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DEPARTMENT OF EDUCATION AND SCIENCE  
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 FROM THE SECRETARY OF STATE

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

6 May 1982

*Dear Chancellor*

SCHOOLTEACHERS' PAY: ENGLAND AND WALES

Arbitration was agreed by Burnham on 25 March and the hearing has been fixed for 19 May. In the interim there have been developments in other pay areas which employers and unions will see as relevant - the Civil Service result at 5.9% and the Scottish schoolteachers' arbitral award of 6.0% are likely to be seen as the main comparators but the AFPRB and DDRB positions may also be seen as part of the background. ACAS have now asked both sides of Burnham whether they think it worthwhile aiming at a settlement, through ACAS conciliation or through the statutory Burnham processes, before the planned arbitral hearing. I understand that the management panel will wish to decide its response on Monday 10 May.

I am sure that the employers' leaders will not be willing to bid for a settlement ahead of arbitration unless they can be assured in advance (albeit privately) that the Government will not use the veto at a level which prevents a settlement at a level they judge realistic. They will see the lowest achievable figure as 5.5% - the overall cost of the Scottish further education settlement though that included 5.9% for those employed in local authority colleges. I would also expect them to want to go to 6% if that were necessary to achieve a settlement: they voted unanimously for 5.9% in the Burnham management panel on 25 March (that figure was subsequently vetoed by my representatives) and they would hardly balk at the further 0.1% to match the Scottish arbitration award. We need to decide whether to instruct my representatives to indicate that they will be allowed to go to 6% if they are minded to bid for a settlement ahead of arbitration, and that message will have to be given early on Monday morning.

The arguments are finely balanced. I am very conscious of the difficulties on the NHS pay front and agree that the higher any increase for schoolteachers, the greater those will be. Also, it would perhaps be easier presentationally in that context to have any schoolteachers' increase above the 4% pay factor result from arbitration than to have the same figure agreed in negotiations to which the Government is party. NHS considerations therefore suggest that we should allow arbitration to take its course and decline to offer the employers the assurances they would seek before deciding to attempt conciliation or further negotiation. It might also be argued that the recent arbitral awards have set a pattern which make significant departure from 6% less likely now than it might have been some months ago: on that argument, we risk relatively little by allowing arbitration to run its course. Lastly, to stand firm might also usefully be seen by the employers as underlining our commitment to low public service pay settlements generally.

On the other hand, there really can be very little chance that arbitration would yield a result much below 6% and any higher figure would produce public expenditure which might have been avoided by a negotiated settlement. Either way the schoolteachers' outcome is unlikely to help on the NHS front and it could be particularly damaging if arbitration came out even a little above 6.0%, whether or not we then asked Parliament to set it aside. I have also to recognise that we might be accused by the employers on Burnham of inconsistency, as between the school and further education teachers' negotiations if we were seen as refusing the same negotiating room for the former as we allowed for the latter (set out in my letter to you of 21 April and in your response of 27 April). There is also something to be said for a negotiated settlement for schoolteachers instead of arbitration. A negotiated settlement acceptable to teachers would demonstrate to the public the mischievousness of the disruptive action taken to try to force the employers to agree to arbitration, would discourage such ready recourse to disruption in similar circumstances in the future, and would strengthen the hands of the more moderate teacher elements who generally favour orderly negotiation.

On balance, I am inclined to think that we should discourage the employers from bidding for conciliation or for a further round of negotiation, taking whatever action we can to reduce the risk of being accused of inconsistency as between the two sets of Burnham negotiations and of having effectively blocked the possibility of an agreed settlement. I therefore propose to instruct my representatives to say that arbitration should now take its course and that I doubt the usefulness of any last-minute attempt to achieve an agreed settlement. If pressed, they will have to say that they are unable to give any assurance that the veto would not be used at a level which would cut short any attempt at conciliation (but decline to give a figure).

The judgement I have come to is very finely balanced. It has the disadvantage of leaving us open to a charge of inconsistency but on the other hand preserves us from being seen as accepting a schoolteachers' settlement above 4%. I would be more inclined to accept conciliation if I were sure that it was being initiated by the teachers but the evidence does not go that far. If you take a different view I shall entirely understand.

CONFIDENTIAL

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

*Yours sincerely*

*J. Cornwell*

Approved by the Secretary of State and signed in his absence.



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Treasury Chambers, Parliament Street, SW1P 3AG

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 Secretary of State  
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 York Road  
 London SE1 7PH

12 May 1982

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SCHOOL TEACHER'S PAY: ENGLAND AND WALES

In the Chancellor's absence, I am writing to confirm what my Private Office have already told yours in response to your letter of 6 May.

I agree with your view that the employers should be discouraged from seeking conciliation or a further round of negotiation. The alternative of allowing arbitration to take its course is clearly not free of risks; but following the arbitration awards to the Civil Service and the Scottish teachers, and the settlements with the Scottish further education teachers and (now) the 5.8% settlement for their counterparts in England and Wales, there are clearly good grounds for expecting an arbitration award no higher than 6% and perhaps less. The risks entailed in conciliation or further negotiation seem to me to be greater: the wider impact of the present low offer to the teachers would be lost, and at worst conciliation might fail and we could then be back at arbitration on the basis of a higher offer by the employers. Finally, it is less damaging for the Government reluctantly to accept a given figure awarded by an arbitrator than to have an equivalent figure agreed in negotiations to which it is a party.

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

*Leon*

LEON BRITTAN

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