

Prime Minister

29 April 1983
Policy Unit

Agree I write as

at X?

ms 29/4

PRIME MINISTER

FUTURE PAY BARGAINING IN THE WATER INDUSTRY

(attached) The DoE's letter is incredibly feeble and does not begin to answer the points raised by the Chancellor and by the Policy Unit last year.

What was the point of abolishing the National Water Council if not to decentralise pay bargaining?

If the DoE sees advantages in decentralising negotiations about productivity and conditions of employment, why not about pay too?

Why should we be ashamed of being seen to interfere in the cosy little arrangement between the Chairmen and the national union officials, if we genuinely believe that decentralisation would help to reduce costs in a public monopoly?

The water industry, as you know, is not labour-intensive. But exactly the same arguments are being used by Departments in claiming that decentralisation is impossible in industries which are labour-intensive, such as the railways. I think it is important, therefore, that we get the arrangements in the water industry right, and get them right now in the wake of a strike which has shown up the fallacy that national pay bargaining puts the employers on equal terms.

I do not see how this can be settled without a meeting. In the first instance, I suggest that you ask Tom King for a possible plan of action if he were to insist on decentralisation. Our impression so far is that no such plan of action has been seriously considered, and that the DoE is just doing what the water authority Chairmen want them to do.

FERDINAND MOUNT

fm

Yes - what
was the point of
having the
DoE? All
the while
it was
doing
nothing
at all
but
attacking
us

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CONFIDENTIAL



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Prime Minister

2 MARSHAM STREET
LONDON SW1P 3EB

01-212 3434

My ref:

Your ref:

Mr King argues against
decentralizing pay bargaining in the
Water Industry.

I find this wholly unconvincing.

27 APR 93

Dear Chancellor of the Exchequer, MS 29/4

FUTURE PAY BARGAINING IN THE WATER INDUSTRY

The National Water Council have formally notified the unions of their intention to terminate the national agreements on terms and conditions of service when the Council is abolished. This naturally applies to the agreements for the white collar as well as the manual groups, and will effectively terminate the closed shop agreement for the manuals as well as the existing arbitration provisions.

The regional water authority chairmen and the water companies have taken a firm decision not to reinstate the closed shop agreement. This I regard as a key item especially since the strike has demonstrated that the emergency cover clause in that agreement is not as significant as we had thought; indeed some authorities found it to be more of a hindrance than a help. The chairmen are not sure what the practical effects would be of a successful ballot by the manuals unions on the issue even though they recognise that it would not put them under a legal compulsion. But this is a bridge to be crossed if and when they get to it.

As I told you last October the RWAs and the companies took the view that bargaining on basic pay and the items directly associated with it should remain centralised but all other matters including productivity bargaining should as far as possible be devolved.

They reiterated that approach a few weeks ago in light of further study and of their experiences during the strike, and the Annex shows those items which they would now like to negotiate centrally and locally under new agreements.

Giles Shaw recently met all the available RWA chairmen on my behalf and put to them on a most carefully prepared basis the arguments in favour of full decentralisation, reflecting those points which you and others put to me in your responses to my letter last autumn and also lessons of the strike as we saw them. He emphasised particularly that, in the future, improvements in real pay should increasingly be related to performance and this could most readily be achieved at least cost if all pay bargaining were devolved. They accepted that this is a unique opportunity for them to make changes to improve their bargaining situation and they recognised the force of many of

the points put to them, but they argued that in their view other considerations, which I will briefly describe, were more potent.

If they believe

this, they'll

believe

anything.

MS

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Looking to the lessons of the strike, they insist that it would be utterly illogical not to exploit in future negotiations the ascendancy which their success in withstanding the strike gives them. They do not accept that they could do as well in regional/company situations because they would not have the same mutual support and because there would be a considerably greater risk that the essential support of key white collar staff, particularly supervisors, would not be available. This would arise from the much narrower focus of the negotiations and the greater identity of interest between the groups of workers at the regional level as well as from a greater inclination by NALGO to take an active supportive stance in local situations. The chairmen rightly consider that the continued separation of the manuals from the other groups must be a key objective, and they believe that national bargaining best achieves this.

