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**DEPARTMENT OF HEALTH & SOCIAL SECURITY**

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*From the Permanent Secretary*

Sir Kenneth Stowe KCB CVO

Sir Robert Armstrong, GCB, CVO,  
Cabinet Office,  
London SW1

18 March 1985

*Dear Sir Robert,*

'SUNDAY TIMES' ARTICLE - 17 MARCH 1985

... The Sunday Times article of 17 March at Annex A contained details from  
a report on the strike of DHSS computer staff at Newcastle which had  
been circulated under cover of Geoffrey Otton's letter of 4 February  
to all those who attended your Wednesday morning meetings. (Copies  
... attached as Annexes B and C).

The article referred to the report as having been "seen by the Sunday Times", and the quotations made included a passage from Geoffrey Otton's covering letter. It seems clear therefore that possible sources of the leak must include the Departments which received copies.

Neither of the documents was security classified, but the disclosure is obviously most unwelcome and it would seem that an interdepartmental leak investigation conducted by a member of the MPO panel is called for. I should be grateful for your views.

Meanwhile, further enquiries will be made here, although at this stage I have no reason to suppose that the source of the disclosure lies in this Department rather than in any other.

As you will be aware a separate paper was prepared for MISC 67 and has not been referred to in Press coverage: it has not, we assume, been leaked.

Copies of this go to Robin Butler, to the Director General of the Security Service and to the Legal Secretary to the Law Officers.

*Yours Sincerely  
for Alan Davar*

SIR KENNETH STOWE

(approved by Sir Kenneth but signed in his

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# Nation's computers 'at risk from unions'

by Donald Macintyre  
Labour Editor

A TOP civil servant has advised the government to decentralise its computer network to reduce its vulnerability to crippling industrial action by trade unions.

That is a key finding in a confidential report which reveals for the first time that the 9-month strike by computer operators at the social security centre in Newcastle-upon-Tyne cost £200m. The efficiency measures that sparked off the dispute were expected to save about £50,000.

The report, part of a wide-ranging appraisal of the strike, admits that the costs were "far beyond anything that could have been foreseen at the outset". It will take the social security department "at least a year" to deal with the backlog and the "mess in local offices is unlikely to be cleared up until the end of 1985."

The report comes at a sensitive time, since all the main civil service unions are consulting their members on possible strikes over the Treasury's offer of 3.9% on average. In the long term the government has yet to reveal the final details of the £700m expansion of the DHSS computer network.

The concentration of "industrial power in large computer installations is a clear source of risk and future computer planning must aim to reduce the risk, e.g. by dispersing work, providing back-up facilities etc.," the report says. Historically, the Whitehall computer network has been concentrated in a handful of main centres.

A covering letter with the report, sent by Sir Geoffrey Otton, one of the department's two permanent secretaries, to Sir Robert Armstrong, head of the home civil service, says the strike was a "long and bitter dispute - overshadowed throughout by the miners' strike, but having some interesting points of resemblance.

The 21-paragraph report which has been seen by The Sunday Times, amounts to a rare official insight into a dispute that contained the explosive ingredients of a union branch dominated by the Militant Tendency, genuinely felt grievance by employees, an uncompromising management and none of the cost constraints that would apply in the private sector.

The report recounts how the strike by 400 staff started over the introduction of new shift patterns. It says "it became a confrontation staged by a determined and politically motivated group defying their own national leadership" to

out an affair of this kind." But it warns that "it is extremely difficult to tighten the screw on the unions to precipitate an early resolution."

The report reveals that management "exhaustively explored - with the government's law officers - ways of unilaterally varying employment contracts, or simply ending them with an offer to re-engage employees on the new terms. This course was "fraught with legal risk as well as political difficulty." Further disputes, it says, for example over the 1985 pay claim, could follow. "Goodwill will not be easy to come by," the report says.

prevent more efficient and demand-related use of equipment. Some senior Treasury officials are thought to be dismayed by the costs of the strike. But the report says that once the decision had been taken to secure efficiencies "it was not considered a realistic option to give up in the face of escalating costs."

