

Part 12

Confidential Filing

TEACHERS' PAY

EDUCATION

Part 1: May, 1979
Part 12: June, 1985

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
13-6-83							
10-7-83							
13-11-79							
29-1-70							
9-2-70							
14-2-90							
13-3-90							
16-3-90							
21-3-90							
24-3-90							
5-4-70							
4-4-90							
20-4-90							
16-7-90							
20-7-83							
13-9-90							
PTK							
ENDS							

PREM 19/2959

PART 12 ends:-

BP to DES 13.9.90

PART 13 begins:-

BP to Des 5.12.90

TO BE RETAINED AS TOP ENCLOSURE

Cabinet / Cabinet Committee Documents

Reference	Date
E(EP)(90) 1	12/02/1990
E(EP)(90) 4	19/03/1990

The documents listed above, which were enclosed on this file, have been removed and destroyed. Such documents are the responsibility of the Cabinet Office. When released they are available in the appropriate **CAB (CABINET OFFICE) CLASSES**

Signed *J. Gray*

Date 20/8/2016

PREM Records Team

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10 DOWNING STREET -
LONDON SW1A 2AA

From the Private Secretary

13 September 1990

Dear Stephen,

E(EP): Teachers' Pay 1991-2
Remit for the IAC

My letter of 12 September indicated that if the Prime Minister or other Ministers wished to suggest amendments to the details of the remit for the IAC, that would need to be done by 3.00 p.m. today.

The Prime Minister has asked me to draw attention to one particular point. Your Secretary of State's draft letter to Lord Chilver invites him to propose measures that would improve teacher supply in Inner London.

The Prime Minister is not persuaded that there is a good reason for separating Inner London from Greater London. The costs of living in Outer London are just as high, if not higher, than living in the Inner London area. More importantly, the reason for the differential in vacancy rates may well reflect poor management in certain Inner London boroughs. The Prime Minister does not believe that the taxpayer and Community Charge payer should subsidise the weakness of management in inner city local authorities by raising their salaries above those elsewhere in London.

The Prime Minister would be grateful if your Secretary of State could consider whether the reference to Inner London might usefully be amended to Greater London.

I am copying this letter to the Private Secretaries to other members of E(EP) and to Sir Robin Butler (Cabinet Office).

*Yours,
Barry*

BARRY H POTTER

Stephen Crowne, Esq.,
Department of Education and Science.

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10 DOWNING STREET - -

LONDON SW1A 2AA

From the Private Secretary

12 September 1990

Dear Stephen,

E(EP) MEETING, THURSDAY 13 SEPTEMBER: TEACHERS' PAY

The Prime Minister has seen your Secretary of State's paper E(EP) (90)5 for the meeting on Thursday 13 September.

The Prime Minister understands the Treasury is content that the Interim Advisory Committee (IAC) be asked to constrain the cost of the 1991-92 teachers' pay award to that implied by a settlement within the interquartile range of private sector non-manual settlements as recorded in November. The Prime Minister has also been advised that no other member of the Committee wishes to raise any objection to this remit on the cost of the settlement.

Accordingly, and in view of the pressures generated by events in the Gulf, the Prime Minister would be content for the E(EP) meeting to be cancelled and to agree the proposed remit for the IAC on the cost of the settlement. She and colleagues may, however, wish to make other points about the details of the IAC remit. In order to enable your Secretary of State to make the announcement of the IAC remit on Friday 14 September as proposed, any such points should be made to the Department by no later than 3.00 p.m. tomorrow.

The Prime Minister understands that the question of the allowance for teachers' pay costs within Total Standard Spending (TSS) is customarily resolved between your Secretary of State and the Chief Secretary, in consultation with the other Ministers concerned. She would be content for this aspect to be handled in this way.

I am copying this letter to the Private Secretaries of members of E(EP) and to Sir Robin Butler.

*Yours,
Barry*

Barry H. Potter

Stephen Crowne, Esq.,
Department of Education and Science.

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PRIME MINISTER

Prime Minister
Consent to propose measures to improve
teacher supply within Greater London, rather than
within London? (last will 12 September 1990
to be contained within overall inter-parliamentary range of
non-minimal pay settlements
of agreed already) JHP 12/9

E(EP): Teachers' Pay 1991-2
Remit for the IAC

The paper from John MacGregor is very good but I would draw your attention to one item, namely teacher supply in Inner London.

The draft letter to Lord Chilver asks him specifically to propose measures to improve teacher supply in Inner London (the five former ILEA boroughs plus boroughs such as Haringey, Brent etc).

I am not at all sure there is a good reason for separating Inner London from Greater London as far as the weighting of teacher pay is concerned.

Many teachers do not like teaching in Inner London boroughs because they have powerful and extremely left-wing teacher unions (Inner London Teachers Association is left-wing socialist if not Marxist) who capture governing bodies and do not allow heads of governors the freedom to manage. The result is that such schools lack discipline, have very high truancy rates, put a great deal of emphasis on self-expression and little on academic results. This is almost certainly the reason for differential vacancy rates between Inner London and Outer London boroughs. Incidentally while vacancies in Inner London boroughs increased between 1989 and 1990, vacancies in Wandsworth fell!

In addition it is probably more expensive for teachers to live in Barnet or Purley rather than Hackney or Peckham. Inner London is not different from Greater London. It is not the business of government to subsidise inner city failure by artificially raising salaries in these areas.

Recommendation

Suggest that John MacGregor changes Inner London to Greater London.

Ph

*Y
Yes
mb*

BRIAN GRIFFITHS

PRIME MINISTER

E(EP) MEETING, THURSDAY 13 SEPTEMBER: TEACHERS' PAY

In the attached E(EP) paper, the Education Secretary seeks approval to a remit for the Interim Advisory Committee (IAC) to advise on teachers' pay and conditions in 1991-92.

This will of course be the last year when the IAC determines teachers' pay (the new arrangements should be in place from 1992-93).

Mr MacGregor's main proposals on the remit are as follows.

- i. In determining the percentage increase in the teachers' salaries bill, the IAC should work within the inter-quartile range of increases in private sector non-manual settlements in November. At present this is 8 - 10 per cent - it could well be a little higher in November.
- ii. The fundamentals of the existing pay structure and working conditions should be retained. But the IAC should look at increasing the use of selective payments, incentive allowances, etc. to deal with shortages of teachers in particular subjects and areas.
- iii. The IAC should consider widening the pay differentials between heads and deputies, and classroom teachers.

If agreed at E(EP), Mr MacGregor wants to write to Lord Chilver (Chairman of the IAC) on Friday, 14 September.

I attach a brief for the meeting from the Cabinet Office.

I understand that the Chancellor is content for the Education Secretary to proceed with his proposed remit. No other Minister is likely to object to the proposals. Brian Griffiths also has no objections.

There is a separate question of how the proposed cost of teachers' salaries in 1991-92 is treated within the arrangements for local authority spending next year. Cabinet Office conclude that use of the inter-quartile range would be consistent with local government financial considerations and should not add to the community charge. This matter is usually sorted out by the Treasury, in consultation with other departments'; and I understand Mr MacGregor is content that it should be so this year.

Conclusion

The issue is whether E(EP) need go ahead at all. Ministers are agreed on the remit for the IAC; and the local government considerations are normally handled through other arrangements.

Content to cancel the E(EP) meeting on the basis that Ministers are content with Mr MacGregor's proposed remit for the IAC?

or

Prefer the meeting to go ahead?

BHP

BARRY H POTTER

11 September 1990

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PRIME MINISTER

TEACHERS' PAY 1991-92: A REMIT FOR THE INTERIM ADVISORY COMMITTEE
Note by the Secretary of State for Education and Science
E(EP) (90)5

DECISIONS

It has already been agreed in E(EP) that teachers' pay for 1991-92 should be determined on the basis of recommendations from the Interim Advisory Committee (IAC), for the last time before new permanent arrangements are introduced. Mr MacGregor now seeks E(EP) agreement to his proposed remit for the IAC, the main points of which are:

- a. that the IAC should work within the inter-quartile range of private sector non-manual settlements as it stands in November. You will need to decide whether this is the right constraint;
 - b. that the fundamentals of the existing pay structure and working conditions should be retained, but that the IAC should be asked to look at increasing the use of selective payments and incentive allowances to reward excellence in classroom teaching, and to deal with shortages of teachers in particular subjects and regions (especially in inner London). You will probably want to endorse the principle of moving the pay structure further in this direction;
 - c. that the IAC should consider widening the pay differential between heads and deputies and classroom teachers. You may want to consider the priority to be given to this objective within the remit.
2. If the remit is endorsed by E(EP) Mr MacGregor will want to write to Lord Chilver and release the text of the remit letter to the press on 14 September, the day following the E(EP) meeting.

He wants to ask the IAC to report back on 18 January, a fortnight earlier than last year, but allowing the Government the opportunity to consider the IAC recommendations at the same time as the pay review body reports. You will probably wish to endorse this timing.

BACKGROUND

3. Proposals for new teachers' pay machinery were agreed at the July meeting of E(EP), and the necessary Bill is due to be introduced in the new Parliamentary session. However it will not be possible to use this machinery to determine the level of the 1991-92 pay settlement. Accordingly E(EP) agreed that the IAC should be asked to make recommendations for the forthcoming year. This meeting is to agree the terms of the remit.

MAIN ISSUES

4. You may wish to structure the meeting by considering the following main issues:

- a. the implications for the percentage increase recommended by the IAC of letting them work within the interquartile range;
- b. the implications for local authority revenue support and the community charge;
- c. the other matters to be covered by the remit.

The implications for the percentage pay increase.

5. Mr MacGregor wants the IAC to be allowed to work within the interquartile range of private sector non-manual settlements as it stands in November. He says that the range for June was between 8 and 10%. The figures for November might well be higher. But he is concerned that teachers' pay levels should remain competitive in order to maintain recruitment. Table 2 of his Annex D suggests that salaries in the first 5 years of a

teaching career are well below the lower quartile (and close to the lower decile) of salaries for first degree graduates generally. He is also concerned (para 6 ii) about the mid-career prospects of teachers.

6. In paragraph 9 Mr MacGregor discusses the possibility that the IAC might simply go to the top of the range. He says he would stress to Lord Chilver the need to take into account affordability. But this might not have a great deal of impact. A recommendation of perhaps 10% or more would therefore be a real possibility.

7. The arguments for nevertheless allowing the IAC to work within the interquartile range are set out in paragraphs 8 and 9 of the paper.

a. Using the interquartile range would be consistent with the Government's approach to the pay of its own employees.

b. It would also be consistent with the announced intention that within the new pay machinery for teachers the Government would not normally veto settlements falling within the inter-quartile range.

c. Previous attempts to constrain the IAC within a fixed sum have been unsuccessful, and they might be more likely to respect a range which would give them room for manoeuvre.

8. The last of these points could be argued the other way: if the IAC have exceeded a fixed sum, they could equally exceed the maximum of a range. On the first two points, the range is in both of these cases a framework for negotiations in which affordability considerations can be brought to bear by employers, rather than for the recommendations of an advisory committee which may be less conscious of financial constraints.

9. You will want to decide whether the IAC should be allowed to use the range. If so, you will want to underline the importance of Mr MacGregor stressing in clear terms to Lord Chilver the importance of affordability within the range.

The implications for local authority revenue support and the community charge

10. The level of Total Standard Spending (TSS) fixed in the July Revenue Support Grant announcement implies an average increase in local authority spending in 1991-92 of 7% compared to 1990-91 budgets. Mr MacGregor proposes (paragraph 10) to set aside sufficient provision for teachers' pay within TSS to cope with a 10% increase in this element, which would imply an extra £875 million on a pay bill of £8.75 billion.

11. The Treasury are engaged in discussions with other Departments at official level about the split of TSS between services, and the Chief Secretary will make proposals to colleagues when E(EP) have reached agreement on the IAC remit. We understand however that it should be possible to accommodate figures for teachers' pay up to the 10% maximum of the range proposed by Mr MacGregor, although the more that is earmarked in this way, the less will be available for other services. Use of the interquartile range would not therefore be inconsistent with local government finance considerations.

12. E(EP) may however wish to consider what sort of signal it would give the IAC and local authorities (and the pay round generally) if TSS for education was based on a pay increase of 10%. An alternative would be to base TSS on a figure towards the middle of the range, like 9%. That would bring home to the IAC that if it recommends higher increases, at the top of the range, the extra money will have to be raised from community charge payers.

Other matters to be considered by the IAC

13. Mr MacGregor does not want major structural changes to the existing pay and conditions framework. However he is asking the IAC to look at a number of particular matters (paragraph 6 of his paper):

a. an increase in the differential between pay of heads and deputies and classroom teachers (para 6 i of the paper and para 2 (ii) of the remit). This would mean either holding back the potential increase for classroom teachers, or awarding relatively high pay increases to heads and deputies. You will want to consider the priority to be given to this objective;

b. more incentive allowances for teachers. (Paragraph 6 ii of the letter and 2(iii)(a) of the remit) This asks the IAC to look at incentive allowances to reward excellence in the classroom. You will probably want to endorse the principle of making the pay structure more responsive to performance.

c. special incentive allowances to remedy shortages of teachers in key subjects or particular areas (paragraph 6 iii of the paper and paragraph 2(iii)(a) of the remit). Mr MacGregor mentions the problems in key areas, such as maths and physics. You will probably want to agree that more should be done to make the pay for teaching such subjects more attractive;

d. payments for regional shortages (para 6 iv of the paper and para 2(iii)(b) of the remit). This asks the IAC to examine measures to improve teacher supply in Inner London and other areas with high vacancy rates. This is consistent with the principle of varying pay to take account of local conditions, and you will probably want to accept that it should be included in the remit.

**Next Steps**

14. If the Committee agrees to Mr MacGregor's proposals he intends to write on the day following the meeting to Lord Chilver in the terms of the letter attached as Annex A to his paper, and to release the text of the letter to the press. If you are content with his proposals you will probably want to accept the timing of the announcement.

15. Mr MacGregor intends to ask the IAC to report back by 18 January. This is two weeks earlier than last year, but would enable the IAC and the review body reports to be considered at the same time.

HANDLING

16. You will want to ask Mr MacGregor to introduce his paper. The Chancellor and Mr Portillo (representing the Secretary of State for the Environment) will be interested in the local authority expenditure aspects of the proposals, and may wish to speak. Mr Jackson (representing the Secretary of State for Employment) may want to comment on the pay round implications.

T J BURR
Cabinet Office
11 September 1990



ccps
n.b.p.m.
BHP
29/7

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon John MacGregor OBE MP
Secretary of State for Education and Science
Department of Education and Science
Elizabeth House
York Road
London
SE1 7PH

23rd July 1990

Dear John

NEW TEACHERS' PAY MACHINERY

Thank you for copying to me your minute of 19 July to the Prime Minister.

I am content with your revised proposals and the draft statement and notes.

I am copying this minute to members of E(EP) and to Sir Robin Butler.

Norman Lamont

NORMAN LAMONT

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10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

20 July 1990

Dear Stephen,

NEW TEACHERS' PAY NEGOTIATING MACHINERY

The Prime Minister was grateful to your Secretary of State for his minute of 19 July setting out revised proposals on the over-ride power and on the arrangements for opting out, following the discussion at E(EP) earlier this week.

The Prime Minister has noted your Secretary of State's view that it would not be desirable to exclude the House of Lords from application of the proposed over-ride procedure. Accordingly, the Prime Minister is content to make the over-ride power subject to the negative resolution procedure in both Houses, as recommended by your Secretary of State.

The Prime Minister is also content with your Secretary of State's revised proposals on opting out. She understands that GM schools will be able to opt out of the national pay machinery with the approval of their governing body and without further reference to the Department of Education and Science. But local education authorities will require the Secretary of State's permission before they can opt out.

I am copying this letter to the Private Secretaries to members of E(EP) and to Sonia Phippard (Cabinet Office).

Yours,
Barry

BARRY H. POTTER

Stephen Crowne, Esq.,
Department of Education and Science.

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FROM THE LEADER OF THE HOUSE
HOUSE OF LORDS

copy
n. b. P.M

BHP

20/7

19 July 1990

Dear John

NEW TEACHERS' PAY MACHINERY

uop
I have seen your minute to the Prime Minister of 19 July. I support what you say about the difficulties of excluding the House of Lords from the order-making power to override recommendations by the pay negotiators. In the light of the fact that this would be unusual in this instance (as First Parliamentary Counsel has advised) I believe the House of Lords would indeed seek to amend the Bill to give themselves a role, and this role might be for affirmative resolution procedure. I therefore support your alternative suggestion that the override powers should be subject to negative resolution procedure. The convention by which the House of Lords does not vote on Negative Instruments is very strong, and the House would therefore be effectively excluded in this way.

As to handling, I see alternatives. On the one hand the direct course would be to include negative resolution procedures in the Bill, and resist all attempts to amend the Bill in favour of affirmative procedures. On the other hand, it might be tempting to include only the affirmative procedure for the House of Commons, and fall back on widening the power to the House of Lords on negative procedure if the point is strongly taken in the Lords. I believe however that the former would be preferable, in the light of First Parliamentary Counsel's advice. The device in my second alternative would be fairly transparent, and might result in the Lords voting to extend the affirmative procedure to themselves direct.

On the question of grant-maintained schools, I fully agree with your decision that these schools should be able to opt out of the national pay arrangements.

I am copying this to the Prime Minister and to the other recipients of your minute.

Yours sincerely
JD

BELSTEAD

The Rt Hon John MacGregor OBE MP
Secretary of State for Education
and Science

EDUCATION: Teacher Pay

Pt 12



PRIME MINISTER

NEW TEACHERS' PAY MACHINERY

Following E(EP) on Tuesday, Mr MacGregor was asked to consider two points:

- i. whether the proposed power to over-ride recommendations of the new teachers' negotiating body could be made subject to formal resolution of the House of Commons only; and
- ii. whether the arrangements for opting out of the national pay framework could be differentiated as between individual GM schools on the one hand and individual local education authorities on the other.

Mr MacGregor's proposals are set out in the attached minute.

On the question of over-ride, he concludes that there are difficulties in excluding the House of Lords. Parliamentary Counsel has advised that it would not be appropriate because use of the over-ride power would not directly affect Government expenditure. (This seems a nice point: it would affect General Government Expenditure, i.e. GGE, but not central government expenditure). Second, Mr MacGregor is concerned that the Lords might amend the Bill to give themselves a role.

Instead he proposes instead that the over-ride powers be made subject to the negative resolution procedure in both Houses. There is said to be very little likelihood of the Lords obstructing an order under this procedure.

On the question of opting out, Mr MacGregor has agreed fully with the proposals you put forward on Tuesday. GM schools will be able to opt out with the approval of their governing body only and without further reference to the DES. Local education

authorities, on the other hand, will require the Secretary of State's permission before they could opt out: (this is to prevent them over-riding the new flexibility on pay that has been put in place in recent years).

CONCLUSION

- i) Content to approve Mr MacGregor's revised proposals (I have highlighted the changes to his earlier draft oral statement). *Yes*
- ii) Or do you wish to press him further on confining the use of the over-ride power to the House of Commons?

If his proposals don't work

we shall have to amend the

BHP

Bill our way

not

BARRY H POTTER

19 July 1990

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Prime Minister

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PRIME MINISTER

NEW TEACHERS' PAY MACHINERY

- attached

1. I was asked at E(EP) on Tuesday to consider two points. The first was whether we could legislate for the proposed power to override recommendations to be made subject to affirmative resolution of the House of Commons only, particularly on the grounds that this procedure is generally used for statutory instruments which relate to financial matters.

2. By way of background I should explain that the new suggested override power is very different from the one which was in the Remuneration of Teachers Act 1965. That allowed the Secretary of State to interfere only with recommendations made by arbitrators, and then only in the light of "national economic circumstances". What is now proposed is an unconstrained power to seek changes in negotiators' recommendations, first by reference back with reasons to the negotiators and second, if necessary, by substitution of the Government's own views. The power of reference back is not itself subject to any Parliamentary procedure. It offers on the one hand the possibility of securing changes without involving Parliament and on the other the basis for defending in Parliament proposals to override recommendations which remain unacceptable after the reference back process. This novel aspect of the arrangements and the removal of the limits in the Remuneration of Teachers Act means that it will be practicable to use the override power on those occasions when we need to do so.

3. There are two difficulties about excluding the House of Lords. First, First Parliamentary Counsel has advised that it would not be appropriate to do so in this case and on these grounds because use of the override power would not directly

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affect Government expenditure. Second, the Lords may seek to amend the Bill to give themselves a role, citing the Teachers' Pay and Conditions Act 1987 which requires an affirmative resolution from the House of Lords as well as from the Commons in the use of Government override powers. We could of course seek to overturn such amendments in the Commons; this would raise constitutional issues well beyond the field of education.

4. Another way of dealing with the problem you raised at E(EP) would be to return to our original proposal for the override powers to be subject to the negative resolution procedure in both Houses, and I would be happy to do that. The likelihood of the Lords obstructing an Order under those procedures is, I am advised, remote: there is only one recorded instance since the War (in 1951 on a River Board Order) of the Lords voting in favour of a prayer against a statutory instrument under this procedure. We would of course have to resist all attempts to amend the Bill in favour of the affirmative resolution.

5. Second is the question of opting out. I have agreed that grant-maintained schools should be able to opt out of the national pay arrangements simply by informing me that they were doing so, rather than having to seek my approval. As far as LEAs are concerned, we agreed in E(EP) in March to retain statutory controls over teachers' pay and conditions to prevent LEAs from eroding the very substantial progress we have made since 1987 in introducing a wide range of new pay flexibilities. The need for LEAs to seek approval does help in safeguarding these advances. We could distinguish LEAs from GM schools both because of the overall scale and also on the grounds that governors of GM schools would be making the decision for their own school alone, whereas many schools, perhaps with differing attitudes, would be involved in any LEA request. The difference in treatment could give an additional boost to schools to seek GM status. I so recommend.

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6. I attach revised versions of the draft statement and detailed notes reflecting these conclusions. Changes are side-lined. I should be glad to know whether you and E(EP) colleagues are now content for me to make the statement on Monday 23 July. I must ask for replies to reach me by close of business on Friday.

7. I am sending copies of this minute to the members of E(EP) and to Sir Robin Butler.

S. I. Crowe

PP JM

(approved by the Secretary of State
and signed in his absence)

19 July 1990

CONFIDENTIAL

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NEW NEGOTIATING MACHINERY FOR SCHOOL TEACHERS' PAY AND CONDITIONS

Draft Oral Statement by the Secretary of State for Education and Science

1. I wrote to the local authority employers and the teacher unions on 26 April setting out proposals for new permanent pay negotiating machinery for settling the pay and conditions of school teachers in England and Wales. Over the last two months I have engaged in full and careful consultations on the basis of those proposals. I am now able to announce the government's decisions about future machinery for determining the pay and conditions of school teachers. I intend at the earliest opportunity to bring forward to the House a Bill to give effect to these decisions.

2. Different and incompatible views on the proposals were expressed during the consultations. Most urged on us a restoration of negotiating rights for teachers: others preferred independent review, but they were not willing to agree the establishment of a permanent body similar to the present Interim Advisory Committee. It is clear that we are far from a consensus in favour of independent review on a basis that would be acceptable.

3. Accordingly it is our intention to provide for free negotiations between employers and teachers under an independent chairman. The Government will not be a party to those negotiations. There will be no pre-set financial limit on the negotiations. The employers will know the Aggregate External Finance which the Government is ready to make available for local authority expenditure as a whole and will consider what they can afford in the light of that. There will be a time limit on the negotiations.

4. If the negotiators agree recommendations before the time limit, it will fall to the holder of my office to consider implementation. If the time limit passes without agreement, however, the negotiations will come to an end. The Government will seek recommendations instead from an independent Advisory Committee, broadly similar to the present Interim Advisory Committee. This will not be arbitration. the Government will set the body a clear and specific remit. Again it will fall to the holder of my office to consider implementation.

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5. I hope that it will normally be possible to accept the recommendations which are put to us, but we have also to provide for where this is not the case. If the Government is unhappy with aspects of negotiated recommendations on pay or conditions it will be able to refer these issues back to the negotiators, giving its reasons. If agreement does not result from this process, however, the Government will need to be able to resolve the deadlock. We shall provide for that through a power for the Government to substitute its own provisions on matters referred back, subject to negative resolution in each House of Parliament. It would be the Government's intention not normally to refer back recommendations on cost grounds if the overall cost is within the inter-quartile range of private sector settlements for non-manual employees.

6. Within the negotiating body there will be a separate Sub-Committee to deal with heads and deputies. Responsibility for initiating proposals for changes in the pay and conditions of heads and deputies will rest with this Sub-Committee. The Sub-Committee's recommendations will come to me for consideration unless both sides in the Main Committee agree to refer them back to the Sub-Committee, and subsequently to change them.

7. The precise machinery for this and other, more detailed, features of our proposals are explained in the paper placed today in the Vote Office and in the Library of the House.

8. I recognise that some employers - be they local education authorities or the governors of grant maintained schools - may judge that they could better respond to local needs and circumstances if they settled the pay and conditions of their teachers themselves. As envisaged in the consultation document, LEAs will have the opportunity to apply to me for disapplication of the national provisions governing pay and conditions, on the basis that they are able to put in place satisfactory arrangements of their own. GM schools, too, will be able to disapply the national provisions.

9. Teachers are due a review of their pay to take effect next April. Given the need for legislation to establish the new negotiating arrangements, it would not be possible to deal with this settlement

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under the new arrangements, and this was accepted by all those whom I have been consulting. None supported the option of dealing with the settlement retrospectively through the new machinery once it is statutorily in place. There was insufficient agreement about the possibility of running the new machinery on a voluntary, shadow basis in advance of legislation. I have concluded, therefore, that I should seek the approval of the House later in the year to extend the Teachers' Pay and Conditions Act 1987 for a further, and final, year, and to invite the IAC to make recommendations to me for a settlement to cover the year April 1991 - March 1992. The first settlement decided in the new machinery would be that to take effect from April 1992.

10. The arrangements which I have outlined offer full and fair opportunities for negotiation between teachers and their employers, and a means to resolve deadlock if the negotiators cannot agree. They acknowledge the interests of employers, teachers and Government in the determination of teachers' pay. They afford a basis for the peaceful resolution of questions of pay and conditions, and their adaptation to the changes which face our schools in the 1990s.

CONFIDENTIAL

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DRAFT

PROPOSALS FOR NEW TEACHERS' PAY NEGOTIATING MACHINERY

SCOPE

1. All pay and conditions matters to be within the scope of the negotiating machinery. Pay, duties and working time to require the Secretary of State's endorsement and to be governed by statute. Proposals from the negotiating machinery for changes in the provisions regarding teachers' pay, duties or working time will therefore take the form of recommendations to the Secretary of State.

STRUCTURE

2. Provision to be made by statute for two committees: a Main Committee and a Sub-Committee to consider matters appertaining to the pay and conditions of heads and deputies. It would be open to these Committees to establish further sub-groups to deal with particular matters if they so wished.

COMPOSITION

3. The Secretary of State will determine from time to time
- (a) which organisations representing local education authorities or other employers of teachers in maintained (including Grant Maintained) schools should have seats on the management side of each statutory committee, how many seats each organisation should have, and which members of the management side should have votes and which observer status.
 - (b) Which organisations representing teachers or particular descriptions of teachers should have seats on the teachers' side of each statutory committee, how many seats each organisation should have, and the basis of voting within the teachers' side.
4. What initial determinations should be made by the Secretary of State will be a matter for further detailed discussion with the

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employers and teacher unions when the new machinery is being established, but the parameters the Secretary of State has in mind at present are:

- (i) to limit the size of each side of the Main Committee to a maximum of 20 representatives and to limit the size of each side in the heads and deputies Sub-committee to a maximum of 10.
- (ii) To provide for the Catholic Education Council and the General Synod of the Church of England Board of Education each to appoint one observer to the management side, and for an observer representing GM schools, to be appointed initially by the Secretary of State.
- (iii) To limit membership of the teachers' side to those unions with more than 10,000 members - NUT, AMMA, NASUWT, NAHT and PAT - and to the SHA which represents nationally a smaller group of teachers with distinctive interests.
- (iv) To establish the voting strength of unions represented on the teachers' side of the Main Committee on the basis of one vote per 10,000 relevant members or part thereof, and in the Heads and Deputies Sub-committee on the basis of one vote per 1,000 relevant members or part thereof: "relevant members" in each case would be defined following discussion with the teacher unions, who would then be required to make annual returns of these numbers to the Secretary of State.

CHAIRMANSHIP

5. The Secretary of State will appoint an independent chairman, after consultation with both sides of the Main Committee, who will chair both statutory committees.

