



Local
Govt.

2 MARSHAM STREET
LONDON SW1P 3EB

My ref:

Your ref:

4 January 1980

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PRIME MINISTER

ms

To see - especially the
ominous last paragraph

Jeer Nick

When we spoke on the 'phone this morning you asked for a situation report on the water industry pay negotiations for the Prime Minister. I now attach, as requested, a short note for her information.

MS
4/1

I am copying this letter to the Private Secretaries to Sir Keith Joseph and other members of E(EA), to the Minister for Agriculture and to Sir Robert Armstrong.

*Yours sincerely
JEH Jacobs*

JEFF JACOBS
Private Secretary

Nick Sanders Esq
10 Downing Street

4 JAN 1901



WATER INDUSTRY PAY SITUATION

On 20 December the unions representing the water industry manual group (33,000) rejected an offer worth 13.1% made in response to their claim of 53% which included 17% to meet a commitment made in last year's troublesome settlement to resolve discrepancies (subsequently identified in a recently agreed joint study) between the pay positions of the manuals in the water industry and those in the gas and electricity industries. The employers did not separate out in their offer any element for comparability with gas and electricity but though they dispute the size of the unions' claim, they consider they are under an obligation to meet the commitment in principle. It was at our instigation that the initial offer was pitched at a level which would not embarrass local government who are negotiating for their manual workers, and it is also in line with the level of the pay assumption used in the water industry cash limit.

Negotiations have not broken down though the unions have indicated they will be looking for an offer which gives proper recognition to the comparability issue before agreeing to resume negotiations, possibly on 28 January. Meantime the main unions concerned (GMWU, NUPE and TGWU) are consulting their members and seeking their support for industrial action. The National Water Council believe that this is intended to strengthen their negotiating position and is unlikely to lead to official action before negotiations resume; but early unofficial action cannot be ruled out, though there are no indications at present that it will occur.

The employers are not likely to decide on their response to the rejection of the offer until union consultations are complete. But they may improve their offer to take account of the comparability issue though not at a level which will meet the unions' claim or expectations. If that is so, much will then depend upon the degree of support for industrial action which the union side as a whole has received during the current consultations.

Negotiations for water craftsmen begin on 24 January. These may also be difficult.

The cash limit, which assumes an increase of just over 13% on paybill, does not have the same effect as it would on less capital intensive industries and, although the water authorities will be reluctant to push up water charges higher than they must, the reality is that any excess can be taken up in this way.