

PRIME MINISTER

**PSA COMPULSORY REDUNDANCY**

The letter from Ian Gow to Lord Gowrie (Flag A) sets out his proposal to make 1300 PSA employees compulsorily redundant. He envisages that the first 600 of these should not cause any serious industrial problems. He accepts that the next 700 may. Subsequent correspondence is attached at Flag B, and Lord Gowrie's reply at Flag C.

In principle, it seems right that, where the situation demands it, compulsory redundancy should not be ducked. But Policy Unit advice at Flag D that this is the wrong occasion to adopt it seems convincing. First, the Government gave its word that PRS would not require acceleration of the rundown of directly employed labour. It is not clear that there any new factors which could be adduced as justifying a change of course. Secondly, there is the risk of industrial action at the Houses of Parliament.

None of the Ministers who have so far commented on the proposal have come out against it. But their letters have been carefully worded. In particular, Lord Gowrie's letter identifies a number of alternative options which might cause less trouble than Ian Gow's full-blooded proposal.

Do you wish to intervene along the lines suggested by the Policy Unit, indicating that you are not convinced the Gow proposal is worth the rumpus it would cause, and that further thought should be given to the kind of alternative options mentioned by Lord Gowrie?

*Moth Sauer*

*Yes - we cannot go back  
o - part of the problem  
not*

PP. MEA

1 July, 1985.



10 DOWNING STREET

From the Private Secretary

2 July, 1985

Dear Neil

COMPULSORY REDUNDANCY: PSA DIRECTLY EMPLOYED LABOUR (DEL) IN  
CIVIL BUILDINGS

The Prime Minister has seen your Minister's letter of 10 June to Lord Gowrie, and the subsequent correspondence, including Lord Gowrie's reply of 27 June.

She appreciates the reasons for wishing to press ahead with the implementation of PRS. But she has noted that the proposal to make the 700 PSA employees compulsorily redundant involves the Government going back on its word that PRS would not require acceleration of the rundown of directly employed labour. She does not believe it would be right to go back on this promise when it is not clear there are any new factors which could be adduced as justifying a change of course. Furthermore, she is not convinced the benefits of the proposal would be worth the rumpus it would cause if there were to be industrial action at the Houses of Parliament.

She has therefore asked that further thought should be given to the kind of alternative options mentioned in Lord Gowrie's letter of 27 June.

I am sending a copy of this letter to the Private Secretaries to Members of Cabinet and to Richard Hatfield (Cabinet Office).

Z er  
Mark Addison

(Mark Addison)

N. Kingham, Esq.,  
Office of the Minister for Housing  
and Construction.

MR ADDISON

1 July 1985

PSA: COMPULSORY REDUNDANCY

Ian Gow wants to make 700 PSA employees compulsorily redundant, in order to speed up the contracting-out of minor repair works in Government Departments. This has all the marks of an unnecessary public relations disaster.

Lord Gowrie, the Treasury and the Home Office have all approved the plan. But none of them have pointed out that it directly reneges on explicit assurances made by the Government. On 23 February 1982, the PSA wrote to its trade union representatives, stating that the new Property Repayment Service, which gives departments the right to use outside contractors for small repairs, would "operate within the present policy of allowing the Directly Employed Labour to reduce further by natural wastage". This assurance was repeated verbatim, on 22 November 1983, when the rules of the Property Repayment Service were altered.

We understand that the unions are not yet even aware of the possibility that there may be compulsory redundancies. If policy is suddenly reversed, contrary to the previous assurances, they will feel - with some justice - that they have been badly treated. There will almost certainly be a considerable row; PSA employees in the House of Commons and elsewhere may well take industrial 'action'. No doubt, some people will try to connect the episode (however unfairly) with GCHQ.

