

Prime Minister 2
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Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

3/ December 1981

The Rt. Hon. Baroness Young
Chancellor of the Duchy of Lancaster

Dear Janet

I very much
agree with the
Chancellor, and
SMI for Release
no

NEW TECHNOLOGY IN THE CIVIL SERVICE

I am ^{rpm} sorry that it has taken some time to reply to your letter of 18 November. The issue is difficult, both as a matter of general policy and as it affects my own departments.

I entirely accept that it is highly desirable to secure an agreement if we can do so at an acceptable price, both because it would ease the introduction of new technology in central government and because it would be helpful more widely in relations with the unions. Most of what you propose seems to me entirely reasonable; in particular, I agree with your suggestions for handling the questions of monitoring benefits and the unions' claim for a shorter working week.

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Like John Nott, however, I am not happy about the proposal to give the unions a temporary pledge that there will be no compulsory redundancy as a direct result of introducing new technology. I have two reasons for this.

First, I think that it would have a bad effect on the private sector. I took a recent opportunity to have a word with Terry Beckett and Ray Pennock of the CBI about this. They thought that private industry would be watching developments very closely to ensure that the Civil Service did not outflank them. They added that they did not think that we should give the Civil Service unions more than had been provided for in the document approved by the TUC. They meant by that the draft of the TUC/CBI agreement which the TUC endorsed before the CBI turned it down; and, as you know, it said no more than that forced redundancies should be avoided wherever possible.

Secondly, I am worried about what will happen at the end of the interim period. I accept that, over the next two years or so, the rate of job loss will be so small as to make a no redundancy pledge virtually cost-free in most departments. But thereafter the situation may look different; and I am particularly concerned about the computerisation of PAYE in the Inland Revenue.

/Large savings

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Large savings are at stake there, which are not due to come on stream until 1985 and after. Present indications are that they may not be obtained in full if all compulsory redundancy is ruled out from the start.

In theory, of course, the Government will not be bound to renew a pledge of no compulsory redundancy at the end of the interim period. But I see that David Howell has already said that he will need renewal in his department, and once the principle has been established, I do not think that any reservations we make about its temporary nature now will help us much when it comes to the point. There is surely reason to fear that the effect on industrial relations and staff co-operation of first giving a pledge when it costs little or nothing and then taking it away when it begins to bite will be worse than not giving it at all.

For both these reasons, I prefer John Nott's proposal for stopping short of a full pledge.

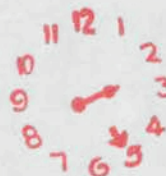
I am copying this letter to the other recipients of yours.

Y —

GEOFFREY HOWE

Geoffrey Howe
—

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10 DOWNING STREET

From the Private Secretary

5 January, 1982

New Technology in the Civil Service

The Prime Minister has been following the correspondence started by Lady Young's letter to the Chancellor of the Exchequer of 18 November.

This is just to report that, like the Secretary of State for Defence and the Chancellor of the Exchequer, the Prime Minister is not happy about the proposal to give the unions a temporary pledge that there will be no compulsory redundancy as a direct result of introducing new technology. She prefers Mr. Nott's proposal of stopping short of a full pledge.

I am copying this letter to David Omand (Ministry of Defence) and John Kerr (Treasury).

W. F. S. RICKETT

Jim Buckley, Esq.,
Chancellor of the Duchy of Lancaster's Office

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Civil Service Department
Whitehall London SW1A 2AZ
Telephone 01-273 4400

18 November 1981

Chancellor of the Duchy of Lancaster

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
HM Treasury
Parliament Street
LONDON SW1

Prime Minister 2

Lady Young would like
her officials to open
discussions with the Civil
Service unions on the possibility
of a national agreement on
new technology.

Agreed
[Handwritten signature]

Sean Gerber.

LM
18/11

NEW TECHNOLOGY IN THE CIVIL SERVICE

You will recall that although considerable progress had been made in discussions with the Civil Service unions on reaching a national agreement on new technology, a stalemate ensued following rejection of their claim for a shorter working week.

Since then we have encouraged Departments to press ahead with implementation of new technology projects, with union co-operation wherever possible, but within the constraints set out in Paul Channon's letter of 10 December 1980 to you.

Recent informal contacts with the unions at national level have shown that there may be an acceptable basis on which to move towards a limited (say 3-year) interim agreement. Subject to your views, and those of our colleagues, I would like my officials to take up this opportunity in exploratory talks.

We still want a national agreement, or at least to avoid any overt breakdown of talks that could be laid at our door so soon after the launch of Information Technology Year 1982. The unions could do damage to several major computer projects if they were so minded, and even without disruptive action, administrative imposition is likely to be only second best in contributing to increased government efficiency. We are moreover poised on the brink of an important programme of new office technology trials which will depend crucially on union co-operation.

So long as talks continue some Departments can contrive to make progress without their trade union sides feeling obliged to obstruct. More positively, both management and staff have an important part to play if the introduction of new technology is to be effective.

