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MOST CONFIDENTIAL RECORD



**SUBJECT**

CNIL SERVICE PAY cc (81) 27<sup>th</sup> CONCS.  
THURS 9<sup>th</sup> JULY.

No.	Contents	Date



10 DOWNING STREET

① ~~Mr. Horgan~~

② Mr. Whitmore ✓

1002.

13/7.

CF.

✓  
A return to David  
Wagner.

M  
13/7



Covering SECRET

CABINET OFFICE

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

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

Ref. A05231

*M. Keenan 13/7*  
*M. Duggan 13/7*  
*To m.*  
*ALL*  
10 July 1981 *lovi*

*Dear Clive,*

Civil Service Pay: Cabinet 9 July

I enclose a copy of the Most Confidential Record of the Cabinet's discussions on Civil Service pay on 9 July. The existence of this Record was not mentioned in the Cabinet Conclusions and it should not, therefore, be referred to or quoted.

I am sending copies to John Wiggins (Treasury), Jim Buckley (CSD) and Richard Dykes (Employment). I should be grateful if they too would ensure that the Record is not referred to and that it is only seen by officials with a real need to know its contents.

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

*Yours ever,*  
*David*

(D J Wright)  
Private Secretary

C A Whitmore Esq



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Copy No. 1 of 5 Copies

MOST CONFIDENTIAL RECORD  
TO  
CC(81) 27th CONCLUSIONS

Thursday 9 July 1981

CIVIL  
SERVICE  
DISPUTE

THE LORD PRESIDENT OF THE COUNCIL said that there had recently been some partial abatement of the industrial action in the non-industrial Civil Service; staff of the Passport Office were now working normally; there had been a considerable falling off of disruptions in Ministry of Defence establishments; the Air Traffic Controllers were not taking any action this week. The unions appeared to be continuing to concentrate on the revenue Departments, Scottish courts, Social Security and Department of Employment offices, and the section of the Paymaster General's Office dealing with public sector pensions. If the Government were to decide not to improve on its present pay offer, it was likely that industrial action would eventually crumble, but it could well carry on for some time in particular areas and the costs to the Government and the problems of recovering from the action were mounting. If, on the other hand, the Cabinet wished to bring the dispute to an end it might be possible to do so by a stick and carrot approach. He could write to the Council of Civil Service Unions (CCSU) that afternoon to tell them that the Government had decided that unless the unions called off their campaign of industrial action by 16 July, the date of 1 April 1981 for the pay increase would be withdrawn and the operative date decided later. He would then instruct a senior official of his Department to approach the Secretary of the CCSU privately on Friday 10 July to explore the possible outlines of a settlement which the unions might be willing to recommend to their members as adequate to bring the dispute to an end. The official would make it clear that Ministers had not authorised any concessions; the approach would be couched in terms of a personal exploration to see whether there were any proposals which might be put to Ministers for consideration, with some degree of probability that they would be accepted. The elements of a solution which might be explored were:-

- i. restoration of the operative date to 1 April;
- ii. consideration by the Government of one union nominee for the inquiry;

plus either or both of the following:

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- iii. the offer for 1981 to be increased to  $7\frac{1}{2}$  per cent, the extra  $\frac{1}{2}$  per cent to be financed within existing Departmental cash limits by further reductions in Civil Service staff costs;
- iv. an improvement on the present arbitration formula for 1982 (that the Government was not committed to arbitration for 1982 but did not rule it out) on one of the following lines:
  - a. the Government would if necessary refer the dispute to arbitration in 1982, but would ask the House of Commons to override the award if it was too high; or
  - b. the Government would if necessary refer the dispute to arbitration in 1982, but would itself have power to set the award aside on grounds of overriding national policy.

While he wished to have authority to explore all the improvements if necessary, his aim would be to avoid, if possible, moving towards a settlement which included both the additional  $\frac{1}{2}$  per cent in 1981 and the offer of arbitration in 1982.

