

PRIME MINISTER

Mr. Wm  
24/2

Statements on Water and the Foreign Affairs Council

Water Mr. King's statement came across well. Mr. Kaufman overdid the insults. The SDP were clearly behind the Government. There were many more Conservative Members in the House than on the Opposition benches. The most telling point that Mr. King made was that this was no victory for the water workers since it would take most of them 2-3 years to recoup the pay that they had lost.

Mr. Kaufman said that Mr. King had made a sour and ungracious statement which displayed his characteristic arrogance and insensitivity. It was Mr. King who had provoked the strike in the first place. If there had been no Government intervention in November, the hardship of a strike would have been avoided, and a lower settlement achieved. The Government's "back door" incomes policy was in ruins. He ended by trying to claim credit for the setting up of the Inquiry; he said that he had always pressed for an Inquiry, and hoped that both sides would accept its findings.

Mr. King said that it was nonsense to think that the strike could have been avoided by a higher offer in November; the unions claim had been for 20%, and the unions had been set on industrial action. It was ridiculous for Mr. Kaufman to claim credit for calling for an Inquiry; the employers had offered an Inquiry in November under the agreed procedure for arbitration, and had maintained that position throughout. It was a disgrace that Mr. Kaufman had not called on the unions to honour their national agreements, and the public would understand where the blame lay. The increase of 5.5% on the base rate was much too high; settlements in the private sector and the rate of inflation were much lower. He had heard the unions and Members opposite talking about victory, but that was a hollow claim: the water workers would soon realise how much they had lost from their action, and would recognise that they had been led down the garden path by their leaders. As for the present, he had / asked

asked the water authorities to resume normal services as soon as possible. The NWC were considering the question of rebates.

Shirley Williams, who followed Mr. King, joined in the attack on Mr. Kaufman. She said she was not sure there were any winners, and ~~that~~ the country was clearly the loser. Its water services had been damaged, and the knock-on effects of the settlement on the 2 million workers yet to settle in this pay round were frightening. One clear message was that those workers without monopoly muscle would be the real losers in the pay round.

#### Foreign Affairs Council

Mr. Hurd made 2 statements: one on the non-trade aspects of the Council, and one on the trade aspects. This was at the request of the Opposition who wanted to put up different front bench spokesmen on the two aspects of the Council.

Questions on the first statement concentrated on the Council's agreement that a uniform electoral procedure could not be put in place by 1984. Ioan Evans attacked the idea of proportional representation, and the Liberals, led by Alan Beith, predictably supported it. Mr. Hurd said that it would not be a simple matter to get the 10 to agree on a uniform procedure, whatever the procedure might be.

On the second statement, Mr. Hurd faced questions from both sides of the House calling for faster action on trading imbalances with Japan and Spain. Bob Cryer and Teddy Taylor also argued that our deficit in manufactures with the Community was just as great a problem as imports from Japan. The other main theme of questions was concern that we might be slipping into a "subsidy war" with the Americans on agricultural products.

23 February, 1983.

WR

## Water Industry (Dispute)

3.31 pm

**The Secretary of State for the Environment (Mr. Tom King):** With permission, Mr. Speaker, I wish to make a statement to the House about the water industry dispute. The House will note that, following the findings of the chairman of the committee of inquiry set up by ACAS, agreement was reached last night in the National Joint Industrial Council for a settlement of the pay dispute and an end to the strike.

