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10 DOWNING STREET

From the Private Secretary

18 March 1982

Teachers' Pay

As I mentioned to you on the telephone this morning, the Prime Minister is strongly opposed to your Secretary of State's proposals, as set out in his letter to the Chancellor of the Exchequer of 16 May, on the next moves in the teachers' pay negotiations.

The Prime Minister thinks that your Secretary of State's representatives should this afternoon argue strongly against the proposal that the Management Panel should agree to arbitration; that they should vote against arbitration; and that they should be not prepared to agree to offers above 4% - or above 5% if there were concrete evidence of willingness by the unions to settle at 5%. The Prime Minister has commented that the 6.4% offered to the nurses was intended to be an exceptional response to the particular circumstances of that profession, and that it must certainly not be seen as some form of new public service norm.

I am sending copies of this letter to the Private Secretaries to the Secretaries of State for Scotland, Wales and Northern Ireland, the Chancellor of the Exchequer, and the members of E(PSP) and David Wright (Cabinet Office).

M. C. SCHOLAR

Mrs. Imogen Wilde,
Department of Education and Science

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cc JS

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

17 March 1982

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

Dear Keith

TEACHERS' PAY

Thank you for your letter of 16 March. will request if required

I am afraid that I cannot agree that we should be prepared to allow an offer to the teachers of up to 6½ per cent, even if there is reason to believe that such an offer would be accepted. As far as I can see nothing has changed to affect our previous judgement that we should permit offers up to 4 per cent, or up to 5 per cent if there were concrete evidence of willingness by unions to settle at that level. The 6.4 per cent offer to the nurses is not a new departure: we have had that in mind for several months, and you have never argued that it would be impossible to hold the teachers to a lower figure. I therefore think that we should continue to adhere firmly to that judgement, as set out in your letters of 10 February and 1 March, and to make the points set out in mine of 8 March.

The question then is how we can best achieve the outcome we want. I believe that your representatives on the management panel should continue to argue, and stand ready to vote, against a reference to arbitration. I understand that the relative voting strengths in the management panel are such that your representatives could prevent arbitration if they secured the support of just under half the ACC representatives alone. And it would be damaging not to associate ourselves with any local authority support which may emerge for the principle of ability to pay. But even if it is clear that there is a majority for arbitration, I think that we should oppose it and vote against it. I cannot see that this would have any adverse consequences, and it would put us in a stronger position if we subsequently wished to seek a parliamentary override of an arbitration award. We would then be able to argue with conviction that we had consistently opposed arbitration this year as inconsistent with the overriding need for a lower settlement which the economy could afford.

/We do not

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We do not of course need to take any decision about seeking an override at this stage. We can deal with that issue if it arises. But if you have doubts about the circumstances in which we could legitimately ask both Houses of Parliament to set aside an arbitration award, it might be as well to seek the views of the Attorney General now. It would obviously help if we could base our tactics on an informed judgement about the application of the override procedure. For my part I would be surprised if any differentiation between groups is excluded. In any case the offer to the nurses is not itself the highest which we have endorsed in the public services in the present pay round.

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

GEOFFREY HOWE

18 MAR 1982

ks

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Caxton House Tothill Street London SW1H 9NA F

Telephone Direct Line 01-213 6400
Switchboard 01-213 3000
GTN 213

Vc JV (2)

Prime Minister (2 letters)

I telephoned and Marsh/s wrote and was assured that the DES representatives would follow your instructions. Here are two letters on similar lines.

MCS 18/3

The Rt Hon Sir Keith Joseph Bt MP
Secretary of State
Department of Education and
Science
Elizabeth House
York Road
LONDON SW1

17th March 1982

D Keith

TEACHERS' PAY

I have seen a copy of your letter of 16 March to Geoffrey Howe. I am not convinced that it would be desirable for your representatives at tomorrow's meeting of the management panel to take a neutral line over arbitration. There continue to be sound arguments against arbitration in this case, despite developments in Scotland, and I would have thought that at this stage it would be right for your representatives to argue and vote against it. If the ACC join with the AMA, and your representatives are outvoted, the issue will then have to go to arbitration. But at least in those circumstances it would be less difficult for us to use the Two House procedure to set the arbitral award aside should we find it unacceptable. Clearly we cannot take a decision about the use of the Two House procedure until we see the size of any award. But we should surely aim to leave the option completely open.

