

CBS  
BJUP

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

PRIME MINISTER

MISC 122: TEACHERS' PAY mf

I have seen the report by the Official Group MISC 123.

I cannot emphasise too strongly my concern about the risks we run if we go soft on this. So far, since we came to office in 1979, we have managed to avoid the sort of catastrophic exercises which our predecessors engaged in in this sort of area, such as Wilberforce, Halsbury, Houghton, Clegg - the list goes on and on. They have all been expensive and in the long run created more problems than they solved. That is why I was always so anxious to avoid any similar independent enquiry into teachers; and the way Main has turned out to be even worse than letting the employers and employees get on with it by themselves as at Coventry shows that this prejudice was well-founded. But we are now stuck with the position we have, and in taking our decisions we will have to weigh very carefully the effect they will have on a difficult pay scene, particularly in the public services where we are only just keeping the lid on, on public expenditure, where our willingness and ability to hold to our target is already suspect, and on the markets, where the position needs no elaboration at the present time.

Against this background it seems to me that there is only one option we can contemplate, which is the second option identified in the paper by officials: providing our share of the additional funds required up to what is left from the £1,250 million and Scottish equivalent which I agreed with Keith Joseph and George Younger in August last year, and no





more. The benefits on pay structure and conditions of service, even if delivered, do not seem worth even that much, but I accept that in practice it would be difficult now to withdraw what was offered then. Providing full Government grant to fund additional pay increases which are far larger than we believe justified would set a disastrous precedent, and would undermine our drive to increase local accountability. Equally, a refusal to do this would at the very least persuade the local authorities to phase in these massive pay awards rather more gradually than Main, at least, envisages. Nor do I believe the consequences for rate increases would be prohibitive.

I appreciate the Education Ministers take the view that this may not bring lasting peace, but we cannot afford to buy peace at the price of a blank cheque. Nor would the public expect us to. In any event, the local authority employers will not in practice go back on the offer they have agreed at Coventry, and the risk of a further teachers' strike is thus minimal. And even if it were to occur, it would not, in these circumstances, redound to the disadvantage of the Government.

I am copying this to the other members of MISC 122 and to Sir Robert Armstrong.

*ACS Allan*

pp N.L.

13 October 1986

(approved by the Chancellor and signed in his absence).



