

Prime Minister

Please see X.

MUS 7/2

PRIME MINISTER

cc Mr Mount  
Mr Ingham

WATER STRIKE MEETING, 8 FEBRUARY

- (i) Situation Report (Mr King and the Regional Secretaries of State)

*N. King*

Has the breakdown of negotiations affected the extent of emergency cover provided by the unions?

Is there any sign of individuals seeking to return to work?

- (ii) Negotiating Tactics and ACAS' Activity (Mr King and Mr Tebbit)

What next steps are planned by ACAS, and is the NWC clear how it should respond?

(I have been looking in more detail at the earnings effect of the various elements in the current pay offer. The figures are attached, and show that we are already in the danger zone from the point of view of affecting gas and electricity negotiations - even if the shorter working week is not conceded. I also attach an explanation of the figures used by Woodrow Wyatt in the Sunday Mirror.)

- (iii) CCU Activity (Mr Whitelaw and Mr Goodall)

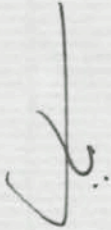
Is there anything to report? (Peter Gregson is Chairing a meeting of MISC 61 after this meeting to look at options for withstanding a long strike.)

(iv) Presentation (Mr Ingham)

Who is being blamed for the breakdown?

Are we clear on the line to be taken with the  
Lobby and at Question Time?

Finally, you may want to ask your colleagues whether they think it necessary to meet every morning. The CCU is meeting daily at Official level, and at Ministerial level every few days; and you get a separate press briefing in preparation for Question Time on Tuesdays and Thursdays. You may feel that meetings on Monday, Wednesday and Friday would be sufficient.

A handwritten signature, possibly 'J. Ingham', consisting of a vertical line with a small loop at the bottom and a horizontal stroke extending to the right.

7 February 1983

EARNINGS EFFECT OF WATER WORKERS' PAY OFFER

Pay rises are measured by the Department of Employment (and appear in the New Earnings Survey) in terms of their effect on average earnings over 12 months. So an offer covering 16 months is not reduced proportionately. The various elements in the current (6 February) offer to the water workers are as follows:

	<u>Value</u>	<u>Average Earnings Effect</u>	<u>Cumulative Av. Earnings Effect</u>
<u>Mediator's Report (23 January)</u>			
1. Increase in Basic Rates	7.3% over 16 months	7.3%	7.3%
2. Long Service Increments for those with over 5 years' service	5.2p per hour for those affected	0.5%	7.8%
<u>ACAS Negotiations (5 February)</u>			
3. Improvements in the Water Industry Productivity Payments Scheme (WIPPS)	86p a week for 12-18,000, equivalent to 50p a week for all	0.3%	8.1%
4. "Len Hill's £5-10 a week" for the 10-15% who work weekends	Probably nil because of countervailing savings	--	8.1%

Also mentioned for Discussion by NWC in return for Flexible Shifts

5. Inducement to accept cashless pay	£50	0.7%	8.8%
6. Possible 1 hour reduction in the working week	2.5%	2.5%	11.3%

Appl →

WOODROW WYATT'S FIGURES (SUNDAY MIRROR, 6 FEBRUARY)

Woodrow Wyatt said

"A 7.3 per cent rise over sixteen months is available to the manual water workers. It would give them gross average weekly earnings of £154.

This would compare with £160.50 for manual gas workers and £154.50 for electricity workers."

These gas and electricity figures are to be found in Table 4 of Part A of the 1982 New Earnings Survey. But -

(i) The NES describes the position at 1 April 1982, when the 1982 gas and electricity settlements were not known; the gas and electricity figures are therefore for the previous pay round;

(ii) The £154 a week for water workers is derived by adding 7.3% on to the £143.5 that appears in the NES: it is therefore for the subsequent pay round.

So the figures are two pay rounds apart. Put on a comparable basis, before this pay round begun, the figures are:

Gas	£173
Electricity	£166
Water	£143.5

The water figure in Table 4 of the NES is for all full time male manual workers: it includes some craftsmen and that is why it is higher than the £136.90 a week for all non-craftsmen, ie those on strike.

Prime Minister (2)

John Vereker's 11.3% was agreed with Employment (but not Environment) officials. It all depends on <sup>cc</sup> how the reduction in working week is costed. But all agree that, on any reckoning, the talks are about 9.6%, at least.

Mr Butler  
Mr Ingham  
Mr Mount

EARNINGS EFFECT OF WATER WORKERS' PAY OFFER

are about 9.6%, at least. MCS 8/2

The Prime Minister will recall that Mr King was not entirely happy with the 11.3% figure for the maximum effect of the pay offer contained in the note she saw last night. I have now been over the table in detail with Mr King's officials, and we have agreed the figures. The difficulty arises from the fact that all figures for the earnings effect of pay offers contain a substantial element of guesswork, notably about hours worked. The main difference between the figures below and those I produced earlier is in the earnings effect of the 1-hour reduction in the working week: depending on how this is negotiated, there is a very wide variation in effect, but the Department of the Environment reckon it is only 0.7%.

	<u>Value</u>	<u>Average Earnings Effect</u>	<u>Cumulative Av. Earnings Effect</u>
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2. Long Service Increments for those with over 5 years' service	5.2p per hour for those affected	0.5%	7.6%
<u>ACAS Negotiations (5 February)</u>			
3. Improvements in the Water Industry Productivity Payments Scheme (WIPPS)	86p a week for 12-18,000, equivalent to 50p a week for all	0.3%	7.9%
4. "Len Hill's £5-10 a week" for Flexible Working Practices	£4 minimum for about 10% of staff, equivalent to 50p a week for all	0.3%	8.2%
<u>Also mentioned for discussion by NWC in return for Flexible Shifts</u>			
5. Inducement to accept cashless pay	£50	0.7%	8.9%
6. Possible 1-hour reduction in the working week w.e.f. 1.4.84	?£1 a week	0.7%	9.6%

JOHN VEREKER