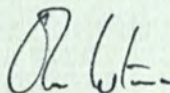
There is no need to cause all this fuss. PSA's Directly Employed labour force has been brought down by 41% since 1979 by means of natural wastage and voluntary redundancy, and the average costs of voluntary redundancy have been held down to £4,000 per person during the last 18 months. If the offer were made a little more attractive - with the average

MANAGEMENT IN CONFIDENCE

raised to, say, £5,000 per person - most of the 700 excess workers might well be induced to leave the PSA without the Government having to break its word. The cost would be no greater than with the compulsory scheme, since PSA would not have to pay people substantial sums 'in lieu of notice', as they would do under a compulsory arrangement.

But even if compulsion did bring advantages in the civilian departments, these would be more than offset by the damage done to the introduction of contracting-out arrangements in defence establishments: for the sake of a little extra speed in re-organising a few remaining civilian establishments, an important method of achieving greater efficiency in the huge MoD apparatus would be put in jeopardy.

We recommend that Ian Gow's proposal should be dropped.



OLIVER LETWIN

NBPM  
AS 11/16  
CC NO  
A



Department of the Environment  
2 Marsham Street London SW1P 3EB  
Telephone 01-212 7601

Minister for Housing and Construction

10 June 1985

Ken Gray,

COMPULSORY REDUNDANCY: PSA DIRECTLY EMPLOYED LABOUR (DEL)  
IN CIVIL BUILDINGS

I am considering a scheme for the compulsory redundancy of some of our DEL force, and I should be grateful for your views and those of other colleagues on part of my proposals.

At present the Agency employs some 10,000 DEL. Under a policy introduced by Michael Heseltine, we are reducing our DEL by natural wastage to, broadly speaking, only those that we need to operate essential services, or where a client Department has special requirements. In pursuit of this policy DEL has come down from 17,000 in 1979, and we calculate that it would settle naturally at a level of about 7,000 in 1990, which is about the level we need.

But this policy involves considerable difficulties because it is leading to imbalance in the workforce, and an inability to use contractors to do priority work because we have to find work for the DEL who are still employed. Furthermore, it has led to a substantial number of buildings, which should have been given over to Departments for minor maintenance under PRS, still being maintained by PSA because we have to employ the DEL.

In seeking to deal with the problems, I have introduced a scheme of selective voluntary redundancy under which some 300 DEL left before the end of March 1985. But this has not resolved the problem. We need to reduce the DEL by another 600 in order to get rid of imbalance and improve efficiency, and another 700 (500 in London) to deal with the problem of PRS.

I have decided to introduce a scheme of compulsory redundancy to deal with the 600. My view is that the purposes for which this is to be done are close enough to the original Heseltine policy to enable us to implement it without any serious industrial problems.

MANAGEMENT IN CONFIDENCE

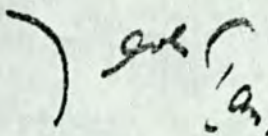
But it is quite a different matter with the 700 needed to enable us to transfer all buildings to Departments under PRS. When PRS was introduced, the Trade Union Side was told that PRS would operate within the policy of reducing numbers by natural wastage, and would not, therefore, require acceleration of the DEL rundown. The Trade Unions will see compulsory redundancies attributed to PRS as a major change of policy at the expense of their members' jobs. There is a real possibility that they might carry their resentment at the change of policy to industrial action, which could, cause trouble at places such as the Houses of Parliament and Headquarters offices. Before I agree to introduce a scheme with such risks attached to it, I need to be sure that you and colleagues attach sufficient importance to getting buildings into PRS for minor maintenance, which would otherwise be maintained by DEL employed by PSA, to outweigh this risk.

I emphasise that I am only discussing here a question of tactics, not principle. I believe that PRS should develop to give Departments, as far as possible, responsibility for carrying out minor works, and we shall, to that end, continue to transfer buildings into the PRS scheme as soon as we can use the DEL in them in some other way. But it will be a number of years before we shall be in a position to do this effectively, because of the loss of other work, such as BT work on which DEL were employed, we have fewer outlets for our DEL, and have to redeploy some of them into buildings which would otherwise go under PRS. If we use compulsory redundancy we will be able to implement PRS more quickly.