The terms of the settlement are as follows:

i. the increase in the base rate should be 7.3 per cent. over 16 months, equivalent to 5.5 per cent. on an annual basis. This is exactly as recommended by the mediator a month ago on 23 January;

ii. a number of the employers proposals made in their offer on 6 February were adopted. These were improved payments under the national productivity scheme equal on average to approximately 55p per week; an extra day's holiday for employees with 10 years service; the introduction of a scheme for the payment of wages by credit transfer, for which the chairman proposed £75 rather than the employers offer of £50 as a single lump sum payment; and a minimum rate of £5 for employees taking part in local schemes for greater flexibility in working hours rather than the £4 offered by the employers which will apply to only a limited number of employees. In addition, there will be, with effect from 1 April 1984, a one hour reduction in the working week.

iii. the chairman's findings and the settlement go beyond what had previously been on offer in only two significant respects—

a. £5 of bonus payments are to be consolidated into the basic rate, which will increase average earnings by about 2 per cent. and

b. the service supplement payable to those with over five years' service is to be paid to those with more than two years' service and to be raised, as in the employers' offer, from 2.5p per hour to 5.2p per hour. This adds 0.4 per cent. to average earnings over and above the employers previous offer.

The House will note that the chairman made no recommendation in support of the unions' central claim for comparability with other groups.

I should now tell the House the present position in the country. Ninety-one thousand properties are without normal mains supplies and 8.2 million people have been advised as a precaution to boil water. The quality of effluent from many sewage treatment works has deteriorated but there have been very few serious effects on rivers. The House will appreciate the hardship and distress represented by the figures. None the less, it will also recognise the fact that after a four and a half weeks strike over 99 per cent. of users continue to receive their water supplies.

The water authorities and companies deserve every credit for this substantial achievement in keeping their systems running. The exceptional efforts of their staffs have maintained this essential service and safeguarded public health, and I pay full tribute to them. [HON MEMBERS: "And the unions".] Having said that, the House will recognise how damaging this dispute has been for all

concerned. The water authorities and companies have been unable to maintain their normal service to all their customers, many of whom have suffered real hardship.

The manual workers went ahead with the strike in spite of an offer worth more than £10 per week on average. They have gained little more than £3 per week on average on top of that offer. In the process, they have lost many hundreds of pounds. For many of those involved it will take two to three years to recover the difference.

The cost of the water settlement cannot be found by raising water charges this year. Nearly all the water authorities have already set their budgets for next year. It will have to be met by further economies in operating and manpower costs.

The message of this dispute is clear. In industrial action of this kind there are no winners. There were always arbitration procedures available in the industry to resolve this dispute without a strike. The employers offered this on 11 November and again throughout the dispute. It has been an unnecessary strike. I trust that normal working will be resumed immediately and a full service restored to every customer as quickly as possible.

**Mr. Gerald Kaufman (Manchester, Ardwick):** The Opposition share the satisfaction that will be felt throughout the country, though, if the evening press is to be believed, not by the Prime Minister, at the ending of this unnecessary and damaging dispute, but the House will have listened to the Secretary of State's sour and ungracious statement with a good deal of distaste. It was flavoured with the arrogance and insensitivity that provoked the strike in the first place. It was also irresponsibly provocative. Has the Secretary of State considered what the effect of belittling the settlement might be on workers considering their union's recommendation to return to work? If the unions have gained so little from the strike, why were they not offered this settlement in the first place, last November?

Can the right hon. Gentleman say how long it will take for the water system to get back to normal, when those having to use standpipes will regain their domestic supply, and when those now boiling water will no longer have to do so? What will be the cost of putting right the damage to the system?

In the debate last week, when I pressed for the inquiry that in fact took place—[*Interruption.*] Oh, yes; we asked for the inquiry. At that time, the Secretary of State stressed the importance of both sides accepting the inquiry's findings. I trust, therefore, that he will be gratified that both sides have accepted its findings and that the unions have honoured their agreement.

Has the Secretary of State reflected that if he had not intervened so damagingly on 11 November there would have been no strike, no hardship to householders, no pollution of rivers, and no costly damage to the system; and almost certainly a negotiated settlement last autumn would have been at a lower level than the one now accepted?

Has not the Secretary of State's intervention turned out to be a very expensive affair? Will the Government now abandon their invidious, discriminatory, back-door incomes policy, conducted by the arm twisting of willing employers? If the right hon. Gentleman, the Secretary of State for Employment and, above all, the Prime Minister have learnt their lesson, it may be that some good will come out of this sorry affair.

