishing a propaganda


PERSONAL

CONFIDENTIAL



case that the Government had been "rigid and inflexible". It is important for your own position that they should not be able to turn and say later on: why did we not think, or why were we not warned, of this?

A handwritten signature in black ink, consisting of a large, stylized 'R' and 'A' intertwined.

 . ROBERT ARMSTRONG

3rd June, 1981

PERSONAL

CONFIDENTIAL



Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

3 June 1981

The Rt. Hon. Lord Somes,
Lord President of the Council

Dear Lord President,

CIVIL SERVICE DISPUTE: FACT SHEET

Your Private Secretary wrote to mine on 28 May in response to Lord Cockfield's letter to you of 21 May. You subsequently wrote to me on 29 May about redundancy statistics.

I am glad that you feel that Lord Cockfield's draft is both useful and presents our case with vigour - as we need to do. I would accept your suggestion to delete the last four lines of para 4(ii) in order to reach agreement: nevertheless the point made in this paragraph is important as it underlines the fact that the 7 per cent is not only in itself reasonable but is an essential element in achieving the lower inflation figures we plan and have announced. On redundancy, dealt with in your letter of 29 May, I doubt whether a working party would produce much more helpful information: certainly it would not produce it quickly enough. But as we are both agreed about the basic message we want to put over and its broad accuracy, I suggest we simply use the figures given in Barney Hayhoe's reply to Mr. Madel's PQ on 16 April - that is just over 1,000 or 0.2 per cent of total staff for non-industrial Civil Service redundancies and voluntary early retirements compared with half a million or over 2 per cent for the employed population as a whole.

I hope that with these amendments you will agree to circulate Lord Cockfield's draft to our Cabinet colleagues before we discuss the dispute in Cabinet tomorrow. If your office would let mine know as soon as possible today, they will then arrange for this to be done.

So far as wider circulation is concerned I would accept your view that this should wait for a few days until we can see how matters are likely to go.

I am copying this letter to the Prime Minister.

*Yours sincerely,
Richard Turner*

GEOFFREY HOWE
(Approved by the Chancellor and
signed in his absence)

cc J. Vesker
A Duguid

SECRET

6

From the Private Secretary



Civil Service Department
Whitehall London SW1A 2AZ
01-273 4400

3 June 1981

Tim Lankester Esq
Private Secretary to the Prime Minister
10 Downing Street
LONDON SW1

1. *Clive* *mu*
2. *p.a.* *3m*

Dear Tim,

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3/6

CIVIL SERVICE PAY: MEETING WITH THE PRIME MINISTER

The Lord President has two points on your letter to me of 2 June.

The proposal for a cash lump sum, to be met from within the 6% cash limit, would involve paying to every civil servant an equal cash sum which in total would cost the same as a $\frac{1}{2}\%$ increase in pay for the whole of the Civil Service. The total cost would therefore be some £30m, including industrials who would have to get the same treatment in their forthcoming settlement. Since the lump sum would not be part of the basic pay rates it would not count for pension purposes and equally would not enhance the starting base for the next Civil Service pay settlement in 1982. In the Lord President's view it would be possible to squeeze out this extra $\frac{1}{2}\%$ or so from within the existing cash limit but the offer and the time of any payment would be conditional on this being confirmed, eg at the end of the year when the trend of spending within the cash limit was clearly established.

The Lord President has also asked me to say that his recollection of the views of Cabinet last week do not accord with that which you note as being stated in the first point which was made in the discussion (at the bottom of page 2 of your letter).

I am copying this to Richard Dykes (Employment), John Wiggins (Treasury) and David Wright (Cabinet Office). It should be treated in the same way as your letter was treated on a strictly 'need to know' basis.

Yours ever,

Edward Charles

for J BUCKLEY

SECRET

CONFIDENTIAL



Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

3rd June 1981

The Rt. Hon. Lord Soames GCMG GCVO CH CBE
Lord President of the Council

Dear Lord President,

PAY OF PETROLEUM SPECIALISTS

I have seen David Howell's letter of 21 May and your reply of 29 May on this subject.

There is no doubt that this issue is awkward whichever way we resolve it. On balance I agree with the terms of your approval of David Howell's proposals, although I would see advantage, if this were possible, in delaying an announcement until after the civil service dispute is settled. In any event we should avoid drawing unnecessary public attention to the increases; and to the extent that public presentation is unavoidable, we should emphasise two points. First, we see this as a case of paying market rates and securing adequate recruitment and retention rather than a case of external pay comparability in the traditional sense. Second, we are able to meet the cost from within the cash limit, so that the increases in no way compromise the line which we are taking with the Civil Service generally.

I am copying this letter to the Prime Minister, Jim Prior and David Howell.

yours sincerely

Geoffrey Howe

GEOFFREY HOWE

(Approved by the Chancellor & signed in his absence)

1246

CONFIDENTIAL



CIVIL SERVICE DEPARTMENT
WHITEHALL LONDON SW1A 2AZ
Telephone 01 273 5400

Sir Ian Bancroft G.C.B.
Head of the Home Civil Service

Tim Lankester Esq
10 Downing Street
LONDON SW1

3 June 1981

Dear Tim,

INDUSTRIAL ACTION PROGRESS REPORT

There are now 4816 staff involved in selective strike action, including 368 on TRD. Further TRD written warnings have been given to DHSS staff at Gloucester ILO for not working normally. Action continues at the major departmental computer centres (Inland Revenue, Customs and Excise, DHSS, MOD, PGO, SO and MAFF). Staff at the DE/DHSS (Reading) Computer Centre are due to hold a meeting today, which is thought to be in preparation for strike action next week. The number of staff on strike at MOD has increased to 998 (from 817 as at 27 May). This is mainly due to industrial action in Royal Ordnance Factories at Bishopton, Nottingham, Birtley and Enfield. Navy Department remains particularly affected by action at Clyde Submarine Base and Rosyth Dockyard. Details of all the action and numbers involved are shown in the attached Annex.

The Council of Civil Service Unions continues to make clear that there will be a substantial escalation of industrial action if no agreement between the two sides has been reached by 8 June. The payment of social security and unemployment benefits are areas which may be affected. We understand that union meetings are being held in certain centres, presumably to consider their future arrangements. The main developments since the last report are as follows:

CAA

Action has continued into this week despite earlier indications that it would draw to a close by the end of last week. The pattern continues much as before with Glasgow and Sumburgh Airports the targets this morning, and Edinburgh tomorrow morning. In most cases, contrary to some Press reports, a service is being maintained.

CONFIDENTIAL

Environment/Transport

Local management are pursuing contingency arrangements to get post delivered to DVLC Swansea (at present a picket of approximately 20 staff is preventing this). About a week's work is in hand at present.

FCO

Action affecting the issue of passports at five centres continues to have serious consequences as previously reported. In addition, typing staff at the London (Petty France) office have now come out. The Australian and New Zealand Governments have agreed that, until the end of August, passports which have expired in the last five years will be valid for travel to those countries. It is hoped that a similar arrangement will be agreed with the Canadian Government.

Customs and Excise

Action continues as before, with the following additions: Strike action at Harwich, Sheerness and Felixstowe, with the possibility of further expansion at these ports. However, senior management are available to handle export/import documentation and delays will be kept to a minimum. Positive management action at Dover has also reduced delays to traffic. On a further positive note, staff at the Three Mills bonded warehouse have now returned to work.

GCHQ

Industrial action by Radio Operators affected two stations, in Staffordshire and Fifeshire, on 28 May. They resumed work on 29 May and are continuing to work normally.

Copies as before.

*Yours ever,
Jeremy*

JEREMY COLMAN
Private Secretary

SELECTIVE ACTION BY NON-INDUSTRIAL CIVIL SERVANTS
 SUMMARY OF POSITION - 2 JUNE 1981

Department	Number on strike	Remarks
Customs & Excise	464	Strikes by computer, customs and other staff at Southend Computer Centre; Dover/Folkestone/Sheerness; Harwich/Felixstowe; Manchester Betting Duty Office, London Airport.
Ministry of Defence	998	Strikes by computer and other staff at 4 dockyards, 4 RN stores depots, 2 RN armaments depots, Clyde Submarine Base, Royal Ordnance Factories, Feltham and Taunton (Mapping), Bath, Oil Fuel Depots, REME Longmoor
Environment/Transport	75	Senior Data Processors at DVLC; Driving examiners at Blackburn.
Foreign and Commonwealth Office	291	Passport Examiners at the London, Liverpool, Peterborough, Newport and Glasgow Passport Offices; Belfast Agency, typing staff at London
Dept. of Health and Social Security	244	230 staff on strike at Newcastle computer centre; 10 staff at North Fylde central Accounts Office; 4 staff at Reading Computer Centre
Home Office	8	Staff at Exeter Prison
Inland Revenue	2211	Staff on strike at Shipley, Cumbernauld and Worthing computer centres; staff at various Collection Offices. (1843 on strike, 368 TRD)
Paymaster General's Office	27	Strike by 12 computer staff; 12 in Finance Branch, disrupting Government banking transactions; telephonists.
Property Services Agency	39	Strikes by maintenance engineers at RAF Brawdy, Pendine, Aberporth, St Athans, Treow, Cardiff DWO, and Cumbernauld.

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Property Services Agency	39	Strikes by maintenance engineers at RAF Brawdy, Pendine, Aberporth, St Athans, Treva, Cardiff DWO, and Cumbernauld.

Departments	Number on strike	Remarks
Depts. of Trade and Industry	163	Strike by staff who handle search facilities at Companies House, London and Cardiff; telephonists at Cardiff
Scottish Office	25	Staff at the Scottish Computer Centre and 1 CPSA member involved in organising industrial action.
Scottish Courts Administration	235	Strike by staff at Edinburgh and Glasgow Sheriff Courts.
Registers of Scotland	11	Strike by Administrative staff.
MAFF	17	Staff at Guildford Computer Centre.
Employment	8	Computer staff at Reading
TOTAL	4816	

PRIME MINISTERCabinet, 4 June: Civil Service Pay

The Civil Service dispute has now reached the point where every course open to us carries considerable costs. Further industrial action would mean more lost revenue, a longer recovery period, an increasingly embittered Civil Service, and perhaps also declining public support. Going to 7½% this year would cost another £30 million, might have a knock-on effect elsewhere, and might be seen as Government weakness. Allowing arbitration for next year would be likely to cost at least 4% over the cash limit, and would have substantial knock-on effects. Cabinet has to decide which course is, overall, least costly.

Standing Firm

Lord Soames and Mr. Hayhoe said yesterday that the Government would in the end win, if it stood firm: but they thought that would cost more in the end. The Chancellor, however, was not so worried about the extra cost: and he is better placed than CSD Ministers to know. With carefully judged escalation on the Government's side and faltering resolution on the unions' side, the strike may well peter out without further concessions having to be made, and without too much extra damage. That has always been our hope.

Concessions

But your Cabinet colleagues may think this course too risky. Those in charge of Departments where further industrial action is to be taken may fear a public backlash. Cabinet may want to look at possible concessions. In that case it is very important that we resist the temptation to escape from this year's problem by creating an even worse one for next year. Staging is the classic way of doing that: but offering arbitration would be even worse.

Arbitration

If we promise the Civil Service unions guaranteed access to binding arbitration for next year, we can give up any hope of a cash limit in the 4-5% range. I cannot conceive circumstances under which the arbitration award would be less than 9%, even if the going rate is lower, because the arbitrator would be bound to provide at least some element of catching up after this year. The expectation that the civil servants would get at least 9%, and probably more,

SECRET

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would hang over the whole of the next pay round. The local authority manuals, for instance, who come near the beginning, would certainly raise their sights. Too much depends on the outcome of the next pay round for us to prejudice it before it has even begun.

7½%

You are not absolutely committed to 7%. The phrase you used in the House was that the maximum that could be squeezed out of the cash limit is "some 7%". A trade off with falling manpower is consistent with our approach to pay in other areas. The local authority manuals and teachers settled at 7½%, and the Armed Forces and the entire public trading sector got much more. In the public sector, only doctors and dentists, who did very well last year, have settled for less; the nurses have not yet settled. An extra ½% would not be a big concession to a 15% pay claim. I am convinced it would prove less costly than arbitration next year, although Bernard Ingham believes that so much credibility now attaches to 7% that any increase would be seen by the media as a defeat for the Government.

Gordon Burrett, the CSD Deputy Secretary present at your meeting yesterday, who leads the official team in the negotiations, has told me that he does not think the unions would at present settle for 7½% plus the inquiry (on which sufficient progress has been made for it to be likely that agreement could be reached); they regard arbitration next year as essential. If that judgment is right, it is all the more important that Cabinet does not decide to make any concessions.

J.M.M. VEREKER

3 June 1981

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Civ Serv

SELECTIVE INDUSTRIAL ACTION

A total of 4725 are now involved in selective industrial action. The principal departments affected remain the same as previous reports with Inland Revenue, MOD, Customs & Excise, DHSS, Trade & Industry, Scottish Courts and Passport Offices being most affected. Recent developments have included a spreading of the action to Royal Ordnance Factories (Nottingham, Bishopton, Enfield and Birtley) and strikes by Air Traffic Control Officers are still affecting airports although no further ballot to continue strike action has been taken.

The situation at Passport Offices remains acute, however special arrangements for travel for outside Western Europe (the principal area covered by the British Visitors Passports) have been made. These arrangements have been publicised.

With the present discussions going on today, the only industrial relations Question and Answer you may wish to forward is:-

Q TRAVELLING PUBLIC ARE STILL BEING AFFECTED BY THE INDUSTRIAL ACTION

A I regret that inconvenience is still being caused to those travelling on business or for well earned holidays.

SUBJECT

SECRET



FILE

MFJ
VLE

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cc master
ops

cc HMT
D/M
CO
Verker
Wolfe
Duguid

10 DOWNING STREET

From the Private Secretary

2 June 1981

As you know, the Prime Minister held a meeting this morning to discuss the Civil Service dispute. The following were present in addition to the Lord President: the Chancellor of the Exchequer, Secretary of State for Employment, Mr. Hayhoe, Sir Robert Armstrong, Bill Ryrie, Gordon Burrett and Douglas Smith.

The Lord President first reported on the weekend discussions with the unions. They had asked for the discussions without setting down any pre-conditions. Meetings had taken place on Friday, Saturday and Sunday. Neither side had conceded anything and no progress towards a settlement had consequently been made. He himself had seen Mr. Kendall privately the previous day. Ministers now had to decide whether to offer some movement on the existing terms and bring the dispute to an end; or to stand firm and see the dispute continue. There seemed little doubt that the Government could drive the unions into the ground; but it would be a drawn out process, it would leave much bitterness behind, and the recovery costs would be increased. On the other hand, he felt that there was now the opportunity to reach an honourable settlement at relatively small cost. Although they would only be offered if he thought in the final analysis they would bring about a settlement, he had it in mind the following concessions. First, the unions would be offered a "bonus" up to a maximum figure per head above the 7 per cent which would have to be met from within the 6 per cent cash limit. A decision on whether and how much to pay would be taken in December. He did not believe the unions would settle without some addition to the 7 per cent; a lump sum "bonus" would have the advantage over a percentage increment in that it would help the lower paid and it would restrain the starting base for the 1982 negotiations to 7 per cent. Also, it would not be counted for pension purposes. The only cost would be an extra £30 million on the pay of Civil Service industrials: if the non-industrials were to get more than 7 per cent, the industrials would have to receive the same. Second, there would have to be some movement on arbitration in 1982, for the unions attached great importance to it. He proposed that the Government could concede arbitration on the basis that, if it considered that the result of arbitration was unacceptable, the Government would ask Parliament to override it.

/The Lord President

SECRET

The Lord President said that, in his view, it would cost more in financial terms for the Government to stand firm and allow the dispute to drag on, than to reach a settlement on the basis he proposed. He fully recognised that a political judgement also had to be made. If Ministers took the view that a settlement on the lines he had suggested would be taken as a sign of weakness, then they should not proceed with it. His own view, however, was that from a political point of view they should so proceed.

Mr. Hayhoe said that the atmosphere of the talks had been good, though they had been very drawn out; and the union side had maintained absolute confidentiality. He believed that the union leaders, other than those of the SCPS, wanted a settlement, though there could be no certainty of this.

The Chancellor said that it would be hard to defend any concession in terms of extra money. This would be deeply resented by industry. The idea of a "bonus" was particularly difficult to accept: bonuses should be paid for good conduct, not misconduct. Rather than offer concessions, he felt that the time had now come to consider delaying the starting date for the settlement.

The Secretary of State for Employment said that the dispute would have to be brought to an end sooner or later. The Government were currently on top, but not to such an extent that the dispute would simply collapse in the next few weeks if no concessions were made. Recent history showed that there were no clear cut victories on either side in strike situations. He believed there was a real opportunity now to reach a reasonable settlement. He agreed that the Government should stand firm on the 6 per cent cash limit, and that any addition should be paid as a lump sum (though there was no need to call it a "bonus"). The total figure would come out as less than 8 per cent, which would still look very reasonable. He also agreed that some movement on arbitration was needed: the "controlled" arbitration proposed by the Lord President seemed the best way forward. His strong advice was that the Government should now try to settle on these lines. If it did not, the dispute would drag on, the Government would lose public support, and eventually the cost of the settlement would be higher still.

In discussion the following points were made:-

- i) Lord Soames was now proposing major concessions, coming on top of the decision to offer 7 per cent even though employees in the National Health Service would be getting less, and the decision to allow some flexibility in next year's cash limits. Rather than offer new concessions, the Government should be considering escalation. That would be consistent with the views of Cabinet the previous week. In particular, the Government should now seriously consider the option of imposing a 7 per cent settlement.

/ii)

SECRET

- 3 -

- ii) On the other hand, it was argued that in any bargaining situation there had to be movement on both sides. The Government had not in fact moved much. To stand firm on the existing terms would put the Government's negotiators in a hopeless position: it would mean tying their hands just when there was a good chance of a settlement.
- iii) Rather than pay a "bonus" if the Civil Service manpower targets were more than met, the Government should take the benefit itself in the form of lower public spending.
- iv) An assessment was needed of the cost of allowing the dispute to continue, against the cost of a settlement based on the Lord President's proposals. The Chancellor ought to be in a position to make such an assessment. The Chancellor said that there was a revenue backlog of some £3 billion so far; the recent story in the Times that large amounts of revenue would have to be written off was wrong. It was also pointed out that Lord Soames's proposals would involve indirect costs: they would have repercussions on settlements elsewhere.

In conclusion, the Prime Minister said that she was not persuaded that it would be right to offer the unions any new concessions. If anything, Ministers ought to be considering the need to escalate in response to possible escalation from the unions. If any concessions were to be made, they would have to be agreed by Cabinet.

I am sending a copy of this letter to Richard Dykes (Department of Employment), John Wiggins (HM Treasury) and David Wright (Cabinet Office). Please could you and copy recipients ensure that this letter is seen on a strictly "need to know" basis.

T. P. LANKESTER

Jim Buckley, Esq.,
Lord President's Office.

SECRET



Civil Service Department
Whitehall London SW1A 2AZ
01-273 4400

2 June 1981

Tim Lankester Esq
Private Secretary to the Prime Minister
10 Downing Street
LONDON SW1

Prime Minister
This is a better exposition of the increment calculation.

