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Prime Minister Local Govt

PRIME MINISTER

cc Mr Mount
Mr Ingham

Mus 26/1

CABINET: WATER STRIKE

Mr King will no doubt be reporting. There are three categories of issue for discussion: the prospects for a negotiated settlement, sustaining the strike, and public presentation.

1. The Prospects for a Negotiated Settlement

Many observers expected the parties to reach a settlement yesterday on the basis of the mediator's report. But the negotiators on both sides lack experience of brinkmanship bargaining, and the talks broke down where it is possible that skilled drafting - especially in the formulation of the relation of earnings opportunities to increased productivity - might have done the trick.

That opportunity is lost for the moment. The employers have said that their offer is final, and the unions will be in no position to make a move until they have assessed the outcome of their consultations: they meet on Saturday. Arbitration remains a possibility, but the NWC fear it would prove even more expensive. ACAS are planning no new initiative.

We must wait until next week to assess whether we should encourage the NWC to re-open negotiations, in the light of the degree of support for the strike, and of its effectiveness.

2. Measures to Endure the Strike

We are entering familiar, but difficult, territory. As the strike begins to take effect - with results broadly as predicted by MISC 61, ie a gradual deterioration of water services and an increasing number of interruptions to supply - there will be an increasing number of places where the use of the Services could relieve hardship. But as soon as Service manpower is used, there is a risk that the unions will provide less emergency cover, resulting in greater hardship.

The decision on deployment of troops need not be taken by Cabinet: the CCU meets tomorrow night. But the general principle is clear - we should not hesitate to use Service manpower where the local situation

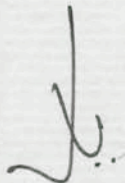
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is of such self-evident gravity that the public would expect us to do so. It looked for a time as if we were close to that position in West Cornwall, where blocked filters were threatening the water supply to over 25,000 people: however, unions have now agreed to make the necessary emergency repairs. But there will be others.

3. Public Presentation

As you know, we have been pressing at every level for Ministers to put the unions on the defensive by challenging the decision to strike when independent mediation has taken place. They are starting to do so; and the NWC is at last beginning to try to persuade their workforce to accept the offer. Both these efforts need to be stepped up between now and the weekend.



JOHN VEREKER

26 January 1983

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The Water Industry Manual Workers'
Pay Dispute

Thursday 27th January 1983

A brief circulated by the
Conservative Research Department

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The negotiations are between the National Water Council, who in accordance with the Water Act 1973 negotiate on behalf of Water Authorities and water companies in England and Wales, and representatives of the GMBATE (formerly GMWU), NUPE and T&GWU, who speak for 29,000 manual employees (about half the total workforce).

The water industry manual workers are not a low-paid group. Their overall average weekly earnings are exactly the same as the national average for manual workers: recently £134 a week. Only about 7% of full-time water manual workers are at or below the low-pay threshold.

There is no question of their having fallen behind other groups. In the last three years their earnings have increased by more than the miners'. They have done better than local government workers: and as well as gas and electricity workers.

	<u>Water</u>	<u>LG</u>	<u>Coal</u>	<u>Gas</u>	<u>Electricity</u>
1979/80	21.4%(i)	13%	17%	18%	19(+)%
1980-81	12.3%(ii)	7.5%	9.7%	12.6%	12.5%
1981/83	8.8%	6.9%	7.4%	7.9%	7.4%

- (i) includes comparability settlement (LG comparability award in 1978/79);
- (ii) employers were discouraged from going into arbitration at 10%;
- (iii) gas/electricity incorporate 50% craftsmen; water craftsmen negotiate separately;
- (iv) gas/electricity settlements tend to have hangover effects which increase earnings during the year.

Their work is generally not particularly dangerous or unpleasant. It is worth noting that the great majority of sewer workers are employed by local authorities.

Nevertheless, since April 1982 the unions have attained a level of earnings equivalent to that of some other public utility groups which would put them in the top 25% of manual workers. The claim submitted in September implied a 15% increase in real terms - say 20% allowing for the rising cost of living.

The employers' opening offer in mid November was 4%. This was not ungenerous against the background of the miners' settlement, and compared with December's 4½% settlement in the NHS dispute for this round; probable agreement on 4½% for the local government manual workers; and a 3.8% offer this month to the gas manual workers.

The water industry has a national agreement that either side can refer a dispute to arbitration. When the unions rejected the 4% offer, the employers considered the gap so wide that they proposed to go to arbitration. This the Unions rejected.

ACAS invited both sides to talks on 18 January and this resulted in agreement from both sides to submit to mediation by an independent mediator approved by ACAS.

The mediator's recommendation, arrived at after intensive discussion was:

1. No acceptance of the Union claim to be placed in the top 25% of manual workers;
2. 7.3% increase over 16 months;
3. Increase in the service supplement from 2.5p to 5.2p per hour;
4. Wages should be paid by credit transfer.

The employers have accepted the mediator's recommendation and made an offer accordingly. The Union negotiators have rejected this offer. They are now consulting their members asking them to support this rejection, and meet on Saturday to consider the results. As Tom King said:

"I very much hope that the water workers will accept the offer that has been made. This offer is based on the mediator's recommendation and arrived at after the most intensive discussion. It represents an immediate increase of 7.8% or £10 on present average earnings of £136 per week, at a time when the rate of inflation is down to 5.4% and when so many of their customers may only get very small increases. Furthermore, that increase would be backdated to 5 December."

