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DEPARTMENT OF EDUCATION AND SCIENCE

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FROM THE SECRETARY OF STATE

David Norgrove Esq
Private Secretary
10 Downing Street
LONDON SW1

18 July 1986

Dear David

TEACHERS' PAY AND DUTIES: ENGLAND AND WALES

1. You and Rob Smith agreed on the telephone last night that a brief note should be circulated setting out the current position adopted by the employers' side in the ACAS talks.

2. The management panel of the Burnham Primary and Secondary Committee meets on Monday to decide upon a text for presentation to the teachers at a residential conference on 25/26 July. The employers committed themselves to offering such a text at the last meeting under Sir John Wood's chairmanship. They said then that it would include "indicative figures" for salaries.

3. We do not know what the panel leader, Mr John Pearman, and his Labour colleagues who hold the majority on the panel have in mind, but must expect the figures to be uncomfortably beyond the £1250m envelope conditionally offered by Keith Joseph last August. It is envisaged that the package will be offered in the employers' name, not that of the management panel as a whole. That is helpful in that the Government will not be associated with the package and can continue to stand apart in the ongoing ACAS-led discussions. But the DES representatives cannot be silent next Monday when the employers discuss what figures they wish to present to the teachers. It would suit the Labour employer majority and the unions very well if their contribution could be construed as denying all possibility of a change in the Government position once the ACAS process is complete. This means they will have to rely on the August 1985 conditional offer made by Sir Keith Joseph and on the Government's declared willingness to consider in full the results of the ACAS exercise when those are available. They will not go on to speculate about the possibility of changes in the Government position at that stage. My Secretary of State has therefore instructed them to contribute to the debate on available

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resources in the following terms:

"These are employer proposals. So you must decide what you would wish to offer to the teachers having regard to your present and prospective financial circumstances. The Government made it clear last August that it was prepared to see a substantial additional expenditure on teachers' pay - the £1250m 4-year envelope - on condition that there was substantial progress towards reform in a number of important related areas, including a more discriminating salary structure involving improved promotion for good teaching and for teachers in short supply. [Add as necessary on the shape of the salary structure proposed.....] The Government conditions also included agreement on a new expression of teachers' professional obligations, clearly linked with contract. It remains to be seen how far those conditions will be met at the end of the day when the ACAS process is complete. Meantime the Government's August 1985 offer stands unamended. No new commitment has been entered into by Government except that they have assured you and others that when the ACAS process is complete the Government will consider the outcome in full. I cannot go beyond that."

4. The package presented to the teachers will of course deal with structure, conditions, appraisal and negotiating machinery as well. The Secretary of State's representatives will contribute as necessary on those aspects. Briefly, the employers are in favour of free collective bargaining not involving the Government - a predictable position; they are sound on appraisal, though that will not go ahead unless the rest of the package runs; they are also quite sound on teachers' contractual obligations, though they underbid for time beyond the pupil year for in-service training etc; and so far they ~~so far~~ have declined to propose the kind of promotion structure we favour so as to be able to reward effective teaching and to attract and retain teachers in short supply.

5. The theory is that the figures agreed on Monday will allow the package to be quickly finalised, for transmission to the teachers next Wednesday evening or Thursday morning. Meantime the employers' position is supposed to be confidential. History suggests that will not be maintained. There may well be substantial press speculation this weekend and the figures seem likely to leak to the media by Monday evening or Tuesday morning. Government will need to keep its distance in any public response that is needed, but using terms such that the employers and unions do not call the ACAS process to a halt on grounds of Government intransigence over resources and lay the blame on Government. The tone of any such response must depend on what is decided on Monday. We shall be in touch with you and other interested Departments as soon as we learn the outcome of Monday's meeting.

6. Copies of this letter go to the Private Secretaries of MISC 122 members and of Sir Robert Armstrong.

Yours sincerely
Stirling Trundle

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MRS S J TRUNDLE
Private Secretary



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PRIME MINISTER

TEACHERS' PAY

DES have now written in with the line they propose their representatives should take in the management panel on Monday. As expected, this follows the line that has been taken since the ACAS talks began.

The Chancellor, predictably and rightly, is concerned that the line may not be forceful enough, and he proposes to sharpen it up in a way which leaves the employers in no doubt about the Government's position, whilst avoiding a confrontation with Mr. Baker on Monday: Mr. Baker argues that there is a risk that if the Government is too firm it could be blamed for causing the ACAS talks to fail.

There is a great deal at stake in this discussion. Each percentage point on teachers' pay costs about £85 million per year. A huge teachers' settlement could have major effects on rate increases, the scope for tax cuts in the next Budget, the quality of other local authority services, or all three.

There are also potential repercussions on other pay negotiations. The teachers' discussions are taking place just as a new pay round is about to begin. NHS staff not covered by review bodies are now considering a 6% offer. The local authority manuals settlement comes up in September. There is widespread discontent about pay in the public services, and a high settlement for teachers could set the scene for a difficult winter.

The Chancellor is I am sure right from all points of view to emphasise the link between higher pay for teachers and securing better teachers and better teaching performance. This point must be established, not solely as a way of justifying the payment of large sums of money, but also in order to distinguish these pay rises for teachers from those for other local authority and public employees.

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Agree to write strongly in support of the Chancellor, drawing on the above? _____

The line may need to be reconsidered and stiffened still further once the figures are known on Monday: it is of course most important that the announcement of the RSG settlement on Tuesday should not unsettle the markets.

Yes - there is also the

point that a higher London

weighting may be justified but

public sector pay in parts of the

country already represents one of the

best jobs that can be obtained

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Julie Bowers
Duty Clerk
PP DAVID NORGROVE
18 July 1986

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PRIME MINISTER

TEACHERS' PAY

I understand that the Management Panel (including DES representatives) are to meet on Monday to discuss figures for teachers' pay, to appear in a paper to be circulated for the employers' discussions with the unions during the following weekend (without DES). DES do not know what those figures will be but believe a figure of at least 15 per cent is likely, spread over several years and to be paid over and above the usual annual increases.

The amounts are likely to appear in the press on Tuesday or Wednesday next week. The RSG announcement is of course to be made on Tuesday and the difficulty of that announcement would be increased by stories about teachers' pay.

I have asked the DES to circulate to colleagues the line their representatives intend to take in the Management Panel on Monday, together with the suggested line for DOE to take at the time of the announcement about RSG. This is likely to be, as it has been for the past few months, that £1¹/₄ billion is on the table provided the Government's conditions are met and that the Government will of course consider the results of the ACAS discussions. If the management produce very large figures on Monday, DES representatives will need to take a stronger line than this. It may be better for the Chancellor to propose this rather than you - I have alerted the Treasury - but there could be a need for a meeting early on Monday. (Mr. Baker is away tomorrow).

Morgan Abigail

Duty Clerk

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DAVID NORRGROVE

17 July 1986