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PRIME MINISTER

Government's Response to the Teachers' Pay Disputes.

MISC 122(86)14 and 15

DECISIONS

The Group will need to reach decisions on:

- (i) the Government's response to the Main Report for Scotland;
- (ii) in the light of (i), their strategy for England and Wales;
- (iii) the extent to which additional Exchequer Grant should be provided to finance settlements in Scotland and in England and Wales;
- (iv) what, if anything, should now be said about future negotiating machinery.

2. The report by officials under my Chairmanship (MISC 122(86)14) summarises the latest developments and sets out a range of possible strategies which the Government might adopt. MISC 122(86)15 sets out the Education Ministers proposals. The Government must now reach broad conclusions about the line to be taken in response to the Main Report and the Coventry process, and also decide on their tactics for achieving their objectives. As Ministers recognised at their last meeting (MISC 122(86)11th Meeting), it is highly desirable that the Government should move swiftly if they are to regain the initiative.

Scotland

3. The principal features of the Main Report are set out in paragraphs 4-9 of MISC 122(86)14. The Scottish education authorities have responded cautiously to the Report, but it that seem ready to implement it if the Government are prepared to meet their full share of the costs. The first key issue will thus be the reaction of the unions. The Scottish Secretary believes that if the Government reject the recommendations, the EIS will revert to disruption: they have developed tactics which at little cost to their members cause major damage to the education system. If this assessment is correct, would it be possible to ensure that the public side with the Government rather than with the teachers? There must be some doubt about this, given that the Government would be rejecting a well-presented independent report they had themselves set up. It would also be difficult to secure support from parents and local authorities for any alternative proposals. Equally, and regrettably, there can be no firm guarantee that if the Government indicated their willingness to accept Main, the unions would fall into line without demur. But if they resisted, it should be possible to mobilise substantial public support against further disruption. In particular, education authorities would come under increasing pressure to enforce contracts of employment.

4. If the Group conclude that broad endorsement of Main is inescapable, there arises the question of finance. Paragraph 36 of the officials' report considers the possibility of trying to stage any pay increases, and suggests that the feasibility depends on whether the Government could maintain sufficient public support. The Group will need to consider this. They will also need to consider the extent to which Exchequer grant should be increased to finance any settlement. The Scottish Secretary will argue that Government should pay their full share of the total cost, and rely on the Scottish Joint Negotiating Committee (SJNC) to put the Main recommendations into place. Treasury Ministers will argue that the Government should go no further in providing additional grant than consistent with their 1985 conditional offer, leaving local rate payers to finance any excess; some adjustment would, however, also be required to total provision for

local authority expenditure, so as to avoid grant penalties resulting from the higher expenditure cancelling out the additional grant provided in accordance with the Government's offer. There is a strong probability that the employers would regard the latter course as tantamount to rejection of Main - and indeed if the Government did wish to avoid implementing it, this probably represents presentationally the best way of doing so. If the Government's contribution were restricted to the 1985 offer it appears that Scottish rates would rise by 11-12 per cent in 1987/88, whereas if the Government provide their normal proportion the total costs of the increase would be about 5 per cent next year. If the Government agreed to pay their full share of the total cost, there would be a strong case for making payment conditional on the rest of the package being agreed and delivered through the SJNC.

England and Wales

5. The situation (set out in paragraphs 10-14 of the official report) and the choices for England and Wales are both much less clear. The Coventry provisional agreement covers only pay, pay structure, the basic list of duties and the length of the school year; major outstanding questions include hours of work, class contact time, class size and permanent arrangements on cover for absent colleagues. The salary structure agreed at Coventry is absolutely inconsistent with the Government's objectives, since its emphasis is on a 40 per cent increase in the basic scale maximum which all teachers would reach without regard to their performance or to 'demand' for their subject; the scope for rewarding responsibility and good performance would be substantially reduced as compared with the present situation. Following the publication of Main the unions in England and Wales are already pressing for the Coventry pay arrangements to be renegotiated to provide larger early increases analogous with those in Scotland, but without a move back towards a more differentiated pay structure like those currently in operation in England and Wales and recommended by Main for Scotland.

6. Paragraphs 25 to 38 of the official report set out a range of possible options. But in reality the Government face a choice between:

- (i) leaving the employers and unions themselves to attempt to complete the negotiation of a comprehensive agreement on pay and conditions; and
- (ii) stepping in to impose a solution themselves.

