



DEPARTMENT OF EDUCATION AND SCIENCE

ELIZABETH HOUSE YORK ROAD LONDON SE1 7PH

TELEPHONE 01-934 9000

FROM THE SECRETARY OF STATE

Copy 9 of 15.

By Hand Treasury response
 Cecil
 Prime Minister ①
 Treasury content.
 Agree?

AT 3/15

The Rt Hon Nigel Lawson
 Chancellor of the Exchequer
 Treasury
 Parliament Street
 LONDON SW1

CONFIDENTIAL

2 May 1985

Alan Nigel

Yes
 mt

TEACHERS' PAY NEGOTIATIONS 1985

A meeting of the Burnham (Primary and Secondary) Committee has been requisitioned by the AMA group within the Management Panel. The date is set for 15 May. However, the Management Panel itself meets on Tuesday 7 May and proceedings then are likely to be critical in deciding the Management Panel's position for 15 May. I have therefore to review the instructions given to my representatives on the Management Panel.

2. The last set of instructions we agreed is recorded in our exchange of letters of ~~6~~ and ~~8~~ February. Those are effectively overtaken by events - by the Management Panel's subsequent offer of arbitration, and the Government's own position in the Civil Service pay negotiations.

3. Though we opposed arbitration originally for the teachers (and continue to oppose it for the Civil Service) it seems to me that it would be a nonsense to seek to withdraw that offer at this stage. Indeed, if a reference to arbitration could be secured by a relatively modest increase in the present offer, then that would seem preferable to continued impasse. I therefore propose to instruct my representatives not to oppose an increased offer to 4.5%, if it is clear that such would secure a reference to arbitration. Similarly I would propose to instruct them not to vote against any higher offer, up to 4.9%, if it is clear that a settlement would result. There are difficulties about using the veto a week ahead of a negotiating meeting. If there were a proposal to make an offer, on any terms, above 4.9% my representatives would say that they had no authority to agree to such an offer, and thus preserve the option of applying the veto on 15 May. It is less easy to judge how we should view the possibility of an increased offer, without prospect of an early settlement. On balance I tend to the view that the employers (and the Government) are now beginning to be perceived to have stuck too long to a

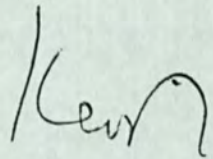
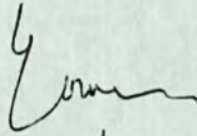
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4% offer, when neither a negotiated settlement nor arbitration at or very close to that level is a realistic prospect. (It also seems that our supporters are finding it increasingly difficult to believe fully in our 4% position.) Raising the offer a little would raise the baseline for arbitration (if indeed that results), but that seems to me a smallish price and worth paying in order to keep the initiative. I judge that nothing of great value would be lost in negotiating terms and something gained in presentational terms if we were to allow an increased offer of 4.5% or less. My representatives could not of course promote such an offer, given our position on local authority finance. But I propose to instruct them not to formally oppose.

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4. I should need to have any comments you or colleagues might wish to offer by close of play on Friday 3 May.

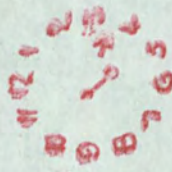
5. Copies of this letter go to the Prime Minister, members of E(PSP), the Secretaries of State for Scotland, Wales and Northern Ireland and to Sir Robert Armstrong.



Educator Pty

Teachers Pay

1981 MAY 27



E(PSP):

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From the Private Secretary

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FUE

B/C: MR WARRY
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10 DOWNING STREET

7 May, 1985

TEACHERS' PAY NEGOTIATIONS 1985

The Prime Minister has seen your Secretary of State's letter of 2 May to the Chancellor of the Exchequer. She is content with the instructions he proposes to give to his representatives on the Management Panel.

I am copying this letter to the Private Secretaries to members of E(PSP), John Graham (Scottish Office), Colin Williams (Welsh Office), Neil Ward (Northern Ireland Office) and Richard Hatfield (Cabinet Office).

(Andrew Turnbull)

Miss E Hodkinson
Department of Education and Science

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Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon Sir Keith Joseph Bt MP
 Secretary of State
 Department of Education and Science
 Elizabeth House
 York Road
 London
 SE1 7PH

3 May 1985

Dear Secretary of State

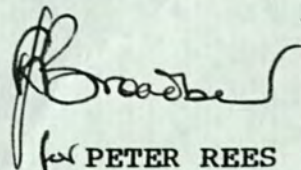
TEACHERS' PAY (ENGLAND AND WALES)

Thank you for your letter of 2 May to Nigel Lawson in which you outlined the instructions you propose to give your representatives for the Management Panel meeting on 7 May. *In Box*

I am content that your representatives should allow an increase in the offer up to 4.5 per cent, if this seems likely to secure arbitration. This may need careful handling in the light of possible changes in the composition of the Management Panel. In his letter of 8 February, Nigel Lawson said that he would not wish to end up at arbitration on an offer as high as 4¾ per cent. This remains our position. 4.5 per cent should be the highest baseline at which the employers go to arbitration.

I also agree that they should not vote against any higher offer up to 4.9 per cent, if it is clear that this would produce a settlement.

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

Yours sincerely

 for PETER REES

[Approved by the Chief Secretary]

CONFIDENTIAL

MAY 1986

