

PREM 19/200

SEPARATE BOX

PART 1

Confidential Filing

Teachers Pay.

EDUCATION

Part 1

May 1979

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
2-5-79		17.6.80					
8.5.79		ends					
9-5-79							
10-5-79							
14.5.79							
24.5.79							
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10-6-80							
11-6-80							
3-7-80							

PREM 19/200

STANDING COMMISSION ON PAY COMPARABILITY

REPORT NO. 7 - TEACHERS.

Two reports are enclosed in the attached wallet.

● PART 1 ends:-

s/s Scotland to CST 17.6.80

PART 2 begins:-

s/s Education to s/s Emp 3.7.80



Education

SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

CONFIDENTIAL

The Rt Hon John Biffen MP
Chief Secretary
HM Treasury
Treasury Chambers
Parliament Street
LONDON
SW1P 3AG

17/6
17 June 1980

Dear John

TEACHERS' PAY

Thank you for your letter of 11 June.

I have consistently taken the line, in relation to the pay negotiations in the local authority sector in Scotland, that my commitment through rate support grant is already fixed, that I do not propose to incur any further commitment and that, against this background, it is for the local authorities to decide what pay award they can reasonably make to teachers. I have also stressed that pay negotiations are a matter for the Scottish Teachers Salaries Committee (STSC) and that it is not for me to intervene. You will no doubt bear in mind also that the STSC is a statutory body and that its negotiations are quite independent of those in England and Wales. It is, therefore, not always practicable - even when this might be desirable - for the STSC and Burnham to keep entirely in line with each other; and obviously such alignment is particularly difficult when, as happened on 4 June, they are meeting at the same time!

In these circumstances, it would have been very difficult - and politically extremely awkward - for my representatives on the STSC to have invoked the veto in order to prevent a settlement at 14% being reached at the meeting of the STSC on 12 June. As it happens, the question did not arise. The Management Side refused to budge from its previous 14% offer and the Teachers Side adhered to the claim for an "indexed" pay increase worth about 20%. The Management Side indicated its readiness to go to arbitration if the teachers agreed, but the Teachers Side was not prepared to do so; and, for tactical reasons, the Management Side decided against a formal proposal of arbitration in these circumstances. The independent Chairman of the STSC

therefore ruled, correctly, that without a proposal from one or other Side to refer the matter to arbitration he could not proceed further, and the meeting was adjourned indefinitely. Thus, there has been no settlement and no decision to go to arbitration.

I might add that my representatives did raise the possibility at a preliminary meeting of the Management Side that the 14% offer might be reduced in the event of the matter going to arbitration, but the Management Side was not prepared to consider this.

I am copying this letter as before.

Yours was,

Cunneen

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17 JUN 1980



cc Mr Dwyer
Education

Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon George Younger TD MP
Secretary of State
Scottish Office
Dover House
Whitehall
London SW1

R

1/6

11 June 1980

Dear Secretary of State

TEACHERS' PAY

Thank you for your letter of 10 June.

Given your acceptance, with which I entirely agree, that it will be important to adopt a consistent approach on arbitration to awards north and south of the Border, I was surprised and concerned to see that the employers were still offering 14% for this year's settlement in spite of the fact that employers in England and Wales have reduced their offer to 9.2% to take account of the Clegg error. This is hardly helpful presentationally, and is likely to lead to our having to overturn arbitrations in Scotland, not only if we do so in England and Wales, but also if the England and Wales arbitration produces an acceptable figure lower than that which results in Scotland.

I think it would be helpful, in tomorrow's STSC negotiations, if your representatives could do their best to influence the employers to substitute an offer broadly in line with that in England. But I recognise the difficulty, given the recent reference of the NJC claim to arbitration, and I assume that you would then be prepared to live with the likelihood of our having to overturn the Scottish arbitrations. The absolutely essential thing, however, is that there must not be a settlement tomorrow at 14%, since this would make it virtually impossible to achieve a lower outcome in England and Wales: I hope you will ensure this, by use if necessary of your veto.

I am copying this letter to the recipients of yours.

Yours sincerely
R. Waff

PP JOHN BIFFEN

[Approved by the Chief Secretary
and signed in his absence]

11 JUN 1980





PRIME MINISTER

CLEGG COMMISSION REPORT ON TEACHERS

You will probably be aware that at meetings of the Primary and Secondary and Further Education Committees on 4 June, Burnham decided, first, that agreement had been reached on the original Clegg recommendations and, secondly, that the arbitration already decided upon for the teachers' 1980 claim should take full account of the Clegg error and of correspondingly lower offers by the Management Panels of 9.2% instead of 13%.

2. In my minute of 19 May, I referred to impending meetings with local authority representatives. My initial meeting with Burnham leaders showed that they personally wished to avoid going to the Courts, but that the ACC at least might wish to do so. The full meeting of Management Panels on 22 May was a tense occasion with a total divide between the AMA which wished to avoid the Courts and the formal position of the ACC. In order to avoid an open dispute, business was limited to requisitioning the formal Burnham meetings that took place on 4 June. There was much backroom activity in the ACC and at a meeting of Management Panels on 3 June it was decided that the Courts option should not be rejected but an effort should be made to see whether the teachers would agree that the Clegg error and a correspondingly lower Management Panel offer could be put to the arbitrators. At the meetings of the Burnham Committees on 4 June, the teachers were, by their lights, moderate and restrained. They insisted that formal agreements had been concluded following the original Clegg report but only the NAS/UWT sought to argue that the scope of the impending arbitration should not be altered. In view of the teachers attitude the ACC decided to agree to the arbitration route, a decision that was endorsed by their Education Committee on the following day, 5 June.

3. In the course of Burnham proceedings on 4 June, the Management Panel were able to read formally on to the record, first, that future references to the Clegg report could mean only the report as amended, and secondly, that the Management Panel would much have preferred to see the teachers agree to re-open an agreement reached on false information.

Education
Prime Minister
The arbitration will
go ahead early
next month, and it
will take into
account the Clegg
error.

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4. Arrangements are being made for the arbitration which should take place fairly early next month.

5. I am sending copies of this minute to the members of E(EA), to Patrick Jenkin and Sir Michael Havers and to Sir Robert Armstrong.

M.C.

MARK CARLISLE
10 June 1980



10 JUN 1960



SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

The Rt Hon John Biffen MP
Chief Secretary
Treasury Chambers
Parliament Street
LONDON
SW1B 3AG

10 June 1980

CONFIDENTIAL

Dear John,

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10/6

TEACHERS' PAY

In your letter of 2 June to Mark Carlisle about the error in the Clegg Commission's Report on Teachers' Pay you asked how the position in Scotland was being handled.

As you will know, the negotiating machinery in Scotland is not exactly comparable with that in England and Wales. In Scotland there are the following three negotiating committees:-

- (i) the Scottish Teachers Salaries Committee (STSC) (which deals with all teachers - primary, secondary and further education - employed by local authorities);
- (ii) the National Joint Committee for Salaries of Academic Staff in Colleges of Education (NJC); and
- (iii) the Central Institutions Academic Staff Salaries Committee (CIASSC).

Of these, only the STSC is set up under statute, and the "two resolutions" procedure for overturning an arbiter's findings applies only to claims originating in the STSC. The NJC and CIASSC were constituted administratively and, in relation to claims originating in these committees, I can overturn an arbiter's findings by administrative action subject to my stating publicly my reasons for doing so.

Before the error in Clegg was notified all three of the Scottish negotiating committees had concluded pay settlements based on the original Clegg recommendations, and the new salary scales had been notified to employing authorities for implementation. After the error in Clegg was established the respective Management Sides took the line that it was not feasible to seek to re-negotiate the terms of the Clegg settlements, but that account should be taken of the error in considering the subsequent claims by teaching staff for pay increases with effect from 1 April 1980.

At a meeting of the STSC on 4 June the Management Side offered a 14% increase from 1 April - against an "indexed" claim worth slightly over 20% - while at the same time making it clear that, in the light of the Clegg error, they considered this an entirely reasonable offer and were not prepared to go further. The offer was rejected by the teachers, but the STSC will be meeting again on 12 June, when there may be a decision to go to arbitration.

So far as the smaller negotiating bodies are concerned, CIASSC will be meeting today, when the Management Side propose to adhere to the line that the Clegg error should be taken into account while probably not seeking to reduce an offer of 14% already made. At a meeting of the NJC on 5 June the Management Side maintained a previous offer of 14% on the argument that in the light of the Clegg error this represented a very reasonable response to the Staff Side's claim for an "indexed" pay increase worth 21.5%; the Staff Side rejected the offer and it has been agreed to refer the claim to arbitration.

It is relevant that the colleges of education and central institutions are centrally funded and subject to a general cash limit of 14%. In these areas, therefore, I would certainly have to consider overturning any arbitration award in excess of that figure.

On the arbitration front generally it will be important to adopt a consistent approach to awards north and south of the Border.

I am copying this letter to the Prime Minister, members of E(EA), the Lord Advocate, the Attorney General and to Sir Robert Armstrong.

Yours ever,

Cunneen



Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon Mark Carlisle QC MP
 Secretary of State
 Department of Education and Science
 Elizabeth House
 York Road
 London SE1 7PH

2 June 1980

Dear Secretary of State

R
YC

TEACHERS PAY

I have now seen copies of your minute of 19 May to the Prime Minister and her Principal Private Secretary's record of your discussion about the Clegg Commission's report on teachers' pay.

I agree that in all the circumstances the best course appears to be to try to get matters put right at arbitration. If the award is not satisfactory from our point of view, I understand that our only remedy would be to try to secure the passage in both Houses of Parliament of resolutions overturning the award. We may need to consider this collectively in due course.

Meanwhile, the case that the management side puts to the arbitrators is of great importance, bearing in mind both the sums of public money at stake and possible repercussions on other public sector negotiations. I should therefore be grateful to be kept in touch with developments.

I am copying this letter to the Prime Minister, members of E(EA), the Attorney-General and to Sir Robert Armstrong. It would be helpful if George Younger would say how he is handling the question of teachers' pay in Scotland, which I believe is also affected by the Clegg error.

Yours sincerely

R. W. J. B.

R JOHN BIFFEN

[Approved by the Chief Secretary
 and signed in his absence]

22 JUN 1980



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Education

10 DOWNING STREET

From the Principal Private Secretary

20 May 1980

Dear Peter,

CLEGG COMMISSION REPORT ON TEACHERS' PAY

Your Secretary of State called upon the Prime Minister this morning to discuss the error in the Clegg Commission's Report on Teachers' Pay.

The Prime Minister asked whether the DES should have picked up the mistake when they saw the Clegg Commission's Report and whether action, possibly of a disciplinary kind, should be taken against any individuals who should have identified the mistake and taken steps to rectify it in a timely way.

Your Secretary of State said that he believed his Department was blameless with regard to what went into the report. Enquiries so far had established that of the five people concerned in the DES none could recall providing information for the purpose for which it was used in paragraph 63 of the report. Nobody could remember the telephone call which the Office of Manpower Economics said they had made asking the DES for information about the starting salaries of graduate teachers. Nor had anybody in the DES been asked to provide a paper on commencing salaries. All that the DES had done was to respond to a request from LACSAB for a calculation of the average salary paid to graduates entering teaching.

Mr. Carlisle continued, however, that his officials acknowledged, with hindsight, that they should have spotted the mistake once they had seen the report. While he was not seeking to justify the oversight, it should be borne in mind that both LACSAB and the local authorities themselves had also failed to pick up the mistake. What probably had happened was that his officials, who had been expecting something like the figure of 17% which the report had come out with, had been concentrating much more on the need to get on with the negotiations which the local authorities were anxious, contrary to the advice of the DES, to begin urgently. They had also had to take into account the new approach which Clegg had devised when the Commission's original method of undertaking the comparability study had broken down.

The Prime Minister said that a mistake involving £140 million was a very serious one and was likely to lead to accusations of slack financial control by the Government. The PAC were almost certain to

/take a close interest

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take a close interest in the matter. It was impossible to do nothing, but before any decision on what should be done could be taken, it was important to establish precisely how the error had come about. Your Secretary of State and the Prime Minister then agreed that the best way of proceeding would be for him and the Secretary of State for Employment jointly to set up an enquiry to establish the facts. The Prime Minister said that Mr. Carlisle and Mr. Prior should seek the advice of Sir Ian Bancroft on who might conduct the enquiry and precisely how it should be undertaken.

The Prime Minister and your Secretary of State then discussed his undated minute which the Prime Minister received late last night. Mr. Carlisle said that there was no way of claiming back the money that had been paid in error for the period from January to April: because of staging this meant that one-eighth of the total amount had been lost. The rest could be recovered provided the arbitrator on the pay settlement for 1980/81 took account of the 4% error in his award. The view of the Attorney General was that the arbitrator could be expected to do this as a matter of common sense. The alternative was for the Management Panels or the Department to go to the courts to have the agreements that had been reached in the two negotiating committees declared void, but the opinion of the Attorney General made it clear that the outcome of such legal action was uncertain. In these circumstances it seemed preferable to try to restore the situation through arbitration on the April 1980 rates. The Prime Minister agreed with this.

I am sending copies of this letter to Richard Dykes (Department of Employment), Bill Beckett (Law Officers' Department) and David Laughrin (Civil Service Department).

Yours sincerely,

Shaw

P. Shaw, Esq.,
Department of Education and Science.

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PRIME MINISTER
CLEGG COMMISSION REPORT ON TEACHERS

When we spoke on Thursday I promised to bring you up-to-date by this evening on developments in this matter, so far as England and Wales are concerned.

2. Agreements were reached in the two negotiating committees to implement the salary scales originally recommended by the Standing Commission by stages dating from 1 January 1980 and 1 September 1980. The first question is whether these agreements should now be challenged or whether we should attempt to restore the situation through the arbitrations already inevitable on the April 1980 increases. Judgements on tactics are largely in the hands of the local authorities, and elected members wish to consider every option before coming to a decision. It is the view of the independent Chairman that as a matter of fact both Committees reached firm agreements on April 1979 pay rates. The Remuneration of Teachers Act obliges me to implement recommendations of the Committees unless they were successfully challenged in the courts.

3. I have sought and received the opinion of the Attorney General on the likelihood of success if either the Management Panels or I were to proceed to litigation to have the agreements declared void. I attach it. Briefly, he advises that if such an application were made the courts could, by way of a discretionary remedy, declare the agreement void ab initio. Whether or not such a remedy would be granted would turn mainly on the evidence available (and this could prove inadequate); but the courts would also have regard to the conduct of those concerned and might take the view that this was such as to make discretionary relief inappropriate.

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4. In view of the inherent uncertainty in any legal action, I incline to the view that the best course does not lie in challenging the agreements reached on the former Standing Commission recommendations, but in seeking to get the situation restored through arbitration on the April 1980 rates. I shall be meeting leading representatives of the local authority associations on Wednesday to hear and discuss their views prior to a joint meeting of the two Management Panels on Thursday, after which I shall let you know further how they intend to proceed.

5. I am copying this to the Secretaries of State for Employment, Scotland and Wales, and to the Attorney General.

R. Green

R 19/5/80

pp. MARK CARLISLE
(Dictate by the Secretary
of State and signed in
his absence.)

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ROYAL COURTS OF JUSTICE
LONDON, WC2A 2LL

01-405 7641 Extn 3201

SECRETARY OF STATE FOR EDUCATION

1. I understand that you have asked for my advice on the legal implications of the "Clegg error" as reported in his letter of 15 May to the Prime Minister.
2. The main issue is whether you could resist giving effect, under ss.2(3) and 2(4) of the 1965 Act, to Burnham Committee recommendations on teachers' pay for 1979/80 which are based on the uncorrected figures in table 4 of Clegg Commission Report No 7 (paragraph 68) and do not have the unqualified support of both sides of the Committee now the Clegg error has been revealed.
3. May I first comment on your suggestion for dealing with the practical consequences of the error. This would be to implement the uncorrected Clegg figures but to ensure that the error was not perpetuated in subsequent years by calling on the arbitrator for the 1980/81 pay settlement to take account of it in fixing his award for that year. From the legal point of view this would be a perfectly sound arrangement. But it would depend on there being an unimpeachable agreement in the Committee, under s.2(2) of the 1965 Act, which would then be embodied in a recommendation sent to you under that section.
4. For the agreement and recommendation to be valid beyond dispute it would be necessary for the Committee as a whole to inform you that despite the Clegg error they "stood by" their original decision based on the uncorrected figures. It would

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be best if this were recorded in the Committee proceedings. There would as a result be no basis for questioning the amounts in the s 2(4) document giving effect to the new scales. When the arbitrator for the 1980/81 pay settlement is appointed, it would be possible for the management side of the Committee to make representations to him that he should reduce his base figures by the appropriate percentage so that the Clegg error for 1979/80 was not repeated in future years. The standing arrangements for arbitration under section 3 would allow evidence to be brought on this, and the arbitrator to take it into account.

5. There are two caveats here. The first is that the arbitrator would have no power to order the recovery of any "overpayment" for 1979/80 due to the Clegg error; all he could do would be to ensure that it was not perpetuated. The second is that the arbitrator would not necessarily make the full adjustment - he would be bound to consider any submission from the teachers' side that the base figures in future should be the uncorrected amounts. But in my view it is likely that he would make an allowance.

6. If however a recommendation is forwarded to you on the basis of the uncorrected figures despite the fact that the management side has not agreed to the above arrangements, you need to know whether in these circumstances you could contest it.

7. It is clear that you cannot act before a purported recommendation is transmitted under s.2(2). In theory it would be possible for the management side (at the instance of your /representative



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representative appointed under s.1(1)(b)) to act at an earlier stage, by applying for a declaration that there had as yet been no valid agreement (with the result that no valid recommendation could be forwarded at that time). They would use the arguments set out below. But for tactical reasons I doubt if that course would be attractive, and in any case I think the courts would be more sympathetic to an application by you as Secretary of State once the Committee had purported to act under s.2(2).

