

PART 1

Confidential Filing

Pay of Local Authority Manual workers.
Water manuals. Firemen.

LOCAL GOVERNMENT

October 1980

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
23.10.80		11.2.81					
3.11.80		25.2.81					
4.11.80		17.7.81					
5.11.80		31.7.81					
10.11.80		15.9.81					
21.11.80		28.9.81					
28.11.80		14.10.81					
4.12.80		19.10.81					
12.12.80		23.10.81					
7.1.81		30.10.81					
14.1.81		6.11.81					
27.1.81		9.11.81					
4.2.81							
9.2.81		- ends -					
18.2.81							
20.2.81							

PREM 19/518

PART

1

ends:-

9.11.81

PART

2

begins:-

13.11.81

TO BE RETAINED AS TOP ENCLOSURE

Cabinet / Cabinet Committee Documents

Reference	Date
CC (80) 40 th Conclusions, Minute 5	13.11.80
CC (80) 42 nd Conclusions, Minute 4	27.11.80
CC (80) 43 rd Conclusions, Minute 5	4.12.80
CC (81) 1 st Conclusions, Minute 5	8.1.81
CCU (81) 1	9.1.81
CCU (81) 2 nd Meeting, Minutes	12.1.81
E (PSP) (81) 2	14.1.81
CCU (81) 9	14.1.81
CCU (81) 9 (Revise)	16.1.81
CCU (81) 5 th Meeting, Minutes	22.1.81
CCU (81) 12	3.2.81
CCU (81) 13	3.2.81
CCU (81) 14	4.2.81
CCU (81) 6 th Meeting, Minutes	11.2.81
Supplement to CCU (81) 9 (Revise)	18.2.81
CCU (81) 12 (Revise)	18.2.81
CCU (81) 13 (Revise)	18.2.81
CC (81) 8 th Conclusions, Minute 5	25.2.81
CCU (81) 41	31.7.81
E (PSP) (81) 19	10.9.81
CCU (81) 48	28.9.81

The documents listed above, which were enclosed on this file, have been removed and destroyed. Such documents are the responsibility of the Cabinet Office. When released they are available in the appropriate **CAB (CABINET OFFICE) CLASSES**

Signed *Mayland*

Date 12 May 2011

PREM Records Team

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SV
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Prime Minister

Treasury Chambers, Parliament Street, SW1P 3AG

01-233 3000

PRIME MINISTER

WATER MANUALS PAY NEGOTIATIONS

I have seen Michael Heseltine's minute to you of 3 November.

2. There seems to be some risk of an assumption by the water industry employers that the eventual settlement will have to be at the same level as the miners. (The opening offer now made to the water manuals is, I understand, actually a little higher than the implied offer of 6½ per cent first made to the miners.) The judgement recorded in the Home Secretary's minute of 22 October was that a settlement significantly below that of the miners might be expected. I hope that we can keep the employers aware of the desirability of some such differential, and that Sir Robert Marshall's doubts about achieving a substantial difference do not exclude the possibility of a smaller but still useful one.

3. At the end of his minute Michael comments that simultaneous action by water and local authority manuals would have damaging consequences for the settlement with the latter. That may be so; but I question whether the consequences would be as damaging as those of a water industry settlement at the same level as a high miners settlement.

4. Finally, I agree that we are not yet at a stage when we need to take decisions on the issues raised by the Home Secretary's minute of 22 October. But that need could arise quickly, and I am sure that Michael will keep us closely in touch with developments.

CONFIDENTIAL



5. I am copying this minute to members of E Committee and to George Younger, Nicholas Edwards, David Howell and to Sir Robert Armstrong.

G.H.

(G.H.)

9 November 1981

Local Gov ds

bc Venaker
Anguid

cc HO PMG
FO MOD
HMU NIO
D/Ind CDE
DES DOT
DIM CO
MAFF CPRS
Trade SO
DIN WO
CSO WPO
DHSS

SECRET



10 DOWNING STREET

From the Private Secretary

6 November 1981

Dear David,

Water Manuals Pay Negotiations

The Prime Minister was grateful for your Secretary of State's minute of 3 November on the prospects for the water manuals pay negotiations. She was also grateful for the Home Secretary's minute of 22 October on the same subject.

She hopes that all possible pressure will be brought to bear on Sir Robert Marshall. She is not minded to suggest any further action beyond this unless the line your Secretary of State is following seems likely to become impossible to hold.

I am sending copies of this letter to the Private Secretaries to the other Members of E Committee, Muir Russell (Scottish Office), John Craig (Welsh Office), David Heyhoe (Lord President's Office), Don Brereton (DHSS), David Wright (Cabinet Office) and Gerry Spence (CPRS).

Yours sincerely,

Michael Scholman

David Edmonds, Esq.,
Department of the Environment.

SECRET

copy to J. M. ...

Prime Minister

2



3 November 1981

Prime Minister

WATER MANUALS PAY NEGOTIATIONS

My minute to you of 13 October was an interim report on the prospects in the water manuals pay negotiations. Discussions held last week have made the prospects clearer.

Tom King met Sir Robert Marshall last Monday. He impressed on him that the Government is hoping for a settlement well within single figures, pointing to the downward trend of settlements and offers since Ministers met the NICG in July.

Sir Robert accepted that expectations have been falling, but does not expect the waterworkers to endorse any settlement substantially lower than what the miners secure. The employers and the trade unions want to avoid the long-drawn out difficulties of last year, and so aim to achieve an early settlement without industrial action, but without getting ahead of the miners.

Later in the week the combined employers met; they decided to offer no concessions on hours or (with one minor exception) holidays. They saw no scope for new productivity agreements, but will seek renewed assurances from the unions that they would continue to work to the agreed targets for the assimilation of old productivity schemes into the Water Industry Pay Productivity Scheme (WIPPS), commenced in 1977. They did not give a quantitative guideline to the negotiating team for a pay increase, but left it to them to fix the offer and the tactics for the negotiations on 5 November, on the basis that these should not embarrass other current negotiations, particularly the NCB's. The negotiating team will finalise their position on 5 November immediately before meeting the unions. I expect them, with the miners in mind to make an opening offer (probably not above 6½%, and perhaps below) and probably to adjourn negotiations until after the NCB/NUM meeting of 11 November - perhaps to 19 November.

The opening offer is higher than I would have liked. But I see no point in bringing further pressure to bear on the employers before the meeting of 5 November. The NWC has promised to keep us in close touch with the employers negotiating position.

Withstanding industrial action

Against this background I do not think we need yet take decisions on the questions posed by the Home Secretary in his minute to you of 22 October (which covered a report on "Withstanding a water strike"). I agree with the conclusions of that report, and it will help us to take quick decisions, should this become necessary. Either if the waterworkers negotiations break down (and we might expect the unions to take 2 or 3 weeks in consulting their members about official industrial action) or if the employers have to contemplate making an unacceptably high offer.

Timing, and Local Government manuals negotiations

At a recent meeting with the Local Government employers we were warned that they might be in confrontation with their manuals early in the New Year. They voiced concern about the embarrassing effects

of high settlements in the nationalised industry sector generally, and in the Civil Service, but did not specifically highlight the water industry (whose settlement they no longer seem to regard as having a decisive effect). However, simultaneous industrial action by the manuals of both groups could have particularly damaging consequences for the crucial Local Government manuals group, especially since the unions involved are the same, and I believe there could be considerable advantage in getting the water negotiations out of the way as early as possible this year, provided their settlement follows the miners and doesn't destroy the credibility of other employees' efforts to achieve reasonable settlements.

I am copying this to colleagues on E Committee and to George Younger, Nicholas Edwards, David Howell and to Sir Robert Armstrong.

J. Jones
P.P. MH

Approved by the Secretary of
State and signed on his behalf

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cc Mr. Hoskyns

local auth

PRIME MINISTER

Water Industry Pay

You will know from John Hoskyns' note of 23 October covering the report of the group of officials who have been looking at the prospects for industrial action in the water industry, that both sides are probably willing to settle in high single figures.

The latest position is slightly better: the (local authority) employers, conscious of the financial constraints which will probably hold their offer to the local authority manuals to no more than 4%, have agreed to allow the negotiators with the water workers discretion to go as far as the 6-6½% range, when they meet on 5 November. They will then not make a higher offer until after the outcome of the miners' negotiations (which reach their next climax on 11 November) is known, and their broad hope is to reach a settlement within one percentage point or so of the miners' settlement. Again, so far, so good.

J.

MT

30 October 1981

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Policy Unit

23 October 1981

Prime Minister

PRIME MINISTER

Content merely to note, and to have no meeting (Home Secretary was envisaging one soon), unless the negotiation seems headed for double figures? Yes no

Industrial Action in the Water Industry

MUS 23/10

When you held your meeting to discuss the CPRS report on pay, you challenged Michael Heseltine's assumption that we could not take on the water workers. It was agreed that a small group of officials would look at the prospects for withstanding a water strike, in the same way that they did on coal. Willie Whitelaw is now transmitting to you, under cover of his attached note, the report of that group of officials.

John Vereker, who participated in the work of the group, tells me that throughout the drafting of the report it was difficult to persuade Michael Heseltine's officials that our previously held assumptions about the industrial muscle of the water workers might be invalid. The report is therefore a compromise: but the main point does emerge clearly - that as long as white collar management continues to work normally, we can survive industrial action in the water industry for much longer than we have hitherto assumed, because the water workers will not in practice call an all-out nationwide strike.

The group did agree, however, that any form of industrial action this year is unlikely, because both sides are probably willing to settle in high single figures. So, since our ability to persuade Robert Marshall to go for something significantly lower than that is negligible, there is no need to focus on the questions Willie asks in paragraph 6 of his note unless it looks as if the negotiations are starting to break down.

We therefore suggest that you do not at this stage need to read the official report; and that there is no need to call a meeting to discuss it unless Michael Heseltine advises that the negotiations seem to be heading for a settlement in double figures. Michael will be putting in his own comments on the report anyway, which will give you an opportunity to let him know that he should use such influence as he has to rein back Robert Marshall.

JK

JOHN HOSKYNS

SECRET



Prime Minister

INDUSTRIAL ACTION IN THE WATER INDUSTRY

You will recall that at your meeting with a number of colleagues on 21 September you invited the Civil Contingencies Unit, or if appropriate a smaller group within the CCU, to look again at the likely effects of industrial action in the water industry, and at the options for dealing with them; and to report back accordingly.

... 2. For security reasons a smaller group (MISC 61) was formed on a very restricted basis and has produced the attached report. The Secretary of State for the Environment has also reported on the water manuals' pay negotiations in his minute to you of 13 October.

3. The report seems to me to bring out the following essential points:

- a) Most water workers are not militant. They are aware of their responsibility to society and of their potential unpopularity if they overplay their hand. At the same time they are conscious of the power which the indispensability of water gives them; they feel strongly that their pay awards should be fair, ie should maintain their position in the league table; and there is a history of local militants taking unofficial industrial action when exasperated, as they were last year by the long delay in reaching a settlement.
- b) The management would prefer to pay what is necessary to avoid industrial action, since in a capital-intensive industry the wage bill only represents a small part of their costs (4% on wages = 1% on prices). They would like to do this quickly, since they think that last year's delays pushed up the eventual settlement level. The Government have no formal power to stop them; and even informal pressure might be ineffective this year.
- c) Each side has a unilateral right to binding arbitration. There is no predisposition to use this. But either might.
- d) Left to themselves, the two sides are likely to await the miners' settlement and then settle quickly at about 1 or 2% below it, ie perhaps around 8 - 9%.
- e) This sort of settlement would have little knock-on effect. Last year we had the water settlement's influence on the local authority manuals much in mind. This year the advice is that we do not need to.



4. Industrial action is likely to break out locally, not nationally; and its effects will vary with the technicalities of the local water supply system. If it occurs, the attitude of the industry's middle management is likely to be crucial to endurance. If action is unofficial, they are expected to co-operate over remedial measures; if it is official, some and perhaps most of them will be less loyal. With that co-operation limited official action (eg work-to-rule and one-day strikes) and a good deal of unofficial action could be coped with indefinitely by the water authorities. They would hope to cajole the work force into maintaining any really vital link; under the industry's closed shop agreement the unions are obliged to use "their best endeavours to avoid risk of danger to public health". More extensive unofficial action could be withstood for well over a month, with the help of contractors and troops after the first week or two. The public would be inconvenienced in places but not seriously at risk. No one knows whether extensive unofficial action could be withstood for longer than that; or whether stepped-up official action could be withstood at all. The limiting factors would be the accumulation of break-downs in the systems and the fact that neither contractors nor troops would be much use if middle managers were not available to direct them. The biggest danger to society would be lack of water facilities for flushing lavatories (at home, in institutions and at work); but the threat to power stations, oil refineries and food production could also become serious.

5. Overall, the two most telling factors on endurance are: that we could withstand more intense industrial action than any Government has hitherto contemplated; but that neither side of the industry believe that serious, systematic and sustained action could be withstood for very long.

6. Against this background, and very much subject to the views of the Secretary of State for the Environment as lead Minister, I suggest that we need to ask ourselves the following questions:

- i. Are we prepared to contemplate a major confrontation including the use of troops if required?
- ii. If the effects of such a confrontation on society became progressively less tolerable, would public anger focus on the Government or on the strikers?

Questions of handling and of wider objectives no doubt also arise but are primarily for the Secretary of State for the Environment and the Chancellor of the Exchequer.

7. The employers are meeting to discuss their joint approach to the unions next Wednesday (28 October). So we need to decide our attitude quickly.

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8. Copies of this minute and the report go to the Chancellor of the Exchequer, the Lord President, the Secretaries of State for Northern Ireland, Defence, Environment, Scotland, Wales, Industry, Social Services, Energy and Employment and the Minister of Agriculture; and to Sir Robert Armstrong and Mr Ibbs.

h.w.

22 October 1981

SECRET AND PERSONAL

WITHSTANDING A WATER STRIKE

Note by the Official Group on Water

INTRODUCTION

1. At the Prime Minister's meeting on 22 September Ministers instructed officials to prepare a report on the likely effects of industrial action in the water industry and on the options for dealing with them. This work has been undertaken by an Official Group (MISC 61) under Cabinet Office chairmanship, composed principally of representatives of the Prime Minister's Office, the Treasury, the Home Office, the Ministry of Defence, the Departments of the Environment and Employment, the Scottish and Welsh Offices, and the Central Policy Review Staff; the Ministry of Agriculture, the Departments of Energy and Health and Social Security and the Northern Ireland Office were also consulted in the preparation of this report.

THE STRUCTURE OF THE WATER INDUSTRY

2. Responsibility for water services in England rests with nine Regional Water Authorities (RWAs) and in Wales with the Welsh Water Authority. Under agreement with the RWAs 28 statutory water companies supply water within their respective statutory areas amounting in total to about one quarter of the water put into supply. Most District Councils and London Boroughs maintain sewers and operate sewage pumping stations as agents for Water Authorities, though Water Authorities retain direct control of some large trunk sewers and major sewage pumping stations.

3. In Scotland water supply and sewerage is the responsibility of the nine Regional Councils and three Islands Councils. But although Scottish "clean" water manual workers are local authority employees, their pay is negotiated separately. In recent years they have tended to follow the negotiations in England and Wales and to seek parity of pay with their English and Welsh counterparts. Any official industrial action in England and Wales could well be supported by the trades unions in Scotland, since they clearly have a direct interest in the level of settlement in England and Wales. The Scottish workers might also take industrial action on their own account if the Scottish local authorities were to refuse to settle on the same basis as in England and Wales.

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AND PERSONAL

4. In Northern Ireland the water industry is controlled by the Department of the Environment for Northern Ireland, and not by local water authorities. Rates of pay in the industry are determined by those agreed for England and Wales. Northern Ireland's manual water workers generally are members of either the GMWU of the TGWU (very few belong to NUPE), but supervisory staff are members of the Northern Ireland Public Service Alliance (NIPSA). Past experience suggests that workers in Northern Ireland would join in almost immediately if official industrial action occurs in England and Wales, but that they would be less likely to do so in the case of unofficial action.

5. Sewerage workers employed by local authorities in England, Wales and Scotland are included in the UK negotiations for local authority manual workers and would therefore be unlikely to join in any industrial action by the water workers. The RWAs also employ nearly 6,000 Water Service Craftsmen. Their settlement date is the same as, and their level of settlement tends to follow, that of the manuals. They are likely to support official industrial action, directly or indirectly, but this would not alter the situation significantly. In Northern Ireland water and sewerage workers form a single group and would therefore be likely to take industrial action jointly. The key groups therefore, are the water supply workers and the sewerage and sewage disposal workers employed by Water Authorities and Water Companies in England and Wales, the water supply workers in Scotland and the water supply sewerage and sewage disposal workers in Northern Ireland.

THE LIKELY COURSE OF THE PAY NEGOTIATIONS

6. The pay settlement date for the 30,000 water manual workers is 7 December. The National Water Council (NWC) is statutorily responsible for conducting the pay negotiations for all the employers in the water industry in England and Wales. The trade unions involved are the GMWU, the TGWU, NUPE and the NUAAW. The GMWU has the largest membership in the industry, but NUPE is dominant in some, mainly urban, areas.

7. The water workers' claim has already been submitted. It was not couched in specific terms, but sought the maintenance of real earnings on the basis of the trades unions' estimates of the increase in the Retail Price Index over the year preceding their settlement date (implying a pay increase of 11-12 per cent). The claim also includes a reduction in working hours to 35 (from 39) and an increase in holidays to six weeks (currently 19-24 days). The employers are due to draw up their response at a meeting on 28 October, and the first negotiating meeting will be on 5 November.

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8. Although the water manual workers potentially have great industrial muscle, they do not have a strong militant tradition, but experience over the last year or two suggests that attitudes are changing, particularly in a few significant local areas. Their national trade union leaders (although sometimes ready enough, when circumstances require it, to stress the appalling consequences of an interruption of water supplies and sewage pumping are very much aware of the likely public hostility to the dire consequences of severe and widespread industrial action, and they will therefore be most unlikely to be prepared in the end to favour such industrial action. They are aware too of an innate reluctance of many of their members to disrupt supplies; nevertheless the workforce, with whom the final decision rests, has rejected recommended settlements have taken unofficial industrial action in each of the last two years. They are therefore likely to be content with any settlement which their membership will accept as being demonstrably fair and reasonable and, to the extent that they are able, will seek to avoid and control unofficial action or its threat from militant groups of their members. They will not attempt to settle before the outcome of the miners' negotiations is known, but they will then want to do so quickly to avoid growing irritation at delay in their ranks and a resultant breeding of militancy, as happened in the last two years. (A summary of the 1978 and 1980 manuals' pay negotiations is annexed to this report).

9. The attitude of the management side, too, will be strongly conditioned by the presumption that a complete stoppage is unthinkable, and they will therefore wish to reach a settlement at whatever minimum level is necessary to avoid a strike. The water industry is capital intensive and pay represents only a small part of its costs; even quite a large pay settlement would have only a slight impact on the water rates bill of an individual household. The employers will not, therefore, be under strong financial pressure to minimise wage increases.

10. The question arises whether Ministers should seek to influence the line likely to be taken by the NWC in the pay negotiations. As the Secretary of State for the Environment reported in his minute of 13 October to the Prime Minister, the Minister for Local Government will be seeing the chairman of the NWC and other key employers before the employers meet to concert their approach on 28 October, to impress on them the importance for the pay round as a whole of the water manuals' settlement, the need to negotiate robustly, and the importance, if comparisons with other groups arise, of choosing appropriate comparators. But his current view is that the Government should not seek to influence the course of the negotiations in detail or to give the NWC any specific indication of a desirable level of settlement.

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11. During the negotiations last year Ministers were in regular contact with the NWC and, in particular, with its Chairman, Sir Robert Marshall, but in the event after negotiations lasting nearly five months and industrial action in a number of areas, the final settlement was expected to add 12.3 per cent to the wage bill and 12.7 per cent to earnings (against an opening offer worth 7.90 per cent on earnings; in the event the figures have turned out to be 7 per cent and 9.2 per cent respectively. It is probable that the protraction of negotiations made the men in some areas more militant, and that this contributed to a higher eventual settlement than could have been obtained a couple of months earlier.

12. The Government appear to have no useable statutory power of direction in relation to the NWC or the RWAs which would be appropriate to the circumstances of a pay dispute or industrial action. Water authorities, unlike some nationalised industries, are not dependent upon the Government for grants. The charges they levy (and water authority members are conscious of public resistance to increases in charges) will act as some brake on their attitudes to a pay increase (though not much since every 4 per cent on the wage bill will add only about 1 per cent to charges); so will their willingness, professed and up to a point acted on in the past, to take account of the Government's wishes. The Government has some partial controls over water authority finances - through control of borrowing, through the progressive setting of performance aims, the control of external financing, and the statutory target rates of return. But while the Government could maintain it was using these disciplines to put pressure on the water authorities' current costs (including their pay settlement) water authorities could in practice escape the strait jacket by passing on both the pay settlement and the Government's financial disciplines in charges to consumers; and they would blame the Government's disciplines for making these higher than they need be.

13. The employers are unlikely to be receptive to any request to limit their offer to 7 per cent or less because they do not believe that the unions or workforce would, in any circumstances other than a miners' settlement at a comparable figure, contemplate a settlement at that level. Any attempt to pressurise the NWC into seeking a settlement at or below that level would not only be firmly resisted but would also become public knowledge, and as a result might well lead to earlier and more severe industrial action than would otherwise be the case.

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14. The trade unions can be expected to have particular regard in the negotiations to the level of the miners' settlement as it is publicly presented, and to feel able to recommend a settlement to their members at perhaps 1 or 2 per cent below that level. They will also have in mind their view that they should maintain their position relative to the other public utilities, which has been established since their 1979-80 settlement. Finally, they will have regard to their estimate of the likely increase in the Retail Price Index, since their claim is couched in terms of maintaining the living standards of their members.

15. In the absence of a strikingly high settlement for the miners, we think the most likely outcome for the water manual workers is a settlement in high single figures, agreed very quickly after the miners' settlement.

16. The agreements in the water industry covering arbitration provide for unilateral access and require both sides to accept the results. But there are no standing arbitration arrangements and there would need to be agreement on an arbitrator and on the precise terms of reference. It is difficult to predict what the outcome might be, and we can see no grounds for encouraging the NWC to opt for arbitration. The employers might, however, decide on a reference to arbitration if it seemed that continued negotiation might mean that the eventual settlement would be an unacceptably high one. It is also possible that the trade unions might seek arbitration if the employers seemed inclined to stick on an offer which they judged was just too low to be acceptable to the workforce, either as a means of achieving a better settlement or as a way of persuading a recalcitrant membership to settle slightly below their expectations.

17. In 1979 and to a lesser extent in 1980 the Government took the view that it would be right to delay a settlement in the water industry until after the local authority manual workers had settled. For this year our judgement is that a water settlement within the perceived level of a miners' settlement, and following soon after it, will (whatever either side may say) in the event probably have no significant direct effect on the outcome of other public sector negotiations. But the unions concerned, often the same ones, will seek to exploit it together with other high settlements in the round so far, particularly in the local government manuals' and the other public utility negotiations. It may help however to generate a public and private sector perception (arising initially from the Police, miners' and firemen's settlements) that Government is not acting sufficiently resolutely to control pay in the public sector, although a low local government manuals' settlement

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would probably outweigh this. A water settlement above the level of miners would have more significant effect, particularly on the gas and electricity negotiations.

THE TIMING AND FORM OF INDUSTRIAL ACTION

18. If negotiations founder (and arbitration is not in prospect), or if negotiations are dragged out with accompanying suspicions of Ministerial involvement, the likely first step the trade union leaders would contemplate is an overtime ban and a work to rule. Such action would probably only follow a consultation process with the membership (eg branch meetings, delegate conferences) and it cannot be ruled out that more militant proposals would be advanced in this process. If feeling is judged intense, a national one-day strike might be a possibility. But, unless a wholly "derisory" offer had been made, the trade union leaders would be reluctant to go further initially. Thereafter industrial action could escalate in a variety of ways; the main factors being the level of the last offer, the perception of how far short this is from the rise in inflation, what the miners have achieved and the "going-rate" of settlements, the amount of time which the negotiations have taken, the industrial and political climate of the time, and the unions' ability (which is not inherently strong) to maintain control of the membership. Unofficial action by militant groups cannot be ruled out as soon as a final offer has been made and this risk would increase in succeeding weeks if further progress in negotiations was not evident. Such action could prove infectious, but would be unlikely to spread at all quickly to the bulk of the membership as a whole. Nevertheless, the trade union leadership is unlikely to be found capable of controlling such outbreaks effectively and, although it would probably withhold official support for some time, they would provide an increasing pressure on the leadership to intensify official action. A speculation might be that short-lived official strikes (for one or two days or possibly a week), possibly authority-by-authority, could follow. The unofficial action might in the meantime have increasingly become directed at key installations such as pumping stations and water treatment plants.

19. The areas in which unofficial action is likely to start first, and spread most widely are: Central and South Lancashire; West and South Yorkshire; and Tyneside. Some Midland towns and some installations in London have also been affected in past disputes after an interval. In Wales some parts of the south have taken unofficial action in the past and Gwent, in particular, is likely to be an area of special militancy; an unofficial strike there very early in a dispute is by no means impossible. If Scottish workers join in, past experience suggests that

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parts of Strathclyde (Glasgow and Ayrshire) and of Lothian (Edinburgh) would be the first affected.

20. For the reasons given in paragraph 8 we do not think that an official, total and indefinite all-out strike is a realistic possibility.

21. The possibility of sabotage needs to be borne in mind - not actual damage to plant or property but, for example, the immobilising of vehicles, hiding their keys, or those of buildings. Such incidents are unlikely to be widespread. But they have occurred during previous disputes and might be repeated. Particularly important possibilities are the closing of valves so as to cut off individual piped supplies to factories or power stations; or the random closure of valves in a distribution system, so as to simulate a supply failure. These last, while illegal, are criminal acts only in Scotland and Northern Ireland; English law provides scant protection. RWAs could be expected to respond firmly to such acts by opening the valves where they could be identified. But it would place further serious demands on senior staff already at full stretch.

22. Although there will be picketing at water depots and sewage treatment works (which would almost certainly be legal), this seems unlikely to give rise to major public order problems. But the picketing of some water depots (eg in inner-city areas) might attract people who were not striking water workers but were seeking to manipulate the situation for wider political reasons.

23. Finally the question arises whether Water Authority supervisory staff would be prepared to continue to work and to undertake a wide range of extra duties (including, if necessary, the supervision and instruction of contract labour and servicemen). Supervisory staff divide into three groups:-

- (a) foremen who work directly with the manual workers, are members of the same Trade Unions and have a close identity of purpose with them. We have assumed in this assessment that they would probably not be prepared to undertake tasks normally done by manual workers, or to cross picket lines - indeed they might even join in industrial action;
- (b) middle management, including profession and technical staff. They have in the past made great efforts to keep water services operating, but we think they may generally be less prepared to do so again; and

- (c) senior managers, who are relatively few, but whose willingness is not generally in doubt.

24. Factors which might influence the attitude of middle management are: their own view of the justification of industrial action, and the merits of the employers' offer; their awareness of the fact that over the last few years their own pay increases have followed those of the manual workers; the extent of picketing; fears of victimisation and uncertainty of support from their employer once the dispute has been resolved; and the attitude of their own Trade Unions, relating particularly to whether they instruct their members to carry out only their normal duties, not to cross picket lines, and not to co-operate with troops and volunteers. Overall we think that middle management as well as senior management would be prepared to help significantly in maintaining water supplies during an unofficial strike. However, once a strike is declared official, instructions from NALGO would significantly reduce that help, although where particularly humanitarian considerations were at stake their sense of social responsibility would probably guarantee some response to appeals for assistance. By contrast with this in some parts of Scotland, particularly the Central Belt, the attitude likely to be adopted by the relevant local authorities and the existence of closed shop agreements extending to very senior staff levels mean that it would not be safe to assume that, in the event of an official strike at local or national level, the middle management would be prepared to co-operate at all in contingency measures.

THE EFFECTS OF INTERRUPTIONS TO WATER SUPPLIES AND SEWERAGE OPERATIONS

25. There are three ways in which industrial action might prove critical, as follows:

- (i) the withdrawal of labour carrying out the several routine tasks concerned with the daily operation and maintenance of
 - (a) the more complex water treatment works and water pumping stations; and
 - (b) the relatively few critical sewage treatment works and pumping stations; and
- (ii) the lack of labour to repair major burst water supply mains (about one per day out of the 70 daily bursts of all sizes of pipes).