PROCEEDINGS

6. The Secretary of State will have a power to make provisions as regards the proceedings of the negotiating machinery by regulations.

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The negotiating machinery will be free to adopt its own rules as regards proceedings on all matters not covered by those regulations.

7. The Secretary of State has it in mind at present to make the following provisions in regulations:

General

- (i) subject to (vii, viii and ix) below, decisions in each of the statutory committees will be reached when the two sides are in agreement with each other;
- (ii) the position of each side shall be determined by a simple majority of the votes cast within that side.

Relationship between Main Committee and Sub-Committee

- (iii) agreements reached in the Sub-Committee to take the form of recommendations to the Main Committee;
- (iv) the Main Committee not to be able to consider any matter appertaining to the pay and conditions of heads and deputies on which it has not first received a recommendation from Heads and Deputies Sub-committee;
- (v) If the Sub-Committee is unable to make recommendations on the pay, duties and working time of heads and deputies to the Main Committee, the Main Committee shall, on the negotiating deadline (see paragraph 8 below), tell the Secretary of State that it is unable to make recommendations to him as regards the pay, duties and working time of heads and deputies;
- (vi) If the Sub-Committee makes recommendations on the pay, duties and working time of heads and deputies they shall be considered by the Main Committee.
- (vii) If the Main Committee does not resolve before the negotiating deadline established by the Secretary of State to refer some or all of those recommendations back to the Sub-Committee it

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shall on or before that date adopt the recommendations and send them to the Secretary of State for his consideration.

- (viii) As regards matters referred back to the Sub-committee, if the Sub-committee makes the same or fresh recommendations to the Main Committee before the negotiating deadline the Main Committee shall, on or before the negotiating deadline, adopt those recommendations and send them to the Secretary of State unless it resolves to substitute its own views. If the Sub-committee is unable to respond before the negotiating deadline the Main Committee may agree either to adopt the original sub-Committee recommendations or to substitute its own views: in either case it will then send them to the Secretary of State. If the Main Committee is itself unable to reach agreement, however, it will tell the Secretary of State that it is unable to make recommendations to him as regards the pay, duties and working time of heads and deputies;
- (ix) recommendations from the Sub-Committee on other matters appertaining to the conditions of service of heads and deputies shall be considered by the Main Committee, which shall within one month of notification by the Sub-Committee either refer some or all of them back to the Sub-Committee or adopt the recommendations and promulgate them.

NEGOTIATING DEADLINE

8. If either of the statutory committees resolves to start negotiations about pay, duties or working time matters, where the intended outcome will be recommendations to the Secretary of State, the Chairman will notify the Secretary of State of the matters they will be considering and the date from which they would want any changes they may recommend to take effect (the "settlement date"), and ask the Secretary of State to specify a date for the completion of negotiations. The Secretary of State will be under a duty to specify such a date (the "completion date").

9. If the Main Committee has not made recommendations to the Secretary of State before the completion date is reached, the Secretary of State will at that point ask the Chairman whether the Main

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Committee has agreed recommendations to him as regards changes to the statutory provisions relating to the pay and conditions of heads and deputies and of classroom teachers respectively. If the answer to the question "yes" for both groups, the Secretary of State may receive recommendations

(a) for changes to existing provisions (in particular pay rates);

(b) for adding new provisions or deleting existing ones; and

He would then consider these, using his reserve powers (see paragraphs 12 and 13 below) if necessary.

10. If the answer is "no" for both groups, the Secretary of State would automatically (see paragraph 14 below) refer matters to an Advisory Committee (see paragraphs 14-16 below).

11. If the answer is "yes" for one group and "no" for the other, the Secretary of State will automatically refer the pay, duties and working time of the teachers for which there are no recommendations to the Advisory Committee. He will consider the pay and conditions of the group for which recommendations have been made himself, except that if it is the pay of classroom teachers which has been referred to the Advisory Committee he will, if he considers it appropriate, have discretion to ask the Advisory Committee to consider heads and deputies at the same time.

GOVERNMENT RESERVE POWERS

12. When the Secretary of State has received recommendations from the Main Committee for changes in the statutory pay and conditions provisions he will be empowered to accept those recommendations or refer some or all of them back to the Committee, with reasons, for further consideration within a defined timescale.

13. If the Secretary of State is unable to accept the recommendations following a reference back he will be empowered, on the grounds stated in the reference back, to substitute his own changes to the statutory pay and conditions provisions for those recommended to him.

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ADVISORY COMMITTEE

14. If at the negotiating deadline the Main Committee is not in a position to send to the Secretary of State agreed recommendations for changes to the pay, duties and working time of either classroom teachers or heads and deputies the Secretary of State will normally seek recommendations instead from an Advisory Committee. He would be under a duty so to do if the negotiations fell within the regular annual cycle and looked towards the normal settlement date. But in the event of in-year negotiations it should be for the Secretary of State to judge whether it would be appropriate to make such a reference or to leave matters to be considered again in future negotiations.

15. The Advisory Committee will be appointed by the Secretary of State and will report to him on such matters relating to the pay and conditions of teachers as he may refer to them, taking account of any directions which he may give them as to the considerations to which they are to have regard at any financial or other constraints on their recommendations which he may specify. Before making recommendations to the Secretary of State on the matters referred to them the Advisory Committee shall afford associations of local education authorities, bodies representing other employers of teachers in maintained and grant maintained schools, and the teacher unions an opportunity of submitting evidence.

16. The constitution and proceedings of the Advisory Committee will be as set out in Schedule 1 to the Teachers Pay and Conditions Act 1987.

IMPLEMENTATION OF CHANGES IN STATUTORY PAY AND CONDITIONS PROVISIONS

17. Where the Secretary of State proposes to accept recommendations made to him by the Main Committee, whether or not they follow a reference back, or by the Advisory Committee changes will be implemented by means of an Order made by the Secretary of State.

18. Where the Secretary of State proposes to implement changes which result from the exercise of his powers to override recommendations coming from the Main Committee or the Advisory Committee, the changes will be implemented by means of an Order made by the Secretary of State

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subject to annulment in pursuance of a resolution of either House of Parliament.

19. Before making any Order to change the statutory pay and conditions provisions the Secretary of State will have to consult the bodies represented in the negotiating machinery about the way in which it is proposed to give effect to those changes.

LOCAL PAY DETERMINATION

20. Legislation establishing new national pay negotiating machinery will also contain provision for individual local authorities or the governing bodies of GM schools which wish to do so to determine teachers' pay and conditions locally.

21. Provision will be made for local education authorities to apply to the Secretary of State for the provisions of the Act obliging them to pay teachers' only in accordance with the scales and other provisions resulting from the national pay determination process, and giving statutory force to national conditions of employment, to be disapplied from them. Applicants would be required to state what provisions they proposed to put in place of the national arrangements.

22. Provision will also be made for the Secretary of State to disapply the relevant provisions of the Act in respect of a GM school at the request of its governors.

23. The relevant provisions of the Act would apply to teachers in all LEA maintained schools and GM schools unless specifically disapplied by the Secretary of State.

24. Before making an application local education authorities would be obliged to consult on their proposals for local pay and conditions provisions with the governing bodies of their maintained schools, and with the local representatives of teacher unions recognised nationally for pay determination purposes. In each case applicants would be required to report the views expressed, together with their comments on those views, to the Secretary of State when making the application.

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25. If the Secretary of State approved a LEAs application, the national arrangements would cease to apply from the date the LEA put the arrangements described in the application, subject to any variation agreed by the Secretary of State, into place. The local pay and conditions provisions put into place by a LEA would apply to all the schools it maintained.

26. Once the relevant provisions of the Act had been disapplied from a local authority or a governing body their future approach to pay and conditions matters would be unconstrained except that

- (a) any change in an LEA's initial local provisions with 12 months of the date of their implementation would require the Secretary of State's consent; and
- (b) local education authorities would be placed under a general obligation to consult with the governing bodies of their maintained schools and with the teachers concerned before implementing proposals for changes in local pay and conditions provisions.

DES

July 1990

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PRIME MINISTER

E(EP): TEACHER'S PAY - NEGOTIATING MACHINERY

E(EP) is due to meet tomorrow to discuss the proposed new negotiating machinery for teachers' pay.

At Flag A is Mr. MacGregor's minute covering a draft oral statement and proposal for the new negotiating machinery.

At Flag B is a brief from the Cabinet Office.

The proposals

Mr. MacGregor's proposals, following consultation on the document published in April, are as follows:

- negotiations between local authorities (as the employers of teachers) and the teaching unions, with no Government presence at the negotiating table;
- a reserve power, subject to the approval of both Houses, to override an unsatisfactory settlement, i.e., above the interquartile range of pay settlements; and
- individual local authorities and Governors of grant-maintained (GM) schools allowed to opt out of the above pay arrangements.

The consultation exercise showed a broad acceptance of the proposed negotiating framework. But there was little or no support for the idea of local opting out.

Assessment

Those colleagues directly concerned favour Mr. MacGregor's proposals. At Flag C are letters from Mr. Howard, Mr. Ridley and Mr. Patten; I understand the Chief Secretary is also content.

You raised three concerns which will be discussed at the meeting:

- implications for the community charge;
- use of the reserve power;

- GM schools

First, the implications for the community charge. The teachers' pay settlement date is 1 April. For next year it will have to be the Interim Advisory Committee (IAC) which again determines teachers' pay because the legislation necessary to set up the new negotiating machinery will not be in place in time. It is widely understood within the teaching profession that the IAC will meet again.

As you know, the Government sets the remit for the IAC including a guideline total cash addition to the teachers' pay bill. (Though the guideline has been exceeded marginally by the IAC in recent years, it provides a satisfactory overall constraint). Providing sufficient allowance for teachers' pay is made within the education programme within TSS, the proposals should have no further implications, beyond those already accepted, for the levels of community charge in 1991-92.

Second, you pointed out that the proposed powers for both Houses to override any settlement outside the interquartile range might in practice be useless. I understand this view was put forward previously by Treasury Ministers. On the one hand, it can be argued that the negotiators will not wish to test these powers - at least in the short term. On the other hand, putting the issue to debate in Parliament might be politically very difficult.

You will want to probe the DES and Treasury on this. Substituting a power in the form of negative rather than affirmative resolution would be one possibility. But it may be a question of whether the national arrangements will hold for sufficiently long before local bargaining in GM schools becomes the dominant form of pay settlement.

This links in with the third and most important issue. You asked about the implications of rising numbers of grant-maintained schools. At present such schools are funded on a par with LEA schools. As the numbers of GM schools rise, such arrangements will become increasingly unsatisfactory. Once a majority of schools within an area are under GM control, the arrangement no

longer makes sense. (As you know, Professor Griffiths is working on a national formula funding approach to GM/independent trust schools which would fund them directly from the centre. But colleagues are not aware of this.)

It is clear that the national pay machinery proposed is not appropriate for a regime in which local GM schools are becoming the dominant form. The question is the rate at which this might happen. For so long as progress remains modest, such schools can be catered for under the proposed opting out mechanism.

Conclusion

The main issue for E(EP) is whether to announce the intention to legislate on the proposed negotiating framework. It is a system designed for the existing local education authority framework. But it is flexible: indeed it contains the seeds of its own destruction through the proposed opting out mechanism.

The vital consideration is timing. Given that the proposals can cope even with a much increased number of GM schools, you may feel that they can go forward. In the longer term, this national negotiating machinery may not be appropriate if and when the number of LEA schools diminishes to below the number of GM (or new independent Trust) Schools. But that longer term is perhaps beyond the time-scale for which this proposal is designed.

Handling

E(EP) is due to meet at 1200 noon tomorrow. The discussion can be cut back to thirty minutes. But I know you are concerned about diary pressure tomorrow (and a decision is necessary so that Mr. MacGregor can make an announcement next Monday, 23 July).

- (i) Content for a short E(EP) to go ahead tomorrow?
- or
- (ii) Content to approve proposals without a further discussion?

BHP
BHP

16 July, 1990.

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PRIME MINISTER

P 03705

TEACHERS' PAY: NEGOTIATING MACHINERY
Minute from Mr MacGregor of 6 July 1990

DECISIONS

Mr MacGregor's minute reports back to E(EP) following the outcome of his consultation with the employers and the teachers' unions. He seeks:

- a. agreement to his proposals, previously discussed at E(EP) on 27 March, for new statutory negotiating machinery, with provision for controlled opting out by local authorities and the governors of grant maintained schools. The necessary legislation is planned for the coming Session. You will need to decide whether to go ahead with these proposals.
 - b. approval to the text of an oral statement he proposes to make in the House, and an accompanying paper for deposit in the Library of the House, outlining his proposals and indicating his intention to legislate in the next Session. You will need to approve the announcement of the decision.
2. The proposed new arrangements will not be available in time for the 1991-92 settlement, and Mr Macgregor therefore seeks approval in principle for using the Interim Advisory Committee for that year. He will consult colleagues in the autumn on the remit. You may wish to accept that the IAC should be used for a further year.

BACKGROUND

3. After the E(EP) meeting on 27 March Mr MacGregor circulated and subsequently published on 26 April his latest proposals for future pay negotiating machinery. He has since consulted with the employers and unions, and is now reporting back. His proposals are essentially unchanged.

MAIN ISSUES

4. You may wish to explore first the points in your Private Secretary's letter of 13 July, and then deal with the points for decision listed in paragraph 8 of Mr MacGregor's minute.

Impact of proposals on community charge for 1991-92

5. The recent E(LG) decisions on the Local Government Finance Settlement are intended to lead to an average community charge for 1991-92 of no more than £400. Clearly the level of the teachers' pay settlement next year will influence the actual level of community charge. But that settlement will be determined through the existing IAC arrangements, not through the new long-term arrangements proposed by Mr Macgregor. The Government will have a direct influence on the size of the settlement through the remit which it sets the IAC. Mr Macgregor envisages that this will be for separate decision nearer the time.

6. You will wish to underline the importance of setting a remit for the IAC which is consistent with the figuring which underlies the AEF settlement.

Grant maintained schools

7. Under present arrangements, the proposal to allow grant maintained schools to opt out of the statutory pay negotiations will not directly affect their funding. This is determined by formula from the funding of other schools in the same Local Education Authority (LEA), and therefore reflects the rates of pay in other schools in that LEA. If GM schools paid their teachers more they would have to find the funds by reallocating within existing resources.

8. With a much larger number of GM schools, their funding might no longer be determined by reference to funding for LEA schools in the area, but by DES directly. In that event it would be open to the Government to reflect its views on the resources needed for teachers' pay in the level of funding provided for GM schools.

9. You may wish to point out that it might be necessary to look again at the pay determination arrangements if GM schools became sufficiently numerous to justify a change in funding arrangements.

Override power

10. Mr MacGregor proposes that the power to override recommendations from the negotiators should only be exercised after affirmative resolution by both Houses of Parliament. But this could make the power very difficult, if not impossible, to use. You may wish to propose that the Bill should be drafted to provide for override subject to negative rather than affirmative resolution in both Houses, or perhaps in the House of Commons alone.

National negotiations

11. Mr MacGregor lists in his paragraph 4 the main features of the national negotiating machinery, which appear to be the same as were canvassed in earlier E(EP) discussions. You may wish to confirm that the proposals for national negotiating machinery are acceptable.

Opting out

12. In its earlier consideration of teachers' pay arrangements E(EP) invited Mr MacGregor to pursue the possibility of allowing opting out of national agreements. The reactions from consultees, particularly employers, indicated some concern that opting out might be inflationary, and might affect the community charge. However, objections made took no account of the benefits of increased pay flexibility. Mr MacGregor says (paragraph 5) that there are no new arguments which would call the proposal into question. Subject to the views of colleagues you may wish to agree that the proposal to allow opting out should go ahead.

1991-92 pay settlement

13. The proposed legislation will not be available in time for the 1991-92 settlement. Mr MacGregor therefore wants to use the

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IAC for this settlement (paragraph 6), as there is no support for using the new machinery retrospectively, and little support for running it on a voluntary basis for that year. He has rejected the alternative of moving the pay settlement from April to September because he judges that this would be inflationary, and because the employers would not be ready to make the change. He proposes to consult colleagues separately about the remit after the summer break. You may wish to agree to further consideration of the IAC remit on this timetable. This would mean that the impact of the new negotiating machinery will not start to be visible until early in 1992.

Oral statement and paper for the House

14. If you decide that Mr MacGregor should go ahead you will want to check that colleagues are content with the draft of his announcement and paper for the House which are attached to his minute.

HANDLING

15. The Secretary of State for Education and Science will wish to introduce his paper. The Chief Secretary, Treasury, and the Secretary of State for Employment may wish to comment, from the standpoint of their interest in public sector pay determination arrangements. The Secretaries of State for the Environment and for Wales may wish to speak. The Secretary of State for Scotland may wish to comment on any implications for the separate Scottish arrangements.



P F OWEN
Cabinet Office
16 July, 1990

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EP
KW

cc PU

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

13 July 1990

Dear John,

E(EP): TEACHERS' PAY - NEGOTIATING MACHINERY

The Prime Minister has seen your Secretary of State's minute covering the oral statement and draft proposals for a new teachers' pay negotiating machinery.

The Prime Minister considers that the E(EP) discussion should go ahead as planned on Tuesday 17 July.

The Prime Minister's view is that the situation has changed since the earlier discussion on teachers' pay negotiating machinery. First the expected size of the proposed community charge next year is now known and the teachers' pay settlement is clearly relevant to the likely level of actual community charge. Secondly, it is the Government's intention that the number of grant maintained schools should increase: in future the financing arrangements for these schools might be changed so that they can be funded directly. Third, the proposed power to over-ride any settlements negotiated between local authority employers and the teachers' unions on the approval of both Houses of Parliament is not the safeguard it might appear: in practice the Prime Minister considers it will never be used.

The Prime Minister will wish to discuss the above points at E(EP) next week.

I am copying this letter to Private Secretaries to members of E(EP) and to Sonia Phippard (Cabinet Office).

Yours,
Barry

BARRY H POTTER

John Ratcliff Esq
Department of Education and Science

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SA

dti

the department for Enterprise

eebockyp, w/p

The Rt. Hon. Nicholas Ridley MP
Secretary of State for Trade and Industry

The Rt Hon John MacGregor MP
Secretary of State for Education
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Our ref
Your ref
Date

13 July 1990

Dear John

TEACHER'S PAY : NEGOTIATING AGREEMENT *file into BP*

I have seen your minute of 6 July to the Prime Minister.

I am content that you should proceed with the statement as drafted and with legislation next session. I also agree that retention of the Interim Advisory Committee is the best option for the 1991-92 negotiations.

I am copying this letter to the Prime Minister, the other members of E(EP) and Sir Robin Butler.

*John
Stewart*



Recycled Paper



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n.b.p.m.

JHP

13/7

cc to keep
2 MARSHAM STREET
LONDON SW1P 3EB
071-276 3000

My ref:

Your ref:

The Rt Hon John MacGregor OBE MP
Department of Education and Science
Elizabeth House
York Road
LONDON
SE1

12 July 1990

Dear Secretary of State

with Pn/SM

TEACHERS' PAY: NEGOTIATING MACHINERY

Thank you for copying to me your minute of 6 July to the Prime Minister reporting on your consultations on the proposed new negotiating machinery for teachers' pay.

I am content that you should make an announcement on the lines you propose. I note the response you have had to your proposals on opting out, and I agree that this will be difficult to handle in the course of the Bill. But we have to continue to press home the message that local pay arrangements can enhance accountability, offer maximum flexibility to reward the best staff and in the end give better value for money for chargepayers. So as to discharge the remit from the Prime Minister and E(PSP), we are considering how to encourage better pay practice for local authority white-collar staff. Essentially the messages we shall be trying to get across to authorities will reinforce your arguments for your new machinery, and opting out in particular.

I accept that the Interim Advisory Committee should continue to operate for one more year. We will have a direct interest in the remit that you give the Committee because of the implications for local authority budgets next year. We shall similarly want to be involved in the remit of the Advisory Committee which forms part of your new machinery, I should be grateful if your officials can keep in touch with mine on this.

I am copying this to the members of E(EP) and to Sir Robin Butler.

Yours sincerely

PP CHRIS PATTEN

(Approved by the Secretary of State
and Signed in his Absence)





EDUCATION ! Teacher's Pay Pt 12.

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h. b. p. m.

BHP
15/7

CCPY



Chancellor of the Duchy of Lancaster

CABINET OFFICE
70 Whitehall, London SW1A 2AS
Telephone 071-270 0400

The Rt Hon John MacGregor MP
Secretary of State for Education and Science
Elizabeth House
York Road
London SE1 7PH

July 1990

See Mr.

TEACHERS' PAY: NEGOTIATING MACHINERY *into PM/BP?*

I have seen your minute of 6 July to the Prime Minister on proposals for new pay machinery for teachers. I think what you set out is the most sensible way of dealing with this, and it will require a Bill in the next session. In the interim it would be sensible to ask the IAC to make a recommendation in respect of 1991/92.

I do think it very important that the Bill should contain a power to allow local pay determination; we must move to break this monolithic structure.

I am copying this letter to the Prime Minister, other E(EP) colleagues and Sir Robin Butler.

Ken Baker
Kenneth Baker

KENNETH BAKER

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PRIME MINISTERE(EP): TEACHERS' PAY - NEGOTIATING MACHINERY

E(EP) is due to discuss teachers' pay on Tuesday 17 July. Mr. MacGregor wrote to you on 6 July setting out his proposals for the new negotiating machinery on teachers' pay. If you and colleagues are content, Mr. MacGregor proposes that the E(EP) discussion need not go ahead.

Background

Mr. MacGregor published the proposals for new pay machinery for teachers on 26 April. Two basic models were put forward:

- an independent review;
- a negotiating framework.

The proposed negotiating model would allow negotiations between the local authorities (as the employers of teachers) and the teaching unions, with no Government presence at the negotiating table. But the Government would have a reserve power to override an unsatisfactory settlement i.e. above the interquartile range of pay settlements, on cost grounds. Individual local authorities and the Governors of GM schools would also be able to opt out of the national pay arrangements.

The responses were predictable. No-one favoured an independent review on a basis acceptable to Government (as anticipated). Although there were differences of view on details, those who favoured negotiations broadly accepted the above model. There was no enthusiasm for local opting-out.

Mr. MacGregor now wishes to go ahead with the original Government proposals on both the negotiating framework and opting-out. A Bill will be required - but will not be included ^{until} in the next Session. Accordingly the present IAC will determine teachers' pay in 1991-92.

Assessment

Mr. MacGregor's minute, attached draft oral statement and detailed paper all follow the line accepted at the last E(EP) discussion. Mr Howard is content (see letter attached). I understand Treasury Ministers and Mr. Patten - the other main departmental Ministers concerned - are being advised to accept the proposals with no need for an E(EP) meeting.

- (i) Content to go ahead as proposed by Mr. MacGregor?
- (ii) Or do you want to discuss at E(EP) on 17 July?

Discussions. We have a new situation in what

BHP

Barry H. Potter

11 July 1990

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- ① we now know the general expected size of community charge
- ② it is our intention to let the no. of GM schools to be funded directly. It is possible we may gradually change the financing of them
- ③ our power to override on the basis of both Houses is unless because it will never be used.



copy

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Secretary of State

The Rt Hon John MacGregor MP
Secretary of State for Education and Science
Department of Education and Science
Elizabeth House
York Road
LONDON
SE1 7PH

104 July 1990

Dear John

TEACHERS' PAY: NEGOTIATING MACHINERY

with BUP?

Your minute of 6 July to the Prime Minister invited colleagues' comments on your final proposals for new pay machinery for school teachers in England and Wales.

I am content with these proposals which are in line with our earlier discussions in E(EP). I also welcome your decision to activate the Interim Advisory Committee for a further year pending the passage of the necessary legislation. I have no comments on your proposed Commons' statement or on the text for publication.

Unless colleagues feel differently, I see no reason to go ahead with the meeting of E(EP) on 17 July.

I am copying this letter to the Prime Minister, members of E(EP) and to Sir Robin Butler.

*Yours ever
Michael*

MICHAEL HOWARD





PRIME MINISTER

TEACHERS' PAY: NEGOTIATING MACHINERY

1. I published on 26 April the proposals for new pay machinery for teachers which we had agreed in E(EP). Since then I have completed a further round of discussions about the proposals with the employers and the teacher unions. We now have to take final decisions on the new machinery so that the necessary legislation can be got ready for introduction early in the next Session.
2. The employers, the National Union of Teachers, the Assistant Masters and Mistresses Association and the National Association of Headteachers (NAHT) all favoured a return to negotiations. The two smallest unions, the Secondary Heads Association and the Professional Association of Teachers, and perhaps more surprisingly the National Association of Schoolmasters and Union of Women Teachers favoured some form of pay review, though none volunteered to accept a long term continuation of the Interim Advisory Committee (IAC) in its present form. Whatever we decide will disappoint somebody. But it is clear that we are far from a consensus in favour of independent review on terms the Government could accept which would justify us insisting on that in preference to negotiations between teachers and their employers.
3. Those who favoured negotiations broadly accepted the model set out in my 26 April proposals. The most difficult issues are likely to be (i) the arrangements made for heads and deputies and (ii) the extent of the Government's reserve powers. On (i), I have decided, on balance, not to accede to the NAHT's request (from them alone) to have an entirely separate committee, but I believe we can and should build in strong safeguards for heads and deputies. Recent experience in Scotland only confirms this. On (ii), I think the Government's reserve powers must be open-

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ended: they will cover conditions as well as cost and we cannot hope to anticipate all the occasions of their use. But I am prepared to accept that the Secretary of State should be required to obtain the approval of each House before overriding any recommendations from the negotiators. I suspect that we would have to concede this during the passage of the Bill anyway, so it is better to provide it from the outset. The obligation to refer matters back with reasons, the requirement for Parliamentary approval of override and our undertaking not normally to intervene on cost grounds with settlements falling within the inter-quartile range should be seen by teachers as providing a sufficient safeguard against arbitrary or inappropriate use of the powers.

4. I conclude, therefore, that we should settle on national negotiating machinery of the kind we agreed in April. Its main features would be:

- (a) direct national negotiations between local authority employers and teaching unions, with no Government presence at the negotiating table;
- (b) a separate sub-committee for heads and deputies
- (c) a firm deadline for the completion of negotiations
- (d) reserve powers of reference back and override for the Government
- (e) an undertaking that the Government will not normally override on cost grounds a settlement falling within the inter-quartile range of non-manual private sector settlements;
- (f) an Advisory Committee like the present IAC to which matters would be referred if the deadline passed without a negotiated settlement being achieved.

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- (g) individual local education authorities and the governors of grant maintained schools should be able, subject to my approval, to opt out of the national pay and conditions arrangements and make their own local determinations on these matters.

5. On (g) above, the employers and all the teacher unions were opposed. All, but particularly the employers, were concerned about the likely inflationary effect of such an arrangement and its impact on the community charge. Most thought such a provision unnecessary in view of the wide ranging local flexibilities which have now been introduced into the national pay arrangements. It was also seen as inconsistent for the Government to take reserve powers to control national settlements while being ready to give complete freedom to individual employers (this will be the most difficult point to deal with during the passage of the Bill, particularly if it is suspected that there would in due course be opting out on any wide scale). Opting out is the one issue on which we are likely to face united opposition. But there were no new arguments which would call into question our intention to include the powers necessary to provide for local settlements in the Bill.

6. We have also to decide what to do about the 1991-92 pay settlement. There is some interest on the part of the unions in moving the settlement date from April to September but the employers are not ready for this. I am also fearful that two settlements within eighteen months (which is what would be involved in a move to September) at this stage would be inflationary. So I do not propose to do that. There were three options in the consultation document.

- (a) There was no support for the settlement being dealt with retrospectively by the new machinery once the Bill has passed and I cannot see enough advantage in it to cause me to consider it further.

CONFIDENTIAL

- (b) There was support for the second option, that the new machinery should be run on a voluntary shadow basis during the winter, but not sufficient to guarantee a willingness on the part of all concerned to make it work. More important, there would be too many opportunities for mischief, either in Parliament or in the negotiations, when we are trying to take a Bill through Parliament introducing a procedure which some might be tempted to show would not work (or would extract too high a price in enabling us to show that it could).
- (c) I think we must, therefore, turn to the IAC for one more year, with the new machinery operating for the first time for the 1992-93 settlement. There is bound to be something of a public row about the postponement of negotiations, but we know that privately most of the teachers' and employers' leaders have come to the same conclusion (and indeed some would like this as a permanent solution), so it should be tolerable. It would have the advantage from the point of view of our legislative programme that it would remove the necessity to get Royal Assent to the Bill by Easter 1991. I will consult colleagues separately after the Summer break about the remit for the IAC.

