

CONFIDENTIAL

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LPO  
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DHSS

Original filed on: -

Gen PM: Public Sector Pay: Pt 6.

10 DOWNING STREET

From the Private Secretary

11 February 1982

Dear Imogen,

The Prime Minister has seen a copy of your Secretary of State's letter of 10 February to the Chancellor of the Exchequer about teachers' pay.

The Prime Minister hopes that officials will stick to 4% and aim to settle at it; and that they should move to 5% only if they have to and if they are absolutely sure that to do so will achieve a settlement. She suggests, too, that they should air the possibility of a disaggregated offer, in which groups of teachers in shorter supply than other groups are offered somewhat more.

I am sending copies of this letter to the Private Secretaries to Members of E(PSP) and the Secretaries of State for Scotland and Wales.

Yours sincerely,

Michael Scholar

Mrs. Imogen Wilde,  
Department of Education and Science.

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*CSV*  
Prime Minister  
*MB*

PRIME MINISTER

BURNHAM NEGOTIATIONS 1982

1. The Burnham Primary and Secondary Committee met on 16 February to consider the teachers' claim for a pay increase in line with inflation. In advance of that meeting the management panel had decided that their response should be a formal offer less than 4%, and on the day 3.4% on the pay bill was offered. The management panel explained that they expected local authorities to employ more teachers than the number assumed in the Government's expenditure plans, and 3.4% was the most that could be offered without detriment to other parts of the education service. The teachers rejected the offer. The Committee will meet again on 3 March.

2. Also on the agenda was the claim for an increase in London Weighting (for school and for further education teachers) with effect from 1 April 1981 - that is, the last pay round, not the current one. The management side repeated its offer of 7½% on the pay bill, to be divided between Inner and Outer London, with no increase for fringe areas. This is in line with the pay settlement last year. The teachers continued to refuse the offer and no progress was made. The matter will be considered again on 3 March.

3. The Burnham Further Education Committee met on 22 February. Much time was taken up by union posturing over my addition of the Association of Polytechnic Teachers to the teachers' panel. Indeed, the other teacher unions had withdrawn when the management's formal offer of 2½% on the pay bill was made, in response to the teachers' claim for 12% plus £250 pa. Major considerations behind this offer are the prospects for AFE teachers and the effects of the expenditure pooling arrangements on authorities in relation to our expenditure plans. The offer was described as unacceptable by the one member of the teachers panel present - the APT representative. No date has been fixed for the next meeting.

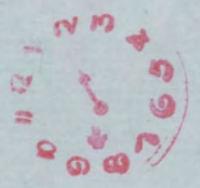
4. My representatives on the Committees believe that the employers are strongly influenced by the new financial disciplines applying to local authority expenditure, in particular the penalty clauses now built into the block grant arrangements. The employers seemed determined to detach the question of teachers' pay from the 6.9% settlement for the local authority manuals, and to make only small increases on their offers as negotiations proceed. It is not yet clear whether they will wish to increase their offers marginally at the next meetings: our offer to the Civil Service may strengthen their resolve not to go above 4% unless there is a genuine prospect of an early, low settlement, but that offer to the Civil Service must have made it the more difficult for them to stick below 4%. I should also say that the employers would not see the eventual teachers' settlements following the distribution pattern of our offer to the Civil Service. The prospects for London Weighting are uncertain: a great deal depends on what happens in other parallel negotiations. At present a majority among the employers seem determined to break the tradition of indexation on which the teachers' London Weighting claim is based. In the negotiations generally, the teachers seem to be unwilling to try to force the pace, probably preferring to wait to see what happens in other negotiations. The Civil Service result in particular (but also the NHS result) will be seen by them as providing signals and comparators. For that reason, and so as to reinforce the resolution of local authority employers in the Burnham negotiations, I see it as particularly important that ground should not be conceded to the Civil Service.

