

The Post Office

From the Chairman
Sir Ronald Dearing CB

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The Rt Hon Margaret Thatcher MP
Prime Minister
10 Downing Street
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1 April 1985

Dear Prime Minister

In view of the seriousness of the industrial situation, I thought an explanatory note to Members of Parliament and the more politically active Members of the Lords would be helpful.

I enclose a copy of the letter which has been sent today.

I am also sending a copy to the Chief Whip.

Yours sincerely
Sir Ronald Dearing

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10 DOWNING STREET

From the Principal Private Secretary

1 April 1985

The Prime Minister was very grateful for your note of 1 April and for sending her a copy of the explanatory note to Members of Parliament on the current industrial problems in the Post Office. The Prime Minister will find this very useful.

FEB

Sir Ronald Dearing, C.B.

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To: All Members of Parliament

1st April 1985

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THE POST OFFICE - THE ISSUES

You will have seen press comments and may have heard interviews on the radio and television about disruption to Postal services, and I thought I ought to write to all Members to advise them of the issues.

These go back for many decades, but were brought sharply into focus last year in a report by the Monopolies and Mergers Commission on the Postal Service. Following publication of the Report, the Post Office began a major negotiation with the Union of Communication Workers on a whole package of measures designed to improve the performance of the Post Office in terms of cost and quality of service and to share the benefits with postmen through productivity schemes.

Because various Conference decisions prevented the Union leadership from negotiating freely on these proposals a special Conference was held early in March at which they sought authority to negotiate the package.

The Conference agreed that the Union leaders could negotiate on many issues, but refused by a majority of 5 to 1 to give authority on three matters of central importance. These are:

1. An extension to the use of part-time staff.
2. The use of casual workers to help during pressure periods, notably during the summer holidays when many staff are away.
3. A full national take-up of a productivity scheme which has been in operation since 1980 but which presently covers only 56% of eligible staff.

I thought you would wish to know why the Post Office is not prepared to let these issues lapse even though on other matters, agreement is not in doubt.

1. Part-timers

We currently have only 8,600 part-time postmen out of a labour force of 120,000 and we want to increase this number by between 12,000 and 20,000.

At present we are much too reliant on overtime which is often excessive, expensive, and since it is voluntary, unreliable. We want to reduce this dependence without depriving staff of the opportunity to supplement their income by doing reasonable amounts of overtime. We have promised that there will be no compulsory redundancy from the measures we want to introduce and we are prepared to give 55% of the financial savings we get from increasing part-timers to the staff. Given that there are two tremendous peaks of work each day - in the morning on deliveries and in the evening when the bulk of mail is being sorted, more part-time staff are essential in order to enable us to handle the work more efficiently.

2. Casuals

We want to use casual staff to help with peaks of traffic and to provide cover during the summer holiday period. Casual staff have long been used at Christmas successfully and there would be benefits to our staff in that this would give them greater choice of when to take their holidays and, again, they would get 55% of any savings.

3. National Extension of Productivity Scheme

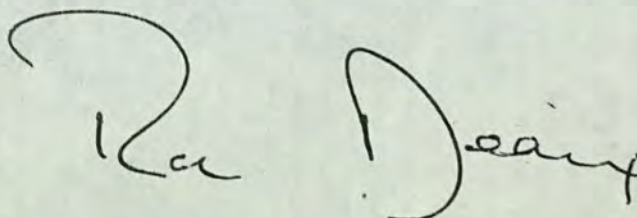
We have a productivity scheme for rank and file postal staff which provides average bonuses of £14 a week for postmen and £20 for postmen higher grade for those staff in it. We see scope for considerable savings at all offices, and especially those that have so far refused to come into the scheme. We have again promised no compulsory redundancy and we believe that since increased efficiency enables us to give a reliable service at realistic prices it will give customers better value for money.

The steps we want to take now have been recommended again and again in the past by independent review bodies and I have annexed extracts from their reports calling attention to the need for part-timers and casuals and criticising the Post Office for not taking the necessary action. We believe that the potential savings in costs on these two items could be very substantial.

There are real opportunities for the Post Office and its staff. But there is a great deal of leeway to make up, for the progress we have made in recent years has been no more than sufficient to restore Post Office productivity to what it was at the end of the 1960s. No one can be satisfied with that kind of achievement.

We have striven hard over many months to conclude an agreement with our Union, but we must make progress on these fundamental issues even if there is no agreement. This will be a matter of very personal regret, because confrontation is a wasteful and unproductive way of making progress. There does though come a time when after lengthy effort to secure a negotiated settlement, we must take action to ensure the long term health of the Postal service, and give better service to the customer, even though it is at the cost of short-term disruption.

