

✓ S. Vercher  
A. Dwyer (4)



Prime Minister

To note.

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

MCS 9/11

PRIME MINISTER

LESSONS FROM THE CIVIL SERVICE DISPUTE

As you know, two of the Departments in the front line during the Civil Service pay dispute were Inland Revenue and Customs and Excise. When the dispute came to an end, I asked for reports from each of my Departments on the main lessons which seemed to emerge from it and on ways we might handle any further disputes better in future. A number of useful insights emerged, and I thought it would be worth bringing them together in a single report, with recommendations for action where appropriate. This is attached.

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2. I am copying this minute and copies of the report to Norman Tebbit, Janet Young, Barney Hayhoe, John Nott, Norman Fowler, Francis Pym and Robert Armstrong.

G.H.

(G.H.)

9 November 1981

## LESSONS FROM THE CIVIL SERVICE DISPUTE

## GENERAL

1. Finances - the unions' and the Government's - were the key to the dispute. The unions' tactics were to manage the strike in a way so as to maximise the disruptive effect on Government at minimum financial cost to themselves, by taking out staff on a selective basis in key installations, such as the VAT computer and in the Inland Revenue Accounts Offices. Although in the end it was shortage of funds which forced the unions to bring their selective action to an end, they were able to sustain their action for some months. At the same time, the Government was most vulnerable in its own finances - so that the union's main chosen targets were the Inland Revenue and Customs and Excise (particularly VAT operations).

2. We need to face the fact that in this - as in other disputes - the unions will try to go for the jugular - and in the case of the Government the jugular is the flow of revenue into the Exchequer. Apart therefore from the issues dealt with in the minute attached, which relate primarily to how ways of dealing with a strike once one occurs, there is the major issue whether action can be taken to make the revenue more strike-proof. The less the revenue is seen to be at risk, the less likely is strike action to be taken and the less likely is it to be directed against the revenue collecting departments. A review of what action might be taken here is already in hand, and a separate report will be made about this in due course.

## TEMPORARY RELIEF FROM DUTY

3. Temporary relief from duty (TRD) was very far from being an effective weapon, for reasons which varied according to the local situation. In the Inland Revenue, because local office managers in the Collection Service were mostly unwilling to operate TRD procedures against their own staff, the Department had to rely mainly on visits by senior staff from other offices, which in practice were often evaded by staff absenting themselves

just before their arrival. To a limited extent we were able to counter these tactics by streamlining and simplifying the procedure on the basis of legal advice. The unions also tried to operate a process of "box and cox" - as soon as one group of staff were suspended another group would start disruptive action. The moment the TRD procedure was operated against the second group the first group would return to work. In this event, under the TRD rules they had to be allowed to resume work and of course to receive full pay. The success of these various manoeuvres is illustrated by the fact that after three months we had only succeeded in applying the procedure to one-eighth of the Inland Revenue collection staff despite the fact that virtually all of them were failing to work properly. In Customs and Excise although 400 warning letters were sent, no staff were TRDd - they either went on strike, or resumed work before they were suspended. Had they been suspended, they could not have received strike pay, and this consideration - together with the unions' decision to maximise the cost effectiveness of their campaign in Customs and Excise by paying strike pay only to the limited numbers of staff pulled out for the duration of the dispute - explains why the TRD procedure was not tested there fully.

#### RECOMMENDATIONS

4. The TRD weapon was only partially effective; in the Inland Revenue when it was tested its implementation was thwarted to a significant extent by evasive tactics by staff and the unions. In Customs and Excise the unions decided on different tactics. Two recommendations arise from this analysis:-

(a) in readiness for any further dispute, the TRD procedure - particularly the rules for its implementation - should be carefully examined with a view to streamlining and improving them further to counter the sort of evasive tactics used successfully in the Inland Revenue;

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(b) consideration should also be given to establishing a statutory right for the employer, where a trade dispute exists, to suspend employees without pay if they refuse to carry out their normal duties and to continue this suspension as long as the dispute continues even if the employees claim subsequently that they are prepared to work normally.

OTHER WEAPONS

5. We could have put financial pressure on the unions by more drastic action at an earlier stage even if this resulted in the unions retaliating by escalating the dispute. At the beginning of the strike the Inland Revenue proposed to require staff in local collection offices to deal with cheques diverted from the accounts offices; in this case we would either have got the revenue or the action would have led to the unions calling out the whole of the ~~revenue~~ service and thus having to pay strike pay to some 9,000 staff in the Revenue alone, instead of less than half that number in all Departments put together. It was decided not to follow this course; but with hindsight it looks like a missed opportunity of shortening the strike.

6. Another possibility would have been to take legal powers to suspend without pay staff who had no work to do because of industrial action. This was considered but in practice while the work of "innocent" staff was frequently disrupted fewer than expected were starved of work altogether, largely because of management action, e.g. in maintaining communications. The difficulties of amending the Employment Protection Act at short notice, as well as the likely controversy, also contributed to the decision by the Government not to follow this course. It would, of course, meet the proposals made by the Engineering Employers' Association in the context of Trade Union Reform if such a measure was included in the forthcoming legislation.

