

CONFIDENTIAL

Prime Minister.



PRIME MINISTER

CIVIL SERVICE INDUSTRIAL ACTION

We are now entering a critical phase as we approach the one-day strike called by the Civil Service unions for 9 March as a precursor to further action.

We have made it clear to the unions and the public that we stand absolutely firm on the 6% cash limit and that a 7% pay settlement is the most that can be squeezed out of that. Here we must now stand.

On the other hand, I am anxious to do what we can to prevent industrial action gaining a momentum of its own and becoming harder to stop. So we must seek to build on our formula for the future. The unions have welcomed what we have said about the establishment of an ordered and agreed system but have said that this will not influence their plans unless we can say something about a number of specific matters.

I would like to respond constructively, though we must not of course in advance of our review commit ourselves to the detailed system we might want to introduce for the future; but that should not prevent us putting some flesh on the bones of our formula if it would help us limit serious industrial action in the period ahead.

I am enclosing a copy of the letter I sent today to Mr Kendall. I expect his response tomorrow and he may ask for the meeting within a day or two. If so I would then like to say something on the following lines:

- a. We have already said that an ordered and agreed system would take account of all relevant factors. For instance, it is not the Government's intention that the pay of its employees should permanently fall behind the appropriate market rates, so the new arrangements would need to have regard to the pay of staff engaged on similar work outside;
- b. Providing we can arrive at a satisfactory and ordered system, arbitration would have a part to play in normal times;
- c. A new system would be established as soon as practicable but whether all or some of it could be used for the 1982 pay settlement would depend on the progress of the review and the circumstances prevailing at the time.

I am sending a copy of this minute to the Chancellor of the Exchequer, the Secretary of State for Employment and Sir Robert Armstrong.

S.

SOAMES, 2 March 1981

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

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

March 1981

Dear Mr Kendall,

Your letters awaited me on my return from Brussels on Friday evening.

I must tell you that the Government deeply deplores the decision by your Council to call for industrial action by your members. On the basis of the proposals which we have put to you we consider such action would be quite unjustified.

I am surprised and disappointed by your reaction to the meeting which took place at your request with my officials on 24 February on the future pay arrangements for the Civil Service. I find it hard to understand how on the strength of only one meeting you can dismiss the discussions as abortive. It was surely quite unreasonable to expect snap answers to some of the questions you raised. After all, we are only at the beginning of the work on new arrangements for Civil Service pay.

I am anxious that there should be no misunderstanding of the Government's positive intention to establish an ordered and agreed pay system. You may think therefore that it would be wise for your negotiating committee to have an early meeting with the Minister of State.

Yours sincerely
Christopher Soames