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Reference No 02823

PRIME MINISTER

Future Machinery for School Teachers' Pay and Conditions

(E(EP)(87)6; Chancellor of the Exchequer's minute of 7 September)

DECISIONS

The Sub-Committee needs to decide on new long-term machinery for setting school teachers' pay and conditions, to replace the Interim Advisory Committee established under the Teachers' Pay and Conditions Act 1987. There are two main options -

i. An Independent Advisory Committee (IndAC), building on the arrangements for the Interim Advisory Committee (IAC). This is the option favoured by Mr Baker.

ii. A Teachers' Negotiating Group (TNG) in which the local authority employers and the Government would negotiate with the teachers' unions about pay and conditions. This option is favoured by the Chancellor of the Exchequer.

2. The Sub-Committee also needs to decide whether the promised Green Paper on future machinery for deciding teachers' pay and conditions should set out the Government's preferred option, or simply describe a range of options without expressing a view on the choice between them.

BACKGROUND

3. E(EP) last discussed the long-term machinery for setting teachers' pay and conditions on 15 July (E(EP)(87)1st Meeting). At that meeting Mr Baker had brought forward a draft Green Paper which described a number of possible approaches, but left the Government's options entirely open. The Chancellor argued that the Government needed to decide what arrangement it favoured before publishing a Green Paper, which would need to make the Government's

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preference clear. The Sub-Committee agreed that the Government needed to be clear what arrangements it favoured, and asked the Education Secretary to bring forward proposals in consultation with the Chancellor of the Exchequer and the Secretary of State for the Environment. It did not however take any decision about the treatment of the preferred option in a Green Paper.

MR BAKER'S PROPOSALS

4. Mr Baker's paper sets out nine different options for determining teachers' pay and conditions in the long-term. However, many of these options are variants of three basic approaches:

i. a National Joint Council (NJC), similar to those for other groups of local authority employees. The NJC would be a negotiating body, with representatives of the teachers' unions and the local authority employers having the great majority of the seats. The Government might have minority representation, and the right to ask Parliament to overturn any settlement on grounds of national economic circumstances. Nevertheless, this approach is very unlikely to meet the Government's aims in influencing both the level of teachers' pay, the pay structure and conditions of service. No member of the Sub-Committee is likely to be arguing for it.

ii. An Independent Advisory Committee (IndAC). This approach would build on the Interim Advisory Committee established under the 1987 Act, although Mr Baker suggests that it would be for consideration whether the Government would have the same powers to direct the new Committee, including the power to set constraints on the costs of its recommendations. But Mr Baker does suggest a power, as with the Interim Advisory Committee, for the Secretary of State to substitute his own view for that of the Committee, subject to an affirmative vote in both Houses of Parliament.



iii. A Teachers' Negotiating Group (TNG). This would be a negotiating group, like an NJC, but with much more substantial representation for the Government, amounting to nearly 50% of the management side of the TNG. This would allow the Government to veto an unacceptable deal in most circumstances, although the Government might still want a power to ask Parliament to override a negotiated settlement if it had less than 50% of the management seats. The Secretary of State would also have a power to impose a solution if the TNG was unable to reach agreement, again subject to the affirmative resolution procedure.

5. The Education Secretary's firm view is in favour of an Independent Advisory Committee. He believes that this approach offers the best chance for consolidating the improvements in the teachers' pay structure and conditions of service which were achieved in the imposed settlement for 1987. He also sees advantage in reducing the role of the teacher unions in new arrangements.

THE CHANCELLOR OF THE EXCHEQUER'S VIEWS

6. The Chancellor's views are set out both in Mr Baker's paper and in his own minute of 7 September. He argues very strongly that an Independent Advisory Committee would be indistinguishable from a Review Body for teachers' pay, that its recommendations would be well in excess of what could be afforded and that it would have unacceptable implications for public expenditure. He therefore favours a teachers' negotiating group. On the question of the contents of a Green Paper, he argues that once the Government has decided what approach it prefers, it should make that clear and consult on it as a firm proposal.