7. I believe that I must announce our decisions before the Summer Recess by means of an oral statement in the House, not least because we ought to tell the House of the establishment of the IAC for one more year before it commences its work. This would also clear the way for the preparation of the Bill. I attach a draft statement and a more detailed note which I should publish with it.

CONFIDENTIAL

CONCLUSION

8. I seek your agreement and that of colleagues to
- (a) new legislation in the next session of Parliament, which is required to provide for new statutory negotiating machinery governing teachers' pay and conditions on the lines set out above;
 - (b) the inclusion in the Bill of provision to facilitate local determination of teachers' pay and conditions;
 - (c) the use of the IAC in respect of 1991-92.
9. Subject to colleagues' views on these proposals I intend making an oral statement along the lines of the attached draft before the Summer Recess, and publishing at the same time the more detailed note annexed.
10. We have an opportunity to discuss these matters in E(EP) on 17 July. Colleagues may be content to clear my proposals, which follow closely the lines of our earlier conclusions, in correspondence in order give us more options for the date of an oral statement. If so, it would be very helpful to have colleagues' views by close on Friday 13 July.
11. I am sending copies of this minute to the members of E(EP) and to Sir Robin Butler.

S. P. Cross

RP JM

(Approved by the Secretary of State
and signed in his absence)

- 6 JUL 1990

CONFIDENTIAL

NEW NEGOTIATING MACHINERY FOR SCHOOL TEACHERS PAY AND CONDITIONS

Draft Oral Statement by the Secretary of State for Education and Science

1. I wrote to the local authority employers and the teacher unions on 26 April setting out proposals for new permanent pay negotiating machinery for settling the pay and conditions of schoolteachers in England and Wales. Over the last two months I have engaged in full and careful consultations on the basis of those proposals. I am now able to announce the Government's decisions about future machinery for determining the pay and conditions of school teachers. I intend at the earliest opportunity to bring forward to the House a Bill to give effect to these decisions.
2. Different and incompatible views on the proposals were expressed during the consultations. Most urged on us a restoration of negotiating rights for teachers: others preferred independent review, but they were not willing to agree the establishment of a permanent body similar to the present Interim Advisory Committee. It is clear that we are far from a consensus in favour of independent review on a basis that would be acceptable.
3. Accordingly it is our intention to provide for free negotiations between employers and teachers under an independent chairman. The Government will not be a party to those negotiations. There will be no pre-set financial limit on the negotiations. The employers will know the Aggregate Exchequer Finance which the Government is ready to make available for local authority expenditure as a whole and will consider what they can afford in the light of that. There will be a time limit on the negotiations.
4. If the negotiators agree recommendations before the time limit, it will fall to the holder of my office to consider implementation. If the time limit passes without agreement,

however, the negotiations will come to an end. The Government will seek recommendations instead from an independent Advisory Committee, broadly similar to the present Interim Advisory Committee. This will not be arbitration. The Government will set the body a clear and specific remit. Again it will fall to the holder of my office to consider implementation.

5. I hope that it will normally be possible to accept the recommendations which are put to us, but we have also to provide for where this is not the case. If the Government is unhappy with aspects of negotiated recommendations on pay or conditions it will be able to refer these issues back to the negotiators, giving its reasons. If agreement does not result from this process, however, the Government will need to be able to resolve the deadlock. We shall provide for that through a power for the Government to substitute its own provisions on matters referred back, subject to affirmative resolution in each House of Parliament. It would be the Government's intention not normally to refer back recommendations on cost grounds if the overall cost is within the inter-quartile range of private sector settlements for non-manual employees.

6. Within the negotiating body there will be a separate Sub-Committee to deal with heads and deputies. Responsibility for initiating proposals for changes in the pay and conditions of heads and deputies will rest with this Sub-Committee. The Sub-Committee's recommendations will come to me for consideration unless both sides in the Main Committee agree to refer them back to the Sub-Committee, and subsequently to change them.

7. The precise machinery for this and other, more detailed, features of our proposals are explained in the paper placed today in the Vote Office and in the Library of the House.

8. I recognise that some employers - be they local education authorities or the governors of grant maintained schools - may judge that they could better respond to local needs and circumstances if they settled the pay and conditions of their

teachers themselves. As envisaged in the consultation document, they will have the opportunity to apply to me for disapplication of the national provisions governing pay and conditions, on the basis that they are able to put in place satisfactory arrangements of their own.

9. Teachers are due a review of their pay to take effect next April. Given the need for legislation to establish the new negotiating arrangements, it would not be possible to deal with this settlement under the new arrangements, and this was accepted by all those whom I have been consulting. None supported the option of dealing with the settlement retrospectively through the new machinery once it is statutorily in place. There was insufficient agreement about the possibility of running the new machinery on a voluntary, shadow basis in advance of legislation. I have concluded, therefore, that I should seek the approval of the House later in the year to extend the Teachers' Pay and Conditions Act 1987 for a further, and final, year, and to invite the IAC to make recommendations to me for a settlement to cover the year April 1991-March 1992. The first settlement decided in the new machinery would be that to take effect from April 1992.

10. The arrangements which I have outlined offer full and fair opportunities for negotiation between teachers and their employers, and a means to resolve deadlock if the negotiators cannot agree. They acknowledge the interests of employers, teachers and Government in the determination of teachers' pay. They afford a basis for the peaceful resolution of questions of pay and conditions, and their adaptation to the changes which face our schools in the 1990s.

DRAFT

PROPOSALS FOR NEW TEACHERS' PAY NEGOTIATING MACHINERY

SCOPE

1. All pay and conditions matters to be within the scope of the negotiating machinery. Pay, duties and working time to require the Secretary of State's endorsement and to be governed by statute. Proposals from the negotiating machinery for changes in the provisions regarding teachers' pay, duties or working time will therefore take the form of recommendations to the Secretary of State.

STRUCTURE

2. Provision to be made by statute for two committees: a Main Committee and a Sub-Committee to consider matters appertaining to the pay and conditions of heads and deputies. It would be open to these Committees to establish further sub-groups to deal with particular matters if they so wished.

COMPOSITION

3. The Secretary of State will determine from time to time

- (a) which organisations representing local education authorities or other employers of teachers in maintained (including Grant Maintained) schools should have seats on the management side of each statutory committee, how many seats each organisation should have, and which members of the management side should have votes and which observer status.
- (b) Which organisations representing teachers or particular descriptions of teachers should have seats on the teachers' side of each statutory committee, how many seats each organisation should have, and the basis of

voting within the teachers' side.

4. What initial determinations should be made by the Secretary of State will be a matter for further detailed discussion with the employers and teacher unions when the new machinery is being established, but the parameters the Secretary of State has in mind at present are:

- (i) to limit the size of each side of the Main Committee to a maximum of 20 representatives and to limit the size of each side in the heads and deputies Sub-committee to a maximum of 10.
- (ii) To provide for the Catholic Education Council and the General Synod of the Church of England Board of Education each to appoint one observer to the management side, and for an observer representing GM schools, to be appointed initially by the Secretary of State.
- (iii) To limit membership of the teachers' side to those unions with more than 10,000 members - NUT, AMMA, NASUWT, NAHT and PAT - and to the SHA which represents nationally a smaller group of teachers with distinctive interests.
- (iv) To establish the voting strength of unions represented on the teachers' side of the Main Committee on the basis of one vote per 10,000 relevant members or part thereof, and in the Heads and Deputies Sub-committee on the basis of one vote per 1,000 relevant members or part thereof: "relevant members" in each case would be defined following discussion with the teacher unions, who would then be required to make annual returns of these numbers to the Secretary of State.

CHAIRMANSHIP

5. The Secretary of State will appoint an independent chairman, after consultation with both sides of the Main Committee, who will chair both statutory committees.

PROCEEDINGS

6. The Secretary of State will have a power to make provisions as regards the proceedings of the negotiating machinery by regulations. The negotiating machinery will be free to adopt its own rules as regards proceedings on all matters not covered by those regulations.

7. The Secretary of State has it in mind at present to make the following provisions in regulations:

General

- (i) subject to (vii, viii and ix) below, decisions in each of the statutory committees will be reached when the two sides are in agreement with each other;
- (ii) the position of each side shall be determined by a simple majority of the votes cast within that side.

Relationship between Main Committee and Sub-Committee

- (iii) agreements reached in the Sub-Committee to take the form of recommendations to the Main Committee;
- (iv) the Main Committee not to be able to consider any matter appertaining to the pay and conditions of heads and deputies on which it has not first received a recommendation from Heads and Deputies Sub-committee;
- (v) If the Sub-Committee is unable to make recommendations on the pay, duties and working time of heads and deputies to the Main Committee, the Main Committee shall, on the negotiating deadline (see paragraph 8

below), tell the Secretary of State that it is unable to make recommendations to him as regards the pay, duties and working time of heads and deputies;

- (vi) If the Sub-Committee makes recommendations on the pay, duties and working time of heads and deputies they shall be considered by the Main Committee.
- (vii) If the Main Committee does not resolve before the negotiating deadline established by the Secretary of State to refer some or all of those recommendations back to the Sub-Committee it shall on or before that date adopt the recommendations and send them to the Secretary of State for his consideration.
- (viii) As regards matters referred back to the Sub-committee, if the Sub-committee makes the same or fresh recommendations to the Main Committee before the negotiating deadline the Main Committee shall, on or before the negotiating deadline, adopt those recommendations and send them to the Secretary of State unless it resolves to substitute its own views. If the Sub-committee is unable to respond before the negotiating deadline the Main Committee may agree either to adopt the original sub-Committee recommendations or to substitute its own views: in either case it will then send them to the Secretary of State. If the Main Committee is itself unable to reach agreement, however, it will tell the Secretary of State that it is unable to make recommendations to him as regards the pay, duties and working time of heads and deputies;
- (ix) recommendations from the Sub-Committee on other matters appertaining to the conditions of service of heads and deputies shall be considered by the Main Committee, which shall within one month of notification by the Sub-Committee either refer some or all of them back to

the Sub-Committee or adopt the recommendations and promulgate them.

NEGOTIATING DEADLINE

8. If either of the statutory committees resolves to start negotiations about pay, duties or working time matters, where the intended outcome will be recommendations to the Secretary of State, the Chairman will notify the Secretary of State of the matters they will be considering and the date from which they would want any changes they may recommend to take effect (the "settlement date"), and ask the Secretary of State to specify a date for the completion of negotiations. The Secretary of State will be under a duty to specify such a date (the "completion date").

9. If the Main Committee has not made recommendations to the Secretary of State before the completion date is reached, the Secretary of State will at that point ask the Chairman whether the Main Committee has agreed recommendations to him as regards changes to the statutory provisions relating to the pay and conditions of heads and deputies and of classroom teachers respectively. If the answer to the question is "yes" for both groups, the Secretary of State may receive recommendations

(a) for changes to existing provisions (in particular pay rates);

(b) for adding new provisions or deleting existing ones.

He would then consider these, using his reserve powers (see paragraphs 12 and 13 below) if necessary.

10. If the answer is "no" for both groups, the Secretary of State would automatically (see paragraph 14 below) refer matters to an Advisory Committee (see paragraphs 14-16 below).

11. If the answer is "yes" for one group and "no" for the other,

the Secretary of State will automatically refer the pay, duties and working time of the teachers for which there are no recommendations to the Advisory Committee. He will consider the pay and conditions of the group for which recommendations have been made himself, except that if it is the pay of classroom teachers which has been referred to the Advisory Committee he will, if he considers it appropriate, have discretion to ask the Advisory Committee to consider heads and deputies at the same time.

GOVERNMENT RESERVE POWERS

12. When the Secretary of State has received recommendations from the Main Committee for changes in the statutory pay and conditions provisions he will be empowered to accept those recommendations or refer some or all of them back to the Committee, with reasons, for further consideration within a defined timescale.

13. If the Secretary of State is unable to accept the recommendations following a reference back he will be empowered, on the grounds stated in the reference back, to substitute his own changes to the statutory pay and conditions provisions for those recommended to him.

ADVISORY COMMITTEE

14. If at the negotiating deadline the Main Committee is not in a position to send to the Secretary of State agreed recommendations for changes to the pay, duties and working time of either classroom teachers or heads and deputies the Secretary of State will normally seek recommendations instead from an Advisory Committee. He would be under a duty so to do if the negotiations fell within the regular annual cycle and looked towards the normal settlement date. But in the event of in-year negotiations it should be for the Secretary of State to judge whether it would be appropriate to make such a reference or to leave matters to be considered again in future negotiations.

15. The Advisory Committee will be appointed by the Secretary of State and will report to him on such matters relating to the pay and conditions of teachers as he may refer to them, taking account of any directions which he may give them as to the considerations to which they are to have regard and any financial or other constraints on their recommendations which he may specify. Before making recommendations to the Secretary of State on the matters referred to them the Advisory Committee shall afford associations of local education authorities, bodies representing other employers of teachers in maintained and grant maintained schools, and the teacher unions an opportunity of submitting evidence.

16. The constitution and proceedings of the Advisory Committee will be as set out in Schedule 1 to the Teachers Pay and Conditions Act 1987.

IMPLEMENTATION OF CHANGES IN STATUTORY PAY AND CONDITIONS PROVISIONS

17. Where the Secretary of State proposes to accept recommendations made to him by the Main Committee, whether or not they follow a reference back, changes will be implemented by means of an Order made by the Secretary of State.

18. Where the Secretary of State proposes to accept recommendations made to him by the Advisory Committee, the changes will be implemented by means of an Order made by the Secretary of State subject to annulment in pursuance of a resolution of either House of Parliament.

19. Where the Secretary of State proposes to implement changes which result from the exercise of his powers to override recommendations coming from the Main Committee or which materially modify or substitute for recommendations made to him by the Advisory Committee, he will only be able to do so by means of an Order which has been approved in draft by resolution of

each House of Parliament.

20. Before making any Order to change the statutory pay and conditions provisions the Secretary of State will have to consult the bodies represented in the negotiating machinery about the way in which it is proposed to give effect to those changes.

LOCAL PAY DETERMINATION

21. Legislation establishing new national pay negotiating machinery will also contain provision for individual local authorities or the governing bodies of GM schools which wish to do so to determine teachers' pay and conditions locally.

22. Provision will be made for local education authorities and GM school governing bodies to apply to the Secretary of State for the provisions of the Act obliging them to pay teachers' only in accordance with the scales and other provisions resulting from the national pay determination process, and giving statutory force to national conditions of employment, to be disapplied from them. Applicants would be required to state what provisions they proposed to put in place of the national arrangements.

23. The relevant provisions of the Act would apply to teachers in all LEA maintained schools and GM schools unless specifically disapplied by the Secretary of State.

24. Before making an application local education authorities would be obliged to consult on their proposals for local pay and conditions provisions with the governing bodies of their maintained schools, and with the local representatives of teacher unions recognised nationally for pay determination purposes. The governing body of a GM school would be obliged to consult with the staff of the school. In each case applicants would be required to report the views expressed, together with their comments on those views, to the Secretary of State when making the application.

25. If the Secretary of State approved an employer's application, the national arrangements would cease to apply from the date the employer put the arrangements described in the application, subject to any variation agreed by the Secretary of State, into place. The local pay and conditions provisions put into place by a LEA would apply to all the schools it maintained.

26. Once the relevant provisions of the Act had been disapplied from a local authority or a governing body their future approach to pay and conditions matters would be unconstrained except that

- (a) any change in their initial local provisions with 12 months of the date of their implementation would require the Secretary of State's consent; and
- (b) local education authorities would be placed under a general obligation to consult with the governing bodies of their maintained schools and with the teachers concerned before implementing proposals for changes in local pay and conditions provisions.

DES
July 1990

ccpja

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n. b. P. 17.
8/17
23/4

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon John MacGregor MP
Secretary of State for Education and Science
Department of Education and Science
Elizabeth House
York Road
London
SE1 7PH

20 April 1990

Dear Secretary of State

TEACHERS' PAY: LOCAL PAY DETERMINATION

Apap

Thank you for copying to me your minute of 12 April to the Prime Minister.

2 I am content generally with your proposals which, as agreed by E(EP), avoid putting unnecessary obstacles in the way of opting for local pay determination. I am a little concerned however about the proposal to oblige an LEA after opting out to consult with governing bodies of their maintained schools and local representative of trade unions recognised nationally before implementing pay settlements. I understand your desire to ensure that the views of governing bodies are considered and to provide some protection for the interests of those small unions such as the PAT. But I think it would look very odd for us to oblige any employer to consult with particular trade unions whether they recognise them locally or not. Also if an LEA is determined not to take account of the views of particular trade unions they will presumably not do so whether or not they are obliged to consult with them. I am not convinced therefore that such an obligation would be appropriate or effective.

3 On a second point, the aim of the proposals is to facilitate opting out. This does not really come across from the note you propose to circulate. Perhaps the drafting could be looked at to present the proposals in a more positive light.

4 Copies of this letter go to members of E(EP) and to Sir Robin Butler.

Yours sincerely
Norman Lamont

NORMAN LAMONT

approved by the Chief Secretary
and signed in his absence

EDUCATION : Teacher Pay 11/2





Secretary of State
for Employment
CONFIDENTIAL

CCPL

PRIME MINISTER

*n. b. P.M.,
BAP
20/4*

TEACHERS' PAY : LOCAL PAY DETERMINATION

I have read with interest John MacGregor's minute of 12 April. I welcome his approach. It should supply at least a measure of flexibility, and begin to enable those who wish to avail themselves of opting-out the chance to deal with recruitment, retention and staffing problems in a more efficient and pragmatic way.

-Map

I am copying this minute to John MacGregor, other members of B(EP) and to Sir Robin Butler.

M. H.

M H

19 April 1990

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EDUCATION:
Teachers Pay #12



COMPLIMENTS

CONFIDENTIAL

Crowne/TEACHERS.
DCA.



10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

19 April 1990

Dear Stephen,

TEACHERS' PAY: LOCAL PAY ADDITIONS

The Prime Minister is broadly content with your Secretary of State's proposals to permit individual authorities or the governing bodies of GM schools to determine teachers' pay and conditions locally, where they wish to do so.

The Prime Minister has suggested however that the requirement to consult - after local education authorities have opted out - might, on the employee side, include an option to consult the staff of schools themselves, rather than the trade unions.

I am copying this letter to the Private Secretaries of other members of E(EP) and to Sir Robin Butler.

*Yours,
Barry*

(B.H. POTTER)

Stephen Crowne, Esq.,
Department of Education and Science.

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NOM

TEACHERS' PAY: LOCAL PAY DETERMINATION

The procedure which the Secretary of State outlines for dealing with initial applications to opt-out of the national pay arrangements is reasonable. The aim must be to avoid making the process too difficult and that must be reflected in the details of the 'guidance' which will be worked out later.

The Secretary of State proposes that local authorities and governing bodies should not change their initial local provisions within 12 months without his consent. To extend that period would to some extent undermine the basic argument for local settlements, but it does beg a question about the ultimate sanctions which the Secretary of State has to deal with a local authority or governing body which acts unreasonably or without regard to proper cost efficiency. Mr Macgregor should be asked to clarify that point.

Mr Macgregor wants to impose a "requirement to consult" on LEAs after they have opted-out. To protect the position of governing bodies in this way has a clear value; but must the consultation on the employee side necessarily be with the trade unions? Would it not be consistent with the Government's general position to give an option to consult the staff of schools themselves?

Howell Harris Hughes

HOWELL HARRIS HUGHES

also



The P.U. consider the proposals to allow LEAs and G.M. schools to opt out of national pay determination

if special pay conditions are reasonable.

PRIME MINISTER

X | But is there a case for requiring SIS approval not just the initial deal but also for that in the second year?
Y | Also P.U. suggest consultation for LEAs might be with the schools rather than T.U.S.

TEACHERS' PAY: LOCAL PAY DETERMINATION

Are you content with the proposals? Or do you want to make the points at 'X' and 'Y' - *attached* in reply to Mr. Hooper?

I was asked at the last meeting of E(EP) on 27 March, to report back to the Sub-Committee with my detailed proposals for a controlled approach to local pay determination before embarking on the next round of consultations with employers and teacher unions about my proposals for national negotiations. I enclose a note setting out my proposals.

BHP
17/4

Point at 'Y' should be made. I think X goes too far. M.

The aim of the arrangements is to facilitate opting out by employers who wish to put in place locally determined provisions for pay and conditions, while allowing me to refuse applications from employers who simply wish straightaway to strike down the statutory structure which, with the IAC's help, we have put in place. The situation is thus distinct from that of local authority A, P, T and C grades where the national arrangements are non-statutory, and Kent has opted out of them entirely at its own discretion. I have sought to achieve the aim first by making local pay determination subject to my consent, and second by insisting that employers actually put into place for at least 12 months the prospectus on which they obtain my agreement. That ensures that applicants have to make a genuine first deal, though I recognise that after 12 months they are free agents, with all the risks which we have noted at earlier meetings. But that freedom is implicit in the notion of local determination. The emphasis in approving applications is on pay and conditions outcomes, not on the form of local machinery.

I do not think that the Act need set a specific test which proposals must satisfy before I can give my consent. I would expect in due course to give some guidance about the kind of factors I would expect applicants for opting out to address. I

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do not think we need be drawn on that publicly at this stage, but my intention would be to say that proposals should be designed to provide better value for money and/or lead to more effective education in the local area or school concerned than the national arrangements currently in force, and should address in particular issues of recruitment, retention and motivation, efficiency in teacher deployment and improved cost effectiveness.

The proposals are, I hope, largely self-explanatory, but I draw attention to the consultation requirements proposed. There are two aspects to them.

- (i) the first relates to the initial application to opt out of the national arrangements. I think the requirements I have proposed (paragraph 4 of the note) are prudent given that I shall be exercising a contentious discretion and shall need to do so in a way which will withstand judicial review. I doubt in any case if we could get away with anything less in the House.

- (ii) the second relates to the conduct of local education authorities after they have opted out. There is a difficult political judgement to be made here. On the one hand it would be natural to leave it up to opted out LEAs to decide which teacher unions, if any, they wish to consult or negotiate with, and whether to give governing bodies any say before reaching local settlements. On the other hand a requirement to consult would provide some protection for the interests of the minority unions (PAT and the Headteachers), whose views may be more helpful to us than those of the big battalions. It would also ensure that the views of governing bodies were considered - important because LEAs may seek to chip away at the pay discretions which we have placed in governors' hands. I am inclined to think, on balance, that there should be an obligation to consult (paragraph 6(b) of the note).

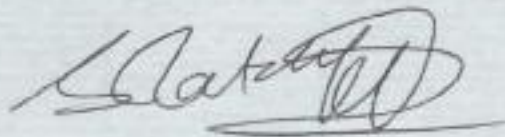
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I would not envisage any special financial arrangements being made for opted out authorities. They would make their local pay and conditions determinations within the general local authority funding framework, taking account as they saw fit of their revenue support grant settlement and the community charge implications of their decisions.

Subject to colleagues' views on my proposals, I envisage the note enclosed with this letter being incorporated with the proposals for new negotiating machinery set out in E(EP)(90)1 in a single document which will provide the basis for a fresh round of discussions with the local authority employers and the teacher unions. Time is now getting short if we are to be ready to legislate in the next session. I need to initiate those discussions no later than the end of this month. I must therefore ask for comments by Friday 20 April at the latest.

Copies of this letter go to the members of E(EP), and to Sir Robin Butler.



JM

12 APRIL 1990

(Approved by the Secretary of State
and signed in his absence)

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PROVISION FOR LOCAL PAY DETERMINATION: DETAILED PROPOSALS

1. The Act establishing new national pay determination arrangements should contain provision for individual local authorities or the governing bodies of GM schools which wish to do so to determine teachers' pay and conditions locally.
2. The Act would provide for local education authorities and GM school governing bodies to apply to the Secretary of State for the provisions of the Act obliging them to pay teachers' only in accordance with the scales and other provisions resulting from the national pay determination process, and giving statutory force to national conditions of employment, to be disapplied from them. The applicant would be required to state what provisions he proposed to put in place of the national arrangements.
3. The relevant provisions of the Act would apply to teachers in all LEA maintained schools and GM schools unless specifically disapplied by the Secretary of State.
4. Before making an application a local education authority would be obliged to consult on their proposals for local pay and conditions provisions with the governing bodies of their maintained schools. The governing body of a GM school would be obliged to consult with the staff of the school. The LEA ought also to consult the local representatives of teacher unions recognised nationally for pay determination purposes. In each case the applicant would be required to report the views expressed, together with their comments on those views, to the Secretary of State when making the application.
5. If the Secretary of State approved an employer's application, the national arrangements would cease to apply from the date the employer put the arrangements described in his application, subject to any variation agreed by the Secretary of State, into place. The local pay and conditions provisions put into place by a LEA would apply to all the schools it maintained (including its voluntary aided schools).

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6. Once the relevant provisions of the Act had been disappplied from a local authority or a governing body their future approach to pay and conditions matters would be unconstrained except that

- a) any change in their initial local provisions within 12 months of the date of their implementation would require the Secretary of State's consent; and
- b) local education authorities would also be placed under a general obligation to consult with the governing bodies of their maintained schools, and with the local representatives of trade unions recognised nationally for the purposes of pay determination, before implementing proposals for changes in local pay and conditions provisions.

EDUCATION: Teachers Pay
Pt 12



CONFIDENTIAL



SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

CCPLA
n. b. p. m.

BHP
5/4

The Rt Hon Norman Lamont MP
Chief Secretary
HM Treasury
Parliament Street
LONDON
SW1P 3AG

5 April 1990

Dear Norman,

TEACHERS' PAY 1990/91

Thank you for your letter of 29 March *for* about the teachers' pay settlement in Scotland.

I acknowledge that it would be useful to have some advance warning of the likely level of settlement in SJNC. In practical terms this is virtually impossible. When both the Management and Teachers Side of SJNC agree on a pay award their agreement has immediate effect. There is therefore no intervening period during which I can report to colleagues on the agreement. My officials do however report to the Treasury and other Departments following each negotiating meeting and where appropriate qualified speculation can be made about the likely outcome of negotiations. I think this is the best we can do in the circumstances.

As I said in my letter to you my officials will certainly press for greater flexibilities to be introduced into the teacher salary arrangements here as part of the SJNC review of salary structures. I believe that the employing authorities share that basic objective and will therefore play their full part in establishing this as a central feature of the review.

I am copying this letter to the Prime Minister, the Secretaries of State for Education, Employment, Wales, Northern Ireland, Environment and to Sir Robin Butler.

Yours ever,
Malcolm Rifkind

MALCOLM RIFKIND



EDUCATION

Teacher Pay.

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*1. BR to see
2. NBR*

*RCCA
1/4*

Treasury Chambers, Parliament Street SW1P 3AG

The Rt Hon Malcolm Rifkind QC MP
Secretary of State for Scotland
Scottish Office
Dover House
Whitehall
London
SW1A 2AU

29 March 1990

Dear Malcolm

TEACHERS' PAY 1990-91

Aap

Thank you for your letter of 13 March in which you provided details of a pay award for teachers with effect from 1 April 1990, agreed by the SJNC, whose decisions you have explained have mandatory effect.

2. You record the view of the Management Side that it was important to reach early agreement. Whilst I know that these negotiations are between the parties represented on the SJNC, it is a pity that you were not able to inform me about the settlement before it was agreed. I am sure you will appreciate that it is desirable for us to be able to have early notice of all proposed public sector awards in view of our interest in the prevailing public sector pay scene.

3. I note your acknowledgement that the salary arrangements for Scottish teachers are excessively rigid and that as part of this year's settlement it was agreed that the SJNC should review the structure with the aim of exploring the introduction of flexibilities and local discretion. I am sure that this is the right direction in which to move, but I am sorry that in the event no such flexibilities have been achieved within this year's settlement. Its across the board nature runs counter to our general objectives and to the thrust of any recent public sector pay settlements, not least that stemming from the IAC recommendations.

4. Finally, I also note, and indeed share, the concerns which you report have been expressed by some local authority representatives about the community charge implications of going beyond their budgeted level of this settlement.

5. I am copying this letter to the Prime Minister, John MacGregor, Michael Howard, Peter Walker, Peter Brooke, Chris Patten and to Sir Robin Butler.

Norman Lamont
NORMAN LAMONT

EDUCATION: Teacher Par form





10 DOWNING STREET

PRIME MINISTER

E(EP)

You've already seen through
these papers. But I've put
them back in the box in
case you want a reference
this evening.

R.C.G.

26/3

PRIME MINISTER

MEETING OF E(EP): 22 MARCH

You saw over the weekend some, but not all, of the papers for tomorrow's meeting of E(EP).

The meeting was arranged to consider further the two issues discussed at the last meeting of the Committee, namely:

- Student Unions
- Machinery for teachers' pay

In both cases you commissioned further work and John MacGregor has now submitted new papers.