8. The basis of your application would be that there had been no real agreement under s.2(2) because the Committee had acted on a false basis of fact. The line would be that the Committee was entitled to rely on the work done by Clegg and did so, but their "agreement" on the original Clegg figures was vitiated because one or both sides had failed to recognise the error; the court would be asked to find that the Committee had failed to inform itself adequately in the performance of its statutory duty to review salaries.

9. If this argument were successful, it would follow that any resulting recommendation was invalid and that you could not act under ss.2(3) and 2(4). It would then be for the Committee to reconvene and reach an actual agreement under section 2(2) and, failing that, go to arbitration under section 3.

10. The argument on your behalf would be that the court had a discretion to grant relief where an administrative body such as the Burnham Committee had erred in such a fundamental way that

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its decision was invalid ab initio and thus left you with no basis for acting under ss 2(3) and 2(4), but in practice the only safe course would be to apply to the court for a declaration.

11. This argument would probably not rest on the ordinary contractual rules for determining the existence of a valid agreement (but see below). It would not then be crucial to decide whether the Committee's mistake in failing to recognise the Clegg error was one of fact or law - as it might be if the position had been contractual. (If the contractual rules were to apply, I think the mistake would almost certainly be regarded as one of fact.)

12. I now turn to the evidence which would be needed to sustain this argument. It would at least be necessary to show the following:

- (a) that there had been a genuine mistake on at least one side of the Committee in that it failed to notice the Clegg error at the time the purported agreement was made;
- (b) that the Committee as a whole regarded comparability as a vital factor in the outcome - in other words that they were concerned with the process by which the Clegg Commission arrived at its figures, and not merely in the result of its work as a means of resolving an impasse in negotiations. This would amount to evidence on a balance of probabilities that the Committee would not

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have reached an agreement in terms of Clegg if both sides had recognised the error.

13. I have not seen all the evidence and at this stage I cannot be firm in my advice on this. Assuming, as I believe is the case, that the management side failed to recognise the error, affidavit evidence from them would be available on (a). But (b) is more difficult; I have read the relevant proceedings of the Committee including those on 24 April in which it "agreed" to endorse the original Clegg figures and no clear answer emerges from them on this vital question.

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14. In my view your case will be made much stronger if it can be proved that the teachers' side did recognise the error and failed to communicate it to the management side. That would be regarded by the court as "sharp practice" and would, I think, significantly increase your chances of obtaining relief; it would tend to prove (b) above by inference. Support for this contention is given in a report by Paul Williams in yesterday's Sunday Telegraph.

15. If knowledge on the part of the teachers' side cannot be proved then all I can do is say that I believe the court would be sympathetic to a claim for relief by you if convincing evidence of (a) and (b) above could be obtained.

16. In any proceedings to test the validity of a recommendation, the teachers' side would probably argue that, if there were any mistake on the management side, the common law rules on the effect of mistake of fact on contracts applied by analogy to the agreement under s. 2(2) even though it was not itself contractual. As noted above, I doubt if the courts would rest on that argument, but if they did so then the agreement would probably be held to be valid. The general rule of common law is that where there is consent between the parties as to the subject matter of the contract and one side intends to and does accept the offer made to him, he cannot

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impugn the contract by showing that his acceptance was due to a mistake of fact. The position is the same in equity, unless "sharp practice" by one party can be proved, when the court may grant relief; but equally it is not certain that the court would apply the equitable doctrine in this case. This reinforces the argument that your best course would be to apply for judicial review.

17. It is theoretically possible that if the Committee reconvened and the management side declined to agree to the recommendation being transmitted, the teachers' side might bring an action for an order of mandamus to compel them to do so. The arguments for resisting such an action would be those given above.

18. Finally I should point out that any proceedings by you would be bound to have some embarrassing aspects.

19. In the first place, the court could well be very critical of the failure of the management side of the Committee, on which you have a statutory representative, to pick up the error. This would not defeat a claim for relief but it would certainly reduce the court's willingness to exercise its discretion in your favour.

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20. In the second place, Clegg's letter of 15 May to the Prime Minister would be in evidence and the last paragraph suggests that the source of the error was "in information presented to" his Commission. As I understand it, this refers to information given to the Commission by staff in the Office of Manpower Economics, which claims that it was based on advice given over the telephone by your officials, no records being kept of this. Evidence that OME staff were misled by your officials would not be fatal to a claim for relief but, again, it could well have an adverse effect on your chances of success.

21. This advice is on a hypothetical basis because the attitude of the two sides of the Committee is not known, nor has any recommendation been forwarded. I shall of course be willing to advise again if requested when the position becomes clearer or further evidence is sent to me. My advice should not be shown to any member of the Committee other than your statutory representative.

MH
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19 May 1980

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Education

The Prime Minister urgently requested an account from the Department of how the error in the Clegg Commission's report on teachers occurred.

In the time available, it has only been possible to obtain notes on the error, respectively, from the Office of Manpower Economics (OME) and the Department of Education and Science (DES). These are enclosed.

It seems clear that the essential factual information about the starting salary of graduate entrants was obtained by the OME by telephone from the DES. There are no full records of these exchanges and it is not now possible to be sure where responsibility for the error might rest.

With hindsight, the OME would have been well advised to have checked this basic information with the DES in the final drafting of the Commission's report when it became clear that it was to be of prime significance. The DES note comments on the sequence of events after the report was submitted.

STANDING COMMISSION ON PAY COMPARABILITY

HOW THE MISTAKE IN REPORT NO 7 WAS MADE

1. A comparability study was undertaken for the Commission by management consultants. It was divided into two parts, the first to yield interim results at the end of 1979 and the second to yield final results in March 1980.
2. When the Commission received the results of the first stage of the study it decided that it could not (as the teachers had requested) produce an interim report based on those results. The Commission also had some worries about how the study was progressing; and for that reason the Chairman of the Commission asked the Office of Manpower Economics (OME) Secretariat to do work on alternative methods of comparison. One of these was a comparison between the starting salaries of graduate teachers and other graduates.
3. In order to obtain information about the starting salaries of graduate teachers the Higher Executive Officer concerned in the OME was asked to check with the Department of Education and Science the incremental benefits given to graduate teachers. She cannot now remember whom she consulted, nor is there any written record of the name of her contact. She is, however, clear that the information which she was given did not mention either the extra increment given for a fourth year of study after the age of 18; or the fact that the extra increment for a Post Graduate Certificate in Education (PGCE) is also awarded in respect of the education content of a BEd, regardless of the number of years of study in either case.
4. The Principal in charge of the reference incorporated the information given to his HEO in a paper for the Commission. At that stage the information had not assumed the importance which it was later to have, since the comparability study by the consultants was still in progress and it was still the Commission's intention that its proposals on teachers' pay would be based on the results of that study.
5. When the results of the study were available to the Commission in March, the Commission decided, in private and without OME advisers being present, that they could not be used to support recommendations and that an alternative approach would have to be adopted.

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6. The Chairman of the Commission himself devised and wrote the alternative approach, drawing on information selected from the earlier OME paper for the Commission. This alternative approach used as its starting-point a comparison between the starting salaries of graduate teachers and other graduates.

7. The alternative approach was considered by the Commission at a further private meeting without OME advisers being present. The Chairman told OME advisers that his colleagues had endorsed the alternative approach subject to relatively minor changes. These were incorporated in a fresh draft of the alternative approach which was considered by the Commission at a meeting the following week. The early part of that meeting, which considered the new draft of the alternative approach, again took place in private.

8. The information on the starting salaries for graduate teachers should have been, but was not, checked by the OME Secretariat. It had been provided as part of a wide-ranging background paper for the Commission. It should be added that the last stages of the Commission's work on this reference were unusual in two main respects. First, a number of crucial meetings took place in private. Secondly, the Commission's eventual approach to comparability for teachers was not, as with earlier references, discussed with the negotiating parties.

OFFICE OF MANPOWER ECONOMICS
19 May 1980

STANDING COMMISSION'S ERROR: PRIME MINISTER'S ENQUIRY

Summary note by Department of Education and Science

There are two questions about the mistake: how did it happen and how was it not noticed on the management side before Mr Paul Williams began making enquiries?

How it happened

2. It is for OME to explain how the crucial paragraph 63 was assembled. The management side submitted main evidence and supplementary evidence, whether requested by the Commission or otherwise, mainly through LACSAB. On a number of matters, especially statistical data, enquiries came direct to DES, much of it by telephone. In some instances DES were invited to check factual sections: specifically on paragraphs 5, 6, 7, 8, and the England and Wales portions of Appendix 3, but were not invited to check paragraph 63; nor, we understand, were LACSAB. The Department has no record or remembrance of any question that could have led to the assembled content of paragraph 63 of the report. There might have been piecemeal questions such as "what does graduate status earn?", to which a correct answer would be that graduation as such would earn two increments for a degree falling short of "good honours", and four increments for good honours; but more comprehensive questioning would have led fairly naturally to a number of reservations.

Receipt of the report

3. In view of the sensitivity of the report (the main teachers' unions' Easter Conferences took place between receipt and publication) copies of the report were very tightly controlled in DES and were specifically not shown to staff whose technical familiarity with the Burnham salaries document might have led to detection of the error. The conclusions were much as expected and the report was seen as a subjective assessment undertaken when the original elaborate management consultancy exercise collapsed.

Publication and after

4. Against DES advice, the Management Panel had agreed to a negotiating meeting of the Burnham Primary and Secondary Committee within the week of

publication of the Commission's report. All concerned were under pressure of time, and within the Management Panel much emphasis was being laid on the tactics of obtaining reassurances about teachers' conditions of service as an adjunct to the current pay negotiations. Supporting staff in DES were heavily engaged, in close collaboration with LACSAB staff, on checking the costings implied by the recommended increases in pay. Nobody in the Department, LACSAB or individual authorities noticed the error - or at least brought it to the attention of the management side of Burnham. The first hint of trouble to reach the Department arose from Mr Paul Williams's enquiries on about 30 April.

Education 16/5/80

COMPARABILITY COMMISSION: TEACHERS' PAY

Question: To ask the Prime Minister whether she has received any further communication from Professor Clegg about the Comparability Commission's recent report on teachers' pay.

Draft
Reply:

I received a letter yesterday evening from the Chairman of the Comparability Commission advising me that the Commission made an error in its report on teachers' pay; that its recommendations reflected this error; and that it would have made lower recommendations but for the error. The text of the letter is ^{as follows:} ~~(to be inserted)~~. I have arranged for copies of the letter to be given to the relevant negotiating committees, so that they can consider its implications as a matter of urgency.



cf Press

Caxton House Tothill Street London SW1H 9NA

Telephone Direct Line 01-213 6400

Switchboard 01-213 3000

Tim Lankester Esq
Prime Minister's Office
10 Downing Street
LONDON SW1

15 May 1980

See Tom R.

COMPARABILITY COMMISSION : TEACHERS' PAY

With reference to the question which is to be tabled this evening for ordinary written answer tomorrow, I enclose a background note and draft press notice.

I am sending a copy of this letter and enclosures to Robert Green (Education) and Godfrey Robson (Scottish Office).

*Yours sincerely
John Anderson*

J ANDERSON
Private Secretary

BACKGROUND NOTE

1. The Comparability Commission's report on teachers was published on 14 April. It made recommendations on the pay of school and further education teachers for increases of 18.2% on the salary bill. The recommendations were to form the basis of negotiation. Settlements for the main groups of teachers have now been reached, based closely on the Commission's recommendations.

2. The Commission's admission will affect negotiations on the 1980 pay increases for teachers, which are now in progress. School teachers in England and Wales have rejected an offer of 13% and have gone to arbitration. Further education teachers have also rejected an offer of 13%; the offer was explicitly conditional on the Commission standing by its original recommendations. In Scotland offers of 13% or 14% have been rejected; and industrial action is being taken.

3. Management sides of the negotiating bodies have been considering various negotiating options against the possibility that the Commission's mistake would be substantiated. They can be expected to stick by, or if possible reduce, their current offers. The National Union of Teachers is meeting in Scarborough this weekend to ratify its agreement to the new pay scales based on the Commission's recommendations. They can be expected to react angrily to the weakening of their negotiating position caused by the Commission's admission.

DRAFT PRESS NOTICE

COMPARABILITY COMMISSION REPORT ON TEACHERS

The Prime Minister, in answer to a question in Parliament today, said:
" [Take in text of PM's reply] . "

NO 10 Downing St
London SW1

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MAY 13 1968



OFFICE OF MANPOWER ECONOMICS

22 KINGSWAY
LONDON WC2B 6JY

Telephone 01-405 5944

The Rt Hon Margaret Thatcher MP
Prime Minister
10 Downing Street
LONDON SW1

15 May 1980

Dear Mrs. Thatcher,

On 6 May the Secretary of State for Education and Science informed the House of Commons that there appeared to be a factual error in our Report No 7 on Teachers; but he went on to say that it was not clear what effect, if any, it had had on our recommendations on teachers' salaries. There was an error; and I must clarify the extent to which it influenced our decisions. I have consulted my colleagues (including those who have now left the Commission) and what follows in this letter has their agreement.

Paragraph 63 reads:

"Currently graduate entrants to schoolteaching are required to have either the Bachelor of Education (BEd) degree or a post-graduate teaching qualification. The BEd without "good honours" (that is, first or second class honours) is credited with two increments on appointment to make a starting salary of £3,492 at 1 April 1979; other graduates without good honours receive three increments (£3,603); the BEd with good honours receives four increments (£3,714); and other good honours graduates five increments (£3,852)."

In fact the position is as follows. The non-graduate Certificate of Education is being phased out for the great majority of entrants. Currently, graduate entrants to schoolteaching are generally required to have either the Bachelor of Education (BEd) degree or a postgraduate Certificate in Education (PGCE) or its equivalent. Apart from those who take a BEd pass degree in three years, these requirements involve four years of higher education. Provided the four years commenced at about the student's eighteenth birthday (as they do for the great majority) those without "good honours" (that is, without first or second class honours) are credited with four increments on appointment to make a starting salary of £3,714; and those with good honours receive six increments (£3,996). The minority of trained graduates who have not spent four full years in education since their eighteenth birthdays start with three increments without good honours (£3,603).



There is one significant exception to the requirement that graduate entrants must have either the BEd degree or a PGCE or its equivalent. Graduates in mathematics or physical sciences may choose to enter teaching without a PGCE or equivalent; that is, untrained. With no more than three full years of education since their eighteenth birthday, they would receive on entry two increments without good honours and four with good honours.

As a consequence our comparisons between graduate teachers' salaries and the salaries of graduates in other occupations at entry and after three years in employment reflected the error; and our objective of ensuring that after three years the trained graduate teacher with a good honours degree should not be paid less than the average figure for private sector graduates with three years' service did not require, as we supposed, an increase in pay of the order of 17 per cent.

Table 4 ("Proposed Revision of Scale 1, for 1 April 1979") should therefore have read:

	Actual	Proposed	Per Cent Increase
	£	£	
Non-graduate entry, 3 years	3231	3780	17
	3381	3921	16
Not good honours, untrained, 3 years	3492	4017	15
(A) Not good honours, trained, 3 years	3603	4107	14
(B) Not good honours, trained, 4 years) Good honours, untrained, 3 years)	3714	4197	13
	3852	4353	13
(C) Good honours, trained, 4 years) A three years on)	3996	4515	13
B three years on	4140	4677	13
	4290	4848	13
C three years on	4440	5016	13

Note: "trained" means with BEd or PGCE or equivalent.

"untrained" refers to graduates in mathematics or physical sciences who have chosen to enter teaching without a PGCE or equivalent.

"3 years" or "4 years" denote years spent in full-time education after the eighteenth birthday.



All our other proposals for salaries, both of schoolteachers and of teachers in further education, were related to this scale and would have been reduced by four percentage points. Thus 13 per cent would have been substituted for 17 per cent, 14 per cent for 18 per cent; and so on up to 21 per cent for 25 per cent. The only exception is the Lecturer 1 scale in further education, where the graduate comparison is not directly relevant to the first four points and the percentage increases would have been 17, 16, 15, 14 as for the schoolteachers' scale 1.

On this basis, the cost of our recommendations would, in a full year, amount to about £510 million above the salary rates payable from 1 April 1979 (instead of the £640 million mentioned in paragraph 93 of our report) and would be 14.5 per cent of the salary bill based on those rates (instead of the 18.2 per cent mentioned in our report).

We greatly regret the fact that an error of this kind was made. It occurred in information presented to us and, of course, we accept full responsibility for the conclusions which we drew from it. Our wish is to minimise its consequences. I therefore suggest that a copy of this letter should be sent to the negotiating parties. You may want to consider whether it should be published as a supplement to Report No 7.

Yours sincerely

Hugh Clegg

HUGH CLEGG



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115 MAY 1960



10 DOWNING STREET

From the Private Secretary

bc: Law Off.
DES
Demp.
So
Press Office

15 May 1980

ABD

The Prime Minister has asked me to say that she has received your letter of 15 May about the Standing Commission's Report No. 7 on Teachers.

In accordance with your suggestion, copies of your letter are being sent to the negotiating parties and it will be published as a supplement to Report No. 7. In the meantime, we are releasing your letter to the press at 1000 hours tomorrow (Friday 16 May).

T. P. LANKESTER

Professor Hugh Clegg.



10 DOWNING STREET

From the Private Secretary

14 May 1980

CLEGG REPORT ON TEACHERS

The Prime Minister has seen your Secretary of State's minute of 13 May. She entirely agrees that he should go ahead as he proposes in that minute.

As I told you on the telephone, I have been in touch this morning with the Office of Manpower Economics. I gather that Professor Clegg's letter to the Prime Minister will not come to us today, is likely to come to us tomorrow, but might possibly be delayed until Friday.

I am copying this letter to Richard Dykes (Department of Employment), Godfrey Robson (Scottish Office), John Craig (Welsh Office) and David Wright (Cabinet Office).

