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Prime Minister: A decision on whether to recruit casuals to do the strikers' work cannot be long delayed. Norman Fowler will report further to you next week.

MR FLESHER

3 September 1984

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THE COMPUTER STRIKE AT DHSS NEWCASTLE

1. This dispute has been rumbling on since the middle of May. So far Norman Fowler has succeeded in his tactics of avoiding too much media attention and the activists running the strike have failed to extend it beyond Newcastle. But it is now entering a crucial phase when it will either crumble or escalate. You might therefore find this background note helpful.

The Issue

2. Chickens are coming home to roost after weak management in the 1970s. About 10 years ago faced with shortages of computer operators management conceded to what was in effect a fiddle on overtime bonuses to boost their pay. Workers who stay after 12.30 am are entitled to an anti-social hours bonus of 20% originally intended to recompense those working the third night-shift. Newcastle only operated a two-shift system but the times for the second shift were adjusted so that workers on it finished at 1.00 am, giving them the full overtime bonus. Internal auditors criticised this and the DHSS management, to their credit, have tried to end the abuse whilst doing the maximum possible to protect existing workers. They have offered that:

- staff moving to three-shift working will maintain their existing earnings.
- staff who, on agreed hardship grounds, are unable to work three-shifts, will also maintain existing earnings for working two-shifts.
- Staff who are unwilling to work three-shifts will have their existing earnings protected until management need to recruit more staff and then their earnings will be reduced by 10% over a generous transitional period.

3. Negotiations on these issues had been going on for five months when the unions broke them off in May and after a vote on a show of hands the workers operating the computers keeping details of contribution records and handling new passbooks for pensioners came out on strike. The operators handling child benefit passbooks subsequently came out as well as they claimed they were having to do extra work because of the strike.

#### Effects of the Strike

4. 400 computer operators are now out on strike. About 60 are still working and braving the pickets who are unruly and throw eggs, though do not descend to NUM types of behaviour. The following services are being affected:

- replacement of used child benefit books and issue of books for new-born
- replacement of used pension books
- access to contribution records needed to pay unemployment benefit etc
- payment of benefits to people abroad

5. Contingency arrangements for re-using old benefit books, are holding up well though many recipients of benefit are being inconvenienced. There is a cost of about £4 million per week in higher payments to the Post Office which is having to do more manual work. To some extent this cost is offset by a cash flow benefit as not all benefits due are being paid.

6. Militant Tendency activists are running the strike, though it has to be conceded that they could not be effective unless some moderate workers felt they had a grievance. Alastair Graham and the moderate leadership of the CPSA - the main union involved - appear to recognise that the management have moved a long way towards the strikers' demands but they have lost control of the local situation. Various devices, including calling in ACAS, have failed to get the militants to move their position at all, though negotiations re-opened last month.

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7. So we have reached a stalemate with the workers proving difficult to budge, the contingency arrangements holding up fairly well, and attempts by the activists to escalate the dispute to other computer centres having no success.

8. But we cannot carry on like this because of the social security uprating in November. The DHSS do not have enough staff at present to increase pensions and child benefits in line with inflation. Even using their contingency arrangements they need an extra 50 staff. The strikers are calculating that the Government will be severely embarrassed if it has to concede that because of the strike 9 million pensioners will not get the extra money due in November. So Mr Fowler has somehow to find extra staff to carry out the uprating, then he will be in a strong position as the strikers will see they are in for a long fight. But he runs the risk of escalating the dispute. He has two main options.

9. First, and most attractive, is direct appeal to the workers. The strike leaders have not clearly explained to the workforce how generous the existing terms are, so the management have written again to all the workers explaining the offer, and asking them to return to work. They hope that some moderates, fed up with the activists, will go back, especially as strike pay at 50% of net take-home pay may mean that some of them are beginning to feel the pinch. Nine have gone back today, having picked up their monthly

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Some more have now returned, but probably not enough.

strike pay last Friday. We will know by the end of next week whether this ploy has succeeded. If it has, then the strike should begin to crumble.

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10. But if sufficient workers do not return, the second option is to recruit people to do the work of the strikers. They will be employed on a casual basis until the strikers return. Job Centres will be used to advertise the posts. The DHSS believe that they should be able to get the extra men. But obviously the risk is that it will provide the activists with the issue they need to intensify the strike. The DHSS assessment is that they will not succeed, as there is little sympathy for the strikers elsewhere, but it is a risk.

11. Mr Fowler will need to take a decision on recruiting new workers as soon as he returns from his holidays on Monday 10 September. Given its sensitivity in the wider industrial scene the Prime Minister might want a wider Ministerial discussion before final decisions are taken.

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