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PRIME MINISTER

REMIT FOR THE INTERIM ADVISORY COMMITTEE ON SCHOOL TEACHERS'  
PAY AND CONDITIONS

I have seen Kenneth Baker's minute of 7 September and disagree very strongly with his proposal <sup>WITH DCN</sup> not to direct the Committee to limit the overall size of the recommendations to a specific amount. This runs directly counter both to Cabinet's decision last year about the way that the Committee should operate and what Kenneth said in Parliament when he announced the establishment of the Committee. To do as Kenneth now suggests would inevitably mean embarrassingly high recommendations (which, because of the Affirmative Resolution procedure, we would in practice have little choice but to accept). This would be very damaging to public expenditure, to pay expectations elsewhere, and to local authority finances. We cannot allow this Committee to become a de facto Review Body immune from the normal processes of public expenditure control and we must stick to our original agreement as to how the Interim Committee should operate.

When we agreed last October to establish an Interim Committee we were very careful to distinguish it from a Review Body. The crucial difference was to be that the Interim Committee would advise about the distribution of pay within the amount that was decided by the Government. It was not to be given a free hand to recommend what it considered appropriate in the manner of the existing Review Bodies. This was the firm decision that Cabinet took on 30 October 1986 when it was agreed that:



CONFIDENTIAL



"New legislation would be introduced in any event to abolish the Burnham Committee, and to establish new machinery to settle teachers' pay and conditions; this would be done by the Secretary of State on the advice of an Interim Advisory Committee, whose remit would cover duties and conditions of service, and the distribution of pay within the amount decided by the Government."

Kenneth Baker made this clear when he announced the establishment of the Interim Committee to Parliament on the same day:

"The Government therefore intend to repeal the Remuneration of Teachers Act 1965 and to bring forward proposals to this House for new machinery which will involve an interim committee to advise the Secretary of State on conditions of service and the distribution of pay within the resources available at the appropriate time."

The Queen's Speech made the same point. In line with this the legislation explicitly provided for the Government to direct the Committee about the financial or other constraints to which their recommendations are to be subject. Kenneth's minute to you of 20 November 1986 made clear that the Interim Committee would have "strictly limited room for manoeuvre" and that a "cost envelope" would be set on its advice. I attach the relevant passage. (Annex A)

You will recall my concern that there should be no retreat from this position. At your meeting on 30 April 1987 to discuss Kenneth Baker's first ideas about the Committee's remit I questioned whether his formulation on finance represented a softening of the earlier position. Kenneth Baker said that it did not (Annex B).

Against this background I am deeply disturbed by the new proposal that we should not use our powers of direction over finance. The consequences of such inaction would be





disastrous. If the experience of the Review Bodies is anything to go by, the Interim Committee will inevitably recommend increases of at least average earnings and possibly more. That is likely to mean at least 7½ per cent. As Kenneth Baker points out, this compares with an increase in total provision for local authority current expenditure in 1988-89 over local authorities 1987-88 budgets of 3.8 per cent. Every 1 per cent on teachers pay in England and Wales costs nearly £70 million. Although the Advisory Committee only covers England and Wales it would be unrealistic to expect to conclude lower settlements in Scotland or Northern Ireland. Taking these costs into account every 1 per cent addition to teachers pay recommended by the Advisory Committee would cost £80 million. This means that the Interim Committee would be likely to make recommendations that would add at least £300 million to public expenditure above the plans we have already announced for local authorities.

It is essential that we direct the Committee to limit the overall cost of its recommendations to a specific figure. The obvious figure to choose is 3.9 per cent, as this represents the increase in total provision we have already agreed and announced for 1988-89 local authority current expenditure over local authorities own budgets for 1987-88. I could agree to round this to 4 per cent. This represents an increase in line with the likely rise in the cost of living next April and comes on top of the 25 per cent increase paid to teachers since March 1986. This would be the overall ceiling: the Committee would be asked to apportion this. In practice teachers' pay would, of course, rise by about 5 per cent because of the additional 1 per cent that will flow through in 1988-89 from Kenneth's extra promotions.

Kenneth objects to a maximum for four reasons but they actually boil down to two arguments, neither of which he raised when he proposed the establishment of the



CONFIDENTIAL



Interim Committee on the basis we agreed. First, he claims that this will be seen as a norm that must apply to the entire public services. I cannot see why this should be so. We have always made clear that pay for each group should depend upon the recruitment, retention, morale and affordability factors affecting it. These vary and so settlements vary. This has been the experience of the past few years and was seen in the last pay round when most civil servants got around 4½ per cent, teachers got 16.4 per cent, and other groups got amounts in between.