Neither am I convinced that it would be worthwhile offering more than 5% in order to avoid arbitration. An early settlement at a higher level, and particularly one as high as 6½%, would be damagingly repercussive. It would be more damaging in my view than a later arbitral award (if arbitration were to be forced on us by the AMA and ACC) at about the same level; and there must be reasonable grounds for hoping, given the convincing arguments that could be deployed by the management side before arbitrators, that the award would not be higher than 6½%.

My preference, for the time being, would be to continue to seek, through negotiation, a settlement at 5% or less; and for the use of the veto, if necessary, against any offer higher than this.

Copies of this letter go to the Prime Minister, the Secretaries of State for Scotland, Wales and Northern Ireland, members of E(PSP) and Sir Robert Armstrong.

Above all, I am concerned at the possible interaction of the arbitration procedures in this case and that of the Civil Service.

Yours Tebbit
Norman

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PM has seen MES 18/3

(1) Education

Prime Minister

The acquiescence to 6.4% in the DES letter seems to me alarming. Should not the DES continue to argue against arbitration?

Agree I telephone as at X? MES 17/3

cc Mr. Hoskyns

MR. SCHOLAR

TEACHERS' PAY

We had a word about Sir Keith Joseph's letter of 16 March (attached) to the Chancellor, recommending that DES officials lift their objection to arbitration of teachers' pay, when the Burnham Management Committee meet tomorrow. Treasury officials are strongly recommending the Chancellor to reply in the course of this afternoon saying that they should not be permitted to do this; I hope the Prime Minister will agree that you should reinforce this message from the Treasury, perhaps by a Private Secretary telephone call first thing tomorrow morning.

The Prime Minister will recall that the present position is that the teachers have been offered 3.4%; that unilateral access to arbitration (in England and Wales) is no longer available; and that the officials on the Burnham Management Committee hold the balance between the ACC and the AMA in permitting arbitration. There are, in my view, three very strong reasons for opposing Sir Keith Joseph's suggestion:

(i) Mr. Carlisle went out of his way to remove unilateral access to arbitration, precisely to avoid our getting into the situation that Sir Keith Joseph discusses at the end of page 2 of his letter - where an arbitrarial award is higher than we would wish, but not so high that we can ask the House of Commons to set it aside on the grounds that national ecomomic circumstances so require;

(ii) As the Prime Minister knows, on management and recruitment and retention grounds, there is probably no public service group less deserving of a pay increase this round than the teachers. Although there are shortages of particular teaching skills, which it seems virtually impossible to counter by disaggregating the pay offer, in general we cannot reduce the number of our teachers as fast as we need to to match the declining school population;

/ (iii)

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(iii) and most important of all, we must not move an inch from the principle that the 6.4% offer to the nurses is a wholly exceptional response to the particular circumstances of that profession. As soon as that is allowed to be seen as some form of new public service norm, the negotiating position in the health service will become impossible. We will have no chance of settling the ancillaries at 4%, and the nurses themselves will expect even more.

The immediate issue presented by Sir Keith's letter is access to arbitration, and if the Prime Minister agrees that can be taken care of by ensuring that officials at tomorrow's meeting continue to hold out against it. But there are of course consequences of that for the handling of teachers' pay negotiations over the next few weeks, and they can be dealt with in the Official Group on Pay, and E(PSP). I do not think the Prime Minister needs to hold a meeting on this at this stage.

John Vereker

17 March 1982

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DEPARTMENT OF EDUCATION AND SCIENCE

ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH

TELEPHONE 01-928 9222

FROM THE SECRETARY OF STATE

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

16 March 1982

Dear Geoffrey,

TEACHERS' PAY

Thank you for your letter of 8 March. As I explained in my letter of 5 March the Burnham Primary and Secondary Committee ended its meeting on 3 March without agreement on what should happen next. The management panel wanted more negotiations, but refused to improve its 3.4% offer without some move from the teachers. The teachers would not agree to further negotiations without an indication from the management side that an improved offer would be put forward, and wanted arbitration, which the management side rejected.

Since that meeting three unions, NUT, AMMA and NAS/UWT, have embarked on industrial action aimed at persuading the management panel to agree to arbitration. The industrial action is taking the form of withdrawal from supervision duties during the mid-day break, and withdrawal from activities outside classroom hours including meetings with parents, extra curricular activities, marking and so on. It is too early to tell how severe this action may become, but it could be very troublesome and disruptive.