Previous discussions with the unions had already gone a long way towards devising an acceptable text of an agreement. The ideas now put forward by the unions' representatives are:

- a. to include a no compulsory redundancy clause;
- b. to extend the proposed consultation arrangements to cover subsequent monitoring of cost-benefits;

and

- c. to include an undertaking on a joint study of the length of the working week.

I shall deal with these in turn.

On the avoidance of compulsory redundancies, colleagues have hitherto felt generally sympathetic, provided the other terms were right. Already Departments have been able to state, in regard to specific projects, that no compulsory redundancy would be involved. I judge it possible to go a little further and give a more general assurance, provided we are sure that, over the next few years, such a pledge will be at virtually nil cost to the taxpayer and will not affect savings. This seems likely to be the case because, in view of the numbers involved, management should be able to redeploy, relocate and regrade displaced individuals even where natural wastage is not enough by itself to reduce staff surpluses. A pledge confined to those staff directly affected over the next 3 years by the introduction of new technology would not cut across our programme of manpower reductions. And the removal of this real but virtually groundless fear from the minds of many junior staff must increase the efficiency of our management operation. We would, of course, have to handle the wider presentational aspects very carefully, to avoid accusations of discrimination in favour of the public sector; but this should be manageable if we make it clear that it is a matter of a tightly defined interim arrangement which will allow the Government to get ahead with new technology in order to increase efficiency and reduce current spending.

I think we could go along with the unions' wish to participate more, if this would help to gain their co-operation. We could offer reasonable access to monitoring information which management would be acquiring for its own purposes. We agreed last year that they are to be informed of investment appraisal criteria. But we should guard against creating opportunities for endless discussions on points of interpretation.

Their third point must, I suggest, be firmly dissociated from any interim new technology agreement. There can be no question of considering general reductions in the working week in that context. Hours are inextricably bound up with pay and the unions know this. But we can point out that they have the opportunity to put their views to Sir John Megaw's Committee of Inquiry both on the relationship between pay and hours in any new pay system and on the related question of the scope for productivity bargaining, which is one of the issues which the Government has asked the Committee to examine.

At their conferences earlier this year the unions obtained endorsement for a campaign of non-co-operation on new technology. Some

difficulties have been reported, but there have been no major problems as yet (although this may have been due to other pressures on the unions). Later this month they will be considering their tactics on new technology and I am anxious to keep prospects of useful national talks alive. So there is some urgency. I shall be grateful to know whether there are objections to proceeding as I have described. I shall of course keep you in touch with developments, whether favourable or otherwise.

I am copying this letter to members of the Cabinet, Ministers in charge of Departments and Sir Robert Armstrong.

Yours ever

Tanot

BARONESS YOUNG



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Civil Service



MINISTRY OF DEFENCE WHITEHALL LONDON SW1A 2HB

TELEPHONE 01-218 9000
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4th December 1981

Dear Janet.

NEW TECHNOLOGY IN THE CIVIL SERVICE

Thank you for sending me a copy of your letter to Geoffrey Howe of 18th November.

On the question of a no redundancy pledge I have great difficulty in giving such an assurance in Defence. New Technology is likely to affect in due course most areas of this department and an unconditional pledge of no compulsory redundancy could at times be impossible to honour unless we pay staff to do nothing. In the case of many establishments, certainly the smaller isolated ones, there would be no prospect of alternative Civil Service employment in the immediate area. Moreover there will be redundancies arising from other changes, such as staff cuts, reorganisation, and transfer of work outside contractors. It will be considered anomalous to protect some staff from redundancy and not others, and in practice difficult at times to identify whether a redundancy is due to new technology or some other reason.

I recognise nevertheless that negotiations are likely to break down without some movement on this issue and so I would propose that we offer a "best endeavours" agreement, strongly worded but stopping short of a full pledge, which I believe would be the thin

The Rt Hon Baroness Young

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end of a damaging wedge. I would also suggest that any discretion that can be left to individual departments to negotiate exceptions with their own trade union sides would be welcome.

I agree we should still try to achieve a national agreement, providing the terms are right, or at least try to avoid a public breakdown of talks. So far we have had only minor trade union side opposition on one small new technology project but there are signs this could increase and be extended. Although staff are generally co-operative locally, they are coming under increasing pressure from union headquarters to refuse to operate new equipment in the absence of a national agreement. We would prefer to avoid any action, such as breaking off talks, which might undermine the present co-operative attitude of the staff or reinforce the pressures from their union headquarters.

I am not opposed in principle to the proposal for a greater degree of consultation with the trade union side, including the monitoring of the cost-benefits from a new technology project. However Defence has a very large number and variety of such projects and these cannot all be sensibly covered by central monitoring. Providing it is recognised in the arrangements that trade union side involvement in monitoring can in agreed circumstances be limited to the local level, and there are no significant extra departmental costs from such involvement, then I would accept the proposals.

As regards the trade union side request for a joint study of the length of the working week, I agree this should be separated from new technology discussions, and with your suggestion that the appropriate forum is Sir John Megaw's Committee of Inquiry.

I am copying this letter to the recipients of yours.

Yours ever

John

John Nott

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10 DOWNING STREET

From the Private Secretary

23 November 1981

New Technology in the Civil Service

The Prime Minister has seen Lady Young's letter to Sir Geoffrey Howe of 18 November. She is content for MPO officials to open talks with the unions on the possibility of a national agreement on new technology, on the basis set out in that letter.

