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CABINET

TEACHERS' PAY

Memorandum by the Secretary of State for
Education and Science

1. Since the discussion in the Ministerial Committee on Economic Strategy on 14 May 1979 I have seen the leaders of the Management and Teachers' Panels of the Burnham Primary and Secondary Committee separately.

THE STANDING COMMISSION POSSIBILITY

2. The Management Panel would be content with the amendments we propose to the agreed terms of reference if they were conveyed by the Government to the independent Chairman of the Committee, but would not wish to prejudice their relations with the teachers by taking the initiative in proposing such amendments. The leader of the Teachers Panel has emphasised to me the very great difficulty that he would face in seeking to persuade a majority of his Panel to take the same view, but I am glad to say he has not entirely ruled out the possibility. As both I and the local authority leaders consider that the Standing Commission route is much to be preferred to the dangers of arbitration, I think we must continue working to try to turn this possibility into a reality: and the following points then arise.

3. In the Economic Strategy Committee we decided that the terms of reference should say:-

"... undertake a comparability study of the pay and conditions of service ..."

This is technically incorrect, in that neither the Burnham Committee nor the Standing Commission actually settles conditions of service: we secure accuracy and lose nothing by saying instead:-

"... undertake, in the light of their other conditions of service, a comparability study of the pay ..."

This small amendment would avoid unnecessary technical complications.

4. The teachers will of course regard these amendments to the agreed terms of reference as a loss to them which should be compensated by some further concessions elsewhere. A revised offer designed to persuade them into acceptance would, in my judgment, have to contain at least the following components:-

- a. Certain desirable structural changes which would have the effect of bringing the 9 per cent increase on rates up to 9.3 per cent increase overall.
- b. Some kind of payment on account, say £1 per week for teachers earning up to about £5000, to be "clawed back" from the results of a Standing Commission study.
- c. Improved staging: the local authorities and the teachers know that the former Government would have been prepared to accept January 1980 and January 1981, and a settlement now might require the second stage to be advanced to September 1980; and
- d. Rate Grant Support for expenditure arising in 1979-80 from the settlement.

5. The assurance of Rate Support Grant support for whatever is to be offered is central. The local authorities will not move without it; nor could I offer any logical defence of agreeing with them in the joint Management Panel that certain offers were right and necessary, yet refusing to pay the Government's appropriate share of the cost. I therefore strongly support the Chief Secretary, Treasury's, recommendation (in paragraph 8 of C(79) 5) that the necessary squeeze on local government in the present financial year should be applied directly and at a level of our deliberate choice, and not indirectly and arbitrarily by excluding some components of some pay settlements from the definition of relevant expenditure.

6. It has to be accepted that the Standing Commission, given the workload they have already undertaken, would be unable to deliver their recommendations on teachers' pay until well into 1980. The teachers, on realising this, may react by asking for a specified first stage (say, of 5 per cent) so that it could be put into immediate payment from the chosen date (say, January 1980): instead of half of some quantity which, because it had not yet been determined, could not be put into payment until some months later. This would be a reasonable request in the circumstances of the long delay that they would face, and a specific 5 per cent first stage with the balance to come as the second stage was indeed part of the settlement with the Civil Service. I consider that we should be prepared to agree to this variation if the teachers asked for it.

NEGOTIATIONS AND ARBITRATION

7. If (as remains most likely) no agreement proves possible, we must instead concentrate on the option of negotiations in the Burnham Committee leading to arbitration.

8. I have not discussed this possibility at length with the teachers, but it has been made clear to me that they will be unwilling to seek arbitration unless there is a substantive response to their relativities claim. Moreover, even if the Management Panel proposed it, the independent Chairman would find it hard to rule - as he must - that the possibility of negotiations had been exhausted in the absence of such a response.

9. I discussed this problem constructively and in detail with the local authority leaders in the Management Panel, so that we might together be as ready as possible to deal with situations as they arise in the course of Friday's Burnham Committee Meeting. Though they naturally could not commit themselves precisely today, we identified together possibilities that I must invite my colleagues to consider:-

- a. the local authority leaders are strongly of the view that they need to make a substantive response to the full claim for restoration of relativities if industrial action is to be suspended during the 6-week arbitration process and they are to be in a credible posture at arbitration;
- b. such a substantive response would most probably have to include the 9.3 per cent and an additional payment of (say) £1 per week now by way of advance as described in paragraphs 4a. and b above; and subsequent staged offers for January 1980 and (say) September 1981;
- c. different views were expressed as to the pattern of the 3 stages of offer now in contemplation (some of the local authority leaders thinking, for example, that it might be wiser to go as far as 12 per cent from April 1979 in the hope of staving off arbitration): but the view of all of us was that the 3 stages together would have to approach 25 per cent in aggregate to be sure that the independent Chairman would be persuaded that the Management Panel had made a responsible response and that, failing agreement, there should be resort to arbitration;
- d. there should be Rate Support Grant support for all expenditure in 1979-80 resulting from the offers.

