CONFIDENTIAL

Prime Minister

SCHOOL TEACHERS

I have seen a copy of Keith Joseph's and George Younger's joint minute of 26 March to you about teachers' pay.

I have two main concerns. The first is the general one, which other colleagues will share, that however they are presented, the proposals would create a precedent which other groups could seize upon. We shall obviously want to consider that on Tuesday.

The second is the implications for the rate support grant settlement for 1986-87, and for our local government finance policies generally. For England, the proposal is to increase relevant current expenditure in the 1986-87 settlement by £100 million (and to increase the PES provision for the later years by higher figures). This presents serious difficulties both of substance and of timing. E(LA) has met once to discuss the 1986-87 settlement, and as usual the intention is for us to reach agreement on provisional proposals for the main elements of the settlement in time for announcement before the Summer Recess. That announcement should include the grant percentage and the current expenditure provision. A later announcement of a substantial increase in the provision, which ought also to lead to some increase in Exchequer grant, cuts right across the E(LA) discussions.

CONFIDENTIAL

I foresee particular problems if we keep targets for 1986-87. I shall have to issue provisional targets in July. If then we announced this proposed extra £100m in October, we should have to find some way of distributing it amongst education authorities, although I am statutorily obliged to formulate targets on principles applicable to all authorities. As far as I can see, there would be no way of ensuring that any increases in education authorities' targets were in fact used for paying teachers more; and there would be pressure to grant disregards for authorities who considered that their target increases were insufficient to cover their increased costs.

Copies of this minute go to the Chancellor of the Exchequer, the Secretaries of State for Education and Science, Scotland, Employment, Wales and Northern Ireland, and to Sir Robert Armstrong.

PJ

P J

29 March 1985

Pouches for

APPENDIX

TEACHERS' SALARY SCALES IN ENGLAND AND WALES

1. Leaving head teachers and deputy head teachers on one side, primary and secondary school teachers in England and Wales are paid on an incremental scale running from £5442 to £13395 (1 April 1984 figures). Within this scale there are five overlapping divisions:

Scale I	£5442 to £9201
Scale II	£6252 to £9915
Scale III	£7734 to £11031
Scale IV	£9201 to £12363
Senior teacher	£9915 to £13395

2. Each school has an allocation of posts above Scale I, depending on the numbers and ages of the pupils. The employers are able to use some managerial discretion in placing teachers on the different scales to take account of qualifications in short supply and individual merit, but for the most part the higher scale posts go with specific responsibilities such as head of department jobs. At present the distribution of teachers among the scales is

Scale I	34% of teachers
Scale II	36%
Scale III	20%
Scale IV	8%
Senior teacher	2%

3. Teacher motivation and management flexibility would be improved if (i) more money were made available in total for teachers' pay so that average pay (within a smaller teaching force) could be increased; (ii) management had discretion to promote and place teachers on the scales taking account of any or all of the responsibilities of the post, the performance of the individual teacher, and the market value of the teacher's qualifications; and (iii) all teachers were eligible for consideration for an increase.

This could be achieved if Government agreed to (i); if (ii) were explicitly agreed by Burnham, and if each authority were required to employ teachers distributed among the scales according to a schedule such as

Scale I	20-25%
Scale II	20-25%
Scale III	20-30%
Scale IV	20-30%
Senior teacher	5-10%

One further incremental point at £14,000 might also be added to the Senior Teacher scale.

4. The cost of such a package would depend on detailed negotiations, but it need not be more than £100 million in the first full year rising to £250 million in the third year, with a further £50 million over the next 5 years.

Flag A

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ANNEX A

TEACHERS: THE POSITION IN ENGLAND AND WALES

Present position

1. The 1985 negotiations are stalled on a management offer of 4% against a teachers' claim of 12.4% as a first step towards restoring the "Houghton" 1974 relative pay levels. Arbitration has been offered and refused; conciliation is now being discussed with ACAS. There is no sign at present of the employers raising their offer and arbitration seems the most likely ultimate outcome, perhaps after a deal of disruption in schools.

2. The long-running pay structure talks are also blocked. The employers' November 1984 proposals included:

i. definition of the teachers' responsibilities (in terms of a programmed week at the disposal of the school, plus unquantified professional obligations for marking and preparation etc, all within contract and subject to periodic performance appraisal)

ii. three year entry scale, with reduced load and pay in years one and two and a test of career suitability before permanent appointment

iii. a main professional grade for classroom teachers with increments withheld from teachers not judged worthy of advancement up the scale and the payment of additions above the scale for extra responsibilities

iv a teacher fellowship scheme (cash plus secondment) for outstanding classroom teachers.

While the proposals address the right questions, the answers are not entirely satisfactory. The demerits include a compression of differentials, an insufficient connection between quality of performance and level of pay, an over-reliance on management willingness to manage robustly and a reduced

leverage for headteachers to manage the schools. The cost of this package is estimated to be of the order of 15% over seven years, with the first year cost dependent upon the phasing and manner of implementation and its relationship with the annual pay negotiations. None of these points were addressed because the NUT rejected the employers' proposals in December and the teachers have refused to take further part in any structure talks, insisting on separate negotiations for pay and conditions of service.