They take a very firm view that decentralised bargaining would not in the foreseeable future lead to differential rates of pay but attempts to achieve this would provoke a rash of industrial action on the locally co-ordinated basis they fear. That situation would be exacerbated by the ability of unions to continue to operate nationally in the industry and to bring concerted national pressures to bear on individual employers, coupled with the greater involvement of union regional officers whose motivation would often be unpredictable. The chairmen saw no reason at all to expect lower settlements as a result of regional bargaining.

On the other hand their proposals do represent a real shift to the regional level of those items which are the most responsive in this industry to local conditions and working practices, and they would give individual managements greater control over costs, performance, and motivation. There is already a tradition of regional variations in the earnings capabilities of both manual and non-manual workers. An extension of these would not create the same problems as for basic pay though the changes may not all be easy to negotiate initially.

It is inevitable that any direct involvement by us in this matter would become public knowledge, or would be assumed if the employers' position, which has in general terms been widely reported since last autumn, suddenly changed. Also, it would be difficult to justify such intervention in view of our formal position and the public statements we have made (originally in the consultative document on the Water Bill) that this is entirely a matter for the employers and unions to decide.

Although it is possible to take issue with the chairmen's arguments and proposals as Giles Shaw has already done, the issues are not in my view so clear cut nor do the advantages of decentralisation so outweigh the risks in this industry that it would be prudent for us in the circumstances to do other than allow the employers to proceed on the basis of their

carefully considered proposals provided they stand firm on their decision not to renew the closed shop; they take appropriate provisions for arbitration which exclude unilateral reference; they do their best to ensure the continuation of the April settlement date for the manuals; and they do not give way on key items which they propose to devolve to the regions.

It is essential that the new agreements are in place by 1 October when the existing ones lapse and the employers are therefore understandably anxious to begin what could be protracted negotiations as soon as possible. I would be grateful therefore for any comments you and your colleagues to whom I have copied this might have by the beginning of next week.

I am copying this to the Prime Minister, to Norman Tebbit, Nicholas Edwards, Peter Walker and to John Sparrow and Sir Robert Armstrong.

Yours sincerely

Helen Gresh

TOM KING

(Approved by the
Secretary of State and
signed in his absence)

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
HM Treasury
Parliament Street
SW1P 3AG

CONFIDENTIALFUTURE BARGAINING ARRANGEMENTS IN THE WATER INDUSTRY
PROPOSALS BY RWA CHAIRMEN

NATIONAL NEGOTIATIONS

Basic rates
 Hours of work
 Overtime rates
 Shift, stand-by and call-out allowances
 Leave (holidays, maternity)
 Sickness
 Superannuation
 (The manuals broadbanding structure and the craft task structure
 (involving job evaluation) to be retained as part of national
 conditions).

REGIONAL

Productivity (ie discontinue Water Industry Pay and Productivity
 Scheme (WIPPS) once all authorities have concluded
 local agreements under its general provisions)

Car allowances
 Subsistence
 Health and Safety (some national co-ordination)
Job evaluation for non-manual staff: gradings would be determined
 locally within national
 salary scales

London Weighting
 Disturbance Allowances
 Severance Schemes
 Post-Entry Training
 Time off for Trade Union Duties
 Apprentices
 New Technology
Recruitment/Promotion
 Home Telephones
 Periods of Notice
 Displacement of Employees
 Indemnification
 First Aid
 Discrimination
 Part-time employees
 *Payment of Wages
 *Flexible hours

DISPUTES AND APPEALS

A national facility to deal with disputes about matters in the
 national agreements; otherwise issues to be settled locally.

ARBITRATION

Currently no provisions which would mean that access would only
 be by joint agreement.

* as agreed in recent settlement

27.1.1983

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