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The Impact on the Water Supply System

26. There are a number of possible gradations between normal water supplies and a complete lack, depending on Water Authorities' ability to repair minor burst pipes, the incidence of fracture of larger pipes and, in many areas, the continued operation of pumping stations. The initial impact of token official industrial action or of more serious unofficial action would be slight; some minor, burst pipes might have to be left unrepaired for a time, but Water Authorities would generally be able to cope. However, if the time came when pipes had to be left unrepaired the point would come when the mains water supply to very small areas (say part of a street) would have to be cut off and stand pipes erected nearby to serve consumers cut off. The failure of a vital installation or the fracture of a major main might deprive a much larger area or even a whole town of its water supply.

27. As the effects of industrial action became increasingly widespread or serious, Water Authorities would concentrate on the maintenance of a basic service where it proved impossible to offer better. By this we mean what has been done in isolated incidents in the past i.e. maintaining a minimal pressure of water in public supply mains, though the quality may be inferior and the water may therefore need to be boiled before use. Where it helped others, consumers would be asked by the Water Authority to keep water use to a minimum, and perhaps to use water only within specified hours, until help arrived. Some streets would be served by stand pipes, as leaks are valved off. Others would be served with survival rations, by tap-ranges on street tanks (filled at intervals by tankers). Although during previous pay disputes Water Authorities have been reduced to providing a basic service by such means in small local areas, they have never faced such industrial action as to be within a clear sight of having to provide only a basic service on a wide scale.

The Impact on the Community

28. Initially, when only very small areas at a time are likely to be without water supplies, the impact of industrial action would be relatively minor. Water Authorities would give priority to repairing burst pipes affecting hospitals, blocks of flats etc, where the inconvenience is likely to be greatest (although the time taken to effect a repair would vary, depending on local conditions); and neighbours or volunteers could carry water in buckets to the old and infirm. The effects would only begin to be serious when water supplies failed over the whole of a sizeable area (say 10,000 people plus), because of the fracture of a major main or the

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failure of a vital installation. The immediate and most severe impact would be the lack of water for sanitation in domestic households, hospitals local authority homes etc and places of work. Households normally have half a day's supply of water in their supply tanks which could be made to last a little longer by sparing use. But some hospitals will have water storage sufficient for only a few hours.

29. Food processing (principally the production of bread and milk), intensive livestock rearing, power stations and oil refineries would be the other areas most seriously affected.

30. In the case of food production, localised interruptions in water supplies would mean that local bread and milk supplies would be immediately affected and in a slightly longer timescale fresh meat supplies also, as slaughter houses and intensive livestock units became increasingly unable to function.

31. Two thirds of electricity generating capacity depends on the continuance of piped water supply of acceptable quality. One third of this capacity would be out of action within one day and all of it within 2 days if piped water supplies to the relevant power stations were to fail or water quality to deteriorate seriously. The electricity system is sufficiently flexible to cope with the closures of, say two or three base-load stations (out of a total of 30) with no apparent effect on electricity supplies. But the closure of a further six or so base-load stations would mean restricting electricity demand with cuts amounting to perhaps 15 per cent of normal consumption (ie the level of restriction prevailing during the 3 day weeks of 1974). However, it seems inherently unlikely that piped water supplies to nine power stations would be cut off and could not be repaired, given that on average only one major water pipe breaks each day in the whole of Great Britain.

32. In a few cases the quality as well as the availability of water would be important. Throughout much of the north (including Scotland) and Wales and in parts of the Midlands, East Anglia, South West and South East, sources of water are such that little or no treatment is normally called for other than disinfection. If this were to cease, water for drinking and food preparation would have to be boiled but it would be entirely satisfactory for many types of use. Elsewhere, for example in London, treatment, some of it extensive and sophisticated, is required. In some cases the treatment works cannot be by-passed and if they were to cease to function (for example, in the case of official industrial action when middle management were no longer prepared to keep them going) water supplies would cease. In other places

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where by-passing treatment works is possible, the effect would depend upon circumstances requiring judgements to be made locally about the uses to which water might be put. Much food production, some industrial processes and some power stations relying on public water supplies of high quality would be adversely affected. As for hospitals, water consumed by patients could be boiled while lower quality water might be used for a number of other purposes. But in some cases, for example the washing and bathing of certain types of patient, high quality water is essential and it would not be possible to boil water in sufficient quantities; there is no obvious solution to this difficult problem.

33. Finally, sewage disposal is unlikely to prove critical to withstanding a water strike, although unattended sewage treatment works would produce effluents of gradually deteriorating quality and the potential risk to public health and the possibility of long lasting environmental damage cannot be ignored. There would be concern in those places where large volumes of sewage effluent could discharge into rivers used as immediate sources of water supply (ie, no buffer storage in reservoirs); e.g. the River Thames above Windsor (affecting parts of NW London and N Surrey) the Medway above Maidstone (affecting the Medway Towns) and the Great Ouse above Bedford. Many sewer system would continue to function normally except where withdrawal of labour or unrepaired breakdown caused critical pumping stations to cease working. In parts of South and West London, Portsmouth, Hull and Cardiff, for example, major sewage flooding could occur in less than 12 hours if pumping stations manned by Water Authority employees (see paragraph 2) were to stop or within one hour if there were heavy rain at the time coinciding with high tides.

MEASURES TO MITIGATE THE EFFECTS OF INDUSTRIAL ACTION

34. The closed shop agreement for the water industry in England and Wales commits the unions in the event of industrial action to "use their best endeavours to avoid a risk of danger to public health." While this commitment in itself is most unlikely to influence union decisions on industrial action or their attitudes generally to its consequential effects, it makes it more likely that at the local level unions and workers would feel able, and indeed under some obligation, to respond to appeals by the Water Authorities to carry out essential tasks to maintain public health in vital areas, eg. to restore water supplies to a hospital. But how far industrial action could be withstood will depend critically on whether Water Authority supervisory staff would be prepared to continue to work and to undertake extra duties (including, if necessary, the supervision and instruction of contract labour

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and servicemen). This was discussed in paragraph 23 above. We think that in England and Wales middle and senior management would be prepared to do so during unofficial industrial action, but that once industrial action was declared official the extent of their help would be significantly reduced. In Scotland, it would probably not be safe to assume that middle management would be prepared to co-operate at all in contingency measures in the event of official industrial action.

35. If the early stages of industrial action followed the expected pattern - working to rule, banning overtime and one day official strikes - we think that Water Authorities would be able to cope without the need for outside assistance and with only marginal effects on industry and the public.

36. In many places, depending on the technicalities of pumping and treatment systems, localised unofficial stoppages need have little effect on the public or on industry, and Water Authorities would be able to cope for a long time with such problems as required attention. Even if unofficial local action was severe enough to amount to an all-out stoppage within significant areas, Water Authorities consider, on the basis of past experience, that they could probably continue to provide a basic service (see paragraph 27 above) for about 2 weeks (assuming middle management continued to give help beyond their normal duties). The limiting factor would be cumulative breakdowns and cumulative fatigue. But once official action began to be taken on a serious scale e.g. going beyond overtime bans, work-to-rule and one-day strikes) Water Authorities would fairly soon be unable to cope, since we believe that middle management would then withhold co-operation and only a small number of senior managers would be available (and have the know-how) to keep services going. If there was official industrial action on a sustained and serious basis in any Water Authority area, and middle management withheld co-operation, in some towns and cities there would not be even a basic water service within days, and, in the worst case, within hours.

37. As the time approached when the Water Authorities' efforts to maintain at least basic services were about to prove inadequate, they would have to consider seeking outside assistance. But some Water Authorities are likely to be very reluctant to do so. The policy of those Water Authorities who have had to deal with industrial action in the last five years has been, when faced with a problem which could not be ignored, or overcome (eg by erecting standpipes, by tankering, or other means) to appeal to the strike leaders to make an exception and carry out the particular task required. On the few occasions this has been tried, it has worked: it appears that if the men are convinced that their action is causing real hardship

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in a particular place (as distinct from general or particular economic damage, public inconvenience, harassment of the management) they will do what they accept is essential to temper that hardship. Many Water Authorities may therefore prefer to follow this approach again, but it is not one that can be used very often.

38. Where Water Authorities do decide to seek outside assistance there are three possible though not necessarily distinct sources: volunteers, contract labour and Servicemen. (Measures such as tankering could be employed for only short periods and over relatively small areas).

(a) Volunteers

39. Volunteers are likely to be able to play only a limited part, principally by transporting water, in relatively small quantities, and organised by local authorities, to vulnerable members of the community, and perhaps also to local authority homes, if water supplies in particular areas were completely disrupted for a period. Pumping stations and water and sewerage treatment plants are technically too sophisticated to be operated by untrained volunteers; and retired Water Authority employees (or others with specialist knowledge likely to be ready and able to help) are thought to be few and difficult to enlist in the circumstances in sufficient numbers to take on the task. That, and the probability that their enlistment would tend to exacerbate the dispute (and so be counter-productive) has lead Water Authorities to conclude that the large-scale use of volunteers would not be a realistic option.

(b) Contract Labour

40. The effectiveness of contractors depends on the continued availability of Water Authority middle as well as senior management; it also depends on access to water industry depots and stores, which will be picketed, but the police will be ready to enable authorised persons to gain access. Contractors are used extensively by some Water Authorities for repair and maintenance and in theory there is no practical limit to the work they might do, given proper supervision and access to stores. It is however the present judgement of Water Authorities that, while there is limited scope for a greater use of contractors in a strike, in general, contractors would not extend endurance greatly and might shorten it. They have in mind that contractors and their men have been deterred by pickets in the past, that work done by contractors in substitution for the normal workforce has been "blacked"

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and that commonality of union membership is a factor. The employment of contractors by Water Authorities, especially by those who rely extensively on direct employment would certainly be seen as provocative. But if the Government told Water Authorities that, before the question of Service assistance arose, they must fully utilise contract labour, Water Authorities would clearly have to think again. But their present judgement is that, all in all, the greater use of contract labour would not, in practical circumstances, extend endurance - and might, more probably, shorten it.

(c) Service Assistance

41. As a last resort, Water Authorities would be able to request the assistance of Servicemen, although this could exacerbate the dispute locally or nationally. Some would be extremely reluctant to do so and indeed, even in an extreme situation would wish publicly to make clear that they were seeking Service assistance only as a result of strong Government pressure to do so. In Scotland, one or two left-wing local authorities might persist in a refusal and might seek to make political capital out of the hardship resulting from their decision not to request Service assistance, by presenting it as a consequence of the Government's economic policies.

42. A Service plan ("KEELMAN") has already been drawn up and provides for 9500 servicemen to assist supervisory staff to maintain basic water services. Operation FOOTWAY makes broadly equivalent arrangements for Northern Ireland. As in the case of contract labour, co-operation from middle as well as senior management would be essential; so would access to water depots and stores, and the police would be ready to ensure this in the event of picketing.

43. Separate plans have also been drawn up for smaller-scale Service assistance to the Water Authorities in advance of the main deployment. This would enable the authorities to make good a fracture of a major water main or the failure of a key installation. These plans involve the formation and deployment of 4 mobile emergency repair teams and 2 construction groups formed from the manpower earmarked for ultimate deployment as part of the general plan. These teams could be formed in the event of localised rather than general industrial action. Similarly a KEELMAN deployment on a full scale but limited to the areas affected by localised action would be possible.

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44. The KEELMAN plan provides for all the assistance that Water Authorities think necessary to provide at least a basic service, although this would eventually deteriorate. Some expansion might be possible were that to be sought although the scope for doing so would be limited by, on the one hand the number of Servicemen trained in the special skills required (which in the case of some highly specialised skill is very small, although this problem might be alleviated if civilian volunteers with the necessary skills could be found) and on the other hand by the fact that Water Authority management will be capable of supervising adequately only a limited number of Servicemen. In general terms the deployment of the 6 teams mentioned above would only affect training of a limited number of Royal Engineer units. The full KEELMAN deployment would have a severe affect on training in Great Britain and, to the extent that it was necessary to draw upon the Fleet for certain specialists, could affect some Naval operational deployments.

SUMMARY OF LIKELY ENDURANCE

45. On the favourable assumption that:

- middle and senior management will be prepared to work normally, and to undertake a wide range of extra duties; and
- that contract labour or servicemen will have access to stores and water authority depots (with police assistance as necessary),

endurance in the event of varying degrees of industrial action seems likely to be as follows:-

(a) overtime bans and working to rule; token official or localised unofficial industrial action going beyond this.

Water Authorities could cope as long as necessary.

(b) local unofficial strikes becoming increasingly widespread (and drawing in manuals at key installations).

Water Authorities could generally cope though eventually needing service help for particular tasks (which would probably precipitate stages (c) or (d)).

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(c) widespread systematic but selective strike action still primarily unofficial.

No experience. Water Authorities estimate that they might provide a basic service for about 2 weeks. With KEELMAN, they think they could provide a deteriorating service for another 4 weeks on average. We have no way of knowing whether in practice they might be able to hold out for rather longer.

On the less favourable assumption that middle management (including scientific and professional staff) withheld co-operation (but still on the assumption that access could be gained to depots and stores):

(d) local (probably official) strikes including at some key treatment and pumping works.

No experience; senior management would try to cope, but fatigue and increasing failure of water supply would limit endurance, which they would try to prolong by appealing to workers and supervisors to return to work at key tasks.

(e) widespread (official) strike action.

senior management alone could not cope. Full scale Service assistance needed but senior management too few to give proper direction.

46. In practice the assumption employed above are likely to prove artificially stark. Between them there is a wide range of possible levels of co-operation by middle management. The most likely outcome is probably reasonably good co-operation from middle management in some place and very little in others. In that event some degree of Service assistance in the case of (d) and (e) might extend endurance, but almost certainly for shorter periods than case (c).

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47. It must also be emphasised that the situations described in (c), (d) and (e) above have never arisen and, therefore, both the development of events and Water Authorities' ability to cope are very unpredictable. Much will depend on the mood of the workforce, since they have the ability both to intensify or moderate industrial action; and both they and the Water Authorities are well aware of this. Although Water Authorities and the country could withstand more intensive industrial action than has occurred hitherto, neither side believes that serious industrial action can be withstood for any length of time.

THE NEED FOR EMERGENCY POWERS

48. Under the existing legislation a State of Emergency can be proclaimed and emergency powers taken if the community or a substantial portion of it are likely to be deprived of the essentials of life. But the use of Serviceman can be authorised without a State of Emergency having first been proclaimed. The principal reason for taking emergency powers should the need arise, would be to give Water Authorities immunity from action in the Courts for breach of their statutory duties and possibly also to strengthen their powers, for example, to take water from non-sanctioned sources. It is very unlikely that Water Authorities would need either legal immunity or extended powers early in the course of industrial action, but the position would require a daily review.

DETERRENCE

49. We have considered whether it might be possible to persuade the water workers not to take industrial action in the first place, given that even quite serious and widespread unofficial industrial action - although not official action- could be withstood for some time. The two principal difficulties which arise are that, first, an overt and major effort to deter them might be so provocative as to have the reverse effect; and second, there would be clear drawbacks in making it too apparent that an all-out strike is necessary if their objectives are to be achieved.

50. The question is, therefore, whether overt planning by Water Authorities and the Government to cope with the consequences of industrial action in the water industry, and public knowledge of the extent of the Water Authorities' and the Government's readiness to do so, would in practice be likely to act as a deterrent to industrial action. On the one hand, the water industry is not especially militant, has a strong tradition of supplying an essential service to the community, and any inclination to take industrial action might be undermined by knowledge of its likely

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lack of short-term effect. But it would be very difficult to convince the water workers that industrial action short of an all-out strike would not necessarily be effective, because their experience of 1980/81 was that a substantial improvement in the employers' offer was achieved following relatively modest industrial action by about 4 per cent of the manual workforce, which had only a small and localised effect on water supplies. To the extent that such an attempt was successful it could well fuel pressures for immediate all-out strike action. Moreover, there might be unwelcome long term consequences for the willingness of a traditionally moderate industry to take industrial action if the Government was being seen to make the necessary advance preparations to deal with it, and there would probably come a point at which the Government's preparations were seen as a challenge to their industrial muscle.

51. We therefore believe that it has been right for the Government and the Water Authorities to follow past practice and to make all useful advance preparations (which in the case of the water industry are few, consisting mainly of reviewing KEELMAN and other contingency arrangements, and have not so far been such as to attract public attention); and that it would be right for the Government and the Water Authorities to continue to follow past practice, in that they should not conceal their readiness to withstand industrial action before it occurs, should the question arise; they should make known this preparedness in a low key way if industrial action is threatened; and at the appropriate time they should reassure the community of their preparedness to do so. But it would be wrong for the Government or the NWC to go out of its way to make statements of a general nature about any lack of militancy or determination on the part of the water workers, and when questioned about their preparations for industrial action, the Government and the NWC should confine themselves to factual explanations.

PUBLICITY AND PUBLIC RELATIONS

52. Consideration of this aspect falls under two headings, namely:-

- i) the provision of information to the public about coping with the effects of industrial action; and
- ii) mobilising public opinion against those taking industrial action so that the public are disposed to blame them rather than the Government or Water Authority management for the resulting hardship.

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53. Water Authorities, co-ordinated by the NWC have prepared for public distribution practical advice to households and others on coping with water scarcity or water of poor quality. The intention is that Water Authorities should disseminate it locally as and where it was required: it covers both the conservation of water and the avoidance of public health risks.

54. The scope for influencing public attitudes will depend to a large extent on public perception of the Government's approach towards pay in the public services and of the reasonableness of the employers' final offer; and on whether the water workers can realistically be presented as wielding their monopoly power for unreasonable personal gain at the expense of the community and in contradiction to the closed shop agreements in the water industry in England and Wales referred to in paragraph 34 above. The Government would undoubtedly need to be involved in any attempt to influence public attitudes in this way, since in the past the employers have shown themselves to be as adept at arguing their employees' case as their own. But this would probably mean that the Government would come to be regarded at an early stage in the pay negotiations as being more closely involved than Ministers might think desirable.

55. In the course of the negotiations in 1980/81 media and public interest in the water negotiations was apathetic and occurred only as a reaction to specific events. In the initial stages the media coupled the negotiations with the miners' negotiations - mostly deploring the use of industrial muscle, exhorting Government and the employers to stand firm but accepting the possibility of high settlements; such public interest as there was was in similar vein. Government attempts to persuade local and national editors to take a strong line were not particularly successful, and in some respects unintentionally resulted in unhelpful publicity. When industrial action began to appear imminent, there was an undoubted shift in emphasis in public and, to a lesser extent, media attitudes in favour of a negotiated settlement though it was difficult to gauge the strength of this.

56. Public opinion will be more volatile once industrial action begins. It will probably be directed against the unions and workers initially, especially if the form of industrial action employed allows the RWAs to insulate the public from its effects. But the more the public becomes aware of the scope and effects of the action the more likely it is to weigh the costs of the settlement for themselves against the risks and dangers of the action, and to urge the employers and Government to settle.

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57. Overall our conclusion is that overt Government publicity related specifically to the water workers and designed to turn public opinion against them could be counter-productive during the negotiations unless there was very widespread unofficial action. Once industrial action begins, Government, in conjunction with the NWC, would have a positive role to play in providing factual information, in reassuring and maintaining the resolve of the public, and bringing persuasive pressures on the water workers.

CONCLUSIONS

58. The main conclusions of our report may be summarised as follows:-

- (a) the most probable outcome for this year is a settlement in high single figures very quickly after the miners settle. The level of the final settlement is unlikely to be much influenced either by those financial disciplines which the Government can bring to bear on the industry or the implications for water rates;
- (b) industrial action would start with a work-to-rule and a ban on overtime (and possibly a one-day strike if the unions judge the strength of feeling of their membership to be intense). Thereafter it could develop in a number of ways, and early unofficial strike action in the most militant areas cannot be ruled out and would become more probable as time passed. The trades unions (who would be unlikely to be able to control such outbreaks effectively) would then come under considerable pressure to intensify official action and short, official strikes, possibly authority by authority could follow. But we do not think that an official, total and indefinite all-out strike is a realistic possibility;
- (c) the effect of industrial action on the pattern outlined in (b) above, would depend on Water Authorities' ability to repair minor burst pipes, the incidence of fracture of larger pipes and the continued operation of certain pumping stations. The initial impact would probably be slight and very localised. But the fracture of a major main or the failure of a vital installation could leave much larger areas (or even a whole town) without water supplies. Eventually, services might be reduced to basic levels ie. the maintenance of minimal water pressure in the mains; a reduction in the quality of water supplies; voluntary restrictions on consumption; and many areas served by standpipes or tankers;

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- (d) Water Authorities could cope almost indefinitely with industrial action up to the level of local, unofficial strikes, provided that middle and senior management and technical staff were prepared to undertake extra duties. If industrial action worsened, Water Authorities might be forced to seek outside assistance, although many would prefer instead to appeal to those on strike to assist in the case of particularly severe hardship (and on past experience the response would generally be good). The only sources of outside assistance are volunteers, contract labour and Servicemen. Volunteers could play only a very limited part. Contract labour raises a number of difficulties and its use might in some cases exacerbate a dispute. Service plans have already been formulated and sufficient men could be made available to meet in full Water Authorities' current estimates of their likely manpower requirements. To be effective, both contract labour and Servicemen would need to access to Water Authority depots (with police help if necessary) and would need guidance from middle and senior water authority management and technical staff. Assuming this is forthcoming Water Authorities given Service assistance could probably cope with widespread and systematic but still primarily unofficial strikes for at least six weeks and possibly longer; but in time the number of serious breakdowns in the system would become unmanageable. They might even manage to cope with local, official strikes for a short period; but once strikes become official the readiness of middle managers to co-operate would become increasingly doubtful, and without them little effective use could be made of either contractors or Servicemen. In the face of a determined official strike, therefore, Water Authorities are unlikely to be able to maintain even basic services for very long;
- (e) Water Authority and Government contingency plans have been reviewed and we do not think that further advance preparation is possible or necessary at this stage;
- (f) Any attempt to deter the water workers from taking industrial action by drawing attention to the Government's and the Water Authorities' readiness to withstand it could well have perverse effects. Instead, it has been right to follow past practice so far and neither conceal nor seek to publicise preparations to withstand, and we think the Government and the Water Authorities should maintain this approach. The scope for bringing public pressure to bear on the water workers will depend on public perception of the reasonableness of the final offer as against the claim,

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of the Government's general approach to pay and of the impact of industrial action. The Government would have to be involved in any attempt to do so, and might thus be thought to be more closely involved in the negotiations than Ministers might wish.

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SEQUENCE OF EVENTS IN 1978 WATER MANUALS' PAY NEGOTIATIONS

- 7 Dec 1978 Settlement date for manual workers in water industry.
- 21 Dec 1978 Standing NJIC meeting but no formal pay offer made.
- 9 Jan 1979 Employers offer 9.1%. Unco-ordinated meetings and voting takes place, the majority of men reject it.
- 12 Jan 1979 Unofficial strike of all manual workers in Pennine Division of NWWA.
- 18 Jan 1979 Employers raise offer to 13.9% plus comparability study. Unions agree to put offer to members.
- 22 Jan 1979 Pennine unofficial strikers vote to return. NUPE one day token official strike (widely observed in WAs). Southern and Ribble Divisions of NWWA vote to take unofficial action. Unofficial strikes in various parts of STWA and YWA.
- 23 Jan 1979 Workers in parts of Welsh Water Authority come out on unofficial strike.
- 24 Jan 1979 More workers in YWA and STWA on strike. NWWA Ribble decide to go back but not all do.
- 29 Jan 1979 Liverpool men (NWWA) come out. Ribble and Southern Divisions (NWWA) strike continues. Elsewhere most workers back at work.
- 30 Jan 1979 Southern Division of YWA start strike, also Central Division of NWWA. Attitudes hardening in Northumbrian WA.
- 31 Jan 1979 Slow deterioration in YWA; improvement in NWWA.
- 2 Feb 1979 Welsh WA back to normal except 1 Division. Leeds waterworkers now on strike.
- 3 Feb 1979 Escalation of activity in NWWA. STWA again affected.
- 5 Feb 1979 NJIC meet again to consider new offer (15.88%).
- 8 Feb 1979 Drift back to work in most areas but new areas of STWA affected.
- 9 Feb 1979 Eastern Division (NWWA) come out. NJIC met again: new offer (15.95%) to be put to men by unions.
- 11 Feb 1979 More men in Yorkshire return to work.
- From
- 13 Feb 1979 General return to work on acceptance of offer at local meetings.
- 19 Feb 1979 All men back at work.

In Scotland unofficial action occurred between 22 January and 19 March

SEQUENCE OF EVENTS IN 1980 WATER MANUALS' PAY NEGOTIATIONS

- 23 Oct 1980 Claim submitted: cost put at 30% of wagebill.
- 12 Nov 1980 Minister meets NWC Chairman: Government look for settlement well within single figures.
- 10 Dec 1980 Employers' offer (costed at 7.9%) rejected by unions.
- 31 Dec 1980 SofS writes to employers reps on SofC: ask to take account of likely 7½% settlement for LG manuals.
- 6 Jan 1981 Employers not improve 7.9% offer but invite unions to consider re-structuring it. Rejected. Consult members on industrial action.
- 11 Feb 1981 Employers improve offer to 10%. Rejected. Unions again consult.
- 11/16 Feb 1981 Government measures to get more positive publicity in press are unsuccessful.
- 16 Feb 1981 First unofficial industrial action (overtime ban) in Northumbrian WA.
- 19 Feb 1981 Minister meets NWC Chairman: any improvement should be within 1%.
- 23 Feb 1981 Industrial action spread to 5 WAs but still short of strike.
- 25 Feb 1981 Ministers intervene when employers decide not to re-open negotiations but to go to arbitration and indicate preference for 12.3% settlement if achievable.
- 25 Feb 1981 Employers offer 12.3% which unions agree to recommend.
- 26 Feb 1981 Unofficial strike by some workers in North West, Northumbrian and Yorkshire WAs.
- 6 Mar 1981 Unofficial strike continues in above WAs and joined by Thames.
- 13 Mar 1981 All workers back at work though overtime bans continue.
- 19 Mar 1981 Unions formally accept 12.3%. Gradual return to normal working.
- In Scotland unofficial action occurred between 19 February and 17 April.

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R H

Local
Govt

19 October, 1981

The Prime Minister was grateful for your Secretary of State's assessment dated 13 October, of the prospects in the forthcoming water manuals pay negotiations.

I am copying this letter to the Private Secretaries to members of E Committee, the Secretaries of State for Scotland, Wales, and Transport and to David Wright (Cabinet Office).

MICHAEL SCHOLAR

David Edmonds, Esq
Department of the Environment

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Mr Verelker



Prime Minister

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To note that the question of
a no-strike provision for firemen
is being taken up not in this
year's negotiation
but as part of
Mr Tebbit's general
proposals.

Treasury Chambers, Parliament Street, SW1P 3AG

01-233 3000 16 October 1981

The Rt Hon William Whitelaw CH MC MP
Secretary of State for the Home Department
Home Office
50 Queen Anne's Gate
LONDON SW1H 9AT

MS

MS 16/10

Dr Willie

FIRE SERVICE PAY SETTLEMENT

Thank you for your letter of 4 October.

I agree with the main conclusion of the paper, as summarised in your letter. There remains the question of a 'no strike' arrangement. If Norman Tebbit agrees, I suggest that we should now regard this as subsumed in the remit which he received at the Prime Minister's meeting on 21 September to consider the possibility of negotiating such arrangements in the context of his proposals for trade union legislation generally.

I am copying this letter to Prime Minister, other members of E(PSP), the Secretary of State for Scotland, the Secretary of State for Wales, and to Sir Robert Armstrong.

Handwritten flourish

Handwritten signature

GEOFFREY HOWE

Prime Minister

CONFIDENTIAL

(2)

MCS 16/10

MR. SCHOLAR

c. Mr. Hoskyns
Mr. Duguid

MS

WATER MANUALS' PAY NEGOTIATIONS

We had a word about Mr. Heseltine's note of 13 October, which has already been put in the Prime Minister's Box. (Blackpool)

There are three points I would like to make on this, if an opportunity arises to draw them to the Prime Minister's attention before she sees Mr. Heseltine's note.

