

Crisis to Mr Venka
Mr Deyani.

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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.

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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

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