**Mr. King:** The House will be interested to recall the right hon. Gentleman's opening words, when he accused me of making a sour and ungracious statement. I must tell him that, if the cap fits, wear it. His attempt to rewrite the history of the dispute makes no impression on anybody who knows its background. If he has made any attempt to study the matter, he must know that many people in the union movement predicted that there would be industrial action in the water industry. It was to be the focus of pressure this year, and people know that to be the case.

The idea that a change being made in any opening offer provoked industrial action that would otherwise not have taken place is a total fallacy. The right hon. Gentleman must be about the only person in the country who still thinks that if a higher opening offer had been made there would have been a lower ultimate settlement. That is absolute rubbish.

The right hon. Gentleman attempts to claim the credit for suggesting the format of the committee of inquiry, but he does no credit to the employers who offered that on 4 November, and continued to offer it throughout the dispute. It was enshrined in their national agreement.

The disgrace that the right hon. Gentleman bears is that at no time did he call upon the unions to honour the national agreement. Every old person who, during the past four and a half weeks, had to go to a standpipe in freezing weather has noted that he made no effort whatsoever—and nor did his right hon. and hon. Friends—to ensure that national agreements were honoured and that the strike was avoided.

The right hon. Gentleman asked when service would return to normal. Obviously that will vary in different parts of the country. I wish to make it clear to the House that, in the interests of all those suffering the present hardship and distress, I have asked the water authorities to ensure that normal service is resumed as soon as possible and that they use all available means to achieve that.

**Mr. Tony Durant** (Reading, North): Does my right hon. Friend accept that many of the workers in the water industry were very worried by the strike and did not wish to participate in it but that the closed shop arrangement forced them to do so? Does he further accept that the settlement will, in the long run, cost jobs in the industry?

**Mr. King:** There is no question but that I and any hon. Member who has spoken to constituents who are water workers know that they fervently hope that there will never be another water strike. Even if the right hon. Gentleman denies it, they know all too well just how expensive it has been and the losses that they have incurred. It is a staggering thought. It was exactly a month ago that the mediator made his recommendations. They did not have to accept them, but could have gone to arbitration. Had they done so, no one would have lost a day's pay and they could have still pursued the claim. Now, as a result of union leadership, they have lost hundreds of pounds which, I estimate, will take them between two and three years to recover.

**Mrs. Shirley Williams** (Crosby): I offer the Minister my contribution to a shrivelled bouquet to the right hon. Member for Manchester, Ardwick (Mr. Kaufman), who obviously single handedly sorted out the strike. Will the Minister ponder on the fact that the result of the settlement is not that there are no winners, but that the country is to

some extent the loser? Will he confirm that there has been a substantial deterioration in what was already a ramshackle water system?

As 2 million people are waiting to make wage settlements during the next few months, will the right hon. Gentleman assure the House that the 9 per cent. annual rate that will emerge from the settlement will not be regarded as the norm? Will he tell the Opposition the extent to which, if one gives people with muscle well above the inflation rate, those without muscle end up either receiving less or with no jobs at all? Will he confirm that many water workers made a substantial contribution to maintaining emergency supplies?

**Mr. King:** I respond immediately to the right hon. Lady's last point. I pay tribute to those workers who honoured the emergency cover, but I am afraid that it was a far from uniform practice. There were some extremely unattractive incidents when arguments occurred about whether old people in difficult circumstances represented an emergency. But I pay tribute to those who honoured the emergency cover.

One of the lessons we learnt from the dispute is not how ramshackle is the water system—obviously with bursts there are problems—but how well the system performed. Some of the more modern plants performed extremely well. I have no doubt that one of the effects of the dispute—under which the system was put to a real test—will, as my hon. Friend the Member for Reading, North (Mr. Durant) said, will mean greater automation and mechanisation, more modern plants and, I am afraid, some reduction in manpower costs that will obviously fall on the workers.