- (i) I agree that the perceived settlement figure for the miners will be an important influence on the water manuals' settlement. This re-inforces the need to ensure that the miners' settlement is not unnecessarily exaggerated in the media. But there are two other important influences on the water workers expectations: the RPI (to which they have linked their claim) and parity with gas and electricity workers, who settle later but should have even closer links with the miners.
- (ii) So if the miners settle at 10-12%, the water workers may well end up aiming for high single figures. Mr. Heseltine's assessment that we are at present heading for that rests on the assumption that Sir Robert Marshall will give them more or less what they want. We certainly would not expect him to be prepared to stick at a figure below about 7%; and there is very little influence we can have over him (as we saw last year). Ministers may at some point want to look again at the possibility of finding legislative time for the abolition of the National Water Council.

/(iii)

CONFIDENTIAL

CONFIDENTIAL

- 2 -

(iii) The fact that water workers' expectations may not greatly exceed the figure at which Sir Robert Marshall is prepared to settle does indicate that industrial action is rather unlikely. But if the miners settle higher than expected, or if the water workers stick on their 12% claim, industrial action is still a possibility. The Prime Minister should receive towards the end of next week the assessment of the official group on our ability to withstand such industrial action, which is rather greater than hitherto assumed.

J.

14 October 1981

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Local Govt

p.d.

MR. SCHOLAR

c. Mr. Hoskyns
Mr. Duguid

THE RATE SUPPORT GRANT AND THE LOCAL AUTHORITY MANUALS

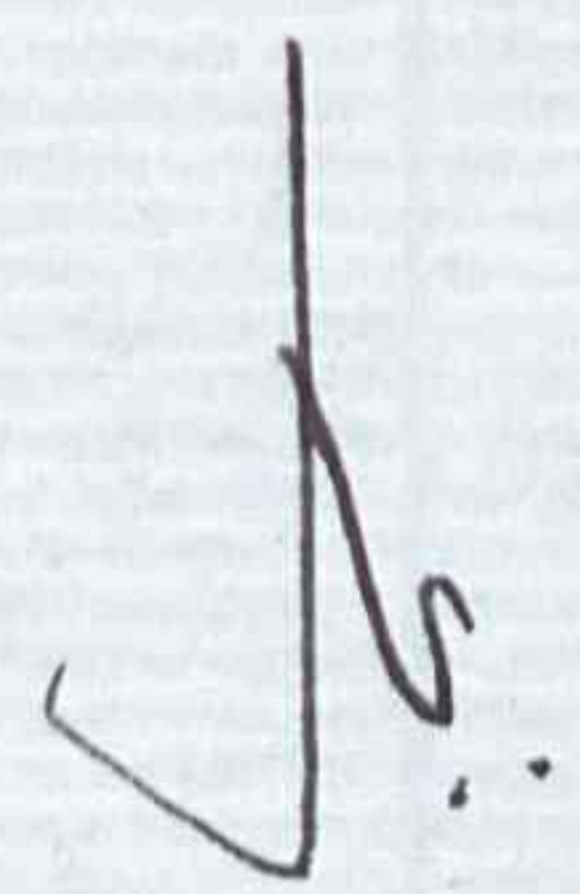
There is a complicated inter-relationship between the RSG settlement and the amount of money available to local authorities to finance pay rises. It is not the case that all the Government has to do is set the 4% pay factor, and assume that 4% is the maximum that can be offered: apart from the complication of the carry forward of what happened last year, the decisions which Ministers have to take on the total of Grant Related Expenditure and the RSG percentage will directly affect the local authorities financial position, and therefore their ability to finance wage increases.

As I understand it - and this is a complicated subject on which I do not profess any expertise - the Government are considering alternative RSG percentages of 59%, 55% and 50%. The ability of the local authorities to finance a settlement for the local authority manual workers, due on 4 November, greater than 4% must depend crucially on which of these percentages is chosen. The local authority manuals' settlement is such an important pace-setter for the pay round as a whole that I think the Prime Minister ought to have an assessment of the consequences for the settlement of these alternative levels of rate support grant.

If you agree, you may think it would be right to suggest this to Mr. Heseltine's office, asking them to co-ordinate their assessment with the Treasury.

Now done

MCS 15/10



Asked Mr Jacobs to pursue. He will revert. 14/10.

14 October 1981

CONFIDENTIAL

CONFIDENTIAL

Prime Minister

(2)

~~de J Vereker~~
ADyn



13 October 1981

MUS 13/10

Prime Minister

WATER MANUALS PAY NEGOTIATIONS

Your Private Secretary asked in his letter of 23 September for an assessment by me of the prospects in the forthcoming water manuals pay negotiations as I see them.

The current situation is that a claim has been tabled for an increase in pay to match the RPI, for shorter working hours and improvements in other conditions of service. The employers intend to respond formally at a meeting of the NJIC on 5 November and will formulate their strategy for the negotiations at a meeting of the combined employers on 28 October. I shall have no firm information of their intentions until after that meeting although Tom King intends to speak to Robert Marshall and other key employers in advance of it to impress on them the need for low settlements. There are some pointers as to how the negotiations may proceed which will be of interest to you and colleagues at this stage though I must emphasise their speculative nature.

The unions have submitted their claim much earlier than usual because they are anxious to achieve a settlement by the due date of 7 December in order to avoid the delays of the last 2 years which they believed contributed to the very militant attitude of their members who rejected recommended settlements on a number of occasions. I believe the employers share this objective for a speedy settlement for the same reason and they also believe that low key negotiations carried out as expeditiously as possible will lead to the most reasonable settlement.

There is no clear indication of what they regard as a reasonable or realistic settlement this year. They are obviously apprehensive about developments in the miners' negotiations and the view has been expressed informally that the workforce are unlikely to ratify any settlement which falls much short of the perceived settlement figure for the miners. We shall try to persuade them to take a firm line against this approach; but one must recognise that it will not be easy for them to stand out against the effective threat of industrial action. We are at present heading for a settlement in high single figures, especially as the NWC Chairman virtually ruled out any possibility of it being in low figures in a recent radio broadcast. The settlement will likely also include some undertakings from the workforce on the implementation of higher productivity. These are some of the matters that Tom King and I will be working on to try and get the employers working at more acceptable levels.

I will let you and colleagues have a more complete assessment once the employers have considered their position and we have discussed it with them later this month.

I am copying this to colleagues on E Committee and to George Younger, Nicholas Edwards, David Howell and to Sir Robert Armstrong.

WMS

MH

CONFIDENTIAL

pp's pl.

MR. SCHOLAR

cc: Mr. Hoskyns

FIRE SERVICE PAY SETTLEMENT

You will have seen that the Home Secretary wrote on 4 October to the Chancellor suggesting that the conclusions of the Home Office paper about the fire service - that we should not interfere in the negotiations - should stand. Tim Lankester wrote to the Treasury on 15 September conveying the Prime Minister's preliminary view that the Government should not take a final position on the question of a no-strike provision for the fire service until there had been separate consideration of no-strike provisions in the context of the CPRS report on pay. At the Prime Minister's meeting to discuss that report, no-strike agreements were pointed in the direction of Mr. Tebbit, for consideration in the context of his industrial relations legislation. You may think it would be appropriate for you to have a word with the Home Secretary's Private Office to remind him that this is still a live issue, and that it is not entirely clear how he proposes to take into account the Prime Minister's views.

Jr.

NOTE Home Secretary's Office argue

- (i) no strike provision issue is being discussed more widely - not timely to bring it in to Home Sec's negotiations
 - (ii) we wd attempt to do so from a v. weak pos'n (since govt isn't a party to the negotiations)
- The Ch/Ex's office ^(have been reminded of the need to) refer to the PM's point before reply is sent to Home Sec.

PL p.a. HES

6 October 1981

CONFIDENTIAL

copy to J Vereker

PI by 11/10

Hes.

CONFIDENTIAL



QUEEN ANNE'S GATE
LONDON SW1H 9AT

4 October 1981

Don J. ...

FIRE SERVICE PAY SETTLEMENT

My note on this subject, E(PSP)(81)19, circulated on 10th September, was to be discussed at a meeting of E(PSP) on Tuesday, 6th October, but I understand that this meeting has now been cancelled. I suggest, therefore, that if colleagues have any points which they wish to make to me on the paper, they should do so in writing. If no comments are received by 12th October, I will assume that there is agreement with the conclusions of the paper - namely that we should not attempt to interfere with the fire service pay negotiations, but should stress that it is entirely a matter for the local authorities.

I am copying this letter to the Prime Minister, other members of E(PSP), Secretary of State for Wales, Secretary of State for Scotland and to Sir Robert Armstrong.

John ...
...

The Rt. Hon. Sir Geoffrey Howe, Q.C., M.P.

CONFIDENTIAL

CONFIDENTIAL

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File



bc; Mr. Vereker
(Local Gov)

10 DOWNING STREET

From the Private Secretary

15 September 1981

FIRE SERVICE PAY SETTLEMENT

The Prime Minister has seen the Home Secretary's paper E(PSP)(81)19 on the fire service pay settlement which is to be considered in E(PSP) tomorrow. She has asked me to say that she is content for the Committee to reach its own conclusion on the realism or otherwise of getting out of the 1978 pay formula. However, she does not think it would be appropriate for a final position to be taken by the Government on any form of no strike provision for the fire service until the question of no strike provisions has been considered separately in the context of the CPRS report on pay. Her own preliminary view is that the continuation of the 1978 formula almost requires a no strike provision, notwithstanding the arguments against set out in the Home Secretary's paper.

I am sending copies of this letter to John Halliday (Home Office), Gerry Spence (CPRS, Cabinet Office), and David Wright (Cabinet Office).

J. P. LANKESTER

John Kerr, Esq.,
H.M. Treasury.

CONFIDENTIAL

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CONFIDENTIAL

Prime Minister

Agree that I should write as suggested at X?

MR. LANKESTER

I agree - I should have thought that this formula almost required a no-strike provision.

cc: Mr. Wolfson
Mr. Duguid

FIRE SERVICE PAY AND POSSIBLE NO STRIKE AGREEMENTS

12..

14/9

Flags A

You asked me last week whether the Prime Minister needed to see Mr. Whitelaw's paper for E(PSP) on the fire service pay settlement, and I said that I thought not; I have now changed my mind, because I think we must arrange for a proper look at the general question of no strike agreements or legislation.

no need to read the paper 12..

Mr. Whitelaw's paper (E(PSP)(81)19) explains that the local authority employers have reinstated the 1978 pay formula, based on a link with the average earnings index, and that it is not realistic to expect to be able to persuade the employers to alter their decision again. I accept this, as I believe do the Treasury. Mr. Whitelaw also concludes that however attractive a no strike agreement may be, the employers are unlikely to want to try to negotiate one. That may be true; but before E(PSP) endorses that position, the Government should surely take a position on no strike agreements generally.

U

The CPRS report on pay, which the Prime Minister saw at the weekend, is dismissive of no strike provisions (paragraphs 70-74). It sees legislation as unenforceable; and agreements as expensive. I think we should probe these conclusions. The CPRS does not point out that until Mr. Heath gave them up as part of his 1971 pay policy, there was legislation forbidding industrial action which would harm the community in the gas, electricity and water industries. I suspect there would be considerable public support for similar legislation for a limited group of essential workers.

X

If the Prime Minister agrees, therefore, I think it would be helpful for you to write to the Chancellor's Private Secretary saying that the Prime Minister has seen the paper on the fire service which is to be taken at E(PSP) this Wednesday, that she is content for E(PSP) to reach its own conclusion on the realism or otherwise of getting out of the 1978 formula, but that she

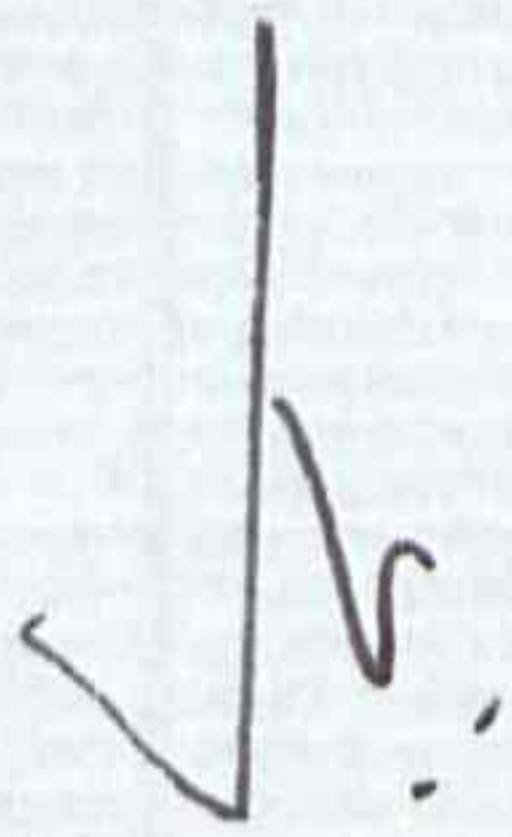
/ does not

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CONFIDENTIAL

- 2 -

does not think it would be appropriate for a final position to be taken by the Government on any form of no strike provision for the fire service until the question of no strike provisions had been considered separately in the context of the CPRS report on pay. It would be useful to send Robin Ibbs a copy of such a letter.



14 September 1981

CONFIDENTIAL

CONFIDENTIAL



10 DOWNING STREET

Police

From the Private Secretary

Loggins VB
Govt

bc Mr Vericker
Mr Hoskyns
Mr Wolfson

17 July 1981

As you know, the Home Secretary and the Chancellor of the Exchequer called on the Prime Minister this morning to discuss the question of police pay.

The Home Secretary said that he had earlier told colleagues that he had been hoping that it would be possible to reach a settlement for the federated ranks and superintendents somewhat below the 13.2% indicated by the Edmund Davies formula. In the light of recent events, he had concluded that the formula would have to be honoured. Accordingly, he proposed that, at the Police Negotiating Board meeting on 22 July, the Home Office representatives should indicate that the Government had no objection to the 13.2% figure. He intended to discuss with Lord Plowden the arrangements for the 1982 settlement: he wanted to explore ways in which a settlement below the formula might be arrived at in that year. As regards the most senior ranks, a decision on their pay was not needed until September. He believed it would be right to hold their increase down to 7% because, otherwise, their pay would move out of line with that of Chief Executive Officers in local authorities and that of the Commissioner of the Metropolitan Police. He did not think senior ranks would object to being treated in this way.

The Chancellor said that he agreed that the Edmund Davies formula would have to be honoured for this year. But he was glad to hear that the options for moving away from the formula in 1982 were going to be examined. As regards 1981, the Treasury proposed to allow the local authorities a special allowance for the extra cost of the settlement; this would be put to colleagues in the Chief Secretary's paper which would be taken in Cabinet on 23 July.

Summing up this part of the discussion, the Prime Minister said that the Edmund Davies formula for this year should be honoured. The Home Secretary should proceed as he had proposed, including discussing the question of 1982 with Lord Plowden. The presentation of the award would need careful handling: the principal argument should be that the Government was simply honouring the special commitments on police and armed forces pay which had been made at the time of the election. But this aspect should be discussed further at official level between the Home Office, the Treasury and No. 10.

/ Finally,

CONFIDENTIAL

Finally, the Home Secretary mentioned that the firemen's settlement could very well cause problems for the Government, just as it had done last year. Partly because of the political complexion of the Fire Brigades Union, the local authorities would no doubt be inclined to settle according to the existing formula; and in contrast to police pay, he had no jurisdiction.

The Prime Minister commented that, if there was going to be a high settlement for the firemen, serious consideration should be given to obtaining a no-strike agreement in return. The Chancellor said that officials were looking at the whole question of no-strike agreements; he would ensure that the option of going for such an agreement in respect of the firemen was considered well in time before the firemen's settlement was due.

I am sending copies of this letter to John Wiggins (HM Treasury) and David Wright (Cabinet Office).

T. P. LANKESTER

J.F. Halliday, Esq.,
Home Office.

Two copies only

PPS/PM.

Seen by Pm

P.A.

Loe Galt

*GRBY
25/2.*

OO WASHINGTON DESKBY 252359Z

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CONFIDENTIAL

PERSONAL

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FM FCO 252115Z FEB 81

TO IMMEDIATE WASHINGTON

TELEGRAM NUMBER 316 OF 25 FEBRUARY

FOLLOWING PERSONAL FOR WHITMORE, PRIME MINISTER'S PARTY, ON ARRIVAL, FROM DUTY CLERK, 10 DOWNING STREET.

1. COAL

DEPARTMENT OF ENERGY HAVE SENT A SEPARATE TELEGRAM.

2. WATER MANUALS PAY

THE EMPLOYERS MET THE UNIONS IN A FORMAL NJIC THIS AFTERNOON AND OFFERED 12.3 PERCENT (LAST OFFER OF 10 PERCENT PLUS 2.3 PERCENT WHICH ARISES FROM CONSOLIDATION OF THE POUNDS 5 MILLION EFFICIENCY SUPPLEMENT). THIS OFFER WAS MADE AFTER SIR ROBERT MARSHALL ESTABLISHED WITH THE UNION NATIONAL OFFICERS THAT THE OFFER WOULD BE MADE ONLY IF IT WAS ACCEPTED AND ENDORSED BY THE NJIC AND PUT TO THE MEMBERS WITH A RECOMMENDATION TO ACCEPT.

WE HAVE NOW HEARD THAT THE 12.3 PERCENT OFFER HAS (UNDERLINED) BEEN ACCEPTED BY THE UNION SIDE AND WILL BE UNANIMOUSLY RECOMMENDED TO THEIR NATIONAL EXECUTIVES, WHO ARE EXPECTED TO ENDORSE IT WITHIN THE NEXT TWO DAYS. IT IS THEN FOR THE INDIVIDUAL UNIONS TO PUT THE RECOMMENDED OFFER TO THEIR MEMBERS IN A WAY WHICH ACCORDS WITH THEIR INDIVIDUAL CONSTITUTIONS.

CARRINGTON

NNNN

Loz Govt

File No.
Department
Drafted by
(Block Capitals)
Tel. Extn.

OUTWARD
TELEGRAM

Security Classification
CONFIDENTIAL
Precedence
IMMEDIATE/PERSONAL
DESKBY2400.....Z

FOR
COMMS. DEPT.
USE

Despatched

(Date)
(Time)Z

POSTBY.....Z

PREAMBLE

(Time of Origin) 2115Z(G.M.T.) (Restrictive Prefix).....
(Security Class.)..... CONFIDENTIAL (Caveat/
Privacy Marking) PERSONAL
(Codeword) (Deskby) 2400Z

TO..... IMMEDIATE..... WASHINGTON..... Tel. No. of.....
(precedence) (post)

AND TO (precedence/post)

AND SAVING TO

REPEATED TO (for info)

SAVING TO (for info)

Distribution:-

[TEXT]
FOLLOWING FOR WHITMORE, PRIME MINISTER'S PARTY, ON ARRIVAL,
FROM DUTY CLERK, 10 DOWNING STREET

Begins

1) COAL
Department of Energy have sent a separate telegram.

2) WATER MANUALS PAY
The employers met the unions in a formal NJIC this afternoon and offered 12.3% (last offer of 10% plus 2.3% which arises from consolidation of the £5 efficiency supplement). This offer was made after Sir Robert Marshall established with the union national officers that the offer would be made only if it was accepted and endorsed by the NJIC and put to the members with a recommendation to accept.

Copies to:-

We have now heard that the 12.3% offer has been accepted by the union side and will be unanimously recommended to their National Executives, who are expected to endorse it within the next two days. It is them for the individual unions to put the recommended offer to their members in a way which accords with theri individual constitutions.

Message ends
25 February 1981

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CONFIDENTIAL



DEPARTMENT OF THE ENVIRONMENT

2 MARSHAM STREET

LONDON SW1P 3EB

01-212 3434

MINISTER FOR LOCAL GOVERNMENT AND ENVIRONMENTAL SERVICES

25 February 1981

Dear Tim,

PJC

WATER MANUALS PAY

You want to send news to the Prime Minister this evening about the water manuals pay negotiations.

The employers met the unions in a formal NJIC this afternoon and offered 12.3% (last offer of 10% plus 2.3% which arises from consolidation of the £5 efficiency supplement). This offer was made after Sir Robert Marshall established with the union national officers that the offer would be made only if it was accepted and endorsed by the NJIC and put to the members with a recommendation to accept.

We have now heard that the 12.3% offer has been accepted by the union side and will be unanimously recommended to their National Executives, who are expected to endorse it within the next two days. It is then for the individual unions to put the recommended offer to their members in a way which accords with their individual constitutions.

Yours

PJC

P J CASH
Private Secretary

Tim Lankester Esq

CONFIDENTIAL

25/12

PRIME MINISTER

Seen by Mr C.M.

c.c. Mr. Wolfson
Mr. Hoskyns
Mr. Vereker

KML

25/12

Water Workers' Dispute

Mr. Heseltine's Office has just telephoned to report the latest state of play on the water workers' pay dispute.

As you know, the employers met last night. After the meeting Sir Robert Marshall telephoned Mr. Tom King to tell him that although he and one or two others had wanted to increase the offer to the unions, the view that had prevailed was that the employers should stand firm on the present offer of 10%, and go for unilateral arbitration. But before the employers went public on this position, they wanted to know whether the Government wished to say anything to them.

Mr. Heseltine and Mr. King then spoke to Mr. Prior this morning, and they concluded that the employers should be advised strongly against going to arbitration. Mr. Prior, in particular, emphasised that arbitration would almost certainly go the wrong way on the amount of money to be offered, and that Ministers had in any case recently decided to move away, as rapidly as possible, from arrangements which permitted unilateral access to arbitration. Rather, they agreed that officials should let Sir Robert Marshall know the Government felt that there was still scope for negotiation, and that the employers should use it. No figure, however, would be mentioned by officials to Sir Robert Marshall.

Officials are accordingly in touch with Sir Robert Marshall at this moment. The Department of the Environment do not know how he will react to the Government's line, but it seems to me

/ almost

almost inevitable that he will have to call another meeting of the employers. The fact is that the view which officials will be putting to him is a rejection of the wish of the majority of the employers to stand firm and, tacitly, encouragement for his own position. I think - and Mr. Heseltine's Office do not disagree - that this is likely to lead him to think that the Government would not object if he settles for the figure of 12.3% which is in the air (and which is arrived at by the consolidation of the existing £5 bonus).

The Department of the Environment will continue to keep us in close touch with developments.

JWH.

25 February, 1981.

SUBJECT

cc Kraster



10 DOWNING STREET

cc HO	CS, HMY
FCO	CO
HMY	DTRANS
DOI	WO
LPO	SO
DM	DOE
MAFF	
DOT	
DN	

From the Principal Private Secretary

23 February, 1981

cc
 Wofa
 Kohyus
 MS
 Venche
 Sanders

Dear David,

Water Workers Dispute

The Prime Minister held a meeting with Mr Heseltine and Mr King this afternoon to discuss the water workers pay dispute. Sir Robert Armstrong and Robert Wade-Gery were also present.

Mr Heseltine said that there was no doubt that Sir Robert Marshall, Chairman of the National Water Council, was now prepared to increase the NWC's "final" offer from 10% to at least 11%, and possibly even 12%. But in view of the way the negotiations had gone so far, there could be no certainty that Sir Robert Marshall would achieve a settlement even at this level of offer. At present there were no plans for the employers and the unions to meet for formal negotiations, but Sir Robert Marshall would be seeing the national officers of the unions concerned this evening.

Mr King said that Sir Robert Marshall had told him on Thursday of last week that although the GMWU were opposed to the latest offer, NUPE might accept it, but it was now clear that NUPE would not. Sir Robert Marshall hoped now to achieve a settlement at 11%, but that would be difficult because the unions had made it clear that they expected another 2½% in the form of the consolidation of their £5 bonus. Mr King added that he had made it clear to Sir Robert Marshall that the Government would be extremely concerned if the settlement went as high as 12%.

Mr Heseltine said that the issue was whether the Government should stand back and let the NWC attempt to settle at **12% or less**, or intensify the pressure on Sir Robert Marshall to stand firm.

The Prime Minister asked what the consequences would be of a strike. In discussion it was agreed that there was great uncertainty as to what form a strike might take: a work to rule or an overtime ban would not be too difficult to cope with, but it was possible that the unions might, for instance, select an area for an **all-out** exemplary strike. The Armed Forces could, under the contingency arrangements, help to maintain the water system, but only if the supervisory staff assisted. *On the other hand, the danger of industrial action should perhaps not be exaggerated: it should be possible to find retired staff or private contractors who could operate the system and in any case the unions should, as in the gas industry, be very reluctant indeed to take action which would put a risk not only the community in general but also their own families.*

/Summing up

CONFIDENTIAL

- 2 -

Summing up the discussion, the Prime Minister said that it would be highly undesirable for the NWC to end up offering 12% without achieving a settlement; but, in view of the contacts that had already been made with Sir Robert Marshall, it would now be wrong for the Government to intervene further. In particular, a move by the Government at this stage might be read as a reaction from last week's negotiations with the miners. No further special steps should be taken to achieve favourable publicity in this dispute, and if it were raised with her during Question Time she would take the line that there were many who would be grateful for a secure job and an offer of a 10% pay increase. There was no need to take decisions yet either about a declaration of an emergency or special public relations measures in the event of a strike.

I am sending copies of this letter to the Private Secretaries to members of E, to the Private Secretaries to the Secretaries of State for Transport, Scotland and Wales, and to David Wright (Cabinet Office).

Yours sincerely,

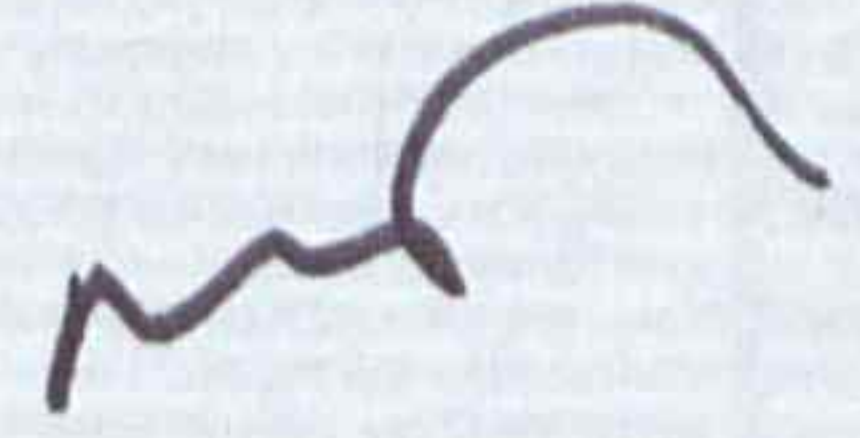
Alvin White.

David Edmonds, Esq.,
Department of the Environment.

CONFIDENTIAL

Local Gov
cc Mr. Wolfson
Mr. Ingham
Mr. Duguid

PRIME MINISTER



WATER WORKERS DISPUTE

It is clear from the work done by the Civil Contingencies Unit that industrial action in the water service would lead to a progressive deterioration in the system, including local failures of the piped water supply. The degree of industrial action would determine the period of deterioration, rather than the consumers affected. The contingency arrangements have only a very limited capacity to cope. However unreasonable the water workers' demands might seem at the beginning of such a dispute, public sympathy in these circumstances would rapidly move against the Government. The water workers would be the wrong group to pick as a test of the Government's determination - there are weaker groups, such as the Government's own employees, who would be better.

May I therefore suggest that at your meeting on Monday -

- (i) We assess what the National Water Council would do if the Government make no attempt to influence it.
- (ii) If it is inclined to negotiate a settlement in return for a modest increase in the offer, we should acquiesce. But the employers ought to let the increase be wrung out of them reluctantly and over a period of time, so the unions can show their members what a good deal they've got.
- (iii) If - which I think very unlikely - it is inclined to make if necessary a much higher offer, which would increase the going rate for nationalised industries above the 13% the miners say they got, they should be told to try and settle for less because of the repercussions in the electricity and gas industries.

/ (iv)

CONFIDENTIAL

CONFIDENTIAL

- 2 -

(iv) If - which newspaper reports indicate is possible - it is inclined not to raise the offer, they should be told that the Government does not wish to see industrial action in the water industry, and that they should increase their offer unless they have good reason to believe the unions' bark is worse than their bite.

