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cc: Mr. Hoskyns

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PRIME MINISTER

Lessons from the Civil Service Dispute

You have a meeting on Tuesday morning to discuss the Report of the Official Group, in which I participated, in lessons from the Civil Service dispute (MISC 65). It is a thorough Report, which owes much to Peter Gregson's own drafting; there is a convenient summary in Part 7 (pages 57 - 63).

Morale

The Report pulls no punches about the Government's own responsibility for the climate of industrial relations which led up to the dispute. The main lesson, that the Civil Service Managers must communicate much more effectively with their staff, has already been applied in the current pay offer. As a result, there is now no misunderstanding within the Civil Service as to the nature of the offer and the availability of arbitration, but of course the climate of opinion in the Civil Service will be far more affected by the Government's decisions on the arbitration award and on the TSRB Report.

Cost

In retrospect this turns out to have been a very costly dispute indeed, and one with a number of hidden costs in that the economy had to be managed in a climate of considerable uncertainty over the data. I think we were all rather slow to appreciate the way in which the costs were mounting up.

Management Sanctions

Most of the Group's work has concentrated on ways of strengthening management's hand in any future dispute, and in particular ways of countering the kind of selective industrial action that seems

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most likely to form the pattern in any future dispute. The advice of the main employing departments about the additional sanctions which would be most helpful was clear: either the lay-off provision for white collar workers, or power to dismiss more selectively, would have been useful. Equally, however, all concerned are agreed that it would be counter-productive to take these powers in respect of the Civil Service alone, and lay-off and selective dismissal are measures which have to be considered in the context of employment legislation generally. As you know, the Policy Unit would like to see selective dismissal in particular introduced at the Committee Stage of the Employment Bill if the opportunity arises.

That leaves four measures of considerably less importance on which Ministerial guidance is needed:

i) The taxation of strike pay: we think the Inland Revenue ought to be asked to look at this again.

ii) Ability to discontinue the "check-off" provision in the Facilities Agreement, under which the Government collects Union dues.

iii) The ability to execute a management ballot, which would require some preparatory work being done.

{ iv) The obligations of Managers in relation to industrial action should be clarified. }

No strike legislation

We ensured that the Group looked fully at the possibility of no strike legislation, comparable to the US law which prohibits National Government employees from striking. It rapidly became apparent that such a law is unnecessary, unless the Government wishes to make striking a criminal offence, because striking is already sufficient grounds for dismissal on grounds of breach of

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contract. The objections to using dismissal in this way are of course the selectivity problem (discussed above) and the fact that it is often the key staff, who would be difficult to replace, who take selective action.

J.

J.M.M. Vereker
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