I am sending a copy of this letter to David Wright (Cabinet Office).

W. F. S. RICKETT

Jim Buckley, Esq.,
Chancellor of the Duchy of Lancaster's Office.

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Prime Minister

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DEPARTMENT OF EDUCATION AND SCIENCE

ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH

TELEPHONE 01-928 9222

FROM THE SECRETARY OF STATE

22 January 1982

The Rt Hon The Baroness Young
Chancellor of the Duchy of Lancaster
Management and Personnel Office
Whitehall
London SW1A 2AZ

Dear Janet.

NEW TECHNOLOGY IN THE CIVIL SERVICE

You sent me a copy of your letter of 18 November to Geoffrey Howe and I have seen the subsequent correspondence. I had hoped to put my view during a collective discussion, but I am writing now because I understand the matter will come up at E Committee next week when I am abroad.

In this Department some progress has been made with introducing new projects but, until a national agreement is reached, union pressures from the centre prevent us from building on the natural desire of staff to make use of new technology.

From the wider standpoint, however, I have reservations, like those expressed by John Nott and Geoffrey Howe, about a no compulsory redundancy pledge. It may be possible to give the undertaking for two or three years without cost to the taxpayer in that time, but the big staff savings from new technology seem likely to come later and giving a pledge now will make it harder to reach a satisfactory agreement on redundancy at that stage. There seems to be room for debate about current practice in the private sector on no redundancy promises but I am convinced that our decision will have a major influence in determining whether or not firms act commercially in future in handling this problem.

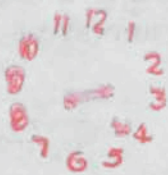
I very much hope that we shall be able to reach an agreement with the unions, but I believe that we should try to do so on the basis of a best endeavours clause rather than a no redundancy pledge.

I am copying this letter to Cabinet colleagues, Ministers in charge of Departments and to Sir Robert Armstrong.

Yours truly, Kevin

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MANAGEMENT IN
CONFIDENCE

DEPARTMENT OF INDUSTRY
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Secretary of State for Industry

8 December 1981

*Civil
Service*

The Rt Hon Baroness Young
Chancellor of the Duchy
of Lancaster
Privy Council Office
68 Whitehall
London SW1A 2AT

Dear Janet,

NEW TECHNOLOGY IN THE CIVIL SERVICE

In your letter of 18 November to Geoffrey Howe you sought views on the proposal that negotiations should take place with Civil Service Unions at national level on an interim agreement.

My own view is that there are strong reasons for concluding a national agreement with the Civil Service Unions if this can be done on acceptable terms. I consider the key issue is the question of a "no compulsory redundancy" clause in any agreement and I believe the idea of an interim agreement for three years could well give us a medium term solution to this problem. The absence of an agreement has held us up for twelve months or more now and a determined effort is required to overcome it.

I therefore support the proposal that the scope for an acceptable arrangement leading to a three year interim agreement should be explored further.

I am copying this letter to Members of the Cabinet, Ministers in charge of Departments and Sir Robert Armstrong.

*Your ever
Patel*

MANAGEMENT IN CONFIDENCE

91 DEC 1981

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Car Service



DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3E

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The Rt Hon Baroness Young
Chancellor of the Duchy of Lancaster
Privy Council Office
68 Whitehall
LONDON SW1A 2AT

30 November 1980

Dear Janet

Thank you for sending me a copy of your letter of 18 November to Geoffrey Howe seeking views on the basis for reopening negotiations for an interim national agreement on new technology.

I am sure we need a national agreement. Mine is a Department with one of those major computer projects you mention (replacement of the DVLC computers), whose successful implementation depends on trade union co-operation which in turn depends on progress being made towards at least an interim agreement.

To get such an agreement I think we should give an assurance that there will be no compulsory redundancies over the next 3 years or so as a result of introducing new technology. My Department will need to extend this period, notably to cover DVLC, and sees no difficulty in doing so. In fact I do not foresee the need for redundancies in my Department provided we can operate some measure of earnings protection to assist in the regrading of staff: I take it from Paul Channon's letter 10 December 1980 that this will continue to be open to Ministers.

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On the matter of presentation, when Ministers last corresponded about this, I think it emerged that almost every agreement on new technology outside the Civil Service contains a no redundancy clause so I don't think we could be accused of favouring the Civil Service by conceding this.

I agree that the arrangements for consulting the Trade Union Side on new technology projects could be extended to allow their participation in the subsequent monitoring of projects. In fact there are benefits for management from properly conducted joint monitoring arrangements, for example in sorting out teething difficulties and easing the path of future projects.

On the last of the Union demands - the undertaking for a joint study of the length of the working week - I agree that such a study is not appropriate in the narrow context of the new technology agreement. But presumably the benefits derived from new technology (provided they accrue) would be one factor to take account of in any claim for a shorter working week.

I am copying this letter to members of the Cabinet, Ministers in charge of Departments and Sir Robert Armstrong.

*Yours
David*
DAVID HOWELL

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