7. Course (i) means that there will be little further progress towards any of the Government's objectives; but still higher salary levels are likely to be agreed, together with costly concessions on class size, hours worked, etc and a general relaxation of teachers contractual duties as they now stand in the light of the Scott judgment.

8. However, there is no ready made solution for course (ii). The Main Report is addressed to the Scottish pay structure, and there is no simple read across. Mr Baker proposes to cut the knot by setting up an Advisory Committee to devise a suitable package on pay and conditions for England and Wales to operate from next April, and meanwhile to give teachers a further increase for the current year equivalent to the first year cost of Main. This would mean increasing England and Wales salaries by some 8 per cent from April 1986, so leaving the Advisory Committee with around 8 per cent available within the Main ceiling for changes in the pay structure (e.g. introduction of a new grade corresponding to Main's senior teacher) to reward proven good classroom performance, etc. He sees this as offering the only prospect of getting the teachers to accept terms and conditions which would meet the Government's educational objectives, and at the same time setting aside the excessively generous basic scale agreed at Coventry. To make the Main-equivalent increase for the current year conditional on acceptance of the proposals to be made by a Review Body next year on duties and conditions would mean postponing its payment until next summer; DES argue that setting

Coventry aside and making teachers wait 9 months for the pay increase offered in recompense would result in a resumption of disruption.

9. Treasury Ministers seem likely to want to continue to stand aside from the negotiations, merely offering to pay Exchequer grant consistently with the 1985 £1.25 billion offer once a comprehensive settlement has been concluded. This would be consistent with the Government's previous stance. But it might well lead to resumed disruption, with the Labour-dominated LEAs arguing that they were unable on that basis to afford to negotiate a settlement the teachers would accept. On the other hand, if the LEAs went ahead and agreed a Main-equivalent settlement, with all the excess costs above the Government's share of the £1.25 billion falling on the ratepayers, this would result in average rate increases next year of 7 per cent (on top of whatever increases would have been imposed in any event in the light of the Rate Support Grant settlement).

10. The Group will also want to satisfy themselves about the feasibility - or not - of measures to constrain the costs of the settlements, or improve them in other respects (option (v) in paragraphs 36-38 of the official report). Is there any prospect of the Scottish teachers accepting a staging of the Main recommendations, to bring the phasing of the costs into line with those of Coventry? Is there any prospect, at the same time, of teachers in England and Wales accepting the Main recommendations or their equivalent on duties and conditions? The Education Departments judge that there is no prospect of agreement on this basis; on the other hand public opinion might regard it as not unreasonable, and might not sympathise with teachers who resumed disruption in opposition to it. The problem would be that such a compromise would never be set in place through the present negotiating machinery; the Government would have to try to impose it by legislation.

Implications of Legislation

11. Main envisages that the immediate recommendations will be negotiated into place through the SJNC, but that this body would then be dissolved and its functions effectively taken over by the proposed Standing Advisory Committee (SAC). This would virtually mean the end of negotiations about pay and conditions between teachers and their employers. In the case of England and Wales, Mr Baker's judgment is that the present negotiating process, and the existing negotiating machinery, must be set aside without delay. In both cases the desired outcome can only be secured by new primary legislation; and the mere fact of legislation will not guarantee success unless the bulk of the teachers accept the new situation as fair.

12. There are already signs that the teachers' unions are preparing to mount a vehement campaign against any form of SAC. The reaction of the EIS seems to be an indication that they would acquiesce in the rest of Main provided the Government reject the SAC. The General Secretary of NAS/UWT is already on record as strongly opposing the SAC. The unions will argue that the effect of the SAC is to deprive teachers and their representatives of all opportunity to participate in the determination of their pay and conditions, leaving them entirely at the mercy of the judgment of some body of uninformed outsiders; for good measure they will add that this deprivation of employees of their negotiating rights is contrary to an International Labour Organisation (ILO) convention signed by the present Government.