There is another point. We are proposing to widen the PRS-type scheme on Ministry of Defence estate to include a number of MOD establishments. Most MOD establishments have DEL employed on them, but so far the TUS has not been concerned about the introduction of this scheme, because it assumed that the same rules that operated under PRS would apply to this scheme as well, and that it would not hasten compulsory redundancy.

If we changed the rules for PRS it would make them apprehensive - and possibly obstructive - about the introduction of the scheme for MOD properties. Moreover, it might create additional difficulties when we consider the use of DEL in emergency situations.

I am copying this letter to members of the Cabinet and to Sir Robert Armstrong.



IAN GOW

Civic Service





Minister for Housing and Construction

Department of the Environment  
2 Marsham Street London SW1P 3EB  
Telephone 01-212 7601

NBDM

cc 02/pl.

6 August 1985

Dear Gray,

COMPULSORY REDUNDANCY: PSA DIRECTLY EMPLOYED LABOUR (DEL)

Thank you for your letter of 27 June. I am grateful for the views which I have had from other colleagues in response to my letter of 10 June and this reply responds to them also.

There is general endorsement of my intention to make some DEL redundant to correct imbalances and so improve the efficiency of the labour force. However, given the doubts expressed by the Prime Minister and Michael Heseltine about compulsory redundancies to complete the implementation of PRS, I propose to look again for other ways of meeting, so far as practicable, wishes to be free to order minor works from contractors in buildings where we still have DEL.

As Norman Tebbit says, this exploration could be done through existing inter-departmental machinery. One possibility may be to let the general PRS arrangements apply to buildings where we have DEL on the understanding that occupying Departments would only go to contractors for minor works after they had established that the DEL could not do the work in question. This would meet George Younger's point. There will be formidable accounting and managerial problems to be resolved but I think that this way forward is more in keeping with our policy for DEL than trying to make DEL compete for work with contractors. We are reducing DEL to the number needed to do work which for one reason or another cannot be done by contractors. The problem is to keep the labour force employed effectively during the rundown process and to introduce an element of competition would not necessarily help to solve this problem but would be likely to complicate the local management task. Moreover it would give the trade unions the opportunity to question again the policy of reducing DEL which is based on a broad judgement of the balance of advantage rather than on detailed local costings.



Civil Service: L-T  
#17

MANAGEMENT IN CONFIDENCE

I propose to speed up the reduction of DEL numbers across the civil and defence estates by making a further offer of selective voluntary redundancy. Previous offers have been made for comparatively limited periods of time. I envisage keeping the new offer open for a longer period - say a year, subject to review at intervals. This will give people more time to consider the offer and to find other jobs. If the present rate of natural wastage can be augmented by voluntary redundancy, the problems of applying PRS type arrangements on both the civil and defence estates will be reduced.

Michael Heseltine does not support compulsory redundancy for PRS reasons nor on the defence estate. The above proposals for correcting imbalances, offering voluntary redundancy and the possibility of bringing all buildings into PRS while using the DEL that are still there, can also be applied on the defence side. These ideas will be pursued during consideration of the proposals for a substantial expansion of the defence local maintenance budgets scheme to which Michael Heseltine refers.

I now intend to:

- (1) launch a programme of compulsory redundancies to correct imbalances in the DEL now that the 1985 industrial pay negotiations to which Peter Rees refers have been concluded;
- (2) initiate an inter-departmental examination of ways of widening the implementation of the PRS minor works provisions in buildings where we still need to employ DEL, taking account of special interests of the sort which Leon Brittan instances;
- (3) continue discussions with MOD about extending the principles of PRS to the defence estate; and
- (4) make a long term offer of voluntary redundancy to our Works DEL.

I am copying this letter to the Prime Minister, other members of the Cabinet and to Sir Robert Armstrong.

*IAN*

IAN GOW



JU827

Secretary of State for Trade and Industry

42

DEPARTMENT OF TRADE AND INDUSTRY  
1-19 VICTORIA STREET  
LONDON SW1H 0ET  
TELEPHONE DIRECT LINE 01-215 5422  
SWITCHBOARD 01-215 7877

15 July 1985

**MANAGEMENT IN CONFIDENCE**

Ian Gow Esq MP  
Minister for Housing & Construction  
Department of the Environment  
2 Marsham Street  
London SW1P 3EB

*NBPM*

COMPULSORY REDUNDANCY: PSA DIRECTLY EMPLOYED LABOUR IN CIVIL BUILDINGS

*D. Ian.*

Thank you for sending me a copy of your letter of 10 June to Grey Gowrie, about the PSA's directly employed labour force (DEL).

