

Local Govt
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MINISTER FOR LOCAL GOVERNMENT
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4 November 1982

Prime Minister (2)

What you heard at

Cabinet this morning.

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Don Coffey

WATER MANUALS PAY NEGOTIATIONS

In advance of the meeting of the Combined Employers Committee last week I talked informally with both Len Hill, Chairman of South West Water Authority and Chairman of the Employers, and Tag Taylor, new Chairman of Southern Water Authority. I impressed on them both the vital importance of continuing the downward pressure on wage settlements, and the need for a low offer. Len Hill advised me that his approach would be to make such a low offer, to allow a very small amount for further negotiation and if that did not achieve agreement to go straight to arbitration.

The outcome of the Combined Employers' meeting, which involves some 20 people, has, however, turned out very differently, with a basic proposal for a 6% opening and closing offer with immediate recourse to arbitration if this is not accepted. I attach, in the annex, fuller details of the proposed basis of negotiations. Might I say, straightaway, that I regard this decision by the Combined Employers as quite ludicrous and am seeking to get a very different approach adopted for the opening of the negotiations on November 11th. I have pointed out to a number of the people concerned, in no uncertain terms, the total lack of justification for a 6% plus arbitration offer, against a background of last week's 5.7% arbitration decision for White Collar Local Government workers for the last pay round, at a time when inflation is falling so rapidly and with the BL and miners' decisions as well. Moreover, it is clear that such an offer would be extremely embarrassing in the Health Service context and we are, of course, dealing with many of the same unions in the water industry (I am in close touch with Norman Fowler about this).

The employers view is that there is every prospect of industrial action if the water offer is 6% or less. But I

have made it clear that if this is the case there is even less point in making such a high offer, and leaving even fewer cards to play thereafter.

The employers also have a complicated argument that, as the unions are determined on strike action, if they pitch their offer high enough and offer arbitration, then if the unions take industrial action they will be in breach of their agreements. The employers can then regard the agreements as no longer valid and the closed shop no longer operative, and encourage the moderates to come to work on that basis. This argument is not valid in that they can equally approach it from a lower base with the option of arbitration, and achieve the same effect.

I am, therefore, doing all I can to try and ensure that the initial offer, made by the employers on the 11th, is one that does not embarrass us in other negotiations and is in line with our continuing efforts to restrain wage settlements.

The background to the employers' view is based on their strong belief that the union leadership is determined on a fight, and their worries about the consequences of any industrial action. Last year officials produced a paper "Withstanding a Water Strike", which dealt with various possible difficult eventualities. They have produced a further such report this year. I think this needs to be seen in perspective - a strike could obviously prove to be extremely rough, but probably equally rough for many of the strikers and their families, and one not likely to attract much public support. I therefore hope that we do not become too obsessed at this stage with all the problems - many of them very daunting - that could possibly arise from such a strike, but be prepared to take a resolute line in defence of our counter-inflation policy.

Nonetheless serious aspects are involved and I well understand that the Home Secretary might think it advisable to call an early meeting of CCU.

I am copying this to the Prime Minister, to members of E Committee, to Norman Fowler, Nicholas Edwards and George Younger, and to Sir Robert Armstrong.

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TOM KING
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PROPOSED BASIS OF NEGOTIATIONS ON WATER MANUALS PAY

- a) the ceiling for a total settlement package is 6% of current pay bill, except that if the team considers that a 16 month settlement could secure an otherwise unobtainable settlement the ceiling could be increased on a pro-rata basis to accommodate it;
- b) the opening offer should probably be pitched at the ceiling level; the negotiators are authorised to proceed directly to arbitration (unilateral access and binding award) if and when it becomes clear that no headway can be made on the offer;
- c) this implies no concession on the principle of upper quartile equivalence;
- d) the package would include minor concessions on holidays and service supplements but not on reduced hours;
- e) the negotiators would have the discretion to shape and vary the package in negotiation in respect of the balance between increases on rates and bonuses.

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