

*copy to J. Archer
AD:300*

Prime Minister

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3 November 1981

Prime Minister

WATER MANUALS PAY NEGOTIATIONS

My minute to you of 13 October was an interim report on the prospects in the water manuals pay negotiations. Discussions held last week have made the prospects clearer.

Tom King met Sir Robert Marshall last Monday. He impressed on him that the Government is hoping for a settlement well within single figures, pointing to the downward trend of settlements and offers since Ministers met the NICG in July.

Sir Robert accepted that expectations have been falling, but does not expect the waterworkers to endorse any settlement substantially lower than what the miners secure. The employers and the trade unions want to avoid the long-drawn out difficulties of last year, and so aim to achieve an early settlement without industrial action, but without getting ahead of the miners.

Later in the week the combined employers met; they decided to offer no concessions on hours or (with one minor exception) holidays. They saw no scope for new productivity agreements, but will seek renewed assurances from the unions that they would continue to work to the agreed targets for the assimilation of old productivity schemes into the Water Industry Pay Productivity Scheme (WIPPS), commenced in 1977. They did not give a quantitative guideline to the negotiating team for a pay increase, but left it to them to fix the offer and the tactics for the negotiations on 5 November, on the basis that these should not embarrass other current negotiations, particularly the NCB's. The negotiating team will finalise their position on 5 November immediately before meeting the unions. I expect them, with the miners in mind to make an opening offer (probably not above 6½%, and perhaps below) and probably to adjourn negotiations until after the NCB/NUM meeting of 11 November - perhaps to 19 November.

The opening offer is higher than I would have liked. But I see no point in bringing further pressure to bear on the employers before the meeting of 5 November. The NWC has promised to keep us in close touch with the employers negotiating position.

Withstanding industrial action

Against this background I do not think we need yet take decisions on the questions posed by the Home Secretary in his minute to you of 22 October (which covered a report on "Withstanding a water strike"). I agree with the conclusions of that report, and it will help us to take quick decisions, should this become necessary. Either if the waterworkers negotiations break down (and we might expect the unions to take 2 or 3 weeks in consulting their members about official industrial action) or if the employers have to contemplate making an unacceptably high offer.

Timing, and Local Government manuals negotiations

At a recent meeting with the Local Government employers we were warned that they might be in confrontation with their manuals early in the New Year. They voiced concern about the embarrassing effects

of high settlements in the nationalised industry sector generally, and in the Civil Service, but did not specifically highlight the water industry (whose settlement they no longer seem to regard as having a decisive effect). However, simultaneous industrial action by the manuals of both groups could have particularly damaging consequences for the crucial Local Government manuals group, especially since the unions involved are the same, and I believe there could be considerable advantage in getting the water negotiations out of the way as early as possible this year, provided their settlement follows the miners and doesn't destroy the credibility of other employees' efforts to achieve reasonable settlements.

I am copying this to colleagues on E Committee and to George Younger, Nicholas Edwards, David Howell and to Sir Robert Armstrong.

J. Jones
P.P.

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*Approved by the Secretary of
State and signed on his behalf*