✓

✓

20 February 1981

CONFIDENTIAL

Extract from P. Le Cheminant to PM P. 0427 of 18.2.81

Play C

3. Water: You will want to ask the Secretary of State for the Environment to report on the latest state of play on the water negotiations. His main concern may be to sound out colleagues on whether he should give further instructions to the National Water Council (which would have to be essentially either 'stand firm' or 'settle') or stand back and let them evolve their own solution. The balance of advice from colleagues is likely to be in favour of the latter course.

MR. INGHAM

cc: Mr. Whitmore
Mr. Lankester
Mr. Wolfson
N. Ingham

Lo Gork

hu
18"

THE WATER WORKERS DISPUTE

Apropos of the discussion at yesterday's lunch of the relationship between the Government and the nationalised industries, there could scarcely be a more spectacular own goal scored by the nationalised industry chairman than Sir Robert Marshall's letter in Monday's Daily Telegraph, a copy of which I attach. Having finally achieved some favourable media comment, in the shape of the Daily Telegraph leader on 13 February, saying that the National Water Council should offer not a penny more to the water workers, it was extraordinarily unhelpful to have the Chairman of the NWC going out of his way to negate most of the arguments that we have been at such pains to circulate discreetly. This must be further evidence, if such evidence is needed, of the desirability of getting rid of Sir Robert Marshall at the first opportunity.

As for where we go next on the water workers dispute, there was some discussion in the Official Pay Group this morning (which recognised that technically the water industry was outside its remit). The consensus was that there were three choices open to the Government: to tell Sir Robert Marshall not to offer any more, to tell him to settle at the lowest additional cost, or to do nothing. The first choice was rejected because the industrial action which would follow could then clearly be held to be the Government's responsibility, and public opinion would be unlikely to remain with us given the relatively small increase in water charges required to keep the water supplies going; the second choice was considered unnecessary, since it is what Sir Robert Marshall will do anyway; so we can expect Mr. Heseltine to be writing to his colleagues before this weekend suggesting the third course - that the Government continues not to intervene.

/ There must

CONFIDENTIAL

There must of course be some limit to this policy of non-intervention, in a situation where a weak nationalised industry bargaining team is facing a well-organised union, but I do not think we will reach that limit until the water workers start to claim more than the 13% or so that the miners are perceived to have received. That is probably not only the water workers' aspiration, but also the aspiration of the electricity and gas workers who will follow.

J. M. M. VEREKER

18 February 1981

CONFIDENTIAL

16 FEB 1981

Offer to water workers means cut in standards

From Sir ROBERT MARSHALL

SIR — I refer to your leading article (Feb. 13) about water industry charges and wages.

1. The offer of 10 per cent. which we have made to our manual workers requires of them that they accept a cut in their standard of living. We are asking this of them precisely because we care about the public interest and our customers, including, in particular, the unemployed and the less fortunate among them. (Compare the settlement for DAILY TELEGRAPH journalists reported in your issue of Jan. 22, which works out at 16.8 per cent. on an annualised basis.)

2. Water manual workers' earnings have increased by 44 per cent. over the last two years and as a result they have just about regained their normal position in the wages league. Their earnings now stand at the average for all manual workers. Is this unreasonable for a 24-hour, all the year round service of great reliability?

3. Water manuals have not had increases far above local authority employees. On the contrary, in the two year period for which you quote 44 per cent. for water workers, comparable workers in local authorities received marginally larger increases, including the Clegg Awards.

4. Water Authorities and the National Water Council informed the Government of the likely increases in domestic charges and of the reasons for them way back in October. Apart from inflation they arise from:

- New financial targets;
- Strict borrowing limits;
- The impact of current cost accounting;
- The impact of Section 30 of the 1973 Water Act causing domestic consumers to bear a larger share of water service costs;
- The effects of the recession which reduces revenue from industry with no possibility of comparable cost reductions;
- High interest rates;
- Cessation of equalisation payments which has hit some authorities very hard, though benefiting others.

All these are outside the control of the Water Authorities.

5. Since you switch from charges to wages in a way which suggests that increased charges are largely due to extravagant wage settlements, I remind you that we are capital intensive and that our offer of 10 per cent. would add 0.8 per cent. to charges. But we have impressed on the trade unions the great importance of keeping all cost increases to the minimum if any unnecessary addition to charges, however small, is to be avoided.

6. Water Authorities have accepted the Government's last-minute decision that consultants should do a hasty check on charges despite the fact that budgets are in the process of being settled and charges promulgated. The timing of the Government's decision comes as a surprise, when the information has been available to them for so long. Lastly, you know very well that the water industry's charges have gone up very fast since re-organisation not because of slack management or extravagant manning, but because the charge now covers all water services and not just water supplies. This doubles the amount at one stroke.

For the rest, inflation hits us as it does everybody and our charges have increased on that account by an average of 80 per cent. during the past five years while the Retail Price Index has risen by 94 per cent. over the same period.

R. B. MARSHALL
Chairman, Nat. Water Council.
London, S.W.1.



Local Govt
2 MARSHAM STREET
LONDON SW1P 3EB

My ref:

Your ref:

11 February 1981

Mr. Peck

LOCAL AUTHORITY PAY

Thank you for your letter of 9 January. The settlement for the local authority manuals group, which was confirmed on 27 January was essentially opportunist. The employers side of the NJC is large and cumbersome and not capable of any great precision of thought in arriving at its decisions during negotiation, and it would probably be wrong therefore to assume that they made any exact calculations in deciding that they could go to 7.5%.

However we understand that in reaching this decision they were conscious of the fact that there had been a reduction in manuals jobs of 4½% last year which, together with reductions in overtime of 1 hour worked each week, they estimated had reduced the expected cost of the November 1979 settlement from 13% to under 7%. They apparently assumed that this downward trend would continue at the same or higher level. We believe that they also took a view that the authorities could finance a settlement of this order for this group on the basis of the funds available to the authorities for the rest of this financial year and a 6% assumption for the remainder of the settlement year.

They have said publicly that this settlement will have no bearing on settlements for other local government groups each of which will be reviewed on its merits against the financial and economic background existing at the time. There can be no automatic assumption therefore that all local government groups will receive the same amount.

On the basis of their view of the cash available for this settlement, no further manpower reductions would be needed in 1981/82 beyond the 4-4½% underlying the 1981/82 volume targets. But on the assumption that all pay settlements from November 1980 would be at 6% (although no revision was made to the 1980/81 cash limit calculation) a further reduction of around 1½% would be required. These calculations are subject to

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

considerable uncertainty not least in respect of the assumptions used in them for wage drift. In this situation however it is still open to local government to settle for its other groups at a level lower than 6%, and experience in the last round suggests that they may not be averse to doing this. Their offer to the APT&C group in the last round, for example, was based primarily on how much the individual authorities said they had left in the kitty to meet that settlement.

Some of the unpublished details I have given above were passed to us privately and, in the interests of retaining the good relations we now have with LACSAB officials, they should not be used in the NHS negotiations unless DHSS have obtained them through their own channels.

I am sending this to the recipients of yours.

*for on
D A Edmonds*

D A EDMONDS
Private Secretary

12 FEB 1987

CONFIDENTIAL

Prime Minister

You have ticked (iv) and (v).

Are you content with (i) and

cc: Mr. Wolfson
Mr. Ingham
Mr. Duguid

(iii) ?

PRIME MINISTER

WHAT ARE WE GOING TO DO ABOUT THE WATER WORKERS?

Mr. Heseltine has now sent you the attached minute about the water workers' pay negotiations.

The problem is clear, and awkward: a well organised union with a convincing strike threat is facing employers unskilled in the art of negotiating and who know they can concede a high settlement with only a small impact on the water rates. But whatever more they give away will be claimed also by the electricity and gas workers, and will make it even harder to settle with the civil and health services in the 6-7½ per cent range.

We should therefore make every effort in the next two weeks to get a settlement on the basis of the 10 per cent now offered. But since we would certainly rather another 2.3 per cent were conceded than risk the consequences of a strike, we must not go so far as to say categorically that the water workers must settle for 10 per cent.

I suggest a five-pronged attack:

- (i) Mr. Heseltine or Mr. King should tell the National Water Council that the Government expects them to make substantial efforts to persuade the water workers to accept the present offer. This should include an explanation of the offer, and why it is reasonable, being put in weekly pay packets. Any local water authority reluctant to take this action should produce a more convincing reason than that it might be counter-productive.

/(ii)

CONFIDENTIAL

(ii) You should give a public lead, designed to catalyse media comment. The natural occasion would be Question Time, if Nick can persuade a friendly back-bencher to ask, say, whether you are aware that his constituents would not readily understand if the water workers were offered more than 10 per cent. You could reply by referring to their last two years' increases, the current wide acceptance of less than 10 per cent, and the special need for responsibility carried by those upon whom the health of the community depends.

*Don't think
wisdom of this.
Could be provocative*

(iii) We should confirm, if questioned, that contingency arrangements exist, but that we are sure the water workers would not - as they have never done before - take extreme action in the form of an all-out strike.

Understand the

(iv) Mr. Pym could, as Mr. Heseltine suggests, do what he can to get the facts across to the media, both directly and by briefing other Ministers.

✓ (v) Mr. Ingham can take the initiative with the Lobby, and approach sympathetic editors (the Daily Mail have already offered) to do analytical pieces on the water workers' case.

If you agree, Tim could put the first four suggestions forward in his acknowledgement of Mr. Heseltine's note.

J.V.

9 February 1981

*More as indicated
not.*

Mr Walter
Mr Dwyer
Mr Veech

CONFIDENTIAL



Prime Minister

TL

9 February 1981

Prime Minister

Following the apparently overwhelming endorsement by the water manual workers of their negotiators' rejection of the 7.9% offer, the employers improved their offer to 10% in the course of negotiations earlier this week. This was mainly the result of meeting one of the unions' demands that increases to the basic rates of 9.9%, which have been increased to 10%, should flow through to bonuses. A second union demand to consolidate a £5 efficiency supplement, which would have cost a further 2.3% was refused. The unions apparently said they would be prepared to recommend a settlement on that latter basis. The unions rejected the 10% offer and are referring the matter back to their membership again. The precise terms of the reference are unclear as yet to the employers, but the practical effect at regional/branch level will be to seek endorsement of the rejection and to confirm the mandate for industrial action in the furtherance of the claim.

I understand that as yet neither the employers nor the unions have a feel for what the response of the workers is likely to be, and the general view is that it could go either way. The outcome will probably be known on 24 February.

I understand that the regional water authority chairmen have again taken the view that they and their local managers are best placed to influence the views of their workers and to make sure they make their views known to their branches. They insist that local circumstances and attitudes differ widely and their approaches must be tailored accordingly. Among other measures some authorities intend to write to their staff individually. Some, such as Thames, believe this would be counter-productive in their particular circumstances but we are challenging them on this. Any steps we can take to encourage the media - particularly the popular newspapers - to take a more positive line to influence the workers either directly or through the pressure of public reaction would I think be useful and I am pursuing that approach in consultation with Francis Pym. We now need also to consider whether, and if so how best, Ministers can put across the message as well.

I have seen a copy of Geoffrey Howe's letter to you of 3 February commenting on the Public Trading Sector Pay Monitoring Report. It was written before the outcome of these recent water negotiations was known but I am sure that he is right that we now need to consider the way ahead very carefully. We shall do all we can to persuade the employers to secure the lowest possible settlement.

I am copying this to colleagues on E Committee, and to Francis Pym, Norman Fowler, George Younger and Nicholas Edwards.

W. S. M.

MH

~~Mr Vereker~~

CF
As requested
1/2

cc ✓ Mr. Vereker
Mr. Hoskyns

MR. INGHAM

Water Manuals

Mr. Prior called on the Prime Minister briefly this afternoon to report on the water manuals negotiations. He said that Mr. King had met with the employers and had suggested that they should have a further meeting with the union side before 3 February. Mr. King had suggested that they should improve their offer very slightly - though without specifying a figure. He himself had been in touch privately with one of the employers side and had suggested an 8.5% figure (compared with 7.9% currently on offer); Douglas Smith in his own Department thought that the employers would go to 9%.

Mr. Prior went on to say that it now seemed likely that the employers would meet the union side before 3 February. He thought it would be better to postpone putting out publicity at least until after this further meeting: he implied that such publicity would make the negotiation more, rather than less, difficult for the employers.

The Prime Minister acquiesced.

I am not sending a letter to DOE on this, but I will make sure that they are in line with Mr. Prior on publicity.

I. P. LANKESTER

27 January 1981

Local Govt



10 DOWNING STREET

~~TIM~~

What do you think of
this, given Jim Prior's remarks
earlier today?

MS

22/1

Overturn - in the end

now await the

outcome of next

negotiating mtg with

his work.

12.

CONFIDENTIAL

MR SANDERS

cc Mr Wolfson
Mr Ingham
Mr Gow
Mr Duguid

Water Workers Dispute

At the Prime Minister's meeting on 20 January, it was agreed that the Prime Minister would give the facts about the water workers dispute in the House of Commons if the opportunity arose. We now have the fact sheet prepared by the Department of the Environment, and a clearer picture of where the dispute is heading.

Local authority manual workers are virtually certain to accept the 7½ per cent offer today. On 3 February the water workers unions will announce the result of their consultations. We already know that most unions in most areas have indicated willingness to take industrial action. On 6 February the unions will meet the National Water Council. Since it is now quite widely understood that the contingency arrangements are unlikely to be able to cope with anything more than very limited action, the NWC are likely to increase the offer. By how much it has to be increased to prevent industrial action - or, to put it another way, how much industrial action would follow from a given level of offer - depends largely on the climate of public opinion at the time. Moreover, at stake is not just the water workers settlement, but the much more important (in terms of knock-on costs to the consumers) link with the gas and electricity workers who are known to be regarding the water workers as a test case. If we are to get out of this dispute without too much damage we need media comment on 4 February to be unsympathetic to the water workers unions' case.

It remains to be seen how effective the water authorities area managers will be in rallying public opinion, but there is no doubt that a lead from the Prime Minister will be needed. I think therefore that, if the Prime Minister agrees, you should arrange for a Conservative backbencher to raise the issue in Question Time, perhaps on Thursday of this week (it might be difficult for the Prime Minister to comment next Tuesday, which will fall between the unions' announcement and their meeting with the NWC).

CONFIDENTIAL/There are

CONFIDENTIAL

- 2 -

There are only two points the Prime Minister needs to make:

- (i) In the present climate of moderation in pay settlements it would be astonishing if a group of workers, whose wages were paid by the taxpayer, were prepared to risk the health of the community in pursuit of more than the 7.9 per cent they have been offered.
- (ii) The water workers are far from being a special case - their average gross weekly earnings are £16.70 more than those of the local authority manual workers who have just accepted a rise of 7½ per cent; and over the last two years the water workers have had increases totalling 42.3 per cent when the RPI has increased by only 34.9 per cent.

There are two points the Prime Minister should not make:

- (i) The consumer will pay. In fact, because every 1 per cent on pay means only a quarter of a per cent on charges, a small increase in the offer would not cost the consumer very much.
- (ii) The offer is reasonable compared with other nationalised industries. This is a particularly dangerous approach since the water manuals like to compare themselves with the gas and electricity workers, and the gas workers have already rejected an offer of just over 8 per cent, and the electricity workers have already put in a large, but uncostered, claim.

27 January 1981

CONFIDENTIAL

CONFIDENTIAL

MR INGHAM

cc Mr Lankester
Mr Wolfson

Water Workers' Dispute

Main points from yesterday's meeting of the Contingency Unit, chaired by Mr. Whitelaw:-

Prospects for Industrial Action

Mr King said it was "far from clear" whether the water workers thought they were voting for immediate industrial action or for tough further negotiations. The consensus was that industrial action could take place very soon after 3 February, but that the unions would be concerned to avoid public hostility and would probably not go for an all out strike. But Mr. Jenkin pointed out that the consequences of even limited action would be to put large numbers at an immense risk.

Contingency Arrangements

It was decided not to shorten servicemen's notice for the contingency operation at this stage, but the unit will probably meet again next week to look at it again. Although the servicemen require seven days' notice, it is expected that the result of industrial action would be a progressive deterioration of the water service, not sudden cut offs. But there remain huge gaps in the ability of the contingency plan to cope with a strike, most notably in the fact that capacity does not exist to provide fresh water supplies on anything other than a very limited basis in the event of pipes bursting and requiring the mains to be turned off.

Retired Supervisors

Mr. Whitelaw instructed that an effort be made to establish whether the retired supervisors whose names were held on water authorities pension lists would come to the assistance of the servicemen.

/Public Relations Issues

CONFIDENTIAL

Public Relations Issues

There was an argument about the desirability of the list of priority consumers, and it was agreed not to publish it. It was also agreed to leave the economy campaign in the hands of the National Water Council (I think the economy campaign is silly: until the water supply breaks down there is no need for economy, and after it breaks down the consumers will not need to be told to economise their consumption).

J. M. M. VEREKER

23 January 1981

CONFIDENTIAL



DEPARTMENT OF THE ENVIRONMENT

2 MARSHAM STREET

LONDON SW1P 3EB

01-212 3434

MINISTER FOR LOCAL GOVERNMENT AND ENVIRONMENTAL SERVICES

cc. Press.

23 January 1981

Mike

For Tuesday evening news

John Verne

Dear Tim,

R.
27.

You wrote to David Edmonds here on ~~10~~ January recording the outcome of the Prime Minister's meeting that day on the threat of industrial action in the water industry.

Action is being taken to ensure that the Water Authorities put out all the facts and figures at their disposal during the critical period 27 January to 3 February. I attach a one-page fact sheet which can be used by your Press Office, by other Press Offices in response to questions, and by the Prime Minister if a suitable opportunity arises in the House.

I am copying this letter and fact sheet to John Halliday (Home Office), Richard Dykes (Department of Employment), Robin Birch (Office of the Chancellor of the Duchy of Lancaster) and David Wright (Cabinet Office).

Yours,

PJC

P J CASH
Private Secretary

T P Lankester Esq

FACT SHEET ON WATER AUTHORITY MANUAL WORKERS PAY NEGOTIATIONS

33,500 workers (22,000 GMWU, 10,000 NUPE, 1,000 TGWU and 500 NUAAW) have claimed a basic rate increase of £20 pw. This represents a cost of 30% of the wagebill. They have been offered a basic rate increase of 9.9%, other improvements and 1 additional day's holiday, which represents a cost of 7.9% of the wagebill.

Current rates of pay and earnings (as at September 1980) are:

<u>Grade</u>	<u>Basic rate</u>	<u>Efficiency supplement</u>	<u>Min. per week</u>	<u>Average earnings</u>
	£ pw	£ pw	£ pw	£ pw
Class IV	60.52	5.00	65.52	95.81
Class III	62.64	5.00	67.64	104.44
Class II	64.76	5.00	69.76	115.29
Class I	66.84	5.00	71.84	124.46
HCO	above 66.84	5.00	above 71.84	135.66

Compared with the RPI over the last 2 years, water manuals pay increases are:

	1978/79	1979/80	cumulative effect 1978-80
Pay settlements	15.9% (staged) 17.2% (full year)	21.4%*	42.3%*
RPI	17.2%	15.1%	34.9%

*includes 8% arising from comparability study with gas and electricity.

The average gross weekly earnings for full-time workers over age 21 (as at April 1980) are:

	<u>£ per week</u>
Electricity supply workers (industrial grades)	129.40
Gas workers (industrial grades)	126.60
Water service manual workers	110.30
Local authority manual workers	93.60

Source: New Earnings Survey (Part B: Analyses by Agreement)

The local government manuals are expected to accept a 7.5% pay offer - their decision should be known by 27 January. The CBI's Pay Data Bank indicates that the average level of pay settlements in manufacturing industry in November and December, and $\frac{2}{3}$ of all settlements in December, were in single figures.

At worst, industrial action in the water industry would be extremely serious, affecting those at home, at work, in hospital, in old people's homes, etc. The effect on industry could be catastrophic, and it is true to say that the whole community could be at risk.

MR. INGHAM

Water manuals' pay negotiations

It was agreed at the Prime Minister's meeting this morning that Press Offices should have at their disposal appropriate facts about the water workers' dispute, and that the Prime Minister would use them if questioned in the House. I had already asked DOE to provide a fact sheet, which I now attach.

The first page sets out the facts on the negotiations correctly, but obviously we should avoid pointing out that manpower costs represent only one-quarter of total revenue, because it prevents us from arguing that the consumer would have to pay for any increased pay offer. The second page sets out the present wages situation, and this morning I understood the Prime Minister to say that it would be useful at the appropriate time - i.e. after 27 January - to highlight the figure for average gross weekly earnings of male manual water workers i.e. £110,30; and the fact that this figure is about £5 a week more than the average for local authority workers. I also think new earnings survey figures of increases achieved by the water workers in the last two years constitute good ammunition.

J.M.M. Vereker

20 January 1981

FACT SHEET

WATER MANUALS PAY NEGOTIATIONS

1. There are 33,000 manual staff concerned. (Their counterparts in Scotland are local authority employees).
2. Annual Settlement Date - 7 December.
3. Unions GMWU, NUPE, TGWU and NUAAW
4. The RWAs are the employers. But under the Water Act pay is negotiated nationally and such agreements, including productivity, are usually implemented by the individual authorities without alteration.
5. Current Claim
 - a. For £20 on weekly rates; consolidation of £5 efficiency payment; further progress toward 35 hour week (currently 39); improvements in allowances.
 - b. Estimated cost - 30% increase on wagebill.
6. Offer
 - a. Increase on base rates 9.9% (counting for overtime but not bonus), improvements in shift, standby and call-out allowances. *Additional 1 day's holiday*.
 - b. Overall wagebill cost 7.9%.
7. Manpower costs represent only $\frac{1}{4}$ of total revenue. Estimated that 1% on manuals pay could mean $\frac{1}{4}$ % on charges (if cost is not met by increased efficiency or cuts in capital programmes).
8. A single figure pay assumption was made in the process of setting the external financing limit for each water authority but the EFL imposes no direct constraint on the pay negotiations.
9. There has been a traditional link with local government perpetuated to some extent whereby about 6,000 local government workers are employed on sewerage operations on an agency basis. But the water employers now consider this link to have no practical significance in pay negotiations and the industry relates to the nationalised industry sector. Although there is no longer any formal commitment to comparability with gas and electricity, unions see them as natural analogues and are also relating to the miners' settlement this year (because of its coincidence with their own negotiations; the effect that settlement will probably have on the electricity supply workers' settlement; and their industrial muscle).

WATER MANUALS' PAY

BASIC RATE INCREASE

	<u>Present rate</u>	<u>Increase</u>	<u>New rate</u>	<u>New minimum for 39 hours (inc £5 efficiency supplement)</u>
	£pw	£pw	£pw	£pw
Class <u>IV</u>	60.52	6.00	66.52	71.52
Class <u>III</u>	62.64	6.21	68.85	73.85
Class <u>II</u>	64.76	6.44	71.20	76.20
Class <u>I</u>	66.84	6.66	73.50	78.50

AVERAGE EARNINGS

According to the latest New Earnings Survey (April 1980) the average gross weekly earnings of male manual workers in the water industry are £110.30.

Also according to the New Earnings Survey, the average gross weekly earnings of these workers increased by 27.7% between April 1978 and April 1979 and by a further 28.1% between April 1979 and April 1980.

(i) Pay Negotiations

A fact sheet is at Annex A

Latest position: The National Executive of the GMWU met on 23 January and decided in favour of industrial action. NUPE's water committee meets tomorrow to consider the response from their regions (reported to be universally in favour of strike action). All four unions meet on 3 February to decide on joint action. The employers are also meeting tomorrow to consider the situation.

(ii) Effects of Industrial Action and Contingency Arrangements

Supplementary Notes are at Annex B.

LINE TO TAKE

It is for the employers to decide what they can afford having regard to their own financial position. A very fair offer has been made which I hope the unions will, even now, decide to accept having regard to the general economic situation, the favourable level of pay increases in the industry in the last two years compared with inflation and the high priority given by the employers, and shared by the Government, to keeping costs to customers as low as possible. I hope that the unions will bear in mind the potentially very serious consequences to the community as a whole of industrial action.

A note on contingency plans is at Annex B para 7.

FACT SHEET ON WATER AUTHORITY MANUAL WORKERS PAY NEGOTIATIONS

33,500 workers (22,000 GMWU, 10,000 NUPE, 1,000 TGWU and 500 NUAAW) have claimed a basic rate increase of £20 pw. This represents a cost of 30% of the wagebill. They have been offered a basic rate increase of 9.9%, other improvements and 1 additional day's holiday, which represents a cost of 7.9% of the wagebill.

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At worst, industrial action in the water industry would be extremely serious, affecting those at home, at work, in hospital, in old people's homes, etc. The effect on industry could be catastrophic, and it is true to say that the whole community could be at risk.

Effects of Industrial Action and Congingency Arrangements

Supplementary Notes.

- 1 Effect of Industrial Action
 - It is hoped that the water workers will continue to act responsibly. They carry out services that are vital to the lives of everyone. They could cause a great deal of hardship if they interfered with those services. In the face of a pay offer which will be much better than many of their fellow workers can expect, it would be unforgivable if they were to cause hardship and suffering to add to the burdens that many are having to bear.
- 2 Emergency action
 - Although no specific action has been taken, contingency plans already exist aimed at maintaining essential services in an emergency. It would be wrong however to talk about emergency action at this time. Our best hope lies in the commonsense of the water workers and their sense of duty to the community.
- 3 Effect of industrial action on water supply
 - Maintenance of water supply would depend upon the form and extent of the industrial action. In some areas the standard of service would suffer deterioration and there would be inconvenience and some hardship. An all out or widespread strike would have many serious consequences indeed.
- 4 Effect on sewerage and sewage treatment
 - Most sewerage systems would continue to function though withdrawal of labour from pumping stations could result in flooding, particularly in wet weather. The standard of treatment would deteriorate at unattended sewage works and increased river pollution would result.
- 5 How long could supplies be maintained
 - It would depend upon the extend and type of the action and upon the local details of the supply system. In some cases supply would continue for days or even weeks, in others there might be almost immediate effects.
- 6 Effect on industry and electricity supply
 - Yes, industry drawing on the public supply and some power stations would be affected if mains supply deteriorated in quality or failed completely.
- 7 Contingency plans
 - Water Authorities have a general responsibility to draw up contingency plans aimed at maintaining essential services in emergencies. Although no specific arrangements have been made in this instance, Government contingency plans exist which provide for use of servicemen to assist in maintaining essential services, if requested by the responsible authorities.

8 Use of Troops

- No specific arrangements have been made but contingency plans exist which provide for use of servicemen to assist in maintaining essential services in emergencies, if requested by the responsible authorities.

9 Would emergency powers be sought

- The case for taking emergency powers would have to be considered in the light of circumstances prevailing at the time.



10 DOWNING STREET

From the Private Secretary

20 January 1981

The Prime Minister held a meeting this morning to discuss the threat of industrial action in the water industry. In addition to your Secretary of State, the Home Secretary, the Secretary of State for Employment, Mr. King, Mr. Ingham, Mr. Wolfson and Mr. Vereker were also present.

Mr. Heseltine outlined the current state of the pay negotiations. The National Water Council had made an offer of 9.9 per cent on basic rates, which would add 7.9 per cent to earnings. Since this was the amount at which they intended to reach a settlement, it had been a mistake to go to this figure in their initial offer. His Department had kept out of the negotiations, but they had made clear to the Council that the initial offer had been too high. Although they were not balloting their members, the unions were now holding a fairly thorough consultative exercise on whether or not to take industrial action. The result of this would be announced on 3 February, and the likelihood was that the Council's offer would be rejected. In the meantime, the local authority manuals were likely to settle for 7.5 per cent on 27 January. Assuming this happened, the critical period for influencing public opinion against the threat of a water strike was between 27 January and 3 February. There was plenty of good material that could be put out - in particular, the fact that the water manuals who were already paid more than the local authority manuals were being offered a higher percentage figure, and the appalling consequences that would follow from an all-out strike. But it would be preferable if the employers, rather than the DOE, were to undertake the task of putting out this information. Otherwise, the Government would all too easily get caught up in the negotiations and public opinion might move against the Government for not settling the dispute. But it would also be helpful if the Prime Minister, when asked in Question time about the dispute, could give some of the facts and figures.