I have seen the subsequent correspondence, including the Prime Minister's request that further thought should be given to other options.

I believe that it is important for Departments to assume Property Repayment System (PRS) responsibilities for their buildings and I hope it will be possible to overcome the DEL problem in a much shorter time-scale than that envisaged through natural wastage.

One of the options suggested in Grey Gowrie's letter emerged from the Accommodation Review carried out in my Department. This leads me to suggest that the question of how best to achieve this particular objective might be considered by the enlarged Inter-Departmental Committee as part of the general Review follow-up to the PRS related recommendations.

I am copying this letter to members of the Cabinet and to Sir Robert Armstrong.

*Norm*  
*Tebbit*

NORMAN TEBBIT



SCOTTISH OFFICE  
WHITEHALL, LONDON SW1A 2AU

MANAGEMENT - IN CONFIDENCE

*Mark Addison*

Ian Gow Esq MP  
Minister for Housing and Construction  
Department of the Environment  
2 Marsham Street  
LONDON  
SW1P 3EB

10 July 1985

*Dear Ian,*

COMPULSORY REDUNDANCY: PSA DIRECTLY EMPLOYED LABOUR (DEL)  
BUILDINGS

I have seen your letter of 10 June to Grey Gowrie and his reply of 27 June. No doubt you will be considering further in the light of the letter of 2 July from the Prime Minister.

I offer for the moment a comment in respect of the buildings you earmark for the attention of your DEL - of which we have at present twenty. Our experience is that the procedures you apply cause some delay: and we are always puzzled when the response to our requests for minor works to be done on these buildings comes - as it always seems to do - from a private contractor. The system is less than ideal, in that the actual minor maintenance costs of these buildings are unknown to us; and the system is administratively untidy. We can in practice continue to live with these arrangements without too much difficulty, but I hope you will think further about the need for the DEL status.

I am copying this letter to Grey Gowrie, other Cabinet colleagues and to Sir Robert Armstrong.

*Yours ever,*

*George*

MR. OWEN

JM.

FURTHER EXTENSION OF UNIFIED GRADING IN THE CIVIL SERVICE

I spoke to Lord Gowrie's office, following our discussion last Friday.

They confirmed that there were other departments with responsibilities for fringe bodies, but pointed out that DES remained the only department opposed to the change. MOD, DOE, NIO, DTI, FCO, DTP and DHSS had already expressed enthusiasm for the extension of unified grading and had not sought to protect their fringe bodies from it. The proposal for extension was in fact circulated to all Cabinet Ministers in August last year. I understand from Lord Gowrie's Office that the Welsh Office and Scottish Office are keen about the change in principle, though they have some worries about the timing.

Lord Gowrie's Office think this issue has dragged on long enough, and that everything possible has been done to accommodate DES's wishes. They do not believe implementation of the proposal generally should be any further delayed.

(Mark Addison)

9 July 1985



CABINET OFFICE

*From the Chancellor of the  
Duchy of Lancaster*  
Lord Gowrie

MANAGEMENT AND PERSONNEL OFFICE  
Great George Street  
London SW1P 3AL  
Telephone 01-233 8610

Ian Gow Esq MP  
Minister for Housing and Construction  
Department of the Environment  
2 Marsham Street  
LONDON SW1P 3EB

27 June 1985

*Ian Gow,*

COMPULSORY REDUNDANCY: PSA DIRECTLY EMPLOYED LABOUR (DEL) IN CIVIL BUILDINGS

Thank you for your letter of 10 June.

I am glad you are looking at ways in which imbalances in the DEL workforce can be corrected. It seems to me quite wrong that we should keep on 600 industrial staff when there is no real work for them to do. I am encouraged by your view that, by linking your proposal to the original policy, you can implement it without serious industrial relations problems.

