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

22 February 1984

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

A handwritten signature in cursive script, appearing to read "Sir Keith".

TEACHERS' PAY NEGOTIATIONS 1984

You wrote to me on ~~16~~ February, about the negotiations on teachers' pay in England and Wales. George Younger had already written on 10 February about the negotiations in Scotland.

I am content with the way you plan to instruct your representatives. Since the Scottish teachers have already been offered 3 per cent, I do not think it would be practical to offer less to their English counterparts. But I agree entirely that your representatives should press strongly for a settlement as close as possible to that figure. I also agree, for the reasons you give, that they should veto any proposal for an offer of over 4 per cent.

You will see that my office have written separately about your proposal to make an announcement about the teachers' employee contributions before the negotiations begin. I hope your representatives will be able to make something of this concession.

I also agree with the line you are taking on data and on structural reform. I am sure it is essential that the teachers' side is not allowed to use the data which have been collected on outside pay as a basis for a comparability exercise and I should be grateful if your representatives would do all they can to prevent a repetition of the exercise next year.

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If that is not possible, they will again want to aim to prevent the exercise being used as a basis for a comparability exercise next year.

Finally, we shall need to watch the possible repercussions. Last year, as you will recall, the Scottish negotiations ran ahead of those for England and Wales and influenced them. I appreciate that there are real limits on the extent to which George Younger can control the pace of the Scottish teachers' negotiations but I should be grateful if he could use whatever influence he has to prevent them undermining yours. The local authority manuals' negotiations add a further complication this year.

Copies of this letter go to those who received yours.

A handwritten signature in dark ink, appearing to be "Nigel Lawson", written in a cursive style.

NIGEL LAWSON

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Edue Teachers Pay
PT3

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DEPARTMENT OF EDUCATION AND SCIENCE

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FROM THE SECRETARY OF STATE

cc ~~OL~~

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~~of First Treasury~~
response
AT

16/2

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
Treasury
Parliament Street
London
SW1P 3AG

16 February 1984

Dear Nigel.

SCHOOL TEACHERS' PAY (ENGLAND AND WALES) 1984

The Burnham (Primary and Secondary) Committee which negotiates school teachers' pay in England and Wales is to have its second meeting on 29 February, at which the management panel will probably wish to offer a quantified response to the claim presented by the teachers on 30 January. A prior meeting of the management panel has been fixed for 24 February. I need to give my Burnham representatives instructions covering all foreseeable eventualities ahead of the 24 February meeting. I plan also to announce our decision about contributions to the Teachers Superannuation Scheme before then.

2. There are three aspects to be considered

- the report of the pay data working group
- the structural reform ambitions of the management panel
- the 1984 settlement, due to take effect from 1 April

and three ways in which I can influence outcomes

- the regular informal contacts which I and my officials have with the employers' leaders - often useful in the past in bringing them to appreciate the importance of ability to pay, market arguments etc, without recourse to my formal powers
- my representatives' weighted vote within the management panel - 15 out of a total of 40, which allows my view to prevail in combination with either the ACC or the AMA, but not against both together

- the veto, which allows my representatives to block any proposed offer on grounds of aggregate cost. The veto exists by voluntary agreement with the employers, and under the rules cannot be used to set a limit at the outset of negotiations. Its use is thus a last resort, when argument and weighted vote have failed to prevent the management panel from adopting an offer which we would regard as entirely unacceptable. (It is a dangerous weapon, more effective in reserve than in use. When last used, in 1982, the employers proceeded immediately to out-vote my representatives on a proposal to offer arbitration. The veto does not provide protection against that and a 6% arbitration award resulted.)

3. On the pay data report, I shall instruct my representatives to resist strongly any attempt by the teachers to construct comparability arguments from the data. The exercise - opposed by my representatives last year - was intended to be concerned with factual survey only and the relevance of the facts on pay levels for teachers and others, ability to pay etc were to be for Burnham to decide. I expect the employers to be similarly hostile to comparability arguments based on the collected data, but nevertheless have to expect the teacher unions to seek to establish credibility for selected facts, with press, public and their membership. My representatives will be concerned to limit the potential damage by encouraging contrary emphases on the facts of market forces, ability to pay etc.

4. On structural reform, it is accepted by the teachers that change is not possible as part of the settlement due on 1 April. What the management panel is putting together is a package offering performance-related pay, an entry scale for new teachers, a main professional scale for those who secure progression from the entry scale, and assessment arrangements to underpin the more discriminating salary system and to inform management better on matters such as promotion, deployment, retirement and dismissal. Thinking is still at the stage of broad principle and a great deal of development work remains to be done before there can be any question of a deal being agreed with the teachers. My officials have played a full part in this matter to date and I shall instruct them to continue to express my support in principle for reform, but without any commitment on costs and final outcomes. I am willing to address those aspects only when it is much clearer what might be negotiated with the teachers. There can be no question of allowing the teachers to pick out the palatable bits without agreeing the introduction of performance assessment and more positive management practices. My objective on this front is to see work proceed on the reform package, without any hostages about outcome, implementation or cost.

5. As regards this year's settlement, my objective is the lowest possible increase. I do not think that we can realistically look for a settlement below 3%, and the instructions to my representatives have to be aimed at securing a settlement at or close to that figure. They will deploy our arguments about the need for low pay settlements generally, the damage which increases above 3% might do to other parts of the education system or to other

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locally provided services, and recruitment/retention arguments which lend no support to any case for a higher than average settlement. I shall also instruct them to press for a negotiated settlement and to oppose any suggestion of arbitration. Thus they would

- support offers at 3% or less
- argue against and vote against any higher offers
- argue against and vote against any proposal to refer the claim to arbitration.

But I do not think I should instruct them to veto all offers above 3%. That would be too restrictive. On 24 February it is unlikely that figures above 3% will be mentioned. I shall refuse authority to ~~my~~ representatives to agree any figure above 3% on that day. On 29 February a negotiated settlement must be unlikely. But if the employers see advantage in offering more than 3%, and out-vote my representatives to that effect, then I propose they should veto anything above 4%. They will of course seek to avoid the need to use the veto at all. I would prefer to set a lower ceiling, but fear that if such a ceiling had to be used it would risk arbitration and a higher eventual outcome.

6. If you should have comments on the instructions I propose to give my representatives, I should be glad to have those by close of play on Wednesday, 22 February. I shall in any case write again after the 29 February meeting, in the light of events in Burnham on that day and developments in other negotiations by that time, and ahead of the following Burnham meeting. (No date has yet been fixed for the first meeting of the Burnham (Further Education) Committee: I will write to you about those negotiations at the appropriate time.)

7. Copies of this letter go to the Prime Minister, Members of E(PSP), the Secretaries of State for Scotland, Wales and Northern Ireland and to Sir Robert Armstrong.

[Handwritten signature]

Keir

16 JAN 1984

