

cc. J. Vereker

A. Duguid

Prime Minister

This is all for

discussion at the meeting in Jan
you have agreed to.

MS 23/12

PRIME MINISTER

PUBLIC SECTOR PAY

1. I was interested to see the Chancellor of the Exchequer's minute of 18 December. I wholly agree that we need to make a continuing effort in support of pay restraint and with the suggestions made in paragraph 6 of the Chancellor's minute.

2. So far as the teachers and the Burnham Committees are concerned, however, it is part of our Concordat with the local authority associations that the Secretary of State will not determine any limit of total cost at the outset of negotiations and use the veto in accordance with such a limit. It is also provided that the procedures of the Management Panel will not be disclosed in public or to the Teachers Panel - and the veto, if used, forms part of the proceedings of the Management Panel.

3. It follows that I cannot agree to (b)ii. in paragraph 5 of the Chancellor's minute. This would be inconsistent with the Concordat. If the Government were to breach the terms of the Concordat the local authority associations might be encouraged to repudiate the Concordat as a whole.

4. With regard to the suggestion made in (c) of paragraph 5 I agree that we should act as in (b)i. I am however expecting to meet the leaders of the Management Panel during January, before the next meeting of the Burnham Committee, at their request. This will I believe be important in influencing the attitude of the Management Panel in the forthcoming negotiations. It would not be helpful in advance of that meeting for the Government to have made much of the special degree of Government influence on negotiations with the teachers.

5. Copies of this minute go to all members of the Cabinet, the Paymaster General, the Chief Whip, Robin Ibbs and Sir Robert Armstrong.

KJ

23 December 1981

i.e. using
veto on offers
inconsistent with
4% pay factor

i.e. stress
on the fact that
govt will
approach
negotiations
in the light of
the 4%
pay factor

23 DEC '64



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