13. However, the strongest opposition to SACs is likely to come not from ordinary teachers but from the trade unions, much of whose raison d'etre would disappear if such bodies were established. Once in operation there would be no place for the competitive militancy which has disfigured the activities of the teachers' unions in recent years. As long as those unions retain their present character and position of influence, the Government can have little assurance of improvements in the performance and professionalism of teachers and the management of schools. The implicit judgment of Main and the explicit judgment of Mr Baker, is that teachers will only accept the ending of the unions'

present role if they have the assurance of the protection of independent review bodies whose recommendations the Government could not lightly override: they would not accept a situation in which the Government took power to impose pay and conditions solely at their initiative. In establishing such bodies the Government would in effect be appealing to the memberships over the heads of the union leaders. Success could not be guaranteed, but if teachers accepted SACs, even if only tacitly, the relatively minor ILO problem could no doubt be overcome as already happens with the nurses.

14. Any yearly legislation would, of course, be very controversial and present severe problems for the legislation programme. Something else would have to be displaced and on any footing Mr Baker's hope of enactment before Christmas seems extraordinarily optimistic. However, you will want to have the Lord President's views on this.

Tactics

15. The Group will wish to consider tactical handling. The Government's initial reaction to Main cannot be long delayed if they wish to secure the initiative. It might be possible to detach the recommendation for SAC for consideration in slightly slower time; but given the attitude of the EIS the Government could soon face a situation in which the unions made acceptance of the rest of Main conditional on rejection of the proposed SAC. In any event a clear steer will be needed on the acceptability of the terms and conditions of service and the proposed pay levels. The Scottish Secretary envisages a statement on 21 or 22 October.

16. For England and Wales, however, there is a choice. It would be possible to allow the Coventry process to continue, in the hope that it will break down of its own accord. This would make it easier for the Government then to impose their own solution. But there is a serious risk that costs will be talked up in the meantime, and the two sides might yet reach an overall agreement whose terms the Government could not regard as acceptable. It would then be much more difficult for the Government to intervene. An initiative now offers some prospect of overcoming these

problems, and is unlikely to be more costly than a later solution. But the costs are very high; and, as the Chancellor will point out, it would be interpreted by many as giving in to industrial action.

Next Steps

17. If the Group reach conclusions on the way forward, you may wish them to be reported to Cabinet on Thursday 16 October with a view to statements by Mr Rifkind and Mr Baker the following week. A number of details - particularly the precise changes in RSG provision and Exchequer grants rates - would need to be agreed between Departments. Very careful consideration would need to be given to presentation; the decision would have to be presented in the best light possible, with close regard to minimising the pay and public expenditure effects. If, however, no agreement is reached, a further meeting of the Group is provisionally arranged for 4.30 pm on Wednesday.

Public Expenditure

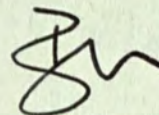
18. Paragraphs 16 to 18 of the report by officials set out the public expenditure implications. For the UK as a whole, 'Main-equivalent' pay increases would imply local authority expenditure some £700 million higher next year '(without taking into account any carry-forward from 1986/87) than has hitherto been allowed for. This is well over £400 million more than implied by Sir Keith Joseph's August 1985 offer, excluding the costs for lunch time supervision.. It appears that this whole amount, and slightly larger amounts in the subsequent years, would have to be added to the planning totals; Mr Baker has reached agreement with the Chief Secretary on other parts of his programme, and there is no realistic prospect of MISC 130 finding offsets on other Departments' programmes to whatever additions are agreed for teachers.

HANDLING

19. You will wish to invite the Secretary of State for Scotland to introduce the discussion, and the Secretary of State for Education and Science to speak second. The other Education Ministers (Wales and Northern Ireland) may also wish to register

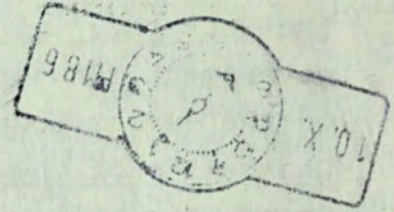
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points. The Chancellor of the Exchequer and/or the Chief Secretary, Trasury will be concerned about costs, public expenditure implications and the impact on the wider pay scene. The Secretary of State for Employment and/or the Paymaster-General will wish to speak on the implications for negotiating machinery, the Secretary iof State for the Environment on the impact on local government finance, and the Secretary of State for Social Services on the review-body proposals. The Lord President of the Council, Chancellor of the Duchy of Lancaster, Lord Privy Seal and the Chief Whip will wish to comment on the political and legislation aspects.



J B UNWIN

Cabinet Office
10 October, 1986.



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