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75

CABINET

CONCLUSIONS of a Meeting of the Cabinet
held at 10 Downing Street on

THURSDAY 30 JANUARY 1986

at 10.30 am

P R E S E N T

The Rt Hon Margaret Thatcher MP
Prime Minister

The Rt Hon Viscount Whitelaw
Lord President of the Council

The Rt Hon Lord Hailsham of St Marylebone
Lord Chancellor

The Rt Hon Sir Geoffrey Howe QC MP
Secretary of State for Foreign and
Commonwealth Affairs

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer

The Rt Hon Douglas Hurd MP
Secretary of State for the Home Department

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

The Rt Hon Peter Walker MP
Secretary of State for Energy

The Rt Hon George Younger MP
Secretary of State for Defence

The Rt Hon Nicholas Edwards MP
Secretary of State for Wales

The Rt Hon John Biffen MP
Lord Privy Seal

The Rt Hon Norman Fowler MP
Secretary of State for Social Services

The Rt Hon Tom King MP
Secretary of State for Northern Ireland

The Rt Hon Nicholas Ridley MP
Secretary of State for Transport

The Rt Hon Lord Young of Graffham
Secretary of State for Employment

The Rt Hon Kenneth Baker MP
Secretary of State for the Environment

The Rt Hon Kenneth Clarke QC MP
Paymaster General

The Rt Hon John MacGregor MP
Chief Secretary, Treasury

The Rt Hon Malcolm Rifkind QC MP
Secretary of State for Scotland

The Rt Hon Paul Channon MP
Secretary of State for Trade and Industry

i

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57

ALSO PRESENT

The Rt Hon John Wakeham ~~MP~~
Parliamentary Secretary, Treasury

SECRETARIAT

Sir Robert Armstrong
Mr D F Williamson
Mr C L G Mallaby (Items 4-6)
Mr J B Unwin (Item 7)
Mr A J Wiggins (Item 7)
Mr A J Langdon (Items 1-3)
Mr R Watson (Items 1-3)

C O N T E N T S

Item	Subject	Page
1.	MEMBERSHIP OF CABINET	1
2.	PARLIAMENTARY AFFAIRS	1
3.	ECONOMIC AFFAIRS	1
4.	FOREIGN AFFAIRS	
	Uganda	2
	Libya	3
	International Tin Council	4
5.	COMMUNITY AFFAIRS	
	Intergovernmental Conference	4
6.	NORTHERN IRELAND AFFAIRS	4
7.	TEACHERS' PAY DISPUTE	5

MEMBERSHIP
OF CABINET

1. The Cabinet welcomed the Secretary of State for Trade and Industry as a new member, following the resignation of his predecessor.

PARLIAMENTARY
AFFAIRS

2. The Cabinet were informed of the business to be taken in the House of Commons in the following week.

ECONOMIC
AFFAIRS

3. THE SECRETARY OF STATE FOR EMPLOYMENT said that the unemployment figures to be released later that day were disappointing. The unemployment total was up by 135,000, which was the largest monthly increase since 1981. More significantly, the seasonally adjusted figure had increased by 21,000. It was still too early to say whether this indicated a change in the trend, but it would certainly bring the Government under pressure. He intended to reply to comment by acknowledging that this was not good news, but pointing out that it was still too early to tell whether the trend had changed; certainly other economic indicators had not suggested that there would be such an increase. There were no particular regional variations which might give an indication of the cause, and vacancy figures were down. He intended to point out that when unemployment had been decreasing, the Government had waited for some months before concluding that there was a new trend.

