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

23 May 1985

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

Dear Secretary of State, will request if required
TEACHERS (ENGLAND AND WALES)

Your letter of 21 May crossed with Margaret O'Mara's letter to Elizabeth Hodkinson of the same date. I have since seen Patrick Jenkin's letter of 22 May.

I agree that your representatives should veto any offer over 5.5 per cent from 1 April 1985 which does not involve staging. But I do not agree that cost in 1985-86 should be the sole test of any proposal for a staged or phased offer. Staged offers for collectively-bargained groups are a completely different matter from staged Review Body settlements. Staging for the teachers would in effect concede that there was some "right" level of teachers' pay which was independent of the employers' ability to pay. We still have to agree a figure for performance-related increases for 1986-87, what - if anything - we should allow for later years, what precisely it would buy and when it would be announced. Staging combined with this sum would give teachers major increases in basic pay, over a relatively short period, and would repercuss across the whole of the public services, where arguments about affordability and "catching up" are just as common as they are among teachers.

Assuming - as seems likely - that a settlement cannot be reached at Burnham today, I must ask you to veto any offer, staged or not, which would increase the rates of teachers' salaries by more than 5.5 per cent. I also view it as essential that you do everything you can to dissuade the local authority employers from making a staged offer, making it clear to them that there could be no question of our providing additional funds in 1986-87 or later years to finance this year's settlement.

A copy of this letter goes to the Prime Minister, to George Younger, Nick Edwards, Patrick Jenkin, John Biffen, Tom King, Douglas Hurd, Michael Havers and Sir Robert Armstrong.

Yours sincerely,

Margaret O'Hara

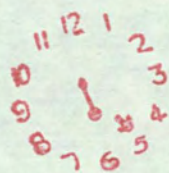
NIGEL LAWSON

*(Approved by the Chancellor and
Signed in his absence)*

will request if required

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23 MAY 1985



CONFIDENTIALNBRM
AT 2215
C 2102 MARSHAM STREET
LONDON SW1P 3EB

01-212 3434

My ref:

Your ref:

22 May 1985

Dear Keith,

Thank you for sending me a copy of your letter of 21[✓] May to Nigel Lawson about the instructions which you propose to give your representatives for tomorrow's Burnham meeting.

Whilst I understand the problems which a staged offer would produce, I do not believe that it would be right for us to concentrate solely on the 1985/86 cost in considering use of your veto. It is quite clearly possible to produce figures which, while maintaining a 1985/86 cost at or about 5.5% would nevertheless raise the baseline for 1986/87 by considerably more than this. This could pre-empt much, if not all, of the additional resources which we have contemplated providing without any compensating progress towards wider objectives which we have established.

I do not rule out the possibility of a staged offer, though as I think we agreed on Monday, it is not something which we should encourage. But if we are faced with a united proposal from the employers my own view is that your veto should be used for anything which would put the baseline for 1986/87 up by anything significantly above 5.5%. I do not believe that the letters which you sent yesterday in any way prevent us taking such a stand.

I am sending copies of this letter to the Prime Minister, the chancellor of the Exchequer, the Lord Privy Seal, the Attorney General, the Secretaries of State for Employment, Scotland, Wales and Northern Ireland and to Sir Robert Armstrong.

You are
Pat

PATRICK JENKIN

Sir Keith Joseph

22 MAY 1985

