

copy to Mr. Necker.



SECRET AND PERSONAL
MANAGEMENT IN CONFIDENCE

Prime Minister. I.E.

Would you like to have
a meeting to discuss the
question's summarised in paragraph
9 of Sir Peter Amory's minute?

Ref. A07470

PRIME MINISTER

Yes

file
12.11.82

Lessons From The 1981 Civil Service Dispute

Before Christmas you asked that an inter-departmental group of officials should study the lessons of the 1981 pay dispute in the non-industrial Civil Service. The Official Group on Lessons from the Civil Service Dispute (MISC 65) was set up under Cabinet Office chairmanship and its report is now attached.

2. I annex immediately below this minute Part 7 of ^{inside front cover} the report, which summarises the conclusions and recommendations. The full report consists of a full statement of the arguments supporting the conclusions and recommendations. It would be a sort of bible if we had to face a dispute, but I do not think you need read it all now, though if you have time you may find it interesting to read Parts 1-3, which are all fairly short, since they contain some food for thought about the general nature of the industrial relations problem in the Civil Service and about the ways in which morale and communications might be improved.

3. One point which emerges strongly from the report is how much the Government will depend in any future dispute on retaining the loyalty of middle managers. There has undoubtedly been some sense of alienation from the Government as employer at middle management levels over the past year or so, and this has potentially serious implications. During the 1981 dispute the efforts of some middle managers and some other key staff helped to contain the cost to the Government - for example a small number of key staff in the Revenue Departments prevented the temporary loss of revenue from being £12 billion rather than £6 billion and the extra interest cost to the Government from being £1 billion rather than £1½ billion. We should need to rely on similar cooperation in the future. The efforts of middle managers are crucial to most departmental contingency plans and to the successful application of many of the sanctions against those who take industrial action. Middle managers also have a potentially important role in

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putting across to subordinate staff the reasoned arguments in support of the Government's position in pay negotiations.

4. An important lesson is therefore that in all our dealings with the Civil Service, both in this year's pay negotiations and on non-pay issues, the Government will need to do all it can to improve the morale and strengthen the loyalty of its employees, particularly at middle management levels.

5. By far the largest section of the report is that (Part 5) which deals with management responses to industrial action. It reflects a very full examination and discussion of about a score of possible options which might be open to the Government to deter industrial action before it occurs, to counter it when it is in progress, or to help bring it to an end.

6. It emerges from this analysis that the Government now has in Temporary Relief from Duty (TRD) a weapon well developed and refined in the light of experience in 1981, for use when staff are not working normally or as directed. But it has some limitations. One limitation, the practical difficulty of applying it when local managers are unlikely to cooperate, is to be further studied in the light of the report so that departments can share their experience in overcoming the operational problems. The other limitation is however more fundamental. TRD cannot be used against staff who are prepared to work normally and as directed. It cannot therefore be used to counter the unions' tactic, skilfully exploited in 1981, of imposing considerable costs on the Government at modest cost to themselves by selective strike action confined to a few carefully chosen groups of staff.

7. MISC 65 therefore gave much attention to ways of dealing with this problem. One option, which was considered last year, is to legislate to permit the lay-off without pay of staff who are without work as a result of the industrial action

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of others, and draft legislation was prepared on a contingency basis. The possibility of taking such powers in respect of white collar employees generally was considered in the context of the Employment Bill and may arise again during the Bill's passage through Parliament. MISC 65 considered the possibility of legislation confined solely to the Civil Service. This would however be a very radical and a very provocative (because discriminatory) step, and the advantages and disadvantages would need to be weighed very carefully, as the report indicates. An even more radical step would be to take powers confined to the Civil Service to suspend staff without pay even when they were genuinely willing to work normally and their work was not affected by the industrial action of others.

Such measures would undoubtedly provide the Government with the means of going on to the offensive against the Civil Service unions to a much greater extent than is possible at present. But there are dangers as well as possible benefits, and the balance of advantage would need to be assessed carefully at the time.

8. In addition MISC 65 considered a whole range of other possible management responses and made specific recommendations in certain areas, for example union "check-off" facilities, the taxation of strike pay, management ballots, and clarifying the obligations of managers in relation to industrial action.

9. You will probably want to discuss the report with the Ministers mainly concerned with Civil Service pay negotiations. The discussion might be concentrated on the following points:

- i. the need for a strategy based on the twin goals of strengthening morale and loyalty, as well as being resolute and resourceful in withstanding industrial action;
- ii. the implications of this strategy for:
 - a. the handling of issues affecting Civil Service morale in the longer term;
 - b. communications in negotiations and during a dispute;
- iii. the proposals in Part 4 on organisation during a dispute;

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- iv. the specific conclusions and recommendations about management responses to industrial action (a. - q. in 5.77 and 7.6) and particularly the proposals for further action on:
 - a. discontinuance of "check-off" facilities;
 - b. taxation of strike pay;
 - c. cost and feasibility of management ballots;
 - d. clarifying the obligations of managers;

- v. the arrangements for reviewing contingency plans in Part 6 of the report.

10. I am sending copies of this minute and of the report to the Chancellor of the Exchequer, Secretary of State for Defence, Secretary of State for Social Services, Chancellor of the Duchy of Lancaster, Secretary of State for Employment, Attorney General, Minister of State, Treasury (Mr Hayhoe) and Mr Ibbs.

PARIS

REA

ROBERT ARMSTRONG

11th February 1982

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