/Mr. King

CONFIDENTIAL

Subject

cc: As below +
Messrs. Walters
Wolfson
Heslyns
Ingham
Vereker

See also

Mr. King added that the Council had not handled the negotiations well. But so far there had been no signs of official action, and there was reason to believe that - although the consultative exercise was in theory about industrial action - in fact many union members regarded it as part of the negotiating process. So it should not necessarily be assumed that strike action would follow the rejection of the offer. Although the employers did not have much room for manoeuvre, they might be able to improve the offer sufficiently to bring about a settlement. It had to be borne in mind that there was a relationship between the water manuals, and the gas and electricity negotiations; and that the unions seemed to be regarding the water manuals' negotiation as the main avenue of attack. On the other hand, from a public relations point of view, the employers had a good deal on their side - and the fact that strike action would affect the water manuals' own families as well as the rest of the community should not be discounted. One point which could be used was the agreement on post-entry trade union membership which the unions had signed and which included a statement that in the event of industrial action every effort should be made to avoid harm to the health of the consumers.

Summing up a brief discussion, the Prime Minister said that they were agreed that the critical period for influencing the outcome of the dispute was likely to be between 27 January and 3 February. The water authorities' area managers should be encouraged to put out all the facts and figures at their disposal during that period about the negotiations and about the consequences of strike action; the DOE should not itself put out this information, but should make sure that the area managers did so. The Government would keep a low profile, but Press Offices should have the facts at their disposal to put out any response to questions; she herself would also give the facts if she had the opportunity in the House of Commons.

I am sending copies of this letter to John Halliday (Home Office), Richard Dykes (Department of Employment), Peter Cash (Office of the Minister for Local Government and Environmental Services), Robin Birch (Office of the Chancellor of the Duchy of Lancaster) and David Wright (Cabinet Office).

T. P. LANKESTER

D. A. Edmonds, Esq.,
Department of the Environment.

CONFIDENTIAL

LB



10 DOWNING STREET

Prime Minister

The purpose of the
meeting is to discuss
the PR aspects of this
dispute. But I have
also put in this folder
the latest paper on
contingency planning.

R.

19/1

CONFIDENTIAL

(CF)

Back-up for
mtg 0 - water
manuals

PRIME MINISTER

cc Mr. Wolfson
Mr. Ingham
Mr. Duguid

Monitoring Reports on Public Sector Pay

Two monitoring reports are attached - on the public trading sector, with a covering note by the Chancellor, and on the public services, in the form of an E(PSP) paper.

The Public Trading Sector

Negotiations in the water, gas and electricity industries are at a critical stage. The Chancellor suggests that the main issue is whether the Government should seek to influence the management side. But there is also the important question of whether the Government should do more to bring public opinion to bear on the union side. I sent you a separate minute yesterday about the need to discuss both these points in relation to the water workers.

we are discussing on Tuesday

T.

The Public Service

In paragraph 2 of his covering note Peter le Cheminant lists the groups where difficult pay issues will arise shortly. I would add school teachers, who are not going to be satisfied with a settlement that can be accommodated within the 6 per cent pay factor in the Rate Support Grant when they hear that the NHS and Civil Servants are getting 7 per cent. None of these issues need to come to Ministers collectively yet, but most will end up in E(PSP) before long.

15 January 1981

CONFIDENTIAL

CONFIDENTIAL

PRIME MINISTER

cc. Mr. Wolfson
Mr. Duguid
Mr. Lankester

Water Workers' Dispute

John Vereker is concerned with some cause that little is being done to mobilise public opinion against the water and sewage workers during their unions' period of consultation up to February 3. He suggests you should discuss this with Mr. Heseltine and Mr. King (who are deliberately playing it cool) and Mr. Pym.

Vereker
by hand
plus
Home Secretary

In an ideal world the employers would be taking the lead. We should certainly not get involved in the negotiations.

But it does seem reasonable for Ministers, and officials like myself, without being provocative, to make the points suggested by Mr. Vereker in response to questions - e.g. in the House/Lobby. The desirability of canvassing a ballot would, of course, turn on the best judgment of the Department/employers on the outcome.

14 January, 1981

B. Ingham
B. INGHAM

CONFIDENTIAL

CONFIDENTIAL

MR INGHAM
PRIME MINISTER

cc Mr. Wolfson
Mr. Duguid

Water Workers Dispute

I think we are in danger of letting events pass us by in the water workers dispute. The unions are now consulting their membership at regional and branch level - but without a ballot - on the need for industrial action; the executives of the two of the four unions (NUPE and the NFU) are recommending action, and there are indications that the other two (GMWU and TGWU) will follow suit. A strike could follow soon after the unions meet the employers again on 3 February and if the junior supervisors join in, as expected, the Ministry of Defence doubt they can maintain essential supplies (a report from the Contingencies Unit will be circulated shortly).

So I think you should call a meeting very soon with your colleagues most closely concerned - Mr. Heseltine and Mr. King, the Chancellor and Mr. Pym - to have a close look at:

- (i) The prospects for a negotiated settlement. Is the National Water Council contemplating a way out? How much damage would be done by a small increase from the 7.9 per cent offered, and would it be accepted?
- (ii) The need to mobilise public opinion. Cabinet decided last week that Ministers should not comment publicly on the negotiations. That does not preclude all comment: and although there are signs that media opinion is against the water workers, there is little public debate at present and therefore little pressure on the unions to act responsibly. The employers appear to be doing nothing, even by way of correcting false impressions of current earnings. Ingredients in a public debate should include
 - Surely the water workers would not be so irresponsible as to risk public health by industrial action?
 - All those who work in public sector monopolies, where costs of excessive pay increases are passed straight on to the consumer, must justify their pay claims to the public;

CONFIDENTIAL

/Pay

A. Vereker

*What you'd keep
me posted on what
we (inf) are supposed to be
doing about this*

CONFIDENTIAL

PRIME MINISTER

cc. Mr. Wolfson
Mr. Duguid
Mr. Lankester

Water Workers' Dispute

John Vereker is concerned with some cause that little is being done to mobilise public opinion against the water and sewage workers during their unions' period of consultation up to February 3. He suggests you should discuss this with Mr. Heseltine and Mr. King (who are deliberately playing it cool) and Mr. Pym.

In an ideal world the employers would be taking the lead. We should certainly not get involved in the negotiations.

But it does seem reasonable for Ministers, and officials like myself, without being provocative, to make the points suggested by Mr. Vereker in response to questions - e.g. in the House/Lobby. The desirability of canvassing a ballot would, of course, turn on the best judgment of the Department/employers on the outcome.

14 January, 1981

B. Ingham
B. INGHAM

CONFIDENTIAL

CONFIDENTIAL

MR INGHAM
PRIME MINISTER

LA wants over
by 24/1

cc Mr. Wolfson
Mr. Duguid

Water Workers Dispute

I think we are in danger of letting events pass us by in the water workers dispute. The unions are now consulting their membership at regional and branch level - but without a ballot - on the need for industrial action; the executives of the two of the four unions (NUPE and the NFU) are recommending action, and there are indications that the other two (GMWU and TGWU) will follow suit. A strike could follow soon after the unions meet the employers again on 3 February and if the junior supervisors join in, as expected, the Ministry of Defence doubt they can maintain essential supplies (a report from the Contingencies Unit will be circulated shortly).

So I think you should call a meeting very soon with your colleagues most closely concerned - Mr. Heseltine and Mr. King, the Chancellor and Mr. Pym - to have a close look at:

W/Workers
7.9% earnings bill

(i) The prospects for a negotiated settlement. Is the National Water Council contemplating a way out? How much damage would be done by a small increase from the 7.9 per cent offered, and would it be accepted?

LA wants 7 1/2 %
subject to consult by 27/1

(ii) The need to mobilise public opinion. Cabinet decided last week that Ministers should not comment publicly on the negotiations. That does not preclude all comment: and although there are signs that media opinion is against the water workers, there is little public debate at present and therefore little pressure on the unions to act responsibly. The employers appear to be doing nothing, even by way of correcting false impressions of current earnings. Ingredients in a public debate should include

Electric Supply Plans
Claim "close to 20%
offer done 5/2 (EPL)

Gas Plans
offer 8% on paybill
negotiated;
negs resume on 30/1
(EPL)

Miners 9.7% paybill
for 10 months.

- Surely the water workers would not be so irresponsible as to risk public health by industrial action?
- All those who work in public sector monopolies, where costs of excessive pay increases are passed straight on to the consumer, must justify their pay claims to the public;

CONFIDENTIAL

/Pay

CONFIDENTIAL

- 2 -

- Pay settlements elsewhere have been moderate; and the Government has set cash limits for its own employees, and for the NHS and local Government, well below the current offer to the water workers;
- Water workers wages have risen by 44 per cent in the last two years, while prices rose by 34 per cent.

It seems to me that Ministers can make the first three points, and the employers the last one, without interfering in the negotiations.

- (iii) The possibility of suggesting that the water workers should be balloted. The current consultations are bound to over-represent the views of the union activists; a ballot would focus public and media attention on the pros and cons, and should decrease the chances of industrial action.

W.

14 January 1981

CONFIDENTIAL

cc Mr Verker
Mr Wallis
Mr Hodgson
Mr WJear



Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

PRIME MINISTER

MONITORING REPORT - PUBLIC TRADING SECTOR

Following the establishment of E(PSP), my officials have been discussing with their colleagues in the Cabinet Office and Prime Minister's Office the appropriate arrangements for dealing with monitoring material on the public services. ... This minute and its enclosure deal with the public trading sector. I am sending it to those colleagues who received the original monitoring reports, and to those who are responsible for the major negotiations in progress. The enclosure is limited to factual material and comment; this covering minute tries to identify the issues that arise.

2. My view is that the main issue arising on any negotiation in the public trading sector is whether or not the Government ought to seek to influence the negotiations by contact with the management's side. Clearly we should not seek to influence the negotiations overtly, and our public comments would need to bear this very much in mind.

3. The water and gas negotiations are at delicate stages, and electricity may well come to this stage shortly. The employers in all three industries are now formally co-ordinating their negotiating tactics. They hope to secure a settlement in water first in order to pre-empt demands for parity if settlements in other utilities are higher.

/4. Any moves will

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4. Any moves will need to be thought through very carefully. Sponsoring Ministers are in close touch with the industries, whose Chairmen have been well acquainted with our views on the need for low settlements. On that basis, my view is that there is nothing further to be done at this stage to influence the management sides. No doubt colleagues will indicate if they dissent from this view.

5. I am sending copies of this minute to the Lord President, the Secretaries of State for Employment, Environment, Energy, Industry, Transport, Mr Ibbs and Sir Robert Armstrong.

(G.H.)

14 January 1981

PUBLIC TRADING SECTOR

Nationalised Industry Chairmen's Group

At the meeting of the Group on 17 December, the Chancellor pressed home the Government's message on pay. He said that there was no national or public sector pay policy in terms of precise figures. For the industries, he suggested a reasonable expectation was increases comparable to those in the parts of the private sector most open to international trading conditions. The Government was crucially concerned to get settlements as low as possible, bearing in mind that three fifths of the UK's loss of competitiveness since 1978 was due to high wage costs. 6 per cent was not unreasonable in the light of experiences in the period 1951-1964 when increases also averaged 6 per cent, of which 3 per cent was inflation and 3 per cent growth.

2. Water Service Manuals (33,000)

Settlement date: 7 December 1980

Unions: GMWU, TGWU, NUPE, NUAAW

The claim seeks a £20 a week increase, consolidation of the efficiency supplement, shorter working week, longer holidays and other improvements and is estimated to be worth 30%.

The employers have offered:

- increases in basic rates
- improvement in shift allowances
- increases standby and call-out payments
- 1 day's extra holiday.

The offer would add 9.9% to basic rates, but the increase in earnings would be smaller, giving an overall increase in the annual pay bill of 7.9%.

/The unions rejected

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The unions rejected the offer on 10 December, and refused at the subsequent meeting on 6 January to negotiate on the structure of the offer without an increase in the total money available. The unions will now consult their members, recommending industrial action in support of their claim. The employers remain divided about whether the offer should be increased, and about the probability of industrial action. Some unofficial action at least is quite likely, but there are no signs that the employers will make concessions at this stage. A significantly higher offer in the gas industry would make it hard to hold the present line; on the other hand endorsement of the provisional LA manuals settlement (due by 27 January) would strengthen the employers negotiating position. Ministers have agreed to stand firm against any pressure to endorse an increased offer and to refrain from commenting on the negotiations at this stage.

3. Gas Supply Manuals (41,000)

Settlement date: 18 January

Unions: GMWU, TGWU

The claim, which the unions say is worth 23%, seeks increases of 15½% in line with inflation, and consolidation of bonuses at a sum equivalent to one-third of basic pay, this sum to be paid to all workers. (At present bonuses range from nil to 50%). Other improvements sought are: reduction of working week from 40 to 37 hours, increased holidays and increased holiday pay, paternity leave, phased reductions in hours prior to retirement. The pay assumption underlying the EFL was set at 10%. The BGC responded at a meeting of the NJIC on 7 January with an offer worth about 8% on the pay bill. The standard working week would be reduced to 38¼ hours from 2 August. This was rejected by the union representatives. The NJIC is due to meet again on 30 January.

4. Electricity Supply

(i) Manuals (92,000)

Settlement date: 20 March

Unions: EETPU, GMWU, AUEW, TGWU

/The Electricity Council

CONFIDENTIAL

The Electricity Council has received a claim for:

- (i) a substantial increase in schedule salaries
- (ii) a reduction in working hours to 35 a week
- (iii) unsocial hours payments to be based on the hourly rate derived from the schedule salary
- (iv) introduction of voluntary early retirement at age 60.

This was discussed at the meeting of the NJIC on 8 January, when the Council formally took note. The employers will respond at the next NJIC, on 5 February, and the Council expects to reach agreement in March.

The Council does not yet know what percentage increase the unions intend to claim. The Industrial Relations member believes that while the union leaders in the supply industry understand the real position on miners' wages, it will be very difficult to reach a settlement which cannot be presented to the industrial staff as similar to that the miners achieved.

(ii) Power Engineers and Technicians (28,000)

Settlement date: 1 February

Union: EPEA

It is expected that, as last year, the power engineers will await the industrial settlement before tabling their own claims.

An indication of the EPEA's likely attitude was given in an article by the General Secretary in the December issue of the union's Journal. The position of the power engineers is compared to that of the firemen. It is claimed that the engineers have an existing formula linking their scales to the pay of the industrial grades for whom they are responsible. The article says that EPEA members possess real industrial powers, whereas the firemen do not.

/The Electricity Council

CONFIDENTIAL

The Electricity Council Chairman attended the meeting of 18 December between the Chancellor and Nationalised Industry Chairmen and is thus acquainted with the Government's views on the level of pay increases. The EFL pay assumption is 10%.

5. British Airways - (50,000)

Settlement date: 1 January (1 April for pilots and flight engineers)

Unions: TGWU, AUEW, EETPU, ACTSS, AUEW (S & T), APEX, ASTMS, GMWU, FTATU, UCATT, BALPA.

At the start of the negotiations, BA met all the unions jointly and proposed 7½% from 1 July 1981, with no increase until then. After internal consultations, the TU side decided on 5 December that central negotiations and the offer were both unacceptable and insisted on separate negotiations within the eleven National Sectional Panels as in past years. BA has since met 8 of the Panels. In each case the opening offer was rejected and BA moved to a revised offer of 8% from 1 April. The unions have been consulting their members and will hold a mass meeting on 14 January to consider a proposal for a 24-hour strike on 23 January.

6. British Steel Corporation (140,000)

Settlement date: 1 January

Unions: BSC-ISTC, BSC-NCCC, NUB, GMWU, TGWU, MATSA, ACTS, ASTMS, APEX, SIMA.

The Corporation has presented the unions with a "survival plan" which envisages upwards of 20,000 redundancies, and has proposed pay increases of 7% from 1 July 1981, with no increase from 1 January. BSC has also told the unions that if things did not work out as planned in the first half of 1981, they would have to take steps to raise funds for the 7%, and these steps might include additional redundancies.

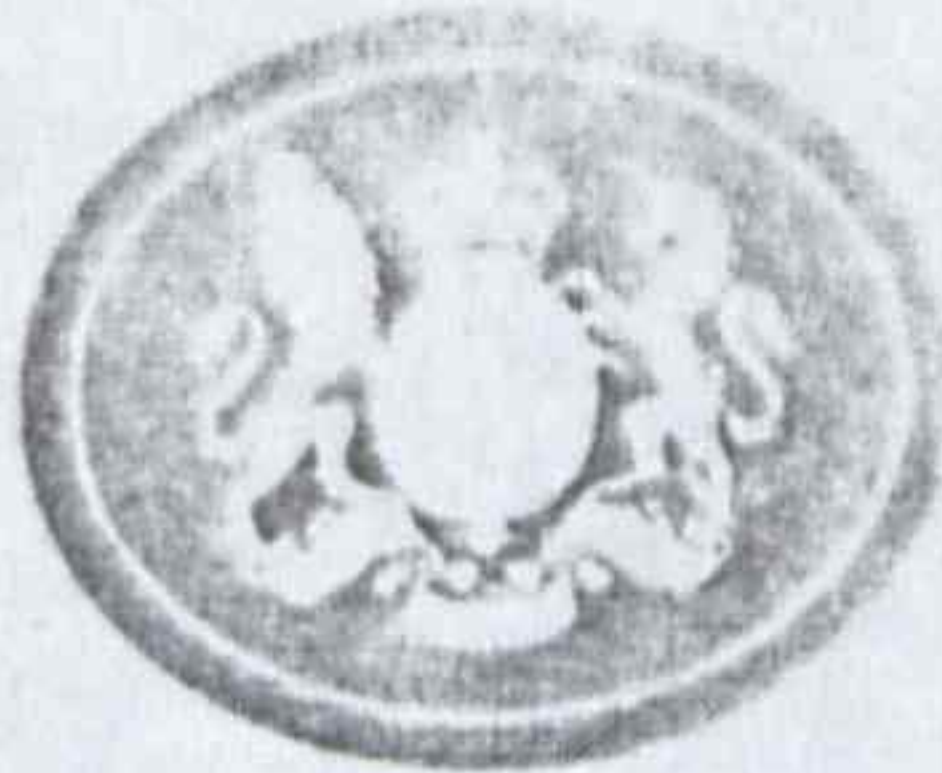
/It is reported that

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It is reported that the NUB, the craft and general unions, and SIMA (the managers' association) are advising their members to accept the offer. BSC has put the issues to the whole workforce in a ballot returnable on 16 January.

The ISTC is balloting its members as to whether they will accept the pay offer and whether they endorse the plan. Members are reportedly being advised to reject the plan, but are given no recommendation on the offer. Ballot papers are returnable by 16 January.

BSC meets the general and craft unions again on 19 January, and ISTC on 20 January.



Local Govt

SECRETARY OF STATE FOR ENERGY
THAMES HOUSE SOUTH
MILLBANK LONDON SW1P 4QJ
01 211 6402

CONFIDENTIAL

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
H M Treasury
Parliament Street
LONDON
SW1

MSM

on the water

14 January 1981

R

14/1

John Gentry

WATER MANUALS' PAY

In his letter to you dated 7 January about the water manuals' pay, Tom King referred to the implications of developments in other public sector pay negotiations - in particular the gas manuals.

Colleagues will no doubt be aware that the gas manuals' Unions rejected on 7 January a pay offer that represented an increase of 8% on the wage bill in the 12 month period over which the settlement will last. They evidently felt that the BGC's profitable position ought to enable the management to improve on their offer. The Unions are now reporting back to their members and the negotiations will be resumed on 30 January.

The BGC have not given any undertaking to reconsider their offer. The EFL that they have been set will impose considerable strains on them and they will have to find ways of making cost savings. This is bound to influence their approach on any improved pay offer. On the more specific point, the BGC management are well aware of the implications of their pay negotiations for the water manuals and I understand that Sir Robert Marshall is in direct touch with Sir Denis Rooke on the matter. Continuing direct contact at this level is obviously the best way of ensuring that the respective managements are aware of each other's particular sensitivities when formulating any proposals. No doubt Sir Robert will similarly be in touch with Austin Bunch.

My officials are keeping in close touch with the BGC and the Electricity Council. In this way they will be able to advise Departments as agreed on the details as they emerge both of any revised BGC offer and of the offer due on 5 February by the Electricity Council.

I am copying this to the Prime Minister and other members of E Committee, to the Secretaries of State for Scotland, Wales

2.



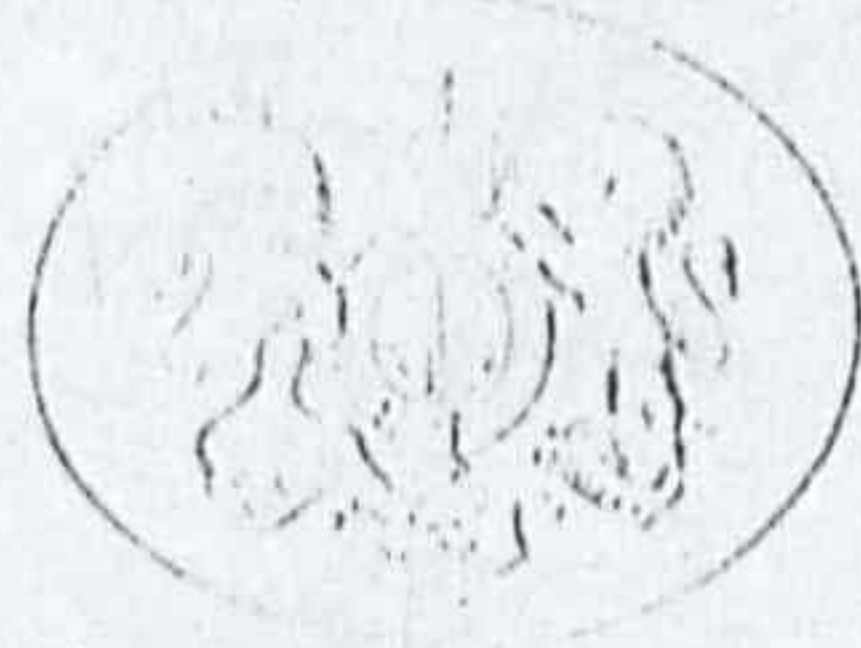
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and Transport, and to Sir Robert Armstrong as well as to Tom King.

Yours

David

D A R HOWELL

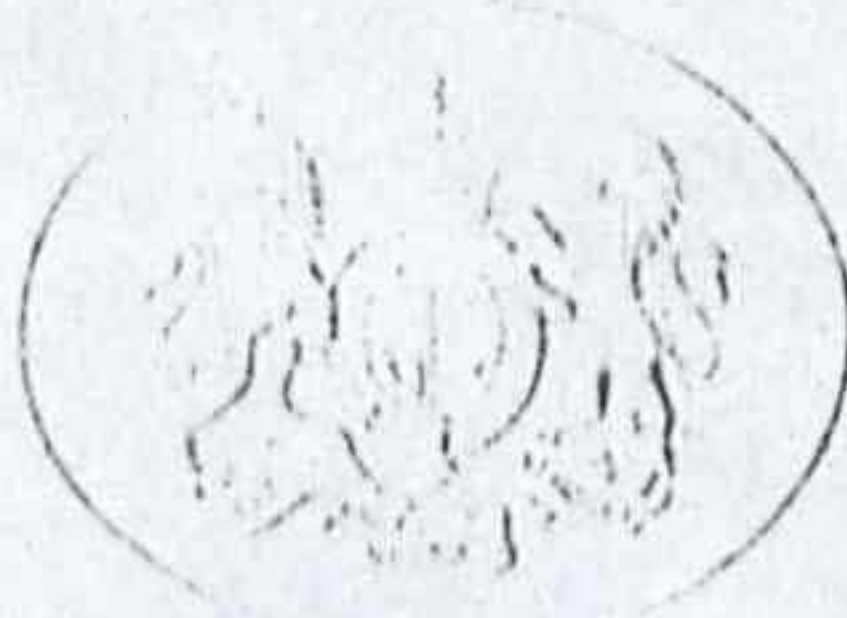


POSSIBLE DRAFT REPLY TO A QUESTION ABOUT THE STATE OF NEGOTIATIONS ON
WATER MANUALS PAY

I understand that the employers' offer is equivalent to 9.9% on basic rates, 7.9% on earnings. 12

The employers have made it clear that they are prepared to negotiate further on the make up of their offer within the same overall cost. The unions are consulting their membership about the taking of industrial action. I do hope that water workers will reflect very carefully on the offer made to them, recognise how fair it is in present circumstances, and avoid adding to the problems that many householders and firms are having to cope with at the present time by interrupting water services.

[Normal contingency plans exist but our best hope lies in avoiding the need for special action through the good sense of the water workers and recognition of the duty that they have to the community to keep services going.]



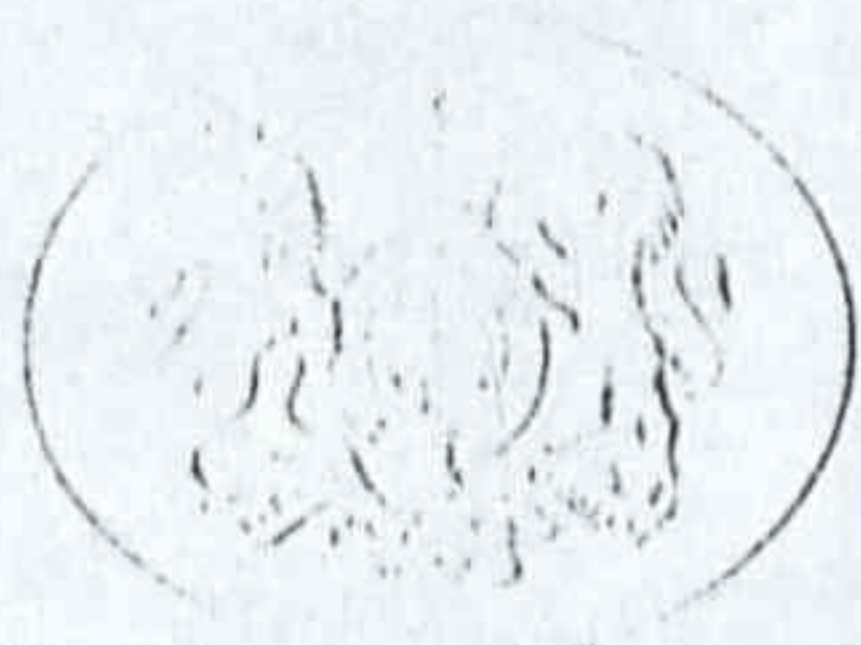
NOTES FOR NO. 10 ON SITUATION CONCERNING WATER MANNUALS PAY NEGOTIATIONS

At a meeting of the National Joint Industrial Council on 6 January, employers repeated their offer which is equivalent to 9.9% on basic rates (7.9% on earnings) but invited the unions to consider restructuring it within the same overall cost. The unions once more rejected the offer and are now consulting their membership, advising industrial action.

SUPPLEMENTARY NOTES

- 1 Components of offer - a series of cash increases on basic rates
- some improvement in shift allowances
- an increase in stand by and call out payments
- an extra day's annual leave.
- 2 Unions involved - NUPE (National Union of Public Employees)
G.M.W.U. (General Municipal Workers Union)
TGWU (Transport and General Workers Union)
NAAAW (National Union of Agricultural and Allied Workers).
- 3 Union consultation - Unions will be consulting their membership in various ways which is expected to extend over the next three weeks. *
- 4 Fairness of offer - The offer is considered to be very fair bearing in mind the general economic situation, the need in everybody's interest to keep down inflation, and the restraint being exercised by others.
- 5 Effect of Industrial Action - It is hoped that the water workers will continue to act responsibly. They carry out services that are vital to the lives of everyone. They could cause a great deal of hardship if they interfered with those services. In the face of a pay offer which will be much better than many of their fellow workers can expect, it would be unforgivable if they were to cause hardship and suffering to add to the burdens that many are having to bear.
- 6 Emergency action - Although no specific action has been taken, contingency plans already exist aimed at maintaining essential services in an emergency. It would be wrong however to talk about emergency action at this time. Our best hope lies in the commonsense of the water workers and their sense of duty to the community.
- 7 Effect of industrial action on water supply - Maintenance of water supply would depend upon the form and extent of the industrial action. In some areas the standard of service would suffer deterioration and there would be inconvenience and some hardship. An all out or widespread strike would have many serious consequences indeed.