In discussion the following main points were made -

- a. If an informal approach were to be made to the unions on 10 July it would be better not to withdraw the operative date of the settlement in advance. Withdrawal would alienate those civil servants who had loyally worked long hours to deal with the consequences of their colleagues' action, and would make it much more difficult to negotiate a settlement. It would be better for the Civil Service Department negotiator to be authorised at his discretion, having explored the possible terms of a settlement, to remind the union representatives that the Government would be bound to have to act on the possibility, of which he had already given public warning, of withdrawing the operative date if the dispute were to continue.
- b. There were disadvantages in increasing the offer for 1981 by  $\frac{1}{2}$  per cent. It would be questioned why this offer had not been made before; this would have to be answered by reference to the additional staff cuts envisaged. The Secretary of State for Defence did not believe that he could find enough additional staff cuts in his Department, beyond those already planned, though he would do his best if this proved necessary. Other Departmental Ministers might also have difficulty in providing adequate staff savings, though they, too, would do their best.



On the other hand, if it proved impossible generally to find all the necessary cuts, the increase in the pay offer to  $7\frac{1}{2}$  per cent could be criticised as a fudge. There was also a risk that the offer of a further  $\frac{1}{2}$  per cent to the non-industrial Civil Service would have repercussive effects on other public sector negotiations. It would be particularly damaging if it were announced before the nurses accepted - as it now seemed likely they would - the offer of 6 per cent to them.

c. The offer of arbitration in 1982, under either of the methods suggested, could lead to difficult problems next year.

Experience of the arbitral award made to the teachers in 1980 had shown the difficulties in practice of inviting both Houses of Parliament to override an award. Although it would be practicable, and better, to confine the proposed override power to the House of Commons in respect of the Civil Service arbitration in 1982, this would not wholly meet the problem. It would be much more satisfactory if that arbitration could be made subject to a right of the Government to set the award aside on grounds of overriding national policy. The unions would, of course, regard such a provision as much less satisfactory than a Parliamentary procedure, particularly as the situation next year could be one in which it might be very difficult for the Government not to exercise its right of override.

d. Unless a firm offer were made quickly to the industrial civil servants, they might join their non-industrial colleagues in taking action. This reinforced the case for agreeing quickly on a settlement for the non-industrials, so that a comparable offer could be made to the industrials. It was also relevant that the industrial Civil Service unions had explicitly stated that the alteration in their settlement date next year to 1 April, which they were seeking in their current negotiations, would enable them to take joint action then with the non-industrial Civil Service in future.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet agreed that the Lord President of the Council should now be authorised to try to secure an early settlement to the dispute on the lines he had proposed, except that he should defer making any move to withdraw the operative date of the pay increase this year before the outcome of the further informal negotiations was known. There were disadvantages in both the proposal to offer an additional  $\frac{1}{2}$  per cent in 1981 and to offer improved arbitration arrangements in 1982. It was

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clear that the Cabinet would prefer a settlement which did not include both elements; and that, if arbitration were to be offered for the 1982 settlement, they would prefer it to be subject to Governmental override, without reference to Parliament. The Cabinet had also noted that, while all Ministers would do their best to secure additional off-setting staff economies should an enhanced offer of pay in 1981 prove necessary, some Departments would face particular difficulty in this regard. Finally the Cabinet had authorised her, the Chancellor of the Exchequer, the Lord President of the Council and the Secretary of State for Employment to supervise negotiations with the Civil Service unions within the framework of the Lord President of the Council's proposals and in the light of their discussion.

The Cabinet -

Agreed that the Prime Minister, the Chancellor of the Exchequer, the Lord President of the Council and the Secretary of State for Employment should have discretion to authorise negotiations with leaders of the Civil Service unions on the lines proposed by the Lord President of the Council, taking account of the points made in their discussion.

Cabinet Office

10 July 1981

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