



NBP
AT 2/8
CC NO.

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

7 June 1984

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

Dear Secretary of State,

TEACHERS' PAY 1984

with AT?
You wrote to me on 4 June asking for my comments on the instructions you should give your representatives at the Further Education Teachers, and Primary and Secondary Teachers meetings, on Friday and Monday next.

In my view, your representatives should continue to argue and vote against increases in the offers made to both these groups and against arbitration. Any vote by them in favour of arbitration, or even abstention, would undermine the stance we have been taking and would make it more awkward for the Government to refuse arbitration for non-industrial civil servants, and subsequently for the NHS.

Like you, I see real dangers in the employers' side pressing for flip-flop arbitration in the case of the school teachers. The likelihood is that the latter would quickly scale their claim down to something which the arbitrator might regard as quite reasonable, particularly if this kind of arbitration had been forced by the employers. Therefore I hope you will be able to impress on Mr Merridale the very high risks involved in the course that he apparently favours.

If arbitration does take place, we shall need to consider carefully whether it would be right to seek Parliamentary override. This is not of course a step to be taken lightly and I would not wish to prejudge our decision now. But even if the arbitration process is reasonably swift, I doubt if it could be completed before the end of June. This would leave very little time for the necessary Parliamentary steps to be taken before the Summer Recess.

I am copying this letter to the recipients of yours.

Yours sincerely

Margaret O'Hara

NIGEL LAWSON

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

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Minister of State

Miss C E Hodgkinson
Private Secretary to
The Rt Hon Sir Keith Joseph Bt MP
Department of Education and Science
Elizabeth House
York Road
LONDON SE1

7 June 1984

Dear Elizabeth,

P & S AND FE TEACHERS PAY

My Minister of State, Mr Gummer, has seen your Secretary of State's letter of 5 June to the Chancellor of the Exchequer on which comments were invited by noon today.

He considers that your Secretary of State's representatives should continue to argue against, and vote against, arbitration at the meeting of the Burnham FE Committee tomorrow and at the meeting of the management panel of the Burnham P & S Committee on Monday 11 June. He believes that it would be undesirable for them to vote for arbitration, or to abstain from voting against it, in either forum. This would, in his view, be inconsistent with the Government's general stance and with its previous approach to these particular negotiations. It would also make it more difficult to justify refusing arbitration for the non-industrial Civil Service and for non-nursing NHS groups; which may shortly be necessary in both cases - if we are not to continue to have a situation where the employer is pushed to the highest possible limit and then arbitration is used to add a slice on top.

He takes the view that the possible tactical advantages of sending the FE teachers to arbitration before the P & S teachers (if arbitration proves to be inevitable) are insufficient to outweigh the need to continue to take a firm line against arbitration as such. It is in any event not clear how much weight an arbitrator would attach to the provisional agreement by the FE teachers' negotiators to 4.5%. Nor, if both groups were to go to arbitration, would it be possible to ensure that an award for FE teachers was made first even if their reference was made first.

He also considers that everything possible should be done to dissuade Mr Merridale from pursuing his idea of "flip-flop" arbitration for the P & S teachers if the voting at the meeting on Monday goes in favour of some form of arbitration. The terms of reference would need to be agreed with the teachers' unions and they would no doubt insist on substituting a more moderate claim (perhaps 6%?) for their present unquantified claim.

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

Yours sincerely,

Jeremy Cowper

JEREMY COWPER
Private Secretary

Education
Teaching Key
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DEPARTMENT OF EDUCATION AND SCIENCE

ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH

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FROM THE SECRETARY OF STATE

BP with
 reference NO
 AT 5/16

NAPM
 AT 6/16

Rt Hon Nigel Lawson MP
 Chancellor of the Exchequer
 Treasury
 Parliament Street
 LONDON SW1P 3AG

5 June 1984

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P&S AND FE TEACHERS' PAY

There is to be a meeting of the Burnham FE Committee on Friday 8 June, and a meeting of the management panel of the Burnham P&S Committee on Monday 11 June. No meeting of the full Burnham P&S Committee is fixed at present, but one could follow shortly behind the management panel meeting. As you know, the present negotiating position is that the FE Committee agreed on a settlement at 4.5%, but the FE teacher unions failed to ratify that settlement. They now want a higher offer rather than arbitration. The P&S teachers have rejected a 4.5% offer, and want arbitration.

