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DEPARTMENT OF EDUCATION AND SCIENCE

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FROM THE SECRETARY OF STATE

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
Treasury, Old Admiralty Building
Whitehall
London SW1A 2AZ

21 April 1982

Dear Geoffy,

PAY OF FURTHER EDUCATION TEACHERS IN ENGLAND AND WALES

A meeting of the Burnham Further Education Committee has been called for 26 April. That will take place against the background of the 13 April settlement for further education teachers in Scotland, the outcome of the Civil Service arbitration and the reference to arbitration of the schoolteachers' claims here and in Scotland. The objective must be to reinforce the downward momentum in public sector pay, and to maintain broad consistency in our approach, particularly across the parallel Burnham Committees in England and Wales.

The Scottish settlement of 5.5% is, I believe, the lowest public sector settlement achieved in this pay round so far and thus cannot be regarded as altogether unsatisfactory in terms of its impact on wider pay matters. It allows us to continue to present the offer to the nurses as exceptional, and may helpfully condition the arbitration on schoolteachers' pay in Scotland. In your letter of 30 March to George Younger you judged that a settlement at 5½% would on balance be helpful, and to have it early an advantage in terms of the pay round as a whole. I agree with that, and would regard a comparable settlement for further education teachers in England and Wales as also helpful. It would reinforce the impact of the Scottish further education settlement on other negotiating groups and might similarly help to moderate the schoolteachers' arbitration recommendation here. If a comparable settlement were achievable for England and Wales, I would regard it as preferable to arbitration, which is the likely outcome if my representatives veto an offer which the employers wish to make so as to achieve a negotiated settlement.

The Scottish further education result can be interpreted in various ways. I would see its "Burnham equivalent" as 5½%, since that is the overall average across colleges of education, Central Institutions and local authority colleges which, although differently funded in Scotland and

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receiving different percentage increases there, all perform functions fulfilled by local authority colleges here. On the other hand, the cost to local authorities in Scotland is 5.9%, and local authority employers here may just see that as the relevant figure.

In weighing the options, I want to be conscious in particular of the implications for the NHS negotiations. On the one hand, we could avoid all taint of countenancing a settlement over 4% if we were to veto any offer above that level. Such conduct, which would almost certainly lead to arbitration as in the Primary and Secondary Committee, might help Norman Fowler in the short term by postponing a definitive outcome for some weeks. But it would lose us the benefit of what the local authority leaders believe might well be an agreed settlement at 5.5% or 5.9% - a settlement which, taken together with the Scottish equivalent, must help to constrain the arbitration awards for both sets of school teachers towards similar figures. Any firm settlement figure below 6% might strengthen Norman Fowler's hand, particularly with the nurses. So while I would myself prefer to stick at 5.5%, I would - if the employers are solidly for a negotiated settlement up to 5.9% and know they can get it - not want to use the veto again at or below that level. There is of course no question of getting into this area at all unless it is clear that a settlement will result.

I propose therefore to instruct my representatives

- a. to vote against, and if necessary veto, any offer above 4%, unless it is clear that a settlement will be achieved at or below 5.9%;
- b. if and only if a settlement can be achieved, to argue for the lowest possible figure but not to vote against or veto an offer up to 5.5%, to argue against and vote against but not veto a higher figure up to 5.9%, and to use the veto, if necessary, on any figure above 5.9%;
- c. to argue and vote against a reference to arbitration.

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

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