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P 02143

PRIME MINISTER

A Standing Advisory Committee on Teachers' Pay
[MISC 122(86) 9]

MAIN ISSUE AND DECISIONS

1. The main issue is whether to replace the Burnham Committee with a statutory Standing Advisory Committee (SAC) to advise the Secretary of State for Education and Science on teachers' pay and conditions of service; and if so whether the Secretary of State should be authorised to indicate in a speech to the Council of Local Education Authorities Conference on 18 July that new options should be considered, but that change would only be introduced if there were a prospect of delivering pay and conditions of service without industrial action, with due regard to affordability and the needs of the teaching service.

BACKGROUND

2. On 17 June, the Group considered what negotiating machinery might replace the existing Burnham arrangements, which had proved ineffective. The Education Secretary put forward two broad approaches. Under one, the local authorities and the unions would be free to devise their own negotiating arrangements, which would probably be similar to those for other local authority groups. This would distance the Government from the negotiations, although the Secretary of State would need to retain some influence through, for example, the use of specific grants. The other approach was to replace Burnham with a SAC, with the Secretary of State carrying the ultimate responsibility for determining pay levels etc. The Group recognised attractions in the SAC proposal, but also recognised that the financial and other implications for the relationship between the Government

and the local authorities as employers needed further consideration. The Education Secretary was invited to circulate further proposals. (MISC 122(86) 6th Meeting.)

The Secretary of State's Proposal

3. In his paper MISC 122(86) 9 the Secretary of State puts forward a model of how a SAC might work. The key features are:

i. A statutory, Standing Independent Advisory Committee, appointed by the Secretary of State.

ii. The SAC to be required to take account of the views of local authorities, the unions and Government.

*affordability
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iii. The SAC to advise on the structure and levels of teachers' pay and other conditions of service. That advice to extend to recommendations on what features of pay and other conditions should apply nationally, and what matters should be left for local consideration and decision.

iv. The SAC to report to the Secretary of State. The Secretary of State should be free to accept the recommendations or substitute his own determination, subject to affirmative resolutions in both Houses.

4. Mr Baker's first suggestion was that an advisory body should report every four or five years; although the current paper is not explicit, it appears that he envisages an annual report by the statutory SAC which he now puts forward.

The Merits of an SAC

5. The arguments for and against an SAC - in effect a review body with terms extended to cover conditions as well as pay - were set out in the earlier report by officials which the Group considered in February (MISC 122(86) 6). An SAC would put in the

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hands of an independent party the pay of a very large number of local authority workers; it could be seen as an undesirable concession to anti-social behaviour; and it might recommend higher than average pay increases justified by reference to comparability rather than to market factors like recruitment and retention or to affordability. (The annexed table, originally circulated with MISC 122(86)6, shows how the earnings of various public sector groups have changed in relation to average earnings over the period 1970-1984).

6. As against this, an SAC offers the only reasonable prospect identified so far of breaking out of the present impasse. It would bring together in one forum pay and conditions of service, it would side step the rivalry and distrust between the teachers' unions and the division of financial powers and responsibilities between the Government and local authorities, and it would restore to the the Secretary of State a discretion to reject high settlements in the national interest. It could also provide a way to respond to real market pressures (eg shortages in particular disciplines or particular localities) without the effects necessarily spreading in an inflationary way throughout the profession. Moreover, given that the Labour Party now controls the employers side, it seems almost certain that Burnham (or any other negotiating machinery which might replace it) would concede substantial rises for teachers over the next few years, but without any concomitant progress on better management, pay differentiation and more clearly defined terms and conditions. The Education Secretary's judgement, therefore, is not that an SAC is an ideal solution, but that it offers the most realistic chance of progress towards the Govenment's objectives over the next few years.

Practical Considerations

7. There are, however, a number of issues which may require further thought:

i. A No-Strike Agreement?