N. J. SANDERS

Peter Shaw, Esq.,
Department of Education and Science.

KRG

bc: C.O.

PM
yes
12.

PRIME MINISTER

CLEGG COMMISSION REPORT ON TEACHERS

I understand that the Standing Commission is writing to you to say that their recommendations for school and further education teachers were some 4 percentage points higher than they should have been at all points. I am urgently considering the implications of this and what steps it would be appropriate to take, either in relation to the agreements already reached for 1979-80 or more particularly in relation to the 1980-81 negotiations which are still at different stages in the Primary and Secondary Committee, the Further Education Committee and in the Scottish Committees.

2. An important consideration is that the Further Education Committee is due to meet on Friday and I wish to advise the Management Panel how to proceed. Time is very short and I would be grateful if you would agree that the contents of the Standing Commission letter should be conveyed to both sides of the Committee and the independent Chairman as soon as it is received.

3. I am sending copies of this letter to the Secretaries of State for Employment, Scotland and Wales.

PAShaw

MARK CARLISLE
(Dictated by the Secretary of State
and signed in his absence)

13 MAY 1980

113 MAY 1980





10 DOWNING STREET

THE PRIME MINISTER

3 May 1980

Mr. Stewart

Thank you for your letter of 18 April about the Report on teachers' salaries by the Standing Commission on Pay Comparability.

As you say, the Standing Commission's remit included teachers in Scotland as well as those in England and Wales and it is disappointing that the Report dealt so briefly with the situation in Scotland. George Younger has commented publicly on this aspect of the Report and there is nothing further that I would wish to say.

It is for the negotiating bodies concerned with teachers' pay in Scotland to consider the Clegg Report. I understand that the Scottish Teachers Salaries Committee, which represents the vast majority of teachers in Scotland, reached a settlement based on the Clegg recommendations on 28 April. Both management and teachers are to be congratulated on completing this difficult task so quickly. In the circumstances, I see no necessity for intervention by the Government.

I can understand the feelings of Scottish teachers, but I must condemn unofficial industrial action which can only

/harm

RH

harm pupils. There appears to be some possibility that industrial action will continue notwithstanding the agreement reached on the Clegg Report. I think this is deplorable.

Yours sincerely
Raymond Johnston

The Rt. Hon. Donald Stewart, MP.

Education

RESTRICTED



✓
MS

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

18th April, 1980

P. Shaw, Esq.,
Private Secretary,
Department of Education
and Science

Dear Peter,

CLEGG AND THE EDUCATION PAY RECOMMENDATIONS

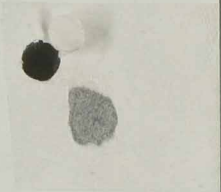
The Chancellor thinks that it would be very helpful if a note could be produced, to be issued by the Paymaster General, giving guidance to Cabinet colleagues on the Government's reactions to Clegg's recent report. He reports that your Secretary of State put forward some good arguments in Cabinet yesterday, but that no formal decision was taken to commission a guidance note. If this idea commends itself to your Secretary of State, and to other colleagues most closely concerned, notably the Secretary of State for Employment, the Paymaster General, and the Minister of State, CSD, perhaps the DES would be good enough to take the lead in drafting, consulting other Departments, including the Treasury, as necessary.

I am copying this letter to Tim Lankester, to the Private Secretaries to other members of the Cabinet, to Geoffrey Green, and to David Wright for information.

Yours,
ME KH
M.A. HALL

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CONFIDENTIAL



Caxton House Tothill Street London SW1H 9NA

Telephone Direct Line 01-213 6400
Switchboard 01-213 3000

*Educational ...
... to ...*

*B/F to MS
on 9/4*

N J Sanders Esq
Private Secretary
Prime Minister's Office
10 Downing Street
LONDON SW1

for WMS with PM

*Dismissed
with
Doy Walker
15/4*

3 April 1980

TIM

*clear by PM
MS*

Dear Nick

*I told DES on 9/4 that I thought
the Notes for Editor should include something
about what will happen next in Burnham and
the other committees; and a note on
the pay/conditions of service issue. DES are
thinking and will come back. Press office are
executing advice from you.*

COMPARABILITY COMMISSION REPORT ON TEACHERS
Peter Shaw wrote to you yesterday with advice about the Commission's report on teachers.
Subject to the Prime Minister's agreement, we propose to publish the report at 2pm on 14 April as a Command paper. I attach a draft press notice for you to put out on that day, which has been approved by my Secretary of State. As Peter Shaw says, it is for the employing authorities to decide what to do in the light of the report; the Government's reaction can be restricted to stating the few essential facts.

I am copying this to the recipients of your letter, and to the private secretaries to Sir Keith Joseph and Mr Heseltine. If there are suggestions for changes to the draft, perhaps they could let me know by 5pm on Thursday 10 April.

Yes Sach

ANDREW HARDMAN
Private Secretary

DRAFT

Press Notice

Pay Comparability Commission Report on Teachers

The Government today published the report of the Standing Commission on Pay Comparability on the pay of school and further education teachers. The Commission's recommendations will form the basis for negotiation in the relevant teachers' negotiating committees. The references to the Commission formed part of the groups' 1979 pay settlement, which provided for pay increases negotiated following receipt of the Commission's recommendations to be implemented in two equal stages, from 1 January 1980 and 1 September 1980. According to the Commission's recommendations, the first half of the increases will subsume the interim payment made to teachers from 1 January.

10 Downing Street
Whitehall SW1

14 April 1980

Notes for editors

1. The Standing Commission on Pay Comparability was set up in March 1979 to examine the terms and conditions of employment of groups of workers referred to it by the Government, and to report in each case on the possibility of establishing acceptable bases of comparison.

2. Five groups of teachers were referred to the Commission by the Government in July 1979. They are:-

Primary and secondary teachers in England and Wales
Further education teachers in England and Wales
School and further education teachers in Scotland
Academic staff in colleges of education in Scotland
Academic staff in central institutions in Scotland

3. Questions about the content of the reports should be addressed to Mr M Peaks, Office of Manpower Economics (Tel: 405 5944 Ext 312).

cc: DES
D/M
WO
SO
HMT
CSD
CO

JS



10 DOWNING STREET

Education

THE PRIME MINISTER

3 April 1980

Dear Professor Clegg,

Thank you for your letter of 31 March covering the Standing Commission's Report No. 7 on teachers.

As you know, arrangements are being made for publication on 14 April. The Report will then be conveyed to the Burnham Committees and their Scottish equivalents to serve as the basis for negotiations.

My colleagues and I are grateful to the Standing Commission for its work on what proved to be a very difficult reference.

Yours sincerely,

(sgd) Margaret Thatcher

Professor Hugh Clegg

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10 DOWNING STREET

PRIME MINISTER

Mr. Carlisle told you about the Clegg report on teachers when you saw him yesterday. Here is a reply for you to send to Professor Clegg, together with Mr. Carlisle's comments on the substance of the report.

M5

2 April 1980

CONFIDENTIAL



DEPARTMENT OF EDUCATION AND SCIENCE

ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH

TELEPHONE 01-928 9222

FROM THE SECRETARY OF STATE

N J Sanders Esq
Private Secretary to the Prime Minister
10 Downing Street
London SW1

2 April 1980

Dee Nick

CLEGG: TEACHERS

Thank you for your letter of 2 April.

An important consideration is that, unlike other Standing Commission reports, that on teachers is not a binding award but a base for negotiation in Burnham (and its Scottish equivalents). It must be for the local authorities to decide what to do in the light of the report and of their financial position. DES could veto any offer which the local authorities proposed to make, but my Secretary of State is sure that colleagues would not wish him to do so if the cost were within the area implied by the Standing Commission report (which could mean a small addition to the figures to meet the Standing Commission's recommendation for more promotion opportunities). It is highly unlikely that the local authorities would wish to go significantly beyond the Clegg figures, but if they did, my Secretary of State would consult his colleagues.

Officials from the relevant Departments will be undertaking a detailed analysis of the report. At first sight, the total cost (18.2% overall and 17.8% on 1979 rates for England and Wales) is within the range we expected and is broadly consistent with, for example, last year's civil service PRU and with the Clegg report on nurses. The Standing Commission ran into very heavy weather on the methodology for comparisons, and their report is very largely an intelligent subjective assessment. They provide a useful peg for the local authorities to continue to press for greater definition of the teachers' conditions of service.

CONFIDENTIAL

CONFIDENTIAL

My Secretary of State has particularly asked me to stress the serious risk of a leak between now and publication on 14 April. He is addressing the Easter Conferences of the two main teacher unions next week and leaks could be embarrassing. We are handling the report on a very strict need-to-know basis within the Department and trust that others will do the same.

I attach a simple acknowledgement to Professor Clegg which I understand is the pattern followed in other cases.

I am sending copies of this letter to the recipients of yours.

Yours sincerely

Pete

P A SHAW
Private Secretary

CONFIDENTIAL

DRAFT LETTER FOR THE PRIME MINISTER TO SEND TO
PROFESSOR CLEGG

Thank you for your letter of 31 March covering the Standing
Commission's Report No 7 on teachers.

As you know, arrangements are being made for publication on
14 April. The Report will then be conveyed to the Burnham
Committees and their Scottish equivalents to serve as the
basis for negotiations.

[My colleagues and I are grateful to the Standing Commission
for its work on what proved to be a very difficult reference.]

2 - APR 1940





DE B
Education

10 DOWNING STREET

From the Private Secretary

2 April 1980

BF 4.4.80

Clegg: Teachers

We have already sent you a copy of the Clegg Report on Teachers' Pay, which was delivered to the Prime Minister this afternoon. I should be grateful if you could suggest a draft reply for the Prime Minister to send to Professor Clegg, and offer advice on the handling of the Report itself. It would be helpful to have this advice as soon as possible.

I am copying this letter, for information, to Richard Dykes (Department of Employment), George Craig (Welsh Office), Godfrey Robson (Scottish Office), Martin Hall (HM Treasury), Geoffrey Green (CSD) and David Wright (Cabinet Office).

N. J. SANDERS

SD

Peter Shaw, Esq.,
Department of Education and Science.

cc M. Kenney D. L. D.

CONFIDENTIAL



Edwards

*Subject file Education
- ILEA - July 79*

10 DOWNING STREET

From the Private Secretary

1 April 1980

F 8 4 50

The Future of the ILEA

Your Secretary of State and Lady Young discussed the Baker Report and the future of the ILEA with the Prime Minister at 1700 today. Your Secretary of State suggested that the most sensible way forward might be to set up a Ministerial Committee, with a group of officials working to it, to look at not only the Baker Report itself, but also alternative possibilities for the organisation of inner London education. The Prime Minister accepted this suggestion.

Your Secretary of State hoped that it might be possible for this group's work to be completed by the summer recess but he doubted whether it would be feasible to introduce legislation in the 1980/81 session. The Prime Minister endorsed both of these expressions of view.

Your Secretary of State suggested that the Prime Minister might write to Sir Horace Cutler, saying that the Government now proposed to give detailed scrutiny to the Baker Report before reaching final decisions. I should be grateful if you could let me have a suitable draft letter.

It would also be helpful if you could let me have for the Prime Minister's information the details of the composition and terms of reference of the Ministerial Group which is to take the work further.

Your Secretary of State briefly mentioned the Clegg Report on Teachers' Pay, and reported to the Prime Minister that the overall cost would be 18.2% of the salary bill at April 1979 levels. The Prime Minister noted this.

I am copying this letter to David Wright (Cabinet Office).

NJS
Sp

Peter Shaw, Esq.,
Department of Education and Science.

CONFIDENTIAL

From Professor Hugh Clegg, Chairman, Standing Commission on Pay Comparability



OFFICE OF MANPOWER ECONOMICS

22 KINGSWAY
LONDON WC2B 6JY

Telephone 01-405 5944

The Rt Hon Margaret Thatcher MP
10 Downing Street
LONDON
SW1A 2AL

31 March 1980

Dear Mrs Thatcher,

STANDING COMMISSION ON PAY COMPARABILITY

We have now completed work on the teachers references and I have pleasure, therefore, in submitting the attached report. *-(Copied to DES)*

Yours sincerely

Hugh Clegg

Education



Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon George Younger TD MP
Secretary of State
Scottish Office
Dover House
Whitehall
London SW1A 2AU

12 1576

14th June 1979

Dear George,

TEACHERS' PAY, SCOTLAND

You wrote to Geoffrey Howe on 30 May about the pay of Scottish teachers, and he has asked me to reply.

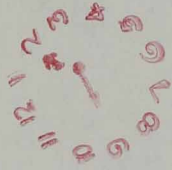
I was glad to be informed of the latest developments, and agree with the line you propose to take on the outstanding issues.

I am copying this letter to the Prime Minister and the other Members of Cabinet and to Sir John Hunt.

J.B.
John Biffen

JOHN BIFFEN

15 JUN 1979





NB on Education

✓ Mr James

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

12

4/6

1 June 1979

Dear kind

TEACHERS' PAY

We have already exchanged a few words about your letter of 21st May and the outline speaking note enclosed with it.

I think that so far as the teachers' claim is concerned it would probably be a mistake to launch in public what could appear to be an aggressive line on one particular case, immediately following the achievement of a settlement which might still be a little fragile.

In general, however, I very much agree with your aim of getting across the message of cost and its implications for taxes, rates, rival public expenditures, etc.

I have considered whether we might use some material on these lines in evidence to the Clegg Commission on Comparability. I think we should do so, although the right occasion for it is probably the submission of evidence on specific cases, rather than the general evidence which we shall be submitting first (and of which you should shortly be seeing a revised draft).

I am quite sure, however, that we should look for opportunities of bringing these lessons home in relation to future pay claims and negotiations. I am asking officials to ensure that your suggestion is followed in their analysis of pay questions, and to look out for opportunities of using the material publicly to influence general opinion and help cultivate a realistic understanding of financial constraints in the negotiations themselves.

/I am copying

The Rt. Hon. Sir Keith Joseph, MP



I am copying this letter and its enclosures to
colleagues on the E Committee and to Sir John Hunt.

A handwritten signature in cursive script, appearing to read "Geoffrey Howe".

(GEOFFREY HOWE)



64 JUN 1979



SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

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Prime Minister

*The Scottish teachers
have settled on the
same terms as for
30 May 1979*

England and Wales.

*R
1/6*

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
Treasury Chambers
Parliament Street
LONDON
SW1

per

TEACHERS' PAY, SCOTLAND

- 1 I am writing to let you know the outcome of the pay negotiations for primary, secondary, and further education teachers employed by local authorities in Scotland, which were resumed in the Scottish Teachers Salaries Committee (STSC) on 25 May.
- 2 At a preliminary meeting on 18 May, Alex Fletcher authorised the Chairman of the STSC Management Side to make an improved offer on the lines envisaged in Cabinet on 17 May (C(79) 2nd meeting), provided that agreement could be reached with the teachers on suitable terms of reference to the Standing Commission on Pay Comparability. When the full STSC Management Side met on the morning of 25 May, it was reported also that the settlement which had subsequently been agreed in the Burnham Committee for primary and secondary teachers in England and Wales contained provision for a payment on account of £6 a month for all teachers. Some of the Scottish local authority representatives were at first reluctant to proceed without a firmer indication than we have yet given them of the extent to which we would be backing the settlement with Rate Support Grant, but after considerable discussion it was decided to make the improved offer.
- 3 At the meeting with the Teachers Side later on 25 May, the offer was presented in the following terms:-
 - i a general increase in salaries of 9% from 1 April 1979;
 - ii an additional 0.3% from 1 April 1979 for restructuring;
 - iii a reference to the Standing Commission on Pay Comparability, with detailed terms of reference as annexed hereto;
 - iv staging of a comparability award in equal parts at 1 January 1980 and 1 September 1980; and
 - v a payment on account, to be recovered by the local authorities from the first stage comparability payment, of £6 a month for all teachers.

After a number of detailed points had been clarified the Teachers Side withdrew for private discussion; and, on the resumption of negotiations, a settlement was quickly reached on the basis proposed. The 0.3% for restructuring is to be used largely to improve the bottom rungs of certain of the salary scales. (The General Secretary of the Scottish Schoolteachers Association asked for his dissent to be recorded, on the ground that his Association considered that the right course would have been to go to arbitration; but this is a formality and does not affect the validity of the settlement.)

4 I think that this is a generally satisfactory outcome: and I am hopeful that, with this awkward set of negotiations out of the way, we shall be able quickly to establish a good working relationship with the Scottish teachers.

5 The STSC settlement will have repercussions for two other small groups of academic staff in Scotland - some 1200 lecturers in colleges of education and some 1240 in central institutions (broadly equivalent to polytechnics in England and Wales). These groups have their own separate negotiating machinery (although their equivalents in England and Wales form part of the general Burnham further education negotiations). Both of them had settled in principle before the General Election on the basis of offers parallel to those made in the STSC and in Burnham under the auspices of the previous Administration, namely:-

- i. a 9% salary increase as from 1 April 1979; and
- ii a comparability study by the Standing Commission, with payment of any subsequent award in two equal stages at 1 January 1980 and 1 January 1981. (In the case of the colleges of education acceptance of the offer was explicitly made subject to the Management Side's continuing to explore the possibility of improvement in the staging in the light of the views of the incoming Administration.)

← The terms of reference to the Standing Commission differed considerably from those which have now been agreed in Burnham and in the STSC in respect of all the other groups of teachers.

6 I consider that it would be no more than equitable, in the circumstances described, to give the academic staff in the Scottish colleges of education and central institutions the benefit of the same staging arrangements as have been conceded to all the others (including their opposite numbers in England and Wales), ie advancement of the second staged payment by three months to 1 September 1980. In addition, since the intention is that the Standing Commission should carry out a single study in respect of all the groups concerned, it seems very desirable - not least from the point of view of the Commission itself - that the terms of reference should be substantially the same for each of the groups. I propose, therefore, to arrange for these adjustments to be made. I would

not judge it necessary, however, to extend to the colleges of education and central institutions either the additional 0.3% payment for restructuring or the arrangements for a payment on account from 1 April 1979; and I am instructing my representatives on the Management Sides of the relevant negotiating bodies to resist any request for concessions in these two areas.

