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Education ✓ G. JV

Prime Minister (2)

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

MUS 27/5

27 May 1982

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

A handwritten mark or signature, possibly initials, consisting of several connected loops.

Dear Secretary of State

TEACHERS: LONDON ALLOWANCES

Thank you for your letter of 25 May about the arbitral body's recommendations on the teachers' 1981 London allowances.

As my Office have told yours, I would prefer to delay acceptance of the 9.8 per cent award at least until we know the outcome of arbitration on the main 1982 pay increase for teachers in England and Wales. We can then consider both together, and if we felt obliged to override the latter, that might put us into a better position to override on London allowances also. In any case I think that early acceptance could give the wrong signal about our approach on pay, not least to the arbitrator on the 1982 increase.

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

Yours sincerely

Geoffrey Howe

GEOFFREY HOWE

(Approved by the Chancellor of the Exchequer & signed in his absence)

27 MAY 1982





Prime Minister (1)

Agree that Mrs
award be accepted?

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Education

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

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Told
Imogen Wilde by
telephone
26/5
MUS 26/5
25 May 1982

Dear Geoffrey.

TEACHERS: LONDON ALLOWANCES

I have now received the arbitral body's recommendations for increases in the Inner and Outer London and Fringe Area allowances payable from 1 April 1981. The overall cost of their recommendations would be £5.6m, or 9.8% of the present London Allowance bill. That compares with a claim for 13.9% and a management offer of 7.6% - this ranging from 8.7% for Inner London to zero for Fringe Areas. The effect on the total paybill of teachers receiving London Allowance is 0.59% and on the total paybill for teachers in England and Wales 0.12%.

It is disappointing that the arbitrators chose to recommend an increase in the Fringe Area allowance, despite management arguments about market forces there and the absence of any 1974 Pay Board basis for Fringe Area allowances. It is also regrettable that the arbitrators should have thought it right to adopt a "cost compensation" approach for Inner and Outer London: that will leave the argument between cost compensation and ability to pay to be continued in the next round. At the same time, I have to recognise that the recommendation is moderate compared with other settlements to date, except for those for the Civil Service and the NHS where we were strongly placed to secure results at 7% and 6% respectively.

My choice is very limited. I can either implement the recommendation or we can invite both Houses to resolve that national economic circumstances require that it be set aside. Considering that the effect on the national paybill for teachers is only 0.12% and the amounts awarded to individuals exceed the management's offer by sums ranging from £9 to £18 pa I do not regard the second course as feasible. Accordingly I conclude that we must live with this result.

I expect to receive the arbitral body's report on the main 1982 pay claim for teachers in early June. That is a very much more important matter, because it belongs to this year's pay round and because the amounts of money involved are very much greater. I see some advantage

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In getting the 1981 matter cleared away before the 1982 pay award comes up for decision. I propose therefore to make it known this week that the London Allowance recommendations will be implemented. If you or colleagues should have reservations, I should be glad if you would let me know by midday Thursday 27 May.

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

Compton

Heir

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cjt

Prime Minister (2)

cc JV



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DEPARTMENT OF HEALTH AND SOCIAL SECURITY
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The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
Treasury Chambers
Great George Street
London S W 1

1 June 1982

Keith Joseph sent me a copy of his letter to you of 25 May about teachers' London allowances.

I agree that there is no practical choice but to accept the outcome of the arbitration, and that the balance of advantage favours disposing of the matter quickly. Having said that, I must add that it will not help with the handling of our present pay troubles in the National Health Service - the staff will see it as just another instance of the NHS doing worse than any other service, and their resistance to the 4 per cent pay offers will to that extent be strengthened.

I am sending copies of this letter to those who received Keith Joseph's.

NORMAN FOWLER

JUN 1982

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