CONCLUSION

10. I think we must accept that the chances of going by agreement down the Standing Commission route are now slim. Both I and the local authority leaders continue to think, however, that this route is to be preferred and that we should not abandon it while any chance remains. I therefore ask for my colleagues' agreement to our negotiators in the Management Panel using their discretion within the limits indicated in paragraphs 4 to 6 above to secure an agreement on this basis if they possibly can.

11. Should this fail, I must be ready to work with the local authorities to enable the Management Panel to make a realistic offer which can be defended as a responsible reply to the teachers claim and secure for us, if not an agreement, at least a basis on which the matter could go to arbitration. For this purpose I seek my colleagues' view on the extent to which the Management Panel should be allowed to make offers in one or more of the alternative directions indicated in paragraph 9. It would be disastrous for our relationships and our public standing if we finished on Friday with quarrels with both the teachers (over the terms of reference and the offer) and the local authorities (over Rate Support Grant support) and with the independent Chairman refusing arbitration because he judged that the Management Panel had not made a responsible reply.

12. I annex additional factual information requested by the Economic Strategy Committee.

M C

Department of Education and Science

16 May 1979

FACTUAL INFORMATION RELATING TO TEACHERS' CLAIM

Previous Government's Commitment

The previous Government had promised normal RSG backing for 9% from 1 April and the payment of one half of the result of a comparability exercise on 1 January 1980 and the remaining half on 1 January 1981. Normal RSG support for the outcome of arbitration was also promised.

The Education Budget

2. The 1979/80 RSG settlement provided for total local authority expenditure on education in E & W of just over £6.2 billion (at November 1978 prices). (This figure excludes some £400 million net expenditure on the school meals service; and a further £210 million plus on libraries, museums, galleries etc). Teachers' pay represents some £3.6 billion of this or approaching 60%.

Costed Options

3. I attach a table showing the cost of the various elements under consideration, broken down into schools and further education and into total cost, central Government costs and local authority costs under present RSG arrangements. Significant features are that:-
- i. An extra 0.3% for improved structure is financially insignificant.
 - ii. A first stage of 8% (consistent with a total 25% settlement) would cost a total of £185m from 1 August 1979 and £69m from 1 January 1980.

Payment on Account

4. Separate calculations show that a payment on account of £1 a week from 1 April 1979 could be clawed back within 1979-80 from the lowest paid teacher if he receives a 3% staged increase from 1 August 1979 or a 7% increase from 1 January 1980. So long as such a payment is clawed back within the financial year, it carries no cost and is not subject to DES veto.

Numbers of Teachers

5. There were 433 thousand teachers in maintained nursery, primary and secondary schools in January 1974 and there were 471 thousand in January 1979. The pupil/teacher ratio overall was 20.6 in January 1974 and an estimated 18.9 in January 1979.

(No information is available about staff other than teachers).

Annual Wastage

6. Annual wastage of teachers in the maintained sector was 10.4% in 1974-75; 7.7% in 1976-77 and is estimated to have been 6-7% in 1977-78.

Supply and Demand

7. In 1974, policy was based upon a general shortage of teachers. There is currently over-supply because of Government constraint on local authority expenditure and low wastage rates resulting from economic recession. In March 1979, nearly 8,000 teachers in England were registered with the Department of Employment as unemployed and seeking teaching posts. There are still, however, shortages of teachers in important subjects, notably mathematics, physical science and craft/design/technology.

Class Contact Time

8. Non-contact time is not used only for administration: time is needed also for -

- preparation and marking
- production of materials
- examination work
- careers guidance
- pastoral work
- in-service training
- liaison outside the school
- library supervision

Teachers' contact time has remained high and constant at 78% in both January 1974 (England and Wales) and January 1978 (England).

COST OF VARYING OPTIONS

Costs in financial year 1979/80 (£ million)

Total Pay Bill (excluding London Weighting)		9% from 1.4.79	0.3% on extras	5% from 1.8.79	1.1.80	8% from 1.8.79	1.1.80	10% from 1.8.79	1.1.80
<u>Primary and Secondary</u>									
2,860	61%	157	5.2	58	22	94	35	117	44
	39%	100	3.3	37	14	60	23	75	28
	Total	257	8.6	96	36	154	58	192	72
<u>Further Education</u> (Full-time only)									
592	61%	33	1.1	12	5	19	7	24	9
	39%	21	0.7	8	3	12	5	15	6
	Total	53	1.8	20	8	32	12	40	15
TOTAL									
3452	61%	190	6.3	71	27	113	42	141	53
	39%	121	4.0	45	17	72	27	90	34
	Total	311	10.4	116	44	185	69	231	87