7. I am sending copies of this letter to the Prime Minister and the other Members of Cabinet and to Sir John Hunt.

Approved by the Secretary of State and
signed in his absence

J S WILSON
Private Secretary

31 MAY 1979



This annex was omitted from
our letter of 30 May to Sir
Jeffrey Howe, re Teachers
Pay, Scotland.

With the Compliments
of the
Private Secretary

Scottish Office,
Dover House,
Whitehall,
London, S.W.1 A 2AU

TERMS OF REFERENCE TO THE STANDING COMMISSION ON PAY COMPARABILITY

1. The Government, at the request of both Sides of the Scottish Teachers' Salaries Committee (STSC), invites the Standing Commission on Pay Comparability to undertake a comparability study of the pay of school and further education teachers in Scotland, in the light of their terms and conditions of employment.
2. The Standing Commission is asked to have regard to all relevant principles and considerations relating to the assessment of the value and role of the teaching profession in society, including all matters referred to in the Houghton Report and the report of the STSC Working Party on Salaries Differentials (dated 19 January 1979), and to the movement of inflation and salary levels since April 1978.
3. The conclusions of the Standing Commission should be conveyed to the STSC.

30 May 1979



Prime Minister
Education²
to note

DEPARTMENT OF EDUCATION AND SCIENCE

ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH

TELEPHONE 01-928 9222

FROM THE SECRETARY OF STATE

12
22/5
ans

T Lankester Esq
10 Downing Street
Whitehall
London SW1

24 May 1979

Dear Tim

TEACHERS' PAY

The Prime Minister will wish to know that a formal agreement was concluded by the Burnham Primary and Secondary Committee this morning on the basis of 9.3% from 1 April plus a clawed-back advance payment of £6 a month and a Standing Commission reference with the results to be paid half from 1 January 1980 and half from 1 September 1980. The details are set out in Annex A.

2. Following the Cabinet discussion on Thursday and subsequent official and Ministerial discussions, my Secretary of State saw local authority leaders on Friday morning, 18 May and spoke to them on the lines of the agreed statement at Annex B. They expressed great concern at the prospect of the Government's effectively reducing the 61% support they had been promised in respect of past settlements and were counting on in respect of future ones; and urged that the Government's position should quickly be made public. They will no doubt pursue that general question with the Secretary of State for the Environment. Meanwhile, however they reluctantly agreed to try to avoid disrupting the Burnham negotiations and thereby increasing the cost of a teachers' settlement; and to proceed towards the Standing Commission on the basis authorised by Cabinet and to rely on the Government's deep involvement in the negotiation to protect them from discriminatory cuts.

3. On the teachers' side, the antagonism between the NUT and the NAS/UWT has continued to dominate. Clear progress was made at Burnham on Friday but the NUT were most anxious to meet again today after a last effort to change the terms

of reference. As agreed we authorised the Management Panel to change conditions of "service" to conditions of "employment". The NAS did not attend Friday's meeting but attended this morning in strength. Mr Casey began by making points of order which were politely but firmly dealt with by the independent Chairman. When the Teachers' Panel agreed to accept the offer at Annex A, the NAS walked out, but we understand that their executive will meet tomorrow and are likely to call off industrial action. The NUT will almost certainly do so this afternoon.

4. The Burnham Further Education Committee meets on Wednesday. We understand that they will accept a precisely comparable offer (including the £6 a month payment in advance which we have formally opposed but cannot veto).

5. I am sending copies of this letter to the Private Secretaries to the members of Cabinet and to Sir John Hunt.

Yours

Philip Hunter

P J HUNTER
Private Secretary

DETAILS OF AGREEMENT

The following reflects the careful summing up by the independent Chairman, but is not authoritative in every fine detail.

2. All salary points will be increased by 9% from 1 April 1979 (but there will be no increase in London Weighting or the social priority schools allowance).
3. All teachers will receive an advance payment of £6 a month from 1.4.79, but this will be recovered from the first stage of the Standing Commission award by 31 March 1980.
4. Following agreement last year to allow scale 3 teachers in group 5 primary schools, adjustments will be made to the salaries of deputy and head teachers in order to ensure that there is a promotion increase for scale 3 teachers who become deputy heads of group 5 schools. Together with other minor structural improvements, and the cash saved by rounding down to the nearest £3 on scales, this will cost an extra 0.3%.
5. Following the misuse of Appendix IV of the Burnham document by the NAS, it will be made clear that the rules for calculating hourly pay do not apply to full-time or regular part-time teachers.
6. There will be a Standing Commission study with the following terms of reference:

The Government, at the request of both sides of the Burnham Primary and Secondary Committee invite the Standing Commission on Pay Comparability to undertake, in the light of their terms and conditions of employment, a comparability study of the pay of teachers in maintained primary and secondary schools in England and Wales.

The Standing Commission is asked to have regard to all relevant principles and considerations relating to the assessment of the value and role of the teaching profession in society including all matters referred to in the Houghton Report and the Joint Working Party Report received by the Burnham Primary and Secondary

Committee on 7 March 1979 and to the movement of inflation and salary levels since April 1978.

The conclusions of the Standing Commission should be conveyed to the Burnham Primary and Secondary Committee.

Half of the results of the Standing Commission study will be paid from 1 January 1980 and half from 1 September 1980 (without prejudice to a "normal" increase from 1 April 1980).

7. The question of using notional salaries for pension purposes, in order to avoid discrimination against teachers who retire between 1.4.79 and the full implementation of the Standing Commission award should be sympathetically considered by the Superannuation Working Party.

ANNEX B

For the purpose of calculating increases in the RSG, the consequences of the teachers' pay settlement, as of any other settlements for local government employees, will be taken into account. However the Government is intent on making substantial economies in public expenditure and has to consider the consequences of all these settlements so far as its own financial contribution is concerned. The Government therefore reserves to itself the right to reduce the total extra support which it would otherwise give, both for this and for other eligible increases in expenditure; the size of these increases will be a factor which will be taken into account.

22 MAY 1970





Secretary of State for Industry

cc Mr Holborn
cc Mr Sainsbury
Prime Minister

Education 2
DE
DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB
TELEPHONE DIRECT LINE 01-212 3301
SWITCHBOARD 01-212 7676

This is the draft which the Chancellor mentioned this morning. A good approach to wild pay claims.

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer

TL

22/5

[Handwritten signature]

21 May 1979

Dear Geoffrey,

TEACHERS' PAY

During our discussions of teachers' pay we discussed the idea of making a speech about the impact of the teachers' pay claim on public expenditure and about the need for compensating economies within the education budget.

... I attach an outline draft of the remarks which might be made. This is based on material provided by your officials but the comments about the economies within the education budget are speculative. I think, however, that the draft does bring home the scale of economies we will have to make if we are to meet anything like the teachers' claim while maintaining our commitments to reduce overall public expenditure and taxation.

In general I think material of this kind identifying the actual cost of pay proposals in cash terms and the economies which will be needed to meet them will be a necessary feature of any future discussions we may have on pay issues. I had hoped that, following our discussion in E Committee last Monday, the Education Department would have provided an analysis of this kind for our discussions in Cabinet last Thursday. I would hope that it could be the rule that officials should include this kind of analysis in all future papers on public sector pay questions.

I am copying this letter and its enclosure to our colleagues on E Committee and to Sir John Hunt.

Yours ever,

Kear



TEACHERS' PAY

OUTLINE SPEAKING NOTE

Public expenditure on teachers' pay is a huge item; at present the taxpayers and ratepayers together pay the teachers £3,600 million a year. Ratepayers contribute around £1,350 million and taxpayers contribute around £2,250 million.

The teachers unions want the taxpayers and ratepayers to pay more; they have put in claims for increases of 36.5% in England and Wales and 42% in Scotland. If conceded these claims would cost the community about an extra £1,200 million a year. This is a very large sum and represents in fact an extra burden of £25 for every man, woman and child. Or alternatively £25 a head less in benefits.

If the teachers succeeded in their claim, this extra money would have to be found from somewhere; it could not be found from simply printing extra banknotes. The community will have to meet the cost either by paying more tax and rates or by finding £1,200 million of economies.

The community could decide not to increase the total amount
/ of money



of money paid to the teachers but to share the existing sum out among a smaller number of higher paid teachers. In this way we would all pay the same amount of money but a great number of teachers would find that they had priced themselves out of a job.

The local authorities, who are responsible for primary and secondary schools and who will have to find the money which the teachers are demanding, might be reluctant to increase the size of school classes. In that case they would have to find economies in other ways, by for example, cutting back expenditure on school buildings, libraries, sports facilities, closing smaller schools etc. They would find that they could not find all the money they need in this way and would still have to reduce the number of teachers.

Let us suppose, however, that the local authorities decided not to reduce teacher numbers and not to cut their expenditure but to increase the rates instead. Let us also suppose that the Government refused to increase the Rate Support Grant so that all the extra expenditure fell on the rates. This would mean that, to raise the extra £1,200 million, local authorities would need to increase their rates by about 27%. Since the average domestic ratepayer pays £142 in England and Wales (net of rate rebates), each ratepayer would face an increase of over £38 a year.



On the other hand the Government might decide to help meet the extra cost by contributing its usual share through the Rate Support Grant. If it did so it would need to spend over £700 million extra but this would still leave local authorities with the need to find around £500 million pounds. Even with Government help the rates might go up by over 10% and extra rate bills for the average household would be over £14.

The Government would have two choices for raising its share of the extra cost of teachers pay. One course, which I find most unattractive, would be to increase taxes (i.e. to lower them by less than the amount we intend). The Government would get something back in income tax on the increased teachers' pay but it would still need to find around £500 million. This would be equivalent to well over an extra penny on the standard rate of income tax (1 penny yields £400 million), or to over 1% extra on the standard rate of VAT (1% charge yields £400 million). Alternatively the cost could be met by adding 5 pence to the duty on a pint of beer (1 penny yields £100 million), or by adding over 11 pence to a packet of cigarettes (1 penny yields £45 million) or by adding over 10 pence (equivalent to over 11½ pence after VAT) to a gallon of petrol.

The Government has set its face against increases in taxation and the extra cost would need to be found by



expenditure savings. The first target would be the expenditure financed by the Department of Education and various items would be at risk such as capital grants to teacher training colleges (£505,000), other grants for further education and for teacher training colleges (£56 million), educational research (£7 million), grants for students at teacher training colleges (all student grants, including grants to university students etc. cost £495 million). These savings alone would not be sufficient (not all of the expenditure could be cut) and we would need to consider whether we could reduce the percentage of teachers salaries financed out of the Rate Support Grant while leaving other local authority expenditure untouched. This would add to the pressures on local authorities to employ fewer teachers.

IC3
18 May 1979

21 MAY 1979

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file JS
Education

10 DOWNING STREET

From the Private Secretary

21 May 1979

Dear Philip,

TEACHERS' PAY NEGOTIATIONS

We spoke over the weekend about the terms of reference to the Standing Commission on Pay Comparability which Cabinet had authorised for the teachers. You told me that Mr. Fred Jarvis had been in touch with you and was pressing for the following wording:

"The Commission will undertake a comparability study on the pay of teachers, taking account of the total remuneration package of teachers and of other groups with which teachers are compared."

You said that your Secretary of State was very doubtful whether this was acceptable. I put this to the Prime Minister and she fully endorses Mr. Carlisle's view, since the phrase "total remuneration package" is clearly an attempt by the teachers to get away from the reference to "conditions of service".

You also said that Mr. Jarvis had hinted that if a draft on the above lines was unacceptable to the Government, he might be able to sell to his Executive a revised draft which simply substituted the word "employment" for "service" - in other words, the terms of reference would read:

"The Commission will undertake, in the light of their other conditions of employment, a comparability study on the pay of teachers"

As I told you, the Prime Minister is content for this minor change to be made, since it does not alter the substance.

I am sending a copy of this letter to the Private Secretaries to the members of Cabinet and to Martin Vile (Cabinet Office).

Yours
eve.
Tim Hunter.

Philip Hunter, Esq.,
Department of Education and Science.

JS

PRIME MINISTER

TEACHERS PAY NEGOTIATIONS

I gave you a report on Friday evening of the Burnham Committee meeting which took place that day. As I told you, the NUT National Executive have been considering over the weekend the terms of reference to Clegg which we are now insisting on - i.e. "The Commission will undertake, in the light of their other conditions of service, a comparability study of the pay of teachers ...", and also the more muted reference to Houghton.

Fred Jarvis has now been in touch with DES and has told them that at tomorrow's reconvened meeting of Burnham, the Teachers Panel will press for the following wording: "The Commission will undertake a comparability study of the pay of teachers, taking account of the total remuneration package of teachers and of other groups with which teachers are compared".

Mr. Carlisle doubts whether this would be good enough from the Government's point of view because "remuneration package" could be taken as referring only to pay and pensions, and not taking in hours of duty and holidays. However, he wanted to take your view on this proposal.

No

I agree with Mr. Carlisle. It is an attempt to get round the conditions of service.

My own view is that "remuneration package" is quite unacceptable for the reason Mr. Carlisle has himself given.

If we cannot go along with the "remuneration package" formulation, Jarvis has hinted to DES that he might be able to sell the substitution of the word "employment" for "service" in the terms of reference which we are insisting on. Mr. Carlisle thinks that this would not change the substance of the terms of reference, and he hopes that you would be willing to authorise it.

Agreed now.

I have spoken to Peter le Cheminant in the Cabinet Office about this, and we are agreed that this change would not amount to any change of substance. Are you content to authorise it?

Yes

/ If the

If the change amounts to nothing in substance, why might Jarvis be prepared to go along with it? The answer to this is that the NUT Conference at Easter had a lengthy discussion about the terms of reference to Clegg and ruled out anything which included the words "other conditions of service". In other words, changing the word "service" to "employment" would be a face-saver for Jarvis and the Executive.

ms

TPL

20 May 1979

PRIME MINISTER

c.c. David Wolfson
Richard Ryder

TEACHERS' PAY

The Burnham negotiations were restarted today on the basis of the offer which Cabinet agreed yesterday - i.e.:

- (i) 9.3 per cent from 1 April;
- (ii) £1 payment on account for those earning up to £5,000 to be clawed back later whatever the outcome of the comparability study;
- (iii) the balance, if any, to be paid in January 1980 and January 1981;
- (iv) improved terms of reference, including a reference to terms and conditions of service.

In addition, the Management Panel were told - in the terms of the draft which the Chancellor and Mr. Heseltine agreed with Mr. Carlisle following Cabinet - that there might well have to be a further reduction in the RSG following a settlement.

No agreement was reached today, but sufficient progress was made for the teachers to agree to adjourn ^{and} to reconvene the meeting on Monday. The NUT negotiators said they personally could go along with the revised terms of reference, but they now have to clear them with their Executive over the weekend. They made it clear that the January 1980 and January 1981 staging was not acceptable, and they also pressed for the £1 on account to be paid to everybody.

Provided they can get the NUT Executive's agreement to the revised terms of reference, the Management Panel intend to offer on Monday:-

- (i) improved staging as authorised by Cabinet, namely January and September 1980;

/ (ii)

(ii) £1 on account to be clawed back for all teachers.

The £1 on account for everybody was not authorised by Cabinet, and the Government representative on the Management Panel has formally objected to it. But because there is the claw-back provision, and hence it will not cost anything, the Government cannot veto this. After he had made his objection, the other members of the Management Panel formally out-voted him. On this basis, I do not think we can object.

The DES assessment is that there is a better-than-even prospect of getting agreement with the NUT on Monday on the above lines. This will still leave the NAS, who merely sent an observer to today's negotiations. However, if the NUT agree, there must be a fair chance that the NAS will come into line with them.

12

18 May 1979

PRIME MINISTER

TEACHERS' PAY

Handwritten note:
Phanlay on mt

Following the decision reached at Cabinet this morning Mark Carlisle's office rang me this evening with a form of words which he has agreed with the Chancellor about Rate Support Grant cover. This will be transmitted to local authorities tomorrow morning before their Burnham Committee meetings.

The form of words reads:

"For the purpose of calculating increases in Rate Support Grant.

The consequences of the teachers' pay settlement, as of any other settlement for local government employees, will be taken into account. However, the Government is intent on substantial economies in public expenditure and has to consider the consequences of all these settlements so far as its own financial contribution is concerned. The Government therefore must reserve to itself the right to reduce the total extra support which it would otherwise give, both for this and for other eligible increases in expenditure; the size of these increases will be a factor which will be taken into account."

In view of your interest in this subject Mr. Carlisle's office felt that you might like to see this tonight.

Handwritten signature: Roger Carter
Duty Clerk.

17 May 1979



10 DOWNING STREET

THE PRIME MINISTER

17 May, 1979.

Dear Mr. Hart,

Thank you for your letter of 8 May about the Burnham negotiations and the industrial action by the National Union of Teachers and National Association of Schoolmasters/Union of Women Teachers.

I know that Mark Carlisle has informed you that he is making the resolution of the current pay dispute his first priority on taking up office. I share his view that it is highly regrettable that our relations with the teacher associations should have to begin against a background of industrial action which was decided upon before the election and cannot speed up the decisions we must take on this important question. For my part, I can assure you that I recognise the importance of the education service and the contribution made by Head Teachers, particularly during difficult times such as the present.

I hope that teachers will not take any action which harms the prospects of the pupils entrusted to their care.

Yours sincerely,

(SGD) MT

D.M. Hart, Esq.