Yours sincerely

A handwritten signature in dark ink, appearing to read "Roy Deary". The signature is written in a cursive, flowing style with a large initial 'R' and 'D'.

1 Part-timers

A Union Conference decided in 1978 that it would allow no extension of the then existing number of part-timers (although this has in fact grown by 250 since then). That decision has now been confirmed by a UCW Conference in March, leaving us with 8,600 part-time postmen out of a labour force of some 120,000 (postmen and postmen higher grade).

The Post Office wants to increase the number of part-timers, probably by somewhere between 12,000 and 20,000. These numbers are however very approximate and the actual number will only be determined within each office by careful evaluation of the best way of running that office, in terms of cost and reliable service.

We need part-timers to help meet peaks of work more economically and to reduce our dependence on overtime. The amount of overtime being done by postal grades at present amounts to 56 million hours a year which is the equivalent of 56,000 part-timers. The level of overtime is increasing quite sharply.

We must reduce our dependence on this voluntary overtime if we are to provide a reliable service. This is not to say that we want to deprive postmen of the opportunity to supplement their income by doing reasonable amounts of overtime. But for the postmen and postmen higher grade who do any overtime at all, the average is nearly 14 hours a week, and 10% of them are doing 20 hours or more. There is therefore scope for real reductions in overtime working by those who are doing too much, while still providing the opportunities for reasonable amounts of overtime.

Our objective is not simply to reduce overtime - but to staff flexibly to meet the needs of the peaks of work - which mean that some full time jobs should really be part-time.

We have assured our staff that there will be no compulsory redundancy as the result of introducing part-timers, or any of the other measures we have in mind, providing of course that staff will accept reasonable re-training and where necessary other jobs in or around the offices where they work. We have also made it clear that we are prepared to share the financial savings which come through increasing the number of part-timers, with staff in the offices where the changes take place, with the workers share being 55% of the total savings.

Apart from the need to do this to make the business more efficient, taking on part-timers helps provide opportunities for people to get jobs. Although these will be part-time, we have given a clear undertaking to our Unions that such staff would always be considered for full time appointments as vacancies arise. We have also made clear that we are prepared to offer part-time jobs to our staff who become eligible for a Post Office pension at age 60 but cannot afford to retire, so that these staff can cover the period until they become eligible for the State retirement pension.

There is no logic in the present position on part-timers. In the Liverpool office for example there are only 10 part-timers, whereas in the comparable Manchester office there are nearly 500. In the North

East of England 20% of our postmen force are part-timers, while in Inner London, where our quality of service and productivity problems are greatest, there are none.

Part timers are not everything, but in the majority of offices the nature of our work is such that part-timers would enable us to improve considerably in costs and service reliability.

2. Casuals

The employment of casuals would enable us to safeguard quality of service during the summer holiday period, and allow our staff to take their holidays more in accordance with their own and their family's wishes.

There is no question of casuals or part-timers de-skilling the postmen's operation, as is feared. They do not do so at Christmas, nor do the existing 8,600 part-timers de-skill Post Office jobs where they are employed at present. Quite often they are used on the simpler tasks, although there will be occasions when they might be used for a specialist skilled job to supplement normal resources against peaks.

3. National Extension of the Productivity Scheme

Our productivity scheme for postmen and postmen higher grade is currently providing average bonuses of £14 for postmen and £20 for postmen higher grade who are in the scheme.

It is a locally based scheme and the scope for productivity savings, and therefore the size of bonuses, varies between offices. There may be a few offices where the arrangements are so good and the productivity so high that there is no scope at all for doing better. But these are very few. In the great majority of offices that have refused so far to come into the scheme there is undoubted scope for improvement, and in some of them the scope is very considerable indeed.

Once again we are prepared to guarantee against any compulsory redundancies arising from new staff coming into the scheme.

Whilst it could lead to a few less jobs overall in the Post Office for a short period, we have during the last three years secured an increase of 10% in total business. This means that in spite of continued productivity increases we have increased the numbers employed.

4. Postmen's Pay

Attention has been drawn to the possible implications of reduced overtime on postmen's earnings and the fact that their basic pay is £101 with postmen higher grade getting £116. But only 4% of postmen are on this basic grade pay and average earnings in the provinces are £160 for postmen and £202 for postmen higher grade (£190 and £229 in London). An hour's lost overtime would cost a postman £3.50 and we believe our total package could be worth another £7 to £14 a week for him through a share of the benefits from improved productivity and cost savings.