Dear Tim,

MJD 4/11

PRIME MINISTER'S QUESTIONS: CIVIL SERVICE INCREMENTS

You asked for a note about this. I think the simplest way to express it is:

- a. Taken over the non-industrial civil service as a whole the average value of an increment in this financial year is estimated to be £132;
- b. The average non-industrial salary is about £5,775;
- c. The average value of an increment as a percentage of average salary is therefore about 2.3%;
- d. These figures are averages and in practice only about half of the non-industrial civil service are due for an increment this year - the remainder are either on their scale maximum or are not on incremental scales;
- e. So, those getting increments would get on average £264;
- f. But, during the course of the year a number of people who would have had increments will resign or retire and their replacements will be recruited at the bottom of the scale and will not be entitled to an increment during this financial year, so the net cost of increments is estimated to be about £15m;
- g. £15m is about 1/2% of the non-industrial pay bill.

Encapsulating this in two sentences, I suggest:

'As a percentage of the average non-industrial civil service pay, increments in this financial year are

estimated to be worth about 2.3% or £132 a year. But allowing for savings from wastage and replacement by staff on lower incremental points during the course of the year, the net cost of increments is estimated to be about £15m or $\frac{1}{2}\%$ of total pay'.

Yours sincerely,

Jim Buckley.

J BUCKLEY

CONFIDENTIAL

Civil Service Pay



*mw
mi*

Ref. A04991

MR. WHITMORE

To see

Civil Service Pay: Independent Inquiry

Thank you for your minute of 22nd May.

2. For my part, I have no further comment on the proposed terms of reference as amended by the Prime Minister.

REA

ROBERT ARMSTRONG

1st June, 1981

CONFIDENTIAL

PRIME MINISTER

W

J.V. says
keep in
CF

Civil Service Industrial Dispute : Negotiations

The Lord President is coming in tomorrow morning to report the progress made over the weekend in the negotiations with the Civil Service unions. I discussed this with Mr. Hayhoe this morning, and you may find it helpful to have this note of where we have got to and where we might go next.

The Negotiations So Far

Very little new was said by either side over the weekend; and the reason the talks lasted for so long was apparently because of a determination by the unions to be seen to be negotiating at considerable length. Both Mr. Hayhoe and CSD officials appear to have stuck rigidly throughout to the previously agreed positions on the three issues under discussion: the long-term, 1982 and 1981.

There is now a reasonable meeting of minds on the long-term inquiry. The unions were initially hostile, arguing that it was unnecessary, but have apparently now been brought to see the advantages.

On 1982, the unions' insistence on access to arbitration is unchanged. The unions also made a point of the need for a degree of agreed fact-finding as a basis for the 1982 settlement, and Mr. Hayhoe quite rightly rejected a continuation of the pay research system. Nevertheless, there may be ground for further discussion here: the Government has accepted the principle that there will be a continuing comparability element in pay determination, so some fact finding will be necessary, even if not for next year.

This year's settlement was not discussed until yesterday. The unions demanded a "significant" change in the 7 per cent offer, and Mr. Hayhoe simply repeated the form of words which you used in the House of Commons on 19 May - "the Government believe that the maximum amount that can be awarded within the 6 per cent cash limit - in view of decreased numbers - is some 7 per cent".

The atmosphere in the negotiations was good, although individual union leaders displayed some bitterness. It was agreed, and remarkably the agreement appears to have been adhered to, that neither side would comment to the media on the substance of the negotiations.

Where Next?

Mr. Hayhoe told me that he had reached no firm assessment as to whether the unions were prepared to accept the present offer. It could be, although on balance it was probably unlikely, that they simply wished to exhaust all the negotiating possibilities before giving in; but it could also be that they wished to be seen by their members and by the public to be making a serious attempt to reach agreement, before saying that because of Government intransigence the intensified industrial action should proceed. I understand that Lord Soames will be seeing Bill Kendall secretly this afternoon, and Mr. Hayhoe will also be having private discussions.

If the negotiations break down, Lord Soames will probably want to tell Cabinet that the unions will not settle on the present terms, and that certain improvements in the offer need to be made (notably arbitration for 1982, which the CSD have always thought unavoidable); and the CSD have asked the big employing Departments to brief their Ministers on the extent of the recovery problems, which will predispose them to settle.

I think it is important that Cabinet consider not only the desirability of bringing the dispute to an end by making concessions, but also the possibility of bringing it to an end by escalating the Government's response to the industrial action. At your meeting on 19 May it was agreed that escalation measures would be looked at again after the negotiations; you may want to discuss with Lord Soames tomorrow the leading contenders, which are -

- (i) A selective change in the operative date of the settlement, so that only those who have been working normally get their 7% backdated to 1 April;

/(ii)

- (ii) Making annual leave conditional on a period of, say, four weeks continuous normal service; and
- (iii) The introduction of a lay-off provision for white collar workers into the legislative programme for the next session.

The threat of the first two in particular might tip the balance between acceptance of the Government's offer and continuation of industrial action.



1 June 1981

CONFIDENTIAL

*in the light
of the
Ansonia*

*✓ A. Douglas
J. Yarekat*



Prime Minister

*These points seem reasonable
enough. Agree?*

PRIME MINISTER

W. W. R. 4/6

CIVIL SERVICE PAY : INDEPENDENT ENQUIRY

I am content with the revised terms of reference set out in your Private Secretary's minute to Robert Armstrong of 22 May. There are however two points which I would mention.

First, as drafted the terms of reference give considerable scope for a wide ranging enquiry which could last a long time. Our aim must be to get something in place for 1983. Allowing for consideration of the enquiry's findings by the Government, and for time to put them into effect, we will want to receive the report by the end of July 1982 and I think we should tell them so.

Second, whilst we shall not be agreeing the terms of reference with the unions, we will need to discuss them with the union side. It is not impossible that some point could arise which the Government might want to reflect in the terms of reference so I should not want to feel that they are now fixed without the possibility of taking on board anything which might arise in those discussions.

SOAMES

/ June 1981

CONFIDENTIAL



Civil Service Department
Whitehall London SW1A 2AZ
01-273 4400

✓ *Verde*
main

29th May 1981

The Rt Hon Peter Walker MBE
Minister of Agriculture, Fisheries and Food
Whitehall Place
LONDON
SW1A 2HH

Dear Peter,

2/16

INDUSTRIAL ACTION

I have seen a copy of your letter of 21 May to the Prime Minister reporting on the possibility of making payments by hand following the industrial action which has stopped your computer at Guildford.

It is, of course, for you to decide when, and what, action to take. But it does not follow that this needs to be done only as part of a general move by the Government to escalate the dispute. Other Departments have with a good deal of success, implemented contingency plans after discussion with us to overcome the absence of computers. I think you would find Barney Hayhoe's Group on Industrial Action would be a useful forum to discuss the tactics and timing of any action you judge to be necessary to overcome the problems at Guildford. Other Departments which have met similar problems will be there to give advice and report on their experience.

I am copying this to the Prime Minister and to Nicholas Edwards

Yours ever

SOAMES

Christopher

CONFIDENTIAL

Civil Service



Civil Service Department
Whitehall London SW1A 2AZ
01-273 4400

29 May 1981

The Rt Hon David Howell, MP
Secretary of State for Energy
Thames House South
Millbank
LONDON SW1P 4QJ

~~cc J. Verker~~
A. Orquid

Dear David,

R
29/5

PAY OF PETROLEUM SPECIALISTS

I have seen your letter of 21 May to Barney Hayhoe about the pay of your Petroleum Specialist grades.

I accept your concern about the continuing severe shortage of these staff, whose work is crucial to the Government's plans for the exploitation of the North Sea. I understand that you have 25 vacancies out of a complement of 69 and that 24 of these vacancies are in the key part of your Petroleum Engineering Division which deals with exploration and production.

It is agreed between our two Departments that a 15% increase is needed to keep pace with the increases that the oil companies have been giving to this type of staff. But in spite of this I propose that for the top two posts - the Head of the Petroleum Engineering Division and the single post at Petroleum Specialist I level - the increases should be restricted to 7% and 10% respectively, because of the continuing restraint on top salaries generally in the public sector and the large salary lead these posts already have over normal higher Civil Service grades. The new rates I have in mind for all grades concerned are set out in the Annex.

If we are going to give special treatment to this small group I have to accept that it should be done now, because of the urgent need you have to improve recruitment. I have considered therefore whether the increases we have in mind would damage our general position on Civil Service pay. Of course I would sooner have avoided it, but although we cannot prevent the unions from using it as a debating point against us if they wish, we should not I feel be deterred from taking the action which as management we think necessary. I believe that this small group of key staff would be

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recognised as a special case and I have to accept that there are overriding market grounds for immediate action. I understand that you can find the cost within your cash limit.

I would be grateful if Geoffrey Howe would confirm that he has no objection to our proceeding in this way. If you and he are both content, we will put the increases to the IPCS and implement them as quickly as possible.

I am copying this letter to the Prime Minister, Geoffrey Howe and Jim Prior.

Yours ever

Christopher

SOAMES

CONFIDENTIAL

Civil Service Department,
Whitehall,
London, SW1A 2AZ

With the Compliments

of the

Private Secretary

to the

Lord President of the Council

Pse attach to letter 29/5
Lord President to S/S Energy
re Petroleum Specialists

PETROLEUM SPECIALISTS

	Current scales	Scales proposed from 1.4.81	Increase
	£	£	%
Head of PED*	26,500	28,355	7
PS I	23,000	25,300	10
PS II	17,000 - 21,000	19,550 - 24,150	15
PS III	14,500 - 19,000	16,675 - 21,850	15
PS IV	10,000 - 15,000	11,500 - 17,250	15
PS V	7,100 - 10,500	8,165 - 12,075	15

*This post is graded Under Secretary. The pay is therefore expressed as the Under Secretary rate plus an allowance, ie £20,500 + £6,000 allowance currently and £21,935 + £6,420 allowance proposed from 1.4.81.



Civil Service Department
Whitehall London SW1A 2AZ
01-273 4400

29 May 1981

The Rt Hon Sir Keith Joseph, Bt, MP
Secretary of State for Industry
Ashdown House
123 Victoria Street
LONDON SW1E 6RB

*✓ Venables
Dignid*

Dear Keith,

*12
1/6*

INQUIRY INTO CIVIL SERVICE PAY

Thank you for your letter of 21 May about the scope of the proposed inquiry into Civil Service pay.

You may rest assured that we have very much in mind the factors mentioned in your letter. Indeed Barney Hayhoe referred to them specifically in the House on 15 April when he set out the Government's position and its attitude to the proposed review. (Hansard 15 April 1981, Col 334. I enclose a copy for easy reference).

The Prime Minister had the points made by the Priestley Commission very much in mind in considering the proposed inquiry and these are being taken into account in drafting the terms of reference.

I am copying this letter to the Prime Minister, Geoffrey Howe and Jim Prior.

Yours ever

Christopher

STATEMENT BY MINISTER OF STATE

I thought that we had made clear that matters which I know concern the unions - such as independent fact-finding, comparison with pay levels outside, arbitration arrangements and matters of that kind - are not excluded from the discussions. Equally, matters concerning the supply and demand of staff, the relative security of employment to which I have referred, the relative attractions of terms and conditions as a whole - pay, pensions, leave and the like - as well as the cost and general economic circumstances of the country must be taken into account in establishing the new system'.

(Hansard, 15 April 1981, col 334).



CSD to
TL
26/5

10 DOWNING STREET

Prince Arthur

The Treasury Lane

now reviewed this

material, and they

think it is fine.

Contract for it

to go to the

Research Dept?

Yes
and TL

28/5

Civil Service
Pay

FILE

VLB

CC HMT

28 May 1981

The Prime Minister has seen your letter to me of 26 May with which you enclosed some briefing for Conservative members on the Civil Service dispute. I understand that the Treasury are content with this material.

The Prime Minister agrees that it should now be sent to the Conservative Research Department.

I am sending a copy of this letter to John Wiggins (HM Treasury).

T P LANKESTER

Jim Buckley, Esq.,
Lord President's Office.

sl

SECRET

cc: Mr. Wolfson
Mr. Duguid

2B

PRIME MINISTER

Civil Service Industrial Dispute - 28 May

There are one or two significant points in the Civil Service industrial dispute today:-

1. Industrial action is being taken for the first time by Department of Employment computer staff at Reading; and computer staff at the DVLC in Swansea are also now on strike, which means that within a week or so there may be up to 2,000 staff with little or nothing to do. But the better news is that the period in which industrial action was approved by Civil Aviation Authority staff has now expired and interruption of flights should, therefore, now cease, subject to a new ballot among the air traffic controllers.

2. Some of those who have been on strike have started to return to work in order to qualify for annual leave. I have suggested, and Sir John Herbecq has agreed, that how we deal with this should be considered in the context of our package of possible escalation measures. It would, for instance, be possible to say to the unions that - since leave is not taken as of right - only those who had worked, say, four continuous weeks normally immediately before going on leave would be entitled to take it. That would provide a considerable disincentive to further industrial action as the summer holidays approach, and the public would no doubt see it as 'rough justice' for those who had interrupted passport applications and holiday flights. This will now be considered as an option if the new round of talks breaks down.

3. These new negotiations are now expected to take place tomorrow morning. The CSD's tactic will be to start discussions on the longer term, where there are new points to make, to continue

/ with the

SECRET

SECRET

- 2 -

with the position on next year, where they mean to listen to the union's request for a change in the operative date and explain the cash limit arithmetic, and to leave the difficult issue of this year's 7% until the end. But the CSD are not optimistic of the outcome, and it is always possible that the unions may stage a walkout on the 7%. The best outcome would be an agreement to continue the talks in a more limited form next week. Sir John Herbecq is adamant that stories in today's newspapers about the Lord President's willingness to improve on 7% are wrong, and do not emanate from anywhere in the CSD; nonetheless, the CSD recognise that the stories certainly do not help.

Clive will
have
mentioned
to you that
Lord Somers
spoke to
me about

this. He was
furious about the
TV reports.

28 May 1981

SECRET



CIVIL SERVICE DEPARTMENT
WHITEHALL LONDON SW1A 2AZ
Telephone 01 273 5400

Sir Ian Bancroft G.C.B.
Head of the Home Civil Service

Anna Amstutz

2

*R
28/5*

*✓ Venku
h/h
Dennis*

28 May 1981

T Lankester Esq
10 Downing Street
LONDON SW1

and

Dear Tim,

INDUSTRIAL ACTION PROGRESS REPORT

There are now 4,579 staff involved in selective strike action, including 465 on TRD. Action continues at major departmental computer centres (Inland Revenue, Customs and Excise, DHSS, MOD, PGO, SO and MAFF) and the Department of Employment computer at Reading is now affected, although the action there will not prevent the payment of unemployment benefit. Details of all the action and the numbers involved are shown in the attached Annex. The Council of Civil Service Unions yesterday decided in favour of the continuance of selective action which will be extended into other areas, including possibly the payment of social security and unemployment benefits. Further general action involving all members remains on the agenda.

Other developments are summarised below.

CAA : The present action by Air Traffic Controllers (which is today concentrated on Heathrow and Gatwick) is due to end this week, after which there will be a ballot to decide whether or not it should be resumed. There are some indications that support for further action is reducing.

DVLC : Nitrogen has been successfully delivered to the site and the computer was re-started, but a walk-out by 23 Senior Data Processors is causing problems and local management are considering contingency plans. The Centre has sufficient work for a week.

FCO : Action continues to affect the issue of passports at London, Peterborough, Glasgow, Liverpool and Belfast which are still only able to provide a service for personal callers. There has been some media coverage of contingency arrangements to enable most intending travellers to set out on their holidays. The Post Office is concerned about the large backlog of mail it is holding for Passport Offices and arrangements are being made for the mail to be transferred to a temporary store.

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DTI : A limited search service is now being provided at Cardiff since the messengers have returned to work, although the micro-fiche system is still out of action.

MOD : There are signs that action may be spreading to the Meteorological Office where some staff supported the Air Traffic controllers at Heathrow, Manchester, Prestwick and Edinburgh last week.

Customs and Excise : Staff at London Warehouses and Distilleries returned to work, except for 13 staff at Three Mills Bonded Warehouse.

Copies go as before.

Yours ever,

Jeremy

J G COLMAN
Private Secretary

CONFIDENTIAL

SELECTIVE ACTION BY NON-INDUSTRIAL CIVIL SERVANTS

SUMMARY OF POSITION - 27 MAY 1981

Department	Number on strike	Remarks
Customs & Excise	442	Strikes by computer, customs and other staff at Southend Computer Centre; Three Mills Warehouse; South Coast Ports; Manchester Betting Duty Office.
Ministry of Defence	817	Strikes by computer and other staff at 4 dockyards, 4 RN stores depots, 2 RN armaments depots, Clyde Submarine Base, Feltham and Taunton (Mapping), Bath, Oil Fuel Depots, REME Longmoor
Environment/Transport	29	Senior Data Processors at DVLC; Driving examiners at Manchester.
Foreign and Commonwealth Office	289	Passport Examiners at the London, Liverpool, Peterborough, Belfast and Glasgow Passport Offices.
Dept. of Health and Social Security	240	230 staff on strike at Newcastle computer centre; 10 staff at North Fylde central Accounts Office.
Home Office	6	Staff at Exeter Prison
Inland Revenue	2207	Staff on strike at Shipley, Cumbernauld and Worthing computer centres; staff at various Collection Offices. (1742 on strike, 465 TRD)
Paymaster General's Office	27	Strike by 12 computer staff; 12 in Finance Branch, disrupting Government banking transactions; telephonists.
Property Services Agency	59	Strikes by maintenance engineers at RAF Brawdy, Pendine, Aberporth, Yeovilton St Athans, Treown, Cardiff DWO, Swansea DWO (picketing DVLC) & Cumbernauld.

Departments	Number on strike	Remarks
Depts. of Trade and Industry	163	Strike by staff who handle search facilities at Companies House, London and Cardiff; telephonists at Cardiff
Scottish Office	25	Staff at the Scottish Computer Centre and 1 CPSA member involved in organising industrial action.
Scottish Courts Administration	235	Strike by staff at Edinburgh and Glasgow Sheriff Courts.
Registers of Scotland	11	Strike by Administrative staff.
MAFF	17	Staff at Guildford Computer Centre.
Employment	12	Computer staff at Reading
TOTAL	4579	

SECRET

Prime Minister

2A²

cc:- Mr Duguid

To see.

MR. RICKETT

Mr Langkaster

WN 28/5

[Handwritten signature]

[Handwritten initials]

Civil Service Industrial Dispute: Recovery

28/5

The Civil Service Department are, as you know, anxious that the Prime Minister should see the attached assessment by departments of the problems of recovering from the current industrial dispute. The assessment is based on the assumption that the dispute ends at about the end of June, and you will see from the sidelined passages that the recovery period varies from a few weeks to 18 months or so.

This seems at first sight alarming, but of course a long recovery period does not necessarily mean continuing cost to the Government, nor inconvenience to the public. The problems are likely to arise in the continuing loss of accuracy on Government statistics, and the inability of the public to understand why delays in services continue for substantial periods after the end of industrial action. There will also be accounting problems, with the need to write-off some foregone receipts, and these will be studied in more detail by the Civil Service Department. A further report could be made to the Prime Minister if she wishes later.