The threat of such action was enough to cause the AMA and the ILEA and 15-20 individual county authorities to issue statements indicating in varying degrees support for or willingness to consider arbitration, which has been sufficient to cause the NUT and AMMA, but not NAS/UWT, to call off the threatened industrial action in their areas. The ACC has been angered by this action, and has reaffirmed its view that there should be further negotiations and that the time has not yet come to consider arbitration. At least one Labour controlled county (Lancashire) has publicly supported this line.

The management panel of the Burnham Primary and Secondary Committee is to meet on 18 March. It is not easy to see what the outcome will

be. The AMA are likely to argue against further negotiations, and for immediate recourse to arbitration, on the grounds that arbitration will be necessary in the end, and that any improved offer will simply raise the base before arbitration and be likely to result in a higher arbitral award. The ACC are likely to argue for holding firm against arbitration at this stage, pressing the teachers to shift from their claim in some way which would enable the management to make an improved offer. The weakness of this argument is that the teachers have already split the employers; they will hope to persuade more counties to favour arbitration; and they will not readily shift from their claim without the clear prospect of an offer they will feel able to accept. It is difficult to put a figure on this, but it seems unlikely that a figure less than the 6.4% which we are prepared to finance for the nurses would persuade the teachers to abandon their pressure for arbitration. While it is not at all clear that the employers as a whole would agree to an offer of that order, my understanding is that some though not all of the individual local authorities have budgeted to cover that kind of figure, and that the teachers know this to be the case. Moreover it must be possible that arbitration would result in an award of at least that order. The ACC will not want to make an open offer at this level, but it is possible they would be ready to do so if they were confident the teachers would accept, rather than be seen to follow the AMA in agreeing to arbitration.

I cannot prevent arbitration if both ACC and AMA want it, though my representatives could argue and vote against: the "veto" does not apply here. As you will know, the voting strength in the Primary and Secondary Committee, which depends on attendance on the local authority side, is ACC 13, AMA 10 and WJEC 2, with a weighted vote of 15 for my representatives. Strictly the association representatives are individuals, though those present may in practice vote as blocks. We have agreed to arbitration for the civil service, and I understand it has been agreed that the Scottish school teachers' claim should go to arbitration. In these circumstances I do not think my representatives should now argue against arbitration, but at the same time I do not think they should vote against the ACC and with the AMA in favour of arbitration. If the ACC are solid and all present, they can out-vote the AMA, even if WJEC support AMA. But unless an acceptable settlement is reached, it appears that the ACC must accept arbitration eventually.

The ACC want a negotiated settlement without recourse to arbitration if they can get one, but the indications are that they will not wish to make an offer above the 3.4% already offered unless they are confident of reaching a settlement. If no settlement is reached, a higher offer would merely raise the base for arbitration. This is the argument my representatives will support, and the AMA may well take the same view.

I believe that both the ACC and the AMA consider that a negotiated settlement will only be possible at a level above 4%, and I share that view. But an arbitral award would almost certainly be above 4%, and we can only set an arbitral award aside if "each House of

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Parliament resolves that national economic circumstances require" that effect should not be given to the arbitrators' recommendations. This is different from the civil service position, where we have reserved the right to ask the House of Commons to set aside an arbitration award on grounds of national policy. With the very specific wording of the Remuneration of Teachers Act 1965 it must be doubtful if we could ask both Houses of Parliament to set aside an arbitration award for teachers if that did not significantly exceed the level we have agreed to finance for the nurses. There is of course no question of our making any extra cash available to the local authorities on this account above the 4% already announced, and my representatives will certainly make that clear.

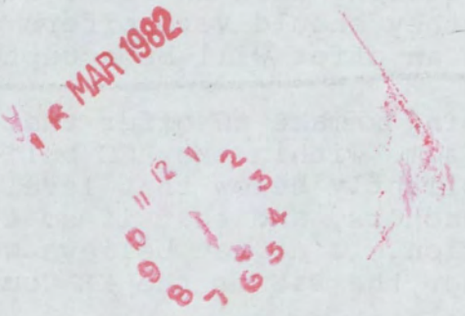
The judgment needed at the end of the day for me as for the employers, is which of the two alternatives, a negotiated settlement or an arbitral award, will be higher. While my representatives can, under the voluntary Concordat, veto an offer on grounds of total cost - no offer will be made "if the Secretary of State objects to the total cost involved; it being understood, however, that the Secretary of State will not determine any limit of total cost at the outset of negotiations" - there is no point in their doing so if use of the veto results in an arbitral award as high or higher than the vetoed offer. With these considerations in mind, while my representatives will argue against any offer above 3.4% unless there are good grounds for believing such an offer will bring a settlement, I do not propose they should veto offers up to 6½% if there is confidence that such an offer will be accepted.