On the annual rate, certain factors in the water industry concern the amount of bonus, which is outside the basic rate. The mediator and the chairman of the committee both confirm the going rate at 7.3 per cent. for 16 months, which establishes an annual rate of 5.5 per cent.

**Mr. Robert C. Brown** (Newcastle upon Tyne, West): Is the Minister aware that I appreciate his difficulty because he has finished up with egg on his face? Will he be a little more generous and concede that 99 per cent. of water consumers received their supplies due in no small measure to the sense of responsibility of employees in the industry?

Is the right hon. Gentleman aware that each region of my union was in touch with the health authorities about the cases to which he referred concerning the elderly, those on dialysis machines and so on? He should be generous enough to concede that point.

Has the right hon. Gentleman now learnt his lesson? Does he realise that the dispute would not have occurred had it not been for his flat-footed intervention? Has he learnt the lesson of honouring the Prime Minister's election pledge to allow free collective bargaining to operate?

**Mr. King:** The hon. gentleman referred to contact with health authorities. I must tell him that part of the procedure for emergency cover under the closed shop arrangement was that there should be contact with water authorities. Many needy cases are not brought to the attention of the health authorities. They may be dependent on the social services departments of local authorities, and urgent action may have been required. If the hon. Gentleman is not

aware of that, he should be. There were a number of distressing cases, something which I hope he would not condone.

The hon. Gentleman cannot honestly believe that the strike was caused through an argument about an opening offer. He knows that the union claim was in excess of 20 per cent. The unions were determined to achieve that figure. They have fallen far short of it. He should not refer to egg on my face. He is a Member of Parliament sponsored by the major union concerned in the dispute. No doubt he will wish to discuss with his members why they were led into industrial action by their leaders that has resulted in a loss of earnings for them this year.

**Several Hon. Members** *rose*—

**Mr. speaker:** Order. I propose to call four hon. Members from each side and then move on to the other two statements.

**Mr. Jim Spicer** (Dorset, West): My right hon. Friend has made it clear that the wage award will not be passed on to consumers this year. As the fact that that applies to this year only will be in everyone's mind, will he give an assurance that it will be an ongoing process and that the consumer will not be allowed to suffer as a result of wage awards above the rate of inflation?

**Mr. King:** As my hon. Friend knows, the Government have taken a close interest in the performance of water authorities. We have set performance aims for each authority which clearly set out manpower costs. I was glad that the chairman of the negotiation committee, Mr. Len Hill, confirmed that those aims will be adhered to. The only way in which that can be done is through economies in costs, not by passing on charges to the consumer.

**Mr. Peter Hardy** (Rother Valley): Does the right hon. Gentleman accept that much of the problem arose from his reorganisation of the water industry? Does he accept that if the employers had not been facing the possibility of new jobs there might have been a more peaceful situation earlier?

**Mr. King:** I do not accept that at all. Anyone who knows the background to this knows that the issue of comparability with gas and electricity workers had been in existence for three years. The pressure had been building up and it is sad that a dispute of this kind was inevitable, but the background is a great deal longer than some people suggest.

**Mr. David Madel** (Bedfordshire, South): Will the Government make an announcement soon about rebates for people who have been without water for some time? Does my right hon. Friend agree that the very least that those people can expect is some form of rebate in view of all that they have suffered during the strike?

**Mr. King:** I well understand the concern about that. Clearly there is a valid point, as people who pay through a meter system do not have to pay for a supply when they are disconnected. The National Water Council is considering the matter and I hope that it will be possible to make a further statement later.

**Mr. James Lamond** (Oldham, East): If we are to believe the Minister's desperate attempt to talk down the settlement reached as a result of the strike, may we take it that if other public service unions seek settlements at similar percentage levels there will be no ginning from him

or from anyone else on the Government side and that he will try to deflect any anger in Downing Street if other unions manage to achieve the same moderate increases that he has tried to tell us were forced on the water workers?