The material for each agenda item is organised in the two dividers.

Divider 1 - Student Unions

You did not see any of these papers at the weekend. They are:

- Flag A - John MacGregor's latest paper covering the three follow-up issues of:
- hybridity;
 - the mechanism for voluntary local union membership;
 - calculation of affiliation fees.
- Flag B - Cabinet Office briefing setting out the issues for discussion.

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- 2 -

Flag C - a note by Brian Griffiths in which he questions whether it makes political sense to proceed with a Bill in the 1990-91 session.

Divider 2 - Teachers' Pay

You saw over the weekend an early draft of John MacGregor's latest paper, which is at Flag D. The final version of the paper contains only minor drafting changes, and, as you had marked up the earlier Flag D version, you may prefer to continue to use that. The final version is at Flag E in case you wanted to make any precise quotes during the course of the meeting.

The briefing, which you have not seen before is:

Flag F - Cabinet Office

Flag G - Brian Griffiths

Reu.

PAUL GRAY
21 MARCH 1990

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G

PRIME MINISTER

21 March 1990

TEACHERS' PAY: LOCAL FLEXIBILITY

After much effort, the DES have at last come up with proposals to introduce greater flexibility into teachers' pay.

They consider four options but in reality there are two:

- (a) Free pay bargaining with a voluntary National Joint Council.
- (b) Statutory national arrangements with the possibility for individual employers to opt out.

The Secretary of State makes it clear that he would still prefer to go on with the existing national machinery with the possibility of an independent advisory body. He also argues that employers can do most of what they want locally within the existing flexibilities. We should argue that a second stage "arbitrator" usually pays more, that the flexibility of the existing system must always lead to higher salaries and that productivity measurements and other conditions imposed on local freedom are extremely difficult to police.

(a) Free Pay Bargaining

Most employers would choose to join a National Joint Council but its recommendations would not bind anyone. The Secretary of State opposes the idea because there would be no control over the cost of teachers' pay settlements 'save the discipline of the community charge'. He argues that the system of unfettered national pay bargaining would produce strong pressures for higher settlements, followed by demands for more central government funding.

This is a fundamental issue. Under any method of settling teachers' pay, the government must at some point take its stand on funding. If the teachers' unions are determined to oppose an offer, it matters little whether the offer is made through a NJC or some other means. The question is whether this particular proposal would produce the local benefits we want.

The Secretary of State then argues that the proposals would not produce the more flexible career and pay structures which the 1987 scheme has developed; that it would be "a considerable step back".

We should argue that local education authorities and the governors of G-M schools would be directly accountable to parents and communities who will want results, and they will have to compete with each other to provide the career structures and pay differentials which first class professionals want.

(b) Statutory National Arrangements with Opting Out

As the DES note argues, negotiations on the right to opt out would be difficult at the outset but might lead to a situation in which so many local employers had done so that it ushered in a free pay system - but one in which those who had opted out would wait to see what the national negotiations produced before doing anything themselves. If this were to happen then the result would be as in (a) above.

It is particularly important that the conditions under which either G-M schools or LEAs can opt out are not made onerous. It is extremely important not to give DES officials discretion over these matters.

Conclusions

- 1 Controlling total costs of teachers' pay is difficult under any proposal for negotiating teachers' pay: it would be fatal if we did not now rely on the community charge to achieve this.
- 2 Local variations are best achieved by giving G-M schools and LEAs the right to opt out of any system.
- 3 Conditions for opting out should be as simple as possible.

Recommendation

Option (a) Free Pay Bargaining offers direct pay negotiations with maximum scope for local decision taking. Any G-M school or LEA could opt out. It does not require legislation to establish and employers would be free to impose a settlement if no agreement were reached.

The LEAs and G-M schools will be accountable to parents and communities and they would have to compete to provide an efficient structure within which professionals can do their job.

If local pay settlements modify national provisions, that will have to be financed out of the community charge. There may well be demands for increased central funding at that point; but under any scheme, the government must at some point take its stand and it is better that it should do so within a structure which produces the greatest devolution of power.

The DES must be encouraged to overcome its resistance to this option.

Yvonne Barker

pp BRIAN GRIFFITHS

Howell Harris Hughes

HOWELL HARRIS HUGHES

copy

PRIME MINISTER

P 03652

FUTURE MACHINERY FOR SCHOOL TEACHER'S PAY AND CONDITIONS
E(EP) (90)1 and E(EP) (90)4 *with 4**attached*

DECISIONS

1. Mr MacGregor seeks guidance on the next round of negotiations on teachers' pay machinery. He remains concerned about the difficulties associated with moving towards local negotiations but sets out four options for doing so. You will wish to decide which of the options should be pursued:

i. entirely voluntary machinery, including complete freedom to opt out;

ii. statutory national machinery for negotiations subject to Government override powers, as proposed by Mr MacGregor last time, but with the ability to opt out with the Secretary of State's approval. This is the option which Mr MacGregor himself would prefer;

iii. a permanent independent advisory body, like the IAC, again with the ability to opt out if the Secretary of State agrees;

iv. statutory national machinery for negotiations with more scope for local flexibility but without the ability to opt out completely.

A fifth option, not mentioned in the paper, might be to allow grant-maintained schools to opt out of national negotiating machinery.

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2. If you decide that opting-out of national negotiations is essential and do not accept that local negotiations are impractical at present the choice may narrow down to options 2 and 3. The decision will depend on the relative merits of constrained negotiations and an advisory body. You may in particular want to consider whether under option 3 the Government could simply retain the IAC and what the legislative implications of that would be.

BACKGROUND

3. When E(EP) discussed teacher's pay on 15 January Mr MacGregor put forward proposals for employer teacher negotiations on the same lines as Mr Baker had suggested in the summer (employer/union negotiations without a Government presence, reference to an IAC-type body if no agreement reached within a defined timescale, Government powers to refer back or override settlements, and a Government undertaking not to override settlements falling within the interquartile range).

4. He was asked to do further work on the options for achieving greater local flexibility, in consultation with the Chief Secretary, and to report back.

MAIN ISSUES

5. You may wish to organise the discussion by going through the options which are most conveniently set out in Appendix 1.

Option 1: complete removal of statutory controls on pay and conditions.

6. This would be achieved by allowing the legislation on Teacher's Pay and Conditions to expire. Mr MacGregor opposes this option on the grounds first, that it would erode the structure of pay and conditions established by the Government; and second, that employers would opt out to pay higher rather than lower rates which would increase community charges. He

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believes that the Government could not prevent a stalemate in the negotiations, but would be blamed for it. You will wish to decide whether you accept these arguments.

Option 2: national teacher/employer negotiation with opting out.

7. This option would adopt the national negotiating machinery which Mr MacGregor outlined in his paper to the last meeting but combine it with the ability for individual local authorities to opt out and conduct local negotiations if the Secretary of State approved. You will wish to explore how this would work.

i. Mr MacGregor proposes that an authority wishing to opt out should have to satisfy the Secretary of State that its own local arrangements would be more cost effective in local circumstances than participation in the national arrangements. You may wish to ask what a local authority would have to do to satisfy this criterion.

ii. the paper says that there is no realistic prospect of opted-out authorities implementing arrangements which are less generous than the national arrangements (end of paragraph 7). This seems to assume that there are no administrative or other savings which could be made to balance local pay arrangements.

iii. He also proposes a long-stop power to direct employers proposing unreasonable changes in pay and conditions. You will wish to ask in what circumstances this power might be used. Would it be possible to bring a local authority back into the national machinery if it abused its authority to conduct local negotiations?

iv. the Government's overriding power would be subject to negative resolution. There would be pressure to make this the affirmative procedure. You may wish to consider whether this would be acceptable.

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v. There would be an undertaking that the Government would not normally override on cost grounds a settlement falling within the inter-quartile range. You may wish to ask if Mr MacGregor intends to make it clear that following a pay settlement there would be no question of extra grant from central Government to pay for the employment of more teachers.

vi. In his earlier paper Mr MacGregor proposed moving the settlement date to September. How does he propose to manage the transition from the existing date, and would this involve making concessions?

Option 3: national pay determination by an independent body.

8. Many of the points above are relevant also to this option.

You may also wish to ask:

i. what form of independent advisory body has Mr MacGregor in mind. Could it simply be the IAC?

ii. what the implications would be for the content and timing of legislation. If it were the IAC, could legislation be deferred?

iii. Mr MacGregor says that one disadvantage would be that as more LEAs opted out the advisory body would become unreliable. But would not a gradual move of this sort away from national arrangements be an advantage?

Option 4: increasing local flexibility.

9. Mr MacGregor's alternative to opting out is to allow employers to make payments to teachers other than those specified in the Pay and Conditions Document. It is not clear whether he is advocating increasing local flexibility in the context of the existing IAC machinery, or as part of his new system of national

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teacher/employer negotiations, or perhaps independent pay determination. You may wish to ask him to explain this proposal further.

10. While his proposal would allow individual authorities to pay more it would not permit them to pay less than the national rate. You may wish to consider whether this option would achieve the necessary flexibility.

Scotland.

11. You may wish to check what Mr Rifkind would have in mind for Scotland, which still has Burnham-type machinery, in the light of any changes proposed to the system in England and Wales.

Grant maintained schools.

12. If opting out were to be pursued grant-maintained schools would, under the proposals, have the same powers to opt out as local education authorities. If you decide not to press ahead with general opting out you may still wish to consider whether specific provision should be made for grant maintained schools.

Timing and Legislation.

13. Mr MacGregor proposes as a next step to consult employers and unions. You will want to decide on what basis this consultation should go ahead. He had originally intended to legislate next year, if possible in time to use a shadow version of the new machinery for the 1991 settlement. You may wish to check that this timetable could still be met in the light of E(EP)'s decisions.

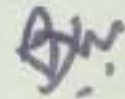
HANDLING

14. The Secretary of State for Education and Science will wish to introduce his paper. The Chief Secretary may wish to comment. The Secretaries of State for Wales, Environment (represented by Mr Hunt) and Employment may wish to speak. The

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Secretary of State for Scotland will have had an interest. The Lord President will be interested in the Parliamentary handling.



R T J WILSON
Cabinet Office
March 20, 1990

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RA

PRIME MINISTER

MEETING OF E(EP): 22 MARCH

At the last meeting of E(EP) in mid-February you commissioned further work on both student unions and the future arrangements for teachers' pay. The Committee is meeting again next Thursday to review progress.

The minutes of the last meeting are at Flag A in case you wish to refresh your memory.

On student unions John MacGregor is still working on this paper and it will not be available until Monday.

But on teachers' pay, the Department of Education and Science have let us have a near-final version of the paper (Flag B) for you to look at over the weekend. You will see that further work has now been done on varying options for increased local pay flexibility, but John MacGregor remains distinctly cool about the whole idea.

I will let you have the final version of both papers and further briefing next week.

PaGG.

PAUL GRAY
16 MARCH 1990

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ELIZABETH HOUSE
YORK ROAD
LONDON SE1 7PH
01-934 9000

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CONFIDENTIAL

Paul Gray Esq
Private Secretary
10 Downing Street
LONDON
SW1

16 MAR 1990

Dear Paul,

TEACHERS' PAY MACHINERY

I send you herewith a draft of a memorandum which my Secretary of State proposes to circulate to E(EP) colleagues on Monday, for discussion at next Thursday's meeting. My Secretary of State will himself be looking further at the draft over the week-end.

Copies of this letter and of its enclosure go to Carys Evans in the Chief Secretary's Office, and to Richard Wilson in the Cabinet Office.

Yours sincerely
JR

JOHN RATCLIFF
Assistant Private Secretary

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also

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RA

SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

The Rt Hon Norman Lamont MP
Chief Secretary
HM Treasury
Parliament Street
LONDON
SW1P 3AG

ms

Prime Minister
Not very satisfactory. It seems a
fair enough. This will be of
some relevance for next
week's resumed E(PP)
meeting a White Paper on regional
policy in England + Wales.

13 March 1990

Dear Norman,

REC 13/1

TEACHERS' PAY 1990/91

At a meeting on 7 March the Scottish Joint Negotiating Committee (SJNC) agreed to increase teachers' pay in Scotland by 8.95% at all points on the salary scale from 1 April this year. The award will increase the present pay bill of £800m by about £72m. The Committee has responsibility for determining teachers' pay in Scotland and, in effect, is a forum for negotiation between employing authorities and teacher unions. Its decisions have mandatory effect.

The opening claim by the Teachers' Side was 15.75%. Authorities appear to have budgeted for salary increases of between 8% and 8.5% for teaching staff in setting next year's community charge levels.

In their negotiations the Management Side saw it as necessary to make an offer which would match the overall pay bill increases flowing from the Interim Advisory Committee recommendations on pay for teachers in England and Wales. At the same time, they were persuaded that a staged award was not negotiable because of the strong hostility of the Teachers' Side to such an arrangement. Against this background they offered an increase of 8.6%, which, in their calculations, would cost over 2 years the equivalent of the phased introduction of the IAC's recommendations (with an average increase of 7.9% this year and ~~12.9%~~ 9.2% next year). The Teachers' Side reduced their bid of 9.3% and the Management Side considered that an award of 8.95% would have to be afforded in order to reach an early settlement.

I should say that the Management Side were much influenced by advice from local authority officials that any delay in reaching a settlement with teachers would be to their disadvantage, given their belief that the RPI and other indices are set to rise. It was felt strongly that protracted negotiations would increase the pressures for a high and unaffordable settlement. I have no doubt that the local authority representatives also wanted to conclude negotiations well ahead of the forthcoming Council elections.

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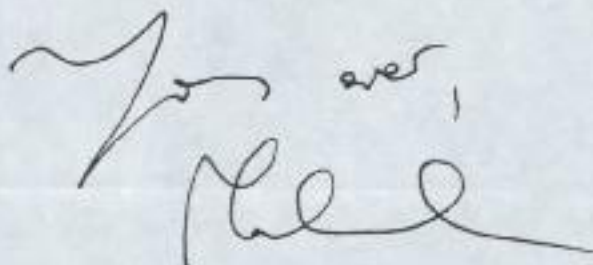
My representatives who were present confirm that the local authority representatives were concerned about the community charge implication of going beyond their budgeted level, and some agreed to the final offer being made only after consultations with their directors of finance.

The award for Scottish teachers for this year compares with the average increase of 7.9% which teachers will receive in England and Wales under the phased introduction on the IAC settlement. Against that the cost to authorities of meeting this year's settlement in 1991/92 and in subsequent years should be somewhat lower than it would have been under a 2 stage phased award.

In the course of these negotiations my representatives on the Committee drew attention to the Government measures to restrain the cost of public service pay settlements this year, reminded authorities of the effect of a high settlement on community charge levels, questioned the merits of founding an award on the complex recommendations which make up the IAC report, and pressed for consideration of a differentiated pay settlement to recognise the responsibilities of headteachers.

I should add that it was also agreed as part of this year's settlement that the SJNC could institute a very thorough review of teacher salary structures to establish what is needed to meet supply and other problems in the 1990s. My officials will be represented on that review and will use the opportunity to urge employing authorities to explore and encourage all possible developments of flexibility and local discretion in the future management of teachers' salaries. We need to encourage the much more sensitive and flexible salary arrangements which are becoming an increasingly important feature of teachers' pay in England and Wales into the excessively rigid structure here.

I am copying this letter to the Prime Minister, the Secretaries of State for Education, Employment, Wales, Northern Ireland, Environment and to Sir Robin Butler.

A handwritten signature in black ink, appearing to read 'Malcolm Rifkind', written in a cursive style.

MALCOLM RIFKIND

cc/sep

TEACHERS' PAY AND NEGOTIATING RIGHTS

THE PHILOSOPHY

I have been giving some thought to the twin problems of recruitment and retention of teachers, together with the new negotiating machinery that we want to set up. Much of the problem for retention and recruitment seems to centre on the multiplicity of tasks that the professional teacher has to undertake rather than the pay structure. Nonetheless, it must be acknowledged that the middle ranking teachers' pay does not satisfactorily equate to similar 'professional' pay from the ages of say 28-40.

There is also a problem in the Government's own philosophy between the private sector and the public sector pay. In the private sector we encourage management to be tight and pay to reward performance. In the public sector for inflationary reasons we have tended to try and keep the level of pay overall low, rather than to seek ways to introduce performance related pay and the proper operation of the marketforce.

For teachers, it seems to me that they need to be released from

some of the administrative tasks which are currently preventing them from concentrating on their own expertise in teaching the subject they have qualified in to the best of their ability and to the benefit of the pupils. I believe that we should look closely at a system of encouraging schools to staff themselves more appropriately with people who will deal with the ancillary administration, plus the professional teacher whose task it is to use their expertise for the benefit of their students. At the same time we must introduce a more performance related pay system to ensure that we attract young graduates into the teaching profession and retain the better teachers that are currently there. The present system of pay negotiation is a blanket public sector system which has succeeded in lowering the quality of people coming into the teaching profession and gives no hope for changing that system unless some radical thinking is applied.

NEGOTIATING MACHINERY

We have discussed 3 different methods of setting up a system for negotiating teachers pay over the past 18 months. Looking at the experience of Kenneth Clarke and the ambulance workers I am not attracted to return to a system of union/employer negotiations with arbitration built in and no opportunity for entrepreneurial authorities and individual schools like GM schools to use the market to attract high calibre teachers.

Equally, I do not believe that the review body system does more than reinforce the blanket approach to public sector employment,

and has done little more than keep the lid on the more vocal professional public sector workers such as the Civil Service, medical profession, the nursing profession and others who come within the review body system. The third option of local negotiations is one which is unpopular with the current unions and also with the local authorities. However, I do believe that we should be looking very closely at the opportunities that would be opened up for the professional teacher if local authorities were able to pursue a more market orientated pay system.

I wonder whether it would be possible for us to look at a negotiating machinery on the following lines:-

- 1) The Government agrees in the Autumn to underwrite the revenue support grant to an agreed level commensurate with the inter-quartile range. That agreement is between the Government and the local authorities and the only other sanction that the Government would impose would be a requirement for the negotiations to be concluded by say, mid January.
- 2) A negotiating body would be set up between the employers, namely the local authorities, on the one hand and the trade unions on the other hand. They would be charged with producing a pay award, together with conditions of service which in their view would meet the requirements of local authorities for supply and retention of teachers. The effective discipline on the local authorities would be having to bear the costs on the community charge but, of course, that leaves the trade unions with no effective discipline.

3) Therefore there would be a clause which would allow individual local authorities or schools to opt out of the national negotiating system and undertake to negotiate locally with their teaching force. This would enable local authorities, who felt that the national agreements were either too low or too high or unsatisfactory in any other way, to negotiate at a local level for what they perceive to be the market rate for the job. It would, of course, act as a significant discipline on the unions to know that local authorities and schools had that freedom.

OTHER FEATURES

Before such a system was brought into being, I think it is important that we try to address the administrative difficulties within the schools. My proposal for that would be as follows:-

Each school would staff itself with professionally qualified teachers whose job would be clearly defined in the classroom and as a supervisory role with their students. Schools would also employ a rather larger number of ancillary workers paid at a lower level to undertake the admissions and oversee all the pupils out of the classroom. They could also undertake many of the non specific tasks and the general administration of, for example, local management, annual entrance to school, reporting and filling in of forms, general running of the institution and preparation within labs and classrooms where necessary.

The advantage of this would be that many of the professional teachers who are currently frustrated that they are unable to teach the subjects that they have studied would be mollified, their pay could be increased, and the administration could be undertaken by people who enjoy working in schools who are not necessarily qualified professionally. The knock-on advantage of non qualified people would, nevertheless, be to attract potential recruits to teaching and they could in some cases be encouraged to undertake teaching courses if they felt the work sufficiently rewarding. It seems to me that this would be a much better way of ensuring that graduates from universities and polytechnics could see a clear professional career ahead of them in teaching, whilst at the same time attracting into schools people who are not yet qualified but may have the potential to become qualified, with the additional attraction of a higher salary ahead if they achieve suitable teacher status.

I leave these ideas with you as I feel that we should be addressing the problems of recruitment and retention very seriously in the next 3 months. One further thought that I should add to my negotiating machinery is that I do not believe that it is necessary to build into my suggested scenario any form of arbitration. I believe the disciplines on the local authorities through the community charge and the discipline on the unions of the 'opt out' laws would be quite sufficient to bring the negotiations to a conclusion without any need for arbitration and mechanisms to be introduced.

I would be interested in your reactions.

with PG.
PRIME MINISTER

ORIGINAL FILED ON EDUCATION:
Student Loans, Feb 80.

MEETING OF E(EP), 15 FEBRUARY

You saw the main papers for tomorrow's meeting last weekend.

There are two agenda items and the papers are in the two dividers below:

1. Student ~~Loans~~ Unions
2. Future Machinery for Teachers' Pay

Student ~~Loans~~ Unions

You saw at the weekend the DES paper. Also now included in the divider is a Cabinet Office brief.

Teachers' Pay

Again, you saw the DES paper over the weekend. There are also now two briefs, from the Cabinet Office and Brian Griffiths. Brian supports the basic recommendation of returning to direct negotiations, but recommends you should:

- resist allowing the IAC to be an arbitration body if the two sides cannot agree;
- continue to press your original wish for more local decision-making, which John MacGregor is resisting.

PGG.

PAUL GRAY

14 February 1990

E(EP): FUTURE MACHINERY FOR TEACHERS' PAY AND CONDITIONS

The DES have been putting forward proposals to replace the Burnham system since 1987. Their initial preferred option was for a review body. Since this was not acceptable to E(EP), they have put forward other proposals for direct negotiation between employers and teacher unions. They have now come forward with a specific proposal for new negotiating machinery, but also with a strong plea that they should keep in reserve the possibility of some independent advisory body similar to the IAC.

This suggests two things:

- (a) their present preferred option remains some form of pay review body - even though they are prepared to put forward other proposals; their heart is not really in these proposals;
- (b) it is high time we came to some conclusion in this debate: if we do not, we shall find that, by default, a pay review body will be the only option available, given the time by which it has to be put in place.

The New Proposal

As a return to direct negotiations the new proposals should be welcomed.

But I have two serious reservations.

- (i) Second Stage Body

If the deadline for negotiations between local authorities

and teacher unions passes without agreement, the Secretary of State will refer the matter to an IAC-type body. This is separate from the government having reserve powers.

Giving the government reserve powers to override if necessary the settlement is desirable, though exactly how easy it would be to implement is far from clear. But referring a deadlocked negotiation to an IAC-type body smacks of arbitration. In addition, both sides to the negotiation would have an incentive to lobby such a body to finance a higher award from taxpayers funds.

Recommendation

Reject the Second Stage Body because of its inflationary potential. Place considerable emphasis on the reserve powers of government.

(ii) Local Decision-Making

The proposals in this area - not to allow either local authorities or G-M schools to negotiate directly - are frankly feeble in the extreme.

E(EP) in June gave a very clear remit for the DES to come forward with proposals to encourage maximum local decisionmaking in pay matters. This the new document has not done.

In Appendix D the Secretary of State puts forward the arguments against increasing local decision-making, for l.e.a'.s. and allowing G-M schools greater flexibility. I am afraid that John MacGregor has accepted the DES position - hook, line and sinker. The DES have always

been close to the associations of local authorities and teacher unions both of which are opposed to moves in this direction.

The weaknesses of the DES position - which are set out in Appendix D4-D6 - are as follows:

D4(iv) Increased Demand for Teachers

If local settlements modify national provisions, these would be financed out of the community charge. If local areas wish to increase teacher numbers, then under the Community Charge that is up to them.

D4(v) Override Could Trigger Opt-Out

Once again, if they do, the local authorities know that the extra cost will fall on the Community Charge and they will have to defend this at local elections.

D4(vi) Teachers Gains

To the extent that local negotiations ease the contracts of teachers, they will have to face up to the pressure exerted by local parents. It is quite unrealistic to suppose that, eg standard working time could be reduced and the local electorate sit back and do nothing about it.

(vii) Further Undesirable Effects

Precisely what these are is not clear, but again, local accountability is a major constraint on charge.

D5 & D6 G-M Schools

When it comes to the DES arguments against extending

local decision-making to G-M schools, it is simply that teacher unions and employers are opposed to opting-out and we should offend them were we to recommend it.

When G-M schools were discussed before the last election, freedom over pay was considered a major attraction for G-M status.

Recommendation

DES is simply protecting the vested interests of the education world in opposing this and their proposal should be rejected.

Conclusions & Recommendation

- 1 It is important to come to some agreement on this subject soon.
- 2 Welcome the return to direct-bargaining accompanied by maximum flexibility in local pay etc.
- 3 Reject the Second Stage Body as effectively arbitration machinery - which would have a bias in just one direction - namely upwards.
- 4 Insist on DES coming forward with proposals for how individual l.e.a.'s. and G-M schools can opt-out of national pay negotiations.

Brian Griffiths

BRIAN GRIFFITHS

FUTURE MACHINERY FOR SCHOOL TEACHERS' PAY AND CONDITIONS
IN ENGLAND AND WALES
E(EP) (90) 1

DECISIONS

1. Mr MacGregor seeks guidance for the next round of negotiations on teachers' pay machinery. You may wish to structure the discussion by going through the recommendations in paragraph 13 of the paper.

i. direct employer/teacher negotiating machinery. Mr MacGregor's preferred option is direct teacher employer negotiations, without Government involvement but with reserve Government powers. You will wish to consider whether to accept this;

ii. independent pay and conditions determination. Mr MacGregor proposes to keep open the option of independent determination by an IAC type body. You will wish to consider whether to keep open this option (bearing in mind for instance the ambulancemen's dispute);

iii. local pay negotiations. Mr MacGregor argues against local opting out from the national negotiations and prefers to increase existing local flexibility within the context of national pay negotiations. You will wish to decide whether to accept his argument against opting out;

iv. timing. You will wish to consider whether you are content with his proposals to report back to E(EP) after Easter, and also the longer-term legislative timetable.

BACKGROUND

2. E(EP) discussed teachers' pay machinery in June 1989. Mr Baker was asked to do further work on a revised proposal for

direct local authority/teacher negotiations without Government involvement, but with checks to safeguard Government's interests. He was also asked to consider allowing LEAs to opt out, with the negotiations eventually becoming entirely local. Mr MacGregor now reports back the result of further consideration and consultation.

ISSUES

The Government's role

3. Under Mr MacGregor's latest proposals for teacher/employer negotiating machinery the Government would not be represented at the negotiations, even as observers. The negotiations would produce a recommendation to the Secretary of State for changes to the Teachers' Pay and Conditions Document. The Government would however have reserve powers to refer back recommendations and in the last resort to override them and impose its own settlement. You will wish to decide whether you are content with this.

Method of exercising Government powers

4. Mr MacGregor proposes that exercise of the overriding power should be subject to negative Parliamentary resolution. You will wish to consider the timing of this concession. It seems highly likely that there will be pressure for the affirmative resolution procedure to be adopted.

Assurance on Government funding

5. Mr MacGregor proposes an assurance that the Government would not normally veto on cost grounds a settlement falling within the inter-quartile range. You asked however that it should be made clear that following a pay settlement there would be no question of extra grant from central Government to pay for the employment of more teachers. This point does not appear to be addressed in the current paper. You may wish to ask about it;

The second-stage body

6. Mr MacGregor rejects automatic access to arbitration if the two sides fail to agree and prefers a cash-constrained appeal

body very like the IAC. You will wish to consider whether an IAC-type body would be right for the purpose.

Settlement date

7. As the negotiations would have to take place against the background of the RSG settlement Mr MacGregor proposes moving the settlement date to September. You may wish to ask him how the transition from the existing date would be managed (and whether there would be a price for getting it accepted).

Heads and deputies

8. Mr MacGregor believes that the unions representing heads and deputies would not accept settlement of their pay by the national negotiating machinery and proposes a separate committee for them, with mechanisms to avoid stalemate between the main pay negotiating committee and this separate committee. You will wish to decide whether you agree this separate treatment.

Independent determination of pay and conditions

9. Mr MacGregor's second option is independent pay determination by a successor body to the IAC. He sees tactical advantages in keeping open another option until after the teaching unions' conferences at Easter. On this:

a. no-strike agreement. At Annex C Mr MacGregor says that the Government could not expect more than an offer not to strike on matters within the body's purview while it was sitting. You may wish to consider how far the Government should go in indicating readiness to accept something short of a full no-strike agreement;

b. comparisons with other review bodies. Mr MacGregor says that his proposed body would differ from review bodies because it would cover conditions as well as pay and be subject to financial constraint. You may wish to consider whether this distinction is adequate, in particular in the context of the ambulancemen's dispute;

c. continuation of IAC. One possibility would be simply to continue with the IAC for the time being, and make no other changes. Early legislation would not then be necessary. You may wish to explore this option.

