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PRIME MINISTER

Nationalised Industries

WATER INDUSTRY PAY

Although no agreement was reached at Monday's meeting of the water industry manuals group NJIC and the employers' offer of 4.2% (about £2.50 per week) in response to the union claim for comparability with gas and electricity was not accepted, negotiations continue on Friday and there is room for guarded optimism that a stage may be reached then at which the unions will agree to put an offer to their members. The employers believe that they have successfully demolished the union comparability claim for £10 per week on rates as such, but it remains doubtful whether they can convince them of the validity of the offer on the table and they may have to increase that to take account at least of the gas industry interim settlement last year. The offer to meet the annual pay claim has not been formally confirmed again though the employers intend that it shall stand at 13.2%.

Now that the local authority manual group have settled at a not unreasonable level, the water industry employers are relieved of the obligation we felt necessary to urge upon them to avoid taking their own negotiations forward too quickly in a way which could embarrass the local government negotiations. I think they are to be commended for the way in which they responded despite obvious difficulties. They will I am sure now seek a settlement as speedily as possible and I shall continue to urge them to do so as you have requested. However, even if negotiations on Friday reach the stage envisaged above - and there is no certainty that they will - it may still take 2 to 3 weeks for the unions' membership to reach a decision.

I was asked at Cabinet last Thursday to check further about the length of warning that might be given in the case of a strike. Although it is perhaps too early to assume that the possibility of industrial action has significantly receded, the fact that there is a negotiable offer on the table which has now been publicised as 17% does in the employers' view mean that the unions would be more reluctant than ever to engage in official action without giving reasonable notice, probably of at least 7 days, during which time efforts could be made to avoid what they also recognise is a potentially hazardous situation. They would more than ever now risk public opprobrium if they took precipitate action. However, the only constitutional constraint on immediate action is the requirement that the GMWU executive would have to meet to approve the recent recommendation of its delegate conference to take action, which could be done in one or two days. But I am advised that official action on that timescale is not likely though the possibility of sporadic unofficial action cannot be ruled out despite the fact that the rank and file generally are believed to be less militant than they were last year.



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

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30 January 1980