In discussion it was pointed out that the unemployment figures did not take account of the self-employed or the armed forces. When these were included, the rate of 14.1 per cent came down to about 12.5 per cent. However, the figures for self-employment were only produced once a year on a survey basis and it was difficult to include them in the monthly totals. It was not clear whether published unemployment rates in other European countries took account of such features. In addition, some at least of those countries did not have demographic patterns similar to those in the United Kingdom. It was also suggested that the statistics were an imperfect reflection of the real world. Both in terms of unemployment and vacancies, there was increasing anecdotal and partial evidence to suggest that there were more people in work and more vacancies than the published statistics indicated. Pilot exercises conducted by the Department of Employment in selected areas had resulted in considerable increases in those admitting to employment, although the primary purpose of the exercises was to deal with the problems of the long-term unemployed. It was also pointed out that the employment measures announced in the previous year's Budget were not yet fully effective. The reductions in National Insurance contributions for the low-paid had only taken effect in October 1985 and the increased period for the Youth Training Scheme would not begin until April.

THE PRIME MINISTER, summing up the discussion, said that the current month's figures were difficult to explain and would no doubt give rise to political controversy. It was, however, important to make clear the forthcoming impact of the budget employment measures and the fact that

the self-employed and armed forces were not included in the totals. Further consideration should be given to improving the statistics of both unemployment and vacancies in order to reflect what was actually happening. It was always difficult to choose a time to improve the basis of the unemployment statistics, since the Government would inevitably be accused of doing so for political advantage. If necessary, figures could be published which included self-employed at the same time as publication of the existing series. The long-term unemployed pilot experiments currently being conducted by the Department of Employment in nine areas ought to be extended nationally as soon as possible.

The Cabinet -

Took note.

FOREIGN
AFFAIRS

Uganda

Previous

Reference:

CC(86) 3rd

Conclusions,

Minute 2

4. THE FOREIGN AND COMMONWEALTH SECRETARY said that the National Resistance Army (NRA), led by General Yoweri Museveni, had in the past few days succeeded in gaining control of Kampala and of substantial parts of the remainder of Uganda. Elements in the previous régime had defected to the NRA. The NRA was now consolidating its position and seemed to be gaining as effective and geographically widespread a hold in Uganda as any régime had achieved for some time. General Museveni had on the previous day been sworn in as President of Uganda. In his speech he had spoken of the need for self-discipline, the importance of human rights and his wish to strengthen the economy of the country. He had described himself as a radical but no Marxist and had said that he favoured a mixed economy. While, in the light of recent events in Uganda, any observer would hesitate to be optimistic, there was a possibility that events would now move in a more hopeful direction.

The United Kingdom Government had maintained their position of non-involvement in the troubles of Uganda. The Government had good contacts with General Museveni and the NRA through the British High Commission in Kampala and also through Major General Pollard, the leader of the small British military advisory team, who was now in Kampala. The Government should now seek to consolidate their influence, and be ready to provide help, for instance with military training, on the lines already offered. In dialogue with the Ugandan Government, the United Kingdom should emphasise the importance of human rights and of stable government.

Plans for an evacuation of British subjects from Uganda had been prepared the previous weekend, but it had not been necessary to carry them out. Charter flights were now operating to and from Entebbe in Uganda, and scheduled flights were expected to resume soon. British subjects in Uganda were therefore in a position to leave the country if they wished.

Libya
Previous
Reference
CC(86) 1st
Conclusions
Minute 3

THE FOREIGN AND COMMONWEALTH SECRETARY said that the statement of the Ministers of Foreign Affairs of the European Community countries of 27 January about combating international terrorism had resulted from their discussion that day of the United States' request for European sanctions against Libya, in the wake of the bomb attacks on 27 December 1985 at Vienna and Rome airports. He had been concerned that Mr John Whitehead, the United States Deputy Secretary of State, had gained, or at least put about, the impression that the United Kingdom was less willing than other European countries to take measures against Libya. The statement of 27 January now made clear that Governments which behaved like that of Libya could not have normal relations with the member states of the European Community; that the Community countries would not export arms or military equipment to countries clearly implicated in supporting terrorism; that they would not undercut United States measures against Libya; and that they would establish a permanent working body, within the context of European Political Co-operation, to monitor and give impetus to implementation of measures against terrorism. It had not been possible at the meeting on 27 January to reach agreement that Libya should be mentioned by name in the declaration. Nor was the wording of the declaration exactly as the United Kingdom would have wanted. But the declaration was a reasonable result, satisfactory to the United Kingdom. The European Community countries now had a rather more effective posture against terrorism; and it had been made clear that the United Kingdom was not less willing than the other Community countries to act against terrorism.