* It is understood that unions will meet to consider the outcome of consultations on 3 February.



- 8 Effect on sewerage and sewage treatment
 - Most sewerage systems would continue to function though withdrawal of labour from pumping stations could result in flooding, particularly in wet weather. The standard of treatment would deteriorate at unattended sewage works and increased river pollution would result.

- 9 How long could supplies be maintained
 - It would depend upon the extent and type of the action and upon the local details of the supply system. In some cases supply would continue for days or even weeks, in others there might be almost immediate effects.

- 10 Effect on industry and electricity supply
 - Yes, industry drawing on the public supply and some power stations would be affected if mains supply deteriorated in quality or failed completely.

- 11 Contingency plans
 - Water Authorities have a general responsibility to draw up contingency plans aimed at maintaining essential services in emergencies. Although no specific arrangements have been made in this instance, Government contingency plans exist which provide for use of servicemen to assist in maintaining essential services, if requested by the responsible authorities.

- 12 Use of Troops
 - No specific arrangements have been made but contingency plans exist which provide for use of servicemen to assist in maintaining essential services in emergencies, if requested by the responsible authorities.

- 13 Would emergency powers be sought
 - The case for taking emergency powers would have to be considered in the light of circumstances prevailing at the time.

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Local Govt.

Ref. A03931

PRIME MINISTER

Cabinet: Pay Negotiations in the Water Industry

BACKGROUND

The Secretary of State for the Environment is to bring the Cabinet up to date tomorrow on the water manuals pay negotiations. The latest position is summarised in a letter dated 7th January from the Minister for Local Government to the Chancellor of the Exchequer (copied to most, but not all, members of Cabinet). Only two issues arise at this stage:-

- (a) The public stance to be adopted by the Government.
- (b) Contingency planning.

2. On publicity, officials from the Departments immediately concerned had a brief discussion earlier this evening. They concluded that the immediate line should continue to be that the negotiations are between the employees and the water industry and that the Government is not involved. If at a later stage there appears to be a real possibility of industrial action, that would be the time to draw attention to the damage which the waterworkers would be threatening to impose on their fellow citizens and to try and shame them into responsibility.

3. On contingency arrangements, plans exist and can be activated when required. The Home Secretary is in charge of this aspect of the matter.

HANDLING

4. You might invite the Secretary of State for the Environment to report briefly on the situation and invite discussion on the public attitude to be adopted by Government spokesmen. You will also want to invite the Home Secretary to consider and report quickly to you on the state of contingency planning for countering the effects of any industrial action. He will in fact be able to give an oral report to Cabinet tomorrow if time permits.

CONCLUSIONS

5. You will want to record:-
 - (1) The Cabinet's view on the general thrust of any Government comments at the present stage of the negotiations.

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See John
Venka's note
below

CONFIDENTIAL



- (2) An invitation to the Home Secretary to report to you (and other colleagues) on the present state of contingency planning and the timetable for action, should this be required.

RA

ROBERT ARMSTRONG

7th January, 1981

CONFIDENTIAL

W. B.
PRIME MINISTER

c.c. Mr. Ingham

WATER MANUALS' PAY

We have arranged for Mr. Heseltine to report briefly in Cabinet tomorrow on the rejection by the water manual workers of the pay offer made yesterday by the employers; and Mr. King has now circulated the attached letter detailing the offer (7.9 per cent overall; 9.9 per cent on basic rates) and outlining likely future developments - there will in fact be no action until the unions have completed a period of consultation and held a further meeting with the employers on 3 February. Mr. King suggested in his letter that the line to be taken by the Government on this dispute be considered at the meeting of the Official Group on Public Service Pay today.

At that meeting, several people said that, since the Government had no direct responsibility for these negotiations, they should say as little as possible. I said that I thought that a public sector monopoly, able to wield considerable industrial power, and one in a position to raise charges to meet excessive pay increases, was very undeserving of public sympathy; and that Ministers might want to consider using the period in which the unions are digesting the latest offer to ensure that public support is on the side of the employers. It was established that the contingency arrangements in the event of industrial action are being dusted down, but in an entirely discreet way so as not to adversely affect the climate of the negotiations.

Cabinet does not have to decide whether Ministers should intervene with the employers, since the employers are not faced with any decisions until the unions have completed their consultations and have reported back. The only issue for Cabinet is the extent to which the Government should publicly express a view about the negotiations, and my own feeling is

/that it

that it would be helpful if the Government, perhaps in the person of Mr. Heseltine, were to take the line that:

- (i) the negotiations are between the National Water Council and the unions, and although the Government naturally hopes that the outcome will be a reasonable settlement without industrial action, it is not a party to them;
- (ii) it would be quite wrong for any public sector union to use their monopoly power to force the taxpayer to pay more to finance an excessvie wage claim, when it has already been offered an amount in line with the more realistic climate of pay settlements that we have seen in recent months.

↓

7 January 1980



DEPARTMENT OF THE ENVIRONMENT

2 MARSHAM STREET

LONDON SW1P 3EB

01-212 3434

~~cc Mr Vecker~~
Mr Ingham

MINISTER FOR LOCAL GOVERNMENT AND ENVIRONMENTAL SERVICES

CONFIDENTIAL

7 January 1981

Dear Geoffery,

WATER MANUALS' PAY

At a meeting of the water manuals' NJIC yesterday the employers refused to improve the offer which the unions rejected at the last meeting (7.9% overall; 9.9% on basic rates) but invited the unions to consider restructuring it within the same overall cost. As expected this was rejected by the unions who will now consult their membership through the appropriate machinery and advise industrial action in furtherance of their claim. They have offered to resume negotiations but only if they are assured that the employers are prepared to make an offer well above 7.9%.

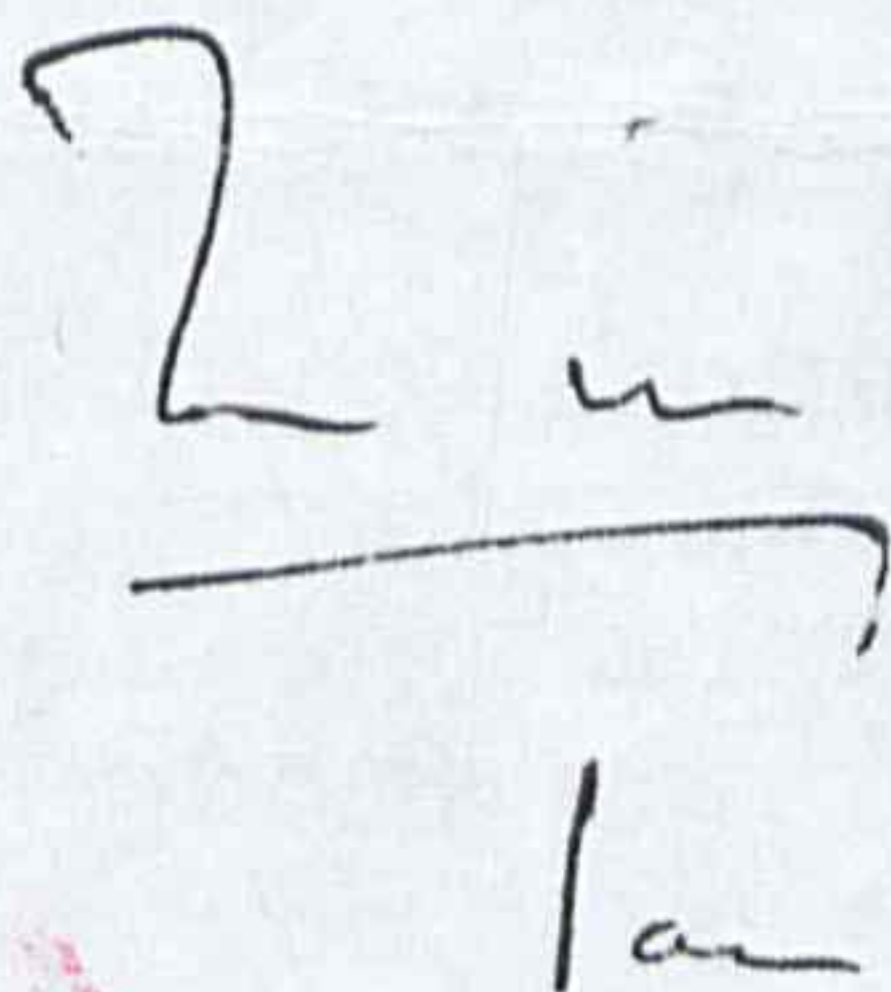
I invited the employers to see me on Monday evening to bring me up to date with their thinking and they clearly foresaw yesterday's developments. They told me that they had decided to follow this course in the knowledge that it involved a high degree of risk and despite opposition by some of their members. They asked whether the Government would support them wherever appropriate, and that we should be prepared to take action to maintain essential services if and when this becomes necessary, but not yet. I gave them that assurance. They expect there to be some unofficial action in the more militant areas during the consultative process which could take two to three weeks depending upon the methods the unions choose to use. There were divided views among the water employers as to whether the men would be anxious to press for action, and I emphasized the importance of the employers locally putting their employees fully in the picture on the merits of the offer already made.

I told the employers that, whilst the decision not to improve the offer was one they had already reached, it certainly coincided with my own views. I put it strongly to them however that a successful outcome would depend upon the extent to which they are able to get across to the general public as well as to their employees that the offer (7.9% on earnings, 9.9% on basic pay) is a fair one which can by no stretch of the imagination justify the potentially serious effects of industrial action. While it is obviously preferable in the initial stages for the employers to make the main case, at some stage the Government will be asked to express a view. I suggest the line to be taken should be first considered at the meeting of the official group on public sector pay later today.

A successful outcome will also depend to a very considerable extent on developments in other public sector pay negotiations in the coming weeks, and especially in those for the gas manuals and the electricity supply workers. If the employers in gas and electricity are seen to be moving ahead of water, in relative terms, then I have little doubt that the water employers will be unable to sustain their present line. If on the other hand, gas can stand firm, and we can get membership endorsement of the Local Authority manuals offer at 7.5%, which is due by January 27th then the chances for water will be much enhanced. I understand electricity is not due to offer before February 5th so we may be able to avoid any impact from their proposals.

I have agreed with the water employers that they should take no overt contingency measures at this stage, but my officials will be pursuing through the usual channels the initial preparations as necessary.

I am copying this to the Prime Minister and other members of E Committee and to the Secretaries of State for Scotland, Wales and Transport, and to Sir Robert Armstrong.



TOM KING

17 JAN 1981
12 3 4 5 6 7 8 9 10 11 12



cc Press
Mr Vereker
Mr Duguid

2 MARSHAM STREET
 LONDON SW1P 3EB

My ref:

Your ref:

- 2 JAN 81

Dear Tom,

LOCAL AUTHORITY PAY

The unions representing the local authority manual workers are recommending to their membership acceptance of an offer made on 18 December of £4.60 on basic rates, across the board, plus an extra one day's holiday for staff with between 1 and 5 years service. The overall wagebill cost is, I understand, about 7.5% but if the downward trend in manual employment is maintained the cost should be within 6%. We have been urged by the local government employers to refrain from using this fact in public comment on the agreement until it has been finally confirmed, after reference to the membership, at an NJC meeting scheduled for 27 January; any suggestion that the union negotiators have traded jobs for pay could lead to rejection. Otherwise the employers and unions are reasonably confident about the outcome.

My Secretary of State believes that in the circumstances this is a reasonable settlement which, even though it is presented as above 6%, is sufficiently close as not to undermine the Government's position on public sector pay especially since the press reports have given some prominence to the unions' own account of the manpower reductions being achieved for this group. Indeed, the readiness of the public sector unions to accede to a settlement at this level may help to dampen aspirations in forthcoming negotiations in which they are also involved. There is no reason to suppose that this level of settlement will flow through automatically to other groups in local government (in this respect it is noteworthy that the offer is for a flat rate and not a percentage increase in rates) and it may, once the settlement has been confirmed, be possible to use it as a means of catalysing manpower reductions in the non-manual groups.

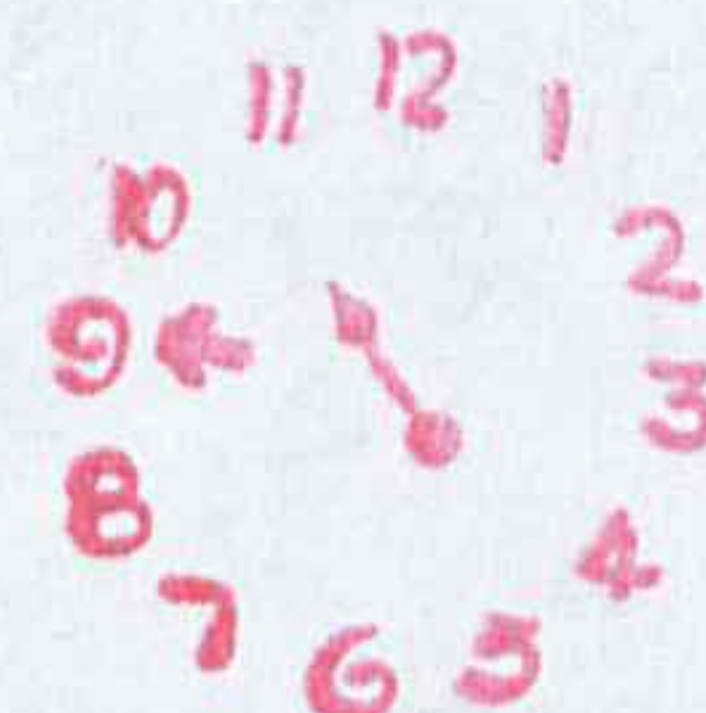
Prime Minister

Mr Hextline believes that the L.A. manual settlement is a success, although he warns of caution in speaking of this before the final decision on Jan 27. See also John Vereker's comments below.

My Secretary of State suggests that in any public comment on the settlement it would at this stage be unwise to go beyond observing that it is close to the 6% pay factor and well within single figures and saying that, as it relates only to one local government group, it is not necessarily in breach of the pay factor for local government pay settlement as a whole. It is a matter for the employers to decide what adjustments and savings elsewhere may be necessary in order to finance this particular settlement.

I am copying this to the private secretaries of members of E Committee, the Secretaries of State for Education, Scotland and Wales, the Minister of Transport and the Paymaster General and to Sir Robert Armstrong.

5 JAN 1981



In eva,

David [Signature]

D A EDMONDS
Private Secretary

CONFIDENTIAL

MR PATTISON

cc:- Mr Ingham
Mr Duguid

LOCAL AUTHORITY PAY

The attached letter of 2 January from Mr Heseltine's Private Secretary raises the question of how Ministers should present publicly the 7.5% offer made to local authority manual workers, given the 6% pay factor in the Rate Support Grant.

The question of whether the overall cost will actually be contained within the 6% as a result of manpower savings is a tricky one. Account has already been taken of manpower savings in the Rate Support Grant, and no new manpower savings are specifically included as part of this pay deal. There has been discussion among officials of this point, and the Chancellor will be advised to ask Mr Heseltine to clarify it.

Mr Heseltine's main conclusions, that Ministers should make it clear that it is for the employers to decide what adjustments elsewhere should be necessary in order to finance this particular settlement, is entirely in line with the expenditure based-nature of our public service pay policy. In particular, although Ministers would be unwise to say so, an offer below 6% may have to be made to the teachers.

Since the Chancellor will certainly be replying to Mr Heseltine's letter, I see no need for the Prime Minister to intervene in this correspondence.

J.V.

2.1.81

CONFIDENTIAL

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local work 14

DEPARTMENT OF EDUCATION AND SCIENCE

ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH

TELEPHONE 01-928 9222

FROM THE SECRETARY OF STATE

The Rt Hon William Whitelaw CH MC MP
Secretary of State
Home Office
50 Queen Anne's Gate
London SW1H 9AT

12 December 1980

Per Willie.

I have seen your letter of 27 November about the fireman's dispute and Geoffrey Howe's reply of 8 December.

He proposes that the £3m already spent should be recovered from the local authorities. To my mind this would be wrong. The expenditure was the result of a situation which was not of the authorities' own making; we should no more look to their resources than to the defence budget to meet it; and it is surely precisely the sort of contingency for which the Contingency Reserve exists. If we were to press Geoffrey's proposal to the point of deducting the £3m from the next (ie 1981-82) RSG Increase Order I believe we would risk doing serious damage to our relations with local government.

I agree with you that the £3m should be added to the cash limits of the Home Departments, and hope that I may be invited to E Committee if the matter is discussed there.

I am sending copies of this letter to the Prime Minister, the other members of the Cabinet and Sir Robert Armstrong.

James ever

Mark

MARK CARLISLE

CONFIDENTIAL

From: THE PRIVATE SECRETARY

Local Govt



HOME OFFICE

QUEEN ANNE'S GATE

LONDON SW1H 9AT

28 November 1980

Dear Sir,

MS

Am I to

FIRE SERVICE DISPUTE

R 28/11

You may like to have the enclosed copy of a letter which the Home Secretary has sent today to the Chairman of the National Joint Council for Local Authorities' Fire Brigades. The letter follows consultations between the Home Secretary and the Secretary of State for the Environment.

Copies have already been sent to the Private Secretaries to the Secretary of State for the Environment, Scotland and Northern Ireland. I am sending further copies with this letter to the Private Secretaries to the Chancellor of the Exchequer and the Paymaster General.

Yours ever,

J. F. HALLIDAY

T. Lankester, Esq.



QUEEN ANNE'S GATE LONDON SW1H 9AT

28 November 1980

Dear Mr Brannan,

I understand that during yesterday's negotiations on firemen's pay some of the employers thought that it would be helpful to have the Home Secretary's views on the future manning of the Fire Service.

As you know, under the terms of the Fire Service Act of 1947, I am responsible for considering any requests received from fire authorities for reductions in their establishment schemes. Before agreeing to reductions I have to satisfy myself that they would not result in fire cover falling below the minimum prescribed standards for the protection of the public. During the past 18 months I have considered 19 such requests. Each of these has been thoroughly examined by the Fire Service Inspectorate. In the light of H.M. Chief Inspector's professional advice I have approved all but one request. Three other cases are currently under examination: they and any new submissions will be dealt with as quickly as possible.

For the longer term, you will be aware that the Home Office's recent Fire Policy Review proposed, among other things, that a review should be undertaken of the standards of fire cover. A consultative document based on the review was issued in June and we are awaiting comments from all interested parties by the end of the year. On 11 November at a meeting of the Central Fire Brigades Advisory Council, on which both the local authority associations and the Fire Service organisations are represented, it was agreed that following the receipt of comments on the Review a special meeting of the Council should be arranged early in the New Year to consider the composition and terms of reference of a committee that might be set up under the auspices of the Council to undertake the proposed review of the standards of fire cover. I recognise the bearing the Review as a whole could have on future fire brigade establishments, and undertake for my part to ensure that the matter is processed as expeditiously as possible.

The Home Office will be prepared in consultation with the various interests concerned to assist in identifying possible areas for economy.

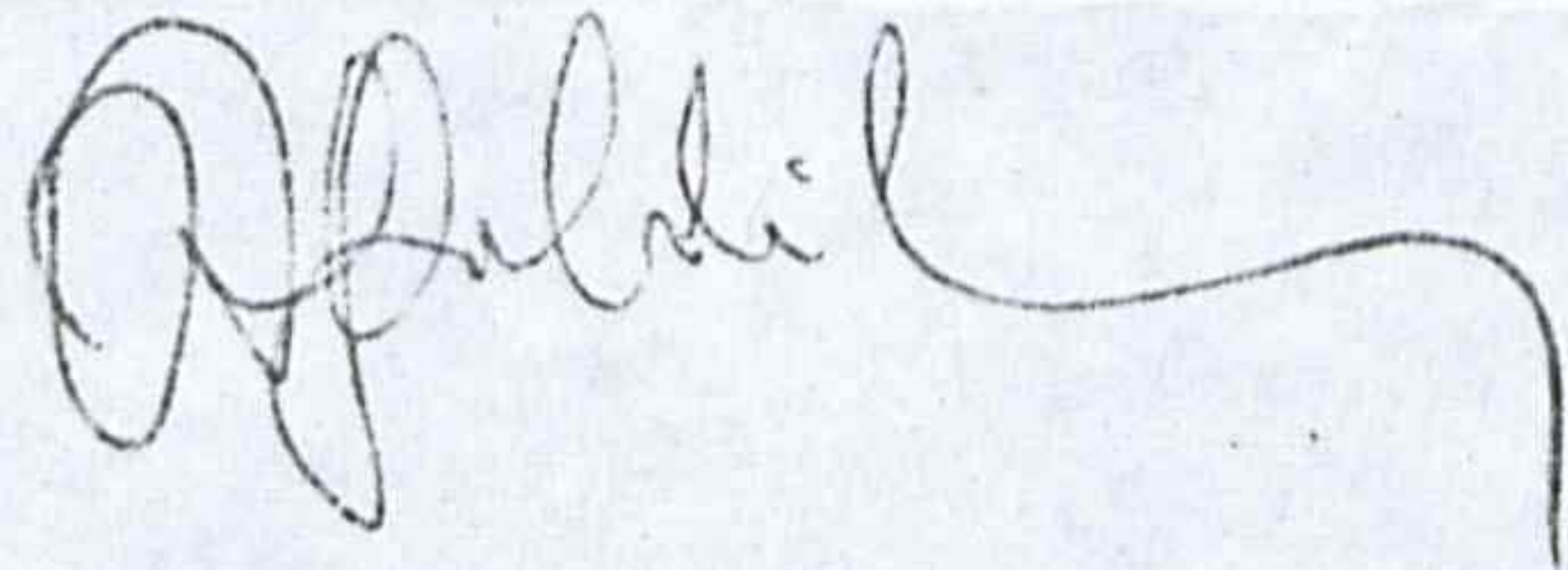
If it would be helpful I would be prepared to agree to further discussion of these issues.

T. M. Brannan, Esq., OBE.

/cont.....

I am sending a copy of this letter to Mr. Rusbridge so that it can, if you wish, be circulated to all members of the Employers' Side of the National Joint Council and to the Secretaries of the local authority associations. I would, of course, have no objection to its being passed also to the representatives of the Employees' Side.

Yours sincerely,

A handwritten signature in cursive script, appearing to read "Abdul", with a long horizontal flourish extending to the right.

Approved by the Home Secretary
and signed in his absence

head
lost.



DEPARTMENT OF TRADE
1 VICTORIA STREET
LONDON SW1H 0ET

TELEPHONE DIRECT LINE 01 215 5662
SWITCHBOARD 01 215 7877

From the
Minister of State
for Consumer Affairs
The Rt Hon Sally Oppenheim MP

PA
(CF file)

MS

N J Sanders Esq
Private Secretary
Prime Minister's Office
10 Downing Street
London SW1

27 November 1980

Dear Nick,

As I told you yesterday, the text of a letter which Mrs Oppenheim wrote to a senior fire officer in her constituency in June 1978 promising that a future Conservative Government would honour the firemen's pay agreement has been released to the press. I enclose a copy of this letter the line of which was cleared with the then Shadow Home Secretary.

71 Reports, referring to the letter, have appeared in the Daily Telegraph (page 2) and the Daily Mirror (page 2). The Telegraph article claims that the original of the letter has been passed to the Leader of the Opposition.

Yours sincerely,
Peter McCarthy

PETER McCARTHY
Private Secretary

12TH JUNE 1978.

J. NASH, ESQ
FIRE STATION
EASTERN AVENUE
GLOUCESTER

DEAR MR. NASH,

YOU WERE KIND ENOUGH TO WRITE TO ME AT THE TIME OF THE FIREMENS STRIKE, AND I HAVE RECEIVED SOME INFORMATION WHICH IS EXTREMELY WORRYING, AND WOULD BE MOST GRATEFUL IF YOU COULD HELP TO PUT THE RECORD STRAIGHT BY PASSING THE CONTENTS OF THIS LETTER ON TO AS MANY OF YOUR COLLEAGUES AS POSSIBLE.

IT HAS COME TO MY ATTENTION THAT IT IS BEING SAID BY SOME PEOPLE THAT AN INCOMING CONSERVATIVE GOVERNMENT WOULD NOT HONOUR THE PAY DEAL THAT THIS GOVERNMENT HAS ANNOUNCED. THIS IS ABSOLUTELY UNTRUE, AND WE HAVE ALREADY MADE IT CLEAR THAT THIS WILL BE HONOURED IN FULL BY A CONSERVATIVE GOVERNMENT.

YOURS VERY SINCERELY,



Seen by Mrs C.M.

now
27/11

Caxton House Tothill Street London SW1H 9NA

Sam 27/11

Telephone Direct Line 01-213.....

Switchboard 01-213 3000

Dear Margaret,

Just a note about our chat
conversation last evening about Finnman
I hear on the radio this a.m. that
the Local Authorities are split 50:50. I
don't know if this is wisely, but it is not
a good starting point for a battle

I am convinced that despite all
the difficulties, we should not allow a
strike. It will write all the unions,
and give them a real issue. This will
strengthen their hand immeasurably more

in all way negotiations yet done
Other more political activities than any
use of the prison by Alas Fisher
could ever do in fighting for local authorities.
managers

I am staying with Hector
at Ingham for the week-end.

Yours

Tom



CONFIDENTIAL

PRIME MINISTER

ms

Industrial Affairs: Fire Service Dispute

BACKGROUND

The Home Secretary will make an oral report to Cabinet on the firemens' dispute, covering both the pay aspects and the contingency plans which were discussed at Ministerial level by the Civil Contingencies Unit on Tuesday.

Pay

2. The Executive of the Fire Brigade's Union (FBU) have requested another meeting with the employers before resorting to strike action and the National Joint Council will meet tomorrow (i. e. Thursday) afternoon. The employers are divided and some, including the Scots, would like to honour the agreement. It is likely that they will have to concede the full 18.8 per cent if strike action is to be averted. While the cost could be accommodated within the overall Rate Support Grant cash limit, the danger is that it will be taken as a precedent which will make it much more difficult to contain subsequent settlements, such as for the local authority manuals, within the guidelines. The National Union of Public Employees and the TUC have already said that they will not regard the firemens' settlement as a special case.

3. The Home Secretary recommended in his minute to you of 17th November that, having made its position clear to the local authorities on this issue, the Government should now leave them to reach their own decisions on what to do next. Mr. Lankester's letter of 21st November records your agreement to this. I understand that the Home Secretary will not now suggest any different course, although he will point out that some hope of 6 per cent settlements for other groups in the near future might make it easier to resolve the firemens' dispute.

Contingency Planning

4. If the 18.8 per cent is not conceded tomorrow, the first one day strike is expected to be national rather than regional, but 24 hours notice will be given. Because of weekend overtime considerations, it seems unlikely to take place before Monday, 1st December. No notice will be given of subsequent one day strikes.



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5. By 28th November the full complement of nearly 800 Green Goddesses will be deployed. About 9,000 troops to man them will be ready for deployment and they will include about 70 teams (with 10 men in each) of specialist Servicemen equipped with breathing apparatus. The Goddesses will be able to quench or limit fires, but it is mainly the specialist teams who will be able to enter buildings and rescue occupants. The only troops who will be ready to deploy at 4 hours notice (plus deployment time) will be those required for a limited plan called Reinforced Scarab Minor (RSM), viz: the specialist teams plus enough double crews for 480 Goddesses. This should be enough for a one day strike even if national, since for that short period both crews could if necessary work simultaneously and thus man all 800 Goddesses. But the remaining double crews for the full Scarab plan, involving the permanent deployment of 800 Goddesses, will be ready at 12 hours notice if required.

6. The 9,000 troops for RSM will be deployed as soon as the firemen give their 24 hours notice of the first strike. But they will have thereafter to remain deployed, since no notice is to be given for subsequent strikes. The extra 8,000 troops for the full Scarab plan will not be deployed unless events prove that they are needed.

7. There are three main areas of difficulty:-

- (a) Even RSM will be very unpopular with the troops, since it may have to last for weeks or months during which time they will be uncomfortably accommodated and separated from their families and will have very little to do since strike days may be quite rare.
- (b) The Ministry of Defence are rightly insisting that the troops, who will be inexperienced and lacking in local knowledge, can only operate at the scene of a fire under the direction of a Fire Officer or someone else deputed by the Fire Authority to act in that role. Local authorities are claiming that this may be impossible, given that Fire Officers will (unlike 1977) be striking in sympathy with the firemen. The Home Secretary will try to talk them round.

