



CONFIDENTIAL

P 02194

PRIME MINISTER

Teachers Pay and Duties

[Minute of 22 July from the Secretary of State for Education and Science]

DECISIONS

1. Decisions are required on:

- 1. The line to be taken by DES Officials in the ACAS discussions on Friday;
- 2. What should be said to the press;
- 3. What work should be set in hand to prepare for handling the final ACAS and Main reports in the autumn, including drafting legislation in case it should be required.

BACKGROUND

2. The ACAS panel has convened a meeting of the parties on Friday and Saturday. The employers are to put forward a draft package including a new contract and proposed new pay scales. As expected, their current proposals are unsatisfactory from the Government's point of view (both costly and defective on pay structure, though not bad on duties and appraisal), and the Group must decide on the line which the DES officials should take.

The Education Secretary's Proposals

3. DES officials have already made it clear that the proposed pay structure does not meet the Government's objectives and that the Government's commitment to additional cost is limited to the £12.5 bn

offer. The Education Secretary therefore suggests that the broad approach should be:

- a. The Government's conditional offer of £1.25 billion over four years remains unaltered;
- b. DES should point out clearly the deficiencies of the pay structure proposals, and reiterate the Government's objectives;
- c. but they should not say definitely that the present package will not meet the conditions for releasing the extra money.

4. There are risks in this. The employers' offer is a long way short of what the Government would wish to achieve, and the figures now on the table could become a floor for negotiations. The chance of obtaining any better outcome through discussion is small. There might therefore be a case for the Government indicating firmly now that the outcome is unacceptable and that additional resources will *not* be provided - ie to withdraw the £1.25 bn. This would, however, be likely to result in the immediate collapse of the ACAS process; the Government would be accused of pulling the rug from under it after five months of negotiation and before the final outcome is clear. This in turn would carry a significant risk of renewed industrial action in September. Negotiations on pay would then revert from ACAS to the Burnham forum, with the likelihood of the employers and unions colluding to force through a high settlement with no progress on terms and conditions. The worthwhile elements of the ACAS package on duties and on appraisal would be irretrievably lost.

5. If ACAS proceed to agreed conclusions in September, the Government may well, of course, be faced with the same dilemma then as it is today. But at least in that case there would be the prospect of deferring decisions until the completion of the Main inquiry on Scotland. My minute of 21 July to Mr Norgrove (which others on MISC 122 have not seen) set out in paragraphs 5-8 how these



issues might be handled in the short term.

6. If the Group endorse the Education Secretary's proposals for the immediate handling of ACAS, it will be necessary to start now work on the strategy for the autumn. Paragraph 16 of my note suggested the work that might be set in hand. This was (for the shorter term):-

(i) a tactical approach for handling ACAS in the period before the publication of Main;

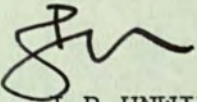
(ii) a tactical approach for handling ACAS and Main when both have been received, together with possible ways of restricting immediate pay increases to the less expensive of the two packages;

(iii) contingent legislation if required to enforce the conditions elements in the packages;

If you agree that this would be sensible the Group might remit these tasks to the Official Group (MISC 123) to report back by mid--September.

HANDLING

7. You will wish to ask the Education Secretary to introduce the discussion. All members will wish to contribute, particularly the Chancellor of the Exchequer. The Scottish Secretary will wish to describe progress on the Main inquiry.


J B UNWIN

23 July 1986
Cabinet Office

CONFIDENTIAL

Prime Minister

Blue

This is worth a discussion. So have a meeting of as many of MISC 122 as can be assembled at 17.00 tomorrow?

PRIME MINISTER

TEACHERS' PAY AND DUTIES: ENGLAND AND WALES

The Burnham Management Panel met yesterday to consider the package of proposals to be written up and put to the teacher unions for discussion on 25-26 July in Coventry. The proposals will be put in the employers' name. The leader, Mr John Pearman, has an overall Labour majority and was able to carry his package in employer debate. None argued strongly against or asked for a vote. We expect the proposals to be public by Thursday morning.

N.L.W.
22.7

2. One of my officials will attend the meeting in Coventry and will need to present my position. The purpose of this minute is to advise colleagues of the line that I intend to instruct him to take. The pay proposals agreed yesterday by the employers provide for:

Yes no

- an entry grade with 3 steps running from £7600 to £8400
- a main grade with 12 steps of £400, running from £9600 to £14000, covering over 70% of all teachers
- allowances of £750 or £1500 for principal teachers, these to be some 15% of all teachers
- salaries for Heads and Deputies running from £14250 to £29000 according to the size of school.