Second, it is said that the independence of the Committee would be undermined and they would resign. This beggars belief. The Government's power to direct the Committee in the way that I propose is explicitly contained in the legislation which established the Committee. To receive such a direction could come as no surprise to them or, indeed to anyone else. Indeed, they would be surprised if we did not make a direction after everything that was said when the Committee was first established.

Finally, we can have no faith at all that the steer that Kenneth proposes to give the Committee on finance in the informal guidance letter and in Government evidence would have any effect. Year after year we give the Review Bodies such steers and year after year they ignore them and say in their reports that they have ignored them. There is no reason at all to expect the Interim Committee to behave any differently.

I am copying to E(EP) Members and to Sir Robert Armstrong.

A handwritten signature in dark ink, appearing to be 'N.L.' with a horizontal line underneath.

N.L.

8 September 1987



EDUCATION

TEACHERS PAY

PT 10





# ANNEX A

## EXTRACT FROM MR. BAKER'S MINUTE OF 20 NOVEMBER 1986 TO THE PRIME MINISTER.

- (a) the exclusion of further education teachers from the proposed arrangements. There is no compelling case that we can make for imposing new arrangements for settling further education teachers' pay and conditions. Negotiations have more often produced agreements in further education; there is nothing like the collapse we have on the schools' side; there has been no large scale disruption of further education;
- (b) the strictly limited room for manoeuvre of the Advisory Committee. It is through the questions I would put and the directions I would give (draft Clause 2(1) and (3)) that I would set the cost envelope for the Committee's advice and require examination of matters such as regional variations in pay, the pay of teachers of shortage subjects, and the enforcement of contracts by the employers. To spell these matters out on the face of the Bill would increase objections and risk the exclusion of items which might acquire importance in the future;
- (c) the powers in clause 3 are the powers that I will need to issue regulations on teachers' pay and conditions. They are the means of imposing the Government's will on people when they won't comply. I am considering whether the drafting of this clause can, without altering the powers it provides, be revised to sound less draconian.

CMO until 20 December 1986

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EXTRACT FROM MR NORCROVE'S LETTER OF 30 APRIL 1987 TO MR SMITH [DES].

need, before the paper was published, to have made some progress in deciding the broad direction in which it wished to move.

Other points made in the discussion included the following.

- (i) The key phrase in relation to the Interim Advisory Committee had been included in your Secretary of State's statement of 30 October, namely, that it would "advise the Secretary of State on conditions of service and the distribution of pay within the resources available at the appropriate time". The possible remit to the Committee described in your Secretary of State's minute of 23 April (paragraph 10) seemed to represent a softening of that. Your Secretary of State said that was not the intention.
- (ii) There could be no question of creating a review body for the teachers: they had, unlike the nurses, sought to achieve their ends through strike action.
- (iii) A key objective in the permanent arrangements for settling teachers' pay would be to retain the freedom for the Government to decide the contribution to be made by taxpayers.
- (iv) There was a strong case for the Government to be deemed joint employers of the teachers, and it would be important to try to strengthen the means by which teachers' contracts could be enforced.

Concluding this part of the discussion, the Prime Minister said it was agreed that your Secretary of State might promise a consultation paper, but without setting a date for its publication or indicating a date by which permanent arrangements might be in place. In the coming weeks, and during an Election campaign if there were to be one before the summer, the Government should seek to bring out the size of the pay increases which had been granted to teachers and the other advantages of the settlement in order to prevent the teachers' unions keeping the focus on the claimed loss of negotiating rights. The Government should also point to the weaknesses of the Burnham arrangements, under which the Government had minimal voting rights, even though the taxpayer would foot 46 per cent of the bill, and they could also point to the way in which only 4 out of the last 12 settlements had been reached through the Barnham machinery. If asked why there could not be a meeting involving all the parties to settle future arrangements, it would be possible to point to the difficulty of establishing who should be present: industry and, in future, head teachers of schools which had chosen to opt out of the Local Authority sector, ought among others to be represented. Your Secretary of State would be writing to head teachers next week and every possible effort should be made to put across the Government's case.