7. The Chancellor does not make clear which variety of TNG he prefers, in particular whether he wants the Government to have a majority of management side seats. His own logic would seem to



lead to this solution, since an override power would then be unnecessary.

VIEWS OF OTHER MINISTERS

8. Mr Ridley agrees with the Education Secretary's proposal for an Independent Advisory Committee. But he sides with the Chancellor on the need to state a clear Government preference in the Green Paper. The Secretary of State for Wales may however favour a Teachers' Negotiating Group rather than an Advisory Committee, on the grounds that it will be more acceptable to the teaching profession, and therefore improve industrial relations in the schools. The Secretary of State for Employment may take the same line.

MAIN ISSUES

Basic model for future arrangements

9. The Sub-Committee needs to decide on the basic approach it wishes to adopt for determining teachers' pay in the long-term. The main arguments in favour of the Independent Advisory Committee approach are -

i. If the Committee is seen as a truly independent body this might reduce the risk of disruption in the schools. But if the Government takes and uses powers to constrain the Committee's recommendations tightly in terms of substance and cost, this advantage would disappear.

ii. The Committee might be more likely than a negotiating group to build on the recent changes in the teachers' pay structure and duties.

iii. An approach based on an IndAC could reduce the power of the teacher unions, and that might again reduce the likelihood of disruption.

10. On the other hand the argument in favour of a Teachers' Negotiating Group are -



i. Provided the Government can exercise a controlling role over the negotiations, it offers the best chance of minimising the cost of teachers' pay settlements and of avoiding undesirable implications elsewhere in the public sector.

ii. It restores negotiations, which is what the teacher unions have been pressing for. If they are satisfied with the terms of the new group, it may therefore reduce the danger of disruption in the schools. But on the other hand the tighter the Government's grip on the new arrangements, the less likely they are to be acceptable to the unions.

A possible compromise

11. On the vital question whether the Government could direct the IndAC on financial matters, Mr Baker says only that it is 'for consideration'. The Chancellor notes that Mr Baker's proposal on this point is unclear. It goes of course to the heart of the argument between them. Would the Chancellor accept an IndAC if there were to be a satisfactory power of financial direction? This could depend on the outcome of the discussion on the first paper.

Contents of the Green Paper

12. There are two questions:

- what is the Government's preferred option?
- should it state that preference in the Green Paper?

The questions are distinct. You could for example agree with the Chancellor's preference for a TNG on the first, but with Mr Baker's preference for a neutral presentation on the second.

13. Mr Baker's argument for neutrality is that the other parties will fail to agree on a solution, and it will then be easier for the Government to put forward its own. He thinks that, if the Government puts forward its own preference, everybody will unite against it. The Chancellor argues exactly the reverse. He thinks that opinion will quickly coalesce round an undesirable option unless the Government gives a lead; and that it is anyway perverse



not to state a view, having reached one.

14. You will want to test Mr Baker's argument and in particular his assumption that the other parties will not agree. He says himself (para 2) that the local authority associations and most teacher unions would prefer the NJC solution. Might there be a consensus in favour of the NJC which it would then be difficult for the Government to ignore unless it had already stated its own preference?

TIMING

15. Mr Baker wishes to publish a Green Paper in September. That seems advisable if the Government is not to leave the initiative on long-term pay arrangements with the local authorities and the teacher unions. However Mr Baker has not yet circulated a revised version of his earlier draft Green Paper, on which the Sub-Committee had a number of comments. You will want to ask the Education Secretary to circulate a revised draft, taking account of the earlier comments, and the outcome of the present meeting.

HANDLING

16. You will want to ask the Education Secretary to introduce his paper. The Chancellor of the Exchequer will wish to speak to his minute. The Secretaries of State for the Environment and for Wales will also wish to comment. The Secretary of State for Scotland may wish to comment on any implications for the arrangement for determining teachers' pay in Scotland. Other Ministers will also wish to contribute to the discussion.

R T J WILSON

9 September 1987
Cabinet Office