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cc:- Mr Walters
Mr Ingham
Mr Duguid

PRIME MINISTER

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E: 12 FEBRUARY: ARBITRATION FOR TEACHERS PAY

This will be the third time that E has discussed arbitration, and the second time that Mr Carlisle has come back asking for the views of his colleagues on how to proceed. Last time it was confirmed that he should proceed with negotiations to remove unilateral access to arbitration by teachers; he has now come back to say that the unions are unanimously opposed to changing the arrangements for this year.

It is not at all surprising that the unions object, and indeed Mr Carlisle foresaw when he last came to E that the unions might object. The only new factor now is that the teachers agreed on 9 February to demand a 15% increase (there are 550,000 teachers affected, with a settlement date of 1 April). If they retain the right of unilateral access to binding arbitration, they can be expected to use it, and the outcome might well be an award in double figures. There is no particular reason why the teachers should receive such favourable treatment. It is, therefore, all the more important that E confirm its earlier decisions, to the effect that Mr Carlisle should proceed to change the arbitration rules.

While E is talking about arbitration, and since we want to press forward as hard as possible with the policy of disentangling ourselves from it, you may want to ask Mr Prior how he is proceeding with consultations with representatives of other groups, in accordance with the conclusions of the last meeting on 14 January - Mr Prior did, of course, arrange to answer a PQ on 16 January stating the Government's view that arbitration should only take place with the consent of both sides to the dispute.

11 February, 1981

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