7. A key financial weapon against union funds concerned the check-off arrangements whereby union subscriptions are paid direct from

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pay. Continuing a facilitation agreement of this kind amounted to co-operation in funding strike pay. If it could have been withdrawn the unions would have been forced to ask for payment of subscriptions direct, in addition to the strike levies. This possibility was considered but not implemented. There was considerable confusion about the legal aspects and the timing of renouncing the agreement, which were never satisfactorily resolved. An early feasibility study of this proposal, covering legal aspects, technical aspects and timing, should have been carried out at the outset of the dispute, so that a clear recommendation, based on a complete analysis, could have been put to Ministers early enough to affect the outcome.

#### RECOMMENDATIONS

8. The main lesson is that at the outset of any future dispute immediate attention should be given to those weapons or responses which would place maximum pressure on union finances. In particular it is recommended that:

(a) a full appraisal should be made now of the possibility of renouncing the check-off facility, so that the Government is in a position to renounce the agreement very early on in a future dispute, and

(b) that further consideration of the EEF proposals on Trade Union Reform should take fully into account the possible advantages to the Government as an employer of a provision allowing suspension without pay of staff who have no work to do because of industrial action.

#### CO-ORDINATION AND CO-OPERATION

9. The central arrangements for co-ordination between Departments, analysis of the state of play and the possible options, and strategic advice to Ministers worked reasonably well, but by no means perfectly. We learnt a lot as time went on, and the setting up of the Minister of State CSD's interdepartmental group proved useful as an information clearing house. However it was less effective in presenting to Ministers a proper tactical appraisal of the developing situation, perhaps partly because it became too large and unwieldy.

10. At the operational level, the revenue departments did not find that the co-operation of other Departments less affected by strike action and of other public bodies was always what it might have been. There seems no point in listing particular examples, but the impression left was that the dispute was seen as lying between the unions and a few unfortunate departments, and that "Government" as a whole was not involved. At times it seemed that other bodies, although responsible directly or indirectly to Ministers, were more anxious to keep clear of trouble themselves than to help those Departments which found themselves in the front line.

#### RECOMMENDATION

11. Those Departments which find themselves in the front line because of union tactics should be given the full support and co-operation of all parts of Government, including other Departments and public bodies.

#### TACTICAL HANDLING OF THE DISPUTE

12. On the tactical handling of the dispute, there is room for argument about whether different approaches would have produced a different result - in particular relating to the timing of suspension of the pay agreement and the different offers. It seems fruitless to speculate too much about this, but it does seem clear that a major grievance of staff was the suspension of PRU without any indication of what would take its place. Had 6 per cent been imposed despite the evidence of pay research - for which there was ample precedent - and an announcement then been made that a new system of pay determination was to be evolved, it is possible but by no means certain that strike action would have been avoided. More likely there would have been some action, but both its length and depth of support would have been reduced.

#### COMMUNICATION WITH STAFF

13. The dispute also showed up deficiencies in our methods of communication with staff. This is as much a matter of style and presentation, and getting the psychology right to suit the

particular local circumstances, as of the content. The method of distribution and the ascribed authorship can also be important. It is suggested that in certain cases it would be helpful for the Departmental Minister, rather than a CSD Minister, to give his name to particular important communications, and there is much to be said for passing less important communications down through the line of management, rather than by circular. While it was important to ensure that the staff were aware of the reasons for the Government's stand and for the action it might be taking, too many circulars tended to devalue the currency, and could prove counter-productive.

#### RECOMMENDATION

14. The important lesson here is that the situation needed to be judged separately for each Department by those most closely in touch with it. In general, personal messages to staff were much more effective as a means of communication with them than reliance on more general publicity, e.g. through the media, which was resented because it was seen as part and parcel of alleged refusal by Government Ministers to rebut unjustified criticisms of the Civil Service or to defend it against attack. The main lesson is that more could have been done to prevent the moderates from joining the militants.

#### PUBLICITY AND PRESENTATION OF THE GOVERNMENT'S CASE

15. In addition the public presentation of the Government's case was less effective and well co-ordinated than it should have been. The running was too often made by private sector critics of the Civil Service. The dispute was between the Government and its employees, and it should have been predominantly its voice which was heard. Appearing to leave it to private sector critics - whether deliberately or otherwise - gave an impression of some uncertainty, and meant that to some extent the Government's case went by default. Ministers were not provided with the full, forcible and prompt information and material about the Government's case which would

have enabled them to take a more effective part in promoting it and in countering the misleading impression made by the unions.

RECOMMENDATION

16. It is recommended that in any future dispute, better efforts should be made to prepare a co-ordinated defence of the Government's position, and to ensure that it is effectively promoted and put across to the media.



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