



SECRET AND PERSONAL

P.0885

Prime Minister

(1)

MR SCHOLAR

Please see John Verheis note (Page A).

Agree I make the print at X?

Mus not Mus 9/11

INDUSTRIAL ACTION IN THE WATER INDUSTRY

The letter of 4 November from the Minister for Local Government and Environmental Services to the Chancellor of the Exchequer, which was copied to the Prime Minister, referred to a report by officials on withstanding a water strike.

... This report, which was prepared by the Official Group on Water (MISC 61), is attached. The main points for Ministers are summarised in paragraph 21. The immediate question of what further guidance should be given to the employers has been addressed in Mr King's letter.

2. The report brings out that, if industrial action were to occur, the key to withstanding it seems likely to be the extent to which the trade unions can be induced, under the pressure of public opinion, to mitigate its most serious effects. The closed shop agreement in 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 to public health"; and the unions have already said that they would follow the guidelines drawn up by the Trades Union Congress concerning the maintenance of emergency services during strikes. The report therefore recommends that the employers should consider this aspect carefully in formulating their tactics.

3. I am sending a copy of this minute and of the attached report to the Private Secretaries to the Home Secretary, the Chancellor of the Exchequer, the Secretaries of State for Northern Ireland, Defence, the Environment, Scotland, Wales, Industry, Social Services, Energy and Employment and the Ministers of Agriculture, Fisheries and Food and for Local Government and Environmental Services, and to Mr Sparrow and Sir Robert Armstrong.

P L GREGSON

5 November 1982

SECRET AND PERSONAL

Hand
3



Local Govt.

10 DOWNING STREET

From the Private Secretary

Mr. Gregson

The Prime Minister has noted your minute of 5 November about industrial action in the water industry, and the paper attached thereto.

She has commented that the performance of the Combined Employers' Committee further reinforces the case for seeing to it that pay bargaining in the water industry is in future done on a regional rather than a national basis.

I am sending copies of this minute to the Private Secretaries to the Home Secretary, the Chancellor of the Exchequer, the Secretaries of State for Northern Ireland, Defence, the Environment, Scotland, Wales, Industry, Social Services, Energy and Employment, and the Ministers of Agriculture, Fisheries and Food and for Local Government and Environmental Services, and to Mr. Sparrow and Sir Robert Armstrong.

M. C. SCHOLAR

10 November, 1982.

SECRET AND PERSONAL

MR SCHOLAR

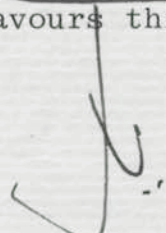
cc Mr Mount

POSSIBLE INDUSTRIAL ACTION IN THE WATER INDUSTRY

I have discussed Peter Gregson's note of 5 November, which covers the latest report of MISC 61, with Ferdie Mount, who has already exchanged letters with Mr King about Pay Bargaining in the Water Industry.

Industrial action in the water industry would certainly carry risks. But they should not be exaggerated. In the current mood of industrial relations it seems to me highly unlikely that there would be much media or public support for anyone prepared to interrupt water supplies in pursuit of a claim of around 13-15%. The one-day strike, although well supported by manual workers, did show that supervisors (who would play an important part in maintaining the system) were generally willing to take action. And contingency plans exist which can cope with major interruptions in supplies.

X | There is only one point which we would urge that you make, on the Prime Minister's behalf, in acknowledging Peter Gregson's note. That is, as Ferdie Mount has already indicated to Mr King, that the performance of the Combined Employers' Committee, which Mr King himself describes as "quite ludicrous", further reinforces the case for ensuring that pay bargaining in the water industry is in future done on a regional rather than national basis. The Chancellor has already indicated that he also favours this.


8 November 1982

SECRET

AND PERSONAL

WITHSTANDING A STRIKE IN THE WATER INDUSTRY

Note by the Official Group on Water (MISC 61)

INTRODUCTION

1. This report discusses the likelihood of industrial action in the water industry during their current pay negotiations and the steps that might be taken to withstand it.

THE PAY NEGOTIATING MACHINERY

2. The pay settlement date for the 29,000 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 Government has announced its intention to legislate to abolish the NWC with effect from September 1983; the pay arrangements to replace it remain to be settled. This year's negotiations are being conducted within the context of established arrangements, with strategy being decided by a Committee of Combined Employers (RWA and water company chairmen) representatives of which carry out the negotiations.

