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Prime Minister

PAY

You will be pleased to know that the outcome of the crucial local government manual workers negotiations earlier this week is reasonably satisfactory. The unions are putting a 4½% offer to their members over the next 3-4 weeks and it is confidently expected by the local authority employers that this will be accepted.

The situation in the water manuals negotiations is more difficult. The unions executives have endorsed their members agreement in recent ballot to reject the employers 4% offer (and implicitly their refusal to go to arbitration) and they are meeting on Monday 17 January to decide how and when to implement the mandate they have been given to take industrial action in order to secure a "satisfactory settlement". I saw the employers' leaders on Wednesday and impressed on them that there was no justification for a settlement for their manuals in excess of the 4½% which the more lowly paid NHS have accepted and local government workers seem prepared to accept. I told them that the two options for them were either to see if a very small increase (½% or ¾%) could get a settlement, or otherwise, to stand on 4% plus the arbitration proposal, but that they must obviously take care that they did not concede the first and then have arbitration. This would merely play into the unions' hands and raise the floor at which the employers would then have to enter arbitration. The employers did not consider that at this stage there was any hope of securing any commitment to a settlement at the levels I envisaged. They preferred to play down the minimal offer approach and to emphasise their right under the national agreement to go to arbitration.

C O N F I D E N T I A L



At the subsequent joint meeting the unions' position remained intransigent and they made it clear that they were only willing to consider arbitration if there were an offer of 6% on the table and they were not willing to modify their claim. The employers therefore made no moves at that meeting. Yesterday morning they suggested to me that there might be very considerable presentational advantage in making an offer of 6% spread over 16 months, which according to their calculations would equate to a 4½% settlement over a 12 month period. I have since spoken to Geoffrey Howe as Chairman of E (PSP) and agreed with him that a settlement of 5½% over 16 months, which in fact is equivalent to 4½% for this year and 4½% for next year, could be acceptable. I have advised the employers accordingly but only as the basis for an agreement and once again only to be discussed informally so as not to prejudice the question of the base figure for arbitration. The employers' view is that they do not propose to make any direct contact now with the unions in advance of the meeting on Monday, but to let the 16 month offer emerge in any discussion with ACAS. However they doubt that the unions will consider this. In that case we may face industrial action - but the employers could then claim that they were willing to make alternative offers and would thus be able to answer the union argument that the employers cannot press for arbitration since there has been no previous negotiation.

It seems reasonably certain that the unions will decide on Monday to take some form of industrial action if there have been no other moves before then, and it could conceivably take place at any time from Monday 24 January. It is difficult to say at this stage what form the action might take and there are clearly many risks involved for both sides. The unions have however, with an obvious eye on the importance of public opinion, said that they will provide emergency cover, and there is evidence that they are discussing the machinery with the employers at the regional level. It has been reported that GMBATU are in favour of selective action which as far as possible is directed against the Government and the employers rather than the public, but there have also been indications that others in the union movement might support a maximum



effort in order to try to bring the matter to a speedy conclusion. I am writing separately to the Home Secretary about contingency action and the timing of a meeting of the Civil Contingencies Unit. I understand that ACAS remains in touch with both sides.

It has proved very helpful that the gas employers were persuaded by Nigel Lawson to hold their opening offer to one similar to that made to the water workers. Clearly it will remain important that as far as possible we should seek to move in step.

I am copying this to the members of E Committee, George Younger Nicholas Edwards, and to John Sparrow and Sir Robert Armstrong.

14 January 1983

TK
(approved by the Secretary
of State and sent in
his absence)

JUN 1983

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MR SCHOLAR

cc Mr Mount
Mr InghamTHE WATER WORKERS

I have not yet seen the letter from Mr King promised for this evening. I have however been told about the discussions Mr King has had with the National Water Council, and it is clear that so far the NWC has managed to avoid increasing their 4% offer to the unions; and I have also been told roughly what Mr King will be proposing. I should like to offer two comments on the way forward:

(i) Since the unions who represent local authority manual workers have just agreed to recommend to their members a 4½% offer, and since they are the same unions as those who represent water workers, there is now a much improved prospect of a settlement with the water workers below 6%. And there is certainly no need for the employers to go beyond 4½% at this stage.

(ii) The proposal for the water workers to be offered 6% for a sixteen month settlement, equivalent to about 4½% on an annual basis, which I understand Mr King will be putting forward, is sensible. It shows negotiating flexibility; it meets the unions' criticism that the employers were prepared to offer 6% until Mr King stopped them; and it will leave the unions with a very weak position indeed in arguing against arbitration.

14 January 1983

Water Workers
5/10

PRIME MINISTER'S BRIEFING - 14 JANUARY 1983

MAJOR INDUSTRIAL DISPUTES

Water Services (E&W)(35,300 manual workers - GMBATU, NUPE, TGWU)

1. The unions' members have rejected the 4% pay offer made on 11th November. The union Executive Committees are meeting on Monday 17 January to consider their next steps. No increased offer was made at informal talks on 12 January between the employers' side and the unions' side.

2. The employers' side is seeking unilateral reference to arbitration within the terms of the industry's procedural agreement. Under the Employment Protection Act 1975 ACAS is unable to arrange arbitration without the consent of all parties to the dispute. ACAS are continuing to keep in touch with both sides in the dispute.

3. The dispute, although now associated with the pay deal to be negotiated from 7 December 1982, is essentially about a clause in the 1981 pay deal which provided, without commitment, that the employers would give careful consideration to union representations that water workers' pay should be higher in relation to the pay of workers generally. [The unions later quantified this informally as being in the upper quartile of published earnings figures.]

DISPUTES SETTLED SINCE LAST REPORT

DHSS Birmingham and Oxford (CPSA & SCPS - 950)

4. Strikers at Birmingham and Oxford have returned to work following agreement at national level between the DHSS and the two unions concerned.