CONFIDENTIAL

PRIME MINISTER

Teachers Pay
(C(79) 8)

BACKGROUND

At its meeting on Monday the Ministerial Committee on Economic Strategy (E) decided, on balance, in favour of a reference of teachers' pay to the Standing Commission on Pay Comparability, provided the terms of reference were improved from those previously agreed between the parties - but not agreed by Government. The required improvements were that they should specifically cover conditions as well as pay and that the reference to Houghton should be weakened by dropping the words "in particular" before "Houghton". This conclusion was subject to Cabinet's endoresment in the light of their consideration about the future of the Standing Commission (the previous item on the Cabinet agenda).

2. In addition Mr. Carlisle was asked to sound out the parties on their attitudes to the changes E considered essential and it was noted that there might have to be some improvement in the terms of the present offer of 9 per cent plus staging on 1st April 1980 and 1st April 1981 in order to get agreement to the amended terms of reference. Mr. Carlisle was given no discretion to agree to any improvements in the offer without reference back to colleagues, and was asked in particular to give no assurances about Government Support through Rate Support Grant (RSG). He was asked to report the outcome to Cabinet.

3. Mr. Carlisle's paper C(79) 8 reports that, following discussions with both the parties, he believes there is an outside chance of getting agreement to a reference to the Commission on the amended terms agreed by E, though arbitration is still in his view a more likely outcome. His paper assesses, I think realistically, the improvements which would have to be made in order to find a way out of the present damaging impasse, whther by way of a comparability study or arbitration.

CONFIDENTIAL

4. It will be essential for Cabinet to give Mr. Carlisle clear instructions otherwise the Burnham Committee talks on the following day will make no progress. If this happens an already difficult situation will be made much worse, and industrial action will be stepped up.

5. The Annex to Mr. Carlisle's paper provides the further information about the cost of the various options for improving the present offer, teacher supply, wastage rates and so on, which E suggested Cabinet should have as background to their discussion. But you will want to avoid getting bogged down in discussion of how all this affects the immediate issues - though there is much that would be relevant if there is a comparability study.

HANDLING

6. You will want Mr. Carlisle to speak briefly to his paper, reporting on his discussions with the parties; and to ask Mr. Younger if he has anything to report on the Scottish situation.

7. The issues for Cabinet depend partly on their own prior decision on the future of the Commission. If they do not rule out in principle any further references to it then the essential questions are -

(a) Do they endorse the E conclusion that comparability - on acceptable terms - is preferable to arbitration for the teachers? You might seek rapid agreement on that point rather than go over again the E discussion. But you will want to get specific endorsement to the amendment to the terms of reference agreed by E which Mr. Carlisle proposes, for technical reasons, in paragraph 3 of his note.

(b) Do they agree that the improvements to the present offer, outlined in paragraphs 4 - 6 of C(79) 8, are a price worth paying in order to get agreement to a reference to Clegg? It is relevant to remember here that some improvement in the offer - probably more specific - will be necessary if the matter has to go to arbitration.

CONFIDENTIAL

8. The key questions on (b) - which arises also in the arbitration context - is at paragraph 4d. - will the Government give RSG for expenditure arising in 1979-80? The answer must depend mainly on Cabinet's earlier discussion of the Chief Secretary's general proposals for the handling of RSG in the context of his public expenditure paper (C(79) 4). He proposed that the Government should meet their share of local authority pay settlements this year subject to an overall cut in RSG which, though much influenced by the level of settlements, would not be related to specific settlements. If Cabinet has accepted his approach then it should be possible to endorse Mr. Carlisle's package in paragraphs 4 - 6, including the promise of RSG support. If, on the other hand, it has rejected the Chancellor's approach then the position is much more difficult. Mr. Carlisle's proposal go virtually no further on RSG than the previous Administration were willing to go and are the least that the local authorities will be willing to accept. If they are not endorsed it is difficult to see how the Burnham negotiations can progress. So it would be necessary for Cabinet to decide whether, on a one-off basis, they would provide RSG cover in 1979-80 for teachers and whether this should be linked to any formula to discount for RSG purposes some part of the cost of the settlement. This would be bound to be arbitrary and there is little time to settle the details before Burnham meets. And if the local authorities got no assurance at all on RSG the negotiations must founder. The same issues of principle will arise on other local authority settlements - particularly the massive white collar workers' settlement due in July.

9. If Cabinet rejects the comparability approach either generally or specifically for teachers, then the only viable option is arbitration. It may well come to this in any case if, as seems likely, the unions will not agree to the revised terms of reference. Cabinet should therefore decide -

- (a) whether, as Mr. Carlisle maintains, it will be necessary for there to be a substantially improved offer from the Management Panel before the Burnham chairman can deem that negotiations have broken down and trigger arbitration?
- (b) if so, what improvement can the Government accept?

CONFIDENTIAL

10. Mr. Carlisle outlines the options in paragraph 9 of his paper and seeks advice. You might press him to clarify his preference. Subject to that there are obvious advantages in keeping the 1st April 1979 offer down to around 9 per cent with a payment on account, to be offset, later, rather than a higher initial figure. You will want to avoid detailed discussion and perhaps give Mr. Carlisle negotiating freedom, subject only to a decision on the key question of Government assurances on RSG, without some assurance the local authorities will not move and the issue is, as in the comparability context discussed above - whether to give them this within the framework of the Chancellor's broad approach, or on some ad hoc basis. No assurance at all will just produce a stalemate.

CONCLUSIONS

11. You will want Cabinet to settle -

- (a) whether they agree that the preferred option is a reference to the Standing Commission, on the terms approved by E (and amended in detail by Mr. Carlisle) if not the case must go to arbitration;
- (b) if so, whether they are prepared to accept Mr Carlisle's recommendation in his paper for handling the negotiations including in effect the Chief Secretary's RSG proposals;
- (c) if (but only if) the Cabinet have not accepted the Chief Secretary's RSG proposals, are they prepared to give specific RSG cover for Mr. Carlisle's negotiating proposals (bearing in mind that some additional RSG cover is almost certainly necessary to avoid an inconclusive meeting of Burnham on Friday with industrial action intensified and a solution still to be found);
- (d) if on the other hand Cabinet prefer arbitration - or it becomes the only option because the teachers reject comparability - what guidance are the Cabinet prepared to give Mr. Carlisle on the offer to be made as the basis of arbitration (see paragraph 9 of his paper); and what assurance can he give the local authorities about RSG in these circumstances - bearing in mind their reluctance to make any further offer without RSG cover;

CONFIDENTIAL

- (e) whether they agree that the same broad approach should be taken in respect of negotiations about the pay of teachers in further education and other associated groups who traditionally follow the school teachers (and in Scotland are part of the same negotiations).

JH

John Hunt

16th May 1979

PRIME MINISTER

Teachers' Pay - Arrangements for Arbitration

I enclose the detailed regulations relating to the arrangements for arbitration. The Chairman would be appointed by ACAS "after consultation with the two panels". The latter in effect means that both the unions and the management side are able to veto anybody whom they dislike. The Government of course have a member on the management panel, but he can be out-voted by the local authorities. The Secretary of State for Employment has no formal means of influencing ACAS's choice; and the Department of Employment tell me that ACAS are unlikely to take kindly to any informal pressures. In short, it seems unlikely that we could be at all confident of getting a tough ^{Chairman.} ~~arbitrator~~. The most that we could hope for would be to veto, through our representation on the management panel, a "give away" ^{Chairman.} ~~arbitrator~~.

The other two members of the arbitral body are selected by ACAS - from lists put forward by the teachers and management panels. There is thus a fair chance that at least one member - i.e. the management panel appointee - would be tough; but again, because we are in a minority on the management panel, we cannot guarantee to get the person we would like.

14 May 1979

12

ARRANGEMENTS FOR ARBITRATION

In exercise of the power conferred on me by section 3 of the Remuneration of Teachers Act 1965, after consultation with the bodies represented on the Committees constituted under section 1 of that Act, I hereby make the following Arrangements.

Arbitral body

1. An arbitral body shall consist of three members, a Chairman, who shall be an independent person appointed by the ~~Minister of Labour~~^{ACAS} after consultation with the Panels, and two members who shall be selected by the ~~Minister of Labour~~^{ACAS}, one from each of two lists of not fewer than four persons each considered suitable by the Teachers Panel and by the Management Panel respectively of the relevant Committee.
2. Civil servants; members and employees of local education authorities and their committees; and members, representatives and employees of organisations appointing members to any Committee under the Act shall be ineligible for appointment as members of an arbitral body.
3. Where the other members of an arbitral body are unable to agree as to an award, the matter shall be decided by the Chairman acting with the full powers of an umpire.
4. Subject to these arrangements, rules governing the procedure of the arbitration shall be determined by the Chairman of the arbitral body after consultation with the two Panels of the relevant Committee.

Nature of arbitrable issues

5. The issues to be arbitrable shall be limited to matters which fall within the competence of the relevant Committee, but once a salaries document has been put into effect by order no arbitration can take place on its contents.

Procedure for deciding whether reference shall be made to arbitration

6. Each Panel shall table before the relevant Committee all the proposals that it wishes to have considered and full opportunity for discussion and negotiation shall be allowed thereon before either Panel may propose that a reference be made to the arbitral body.
7. Where either Panel declares that in its opinion the conditions in the previous paragraph have been fulfilled and has proposed that a reference be made to the arbitral body and the other Panel agrees, such a reference shall be made.
8. Where a declaration and proposal as in the previous paragraph have been made by either Panel and the other Panel does not agree, the Chairman of the relevant Committee shall decide whether the conditions in paragraph 6 have been fulfilled and where he decides that they have been fulfilled, a reference shall be made to the arbitral body. The Chairman's decisions in these matters shall be binding.

Scope and references to arbitration

9. The reference to the arbitral body shall cover all matters that have been tabled before the relevant Committee and that have not subsequently been withdrawn unless the two Panels agree that it is desirable and practicable to cover particular matters separately from other matters, in which case the reference shall cover those particular matters only.

Invitation to arbitral body

10. When a reference to the arbitral body, and its scope, have been decided in accordance with paragraphs 6 to 9, the Chairman of the Committee shall inform the ~~Minister of Labour~~^{ACAS} and invite him to convene an arbitral body for the purpose.

Terms of reference to be submitted to the arbitral body

11. The Chairman of the relevant Committee shall then submit terms of reference to the arbitral body. These shall be in such form as the two Panels may agree, or as the Chairman may settle in default of such agreement.

Evidence to be submitted to the arbitral body

12. Evidence whether oral or written or both shall be given, in such form as the arbitral body may require, on behalf of the Teachers Panel as a whole and of the Management Panel as a whole respectively. Each side shall receive copies of the written evidence, and oral evidence shall be given in the presence of each side.

13. Each Panel may give such evidence as it thinks fit irrespective of any statements it may previously have made in the course of negotiations.

14. Both Panels may, by agreement and at any time, make arrangements to inform the arbitral body of any issues within the terms of reference on which they are, or have become, agreed.

General

15. Nothing in these arrangements shall prevent the Chairman of the relevant Committee, either at the request of either Panel or at his own discretion, from using his good offices to help the two Panels to reach agreement on any matters in dispute.

16. These Arrangements shall remain in force until they are terminated by the Secretary of State.

ANTHONY CROSLAND.

Secretary of State for Education
and Science

14th April, 1965.

Note:

The above arrangements are made in accordance with § 3 of the Remuneration of Teachers Act 1965 as amended by paragraph 11, Part IV, Schedule 6 of the Employment Protection Act 1975 (the main effect of which is to substitute "RTAS" for "Ministry of Education" and delete the reference (in the RTA) to the Ministry of Education paying remuneration or allowances to the arbitrator).

*Education*

DEPARTMENT OF EDUCATION AND SCIENCE

ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH

TELEPHONE 01-928 9222

FROM THE SECRETARY OF STATE

T Lankester Esq
10 Downing Street
Whitehall
London SW1

*14 May 1979**Dear Sir*

NATIONAL ASSOCIATION OF HEAD TEACHERS

In your letter of 10 May you asked for
a reply to Mr Hart's letter of 8 May.

It is of course impossible to give a
substantive reply when Ministers are
still considering how to deal with this
case. I attach a self explanatory draft
which seeks to assure the NAHT of the
Prime Minister's concern.

Yours
Philip Hunter

P J HUNTER
Private Secretary

14 MAY 1979



DRAFT LETTER FOR THE PRIME MINISTER TO SEND TO MR HART, NAHT

Thank you for your letter of 8 May about the Burnham negotiations and the industrial action by the National Union of Teachers and National Association of Schoolmasters/ Union of Women Teachers.

I know that Mark Carlisle has informed you that he is making the resolution of the current pay dispute his first priority on taking up office. I share his view that it is highly regrettable that our relations with the teacher associations should have to begin against a background of industrial action which was decided upon before the election and cannot speed up the decisions we must take on this important question. For my part, I can assure you that I recognise the importance of the education service and the contribution made by Head Teachers, particularly during difficult times such as the present.

Prime Minister

Ref. A09541

You asked for information on teacher training intake. This is at Flag D.

PRIME MINISTER

Before the meeting details? who the arbitrator are? I think it is only the teachers, not the employers. - may I have refs. determining

R
415

Economic Strategy Committee: Teachers' Pay

(Minute of 9 May by the Secretary of State for Education and of 10 May by the Secretary of State for Scotland both to you)

employees, but is it an agreed chairman? or a chairman appointed by employers?

Flag A

You decided that the Economic Strategy Committee should consider Mr Carlisle's minute to you, dated 9 May, about the handling of the teachers' pay dispute.

2. You know the background. The teachers have claimed over 36 per cent. But the essence of their claim is restoration of the relativities established for them by the Houghton Report in 1974. A negotiated settlement within the Burnham Committee cannot be reached because of the distance between the parties. Mr Carlisle thinks that there are only two options now - arbitration (to which the teachers, like the employers, have a unilateral statutory right) and a comparability study by the Standing Commission on Comparability (Clegg). His preference is for a reference to Clegg. He also believes that to get an end to industrial action the Government must be prepared to see the Management Panel make some improvement in their present offer of 9 per cent with further stages (assuming a comparability study) on 1 April 1980 and 1 April 1981.

3. The unions themselves are divided. The National Union of Teachers (NUT) now appears to want a reference to Clegg and has the backing of other smaller unions except for the National Associations of Schoolteachers (NAS) and Union of Women Teachers (UWT) who want arbitration. The local authority employers do not appear to have a strong preference: their prime concern is that the Government should meet its share of the full cost through Rate Support Grant (RSG).

4. Once a decision to go to arbitration is reached in Burnham it generally takes about 6 weeks before an award is made. The Government cannot submit its own evidence and has only limited influence on the Management Panel's evidence. The Government can only overthrow the award by way of resolutions in both Houses of Parliament on the basis that the award was against the national economic interest. The arbitrator could stage the award but the Government could not do so unilaterally without first having the award formally rejected by the two House procedure.

5. A settlement based on comparability could, by prior agreement, be staged. But there would be considerable difficulty in reaching agreement on acceptable terms of reference. Whether or not to make a reference to Clegg begs questions about the Government's general attitude towards comparability as a pay determinant in the public services and the Clegg Commission in particular. Cabinet is due to consider a paper on comparability at its next meeting.

Arrangements are being made to circulate their paper, which we expect to be a joint one from the Chancellor of the Exchequer and the Secretary of State for Employment, in time for those present at Committee E to be aware of its contents for background information. You will want to make sure however that Cabinet decisions are not pre-empted.

This paper
is at
Flag C -
it includes
some of the
material in
John Hunt's
paper to you.

HANDLING

6. You will want Mr Carlisle to speak to his minute and to ask Mr Younger to comment on the Scottish position. (He has sent you a separate note about this.) You will also want comments in particular from [Sir Geoffrey Howe,] Mr Prior, Mr Biffen, Mr Heseltine and Lord Soames.

Flag B

7. You might take views first on whether, if the terms of reference were right (a big if), colleagues would prefer the teachers to be referred to Clegg or to allow the claim to go to arbitration. To allow this major reference ($\frac{1}{2}$ million teachers) could be seen as a sign of approval for Clegg and comparability and make it difficult to refuse other groups who may also want to follow this course - the local authority Administrative, Professional, Technical and Clerical Staff (APTCS) whose settlement date is 1 July being the main possible claimant. Arbitration could however be the most costly option in terms of public expenditure.

8. If colleagues would actively prefer Clegg, given the right terms of reference, the question is how can teachers be brought to accept sensible terms of reference? Those annexed to Mr Carlisle's minute (agreed before the election by the Burnham Committee with the Government representative dissenting) are not satisfactory - no reference to job for job comparisons, no reference to terms and conditions of employment, and a clear pointer to indexation. It

could I suppose be argued (and the Secretary of State for Education may argue) that bad terms of reference will not prevent the Standing Commission from doing a good job because they will have evidence from the Government and their *raison d'etre* and back-up machinery is geared to a PRU type of study. But this would be a considerable gamble and set a damaging precedent for any future references to Clegg.

9. The essential point therefore is how much leverage the Government has got, eg by threats to withhold RSG or a refusal in advance to foreswear asking Parliament to overthrow an arbitration award, in order to force sensible terms of reference on reluctant teachers.

10. If it is agreed that an attempt should be made to negotiate suitable terms of reference for Clegg with the teachers, it will also be necessary to consider the accompanying elements of the offer. These elements are set out in paragraph 10 of the note attached to Mr Carlisle's minute. You will want to seek a decision on each.

11. If on the other hand your colleagues prefer to go to arbitration anyway then you will need also to consider the points set out in paragraph 4 of the note attached to Mr Carlisle's minute.

12. The detailed points referred to in paragraphs 4 and 10 of Mr Carlisle's note are largely self-explanatory though in paragraph 10(b) Mr Carlisle does not say how much the payment on account might be. The Civil Service got £1 a week for those earning up to £4795; nurses got £2 or £2.50 depending on grade. Clarity is needed.