It says that if costs are not "an overriding factor" and the union fails to spread the strike to "an impossibly damaging" extent, management can "sit

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*From the Second Permanent Secretary*  
**SIR GEOFFREY OTTON**

Sir Robert Armstrong GCB CVO  
Cabinet Office  
70 Whitehall  
London SW1A 2AS

4 February 1977

*Dear Robert,*

DHSS NEWCASTLE STRIKE

When I last mentioned this at a Permanent Secretaries' Meeting, the strike was still drawing to its close. I said I would send round a narrative after the end of the affair, in case it was of general interest. I imagine most colleagues will not be directly interested in the particular issues about shift working times which lay at the heart of the dispute: these were complicated at the beginning, and got more so as the negotiations progressed. But this has, in civil service experience, been a long and bitter dispute - over-shadowed throughout by the miners' strike but having some interesting points of resemblance. I hope the enclosed account of the affair will be of some general interest to colleagues: I am sending it to all those who attend your Wednesday morning meetings.

We shall of course be undertaking more detailed studies of the lessons of the strike, and my Secretary of State intends to circulate a paper about this to E(PSP).

*Yours ever,*

*Geoffrey*

NEWCASTLE SHIFT WORKING DISPUTE

1. This dispute had its origin in a Management Services Report which, following up a query by internal auditors, suggested in June 1983 ways in which the computer installations at Newcastle Central Office could be run more efficiently and economically. The essential features were:-

- a. the introduction of three-shift working in some areas, in place of two-shift working, to maximise the output from expensive computer equipment;
- b. reduction from three to two-shift working in another area, where more modern equipment was able to secure the necessary output in a shorter period of time; and
- c. alterations in the timing of certain shifts, to avoid two-shift workers earning the maximum allowance intended for night shift workers. (The central point here was bringing back the finishing time for the evening shift to before 12.30am).

The objective was to secure economies in administrative expenditure estimated at £700,000 a year (mainly achieved through staff savings and the cutting out of overtime).

2. The MS Report was copied to the Trade Union Side in June 1983; but management proposals were not formally put to them until November. (These proposals did not follow the report exactly.) The TUS were given time to consider these proposals, and negotiations started in January 1984.

3. During the negotiations, Management recognised at an early stage that the cash losses involved for some shift workers through reduction in shift-working allowances - particularly when changes to less convenient working times were also involved - would be a heavy penalty. Generous transitional concessions were offered. The effect of these was that no existing shift worker need lose any remuneration provided the new pattern of working was accepted. New workers coming into the two-shift working areas would get less remuneration than the existing workers. Existing workers in those areas who retained the

maximum allowances would accept an obligation to move to three-shift working as vacancies occurred in other shift-working areas. It was proposed to review these arrangements in another two years.

4. During this period the UUS had meetings at various levels, including one presided over by the Second Permanent Secretary, and one with Ministers (Dr Boyson and Mr Lewtchenko). It was evident that the national leadership of CPSA (which was the key union in these negotiations) recognised that the concessions on offer were a valuable prize; but they could not persuade their local union (dominated by the Militant Tendency), who were intent on maintaining the existing shift working patterns and thus perpetuating entitlement to the maximum shift allowances for two-shift working. There was also a strong resistance to the introduction of a third shift, even though emerging operational requirements made one necessary.

5. On 14 May 1984 the UUS broke off negotiations and brought their shift working members at the Newcastle site out on strike. Three unions were involved (the SCPS, CPSA and CSU) and a total of 268 staff in the shift working areas came out on strike. On 26 June 1984 members at the Washington site were called out, and numbers on strike increased to almost 400. Throughout the dispute about 80 staff defied their unions and stayed at work, providing a very limited service from the computers, the exception being at the child benefit centre at Washington where non-striking staff managed to produce 50% of all child benefit order books.

