

PRIME MINISTER

17 December 1985

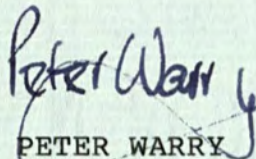
TEACHER'S PAY

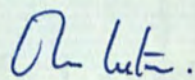
At MISC 122, you will be under pressure to agree to an enquiry.

As you know, we believe that you should resist this and fight on, giving time for midday supervision to work, and mounting a new propaganda initiative.

But if the pressure for change is irresistible, we suggest that - instead of deciding on an enquiry - you should ask Lord Whitelaw's group to consider re-structuring the current £1250 million offer.

We attach a note describing how this offer could be made more attractive to teachers and to the general public.


PETER WARRY


OLIVER LETWIN

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RESTRUCTURING THE £1250m OFFER

The present £1250 million offer has failed to settle the dispute because:

1. No teacher can be certain that he or she will personally benefit.
2. Nobody can remember the details because the proposal is so complex and diffuse.
3. There is no extra money for the majority of teachers, who will fail to be promoted.

A Revised Package

These problems might be overcome if the package were restructured. The teachers' unions could be offered:

- Massive Pay-Rises for the leaders of the profession. The Government would fund 20% increases over 4 years for: 16%
 - a. all deputy heads and heads;
 - b. all scale 4 and 5 teachers;
 - c. the best 20% of Scale 1, 2 and 3 teachers, promoting these to new 'merit' scales, 1*, 2* and 3*.
- More money for the low-paid. The government would also fund an immediate 2% rise beyond the employer's last formal offer, for all teachers on grades 1, 2 and 3.

In return for:

- A new system of assessment. The new system would have to be approved by the Secretary of State on the advice of HMI. It would affect teachers at the point of promotion: any teacher wishing to apply for promotion to a new grade would need to satisfy a board, which would consider the annual assessment reports.

Impact

The cost of the revised proposals would still be £1250 million over 4 years, including the cost of mid-day supervision. [See Annex B].

The new offer would be conditional on settlement of the current dispute, and a promise of no industrial 'action' for 4 years. The second, third and fourth instalments of the 16% rises would be conditional on fulfilment of that promise.

Scales 4 and 5 and Secondary Deputy Heads would be paid roughly the same as Civil Service Principals at the end of the 4-year period. Secondary Heads would be on a par with University Professors. [See Annex A]

EFFECT OF SPECIAL AWARDS UNDER REVISED PACKAGE

	Present Average Pay £	New Average Pay £
Best Scale 1 Teachers	7691	9100
Best Scale 2 Teachers	9017	10669
Best Scale 3 Teachers	10574	12511
Scale 4 Teachers	12146	14089
Scale 5 Teachers	13313	15443
Deputy Heads		
Primary	10480	12157
Secondary	14059	16308
Heads		
Primary	12289	14255
Secondary	17565	20375

Notes

1. These figures exclude the end-loaded 7.5% formally offered by the employers.
2. All Scale 1,2 and 3 teachers not promoted to 1*, 2* and 3* would receive 2% in addition to the 7.5% offer.

COST OF REVISED TEACHERS' PAY PROPOSAL

	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>£m</u> <u>1989</u>
<u>16% over 4 years for:</u>				
20% of Scale 1 [1*]	2	14	28	37
20% of Scale 2 [2*]	3	17	35	47
20% of Scale 3 [3*]	2	11	22	30
All Scale 4	18	35	53	70
All Scale 5	5	9	14	19
All Deputies	17	35	52	70
All Heads	18	36	53	71
<u>Total:</u>	<u>65</u>	<u>157</u>	<u>257</u>	<u>344</u>
<u>Additional 2% immediately for:</u>				
All Scale 1, 2, 3	68	68	68	68
<u>Midday Supervision:</u>	40	40	40	40
<u>TOTAL:</u>	<u>173</u>	<u>265</u>	<u>365</u>	<u>452</u>

GRAND TOTAL OVER 4 YEARS: £1,255m

Notes

1. We assume, for the purposes of the calculation, that promotions into the new merit scales, 1*, 2* and 3* are brought in steadily over the first two years.
2. We assume extra non-salary costs equal to 1/5 of the cost of salary rises.

PRIME MINISTER

TEACHERS' PAY

I share the Policy Unit's doubts about an enquiry.