13. There are two other points which it would be useful to clear -

a. How far is the Government committed to RSG promises made by the previous administration and what precisely do these amount to? Mr Carlisle's paper does not tell us and he should be asked (we have warned his office).

b. There are a number of subsidiary negotiations with teachers in train, eg on FE teachers in England and Wales and similar groups in Scotland. Subject to any snags which your colleagues might see it would make sense to agree to deal with them all on the same basis as the main negotiations.

CONCLUSIONS

14. The choices for conclusions appear to be -

EITHER (a) to tell both sides that the only acceptable course to the Government in present circumstances is recourse to arbitration.

In this event you will also need to decide:

(i) whether the management panel should stick to its 9 per cent offer or go beyond this to provide a datum for negotiation (Mr Carlisle says at the end of his paragraph 5 that he would need to talk further to the local authorities on this point);

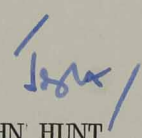
(ii) whether to give an undertaking in advance not to seek to overthrow the arbitration award in Parliament;

(iii) whether to guarantee the local authorities RSG cover for any costs in 1979-80 beyond promises already made.

OR (b) to work for a suitable reference to Clegg and to use whatever weapons are available to this end. This would involve taking a tough line on the "arbitration" concessions in paragraph 4 and no doubt being relatively forthcoming about the "Standing Commission" concessions in paragraph 10. You might run through the 7 points, 3 in paragraph 4 and 4 in paragraph 10, and record a conclusion on each.

(c) To record that all of the extant teachers pay negotiations should be handled in the same way.

15. If the Committee favour arbitration, then I think the Secretary of State can go ahead. If however they favour a reference to Clegg, then you may feel that this should be ratified by Cabinet on Thursday because of its implications for comparability policy more generally. In that event Mr Carlisle will have to stall in the intervening days.


JOHN HUNT

11 May 1979

POSSIBLE COMPROMISE TERMS OF REFERENCE

The Government, at the request of both sides of the Burnham Primary and Secondary Committee invite the Standing Commission on Pay Comparability to undertake a comparability study of the pay of teachers in maintained primary and secondary schools in England and Wales.

2. The Standing Commission is asked to have regard to all relevant principles and considerations relating to the assessment of the value and role of the teaching profession in society ^{including their conditions of service} and in particular to all matters referred to in the Houghton Report and the Joint Working Party Report received by the Burnham Primary and Secondary Committee on 7 March 1979 and to the movement of inflation and salary levels since April 1978.

3. It is the intention of both sides of the Burnham Primary and Secondary Committee to negotiate detailed rates of pay on the basis of the Standing Commission's Report. It is the expectation of both sides that they will accept the outcome of the Standing Commission's investigations without recourse to arbitration. Subsequent negotiations in the Burnham Committee to establish precise rates of pay etc., will be centred on the factual information provided in the Standing Commission's Report.

NOTE: Underlining and sidelining represent changes from the version agreed by the Burnham Committee and attached to Mr Carlisle's minute of 9 May.



DEPARTMENT OF EDUCATION AND SCIENCE

ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH

TELEPHONE 01-928 9222

FROM THE SECRETARY OF STATE

T P Lankester Esq
Private Secretary
10 Downing Street
Whitehall
London SW1

11 May 1979

Dear Tim,

INTAKES TO TEACHER TRAINING

I attach a brief note on this subject,
as requested in your letter of 10 May
to Philip Hunter.

Yours sincerely,
Robert Green

R J GREEN
Private Secretary

CONFIDENTIAL

INTAKES TO TEACHER TRAINING

1. The proposed entry to teacher training for 1979 in England and Wales is at broadly the same level as for 1978: 9,400 to three and four year courses and 10,500 to postgraduate and other one year courses (including about 5,000 to courses in university departments of education). The proposed intake to non-university institutions is at the level appropriate to the planned 1981 target of 46,700 teacher training places, of which about 36,000 are for initial training.
2. Intakes at this level, if continued, are estimated to provide from 1981 onwards an annual output of some 17,000 new teachers, of whom about 16,000 might be expected to seek employment in maintained schools. This annual output, together with teachers wishing to return to the profession after a break in service, will be more than sufficient to fill the vacancies available (19,000 in 1981-82, assuming continuation of present rates of wastage and of present policies on staffing standards). The number of new teacher appointments has already declined from 36,700 in the school year 1974-75 to 23,300 in the current school year in England and Wales. The extent of the surplus of teachers seeking employment over the number of jobs available will depend upon a number of uncertain factors, mainly whether in the event institutions attain their recruitment targets, the number and mobility of teachers seeking to re-enter the schools, the actual rate of wastage from the profession (currently about $7\frac{1}{2}\%$), and the resources available to local authorities for the employment of teachers.
3. As the Prime Minister will be aware, the teacher training system outside the universities has been drastically reduced in size, from some 114,000 places in 1972 to a planned figure of 46,700 places by 1981, distributed among 84 institutions. There is little scope for further reductions in the size of teacher training units within individual institutions. Any cut-back in the intakes proposed for 1979 and subsequent years would therefore almost certainly necessitate further college closures, thus limiting the capacity of the system to respond to possible future requirements arising from demographic changes, variations in levels of wastage from and re-entry to the profession, or any future decision to increase the size of the teacher force eg in the interests of the curriculum.

CONFIDENTIAL

11 MAY 1979





*cc Mr Wilson
Mr Ryan*

SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

CONFIDENTIAL

*cf. (put the attached minute
in folder for
E Committee)*

Tim Lankester Esq
Private Secretary
No 10 Downing Street
LONDON SW1

10 May 1979

*R
11/5*

Dear Jim,

TEACHERS' PAY

I attach a minute to the Prime Minister which my Secretary of State approved on his return from Cabinet today but which he did not have an opportunity to sign before departing in order to carry out engagements in Scotland this evening.

In view of its urgency in relation to Ministers' consideration of this subject on Monday, I am therefore circulating it under cover of this letter today.

I am copying this letter to the Private Secretaries to Members of E Committee, to Philip Hunter (DES), George Craig (Welsh Office) and Martin Vile at the Cabinet Office and Gerry Spence (CPRS).

*Yours sincerely,
Kenneth Mackenzie*

K J MACKENZIE
Private Secretary



SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

Prime Minister

TEACHERS' PAY

1. I have seen a copy of the minute which the Secretary of State for Education and Science sent to you on 9 May, covering a paper about teachers' pay and suggesting that we should try to secure a settlement of this problem by way of the Standing Commission on Pay Comparability coupled with various improvements in the present offer to the teachers. I imagine that you will accept that any improvement in the offer to teachers in England and Wales must be matched by a corresponding offer to Scottish teachers.
2. I agree with Mark Carlisle that the balance of advantage would seem to lie in a reference to the Standing Commission rather than in simply allowing the matter to go to arbitration, which would certainly be the outcome if we are not prepared to authorise any advance on the present offer but which might be expensive in the short term and would still leave unresolved the question of restoration of "Houghton relativities". I agree also that the sort of improvement needed to secure an agreement would involve (a) a small increase in the cash offer as at 1 April 1979 (either by means of a marginal percentage improvement or by some form of payment on account or both) and (b) probably some improvement in the staging of any subsequent comparability award.

3. I am, however, concerned - against the background of my wider pay responsibilities - that, by looking at the problem of teachers' pay in isolation, we may store up consequential difficulties for ourselves in other fields. As Mark Carlisle's paper recognises, we have to decide our whole attitude to the Standing Commission; and I suggest that in any event we should think very carefully before agreeing to terms of reference to the Commission containing such a direct "steer" towards Houghton as those set out in the annex to that paper. Moreover, we must be sure that any improvement either in the cash offer to the teachers or in the proposed staging does not result in awkward repercussions for other groups.

4. I too shall be under pressure to facilitate the early resumption of negotiations in the Scottish Teachers Salaries Committee. I would prefer, however, that we should first look collectively at the sort of points mentioned in paragraph 3 above before deciding what improvements might be authorised in the existing offer to the teachers. I would hope that this is something which we could tackle quickly.

5. Copies of this minute go to Mark Carlisle and to the other recipients of his minute.

GEORGE YOUNGER .

10 May 1979

11 MAY 1979



Education

tmw

B.F. 14/5/79

10 May 1979

The Prime Minister has received the enclosed letter from the General Secretary of the National Association of Head Teachers, asking her to intervene in the current pay negotiations. She has no intention of intervening herself, but she would like to reply.

I would be grateful if you could let me have a draft reply for the Prime Minister's signature by Monday 14 May.

TPL

Philip Hunter, Esq.,
Department of Education and Science.



10 DOWNING STREET

c.c.	HO	Ch.Sec.
	FCO	WO
	HMT	SO
	DI	CPRS
	Ld.Pres	Cab.Off.
	DM	Wolfson
	MAFF	Ryder
	DTrade	Ridley
	DN	

From the Private Secretary

10 May 1979

B.F. 11/5/79

Mr Philip,

Teachers' Pay

The Prime Minister has now had an opportunity to consider your Secretary of State's minute of 9 May and the enclosed paper on teachers' pay.

As I have already forewarned you, the Prime Minister would like your Secretary of State's proposals to be considered by the Ministerial Committee on Economic Strategy (E Committee) on Monday. However, in advance of that meeting, you will wish to know that she regards a reference to the Standing Commission based on the terms of reference which the Burnham Committee agreed as totally unacceptable. She considers that there is no point in referring the teachers to the Standing Commission except with the most stringent terms of reference on pay and conditions of service; and that rather than accept the terms of reference put forward by the Burnham Committee, it would be far better to go to arbitration.

The Prime Minister has also commented that it may be necessary for the Government to start cutting back on the supply of new teachers. She thinks it important to avoid a situation in which we are turning out more teachers than there are jobs for. I would be grateful if you could let me have a short note setting out the proposed entry to teacher training colleges and to post-graduate departments of education this year, and with comments on the question which the Prime Minister has raised. Could I have this please by close of play tomorrow, Friday 11 May.

I note that your Secretary of State's minute was not copied to all members of E Committee. Perhaps you could arrange that this is done.

I am sending copies of this letter to the Private Secretaries to the members of E Committee, to George Craig (Welsh Office), Kenneth MacKenzie (Scottish Office), Gerry Spence (CPRS) and to Martin Vile (Cabinet Office).

*Yours ever,
Tim Lankford*

Philip Hunter, Esq.,
Department of Education and Science.

Ref. A09522

Prime Minister

COPY NO.

PRIME MINISTER

TEACHERS' PAY

Agree that decisions on this should be taken at E Committee on Monday and that Mr Clarke can allow Burnham to reconvene on Wednesday?

Flag A

The Secretary of State for Education's minute to you of 9 May seeks an immediate decision on the choice between arbitration and a reference to the Standing Commission on Comparability.

12 9/5

2. This is essentially a decision for the Government, not the local authorities. The Government holds two important cards:

i. It makes the references to the Clegg Commission, and no reference can be made without its approval (though conversely it can only make a reference with the agreement of the employers and the unions).

ii. It settles the level of Rate Support Grant and is under ^{no} obligation to make RSG available for extra expenditure unless it chooses to do so.

3. The teachers however also hold an important card. They can go to arbitration unilaterally and, if the arbitrator so awarded, the result might be payable in full immediately (i.e. arbitration might mean higher public expenditure this year than would a negotiated settlement including staging). It is true that the results of arbitration can then be overridden by a vote of both Houses of Parliament, but this is a sledge hammer to be used only in the last resort.

4. There is thus ample opportunity for a 'squeeze play'. At the extreme the Government could say "go to Clegg on terms of reference acceptable to us or go to arbitration without promises of RSG or the use of the 'Two Houses' procedure." These questions are at the heart of the discussion you will want with your colleagues.

/5. The

5. The immediate problems are of timing. Mr. Carlisle wants a meeting of the Burnham Committee "early next week". I understand from his Department that this could in fact be as late as Wednesday, at the cost of mounting irritation among the unions and employers and continuing disruption in the schools. But they are anxious about the risks of further postponement, both for the schoolchildren and as leading the teachers to seek immediate arbitration (though given that it was dissension among the teachers unions which prevented their going to arbitration before the election this latter fear may be unfounded). Mr. Carlisle does not say whether he has tried to get the teachers to call off industrial action while the new Government considers the issues.

He has.

6. If the Burnham meeting is postponed till Wednesday, teachers' pay could be discussed in the Economic Strategy Committee on Monday. (We have already arranged a meeting that afternoon to consider the question of the Price Commission.) The alternative is to insist that teachers' pay must wait until after the Cabinet's general discussion ^{as} (indeed you envisaged in your comments reported in Mr. Lankester's minute of 8 May). But if this happens (and unless Mr. Carlisle can persuade the teachers to call off their action in the interim) there is a danger that the unions will seek to shift the onus for continuing disruption in the schools from themselves to the Government.

i.e. you have said you don't want more references for the time being.

7. In the circumstances the best course might be:

(a) to put teachers' pay on the agenda for E Committee on Monday on the clear understanding that, if no line emerges which can be recommended with confidence to Cabinet, the matter will have to be looked at again after discussion in Cabinet.

(b) to tell Mr. Carlisle that he cannot yet make promises about the date of a resumed meeting of Burnham. Mr. Carlisle may then argue that he could not postpone Burnham beyond Wednesday without unacceptable consequences and that even a meeting ^{of E} on Monday will be too late. But he cannot have a decision without

It ought to be possible to reach a decision on Monday. So I think Mr. Carlisle can authorise Burnham for Wednesday. 12.

/ a collective

CONFIDENTIAL

- 3 -

a collective discussion so that postponement of Burnham till the following week may be inevitable.

He has already
written to the
teachers' unions

(c) to ask him to try, meanwhile, to get the teachers to call off their unwarranted action.

7. I should add that I am not particularly impressed by the substance of Mr. Carlisle's argument and will let you have a separate brief on this before the discussion with your colleagues. As a foretaste however I attach a minute to me from Sir Kenneth Berrill which goes to the heart of the matter.

Flag B

JOHN HUNT

9 May 1979

CONFIDENTIAL

Qa 04094

To: SIR JOHN HUNT

cc Mr Le Cheminant

From: SIR KENNETH BERRILL

Mr Mountfield

Teachers' Pay

1. I have read the minute on Teachers' pay which the Secretary of State for Education & Science put to the Prime Minister today. In this Mr Carlisle comes down in favour of a further attempt to use the Standing Commission but he argues that the only way to get the teachers to agree to go to the Standing Commission would be to accept the terms of reference which were on the table before the Election.
2. In my judgement this would be a very dangerous move. The terms of reference are so loaded that they are a travesty of a proper comparability exercise - "...the assessment of the value and role of the teaching profession in society and in particular to all matters referred to in the Houghton Report.... and to the movement of inflation and salary levels since April 1978".
3. There is very little about job-for-job comparisons; there is nothing about the current demand and supply position of teachers; there is tacit support in these terms of reference for the concept of 'indexing' teachers' pay to the most favourable relativity point achieved in the Houghton report.
4. Given this Government's attitude towards comparability, I would have thought that for them to start by acceding to these particular terms of reference would be both illogical and damaging to the future of their policies on public sector pay. At the very least it would make it difficult to have responsible terms of reference accepted by other public sector groups.

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5. I realise that if the Government comes forward with revised terms of reference the teachers may exercise their right to go to arbitration, but I think in a wider context it is less damaging to the Government's freedom of manoeuvre on pay questions. If the teachers did decide to go to arbitration, the 9 per cent offer should be withheld pending the results. The 9 per cent on account would only be payable if they agreed to go to the Standing Commission on reasonable terms of reference.

KR

9 May 1979

MR LANKESTER

TEACHERS' PAY

You asked me for comments on the Secretary of State for Education's minute to the Prime Minister dated this day. I have two.

(i) The Secretary of State's covering letter refers, in paragraph 3, to the fact that arbitration would leave unresolved the teachers' claim to Houghton relativities. Since the Comparability Commission could not conceivably undertake this work before early next year at the best, and since one is not yet clear whether the Commission would be able to resolve the issue satisfactorily in any case, there is much to be said for leaving it unresolved!

(ii) Paragraph 4c. of the DES paper, which is attached to the Secretary of State's letter, suggests that it would only be possible to go to arbitration if the Government were able to guarantee "acceptance of the full additional cost of the arbitration award in 1979-80 as relevant expenditure . . .". It is surely inconceivable that the DES should be able to proceed on this basis. Even the Joel Barnett statement of 23 February ruled out such a course of action. In today's more stringent circumstances, it begs fundamental questions about the handling of Cash Limits before the Treasury and Chancellor have had proper time to consider them.

Michael Portillo

to Shirley

pp

ADAM RIDLEY

9 May 1979

I have noted the
Adm's copy with these
points - though on (ii)
we could accept the size
of the award but still
have volume cuts.

R



PRIME MINISTER

TEACHERS' PAY

The most immediate problem facing me on taking office is the impasse over teachers' pay and related industrial action already being taken by the National Union of Teachers (NUT) and about to be begun by the National Association of Schoolmasters/Union of Women Teachers (NAS/UWT). I know you want to see an early resolution of this. Moreover the atmosphere will become even worse if a Burnham Committee meeting is delayed beyond the beginning of next week.

2. I attach a paper which sets out the problem. Before any substantive move can be made we have to decide whether to go for arbitration or a reference to the Standing Commission on Comparability.

3. Arbitration might more quickly resolve this year's dispute, but would leave unresolved the teachers' claim to indefinite maintenance of Houghton relativities. One particular problem would be the likely need of the Management Panel to make a positive response to the teachers claim of 36.5% instead of referring it to the Standing Commission.

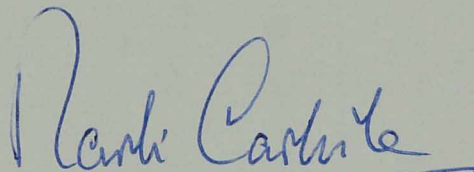
*But the
Clegg Commission
could not
report until
next spring.*

12.