Local pay negotiations/local flexibility

10. In earlier discussion you raised the possibility of allowing LEAs to opt out of the national negotiations. Mr MacGregor prefers the use, within a national framework, of more local flexibilities like those in the recent IAC report. You will wish to consider whether you accept Mr MacGregor's arguments on this point.

11. Mr MacGregor accepts that the argument for opting out by Grant Maintained Schools is stronger, and says that "there may be a case" for taking reserve powers to allow it. You will wish to consider whether the legislation should allow for this, and to ensure that the implications for the financing of grant-maintained schools have been properly considered.

Scotland

12. Scotland still has a Burnham-type machinery. You could ask Mr Rifkind what he has in mind for Scotland if Mr MacGregor's proposals are accepted for England.

Timing and Legislation

13. Mr MacGregor would like to legislate next year, if possible in time to use a "shadow" version of the new machinery for the 1991 settlement. He proposes to put out proposals at the end of February and report back to E(EP) after Easter. You may wish to emphasise that if there is to be legislation next session there should be no slippage in this timetable.

HANDLING

14. The Secretary of State for Education and Science will wish to introduce his paper. The Chief Secretary, Treasury will wish

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to comment. The Secretaries of State for Wales, Environment, and Employment may wish to speak. The Secretary of State for Scotland will also have an interest. The Lord President of the Council will be interested in the Parliamentary handling.

RJW

R T J WILSON
Cabinet Office
13 February, 1990

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copy

SG6-66



ELIZABETH HOUSE
YORK ROAD
LONDON SE1 7PH
01-934 9000

Mike

Told Mrs. P. had
no major concerns
and that they should
proceed with circulation of
the paper to E(EP).

9 February 1990

*Recg
Mike*

Paul Gray Esq
Private Secretary
10 Downing Street
London SW1A 0AA

Dear Paul

MACHINERY FOR NEGOTIATING SCHOOLTEACHER PAY

My Secretary of State thought that the Prime Minister might appreciate an opportunity to see over the weekend the paper on schoolteacher pay negotiating machinery which he has in mind to circulate on Monday to members of E(EP), for consideration at the Committee's meeting on Thursday 15 February.

A copy of this letter goes to John Gieve.

*Albans
Stephen*

S T CROWNE
Private Secretary

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FA

Note

Spoke to DES and said
that, as PM had not
raised objection to the
pay paper, they should feel free
to circulate it to E(EP).

PRIME MINISTER

MEETING OF E(EP) 15 FEBRUARY

You have a meeting of E(EP) next Thursday to take two papers:

- i. student unions
- ii. future teachers' pay negotiating machinery

Page
12/2

Student unions

The DES paper is at Flag A.

You have already made clear to the Lord President your wish to include a Bill in the 1990-91 session, and we have also given that message to John MacGregor's office. His paper sets out a possible package, covering both local student unions and the NUS; this broadly follows the package discussed when E(EP) last looked at this, but without the Registrar proposal. John MacGregor makes clear that he sees his first legislative priority for the next session as the Bill on teachers' pay machinery; the paper sets out a number of modest non-statutory measures on local student unions (but not the NUS) which could be taken if it was decided not to legislate.

Teachers' pay

A paper has not yet been circulated to E(EP); given the sensitivity of this issue we suggested that John MacGregor should first show his paper to you and the Chancellor. He has this evening sent in such a draft, at Flag B.

It is quite detailed. But the proposals boil down to

- proceeding with detailed discussions for a favoured option of an employers/teachers negotiating machinery. The claim is that this would be significantly different from Burnham, and that the key to its success would be

the impact of the new community charge regime. There would be reserve powers for the Government to impose a lower settlement than that emerging from the new body; and if the negotiations failed to produce an agreement the Government could refer the position to an IAC-type body within a financial limit.

- Although an employer/teacher machinery would be the favoured option, the alternative possibility of an independent body broadly similar to the IAC should be kept on the table for the moment. (But a review body, concerned only with pay and not other conditions, should be ruled out.)
- No specific further action to enhance local decision taking, but rather build on what has already been opened up by the IAC within the framework of the national employers/teachers negotiating machinery. Local areas would not be able to opt out.
- discuss the preferred approach further with the employers and unions and report back to colleagues after Easter with fully detailed financial proposals.

All this raises a number of difficult issues, and you may be disappointed for example at the lack of enthusiasm shown for a further major push on local pay bargaining. But the immediate issue is whether you are content for a paper on these lines to be formally circulated for next Thursday's meeting.

Content for John MacGregor to circulate this paper?

Rec.

Paul Gray

9 February 1990

c: EEP (MJ)

PRIME MINISTER

2a-c

ce to Teachers
Pay

PAY REVIEW BODIES AND TEACHERS' PAY

Following the series of bilaterals over the last few days, you are holding a meeting tomorrow with all the Ministers directly concerned both with the Pay Review Bodies and teachers. Those attending are the Lord President, Lord Chancellor, Chancellor of the Exchequer, Secretaries of State for Wales, Employment, Education and Science, Health, and Scotland, the Chief Secretary, Chief Whip, Mr. Luce and Archie Hamilton. (Peter Brooke was invited, but will probably be unable to attend.)

There are two papers before the meeting:

Flag A - the revised version of the Cabinet Office paper on the Review Bodies, which has been amended to take into account the outcome of your bilaterals today.

Flag B - John MacGregor's paper on teachers' pay. He indicates his favoured option is implementation in full, but as agreed this morning, he spells out a 7 per cent staging fall-back.

The issues raised in the two papers will need to be looked at in parallel. You will want to consider whether to allow key Ministers to make substantial introductory comments, or whether to aim to move straight to a discussion of the key points for decision. You could perhaps compromise by just asking the Chancellor to make some introductory comments and then move straight to the issues for decision. I suggest you take them in the following order.

1. Abatement.

Confirm agreement that the only abatement of the Review Body and teachers' recommendations should be the DDRB proposals on consultants rejected last year (see paragraphs 9-10 of Flag A).

2. General approach

Secure agreement that the across the board approach should involve staging, with all the Review Bodies and teachers

b

getting a 7 per cent pay increase on 1 April with the remainder of basic increases plus add-ons from 1 January 1991.

3. Detailed Application of the general approach

(a) Armed Forces and Doctors and Dentists

These are the two groups with the largest pay bill increases under the basic 7 per cent approach, each over 8 per cent. Against that background, secure agreement that there is no scope for any special treatment for add on elements.

(b) Nurses/PAMs and Teachers

These are groups where the pay bill costs of the basic 7 per cent proposal are less than 8 per cent. I suggest you take the two together, because there is the danger of Messrs. MacGregor and Clarke trying to bid up against each other.

You have agreed that Mr. Clarke should get the extra add-on of student nurses from 1 April (paragraphs 14-15 of Flag A). You also agreed that the teachers should get an incentive package from 1 April. The problem is what to do in each case about London. If nurses also get their London pay from April, that would inevitably knock on to PAMs, and critically it would tip the overall pay bill both for nurses and Review Body groups as a whole to over 8 per cent. I have discussed this possibility informally with Bernard, who feels that it would be extremely difficult, if not impossible, to present an overall package for which the key figure starts with an eight rather than a seven.

But how can nurses/PAMs be denied their London pay if teachers are to get their full 8.8 per cent (plus the discretionary £750) from 1 April?

C

A possible approach would be:

- For nurses/PAMs no special London payments from 1 April; to 1 January; but as I understand it, this would still mean that some nurses who get London pay as a pro rata percentage of basic pay would effectively get a 7 per cent increase in London allowance from 1 April. That would appear to be already included in the basic costing for nurses.

- For teachers, don't give 8.8 per cent from 1 April, but limit it to 7 per cent and then pay the 8.8 per cent (including backdating) from 1 January. Because of the backdating this would not save any money in 1990-91 as a whole. But it would avoid the presentational problem of teachers getting more than a 7 per cent increase for London before January. The £750 discretionary pay might be allowed from April, but because it is discretionary, treated as outside the settlement.

- an alternative for teachers would be to allow the 8.8 per cent from April, backdated to July 1989, but argue that since this reflects belated settlement of the 1989 London Waiting claim, it can be omitted from the percentage figures for the 1990 settlement.

(c) Top Salaries

There are two issues here, brought out in paragraphs 16-18 of Flag A.

First, whether the top salary groups should get the full 7 per cent - equivalent to the basic recommendation - from 1 April. When we discussed it this morning, you were content with the option then favoured by Robin Butler of a "6 per cent option", as brought out in Annex B to the Flag A paper. But this

d

does involve some complications and an awkwardness in that senior armed forces would only get a pay bill increase in the year as a whole of 6.9 per cent. So an alternative would be just to abate to 6 per cent for those very top grades receiving a basic increase of 7 per cent and no more, and for the remainder to be staged under the basic 7 per cent option - see the final sentence of paragraph 17 of Flag A.

Second, the staging of the extra 10 per cent for judges. Paragraph 18 of Flag A suggests agreement to the latest possible staging consistent with the TSRB recommendations; I understand the Lord Chancellor is likely to agree to this.

4. Financing

There are three issues to settle which you could handle as follows:

- A contribution from the existing health budget (paragraphs 20-21 of Flag A). If there is any dispute you might want to get the Chancellor, Chief Secretary and Mr. Clarke to settle this outside the meeting.
- A minor excess cost for the Lord Chancellor's Department for which he wants to claim on the Reserve, an approach the Treasury wish to resist. Again, suggest this could be settled out of the meeting.
- Teachers. Secure agreement that there should be no extra grant to local authorities and that the cost of the settlement (7.9 per cent) over and above the IAC remit (7.6 per cent) should have a negligible impact on community charges.

5. Timetable

Unless something unexpected arises at the meeting, we should be set fair for the Review Bodies to be brought to Cabinet

Q

this Thursday, 1 February, and for you to announce the outcome by Written Answer in the normal way that afternoon.

The issue then is whether teachers should be in parallel. Both you and Mr. MacGregor worked on that assumption this morning. But you may want to check again exactly what the timetable is for Chilver to deliver his final report, and whether there is any awkwardness about pronouncing on it, say, the very next day. The penultimate page of Mr. MacGregor's minute implies that announcement this Thursday of a staged package could be a bit messy.

PG

29 January 1990

jd c:payreview

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cc backer
B
cc [initials]

PRIME MINISTER

REPORT OF THE INTERIM ADVISORY COMMITTEE ON SCHOOL TEACHERS' PAY AND CONDITIONS (IAC)

We are to discuss the Government's response to this report at your meeting on Tuesday. The Committee holds its final meeting on that day so the report itself will not be available for our meeting. I will circulate it as soon as it is ready. This paper is based on a report of its conclusions given to officials by the Secretary of the Committee. It sets out the basis on which I propose to initiate the consultations required under the School Teachers' Pay and Conditions Act 1987 prior to laying an Order before Parliament making changes to teachers' rates of pay and conditions of service. If we make any material change in the IAC's recommendations - as regards either their substance or their date of implementation - the Order will be subject to affirmative resolution of both Houses.

THE IAC'S RECOMMENDATIONS

Last September we invited the IAC to consider the general pay increase to be given to teachers in England and Wales, the pay of heads and deputies, the system of selective payments and the problems facing local education authorities in London. The Committee has not felt able to contain its recommendations within the financial constraint of £600m which it was given. The costs of its recommendations are summarised in Annex A: they total £733m in 1990-91 (9.3% of the pay bill).

Lord Chilver has told me that the Committee was much exercised, as I am, by the problems of recruitment and retention, and in particular with the importance of recruiting and retaining good people to deliver the National Curriculum, especially in the

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critical shortage subjects. The Committee's aim has been to provide adequate career prospects for the successful and to increase flexibility to respond to changing local circumstances. Against this background the Committee has made far reaching proposals for changes in the structure of the main scale and the way heads and deputies are paid which will greatly increase local discretion and flexibility. It has also proposed a new measure to help tackle London's problems.

Classroom teachers assimilating onto the revised basic main scale proposed by the IAC would receive average increases of 8.2%, with bigger increases going to teachers at the top of the scale (8.9%) and on starting salaries (up to 11.8%) than to those in the middle (6.4% - 7.1%). The cost of this would be £500m. Heads and deputies assimilating to the new ranges proposed by the IAC would receive average increases of 10.4% at a cost of £138m, with individuals receiving rises of between 9.9% and 11.2%. The Committee also recommends that from 1 July 1989 the London area allowance should be increased by 8.8%. Taken together these recommendations would cost some £645m.

The report recommends the introduction of a new discretionary pay supplement of £750 in inner London and seeks further to enhance the role of the existing selective payments within the new pay structure we put in place in 1987. It recommends that the value of each of incentive allowances B-E be increased by 17% (allowance A would go up by only 8%) and that an additional 14,400 allowances be made available from 1 September 1990, as a further step towards the suggested longer term increase in the number of promoted posts which we welcomed last year. These recommendations would cost £75m. The cost of the new inner London supplement of £750 would depend on how authorities and schools use it: on the basis of an assumed 50% take up the IAC have costed it at £12m.

The Committee also makes a few recommendations on detailed matters. Particularly helpful is the proposal to extend the existing discretion over fixing starting salaries, which is limited to urban areas, to all areas.

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The recommendations are set out in full in Annex B.

MY PROPOSALS

I have looked at these recommendations against the background of the rapid development and implementation of our education reforms. Those reforms will fail unless we can recruit and retain the teachers we need to deliver the National Curriculum, with its associated assessment and testing; and we shall be absolutely dependent on teachers maintaining their enthusiasm and commitment to changes which add considerably to their burden of work.

The Committee's recommendations give us the opportunity we were looking for to set in place even more firmly the right kind of pay structure and approach in advance of the move to new machinery next year. We asked the IAC to look particularly at the position of heads and deputies and at the number and value of incentive allowances. The Committee has done all that we could have hoped for on these matters. It has proposed the introduction of a system of range pay for heads and deputies which would establish the principle of local differentiation in response to local needs and circumstances and in particular introduce the possibility over time of adjusting the pay of particular head and deputy posts downwards as the circumstances of schools change. It has also proposed a further enhancement of differentials. On incentive allowances the Committee has proposed substantial increases in value and a modest further increase in the number of allowances available. Both these sets of recommendations enhance the career prospects which are on offer to prospective teachers while increasing the targeting of resources where they are most needed.

The Committee was asked to look particularly at the problems of London. We are under great pressure to do something to help with the problems being experienced in this area, which are of a different order to those in any other part of the country. At

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Annex C are the comparisons between pay supplements received by teachers and by other employees in London which I gave to colleagues in E(EP) last September. In addition to an increase in London weighting which is in line with that given to other local Government employees in London it has recommended the introduction of a London pay supplement of £750 to be awarded at the discretion of LEAs and governing bodies to teachers working in the inner London weighting area. The new allowance will give hard pressed LEAs an extra weapon to deploy.

All these recommendations have been made in response to questions which the Committee was invited specifically to address. But the Committee has gone further. It has proposed radical changes to the main scale which go well beyond what we or the employers had envisaged this year. As well as enhancing the main scale in a way which improves both its recruitment and its retention capacity the Committee has proposed the introduction of wide ranging local discretions which effectively open the door to an element of local pay determination and the growth of pay differentiation in response to local needs. This is an unexpected but golden opportunity which I believe we must seize. The concept of a national scale with local discretion to vary it meets our long term objectives for the development of the teachers' pay system as regards local flexibility and targeting of resources.

The IAC's recommendations on heads and deputies pay and incentive payments are surely right, as are the recommendations on London, and I propose to accept them. The Committee's recommendations on the main scale offer important new benefits in return for an average increase for classroom teachers of 8.2%. This may be the last year in which we have the initiative on teachers' pay and I believe we should seize the opportunity the Committee has given us to secure major policy objectives in advance of moving to new permanent pay determination arrangements: the chances of achieving comparable gains through some kind of collective bargaining machinery which might take the place of the IAC in future years would be small indeed.

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Lord Chilver has told me that for the third year the Committee have rejected comparability as the basis for determining the level of teachers' pay. They have again endorsed the use of recruitment, retention and motivation criteria. But they have emphasised that to provide enough teachers of the right quality the pay and career prospects available to teachers must be competitive. In their view this is patently not the case at present, and their recommendations are intended to remedy the position. Moreover the impact of demography on labour market conditions will make teachers increasingly difficult to recruit over the next few years. We have to act now to arrest the decline in the relative pay of teachers which has occurred over the last two years, which is illustrated by the tables in Annex D: these show how average teacher salaries compare with average non-manual earnings (table 1), how average teachers and heads salaries have moved in relation to professional earnings over the last ten years (table 2) and how teachers starting salaries compare with those available to graduates generally (table 3).

Colleagues will be well aware of the growing concerns in many parts of the country about the current and future supply of teachers and the ability of the profession to deliver our education reforms. If we want to deliver our education policies, and persuade the public we are serious about doing so, I do not believe we can afford to cut back the IAC's recommendations. Were we to cut them back there would be a real risk of disruption in schools. Perhaps more to the point, the prospects for enthusiastic cooperation by teachers in our reforms which are adding considerably to teachers burdens of work would disappear completely. And this is bound to reduce the attractions of teaching in the eyes of potential recruits. Given the public's understanding of our demands on them I believe teachers would command wide public support. The IAC's recommendations bring with them very substantial increases in flexibility and scope for local decision taking. We have an opportunity to introduce major change at a reasonable price, and I believe that we should take it.

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I have considered whether it would be appropriate to stage the Committee's recommendations if that is done to those of the Review Bodies. The problem with this is that it would give all the wrong signals to teachers, parents and the public at large:

- it would delay the impact of highly desirable changes in the way teachers and heads and deputies are paid, including improved differentials for heads and deputies and better incentive allowances for middle and senior managers in schools;
- it would reduce the effectiveness of urgently needed action to remedy teacher shortages;
- it could sour the atmosphere for the resumption of talks with the teacher unions about new pay and conditions machinery, increase the distrust of the other parties in the use to which the Government would put any reserve powers it sought to retain.
- it would be administratively extremely cumbersome, since we should have to apply two different pay structures to teachers in the course of the same year. The additional administrative complexity for LEAs and schools as LMS comes in would be very considerable.

If despite my strong reservations colleagues wish to pursue the question of staging the approach we adopt will depend on what cost we are prepared to accept in 1990-91. If the cost is to be kept close to the original remit my preferred approach would be as follows:

- 1 April 1990 - flat rate increase of 7% on main scale heads and deputies, 8% on all incentive allowances plus introduction of £750 pay supplement for Inner London and 8.8% on London Weighting from 1 July 1989

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1 September 1990 - introduce additional 14,400 incentive allowances

1 January 1991 - implement IAC recommendations in full

Total cost for FY 1990-91: £615m (7.85%).

The alternative to this flat rate approach to staging would be to implement as much of the additional extras as possible on 1 April. But that approach would only allow a 6.1% overall percentage increase in the main scale and for heads and deputies, which I judge to be too low. I also judge it important to introduce the higher number of incentive allowances in September, at the start of the school year. I do not think we should seek to raise the flat rate increase in the basic pay scales above 7% at the expense of incentive allowances.

FINANCING THE RECOMMENDATIONS

The original financial constraint within the IAC remit of £600m was allowed for within the relevant 1990-91 standard spending totals for England and Wales. These form part of the local authority grant settlement and underpin the calculation of the community charge for standard spending. I believe that the arguments against staging are strong. But if the possibility of staging is pursued on the basis of the option decided above the cost in 1990-91 would be only marginally (£15m) above that figure and we might reasonably expect LEAs to accommodate this without any additional grant distribution. This figure includes the cost of the increases in incentive allowances and of the IAC's assumption about the use of the London pay supplement. It excludes any costs arising from the new local discretions on the main scale and heads' and deputies' pay, which it will be up to local authorities and schools to use as they see fit and to consider alongside decisions on the number of teachers they wish to employ.

The additional cost of implementing the IAC's recommendations without staging would be £133m. If we were to adopt this

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approach we would need to consider distributing additional grant to local authorities using the powers taken for this purpose in section 85 of the local Government Finance Act 1988. Otherwise they could argue with some justification that their community charge payers would have to bear the additional cost. I shall have to say what we intend on funding when I announce my proposals on the IAC recommendations.

THE NEXT STEPS

Under the Teachers' Pay and Conditions Act 1987 I have to consult about my proposals for implementing the IAC report. I am also required to publish the report itself; in the past these two things have been done together. However, we will not have copies of the printed text ready for distribution before the middle of the week beginning 5 February. I have arranged for the preparation of sufficient copies of the typescript of the report to be made after it is delivered to me on 31 January for distribution to the statutory consultees, the press and other immediately interested parties on 1 February. If we decide to stage, however, the complexity of the Committee's proposals means that officials will need a day or so to work out the details of how to give effect to that decision. We could announce our decision in general terms on 1 February and I could set out the details when initiating statutory consultations the following week.

CONCLUSION

I seek the agreement of colleagues to acceptance of the IAC's recommendations in full, including

- a) a revised main scale giving average increases of 8.2% from 1 April and introducing a range of new local discretions to pay more than the national rates from 1 September 1990
- b) a system of range pay for heads and deputies giving average increases of 10.4% from 1 April 1990

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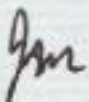
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- c) increases of 8% in the value of the A allowance and 17% in the value of B-E allowances from 1 April 1990
- d) an additional 14400 incentive allowance in 1990-91
- e) an 8.8% uplift in London Weighting from 1 July 1989
- f) a new discretionary pay supplement in the Inner London Weighting area of £750.

If staging is considered unavoidable I would wish to see it done in the way outlined in paragraph 16 above

If the recommendations are implemented in full from 1 April we shall need to consider whether, in the light of the likely impact on the community charge, the additional cost of the recommendations of some £130m should be funded by special grant distribution.

I have sent copies of this minute to Geoffrey Howe, John Major, James MacKay, Peter Walker, Tom King, Kenneth Clarke, Malcolm Rifkind, Peter Brook, Norman Lamont, Michael Howard, Tim Renton, Richard Luce and also to Sir Robin Butler.



JM

DEPARTMENT OF EDUCATION AND SCIENCE
29 JANUARY 1990

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ANNEX A

INTERIM ADVISORY COMMITTEE

RECOMMENDATIONS: SUMMARY OF COSTS

Recommendation	1990-91 cost £m	% on pay bill
Increases to all points on main scale from 1 April 1990 averaging 8.2%	500	6.4
Increases to heads and deputies from 1 April 1990 averaging 10.4%	138	1.8
Increases in values of incentive allowances from 1 April 1990: 8%(A); 17% (B-E)	76	1.0
Increase numbers of allowances by 14,400 in September 1990		
8.8% increase to London allowances, backdated to 1 July 1989	7	0.1
Discretionary Inner London pay supplements of £750 from 1 April 1990. Assume 50% take-up	12	0.1
TOTAL	733	9.3

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ANNEX B

IAC REPORT: SUMMARY OF RECOMMENDATIONS

The Committee recommends as follows:

1. The main scale should be renamed "the standard national scale" from 1 April 1990.
2. All points on the standard national scale should be increased from 1 April 1990 as shown in Table 1.
3. The School Teachers' Pay and Conditions Document (paragraph 1(4) of Appendix II) should extend to all relevant bodies the discretion currently available only in "urban areas" to appoint a qualified teacher one or two increments higher than normal.
4. Within the standard national scale (including on initial placement) relevant bodies should have discretion from 1 September 1990 to enhance some or all of the incremental points, apart from the maximum, by £250 or multiples thereof, subject to not exceeding the next point on the scale.
5. Such incremental enhancement may be awarded at any time, should apply to teachers on an individual basis and should be reviewed annually on 1 September.
6. From 1 September 1990 the standard scale may be extended beyond the national maximum through the introduction of local scales up to a maximum of £18,000.
7. Decisions on the nature of any local extensions to the standard national scale (ie both the local maximum and any specific intermediate points on the way) should be a matter for LEAs in the case of maintained schools (whether or not they have financial delegation) and for governing bodies in the case of GM schools.

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8. Where there is an extended local scale above the standard national scale maximum, the progression of individual teachers within that scale should be at the discretion of the relevant body.
9. For teachers awarded discretionary points above the standard national scale maximum, or discretionary incremental enhancements within the scale, the entitlement under paragraph 1(3) of Appendix II to the School Teachers' Pay and Conditions Document on taking up a new appointment or re-entering teaching after a break in service should be to the nearest national scale point below their current actual salary or most recent salary as a teacher.
10. The salaries and scale for unqualified teachers should be increased by 8% from 1 April 1990.
11. The special allowances paid to unqualified teachers and to teachers of blind and deaf children should be increased by 8% from 1 April 1990.
12. The total planned number of incentive allowances should, from 1 September 1990, be increased by 14,400 over current planned numbers. Within that overall increase there should be 5000 more As than currently planned; 7400 more Bs; the same number of Cs; 2000 more Ds; the same number of Es.
13. The School Teachers' Pay and Conditions Document should be amended so that from 1 April 1990 the provisions governing the award of A allowances are the same as those currently applying to rates B-E.
14. The values of the five rates of incentive allowances from 1 April 1990 should be £925(A); £1500(B); £3000(C); £4000(D); £5500(E).
15. The nationally determined salaries of heads and deputies in post on 1 April 1990 in the current fourteen ordinary and eight special school groups should be increased as displayed in Table 5.

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16. The pay spine for heads and deputies displayed in Table 6 should be introduced from 1 April 1990.
17. The present fourteen ordinary and eight special school groups should be combined on 1 April 1990 into six new ordinary and four new special groups.
18. For heads and deputies in the six new ordinary and four new special school groups there should be normal salary ranges from 1 April 1990 as shown in Table 7.
19. Both on assimilation to the new structure on 1 April 1990 and subsequently, the relevant body should be able to pay individual heads and deputies on any point within the normal range above the salaries recommended in Table 5. Both the timing and extent of movement up the spine should be at the discretion of the relevant body.
20. The criteria to which the relevant body should have regard (though not exclusively) in making salary decisions should be set out in the Document. They should cover the circumstances of the school, the nature of the job and the performance of the individual, and might be based on the proposals made by the NEO in their written evidence. The precise wording should be for DES to determine in their consultations following publication of the Committee's report.
21. There should be a provision in the Document on similar lines to the present paragraphs 4(2) and 5(2) so that where the relevant body is satisfied that the salary payable to a head or deputy within the normal range for the school group is not adequate having regard to his or her duties, responsibilities or performance, or to the circumstances of the school, they may determine that he or she be paid such higher salary as they consider appropriate.
22. The relevant body should be able to appoint new heads and deputies on any point within (or, in exceptional circumstances, above) the normal salary range.

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23. Where the spot salary of a head or deputy is now safeguarded so, in the future, should the salary within the relevant normal range which he or she is receiving when the circumstances covered in the relevant provisions in the Document actually arise.

24. All rates of London allowance for teachers should be increased by 8.8%, to take effect from 1 July 1989.

25. Pay supplements of £750 for teachers serving in the Inner London Weighting area, paid at the discretion of the relevant body should be introduced from 1 April 1990.

26. The School Teachers' Pay and Conditions Document should be amended so that the position on the standard national scale of teachers employed on a day to day or other short-notice basis is calculated on the same basis as that of full-time or regular part-time teachers.

27. The standard basis on which a short notice contract supply teacher is employed should continue to be a day (or part-day) of $6\frac{1}{2}$ hours (to include an allowance for non-contact duties) and the pay divisor should be 1/195 of the annual salary.

28. The School Teachers' Pay and Conditions Document should be amended so that a regular part-time teacher's entitlement to an increment at each 1 September should be dependent on whether he or she has completed 6 months or more continuous service in a post on that date, subject to the maximum of the scale not being exceeded.

29. The School Teachers' Pay and Conditions Document should be amended so as to allow the relevant body to estimate a school's unit total where the number of pupils on the register is expected to fall (as a result of reorganisation or for other reasons) as well as rise.