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Fire to hit
but No-2 the

Sr Defence



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- (c) Local authorities seem unlikely to be willing to pay for two fire services simultaneously, i.e. the regular service (which will only occasionally be on strike) and the troops (who will have to remain permanently deployed).

8. The Paymaster General is ready with plans to inform the public both about the contingency arrangements and about fire risks, at an initial cost of £ $\frac{1}{4}$ million.

9. The danger of avoidable casualties during strike action is higher than in 1977, because Fire Officers will not be at work and because the Goddesses are ageing.

HANDLING

10. After the Home Secretary has made his statement you might ask the Secretary of State for the Environment and the Chancellor of the Exchequer to comment on the pay aspects. In particular:-

- (i) Is there any hope of 6 per cent settlements for other groups which might make it easier to resolve the firemen's' dispute? - the answer is probably not.
- (ii) How long is the dispute likely to carry on and how might the deadlock be resolved?
- (iii) Does the Cabinet confirm that it is right for the Government to leave the local authorities to reach their own decisions on how to act?

11. You might then turn to the question of the contingency plans and invite:-

- (i) The Secretary of State for Defence to comment on the problems for the Forces.
- (ii) The Secretary of State for the Environment - and the Chancellor of the Exchequer - to comment on the costs to the local authorities of financing both the regular service and the troops on standby.
- (iii) The Paymaster General to explain his plans for informing the public about contingency arrangements and fire risks.

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Water
M.H.S.



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CONCLUSIONS

12. In the light of the discussion you will wish to record conclusions:-

- (i) Endorsing the decision that the Government should leave it to the local authorities to resolve the firemens' pay settlement.
- (ii) Inviting the Home Secretary to report the outcome of the meeting tomorrow afternoon and, as necessary, subsequent developments.

(Robert Armstrong)

26th November 1980

CONFIDENTIAL

H. B.
CONFIDENTIAL

PRIME MINISTER

c. Chancellor of the Exchequer

Cabinet 27 November: Firemen's Pay, and the NHS Cash Limit

At your meeting this evening with the Chancellor I was asked to let you and him have a note for tomorrow's Cabinet outlining the case for the Government taking a more forward public position over the firemen's pay dispute.

The case for doing so is simply stated: we are losing the public relations battle, and unless public opinion starts to turn against the firemen there will be no incentive for them to come down from their present claim of 18.8%. Tomorrow's conference will almost certainly endorse the call for a series of lightning strikes, and we cannot be certain that the contingency arrangements will be as well able to cope with such action as with the 1978 strike, particularly since because there will be less assistance from fire officers this time.

The points which would be used by Ministers in this effort to sway public opinion include:

(1) the promise in the 1978 agreement that firemen's pay should be brought into line with the upper quartile of the average earnings index was honoured: firemen had large settlements in 1978/79, their take-home pay is good and it is widely known that moonlighting is not unknown in the fire service. In short, as a group, they have little to complain about;

(2) it would be grossly unfair on other public service employees if the firemen's industrial muscle were to result in their obtaining a settlement greatly in excess of 6% at a time when other groups are being asked to accept a significant fall in their living standards, and at a time of high unemployment in the private sector;

/ (3)

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- 2 -

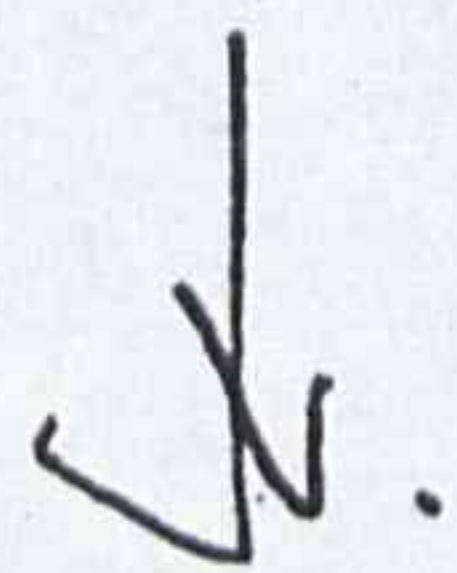
(3) there is no shortage of firemen, therefore, there is no particular reason to pay more in order to recruit more. And the numbers of firemen have been increasing substantially - from 21,000 in December 1959 to nearly 36,000 in December 1979;

-3000

(4) the firemen appear to be saying that they have an agreement which can never be renegotiated; no employer could possibly accept such a position, regardless of the outside economic circumstances.

Such a public position would be harder to sustain in the continued absence of an announced cash limit for the NHS workers. You agreed also to raise in Cabinet the issue of whether the time has not now arrived, given that the NHS ancillaries have already put in their pay claim, for Mr. Jenkin to announce a cash limit for NHS pay of 6%. The continued withholding of such an announcement would mean that:

- (a) NHS expectations can continue unchecked;
- (b) the belief that the Government is prepared to see the 6% pay factor edged upwards is reinforced; and
- (c) an opportunity to further isolate the firemen is lost.



JOHN VEREKER

26 November 1980

CONFIDENTIAL

CONSERVATIVE RESEARCH DEPARTMENT

32 SMITH SQUARE · SW1

NET/CD

RECEIVED MEMORANDUM				
PAYMASTER GENERAL'S OFFICE			To Alan Howarth	
24 NOV 1980				
REF				SE

From Nicholas True

21st November, 1980

Firemen

The intransigent public position adopted by the union and the determination of many of the employers' side to hold out for 6%, or something around 10%, would appear to suggest no early resolution of the disagreement. If we are to enter a guerre a outrance, then great pressure will be brought to bear on the Government, already the target of criticism from both union and employers, to 'intervene'.

The problem is that however correct - and, of course, it is correct - may be the position that the agreement is between local authorities and firemen and that the Government is not a party to it, this view is unlikely to carry much conviction in the public mind. Members of both parties to the dispute have publicly blamed the Government for provoking the problem by the announcement of the 6% cash limit. Furthermore, as we already know, evidence is being adduced by the FBU and the Labour Party which is being interpreted as showing that Party spokesmen 'guaranteed' the agreement made in January 1978. It is hard therefore for members of the public to be led to believe that the Government is not in some way involved or responsible.

Two views may be taken. One, that the firemen are indeed, like the armed services and the police, a "special case". Two, that they are not. The first implies support for the 1978 agreement: the second suggests that we should welcome its destruction.

I do not hold the first view, although it must be said that Conservative spokesmen did bracket firemen with police and servicemen in 1977-78. The FBU insists on the right to strike which is only one factor differentiating them from the other groups. Their work does not involve the same peculiar difficulties and responsibilities. Nor is there any prospect of public danger because of insufficient numbers of recruits coming forward to take what is a not unreasonably paid job.

Furthermore, our attempts since the beginning of the strike to distance ourselves from the agreement of 1978, distance us also from the rhetoric of that time and the apparent acceptance that firemen were, or could be, a "special case".

Naturally, the firemen's settlement may be treated as a precedent by other public sector workers. For that reason we might wish to leave indistinct our views on exactly how "special" they are. If they are to some degree "different", then they do not

provide a true precedent for others.

But the difficulty remains that accepting them in any degree as special goes most of the way (particularly in the light of the police settlement) towards accepting the legitimacy of the 18.8% claim.

All this points to the second position, that we should welcome the ending of the 1978 agreement. But the public will inevitably view us as in some way bound to it by past statements and by the numberless promises and vows which are likely to have been made by candidates before the non-election of autumn 1978 and before the 1979 Election. It is not enough to state that we are simply not involved. We need to disseminate information which weakens the firemen's stand; otherwise the Government will be thought dishonourable.

Some of this is already being done:

- Economic conditions have changed. Firemen must act responsibly.
- Firemen had large settlements in 1978 and 1979
- The Government, although not a party to the dispute has a duty to set an overall cash-limit, and local authorities must of necessity bear that in mind.
But should we not carry the information attack a little further?
- The promise in the 1978 agreement that firemen's pay should be brought into line with the upper quartile was in fact honoured. So the Government did not infringe any undertakings that may have appeared to have been given before the Election.
- We are now at a new stage. What happens after pay has been brought into line? This is the first award negotiation at this stage.
- The firemen point to the fact that the agreement states 'thereafter movements will take place annually to maintain this relationship'. But is it really legitimate to say that such an agreement can never be renegotiated? The firemen's position logically demands that their pay remain linked in this way until the Last Judgement. Can any employer accept such a position particularly when his employees defend certain restrictive practices, and maintain the right to work to rule or to strike?
- Firemen's take home pay is good and moonlighting is, to say the least, not unknown in the service.
- The experience of the last strike showed - albeit with the help of the officers - that firemen's duties were not so special that they could not be adequately performed by others when they withdrew their labour.
- Considering the number of firemen we have, fires are not that common (see attached extract from Government Green Paper).

If firemen are indeed not a special service and are not justified in expecting their 18.8% rise, then we should be carrying the fight to them and ensuring that the public hear explanations as to why this is not the 'injustice' the FBU claims it is.

Extract from Future Fire Policy (1980)

The cost of fire

Fire incidence

3 For the average Briton a fire* is a once-in-a-lifetime experience. In relation to a population of 54 million, fires reported to the brigades in the UK currently total some 300,000 a year. Most of these (235,000 in 1978) occur in outdoor locations or derelict buildings, or are minor chimney fires. In terms of property damage, life loss and injury, the significant fires are those which occur in occupied buildings (although not necessarily occupied at the time of the fire). There were 93,000 such fires in 1978, more than half of them in dwellings.

4 Most fires reported to fire brigades are very small. Measurement of the severity of fires by the amount of fire fighting action required shows that, in 1978, one-third of fires in occupied buildings required no fire fighting action by brigades and only one-seventh required the use of main jets (rather than hoses). Nine-tenths of these fires were either confined to the item first ignited or to the room or compartment of origin.

5 The pattern over the past decade shows comparatively little change from year to year but fairly significant shifts over the period as a whole. Fires in occupied buildings rose to a peak of just over 100,000 per year in 1972-74, but have since gradually declined to 93,000 in 1978. The number of fires in dwellings has consistently contributed slightly over half the total. Chimney fires declined to 46,000 in 1974, and have since remained at broadly this level. Numbers of outdoor fires fluctuate with the weather, and can be as high as 350,000 one year (1976) and as low as 160,000 another (1969).

Fire casualties and their cause

6 Almost every year this country suffers a fire disaster of some magnitude in terms of damage or loss of life. But, comparatively speaking, fire is not a potent source of life loss or injury. Each year, it causes some 900 deaths and 6,000 injuries, the great majority in occupied buildings and three-quarters in dwellings. This represents a very small proportion (0.1%) of deaths from all causes, and no more than 4% of deaths from accidents and violence. As a cause of non-fatal injury, fire comes some way behind road accidents and other accidents at home and work.

7 Over the last ten years fire casualties have, in broad terms, maintained a fairly close correlation with fire incidence. The ratio of fatal casualties to fires in occupied buildings has remained about the same over the decade; that of non-fatal casualties has increased. Proportionately, therefore, fires are resulting in no more deaths but in more injuries.

* 'Fire' in this context means any fire to which the fire brigade is called.

CONFIDENTIAL

RH

FILE

Local
Gov.t.

21 November, 1980

The Prime Minister was grateful for the Home Secretary's minute of 17 November about Firemen's Pay. She agrees that, having made its position clear to the local authorities on this issue, the Government should now leave them to reach their own decision on what to do next.

I am sending copies of this letter to Richard Tolkien (HM Treasury), Brian Norbury (Ministry of Defence), Richard Dykes (Department of Employment), David Edmonds (Department of Environment), Godfrey Robson (Scottish Office), John Craig (Welsh Office), Roy Harrington (Northern Ireland Office), Jim Buckley (Lord President's Office) and David Wright (Cabinet Office).

J. P. LANKESTER

J F Halliday, Esq
Home Office

CONFIDENTIAL

CONFIDENTIAL



*of Mr. Horder
Mr. Holt
Mr. Vicker
Mr. Lyden*
PRIME MINISTER

Prime Minister

*The Home Secretary's officials
have seen the employers as
suggested in Cabinet, and
he now proposes no
further intervention.*

FIREMEN'S PAY

A need for it 27/11

Following Thursday's Cabinet discussion my officials have spoken on an informal and confidential basis to officials of the Employers' Side of the National Joint Council of Local Authorities' Fire Brigades to convey the Government's views on the firemen's pay negotiations.

From these contacts it seems clear that the local authority associations are in a state of considerable confusion. After careful consideration and consultation of their members they had decided to honour the pay agreement for this year only and settle for 18.8%, with strings attached in the form of a reduction in the number of firemen. Then on Thursday, 6 November they were told of the 6% limit. Most of the members of the Fire Committee appear to have thought that this did not essentially change the situation (firemen's pay being only a small item in local authority budgets); but senior Conservative members of the ACC, with support from the GLC, seem to have decided overnight that the firemen should be offered only 6%. On the morning of Friday, 7 November this policy was accepted at an Employers' meeting by a majority of 18 to 12; and the offer was accordingly made in the National Joint Council at noon. Many authorities, including all those in Scotland, do not agree with this decision and some counties are already talking of disregarding it and paying their brigades the 18.8%.

The position now is that the Fire Brigades' Union, who are extremely angry at the way in which they have been treated, have written to the Employers saying that the 6% offer is quite unacceptable and that unless the pay agreement is honoured a delegate conference on 21 November will be asked to endorse strike action. There may be a meeting of the JNC Employers on Thursday, 20 November to consider whether any further response should be

made to the FBU before the conference on the following day. The Employers' officials are well seized of the need to try to resume negotiations before the conference; but in the light of the FBU letter it is difficult to see how anything less than an undertaking to honour the pay agreement will prevent strike action being endorsed at the conference.

The ACC, who form the majority on the Employers' Side of the NJC, are receiving representations from a number of counties to honour the agreement and are meeting again on Wednesday, 19 November to consider the position.

I am sure that any direct intervention at this stage would be resented. It would certainly become known and would be likely to be misinterpreted. If we press the local authority employers to stick to 6% we shall be blamed for interfering and causing a damaging strike. If we urge them to honour the agreement we shall be blamed for causing them to set a precedent which will make it more difficult to contain subsequent pay settlements (e.g. the local authority manuals) within the guidelines. I believe that the Government's position has now been made clear to the local authorities and that we must leave them to reach their own decision.

I am copying this minute to the Chancellor of the Exchequer, the Secretaries of State for Defence, Employment, the Environment, Scotland, Wales and Northern Ireland, to the Lord President and to Sir Robert Armstrong.

Wor W.

17 November 1980

MR. LANKESTER

FIREMEN

c. Mr. Wolfson
Mr. Ingham

Mr Verda
Amey *Local Council*
12

I had a word with the Paymaster General before the Prime Minister's meeting this morning about the difficulty of getting public sympathy on our side in the firemen's dispute, at a time when Ministers are consciously distancing themselves from the negotiations. Today's leader in The Times is only one of a number of adverse comments in the media recently on the Government's position, and its assertion that the public will judge that the Government have broken an agreement with the firemen is particularly damaging.

The Paymaster General has told me that Lord Thornycroft has reported to him that he too is worried about the Government's image in this respect, and that Sir Gervas Walker^{*} has told him that there are particular difficulties for the local authorities in Ministers giving the impression that it does not matter what the local authorities settle for, as long as they stick to the cash limits.

Attached

The Prime Minister may therefore wish to know that the Paymaster General will be putting out a Press Notice this weekend of a speech to his constituency in which he will say that there is no question of the Government having broken an agreement with the firemen; they were not a party to the 1978 agreement which was between local authorities and unions, and that the local authorities were now negotiating with the firemen, albeit under different economic circumstances. The Government's responsibility is to control public expenditure and to reduce the burden of rates and of interest rates, and had therefore provided for a 6% increase in the pay bill in next year's Rate Support Grant. This would not be relaxed, and the local authorities must negotiate with it in mind. They would have to recognise that any settlement going higher than 6% would be bound to be considered as a precedent for other groups, thus making it much harder for the overall pay bill to be contained within 6%.

(* Chairman of the A.C.C. Council)

/Lord Thornycroft

Lord Thornycroft has undertaken to use his influence to see that this statement is noted in the media, and combined with the news which will break shortly on the Government's decision to call out the Green Goddesses it ought to attract quite a lot of attention.

J.V.

14 November 1980

NEWS SERVICE

Release time: 12.45 Hours SATURDAY, 15th NOVEMBER, 1980.

(P) 835/80

Extract from a speech by the Rt. Hon Angus Maude, MP (Stratford-upon-Avon), Paymaster General, speaking at a constituency meeting in Warmington, Warwickshire on Saturday, 15th November, 1980.

Let us be quite clear about the Government's position in relation to the dispute over firemen's pay.

There is no question of the Government having broken an agreement with the firemen. The Government is not a party to the 1978 agreement, which was between the local authority employers and the unions. It is the local authorities, not the Government, which are now negotiating - and in economic circumstances different from those of 1978.

The Government has a responsibility to taxpayers and ratepayers to control public spending and borrowing, in order to get inflation and interest rates down and lighten the burdens on industry.

It has therefore informed local authorities that next year's Rate Support Grant cash limit will provide for total pay increases of six per cent.

This - like other cash limits - will not be relaxed, and local authorities must negotiate with this limit in mind. While in theory they can settle for a higher figure with any particular group, they know quite well that any higher settlement now is bound to be taken as a precedent by other groups - making it more difficult, if not impossible, to keep within the overall limit.

Incidentally the firemen received increases of over 22 per cent two years ago, and of over 20 per cent last year.

ENDS.

CONFIDENTIAL

cc Mr. Wolfson
Mr. Ingham
✓ Mr. Lankester
Mr. Gaffin

MR. DUGUID

Industrial action by the firemen

There is a Ministerial meeting of the Civil Contingencies Unit this evening, and one point may arise on which the Policy Unit has previously shown some interest, namely the possible use of regular fire service appliances in the event of industrial action by firemen. You may want to glance at Annex C of CCU(80)21, attached.

Personally I find the arguments against risking confrontation between servicemen and striking firemen convincing, and I understand that they were strongly put at the official CCU meeting earlier this week; I think it is also true that servicemen would have difficulty in operating modern fire appliances.

This does all have to be seen in the context of the battle for public opinion. I think you and I are agreed that it would be wrong to encourage the employers to increase their 6% offer - and Mr. Ingham is strongly of the opinion that to do so would be wrong in presentational terms - but if the employers stand firm the likelihood of extensive industrial action, with the consequent risk to life and property, is increased. I do not think that the ability to use regular fire service appliances would markedly shift public opinion, which is probably rather in favour of the Green Goddesses anyway, but it is perhaps a consideration.

Mr. Gaffin will be attending the CCU meeting, because of the need to establish sufficient public information channels regarding the emergency arrangements; and I shall also attend to get a feel for how difficult the Services are going to find it to cope with industrial action, and for the likelihood of our winning the public relations battle. I must say that I do not at this moment see a way of making it easy for the FBU to climb down, short of an increase in the offer. Any ideas would be welcome.

13 November 1980

CONFIDENTIAL John Vereker

2

Run through

FIREMEN'S DISPUTE

14/4

Firemen's pay negotiations are with the local authorities, not the Government, and it would be best if Ministers did not go out of their way to comment on them, save obliquely through an explanation of the 6% pay element in the Rate Support Grant given in Economic Policy Presentation Note No 10. But Ministers may well find themselves exposed to questioning on what is likely to remain a topical issue for some time. This note is to provide factual guidance to be drawn upon as necessary.

1. Firemen's pay is settled between the local authority employers and fire service representatives in the National Joint Council for Local Authorities Fire Brigades on which the Government is not represented.
2. After the 1977/78 firemen's strike an agreement was reached under which firemen's pay would henceforward be equated annually with the upper quartile of adult male workers.
3. It was common ground between the two sides of the NJC that application of this formula for the November 1980 settlement would result in an increase of 18.8% in the pay of qualified firemen.
4. Since the Government is not a party to the 1978 agreement there is no question of its repudiation by the Government. It is for the local authority employers to decide whether to continue it.
5. The offer of 6% made to the FBU last week by the employers followed an indication of the overall cost of local authority wage settlements which is being assumed in fixing the rate support grant cash limit for 1981-82. Against that background it is for local authority employers to decide what offers to make to particular groups.

/ A similar ...

6. A similar offer of 6% has been made to fire officers by the Officers Committee of the NJC.

Industrial Action

7. The current actions consist of "working to rule" by answering emergency calls only and cutting out all other work such as cleaning, maintenance, fire prevention work, etc. The FBU have called a delegate conference to discuss further action which may take the form of one day "guerilla" strikes. Contingency plans naturally exist to cope with a withdrawal of normal fire cover, as with any other emergency presenting a hazard to life.

Manpower and Earnings

8. The whole-time strength of the Fire Service in England and Wales has risen from 21,056 in December 1959 to 35,916 in December 1979. At that time there were also 15,712 part-time firemen. There have been reductions in hours during that period, notably from 48 to 42 early in 1979. The Home Secretary has a statutory duty to consider all the proposals for establishment reduction, on the recommendation of the Inspector of Fire Services. Following the January 1978 pay agreement firemens' rates of pay were increased by 22.15% in November 1978, and by 20.45% in November 1979.

Paymaster General's Office
Privy Council Office
68 Whitehall
LONDON SW1

12 November 1980

FIRE SERVICE RATES OF PAY EFFECTIVE FROM 7 NOVEMBER 1979

<u>Rank</u>	<u>Weekly</u>	<u>Annual</u>
<u>Fireman (aged 18 years)</u>		
Less than 6 months' service	83.67	4365
More than 6 months' service	87.58	4569
<u>Fireman (aged over 18)</u>		
First 6 months' service	85.00	4434
After 6 months' service and during 2nd year	88.85	4635
During the 3rd year	93.05	4854
During 4th year	97.65	5094
During 5th year (subject to being fully qualified)	106.39	5550
<u>Long Service fireman (after 15 years' service)</u>		
Qualified	111.05	5793
Unqualified	102.25	5334
<u>Leading Fireman</u>	113.92	5943
<u>Sub-Officer</u>		
1st year	116.74	6090
2nd year	121.28	6327
<u>Station Officer</u>		
1st year		7977
2nd year		8136
3rd year		8307

Assistant Divisional Officer

1st year	7446
2nd year	7674
3rd year	7902

Divisional Officer (Grade III)

1st year	7977
2nd year	8136
3rd year	8307

Divisional Officer (Grade II)

1st year	8472
2nd year	8802
3rd year	9147

Divisional Officer (Grade I)

1st year	9357
2nd year	9576
3rd year	9786

Senior Divisional Officer

1st year	10,074
2nd year	10,350
3rd year	10,626

PRIME MINISTER

PA
MS

MS

Firemen: Mr. Whitelaw's Statement

As you know, the Home Secretary had to answer a PNQ from Merlyn Rees this afternoon. The text of his Answer is attached.

Mr. Rees asked him how many men were involved and what he meant in his Answer by "significant additional risk to the public". He asked whether it was true that the local authorities agreed last week to an increase of 18.8 per cent and whether Mr. Whitelaw had asked them not to honour the agreement. He asked whether the Government had interfered. He said that in November 1977 he had told the House that the Government would give the firemen an assured basis for their pay in the longer term and he referred to the quotation attributed to you, and reproduced in several newspapers over the weekend. The precise words, reported as having been said by you on 21 November 1977 are:

"We must recognise that the firemen are in a different position from other people. We rely on them and I am prepared to pay them a bit more."

In answer to this, Mr. Whitelaw said that most Brigades in the country were now involved; his Statement meant what it said on "significant risk"; he had not intervened; the Government had not intervened; and that it was widely recognised that it was now essential to have a firm restraint on incomes in the public sector.

Teddy Taylor said that public sympathy for the firemen would be lost if life was put in danger because firemen arrived late at fires. Mr. Whitelaw said that that was a matter for the Fire Brigades Union, and that the Government was keeping the situation under review.

Russell Johnston said that we ought to go back to having a prices and incomes board if we were going to have a public sector

/ pay policy.

pay policy. Mr. Whitelaw repeated what he had said earlier about the need for a firm grip on public sector wages.

Donald Stewart said that the firemen had believed the promises they had been given and now felt betrayed. Mr. Whitelaw said that the agreement was between the FBU and the local authority employers. He emphasised that talks were still going on and said that it would be improper for him to comment further on them, since he had no place in the negotiations.

Mark Hughes said that the Home Secretary was leaning on the local authorities to tear up their agreement. He was doing great damage to industrial relations, and the blame for any loss of life would rest on his shoulders. Mr. Whitelaw said that the Government has always had to take responsibility for its actions, but that the matter was still a subject for negotiation. He said that the Government had set out cash limits for local authority employers and it was up to them to decide how to operate with them.

Merlyn Rees asked whether the Home Secretary would prevent any agreement reached between the two sides being implemented, if it offered the prospect of peace in the future. Mr. Whitelaw said that that was up to the employers, and not to him.

Points of Order

After the PNQ had been finished a number of Labour Members, including finally Michael Foot, objected to the way in which the Government's policy had been announced. Ioan Evans said that four million workers were involved and that the Government had carried out a U-turn on a major issue. Parliament should have been informed by the Prime Minister or the Financial Secretary to the Treasury on Thursday, when both were answering Questions. In his view a Written Answer was not the right way to make an announcement of this sort.

Norman Atkinson said that the Home Secretary's remarks about cash limits had changed the framework of the negotiations, and he wanted to know how the negotiators were going to get the message.

Bob Cryer said that it was not good enough for Parliament to be trampled on in this way. Elected representatives were being treated with contempt when a Statement of this character was made by Written Answer.

David Winnick said that the 6 per cent limit was being discussed up and down the country but there was no chance to discuss it in the House of Commons. The Government should state its policy clearly so that everyone could know what was going on.

Michael Foot said that the way in which the announcement had been made was one of the most extraordinary he had ever heard in all his time in the House of Commons. The Opposition had thought that there might have been an attempt to remedy the situation today and he would have thought that the Government would make a Statement tomorrow.

Norman Atkinson repeated his point about the flexibility within the overall 6 per cent limit which the Home Secretary had indicated in his Answers, and said that this contradicted earlier Written Answers that had been given.

The Speaker brought the representations to an end by saying that no Point of Order was involved and that he had received no request for a Statement, but there may be further pressure yet.

MS

PRIVATE NOTICE QUESTION: MONDAY 10 NOVEMBER

TO BE CHECKED
980
AGAINST DELIVERY

Mr. Merlyn Rees: To ask the Secretary of State for the Home Department, if he will make a statement on the industrial action being taken by the Fire Brigades' Union.

MR. WILLIAM WHITELAW

I understand that, on Friday, negotiations in the National Joint Council for Local Authorities' Fire Brigades were adjourned at the request of the employees' side to enable them to consider a pay offer which had been made to them on behalf of fire authorities. The Executive Council of the Fire Brigades' Union is meeting this afternoon. Meanwhile, firemen in most brigades have indicated that they will answer only emergency calls, and some say that they are "working to rule". Since responses continue to be made to emergency calls, there appears at this stage to be no significant additional risk to the public from the present action but the situation will be kept closely under review.

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CONFIDENTIAL

Local Govt.

cc:- Mr Ingham
Mr Duguid

PRIME MINISTER

Original returned to Policy Unit

CABINET 6 NOVEMBER: RSG AND FIREMEN'S PAY

Although as you know they have so far rejected Ministerial appeals to break the link with average earnings, the firemen's employers have not yet made the expected 18.8% offer. They will be meeting the Fire Brigade's Union on Friday; this gives us an unexpected breathing space.

So far, we have sought to bring pressure to bear on the employers in the form of warnings of the financial consequences of a pay settlement higher than the (as yet unspecified) pay assumption in the Rate Support Grant (RSG). But the firemen are only a tiny proportion of the local authorities wage bill, and an 18.8% pay rise could probably be accommodated rather easily. As far as we know, neither the Home Secretary nor the Secretary of State for Environment has let the employers know of the Government's willingness to face industrial action, even though that possibility was accepted at your meeting with the Home Secretary and the Chancellor on 31 October.