The employers may not be willing to make an offer that high. There are indications however that some within the ACC believe a settlement could be reached at or even slightly below that level, for FE teachers as well as school teachers, and that if so this would be better than going to arbitration. I do not believe we should use the veto to stop them in either the P&S or the FE Committee.

Copies of this letter go to the Prime Minister, the Secretaries of State for Scotland, Wales and Northern Ireland, members of E(PSP) and Sir Robert Armstrong.

Yours ever,

Keith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MR. SCHOLAR

c.c. Mr. Hoskyns
Mr. Ingham

Teachers' Pay

Today's FT reports that the teachers employers have split on whether this year's pay award should go to arbitration; that a crucial balance on the management side is held by DES officials; and that they will today tell the management panel of their decision. Meanwhile the proposed industrial action is suspended. I have discussed the position with the Deputy Secretary responsible in DES.

The story is broadly accurate, except that DES officials have no intention of taking a position on the arbitration issue until Sir Keith Joseph has consulted his colleagues, which he will do shortly.

The Prime Minister will recall that Sir Keith Joseph reported, in his letter of 5 March to the Chancellor, that the management side stuck to the 3.4% offer (to our considerable surprise) in the Burnahm Committee on 4 March; and that management refused arbitration. At that stage, the AMA and the ACC were united in their opposition to arbitration. But since then, in the face of the threat of industrial action, the AMA have changed tack; and have asked for the arbitration issue to be discussed in the management side at a special meeting next week. Sir Keith Joseph is likely to recommend to his colleagues that we continue to support the ACC in opposing arbitration, and that would of course be entirely consistent with the position Ministers have taken on not allowing the teachers to be offered more than 4% unless a settlement not greater than 5% is certain. We cannot, of course, be certain of being able to hold the position, because the ACC itself may split on the issue.

Refusing teachers access to arbitration in the face of a 3.4% pay offer may have some presentational difficulties, given our

agreement to arbitration for the civil servants, and Mr. Fowler's success in increasing the cash limit for NHS pay. But there are some excellent counter-arguments summarised in the Chancellor's letter of 8 March to Sir Keith Joseph, on which Mr. Ingham may wish to draw in his discussions with the lobby.

10 March, 1982.

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Prime Minister (2) cc JV ← Education

MCS 8/3

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

8 March 1982

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

Dear Keith

TEACHERS PAY

Thank you for your letter of 5 March. I am grateful to you for keeping me in touch with developments.

I am sure that you will be representing the Government's views forcefully to the local authority employers when you see them. It seems to me that our position is perfectly reasonable, and that we should not allow the local authorities to make too much of what is essentially a concession for a single, albeit large, NHS group. No doubt you will be making the following points.

(a) There is substantial over-supply of teachers. In many respects, a nil offer would be justified - just as the Civil Service offer includes nil increases for recruitment grades. By contrast, the NHS is an expanding service. It is necessary to look at the underlying market position, and not at some illusory "going rate".

(b) The local authorities conceded 6.9 per cent to their manual workers (and the full year cost will be still higher); it is not unreasonable to expect them to offer correspondingly less to other groups.

(c) The Government's offer to the nurses will be less than the settlement with the local authority manuals and most other NHS groups will be given offers consistent with the 4 per cent pay factor. In particular, there is no current intention of offering NHS Administration and Clerical staff - who are at least as close a parallel as the nurses - more than 4 per cent.

(d) The offer to the Civil Service is worth almost exactly 4 per cent.

/(e) In 1981,

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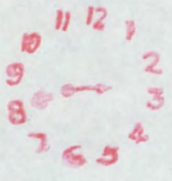
(e) In 1981, the teachers got 7½ per cent and the nurses (like other NHS groups) 6 per cent. It should not be impossible for the local authorities to defend a differential in the reverse sense this time.

I am sending copies of this letter to the other recipients of yours.