[Handwritten mark]

28 May 1981

SECRET

GIA(81)30 REVISED

GROUP ON INDUSTRIAL ACTION
INDUSTRIAL ACTION CONTINGENCY PLANNING
RECOVERY PROBLEMS: DEPARTMENTS' ASSESSMENTS

Recovery problems were discussed at the meeting of the Group on Industrial Action on 19 May (GIA(81)25^m Meeting, paragraph 2 refers). The attached revised summary note includes Departmental comments on the draft circulated on 20 May. The summary note is circulated to members of GIA only.

Secretariat
Civil Service Department
Old Admiralty Building
Whitehall
SW1A 2AZ

26 May 1981

RECOVERY PROBLEMS - DEPARTMENTS' ASSESSMENTS

- i. Treasury The longer the strike continues the more complex will be the recovery problems; the Treasury have been working on the assumption that the strike would continue to the end of June; the position would be reviewed shortly.
- ii. Departments of Industry and Trade The industrial action at Companies House for the last 3 months has created serious recovery problems at a time of pressures to reduce staff. A permanent backlog would affect access to company records and delay the registering of companies. Recovery would depend on the possible employment of a substantial number of casual staff and the attitude of staff which would depend on the way in which the action was resolved.
- iii. Foreign and Commonwealth Office The work of the Passport Offices was seasonal and peaked in the period May to July; industrial action would not have a long term effect as those who could not obtain a passport would cancel their holidays; recovery would be achieved by October/November.
- iv. Department of Employment Recovery would take 1 week for each week the DHSS computer at Newcastle was closed and would depend on the priority given to the unemployment benefit work when normal working on the computer was resumed. Unless it was possible for preliminary work on benefit taxation to start by October there was a risk that the system would not be operational by 1 April 1982; Treasury were being advised.
- v. Customs and Excise As at end May work on VAT and trade statistics at the Southend computer would take between 16 and 26 months to fully recover depending on the manpower resources available. Action to effect full recovery would take 5 to 6 weeks for each additional week of the strike and enforcement action if fully attempted would not be completed for some time. The Departments of Industry and Trade were pressing for recovery of trade statistics to be sequential from 9 March but this would have a serious adverse effect on the production of statistics of current trade. It was proposed that manpower reductions for the current year would have been available from the statistics area but this proposal might now have to be reviewed. The extent to which it was possible to achieve full recovery of both VAT and trade statistics would have to be considered when it appeared that industrial action was drawing to a close; this would depend to a large extent on the cooperation of staff to work overtime and the money available for overtime payments. Union conferences had proposed that further action would be taken at ports and airports before an all-out strike was called; further action at ports would cause further substantial difficulties and add to the delay of the recovery of trade statistics. It was essential for recovery throughout the Department that when the dispute was resolved an assurance should be obtained that documents handled by management would not be blacked; it would be unfortunate if TRD action had to continue. The London Airport Cargo Electronic Data Processing system (LACES) which was a joint airlines/agency/Customs and Excise system at Heathrow was due

to be replaced on 1 October. It was essential for Customs and Excise to carry out tests on the replacement Departmental Entry Processing System which would be delayed by the strike at Southend. Unless the tests were carried out soon, the new system would not be operational by 1 October and the Department would have to pay the full cost of continuing the LACES system (some £300,000 a month) and would face claims for compensation from other users of the new system (possibly upwards of £100,000 a month).

vii. Ministry of Defence Industrial action had been directed mainly at the Navy Department; the computers would take at least 3 months to recover; the armaments depots could take from 9 to 18 months to recover if the strike continued into July; it was unlikely that the work in the dockyards would fully recover and be completed on schedule. A note by the Secretary of State, which would be copied to the Lord President, about the longer term operational aspects, including the effects of the industrial action on trials and the operational capability, would be issued shortly.

vii. Inland Revenue The mood of the staff would determine the rate of recovery. If they returned to normal working beaten ~~the~~ and embittered their anger would be directed at senior management (who had processed the cheques in the Bush House operation), their colleagues who had declined to take industrial action and those who had not paid the strike levy. If there were no such recriminations the restoration of the PAYE computer record would take 6 months and this had to be completed before enforcement action could be taken against employers who had not made remittances of PAYE tax. It was thought that of the present shortfall of £1.9 billion in Inland Revenue receipts £1.5 billion related to non-payers, and a major enforcement exercise could take as long as 12 months. Ministerial approval might have to be sought to reduce this by not pursuing small payers. Industrial action at the 2 Accounts Offices would delay the introduction of Schedule D collection by at least 12 months. Industrial action at the DHSS computer at Longbenton was delaying the processing of work on deduction cards and this could lead to serious delay in repaying overpayments of PAYE tax. The overall picture showed that the work of tax offices and collections would be seriously disrupted.

viii. Departments of the Environment and Transport On the basis of the current action recovery at DVLC Swansea would take between 9 and 12 months; morale would be affected.

ix. Civil Aviation Authority If action continued to be confined to Air Traffic Control staff there would be no recovery problem; but maintenance would be affected if engineers went on strike.

x. DHSS Enquiries from DHSS local offices (LOs) and DE Unemployment Benefits Offices (UBOs) for contributions records were not being answered. Benefit was being paid by LOs and UBOs under emergency arrangements. If the dispute continued a few more weeks people who reached retirement age in July (currently 84,000 and increasing at 12,000 a week) would not receive retirement pensions on retirement: payment of supplementary benefit was the fall-back for those in financial need. Although priority would be given to

updating the computer-held contributions, records recovery would take 6 months at least. It would be impracticable to rectify all incorrect benefit payments issued during the strike. If the industrial action ceased in June it might be possible to proceed with the replacement of the existing 1906 computer at Newcastle by the 2980 computer, which was due in April, by the end of the year. The dispute might prevent the completion of arrangements for the deduction of income tax from pensions to be made at source from April 1982.

xi. MAFF The extent to which recovery would become a problem would depend on the period of disruption.

xii. Scottish Departments On the basis of a 10 week strike the Glasgow Sheriff Court might take of the order of 18 months to recover; a recent staff inspection had recommended a reduction of staff and grading levels which might result in industrial action continuing beyond the main dispute. As all the staff at the Edinburgh Sheriff Court were on strike no up-to-date report was available. If the agreement for the continuation of certain work at the Scottish Office computer centre remained intact, and on the assumption that the industrial action ceased at the end of May, then, depending on the acceptability of the settlement, recovery could be completed by the end of October. The Registers of Scotland could recovery by the end of the year.

PRIME MINISTER

ca loughan ↙

Lord Shepherd has submitted the Annual Report of the Civil Service Pay Research Unit Board. This is scarcely worth your reading. Even the section sidelined at Flag A on "The Future" simply repeats the ideas which Lord Shepherd has already put to you - that the pay research system should basically remain intact, though with a strengthened PRU Board.

I will get advice from the CSD on publication of the Report, and a draft reply for you to send to Lord Shepherd.

TPL



28 May 1981

pre B

BT



10 DOWNING STREET

From the Private Secretary

28 May 1981

Dear Tim,

Lord Shepherd has submitted the PRU Board Report for 1981 to the Prime Minister, and I enclose two letters that he has sent.

I would be grateful for a draft reply for the Prime Minister to send, and advice on when the Report should be published.

Yours,

Tim

Jim Buckley, Esq.,
Civil Service Department.

B



DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

*cc Mr Lambester
Mr Verelker*

MANAGEMENT IN CONFIDENCE

*WM
28/5*

William Rickett Esq
Private Secretary to
the Prime Minister
10 Downing Street
LONDON
SW1

27 May 1981

Dear William

Further to Anthony Mayer's letter of ²⁷20 May I am writing to let you know that although the staff at DVLC reported for duty in the normal way this morning following the mass walk out last Friday (yesterday was their privilege holiday) there has been a further unfortunate development.

23 senior data processors, essential to the operation of the computers, have now been called out on strike by the CCSU. We expect a similar number to be brought out from the other two shifts later today.

We are investigating the possibility of using other staff to do the work but its specialised nature is such that even if some can be found there will not be enough to keep the computers going. In any event we must expect any staff called on to replace those now on strike to be themselves called out by CCSU. I am afraid therefore that we face the prospect of the computers continuing to be out of action in spite of the successful delivery of the nitrogen supplies and the restoration of the air conditioning.

Copies go as before to Jim Buckley in CSD and David Edmonds in DOE.

Yours sincerely

Alice Baker

MRS E A BAKER
Private Secretary



CIVIL SERVICE PAY RESEARCH UNIT BOARD
67, Tufton Street, LONDON, SW1P 3QS
Telephone: 01-212 7779

CHAIRMAN
The Rt Hon Lord Shepherd P.C.

27 May 1981

The Rt Hon Margaret Thatcher MP
Prime Minister and Minister for the
Civil Service
No 10 Downing Street
London SW1

My Dear Prime Minister

in
inside-
cover
I have today formally submitted to you for publication the Board's report for the 1980/81 period.

I would like to draw your attention to that section of the report headed 'The Future' (paras 17 onwards), as it appears to be particularly relevant to matters at present under consideration. The views put forward are entirely endorsed by all the Board's independent members, with the exception of Mr Leif Mills, and you will see that the proposals are in line with those I put in my letter to you of 20 March 1981. We are convinced these proposals embody the essentials of what should form the new Civil Service system.

Yours sincerely,

T. P. Shepherd

SHEPHERD



CIVIL SERVICE PAY RESEARCH UNIT BOARD
67, Tufton Street, LONDON, SW1P 3QS
Telephone: 01-212 7779

CHAIRMAN
The Rt Hon Lord Shepherd P.C.

27 May 1981

The Rt Hon Margaret Thatcher MP
Prime Minister and Minister for the
Civil Service
No 10 Downing Street
London SW1

My Dear Prime Minister

The terms of reference of the Civil Service Pay Research Unit Board require us to receive an annual report from the Director of the Pay Research Unit, and to submit to you an annual report for publication.

The Board has completed its examination of the work of the Unit for the period of the 1980/81 pay research programme, and I accordingly submit the annual report of the Board, which incorporates that of the Director of the Unit.

Yours sincerely,

Lord Shepherd

SHEPHERD

SECRET PERSONAL



Clive - to see o/v
2AA

CABINET OFFICE

12

70 Whitehall, London SW1A 2AS Telephone 01-233 8319

From the Secretary of the Cabinet: Sir Robert Armstrong KCB, CVO

27/5

Ref. A04979

27th May, 1981

Dear Clive

Cabinet, Thursday 21st May 1981

Sir Robert Armstrong has decided that a full record of last Thursday's discussion in Cabinet on Civil Service pay should be sent separately to those directly concerned. I enclose a copy with this letter. Copies also go to John Wiggins (Treasury), Jim Buckley (Civil Service Department) and Richard Dykes (Department of Employment).

There is no reference to the existence of this record in the Cabinet Conclusions and should therefore not be referred to or quoted from.

In due course I should be grateful if copies could be returned to me in the Cabinet Office.

Returned by
CS 9/6/81

Yours sincerely
B.G. Hilton

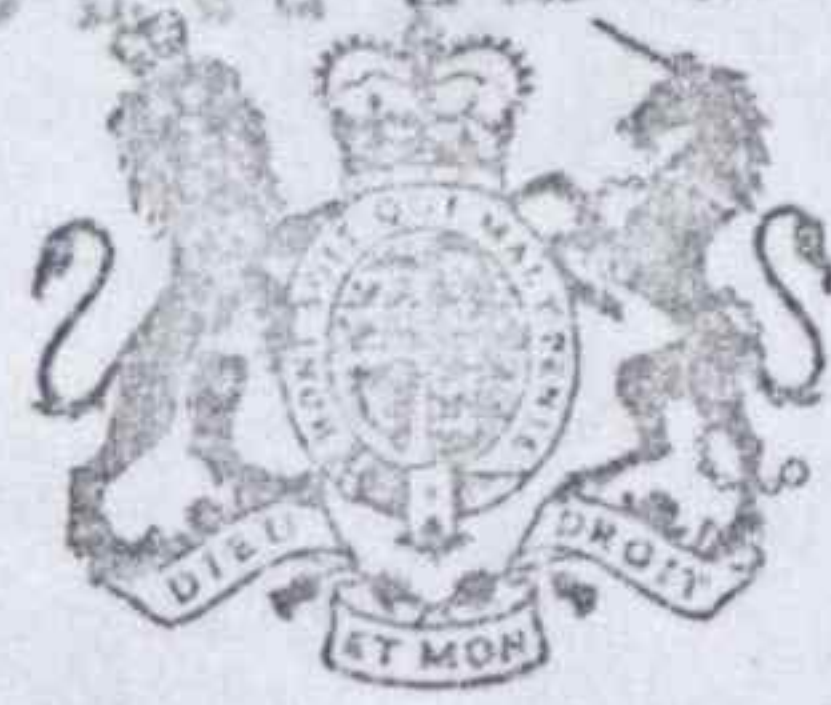
(B.G. Hilton)

Assistant Private Secretary

C.A. Whitmore, Esq.

CONFIDENTIAL

file JPH



10 DOWNING STREET

From the Private Secretary

27 May 1981

Dear Jim

As you know, the Prime Minister had a word on the telephone this afternoon with the Lord President about the Civil Service dispute.

The Lord President briefly explained the contents of Mr. Kendall's letter of 26 May, and the reply which he proposed to send. (You had earlier sent over copies of these papers.) Although he was far from confident that it would be possible to reach an accommodation with the unions, he thought it was right to go along with their proposal for early discussions. But he would make it clear in his letter, by referring to his earlier letters to Mr. Kendall, that the Government was not prepared to make any new concessions. He thought there was a good prospect of talks getting under way on Friday and he proposed that Mr. Hayhoe should take the chair on the Government side. He hoped that this would be followed by a further meeting with a smaller number of negotiators on the union side early next week when he himself would take the chair. He would of course report back to the Prime Minister as necessary, and to Cabinet next week.

The Prime Minister said she was entirely content.

I am sending a copy of this letter, together with a copy of the papers referred to above, to David Wright (Cabinet Office).

[Handwritten signature]

Jim Laker

Jim Buckley, Esq.,
Lord President's Office.

CONFIDENTIAL

5



Civil Service Department
Whitehall London SW1A 2AZ
01-273 4400

27 May 81.

Dear Tim,

We had a word about the next steps in the Civil Service Disputes. Here are the papers.

The Lord President intends to send the letter to Mr Kendall at 1600 today and to release it to the press. We hope to meet the unions on Friday - Barney Hayhoe chairing a meeting with the 9 General Secretaries.

Yours sincerely,

Tim Buckley.

Tim Lancaster, No 10.



Civil Service Department
Whitehall London SW1A 2AZ
01-273 4400

May 1981

W L Kendall Esq
Council of Civil Service Unions
19 Rochester Row
LONDON SW1P 1LP

Thank you for your letter of 26 May to which you attached a statement of your Council's position. In my letters to you of 6 and 21 May setting out the Government's position, I told you of our readiness for discussions.

I am sure that the right course is for the two sides to meet as quickly as possible to see whether there is a way of resolving the dispute. My officials will be in touch with you about arrangements for a meeting.

SOAMES

COUNCIL OF CIVIL SERVICE UNIONS

19, ROCHESTER ROW · LONDON SW1P 1LB · Tel: 01-828 2727-9

Secretary General:
W.L.KENDALL

Secretary:
P. D. JONES

Assistant Secretaries:
B.G. SUTHERLAND HELEN E. HUGHES

The Rt.Hon. Lord Soames GCMG
Lord President of the Council,
Civil Service Department,
Whitehall,
London SW1A 2AZ

26 May 1981

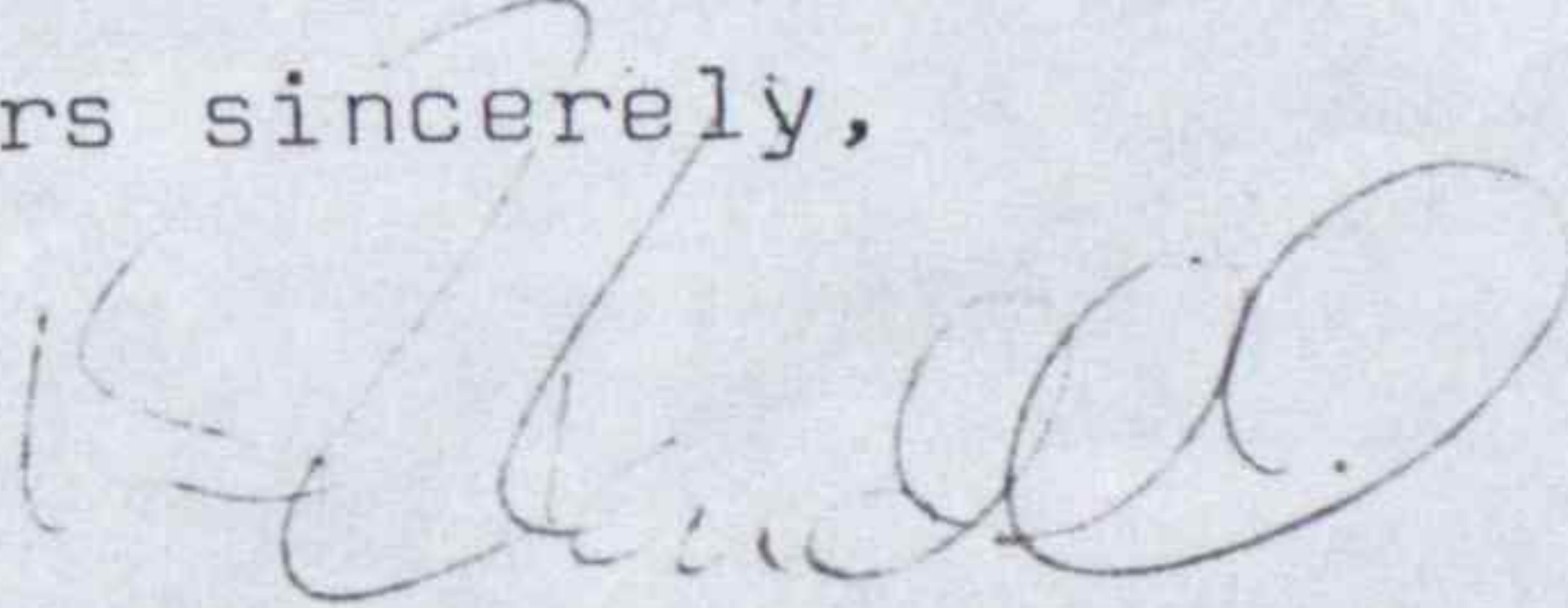
CIVIL SERVICE PAY

Further to my letter of 21 May, I can now advise you that the Council's Major Policy Committee has reviewed the current situation, including our recent correspondence, in the light of decisions reached at the annual conferences of our constituent unions.

The Committee has agreed the text of the enclosed statement, which I have been asked to formally transmit to you. You will see from paragraphs 6 and 7 of the statement that we are proposing negotiation without conditions being laid down by either side, or, alternatively, independent arbitration. This is a significant proposal, to which the Government should respond in equally forthcoming terms.

We believe that the enclosed statement represents what may be a final opportunity to resolve the current dispute before it moves into an irretrievable stage. I trust that the Government will grasp the opportunity we have presented.

