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PRIME MINISTER

TEACHERS' PAY NEGOTIATIONS

[MISC 122: 12 NOON TUESDAY 17 JUNE]

[Minute of 4 June from the Secretary of State for Education]

MAIN ISSUES AND DECISIONS

1. The Meeting provides an opportunity to review progress in the ACAS sponsored negotiations in England and Wales and of the Committee under Sir Peter Main in Scotland. An important issue is the future negotiating arrangements for teachers' pay and other conditions of service, and specific decisions are needed in respect of England and Wales as follows:

1. Should the Government launch a consultation exercise about arrangements to replace the remuneration of Teachers Act 1965?

2. If so, what options should be canvassed? In particular, should the possibility of a Standing Advisory Committee be included?

The ACAS Process in England and Wales

2. The negotiations under the aegis of Sir John Wood are proceeding in a series of working parties. There are two possible outcomes:

(a). The teachers and employers fail to reach agreement across a wide range of issues. In this case Sir John Wood will be required to put forward his proposals. With the exception of cost, where proposals more expensive than the Government have so far contemplated must be a strong

possibility, it seems likely that these would be not out of line with the Government's own priorities, and might represent a broadly acceptable package. But implementation would require negotiation of the pay element through the Burnham Committee and of the changes in conditions of service in a separate non-statutory committee. In a situation where employers and teachers were unable to agree, but faced strong public pressure against a resumption of the dispute, the Inquiry's recommendations might win reluctant acceptance; but there could be no certainty that the recommendations would prevail, and that an enduring solution would emerge.

(b). The teachers and employers reach agreement. Given the changes in the employers' side following the recent local government election, and the re-admission of the NUT to the negotiations, it is possible that the employers and teachers could agree on major issues - in particular pay, pay structure and the management of teachers. In this case, Sir John Wood and his team would have at best a much more limited role in advising on other issues where the two sides were not in agreement. It is most unlikely that any positions agreed by the two sides would be acceptable to the Government. The parties would be in a position to adopt the pay part of an agreement in Burnham, and the Secretary of State would have to implement it (he has no discretion not to). The only sanction available to the Government would be to withhold the additional resources which have already been offered in return for a statutory agreement. However, given a united front from the teachers and their employers, the Government would be under strong pressure to release the balance of the promised £1.25 billion: it would be difficult to explain to parents and the public the case for rejecting an agreement reached after long negotiations with the help of ACAS.

3. The prospects for an acceptable outcome are therefore clouded. Some action is necessary, however, to plan for whatever situation emerges, and in particular to deal with the issue of future negotiating arrangements.

Future Negotiating Arrangements

4. The present negotiating arrangements have clearly become unworkable. Pay and conditions are negotiated separately; the Secretary of State is a party only to those about pay (ie Burnham) where he must implement the decisions but has no effective power to influence them. Meanwhile it was Burnham's prolonged failure to negotiate a pay settlement in 1985 which eventually led to the present ACAS process. Given that failure, there is a need to address now the question of future negotiating arrangements, which are both an issue in the ACAS and a continuing problem once that process has reached a conclusion. The Government's involvement in all the ACAS working parties means that Ministers must be ready to contribute to the debate..

5. It will not, however, be easy to find satisfactory new arrangements, given the rivalry and distrust between the teachers unions and the division of financial power and responsibility between Government and local authorities. The Education Secretary suggests (in paragraph v of his note) three approaches which might be canvassed. The first is essentially for the Government to withdraw, leaving the local authorities and unions to establish whatever negotiating machinery they wish, and take responsibility for the results. This is broadly the pattern for local authority employees other than teachers. It does, however, leave the Secretary of State with no direct voice, although he would still retain much of the financial responsibility, as well as responsibility in the eyes of the public for what goes on in schools. Mr Baker therefore suggests the greater use of specific grants to give him some leverage; new primary legislation would be needed, as it would also be to repeal the Remuneration of

Teachers Act governing the Burnham arrangements.

6. The second option is to reform Burnham bringing together pay and conditions. If the new arrangements were statutory, the Secretary of State might be given a greater voice in the new committee and might have a veto on grounds of total cost; it seems unlikely that the two sides would voluntarily acquiesce in such a role for him in the present political and negotiating climate. Bringing pay and conditions together would not, however, be relied on to avoid problems, as recent Scottish experience shows.

7. The Education Secretary's third option is a standing advisory committee to review every four or five years pay levels and conditions of service. This would replace negotiations between the parties and put the final decision in the hands of the Government, possibly subject to Parliamentary safeguards. This is essentially a review body (although unlike the existing review bodies it would make a package of recommendations covering changes in conditions of service also). It would have the advantage of breaking out of the present situation in which it is impossible to negotiate any progress. But it would effectively put in the hands of an independent party the pay of a very large number of local authority workers (an annual pay bill of over £5 billion). and could be seen as an undesirable concession to anti-social behaviour.

8. The Education Secretary seeks authority to submit a paper to ACAS, canvassing the alternatives and then to issue a fuller version for wider consultation. The discussions must go wider than ACAS, if only because further education teachers are covered by the Remuneration of Teachers Act but are not party to the present ACAS negotiations. Moreover many teachers are employees of voluntary (ie church) schools, although they are actually paid by LEAs. It is doubtful, however, whether the Government should

launch a formal consultation exercise about one item of the agenda while the ACAS process is under way: it might be preferable merely to send a copy of the ACAS paper to all the interested parties, so implicitly - but not explicitly - inviting comments on the alternative approaches.

9. Legislation would be needed to make any change in the present negotiating arrangements. There is no provision for an Education Bill in the legislative programme for the 1986-87 Session.

Scotland

10. The Main Inquiry is still taking evidence. The Scottish Office have submitted written evidence, and will be giving oral evidence later this week and in early July. The Committee is expected to report in September. While there is every prospect of a broadly satisfactory report there is clearly a serious risk of divergent outcomes from the two processes, which would be much increased if the two sides in England and Wales were to agree on pay levels, pay structure and teachers management. In that event there would be little prospect of the Scottish teachers accepting recommendations on pay which Main judged reasonable in the wider public interest.

11. So far as negotiating machinery is concerned, the evidence submitted so far merely examines the defects of the present Scottish arrangements without offering possible solutions. Officials will certainly be asked about the Government's attitude to alternative approaches, including that of a Review Body. Mr Rifkind notes that a 5-yearly review on the lines suggested by Mr Baker would be likely to lead to disruptive comparability-based "catching-up" pay increases - which would be an argument for more frequent independent reviews, so as to head off the problem.

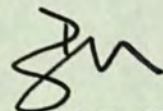
12. It is doubtful whether it would be prudent for Scottish officials to go as far in endorsing the idea of a review body as Mr Rifkind proposes, even on condition of a no strike agreement. That could lead the main Committee to attribute the idea to the Government, and then devote itself to ways of satisfying the condition. A safer line for officials to take might be to contrast the position of teachers with that of the groups already covered by such bodies:

- no tradition of avoidance of industrial action (a no-strike agreement would not be nearly enough);
- conditions of service a matter for dispute and negotiation with, rather than at the discretion of, employers;
- teachers are not employees of central Government;

and effectively throw the problem back to Main. It was, after all, because the Government did not know the answer that the Committee had to be established.

HANDLING

13. You will wish to ask the Education Secretary to introduce the discussion. The Scottish Secretary will need to cover the Scottish dimension. The Chief Secretary will wish to speak generally and in particular about the possibility of a Standing Advisory Committee. The Environment Secretary will have views on the implications for relations with local government and the Employment Secretary on implications for pay negotiations more widely.



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Cabinet Office

16 June 1986