

PRIME MINISTER

Prime Minister

Im seen.

Await the further report prepared & in the last para. Sir K. J's package looks to be not a bad bargain if X can be achieved and is made reality

TEACHERS PAY

W.L.W.

10.9

The Burnham Management Panel is meeting tomorrow afternoon (Wednesday at 1400) to decide whether to adopt a package which would form the basis of an offer to be made to the teachers panel at a full meeting of the Burnham Committee on Thursday.

The Secretary of State for Education has written to you to ask your agreement that the Government should say that it would release the extra resources if a package along the lines proposed could be negotiated. The Government position needs to be decided by lunchtime tomorrow.

The Package

The package has two parts: an offer for 1985-86 and structural changes to be introduced from September 1986.

1985-86:

- (i) from 1 April 1985 an increase of £480 or 5% on most scale points and allowances;
- (ii) from 1 September 1985 a merger of Scale 1 and Scale 2 on the understanding that Scale 1 teachers would be expected to undertake the duties of teachers currently on Scale 2;
- (iii) from 1 November 1985 a further 1% increase (on the base) on all salary points;
- (iv) from 31 March 1986 all teachers on their salary minima (about 40% of teachers) to receive an additional increment.

Structural changes from September 1986 would involve the creation of 4 grades: an entry grade, a teacher grade, a senior teacher grade and a principal teacher grade. There would be additional allowances for certain teachers and increases for deputy Heads and Heads of around 10-11% designed to increase differentials. These changes would involve a shortening of scale and about 75,000 out of 350,000 teachers would be promoted.

X IIII Teachers in the new grades would be expected to perform the duties listed by the Government (depending on their rank) and to take part in performance assessments.

On both areas it is - I understand - envisaged that there would be some margin of flexibility for movement in discussions with the unions, for example, on the date on which the additional increment would start ((iv) above) and on the detail of the second part of the package.

The Cost

The cost of the 1985-86 part of the offer remains unchanged at 5.85% of the pay bill or 6.4% in a full year. If the cost of the extra increment ((iv) above) is included, the full year cost rises to just over 8%.

The additional cost of the package, including the new increment, would be some £1335 million over four years, compared to the £1¼ billion of new money made available by the Government (on the Treasury's view) or £1300 million (according to DES).

Sir Keith's View

Sir Keith believes that the package is in its main features consistent with his statement of 5 August and that it is a constructive response to the Government's 14 point description of teachers' responsibilities and provides increased differentials, together with a strengthened promotion structure. He believes that the Government must be ready to reach an accommodation with the employers on the grounds that otherwise the Government would be seen to be standing in the way of the constructive efforts of the local authorities and that the disruption would intensify. The Government representatives at tomorrow's meeting would say, however, that any substantial dilution of the Government's purposes would place at risk the Government's endorsement. If the negotiations with the unions were to fail, the Government would then be in a strong position.

The Treasury View

The official Treasury say that:

- (i) the cost of the extra increment (1.65% or up to £80 million a year) is unconditional and uses up money which had been promised conditionally (this is recognised by the employers)
- (ii) The package will be presented as an 8% increase this year, which would be particularly damaging at the start of the new pay round;
- (iii) It will cost more than the Government has offered and push up local authority overspending.

The Treasury want the cost of the extra increment taken out of the promised Government money.

The Chancellor has not yet seen the official advice, but is reported to incline to the view of his officials. He is to speak to Sir Keith Joseph early tomorrow (by 9.30 if possible).

Comment

The offer of new money has for the most part simply raised the stakes. But if the package were accepted by the unions, the Government would have won agreement to define duties, and performance assessment, though with lower rewards for better performing teachers and smaller differentials. The unions would have won $\frac{1}{4}$ - $\frac{1}{3}$ of the Government money for all teachers, whatever their capabilities. The risk with Sir Keith's proposals - whatever the other arguments - is that the unions will take what is offered and ask for more danegeld. The Government's hand would then be stronger, but public perception is unpredictable.

The Treasury position risks turning the employers firmly against the Government leading them to revert to a no-strings offer. Sir Keith regards it as a major achievement to have got as far as he has with a Labour panel.

Although the proposal is unsatisfactory it would be a small further concession if it achieved agreement. If you decide to go along with the package there is a strong case for less than full endorsement tomorrow afternoon to reduce the risk of further demands. It should be possible to refuse to endorse the package as a whole while implying that the Government would accept provided the unions are prepared to sign up.

I shall report after Sir Keith has spoken to the Chancellor (unless I have a report of your ^{firm} views before then).^a You might then discuss with Sir Keith, awkward/~~that~~ ^{though} will be for your programme.

DAVID NORGRÖVE

10 September 1985

for the newspaper

PRIME MINISTER

10 September 1985

TEACHERS' PAY

As predicted Keith Joseph's offer of £1,250m of new money in return for better teaching has done little more than raise the stakes. DES are now seeking approval to endorse the employers' latest proposal for the Burnham meeting on Thursday.

The 1985/6 part of the offer remains unchanged at 5.85% on the pay bill (6.4% in a full year). This will result in an overspend of roughly £100m which the Local Authorities are not expecting the Government to fund. The new elements are an extra increment for all teachers on scale maxima from April 1986, and promotions of 53,000 Scale 1/2 teachers to Senior Teaching Grade and 21,000 Senior Grade to Principal Grade. Keith's statement of a teacher's duties forms part of the proposal and may help ensure that at least some of the promotions are on merit.

The promotions and new increment will cost £220m in 1986/7 rising to £409m in 1989/90 - a total of £1,335m, compared to the Chancellor's £200m rising to £450m and totalling either £1,250 (Treasury) or £1,300m (DES) depending upon what intermediate steps are assumed.

The extra increment may cost £70m a year and consume nearly a quarter of the new money available, it will go to many of the worst teachers and buy little improvement in education. DES would argue it is necessary to achieve the settlement from which the statement of duties and other benefits flow.

Although the proposal is unsatisfactory it would be a small further concession if it achieved agreement. DES believe that if we don't support the employers they may either

revert to their mooted offer of 7+% and no strings, or at best side with the unions to place the blame for the breakdown on the Government.

But the unions believe they already have the Government on the run and are therefore unlikely to accept the employers' proposal even if we endorse it. Nor, in that situation, are the employers likely to stand firm with Government on this as the final offer. Further escalation in disruption and danegeld could only follow.

Whilst there is a risk of the employers reverting to a 7% no strings offer we recommend the Government not to endorse the employers proposals because they do not comply with Keith's terms. If employers and unions then unite, the Government may be able to hook them on the employers' proposals and grudgingly concede agreement subject to proper safeguards on the mechanics of the promotions etc. This tactic would avoid the Government conceding further ground (and an 8+% pay rise just at the start of the new pay round) unless agreement is assured.

PETER WARRY