

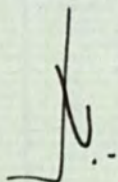
MR SCHOLAR

cc Mr Mount

TEACHERS' LONDON ALLOWANCES

You will have seen Sir Keith Joseph's letter of 1 February to the Chancellor recommending acceptance of the 11.8% increase in teachers' London Allowances recommended by the arbitrator.

This is indeed higher than we would have wished, and the parallel with the 12.2% awarded to civil servants, who were held back more than the teachers last year, is not appropriate. But as Sir Keith says, it does at least break the link with the London Weighting Index. I think there can be no question of trying to mount a case in both Houses of Parliament that the award should be set aside in the interests of national economic circumstances, and I do not suggest that the Prime Minister intervene in this correspondence.



2 February 1983



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DEPARTMENT OF EDUCATION AND SCIENCE  
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FROM THE SECRETARY OF STATE

Prime Minister

Accept X (i.e

11.8% on London

1 February 1983 weighing,

at a cost of £7.3m?

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

PP

Yes  
TOD  
DES  
MS 7/2

Jan Geoffrey

MS 1/2

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 to teachers from 1 April 1982. The overall cost of their recommendations would be £7.3 million or 11.8% of the present London Allowance bill. This compares with the teachers' claim of 14.1% to 18.1% (depending on how the indices are interpreted) and a last offer by the management side of 10% for Inner and Outer London and nothing for the fringe.

You will recall that, when I wrote to you on 7 October last about the negotiations on this matter in the Burnham Primary and Secondary Committee, I explored the various possibilities open to me and concluded that my representatives on the Committee should vote against - but not veto - any offer above 9%. In the event, they were out-voted in the Management Panel and the 10% offer was made; it was rejected by the teachers and the issue was referred to arbitration. At arbitration, the teachers based their case upon indexation as the overriding principle while the management side opposed cost compensation, offering arguments related to ability to pay and to market forces. Clearly, I would have preferred to see recommendations for more modest increases. On balance, however, the award is heartening in that - unlike last year's - it finally departs from the cost-compensation approach and the wording of the report specifically recognises the need to take account of the financial pressures upon employers.

In practice, only two options are open to me. I can either implement the recommendation or I can ask both Houses to resolve that national economic circumstances require that it be set aside. In the light of the comparatively small sum involved, of the award to Civil Servants of 12.2% for Inner London and 10.1% for Outer London, and of the fact that the sums awarded exceed the management's offers by only £18 for Inner London and £15 for the Outer and Fringe areas, I do not think that the second option is realistic.

I therefore believe that we must accept this result and I propose to make it known on Friday of this week that the recommendations will be implemented. If you or colleagues have any reservations, I should be glad if you would let me know by mid-day on Thursday 3 February.

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

*E. Carr*

*Kevin*

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FEB 1983