The Government agreed to establish the nurses' review body partly in recognition that nurses had exhausted industrial action; and the Group at their last meeting envisaged that the establishment of any similar body for teachers would have to be linked to an agreement not to take industrial action, including disruptive action short of striking. The Education Secretary's judgement is that it is unlikely that teachers would be willing to accept a no-strike agreement (since they would not regard the SAC as a bonus to be bought at such a price), but he argues that the ability of the unions and the willingness of individual teachers to disrupt would be much reduced by the establishment of a SAC.

ii. Enforcement

For all the groups covered by existing pay review bodies the Government is effectively the employer, and can therefore ensure that recommendations are implemented. In the case of teachers the SAC's terms of reference would extend to conditions of service as well as pay; and the local authorities are the employers. It will clearly not be straightforward to establish a regime which ensures that individual local authorities and schools actually enforce the non-pay elements of any set of recommendations by the SAC. The proposed specific grant (see my separate brief) might provide one lever. Although a good deal more thought needs to be given to how it could be used effectively, no one has come up with a better idea (short of a major switch of financing responsibility from local to central government).

iii. Financial Consequences

If the Secretary of State is himself ultimately responsible for determining pay levels, local authorities will look to him to provide the resources necessary to implement his decisions. Decision on levels of RSG and on expenditure limits for rate capped authorities will have to reflect his decisions: by taking responsibility for the arrangements for fixing teachers' pay, the Government will have given up the option of leaving it entirely to the local authorities to cope with the financial consequences of further settlements.

8. If the Group is inclined towards accepting the proposal for a SAC, officials might be commissioned to examine in greater detail how it would work and how these three particular problems might be handled. The official group (MISC 123), which I chair, would be an appropriate forum.

PRESENTATION

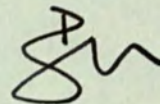
9. The ACAS working party on future negotiating machinery has almost finished its work, and is no longer a suitable forum to launch the idea of an SAC. The Education Secretary therefore suggests that no formal announcement should be made until ACAS has reported (ie in September); in the meantime he should indicate in a speech to the Council of Local Education Authorities Conference on 18 July that new options should be considered, but that changes would only be introduced if there were a prospect of delivering pay and conditions of service without industrial action, with due regard to affordability and the needs of the teaching service.

HANDLING

10. You will wish to invite the Education Secretary to introduce his paper, and the Scottish Secretary to add any comments. The Chief Secretary, Treasury will wish to put the case against a review body. The Social Services Secretary has

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been invited because of the possible implications for the existing review body arrangements for the NHS. The Lord President will have views on the Parliamentary aspects, and the implications for the legislative programme of the possibility of a Bill in the next session to abolish the Burnham machinery (which seems likely to be needed in any event).



J B UNWIN

1 July 1986
Cabinet Office

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TABLE I

EARNINGS AS PERCENTAGE OF AVERAGE EARNINGS OF ALL ADULTS

	1970	1974	1980	1984
Teacher Scale 1 Max	155	155	115	110
Headteacher (Primary)	213	225	168	162
Principal Max	290	265	245	210
EO Max	135	130	120	100
Local Authority Grade 4 Max	135	120	100	95
Local Authority Prin. O., Max	280	250	200	190
Ward sister Max	115	95	120	108
NHS Sen. Admin O. Max	150	150	135	115
Police Constable Max	98	100	115	125
Police Supt. Max	205	190	210	240
Staff Sergeant Max	150	140	140	135
Capt. (Army) Max	190	170	160	160
General Practitioner Max	355	285	285	265

Source: New Earnings Survey



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Postscript

Teachers' Pay: The Review Body/Advisory Committee Option
Note by the Chief Secretary, Treasury
MISC 122(86)10

Since the above brief was prepared, the Treasury have circulated a very late and tendentious paper (MISC 122(86)10) attacking the proposal for an Advisory Committee (there is no good reason for the lateness; the Treasury had a draft of Mr Baker's paper 10 days ago). None of the arguments (expense, conflict with local authorities, precedent etc) is new; and no serious or constructive alternative to the present impasse is offered. A reformed Burnham would almost certainly achieve nothing and cost a lot; while leaving it entirely to the local authorities would probably cost just as much, promote little educational reform, and leave the Government still held responsible for the failings of the education system.

2. As Mr Baker admits, an Advisory Committee is certainly no panacea and must carry risks; and the Group will no doubt want to consider again the Treasury's objections. But the arguments in this paper seem greatly overstated. Some of the detailed features of the proposed Committee which are criticised are not integral to it and could be reconsidered (eg the Affirmative Resolution over-ride); and the arguments on cost are exaggerated (Annex B shows that the cumulative awards to the major Review Body Groups since 1980, except the TSRB (where the amounts are small), have been well below the cumulative increase in average earnings).

J B UNWIN

1 July 1986