In a short discussion, attention was drawn to a report in the British press that morning, which alleged that Libyan secret agents were among Libyan "students" working at British airports, notably Heathrow and Gatwick. It was recalled that the interested Government Departments had earlier considered this matter. The so-called "Students" were trainees in aircraft maintenance, who were in the United Kingdom under commercial contracts between British firms and Libya. The Libyan trainees were individually vetted. To break off these profitable contracts would be against the commercial interests of British firms and of British Caledonian Airways in particular.

The Cabinet -

1. Took note.

International
Tin
Council

Previous
Reference:
CC(86) 3rd
Conclusions,
Minute 2

THE SECRETARY OF STATE FOR TRADE AND INDUSTRY said that there had on the previous day been talks involving the Chairman of the International Tin Council about the need for a rescue operation for the Council. The matter would also be considered that day in the European Community. The question at issue was no longer whether there should be a settlement but how much money each participating country should provide. There would be pressure on the United Kingdom to pay much more than her fair share.

The Cabinet -

2. Invited the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer and the Secretary of State for Trade and Industry to consult together with a view to maintaining pressure, particularly on the other European Community countries, for an equitable settlement.

COMMUNITY
AFFAIRS

Inter-
governmental
Conference

Previous
Reference:
CC(86) 3rd
Conclusions,
Minute 3

5. THE FOREIGN AND COMMONWEALTH SECRETARY said that agreement had been reached on 27 January on the text incorporating the results of the Intergovernmental Conference. The United Kingdom had secured the amendment necessary for the withdrawal of the reserve on the text on the working environment. The Italians would probably lift their reserve on the whole package shortly. The Danish Government, however, was committed to hold a referendum, probably on 27 February, which opinion polls suggested that they would win. The Dutch Presidency had now proposed that eleven member states should sign the text on 17 February. This proposal had been welcomed by the Danish Government which would sign as soon as it was in a position to do so.

The Cabinet -

Took note.

NORTHERN
IRELAND
AFFAIRS

Previous
Reference:
CC(86) 3rd
Conclusions,
Minute 5

6. THE SECRETARY OF STATE FOR NORTHERN IRELAND said that there had been two helpful developments in the past week in Northern Ireland. First, in the 15 by-elections which had taken place on 23 January, the Unionist parties, although they had done quite well, had not managed significantly to increase the aggregate vote they had received in the same constituencies in the General Election of 1983. Although Unionists had said that the Anglo-Irish Agreement of 15 November 1985 would not reduce support in Northern Ireland for Sinn Fein, one-quarter of the vote achieved by Sinn Fein in 1983 had in fact moved to the Social Democratic and Labour Party. The second helpful development had been that police in the Republic of Ireland had seized on 26 January the largest amount of arms belonging to the Provisional Irish Republican Army ever recovered on the island of Ireland.

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The Cabinet -

Took note.

TEACHERS'
PAY
DISPUTE

The Cabinet considered a memorandum by the Secretary of State for Education and Science (C(86) 4) about the teachers' pay dispute. Their discussion and the conclusions reached are recorded separately.

Previous
Reference:
CC(86) 2nd
Conclusions,
Minute 2

Cabinet Office

30 January 1986

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CABINET

LIMITED CIRCULATION ANNEX

CC(86) 4th Conclusions, Minute 7

Thursday 30 January 1986 at 10.30 am

TEACHERS'
PAY
DISPUTE

Previous
Reference:
CC(86) 2nd
Conclusions,
Minute 2

The Cabinet considered a memorandum by the Secretary of State for Education and Science (C(86) 4) about schoolteachers' pay.