- (i) to concede an enquiry during the dispute would look like and be represented as a climb down;
- (ii) it would increase nervousness about the Government's economic policies;
- (iii) Civil Servants and perhaps others would be encouraged to delay their settlements to see if they could make capital out of the report, and LA manuals in September would get the wrong signals;
- (iv) the public sector unions would be encouraged to make havoc next winter.

But if there is to be an enquiry, it should not look at pay levels. Lord Whitelaw acknowledges that an enquiry of any kind might well not stop the disruption, so why pay that price? It would surely be better to go for Megaw-style terms of reference, as attached, asking for a report on "principles and system" for setting pay, plus of course duties and conditions of employment.

Whether or not there is to be an enquiry DES should be asked to see what could be done to reassure parents that the examining boards will take the disruption into account.

P.S. Sir Keith Joseph will report on today's discussion.

See also the Policy Unit's further note below.

DRG

DRG.

DAVID NORGROVE

17 December 1985

TERMS OF REFERENCE OF THE MEGAW REPORT

“Having regard to the public interest in the recruitment and maintenance of an efficient and fairly remunerated Civil Service and in the orderly conduct of the business of Government and its services to the public; to the need for the Government to reconcile its responsibilities for the control of public expenditure and its responsibilities as an employer; to the need for good industrial relations in the Civil Service; and to recent experience of operating the existing arrangements for determining the pay of the non-industrial Civil Service: to consider and make recommendations on the principles and the system by which the remuneration of the non-industrial Civil Service should be determined, taking into account other conditions of service and other matters related to pay, including management, structure, recruitment and grading”. (*Official Report* 29 June 1981, Cols 577–584 (Commons) 8–13 (Lords)).

PRIME MINISTER

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Advance papers for your
meeting next Wednesday.

DES 13/12
13 December 1985

TEACHERS' PAY

In August you were told that a total of £1,250m over four years would buy peace in the teachers' dispute. In October you were told that the new mid-day supervision arrangements would make it easier to fight and win a strike. Today Lord Whitelaw's Group suggest that the best way to settle the strike could be by having an enquiry.

To get agreement from the unions, an enquiry would have to discuss pay. We already know that such enquiries cost money. The annex to this note shows that on average they give a real pay increase of some 12%. If this were repeated for the teachers it would add £700m each year to their pay bill, in addition to any normal cost of living increases.

You have expressed preference for an enquiry that does not discuss pay, and Lord Whitelaw's Group argues for a constrained reference to pay. But neither of these tactics will gain union agreement; and an enquiry without agreed terms of reference will neither buy peace now nor produce a long term solution, because the results will not be accepted.

Despite DES pessimism, the teachers and their employers have now expressed their intention of renewing talks about the 1985/6 pay claim, as we predicted they would. But it is already apparent that rumours of an enquiry are sapping the will to negotiate seriously; as long as they continue, there is no prospect for a settlement. Lord Whitelaw's proposal to develop contingency plans for an enquiry will ensure that these rumours persist.

We recommend that you should:

1. get an enquiry quickly and publicly off the agenda;

2. concentrate on getting mid-day supervision to bite
(it doesn't start until the New Year!);
3. start getting across the message that the solution
is in the hands of the Local Education Authorities,
who are failing to take the steps either to
discipline the teachers or to ameliorate the impact
of the strike.

Oliver Letwin

OLIVER LETWIN

Peter Warry

PETER WARRY

HISTORY OF PAY ENQUIRIES

<u>Date</u>	<u>Enquiry</u>	<u>Group</u>	<u>Award*</u>	<u>Inflation Rate</u>	<u>Real Pay Increase</u>
1970	Wilberforce	Electricity	11%	7%	4%
1971	Wilberforce	Miners	22%	9%	12%
1971	Hardman	Post Office	9%	9%	0%
1974	Houghton	Teachers	37%	15%	19%
1974	Halsbury	Nurses	30%	15%	13%
1974	Pay Board	Miners	27%	14%	12%
1978/9	Edmund Davies	Police	40%+	8%	30%
1979	Clegg	Nurses	29%	10%	17%
1979	Pay Research Unit	Civil Service	24%	10%	13%
1979/80	Clegg	Teachers	35%	22%	11%
1980	Pay Reseach Unit	Civil Service	<u>19%</u>	22%	<u>-2%</u>
			Average <u>26%</u>		Average <u>12%</u>

+ plus index linking

* average level of award including any staged elements

JNMABL