As regards the further reduction of 700 needed to enable all civil buildings to be brought into the PRS scheme, I would strongly encourage you to go ahead with measures to achieve this. I know many colleagues feel strongly that they could get better value for money if they had freedom to operate PRS in all buildings. I am glad to see you endorse the development of PRS as quickly as possible. Certainly, I see no case for redeploying DEL from BT work, or any other area, into buildings which would otherwise be brought into PRS. Redundancies in these cases would not be attributable to the PRS scheme, but to the loss of other work. Further, the present position on DEL is anomalous given our general policy on contracting out: DEL is doing work which could be carried out by private contractors.

If the outcome of the current discussions on the future of PRS is an extension of the work delegated to departments, then the number of DEL staff who may have to be asked could be higher than 700. That is a possibility to be kept in mind when considering a redundancy scheme.

I appreciate that a compulsory scheme in this area could raise difficult questions, and Peter Rees has commented on the timing and contingency issues in his letter of 24 June.

Nonetheless, I think we all attach importance to pressing ahead with PRS as quickly as possible. Therefore, if the general view is that your proposed scheme for the 700 presents too many difficulties at this time, I would urge you to consider alternative courses of action. For example, a staged approach might help to alleviate the industrial relations problems, by presenting the proposals for MOD establishments as a separate issue. Michael Heseltine may wish to comment on this aspect in the light of the problem of the Defence estate. Another possibility might be for DEL to be allowed to compete for departmental business on minor work in the same way as an outside contractor. This would mean that if they do give value for money they would be fully employed. If they were unable to win orders from departments, this would strengthen our hand in speeding up the rundown.

I am copying this letter to members of the Cabinet and to Sir Robert Armstrong.

Y  
Lsm,

t/ly  
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GOWRIE

Long Term policy:

Civil Service PE-17

*CP*



QUEEN ANNE'S GATE LONDON SW1H 9AT

25 June 1985

*B*

*CP*  
*Ancient Geography*

*Dear Sir,*

COMPULSORY REDUNDANCY: PSA DIRECTLY EMPLOYED LABOUR IN CIVIL BUILDINGS

Thank you for sending me a copy of your letter of 10 June to Grey Gowrie about the possibility of introducing compulsory redundancy in respect of the directly employed labour force (DEL) of the PSA.

*File with  
MEA*

So far as the Home Office is concerned, I agree with you that there have been no developments which would justify a review of established policy or of the general principle which is at stake. Nor do we have any particular departmental view on the tactics of proceeding through natural wastage, as originally envisaged, or of advancing somewhat faster through compulsion.

But perhaps I could take this opportunity to make two points concerning my own PRS estate. Both relate to different kinds of specialised accommodation. First, there is the very large Fire Service College in Moreton-in-Marsh, Gloucestershire; and, second, there are the unmanned Regional Government Headquarters located throughout the country. Each of these properties was the subject of correspondence with the Director of Civil Accommodation towards the end of 1982 and each of their operational needs remains precisely the same. It follows, first, that we shall require ample notice of any proposal to withdraw DEL from the Fire Service College; and, second, that it is essential to continue to treat the Regional Government Headquarters as a special case in accordance with the second paragraph of your letter, despite the fact that they are subject to the provisions of the PRS scheme.

I am sending copies of this letter to members of the Cabinet and to Sir Robert Armstrong.

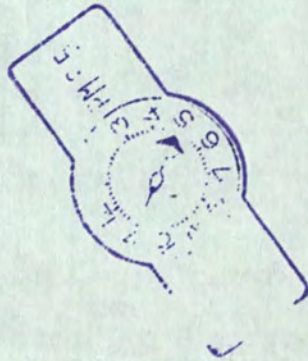
*Law,*  
*Law*

Ian Gow, Esq, MP



Long Term Policy : Civil  
Service

PE 17.





