



Local Govt.

Ref. A03931

PRIME MINISTER

Cabinet: Pay Negotiations in the Water Industry

BACKGROUND

The Secretary of State for the Environment is to bring the Cabinet up to date tomorrow on the water manuals pay negotiations. The latest position is summarised in a letter dated 7th January from the Minister for Local Government to the Chancellor of the Exchequer (copied to most, but not all, members of Cabinet). Only two issues arise at this stage:-

- (a) The public stance to be adopted by the Government.
- (b) Contingency planning.

2. On publicity, officials from the Departments immediately concerned had a brief discussion earlier this evening. They concluded that the immediate line should continue to be that the negotiations are between the employees and the water industry and that the Government is not involved. If at a later stage there appears to be a real possibility of industrial action, that would be the time to draw attention to the damage which the waterworkers would be threatening to impose on their fellow citizens and to try and shame them into responsibility.

3. On contingency arrangements, plans exist and can be activated when required. The Home Secretary is in charge of this aspect of the matter.

HANDLING

4. You might invite the Secretary of State for the Environment to report briefly on the situation and invite discussion on the public attitude to be adopted by Government spokesmen. You will also want to invite the Home Secretary to consider and report quickly to you on the state of contingency planning for countering the effects of any industrial action. He will in fact be able to give an oral report to Cabinet tomorrow if time permits.

CONCLUSIONS

5. You will want to record:-

- (1) The Cabinet's view on the general thrust of any Government comments at the present stage of the negotiations.

See John
Venka's note
below

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- (2) An invitation to the Home Secretary to report to you (and other colleagues) on the present state of contingency planning and the timetable for action, should this be required.

RA

ROBERT ARMSTRONG

7th January, 1981

CONFIDENTIAL

PRIME MINISTER

c.c. Mr. Ingham

WATER MANUALS' PAY

We have arranged for Mr. Heseltine to report briefly in Cabinet tomorrow on the rejection by the water manual workers of the pay offer made yesterday by the employers; and Mr. King has now circulated the attached letter detailing the offer (7.9 per cent overall; 9.9 per cent on basic rates) and outlining likely future developments - there will in fact be no action until the unions have completed a period of consultation and held a further meeting with the employers on 3 February. Mr. King suggested in his letter that the line to be taken by the Government on this dispute be considered at the meeting of the Official Group on Public Service Pay today.

At that meeting, several people said that, since the Government had no direct responsibility for these negotiations, they should say as little as possible. I said that I thought that a public sector monopoly, able to wield considerable industrial power, and one in a position to raise charges to meet excessive pay increases, was very undeserving of public sympathy; and that Ministers might want to consider using the period in which the unions are digesting the latest offer to ensure that public support is on the side of the employers. It was established that the contingency arrangements in the event of industrial action are being dusted down, but in an entirely discreet way so as not to adversely affect the climate of the negotiations.

Cabinet does not have to decide whether Ministers should intervene with the employers, since the employers are not faced with any decisions until the unions have completed their consultations and have reported back. The only issue for Cabinet is the extent to which the Government should publicly express a view about the negotiations, and my own feeling is

/that it

that it would be helpful if the Government, perhaps in the person of Mr. Heseltine, were to take the line that:

- (i) the negotiations are between the National Water Council and the unions, and although the Government naturally hopes that the outcome will be a reasonable settlement without industrial action, it is not a party to them;
- (ii) it would be quite wrong for any public sector union to use their monopoly power to force the taxpayer to pay more to finance an excessvie wage claim, when it has already been offered an amount in line with the more realistic climate of pay settlements that we have seen in recent months.

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N.

7 January 1980



DEPARTMENT OF THE ENVIRONMENT

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~~cc Mr Vecker~~
Mr Ingham

MINISTER FOR LOCAL GOVERNMENT AND ENVIRONMENTAL SERVICES

CONFIDENTIAL

7 January 1981

Dean Coffey,

WATER MANUALS' PAY

At a meeting of the water manuals' NJIC yesterday the employers refused to improve the offer which the unions rejected at the last meeting (7.9% overall; 9.9% on basic rates) but invited the unions to consider restructuring it within the same overall cost. As expected this was rejected by the unions who will now consult their membership through the appropriate machinery and advise industrial action in furtherance of their claim. They have offered to resume negotiations but only if they are assured that the employers are prepared to make an offer well above 7.9%.