4. A Standing Commission reference raises the question of the future of that body. If it continues, teachers are just the sort of group for which it was designed. A Standing Commission report should resolve the dispute over Houghton relativities and might provide continuing machinery which reduced the likelihood of annual disputes with accompanying growing militancy. One particular problem would be the entrenched NAS/UWT line that arbitration is the only "legal" way forward. They might continue industrial action after a Burnham decision to go to the Standing Commission, but would be very isolated and would probably find a way off the hook.

5. I would on balance favour a further attempt to use the Standing Commission (recognising that the teachers have at all times a unilateral right to insist on arbitration). If this route is to have any chance of success my representatives on the Management Panel must be able to authorise the offer described in paragraph 10, and to deal with the question of terms of reference as indicated in paragraphs 8 and 9. I accordingly seek agreement to my proceeding in this way.

6. I am sending copies of this minute to the Chancellor of the Exchequer, the Secretaries of State for Employment, Scotland and Wales and to Sir John Hunt.



MARK CARLISLE

9 May 1979

TEACHERS' PAY

The offer already openly made to the school teachers by the Management Panel of the Burnham Committee comprises these elements:

- a. 9% increase effective from 1 April 1979;
- b. reference to Standing Commission (I return below to the vexed question of the terms of reference for this);
- c. payment of half of whatever further increase resulted from this reference with effect from 1 April 1980 and the second half from 1 April 1981.

There was some informal understanding on both sides of the Burnham Committee that the two dates at c. could be advanced to January 1980/January 1981 if nothing else stood in the way of a settlement; but this has not been formally offered in England and Wales (though it was offered in Scotland).

2. The first question is whether we intend to permit any major new references to the Standing Commission. If we do not, then - since the two sides are too far apart to permit a negotiated agreement without recourse to some form of independent third party - the inevitable outcome will be arbitration. There are thus two alternatives - arbitration or the Standing Commission.

Arbitration

3. Recourse to arbitration would have certain immediate advantages. It probably offers the quickest route to getting a settlement and getting the schools back to normal, and it avoids pre-judging our relationship with the Standing Commission. It avoids any further conflict with the NAS/UWT; though at the cost of creating problems for the NUT, the majority union. On the other hand it could (and probably would) produce an expensive award, perhaps substantially above 9% even from April 1979; and yet would leave the teachers dissatisfied that they had not yet restored their "Houghton relativities", therefore virtually guaranteeing a re-run of the present difficulties next March.

4. Before the Burnham Committee could get to the point of deciding upon arbitration, however, we would have to say where we stood on the main elements of the prior offer, first in the Management Panel and then through the Management Panel leadership to the teachers. The essential elements in our position, which I hope you would approve my putting on the table, would for a start be these:

- a. 9% as already offered (but see paragraph 5 below);
- b. an undertaking in advance to implement the arbitration award (ie not to have recourse to stopping it by resolutions of the two Houses of Parliament);
- c. acceptance of the full additional cost of the arbitration award in 1979-80 as relevant expenditure for Rate Support Grant support.

We could still cut the number of teachers - eg 20% cut as with the public sector groups. In that

sense, we would not meet the full cost of the award. This is the line we would surely have to take.

TL

In return (particularly in return for the important undertaking at b.) I would expect the teachers to call off their industrial action forthwith. The NAS/UWT have already made clear that they would.

5. There is one difficulty in the approach to arbitration which would not be met by a prior offer on these lines. In the absence of a Standing Commission reference, the Management Panel would not have made a substantive response to the full claim for 36.5% to restore relativities. A Management Panel offer of 9% only would look exceedingly bare: it might sway the arbitrators to conclude that the Management Panel had not taken the erosion of teachers' pay since 1974 seriously and hence to make a very generous award, and indeed the local authorities within the Management Panel might themselves feel that a bald 9% offer was not good enough. But to accompany the 9% with (say) two staged payments of some undetermined sum instead of going for a comparability exercise would get us into uncharted territory. I would need to talk with the local authority representatives before advising you further on this.

Standing Commission

6. The alternative is by way of reference to the Standing Commission. If we are not in principle ruling out further major references to it, then teachers (School, FE and indeed University too) would be very much the kind of group for whom that treatment is prima facie appropriate.

7. Moreover, in addition to its longer-term advantage (that, if the exercise went well, we would not find ourselves in the same difficulty this time next year) this alternative has the financial attraction that the additional cost within the 1979-80 financial year would be minimised, since the concept of staging at least the second half of the resulting increase into 1980-81 is already accepted by all concerned. As the Standing Commission has so many earlier cases to deal with, we probably would not know the size of their recommendations until (say) April 1980, so the first stage would have to be paid retrospectively (the teachers may be dismayed when they realise the likely timing and may therefore seek a specified percentage increase at the first stage on the lines of the Civil Service arrangement). We would also

have to reckon on continuing trouble for a time from the NAS/UWT if we chose this route, for their leader (Mr Casey) has committed himself firmly against it: though he probably could not keep up his opposition (and his members' industrial action) indefinitely if the majority union, the NUT, and the smaller ones found the combined package acceptable.

8. In considering what we would have to do to bring about agreement to a reference to the Standing Commission, the question of the terms of reference must come first. Within the Burnham Committee, terms of reference as set out in the Annex were in fact agreed between the Teachers Panel and the Management Panel (though with the Secretary of State's representatives dissenting). The former Government had let it be known that they would see great difficulties in referring the question to the Standing Commission on these terms (because, I understand, they feared that so direct a reference to the Houghton Committee Report of 1974 might unduly restrict the Standing Commission) and this of course was a major cause of the impasse.

The proposed terms of reference are totally unacceptable. They are a disaster for the school.

9. I do not myself feel that we need make an obstacle out of this. The terms of reference could certainly be improved by amplifying the kind of comparability study envisaged in the opening words, and by clarifying at the end the processes required to turn the Commission's report into a pay agreement without going over the whole ground again. I would like to try to get the agreement of the teachers and the local authorities to this. But, for the rest, I take the view that the Houghton Report is so important a landmark in teachers' pay history that the Commission cannot fail to take account of it whatever the terms of reference say; and that we must trust them to do a more thorough job than simply applying up-dating index changes to it. I am clear, from what has already passed in the Burnham Committee, that we are most unlikely to get any progress towards a Standing Commission reference unless we take a different view from our predecessors here.

10. As in relation to arbitration, we would have to make clear where we stood on the prior offer. In addition to finding acceptable terms of reference, the essential elements would, for a start, have to be:

- a. some improvement on the present 9% offer effective from April 1979, most probably the removal of some small anomalies in the pay structure, adding about 0.3% to the total cost;
- b. a payment on account from 1 April 1979 (by way of advance on the first half of the increase from the Standing Commission reference) as already granted to other groups, perhaps limited to those earning under about £5,000, this will be the more necessary if the Standing Commission's Report will be as late as para 7 suggests;

Ne

c. some improvement on the staging of subsequent instalments, at least to January 1980/January 1981, and perhaps to January 1980/September 1980;

d. acceptance of these additional costs in 1979-80 as relevant expenditure for Rate Support Grant support.

It goes without saying that the further concessions at a. to c. above would not be offered to the teachers unless it became clear in negotiation that we could not secure the reference to the Standing Commission and the early withdrawal of their industrial action without them. But we must give the negotiators on the day a reasonable room for manoeuvre if they are to bring off a successful deal, and I hope you will authorise them to go to these limits if necessary, without reference back for further instructions.

Further Education

11. Very similar considerations apply to Further Education teachers. They have lodged a similar claim and the same choice between arbitration and Standing Commission exists. I propose that decisions on schoolteachers would apply to further education teachers (subject to clearance of any necessary variations in the light of the detailed circumstances).

Department of Education and Science
May 1979

What is the proposed
costing for teacher training
colleges this year - & to
Dept of Ed? VC may
have to start it to
economise. Also there is
no point in training too
many more teachers when
there would be jobs for them
out.

Terms of Reference agreed by Burnham Committee

The Government, at the request of both sides of the Burnham Primary and Secondary Committee, invites the Standing Commission on Pay Comparability to examine the pay of teachers in maintained primary and secondary schools in England and Wales.

The Standing Commission is asked to have regard to all relevant principles and considerations relating to the assessment of the value and role of the teaching profession in society and in particular to all matters referred to in the Houghton Report and the Joint Working Party Report received by the Burnham Primary and Secondary Committee on 7 March and to the movement of inflation and salary levels since April 1978.

The Standing Commission is asked to report their conclusions to the Burnham Primary and Secondary Committee.

No - on these terms
of reference - it would be
better to go to arbiters.
There is no point in going to
the Comp. Comm. except with the most
reliable pay + conditions of
service.
not.

State of California, County of Santa Clara

The undersigned, a duly qualified and licensed professional person in the State of California, do hereby certify that the foregoing is a true and correct copy of the original as the same appears in the files of the undersigned.

Witness my hand and the seal of my office this _____ day of _____, 1979.

Professional Person



MAY 8 1979

[Faint, illegible handwritten notes or signatures in the bottom left corner.]



The National Association of Head Teachers

Holly House, 6 Paddockhall Road, Haywards Heath, West Sussex RH16 1RG Tel: Haywards Heath (0444) 53291/2

Please quote this REFERENCE
in your reply: DMH/JMB/9D

Please quote this DATE
in your reply: 8th May, 1979.

Dear Mrs. Thatcher,

National Council of the Association met last weekend and reviewed the present position in connection with the Burnham negotiations and the disruption to education which is being caused in our schools.

The new Government must be aware of the heavy extra cost to rate-payers resulting from the additional expenditure being incurred by LEAs in providing extra ancillary help in schools, taxis in split-site situations and outside invigilators as a result of the teachers' sanctions.

It is vital to remember that current and threatened sanctions are bound to have a growing impact on the education of all the children and in particular on the pupils about to undertake examinations. It is quite clear that although in the vast majority of schools examinations will be protected, no such guarantee can be given in respect of examination classes leading up to the examinations. Accordingly the most urgent efforts should be made to settle the teachers' claim whilst time remains before examinations get fully under way.

Recent independent research demonstrates beyond dispute that teachers work an average of 40 hours per week. This demonstrates the fallacy of a "5 hour day, 25 hour week, 40 week profession". Accordingly the sanctions planned for today do a gross disservice to the teaching profession.

You know the acute dissatisfaction felt by the whole profession at the totally misguided intervention by the previous Government in the teachers' salaries negotiations and of the urgent need to restore the goodwill of the teachers.

(continued)

General Secretary: D. M. Hart

Deputy General Secretary: D. W. Foster D.F.M., Dip.Ed., Dip.Psych.Ed. Senior Assistant Secretary: C. P. Hayes
Assistant Secretaries: Mrs. P. M. Sharpe B.A. (Hons.), Dip. Ed. P. R. Hellyer D.M.A.

Accordingly the Association appeals to you, both as Prime Minister and as a former Secretary of State for Education and Science, to break the impasse in the current negotiations.

On a longer term basis we will be pressing Mr. Carlisle to undertake an early review of the whole structure of the Burnham negotiating machinery which you were on the point of undertaking when you ceased to be Secretary of State for Education in 1974.

Yours sincerely,

Jim Hunt

General Secretary

The Rt. Hon. Mrs. Margaret Thatcher, M.P.,
Prime Minister,
10 Downing Street,
London, S.W.1.



18 MAY 1979

Thank the House in the current negotiations.

One longer term issue will be providing Mr. Collins to undertake an early review of the whole structure of the British negotiating machinery which you were on the point of undertaking when you ceased to be Secretary of State for Education in 1974.

Yours sincerely,

General Secretary

The Rt. Hon. Mrs. Margaret Thatcher, M.P.,
Prime Minister,
10 Downing Street,
London, S.W.1.



10 DOWNING STREET

Prime Minister

8/5

This letter from the National Association of Head Teachers asks you to intervene to break the impasse in the current pay negotiations. I suggest that we ask Mr. Carlisle to reply on your behalf - since I think you will want to keep out of pay disputes, such as this, as much as possible. Agree?

I feel I should reply
but the problems remain the
Joe Rank Carlisle - R

8 May 1979

as they were for me
when I was S75
for 1000

MBM

R 10/5

CONFIDENTIAL

PRIME MINISTER

Teachers' Pay

I would like to add one post-script to the advice I gave you on Teachers' Pay which could bear on the route to a settlement (i.e. arbitration or a reference to the Standing Commission).

2. It is simply that we must not forget that Houghton was commissioned when teachers were in a relatively strong bargaining position with shortages in particular specialities. The Houghton Report reflected this climate. But the situation has now changed. Declining school populations, combined with, until recently, a continuing high output of trained teachers, means that we have more trained teachers than we need.

3. In a situation such as this it is natural that the teachers should place great weight on updating Houghton (i.e. indexing): conversely it is in the employers' interest to break the link with Houghton and go for an up to date evaluation of the scale of payments needed to obtain an adequate supply of competent teachers in today's circumstances.

4. It may well be that in practical terms arbitration is the easiest immediate solution. But there would be real advantages if the teachers could be brought to accept a properly conducted study of current realities. This would however require them to accept terms of reference for, say, the Standing Commission of a kind which they have so far been unwilling to contemplate.

John Hunt

John Hunt

8th May 1979

CONFIDENTIAL

Education



File

cc

Mr. Ryder
Mr. Wolfson
Mr. Ridley

10 DOWNING STREET

From the Private Secretary

MR. VILE

The Prime Minister has made the following comments on Sir John Hunt's further advice on teachers' pay (his minute of 7 May):-

- i) On paragraph 8, the Prime Minister has commented that - although she appreciates that there are some areas where pay norms have resulted in manpower shortages - there are still others where we are badly overmanned.
- ii) More generally, she has said that there should be no further references to the Standing Commission until Ministers' minds on this question and the Commission's performance, are somewhat clearer.

I expect to commission a paper from the Chancellor on the future of comparability which would be considered by an early meeting of ES; but I have not yet obtained the Prime Minister's clearance for this.

W.P. LANKESTER

8 May 1979

CONFIDENTIAL

SLP



file gm

10 DOWNING STREET

From the Private Secretary

8 May 1979

I am writing on the Prime Minister's behalf to thank you for your letter of 8 May. A further reply will be sent to you as soon as possible.

DL

D. M. Hart, Esq.

cc Mr. Wilson
Mr. Bidley
Mr. Dyde

Prime Minister

CONFIDENTIAL

Ref. A09494

PRIME MINISTER

There are big issues here. I suggest we ask the Chancellor (not Mr. Prior) for an early paper on the future of comparability to be considered by the Economic Strategy Committee under your chairmanship. The paper could cover the points at x and y in paras 10 and 11. Agree?

Teachers' Pay

T.L. 2/15

Flag A

Your comments on the note I gave you on teachers' pay and the related question of comparability, the Standing Commission, cash limits, etc. go to the heart of the matter: and this minute seeks mainly to answer the crucial question "What is comparability?" (Your office have, I understand, already asked for an early submission by Mr. Carlisle on the specific issue of teachers' pay).

This should be round tomorrow before he meets the teachers - i.e. he will be asking for a steer.

T.L.

General

2. I start with one general point. There is no magic "philosophy" about comparability. Successive Governments have found it convenient to take certain groups for whom they have direct or indirect responsibility out of the normal pay bargaining situation with a view to producing something which will be both largely automatic and also demonstrably fair. This is simple when you are genuinely comparing like with like (e.g. typists). It gets much harder when there are no direct analogues. Yet the temptation (particularly recently in the face of industrial muscle) has been to offer comparability to more and more groups.

History and present position

3. The Government is the direct employer of over one million people (civil servants both industrial and non-industrial and the Armed Forces), the sole paymaster for another million in the NHS and the major source of finance (through the RSG) for perhaps two and a half million people in local government (including teachers, police, firemen, etc.). The pay of non-industrial civil servants and members of the Armed Forces has been determined for a good many years by "comparability" by two different systems: the Civil Service by "pay research" which seeks to establish what similar people doing similar jobs are paid in the general labour market, adjusting the information for difference in terms and conditions of employment - hours, leave, pensions, perks - followed by

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"constrained" negotiations based on the result of the research; the Armed Forces - where "negotiation" is not possible - by conducting a similar, though inevitably more indirect, exercise, under the guidance of the Armed Forces Pay Review Body designed to show, by what is known in the jargon as "factorial comparison", what pay similar people with similar skills might expect to command in the labour market, adding an "X factor" for purely military considerations and then handing down a pay award akin to a decision and arbitration. Both systems have been accepted by successive Governments and by the employees concerned, as "fair".

4. In the rest of the public services some employees, notably the doctors and dentists, have enjoyed a system roughly equivalent to that applying to the Armed Forces, while the pay of others has been determined by a wide variety of arrangements ranging from direct negotiations e.g. for many local government employees to periodic ad hoc enquiries e.g. for the police, nurses and teachers (coupled in the latter case with special arrangements for arbitration built in to the 1965 Remuneration of Teachers Act).

5. The last Government in its closing year made "comparability" much more widely available to the public services through the creation of the Standing Commission. I think there were two motivations here: firstly a wish to find a way out of a situation where there were no bench-marks left because operation of pay policy since 1975 had left pay in the public services well below the levels actually achieved in the private sector: and secondly a wish to devise a more permanent system which would avoid damaging industrial disputes in areas where there would be great inconvenience to the general public.

Comparability

6. You asked about the philosophy underlying "fair comparisons". The origins go back to the Priestley Royal Commission on the Civil Service which reported in 1955. Their theme was essentially that the Government ought to pay its employees the "rate for the job", neither more nor less, after taking into account differences in terms and conditions of employment as between them and their counterparts in the general labour market. As they put it:

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"We think that a correct balance will be achieved i. e. a balance between the interests of the community in general, of those responsible for administering the Civil Service and of the individual civil servants/ only if the primary principle of Civil Service pay is fair comparison with the current remuneration of outside staffs employed on broadly comparable work, taking account of differences in other conditions of service. "Fair comparison" as the primary principle is fair to the community at large for two reasons. First, it looks after the ordinary citizen's interests as a taxpayer. If the Government which represents him pays what other responsible employers pay for comparable work, the citizen cannot reasonably complain that he is being exploited. Equally, we consider that he would agree that he could not, in the long run, obtain an efficient service by paying less.