THE SECRETARY OF STATE FOR EDUCATION AND SCIENCE said that a provisional agreement had been reached, with the help of the Advisory Conciliation and Arbitration Service (ACAS), to the long-standing teachers' pay dispute. This had three main elements: first, a pay increase from 1 April 1985 of 6.9 per cent, rising to 8.5 per cent from 31 March 1986; second, an end to disruption; and third, an ACAS-managed negotiation for 1986 across pay and other conditions of service, with ACAS appointing a panel of three individuals to assist the negotiations. The 1985-86 settlement was more than the local education authorities (LEAs) could afford, and it had been made clear to them that there would be no Government contribution towards its cost in 1985-86 beyond the amounts of Rate Support Grant already provided; and a major uncertainty remained in that the largest teachers' union, the National Union of Teachers (NUT) was not a party to the settlement. The LEAs were expected to ratify the settlement the following week, and the largest union which had been a party to it, the National Association of Schoolmasters/Union of Women Teachers (NAS/UWT) would be balloting its members over the next three to four weeks. Thereafter the settlement, so far as pay was concerned, would be ratified through the Burnham machinery. Subject to the views of the Cabinet, he proposed that the Government should welcome the settlement achieved by ACAS, while recognising that it might not be ratified, and that there was a risk of it breaking down at any stage during the wider 1986 negotiation to be undertaken with the aid of the three-man panel. There remained a very wide gulf between the unions and the employers on pay levels and the nature of teachers' duties. The Government would need to be ready to step in with proposals for some other kind of review or review body if the ACAS settlement broke down or produced unacceptable results. Meanwhile he intended to write that day to Mrs Harrison, the Chairman of the Burnham Management Panel, welcoming the procedure worked out by ACAS, reaffirming the Government's refusal to provide extra money during the current financial year, and making clear that the £1¹/₄ billion over four years previously held out by the Government would be made available in the event of a 1986 settlement which met the Government's conditions.

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In discussion the following main points were made -

- a. There was at present no prospect of a settlement in Scotland corresponding to that achieved by ACAS for England and Wales. The main Scottish teachers' union, the Educational Institute for Scotland, was adopting the same line as the NUT, and both unions and employers were agreed that there was no point in negotiations unless the Government were willing to provide additional money. The Secretary of State for Scotland would be preparing a paper, initially for discussion in a group of Ministers particularly concerned, about possible options for Government initiatives there; because of the risk that a very early initiative in Scotland might upset ratification of the ACAS agreement, no action could be taken until the prospects in England and Wales had become clearer.
- b. The Government's representatives on the Burnham Management Panel would present the Government's views firmly and clearly; although they could readily be outvoted, the ACAS panel would be aware of the Government's position. The terms of reference for the ACAS-sponsored 1986 negotiation were generally sensible, and the possibility of a reasonably satisfactory outcome should not be altogether dismissed, particularly in view of the split between the NUT and the NAS. But the Government could not afford simply to wait and see what emerged from the new negotiation; they would have to review the priorities to be attached to their various education objectives, and they would have to consider what their reaction should be to an outcome which gave more money to the teachers than was justified by the associated changes in conditions of service.
- c. A Government-sponsored inquiry, whether confined to Scotland or established in England and Wales after the failure of the ACAS process, would present serious dangers of repercussions elsewhere in the public sector. One possible approach, which might be put forward either during or after the end of the ACAS process, was the institution of a Statutory Review Body to determine teachers' pay and conditions of service. The establishment of such a body, which would mean setting aside the existing pay determination process, would need far-reaching legislation, and would only be effective if the unions and employers were willing to accept it. On the other hand, if both sides accepted it, and teachers committed themselves not to strike or engage in further disruption, it could offer the prospect of a better atmosphere in schools and avoid the need for a collective bargaining process which had clearly proved to be unsatisfactory.
- d. The whole system of education was in many ways very unsatisfactory; too many children were taught in bad schools by inadequate teachers, and the LEAs all too often abdicated their management responsibilities. Although the population at large held the Government responsible for the performance of the education system, effective control remained in the hands of the LEAs who could not be relied on to act in accordance with Government policy. One approach would be to establish a national education service,

analogous with the National Health Service, whereby the Government would become directly responsible for running schools and employing teachers. Such a step would, however, be inconsistent with the Government's general approach towards local government. Despite the unsatisfactory record and performance of the LEAs, it might still be possible to secure improvements as compared with the present position by means of new legislation which clarified the duties of teachers and LEAs and required the latter to discharge their managerial responsibilities more effectively.