5. I shall be writing to colleagues again before the 3 March meeting. At that stage I will report on prospects in the light of any informal developments that may have taken place in the meantime and on my tactics for the next round of negotiations.

6. I am copying this minute to the Chancellor, E(PSP) colleagues and Sir Robert Armstrong.

Ky

25 FEB 1982





21

*cc JV*

Treasury Chambers, Parliament Street, SW1P 3AG  
01-233 3000

*Education*

17 February 1982

The Rt. Hon. George Younger, M.P.,  
Secretary of State for Scotland

*Prime Minister*

*Dear George*

*Handwritten mark*

*17/2*

TEACHERS' PAY: SCOTLAND

Thank you for your letter of 11 February.

You will since have seen my reply of 12 February to Keith Joseph's letter of 10 February. I recognise that what I said there about the veto is not applicable to Scotland, where no veto exists. But otherwise the points which I would make are essentially the same as those which I made in that letter.

In particular, I think that your representatives on the Management Sides should seek to dispel any assumption that increases even as high as 4 per cent are necessary. With a substantial excess supply of teachers, there are no obvious market grounds why the generality of teachers should receive any pay increase at all. Unless these points are made, I think there is a danger that 4 per cent will be taken for granted, as merely a starting point for negotiation.

I am copying this letter to the Prime Minister, members of E(PSP), to the Secretary of State for Wales, and to Sir Robert Armstrong.

*Handwritten signature*

GEOFFREY HOWE

17 FEB 1982



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Prime Minister

②

AD

JV

Consistent with the

line you have taken.

Treasury Chambers, Parliament Street, SW1P 3AG  
01-233 3000

MUS 12/2

Educational Teachers  
Bj

12 February 1982

The Rt. Hon. Sir Keith Joseph, Bt, MP  
Secretary of State for Education and Science

*Dr. Klein*

TEACHERS' PAY

Thank you for your letter of 10 February about the next steps on the pay of school and university teachers. We spoke about this the other day.

Along with the tactical considerations which affect the handling of these negotiations, I think we need to keep clearly in view the real merits of the case on teachers' pay. There is a substantial excess supply of teachers; and on market grounds there is no obvious reason why the generality of teachers should receive any pay increase at all. I think that your representatives on the management panels should not hesitate to point this out at the meetings tomorrow, and to emphasise that there should be no presumption that an increase as high as 4 per cent is necessary. It seems to me important to get this across to the employers in order to set the right tone for their approach to the negotiations. They should not treat 4 per cent as a floor from which upward bidding takes place.

Subject to their arguing along these lines, I agree that your representatives should not veto an offer of up to 4 per cent. But I think that we need to be very careful about allowing an offer above that level. If there were concrete evidence of willingness by the unions to settle at up to 5 per cent, I agree that a quick settlement at this level would be worth having. But your letter suggests that this is most unlikely, if only because the teachers will want to see what the Civil Service and the nurses are likely to get. I think we must if necessary make clear that without a sure prospect of a quick

/settlement

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settlement we will veto offers higher than 4 per cent. The attitude of the ACC as you describe it is welcome in this respect; but we must be prepared to stiffen their resolve if necessary.

In any case we should make it clear that we will provide no funds beyond what is implied by the 4 per cent factor. Even the excess cost of a settlement up to 5 per cent would need to be absorbed within existing provision.

I am copying this letter to the Prime Minister, Members of E(PSP), the Secretary of State for Scotland, the Secretary of State for Wales, and Sir Robert Armstrong.

Handwritten signature and initials in black ink, consisting of a large 'L' and a stylized signature.

GEOFFREY HOWE

A red circular stamp with the text 'SECRET' and '100' inside, and a red date stamp '11-2 FEB 1982' below it.



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Prime Minister

(2)

GSV



MUS 12/2

SCOTTISH OFFICE

WHITEHALL, LONDON SW1A 2AU

Education Teachers

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

MS

11 February 1982

I have seen Keith Joseph's letter to you of 10 February about the action which he proposes to take in relation to the discussion in Burnham of the teachers' claim for a pay increase from 1 April 1982. It may be helpful if, in commenting on his letter, I indicate at the same time the line which I envisage in relation to the corresponding negotiations in Scotland.