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Table 1

Standard National Scale for all Teachers except Heads and Deputies

Incremental point	Annual salary from 1.4.89 £	Recommended salary from 1.4.90 £	% increase
1	8,394	9,000	7.2
2	8,730	9,500	8.8
3	9,060	10,000	10.4
4	9,390	10,500	11.8
5	10,167	11,000	8.2
6	11,046	11,750	6.4
7	11,712	12,500	6.7
8	12,372	13,250	7.1
9	13,092	14,000	6.9
10	13,923	15,000	7.7
11	14,694	16,000	8.9

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Table 2

Standard National Scale and Local Maximum for all Teachers except Heads and Deputies

Incremental point	Range (£)
1	9,000 - 9,500
2	9,500 - 10,000
3	10,000 - 10,500
4	10,500 - 11,000
5	11,000 - 11,750
6	11,750 - 12,500
7	12,500 - 13,250
8	13,250 - 14,000
9	14,000 - 15,000
10	15,000 - 16,000
11	16,000
	↓
	18,000

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Table 3

Numbers and Distribution of Incentive Allowances

	September 1989	September 1990 (Government plans)	September 1990 (Committee recommendations)
Primary:			
A	37,000	37,000	40,000
B	19,200	19,200	20,000
C	3,000	4,000	4,000
Total	59,200	60,200	64,000
Secondary:			
A	29,000	29,000	31,000
B	33,700	25,400	32,000
C	17,200	25,000	25,000
D	26,000	24,000	26,000
E	9,500	11,000	11,000
Total	115,400	114,400	125,000
Total primary and secondary	174,600	174,600	189,000

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Table 4

Incentive Allowance Rates

Rate	Annual amount from 1.4.89 £	Recommended amount from 1.4.90 £
A	858	925
B	1284	1500
C	2568	3000
D	3426	4000
E	4710	5500

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Table 5

Head Teachers

School Group	Annual salary from 1.4.89 £	Recommended salary on 1.4.90 £
1	17,370	19,200
2	17,928	19,800
3	18,489	20,400
4 3(s)	19,050	21,000
5 4(s)	19,893	21,900
6 5(s)	21,288	23,400
7 6(s)	22,410	24,800
8 7(s)	23,811	26,400
9 8(s)	25,491	28,100
10 9(s)	27,171	30,100
11 10(s)	29,136	32,300
12	31,095	34,400
13	32,496	35,800
14	34,179	37,900

Deputy Head Teachers

School Group	Annual salary from 1.4.89 £	Recommended salary on 1.4.90 £
1}		
2}	16,527	18,300
3}		
4 3(s)	16,809	18,600
5 4(s)	17,229	19,200
6 5(s)	17,646	19,500
7 6(s)	18,207	20,100
8 7(s)	19,050	21,000
9 8(s)	20,169	22,200
10 9(s)	21,288	23,400
11 10(s)	22,131	24,400
12	23,253	25,600
13	24,093	26,800
14	24,933	27,600

Note: (s) indicates Special School Group

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Table 6

Pay Spine for Heads and Deputies

Point	Salary (£)	Point	Salary (£)
1	18,300	26	26,400
2	18,600	27	26,800
3	18,900	28	27,200
4	19,200	29	27,600
5	19,500	30	28,100
6	19,800	31	28,600
7	20,100	32	29,100
8	20,400	33	29,600
9	20,700	34	30,100
10	21,000	35	30,600
11	21,300	36	31,100
12	21,600	37	31,600
13	21,900	38	32,300
14	22,200	39	33,000
15	22,500	40	33,700
16	22,800	41	34,400
17	23,100	42	35,100
18	23,400	43	35,800
19	23,700	44	36,500
20	24,000	45	37,200
21	24,400	46	37,900
22	24,800	47	38,600
23	25,200	48	39,300
24	25,600	49	40,000
25	26,000		

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Table 7

Normal Salary Ranges within the Pay Spine

Heads

Old Group	New Group	Normal Range (£)
1*, 2, 3	1	18,900 - 21,600
4, 5	2	20,400 - 23,700
6, 7	3	22,500 - 26,800
8, 9	4	25,200 - 30,600
10, 11	5	28,600 - 35,100
12, 13, 14	6	32,300 - 40,000

* Old group 1 schools not to go beyond point 8 (£20,400) other than in exceptional circumstances

Deputies

Old Group	New Group	Normal Range (£)
1, 2, 3	1	18,300 - 19,200
4, 5	2	18,600 - 20,100
6, 7	3	19,200 - 21,000
8, 9	4	20,400 - 23,100
10, 11	5	22,500 - 25,600
12, 13, 14	6	24,800 - 29,100

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ANNEX C

TEACHERS IN LONDON: PAY COMPARISONS

LONDON WEIGHTING

Teachers

Inner	£1377
Outer	£ 903
Fringe	£ 351

Local Government Non-Manuals

Inner	£1722
Outer	£ 912
Fringe	£ 411 or £282

(Updated to take account of increases applied from 1 July 1989)

Civil Service

Inner	£1750
Intermediate	£1000
Outer	£ 725

Most Civil Servants up to Grade 5 grade now also receive London Pay Spine points (worth for an SEO between £553 and £712) and some may also obtain Local Pay Additions.

Police

London weighting	£1089
London allowance	£1011

Police are also entitled to free accommodation or a rent allowance. The rent allowance is worth up to £5863 and compensatory grant, worth up to a further £1954, is payable to make it tax free.

Nurses

London supplement:

Inner up to £1023 + £981 London Weighting
Outer up to £ 568 + £981 London Weighting
Fringe up to £284 + £149 London Weighting

Private sector

The London Weighting Survey carried out by the Reward Group in summer 1989 recorded the following annual median allowances for private sector employees:

	Inner London	Outer London
Overall	£1908	£ 960
Management	£2000	£1000
Clerical	£1950	£1000
Operative	£1700	£ 896

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TOTAL PAY

The following comparisons are based on the PA Consulting Group's September 1988 survey of graduates' average basic salaries in London and the South East. This was based on a broad sample of organisations in the main industrial and service sectors.

Average Basic Salary for an "acceptable"
performer, by years' service (£)

Location	1 year	2 years	3 years
Teaching:-			
Inner	10,896	12,354	13,656
Outer	10,446	11,904	13,206
Fringe	9,924	11,382	12,684
Other occupations:-			
London postal area	12,593	13,112	16,580
South East	10,350	14,662	17,930

Notes:-

(i) London postal area includes London allowances where paid.

(ii) Teachers' salaries shown are those available to a good Honours graduate entrant (second class or higher). "Acceptable" performance, though not rigorously defined by PA Consulting Group, is generally consistent with normal progression up the relevant pay scale.

(iii) Teachers' pay estimates exclude incentive allowances but include London allowances.

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ANNEX D

TEACHERS' PAY: COMPETITIVENESS

Attached are the following tables:

- Table 1: Movements of teaching average salaries, at constant prices and relative to average non-manual earnings, since 1980 (consistent with figures recently given to ESAC).
- Table 2: Increases in teachers' and heads' average salaries relative to average earnings and average professional earnings since 1980.
- Table 3: Good graduate teachers' starting salaries relative to general graduate starting salaries, 1987-1989.

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TABLE 1

YEAR ⁽⁴⁾	TEACHERS' AVERAGE SALARIES ⁽¹⁾ (£)	AVERAGE NON-MANUAL EARNINGS ⁽²⁾ (£)	TEACHERS' AVERAGE SALARIES: REAL TERMS ⁽³⁾ (£)	TEACHERS' SALARIES/ NON-MANUAL EARNINGS (%)
1980	7,380	6,006	7,380	123
1981	8,030	6,942	7,170	116
1982	8,620	7,576	7,030	114
1983	9,120	8,273	7,150	110
1984	9,650	8,954	7,200	108
1985	10,390	9,599	7,250	108
1986	11,220	10,447	7,590	107
1987	13,100	11,305	8,510	116
1988	13,670	12,516	8,540	109
1989	14,730	13,775	8,520	107

(1) Average salaries for all teachers in maintained nursery, primary and secondary schools in England and Wales, heads and deputies included.

(2) Average non-manual earnings are drawn from the New Earnings Survey and relate to males and females in all industries and services based on full-time adult rates and exclude those whose pay has been affected by absence.

(3) At April 1980 prices using the Retail Price Index.

(4) Salaries as at 1 April each year. Not all settlements ran from that month.

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TABLE 2

INCREASES IN AVERAGE TEACHERS' SALARIES

AS AT 1 APRIL	ALL TEACHERS ¹	RELATIVE TO AVERAGE EARNINGS ²	RELATIVE TO PROFES- SIONAL EARNINGS ³	HEADS	RELATIVE TO PROFES- SIONAL EARNINGS
1980	37.0	11.5	8.7	41.8	12.6
1981	8.9	-4.2	-7.8	6.4	-9.9
1982	7.3	-1.8	-0.5	7.2	-0.6
1983	5.8	-2.6	-2.3	4.2	-3.8
1984	5.9	-2.1	-0.8	5.1	-1.5
1985	7.7	0.4	-0.8	6.9	0.0
1986	7.9	-0.1	-1.5	7.1	-2.3
1987	16.8	8.4	7.6	19.3	9.9
1988	4.3	-4.9	-6.2	4.2	-6.3
1989	7.8	-1.7	-3.6	7.5	-3.8

¹ All teachers including heads and deputies. Secondary and primary schools combined. Based on DTR and Burnham pay scales.

² Average gross salaries, all occupations. Based on adult full-time rates. (Source: New Earnings Survey).

³ Average gross earnings of full-time employees for combined occupation groups II, III, V (Source: New Earnings Survey).

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TABLE 3

GRADUATE STARTING SALARIES 1987-1989

	1987	1988	1989	% Change 1988-89
Upper Decile	9,800	11,500	12,500	8.7
Upper Quartile	9,000	10,000	11,000	10.0
Median	8,500	9,300	10,327	11.0
Lower Quartile	8,000	9,000	9,876	9.7
Lower Decile	7,500	8,343	9,186	10.1

Source: AGR reports

Graduate entry teacher (good Honours degree) Scale point 4	8,499	8,859	9,390	6.0
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SPEAKING NOTE FOR MEETING WITH MR MACGREGOR

29/1/90

Latest Position

Mr MacGregor is playing his cards very close to his chest, even from his closest advisers. I have not been able to establish what, if anything, transpired with Lord Chilver on Thursday night or the outcome of Friday's meeting of the IAC.

Line To Take

1. Ask Mr MacGregor for a report on the latest position reached by the IAC.
2. Tell him that the teachers will have to be given the same basic approach as the Review Body groups, ie 7 per cent from 1 April 1990 and the remainder of basic increases and all additions on 1 January 1991. Indicate that you are prepared to go through with the Affirmative Resolutions.
3. Check that Mr MacGregor will be circulating a paper on Monday night to be taken at Tuesday's Ministerial meeting. Urge him to recommend the approach as in 2.
4. Check the latest position on the logistics of proceeding with publication and announcement of the IAC Report on Thursday 1 February in parallel with the Review Bodies.
5. If it is logistically possible, consider with him the politics and tactics of that timetable. Does the desirability of a simultaneous approach outweigh possible criticism of the Government being seen to announce its decisions perhaps only a day after formally receiving the report? Would it place Chilver in a difficult position with other members of the IAC, assuming that they are not aware of the informal contacts that have been taking place?

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FILE

KK



C: Economic/IAC

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

15 December 1989

Thank you for your letter of 12 December in reply to mine of 6 December. I am most grateful for the soundings that have been taken with the IAC. Perhaps you could keep up the efforts to encourage them to report a few days before the end of January; and also keep the Cabinet Office and No. 10 in touch with the prospects for the date of delivery.

I am copying this letter to John Gieve (HM Treasury) and Sonia Phippard (Cabinet Office).

(PAUL GRAY)

Stephen Crowne, Esq,
Department of Education and Science.

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10 DOWNING STREET
LONDON SW1A 2AA

CABINET OFFICE
P 5181
15 DEC 1989
FILING INSTRUCTIONS
FILE NO.

From the Private Secretary

RICHARD WILSON, ESQ.,
CABINET OFFICE

Paul Gray

*cc. Mr Meyer
Fisher*

*I agree that we can't expect more
than this. PJ - 15/12*

TIMETABLE FOR PAY REVIEW BODIES AND INTERIM ADVISORY COMMITTEE ON
TEACHERS' PAY

The DES have now replied to my letter of 6 December in the terms attached. I think this response is as much as we could have expected and, if you agree, I propose to write back welcoming the action taken with the Committee and asking DES both to keep up their efforts and to keep us in touch with the likely date when the report will be available.

P.G.

PAUL GRAY
14 DECEMBER 1989



ELIZABETH HOUSE
YORK ROAD
LONDON SE1 7RH
01-934 9000

CONFIDENTIAL

Paul Gray Esq
Private Secretary
10 Downing Street
LONDON
SW1A 2AA

12 DEC 1989

Dear Paul

TIMETABLE FOR PAY REVIEW BODIES AND INTERIM ADVISORY COMMITTEE ON
TEACHERS' PAY

at last
Thank you for your letter of 6 December asking whether Lord Chilver could be encouraged to submit the findings of the IAC before the end of January 1990, the date set in the remit which my Secretary of State gave to the Committee.

In his paper for E(EP) last September my Secretary of State argued that even this deadline involved asking the IAC to cover a more wide ranging remit in three weeks less than last year. E(EP) was made aware that this might lead to a slight disjunction between the timetable for consideration of the review body and IAC reports, but that it would nonetheless be possible for the two sets of reports to be looked at together in the first half of February, as they were last year. Against that background, you will understand that it would not be practicable to seek now to change the remit.

We have nonetheless taken soundings with the Committee whether they could get the report to us a little ahead of the deadline. They have, we understand, arranged a schedule of meetings which finishes towards the end of January. It is too early to say whether they will need to use all these dates in order to produce an agreed report. We have emphasised the desirability of delivering the report a week or so before the end of January if that can be done without damage to the prospects of returning satisfactory and agreed answers to the questions which the Government has set the Committee.

I am copying this letter to John Gieve (HM Treasury) and Sonia Phippard (Cabinet Office).

Yours sincerely
Stephen Crowne
STEPHEN CROWNE



(mem)

c:\wpdocs\economic\pay

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

RICHARD WILSON, ESQ.,
CABINET OFFICE

TIMETABLE FOR PAY REVIEW BODIES AND INTERIM ADVISORY COMMITTEE ON
TEACHERS' PAY

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PAUL GRAY
14 DECEMBER 1989



ELIZABETH HOUSE
YORK ROAD
LONDON SE1 7BH
01-934 9000

CONFIDENTIAL

Paul Gray Esq
Private Secretary
10 Downing Street
LONDON
SW1A 2AA

12 DEC 1989

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TEACHERS' PAY

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I am copying this letter to John Gieve (HM Treasury) and Sonia Phippard (Cabinet Office).

Yours sincerely
Stephen Crowne
STEPHEN CROWNE

EDUCATION. Teachers
Pay 612



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10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

6 December 1989

TIMETABLE FOR PAY REVIEW BODIES AND INTERIM ADVISORY
COMMITTEE ON TEACHERS' PAY

When Ministers received the reports of the various pay review bodies for 1989-90, they decided that these should be considered in parallel with the report of the Interim Advisory Committee on Teachers' Pay. Because the report of the IAC was not received until early February 1989, the upshot was that decisions on the pay review bodies and the IAC were not announced until 16 February, although there had been an earlier wish to consider making an announcement on the pay review bodies by the end of January.

I understand that, in commissioning a further report from the IAC on teachers' pay for 1990-91, your Secretary of State has asked Lord Chilver to submit advice by the end of January 1990. The request to the various pay review bodies is that they should submit their advice so that, if Ministers so wish, decisions could be announced by the end of January 1990, or mid-February at the latest.

Ministers will obviously need to take a view in the New Year on how to handle on this occasion the announcement of decisions on the pay review bodies and the IAC. My purpose in writing to you now is to enquire whether Lord Chilver could be encouraged to submit his findings before the end of January. This would enable all the timetable options to be kept open for Ministers, including the possibility of a joint announcement on the pay review bodies and the IAC around the end of January.

I am copying this letter to John Gieve (H.M. Treasury) and Sonia Phippard (Cabinet Office).

PAUL GRAY

Stephen Crowne, Esq.,
Department of Education and Science.

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*me for
ce R*

*c: economics /
teachers*

[Handwritten signature]



10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

28 September 1989

Dear Sir,

**MEMBERSHIP OF THE INTERIM ADVISORY COMMITTEE
(IAC) FOR TEACHERS' PAY**

The Prime Minister has seen your Secretary of State's letter of 25 September to the Secretary of State for Wales. She is content with the proposed appointments.

I am copying this letter to Stephen Williams (Welsh Office), Steven Catling (Lord President's Office), John Gieve (HM Treasury), Clive Norris (Department of Employment) and to Sir Robin Butler.

*Yours,
Paul*

PAUL GRAY

Stephen Crowne, Esq.,
Department of Education and Science

APPOINTMENTS IN CONFIDENCE

cells

AG1-63



ELIZABETH HOUSE
YORK ROAD
LONDON SE1 7PH
01-934 9000

Pine Anick

*Brian Griffiths supports
new proposed appointments.
Contact?*

APPOINTMENTS - IN CONFIDENCE

The Rt Hon Peter Walker MBE MP
Secretary of State for Wales
Gwydyr House
Whitehall
LONDON
SW1A 2ER

PRCG

26/9

*Y
ES
mb*

25 September 1989

Dear Peter,

MEMBERSHIP OF THE INTERIM ADVISORY COMMITTEE (IAC) FOR TEACHERS PAY

There are two vacancies on the IAC because Geoffrey Armstrong and Ken Graham did not wish to serve for a third term. We need to fill these vacancies quickly. There are eight places on the IAC.

I attach a list of the continuing members.

This is a very important final year for the IAC. They have the opportunity to build on their work in previous years and to give strong signals about future pay arrangements. In private discussion with me, Henry Chilver has said that he wants to continue to promote more flexible pay arrangements - including wider use of incentive allowances - within an appropriate basic professional salary structure.

In order to assist this work, it is important that the two appointments which we now have to make provide a suitably balanced Committee. One of the outgoing members, Ken Graham, is a trade unionist, but I do not think it necessary to appoint a trade unionist to replace him - quite apart from the difficulty in finding a suitable candidate. There is already good teacher representation on the Committee.

I am minded to appoint individuals with a tough minded business-like approach to addressing the particular problems of recruitment, retention and motivation. I would like to propose Angus Clark, currently Director of Distribution at Sainsbury's. He is highly recommended by Geoffrey Armstrong; and Roy Griffiths also thinks he would be an excellent choice. He is a down-to-earth Northerner, highly regarded throughout Sainsbury's, who would face up to tough decisions.

My second candidate is Lady Judith Wilcox, who is well known to Angela Rumbold. Judith Wilcox is an experienced businesswoman, tough and realistic. I think she is well suited to the appointment on her own merits, but incidentally also meets Henry Chilver's expressed wish to have another woman on the Committee.

In the event of difficulty with one or other of the above, my first reserve is James Blyth, Finance Director of United Biscuits. He is recommended by Hector Laing for his strong commercial approach. He was on the Griffiths Committee.

I have not yet approached either candidate. I should be grateful if you could say whether you are content with these proposals by close of business on Wednesday 27 September. I will then have a word with Henry Chilver before I check their willingness to serve.

I am sending copies of this letter to the Prime Minister, the Lord President, the Chancellor of the Exchequer, the Secretary of State for Employment and to Sir Robin Butler.

Yours etc,

Joh

MEMBERS OF THE INTERIM ADVISORY COMMITTEE 1989

(ANNEX)

CHAIRMAN

Lord Chilver FRS FEng CBIM

Chairman of the Universities Funding Council; Chairman of Base International Holdings PLC since 1988. Chairman of Milton Keynes Development Corporation since 1983. Deputy President of Standing Conference on Schools Science and Technology since 1980. Member of ACOST since 1989. Director of a number of industrial companies.

Vice-Chancellor of Cranfield Institute of Education 1970-89. Chairman of Advisory Council on Applied Research and Development 1982-85. Member of Advisory Board for Local Authority Higher Education 1983-85. Member of Council for National Academic Awards 1973-76. Chairman of British School of Technology 1984. Chairman of the Higher Education Review Body for Northern Ireland 1978-81. Member Bedfordshire Education Committee 1970-74.

MEMBERS

Dr Peter Andrews CBE

[Former?] GCSE Co-ordinator for Derbyshire, Head of Henry Fanshawe Comprehensive School, Dronfield, Derbyshire 1964-85. President of the Secondary Heads Association 1982-83.

Mr Ray Carter

Director of Marathon Oil (UK) Ltd since 1983. Labour MP for Birmingham, Northfield 1970-79; Under Secretary of State, Northern Ireland Office 1976-79.

Mrs Jean Denton

Consultant. Former Deputy Chairman of the Black Country Development Corporation, Director of Burson-Marsteller, Non-Executive Director of British Nuclear Fuels and Ordnance Survey. A member of the Engineering Council, a Governor of the London School of Economics, a fellow of the Institute of Marketing and of the Institute of the Motor Industry.

Anne Watts

BSc(Hons) in Human Relations, Diploma in Education. Equal Opportunities Director, Personnel Division of National Westminster Bank. Member of Association of Management Education and Development.

Mrs Rosemary White

Head of Trowbridge Infants School, Cardiff 1966-87, having taught in Cardiff since 1945.

MEMBERS OF THE INTERIM ADVISORY COMMITTEE 1989

(ANNEX)

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Consultant. Former Deputy Chairman of the Black Country Development Corporation, Director of Burson-Marsteller, Non-Executive Director of British Nuclear Fuels and Ordnance Survey. A member of the Engineering Council, a Governor of the London School of Economics, a fellow of the Institute of Marketing and of the Institute of the Motor Industry.

Anne Watts

BSc(Hons) in Human Relations, Diploma in Education. Equal Opportunities Director, Personnel Division of National Westminster Bank. Member of Association of Management Education and Development.

Mrs Rosemary White

Head of Trowbridge Infants School, Cardiff 1966-87, having taught in Cardiff since 1945.

CF-pe

REC

PAUL

NOTE

We have not seen the SS/Emp letter. At
I agreed the DES this morning they
should not set any absolute points
linked with D/Emp. REC

PS/SS DES phoned with the following message about IAC: 2/9

'The Secretary of State for DES accepts all the Chancellor's suggestions and the first of SS/Emp suggestions. The Chancellor has firmed up the financial constraints as far as is appropriate in a letter to be published. The S of S has stressed and will continue to stress to Lord Childer in private the importance of accordability, and sticking within £600 million. But to use words like 'absolute ceiling' in a published letter could well prove counter-productive'.

H. Baker

SARA

25.9.89

File



10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

25 September 1989

Dear Sir,

SCHOOL TEACHER PAY: REMIT FOR THE INTERIM
ADVISORY COMMITTEE

The Prime Minister has now seen your Secretary of State's minute of 18 September, enclosing a draft of his letter to Lord Chilver. The Prime Minister is content with the letter subject to the comments from the Chancellor of the Exchequer.

I am copying this letter to Gillian Baxendene (Lord President's Office), Keith Davies (Welsh Office), Anne-Marie Lawlor (Department of Employment), Uriel Jamieson (Scottish Office), Alan Ring (Department of the Environment) and to Sir Robin Butler.

Yours,
Paul

PAUL GRAY

Stephen Crowne, Esq.
Department of Education and Science

CONFIDENTIAL

PRIME MINISTER

SCHOOL TEACHER PAY: REMIT FOR THE INTERIM ADVISORY COMMITTEE

At the last meeting of E(EP) you asked John MacGregor to clear with you and others a draft of his letter to Lord Chilver setting out the agreed remit for the IAC.

His minute and attached draft came in soon after you left for Japan, and he was seeking comments by the middle of the week before a meeting he had with Lord Chilver last Thursday. I told his office that this was not possible and that Mr. MacGregor should avoid handing over any text to Lord Chilver at the Thursday meeting. But I suggested that Mr. MacGregor could indicate the broad outline of the Government's approach at that meeting, and then send the text of the letter, as soon as you had agreed it, early next week.

Other colleagues have now had a chance to comment on the draft, and no major problems have been identified. I have marked in red on the second page the only substantive comments we have so far seen, which have come from the Chancellor.

Content to agree that Mr. MacGregor should now write to Lord Chilver in the terms of the draft attached, subject to the Chancellor's comments? ✓

Recd.
PAUL GRAY
23 SEPTEMBER 1989

*Y
Yes
ms*

MRM A: IAC.DES

CONFIDENTIAL



ELIZABETH HOUSE
YORK ROAD
LONDON SE1 7PH
01-934 9000

ccp/h

1

WBM

*ACG
2/5*

22 SEP 1989

Dear Gillian

SCHOOL TEACHER PAY: REMIT FOR THE INTERIM ADVISORY COMMITTEE

Thank you for your letter of 19 September. I can confirm that the order of the points in the IAC remit letter follows the order of section 2 of the Teachers' Pay and Conditions Act 1987. We have followed this order in the remit letters for the two previous years and think it preferable to maintain it again this year.

Copies of this letter go to Paul Gray (No 10), John Gieve (HM Treasury), Stephen Williams (Welsh Office), Clive Norris (Department of Employment), David Crawley (Scottish Office), Roger Bright (Department of the Environment) and to Trevor Woolley (Cabinet Office).

Yours sincerely

Stephen Crowne

STEPHEN CROWNE
Private Secretary

Gillian Baxendine
Private Secretary
Privy Council Office

EDUCATION: Teachers Paris Pt 12



CONFIDENTIAL

CCFO

2 MARSHAM STREET
LONDON SW1P 3EB
01-276 3000
33 *21/9*

My ref:

Your ref:

Stephen Crowne Esq
Private Secretary to
The Rt Hon John MacGregor OBE MP
Department of Education and Science
Elizabeth House
York Road
LONDON
SE1

NBB

*Rec'd
21/9*

21 September 1989

Dear Stephen

SCHOOL TEACHER PAY: IAC REMIT

My Secretary of State has seen a copy of Mr MacGregor's minute of 18 September to the Prime Minister covering a draft remit for the IAC. Mr Patten is content with the draft. I am sending a copy of this letter to Paul Gray (No.10), Stephen Wall (FCO), John Gieve (Treasury), Stephen Williams (Welsh Office), Clive Norris (Employment), David Crawley (Scottish Office) and to Trevor Woolley (Cabinet Office).

with P?

David

A D RING
Private Secretary

ccp.u.



Treasury Chambers, Parliament Street, SW1P 3AG
01-270 3000

PRIME MINISTER

SCHOOL TEACHERS' PAY: REMIT FOR THE INTERIM ^{*with PG.*} ADVISORY
COMMITTEE (IAC)

I have seen John MacGregor's minute to you of 18 September and his draft remit for the IAC. Subject to the following amendments I am content:

(a) The Government's preference for targeted payments should be made more explicit by amending paragraph 3(iii) to read:

"The Government's view that flexible systems which allow the targeting of additional payments to meet specific needs are the most cost effective way of addressing any problem of recruitment and retention."

(b) Affordability is important enough to warrant an indent of its own and inflation has not just fallen, but is still falling:

so paragraph 3(iv) should be amended to read simply "Affordability"

and a new sub paragraph 3(v) should be added:
"The falling rate of inflation".



(c) The passage in paragraph 4 beginning "In the Government's view ..." should be amended to read:

"In the Government's view £600m is sufficient for the Committee to bring forward recommendations which, among other things, will give substantial emphasis to tackling shortages of teachers in some subjects and in some parts of the country, as well as providing for a general pay increase."

This would be more explicit and reflect your summing up in E(EP).

I am copying this minute to Geoffrey Howe, Peter Walker, Norman Fowler, John MacGregor, Malcolm Rifkind, Chris Patten, and Sir Robin Butler.

A handwritten signature in dark ink, appearing to be 'N.L.', is written in the center of the page.

[N.L.]
21 September 1989

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file

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

20 September 1989

SCHOOL TEACHER PAY:
REMIT FOR THE INTERIM ADVISORY COMMITTEE

I am afraid the wrong circulation list was put on the attached letter when it was sent out from here yesterday. With apologies I belatedly attach your copy.

Paul Gray

Steven Catling Esq
Lord President's Office.

CONFIDENTIAL

KK



10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

20 September 1989

Dear John,

SCHOOL TEACHER PAY:
REMIT FOR THE INTERIM ADVISORY COMMITTEE

I should be grateful if you and copy recipients could substitute the attached revised version of my letter to you of 19 September. The original contained an error.

I am sending a copy of this letter to John Gieve (HM Treasury), Stephen Williams (Welsh Office), Clive Norris (Department of Employment), David Crawley (Scottish Office), Roger Bright (Department of the Environment) and to Trevor Woolley (Cabinet Office).

*Yours,
Paul*

Paul Gray

John Ratcliff, Esq.,
Department of Education and Science.

Privy Council Office,
Whitehall,
London, SW1A 2AT

*With the Compliments
of the
Private Secretary
to the*

Lord President of the Council

*With apologies - this letter should have
been copied to recipients of John MacGregor's
minute of 18 September to the pm*



PRIVY COUNCIL OFFICE
WHITEHALL, LONDON SW1A 2AT

19 September 1989

Dear Stephen,

NB

RAC

u/s

SCHOOL TEACHER PAY: REMIT FOR THE IAC

flap

Your Secretary of State asked for comments by close of play tomorrow on the draft of his remit for the IAC.

