

C O N F I D E N T I A L



Handwritten: NBSM, CGL, AT 20h

DEPARTMENT OF EDUCATION AND SCIENCE
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FROM THE SECRETARY OF STATE

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

23 January 1985

Handwritten: Ian Higg,

TEACHERS' PAY (ENGLAND AND WALES)

My letter of 17 January summarised the instructions given to my representatives for the Burnham (Primary and Secondary) meeting on 28 January. Those stand but need to be supplemented as regards arbitration. I gather that there is now a chance that the employers might see merit in an offer in the 3% - 4% range (which they would expect to be refused) followed at once with an offer of arbitration. Their line of reasoning might be - no prospect of a negotiated settlement arising from the structure talks now abandoned by the teachers - no real possibility that the teachers will willingly accept what the authorities can afford to offer - a third party solution ie arbitration is inevitable at the end of the day - better to offer arbitration now on a low base, depriving teachers of justification for disrupting schools and (if there be no substantial disruption) of the chance to influence an arbitral body with a display of strong feeling. The risk, from the employers' point of view, would be that arbitration might yield a figure uncomfortably high for them but not so high that we would ask Parliament to set it aside. However, if they judge that risk inevitable eventually (since no negotiated settlement is possible) they may prefer to face it sooner rather than later and minimise teacher propaganda and trouble in schools.

Handwritten: L.Nemo.

I know that some ACC people are beginning to think along such lines, but have not sought to encourage. Looking at the matter from a purely departmental standpoint, I must confess to regarding an early offer of arbitration on a lowish base offer as less unacceptable than the possible alternative of lengthy disruption in schools, followed by arbitration at the end of the day, perhaps after an increased offer. I recognise that we must

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consider much wider implications. If the teachers were to accept arbitration quite quickly, bargaining in the other public services might virtually cease until the result was known. A low result would help elsewhere and vice versa, but there is no way of forecasting what level of award would emerge. What is clear is that the stakes in public sector pay terms would be higher than if arbitration (for teachers or any other major group) were deferred until much later in the pay round. I am also very conscious of George Younger's interest, and invite him to consider whether an early offer of arbitration here might help the position in Scotland.

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In departmental terms, I am inclined to think that my representatives should not over-stoutly resist any employer proposal to offer arbitration, provided that is associated with a low opening offer. They might do that by recognising that there is force in the "lesser evil" argument and by not pressing their contrary weighted vote. But they would continue to make clear the Government's strong preference in principle for a negotiated settlement and seek to minimise the base for any arbitration. They would also make it clear to the employers that there would no question of adjusting local authority expenditure for 1985-86 on account of any arbitration outcome.

I should be glad of your views, in the particular and general contexts, by close of play Friday, 25 January. Copies of this letter go to the Prime Minister, to the other members of E(PSP), to the Secretaries of State for Scotland, Wales and Northern Ireland and to Sir Robert Armstrong.

Kevin
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