



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

5 July 1984

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

A handwritten signature in dark ink, appearing to read 'Sir Keith Joseph'.

TEACHERS' PAY 1984

Thank you for your letter of 26 June, and for keeping me so fully in touch with developments. I have also received George Younger's letter of 26 June and your response of 3 July. I shall be replying separately to your letter of 4 July about possible chairmen and employers' representatives on the arbitration panel.

I agree that the terms of reference for the arbitration could have been worse. I am pleased to hear that the award is to be confined to 1984-85 and that the arbitrators have been steered firmly away from the longer term issue of teachers' pay structure and responsibilities.

I am sure that you will be taking all the steps you can to encourage a moderate award, but there is of course no guarantee that it will not be awkwardly high, both in its immediate effects on local authority expenditure, and in its repercussions on other public service negotiations, particularly in the next pay round. Its implications for increased public expenditure could therefore extend much more widely. George Younger has already pointed out the difficulties which could result for Scottish educational groups and there could be much wider effects on local authority and central government employees if this year's settlement is significantly above 4.5 per cent.

It was for these reasons that I raised the possibility that we might seek Parliamentary override in my letter of 7 June. Of course, this is not a step to be taken lightly, and we cannot reach any decision before we know the arbitration award. But as we may need to go down that route, I am anxious that we should minimise the difficulties as far as possible.

When I wrote on 7 June, I hoped it would be possible to seek override, if need be, before the summer recess, at the start of the school summer holidays. I suspect this option is no longer a practical possibility but I should be grateful if you would examine it.

If it is clear that there is no chance of an award before the summer recess, there is, of course, nothing to be gained in pressing for an early decision. Indeed, you might wish to consider whether tactically it would be better if the award came as late as possible during the recess, shortening the gap until the start of the next Parliamentary session.

It also occurs to me that it would be worth considering the possibility of negotiating an increase in teachers' pension contributions as part of this year's pay settlement. Apart from the pensions policy arguments, which we are



discussing in E(PSP), this would enable us to offset at least some of the public expenditure repercussions of a high arbitration award, and, if the award were not too high, could offer an alternative to override.

I understand that our officials are already in touch about your department's contribution to the employers' evidence. I am sure you will be driving home the point you have already made in the House that there can be no question of providing additional funding from central government towards the cost of an excessive teachers' pay settlement. I should add that I also rule out allowing any disregard for local authorities who spend above their targets because of the teachers' settlement.

Copies of this letter go to the Prime Minister, to Nicholas Edwards, Patrick Jenkin, Tom King and George Younger; and to Sir Robert Armstrong.

NIGEL LAWSON

A handwritten signature in dark ink, appearing to read 'Nigel Lawson', with a large, sweeping flourish at the end.

Teachers Pay : FE DUCATION Pt 3.