6. The Department put emergency arrangements in hand to maintain payments - mainly to pensioners and child benefit families - through Post Offices. These arrangements were cumbersome and expensive, but secured that benefits continued to be paid weekly. They entailed the use of the covers of order books, once the payable orders in the books were exhausted. The transaction at Post Office counters took longer, and therefore queues began to pile up in Post Offices. Before the end of the dispute the majority of the benefit population was being paid through emergency procedures, and the delays in Post Offices were a matter of quite serious inconvenience to the public. One area which caused particular concern involved some 600,000 people who were paid pensions periodically, by monthly or quarterly payable orders; roughly half of these were resident outside the UK. It was not possible to identify these pensioners without the computer records. An exhaustive publicity campaign both at home and abroad resulted in all but a handful coming forward by the end of the strike, and

being put on emergency payment arrangements. A third group affected were beneficiaries who get their money paid by Automated Credit Transfer (ACT) into their bank account. These continued to receive their payments because it was possible to continue to work on the last computer-produced ACT tape. But we were unable to correct the tape, for subsequent changes of circumstance, and one unfortunate side effect was that some payments continued to be made to pensioners who had died.

7. The emergency procedures were not in general "blacked" in any part of the organisation outside the shift-working areas immediately affected by the strike. From a fairly early stage it became apparent that we could adapt these procedures to carry through the November uprating, provided other staff did not black the work and Post Office counter staff co-operated. The Post Office did not let us down, although there were various attempts by the PO unions to seek extra payments for the extra work they were doing (which in itself earned them notable amounts of overtime). The operation to complete both the uprating and the Christmas bonus payments was successful, largely thanks to the ingenuity of Newcastle management in adapting the procedures and the co-operation of staff at Newcastle Central Office, in local offices and the Post Office.

8. In July the Department agreed to a request from the CPSA for conciliation by ACAS (Mr Graham of the CPSA had been seeking this for some time). It was without precedent for ACAS to be involved in a civil service dispute. Two whole day meetings were held at ACAS in London on 24 and 25 July, attended on the union side by large numbers of strikers from Newcastle. The Militant Tendency sway over the Newcastle group was such that no constructive progress was made during those two days, although a slightly revised offer did emerge from the talks.

9. Faced with the fact that the main bulk of the enterprise was keeping going, the CPSA looked for escalation of the strike in other areas. Their main target was the unemployment benefit computer centres at Reading and Livingston. In early August 1984 they secured votes from the CPSA staff in both places to support the strike, but because of the effect strike action at Reading and Livingston would have on unemployment benefit offices (UBOs) the National Executive Committee of the CPSA decided to consult their members in UBOs before pulling out the unemployment benefit computers. The result of this consultation revealed that support for the dispute was minimal. One CPSA official responsible for the Department of Employment

Section bravely challenged the call for an extension of the strike. His motion to overturn the NEC decision to escalate was accepted and the NEC voted not to spread the strike to the computer centres. Instead they asked the DHSS and DE Sections of the union to explore the possibility of backing the strike up with selective action in inner city local offices of the two departments - which, to be effective, had to rely on the staff of both departments acting in concert. These discussions came to nothing, because there was no local enthusiasm for action in either department.

10. Through August the local CPSA continued with its abortive attempts to spread the strike. There was some escalation caused by management action, when staff asked to carry out some emergency operations at Newcastle also went out on strike. At one period the number on strike approached 500 - though the "new strikers" drifted back to work fairly quickly after the completion of the work which they objected to doing.

11. During September there was a series of meetings between the TUS and management - both at Newcastle and in London - which led to further refinements of the small print of the management offer made under the auspices of ACAS. In particular the Department was prepared to allow a good deal of scope for voluntary switching of working times and shifts to suit the individual preferences of members of staff. By the end of this process the unions had a very generous offer on the table. Nevertheless they continued to reject it. From that point onwards there was little doubt that the MP-led element in the CPSA at Newcastle were intent on prolonging the strike at all costs.