EXTRACTS FROM INDEPENDENT ENQUIRIES

HARDMAN REPORT 1971

Para 6.40

"The more extensive use of part-time and women workers in areas of recruitment difficulty and the spreading of peak loads to off-peak periods which we discuss in other sections of the report could supplement the productivity drive in reducing overtime from the present excessive levels."

CARTER REPORT 1977

Para 10.12

"Full-time postmen, however, no longer work split shifts; so the postmen's day, whether it includes the morning or the evening peak, will consist of a period of intensive work followed or preceded by a much slacker period. The system must be staffed for the peaks, and therefore expensively over-staffed for the period in between. One solution to this problem would be to supplement staff in the peak periods by the use of part-timers."

"Other means of improving the workload must of course be exploited, but we consider that the more extensive use of part-time workers in peak periods should be given proper re-examination."

MONOPOLIES AND MERGERS COMMISSION REPORT ON INNER LONDON AREA 1980

Paras 8.21 - 8.26

8.21 Part-time staff, ie those working regularly for less than a full day, have been employed by the Post Office for many years and currently there are some 8,200 in the United Kingdom of whom some 7,000 are Auxiliary Postmen or other staff employed mainly in rural areas on delivery duties. Casual and seasonal staff are employed at the Christmas peak period and in the summer holiday season.

8.22 The employment of both part-time and casual staff has been opposed by the UPW for many years on the following grounds: it reduces demands for full-time employees, it depresses wages by weakening union bargaining power; it does not supply the skill required for postal operations, and it does not fit the need for 24-hour working coverage in Inner London. This attitude is particularly strong in London and as a result since 1975 there have been no part-time staff in the LPR (Inner Area) and seasonal staff have for the past few years been employed only at Christmas.

8.23 The Post Office considers that the employment of seasonal staff in London in the summer staff holiday season when there is also an increase in incoming foreign mail, especially postcards, is essential to efficient and economic operation.

8.24 We accept the Post Office's view and consider that the employment of temporary staff in the summer would make a major contribution to preventing a repetition of the deterioration in quality of service which occurred last summer and to a lesser extent in 1978. We note the agreement with the UPW Executive to allow use of seasonal staff in 1980, and hope it will be endorsed by the UPW Conference, applied at local level in London and extended to other years.

8.25 The UPW's resistance to the employment of part-time staff in Central London appears to be strengthened by the belief that because of the cost and travelling time involved the only part-time labour available for work at the peak evening hours when it is most required would consist of persons wishing to add to their incomes by part-time employment after a full day's work in some other occupation. We believe that there may well be other sources of part-time labour and that part-time employees could make a valuable contribution to the efficient handling of mail particularly in sorting operations at evening peak periods. The incidence of traffic in central sorting offices between 16.00 and 22.00 is such that in our view it can only be handled efficiently by additional manning at peak hours. Present arrangements either fail to meet this requirement or result in over-manning before or after the peak.

8.26 More generally we believe that it would be greatly in the long term interests of the Post Office and UPW members if, particularly in the short term and in Central London, greater use were made of temporary staff

MONOPOLIES AND MERGERS COMMISSION 1984

Para 6.30

As substitutes for postmen on leave, casuals can help sustain the reliability of the service, particularly when used at peak times, and provide scope to improve the leave arrangements themselves and contain overtime. Their use also offers the opportunity to assess the suitability of candidates for full-time employment.

Para 6.27

In our ILLP report we recommended that in Inner London use should be made of part-time staff specifically to cover the evening peak in the sorting office, but this has not taken place.

Para 9.47

The Post Office needs a more systematic approach to the matching of manpower to workload, with greater use of industrial engineering techniques for the establishment of work standards and more refinement in the determination of the optimum proportion of overtime and part-time staff to the total workforce.

Para 9.56 and Rec 70

The Post Office should keep its recruitment and promotion policies under review and should be prepared to consider such possibilities as direct recruitment of PHGs for mechanised sorting work In relation to these matters the Post Office must carry out a systematic assessment of the content of jobs, the aptitudes required and how the people best suited at each level can be found and trained. Additionally there should be a continued effort to emphasise the merit aspects of promotion as opposed to the seniority tradition.