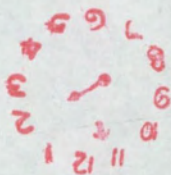
Under the legislation which we enacted last session there are now two new negotiating committees in Scotland - the Scottish Joint Negotiating Committees for, respectively, Teaching Staff in School Education and in Further Education (SJNC(SE) and SJNC(FE)) - each of which deals with both pay and conditions of service. In both the SJNC(SE) and the SJNC(FE) claims have been lodged for increases from April 1982 "for the amount required to maintain and protect the living standards of Scottish teachers". The Management Sides have agreed to respond to the SJNC(SE) claim on 18 February and to the SJNC(FE) claim on 3 March; and in the meantime they have been consulting their constituent authorities through the so-called "sounding-board" procedure. Although I have not yet seen the detailed responses, I understand that the various authorities have stressed the constraints implicit in the Rate Support Grant (Scotland) Order 1982 (ie, not only the 4% allowance for increases in earnings, but also the fact that the grant will represent a smaller percentage of relevant expenditure) and expressed the view that the settlement should be kept as close as possible to 4%. In particular, I understand that there is no disposition at all to regard the 6.9% settlement for manual workers as a precedent.

Against that background I see no difficulty about the line which Keith Joseph proposes to instruct his officials to take in Burnham, and I would propose that my representatives on the Management Sides of the SJNC(SE) and SJNC(FE) should proceed similarly. You will of course remember that, under the new legislation, I have no power to veto teachers' pay settlements in Scotland; as I have indicated, however, I think it unlikely that the Management Side will wish to make an offer, certainly at the meeting of the SJNC(SE) on 18 February.

which we would regard as unacceptable. Moreover, my officials will be briefed to resist any early recourse to arbitration, although I certainly do not expect that the Management Side would contemplate proposing such action at this stage.

I am sending copies of this letter to the Prime Minister, Keith Joseph, other members of E(PSP) and the Secretary of State for Wales.

GEORGE YOUNGER



7 FEB 1982

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original filed on: -

Econ Pol: Public Sector Pay Policy: P66.

✓ AD  
JV

DEPARTMENT OF EDUCATION AND SCIENCE

ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH

TELEPHONE 01-928 9222

FROM THE SECRETARY OF STATE

10 February 1982

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

It was agreed in E(PSP) on 27 January that I should report to colleagues on the outcome of my discussion with leaders of the Burnham Management Panels, and the line my officials will take within the Management Panels, before the first main Burnham negotiating meetings of this pay round take place. Colleagues will recall that the teachers' unions are claiming pay rises broadly in line with increases in the cost of living. The Management Panels will be responding, and making initial offers, on 16 February (school teachers) and 22 February (further education teachers). The Management Panels are meeting separately on 12 February to consider what their line should be.

I discussed the position this morning with the leaders of the two panels - both from the Association of County Councils. They believe, and I agree with their judgement, that an acceptable settlement (ie below or very close to 4%) is unlikely to be reached on either 16 or 22 February, if only because at that stage the teachers will have the local authority manuals 6.9% settlement in mind, and be unwilling to settle for much less at least before they see what the Civil Service and the nurses get. They are likely at some stage during the 16 or 22 February meetings to want to make an offer worth 4% (possibly as a combination of an across-the-board sum and a percentage increase), because they believe public opinion would favour the teachers if they do not. But I judge that the Association of County Councils will not at this stage suggest, or agree to, any offer being made above 4% unless they are confident that an offer slightly above this level would be accepted, and that even then they would not agree to an offer more than 5%. Equally they will not accept any requests from the teachers to go to arbitration at this stage. Their firm view is that they do not have the money. The position of the Association of Metropolitan Authorities is less clear, although the indications are that they would not wish, at least at this stage, to go much further. In later stages, much may depend on progress with the Civil Service negotiations.