Yours sincerely,


W L KENDALL
Secretary General

CIVIL SERVICE PAY

1. The Council's Major Policy Committee met today to review the pay campaign and its effectiveness. The action taken so far is extremely effective and has illustrated the determination of the whole of the Civil Service trade union membership. In both revenue collection and defence, the action is doing serious damage to key Government policies: it will take months, if not years, to restore normality. The impact on both business and the general public is growing - witness the action in civil aviation, the ports, Companies House, DVLC, the Courts and passport offices.
2. All the Council's constituent unions are now in favour of stepping up the action. The form of the escalation is spelt out in paragraphs 3 and 4 below. For the present, the escalation will continue the strategy of selective action, but further general action involving all members remains on the agenda.
3. The Council's Major Policy Committee therefore agrees that the existing range of action shall continue, and shall be extended to affect the following areas, some of which have not so far been involved in selective strikes:

Dept. of Employment)	staff engaged on preparatory work for taxation of unemployment benefits.
Customs and Excise)	staff in South and East coast ports engaged in control of exports.
Royal Ordnance Factories)	selected areas
Atomic Energy Authority)	
4. Up to now, we have concentrated our main effort on hitting the Government machine. Adverse effects upon the general public have been minimised to a considerable extent. Given the obduracy of the Government, however, it will not be possible to hold off action in more sensitive areas for much longer. Specifically, we now give notice that, unless negotiations take place or arbitration is agreed by 8 JUNE, further selective action in DHSS and Department of Employment will then be taken.
5. We have reached this conclusion with the greatest reluctance and in view of the Government's continuing refusal to enter into any meaningful discussions. The Council's Major Policy Committee is giving fully adequate notice of its intention now in order to

consult with members and discuss with them how best to minimise hardship. This period of notice will also be used for consultation with the TUC and all other interest groups who have already expressed concern about the consequences of any action in this area. The Major Policy Committee does not wish to deny the seriousness of the decision it has reached today.

6. The Council remains ready for negotiations, as it has been from the outset. Our proposal is that these should be comprehensive and meaningful, without conditions being laid down by either side. The Government should now respond by agreeing to our proposal while there is still time.

7. If, for any reason, negotiation is unacceptable to the Government, we are fully prepared to put the issue to independent arbitration.

26 May 1981

Civil Service Department
Whitehall London SW1A 2AZ
01-273 4400

W L Kendall Esq
Council of Civil Service Unions
19 Rochester Row
LONDON SW1P 1LP

21 May 1981

Dear Mr. Kendall,

Thank you for your letter of 13 May.

You question the need for an outside enquiry to help determine the Civil Service pay arrangements beyond 1982.

At our meeting on 23 April I confirmed that the Government is not prepared to return to the existing Pay Agreements. It is against that background that the case for an outside enquiry needs to be considered. I know that this suggestion raises many questions. They cannot be done justice in correspondence and it is surely sensible that we should discuss them round a table.

We are also ready to discuss with you the kind of factors which might be considered in the 1982 pay negotiations and any other points about next year which you wish to raise at this stage.

I hope that an early meeting can be arranged to talk about these matters. I would see advantage in having them considered initially by a small group from each side with on our side perhaps the Minister of State and 2 or 3 officials.

So far as 1981 is concerned I can only repeat that the 6% cash limit must be upheld and that I cannot increase the 7% offer already made.

Yours sincerely,
Christopher Soames

file

1A

Civil Service Department
Whitehall London SW1A 2BQ
01-273 4400

W L Kendall Esq
Council of Civil Service Unions
19 Rochester Row
LONDON SW1P 1LP

PS MOS
PS Remick
PS 2nd Perm Sec
Mr Burnett
Mr Fraser
6 May 1981
Mr Pearce
Mrs Stewart
Mr Jammy

Dear Mr Kendall,

As you know, I was surprised and disappointed at your letter of 23 April and at your Council's unwillingness to discuss the proposals which I put to you that day as a means of resolving the present pay dispute. I have deferred my reply to your letter in the hope that wiser counsels would prevail on your side but there is still no sign of that.

I recognise that your Council holds strongly to the view that the Government's offer of a 7% increase in pay this year is not an adequate one. But the Government has consistently reaffirmed its determination to uphold the 6% cash limit and in the Government's judgement the offer of 7% is as far as it is safe to go in stretching these limits. As I pointed out to you at our meeting some two million other public service workers have already settled at around the same level as the present offer to the Civil Service. Against this background the Government fails to understand why the 7% figure of itself should be a cause for dispute between us, let alone the sort of disruptive action the unions have been taking. What is more, the average level of settlements in both the public and private sectors in this pay round is now well within single figures.

However, there are important matters for us to discuss about the basis of negotiations in 1982 and the need for an urgent review of our pay arrangements with a view to returning to an agreed and ordered system at the earliest opportunity.

Naturally the cost of a settlement will be a factor in next year's negotiations. But I repeat my assurance that the Government will be prepared to enter into negotiations without a pre-determined cash limit. There will be room for genuine negotiations. In your letter you say that I referred in vague terms to other factors which would have to be taken into consideration. At our meeting I said that each side would be free to base its case on whatever factors it considers relevant and appropriate. We are ready for further discussions with you about the implications of this approach for the 1982 negotiations.

For the longer term I suggested that it might be helpful to set up an authoritative outside inquiry to provide independent recommendations which would be a starting point for consideration by both sides. I made it clear that we would be ready to discuss the terms of reference and the membership of such an inquiry with you. I very much regret that you have been unwilling to explore this possibility with us.

I believe that we can and should reach an early resolution of the dispute on the lines I have suggested. I still hope that your Council will on reflection conclude that it is prepared to join with us in further discussions to this end.

Yours sincerely,
Christopher Soames

SOAMES

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cc Mr Latham
Mr Vereker

1.



From the Private Secretary

Civil Service Department
Whitehall London SW1A 2AZ
01-273 4400

Tim Lankester Esq
Private Secretary to the Prime Minister
10 Downing Street
LONDON SW1

Prime Minister
Content for CSO Ministers
to offer this material to
Research Dept? It

26 May 1981

Dear Tim,
Would the
Chancellor or the
Lords look at it -
he has forewarned
me.

contains useful quotations
to support current policy
and strategy, with
relevant statistical
material.

MAJ
26/5

CIVIL SERVICE DISPUTE: BRIEFING FOR CONSERVATIVE MEMBERS

...

In view of the Prime Minister's concern about the sort of material being circulated on the dispute, the Lord President has asked me to send you the attached copy of material which Mr Hayhoe and the Lord President will be offering to the Conservative Research Department as notes capable of being used in both offence and defence. Perhaps you would let me know if the Prime Minister has any comments. I apologise for rushing you but clearly the sooner we get it round the better.

I am copying this to John Wiggins for the Chancellor.

Yours sincerely,
Jim Buckley.

J BUCKLEY

C I V I L S E R V I C E P A Y D I S P U T E

CONTENTS

SECTION ONE: ISSUES AT STAKE

1. THE PARTY'S RECORD
2. PAY INCREASES SINCE 1979
3. SUSPENSION OF PAY RESEARCH
4. REPLACEMENT OF PAY RESEARCH SYSTEM
5. 1981 PAY SETTLEMENT
6. GOVERNMENT PROPOSALS FOR 1982
7. LATEST DEMANDS OF UNIONS
8. SUMMARY OF GOVERNMENT'S POSITION

SECTION TWO: ESSENTIAL FACTS AND FIGURES

1. CIVIL SERVICE PAY
2. JOB SECURITY
3. INDEX-LINKED PENSIONS
4. MANPOWER

SECTION THREE: EFFECTS OF DISRUPTION

1. WORKING DAYS LOST
2. NUMBERS ON STRIKE
3. LOSS OF REVENUE
4. SAVINGS ON SALARIES
5. GOVERNMENT'S ATTITUDE TO DISRUPTION
6. TACTICS OF THE UNIONS

CIVIL SERVICE PAY DISPUTE

This document has three objects:

1. To provide comment on the chief issues at stake in the dispute.
2. To bring together in a convenient form essential facts and figures relating to the dispute.
3. To summarise the effects so far of the disruptive action taken by civil servants.

SECTION ONE: ISSUES AT STAKE

1. THE PARTY'S RECORD

The Civil Service unions claim that the party has reneged on firm commitments given before the last general election. The undertaking which they are most fond of quoting appeared in a letter written on Mrs Thatcher's behalf during the general election campaign which stated that:

'The Conservatives protested very strongly at the suspension of the Pay Research Unit, and we welcomed the announcement of its restoration. We see no reason why the restored and revised research system should not continue to provide the basic data for pay settlements'.

The unions cite these comments frequently in an attempt to substantiate their assertion that the Government took office committed to maintaining the existing pay agreement unchanged for an indefinite period. Yet Mr Prior, as Opposition Spokesman on Employment, made it quite clear in 1978 that no such unqualified commitment existed (and the unions were made fully aware of the party's position). In a statement on 14 August 1978 Mr Prior said:

'We publicly welcomed the Government's decision to reactivate the Pay Research Unit in the Autumn of 1977, and also the element of independent assessment which was introduced into it by the Prime Minister's proposals. We now want to see how these new arrangements will function. Naturally we cannot give blanket approval in advance to the way the new Pay Research Unit is working, nor an unqualified promise to implement its future recommendations. No responsible Government or Opposition can make commitments of that kind'.

Replying to Labour criticism in the House on 29 April, Mr Hayhoe (Minister of State at the Civil Service Department) said:

'I repudiate the charge that we have broken our election pledge. Before the election we made the position clear'.
(Hansard, 29 April 1981, Col. 785).

The 1979 and 1980 pay settlements were both based on pay research, using the arrangements restored in 1977 whose efficacy was thereby

tested and tried in fulfilment of Mr Prior's undertaking. Indeed, throughout the last decade, Conservatives have shown a much greater readiness than labour to find a role for pay research in settling Civil Service pay increases. Since 1970 five Civil Service pay settlements for administrative staff have been based on pay research, four of which were implemented by Conservative Governments. Labour's criticisms of the government for suspending the Civil Service pay agreement on this particular occasion are entirely specious and hypocritical, as Mr Hayhoe emphasised on 25 March:

'It comes extraordinarily ill from the Right Hon. Gentleman, sitting as he does on the Labour benches, to criticise us for suspending the pay agreement. In the past 10 years that agreement has been operated on five occasions - four times under Conservative Governments, and only once under Labour. So we on the Conservative side will accept no criticisms or strictures from the Opposition on that matter' (Hansard, 25 March 1981, Col. 923).

2. PAY INCREASES SINCE 1979

The average increases awarded under the last two pay settlements were:

1979	25%
1980	18.75%

The two pay settlements put together have produced an average, cumulative increase since 1979 of 48%, and have brought Civil Service pay fully into line with rates of pay for comparable work elsewhere. Some grades within the Civil Service have obtained more than the overall average, others have gained less: for example, the pay of cleaners has risen by 31% and that of Senior Scientific Officers by 39%, while the income of a Principal in the administration group has gone up by 60%, and that of a Data Processor by 63%.

Commenting on the high average increase in pay awarded to the Civil Service over the last two years, Lord Soames (Lord President of the Council and Minister with day-to-day responsibility for the Civil Service) observed in a statement on the 15 April:

'The Civil Service has had pay increases of almost 50% in the last two years. That fully rectified the adverse effects of the previous Administration's incomes policies. Against that background, and at a time when pay settlements generally have fallen sharply and are now well within single figures, we see our offer this year as being both fair and reasonable'.

3. SUSPENSION OF PAY RESEARCH SYSTEM

The Civil Service unions have sedulously fostered the view that the system of pay research that has now been set aside has worked well for the whole of the twenty-five years that it has been in existence. The unions would like it to be thought that the Government has laid rough hands on a time-honoured set of arrangements, that ought to be regarded as virtually sacrosanct. In fact the 'sacrosanct' system was suspended, and thus did not operate, for half of the time during

the last decade (see Section 1 above). It no longer commands general confidence, as comments in a wide range of newspapers (including The Guardian) testify. A leading article in The Guardian of 25 March 1981 declared that the old system of pay research 'has done the unions very well over the years. That is why they defend the system ... (It) was a slow and secretive system of partial comparisons with the up-market end of industry. That system produced unrealistic, though belated pay awards which ... the public accepted - if at all - with derision'. Returning to the same theme on 24 April, the paper pronounced that 'it had to go' because of the deep cynicism with which it was regarded by the public.

When the old system was introduced, it was widely accepted as a reasonable and satisfactory method of determining Civil Service pay. It has now lost all its earlier public support. Its only advocates today are to be found among the Civil Service unions. However not all of them favour its retention in its present form.

4. REPLACEMENT OF PAY RESEARCH SYSTEM

The Government's aim is to establish a new set of arrangements for determining Civil Service pay free from the defects which undermined public confidence in the old system. In August last year the Government proposed a number of changes, but discussions with the unions about them made virtually no progress, and no common ground was established.

In February the union leaders were told by Lord Soames that:

'The Government intends to review the arrangements for determining the pay of non-industrial civil servants with the object of establishing as soon as practicable an ordered and agreed system which takes account of all relevant factors and which will command the widest possible acceptance' (Hansard, 5 March 1981, Col 425).

It was made clear that there would be provision in such a review for matters of particular concern to the unions (such as independent fact-finding, comparability and arbitration) as well as other relevant factors like job security. On 15 April Mr Hayhoe elaborated on the government's position, and its attitude to the proposed review:

'I thought that we had made clear that matters which I know concern the unions - such as independent fact-finding, comparison with pay levels outside, arbitration arrangements and matters of that kind - are not excluded from the discussions. Equally, matters concerning the supply and demand of staff, the relative security of employment to which I have referred, the relative attractions of terms and conditions as a whole - pay, pensions, leave and the like - as well as the cost and general economic circumstances of the country must be taken into account in establishing the new system'. (Hansard, 15 April 1981, Col. 334).

On 23 April Lord Soames at a meeting with union representatives suggested that 'an authoritative outside inquiry' should be set up which would examine in depth all the relevant issues, and pave the way for the construction of a new system in which full confidence could be placed. As Lord Soames told the unions on the 23 April, 'it was not the Government's intention that the terms and conditions of service of civil servants should generally speaking fall behind those being applied outside the Service'.

5. THE 1981 PAY SETTLEMENT

The Government's approach to the 1981 Civil Service pay negotiations has to be seen against the background of the general economic situation:-

- special restraint is needed in pay settlements in both the public and private sectors this year;
- the country as a whole has suffered because for too many years pay increases have not been matched by increases in production; and in the manufacturing sector, particularly, the effects are now being felt in terms of high unemployment and redundancy;
- the public services cannot be insulated from the economic circumstances of the country at large. Their pay accounts for a high proportion of public expenditure. Every percentage point by which pay is raised throughout the public services (i.e. the Civil Service, the Armed Forces, NHS and local authorities via the rate support grant) costs £300m. The resultant bill is a burden which everyone has to meet through taxes and rates.

Following the high level of pay settlements in the last pay round, the Government decided that in the national interest the provision for expenditure on public service pay in 1981-82 would need to be strictly limited. Lord Soames gave early notice to the Civil Service unions on 1 August last year that cash limits would be the main basis of the April 1981 settlement. At that time it was thought that it might be possible for the pay research evidence to play some part in the settlement. However, the increasing need for restraint, coupled with the general fall in the level of other settlements made it clear that it would not be right for the Government to allow the pay research procedures to go ahead for the 1981 negotiations. The Civil Service Pay Agreements were accordingly suspended in late October. The unions subsequently applied in the High Court for the pay research reports to be delivered, but their case was dismissed.

The unions are making a strong plea for arbitration on the 1981 settlement. Because of the very tight limits on public expenditure this year, the Government cannot agree to this. The unions could not reasonably have doubted when the pay agreement was suspended and cash limits became the major determinant of this year's pay settlement that the Government could not put to the arbitration of a third party the total amount of public money to be made available for public service pay. The Lord President confirmed to them in

February that this was so. On 11 May the TUC decided to make a formal complaint to the International Labour Organisation, charging the Government with breaching an ILO convention (number 151, Article 8) on procedures for determining public service pay. There is no breach. The Convention cites arbitration as one of the possible methods for settling disputes, but it does not bind the Government to use it in any form. Mr Hayhoe made this clear in the House on 29 April (Hansard, 29 April, Col 785).

The Civil Service cash limits include a 6% increase in the provision for pay in 1981-82. The Government has offered the Civil Service unions an increase of 7% to be financed from the cash limits by further savings in manpower and other administrative costs over and above those that have already been announced for 1981-82. This is as far as the Government can go in stretching the cash limits. The offer is for a general increase of 7%, although it is open to the unions to make proposals about the distribution of the settlement if they wish to do so.

The offer is a fair and reasonable one in present circumstances. Some two million other public service workers (including teachers, National Health Service manual workers and local authority workers) have settled at around the same level without industrial action. The average level of settlements in both the public and the private sectors in this pay round is now well within single figures.

Lord Soames told the House of Lords on 7 MAY:

"It is absolutely necessary that we should take the stand that we have on this. I think that it would be a great mistake if people got it into their heads that all that was necessary was to indulge in industrial disruption in order to get a pay offer reviewed. But, equally, at the same time I must say that I should dearly like to be able to discuss with the unions how best to bring this dispute to an end ... I cannot believe that the great majority of civil servants, whatever may be their views about the dispute, can be at all happy that their unions continue to refuse even to discuss possible ways forward for the future and appear content to maintain, apparently indefinitely, their disruptive actions, with all the inconvenience and costs that that imposes upon the public".

6. GOVERNMENT PROPOSALS FOR 1982 PAY SETTLEMENT

Lord Soames told the Civil Service unions on 23 April that he did not expect that a new pay system could be established in time for the 1982 pay settlement. As the Government was not prepared to return to the existing Pay Agreements, it was ready to undertake to have full negotiations on the 1982 settlement, in which each side would be able to raise whatever factors it considered relevant. Lord Soames made it clear that he recognised the unions' concern that there had been no real flexibility in the negotiations this year. Naturally the cost of the settlement would be an important factor next year, but he assured them that the Government was prepared to enter into negotiations without a pre-determined limit on the cost of the settlement. Nevertheless, cash limits will still be fixed next year in order to provide firm control over departmental expenditure.

7. LATEST DEMANDS OF THE UNIONS

The unions' response has been, and remains, disappointing. They wrote to Lord Soames following the meeting on 23 April, to say that they still sought an increase of more than 7% for 1981, and that they wanted an assurance that there would be negotiation or arbitration on the settlement. They asked for more positive assurances on the 1982 negotiations, including access to arbitration. Furthermore, they said they could not see why the proposed long-term inquiry was put forward in preference to concrete proposals for reviewing the Pay Agreements. However, they did not rule out further talks. In reply to a letter from Mr Kendall, Secretary of the Council of Civil Service Unions, Lord Soames wrote on 6 May that he still believed that:

"It might be helpful to set up an authoritative outside inquiry to provide independent recommendations which would be a starting point for consideration by both sides. I made it clear that we would be ready to discuss the terms of reference and the membership of such an inquiry with you. I very much regret that you have been unwilling to explore this possibility with us.

I believe that we can and should reach an early resolution of the dispute on the lines I have suggested. I still hope that your Council will on reflection conclude that it is prepared to join with us in further discussions to this end".