I met the AMA leaders, Mrs Harrison and Mr Pearman, yesterday, at their request. The AMA is anxious to bring industrial action in the schools to an end as soon as possible, at the lowest cost. They believe the way to achieve this is to send the FE teachers to arbitration first (on Friday), and to allow the P&S teachers to go to arbitration slightly later. They think it important to get the FE teachers to arbitration first, because a low arbitration award seems probable in the light of the teachers' negotiators' agreement to 4.5%. It is doubtful, however, whether the FE teachers would agree to a reference to arbitration this Friday. Because AMA want to end the industrial action in the schools they will not agree to delaying a P&S reference to arbitration by voting against it in the management panel meeting on Monday.

Mr Merridale, for the ACC, wants to prevent an FE reference to arbitration on Friday because he believes a P&S reference to arbitration should lead. He proposes to seek an agreement in the management panel on Monday to offer the P&S teachers "flip-flop" arbitration between the existing offer of 4.5% and "the teachers' claim". This claim has not been quantified as a single percentage, but the management panel would argue that it amounted to 31%. He does not expect the teachers to agree to arbitration on this basis, but hopes to win public opinion for the management position in advance of whatever reference to arbitration, on a "flip-flop"

sis, actually takes place. Mr Merridale recognises the difficulty of seeing precisely where this course of action would lead. It must be probable that the management committee discussion on Monday will leak and that the teachers will have formulated their claim as a percentage figure for arbitration purposes - at a level which will be judged as reasonable by the public - before a Burnham P&S Committee meeting can take place.

We must recognise that there are tensions between the AMA and the ACC. Mr Merridale is anxious that the FE teachers, where the negotiations are AMA-led, should follow behind the P&S teachers, while the AMA leadership not surprisingly takes the opposite view.

It is against this background, and against the wider background provided by the civil service pay negotiations and the review body recommendations we are to consider in Cabinet on Thursday, that I have to decide what instructions to give my representatives. Their present instructions are to veto offers above 4.5% and to vote against any proposal for arbitration. There is I think no risk at this stage of an offer above 4.5%, partly because of my veto but also because neither the AMA nor the ACC shows any inclination to make such an offer. On the other hand arbitration for one of the teachers' groups, or perhaps both, seems almost certain soon whatever instructions I give my representatives. I therefore have to consider whether they should vote tactically in an attempt to bring about what is likely to be the least damaging form of arbitration. I see the two main alternatives as being these:

- i. I could instruct my representatives to argue and vote against arbitration of any variety in both committees. The probability is that they would prevail with ACC support on Friday, but lose on Monday when both the ACC and the AMA are likely to vote in favour of arbitration for the P&S teachers. It is not certain that this would be the outcome, for I think the ACC may still be divided; but I believe that before the end of Monday enough AMA and ACC members would vote together to force arbitration. Moreover if Mr Merridale has his way the agreement will be for arbitration on the flip-flop basis. I believe that would be very dangerous. Consistent voting against arbitration might well therefore lead to the P&S teachers going to arbitration in advance of the FE teachers, and possibly on a flip-flop basis.
- ii. Alternatively, if I accept that there is going to be a reference to arbitration soon, I could seek to bring about a preferred form and order. Distasteful as any reference to arbitration would be, I think it would be less harmful for the FE teachers to be sent to arbitration first on the traditional basis - rather than the flip-flop basis. I could therefore instruct my representatives to begin their participation by arguing against any form of arbitration, but to concede that if there is going to be a reference to arbitration at all then the FE teachers should go first. To achieve this outcome, they would probably have to vote with the AMA against the ACC on Friday (even then the FE teachers may well refuse arbitration on that day).

Clearly neither alternative is attractive. But I do not see a third course that is preferable. The first course, though unlikely to yield a favourable outcome, is consistent with our views, and I propose to instruct my representatives to act accordingly.

They will have to say that I believe management should stand firm against a higher offer or arbitration, despite damage through industrial action, and wait for the teachers to see reason. I shall, of course, be accused of not caring about the education of our children, and of failing to offer any constructive suggestions. I propose to authorise one exception to this line. If, on Friday, it should become clear that the FE teachers would accept arbitration if it were offered, my representatives would abstain (but not vote with AMA against ACC), in recognition that an FE reference to arbitration is preferable to a P&S reference.

If you have comments on the instructions I propose to give my representatives, it will be important that I should receive them before mid-day on Thursday 7 June.

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

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EDUCATION: Teacher Pay.
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