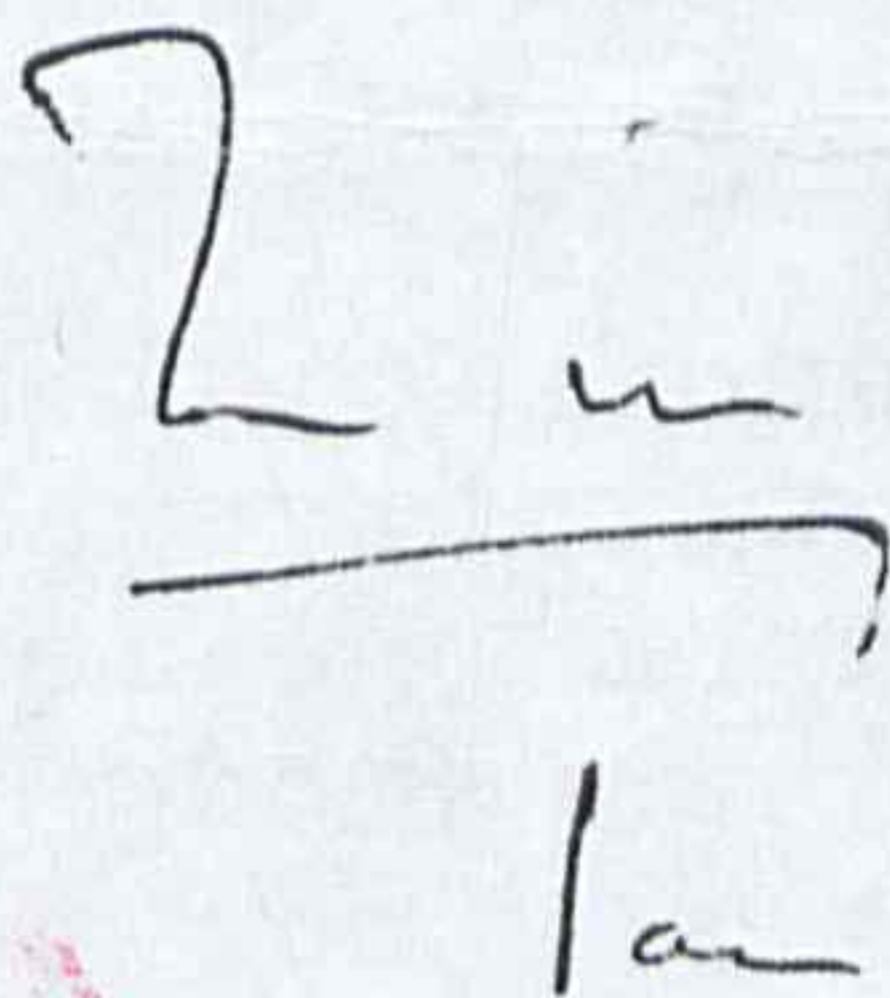
I invited the employers to see me on Monday evening to bring me up to date with their thinking and they clearly foresaw yesterday's developments. They told me that they had decided to follow this course in the knowledge that it involved a high degree of risk and despite opposition by some of their members. They asked whether the Government would support them wherever appropriate, and that we should be prepared to take action to maintain essential services if and when this becomes necessary, but not yet. I gave them that assurance. They expect there to be some unofficial action in the more militant areas during the consultative process which could take two to three weeks depending upon the methods the unions choose to use. There were divided views among the water employers as to whether the men would be anxious to press for action, and I emphasized the importance of the employers locally putting their employees fully in the picture on the merits of the offer already made.

I told the employers that, whilst the decision not to improve the offer was one they had already reached, it certainly coincided with my own views. I put it strongly to them however that a successful outcome would depend upon the extent to which they are able to get across to the general public as well as to their employees that the offer (7.9% on earnings, 9.9% on basic pay) is a fair one which can by no stretch of the imagination justify the potentially serious effects of industrial action. While it is obviously preferable in the initial stages for the employers to make the main case, at some stage the Government will be asked to express a view. I suggest the line to be taken should be first considered at the meeting of the official group on public sector pay later today.

A successful outcome will also depend to a very considerable extent on developments in other public sector pay negotiations in the coming weeks, and especially in those for the gas manuals and the electricity supply workers. If the employers in gas and electricity are seen to be moving ahead of water, in relative terms, then I have little doubt that the water employers will be unable to sustain their present line. If on the other hand, gas can stand firm, and we can get membership endorsement of the Local Authority manuals offer at 7.5%, which is due by January 27th then the chances for water will be much enhanced. I understand electricity is not due to offer before February 5th so we may be able to avoid any impact from their proposals.

I have agreed with the water employers that they should take no overt contingency measures at this stage, but my officials will be pursuing through the usual channels the initial preparations as necessary.

I am copying this to the Prime Minister and other members of E Committee and to the Secretaries of State for Scotland, Wales and Transport, and to Sir Robert Armstrong.



TOM KING

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