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PRIME MINISTER

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The Teachers' Pay Dispute

1. You asked me to chair a Group of Ministers to assess the situation created by the teachers' pay disputes in England and Wales and in Scotland, and to consider possible Government responses to the situation as it develops. We have now completed our initial work, and I am reporting our preliminary views with a view to an early discussion with you.

Background

2. The teachers' dispute has been running for 16 months in Scotland and 10 months in England and Wales. The unions have mounted selective strikes, but more importantly have withdrawn goodwill. Teachers are working to a minimum interpretation of their contracts, and are also engaging in lightning half hour stoppages so as to cause maximum disruption. In Scotland teachers have refused to undertake any work in connection with next year's public examinations. The disruption has been organised so as to impose the minimum cost on teachers themselves. All this is causing grave damage to the education system, and is frustrating the Government's educational objectives. Public reaction has so far been less than we might have expected, but this may well change quite quickly.

3. Although most forms of disruption used by teachers amount to breaches of contract, no local authorities have been prepared to act vigorously to resist this. Collectively they have virtually abdicated their responsibility to ensure the effective management of the education system.



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### Government objectives

4. We have a number of objectives. We want an end to disruption, both now and in the longer term; we want teachers' duties clarified so that their power to cause disruption without cost to themselves is removed; and we want a new structure which will retain and motivate good quality teachers and provide for more effective management by local education authorities. We must also stick to our public expenditure plans, and minimise repercussions on the pay of other groups.

5. We now have little direct influence over the negotiations or settlements reached, or indeed over the management of education in schools. Local authorities are the employers, and pay is negotiated in Committees on which DES and SED have only small minority representation. In Scotland, conditions of service are negotiated in the same Committee, but in England and Wales conditions of service are negotiated in a separate Committee with no DES presence. This unsatisfactory negotiating machinery is a fundamental defect which any longer term solution will have to address. Meanwhile, Government is held by the public to be in some way responsible despite having little direct influence.

### Options

6. Against this gloomy background, we identified four broad strategies. First, we could continue the present war of attrition and hope to turn public opinion more strongly against the teachers. Despite the decision of the reconstituted teachers' panel in England and Wales in favour of re-opening negotiations, the prospects of a settlement are uncertain. But if there is a settlement soon, it will be at an unreasonably high level and with no progress on conditions of service. Moreover, DES believe that any settlement for the current year will almost certainly be followed very soon by an unreasonable claim for 1986 and further disruption (although the Treasury have pointed out that this might have less serious effects



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if the new lunch time supervision arrangements are in place), with nothing achieved in pursuit of our objectives. So long as the unions have the weapon of cost-free disruption, there is only a limited amount the Government can do at present to defeat them. It seems unlikely that local authorities could be persuaded to take a robust line against any further disruptive action. Parents, who will become increasingly concerned (particularly if public examinations are hit), may increasingly blame the Government as well as the teachers if disruption restarts soon after a 1985 settlement. In Scotland, where the disruption has been much more serious since the start of the year, parents are already exceptionally concerned and hostile to the Government.

7. The second strategy would be to take the battle to the teachers. There are a number of ways we might do this, but a feature common to most is that central Government would need to assume a greater role in controlling the teaching force. Legislation would be required for any effective action. This would, of course, be bitterly contested, and could not produce any change for some time. In the meantime the current disruption would continue.

8. The third option would be for the Government to make some concession, either to offer more money beyond the £1.25 billion over 4 years offered last summer, or to remove the strings attached to that offer. This might obtain a settlement and remove the disruption, but at considerable cost with nothing in return. Since little or nothing would have been achieved in terms of better management and tighter contracts, the risk would be great of repercussions on other public sector groups, and so of a pay explosion in the run-up to the election.

9. The fourth option is some form of inquiry into pay, conditions, and the management of the teaching force. This is also a very high risk strategy. Such a wide ranging inquiry might produce a



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package of recommendations which would enable us to make considerable progress towards our educational objectives. But we would put at risk considerable sums of extra money - 1 per cent on teachers' pay is £56 million a year. We would also risk repercussions on pay increases for other public service groups for whom 1 per cent on pay totals some £225 million. It is unlikely that the unions would agree to any terms of reference which we might be prepared to offer, so that disruption might well continue. Nevertheless to announce an inquiry could give the Government the initiative and enable us to secure the support of parents and the public against the teachers.