The unions have now sent a further response to the Government's proposals in a letter from Mr Kendall to Lord Soames on 13 May. The letter is less than helpful: the unions are still asking for more than 7% this year, and they again question the need for an independent inquiry. But it leaves the door open and the Government hopes that it can be the starting point for further talks. The Government has repeatedly made clear that it is ready to meet the unions at any time, in order to reach a peaceful end to the present dispute. There can be no question of increasing the pay offer this year; but there are other points on which real progress can be made.

8. SUMMARY OF GOVERNMENT'S POSITION

The Government believes that its proposals offer a reasonable basis for a settlement. Lord Soames has made clear that he is ready to continue talks with the unions, and the Government hopes that they will on reflection respond to this invitation. Speaking in an adjournment debate on 8 May, Mr Hayhoe said:

'I want there to be no doubt about the Government's willingness to talk. We are ready to talk to the Civil Service unions at any time. Surely all but the most militant must accept that this is a much better and more fruitful approach than pursuing disruptive industrial action that can only harm the Civil Service and cause unnecessary hardship to the public. When we met the Civil Service unions on 23 April, we made three points. The first was that there could be no improvement

on our 7 per cent offer this year; the 6 per cent cash limit will not be breached. There must be no doubt about that. Secondly, we said that the Government were ready to set up an authoritative independent inquiry into the future arrangements for determining Civil Service pay. Thirdly, we said that the Government would undertake that if the new arrangements could not be in place in time for the 1982 negotiations they would enter into genuine negotiations next year, with no predetermined limit on the cost of the settlement.' (Hansard, 8 May 1981, Cols 461-2).

SECTION TWO: ESSENTIAL FACTS AND FIGURES

CIVIL SERVICE PAY

(a) Pay research has been implemented five times for administrative staff in the last decade (four times by Conservative Governments). The following table shows the percentage increase, and the procedure used, in each year during the last decade for the Civil Service administration group:

1970	Central Pay increase		8½%
1971	Pay research	approx	10%
1972	Central pay increase		7½%
1973	April - Central pay increase		
	November - Pay research	approx	11%
1974	Pay policy		7%
1975	Pay research	approx	33%
1976	Incomes Policy Phase 1	approx	10%
1977	Incomes Policy Phase 2	approx	5%
1978	Incomes Policy Phase 3		10%
1979	Pay research - staged	approx	25%
1980	Pay research - deferred payment		18.75%

Source: Civil Service Dept.

(b) Total Cost of the Civil Service Pay Bill:
(Industrials and Non-Industrials)

£5 billion provided for in 1981-82 (rising to £7½ billion if other administrative costs and pensions are included) which is 10% of all central government expenditure.

(c) Cost of Increase in 1981-82:

- i) Each 1% increase costs £46 million.
- ii) 7% increase would cost £322 million.
- iii) 15% increase would cost £690 million.

Source: Civil Service Department.

(d) Current salaries of some of the main Civil Service grades are as follows:

	<u>Min</u>	<u>Max</u>
	£	£
Clerical Assistant	41.91	72.60 (per week)
Clerical Officer	2,396	4,740 (per annum)
Executive Officer	3,775	6,745
Principal	10,600	14,000
Assistant Secretary	16,500	19,500
Permanent Secretary	31,000	(33,170 from 1.4.81)

London Weighting (£1,016 pa Inner London, £424 pa Outer London) is payable in addition for all grades below Deputy Secretary.

(e) A general downward trend has occurred during the current pay round:

Private sector pay settlements in recent months have averaged around 8/9%, according to the CBI pay survey.

JOB SECURITY

Civil servants enjoy relatively high job security, although in the absence of reliable statistics it is not possible to quantify and evaluate this security in comparison with other employment.

According to the CBI, 31 out of every thousand workers in manufacturing and construction have been made redundant in the last year, compared to 3 in every thousand in government (including local government) service (Daily Telegraph), 4 May 1981.

The government is committed to carrying through a significant reduction of the Civil Service: but the policy is being implemented almost entirely by 'natural wastage' by recruiting fewer people than those retiring or resigning (see next section).

MANPOWER

On 1 April 1981 the total number of civil servants stood at just under 690,000, having fallen by more than 42,000 since the government took office. By 1 April 1984 the total is due to drop to 630,000, as the Prime Minister made clear in a statement on 14 May 1980. Specific manpower targets for individual departments to attain by 1 April 1984 were published on 27 November last year. Over the five years 1979-1984 the government's plans will reduce the size of the Civil Service by 100,000 making it smaller than at any time since the war and saving some £600m in pay alone. This reduction is being carried out without significant compulsory redundancies because each year some 80,000 people leave the Civil Service on retirement or resignation.

INDEX-LINKED PENSIONS

(a) The Scott Report of February 1981 recommended a pensions deduction from Civil Service pay of 7-13½%. The present total effective employee contribution is 7.9% and thus falls at the lower end of Scott's range although Scott recognised that this is nearly twice the average employee contribution in analagous jobs elsewhere. (The Scott Report is at present under consideration by the government and no decisions have yet been taken on its recommendations.)

(b) Cost of Civil Service Pensions

Total estimated expenditure on Civil Service pension scheme in 1981-82 is £913m.

SECTION THREE: EFFECTS OF DISRUPTION

1. WORKING DAYS LOST

600,000 from 9 March to 29 April (Hansard, 29 April 1981, WA, Col. 401).

2. NUMBERS ON STRIKE

Average per week during the ten weeks which the disruption has so far lasted:

1st week:	1,200		
2nd week:	2,000	5th - 8th week:	3,500
3rd week:	2,700	9th - 10th week:	4,500
4th week:	3,000		

(Source: Civil Service Department).

3. LOSS OF REVENUE

About one quarter of the revenue due in April was not received. Since the start of the dispute £2/2½ billion has been delayed. Consequently the government's borrowing requirement and the money supply are temporarily higher than they would otherwise have been, but the government's economic strategy is not at risk (Hansard, 30 April 1981, WA, Col. 453).

4. SAVINGS ON SALARIES

Up to 13 May around £16 million had been saved from the pay of civil servants taking part in the disruption. The amount of the deduction varies widely from individual to individual. As Mr Hayhoe has pointed out:

"An average figure has little significance in these circumstances, but for what it is worth it amounts to some £30 for each civil servant who has taken part" (Hansard, 3 April 1981, WA, Cols. 140-1).

Those on strike do not receive any pay or allowances, and the period of their absence does not count for pension purposes. Staff who appear for work but who will not work normally are temporarily relieved from duty without pay until they are prepared to work normally.

5. GOVERNMENT'S GENERAL ATTITUDE TO DISRUPTION

The Government has not sought to belittle or undermine the achievements and standing of the Civil Service as a whole (contrary to the claims made by the unions). On the 9 April the Prime Minister praised 'the vast majority' of public servants who loyally stay at their jobs and take on extra duties' to prevent the campaign of the unions from harming the country's essential interests (Hansard, 9 April 1981, Col. 1112). Criticism has been reserved for the minority who have sought irresponsibly (and unsuccessfully) to put the safety and security of the country at risk - for example by refusing to carry out maintenance work on some Polaris submarines in April. Such action is clearly deeply disturbing to large numbers of dedicated and loyal civil servants, to whom Mr Hayhoe again paid tribute in a speech on 8 May when he said:

"I know that many are profoundly disturbed by the disruptive action that is being taken by a small minority and by the calls for wider and extended action that are emerging as the Civil Service unions' conference season gets under way. We must remember that those who talk so often at those conferences will not be representing the views of many of their fellow workers". (Hansard, 8 May 1981, Col 461).

6. TACTICS OF THE UNIONS

By the beginning of April, it had become clear that, despite assurances to the contrary, the unions were prepared to disrupt services to the public. As Lord Soames said in his statement on 15 April:

"Local offices, providing benefits and services to the public, have more than once been closed for part or whole of the day without prior warning, meaning fruitless and time-wasting journeys by many members of the public. There have already been delays and frustration for passengers at ports and airports".

Much of the disruption at airports has been caused by air traffic controllers. For example, action taken by air traffic controllers on 27 April meant that only a third of all air services were able to operate. The Chairman of British Caledonian Airways has put the cost of the dispute to his airline at £250,000 a day.

By the beginning of April action was being taken at defence establishments. Mr William Wright of the Institution of Professional Civil Servants was reported as saying:

"We accept that this is putting the deterrent at risk, but this is a matter of the government"

prompting the Times to comment (9 April) that such remarks could 'scarcely create public sympathy, and must make the many civil servants who are uncertain about the strike wonder whether their leaders have lost all sense of proportion'.

Commenting on the unions' tactics, Mr Hayhoe has said:

"Union leaders say that their action is directed against the Government. What nonsense! Actions to impede the collection of taxes or the repayment of VAT to small businesses and others, actions to interrupt air travel or to prevent Royal Navy submarines going on patrol, hurt the country and the community. I am glad that departmental contingency plans are working well and that essential work is continuing.

But damage is being done, not least to the reputation and the high standards of the Civil Service itself. Once the dispute is over we shall all have a great deal to do to rebuild morale and restore sensible working relationships. The sooner we can start this positive, constructive work, the better (Hansard, 8 May 1981, Col. 461).

When asked in the House of Lords on 7 May whether the old and needy had suffered hardship, Lord Soames replied that:

"The dispute is not holding up benefits, and I hope that that will remain the case" (House of Lords Hansard, 7 May 1981, Col. 214).

Within days, however, some of the unions were considering plans for intensified disruption which would be bound (on their own admission) to inflict grave damage on services to the old and the needy.



✓ cc. J. Vereker

A. Duquiel

Treasury Chambers, Parliament Street, SW1P 3AG

C A Whitemore Esq
Principal Private Secretary
to the Prime Minister
No. 10 Downing Street
London SW1

26 May 1981

Dear Clive,

CIVIL SERVICE PAY: INDEPENDENT INQUIRY

— minute 7 22 May 1981
K.

As I told you on the telephone on 21 May, in the Chancellor's absence abroad, the Chief Secretary has asked me to make the following comments on the points discussed in Sir Robert Armstrong's minute of 20 May.

(a) The Chief Secretary agrees with the proposed draft terms of reference subject to the following points.

(b) He considers that the reference to "fair remuneration" should be omitted, but if this proves a sticking point for the unions the point should be reconsidered.

(c) The Chief Secretary agrees that it is right to refer to the Government's "responsibilities" as an employer.

(d) The Chief Secretary suggests that to meet the Prime Minister's point referred to in Paragraph 2(iv) of Sir Robert Armstrong's minute, the word 'orderly' should be deleted from its present position in the draft and after the words 'services to the public' there should be inserted the words 'in an orderly manner and without disruption'.

I am sending copies of this letter to the Private Secretaries to the Lord President, the Secretary of State for Employment and the Secretary of the Cabinet.

Yours ever
Terry Mathews

T F MATHEWS
Private Secretary

FILE

VLB

Civil Service
Pony PC 4

Civil Service

23 May 1981

The Prime Minister has seen and noted the Minister of Agriculture's minute of 21 May, about the effects of industrial action.

M A PATTISON

Miss Kate Timms,
Ministry of Agriculture, Fisheries and Food.

N

or Press

cc/T. Veeher



DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

Mr. Lamberton (or)

William Rickett
PS/PM
10 Downing Street
Whitehall
LONDON
SW1

R
27/5

22 May

Dear William,

1. I am writing to let you know of the latest developments at the Driver and Vehicle Licensing Centre at Swansea. For the last three days the mail has been coming in normally. But the air-conditioning plant (and therefore the computers) has remained out of action because of pickets preventing the entry of essential nitrogen supplies. Last night at 18.30, in full consultation with the police, a group of senior PSA staff crossed the picket with the nitrogen supplies. The pickets were 100 strong, but there were no disturbances.

2. Today should have been a normal working day. DVLC take their privilege day off on Tuesday. At 10.00 am this morning however there was a mass walk-out in protest against yesterday's action. It remains to be seen whether this action will be continued after the holiday. We will keep you posted on how the situation develops. Press reaction continues to be muted and we shall continue to explain for the moment direct effects on the public are very limited.

3. I am copying this to Jim Buckley (Civil Service Department) and David Edmonds (Environment).

Yours,

Anthony Mayer

CONFIDENTIAL

Civil Service
CAW



R H

cc:- C.Exch
LP
Emp

bc: Mr Hoskyns
Mr Vereker

10 DOWNING STREET

From the Principal Private Secretary

SIR ROBERT ARMSTRONG

Civil Service Pay: Independent Inquiry

The Prime Minister has now been able to consider your minute A04957 of 20 May 1981 about the terms of reference for the independent inquiry on Civil Service pay, together with the comments of those to whom you sent copies of your minute.

The Prime Minister has two points of substance on the draft terms of reference attached to your minute:-

- a. She thinks that the phrase "the management of the economy" in the preamble should be deleted. Both she and the Chancellor of the Exchequer have been at pains to make clear in their public utterances that the Government is not and cannot be responsible for the entirety of the economy. Rather, the Government is responsible for only certain areas of the economy such as public finance and the control of the money supply. She is concerned that this phrase might give the opposite impression.
- b. She agrees that the terms of reference must make it clear that the inquiry is primarily about pay and is not meant to be another Fulton and she is accordingly content with the use of the term "pay-related". But she thinks the phrase "structure and grading" is rather too narrow and she would prefer "management structure and practice". She believes that this would take more account of the factors which the Priestley Commission referred to when they complained about the narrowness of their terms of reference.

The Prime Minister has also made a small change to the opening words of the terms of reference proper in order to simplify them slightly.

The terms of reference as amended by the Prime Minister are now as follows:-

"Having regard to the public interest in the recruitment and maintenance of an efficient Civil Service and in the orderly conduct of the business of Government and its services to the public; to the need for the Government to reconcile its responsibilities for the control of public

/expenditure

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BK

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expenditure and its responsibilities as an employer; and to recent experience of operating the existing arrangements for determining the pay of the non-industrial Civil Service:

To consider and make recommendations on the principles and the system by which the remuneration and other conditions of the non-industrial Civil Service should be determined, and on pay-related questions of management structure and practice".

The Prime Minister hopes that we can now settle on the terms of reference in their form above. But if you or any of the other recipients of this minute have any further comment of substance, she would of course be ready to consider it.

I am sending copies of this minute to the Private Secretaries to the Chancellor of the Exchequer, the Lord President and the Secretary of State for Employment.

C. A. WHITMORE

22 May 1981

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Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Lord Soames
Lord President of the Council
Civil Service Department
Whitehall
LONDON
SW1A 2AZ

21 May 1981

Dear Christopher,

In the Chancellor's absence abroad, I am at his request sending you the draft of a Fact Sheet and Speaking Notes dealing with the Civil Service dispute.

This responds to the widespread criticism in the Press and elsewhere that in terms of public relations the Unions are making the running and our case is going by default.

Our objective is to put Ministers in the position where they can make our own case with at least the same vigor as the Unions are making theirs.

For this reason the document is essentially a statement of our case and a presentation of our arguments. It is not intended to present the Union case: that can be left to them. The document is not therefore a balanced presentation which is designed to put the arguments on both sides. It is not intended to be: and it would be wrong for it to be.

The fight is not of our choosing. But engaged in it we are and we have to win it. A vigorous presentation of our case is an essential element in this.

Yours,

Arthur
LORD COCKFIELD

FACT SHEET

1. Pay

Since this Government came into office -

Civil Service pay	up	by	50%
Other people's pay	"	"	38%
Prices	"	"	35%

2. Security

A job in the Civil Service is a job for life -

Redundancies in 1980 in the country as a whole	500,000
" " " in the Civil Service, the police and NHS workers <u>combined</u>	only 2,000

3. Pensions

All Civil Servants have inflation proof pensions. Virtually no one in the private sector has an inflation proof pension. They cannot be bought at any price. Civil Service pensions have been completely protected against inflation. Protection of private sector pensions generally has fallen well short of inflation.

4. The Present Pay Offer

(i) Originally 6%
Increased to 7%

Claim that Government is inflexible completely untrue.

It is the Unions that walked out. The Government has always been prepared to negotiate.

(ii) Offer of 7% compared with
Increase in prices now [12%]
Expected to fall to 10% later this year
" " " 8% first half of next year
2% of current price increases due to Budget
People in employment cannot expect to be compensated for this.
Offer of 7% generous in relation to price increases expected
this year.

(iii) With falling output and rising unemployment those in work
cannot expect pay to increase in line with prices.
But the offer of 7% very nearly does so.

(iv) Other workers have accepted comparable increases -

Teachers	7½%
Local Authority	
Manual workers	7½%
NHS Ancillaries	7½% for 15 months equal to 6% for 12 months

Many workers in industry have had to accept very small pay
increases and some no increase at all.

5. The Strike

The objective of the Union leaders is to damage the Government and
inflict hardship on the people:-

- (i) Attempts to cut off revenue with the object of forcing
interest rates up thus hitting industry and everyone
buying their house with a mortgage.
- (ii) Cutting VAT repayments to damage industry and particularly
small businesses.

(iii) Disrupting people's holidays through strike of Air Traffic controllers.

(iv) Disrupting people's holidays through strikes in the Passport Offices.

This action has been much less successful than the Union leadership hoped. Not least because many Civil Servants recognise the duty they owe to the community at large. We owe much to those who have stayed at work in difficult circumstances.

6. The Future

The Government have offered -

- (i) Full negotiations next year without constraint of a predetermined cash limit.
- (ii) Independent public enquiry into principles on which Civil Service pay should be determined in the future.

Claim that the Government is inflexible completely untrue.

It is in the interests of their own members that the Unions should accept this offer.

SPEAKING NOTES

1. The Government have been very fair to the Civil Service. In the last two years their pay has increased by 50%. Other people's pay has increased by only 38% and prices by only 35%.

2. Acceptance of the present offer would mean that since the Government came into office Civil Service pay will have gone up by 60%.

3. Historical debates about what happened in 1970 or elsewhere in the past are irrelevant. What matters is what is happening now. Since coming into office the Government has treated the Civil Service very fairly - much more fairly than the previous Government.

4. Civil Servants enjoy great advantages not shared by most people in employment -

They have job security.

They have inflation proof pensions.

5. The present offer is 7%. Originally the offer was 6% but it was increased to 7%.

This shows clearly that the Union claim that the Government is "totally inflexible" is wholly without foundation.

6. The 7% offer is fair in relation to prices. With output falling and unemployment rising, people in employment cannot expect full compensation for price increases. Nor can they expect compensation for increases in indirect taxes.

The increase in the RPI at present is [12%]. But this is expected to fall to 10% later this year and 8% in the first half of next year.

In relation to these figures the 7% offered is very fair.

7. It is very fair too in relation to what other workers have had to accept in these difficult times -

Teachers have accepted 7½%

Local Authority manual workers have accepted 7½%

NHS ancillaries have accepted 7½% for 15 months equal to 6% on a 12 month basis.

Most workers in industry are now accepting offers in single figures. Some - to avoid redundancy and unemployment - are accepting very small increases and some no increases at all.

8. The objective of the Union leadership is to damage the country and impose hardship on individuals -

By restricting the flow of revenue the Unions are hoping to force up interest rates thus damaging industry and imposing hardship on everyone buying their house on mortgage.

By cutting off VAT repayments the Unions are hoping to damage industry and particularly small businesses.

By closing down airports and by strikes in passport offices the Unions are trying to disrupt people's holidays.