**Mr. King:** I am not trying to do anything of the kind. My duty in making a statement to the House—no Minister would dare to do otherwise—is to give the facts. I have to make clear the figures involved in the settlement. I have seen some propaganda and I have heard some people shouting about victory. I well understand the reason for that, as some of their members may be having second thoughts about why they were led out in the first place. It is my duty to make the facts clear.

As the hon. Gentleman knows, I followed the matter very carefully and the facts that I have given are correct. I believe that the going rate increase of 5.5 per cent. approved by the mediator and the chairman is too high. It is much more than will be obtained by workers in private industry and by many people in far less secure jobs. Nevertheless, that is the decision and it must be accepted, but I hope that the country realises the implications.

**Sir Kenneth Lewis** (Rutland and Stamford): Does my right hon. Friend agree that the most important thing now is to get back to normal working in the interests of the consumer and especially of those who have been badly affected by the dispute and have had no water for the past few weeks or have had to get it from standpipes? Will he therefore press the authorities to use every means—I believe that that was his own phrase—including the use of private contractors, to put the system right as quickly as possible and not to wait for that to be achieved through overtime working, which would take far longer?

**Mr. King:** As I said, I have asked the water authorities to use all available means. Obviously I hope that the manual workers will return to work immediately and make their contribution, but it would clearly be intolerable if the authorities did not use every other means available to them. The suggestion that people should be kept waiting for three or four weeks to be fitted into an overtime rota would, I believe, be totally unacceptable to everyone in this country. Therefore, I wish the manual workers to make a major contribution and I want contractors to come in as well so that those who have already suffered distress for far too long may be reconnected at the earliest possible opportunity.

**Mr. David Penhaligon** (Truro): Will the Minister explain the position of local authority employees who do the same or very similar work? Does he agree that they are now at an unfair disadvantage?

**Mr. King:** I certainly hope not. There are separate negotiations for the separate groups of workers. On the wider issues, as the hon. Gentleman knows, both the mediator and the chairman specifically declined to make any recommendations in respect of any comparability claim in this matter. That is a very important decision.

**Mr. Anthony Beaumont-Dark** (Birmingham, Selly Oak): Does my right hon. Friend accept that this has been one of the most botched-up wage negotiations in recent times? Does he further accept that this will be one of the most damaging and divisive settlements in this wage round? Does he agree that if gas, electricity and other public service workers seek the same increases, inflation

[Mr. Anthony Beaumont-Dark]

will rise again and workers in the private sector will be disadvantaged? Is it not time that public sector workers were told that prices cannot continue to rise if industry is to recover?

**Mr. King:** I certainly endorse the second part of my hon. Friend's remarks. That is exactly the feeling of what I said about the going rate established in this case. It is far too high. It is significantly above the current rate of inflation and it is more than can be justified. I very much hope that all public sector workers recognise, as I am sure that many do, the importance of settling for sensible pay levels because the most important thing for them and for all of us is to see private industry recover as well.

**Mr. Terry Davis** (Birmingham, Stechford): In the light of the settlement and the doctrine of collective responsibility, how does the Secretary of State justify the Government's refusal to make better offers to those who carry out vital life-saving work in the Health Service?

**Mr. King:** As I have made clear, each claim must be settled on its merits and it would not be right for me to comment on other claims now. In this dispute, the Government followed the proper procedures for the case. Negotiating procedures were available and open to be used, and it was obligatory on those concerned to use them. The challenge and the tragedy of this dispute is that the unions declined to observe the final stages of an existing national agreement. It was indeed an unhappy dispute, but the problem originally stemmed from failure to honour the national agreement.

## Foreign Affairs Council (General)

3.57 pm

**The Minister of State, Foreign and Commonwealth Office (Mr. Douglas Hurd):** With permission, Mr. Speaker, I will make a statement on the general aspects of the Foreign Affairs Council which met in Brussels on 21 and 22 February, at which my right hon. and noble Friend the Secretary of State for Trade and I represented the United Kingdom. With the permission of the House and, I gather, at the request of the Opposition, I will deal with trade matters separately.

