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SUBJECT cc Harro



10 DOWNING STREET

From the Private Secretary

2 February 1983

Dear David,

The Prime Minister held a meeting at 0830 this morning to discuss the water workers' strike. Besides your Secretary of State and Mr. Shaw, there were present the Home Secretary and the Secretaries of State for Defence, Employment, Scotland and Wales, Mr. Harrop, Mr. Gregson, Mr. Goodall and Bernard Ingham.

It was reported that the effects of the strike in England had remained relatively stable during the last 24 hours; and there were reports, as yet unconfirmed, of workers in one or two areas voting to return to work. There was a more militant attitude in Wales where storm damage affecting electricity supplies to pumping equipment had added to the difficulties. It should become clear later today whether or not the Scottish water workers would join the strike.

The Advisory Conciliation and Arbitration Service (ACAS) had held further talks with both sides but were saying that they had not put forward fresh proposals for a settlement. A union suggestion yesterday that they might be prepared to consider 6 per cent over 12 months plus urgent negotiation and a further 2 per cent in recognition of past productivity achievements was unlikely to be acceptable to the employers.

It was agreed that it would be right for the employers to stick closely to their current strong position, stressing their readiness to negotiate on the basis of paragraph 8 of the mediator's report and the opportunities it presented for sizeable - and self-financing - additional earnings, e.g. £1 a week extra for "cashless payment" and up to £5 a week extra if a 7-day week working pattern were adopted - a change which would benefit the lower paid at the expense of those workers with high earnings derived from overtime.

The objective should be to make the unions face up to the choice between the two possible courses open to them: negotiation on the basis of paragraph 8 of the mediator's report or arbitration.

Public presentation, on which the employers should be encouraged to take the lead, should emphasise the opportunities open to the unions under paragraph 8 of the mediator's report to

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increase earnings in return for increased productivity and the employers' readiness to negotiate on that basis. It would be best to allow any movement towards a return to work to gather momentum before considering how it might be exploited for publicity purposes. The employers would need to be clear about their attitude towards workers returning to work before the strike ended, and Departments should ensure - privately, if need be, at first - that there could be no question of such workers being dismissed under the closed shop agreement.

Summing up the discussion, the Prime Minister said that the next few days would be crucial. It would be important that the employers and the Government should say nothing to give the unions the impression that the offer based on the mediator's report, which was now on the table, might be increased other than through further exploration, on a self-financing basis, of paragraph 8 of the mediator's report. Meanwhile, any cases of actual withdrawal of emergency cover by the unions, e.g. in Wales, should be firmly brought home to them, so that the conflict between their undertakings and their behaviour was made plain. The Secretaries of State for the Environment and Wales should be the main Ministerial spokesmen for the next 24 hours.

I am copying this letter to the private secretaries of those Ministers present, and to Richard Hatfield (Cabinet Office), Mr. Harrop, Mr. Gregson and Mr. Goodall, and to John Lyon (Northern Ireland Office).

Yours sincerely,

Michael Scholar

David Edmonds, Esq.,
Department of the Environment.