This union action is not supported by large numbers of Civil Servants who recognise their obligation to the community as a whole. As a result it has proved much less

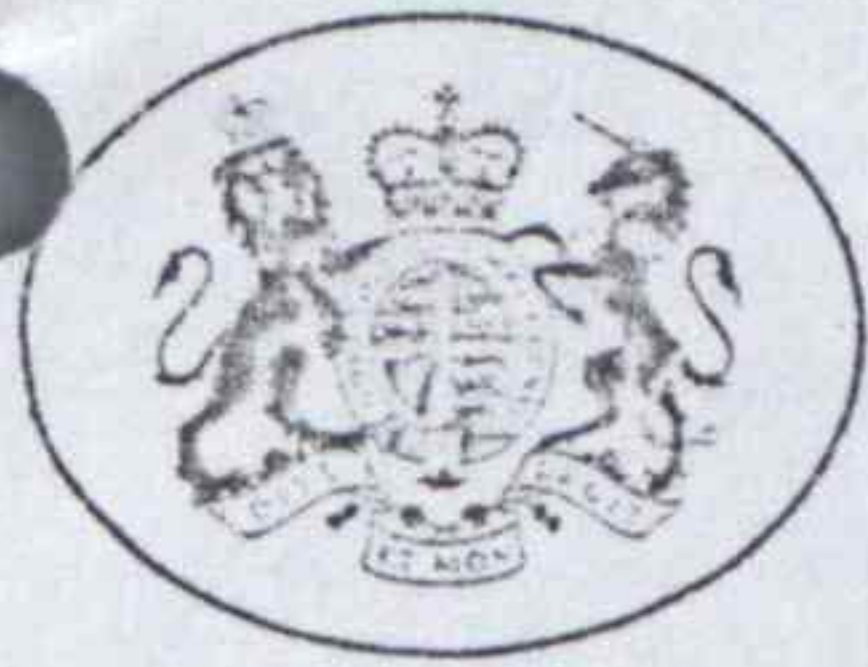
successful than the Union leadership had hoped. We owe much to those who have stayed at work in difficult circumstances.

9. Apart from the improved pay offer, the Government has offered - 1

- (i) Full negotiations next year without the constraint of a pre-determined cash limit.
- (ii) An independent public inquiry into the principles on which Civil Service pay is determined.

This offer shows a flexible approach on the part of Government.

It is an offer which it would be in the interests of their members for the Unions to accept.



Secretary of State for Industry

DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB

TELEPHONE DIRECT LINE 01-212 3301
SWITCHBOARD 01-212 7676

21 May 1981

The Rt Hon Lord Soames CH PC GCMG
GCVO CBE
Lord President of the Council
Civil Service Department
Whitehall
London SW1A 2AZ

✓ MHP

Jean Christopher

12
27/5

ENQUIRY INTO CIVIL SERVICE PAY

I understand that you are discussing with Geoffrey Howe and Jim Prior the possible scope of the terms of reference of the enquiry into Civil Service pay which you have offered to the Civil Service unions. I would be worried if the enquiry were limited to pay in isolation. I think it essential that the enquiry should give full consideration to such labour market factors as supply and demand and job security. I think that much of the recent criticism of the arrangements for determining Civil Service pay flow from the omission of these factors from the terms of reference given to the original Priestley Commission. I hope that you will also be able to take account of the criticisms which the Priestley Commission made of its terms of reference in Chapter III of its report.

I am copying this letter to the Prime Minister, to Geoffrey Howe and to Jim Prior.

Econ,

Kevin

CHAPTER III

THE LIMITATIONS IMPOSED BY OUR TERMS OF REFERENCE

54. We think it right to point out that the terms of our reference have been drawn more narrowly than those of the Tomlin Commission. Theirs were as follows:—

“ . . . to enquire into and report on:—

(a) The structure and organisation of the Civil Service, including methods of recruitment;

(b) Conditions of service in the Civil Service, with particular reference to

(i) the general standard of remuneration of civil servants and the existing differentiation between the rates and scales of remuneration payable respectively to men and women civil servants;

(ii) the machinery for the discussion and settlement of questions relating to conditions of service; and

(iii) the position of ex-Service civil servants in unestablished employment;

(c) Conditions of retirement from the Civil Service, including the retirement of women civil servants on marriage.”

55. It will be seen that by contrast ours make no mention of a variety of matters such as structure, grading, complementing and their relationship to the size of the Civil Service; nor are we called upon to make recommendations about recruitment, training and promotion procedures. Though we have not felt debarred from enquiring into these questions, we have found it extraordinarily difficult to examine and advise on the pay rates of an organisation so complex as the Civil Service without the opportunity of making positive proposals on these intimately related matters, and we feel obliged to indicate the effect which the restricted nature of our terms of reference has had on our attempt to fulfil our task.

56. As regards structure and grading we have to assume for purposes of our enquiry that the work to be done in the Civil Service has been allocated as correctly and efficiently as possible first to the various classes and then within the classes to the various grades. Thus for example we have to accept that it is right for purposes of pay to make a clear distinction between administrative and executive work but wrong to distinguish between engineering and architecture; that within the executive class it is right to have a structure of seven grades (or six if posts higher than principal executive officer are excluded); and that within the works group it is right to have four grades on scales of pay combined with higher level posts on a variety of fixed rates. These arrangements may or may not be for the best but the obligation to accept as fixed data the existing class and grade structure imposes considerable limitations on any review of pay rates.

57. As regards recruitment we have been told that there is difficulty in obtaining sufficient recruits in a number of grades. We are not, however, authorised to explore or comment upon ways in which the situation might be improved except in so far as adjusting pay or hours or leave may contribute to increase the attractiveness of the Service to possible recruits. It is at least conceivable that a review of recruitment procedures might indicate alternative or complementary possibilities. It is evident, for example, that the length of time a candidate has to wait before he is offered a post is, in certain grades, a deterrent which diverts many persons from a civil service career.

58. Training arrangements again are relevant to recruitment and retention and so to rates of pay. We have to assume that the present arrangements will enable the best possible use to be made of the talent which we trust will be recruited with the help of the scales we propose.

59. As regards promotion it must be clear that career prospects have a bearing on recruitment of suitable staff. It is also important that such staff when recruited should be used in such a way as to ensure that the best men in a class reach positions of responsibility not too late in life. It has not, however, been within our terms of reference to examine promotion procedures to see whether they are the best that might be devised.

60. We refer in paragraph 98 to the need for formalism in recruitment procedures and other matters in order to preserve the non-political nature of the Civil Service. But whether the same degree of formalism must and should apply to all established civil servants in the changed circumstances of today is a matter that may be open to question. It is possible that the scope of what may be called full civil service status requires re-examination and such re-examination might well have a bearing on principles of pay and pay procedures generally. We discuss certain aspects of this question in Chapter XV.

61. Another limitation arises from the fact that the greater part of the industrial Civil Service is excluded from our terms of reference. These staffs number some 425,000 but we have to assume that the position of the non-industrial Civil Service (together with certain industrial staffs in the Post Office) can be examined in isolation.

62. These factors have added to the difficulties and complexities of our task. In particular we wish to emphasise that our suggestions for rates of pay are related to the duties and qualifications of the various classes as they have been described to us in evidence. We know that the Service expanded substantially and rapidly during the war and that the enlarged Service has been re-deployed since the end of hostilities. It has admittedly been difficult to keep up standards of grading under such circumstances and some deterioration would seem to have been inevitable. While we have received assurances that the steps taken to restore pre-war standards have met with a considerable degree of success, we stress that this matter should continue to be carefully watched.

63. We should go further than this. Successive Governments have emphasised that in an economy in which full employment is nearly approached, significant improvements in pay and conditions of employment (as distinct, we presume, from any which are necessary for the removal of anomalies or the alleviation of patent hardship) should be the consequence only of improved performance; and from the operation of the same principle the Civil Service cannot in our view be exempt.

64. These considerations are crucial to all our findings because the rates of pay and conditions of service which we recommend are based upon the assumption that the quality and efficiency of the Service has been fully maintained and will continue to stand up to outside comparisons. It is not enough that civil service rates of pay and conditions of service should compare fairly, in the sense we explain in Chapter IV, with those in other employment. The responsibilities with which the Service is charged and the duties which civil servants have to shoulder are such that they can be properly carried out only if the standards of efficiency and performance in the Service are at least as high as those found elsewhere and if improvements in such standards outside the Service are fully matched within it.

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Mr. Whitmore U

21 May 1981

POLICY UNIT

PRIME MINISTER

Original returned to J. Hoskyns.

CIVIL SERVICE PAY: INDEPENDENT INQUIRY

1. We have several points on Robert Armstrong's latest - and much improved - version of the terms of reference. They might seem pedantic, but precision at this stage will pay dividends later.

2. "Fairly remunerated"
We do not think the Lord President should have authority to reinstate this phrase. Pay in a market economy is not a matter of fairness, but one of efficiency. The widespread myth to the contrary should not be perpetuated. (In any case the new reference to the Government's "responsibilities" as an employer provides the right degree of reassurance.)

3. "Control of inflation"
We don't like generalising this point to "the management of the economy". This perpetuates another myth: governments don't manage economies in the full sense implied by that phrase. They have certain limited duties. Pre-eminent among these duties - and widely neglected during the post war period - is safeguarding the currency. Controlling inflation has been the stated top priority of this Government - and even its predecessor. A principle defect of the old system for determining Civil Service pay has been its incompatibility with a policy against inflation. That is why we want a new system.

4. "Structure and organisation"
We agree that this point should go at the end and be qualified by the word "pay-related", in order to emphasise that the inquiry is primarily about pay. But we think the suggested phrase "structure and grading" is too narrow. When the Priestley Commission complained about the narrowness of their terms of reference, they pointed to a host of relevant factors: "structure, grading, complementing and their relationship to the size of the Civil Service, recruitment, training and promotion procedures."

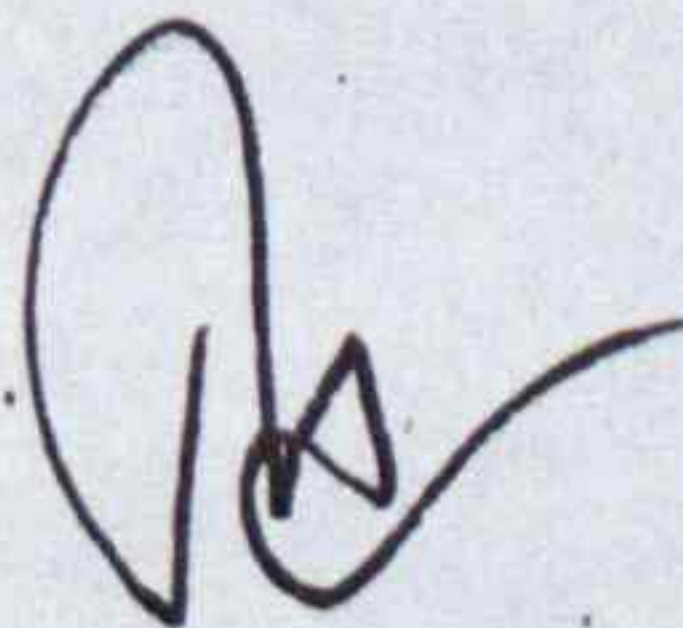
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/5. We therefore

5. We therefore suggest that the last line of the terms of reference should be more open-ended, along the following lines:

"... Civil Service should be determined,
and on any pay-related questions of
management structure or practice."

6. This will leave the inquiry team free to pursue anything they feel is relevant to pay.
7. I am copying this minute to Sir Robert Armstrong.



JOHN HOSKYNS

010

[Handwritten signature]

21 May 1981

MR LANKESTER

cc Mr Vereker

CIVIL SERVICE PAY ENQUIRY

When do you think the Prime Minister will want to discuss the names of members of this Enquiry? Could you please try to ensure that John Hoskyns is present then?

CSD will be submitting again shortly. I'll let you know then.

[Handwritten signature]

ANDREW DUGUID

[Handwritten mark]

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PRIME MINISTER

Can I see the revised version?
M

Civil Service Pay : Terms of Reference of Independent Inquiry

Sir Robert Armstrong has submitted in the attached minute terms of reference for the independent inquiry which he has produced in the light of your meeting on Tuesday of this week.

Mr. Prior is entirely content with the terms of reference, and the Lord President is not disposed to offer comment on them (!).

The Chancellor of the Exchequer is of course not here to give a view on them but Sir Douglas Wass has spoken to me this evening to raise what he regards - I think rightly - as an important political point about them. He is unhappy about the use, in the preamble, of the phrase "the management of the economy". This is the first time that this term has appeared in the draft terms of reference and Sir Robert Armstrong's reasons for putting it in are explained in paragraph 2(ii) of his minute. Sir Douglas Wass' objection to the phrase is that it is not consistent with statements which you and the Chancellor have made making clear that you do not regard the Government as responsible for the whole economy and for everything that goes right or wrong within the economy. Rather, our position is that the Government is responsible for only part of the economy such as public finance and control of the money supply. This phrase, on the other hand, might be criticised as smacking of demand management. Sir Douglas Wass suggests therefore that we drop it altogether so that the sentence would read "... to the need for the Government to reconcile its responsibilities for the control of public expenditure and its responsibilities as an employer". Agree? *Yes*

While I have been dictating this minute the Chief Secretary's office have phoned to say that Mr. Brittan would like to suggest that the opening of the preamble should be amended to read "... in the recruitment and maintenance of an efficient Civil Service and in the conduct of the business of Government and its services to

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/the

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the public in an orderly manner and without disruption". I think that this is a slightly nit-picking change and makes the sentence rather clumsy, though I can see why the Chief Secretary wants it. Shall we include it or not?

The (Prime Minister) did not accept this amendment. *MS.*

I have incorporated these two amendments in pencil in the draft terms of reference attached to Sir Robert Armstrong's minute so that you can readily see how the amended version would run.

MS.

PS.

John Hoskyns has now produced some comments too (file A). He has made the same point as Sir Douglas Wess. He has also suggested a further change at the end of the draft terms of reference which I have shown in pencil in the same way as the other two suggested amendments.

The (Prime Minister) accepted the amendments with one minor change. *MS.*

MS.

21v.

21 May 1981

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MINISTRY OF AGRICULTURE, FISHERIES AND FOOD
WHITEHALL PLACE, LONDON SW1A 2HH

From the Minister

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PRIME MINISTER

~~Mr. Butler~~
Mr. David
Mr. Lyden

Prime Minister

Mr. Lyden has
concluded that
MAFF should not
try to substitute
~~manual~~ manual payments
for the computer
operation.

INDUSTRIAL ACTION

1. I have reviewed the possibility of making payments by hand now that industrial action has brought to a halt the computer at Guildford which makes payments on behalf of MAFF, the Welsh Office and the Intervention Board for Agricultural Produce (IBAP) to farmers and food traders. Payments through the computer have been running recently at the rate of about £16-17m per week. My assessment of the feasibility of making payments by hand, and the number of staff needed to do so for each category of grant and subsidy, if it could be assumed that staff would be willing to carry out the work, is as follows:-

- i. Capital grants paid to farmers and growers - about 3,000 payments totalling £4m. Making these payments manually together with handling all the book-keeping and statistical documentation necessary would require about 50 staff spread around our 19 Divisional Offices.
- ii. Sheepmeat and Beef Premiums - these are paid on behalf of IBAP, part to farmers and part to traders. At present payments to farmers are at about £1m per week and to traders about £½m. The average market price on which the amount of deficiency payment is based is calculated by the computer. From now on there will be no way of establishing the average market price or the level of payments so as to satisfy the European Commission, which finances them wholly or in part. At present about 17,000 payments per week are made. To process documents still in the pipeline - about three weeks' payments - approximately 100 staff (including calculating machine operators) would be needed.

- iii. Export refunds under the CAP - these are paid on behalf of IBAP to traders. Their average total value at the present time is about £7m a week. They are highly complex to calculate and depend almost entirely on the computer. Over 200 staff would be needed to keep up something approaching the present flow, but even so there would be many practical snags.
- iv. Other payments under the CAP - mainly on intervention. About 300 are made per week, most to traders, to a value of about £3-4m. 5 staff would be needed to replace the computer operation.
- v. Other Miscellaneous Payments - there are about 2,000 per week of a wide variety, including payments to the fishing industry and to local veterinary inspectors. The weekly rate of payment is about £1m. We would need about 30 staff to handle these payments manually.

2. From this analysis I conclude that, if staff were willing to co-operate, it would be feasible to make payments of capital grants (£4m) and intervention (£4m) and some of the miscellaneous payments; but not sheep and beef premium or export refunds. But I see two major disadvantages in attempting substitution for the computer operation in this way:-

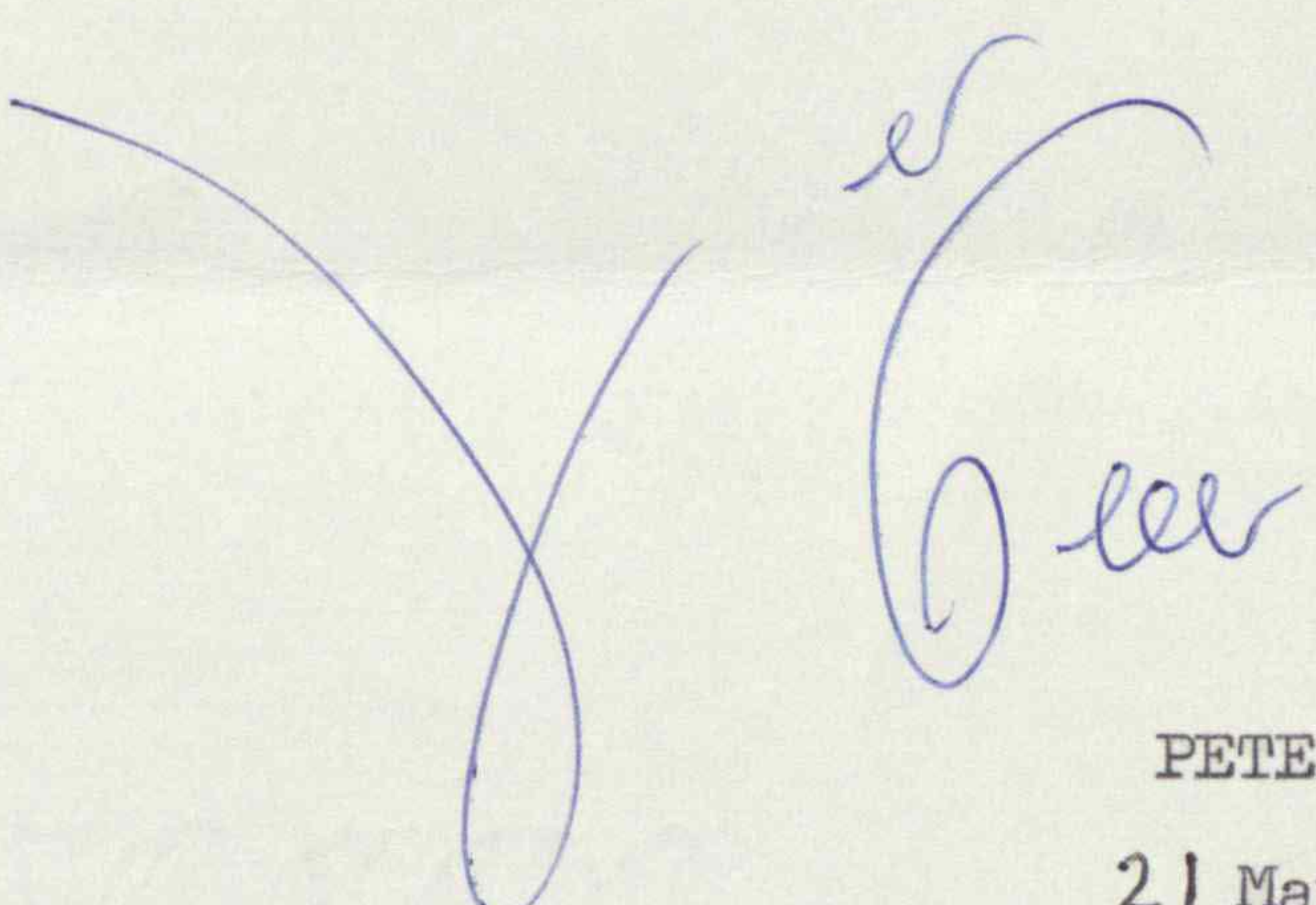
- i. to give special treatment to certain payments would mean pulling considerable numbers of staff off other work. This would cause backlogs in the preparation of other payments; and it would increase the problems of recovery after the industrial action ends. The net effect, even if staff co-operated, might therefore be of very limited benefit to the industry;
- ii. it would be seen as strike-breaking and a deliberate escalation by us of the dispute, and the unions would respond accordingly. Many staff would be dragged into the strike which would spread much wider in both MAFF and IBAP, so that the action we had taken to facilitate payments would quickly be rendered nugatory. I would only want to embark on this course as part of a general move by the Government as a whole to escalate the dispute - something we have so far avoided.