JU258

Secretary of State for Trade and Industry

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2 April 1985

Miss Janet Lewis-Jones
Private Secretary to the
Lord President of the Council
Privy Council Office
Whitehall
London SW1

Dear Janet,

POST OFFICE DISPUTE

I enclose a briefing note on aspects of the PO dispute. It does not try to deal fully with the more rapidly-moving aspects of the dispute, but emphasises the underlying issue of productivity.

We are not seeking opportunities for Ministers to speak on these matters at present.

I am copying this letter to the private secretaries to the Prime Minister, all Cabinet members, the Chief Whip, the Paymaster-General and to Sir Robert Armstrong.

Yours ever,
A. Lansley

ANDREW LANSLEY
Private Secretary

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DRAFT NOTE FOR SECRETARY OF STATE TO CIRCULATE TO
COLLEAGUES

JU252

POST OFFICE

Line to Take

The Dispute: Essentially a matter for the Post Office, its workforce and their unions but, as I understand it, the dispute is about the need for increased productivity in the mail service. Productivity has improved in the last few years but this merely recovers ground lost in the 1970s, so that productivity today is no higher than it was 15 years ago.

- The MMC report published last September could not conclude that the Post Office was running the letter service in the public interest. It pointed to a number of areas where improvements were necessary in the interests of customers who benefit from a better and cheaper service; in the interests of the Post Office, and also in the interests of the workforce who benefit from higher rates of pay through productivity bonuses.
- The Post Office proposals would lead to the creation of an extra 12,000 (part-time) jobs. UCW resistance to this contrasts oddly with the TUC/Labour Party position on reducing overtime to create new job opportunities and it is inconsistent with the practice in many parts of the country. 500 part-timers employed in Manchester; only ten in Liverpool - but not one in London.
- The need for part-timers and casual staff is very much tied in with the attempts to increase productivity. The mails operation is one with peaks of workload in



the early morning and early evening. The availability of extra part-time staff will allow management to plan to meet those peaks without having to rely on expensive overtime and with the certainty that people will be available to handle the traffic; which is not currently the case with voluntary overtime. Again, the public benefits from a more reliable, more efficient service.

The Post Office is being entirely reasonable. It has said that it cannot go on deferring again and again a decision on this issue particularly when a delegate conference rejected an increase in part-time working less than a month ago. But, apart from a few cases in the pipeline, the Post Office has offered to suspend appointments (but not the processing of applications) until after the union's May conference to allow one final rethink. That is fair and reasonable.

The Optical Character Recognition machine at the heart of the dispute at Mount Pleasant is an example of ways in which the Post office can speed up the service while cutting its cost. Again it is about productivity and providing a reliable service and the Post office was simply taking the steps available to them, including the injunction under the 1984 Trade Union Act, to ensure that a tried and tested means of providing a more efficient service continues to be used.

Letter monopoly is a matter for Government, after consultation with Post Office. In the event of serious disruption Government would have no choice but to lift the monopoly, if the community is not to be damaged - which must be Government's first priority.



JU253

Background

Mails productivity has increased by 11% in the last three years but is still lower than in 1970. The Post Office believes that it has got as far as it can in improving productivity and efficiency within existing working practices and arrangements. The Post Office has therefore been seeking to negotiate a package of industrial relations reforms with the main union, the Union of Communication Workers (UCW) which would involve, among other things, the lifting of the embargo upon the full use of letter mechanisation equipment and on new technology: the introduction of a new productivity scheme that would apply to the entire Mails workforce; and the greater use of part-time and casual staff. These negotiations foundered as a result of mandates from previous UCW conferences and, in order to secure a sensible negotiating position, the UCW Executive called a special conference at the beginning of March. This conference moved the UCW a long way towards accepting changes that had been resisted for a number of years. However, it did not approve the introduction of a mandatory productivity scheme and, most importantly, it did not approve the introduction of more part-time and casual staff.

Latest position

The Post office and UCW held a number of meetings culminating in an eleven hour session on Saturday, 30 March. Agreement in principle was reached on all issues apart from part-time and casual staff. Without this, the Post Office is not prepared to settle and will proceed by executive action. The Post Office sought and obtained an injunction under the Trade Union Act 1984 on Monday 1 April restraining the UCW from instructing its members not to operate the Optical Character Recognition (OCR) machine at Mount Pleasant, in the absence of a secret ballot.