Mr Heseltine is seeing the employers (that is, the chairmen of the five local authority associations) tomorrow evening, at 6 pm. By then, Cabinet should have decided the pay assumption in the RSG. I think it would be helpful if, after that decision is made, you suggested in Cabinet that Mr Heseltine should make maximum play of its implications for local authority pay settlements when he meets the local authority chairmen; and that he should go out of his way to stress the difficulty they would face with other local authority groups if the firemen got over 18%.

If we pull out all the stops in the next 48 hours, we can still retrieve the situation, and persuade the employers not to offer more than the RSG pay assumption. If we lose this opportunity, it is likely to make the whole public service pay round harder to contain.

J.V.

JOHN VEREKER

5 November, 1980

CONFIDENTIAL

From: THE PRIVATE SECRETARY

Local
Govt

CONFIDENTIAL



in Mr. Lankester

HOME OFFICE
QUEEN ANNE'S GATE LONDON SW1H 9AT

4 November 1980

Dear Tyin, ~ 4/11

FIREMEN'S PAY

This is to confirm that, following the meeting recorded in your letter of 3 November, later that day the Home Secretary met representatives of the local authority associations (the AMA and the ACC) who are taking part in the negotiations over firemen's pay, and put to them the case for postponing their forthcoming meeting with the Fire Brigades Union (FBU) or at least postponing any formal offer of a pay increase under their existing agreement.

The AMA representatives were strongly opposed to any postponement at this stage, which they felt would only make matters worse. They were strongly in favour of honouring their agreement. The ACC representative also felt that the agreement had to be honoured, but suggested that the FBU be invited at the meeting to consider the likely effect of an 18% pay increase on their manning levels. The AMA were opposed to that suggestion.

While it was impossible to predict how that difference of view between the local authority associations would be resolved, it was clear that their meeting the next day would not be postponed, and I so reported to you and David Edmonds at the Department of the Environment.

I am sending copies of this letter to those who received yours of 3 November.

Yours sincerely,

(J F HALLIDAY)

T P Lankester Esq

CONFIDENTIAL

WARNING ON FIREMEN'S PAY

LEADERS OF BRITAIN'S 35,000 FIREMEN WERE WARNED TODAY THAT A PAY CLAIM FOR 18.8 PER CENT COULD NOT BE MET UNLESS THERE WERE JOB LOSSES OR OTHER CUTBACKS.

THE MESSAGE CAME FROM THE LOCAL AUTHORITY EMPLOYERS, WHO SAID THEY COULD ONLY AFFORD AN INCREASE 'WELL DOWN INTO SINGLE FIGURES'.

TALKS BETWEEN THE EMPLOYERS AND OFFICIALS OF THE FIRE BRIGADES' UNION IN LONDON WERE ADJOURNED UNTIL FRIDAY.

AFTER THE 1978 PAY STRIKE, FIREMEN'S WAGES WERE LINKED WITH EARNINGS OF SKILLED MANPOWER WORKERS THREE-QUARTERS OF THE WAY UP THE NATIONAL AVERAGE LEAGUE.

UNDER THAT FORMULA, FIREMEN WOULD GET 18.8 PER CENT IN THE NEXT PAY ROUND, WHICH STARTS ON THURSDAY.

MR KEN CAMERON, GENERAL SECRETARY-DESIGNATE OF THE FBU, SAID AFTER TODAY'S MEETING: 'WE HAVE GOT A VERY CLEAR AGREEMENT WHICH WAS REACHED AT THE END OF THE STRIKE. NO PART OF THAT AGREEMENT DEALS WITH ANY CONDITIONS AND WE ARE NOT PREPARED TO COOPERATE WITH ANY JOB LOSSES.

'WE ARE NOT IN THE BUSINESS OF SELLING JOBS. IT IS A MATTER FOR CENTRAL AND LOCAL GOVERNMENT TO SORT OUT NOW. WE HOPE THE LOCAL AUTHORITIES WILL NOT RENEGE ON THE FORMULA.'

cc Mr Vereker
Mr Ingham
Mr Wolfson

PRIME MINISTER

Firemen's Pay

As agreed this morning, Mr. Heseltine's letter went out to the Local Authorities and Mr. Whitelaw got in touch with them separately to try to persuade them to postpone the negotiating meeting which was set for tomorrow afternoon. The Local Authority Associations refused to do this, and Mr. Whitelaw accordingly asked them to come to a meeting at the Home Office this evening.

The outcome of the meeting is extremely disappointing. Both of the Associations said that they were not prepared to postpone tomorrow's negotiating meeting, and they seemed determined to stick to their proposed offer of 18.8%. None of the arguments put forward by Mr. Whitelaw apparently persuaded them to think otherwise. The Local Authority Associations are meeting again amongst themselves tomorrow morning to finalise their tactics for the afternoon meeting, and it is just possible that they may have a change of heart; but Mr. Whitelaw believes that this is unlikely.

I do not think there is anything more we can do to influence the employers at this late stage - it is a pity we did not move in on them earlier. If there is a settlement at 18% plus, we will have to do our best to isolate it by saying that the figure is totally unjustified by what the local authorities can afford and is unfair to other local authority employees, etc. But I fear considerable damage will have been done.

3 November 1980

Delvin R. [Signature]
for T. P. LANKESTER.



10 DOWNING STREET

From the Private Secretary

3 November 1980

Dear Tom,

Firemen's Pay

As you know, the Prime Minister held a further meeting this morning to discuss firemen's pay. The Home Secretary, the Chancellor of the Exchequer, the Lord President, the Secretaries of State for the Environment and Defence, Lord Gowrie, Sir Robert Armstrong and David Wolfson were present. They had before them Mr. Heseltine's letter of today's date.

The Home Secretary said that he had been unable to make contact with the Chairman of the Association of County Councils over the weekend. But his officials had been in touch with Mr. Rushbridge, the Secretary to the Local Authority National Councils. Mr. Rushbridge had indicated that he had done his best to persuade the employers of the risks of a high settlement for the firemen, but they seemed determined to go ahead with an offer of 18.8 per cent at the negotiating meeting scheduled for tomorrow afternoon. Rushbridge thought it unlikely that they would take much notice of a message from the Secretary of State for the Environment which merely drew attention to the generality of local government pay settlements. Mr. Whitelaw said that he accordingly judged that more direct pressure would be needed for there to be any chance of a lower settlement. If Ministers were to intervene directly, there was the risk of their being rebuffed; on the other hand, there was a strong case for trying to achieve a lower settlement because of the likely repercussions of a high settlement for the firemen on other local authority pay negotiations.

Summing up a short discussion, the Prime Minister said that the draft letter enclosed with Mr. Heseltine's letter of today's date should be sent at once; but this should be backed up by the Home Secretary's warning the local authorities that the letter was on its way and by his asking them to postpone tomorrow's negotiating meeting until they have had an opportunity to consider the implications of the Government's decisions on the RSG cash limit for 1981/82 - which should be announced shortly.

I am sending a copy of this letter to John Wiggins (HM Treasury), Jim Buckley (Lord President's Office), Jeff Jacobs (Department of the Environment), Brian Norbury (Ministry of Defence), David Fraser (Lord Gowrie's Office), Gerry Spence (Central Policy Review Staff) and David Wright (Cabinet Office).

/A copy

A copy also goes to Richard Prescott (Paymaster General's Office), Peter Shaw (Department of Education and Science), Don Brereton (Department of Health and Social Security), Godfrey Robson (Scottish Office) and John Craig (Welsh Office) together with copies of my letter recording last Friday's discussion and Mr. Heseltine's letter of today.

~ ~

Tim Laker

John Halliday, Esq.,
Home Office.

CONFIDENTIAL



CONFIDENTIAL

cc Venner

2 MARSHAM STREET
LONDON SW1P 3EB

My ref:

Your ref:

3 NOV 80

De Wilke

FIREMEN'S PAY

We had a word on Friday evening about the outcome of your discussion with the Prime Minister about the firemen's pay negotiations.

I understand that tomorrow's meeting of the NJC is expected to reach a settlement, so that any intervention is now a matter of very great urgency.

I am clear that in the context of my RSG responsibilities I can only draw attention to the generality of local government pay settlements; and I propose to ask for an early meeting on similar lines to the one we held in September, at which I would announce our RSG cash limit decisions. But such a meeting cannot be held before tomorrow; and if we are to get the firemen's negotiations deferred until after it is held I think the specific approach is a matter for you rather than for me.

I attach a draft of a letter which, if you and those to whom I am copying this letter agree, I propose to send off this morning. I must stress, however, that in relation to the firemen's settlement the overall cash limit is not a high card to play, since the firemen account for only a tiny fraction of the local authority wagebill: an index-linked settlement of 18% for them is equivalent to only about 0.1% in an overall cash limit of 9.5-10.5%.

I am copying this letter to the Prime Minister, Geoffrey Howe, Jim Prior (to whom I have spoken this morning), George Younger and Nicholas Edwards, and to Sir R Armstrong. Because of the time constraints, it is essential that any comments reach my office by 11.30 am this morning.

De Wilke

MICHAEL HESELTINE

LETTER TO ASSOCIATION LEADERS AND LACSAB

LOCAL GOVERNMENT PAY NEGOTIATIONS

At our meeting in September with the local government employers' representatives my colleagues and I stressed the importance which the Government attaches to the need for restraint in the present public sector pay round. We emphasised our view that the national economic situation required settlements to be in single figures.

U Negotiations are now under way for a number of groups and I think it would be useful if we met again as soon as possible to discuss these questions further in the light of the Government's decisions on the RSG cash limit for 1981-82, which I shall be in a position to announce very shortly. I can say now that in setting the cash limit the Government will assume that the overall level of local authority wage settlements will be well into single figures; any high settlement for one group will be assumed to be at the expense of other groups and/or the ratepayers.

My office will be making arrangements for a meeting.

I am writing similarly to /Walker, Smart, MacCallum, Brew, Lovill7.

MR. WHITMORE

MR. LANKESTER

I have set up a meeting at 1615 hours today to discuss firemen's pay. The following will be attending:

Home Secretary
Chancellor of the Exchequer
Robin Ibbs
John Vereker
John Hoskyns
David Wolfson

I have told the Home Secretary's office that if the meeting on Northern Ireland does not run its full course, the discussion on the Act of Settlement could take place before the meeting on firemen's pay. However, I have *also* warned the Home Secretary's office that it might have to be done afterwards.

ej.

31 October 1980

CONFIDENTIAL

DSC

copied to
Masters

File



cc: Mr. Ingham
Mr. Wolfson
Mr. Hoskyns
Mr. Vereker

10 DOWNING STREET

From the Private Secretary

31 October 1980

cc: HMT
OTEMP
DOE
CPRS
CO

FIREMEN'S PAY

The Prime Minister held a meeting this evening with the Home Secretary, the Chancellor of the Exchequer and Lord Gowrie to consider the issue of firemen's pay. Robin Ibbs, John Hoskyns, David Wolfson and John Vereker were also present. They had before them the Chancellor's letter of 23 October and the Home Secretary's reply of 29 October.

The Home Secretary explained that, under the 1977 Agreement, the basic rate for qualified firemen was adjusted annually so that their average earnings were equal to the upper quartile of adult male manual earnings. On this basis, firemen's pay would rise by between 17½% and 26% from November. The 17½% figure was on the assumptions most favourable to the employers, and the Fire Brigades Union were apparently prepared to negotiate on the basis of this lower figure. But against the background of the Government's intention to bring down public sector settlements, it was still a very high figure. On the other hand, he had absolutely no power to intervene in the negotiations, nor to override the 1977 Agreement. The local authority employers had met earlier this week and had apparently had a confused discussion. The position was not helped by the fact that the Association of County Councils and the Association of Metropolitan Authorities were at loggerheads; but the outcome seemed to have been that they were, on balance, prepared to implement the Agreement. It was almost certain (and your officials later confirmed that this was the case) that the employers could break the Agreement without being taken to court; but for this year they did not seem interested in doing so. They took the view that they could pay for the settlement by reducing the number of firemen: there was some scope for reduction, but in the last analysis it was the Chief Inspectors of Fire who decided and not the employers. There could be no presumption that the AMA and the ACC would be willing to break the Agreement if the Government put pressure on them to do so. But if they did break the Agreement, there was a significant risk of strike action. Yet a firemen's strike was one which it ought to be possible to take on.

In discussion, it was pointed out that firemen's pay was financed out of the total local authority kitty, including the RSG. One way of putting pressure on employers was to make it

/ absolutely

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absolutely clear that the Government would not adjust the RSG to pay for a high settlement. From this standpoint, it was highly desirable to announce the RSG and the cash limit assumption for it as soon as possible. It was further argued that, if the settlement went through at 17 $\frac{3}{4}$ % or higher, this would repercuss on other local authority settlements; and at this stage of the pay round it would be extremely damaging. The Government ought at the very least to try to bring the settlement down. An important justification for doing so would be the fact that the Government had suspended the PRU Agreement for civil servants. If the Government's efforts failed, Ministers could at least say that they had tried. The fact that the police had recently received an indexed settlement would not make it any easier to secure a lower figure, and it might be easier to persuade the FBU to accept such a figure if an indication was now given that the indexation agreement for the police would in future be overridden. The Home Secretary, however, said that he was not prepared to commit himself to the latter at the present time: he was not necessarily opposed in principle to overriding the agreement next year, but he was only prepared to take a decision on this in the light of the earnings outturn.

Summing up the discussion, the Prime Minister said that they were on balance agreed that it would be right to try to persuade the employers not to implement the Agreement, and to go for a lower figure than 17 $\frac{3}{4}$ %. The best approach would probably be for the Secretary of State for the Environment to tell the employers that the 17 $\frac{3}{4}$ % could in no way be justified by the prospective financial position of the local authorities; that if they paid it, the Government certainly would not adjust the RSG to accommodate it; and that it would be an act of gross unfairness to their other employees who would be unable to receive pay increases on anything like that scale. The Home Secretary and his officials should consult with Mr. Heseltine and his officials on the scope and timing of such a message, and on the publicity to be given to it. In addition, the Home Secretary should himself get in touch with the Chairman of the ACC to see if he could persuade him of the Government's case.

Subsequent to the meeting, I understand from David Edmonds that Mr. Whitelaw and Mr. Heseltine have discussed how Mr. Heseltine should approach the employers, and that they have agreed that he should write to all the local authority Chairmen first thing on Monday morning; and his letter will be published at the same time. The letter will not refer to the firemen as such, but rather to local authority settlements in general, and will indicate that the Government is looking for settlements in single figures. But I understand it will be clear to the local authorities that we very much have in mind the immediate issue of the firemen's negotiations.

I am sending copies of this letter to John Wiggins (HM Treasury), David Fraser (Lord Gowrie's Office, Department of Employment), Jeff Jacobs (Department of the Environment), Gerry Spence (CPRS) and David Wright (Cabinet Office).

J. E. LANKESTER

John Halliday, Esq.,
Home Office.

CONFIDENTIAL

CONFIDENTIAL

NATIONAL JOINT COUNCIL FOR LOCAL AUTHORITIES' FIRE BRIGADES

1977 AGREEMENT

1. The implementation of this agreement is contingent upon a resumption of full normal working, without any victimisation or discrimination by any party against individuals or groups or industrial or other buildings or premises, and upon a resumption of normal use of all fire service equipment, appliances and premises. All parties undertake to use their best endeavours to achieve this.
2. With effect from 7 November 1977 the basic rates of firemen, leading firemen and sub-officers shall be increased by the appropriate amount such as to ensure that the total earnings increase is equivalent to, but does not exceed, 10% as defined in the guidelines of the White Paper, Cmnd 6882.
3. London and fringes area weighting allowances, St. Athclyde allowance and Northern Ireland allowance, shall remain as they stand and shall not be included in the above calculation for November 1977 and these allowances shall remain for separate negotiation.
4. Agreement is registered in principle to introduce for firemen, leading firemen and sub-officers, a 42 hour working week without loss of pay from November 1978 subject to satisfactory completion of negotiations. Both sides recognise the many problems associated with the introduction into the fire service of a shorter working week and agree that on the resumption of normal working immediate negotiations shall commence within the N.J.C.
5. The rate of pay for the Qualified Fireman shall embrace all the duties included in the National Joint Council's Handbook "The Qualified Fireman's Job" inclusive of Appendices (as prepared by the Working Party on Job Evaluation), and this shall now be incorporated in the Scheme of Conditions of the NJC for Local Authorities' Fire Brigades. Similarly, job descriptions shall be formulated for other grades within the purview of the National Joint Council and adopted on the same basis as that of Qualified Firemen, with priority for control room staff.
6. Agreement is registered that the appropriate basic rate for a Qualified Fireman shall be such that the average earnings for

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-2-

Firemen^d throughout the United Kingdom are approximately at a level which equates with the earnings of the adult male manual upper quartile figure* for April (as published in the New Earnings Survey) and updated by the Department of Employment earnings index to give a November figure.

7. At November 1978 the Qualified Fireman's basic rate will be adjusted upwards to reflect the following :-

1. The difference between the adult male manual upper quartile^d at November 1977, and the equivalent figure for November 1978.

plus

2. 50% of the gap between the Firemen's earnings (as published in the New Earnings Survey and updated to November 1977 inclusive of the November 1977 award) and the Adult Male Manual Upper Quartile* as at November 1977.

8. At November 1979 the basic rate for the Qualified Fireman shall be adjusted again so that Firemen's average earnings equate fully with those of the upper quartile of adult male manual workers* as in Paragraph 6.

9. Thereafter movements will take place annually to maintain this relationship.

10. The annex to this agreement sets out the new pay rates incorporating the 10% increase (see paragraph 2 above) and certain details connected with the return to work.

* Upper Quartile means the level at which 75% of all adult male manual workers earn less and 25% earn more.

^d as shown in Table 50 of the New Earnings Survey 1977 under the classification "Firemen".

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MR LANKESTER

cc Mr Wolfson
Mr Hoskyns
Mr Ingham

FIREMEN'S PAY

The Prime Minister agreed this morning to discuss firemen's pay briefly with the Home Secretary this afternoon. Although on the surface it seems odd that the firemen, who are a local authority service, are the responsibility of the Home Secretary rather than of Mr. Heseltine, I understand that Mr. Heseltine is not in fact involved in these negotiations, and need not be invited to the meeting. The negotiators on behalf of the employees are however LACSAB, so Mr. Heseltine certainly has an interest in the outcome.

The Prime Minister might find it helpful to have this note of the arguments for and against taking action now to break the firemen's index linking.

FOR

- 1) The principle of index linking is wrong. Ministers have repeatedly said, and it is an integral part of the strategy, that pay rises this time round cannot keep pace with the rate of inflation. We need to get away from these postdated cheques.
- 2) If the firemen get 20% +, they will be widely and damagingly quoted as comparators for other groups - the principal contenders will be the ambulancemen, but the water workers and local authority manuals will not be far behind. There is a real danger that a second settlement of this magnitude in the public sector will affect the whole public sector pay scene.

AGAINST

- 1) The Government has accepted index linking for the police. But the Government have always said the police are special.
- 2) It is too late. That may be true, and it is important to find out this afternoon if it really is. But it ought not

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/to be,

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-2-

to be, since the Rate Support Grant is not settled.

- 3) The Government cannot directly influence LACSAB. True; but indirect influence through the RSG and willingness to take on industrial action could be just as effective.
- 4) It would mean a confrontation with the Fire Brigade Union, and a damaging strike. Yes; but the firemen are one group we know we can take on; there could not be better grounds than this for taking them on; and they might not have the spirit for a fight anyway.
- 5) The police and military are involved already in the Prison Officers' dispute. True; but are they the same units who would be involved in a fireman's dispute?

POSSIBLE OUTCOME

The best outcome of this afternoon's meeting would be agreement to bring maximum pressure to bear on LACSAB, urgently, to disentangle themselves from the index linking agreement. Desirable fallbacks are that as a price for index linking this time round, the firemen should accept either no index linking next time round, or a no strike agreement (~~on~~ which the police have).

↓
J.V.

31 October 1980

CONFIDENTIAL



10 DOWNING STREET

Prime Minister

you have a letter
from the Home Secretary
in your information folder
in the earlier box tonight.

Cilla Baldwin

Duty Clerk

30/10.

G. M. ...

M. Hodgson

CONFIDENTIAL

Qa 05167 *M. Hodgson*

To: MR LANKESTER

From: J R IBBS

Firemen's Pay

1. We have seen the recent correspondence between the Chancellor of the Exchequer and the Home Secretary. Whilst we recognise that it is not easy to intervene so late in the negotiations, we feel the Prime Minister may want some further effort made to influence the local authority employers.

2. A very high settlement at this stage in the pay round would make it difficult to hold other public service groups to low settlements. In particular the ambulance men, who regard themselves as having job characteristics similar to firemen, would strongly resist offers far removed from 20 per cent. In turn, if ambulance men secured concessions, the effect on other NHS employers could make it impossible to hold cash limits in the NHS. Indeed, these settlements are all so closely linked that any concessions now could have a damaging effect on the cash limits policy overall.

3. If the Prime Minister agrees, she may want to explore further with the Home Secretary whether more could not be done to persuade the local authority employers to resist the indexation of firemen's pay. One possible line would be to remind the employers that the Government is looking for settlements in the public services well within single figures and that an exception on this scale for the firemen would be regarded as grossly inequitable by other groups and by the public at large.

4. In our view this case underlines very clearly the need to keep track of forthcoming negotiations well in advance of their arrival on Ministers' desks. In some cases there may be good reasons for not intervening, but not on the grounds that it is too late.

5. I am sending a copy of this minute to Sir Robert Armstrong.

JKJ

30 October 1980

CONFIDENTIAL

Prime Minister

I think there is a strong case for looking at this one further.

A high settlement for the firemen will read across to the ambulance men and possibly other groups. Shall we set up an early meeting - HomeSec, Chancellor, Jim Prior?

*R.
20/10*

CONFIDENTIAL

~~cc Mr Dwyer~~



QUEEN ANNE'S GATE LONDON SW1H 9AT

2

*Mr Longman
cc Mr Vicker*

29 October 1980

Ami Amitt

Dear Chancellor of the Exchequer,

*The Home Secretary
does not want to
take on the
firemen.*

FIREMEN'S PAY

Thank you for your letter of 23rd October.

29/10

I understand that the Department of Employment statistics on which the pay negotiations are based, according to the agreement, are available to the Employers' side of the National Joint Council and to the Unions and that, although the N.J.C. has not yet met, and the Employers' Side have not held their own meeting to settle their position formally, preliminary discussions are already in progress. The Employers have started these discussions on the basis that the existing agreement will be honoured this year, although there is room for negotiation on the details. Any intervention by us at this stage would therefore have to be of a dramatic kind if it was to produce any effect. Merely to indicate to the Employers that money is tight and that a settlement at a high level for firemen is likely to create problems for local authorities in holding down pay increases for their other employees would add nothing to the factors which, as you say, they already have clearly in mind. The only form of encouragement which might have any effect at this stage, although even that is not certain, would be a firm offer to make troops and reserve appliances available in the event of a strike. Substantial support from the police would also be necessary. An approach which did not include these elements would simply lack bite and conviction. On the other hand, I would be very hesitant about the Government entering into advance commitments of this sort, which would be seen as a direct invitation to a confrontation with the F.B.U. and could well involve us in a damaging strike, at a time when the police and military are involved in the prison officers' dispute.

Our line so far with the local authorities has been to create financial conditions which offer them a strong inducement to keep pay settlements down and, where it seemed timely to do so, to remind them of the importance of doing this, as Michael Heseltine did at his meeting with L.A.C.S.A.B. The fire service employers have taken this message on board and have kept us in touch with their thinking as it has developed. Although, as you say, it seemed in June that they might

/decide to

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The Rt. Hon. Sir Geoffrey Howe, Q.C., M.P.

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decide to abrogate the agreement, they subsequently decided that it should be honoured this year. They made this clear to the Ministers who attended Michael's meeting on 25th September. I suppose that the latest round of financial cuts which we shall be considering on Thursday may, if they reach the local authorities in time, cause them to think again; but I believe it would be unwise to attempt to bring any other sort of pressure to bear. Indeed it is probably too late as I understand the Employers Side and the F.B.U. Executive Committee are holding their own meetings on Thursday.

A settlement even if below 20% will be unpalatable, both to local authorities and to us, but if the local authorities can swallow it, within the general conditions which we have laid down to them, then so I think must we, this year at least. But that said, I appreciate we must make certain that our position in the exercise is made amply clear. The settlement must be seen as an agreement between the local authorities and their employees to which the Government is not party.

I am sending copies of this letter to the recipients of yours and to the Secretary of State for Defence.

Your sincerely,

S. W. Boyd Smith

Agreed by C. B. Home Secretary
and signed in his absence.

CONFIDENTIAL

*Mr. [unclear]
 or Mr. [unclear]*

29 October 1980
 Prime Minister

Dear Chancellor of the Exchequer,

*The Home Secretary
 does not want to
 take on the
 firemen.*

FIREMEN'S PAY

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29/10

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The Rt. Hon. Sir Geoffrey Howe, Q.C., M.P.

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I am sending copies of this letter to the recipients of yours and to the Secretary of State for Defence.

Your sincerely,

S. W. Boyd Smith

Agreed by the Home Secretary
and signed in his absence.

CONFIDENTIAL

CONFIDENTIAL



cc/ Mr Bayliss
Mr Vereker
Mr Hoskyns
Mr Wolfson

Local Govt.
2 APPS 2

Ami Amistat

First number of
the new arrange-
ment whereby

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

23 October 1980

The Rt. Hon. William Whitelaw CH MC MP.
Secretary of State
Home Office

Thany Amistat
are taking up
individual public
sector pay issues.

In Willie

not

2
27/10

FIREMEN'S PAY

I am rather disappointed that we do not appear to be any nearer to ending the indexation agreement for firemen's pay. I seem to recall that when we discussed this very briefly a few months ago (I think at the end of our discussion on police indexation), you had hopes of overturning this arrangement.

I recognise that formally this is a matter for the local authority employers, and that at Michael Heseltine's meeting with them on 25 September, they indicated that their plan was to review the arrangement next year rather than this year. Nonetheless, I suspect that with a little encouragement, they might be prevailed upon to advance their timetable, and I think this was what colleagues had in mind when we discussed the matter briefly in E Committee last June.

Public Sector pay 1 Pt 2.

You will be much closer to the local authority employers than I am. But the employers clearly recognise the problems that will result for them in their other negotiations from the indexation agreement, and indeed this applies more generally across public service pay. I would hope that there is some prospect of encouraging them to reconsider, and persuading them to take some action this year.

I am sending copies of this letter to the Members of E Committee, to the Secretary of State for Scotland, and to Sir Robert Armstrong.

GEOFFREY HOWE

CONFIDENTIAL

019
cc Mr Dwyer

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Treasury Chambers, Parliament Street, SW1P 3AG

01-233 3000

23 October 1980

Prime Minister

The Rt. Hon. Michael Heseltine MP
Secretary of State for the Environment

[Handwritten signature]

R

27/10

PAY: LOCAL AUTHORITY MANUALS AND WATER MANUALS

As I think you are aware, there is traditionally a problem over the timing of the pay negotiations between the local authority manuals (which thus may involve the NHS ancillaries as well) and the water manuals. Last year, we dealt with this problem by asking the National Water Council to delay negotiations with the water manuals until after the LA manuals and NHS ancillaries had settled. By this means, we managed to avoid the inevitably high water settlement infecting that for the LA manuals, but at the cost of courting industrial action by the water manuals, and (according to the NWC) of pushing up the water manuals' settlement.

This year, I think we have to re-assess the situation. There are two fundamental questions. First, what is our own view of the balance of advantage between the alternatives? Do we want the employers to proceed as they did last year, with the risk that the water employers will in any case be forced to negotiate by the threat or reality of disruptive industrial action. Or would we prefer to have the water manuals' negotiations out of the way first, and to try and prevent these repercussions on the LA manuals and NHS ancillaries - which may lead to these groups making a common cause against the Government? Second, whatever our answer to this question, do we seek to influence the relevant employers, or do we leave it to their judgement?

No doubt you will have been thinking about these questions. I would be interested in your views particularly since the LA manuals' negotiations are due to start on 4 November.

/I am

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I am sending copies of this letter to members of E Committee,
to the Secretaries of State for Social Services, Scotland
and Wales, and to Sir Robert Armstrong.

GEOFFREY HOWE

A handwritten signature in black ink, appearing to read "Geoffrey Howe", with a horizontal line underneath.

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