GEOFFREY HOWE

8 MAR 1982



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(2)

cc Mr. Hoskyns
Mr. Ingham

Prime Minister

Keith Joseph's letter attached.

MLS 5/3

MR. SCHOLAR

Industrial action by the teachers

As reported on the news tapes this afternoon, one of the teachers' unions - the National Association of Schoolmasters - has voted to instruct its 124,000 members not to supervise lunch-time breaks as from 11 March. I have had a word with the DES about this.

We do not yet know the extent to which this call for industrial action will be supported by the membership; nor, more importantly, whether the National Union of Teachers will follow suit. But, as I understand Sir Keith Joseph is reporting in a letter to his colleagues later today, the latest round of Burnham negotiations broke up without setting a date for further discussions, and there is therefore unlikely to be an opportunity for the employers to increase their 3.4% offer before the industrial action begins. And Monday's announcement of the increased NHS cash limits will aggravate the teachers' view of their pay offer.

As the Prime Minister will know, lunch-time supervision is a voluntary activity, and cannot be imposed upon teachers; and they lose no money by refusing it. Although we have not had this form of industrial action by teachers for several years, experience shows that it is very disruptive. In the past it has led to school closures, because Headmasters (who are obliged to stay at their posts) may find themselves unable to cope on their own with up to 1,200 students, and ask the local authority to agree to close the school down.

You may feel that Sir Keith Joseph should be invited to report to his colleagues on the prospects, and any ways out, when the picture is clearer early next week.

John Vereker

5 March 1982

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DEPARTMENT OF EDUCATION AND SCIENCE

ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH

TELEPHONE 01-928 9222

FROM THE SECRETARY OF STATE

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

5 March 1982

Dear Geoffrey.

TEACHERS' PAY

The Burnham (Primary and Secondary) Committee reached deadlock yesterday on the schoolteachers' 1982 pay claim. The management panel were not prepared to increase the offer of 3.4% made at the previous meeting, and the teachers stuck to their claim for an increase in line with inflation. Each side made it clear that it was not ready to be the first to move. The teachers asked for arbitration. The management panel would not agree to that, taking the view that further discussions might yet lead to a settlement. They suggested a further meeting on 2 April, by which date both the ACC and AMA Policy Committees would have had meetings at which the employers' position could be reviewed. The teachers responded that a month's postponement was unacceptable and pressed for earlier action by the employers. The management panel then offered a meeting on 15 March. The teachers were not ready to agree to that unless the management panel undertook to enter into "real negotiations" then; in effect asking for an assurance that there would then be an improved offer. The management panel refused to give any such undertaking and the meeting adjourned with no agreed date for the resumption of negotiations. It was, however, agreed earlier in the day that the April 1981 London Weighting claim should go to arbitration, as foreshadowed in my letter to you on 1 March. The agreed terms are short and strictly neutral: they refer to the amounts of the claim and the offer, leavi both sides free to deploy their arguments on indexation and ability to pay in their presentations to the arbitrators.

Developments on the NHS front must make the Burnham situation more difficult. They will certainly increase teacher resistance to any offer we would regard as satisfactory, and may also affect employer attitudes. I am therefore seeking to meet the local authority Leaders of the Management Panels of both Burnham Committees on Monday afternoon to explain the position. I will make it clear that

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we judge it right this year to finance settlements above 4% for the nurses and some other NHS groups - albeit part of the cost is to come from the NHS itself - but that we are not ready do so in respect of teachers. I have no doubt that the Leaders will tell me that the NHS position will make it more difficult to achieve a satisfactory outcome on teachers' pay. They may say, in line with the line their colleagues took when they met Michael Heseltine, you and me on 23 October last, that if local authorities are expected to hold the line on teachers' pay they are entitled to expect a similar position to be adopted towards other pay groups where the Government has control.

We now have impasses in both Burnham Committees - in the Primary and Secondary Committee over the 1982 claim, and in the Further Education Committee over the appointment of the Association of Polytechnic Teachers to the Teachers' Panel. Neither Committee has a date for resumed discussion. It is not clear what the next steps will be, but I will keep you and ~~your~~ colleagues informed.

I am copying this letter to the Prime Minister, E(PSP) colleagues and Sir Robert Armstrong.

