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PRIME MINISTER

MISC 122: TEACHERS' PAY AND CONDITIONS OF SERVICE

1. We are meeting on Monday in MISC 122. We need a decision that will enable us to move forward and put ourselves in the best possible position to act quickly in September when ACAS reports.

2. ACAS met on 9 July. The working groups' papers on pay, negotiating arrangements, conditions of service, and appraisal were received as statements of ground covered, recognising the various reservations expressed by the interests concerned. The papers will now be raw material for negotiations or, failing successful negotiations, a report from Sir John Wood. The management side will offer proposals, across the whole field, and including "indicative" pay figures, just before a two-day meeting on 25/26 July. Statements already made by Mr Pearman imply that those indicative figures will be above the levels implied by the £1250 million offer. The figures will presumably then form a baseline for negotiations.

3. It is impossible to be certain about the exact course of subsequent events. Negotiations chaired by Sir John Wood, leading to a package agreed between authorities and unions is one possibility. Against it is the continued firm resistance of the NUT to packages covering both pay and other conditions. Recommendations from Sir John Wood are another possibility. It seems clear, however, that one way or another we shall soon face a demand, probably in September, for a lot more money for teachers' pay, well above the amount implied by the £1250 million package. Associated with this there will be proposals for pay scales and conditions of service that are defective, in our view, in that they will not provide

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effective incentives for classroom teachers to perform well throughout their careers and will do nothing to ease the shortages in key subjects like maths, physics and technology.

4. We have three objectives. We want the lowest pay settlements for teachers that are consistent with our educational aims. We want to avoid further disruption in the schools. We want effective management of the schools and teachers by the local authorities.

5. Between now and the Election, avoiding disruption will be particularly important. Some of the teacher unions have made no secret of their readiness to resume disruption in the autumn if they don't like the outcome of the ACAS talks. We shall have to decide then what we are prepared to concede in grant and expenditure terms in order to avoid disruption. But we must also remember that all three objectives are important both in the immediate future and the longer term.

6. Our decisions in September must therefore not only achieve "no disruption". We must also secure, especially in the slightly longer term, management compatible with our educational objectives. That means such things as freedom for authorities to use pay differentials to recruit and retain good teachers of shortage subjects. It means securing a precise contractual requirement on teachers to cover for absent colleagues - following the Scott judgment - for reasonable periods of time. It means securing a contractual obligation on teachers to participate in curriculum development work, examination developments and in-service training. It means providing effective incentives for classroom teachers to perform well throughout their careers. And it means securing an incentive for local education authorities to implement these things.

7. "No disruption" probably means substantial extra pay spread over 1986-87 and 1987-88 with consequences for later years. We cannot decide this now, but we must recognise

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that any 1986-87 pay element may have to be got through Burnham. We should however be aiming to secure any 1987-88 element through a new pay determining system.

8. The paper from the official group recognises three broad options: repeal Burnham and let employers and employees negotiate how they will; create a new statutory negotiating committee - a reformed Burnham; and create a third party solution - the statutory advisory committee.

9. The paper rules out the first option. In practice it could mean that in September we would aim to pay as little as may be essential to avoid disruption, while undertaking to repeal the Remuneration of Teachers Act before Christmas and allow the authorities and the teachers to set up what non-statutory negotiating arrangements they wish. If that were to lead to individual authorities negotiating with their own teachers it might be a valuable development. But it is clear that both the local authority associations and the teachers' unions would strongly favour continuing with national negotiations. It is also clear that this course would not yield adequate differentials in the pay structure. Weak authorities would give way on conditions of service and undermine the resolve of the rest. Our own capability to influence the pay structure and conditions of service would be much reduced. I agree we should not pursue this option.

10. Treasury officials have suggested a new statutory negotiating committee, with a statutory override power for the Secretary of State. I do not favour this. It would be strongly resisted by both authorities and teacher unions, with the full support of the teaching profession as a whole and much of public opinion. The override power would be a recipe for annual confrontation. It would mean, in effect, Cabinet determination of teachers' pay and conditions of service - a very substantial centralisation. It would be difficult to get through the House of Commons and might be rejected by the Lords. And unless any such proposal were accompanied by a very generous immediate settlement it would cause immediate disruption in the schools.