The Lord President's only comment was that if it were possible, point (i) seems to him to fit more sensibly at the end rather than the beginning of the remit. In other words, all of the considerations and constraints would be set out first, and, against this background, the Committee be asked to consider what general pay increase should be given, within the suggested overall limit of £600m.

However he accepts that, if the points are arranged so as to follow the order of the same order as the statutes, it may be considered desirable to keep the remit as it is.

Yours,

Gillian Baxendine

GILLIAN BAXENDINE
Private Secretary

Stephen Crowne Esq
PS/Secretary of State for Education

EDUC Pt 12
Teacher's Pay.



CONFIDENTIAL



10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

19 September 1989

Dear John,

SCHOOL TEACHER PAY:
REMIT FOR THE INTERIM ADVISORY COMMITTEE

We spoke about your Secretary of State's minute of 18 September to the Prime Minister with which he enclosed a draft of his proposed letter to Lord Chilver. I explained that, as the Prime Minister was away in Japan, it will not be possible for her to look at this until over the coming weekend. I will therefore put the draft into her weekend box, together with any comments from the other Ministers to whom the material was copied. Meantime, I assume that your Secretary of State will not be formally handing over any letter to Lord Chilver when he sees him this Thursday.

I am sending a copy of this letter to Stephen Catling (Lord President's Office), John Gieve (HM Treasury), Stephen Williams (Welsh Office), Clive Norris (Department of Employment), David Crawley (Scottish Office), Roger Bright (Department of the Environment) and to Trevor Woolley (Cabinet Office).

*Yours,
Paul*

PAUL GRAY

John Ratcliff, Esq.,
Department of Education and Science

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PRIME MINISTER

SCHOOL TEACHER PAY: REMIT FOR THE INTERIM ADVISORY COMMITTEE

Last Thursday ^{attached} E(EP) invited me to show a draft of my remit for the IAC to certain colleagues. A draft is attached to this letter.

The changes made from the matter included in my E(EP) paper reflect the conclusions at our meeting. I have an appointment with Lord Chilver at 12 noon on Thursday and would like to get our main messages across to him at that time, ahead of publication of the remit which I plan for next Monday. With that in view I invite colleagues to agree to the attached draft remit by close of business on Wednesday 20 September.

Copies of this minute go to Geoffrey Howe, Nigel Lawson, Peter Walker, Norman Fowler, Malcolm Rifkind and Chris Patten: and also to Sir Robin Butler.

JM
JM

18 September 1989

DEPARTMENT OF EDUCATION AND SCIENCE

DRAFT

Lord Chilver FRS, FEng, CBIM
Chairman
Interim Advisory Committee on
School Teachers' Pay and
Conditions

1. The purpose of this letter is to set out the issues on which the Government seeks the Interim Advisory Committee's advice in respect of the year beginning 1 April 1990.

2. In accordance with Section 2 of the Teachers' Pay and Conditions Act 1987 I invite the Interim Advisory Committee to examine and report on the following matters subject to the considerations in paragraph 3 and to the constraints in paragraph 4:

- (i) what general pay increase should be given to teachers in England and Wales;
- (ii) what modifications should be made to the system of selective payments to increase flexibility and improve recruitment and retention, including
 - (a) what further increase should be made in the number of incentive allowances and their value relative to the main professional grade, notably with respect to shortage of teachers in key subjects or in particular areas and the need to reward excellence in classroom teaching;
 - (b) what measures should be adopted to improve teacher supply in areas where vacancy rates are highest, notably the Inner London Weighting area;
- (iii) should there be any modification to the pay of heads and deputies, taking into account in particular the introduction from April 1990 of local management schemes for schools;
- (iv) are any other amendments needed to the provisions on pay or conditions of service of the Schoolteachers' Pay and Conditions Document 1989?

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My Department will in due course place evidence before the Committee in relation to these matters.

3. In considering these matters I direct the Committee under sub-section (4) of Section 2 to have regard to the following considerations.

- (i) The Government's view that school teachers' pay and conditions of service should be such as to enable the maintained school system to recruit, retain and motivate sufficient teachers of the required quality both nationally and at local level.
- (ii) The Government's intention to retain the fundamentals of the pay structure and of the provisions relating to teachers' duties and working time set out in the School Teachers' Pay and Conditions Document 1989.
- (iii) The Government's view that flexible pay systems which allow the targeting of additional payments to meet specific needs are ^{the most} effective way of addressing any ~~problem of recruitment and retention.~~
- (iv) Affordability, ~~and the fall in the rate of inflation.~~
- (v) ~~The falling rate of inflation.~~

4. I further direct under sub-section (4) of Section 2 that the Committee's recommendations are to be subject to the following constraints.

- (i) The rates of salaries and allowances to be recommended by the Committee shall be in respect of the period 1 April 1990 to 31 March 1991, but the Committee may also consider and make recommendations about the London area allowances from 1 July 1989 if they so wish.
- (ii) The total cost of all the recommendations of the Committee including both the general pay increase and selective payments should be not more than an additional £600m in the 1990-91 financial year or in later years.

In the Government's view £600m is sufficient ^{to} ~~enable~~ the committee to bring forward recommendations which ^{to} ~~tackle the issues set out in the previous paragraphs.~~

5. I also direct the Committee to report to me the results of their examination of these matters, with their recommendations and such other advice relating to these matters as they think fit, by the end of January 1990. Sub-section 7 of Section 2 of the Act requires me to arrange for your report to be published.

among other things, will give substantial emphasis to tackling shortages of teachers in some subjects and in some parts of the country, as well as providing for a general pay increase.

CONFIDENTIAL

COPIED TO :

PRIME MINISTER

EDUCATION: Student Unions, Feb 80

MEETING OF E(EP): 14 SEPTEMBER

You saw the main papers for tomorrow's meeting over the weekend, but we now have a few more you may want to glance at.

The full list is summarised in my amended earlier minute immediately below. But there is no need to go through them all.

I suggest you concentrate on:

- The flagged note by Brian Griffiths which is immediately below my notes on top of the two dividers. Brian comments in this single note on the two agenda items on teachers' pay and student unions.
- The teachers' pay papers are in divider one. You may want to have a brief further look at John MacGregor's paper at Flag A, and use the Cabinet Office brief at Flag B (which you have not seen before) to steer the discussion.
- The student union papers are in divider two. The key ones are John MacGregor's note at Flag G in which he sets out his proposed amendments to the earlier Baker package, and the Cabinet Office brief at Flag H, which identifies the key issues for discussion.

Paul Gray

PAUL GRAY

13 September 1989

13 September 1989

COPIED TO EDUCATION: Student Union.
Feb 80

E(EP): TEACHERS' PAY AND STUDENT UNIONS

Teachers' Pay

John MacGregor recommends that the remit to the IAC for teachers' pay 1990-91 should be:

- (a) a general pay increase of 7.5% - the median of the inter-quartile range of private sector white-collar settlements - which amounts to £600M;
- (b) changes to incentive allowances to improve teacher supply in shortage subjects and Inner London;
- (c) review of payment to heads and deputy heads because of introduction of local management of schools.

Comment

7.5% is a reasonably generous settlement, given that inflation is coming down. As a total for the pay bill, £600M is not unreasonable, providing that the general increase for all teachers throughout the country is on the low side of the inter-quartile range, so that sufficient money can be found to attract teachers in certain subjects and certain areas.

It is important that 7.5% is not the pay increase for all teachers, with the extra allowances bringing the total increase in the bill up to 8.9%. At a time when monetary policy is tight, a generous settlement for teachers will prompt others in the public sector to follow suit, and almost certainly create an adverse trend in unemployment.

It is vital therefore that the DES make it clear that 7.5% is the increase in the total bill and that they expect the incentive issue to be dealt with first, leaving what is left as the general pay increase.

This is also an opportunity to emphasise to John MacGregor the importance of more flexible routes into teaching. The more rapidly the articulated teacher scheme can be expanded, the less pressure there will be on teacher supply and the less need therefore to give generous overall wage increases to deal with shortages.

Student Unions

John MacGregor's note starts from the premise that something must be done over the public funding of the political activities of student unions and especially the NUT. In view of backbench opinion he is absolutely right. He also claims that it is not possible to add this issue to the student loans bill without the risk of hybridity.

He makes six proposals.

(i) National Union of Students

His strong preference is that public funds should not be used to pay NUS membership fees, which in view of the nature of most NUS activity is surely correct.

Recommendation

Accept.

(ii) Local Student Unions

John MacGregor is right to say that the arguments set out

in paragraph 2.9 of the draft paper against allowing individual students the right to choose whether or not to join their local union are not strong.

If the NUS suffers a demise because of lack of funding it is inevitable that local student unions, at least in higher education, will become more political.

The crucial issue is how contentious legislation in this area is likely to be. If the NUS problem is tackled, other issues in higher education will almost certainly be more important.

Recommendation

Necessary to enquire further as to the likely conflict which this piece of legislation would generate.

(iii) Registrar of Student Unions

This is effectively a quango. I find myself persuaded by the arguments of Norman Lamont, Malcolm Rifkind and especially Patrick Mayhew. The case for establishing such a quango is weak. Much better to encourage those with grievances to use the existing system.

Recommendation

Very little point in setting up a new quango.

(iv) Timing of the Consultative Document

John MacGregor suggests publishing the consultation paper in early summer 1990, after the student loan bill is out of the way.

Brian Griffiths

BRIAN GRIFFITHS

PRIME MINISTER

P 03530

TEACHERS' PAY 1990-91
A REMIT FOR THE INTERIM ADVISORY COMMITTEE
E(EP)(89)4

DECISIONS

1. The main issue for decision is what remit the Interim Advisory Committee (IAC) should be given on teachers' pay and conditions for 1990-1991.

2. Mr MacGregor seeks agreement to tell the IAC that the total cost of their recommendations on teachers' pay in England and Wales for 1990-91 should fall within the interquartile range of private sector white collar settlements. On the basis of settlements to the end of June this would give teachers an increase of between 6.5 and 8.9 per cent. The actual remit would be based on November's figures which could be slightly higher in view of the trend of recent settlements. The IAC would be asked to have regard to affordability. You will wish to decide whether to endorse Mr MacGregor's proposed financial constraint.

3. Mr MacGregor also proposes that the remit should cover a number of more general matters including measures to improve teacher supply and modifications to the pay of heads and deputies to take account of the introduction of local management schemes (paragraphs 3,4 and 5). The IAC would be asked to report by the end of January. Subject to any comments which the Sub-Committee may have, you may wish to ask Mr MacGregor to clear the detailed remit with the Treasury.

4. You may wish to ask Mr MacGregor when he expects to report back on long-term pay machinery for teachers and perhaps agree a deadline with him. We understand that the Chancellor may be briefed to raise this.

BACKGROUND

5. Recent teachers' pay settlements have been as follows:

i. In 1986 and 1987, the two years before the IAC began, teachers received increases totalling 25 per cent. This comprised 7.3 per cent in March/April 1986 and 16.4 per cent in two stages in 1987.

ii. For the settlement in April 1988, the IAC's first year, a financial constraint of £300 million was set, which would have given an average rise of 4.25%. In the event the IAC's recommendations were worth 4.75% on average which the Government accepted in full. In addition 72 per cent of teachers received an increment in September 1988 under the previous year's agreement which meant that their total rise in 1988 was between 8 and 13 per cent.

iii. For the April 1989 settlement a constraint of £385 million was set, after discussion in E(EP), which was worth 5.1% on average. In the event the IAC's recommendations were worth 6.3% and were accepted.

6. In recent months there have been a number of relatively high pay settlements. They include electricity (9.2%), British Rail (8.8%), Local Government Officers (8.8%), Police (9.5%), ICI (9.6%) and the BBC (8.8%). Local government negotiators have recently been reported as offering their manual workers 8.8%. British Telecom staff have been offered 9%. Average settlements over the past year as a whole have been lower, with the public sector average being 6.75% and the private sector 7.5%.

ISSUES

Mr MacGregor's case

7. Mr MacGregor wishes the IAC's constraint to be set so that

there is no fall in the real value of the teachers' main pay scale (paragraph 7 ii.), with additional resources available to provide higher incentive allowances to mitigate shortages of teachers in key subjects or particular areas (especially London), to reward excellence in classroom teaching and to take into account the local management of schools in the pay of heads and deputies. He therefore proposes that the IAC should be required to pitch the full cost of their recommendations between the lower and upper quartiles of private sector white collar settlement in the year up to November 1989. Such a constraint would produce a range of 6.5 - 8.9 per cent for the year to June 1989, with a median of 7.5%. Given recent trends, the range may be slightly higher than this by November.

8. Mr MacGregor supports his case for this remit as follows:

i. long-term machinery. He aims to have new long-term machinery in place, by agreement, in time for the April 1991 settlement. He is canvassing proposals which include a veto on cost grounds delineated by the upper and lower quartiles of private sector white collar settlements. He suggests that a settlement based on the interquartile range this year would make discussions on the new machinery more productive. Presumably if he were to fail to reach agreement on new machinery one or more further years of the IAC would be needed.

ii. vacancies. There has been some worsening of the vacancy position with 1.5% of posts vacant in January 1989 compared to 1% a year earlier. Recruitment to teacher training courses remains below target (see Annex A to his paper). Threatened shortages of teachers at the beginning of this school term have attracted considerable publicity.

Treasury position

9. We understand that the Chancellor of the Exchequer will be

likely to agree that the remit should be based on the interquartile range as Mr MacGregor proposes but may stress the importance of affordability.

Points for discussion

10. There are a number of issues which you may wish to raise:

i. interpretation of remit. It can be argued that using the interquartile range for the IAC is not the same as using it for local authorities under the proposed long-term pay machinery. Local authorities will be accountable through the community charge for their decisions but the IAC will not be subject to the same discipline and in the past has had no compunction about exceeding its remit. You may wish to ask Mr MacGregor whether there is a risk that the IAC will interpret their remit generously, at the upper end of the upper quartile, or even a little in excess of it. If the proposed approach is adopted it will at least be important to phrase the reference to 'affordability' in the formal remit in a way which carries real conviction with the IAC.

ii. wider implications for pay. The Chancellor and Mr Fowler may wish to comment on the wider implications for pay and the economy of setting the IAC's remit at the level Mr MacGregor suggests.

iii. implications for the community charge. The implications of the IAC's remit for the distribution of total standard spending between services is a matter which can be considered in the forthcoming local authority settlement. But you may wish to ask the Secretary of State for the Environment about the pressures which the proposed settlement will add to community charges, unless local authorities take action to reduce their budgets.

Possible alternative

11. An alternative would be to set the constraint this year at the current median level of private sector white collar settlements, which is 7.5 per cent. This could be defended as fair compared with private sector groups; it could be presented as anticipating a decline in the level of pay settlements by next spring as the level of the RPI declines; and indeed it would be above the RPI figure for August which is expected to be announced on Friday (7.4 per cent). To avoid any suggestion of comparability the remit could be expressed as a cash limit on the settlement, as has been done in the last two years, and would be the Government's judgement of what could be afforded, given the other pressures on the community charge. For a 7.5 per cent average increase the figure would be £600 million.

A Long-term machinery

12. On 14 June E(EP) considered Mr Baker's plans for a new long-term pay machinery for teachers. After further work had been done, you agreed in July that Mr Baker could announce that the Government would consider alternative approaches to the Teachers' Negotiating Group proposed in the 1987 Green Paper. Subsequently Mr Baker held a first round of meetings with teaching unions and other interested parties. The Chancellor is keen that momentum on this should not be lost. You may therefore wish to ask Mr MacGregor where things now stand and perhaps agree with him a deadline for reporting back to E(EP) with his conclusions. A date in November would give him a further two months.

IAC's term of reference and timetable

13. Mr MacGregor proposes that the IAC be asked to report by the end of January, as they did this year, so that their recommendations can be considered alongside the Review Body Reports in February. The Review Bodies however have been asked to report in time to enable decisions to be taken by the end of January. The two timetables would therefore be slightly out of kilter, as they were this year. Mr MacGregor says it ought to be

~~kilter, as they were this year. Mr MacGregor says it ought to be~~
possible to bring the two exercises together once again. But you
may wish to check that the Chancellor is content before approving
this timetable.

14. Mr MacGregor also seeks agreement that the IAC should be asked to consider the matters in paragraphs 3 and 4 of his paper, and have regard to the considerations in paragraph 5. You may wish to ask him to agree the detailed remit with the Treasury outside the meeting.

HANDLING

15. You may wish to ask the Secretary of State for Education and Science to introduce his paper. The Chancellor of the Exchequer will wish to respond. The Secretary of State for Employment may wish to comment on the consequences for pay policy generally. The Chancellor of Duchy of Lancaster may wish to comment in view of his previous responsibilities. The Minister of State, Scottish Office (Mr Lang) is attending in view of Mr Rifkind's absence abroad.

AW.

R T J WILSON
Cabinet Office
12 September 1989

CONFIDENTIAL

PRIME MINISTER

COPIED TO EDUCATION: Student Union
Feb 80

MEETING OF E(EP): 14 SEPTEMBER

You may like to have a first look over the weekend at the main papers for next Thursday's meeting of E(EP).

There are two items, with the papers organised in the dividers below.

(1) Teachers Pay

In the light of the earlier decisions on the organisation of teachers pay arrangements we now need to settle the 1990/91 remit for the IAC. John MacGregor's paper at Flag A sets out his proposals.

hand
His central proposal is that the cost of the recommendations should fall within the interquartile range for private sector white collar settlements. The latest figures for that range are 6.5-8.9 per cent, with the median at 7.5 per cent. But I imagine that over the coming months those figures could edge up. I have not yet seen Treasury comments, but they will be less than happy about giving the IAC as high a remit as this, particularly given the record in the last two years of over-runs.

This will be an important discussion for pay policy. But it also has key implications for public expenditure, with a major bearing on the discussion you will be having later next Thursday about the community charge.

I will let you have briefing on the paper next week ^{now} see
Cabinet Office brief at Flag B.

(2) Student Unions

There are a number of papers on this:

^c
Flag 4 - is the original minute that Kenneth Baker sent

CONFIDENTIAL

you in late July setting out his proposed package. He envisaged publishing a consultation paper in September.

^D
Flag ~~D~~ - your comments at that stage on the handling, in which you agreed to an E(EP) discussion in the light of any further comments from John MacGregor. You indicated you were doubtful about the possibility of legislation in the 1990/91 session.

^E
Flag ~~D~~ - notes from Nicholas Ridley supporting the original Baker package and Peter Brooke supporting the Naigega amendments.

^F
Flag ~~E~~ - some comments from Malcolm Rifkind, Norman Lamont and Patrick Mayhew questioning aspects of the Baker package. All three have doubts about the idea of a Registrar of Student Unions; and Patrick Mayhew also raised some further points.

^G
Flag ~~E~~ - the latest note from John MacGregor setting out his views. He is broadly happy with the Baker package but wants to make some changes of emphasis to the consultation paper; in essence toughening the approach on funding the NUS from public funds, but perhaps softening the approach towards local student unions. In response to colleagues comments he also proposes amending the material on a Registrar.

On the timetable he proposes:

- deferring the consultation paper until early summer 1990;
- taking a view later on whether to legislate in 1990/91 or leave matters for the Manifesto;
- making clear before the Party Conference that there will not be legislation on student unions in the forthcoming Student Loans Bill.

Again I will let you have further briefing before the meeting.

Paul
(PAUL GRAY)

8 September 1989



do
66

cc: BG

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

10 July, 1989.

TEACHERS' PAY: NEGOTIATING MACHINERY

Thank you for your letter of 7 July which the Prime Minister has seen. She is content with the terms of the proposed Parliamentary Answer.

I am sending copies of this letter to the Private Secretaries to the members of E(EP) and to Trevor Woolley (Cabinet Office).

Paul Gray

T.B. Jeffery, Esq.,
Department of Education and Science.

afg



ELIZABETH HOUSE
YORK ROAD
LONDON SE1 7PH
01-934 9000

copy

*Prime Minister's
Contact with the attached
PA answer?*

*RRC6
7/7*

- 7 JUL 1989

Paul Gray Esq
Private Secretary
10 Downing Street
LONDON
SW1A 2AA

Yes

Dear Paul

TEACHERS' PAY : NEGOTIATING MACHINERY

My Secretary of State was grateful for the Prime Minister's comments on his 26 June minute as conveyed in your letter of 4 July, and for the comments made by the Chancellor of the Exchequer and the Secretaries of State for the Environment and for Wales.

My Secretary of State accepts that his consultations with the employers and the teacher unions should be open-minded, so preserving freedom of decision for a report back to E(EP). He will take account in conducting them of the points which the Prime Minister and the Chancellor have made.

It is now urgent to begin those discussions. Lord Chilver has accepted my Secretary of State's invitation to chair the IAC for one further year. We propose next Monday to announce the one-year extension of the IAC and the resumption of consultations. A draft of a Parliamentary written reply is attached.

Copies of this letter go to the Private Secretaries of members of E(EP) and to Trevor Woolley (Cabinet Office).

*Yours
Tom*

T B JEFFERY
(Private Secretary)

DRAFT PQ AND ANSWER

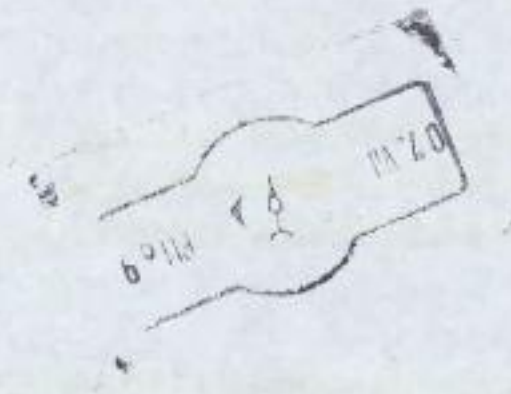
- Q To ask the Secretary of State for Education and Science when he expects to hold further discussions with the teacher unions and employers about new pay negotiating machinery for teachers.
- A As I told the hon Members for Ceredigion and Pembroke North (Mr Howells) and for Sheffield, Hillsborough (Mr Flannery) on 4 July (Col 142), I am arranging to have further meetings with the teacher unions and employers later this month. I see our discussions as ranging more widely than the proposal for a Teachers Negotiating Group set out in the Green Paper of October 1987. I recognise that it will not be easy to find a solution which is acceptable to all parties. It is, however, essential that we get the new arrangements right and I have therefore decided to ask the IAC to sit for a further year to give time for this. I shall in due course ask the House to approve a one year extension of the Teachers' Pay and Conditions Act 1987.

In letters to the teacher unions and employers I have said

"It was clear from our previous exchanges that there are widely differing views. You already know the importance I attach to getting the new arrangements right. With this in mind I see the agenda for our next round of discussions ranging more widely than the proposals for a Teachers' Negotiating Group set out in the Green Paper of October 1987 and look forward to exploring with you a number of new ideas.

I hope you will join me in approaching these difficult issues in a constructive and open minded way, working together towards an objective we can share. I recognise, however, that it will not be easy to get things right. I have therefore decided to ask the IAC to sit for one more year, to deal with the 1990 pay settlement, to give us time to reach an agreed basis for stable, permanent new pay determination arrangements for the future. I will be asking Parliament later this year to agree to the necessary extension of the Teachers' Pay and Conditions Act 1987 and will announce the Committee's new remit in the early autumn."

EDUCATION: Teachers Pam PTR2.





*me Ann
all*

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

4 July 1989

Dear Mr. Jeffery,

TEACHERS' PAY: NEGOTIATING MACHINERY

The Prime Minister was grateful for your Secretary of State's minute of 26 June. She has also seen the comments from the Chancellor and the Secretaries of State for Wales and the Environment.

The Prime Minister suggests that your Secretary of State should proceed on the following lines:

- (i) she is content with his proposal for adopting the inter-quartile range, subject to the Chancellor's suggested variation on the formulation of the veto, and to making clear that following a pay settlement there would be no question of extra grant from central Government to pay for the employment of more teachers.
- (ii) she accepts that a complete move to local negotiations should not be made immediately, but would want your Secretary of State to make a much clearer statement about the Government's wish to move towards local negotiations over a period of time.
- (iii) he should take into account the Chancellor's comment of considering further the practicality of using the IAC in the way proposed.
- (iv) he should now open discussions with the teaching unions along these lines, but these should be kept as open-minded as possible so that the Government is not committed to any particular structure before your Secretary of State makes his report back to E(EP).

I am copying this letter to the Private Secretaries to members of E(EP) and to Trevor Woolley (Cabinet Office).

Pamela Mann

PP

PAUL GRAY

Tom Jeffery, Esq.,
Department of Education and Science.

pm

PRIME MINISTER

TEACHERS' PAY: NEGOTIATING MACHINERY

At the last meeting of E(EP) you asked Kenneth Baker to consider two additions to his proposals for teachers' pay negotiating machinery:

- adding a Megaw constraint on settlements to between the lower and upper quartiles
- giving individual LEAs a right to opt out of the central negotiations.

Mr. Baker's minute at Flag A responds to this remit. Other colleagues have also now commented, and Mr. Baker is anxious for a response before he has to respond to education Questions tomorrow.

Mr. Baker's proposals at Flag A involve:

- introducing the inter-quartile range as a constraint and saying that the Government would not veto on cost grounds any settlement falling within it;
- making a cautious move on local negotiations by allowing a limited number of authorities to opt out on an experimental basis; and then reviewing the position in a few years.

He wants to conduct wide-ranging and open-ended discussions with the teacher unions on these proposals with a view to reporting back to E(EP) later in the summer.

These proposals have met with a mixed response:

- Peter Walker (Flag B) supports them;

- the Chancellor (Flag C) "welcomes the broad thrust" but makes some detailed points, chiefly modifying the formulation on the inter-quartile range by saying the Government would not normally expect to veto such settlements;

- Nick Ridley (Flag D) is very hostile. His minute is puzzling. He argues strongly for moving quickly to full local negotiations, but justifies this with the bizarre argument that the E(LF) local authority settlement is too tight to permit any other approach. In effect Nick Ridley seems to be arguing against the very E(LF) settlement that he recommended to the Committee;

- Brian Griffiths (Flag E) recommends -
 - supporting the inter-quartile range proposal but bolstering it by stressing that the Government will not put up extra funds to pay for any extra teachers that local authorities take on;

 - urging faster progress on local negotiations;

- the Cabinet Office (Flag F) provide a commentary supporting the Chancellor's amended line on the formulation of the veto in relation to the inter-quartile range, and suggesting you urge a clearer statement about the Government's wish to move to local negotiations.

One possible way through these differing views would be:

- (i) supporting the inter-quartile range proposal, subject to the Chancellor's suggested variation on the formulation of the veto, and Brian Griffiths' point about no more money for extra teachers;

- (ii) accept a cautious approach to the development of local negotiations, but urge a more positive line than Mr. Baker currently intends;

(iii) agree that Mr. Baker should now open discussions with the teacher unions but support the Chancellor's suggestion that these need to be as open-ended as possible so that the Government is not committed to any particular structure before Mr. Baker makes his promised report back to E(EP).

Content for me to minute out in these terms?

S.W. Hodg.

Yes

PP. (PAUL GRAY)

3 July 1989



D
CONFIDENTIAL

2 MARSHAM STREET
LONDON SW1P 3EB
01-276 3000

My ref:

Your ref:

The Rt Hon Kenneth Baker MP
Secretary of State
Department of Education and Science
Elizabeth House
York Road
LONDON
SE1 7PH

3 July 1989

Dear Secretary of State,

will pay?
TEACHERS' PAY: NEGOTIATION MACHINERY

In your letter of 26 June to the Prime Minister you invite comments on your revised proposals for negotiating machinery for teachers' pay. I am very concerned about the extent of continuing central involvement in the dissemination of teachers' pay levels which you envisage, since I think it will get us into severe difficulties in setting appropriate levels for total standard spending by local authorities and may weaken the resolve of local authority employers to stand firm on pay demands by the teachers.

For 1990/91 the problem will confront us shortly. We have so far agreed in E(LF) that total standard spending for that year should be set at £32.8 billion; that is a £1.7 billion (or 3.3%) increase over 1989/90 budgets of £31.7 billion. We have not yet discussed how to allocate this increase between service blocks. But it is already possible to identify some items which are likely to be seen by colleagues as first calls on the total available, including in particular:

Police pay - perhaps £200 million

Teachers pay - £500 million (assuming a remit for the IAC in line with inflation in the range 6 - 7%)

Community Charge running costs - £200 million

These three items alone would therefore consume £900 million of the £1.1 billion increase we are providing for, leaving only £200 million for all other services, equivalent to only about 1%. It will be very difficult to present this as a plausible and realistic figure for total standard spending. Faced with this situation I should have to argue for squeezing the total allowed for teachers pay in the IAC remit down towards the general 3.3% increase allowed for in the settlement. But I imagine you and other colleagues may see some difficulties in this.