THE PRESENT STATE OF THE PAY NEGOTIATIONS

3. The trade union claim, which was tabled at the first negotiating meeting for England and Wales on 21 September, seeks the establishment of a link between the earnings of manual workers in the water industry and the upper quartile level for manual workers in the economy as a whole. The trades unions have not quantified this claim but they probably have an increase of around 13-15 per cent in mind. However, in negotiation the trades unions may eventually modify their claim to one which is no less than that apparently received by the miners and possibly slightly above it as a step towards establishing the desired pay link.

4. As part of last year's pay settlement the employers undertook to consider, without commitment, the relative position of manuals' earnings. In informal joint discussions they have not conceded the principle of the link sought by the trades unions; their refusal to do so at the outset of the formal

1
SECRET

AND PERSONAL

SECRET

AND PERSONAL

negotiations led to the first ever official strike in the industry on 18 October, which was generally well supported. The employers indicated in the informal discussions that they may be prepared to concede progress towards improving manuals' relative earnings, provided that the cost is fully matched by concessions toward specific managerial objectives.

5. The next negotiating meeting is on 11 November, when the employers will respond to the claim. The employers will be meeting on 27 October to seek to settle tactics for the pay negotiations. The Minister for Local Government and Environmental Services will be reporting to his colleagues on the outcome of the employers' discussion. One important issue on which the employers are likely to take an early view is whether they are themselves likely to wish to have recourse to arbitration, to which there is unilateral access by either side with binding awards.

6. In Scotland although water workers are local government employees their pay settlements have tended to match those of water industry manual workers in England and Wales. No claim has yet been lodged, and the unions are likely to wait for a settlement to be reached in England and Wales before opening negotiations.

7. 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. Past experience suggests that workers in Northern Ireland would join in almost immediately if substantial official industrial action occurs in England and Wales, but that they would be less likely to do so in the case of unofficial action.

INDUSTRIAL ACTION

8. For various reasons (rivalry between the GMWU and NUPE, and a desire not to be outflanked as in previous years by militants among the workforce) trade union leaders in the water industry are now more likely to call for official industrial action in support of their pay claim. Moreover, if the miners' ballot were to reject the NCB's offer, the chances of an early settlement by the water industry at or near that offer would be slight; although the trade union leaders might see advantage in those circumstances in playing the water

SECRET

AND PERSONAL

SECRET

AND PERSONAL

negotiations slowly, pressures from the workforce for industrial action might be increased.

9. Industrial action would probably start with an official work to rule and perhaps one-or two-day strikes; there might be more serious unofficial action in the most militant areas, eg. Central and South Lancashire, West and South Yorkshire and Tyneside. After a month or so, if no satisfactory offer was in prospect and if unofficial action was spreading, the official action might be escalated to more frequent and longer all-out local stoppages. It is unlikely that the trades unions will call for an indefinite all-out national strike, or that unofficial action would reach the point where it approximated to this.

THE LIKELY EFFECTS OF INDUSTRIAL ACTION

10. The effects of industrial action depend on a number of factors: chance (the location and nature of failures in the water supply and sewage systems); operational considerations (the extent to which outside contractors are already used for repair and maintenance, including emergency work, and the extent to which certain plants could be kept in operation by management alone); and the degree of reluctance by the unions and workforce to take action which might endanger public health. The closed shop agreement in 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"; and the unions have already said that they would follow the guidelines drawn up by the Trades Union Congress concerning the maintenance of emergency services during strikes.

11. In general the first phase of industrial action, localised and of short duration, as envisaged in paragraph 9 above, would be unlikely to have serious consequences. The main effect would be the added strain on management and some temporary disruption of water supply or temporary deterioration in standards of water purification or sewage disposal in particular areas. If the action became more widespread, more frequent, and of longer duration, the potential consequences would be much more serious, particularly in those areas where outside contractors were little used for emergency repair work and where water purification or sewage plants were labour intensive.

SECRET

AND PERSONAL

WITHSTANDING INDUSTRIAL ACTION

12. The effects of widespread industrial action in the water industry are potentially serious: at the very worst they could involve severe water shortages in some areas and serious reductions in the quality of water supplies. The consequences for those affected, including both individual householders and industry, would be grave. The key to withstanding lengthy industrial action in the water industry seems likely to be the extent to which the trades unions can be induced, under the pressure of public opinion, to mitigate the most serious effects. The crucial consideration might well be the public perception of the respective merits of the employers' and trade unions' cases. Insofar as the unions succeed in suggesting that the water workers have a good case for well above average earnings because of the nature of their work, the employers may be thought unreasonably intransigent and will tend to be blamed for the disruption in the service. If however the employers succeed in suggesting that the claim is excessive and the union attitude unreasonable, the responsibility for the consequences of industrial action will more clearly be seen to rest with the trade unions, and this consideration may in turn help to inhibit the unions from escalating their industrial action. It is important that the employers should consider this aspect carefully in formulating their tactics.