Secondly, the principle safeguards the Civil Service from political pressures. We think it will be generally accepted that no improper influence should be exercised by tampering with the salaries of particular posts or individuals. This.... means that principles are needed to govern Civil Service pay that can be applied consistently by successive Governments of different political complexions. We think that the principle of fair comparison in the sense in which we define it is the only primary principle that will serve the purpose."

7. This is perhaps the point to suggest that the term "civil servant" as such is not particularly useful in considering the labour market. What the Government is seeking to do is to hire adequate numbers of typists, clerks, accountants, scientists, engineers, surveyors, computer operators, van drivers, cleaners, etc. Each category has to be recruited from a labour market which is still, for the most part, dominated by the private sector, and where going rates of pay are discoverable by analysis and research.

8. You very fairly make the point that "supply and demand" are relevant factors. Indeed they are, though their key effect so far as the hire of Government employees is concerned is to establish a going market rate for the categories of staff we need. Of course, the market is not perfect in the

But it doesn't

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Trades, norms in health service the cost is saved - do the "market" they have security ↑

classical sense (few markets are), but in a free society its impact is still powerful. Indeed, the experience of recent years has shown the penalties of ignoring market signals. Thus, the Government has had growing difficulty in recruiting and retaining adequate numbers of soldiers, policemen, secretaries and computer programmers during the period when pay research has been suppressed and replaced by pay "norms" which have been applied strictly to the public services but less strictly elsewhere. I.e. the problems have not arisen from the PRU system, but rather from setting it aside. And of course the process has not been without cost. At one level, for example, the Government has been obliged to take on significant numbers of temporary "agency" typists at high cost to meet essential needs, and at another, as the Armed Forces Pay Review Body put it in its most recent report "the average training cost for all types of pilots is just under £800,000 per man [they gave a string of other illustrative costs down to £3,000 - £9,000 to train a private soldier]... it is extremely wasteful of resources to incur costs of this order in further training to replace losses that are clearly avoidable. These costs can only be avoided by stopping excessive outflow. This will not happen as long as pay and other day to day conditions of service are allowed to remain below an acceptable and competitive level".

*Likely to be areas are badly overmanned
Definitely arguments. Fewer by more would do the job better & more economically.*

9. Is there an alternative? You can of course reduce the area of comparability when the present references to the Standing Commission are completed but anything approaching free collective bargaining in the public services is probably unthinkable for the Armed Forces or the police and for the rest increases the likelihood of confrontation in some essential services. Moreover, there is no necessary reason to assume that the end result would be a reduced pay bill. Another route, quite common abroad, is for the public services to enjoy a contractual relationship with their employers. Again, there is no reason to suppose that contract (including, as is sometimes done abroad, automatic cost of living adjustments) is less expensive than our present system which tries, however imperfectly, to reflect changing market conditions. Indeed, the rigidities inherent in contract are more likely to point to greater expense.

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X | 10. In your comments you made two other points. First, that comparability breaks down where the majority are in the public sector or where there are no very clear analogues. The most obvious example of this situation is the Armed Forces: and the approach is to look for comparable skills and qualifications rather than comparable jobs. But this is complicated territory and you may well want to call for a report from CSD looking into this question.

Y | 11. The second point concerned the inflationary danger of bringing public service pay into line with increases in private sector based on improved output per head. I would agree that this danger exists, and it was for this reason that the previous Government expressly excluded the trading public sector from the scope of the Standing Commission. *Cash limits should be the safeguard!* But the question needs more measured thought than it has so far been given, and no doubt you will wish the CSD to report to you on the point. It is also relevant that the Civil Service system of staff inspection is the main existing engine for ensuring that posts are not overmanned. Whether this is adequate could tie in closely with the remit you are giving to Sir Derek Rayner. Indeed the fact that Sir Derek Rayner now has a year's experience behind him on the Pay Research Unit Board will make his advice particularly valuable and you may wish to arrange an early private talk with him on the subject.

Teachers

12. Finally, a word on the specific problem of teachers' pay. As you say, the key is to ensure that questions of pay and terms of service should be looked at together. A suitable reference to the Standing Commission could achieve this. But precisely for this reason you may find the teachers very reluctant to commit themselves to such an operation. If they will not do so, recourse to arbitration is perhaps the only sensible immediate course. For the longer term, however, you may wish to ask for the whole question of the proper calculation of teachers' rewards, including the provisions of the Remuneration of Teachers Act, to be looked at again.

John
(John Hunt)

I don't want further references to the Standing Commission until our minds & their performance are somewhat clearer! etc

7th May, 1979



bc: Mr. Wolfson
Mr. Ridley

10 DOWNING STREET

From the Private Secretary

MR. VILE
CABINET OFFICE

Teachers' Pay

The Prime Minister has now read Sir John Hunt's submission of 4 May on teachers' pay.

She has made the following comments:

- I On the principle of comparability, the Prime Minister has raised the question of which groups comparisons should be made with. She has noted, for example, the fact that there are no obvious analogues for teachers. She has also commented that, rather than "working well over the years", the PRU system has broken down with inflation. She has also raised the question of whether supply and demand are properly taken into account in comparability exercises. She has commented that, despite the good intentions, comparability exercises never are "properly done". Finally, she has questioned the basic philosophy underlying comparability, and has asked that this philosophy, as presently understood, should be defined.
- II On the Standing Commission, the Prime Minister has commented that it will be necessary to consider again the terms of reference for the existing references to the Commission - since, in her view, they were very nebulous.
- III On teachers' pay, the Prime Minister has commented that one of the difficulties is that pay and terms of service are separate, and that they should not be. If a comparability exercise is to be done, then terms of service must be compared too.

The Prime Minister has commented more generally:

"Comparability breaks down

- (a) where the majority are in the public sector
- (b) where awards are given in the private sector on the basis of improved output per head.

Then comparability becomes a machine for producing inflation. That is why I think the whole question needs much more reasoned thought than it has yet been given".

You will no doubt take these points into account in putting forward further advice on this nexus of questions. But in view of the Prime Minister's question about "basic philosophy", I would be grateful for a further note now defining comparability and setting out a little more fully the underlying philosophy

T. P. LANKESTER

6 May 1979

Prime Minister

You will no doubt want to consider Sir John Hunt's advice on teachers' pay when you have proposals from your Secretary of State for Education. I have warned DES that you will expect an early submission.

CONFIDENTIAL

Ref. A09466

PRIME MINISTER

Thurleyson

T.L.
4/5

Teachers' Pay

Most of the briefs I have ready for you are of an introductory nature and do not contain advice on substance. This applies to the brief on pay. I understand from Mr. Ryder, however, that you would welcome specific advice on the teachers' pay dispute - not only because it is urgent, but also because it has implications for the principle of comparability as it affects pay in the public services, the work and future of the Standing Commission on Comparability and the application of cash limits. In order to put the teachers' pay issue in perspective it may be helpful if I begin by filling in some of the background on (i) comparability and (ii) the Standing Commission: but my recommendations on teachers' pay are in paragraphs 11-14.

The principle of comparability

2. Since the Priestley Commission the pay of central Government non-industrial employees has hitherto always been expressly based on "fair comparisons". The rationale is that the Government should pay its own employees the "rate for the job" as measured by the pay of non-civil servants doing similar or identical jobs and after taking account of all other relevant factors like the terms and conditions of service, pension entitlements and so on. Properly determined such rates of pay would, it was believed, be fair both to the staff and the tax-payer and would ensure trouble-free industrial relations. The system has in fact worked well over the years. ^{No - hold down with inflation.} The strikes which occurred this spring were the first in which the main Civil Service unions had ever engaged and, as they saw it, stemmed from the Government's failure to honour its implicit contract with its employees over a period of years.

With whom?
In teaching
what are
rise
Supply & demand?

3. The main instrument for conducting the research necessary to operate the system has been provided in recent years by the Pay Research Unit (PRU) which has, since last year, been under the supervision of a Pay Research Unit Board with Lord Shepherd as Chairman and Sir Derek Raynor as Deputy Chairman. In

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this year's negotiations with the Civil Service unions, based on the Pay Research evidence, the Civil Service Department achieved rates of pay for the grades concerned based on a very stringent interpretation of the evidence, and well below what the movement of general earnings indices would suggest. Negotiations on the staging of payment of the agreed rates was of course a separate exercise between the unions and the Government necessitated by the size of the increases which the evidence showed to be due as a consequence of recent years of pay policy.

4. The system of basing pay on proper research of the terms and conditions of outside analogues applies also to the Armed Forces (though the instrument here is the Armed Forces Pay Review Body) and in a less mechanistic way to the doctors and dentists (through their Review Body, the DDRB) and the "Top Salary" groups looked after by the TSRB. The Review Bodies differ from the PRU in that they determine what actual pay should be rather than provide information on which negotiations should be based. And in the case of the doctors and dentists and Top Salaries groups the Review Bodies exercise a degree of judgment on appropriate pay scales though they take broad comparisons into account.

5. In the course of last year it became apparent that the pay of wide groups of public employees, outside the PRU/Review Body system, had fallen well behind their peers outside the public service and that a "catching up" operation was inevitable. Last July the industrial Civil Service (Employees at dockyards, ROFs, etc.) were offered, and accepted, the opportunity to come within the PRU system. Ad hoc enquiries were launched for other major groups, e.g. Edmund Davies for the police, and his Committee report was based in part on considerations of comparability though without the detailed research inherent in the PRU system. In February of this year the then Prime Minister announced in the House of Commons that the Government would be prepared to see the principle of comparability extended as a means of determining the pay of any other public sector groups (other than the trading organisations like the nationalised industries) where management and unions asked for it. Subsequently the Standing Commission on Comparability was established to

Supply
demand?

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provide the instrument through which such studies could be made. It draws heavily on the expertise of the PRU and the Office of Manpower Economics (OME) and has so far been given 9 remits covering nearly 2 million employees ranging from local authority manual workers to the nurses.

6. Over 3 million employees are therefore now within a system whereby their pay is directly or indirectly related to that of their peers outside the public service. The great extension of the comparability principle which has emerged over the past 12 months was in part a reaction to the particular problem of 're-entry' after several years of formal pay policies. However if Civil Service experience over many years is any guide, it also offers the hope of a disciplined approach to pay settlements which will reduce the scope, or need, for the unions involved to resort to industrial action.

Comparability has not been defined

7. The Conservative Party's Manifesto for the recent Election implicitly accepted the principle of comparability as an element in pay bargaining in central and local Government subject to such matters as manning levels, job security and pension arrangements being taken fully into account and to a reconciliation of pay determination with the cash limits used to control public expenditure. I think that pay comparisons properly done (i. e. genuinely comparing like with like and avoiding circularity) continue to provide a sound basis for determining public service pay. *Also - they are never properly done.*

The Standing Commission

8. The origins of the Standing Commission are briefly outlined above. It has three tasks:-

- (a) To investigate the feasibility of the use of systematic comparisons as a basis for determining pay for particular groups of public service workers.
- (b) To oversee the carrying out of the necessary research work on which to have such comparisons where the parties want this to be done.
- (c) At the choice of the parties, either to make an award (akin to an arbitration award) which will, where the parties agree, be binding on both sides; or, again with the consent of the parties, to provide the data on which the parties themselves can then negotiate.

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9. The Standing Commission has already accepted a formidable workload (it currently has nine specific references before it) and has probably reached, or is approaching, the limit of the work it can handle in the remainder of this year. Almost by accident the initial cases it has taken on have been of the "award" type. Professor Clegg and his colleagues are however anxious that this should not become the standard pattern. They would prefer progressively to move to a situation in which, like the PRU, they provide the data on which others can base a negotiation. It is worth making the point however that the PRU model depends not only on a thorough and professional job of research but also requires detailed agreements between the Parties as to how the information obtained will be used in negotiation (the Civil Service, for example, has elaborate pay agreements which sharply constrain the negotiating procedures once the PRU reports are available. Were this not to be the case the research data might become the base on which the union negotiators sought to build upwards rather than a prime determinant of the outcome).

10. It is arguable that the Standing Commission is a useful development in itself and offers the opportunity, not only of avoiding future disruption in wide areas of the public services, but of achieving consistency of treatment between one group of public employees and another. Indeed it is relevant that not all of the trade unions concerned are particularly enamoured of the prospect of submitting themselves to the discipline of rigorous comparability. The NHS unions, for example, are conscious that properly conducted research could well show some of their members to be over rather than under paid. And the draft general Government evidence to the Standing Commission now ready for consideration by Ministers points to this possibility as a necessary consequence of the adoption of the general principle. Of course it is early days yet and we have no experience of the results of the Commission's activities. My advice, however, would be that, subject to any re-examination of the membership of the Commission on which you may wish, or need, to embark, the Government might:-

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We must look at the teachers' references - they were very reluctant.

- (a) Let the Commission get on with its existing references (to do otherwise would be to reopen a wide range of existing settlements).
- (b) Hold firmly to the underlying proposition that the objective of the Standing Commission is to make an honest assessment of what the employees concerned might expect to earn in current circumstances outside their particular part of the public service; and not to get engaged in value judgments about the relative worth of individual occupations or the desirability of any group maintaining a particular pace in the wages table.
- (c) Be cautious for the time being about accepting new references to the Commission until it has had time to win its spurs and public confidence in the impartiality of its judgments. This need not wholly rule out new references, e.g. for the teachers or the local authority white-collar employees whose negotiations begin soon (though the latter may well not wish to be exposed to the Commission's examination). But it should certainly rule out as some argue the early extension of the Commission's activities into either the trading parts of the public sector or more widely.

Teachers already have a system of compulsory arbitration.

Teachers' Pay

11. As you will know well, the machinery for settling teachers' pay has a number of special features. In particular the teachers have the statutory right to have their pay settled by arbitration with any resulting award binding on both sides subject only to overturn by Resolution of both Houses of Parliament. Moreover although the Government is in effect, through the RSG, the main paymaster of the teaching profession, negotiations are carried on within the Burnham Committee structure where the Government is represented only as a minority element in the management side. It is also relevant that the teachers had, in 1974, the benefit of an ad hoc inquiry into their pay (the Houghton Committee) which was probably over-generous and which the teachers regard as establishing their relative worth within the national pay structure.

12. In the present pay negotiations the teachers have been reluctant to go to arbitration (partly because of differences between the various teaching unions concerned) and have sought to use the Government's willingness to make the services of the Standing Commission available to them as an opportunity for updating the Houghton award rather than of obtaining an independent assessment of

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One of the problems with teachers pay is that pay and terms of service are separate. That is nonsense. You can only compare if you compare like with like.

the value which the labour market would currently place on people with similar qualifications, skills and responsibilities. It was precisely the question of the terms of reference to be given to the Standing Commission which underlay the then Government's reluctance to see the negotiations brought to a conclusion at a late stage in the Election campaign when Ministers collectively could not adequately consider the implications of the terms of reference under discussion. There were of course other issues, like the size of the immediate payment to be made to teachers and the timetable for implementing the settlement finally reached when the Standing Commission had done its work, but the root issue was whether teachers were to be guaranteed a particular place in the national earnings league (by updating Houghton) or be subjected to a proper examination of their current worth (through the Standing Commission).

13. The Government will have to face this issue quickly, not least because of the effects of the teachers' industrial action on the children. My advice would be:-

- (a) That an early effort should be made to get the teachers to call off their industrial action. It is both unworthy and unnecessary. One approach might be for the Secretary of State for Education - and the Secretary of State for Scotland who is of course the responsible Minister in that country - to call in the teachers' representatives and ask them to call off their action in return for a promise of a considered Government view by a particular date (which might well have to be before the end of May).
- (b) The Government should then decide quickly whether it is prepared to insist that the Standing Commission is only available to the teachers if they accept that its investigations will be based on the fair comparison of all relevant factors affecting teachers' employment and is not simply a surrogate for updating Houghton. It would be entirely reasonable for the Government to insist that the Standing Commission should not be misused and that the terms of reference of any study by the Standing Commission should be drawn accordingly. If the teachers cannot accept this then it would be better, I think, to find another route to a solution rather than compromise the basic philosophy on which comparability has been developed.

we... better conditions of service.

Would someone please define the basic philosophy.

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- (c) The obvious means to a settlement not involving the Standing Commission would be for the issue to go to arbitration as provided for in the Teachers Remuneration Act of 1965. You will want your colleagues' views but arbitration clearly has the merit of avoiding early discussion of the merits of the comparability system and would deprive the teachers of any excuse for continuing their industrial action. It might however involve additional cost if the arbitrator made an award payable in full this year and if the Government were not prepared to seek the approval of both Houses to modify the award or to impose staging.

Cash Limits

14. The comparability system in general and the teachers' case in particular have implications for the control of public expenditure through the cash limits system. In the case of the teachers the previous Government has already given various undertakings to the local authorities about the extent to which it would provide RSG support for the settlement finally reached and you may feel that such commitments have to be honoured so far as 1979-80 is concerned. The level of the Government's RSG contribution to local authority finance for the years 1980-81 onwards is of course a matter to be negotiated later in the year.

15. A feature of all of the local authority pay negotiations this year has been the unwillingness of the local authorities to commit themselves to additional expenditure on pay without the promise of full RSG cover from the Government. This aspect of the teachers' pay situation points to one of the very real difficulties in operating cash limits as a control on public sector pay. Theoretically at least one can set a cash limit - necessarily on an assumption of future pay movements - and then stick to it with any additional expenditure being offset by increased rates or charges or a reduction in the numbers employed or other expenditures incurred. In practice it is unlikely to work out quite like this because the resulting cuts may be unacceptable for reasons other than money.