The Council agreed that the 1984 elections to the European Parliament should be held throughout the Community in the period from 17 to 20 May 1984. This means that we in the United Kingdom will vote on Thursday 17 May 1984.

The Council had a further discussion of the European Parliament's proposals for a uniform procedure for future elections to that Parliament. It is now accepted that it will not be possible to reach agreement on a uniform procedure in time for the 1984 elections, but the Council decided that a further effort should be made to see whether agreement could be reached on a common basis for extending the franchise.

There was a first discussion of the Commission's paper on Greenland's application to withdraw from the Community. This subject will be on the agenda of the March Council, when there will be a more detailed discussion.

Ministers took note of the Commission's report on seals. This report will provide the basis for a review by the Environment Council on 28 February of the case for further Community action.

The Commission introduced briefly its green paper on the future financing of the Community, which is one of the documents debated by the House on Monday. The Council agreed to discuss the paper further at its March meeting. I reminded my Community colleagues that the United Kingdom would certainly wish these budgetary matters to be discussed at the European Council—that is, at the summit meeting—on 21 and 22 March.

There was a preliminary discussion in the Council of the Community's attitude towards a new international sugar agreement. I made clear our support for the Community joining a new agreement and pressed for the Community to play a realistic, full and constructive part in the negotiations.

Finally, there was a ministerial negotiating conference with the Spaniards at which Community declarations on the customs union and on the European Coal and Steel Community were presented to the Spaniards.

**Mr. Ioan Evans** (Aberdare): Hon. Members know that direct elections are to be held between 17 May and 20 May. Opposition Members are pleased to note that there is a failure to agree on a uniform electoral system. We welcome the decision that the European elections in the United Kingdom will be conducted not on a proportional representation system but on the traditional British system of first past the post. We support opposition to the proportional representation system because it provides no real connection between the electors' first preference and the final result. It also breaks the vital link between specific communities and their elected representatives.

PRIME MINISTER

Local  
Govt.  
24/7

MCS

SECRETARY OF STATE FOR THE ENVIRONMENT

I propose to take the following line at the 11.00am Lobby.

I shall adopt a somewhat relaxed approach, designed to demonstrate the Government is not panicking and that its resolve is unimpaired.

- The trade unions have orchestrated the outcome of a rather curious committee of inquiry as "a great victory";
- no doubt they needed to because their members will come to see it as a most expensive affair;
- first, looked at in hard cash, it will take them at least two, and many getting on for three, years to recover what they have lost having first an overtime ban and then going on strike. That is the time it will take to recoup the difference between the money on offer before the strike and the additional money resulting from the committee of inquiry;
- they will not necessarily recoup much in repairs overtime; a lot of that work is already in the hands of contractors;
- second, they have failed completely to secure their so-called upper quartile objective and this morning have demonstrated that claim in all its glorious nonsense; I shall come back to that;
- third, as Len Hill has repeatedly said, they have failed to improve on the mediator's award of a basic rise of 7.3% over 16 months which comes down to what might be termed a going rate of 5.5% over 12 months;
- fourth, to the extent that the rest, probably adding up to something under 8% in total, cannot be offset by productivity, jobs - water-workers jobs - will clearly be put in jeopardy. Len Hill has made it clear the industry will have to live within its budgets over the coming year;

- fifth, the unions have themselves proved conclusively that we can withstand a water and sewage strike for weeks and probably months, rather than for the few days all of us had been led to believe before this wholly unnecessary strike.

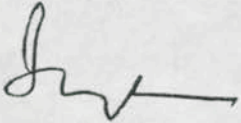
How many weeks we can stand it even at the depths of winter with a prolonged cold spell, is not clear.

But what is clear is that the waterworkers have with their own hands destroyed their own secret weapon - the lethal nature of a water and sewage strike. This will introduce an entirely new balance of power in the industry.