Treasury Chambers, Parliament Street, SW1P 3AG

Ian Gow Esq MP  
Minister for Housing and Construction  
Department of the Environment  
2 Marsham Street  
London  
SW1P 3EB

NBPM

24 June 1985

*Ian Gow*

COMPULSORY REDUNDANCY: PSA DIRECTLY EMPLOYED LABOUR (DEC)  
IN CIVIL BUILDINGS

Thank you for sending me a copy of your letter of 10 June to Grey Gowrie.

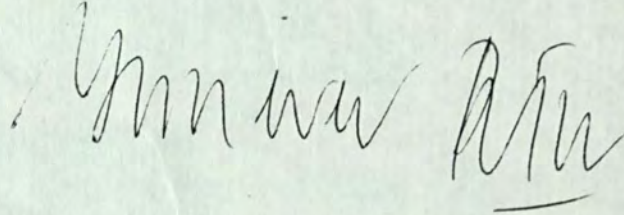
I am content with your proposals for compulsory redundancies in PSA's directly employed labour force (DEL) provided your officials consult mine before the proposals are brought to the attention of the Trade Unions. Consultations on the pay offer to industrial civil servants have reached a delicate stage and I am anxious that these should not be compromised in any way. A pay settlement may be reached by the middle of July if as a result of consultations with their members the Unions accept the offer. But the negotiations could drag on beyond that.

Subject to that I think that you should press ahead with the first batch of 600 redundancies as quickly as possible. It is essential that funds available for maintenance are used as effectively as possible. And it is a matter of concern that the obligation to meet the wages of the DEL as a first call on your budget distorts the allocation of funds.

I am also anxious to see the extension of existing PRS delegations to departments to buildings which are currently excluded because they are maintained by the PSA's DEL. I should also like to see this happen as soon as possible if colleagues generally are content with your plans, though I accept that you will have to weigh up carefully the risks of industrial action in introducing such arrangements. I assume that you will have contingency plans to ensure that essential maintenance can be undertaken in the event of industrial action. I understand that extensive use of contractors is already made by the District Works Office which looks after the Treasury building in Great George Street. I would hope that arrangements could be made for contractors to cope with any emergencies that might arise.

Responsibility for meeting redundancy costs is being transferred to departments from 1 April 1986. Redundancy payments, which PSA will have to make from that date, will of course have to be met from within existing levels of provision.

I am copying this letter to Grey Gowrie, other Cabinet colleagues and to Sir Robert Armstrong.



PETER REES

Long Term Policy : Civil Service.  
PT 17



CF  
We will await Lord Gowrie's  
response before submitting to  
DM. MCA 13/6

PRIME MINISTER

PSA COMPULSORY REDUNDANCY

X

The letter from Ian Gow to Lord Gowrie (Flag A) sets out his proposal to make 1300 PSA employees compulsorily redundant. Policy Unit advice is at Flag B.

In principle, it seems right that, where the situation demands it, compulsory redundancy in the Civil Service should not be <sup>disputed</sup> shirked. But the Policy Unit advice that this is the wrong occasion to adopt it seems convincing. First, the Government gave its word that PRS would not require acceleration of the run-down of directly employed labour. It is not clear that there are <sup>any</sup> ~~no~~ new factors which could be adduced as justifying a change of course. ~~It all turns on how long the run-down will take.~~ Secondly, there is the risk of industrial action at the Houses of Parliament. I understand that Lord Gowrie's people do not dissent from Ian Gow's estimate that this is a "real possibility".

Ad P/V admin cost  
time.

(Mark Addison)

12 June 1985

B  
PPi pl.  
Spk RTA

PRIME MINISTER

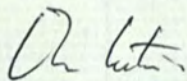
11 June 1985

PSA COMPULSORY REDUNDANCY

Ian Gow proposes to make 1,300 PSA employees compulsorily redundant. He predicts that at least 700 of these redundancies will be controversial, and may cause strikes. We suspect that this may turn into a major news story, "DoE Adds to Dole Queues".

The benefits in efficiency and "workforce balance" are unquantified, but seem likely to be small in comparison with the public relations effect.

We recommend that you should oppose this scheme.



OLIVER LETWIN