Comment

10. None of these strategies is attractive, and all involve substantial risks. But we concluded that if we decided against maintaining our present stance, the fourth option, an inquiry, was the least unattractive way forward. It would be premature and indeed wrong to decide now to establish an inquiry, but we consider that the practical arrangements and possible terms of reference should be explored, so that if we did find it necessary to act quickly at some stage (most likely early in the New Year) we should have our lines clear.

11. Apart from the nurses, we have not previously ventured down this road. But our predecessors' experience - of Houghton, Clegg and others - shows that it carries great risks for public expenditure and of a pay explosion. We could reduce these by leaving pay levels out of the terms of reference, but the majority of my colleagues did not favour this. But we would need to ensure that an enquiry examined a wide range of issues, including pay and the machinery for determining it, conditions of service, and the effective management of the teaching force; and we would need to draft the terms of reference and choose the membership very much with a



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view to securing a robust result, but one which the public would see as fair and reasonable. In particular, the inquiry should be firmly directed to the unacceptable fact that present conditions of service and methods of management have enabled teachers to cause extensive disruption without cost to themselves.

12. We shall also need to consider whether any inquiry should examine the division of responsibility between central and local Government. Local authorities have abdicated their management responsibilities, and this will have to be addressed if we are to secure our objectives. But this does raise fundamental issues about the constitutional relationship between central and local Government, and we shall need to guard against the possibility that an enquiry might conflict with our views on future arrangements for local Government finance, where our current strategy for reform excludes central government taking on a more direct responsibility for education. We shall need to discuss this point.

Timing and Practicalities

13. We do not need to take a decision now. There is no case for acting before Christmas. But we might need to be ready to act early in the New Year, when we seem likely to face two possibilities: either a temporary peace, until the 1986 negotiations are under way; or, which DES think more likely, even if there is a settlement for the current year in England and Wales, an early resumption of disruption. (In Scotland there is no prospect of a 1985 settlement at present; the Scottish unions have declared a truce until 6 January - involving the cessation of focused strike action between now and Christmas - which they say is to allow the Secretary of State time to come up with a new initiative to solve the dispute, failing which worse disruption is threatened for early in the New Year.) Pressure on the Government to take action will increase after Christmas, particularly in Scotland when the new school term opens and the threat to the public examinations looms larger. We shall have to

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reflect carefully at that stage whether an inquiry would be the right response as opposed to another course. There may be a period during which decisive action by the Government would attract considerable public support, and place maximum pressure on the teachers to acquiesce in whatever is proposed.

14. We would hope that if an inquiry were established it might report by July, covering both pay and wider issues. For this timing it would have to be set up very early in 1986. Although we might expect it to recommend tightening up of contracts and management, it might also recommend a higher pay settlement than we have been prepared to contemplate so far. We could even be faced with the possibility of having to reject (at least in part) the recommendations of our own inquiry. Even were the result acceptable to us, we might still face the need to impose the recommendations by legislation if (which must be possible) they proved unacceptable to either local authorities or to the teachers' unions. But at that point we should at least hope to have public opinion largely on our side: that indeed would be the point of holding an inquiry.

15. For both practical and presentational reasons it would be necessary to have separate inquiries for Scotland and for England and Wales. We have envisaged either three or five member inquiries, with the Chairman and Secretary being common north and south of the border in order to ensure proper co-ordination. The inquiries might also have one other member in common. I should add that, although the Secretary of State for Northern Ireland agrees with this analysis, he would not wish Northern Ireland to be included within the scope of any inquiry. However, if an inquiry were announced, he would make it clear that any agreed outcome would be applied within Northern Ireland where appropriate.



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Conclusion

16. We were asked to survey the options and not make recommendations at this stage. We have not been able to identify any strategy which could guarantee achievement of all the Government's objectives. None is without serious risks. But we believe that effectively the choice lies between firmly maintaining our present stance, while taking all steps possible to try to ensure that eventually we win the war of attrition; or setting up an inquiry, with a carefully timed announcement and carefully chosen terms of reference and membership.

17. I am sending copies of this to the other Members of MISC 122 and to Sir Robert Armstrong.

A large, stylized handwritten signature in blue ink, appearing to be 'W. R.' or similar.

12 December 1985