Meanwhile, Regional Water Authorities are coping well with the serious problems which they face but their service to the public is under severe strain.

Troops remain on standby should the situation demand it.



Ref. A083/0285

PRIME MINISTER

Industrial Affairs: Water Pay Dispute

The Secretary of State for the Environment will wish to report on the effects so far of the all-out strike in the water industry in England and Wales, which began at midnight last Sunday (23 January) and on the prospects for a settlement; and the Home Secretary will wish to report on the contingency measures which the Civil Contingencies Unit (CCU) has in hand.

MAIN ISSUES

2. The main issues for consideration would appear to be:
 - (a) the prospects for a settlement;
 - (b) how the effects of the strike are likely to develop;
 - (c) contingency measures, particularly the use of servicemen; and
 - (d) the Government's public stance.

The Prospects of a Settlement

3. As you know, the discussions conducted under the auspices of the Advisory, Conciliation and Arbitration Service (ACAS) led eventually to mediation. The ACAS agreement, which was signed by both parties to the dispute, apparently provided that if mediation failed to lead to a settlement the matter could be referred to arbitration under the terms of the industry's arbitration agreement, which are that either side may unilaterally refer a dispute to arbitration and that the parties will be bound by the outcome.

4. The mediator recommended a general increase of 7.3 per cent over 16 months (ie to April 1984) together with certain improvements in other payments which meant that the offer was worth in total 7.8 per cent to a substantial proportion of the workforce. The mediator firmly ruled out the unions' claim for pay in the water industry to be linked to the upper quartile level of manual workers' earnings generally, which was most helpful to the employers, but suggested instead that the employers should use their best endeavours



to find other means of increasing earnings in the industry; two possibilities which were mentioned in the mediator's report were the more widespread use in the industry of payment by credit transfer rather than in cash, and a development of local productivity schemes.

5. The employers accepted the mediator's report and immediately tabled an offer based on it. After detailed negotiations the trade unions eventually rejected the offer, but have decided to consult their memberships quickly through branch meetings rather than a full-scale ballot. The result of these consultations is expected to be known by the weekend.

6. A reference to arbitration remains a possibility. But despite the agreement referred to above, the trade unions, are reluctant to acquiesce in this since they know that ACAS would appoint the mediator, Mr Buchanan, as the arbitrator and they presumably judge that the outcome would be unlikely to be favourable to them. They might, however, come to be more favourably inclined towards arbitration if the results of the consultation with their memberships shows that opinions are finely balanced.

7. So far the strike has not spread to Scotland, where water workers are local authority employees although they normally negotiate settlements in line with those awarded to water workers in England and Wales. The views of the trade unions are divided. Some of them are advocating an immediate all-out strike from midnight on 27 January. It is therefore possible that the industrial action could spread to at least parts of Scotland, if there is no early resolution of the dispute in England and Wales.

The Effects of the Strike

8. As expected the effects of the strike are being felt gradually. So far some 6,000 properties are without piped water, although all have access to alternative supplies. Several million people have been advised to boil water by the water authorities, in many cases because the purity of the water cannot be guaranteed rather than because it is known to be contaminated. Some work has been



undertaken by strikers to restore water to hospitals and old peoples' homes following burst mains in accordance with the provisions of their closed shop agreement, ie that they will avoid serious hardship or dangers to public health during industrial action. But the unions are reported to be interpreting threats to public health in a narrow sense. No serious effects on industry had been reported during the first 48 hours of the strike.

Contingency Measures

9. At present the 12,700 servicemen needed for Operations KEELMAN (Great Britain) and FOOTWAY (Northern Ireland) are at the following notice to move, authorised by CCU at their meeting on 21 January:

Main Bodies	24 hours
Reconnaissance Parties, Mobile Emergency Repair Teams (4) and Construction Groups (2), to assist with any major repairs	6 hours or less

The CCU is to meet again at 6.00 pm on 27 January to take stock of the situation and in particular to review service notice. The timing of any deployment of servicemen would clearly require very careful consideration. The Secretary of State for the Environment does not think that the water authorities are likely to seek service assistance quickly, because the effect of doing so would be to exacerbate the dispute and because so far management seems to be coping broadly as expected.

The Government's Public Stance

10. Much of the Press reporting so far has concentrated on the effects of the strike where these have been relatively dramatic. The employers' offer has been reported, but there has been little analysis of the unreasonableness of the unions' claim and little comment on their unwillingness to accept the outcome of mediation or to abide by their existing agreements on arbitration. These are matters for the employers to take the lead on publicly. The Secretary of State for the Environment has been making vigorous efforts to correct some of the worst imbalances; and there has also been extensive unattributable briefing. But there are clear dangers in the Government adopting too high a public profile, particularly while consultations with the workforce are under way.



HANDLING

11. You will want to invite the Secretaries of State for the Environment and Employment to report on the strike and on the prospects for a settlement; and the Home Secretary to summarise measures in hand in the CCU.

CONCLUSIONS

12. Depending on the discussion you may wish to reach conclusions on:

- i. whether the Cabinet is content with the CCU's contingency arrangements; and
- ii. what the Government's stance should be.

A handwritten signature in black ink, appearing to read 'RA' or 'R.A.', with a stylized, cursive script.

ROBERT ARMSTRONG

26 January 1983