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PRIME MINISTER

Government Decisions on School Teachers' Pay

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DECISIONS

1. The Group will need to reach decisions on:
 - i. the staging of any pay settlement;
 - ii. how to impose a settlement in England and Wales;
 - iii. an interim advisory committee for England and Wales;
 - iv. how the Main Report should be implemented in Scotland.
2. The Group's conclusions will need to be reported to Cabinet on 23 October, with a view to a Parliamentary statement that afternoon.

BACKGROUND

3. At the meeting on 14 October, the Group invited the Education Secretaries to bring forward proposals on options for staging the implementation of Main in Scotland and for imposing a broadly similar settlement in England and Wales. They were also invited to set out detailed proposals for legislation giving the responsible Ministers appropriate powers over teachers' pay and conditions of service, and the possible need to reform the Scottish negotiating machinery.

THE ISSUES

Staging

4. The Education Secretaries' paper gives four options: immediate implementation, two options for phasing over two years, and an option of phasing over three years.

5. Staging would reduce the cost of any settlement and the rate rises needed to pay for it. Staging should also reduce the repercussions on other wage negotiations, although the main defence against these would have to be the tightening of duties and conditions of service which are an integral part of it. But staging would undoubtedly increase the chance of renewed industrial action, and would provide a justification for the unions to resist the tighter terms and conditions part of any package. Moreover, the likelihood of the Government securing public support for an imposed settlement may be reduced if the pay element is seen to be long delayed.

6. The Main Report itself recommended a pay settlement to last until March 1988, with no normal cost of living increase in April 1987. Options (ii) and (iii) are staged over this timescale, with two and three steps respectively. Option (iv) is staged over three years, and is therefore closer to the Government's original conditional offer of extra finance.

7. If staging were to be adopted, the initial decision is therefore between two and three year implementation. Three years (i.e. option (iv)) would obviously be cheaper, but the long delay in the payment of much of the recommended increases would give the unions grounds for refusing to deliver at the outset their side of any bargain. Options (ii) and (iii) (both two years) differ in that the initial pay rise (and thus total salary payments in the year 1987/88) is smaller under (iii): this makes it cheaper, gives more headroom in England and Wales for the new salary to be devised by the proposed Advisory Committee, and should limit the repercussions for other pay negotiations. The Chief Secretary recommends this course; but to pay Scottish teachers only one quarter of the increase recommended by Main would greatly increase the risk that the whole strategy would

fall at the first hurdle.

Expenditure and Rates Implications

8. Paragraph 5 of the paper shows the implications of each options for expenditure, grant, and rates. These assume that the Government will pay grant in the normal proportion on the full increase in expenditure. In themselves these increases may seem relatively modest, even for options (i) and (ii); but the incidence would vary among authorities, and the increases would be superimposed on whatever other rate increases are already in the pipeline.

Imposition in England and Wales

9. The Secretary of State proposes to abolish Burnham, impose an interim settlement by fiat, and establish an interim advisory committee to recommend on pay and duties from April 1987. If the Group endorses this broad strategy, there are two issues to be considered:

(i). Parliamentary Override.

No Should the Secretary of State's power to vary the recommendations of the advisory committee be subject to a Parliamentary affirmative resolution procedure? The Secretary of State proposes this - it would seem difficult to deny the teachers any negotiating rights without some corresponding safeguard. The Chief Secretary, however, argues against this proposition, on the ground that it does not apply to the other review bodies, and that in practice it would probably always be too politically difficult to use the override. (If the Government staged Main over any extended period, the unions would have a stronger argument that the Government "cannot be trusted to deal fairly" with recommendations from an independent advisory committee in the absence of such a safeguard.)

(ii) Legislation

The Secretary of State is proposing two bills - an urgent, short bill to abolish Burnham and provide for the interim pay settlement. The longer bill would deal with the advisory committee and the Secretary of State's powers to promulgate pay, duties and conditions of service. The Business Managers believe that this tactic will not be acceptable to the House; it is already proposed to use it in the local government field (abolishing grant recycling is a short urgent bill), and twice in one session would be too much. But if this route is not followed, there is a risk of Burnham agreeing a maverick settlement to the great embarrassment of the Education Secretary. Provided, however, it is made clear immediately that any such settlement would be set aside, and that no additional funds would be provided for the current year unless the local authorities undertook to comply with the Government's wishes, it should be possible to avoid this problem. If legislation is delayed until the New Year, it might even be possible to have Burnham put whatever interim increase is agreed into place as its last act before its abolition.

Scotland

10. The position in Scotland on future pay determination machinery is more difficult. It seems possible that, provided that Government make resources available, Main can be implemented through the existing SJNC machinery. To impose a settlement by legislation would therefore be provocative and unnecessary. But to leave the SJNC in place poses difficulties: the English unions and employers would themselves prefer something on the existing Scottish model, and the Government's case for imposing a different solution would be weakened if the SJNC were allowed to continue indefinitely. Moreover, to have radically different systems operating North and South of the boarder risks perpetuating the Government's problems where the teachers seek to secure the best of what is on offer in either country.

11. If, therefore, negotiations are to be replaced in England and Wales by an Advisory Committee, the Government must make clear from the outset that broadly comparable arrangements will in due course apply in Scotland. It would be very awkward if the Scottish unions were to accept Main on condition that there would be no Advisory Committee. There may be some presentational advantage in delaying publication of a Great Britain Bill abolishing the present negotiating machinery until Main has been accepted, but it must be very questionable whether future arrangements in Scotland should be left to be settled in a separate Bill in the 1987-88 Session.

12. Northern Ireland have hitherto followed Burnham. As noted at the Group's last meeting, it is questionable whether pay parity with England should be maintained. The answer might be that future salaries in Northern Ireland would be for consideration by the Advisory Committee alongside those in England and Wales (with the Committee having been explicitly invited to consider geographical variation).

NEXT STEPS

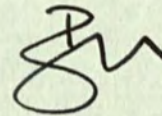
13. Subject to the discussion, you will wish to invite the Education Secretaries to circulate on Wednesday a note for Cabinet on Thursday. It will also be necessary for them to discuss with the Secretary of State for the Environment and the Chief Secretary, Treasury the precise details of the changes in local authority provision and in Aggregate Exchequer Grant required to implement whatever the Group's decisions. Further consideration could also take place separately of Mr Baker's proposals for greater use of specific grants.

14. The Education Secretary sees a strong case for a statement on Thursday afternoon: in addition to avoiding speculation in the weekend press, this would preempt the meeting of the Burnham management panel scheduled for Friday. If the Group accepts this urgency you will wish to invite the Education Secretaries to circulate drafts of their respective statements to the Group without delay.

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HANDLING

15. You will wish to invite the Education Secretary to introduce the discussion, and the Scottish Secretary to add his comments. The Chief Secretary, Treasury will wish to respond. The Employment Secretary or Paymaster General will wish to speak on labour relations and negotiating machinery; the Environment Secretary on implications for local government finance and the Lord President and Lord Privy Seal on the Parliamentary and legislative aspects. The Northern Ireland and Welsh Ministers will also need an opportunity to speak.



J B UNWIN

Cabinet Office
17 October 1986