13. The willingness of middle management and technical staff - many of whom are members of trades unions - to undertake extra duties and facilitate the maintenance of services, would also be crucial. Most would do so while the industrial action remained unofficial, but in the face of official action their willingness to co-operate might diminish. However, again, public opinion might effectively be brought to bear to persuade them to offer sufficient assistance for adequate services to be maintained.

14. Nonetheless, water authorities might eventually be forced to seek outside help. There are three sources of this, viz:

- a. volunteers;
- b. contract labour;
- c. Servicemen.

SECRET

AND PERSONAL

The part that volunteers might play seems likely to be limited to carrying water to the elderly, the infirm etc in any areas where supplies were particularly badly affected.

15. In principle, contractors have the expertise to undertake a wide range of tasks, although in most circumstances they would need to be supervised by management and would probably also need access to water authority stores. In some areas contractors are already extensively used for emergency repair work by water authorities, although in other areas, particularly in the North, there is still a great reliance on direct labour. However, in practice, many water authorities may be most reluctant to ask contractors to do more than their normal work; and many contractors may be unwilling to do so, because of fears that they might be "blackened" after the strike had ended.

16. Plans ("KEELMAN" in Great Britain, "FOOTWAY" in Northern Ireland) have already been formulated for the use of Servicemen either on a large scale to assist management and supervisory staff to maintain basic water services for a limited period in the event of widespread industrial action; or in a more limited way to assist water authorities to cope with particularly serious emergencies if the trades unions decline to co-operate. 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. As the water authorities are aware Service assistance would be available only after the trade unions had shown themselves demonstrably unwilling to avoid risks to public health, either by allowing water workers to carry out essential work or by permitting the use of contractors for this purpose. But some water authorities would be most reluctant to seek Service assistance in almost any circumstances.

HANDLING OF THE DISPUTE

17. Ministers will need to consider how best to handle the dispute in two main respects: the nature of any guidance to be given privately to the water industry employers, and the Government's public stance on the dispute.

18. The Government appear to have no useable statutory power of direction in relation to the water industry which would be appropriate to the circumstances of a pay dispute or industrial action. Any financial disciplines imposed on

SECRET

AND PERSONAL

the industry cannot be made to bite effectively on the level of pay settlements, because the industry can pass on both the pay settlement and the Government's financial disciplines in charges to consumers, and every 4 per cent on the wage bill will add only about 1 per cent to charges. The Government must therefore seek to convince the employers of the undesirability of a high pay settlement and of giving in readily to union pressure both in the wider interests of the economy and in their own long term interests as employers.

19. The employers may respond to general guidance of this kind by asking the Government to indicate a desirable level of settlement and to give a clear direction on the acceptability or otherwise of industrial action in the industry if a settlement cannot be secured at a desired level. The Government's position has so far been to resist giving an indication of a desirable level of settlement other than a statement of the Government's general wish to see lower settlements in the current round, and to leave responsibility for the negotiations and decisions about strategy firmly with the employers, while giving them assurances that the Government would back them as far as possible in dealing with any serious industrial action. Ministers will need to consider whether to maintain this line. They may also wish to convey to the water industry that while the responsibility for handling the pay negotiation and the dispute must rest with the employers rather than the Government, the Government would wish, because of the wider implications for the national interest, to have an opportunity in good time to comment on the employers' strategy for handling the dispute and on significant tactical steps.

20. On the Government's public stance, Ministers will need to consider whether it would be useful or disadvantageous to pass any comments on the substance of the dispute at this stage or at any point in the future. If the Government were seen to become too actively involved, this would be likely to undermine the authority of the employers and would tend to play into the hands of the unions, enabling them to suggest that the dispute was about wider political issues rather than pay in the water industry. This should not however preclude Government spokesmen from reinforcing the general message about lower pay settlements or, if industrial action occurs, from condemning any hardship which might be caused.

SUMMARY OF POINTS FOR MINISTERS

21. Ministers are invited:

- i. to note the assessment of the present state of the pay negotiations, the prospects of industrial action and the likely effects of such action set out in paragraphs 3 to 9;
 - ii. to note that the key to withstanding industrial action in the water industry seems likely to be the extent to which the trade unions can be induced, under the pressure of public opinion, to mitigate its most serious effects, and that it is important that the employers should consider this aspect carefully in formulating their tactics;
 - iii. to consider in the light of the employers' decisions on 27 October whether further guidance should be given to the employers as discussed in paragraph 19;
 - iv. to consider whether the Government's public stance on the dispute should be on the lines set out in paragraph 20.
-

Cabinet Office
28 October 1982

5 NOV 1982