- sixth, some very serious questions must now be asked about manning levels in the industry when the nation is able to cope for this long with water and sewage workers on strike; and the Government getting nowhere near even seriously contemplating the use of troops;
- on the wider industrial relations scene Mr Basnett, in proclaiming "a clear victory" for the unions today, has revealed the waterworkers' comparability claim for all the glorious nonsense it is; indeed for the hypocrisy it is;
- he says, according to PA, "The Government will be beaten off in gas and electricity as well."
- in other words, what he is saying is that the outcome of the water strike, using the unions' own inflated figures, is to be used as a battering ram to try to open up the gap for electricity and gas workers which the waterworkers were trying to bridge;
- this demonstrates the monumental hypocrisy of general workers' unions like GMBATU, with members in many industries, in pursuing comparability claims;
- but Mr Basnett, like other union leaders also revealed himself in all his Bourbonic glory too;
- the more unions win pay increases which add to costs the more they put out of work their own members in firms which are operating at the margin and cannot afford to take on additional costs;



- inflation is now down to 4.9%. It needs to come down further - much further - if we are to give ourselves the best chance to compete in what Terence Beckett this morning describes as a shrunken, picky, choosy world market;
- once again the unions have proved conclusively that they are in the business of sabotaging jobs. That cannot come as a surprise to anyone now. But what might still surprise everyone is that they take such delight in proclaiming victories which are in reality cruel defeats for their members - the people who lose the jobs they destroy.



B. INGHAM

23 February 1983



α B I  
WR

2 MARSHAM STREET  
LONDON SW1P 3EB  
01-212 3434

My ref:

Your ref:

23 February 1983

Dear Michael

STATEMENT ON THE OUTCOME OF THE WATER DISPUTE

- / I attach a statement my Secretary of State proposes to make this afternoon on the outcome of the water dispute. It is, of course, still subject to drafting changes.

I am copying this to the Private Secretaries to the Home Secretary, Chancellor of the Exchequer, the Leader of the House of Commons, the Paymaster General, the Secretaries of State for Employment, Scotland, Wales and the Chief Press Secretary at No 10.

Yours ever  
D A Edmonds

D A EDMONDS  
Private Secretary

PAY DISPUTE IN THE WATER INDUSTRY - STATEMENT BY THE SECRETARY OF  
STATE FOR THE ENVIRONMENT - 23.2.83

With permission, Mr Speaker, I wish to make a statement to the House about the water industry dispute.

The House will note that following the findings of the Chairman of the Committee of Inquiry set up by ACAS, agreement was reached last night in the National Joint Industrial Council for a settlement of the pay dispute and an end to the strike.

The terms of the settlement are as follows:

i. the increase in the base rate should be 7.3% over 16 months, equivalent to 5.5% on an annual basis. This is exactly as recommended by the mediator on 23 January;

ii. a number of the employers proposals made in their offer on 6 February were adopted. These were improved payments under the national productivity scheme equal on average to approximately 55p per week; an extra days holiday for employees with 10 years service; the introduction of a scheme for the payment of wages by cash transfer, for which the Chairman proposed £75 rather than the employers offer of £50 as a single lump sum payment; and a minimum rate of £5 for employees taking part in local schemes for greater flexibility in working hours rather than the £4 offered by the employers which will apply to only a limited number of employees. In addition, there will be with effect from 1 April 1984 a one hour reduction in the working week.

iii. the Chairman's findings and the settlement go beyond what had previously been on offer in only 2 significant respects -

a. £5 of bonus payments are to be consolidated into the basic rate, which will increase average earnings by about 2% and

b. the service supplement payable to those with over 5 years service is to be paid to those with more than 2 years service and to be raised, as in the employers offer, from 2.5p per hour to 5.2p per hour. This adds 0.4% to average earnings over and above the employers previous offer.

The House will note that the Chairman made no recommendation in support of the Unions central claim for comparability with other groups.