12. During October, in face of the clear indication that management could keep the system running indefinitely and secure the uprating, the CPSA element at Newcastle persisted with efforts to get the strike spread. The NEC voted down a further motion to involve the Reading and Livingston computer centres. As a sop to the strikers, the NEC agreed upon a consultative exercise, involving all staff in DHSS, who were to be asked:-

- a. whether they supported their colleagues at Newcastle; and
- b. whether they would "black" the emergency procedures.

This was mainly a face-saving device, and had a fairly predictable outcome. There was in general a disposition to agree with a. but disagree with b..

Most significantly, CPSA members on one of the Newcastle sites (the Child Benefit Centre) even voted against a..

13. In November the strike finally began to crumble, when the SCPS and CSU voted to accept what was an offer. This followed a great deal of private, behind-the-scenes discussion with management. It led to some 46 strikers returning to work on 28 November, and left the CPSA isolated.

14. Despite this, there was virtually no trickle back to work by CPSA members; less than 20 out of more than 300 still on strike came back in small numbers, and the bulk of the strikers remained solidly behind their MT leadership. Throughout this strike CPSA members were getting 50% of net pay through their strike pay which, though augmented by a special allocation of £10,000 a week from the NEC, meant that they were incurring some financial hardship. Passions were high, and there was some violent picketing which put the working shift workers under considerable strain.

15. The result of the CPSA consultative exercise was reported to the NEC on 6 December. It was apparent that there was no more than minimal support for escalation of the dispute in any other part of DHSS, or for that matter in any other civil service computer installation. The NEC resolved that a delegation of its members should go to NCO to talk to the leaders of the strike there. They did this on 12 December, led by Alistair Graham, and were rebuffed by the strike committee. On Thursday 13 December the strikers met, and although no vote was taken (it was probably deliberately avoided) there was still considerable solidarity behind the strike, and hostility to the NEC and Mr Graham in particular.

16. On Friday 14 December this outcome was reported back to the NEC in London. Mr Graham moved a vote - which he evidently expected to win - which would have put a time limit on the strike, with the implied threat of withdrawal of strike pay thereafter. The MT element were still seeking escalation. Mr Graham lost this vote by 14 to 12. Later in the meeting he put a new resolution which did not put a time limit on the dispute nor indicate any withdrawal of strike pay, but did firmly rule out escalation of the dispute. This was carried by 12 votes to 6.

17. On Monday 17 December Mr Graham went back to Newcastle, and faced the strike committee there with the situation. There was a complete about



turn, and they capitulated. A general meeting of the strikers voted almost unanimously to return to work. There was great acrimony at both meetings against their national leadership, and a motion of no confidence in it was passed. The votes were not for an immediate return to work, but for a resumption of negotiations with management, expected to lead to a return to work in January.

18. The local CPSA leadership dragged out the negotiations on the return to work arrangements for a further four weeks - but finally settled on the same terms as were accepted by the other two unions and the CPSA national executive at the end of November 1984. A full resumption of work took place on 22 January 1985.

19. The strike has imposed enormous burdens on DHSS and DE departmental staff in local offices throughout the country, and on the bulk of NCO staff who have kept working and operated emergency clerical procedures. It has created a backlog of work which will take the Department at least a year to overcome. Computer-based processes are likely to be back to normal by next June - including those for the payment of DHSS staff salaries - but the mess in local offices is unlikely to be cleared up until the end of 1985.

20. The costs of the strike have also been large. To the end of November it is estimated that the strike will have cost about £65 million in extra administrative expenditure, at a rate of about £4.5 million a week. The costs of recovery will amount to about £100 million. The total cost will be of the order of £200 million.