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11. I favour the alternative of setting up a statutory advisory body for teachers' pay and conditions of service, along the lines set out in the paper by officials and accompanied by enforcement regulations and specific grant influence over the authorities. I continue to believe, however, that we should not take a final decision on this matter now. We should now instruct officials to prepare detailed proposals for such an advisory body so that we can be in a position to ~~announce our decision~~ to carry through the necessary legislation as soon as convenient after ACAS reports if that is what we then wish to do.

12. I had a meeting this week with the leading local authority members on the Burnham Further Education Committee. It is quite clear to me that Mr Pearman is cooking up "restructuring" proposals with NATFHE to present to me in October/November. I made it clear that they must seek efficiency savings to match any additional expenditure they may envisage. If Burnham is allowed to continue we must soon expect confrontation in further education as well as the schools.

13. It remains in my view essential for me to touch on this subject in my speech to the Council of Local Education Authorities on 18 July. I attach the form of words I propose to use, designed to avoid upsetting the ACAS applecart while registering the Government's determination to see a better method of determining teachers' pay and conditions of service put in place.

14. Copies of this minute go to other members of MISC 122 and to Sir Robert Armstrong.

K. S.

Department of Education and Science

11 July 1986

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EXTRACT FROM CLEA SPEECH

Teachers' Pay and Conditions of Service

30. Meanwhile, let me say a word about teachers' pay and conditions of service in further education as well as in schools. I am well aware of the hard work and constructive effort being made by both the local authorities and the teachers in the talks currently in progress under ACAS guidance. I recognise the very great importance of those talks yielding a successful outcome. And while I want today to make it clear that I recognise both the importance of the discussions and the quality of the input being provided by the local authorities and the teacher unions, I do not want to say anything that might interfere with the negotiating process. I would simply confirm what has already been made abundantly clear, that the Government will wish carefully to consider the whole outcome of the talks when that is available.

31. I do however want to say something about the negotiating arrangements that might be appropriate in the future. I recognise that this is one subject within the scope of the ACAS-led discussions, but it also goes wider than those discussions.

32. You asked my predecessor to repeal the Remuneration of Teachers Act. Your suggestion is that the local authority employers and the teacher unions would then establish voluntary collective bargaining arrangements covering both pay and other conditions of service. An earlier suggestion was that the present Act should be amended to provide for a statutory negotiating committee which would deal with both pay and other conditions of service.

33. I recognise that the Burnham machinery has not worked satisfactorily during the last few years. The very existence of the ACAS-led discussions at the present time provides evidence that it has not been possible to resolve the problems within the Burnham Committee. And in the further education field much of the negotiating work has been taken outside the formal Burnham Committee.

34. I accept therefore that there are strong grounds for seeking a change in the statutory position. But before any change is made we need to be as clear as we can why the existing machinery has not been working satisfactorily. We also have to be sure that the new arrangements - whatever it is decided they should be - will work better.

35. It is suggested that the Burnham Committees are too large, subject to too many rules, that they only have statutory responsibilities for pay and not for the other conditions of service, and that these are the reasons why the machinery has not been working well. I accept that there is substance in these points. But it does not follow that the establishment of voluntary arrangements, covering pay and other conditions of service, involving fewer people in the direct negotiating process, and according more flexibility in operation, would work much better.

36. The problem may not lie in the machinery so much as in the difficulty of reconciling the diverse interests and views of the local authorities and the teachers, and of finding outcomes which are consistent with the financing arrangements for local authorities. If so, then simple repeal of the Remuneration of Teachers Act does not seem likely to produce a better result.

37. Before deciding to legislate for change in the present arrangements, the Government must first have good reasons for believing that the change will result in settlements on pay and other conditions of service without disruption of the schools. The new arrangements must produce settlements which have proper regard to the need to staff the schools in competition with other employers while taking account also of affordability and the national economy. We must also have reason to expect settlements which will support the effective management of the service and provide for the proper career-long development of individual teachers. And we shall want to be satisfied that this is true across further education as well as the schools.