Yours,

Ken

5 MAR 1982

Education

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London weighting - A

MR. SCHOLAR

c.c. Mr. Hoskyns

TEACHERS' PAY

There are two proposals in Sir Keith Joseph's letter to the Chancellor of 1 March. First, not to oppose an increase in the offer to teachers from 3½ to 4 per cent. Second, not to oppose reference to arbitration of the London weighting dispute.

The Prime Minister has already agreed that a 4 per cent offer may be made, with a move to 5 per cent only if a settlement is certain. With the teachers, as with the NHS, the Government's best interest now lies with a settlement around the 4 per cent level before arbitration of the Civil Service dispute. That way, there will be some public service settlements to which we can point before the arbitrator; if they all hang around waiting for the arbitrator, he is more likely to be influenced by the going rate in the economy as a whole, which is probably around 7 per cent. So I am sure that our present instructions should stand.

As to London weighting, I have drawn attention before to the link between the way in which we deal with armed forces' London weighting and the teachers dispute. If the teachers go to arbitration, there is a reasonable chance of their being held to single figures - as were the civil servants - but that chance would be considerably strengthened if we hold the armed forces to 7 per cent, as I suggested in my note before the weekend.

2 March 1982

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Prime Minister

DEPARTMENT OF EDUCATION AND SCIENCE

ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH

TELEPHONE 01-928 9222

FROM THE SECRETARY OF STATE

The Rt Hon Sir Geoffrey Howe QC MP
Treasury
Parliament Street
LONDON SW1P 3AG

1 March 1982

Dear Geoffrey.

BURNHAM NEGOTIATIONS 1982

My minute of 25 February to the Prime Minister reported on the state of play and promised a note on tactics ahead of the 3rd March meeting of the Primary and Secondary Committee.

In the main pay negotiations for school teachers there may be a wish by the employers to move to a 4% offer. If so, I do not consider that Government could reasonably oppose, given our 4% offer to the Civil Service and the 4% offer now made to Scottish school teachers. My representatives in Burnham will however continue strongly to oppose any offer above 4% unless it becomes clear that a quick settlement could be reached at 5% or less. I do not myself expect an early settlement -most observers seem to think that the teachers will play a waiting game, waiting in particular on the Civil Service negotiations.

The issue of greatest immediate difficulty is London Weighting where up to now my representatives have been opposing any offer above 7½% or a reference to arbitration - but would not have used the veto. The settlement date was 1 April 1981, and the London employers are increasingly concerned to secure an early settlement. They fear that otherwise back payments for over a year may have to be attributed to 1982-83, exposing some authorities to risk of penalty under the GRE arrangements. But at the same time they do seem determined to break the link with the DE London indices, and in the long run that may be more important than the absolute level of the settlement. Informal contacts recently with the parties suggest that, if the employers do decide to try for a settlement on 3 March, one of three courses may be favoured:

a. an increase on the 7½% offer already made and rejected;

b. an end-loaded settlement which would pay increases in line with the indices but from a date later than 1 April 1981, so as to keep the cost to 7½% in this financial year - but with a fully indexed increase in the baseline for 1982-83;

c. arbitration.

(a) seems unpromising as a means of obtaining a settlement unless the increase were so substantial as virtually to concede the indexed claim; that would damage prospects in other negotiations and leave indexation to stand as a hostage in future negotiations. I reject (b). That would buy a settlement now at a future cost and would additionally leave the principle of indexation unchallenged for the future. Accordingly, my officials will continue, as before, to oppose both of those courses within the management panel if they are raised.

On (c), the position is that neither side has so far requested arbitration - the teachers fear they would effectively lose their principle of indexation for the future if the arbitration did not go their way, and in the management panel my representatives and the ACC representatives have objected on cost grounds. It now appears that the ACC may join the AMA in wishing to agree to arbitration if terms of reference could be agreed which give due prominence to the 7½% offer, to ability to pay arguments and to the case for treating London teachers no better and no worse than other teachers in terms of their reduction in real income. If the employers should wish to go to arbitration on terms of this kind I do not propose to instruct my representatives to use my block vote in an attempt to stop them. I come to that conclusion because it may be that arbitration is the least unsatisfactory option, and also because it seems to me imprudent to put my powers within the management panel at risk for this relatively minor matter. If the voluntary concordat on which those powers rest should collapse we would suffer a major reduction in influence over teachers' pay at a critical time.

I am copying this letter to the Prime Minister, E(PSP) colleagues and Sir Robert Armstrong.

Yours,

Jim

01 MAR 1982