The machine ended its trial period at midnight last night and, in the absence of an agreement on the live use of OCR machines, the UCW would expect the machine not to be operated. The Post Office instructed staff to use the machine as normal at 4.00pm today. The staff refused and were suspended which led to a walk out. Other offices could take sympathy action but the dispute is likely to escalate in any case as mail is diverted from Mount Pleasant to neighbouring offices who will almost certainly black it. The Post Office will suspend staff in these circumstances and this will lead to further walk-outs. The postal service could come to a halt nationally in two or three days. The Executive Committee of the UCW meets tomorrow morning to decide tactics.

The letter monopoly

Ministers have made it clear to the UCW that, in the event of industrial action leading to a serious disruption to the service, the Government have a duty to ensure that industry, commerce and the general public have access to any available alternatives. Orders would be made and laid quickly to life the letter monopoly either locally or nationally.



SPEAKING NOTES

- Q Post Office heavy-handed/seeking confrontation. Should wait for outcome of UCW conference on 18 May and continue negotiations then.
- A. Post Office not seeking confrontation. Has been talking to the union for a number of years about improvements in working practices including covering peaks with part-timers rather than overtime. But UCW special conference at beginning of March rejected any negotiation on part-times by a massive majority. Even so, the Post Office has offered not to appoint any part-timers, apart from a few in the pipeline, until after the May Conference to allow a further re-think. For some reason, this is not acceptable to the union.
- Q Government forcing Post Office hand.
- A. No. Post Office knows improvements in postal service necessary. Recent MMC report pointed out deficiencies. Government looking to Post Office for speedy and positive implementation of MMC recommendation. But up to Post Office to secure improvement and introduce whatever changes in working practices it believes necessary.
- Q Postal service essential - should be no-strike agreement.
- A. No-strike agreement are just that - agreements between employer and employees. Up to Post Office and its union to consider whether such agreement would be appropriate/possible.



Q Post Office proposals will lead to loss of jobs.

A. Nonsense. The Post Office proposal would create an additional 12,000 part-time jobs. 50 million hours of overtime are worked in the Post Office recognises the value of some overtime working to give it the required flexibility which is why it is calling for only 12,000 extra part-timers.

Q (friendly) Doesn't the TUC have a policy on this?

A. I think that the TUC takes the view that less overtime should be worked so that more job opportunities can be created. So I assume that the TUC would support present Post Office moves.

Q. The letter monopoly.

A. The Government have a clear duty to ensure that industry, commerce and the general public have access to a letter service. The Post Office is granted the exclusive privilege of delivering letters in the UK but if it abuses that privilege, then the Government will take prompt action to ensure that alternative carriers are not prevented from offering their services.

Q. The problem with that is that it is not worth it unless a business can be allowed sufficient time to recover its initial costs. If you just lift the monopoly for the duration of the industrial action, alternative carriers may not emerge.



- A. Then we would have to look at that and I would not rule out the possibility of lifting the monopoly for say two years. We might learn some very interesting lessons during this time.
- Q. Post Office should be privatised. If postal workers prepared to hold the service to ransom the service should be opened up to free competition.
- A. Main question for Government is to ensure that the country enjoys an efficient and effective postal service. If action of postal workers prevents Post Office from providing this then Government has a duty to look to alternatives.
- Q. New technology will lead to loss of jobs.
- A. The OCR machine at Mount Pleasant has displaced 12 jobs. The Post Office sees no scope for more than 20 such machines nationally - about 250 job losses out of a mails business workforce of 120,000. There is certainly no question of redundancy.
- Q. Postal strikes should be outlawed.
- A. My Rt Hon Friend, Secretary of State for Employment has been giving thought to general question of strikes in essential services. Serious and far-reaching question. Post Office employees should be aware that their actions raise this question in respect of postal service and call



into question whether it is in the interests of the country for the Post Office to retain its monopoly privilege.

Q Postmen low paid/depend on overtime to make up low basic pay/Post Office merely looking to cut wages.

A. No. Post Office is pursuing objectives recommended by MMC that earning should depend more on incentive bonuses and less on overtime pay. Overtime working will continue but in a more reliable and structural way. Post Office looking for union agreement to a range of measures to ensure productivity improvement and reward workforce for improvements. Post Office believe that overall their package of proposals will mean net benefit to its staff.

Q Post Office forced to make economies [through wages cuts] by Government targets.

A. No. Post Office action is prompted by the need which it and the MMC recognise to improve performance.

Q Post Office and unions on verge of agreement over week-end until Post Office suddenly withdrew and deliberately raised temperature of dispute. This was on instructions from Government.

A. No. Government not party to the negotiations and any suggestion that Government manipulating Post Office



behind the scenes is totally wrong. The negotiations broke down because the unions refused even to talk about the question of part-timers.