



(1)

10 DOWNING STREET

Prime Minister

Do you agree with John
Hoskyns (para 10 of his note)
that there should be ^{an interdepartmental} a report on the
issues he and the Chancellor
have identified. Should the
Treasury be in the lead? And
should the Policy Unit be
involved in its preparation?

Colin

Treasury in
the lead now.

Policy Unit
involved please

note

13 November 1981

POLICY UNIT

PRIME MINISTER

LESSONS FROM THE CIVIL SERVICE DISPUTE

1. We are very glad to see that Geoffrey has commissioned this work and that a series of recommendations have resulted. We have a few comments to add to the report he attached to his minute of 9 November.

BASIS OF THE DISPUTE

2. The chances of a dispute could have been reduced - but not eliminated - if the problem had been recognised and handled better long before the dispute started. During the early summer of 1980 E Committee gradually came round to accepting that very tight disciplines would be necessary for public service pay during the coming year. The 6% pay factor was agreed, and it became necessary, under the terms of the Civil Service Pay Agreement, to give advance notice of the suspension of PRU. During the months before the settlement date, we pinned our hopes on internal work to produce a new pay system. It was finally recognised that an outside inquiry would be a better solution, but this was not announced until the strike had been on for many weeks. An important lesson must be that when we first suspended PRU we should have been able to give a much clearer idea of either the system to replace it or at least the means by which such a system was to be designed. *- Christopher James put some ideas for improvement to the unions - but they weren't interested*
3. Paragraph 12 of Geoffrey's paper recognises this problem but suggests that we should have allowed PRU to report and only then offered 6%. We don't think that would have worked. PRU would have generated high expectations. For the Civil Service - and other groups - it was essential for the 6% to be announced early in the pay round to allow time for expectations to moderate.
4. It is often said that we could have settled for 7½% plus arbitration with override at the outset of the dispute. We do not think this was by any means certain. Such an offer might have been interpreted as the first sign of Government weakness, giving new confidence to the unions that they could negotiate it upwards. We did think, however, that if at any stage a 7½% settlement was achieved, it

/would have

would have been interpreted as a victory by the Government - as indeed it finally was. (It might have been possible to make that move at an earlier stage once the strike had started, but this judgement is really no easier now than it was during the dispute.) The important thing is that Government emerged as resolute. This was expensive, but vital for our overall credibility in public service pay and other matters.

WINNING TACTICS

5. In the end, Government won the strike but at considerable cost. During the strike we felt there was scope for action by Government to raise the costs and inconveniences of striking to the union and its members, which might have brought it to an end more swiftly. Some of these tactics might not have worked; others might have done. The lesson from this is the need to consider some of these measures in advance of a strike. Geoffrey refers to some of them:
- a. Improving TRD procedure (paras 3 and 4a).
 - b. A statutory right to suspend - and maintain the suspension of - employees refusing to carry out their normal duties (para 4b).
 - c. Increased pressure through tougher management action (para 5).
 - d. Right to lay off employees without work (para 6 and 8b).
 - e. End check-off arrangements for unions subscriptions (paras 7 and 8a).
6. As Geoffrey's note recommends, all these measures should be looked at now. Statutory action on lay-offs has been rejected, but an alternative to statutory approach might be to have an explicit agreement on lay-offs built into the Civil Service contracts. This would be hard to negotiate but we should try to reduce our vulnerability to selective action. On check-off arrangements, we understood the problem was a lack of time in which to give the notice required. We propose that the Government should give notice well in

/advance

Government to have been rejected.

advance of the next negotiations that check-off arrangements will come to an end immediately officially endorsed strike action takes place.

7. There are several other winning tactics not discussed in Geoffrey's note:

This would have checked those who stayed loggily at work.

a. Giving notice of intention not to pay back-dated increases. We debated this at length during the dispute, ending up at a very late stage with a vaguely expressed threat to consider it. But if the intention was made clear, with several weeks notice, it could have forced people to think again. Better still, if it was made clear in advance of a dispute that there would be no back-dating, this would deter a strike in the first place and mean an extra sacrifice with each week that passed.

b. A ballot. We entirely accept that a ballot would only work in the right circumstances. But would we be able to conduct a management ballot if we wished? This should be considered now.

c. "Imposing" a settlement. This half-baked idea was rightly rejected during the dispute. But it consumed a great deal of time, distracting attention from other winning tactics. Clear thinking in advance would have demonstrated that it is not a sensible tactic when faced with selective action that costs the employer far more than the employee. The likelihood is that action will simply continue.

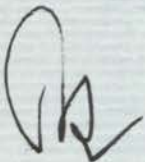
COMMUNICATION

8. We agree with Geoffrey's view (paras 13 and 14) that separate judgements were needed in each Department and that personal messages to staff are important. At the time we thought that Permanent Secretaries could play a part, though only when the negotiations were complete. If another occasion arises when the Government's final offer has been reached and strike action is about to begin, it seems right that they should explain the realities to their staff. We think this is entirely compatible with their non-political, but

/managerial

managerial responsibilities. It cannot make sense for them to say in effect, "This is nothing to do with me, I'm only the Permanent Secretary".

9. Arguably they should go further - as the Permanent Secretary at ODA did - and give a recommendation to their staff. (See Annex A).
10. The most important thing we can do to ensure that we deter, or else win (and at lower cost) in a further strike, is to document and study the lessons learned from the last one and solve the problems it identifies in advance. It is so easy to forget the lessons and then to make the same mistakes again. We suggest you ask for a report on each of the issues raised in Geoffrey's and this note.
11. I am copying this note to those who received Geoffrey's minute.



JOHN HOSKYNS

ANNEX A

EXTRACT FROM ANNOUNCEMENT FROM SIR PETER PRESTON TO ALL
ODA STAFF ON 9 JUNE 1981

"I set out below the notice issued by the Lord President following his meeting on 5 June with representatives of the Civil Service Unions. It is quite clear that the Government are firm in their intention and that further industrial action can have no effect except to intensify the damage which has already been done to the whole Service. We in ODA have not hitherto been greatly affected by the dispute and I trust that this will continue to be the case. The Government's decision has been taken only after full and serious consideration of all the issues and I believe that it is now in the best interests of the Civil Service to accept that decision however disappointing it may be."