3. If cases of hardship arise I shall seek to persuade some of the staff to handle them, and hope for union agreement or tacit acceptance: my Department is not traditionally a highly militant one. But I cannot guarantee that this will be possible.

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4. Fortunately, the period of recovery after the strike ends will be relatively short, provided that there is no interruption in the preparation of data, such as would be caused by switching staff in an attempt to make manual payments. For each full week of strike action in its present form, we estimate that full recovery will take less than a week once staff are working normally.

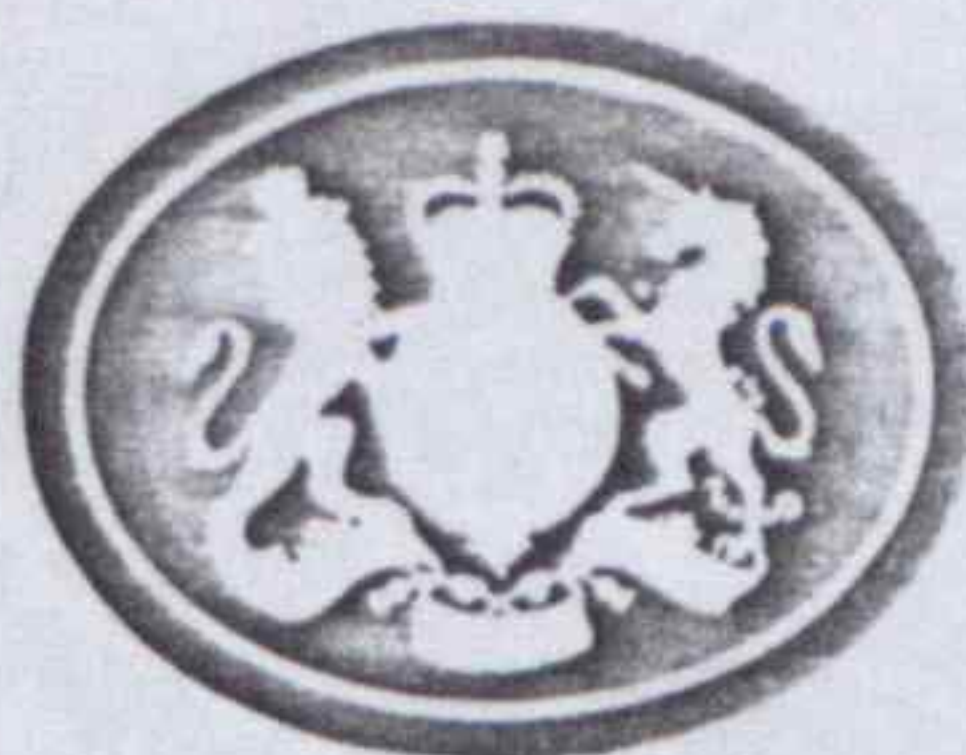
5. I am sending a copy of this minute to Christopher Soames and Nicholas Edwards.



PETER WALKER

21 May 1981

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SECRETARY OF STATE FOR ENERGY

THAMES HOUSE SOUTH
MILLBANK LONDON SW1P 4QJ
TELEPHONE: 01-211 3000

01 211 6402

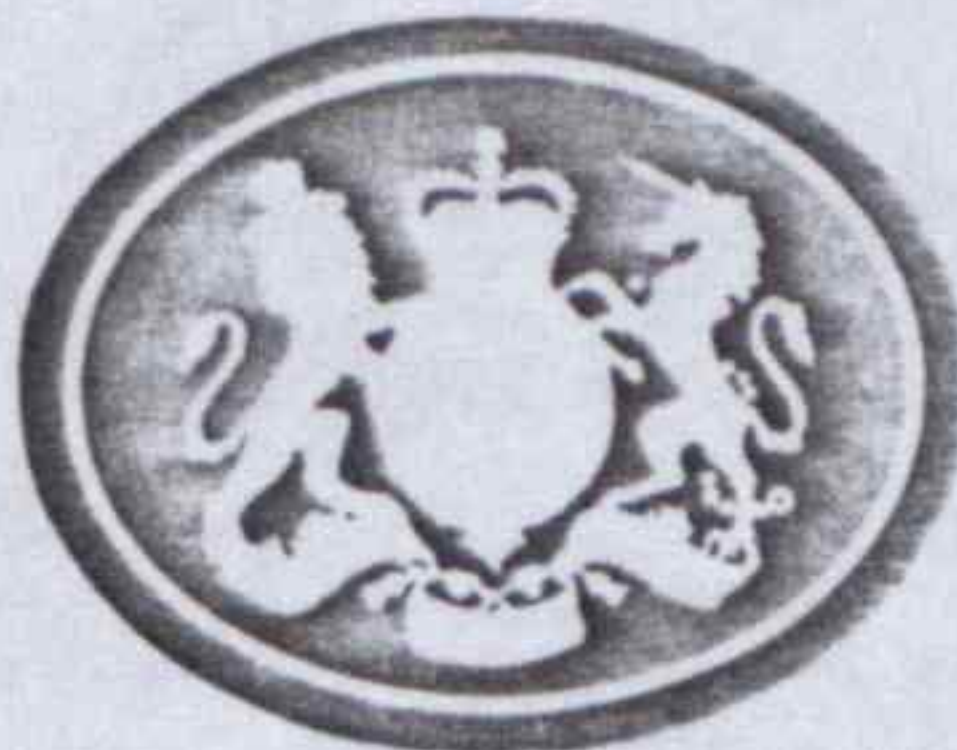
Barney Hayhoe Esq MP
Minister of State
Civil Service Department
Whitehall
London
SW1A 2AZ

21 May 1981

PAY OF PETROLEUM SPECIALISTS

As you know, officials of our two Departments have been discussing the urgent necessity to update last year's pay settlement for Petroleum Specialists. The settlement authorised by Ministers at market rates, after intervention by the Prime Minister, came so late in 1980 that its impact was almost immediately overtaken by the next round of increases in the oil companies. As a result we still have great difficulty in recruiting staff of adequate calibre, and losses to the oil companies continue to mount. It is essential to have adequate numbers of experienced staff if the Petroleum Engineering Directorate is to fulfill its obligations to oversee the development of the UK's hydrocarbon resources. We must be in a position to approve development plans, set the allowed rate of production, and monitor the performance of reservoirs. Without Petroleum Specialists to perform these tasks the national interest cannot be adequately safeguarded and we will lose control of an area which is of crucial importance to the economy, both in terms of the oil produced and the tax revenue generated. It will need only one field to be overproduced, leading to damage to the reservoir and lower than expected ultimate recovery of oil, to leave the Government's position completely exposed. The present scarcity of staff will also be a severe constraint on our freedom of action to introduce a depletion policy based on production cuts, given the significant technical consultation that will be necessary with the oil companies to settle the detailed application of any such policy to individual fields.

The situation has now become so serious that we have been considering more detailed remedies than annual increases in pay in line with oil company increases. We have for example considered the option of establishing a separate agency, external to the Department, which would be responsible for providing Ministers with technical advice. The creation of such an agency would however require new legislation and so could not be set up quickly. While such a move would in principle enable us to achieve the necessary flexibility for pay and working environment there would be major practical difficulties, not least in drawing up the boundaries between the Department's responsibilities and those of the agency. Equally, as



a non-trading organisation the Government would inevitably become significantly involved in the setting of the rates of pay which could therefore remain a contentious issue. We have also considered the possibility of expanding BNO's role to take on these responsibilities but do not believe that this would be a practicable or desirable solution. No body could act as both operator in submitting plans for development and as the arbiter of their acceptability to the Government.

We are considering less fundamental matters such as the working environment and, for the longer term the recruitment of a number of "trainees". We are also considering, and may come forward with a firm proposal in due course, the possibility of our hiring staff on period appointments for which we would seek authority to negotiate individual salaries. However, there is no way of resolving or even mitigating our current problems, except to bring current pay in line with our competitors in the oil industry. I should therefore be most grateful if you would consider and approve the case, put to you by officials, as soon as possible.

I am copying this letter to the Prime Minister, to Jim Prior and to Leon Brittan.

D A R HOWELL

*Yours
David*

CONFIDENTIAL

HS

SIR ROBERT ARMSTRONG

Civil Service Pay

I have shown the Prime Minister your minute AO4944 of 19 May 1981 about the Civil Service pay dispute, and she agrees that the Lord President should not circulate a memorandum for Cabinet tomorrow, but that he should raise the subject orally.

She is also content not to have the Attorney General present for the discussion.

CLIVE WHITMORE

20 May 1981

CONFIDENTIAL

Ref. A04952

PRIME MINISTER

Cabinet: Civil Service Dispute

Following the meeting which you had with the Lord President, the Chancellor of the Exchequer and the Secretary of State for Employment yesterday, the Lord President will report orally to Cabinet.

2. He will presumably report on the resolutions of the annual conferences. He will indicate that, though resolutions were passed in favour of all-out strike action, the union leaders would probably prefer (though they may not be able) to avoid being driven to the position of acting on those resolutions. They might have support for a one or two-day strike, but it is not thought likely that support for a five-day strike, in which there would be no strike pay, would be other than poor and patchy; and this could weaken rather than strengthen the position of the unions. The union leaders are meeting on Tuesday 26th May to consider the position. There is now a "window" during which it may be possible to get some sort of discussions going. But the omens for an early settlement are not very propitious.

3. The Lord President will no doubt report that your meeting yesterday narrowed the options to be considered, in case the Government wished to counter-escalate. It really came down to three:

- (a) The possibility of indicating that the Government might not be able to maintain the operative date of 1st April, if the dispute was drawn out for a long time. A reasonably vague formula of that kind would make it unnecessary at this stage to be specific about whether, if the threat were to be carried out, it would be carried out selectively, in respect only of those who had taken industrial action, or generally, in respect of the whole of the non-industrial Civil Service. As you said, indiscriminate action would seem unfair to those who had continued to work normally or even harder than that; but many of those responsible for management believe that people who have stayed at work would prefer not to be specially rewarded by Government for doing so, and selective action,

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discriminating against those who had not taken industrial action, could be very divisive later. There might be other ways of rewarding those who had not taken industrial action. If it was decided to defer the operative date selectively, it would probably be wise to apply it only to those who continued to take action after the date on which a definite indication of the threat was made.

- (b) The possibility of imposing a 7 per cent increase. Your meeting yesterday agreed that that was a course of action to be followed only if it was pretty certain that it would lead to an end to the dispute. Done at the wrong moment, it could even exacerbate it.
- (c) The possibility of introducing legislation to enable white-collar workers to be laid off. There was a growing feeling that legislation on these lines ought to be introduced, not just in respect of the Civil Service but generally. Your meeting took the view that it could be introduced in the context of this dispute only if there was some obvious and immediate reason in the dispute for doing so.

4. If the Lord President does not say anything about the proposal for a long-term inquiry, you could say that your meeting had more or less agreed draft terms of reference, so that the Lord President would have the basis for discussion with the unions, if opportunity arose.

5. As to the ingredients for any discussion with the unions in the next week or two, you could say that the Government had already conceded a 7 per cent increase within a 6 per cent cash limit, and had offered a long-term inquiry. These were two significant concessions. Other possible concessions considered at your meeting were a slight increase in the offer, say, to $7\frac{1}{2}$ per cent; and the possibility of offering arbitration in 1982, subject to the provision that the Government would not override arbitration except with the prior approval of Parliament. There were indications that it would be possible to increase the offer to $7\frac{1}{2}$ per cent, or even 8 per cent, within the cash limit, because numbers were falling even faster than expected; but presumably people would not have agreed to lower rates of pay if numbers had been rising faster than expected; and your meeting was not inclined to make any move on that. So far as arbitration in 1982 is concerned, when it was last discussed the Cabinet recognised that it

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Informed talks

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5 working days

-30%

28 people

- Disruption

might be helpful to offer arbitration in 1982, subject to the Government being able to seek Parliamentary approval to override the outcome if it felt obliged to do so, but the Lord President was told that he should not offer this concession without the prior agreement of the Chancellor of the Exchequer. That was, of course, intended to apply for at the time when you were away in India, and you may wish to reaffirm that the Lord President should not offer this concession without prior agreement by yourself and the Chancellor of the Exchequer.

HANDLING

6. The Lord President should be asked to open the discussion, by describing the present position of the industrial action, the possibilities of discussion with the unions in the next two weeks, and the prospects for the future of the dispute. During the course of his report, he should deal with the provisional conclusions reached at your meeting yesterday.

7. You may then wish to invite the Chancellor of the Exchequer to report on the effects of the industrial action on the revenue and the Public Sector Borrowing Requirement. Other Ministers who might be invited to report are the Home Secretary (the prisons), the Secretary of State for Trade (air traffic control officers), the Secretary of State for Scotland, the Minister of Agriculture (computer payment of farm grants), and the Secretary of State for Transport (the Driver and Vehicle Licensing Centre at Swansea). The Secretary of State for Social Services may like to report the state of things in his Department, though that still appears to be quiet.

CONCLUSIONS

8. You will not want to ask the Cabinet to reach definite decisions on escalation. The Cabinet might be asked to endorse the Lord President's general approach both to the possibility of discussions with the unions and to the possibilities of escalation, to note that no decisions are required at this time, and to agree that decisions should be taken as and when required by the Lord President in consultation with yourself, the Chancellor of the Exchequer and the Secretary of State for Employment.

REA

ROBERT ARMSTRONG

20th May, 1981

SECRET

CONFIDENTIAL

Original returned to John Verket,

cc: Mr. Ingham
Mr. Wolfson
Mr. Duguid

PRIME MINISTER

Civil Service Industrial Dispute, 20 May

There are no major new developments in the dispute today, but one or two points of which you may wish to be aware:

1. An attempt will be made tomorrow evening to get the nitrogen into the DVLC in Swansea. If this is obstructed by staff, disciplinary proceedings will be taken, followed if necessary by a court injunction.
2. The absence of industrial action in the Civil Aviation Authority today appears to be due to a mistake on the part of the Union, and they are likely to compensate tomorrow by taking action at the London Air Traffic Control, Gatwick, Heathrow and Manchester. The CAA staff voted originally for a five week programme of action, which does not expire - unfortunately - until the end of the Bank Holiday week; thereafter, a new ballot will be needed.
3. Although the position has not significantly changed at the Passport Office, there is considerably increased newspaper interest in the effect of the dispute on holiday makers. I understand that the FCO have certain plans, including the extension by six months of passports which have expired, and the agreement of the United States Government to the use of British Visitors Passports for tourists visiting the United States, which can be publicised shortly in order to show that the Government is coping with this particular aspect of the strike. The vast majority of those who apply in person to the Passport Office are receiving their passports the same day.
4. The Financial Times has a well informed report this morning to the effect that the Government is considering whether to raise its offer by up to $\frac{3}{4}$ %, which could be accommodated within

/ the cash limit

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- 2 -

the cash limit because of a faster-than-expected rundown in manpower; this is distinctly unhelpful, and at my suggestion Mr. Ingham reminded the Lobby this morning that you had said in the House yesterday that the Government believed that the maximum that can be found within the 6% cash limit is some 7%, and he discouraged the idea of more being available.

5. McCall, the General Secretary of the IPCS, is reported today as telling his conference yesterday that there was a substantial shortfall on the strike levy. He apparently said that the campaign was now costing the unions £600,000 a week, and Mr. Hayhoe has asked for as much information as possible to be gathered on the state of the unions' finances.

6. Mr. Hayhoe's group has completed an assessment of the likely support for and effect of a one week strike if that were called for the beginning of June. The broad conclusion is that departments would expect the response to be less than that for the one day strike which took place on 9 March, and perhaps as low as 30%. Departments are making contingency plans, and no insuperable difficulties are foreseen, but there would of course be some interruptions to payments of pensions and of unemployment benefits, and in general the recovery period after the industrial action would be lengthened.

J.

20 May 1981

CONFIDENTIAL



*With the Compliments
of*

THE PRIVATE SECRETARY
TO THE LORD ADVOCATE

20 May 1981

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LONDON, SW1P 3SL

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Lord Advocate's Chambers
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Telephone: Direct Line 01-212 0100
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J. Buckley Esq.,
Private Secretary to the Lord
President of the Council,
Civil Service Department,
Whitehall,
London SW1A 2AZ.

20 May 1981

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CIVIL SERVICE DISPUTE

The Lord Advocate has seen the Note attached to your letter of 15th May to Mr. Lankester and has commented:-

"I am not happy with the legal validity of the second alternative described in paragraph 5 (at the top of page 2). The offer which would be made would be to pay 7%, backdated to 1st April, to employees who were working on the named date and who did not go on strike thereafter. In my view employees who worked normally on the named date would thereby obtain a vested right to that increase. A deduction thereafter would be in the nature of a penalty which the courts are unlikely to enforce. If an employee were not at work on the named date and subsequently complained of discrimination, the point would be covered by what the Attorney General said in his letter to the Lord President of 11th May, but I would think it more likely that, faced with a proposal of this nature, the unions would advise their members to work on the named date so as to qualify.

It would be possible to achieve the result by stating two dates - say, 1st and 30th June, and offering an increase backdated to 1st April to all employees who did not take part in industrial action between those two dates. Once the second date arrived those employees who had worked normally would qualify and the question of a later deduction would not arise, even if

CONFIDENTIAL

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industrial action were resumed in July. This would avoid the element of unfairness to those who have worked conscientiously throughout the dispute to the extent that their right to the full increase would be recognised, although of course they would not actually receive it until after the second date".

I am copying this letter to the recipients of yours.