I should now tell the House the present position in the country. 91,000 properties are without normal mains supplies and 8.2 million people have been advised as a precaution to boil water.

The quality of effluent from many sewage treatment works has deteriorated but there have been very few serious effects on rivers. The House will appreciate the hardship and distress represented by the figures.

Nonetheless, it will also recognise the fact that after 4½ weeks strike over 99% of users continue to receive their water supplies.

The water authorities and companies deserve every credit for this substantial achievement in keeping their systems running. The exceptional efforts of their staffs have maintained this essential service and safeguarded public health, and I pay full tribute to them.

But having said that the House will recognise how damaging this dispute has been for all concerned.

The water authorities and companies have been unable to maintain their normal service to all their customers, many of whom have suffered real hardship.

The manual workers went ahead with the strike in spite of an offer worth more than £10 per week on average.

They have gained little more than £3 per week on average on top of that offer.

In the process they have lost many hundreds of pounds.

For many of those involved it will take two to three years to recover the difference.

The cost of the water settlement cannot be found by raising water charges this year.

Nearly all the water authorities have already set their budgets for next year.

It will have to be met by further economies in operating and manpower costs.

The message of this dispute is clear. In industrial action of this kind there are no winners. There were always arbitration procedures

available in the industry to resolve this dispute without a strike. The employers offered this on 11 November and again throughout the dispute.

This has been an unnecessary strike.

I trust that normal working will be resumed immediately and a full service restored to every customer as quickly as possible.

Note supplied by Dept of Environment 23 Feb.

WATER WORKERS STRIKE - RECOVERY OF LOSS OF EARNINGS

1. The mediator's recommendations made before the strike began on 24 January would have given an average increase of £10.06 per week raising average earnings to £146.96 per week.
2. As a result of 4½ weeks on strike and the one week overtime ban manual workers could on average have lost as much as £606 gross or £424 net after tax for a single man, and £526 gross or £368 net after tax for a married man with 2 children.
3. These figures allow for the fact that these workers would have received £21 strike pay per week, and that the dependants of married men would have been entitled to social security supplementary benefits according to circumstance from which strike pay is deducted.
4. As a result of their strike action the workers will receive an *extra* average increase in earnings of £3.65 gross or £2.56 net after tax per week. They may also receive some tax rebate.
5. This means that on average it could take a single man nearly 3 years to make good the loss of earnings from the increase he has achieved by strike action: for the married man it will take ~~approximately~~ less.
6. Obviously the exact recovery time will depend on individual circumstances.
7. The amount by which the settlement exceeds existing budgetary provision will have to be compensated for by the water undertakings through improved operational efficiency to which manpower costs make a significant contribution. The possibility of consequential loss of jobs cannot therefore be discounted.

WATER WORKERS STRIKE

Recovery of lost earnings

- Representative assumptions:
1. Average earnings £136.90 pw last year (NES).
  2. Strike pay £21 pw.
  3. Married man + 2 children: dependants only receive £20 pw supplementary benefit in full week.
  4. Strike ends after 4 weeks 3 days. *following 7 days overtime ban.*
  5. ~~Tax paid at marginal rate 30%.~~

1. Loss of earnings, £

	<u>Single</u>	<u>Married/2 children</u>
(a) Gross	606	526
(b) Net (after tax)	424	368

2. Return to work: estimated early additions to pay, £

	<u>Single</u>	<u>Married/2 children</u>
Tax rebate (net after tax)	36	56

3. Recovery of loss of earnings at marginal rate

	<u>Single</u>	<u>Married/2 children</u>
<u>Net earnings to be recovered</u>	£388	£312

Time to recover lost earnings on the basis that the settlement gives an average of £3.65 (gross) = £2.56 (net) above the offer based on the mediator's main recommendations (£10.06 pw)

	<u>Single</u>	<u>Married/2 children</u>
	152 weeks	122 weeks

*See - [unclear] [unclear]*

*3 years.*

*2 1/2 years.*