21. We shall be assessing rather more carefully the lessons to be drawn from this dispute : but a number of broad points can be made at this stage:-

1. This has been a particularly significant dispute in industrial relations terms. It has lasted longer than any previous civil service strike, and became a confrontation staged by a determined and politically-motivated group, defying their own national leadership, in order to prevent departmental management from introducing revised patterns of working necessary to meet changing demands and to make greater use of modern technology. The outcome is important as an assertion of management's determination to introduce necessary changes made possible by modern technology.

2. The unions clearly under-estimated the Government's resolve to face a long strike over this issue. The local leadership over-played their hand, and were defeated in the end not least by their inability to get the dispute spread to other areas - local offices, unemployment benefit offices of DE, and (most important) other computer centres. The dispute eventually led to a split in the Militant Tendency/Broad Left alliance on the National Executive Committee of the CPSA; the consequences of this for the future of the Association (and of any larger union resulting from the proposed CPSA/SCPS merger) remain to be seen. The CPSA national officials had a very difficult time, were sometimes virtually excluded from the negotiations, and finished by being reviled by the strikers as the main cause of their defeat. The NEC was not prepared at any time to disown the strike to the extent of withdrawing strike pay: the moderate union leaders constantly looked for ways of bringing the strike to an end, including intervention by ACAS.

3. The unions under-estimated the Department's capacity to maintain services. Emergency arrangements held up much better than we could have hoped - they had not been devised to carry the burden for so long a time. Management's ability to maintain these emergency procedures for a long period, and to adapt them so as to carry through the uprating of benefits, was a significant factor in defeating the strike. The emergency procedures depended entirely upon co-operation by staff in Post Offices and in DHSS and DE local offices; this was forthcoming throughout.

4. The area of staff pay was not sacrosanct, and the Department's payroll computer programme was caught up in the strike. Emergency payments procedures ensured that all 90,000 staff continued to be paid at safe rates (close to their full entitlement) throughout the dispute. Tax changes and pay awards were also coped with on a rough-and-ready basis. Although we owe it to the main body of staff who have sustained the emergency procedures throughout the strike to give a high priority to reconciliation of the payroll to get everyone straight again, this will take some time.

5. The costs of the strike are far beyond anything that could have been foreseen at the outset. But once a decision had been taken to secure change in the interests of more efficient and

economical operations, it was not considered a realistic option to give up in the face of escalating costs. This illustrates the difficult decision faced by management in balancing the risk of a costly strike against the desirability of introducing changes; once the decision has been taken, the consequences have to be faced.

6. Provided cost is not an over-riding factor, and the unions fail to spread the strike to an impossibly damaging extent, management can sit out an affair of this kind. It is extremely difficult, however, to tighten the screw on the unions in order to precipitate an early resolution. Possibilities explored exhaustively during this dispute (with advice from the Law Officers) included both unilateral variation of contracts, and termination of contract with an offer of immediate re-engagement on new contractual terms. Both were fraught with legal risk as well as political difficulty, and both would have required periods of notice, during which the dispute might have escalated. All staff not directly engaged in the dispute were required to keep the emergency procedures running, and there was virtually no under-employment throughout the dispute (most staff had to work unusually hard). This therefore was not a dispute where it would have helped to have power to lay off under-employed staff.

7. The concentration of industrial power in large computer installations is a clear source of risk, and future computer planning must aim to reduce the risk eg by dispersing work, providing back-up facilities etc.

8. The negotiations revealed clearly to us that the existing transitional provisions, where shift-workers are faced with the need to make changes in shift patterns or shift hours which affect earnings, do not meet the circumstances of individual members of the staff.

9. The strikers have returned to work in a non-co-operative mood, feeling badly let down by their union and hostile to management. Further local provocations are to be expected, and the prospects for further disputes - eg about pay in 1985 - are not encouraging. Restoring goodwill will not be easy.

18 MAR 1985