Mrs. C.M. Duncan
Private Secretary

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PRIME MINISTER

Payments to Farmers

I believe that Lord Soames said at the meeting on Civil Service pay yesterday that farmers were losing some £80m per week on account of Civil Service strike action.

Mr. Walker told you that this figure was incorrect. MAFF have now sent us the following information:-

- I Farmers are losing £20m per month in grants, subsidies and beef/sheep premium payments.
- II They are losing £30m per month in terms of lost repayments of VAT.

They are therefore losing some £50m per month - about £12m per week.

MAFF also say that traders are losing about £44m per month in export refunds etc.

12

20 May 1981

Copies to Mr Hoskyns
Mr Vacker.

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MR. WHITMORE

Civil Service Pay: Independent Inquiry

The Prime Minister's meeting yesterday had before it the draft terms of reference for the independent inquiry which I put forward in the middle of last month. The meeting gave the draft a general blessing; but that related mainly to the second section - the reference - and Mr. Hoskyns has rightly reminded you that the Prime Minister wanted the preamble modified to take account of the points made in Mr. Lankester's letter of 27th April.

2. These points were:-

- (i) She wanted to delete the reference to a "fairly remunerated" Civil Service. I understand her fear that that seems to give too fair a wind to "fair comparisons". But it is possible to have fair remuneration without fair comparisons. It is possible of course to argue that "fair remuneration" is implicit in "efficient" because the Government will not be able to recruit and retain an efficient Civil Service unless it is paying enough to compete on reasonably equal terms with other employers for the sorts of labour it requires, and in that sense "fairly remunerated" is tautologous. But that argument cuts two ways: it can be argued that we don't need the words because the thought is already implicit, but it can also be argued that we lose nothing of substance by adding the words in the context of an efficient Civil Service. Their inclusion would certainly reassure civil servants - including those who have continued to work normally in recent weeks. I have left them out of the revised draft attached, but it is for consideration whether the Lord President should be authorised to bring them back in again, if in his discussions with the unions it seems to him advantageous to do so.

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(ii) The Prime Minister included a reference to "the control of inflation". If we are going to go beyond a reference to the control of public expenditure I think that it should be generalised to something like "the management of the economy": inflation is not the only other element in the picture.

(iii) I can understand that the Prime Minister does not wish to refer to the Government's "obligations" as an employer; but "role" is a very neutral word, and I think that, if we refer to the Government's responsibilities for the control of the economy and public expenditure, we should refer to its "responsibilities" as an employer.

(iv) The Prime Minister proposed the ^{deletion}insertion of a reference to "the need to maintain good industrial relations and to avoid disruption". I very much agree with the thought, but I wonder if the words go far enough. I think that the maintenance of good industrial relations could be regarded as subsumed in "the Government's responsibilities as an employer" (though I know that it takes two sides to maintain good industrial relations); and that, if we are to include the point about avoiding disruption (with which I agree) we should put it positively: providing the sort of service the Government and the public needs to have.

*Deletion
I don't want
that awful
phrase*

3. At the Prime Minister's meeting yesterday, Ministers decided in favour of terms of reference which covered "structure and organisation ... in respect of pay and grading". It has been suggested to me by the Treasury and the Civil Service Department that this should be covered after rather than before the reference to principles and system of pay determination, so as to emphasise that the inquiry is primarily about pay and is not meant to be "another Fulton".

4. With all these points in mind, I offer the revised draft terms of reference attached.



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5. I am sending copies of this minute to the Private Secretaries to the Chancellor of the Exchequer, the Lord President and the Secretary of State for Employment.

RA

Robert Armstrong

20th May 1981



CONFIDENTIAL

DRAFT TERMS OF REFERENCE

Having regard to the public interest in the recruitment and maintenance of an efficient Civil Service and in the orderly conduct of the business of Government and its services to the public; ^{in an orderly manner and without disruption} to the need for the Government to reconcile its responsibilities for the management of the economy and the control of public expenditure and its responsibilities as an employer; and to recent experience of operating the existing arrangements for determining the pay of the non-industrial Civil Service:

To consider and make recommendations on the principles (in accordance with which) and the system by ~~means of~~ which the remuneration and other conditions of service of the non-industrial Civil Service should be determined, and on pay-related questions of ^{management and practice} structure and grading.

SECRET



cc. Master set.

SUBJECT.

10 DOWNING STREET

From the Principal Private Secretary

19 May 1981

Dear Jim,

Civil Service Dispute

The Prime Minister held a meeting this morning to discuss the Civil Service dispute. The following were present in addition to the Lord President: the Chancellor of the Exchequer, the Secretary of State for Employment, Mr. Hayhoe, Sir John Herbecq, Mr. Bill Ryrie, Mr. Douglas Smith, Mr. Lawrence Oates and Sir Robert Armstrong.

The Lord President said that following the Conference season of the various Civil Service unions, it was now expected that there would be a meeting of the Council of Civil Service Unions on 26 May to decide whether to call an all-out strike, and if so for what period. In his view, a one-day strike was unlikely because it would do little damage, and a five-day strike, which was quite possible, would probably not be well supported. However, it was possible that in the meantime there would be informal indications from the unions, as there had been recently, that they wished to have private talks with Ministers; the Lord President therefore suggested that the meeting ought to consider both what could be said to the unions if they wished to talk, and what the Government ought to do if faced with intensification of the industrial action. In the event that private talks took place, he thought it would still be wrong to go beyond the 7% offer for this year, but there was a danger that the unions would become aware of the fact that the cash limit could accommodate a little more, as a result of manpower savings. It would, however, be necessary, in his view, to offer arbitration for the 1982 settlement, subject to the provision that the Government could seek Parliamentary approval to override the outcome. If, on the other hand, the unions continued or escalated the action, possible steps open to Government to increase the pressure on the unions to negotiate a settlement were outlined in the attachment to his Private Secretary's letter of 15 May.

The Chancellor said that each month of continuing industrial action drove the Government further and further into a cloud which obscured the underlying monetary and fiscal position. However, the CCSU had unwisely claimed over the weekend that one of their objectives was to keep interest rates up, and he thought that more public use should be made of that. The Prime Minister strongly

/ agreed,

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Rb

agreed, and indicated that she would, if questioned, take the line that it was shocking that the unions should want to do that.

The Secretary of State for Employment said that it remained his view that, if the dispute was not having severe effects on the economy, the Government should avoid precipitate action and let the unions wear themselves out.

In discussion, the following issues were covered:

- (i) The possibility of offering an increased amount, perhaps as high as 8%, within the cash limit for 1981/82. Ministers were agreed that this would be objectionable in principle, since the unions would presumably not accept that pay should be reduced in years of overspend; and it would also erode the credibility of the Government's position, which was widely supported by the public.
- (ii) The possibility of imposing a 7% settlement. It was generally agreed that simply imposing the 7% settlement that had already been offered would not at present bring the industrial action to an end, that it might be construed as a sign of weakness on the part of the Government, and that it would increase the likelihood of industrial action next year. But there might be a case for looking again at imposing a 7% settlement if the industrial action started to crumble at a later date.
- (iii) The possibility of changing the operative date. The Prime Minister said that it was in her view out of the question to penalise those civil servants who had worked loyally during the period of the dispute by postponing the operative date of the settlement for all civil servants. Various forms of selective postponement of the operative date were therefore discussed. The advice from the Attorney General's Office was that although selective postponement was possible, it would be preferable to do it in the form of postponing for all, and compensating those who were not taking action by awarding them an equivalent bonus. It was generally agreed that selective postponement should be preceded by a warning, which might not necessarily make it clear that the postponement would be selective rather than general, to the effect that the operative date would change unless the industrial action stopped. The Lord President and Mr. Hayhoe advised that a decision to go down this road should be communicated to the unions privately beforehand, and that it would be best to wait until we saw what decision the CCSU took on 26 May before raising it with the unions.
- (iv) The possibility of introducing legislation to enable white-collar workers to be laid off if there was insufficient work as a result of industrial action. The Prime Minister suggested that such a provision would be a useful weapon in the Government's armoury, and was desirable on general grounds and not just in the context of the Civil Service dispute; on the other hand, it might be difficult to introduce legislation in this session, and one possible way forward

/ would be

would be to tell the unions that in the light of the Government's experience with industrial action in this pay round, suitable legislation would be introduced at the beginning of the next session. The Lord President said that it would be very difficult to get such legislation through the House of Lords in this session, especially if there was no obvious immediate reason to do so, such as might have been provided by events at the DVLC at Swansea.

- (v) The possibility of a ballot. The Prime Minister enquired what might be the result of a management organised ballot on the present offer. Sir John Herbecq said that in his view it would probably go the wrong way, and it was agreed that this should not be pursued.
- (vi) The possibility of dismissal of those who had taken, or who would in the future take, industrial action. The advice from the Attorney General's Office was that either selective dismissal (as opposed to dismissal of all those who had taken part in any form of industrial action since 9 March) or selective re-instatement would lay the Government open to the risk of unfair dismissal claims. Since over 300,000 civil servants had taken some form of industrial action since 9 March, it was agreed that dismissal was not a useful option.
- (vii) The possibility of changing the normal settlement date from 1 April to 1 January. The Lord President explained that this had been aired in the press recently, but that it was merely a device thought up by the unions to enable a larger offer to be made within this year's cash limit, and that it would not work because there would be no money available within the cash limit for the increased pay in the period 1 January to 1 April. The Prime Minister said that there could be no question of making any change in the settlement date which had the effect of staging the settlement, so as to provide a higher floor for the following year's claim.
- (viii) The possibility of arbitration for 1982. The Lord President explained that it remained his strong view that some form of arbitration for 1982 would be an essential ingredient in any settlement; but the Prime Minister said that the Government had already made two major concessions to the unions, in the form of non-predetermination of next year's cash limits, and the Inquiry, and could not be pushed further into an arbitrated settlement for next year.

Summing up this part of the discussion, the Prime Minister said that Ministers ruled out for the moment any change in the settlement date, any increase in the offer for this year, and any offer of arbitration for 1982; and they accepted that neither a ballot nor dismissal of strikers was an option open to Ministers for responding to further industrial action. Ministers were however agreed that a selective change in the operative date of the settlement in favour of those who had worked normally, and the introduction of a lay-off provision into the legislation programme for the next session,

/ were

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were options that should be looked at again when the outcome of the meeting of the unions on 26 May was known. Ministers did not see at present any advantage in the imposition of a 7% settlement, but did not rule that out if circumstances should change substantially.

Ministers then considered the terms of reference for the Inquiry into long-term arrangements for Civil Service pay, and a draft prepared by Sir Robert Armstrong was circulated. The Prime Minister explained that there had been a chapter (no. 111) in the Report of the Priestley Commission regretting the limitations of their terms of reference; and some of the problems of the Scott Report had a similar origin. She did not accept that widening the terms of reference to include the structure and organisation of the Civil Service in respect of pay and grading would necessarily result in the Inquiry taking a long time; and she quoted from paragraph 55 of the Priestley Report. Sir Robert Armstrong stressed that his draft proposed that the structure and organisation be looked at only in respect of pay and grading, and not against other criteria. The Chancellor said that in his view the Priestley arguments were decisive; and Sir Robert Armstrong's draft was accepted by Ministers subject to closer examination. I should be grateful if any comments from Ministers who were represented at the meeting could reach me by close of business on 22 May.

The desirability of including the TSRB within the remit of the long-term Inquiry was also discussed. The Lord President said that on balance he felt the TSRB should remain separate, but he did not feel strongly; other Ministers felt that it would be preferable to allow the new Inquiry to make recommendations about methods of determining the salaries of senior civil servants, while retaining the option to keep the TSRB if they concluded that was right. It was agreed that, if the Inquiry was established, this would be made clear in a letter covering the terms of reference.

It was agreed that the membership of the Committee of Inquiry would be considered separately.

I am sending copies of this letter to all those present at the meeting and I should be grateful if they could limit any further circulation as necessary within their Departments.

Yours sincerely,

Anne Whitman.

Jim Buckley, Esq.,
Lord President's Office.

SECRET



Pin *hustle* ²

on *the* *book*
in *Downing*

CIVIL SERVICE DEPARTMENT
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Telephone 01 273 5400

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19/5

Sir Ian Bancroft G.C.B.
Head of the Home Civil Service

Tim Lankester Esq
10 Downing Street
LONDON SW1

19 May 1981

Dear Tim,

INDUSTRIAL ACTION PROGRESS REPORT

Since the last report there has been a slight increase in the number of staff involved in selective strike action (4605 as against 4509 on 15 May). The number of staff on TRD remains the same at 465. Action at the various computer centres (Inland Revenue, Customs and Excise, DHSS, MOD, PGO, SO, and now MAFF) and at MOD generally continues. However TRD warnings were issued on Friday and Monday to staff at Companies House, Cardiff where the processing of mail was threatened. These proved effective and all but 30 of the staff concerned (who are still to be seen) are now working normally. At Inland Revenue there are rumours that the unions intend to put pressure on staff still working normally at Shipley. Extra police assistance will be sought if they do. Developments are summarised below:-

MAFF

The Guildford computer has been closed down, (18 staff involved). The three areas of work affected are the payment of export refunds to traders; the payment of capital grants to farmers; and other payments in connection with the Common Agricultural Policy. The normal weekly payment total is £16m, and no payments are being made at present. Contingency arrangements are being urgently reviewed.

see my note at Finis A.

FCO PASSPORT OFFICE

R

The total of those on strike at offices in London, Liverpool, Newport, Peterborough and Glasgow is now 282 (as against 214 last Friday). The action, still mainly by Passport Examiners, continues to affect seriously the issue of passports. Most of the additional strikers are at the London office though the position it still at its most acute in Liverpool and Glasgow.

MOD

There was a one-day strike at Gosport on Friday in protest against the re-arming of 2 submarines at Devonport by industrial staff under the supervision of management. It received little support.

CAA

Action continues to switch between locations on a day-to-day basis. Cardiff Airport and the Oceanic Control Centre (Prestwick) have been closed this morning, and the Scottish Air Traffic Control Centre (also at Prestwick) has been providing a limited service only.

DVLC

Arrangements have been made for the delivery of nitrogen for the air-conditioning system. Mail is continuing to flow in regularly following the agreement with the unions noted in the previous report.

REGISTERS OF SCOTLAND

Arrangements are being made for contractors to service reprographic equipment. This may cause escalation and a need for TRD.

Copies as before.

*Yours truly,
Jeremy*

JEREMY COLMAN
Private Secretary

SELECTIVE ACTION BY NON-INDUSTRIAL CIVIL SERVANTS

SUMMARY OF POSITION - 19 MAY 1981

Department	Number on strike	Remarks
Customs & Excise	440	Strikes by computer, customs and other staff at Southend Computer Centre (308); Wick (2) South Coast Ports (74); Manchester Betting Duty Office (44), London Airport (12).
Ministry of Defence	861	Strikes by computer and other staff at 4 dockyards, 4 RN stores depots, 2 RN armaments depots, Clyde Submarine Base, Oil Fuel Depots, REME Longmoor Feltham and Taunton (Mapping), Bath, Feltham and Taunton (Mapping), Bath, Oil Fuel Depots, REME Longmoor
Environment/Transport	4	Cartographers on strike at HQ, Marsham Street. (DVLC - see PSA)
Foreign and Commonwealth Office	282	Passport Examiners at the London, Liverpool, Peterborough, Newport and Glasgow Passport Offices.
Dept. of Health and Social Security	240	230 staff on strike at Newcastle computer centre; 10 staff at North Fylde central Accounts Office.
Home Office	12	Staff at Exeter and Bristol Prisons.
Inland Revenue	2207	Staff on strike at Shipley, Cumbernauld and Worthing computer centres; staff at various Collection Offices. (1742 on strike, 465 TRD)
Paymaster General's Office	27	Strike by 12 computer staff; 12 in Finance Branch, disrupting Government banking transactions; telephonists.
Property Services Agency	57	Strikes by maintenance engineers at RAF Brawdy, Pendine, Aberporth, Yeovilton St Athans, Treowen, Cardiff DWO, Swansea DWO (picketing DVLC) & Cumbernauld.

Departments	Number on strike	Remarks
Depts. of Trade and Industry	186	Strike by staff who handle search facilities at Companies House, London and Cardiff; telephonists and messengers at Cardiff.
Scottish Office	25	Staff at the Scottish Computer Centre and 1 CPSA member involved in organising industrial action.
Scottish Courts Administration	235	Strike by staff at Edinburgh and Glasgow Sheriff Courts.
Registers of Scotland	11	Strike by Administrative staff.
MAFF	18	Staff at Guildford Computer Centre.
TOTAL	4605	

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19 May 1981

MR WHITMORE

*Sir R. Armstrong is discussing
with the CGO, to insert his
comments (and include others' too).
TL has seen.
The 20V.*

CIVIL SERVICE PAY ENQUIRY: TERMS OF REFERENCE

1. The note of today's meeting invites comments on the terms of reference to be sent to you. There is one point which needs clearing up.
2. The terms of reference are in two parts: a preamble and a substantive part.
3. As Sir Robert's brief for today's meeting makes clear, his terms of reference, which were circulated at the meeting, were first drafted on 15 April. The meeting agreed today to accept his version of the substantive part.
4. But his version of the preamble was overtaken by the Prime Minister's own comments (see Tim Lankester's letter of 27 April and the attachment to Lord Soames' minute of 1 May). This later version of the preamble incorporates, at the Prime Minister's request, references to the control of inflation and avoidance of disruption (the latter is there as a peg on which to hang any recommendations about a no-strike agreement). At the Prime Minister's request, it also dropped references to "fair remuneration".
5. I am copying this minute to Sir Robert Armstrong and to John Vereker here.

*see
file flying
attached*



JOHN HOSKYNS

*P.S. You may remember I handed
you a scribble to this effect
during the meeting.*

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Prime Minister

Agree x/1 - 2/1 below?

HW

18v

Ref. A04944

MR. WHITMORE

Civil Service Pay

Following this morning's meeting, this subject is on the agenda for Cabinet on Thursday 21st May.

2. I have been considering, and discussing with the Civil Service Department, whether the Lord President should circulate a memorandum for the Cabinet. In a sense this morning's meeting was inconclusive: Ministers agreed to see if anything came of the possibility of discussions this week and next week; and, while the possible range of escalatory options was narrowed, no decisions were taken either as to exactly what action should be taken or in what circumstances and at what time it should be taken: there was a general feeling that decisions could only be taken in the light of circumstances prevailing at the time.

3. Because the meeting was in that sense inconclusive, and because I think that we should put as little as possible on paper about the options that are being considered, I have suggested to the Civil Service Department that the Lord President should not circulate a memorandum, but should raise the subject orally at Cabinet on Thursday, and give his colleagues a brief account of where things now stand and how, following this morning's meeting, he sees the situation developing.

4. The discussion does not seem to be likely to require consideration of, still less decisions on, legal questions, and I suggest that it is not necessary to invite the Attorney General to attend for this item (or the Solicitor General in his absence, if he is in court on the Sutcliffe case).

5. I will of course let the Prime Minister have a brief in the usual way.

mf.

REA

ROBERT ARMSTRONG

19th May, 1981

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PART 4 ends:-

RTA to TL (A04934) of 18/5/81.

PART 5 begins:-

RTA to CAW (A04944) of 19/5/81.

