



Treasury Chambers, Parliament Street, SW1P 3AG
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PRIME MINISTER

TEACHERS' PAY

We are to resume our discussion of the options tomorrow after Cabinet. Before that perhaps I could set out why I am so convinced that a Government-sponsored inquiry would be a serious mistake.

To sponsor an inquiry now would look like a reversion to the dangerous practices of the 1970s - symbolised by Halsbury, Clegg, and others. We would be caving in to industrial action, risking the high ground we gained during the coal dispute. In the run-up to the very difficult 1986 pay negotiations, other public sector groups would take it as a signal that if they push hard enough they will get their way, with all that implies for our ability to stick to the overall public expenditure totals. In their present fragile state, the markets would find such a move incomprehensible and it could only add to the pressures we now face. All this at a time when the widely-predicted explosion of public anger against the Government for our alleged responsibility for the dispute and ensuing disruption has conspicuously failed to materialize.

It would be very difficult indeed to repudiate the findings of an enquiry which we had established. This means in reality that we should end up footing a substantial part of the bill. The consequence for public expenditure would be multiplied by the obvious knock on effects on other public service groups. In return we should be guaranteed - and would, in all probability, get - nothing. We cannot steer an independent enquiry to deliver the recommendations we want. And we cannot



ensure that any of the recommendations on structure, however favourable, would be implemented as we should like. This would remain entirely in the hands of the local authorities and the teachers unions. The blunt truth is that we are powerless in this area, and we should recognise it.

An immediate announcement of an enquiry would not even ensure an end to the present disruption. On the contrary, it could well be seen as a wrecking exercise, likely to unite the teachers against us.

I recognise that letting ACAS go their own way would not be ideal by any means. But an ACAS committee is very different from a Government enquiry. We should be distanced from its recommendations on pay and under no moral commitment to finance them. ACAS may not greatly advance our restructuring objectives. But I doubt if this is a significant loss, given the very real difficulties there would be in getting the local authorities and unions to do anything which they do not like.

Allowing ACAS to proceed goes with the grain of the policies we have been trying to establish - letting employers and employees sort out their own disputes with minimum Government involvement. Our stance should be that we hope ACAS will be able to find a way through, while doing all we can to emphasise to parents and others where the real blame for all this lies.

I am copying this to other members of MISC 122.

Richard Lawson

N.L.

22 January 1986

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