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My aim is to obtain the lowest possible settlement. This aim must take precedence over questions of how details of a settlement may affect the pay of different groups of teachers. While I hope for a settlement costing no more than 4%, I nevertheless believe that if a settlement of 5% could be achieved on either 16 or 22 February we should agree to it. Not to do so might cost us more in the end. My officials will therefore argue and vote on 12 February against any offer being made on either 16 or 22 February above 4% unless the Management Panel has good reason to suppose that an offer slightly above 4% would be accepted - though I think this is a very unlikely eventuality. Even in this case they will not agree to an offer above 5%. On this basis the question of using "the veto" will not arise, because there will be no disposition among the representatives of the Association of County Councils to make an offer we could not accept. Similarly my officials will oppose any reference to arbitration at this stage.

The prospects are therefore that no settlement will be reached at these February meetings, and that further meetings will be necessary in due course, possibly after offers have been made to the Civil Servants and the nurses whether or not they have been accepted.

Copies of this letter go to the Prime Minister, members of E(PSP), the Secretary of State for Scotland and the Secretary of State for Wales.

*Gonewill*  
*Kew*

**CONFIDENTIAL**

MR SCHOLAR

original filed on: -

Econ Pol: Public Sector by Policy: P-6

Prime Minister

(1)

Agree to X overleaf? (but how can officials be sure that a 5% offer will gain acceptance?)

MCS 10/2

cc:- Mr Hoskyns

TEACHERS' PAY

Yes not

(attached) MCS: The Prime Minister ought to see Sir Keith Joseph's letter of today's date to the Chancellor about the handling of the forthcoming teachers' pay negotiations. It raises the difficult question of what authority should be given to the DES officials who sit on the Burnham Management Panels.

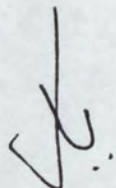
The Prime Minister will recall that, at her meeting of Ministers on 7 January, there was some confusion about the extent to which the Government is able to control the offer made by local authority employers. The position is that the Government has, by informal agreement with the employers, a veto over the total cost of any offer; and it may, if both Houses of Parliament resolve that national economic circumstances so require, override an arbitration award. Mr Carlisle did, of course, withdraw the right of unilateral access to arbitration, but the employers could nonetheless agree to it.

Although Sir Keith says that his aim is to obtain the lowest possible settlement, he defines this as "no more than 4%", and indicates that he would in fact be content to settle at 5%. This contrasts strongly with the general feeling in the Prime Minister's meeting that of all the public service groups, the teachers had the weakest claim for 4%. If the doctrine that "some will get more, and some will get less", means anything, it ought to mean that teachers get less - because we have far too many of them. And, given the constraints that have been placed on Mr Fowler in his desire to offer some Health Service groups more than 4%, it would look very odd if we were to agree to 5% for the teachers: indeed, it would create significant difficulties for the negotiations with the Civil Servants and NHS.

But intervention in these circumstances, certainly to the extent of arguing for an offer much lower than 4%, would involve the Government in taking a high profile. Officials would have to use the veto; the claim might go to arbitration; and public support for the teachers - of who there are nearly ½ million - would probably grow. Both the employers and the unions know that very few settlements this pay round

have been achieved below 5%.

I conclude that an opening of the negotiations at 4%, and an eventual settlement at 5%, is just about acceptable. What we have to avoid is allowing the negotiations to start at 5% and drift up further. Our general experience is that negotiators go to the limit of their discretion far too early in negotiations. The Prime Minister may feel that it would be wise to tell Sir Keith that his officials should stick to 4%, and hope to settle at it; they should move to 5% only if they have to, and if they are absolutely sure that to do so will achieve a settlement. They should also air the possibility of a disaggregated offer, in which groups of teachers in shorter supply than other groups are offered somewhat more.

  
10 February, 1982