e. Too much attention was focused on the negative aspects of Government policy towards education. The Government had formulated clear objectives for improving the quality of education, but received little credit for these initiatives. Instead the Government were seen as constantly reducing the resources available to the service in pursuit of wider economic policy objectives, and the atmosphere so created was progressively alienating good teachers and responsible parents. It was essential to get across the positive aspects of the Government's policy, and not least that they explicitly favoured higher salaries for teachers of proven good quality.

f. The Government's posture so far had been to refuse to provide any additional resources through the Rate Support Grant to meet the costs of education, whatever pay settlements were reached for teachers. The £1¹/₄ billion over four years might well not prove adequate to secure the objectives the Government had attached to it; and the refusal of any additional Government funding to meet the costs of a less than satisfactory 1986 pay settlement would have serious consequences for rate bills in 1987-88. Although some LEAs continued to spend wastefully, many other authorities, particularly in the shire counties, ran efficient services but could still not find the resources they needed to meet minimum needs. Although the Government would need to maintain every pressure to enforce acceptance of better management of teachers, improvements in the career structure, and so on, sooner or later some selective relaxation of the present squeeze would be essential if good teachers were to recover their morale and enthusiasm.

g. The Secretary of State for Education and Science would be sending his letter stating the Government's attitude towards the settlement reached with the help of ACAS immediately after the present Cabinet meeting. There had been pressure from the Government's supporters for a statement in the House of Commons, which might conveniently be made on Monday 3 February. This would give the Government an opportunity to emphasise some positive aspects of their policy towards education, while making clear their attitude towards the provisional settlement of the teachers' pay dispute.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet endorsed the approach to the provisional settlement of the teachers' pay dispute put forward by the Secretary of State for Education and Science.

They attached great importance to the need for progress towards the achievement of the Government's education objectives, and to the recovery of the support of good teachers and responsible parents. For the time being the 1986 negotiation with the assistance of ACAS offered the best way forward; but there was a high risk that the results would prove unsatisfactory or incomplete, and the Government would need to undertake preparatory work on the further steps they might take when the initiative returned to them during or after that negotiation. The Government's representatives on the Burnham Management Panel should ensure that their education objectives, and the conditions attached to the offer of additional funding of £1¹/₄ billion over four years, were fully understood by the negotiators and the ACAS panel. The Secretary of State for Education and Science should arrange for further work to be done on possible improvements in Government control over the education system, and on possible alternatives to the present teachers' pay determination arrangements including the implications of establishing a Statutory Review Body to settle teachers' pay and conditions. This further work would be considered in the first instance by a small group of Ministers most closely concerned, and appropriate reports would be made to the Cabinet. Meanwhile the Secretary of State for Education and Science should write as he had proposed to the Chairman of the Burnham Management Panel, and should make a statement to the House of Commons on 3 February, the text of which should be cleared with the other Ministers directly concerned.

The Cabinet -

1. Took note, with approval, of the Prime Minister's summing up of their discussion.
2. Agreed that the Secretary of State for Education and Science should write in the terms he proposed to the Chairman of the Burnham Management Panel about the provisional settlement reached in the teachers' pay dispute with the assistance of the Advisory Conciliation and Arbitration Service, and invited him to circulate to the Ministers directly concerned the draft of a statement he would make about this to the House of Commons on 3 February 1986.
3. Noted that the Secretary of State for Education and Science would be arranging for further interdepartmental work to be undertaken on the steps the Government might take in response to the progress of the 1986 negotiation to be assisted by the Advisory Conciliation and Arbitration Service three-man panel, and that reports would be made as appropriate to Cabinet.

Cabinet Office

31 January 1986