The total cost is estimated at 6.7% in the first full year rising to 10.8% in the fourth year, and over 14% at maturity. The Department puts the 4-year cost at over £2000 million. These costings depend on teachers being transferred from their present pay level to the nearest higher point in the new structure.

3. These proposals are far from satisfactory. Not only do they cost more than we have hitherto offered to make available; but the structure is not in line with our policies for greater salary differentials. Those now on Scale 1 would have the prospect of an eventual maximum salary after several increments more than 40% above their present maximum; whereas many of those on Scales 3 and 4, and the Heads and Deputies of large schools, would see their maximum salary rise by 10% or less. This structure would not increase motivation and relative rewards for the best, and would do virtually nothing to help with shortage subjects.

4. The employers' proposals on duties and on appraisal are broadly satisfactory; and they are at present giving nothing away on class sizes or on non-teaching time for teachers during the school day. Their resolution on these points remains to be tested in bargaining with the unions. Any yielding here would also have a pay bill cost.

CONFIDENTIAL

CONFIDENTIAL

5. Mr Pearman professes confidence in reaching outline agreement with the teachers this weekend. I doubt if this will be possible. The unions will want higher pay figures and major concessions on conditions of service. But there is the prospect of an expensive and unsatisfactory accommodation between employers and unions in due course - possibly September, possibly sooner.

6. My representatives have already made it clear that the proposed pay structure does not meet the Government's objectives and that the Government's commitment to additional cost is limited to the £1250 million offer. They have, however, in line with our undertaking to consider the outcome of the ACAS exercise, stopped short of saying the Government will find the outcome unacceptable. Mr Pearman has made it clear that he is unmoved; that he sees the employers' proposals as a basis for negotiation; and that he hopes to present to the Government a package agreed with the teachers which will certainly cost more than the present proposals. He will then say that DES representatives have been at all meetings and have not at any stage said that the Government would find the proposals unacceptable.

7. The question therefore is whether we should now say that the package does not meet our conditions for releasing the extra money, or that the Government would not be prepared to provide grant support for any cost beyond the £1250 million level. If we do, the ACAS exercise would probably collapse. We should probably face the new academic year with immediate and intensified disruption in schools and no chance of settlement by employer-employee negotiation. Moreover, we have made a commitment to consider the outcome of the ACAS process; the public will not understand if we now bring the exercise to a halt by prejudging the final outcome.

8. I propose to instruct my representative to issue another stern warning that the pay structure proposed does not provide more career opportunities for the better teachers, or promotion arrangements and differentials which are likely to recruit, retain and motivate teachers of the right quality across the whole range of school responsibilities. There has to be sufficient flexibility in the salary structure to enable LEAs to manage schools effectively in all parts of the country. My representative will stress the conditions attaching to Keith Joseph's original August 1985 offer and the complementary points made since. He will also stress the importance the Government attaches to uninterrupted education for all children.

9. But I must tell you that I do not expect Mr Pearman to heed this warning. I also judge it likely that Mr Pearman will tell the press how things are going. I propose to authorise my representative also to tell the press what he has said - the Government's position will have to be known accurately. I attach a copy of what I said myself on this subject to the Select Committee on Education, Science and the Arts this morning. I hope that colleagues will adopt this line in any comments they may need to make over the next few days.

10. The Labour Leadership in the local authority associations is clearly in collusion with at least some of the teachers' unions. Events may move quite rapidly at or around the 25-26 July meeting. I will report again next week.

CONFIDENTIAL

CONFIDENTIAL

11. I shall have to finalise my instructions on Thursday, so I would be grateful for any comments by close of play tomorrow 23 July.

12. Copies of this letter go to the Chancellor, other members of MISC 122 and to Sir Robert Armstrong.

RIS

K.B

(Agreed by the Secretary of State and initialled in his absence)

Department of Education and Science

22 July 1986

CONFIDENTIAL

SPEAKING NOTES FOR THE SECRETARY OF STATE, ESAC 22 JULY

TEACHERS' PAY AND DUTIES

The employers are very well aware of the Government's position. We are ready to see increased expenditure on teachers' pay, provided that the agreement ensures progress towards two broad objectives. First there must be a clear statement of teachers' duties linked to their contracts of employment. Secondly, there must be a pay structure providing substantially more promotion opportunities for the better teachers to higher scales than are at present available combined with promotion arrangements and differentials designed to recruit, retain and motivate teachers of the right quality across the whole range of school responsibilities. My predecessor expressed these conditions in precisely the same terms when last August he announced the possibility of an extra £1250m expenditure over 4 years. That conditional offer stands, but the employers and teachers must be in no doubt about the importance the Government attaches to the delivery of uninterrupted education of high quality for all children.