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It appears to me that we are saddling ourselves with an unnecessary problem by continuing with the IAC and the necessity to give it a remit which implies a particular percentage increase for teachers' pay next year. It would be much better if we could say to the authorities that we are fixing a total level for all their spending, and leave it to the authorities themselves to work out what they can afford for pay increases for their various different groups, having regard to all the different efficiency savings they may be able to make, and the pressures of the community charge.

Against this background I would like to urge reconsideration of the possibility of moving immediately to the restoration of full local bargaining by the local authorities and the teachers' unions without central intervention and controls. I believe we are facing a very difficult problem for 1990/91 if we continue with the IAC. And the proposals you make for later years seem to me hardly less difficult, since they will still involve a very strong role for Government in influencing the pay negotiations, with the consequent undermining of local authorities determination to act as firm and responsible employers in this area. In particular the proposal to constrain negotiations within the previous year's inter-quartile range seems to me likely to be highly inflationary, particularly at a time when inflation ought to be falling.

I am copying this letter to the Prime Minister and the Chief Secretary.

John Sinclair
Nicholas Ridley
PP

NICHOLAS RIDLEY

(Approved by the Secretary of State
and signed in his absence)



Treasury Chambers, Parliament Street, SW1P 3AG
01-270 3000

PRIME MINISTER

TEACHERS' PAY: NEGOTIATING MACHINERY

I have seen a copy of Kenneth Baker's minute to you of 26 June.

2. Officials will clearly have to do more detailed work before we have fully worked up proposals. I should have preferred to have made further progress on this before opening consultations. But I can see the difficulties of delay. If consultations are to be started immediately, they will need to be as open-ended as possible so that we are not committed to any particular structure in advance.

3. That said, I welcome the broad thrust of the present proposals, subject to the following points.

4. First, I see some attractions in Kenneth Baker's proposal to use the inter-quartile range as a way of delineating the circumstances in which the veto might be used. This gives us less control than if an inter-quartile range constraint were applied directly to the negotiations, as is the case for the civil service. But it does have one advantage in not ruling out the possibility of settlements below the bottom of the range, however unlikely that may seem at present. We are bound to have to say something to the House about the exercise of the veto and alternative formulations could be forced upon us in the course of the passage of legislation which could be much worse. I would, however, prefer to express it in a slightly different way, by saying that we would not normally expect to veto on cost grounds any settlement falling within the inter-quartile range. This would give us a slightly greater freedom of manoeuvre.



5. I do not, incidentally, accept that the adoption of this formulation should necessarily carry with it any presumption about the level of provision which would then have to be made in our assessments of spending need.

6. Second, I am sure that our objective should be to increase the scope for the exercise of local flexibility within the framework we already have, and to encourage such local authorities and individual schools who prefer to opt out of national negotiations in favour of making their own arrangements. I suspect, however, that local negotiations are not something on which we can realistically expect to make rapid progress and rushing our fences could prove to be counter-productive. This is an issue which will need to be handled delicately.

7. Third, I am not entirely convinced that we have yet fully thought through the practicality of using the IAC in the way proposed. I hope that this is one of the issues on which the further work by officials will focus.

8. I hope that officials will also look further at the extent to which the new system has to be enshrined in statute. A veto power which would be exercisable only subject to Parliamentary approval would be virtually unusable.

9. I am copying this minute to Kenneth Baker and to other colleagues on E(EP).

A handwritten signature in black ink, appearing to be 'N.L.' with a flourish.

[N.L.]

3 July 1989

CONFIDENTIAL



Y SWYDDFA GYMREIG
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-270 3000 (Switsfwrdd)
01-270 0538 (Llinell Union)
Oddi wrth Ysgrifennydd Gwladol Cymru

WELSH OFFICE
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-270 3000 (Switchboard)
01-270 0538 (Direct Line)
From The Secretary of State for Wales

The Rt Hon Peter Walker MBE MP

CT/3380/89

30 June 1989

P. F. W.
TEACHERS' PAY: NEGOTIATING ARRANGEMENTS

WITH PA?

Thank you for copying to me your minute of ~~26~~ June to the Prime Minister.

I agree that restricting settlements to between the lower and upper quartiles of private sector settlements would be helpful to both the local authorities and the teacher associations. It could also help recruitment by providing graduates with an assurance that teachers' pay would not decline in the long term relative to other professions. The proviso that settlements within these limits will need to be reflected in the funding provided for local authorities is, however, very important.

I share your view that we should be cautious about moving away from statutory, national arrangements for dealing with teachers' pay. The arrangements for pay and conditions introduced in 1987 were a very marked departure which, although they were imposed on the profession, have now been widely accepted as workable. It would be dangerous to introduce fresh uncertainty on pay and conditions at a time when teacher recruitment is in any case likely to present a very difficult problem. I am content with your suggestion that there should be some experimentation with locally based negotiations, with a review after a period of years, before decisions are taken to move away from a national, statutory framework.

/ I am copying this to the Prime Minister and E(EP) colleagues.

The Rt Hon Kenneth Baker MP
Secretary of State for Education and Science
Department of Education and Science
Elizabeth House
York Road
LONDON SE1 7PH

TEACHERS PAY: NEGOTIATING MACHINERY

Kenneth Baker proposed to the last meeting of E(EP) that it was important to honour the manifesto promise and set up new machinery for negotiating teachers pay.

The structure he proposed was:

- (a) a basic structure of free collective bargaining between LEA's and teacher unions;
- (b) but subject to a power by the Secretary of State to refer the matter back to the parties for future consideration, with an ultimate power of override.

In this latest minute he considers two further issues (i) constraining the negotiations within the inter-quartile range of private sector white collar settlements, (ii) allowing local rather than national negotiations to develop.

(i) Inter-quartile range

This is a sensible constraint similar to the Megaw proposals for the civil service. The question remains however as to whether it is enough.

The Secretary of State argues that the introduction of the constraint should be accompanied by a statement that the Government would not veto on cost grounds any settlement falling within it. It is this which needs to be queried. The one crucial difference between the civil service and teachers is that management in the civil service controls

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numbers of people employed, whereas central Government would have no such control over the total number of teachers employed by LEAs.

This could result in the following situation. The negotiations settle on a result near the upper quartile. LEA's then employ more teachers. LEA's as a group justify this to central Government by arguing that it is crucial for the delivery of the national curriculum. They go on to argue that it is not something which should be financed through the community charge on local communities and insist that the Government increase the Revenue Support Grant.

The end result is that total costs for teachers may have risen far more than the pay increase because the Government has no effective veto on numbers of teachers employed.

Recommendation

The new proposal needs to be supplemented by a condition which states that negotiations will not involve extra expenditure by central Government to pay for extra teachers.

(ii) Opting Out

The proposal here is that the Government should not encourage a general move to local negotiations, but only agree to a limited number of local authorities opting-out on an experimental basis.

The fact is that DES are opposed to local variations for two reasons: loss of control and the inequalities they might generate. They state quite explicitly:

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"Significant variations in provision arising solely from the relative wealth of community charge payers in different areas would be hard to defend." (Para 4)

It is not at all clear that local variations would simply reflect different wealth:

- (a) if housing costs in certain parts of the South East are high then schools and LEAs will have to pay more to attract teachers than in other parts of the country;
- (b) in some more wealthy areas in which a higher proportion of pupils are educated privately it is not at all clear that community charge payers would agree willy-nilly to paying teachers more;
- (c) inner city areas would be able to pay relatively more because of their revenue support grant being higher to cover special needs.

Local variations in pay will give us a much more effective schools system. At present LEA's do not use the possible variations in the system to the full, eg incentive allowance, pay for heads. Policy should encourage this as well as allow as many LEA's and schools' as possible to introduce local negotiations.

RECOMMENDATION

The Secretary of State should (i) encourage the employers and unions to use to the full the flexibility within the existing pay structures and (ii) state that he will allow LEA's and schools to determine pay locally.

BG

BRIAN GRIFFITHS

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EDUCATION Teachers

Pay

7/12

EDUCATION

MR GRAY

P 03489

TEACHERS' PAY: NEGOTIATING MACHINERY

You asked for advice on Mr Baker's minute to the Prime Minister of 26 June.

BACKGROUND

2. At the meeting on 14 June E(EP) saw attractions in moving away from national negotiations between local authorities and the teachers' unions, towards a system of local negotiations conducted by individual local authorities. Differences in recruitment and retention across the country, and in housing and other costs, could then be reflected in the salaries paid to teachers. Mr Baker was asked to do further work on the basis of the option he had proposed, but with two important additions. First, he was to consider the feasibility of adding a Megaw-type constraint which would restrict settlements to between the lower and upper quartiles of private sector white collar settlements. Second, he was to consider how his proposals - or alternatively continuation of the IAC - might be made subject to the right of individual local authorities to opt out, and how over a comparatively short time a system of entirely local negotiations might develop.

MAIN ISSUES

3. Mr Baker's latest proposals conform broadly to this remit. We do not yet know the Chancellor of the Exchequer's reaction but his officials think that he may go along with Mr Baker's broad approach, whilst being more positive about early moves to local negotiations.

Inter-quartile range

4. Mr Baker proposes to include a reference to the inter-quartile range of private sector white collar settlements in his new arrangements for teachers' pay by saying that the Government would not veto on cost grounds a settlement negotiated with the local authorities if it fell within this range. This would be

less restrictive than the proposal discussed at E(EP), that the negotiations conducted by local authorities should be constrained to settlements within the inter-quartile range. We understand, however, that the Treasury may see some advantages in this more flexible approach. It would avoid a direct form of comparability with private sector pay and would place the responsibility for settlements more clearly on the local authorities. It would also allow the Government to explain how it might use its veto, with a formulation that might prove slightly easier to use than the Government's veto on police pay settlements, which Home Secretaries have said will only be used for reasons of the utmost national importance.

5. We also understand that the Chancellor may suggest a slightly less constrained formulation for use of the veto, along the lines that it would not normally be used when a settlement was negotiated by the local authorities within the inter-quartile range. The Prime Minister may see merit in this more flexible formulation.

Local Negotiations

6. Mr Baker proposes to allow "a limited number of volunteer local authorities" to opt out of national negotiations on an experimental basis. Such authorities would settle all issues about pay and conditions, except for a few key conditions of service which Mr Baker wishes to continue to determine nationally. There would then be a review in a few years' time about the desirability of moving to wholly local negotiations.

7. The Prime Minister will wish to consider whether she is satisfied with this progress towards local negotiations. If so, she may wish the negotiating brief attached to Mr Baker's minute to include a much clearer statement about the Government's wish to move to local negotiations. We understand the Treasury are advising the Chancellor that it may be preferable to avoid public emphasis on an experiment with a limited number of local authorities involved, but rather to provide local authorities

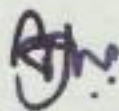
with substantial flexibility in how they can implement any national settlement.

Interim Advisory Committee

8. Some members of E(EP) suggested on 14 June that continuation of the IAC in its present form for a number of years might be the most attractive option. Mr Baker did not favour this. His negotiating brief envisages however that he might retain a power to refer matters to an IAC-type body if no agreement is reached within a timetable. We understand that the Chancellor has reservations about this. His concern is that the Government would be involved in setting the IAC's remit, and that in practice the remit would be unlikely to be set at less than the local authorities had already offered, which could well be more than the Government felt should be awarded. If the Prime Minister shares the Chancellor's reservations, she could ask Mr Baker to work up alternative methods of avoiding the difficulties created by failing to agree a settlement. The lack of such a mechanism under Burnham was one of its major weaknesses.

NEXT STEPS

10. If Mr Baker's approach is agreed, he proposes to have further discussions with the local authorities and teachers' unions before the summer Recess, report back to E(EP) around the end of August/early September and make an announcement at the same time as the IAC's remit for the 1990 pay settlement. If necessary, final decisions on both the IAC remit and the new pay machinery could be settled at a meeting of E(EP) in September.



R T J WILSON

29 June 1989



PRIME MINISTER

TEACHERS' PAY: NEGOTIATING MACHINERY

1. I was asked at the meeting of E(EP) on 14 June to consider two additions to the proposals set out in Annex B to E(EP)(89)2:

- a) the feasibility of adding a constraint restricting settlements to between the lower and upper quartiles of private sector white collar settlements.
- b) how those proposals might be made subject to the right of individual LEAs to opt out and how over a comparatively short time they might develop into one of entirely local negotiations.

Following discussions between officials of the interested Departments I believe that we can make progress on both.

Inter-quartile Range

2. Adopting the inter-quartile range as a constraint on the negotiators would protect us against the risk of local authorities' conceding extravagant settlements. And, as with the Civil Servants, it would assure the teachers that their pay would not deteriorate sharply against that of others. Such an assurance would be very valuable within the context of recruitment and retention in the 1990s when the demographic situation will not favour a sufficient supply of teachers. We should give effect to the range by saying that the Government would not veto on cost grounds any settlement falling within it. There would also need to be sufficient provision within our assessment of aggregate local authority standard spending for settlements to be reached within the

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inter-quartile range. The disciplines of the community charge system would discourage the employers from offering more than the minimum required on recruitment, retention and motivation grounds.

3. Such a system could operate entirely on the basis of statements of Government policy combined with the necessary financial provision, but the House would probably want the constraint on the exercise of the cost veto written into new legislation.

Opting Out

4. Pay and conditions were only brought together for the first time, and conditions of service including working time prescribed, in 1987. The gains made then are not yet bedded down. Significant variations in provision arising solely from the relative wealth of community charge payers in different areas would be hard to defend. For the present, therefore, the balance of advantage seems to lie with maintaining effective controls over key elements. The proposals I put to E(EP) on 14 June would provide this.

5. Nevertheless, our long term aim should be to push as many decisions down to the local level as we can. One way of doing this is by continuing to increase the scope within the national pay framework for local variation to match local needs and circumstances. The present Teachers' Pay Document already goes a long way in this direction: local authorities do not yet fully exploit the flexibilities which it offers. The other way is by allowing local negotiations on pay and conditions. These are an unknown quantity: they present dangers as well as opportunities. We ought to see how they work out in practice in a range of local authorities before moving to a system of entirely local negotiations. I propose, therefore, to allow a limited number of volunteer authorities to opt out of national negotiations on an experimental basis in the first instance: they would be

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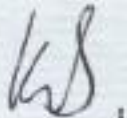
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allowed to settle everything except a few key conditions of service matters, which would be excepted. We can then review in the light of experience in a few years time the desirability of moving to wholly local negotiations.

Next Steps

6. Clearly officials need to do more detailed work before we have a fully worked up proposal. But the way now seems clear for my holding discussions with the teacher unions and employers before the Summer Recess, in parallel with the further work to be done by officials. I propose to conduct these on a wide ranging and open-ended basis, on the basis of the attached Negotiating Brief. My aim would be to report back to E(EP) in late August/early September in the light of those discussions and the further work done in parallel, so that we can reach decisions in time for an announcement at the same time as the IAC's remit for the 1990 pay settlement.

7. I should be glad to know by Friday 30 June if you and E(EP) colleagues, to whom I am copying this minute, are content.



KB
DEPARTMENT OF EDUCATION AND SCIENCE

26 June 1989

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NEW TEACHERS' PAY MACHINERY NEGOTIATING BRIEF

1. After careful consideration of views expressed in response to Green Paper, Government is ready to explore alternative solutions to the TNG.

2. Vital we get new machinery right for negotiating teachers' pay. Difficult issues to explore. Both the education service and the local authority system of finance are in a process of rapid change. Too important to rush. Need to get the community charge arrangements bedded down. So propose to ask the IAC to operate for one more year to give us time to work towards mutually acceptable permanent new arrangements. The alternative would be to impose the TNG now.

3. One approach might be for the Government to leave initiative for negotiations with the teacher unions and local authority employers, rather than having a tri-partite arrangement, within the broad framework provided by the new community charge regime. This model has some attractions.

4. But the Government would need to be sure deadlock could not arise and would need some residual safeguards on cost, structure and conditions. How might these be provided? In the first instance this question would be put to the LEA employers and teacher unions.

5. The possibilities which have occurred to the Government include

- defined timetable for negotiations
- inter-quartile constraint on negotiations
- agreements to take the form of recommendations to Secretary of State, with him having a power of reference back and an ultimate override power

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- what grounds for using override power: overall cost; economy, efficiency and effectiveness in the use of resources; educational?
- power to refer matters to IAC type body if no agreement reached within the timetable.

An eventual agreement would no doubt need to include several elements of this kind.

6. No system is ideal. It has been much to the advantage of the teaching profession over the last two years to have avoided divisive arguments about pay and conditions. Might there after all be advantage in keeping something like the IAC, perhaps subject to some understandings about the nature of the remits within which it would work?[if the remit is freer, possibly coupled with a no-strike agreement.]

7. The long term interest of the education service lies in providing as much scope for local decision taking as possible. What is the scope for this

- through increasing the scope for local flexibility within a national pay framework
- moving towards a system of local negotiations.

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PRIME MINISTER

P 03468

FUTURE MACHINERY FOR TEACHERS' PAY
E(EP) (89) 2

DECISIONS

1. Mr Baker seeks agreement to his proposals for new teachers' pay machinery for England and Wales. They involve direct negotiations between local authorities and the teachers' unions, with certain rights for the Government to intervene. They would mean giving up the Government's stated preference for a Teachers' Negotiating Group (TNG) in which the Government would have a majority on the employers' side as well as a power of override.

2. You may wish to focus on two main issues:

i. giving up the TNG. First, there is the question whether the Committee is prepared to give up the proposal for a TNG in favour of direct negotiations between local authorities and the teachers' unions;

ii. local negotiations. Second, there is the question whether the Government should delegate to each individual local authority the responsibility for negotiating with its own teachers. Mr Baker argues that the immediate practical difficulties are too great. But there are arguments the other way: in particular, local negotiations would strengthen local accountability under the community charge regime.

3. It is not yet clear what line the Chancellor of the Exchequer will take. We understand that the Treasury may be content to give up the TNG, but it is possible that the Chancellor may say that all the options require further study. Depending on how the discussion goes, you will wish to decide

whether to endorse Mr Baker's proposals, or a version of them based on local negotiations, now; or whether to ask Mr Baker to do further work and report back before the Recess.

4. Mr Baker proposes to give up his legislative slot for next Session, and to prolong the IAC by another year. You will want to consider whether to accept that there should be no legislation next Session. Dropping Mr Baker's Bill would make room for the Bill on computer hacking.

BACKGROUND

5. In October 1987 Mr Baker published a Green Paper setting out proposals for a Teachers' Negotiating Group (TNG), in which the Government would have a majority on the employers' side, and could impose a settlement in the absence of agreement. All the teaching unions have opposed a TNG on the grounds that it would not provide real negotiations, and all except one have suggested a National Joint Council (NJC) for negotiations between the unions and representatives of the local authority employers.

ISSUES

The Teachers' Negotiating Group.

6. Mr Baker says that the Government should not attempt to impose the TNG: all the unions oppose it and the employers would not cooperate. We understand that the Treasury accept that the TNG is not now practical, although the Chancellor's position is not yet clear. As a first step, you will want to see whether the Committee can agree not to pursue the TNG.

Government or local authority negotiations

7. The next step is to decide how far the Government itself should be involved in the negotiations. With the TNG they would have had a majority on the official side. Minority representation, perhaps with some form of weighted voting such as a casting vote, would also be possible. Mr Baker proposes

however that negotiations should be between the local authorities and the teachers, with the Government having only observer status. He says that the local authorities would be forced by the community charge regime to make reasonable settlements. You will wish to decide whether negotiations can be left to local authorities acting under the constraint of the community charge regime.

Local negotiations

8. If the local authorities are to be in the lead in negotiations, these could be either national or local. The advantage of negotiations by local authorities negotiating individually is that they will be able to respond to local needs and the discipline of the community charge will be more direct. Mr Baker does not rule out a gradual shift to such a system, but sees two immediate difficulties:

i. he thinks that local authorities would come together in non-statutory local bargaining if allowed to do so. But against this it can be argued that even if some or even most local authorities were to combine, there would be some Conservative authorities which would want to act individually;

ii. Mr Baker's second argument is that the local authorities could not be trusted to act sensibly on structure and conditions, for example to preserve proper differentials. But it could equally well be argued that the pressures of direct local accountability would give local authorities every incentive to adopt a sensible line on pay and conditions and to tailor their deals to local circumstances.

In the light of discussion you will wish to decide whether Mr Baker should pursue the concept of local negotiations further.

Government override.

9. Under Mr Baker's proposals, the Government could intervene by:

i. reference back. The Secretary of State could refer back a negotiated settlement on grounds of cost, salary structure or conditions;

ii. override. Subject to an affirmative resolution of both Houses, the Secretary of State could override the settlement if the negotiators had not satisfactorily dealt with a reference back;

iii. IAC. If negotiators had failed to reach an agreement within the time allowed, the Government could refer the dispute to an IAC type body and set its terms of reference.

10. These proposals are intended to ensure against over-generous settlements. The key question is whether they would be usable in practice. In particular, the affirmative resolution procedure tends to be difficult to use in practice: the negative resolution procedure would be easier. You will wish to consider whether Mr Baker's proposals for Government involvement are satisfactory.

Consequences of a decision on machinery

11. Mr Baker makes three consequential proposals. They should not require much discussion. They are:

i. IAC in 1990. The IAC will need to continue to operate in 1990. This will need an affirmative resolution order before Christmas. Whatever structure is chosen, there seems little alternative. Mr Baker says that this will be unpopular with the teachers unions, but much will depend on the remit which is set. You may wish to ask Mr Baker to agree the remit bilaterally with the Treasury if possible (the 1989 remit did have to come to E(EP));



ii. consultations and announcement. Mr Baker proposes to consult the unions in general terms before the summer recess, and announce the decisions on machinery in September when the 1990 IAC remit has been settled;

iii. legislation. Mr Baker proposes to leave legislation until the beginning of the 1990/91 session. Local negotiations, without Government override, would not necessarily require legislation at all. You may be content to agree: this would provide space in the programme for a bill on computer hacking.

Consequences for Scotland

12. Mr Rifkind was earlier opposed to a TNG and especially to a power of override. You may wish to explore what he would have in mind in the light of any decisions reached for England. You may wish to ask Mr Rifkind for a paper.

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13. You may wish to ask the Secretary of State for Education and Science to introduce his paper. The Chancellor of the Exchequer will wish to respond. The Secretary of State for Scotland will wish to comment about the implications for Scotland. The Lord President and the Lord Privy Seal may wish to comment about the effects on the legislative programme. Other Ministers may want to contribute to the discussion.

R T J WILSON
Cabinet Office
13 June 1989

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PRIME MINISTER

13 June 1989

FUTURE MACHINERY FOR NEGOTIATING TEACHERS' PAY

Kenneth Baker in his note:

- (a) rejects the proposal for a Teachers' Negotiating Group (TNG);
- (b) suggests that the IAC should continue for the pay negotiations for 1990; and
- (c) puts forward a new machinery to be established for pay negotiations in 1991.

(a) Rejection of TNG

Kenneth Baker is opposed to this and for good reason. Appendix A shows that it has been decisively rejected by employers' organisations, unions and other organisations. In a tripartite body of this kind, the government would find themselves without the support of employers and hostility from teacher unions because of the lack of real negotiations. Industrial action would be a virtual certainty.

If possible this should be avoided.

As a result, the case for the TNG looks rather weak.

(b) IAC for 1990 Pay Settlement

The IAC has delivered two good pay settlements from the

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government's point of view. Although the pay settlement in 1990 is likely to be difficult because of the problem of inflation, there is no reason not to trust the IAC machinery.

The Secretary of State would like a clear commitment to a generous settlement next year. This should be avoided at all costs and his proposal dealt with in the normal PES round.

(c) New Machinery

This is the weakest area of Kenneth Baker's paper. The major problems are:

(a) that Kenneth Baker is surely optimistic in thinking that discipline and cost control can be introduced in the new system through the new local authority system of finance.

Under the new system of local authority finance, the government will still be required to::

- (i) estimate teachers' salaries in its RSG settlement,
- (ii) refer back for consultation any element of the deal which it considers needs rethinking, as well as
- (iii) have a power to override the agreement in order to safeguard the government's position.

The result is that the government is still a key player in the negotiations.

The most likely scenario is that unions and employers

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agree a settlement which demands a higher contribution from government. Failure to delivery will lead to industrial action with very little opposition from employers.

(b) The other problem with the Secretary of State's proposals is that he rejects local pay bargaining by LEAs for two reasons:

- (i) LEAs would band together in national negotiating machinery;
- (ii) government DES cannot trust LEAs to deliver a reasonable settlement.

Both of these need to be questioned further. It is not clear that LEAs would necessarily band together. Different LEAs have very different characteristics and interests, eg inner London LEAs are quite different from Devon or Dyfed. It is not in the interests of community charge payers in the latter to agree to a national settlement influenced by the cities.

It may prove impossible to trust LEAs. But we certainly have a much greater chance of a reasonable outcome if they negotiate at a local level, reflecting local conditions, than we do if they negotiate as a block.

Recommendations

- 1 Accept the Secretary of State's case for not proceeding with the TNG.
- 2 Accept the IAC machinery for the pay settlement in 1990.

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- 3 Invite the Secretary of State to reconsider his proposal for new machinery for pay negotiation. The present proposals is not robust and looks like producing a head-on confrontation immediately. Can it be modified to correct its obvious weaknesses? Or should a review body be set up - in return for a no strike agreement? In either event, we need another meeting.

Brian Griffiths

BRIAN GRIFFITHS

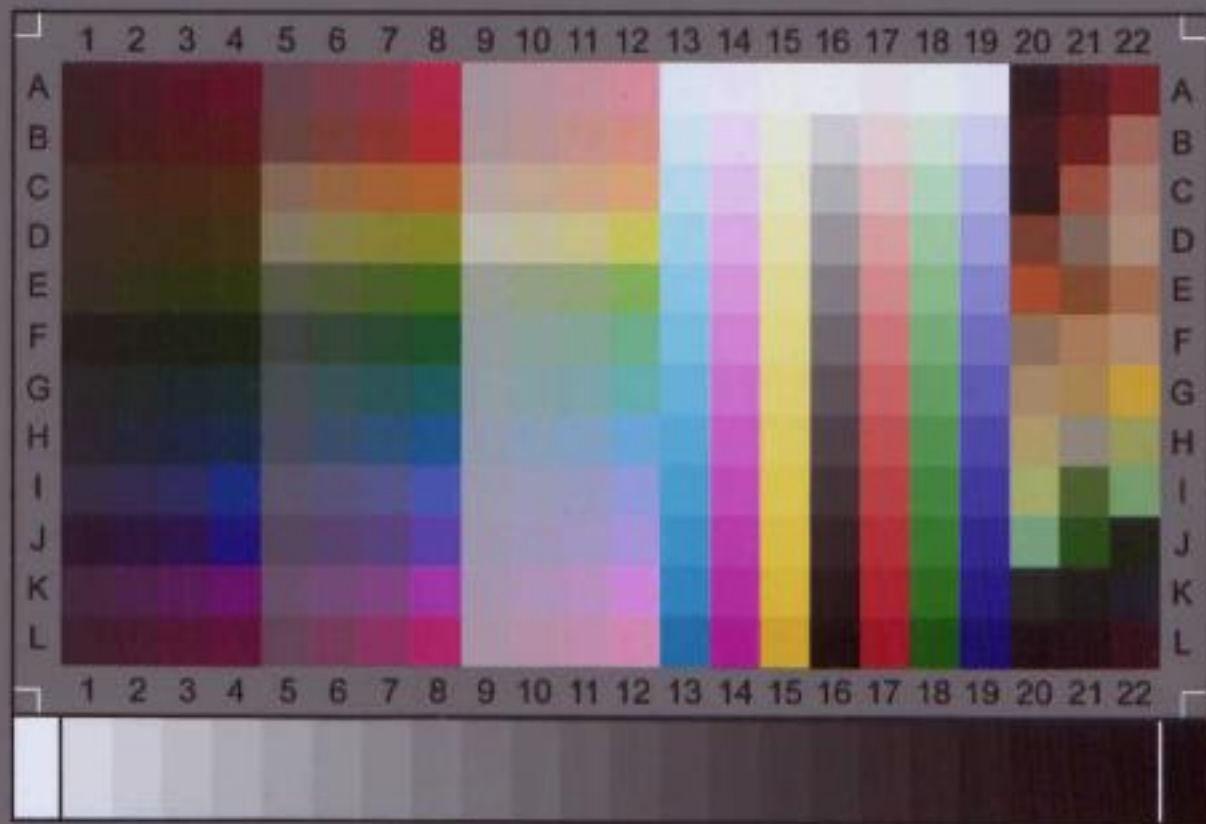
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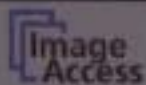
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