3. The two largest unions are taking industrial action (four others - representing over 100,000 classroom teachers and 30,000 headteachers - are not). Goodwill - ie willingness to undertake so-called "voluntary" duties such as attend parent evenings, cover for absent colleagues, supervise pupils at midday - has been withdrawn nationally and, though its effects vary from area to area with the metropolitan authorities worse hit, this is causing disruption for more schools and pupils than direct strike action. The two unions are conducting campaigns of escalating selective strikes. The NUT, by its fifth week, has held 3 day strikes in 1,720 different schools affecting nearly one million pupils. However, far from all of these schools have been entirely shut down for the whole three days. The NAS/UWT has over the same five weeks extended its strikes to 24 LEAs where its members are being withdrawn at short notice for different lengths of time. Because of the nature of the action, it is very difficult to quantify its effects. From information provided by LEAs the Department estimates that the strikes of both unions are only resulting in closures of 1/2 day or more of something like 1 in 10 of the schools directly affected.

Aspirations of the three parties

4. The three parties concerned have very different aspirations and priorities. The teachers' first and overriding priority is more money. There is a bias towards flat-rate application and no willingness to see extended differentials. Secondary but still important objectives are improved promotion and career opportunities and better self and public esteem. The employers' first priority is peace in the schools by means of watertight contracts which

would prevent teachers indulging in cost-free or low cost disruption. They would also like to be in a position to improve teachers' pay generally, if Government would put up the money. The Government wants to raise the quality and standards of education in schools. To that end teaching and the management of teachers must be improved by means of regular performance appraisal, better rewards for excellence and increased differentials. This must be achieved without putting at risk the Government's economic and financial policies.

Background factors

5. To understand these aspirations it is necessary to understand the context in which the two sets of talks have reached deadlock. The following are the key background factors:

(i) pay erosion teachers claim that their pay has been dramatically eroded in relation to other groups of workers. They say they want to recover the 35% lost since Houghton and have been told by employers and Government that this is a pipedream. But teachers have lost their position in terms of relative average earnings in recent years as is shown by the New Earnings Survey of gross weekly earnings.

£ cash (1981 = 100)

	Non-manuals	Teachers in England and Wales
1981	134 (100)	157 (100)
1982	146 (109)	159 (101)
1983	159 (119)	172 (110)
1984	172 (128)	181 (115)

Whereas after Clegg teachers earned 17% more than other non-manual workers, by 1984 they were earning just 5% more. This effect bears heavily on male teachers who by 1984 were earning 6% less than other male non-manual workers.

(ii) teachers attitudes: pay levels and their relative erosion are the key reasons for the frustration and sourness of so many teachers who feel trapped in a profession with diminished prospects, morale and respect and

resentful that supply and demand should be considered right for settling their pay but not that of policemen and other public service groups covered by review bodies. Recruitment and retention is a live problem only in certain specialist areas but the motivation, enthusiasm and commitment needed to raise the quality of education in schools and to implement various Government initiatives is increasingly at risk, not least amongst those who have made successful starts to their careers but now find their progress blocked and expectations dashed. This mood extends beyond the state sector to the independent schools. These negative considerations seem to far outweigh the benefits of real pay increases since 1979 and the almost complete job security enjoyed by teachers at a time of rising unemployment. Nor do the teachers seem willing to accept that demands for professional pay levels are vitiated by unprofessional behaviour.

(iii) the teacher's job is more demanding and difficult than it used to be. Economic, social and demographic change have profoundly affected individual schools. Society has become much more diverse and values and institutions are increasingly called into question. The pace of technological change has quickened, putting new and urgent demands on teachers, and the traditional support of home and community for the work of schools and teachers is less evident than previously. But perhaps the heaviest pressures on teachers have arisen from the pace of the educational change which Government would like to see. Reforms in educational content and delivery and in forms of examination are essential and urgent. Each requires redirection and adjustment by teachers. The cumulative effects may stimulate the best; others may feel over-burdened and some overwhelmed. But all tend to feel under-valued in relation to these new demands, many of which are seen as implicitly critical of past teacher performance.

(iv) penalties: teachers who go on strike have their pay docked (by national collective agreement, deductions are made at 1/365th of annual salary per day - the school year is effectively made up of 190 teaching days). Until this year teachers who 'withdrew goodwill' or refused to perform 'voluntary' duties (eg cover for absent colleagues or attend parent evenings) rarely suffered any penalty. This year the local authority associations have advised employers that such actions constitute breaches of contract and 65 authorities (out of 104) have written to their teachers warning them that pay might be deducted. Just 16 authorities are actually making deductions and these tend to be for token amounts (£2 for each refusal to cover a

lesson) in accordance with legal advice that pay should be withheld not as a penalty but as a deduction for damages caused. The NUT is seeking a declaration from the High Court against Newcastle and Solihull LEAs that such deductions are illegal. Because of the selective and partial nature of the strikes and the limited and severely constrained nature of the response to other forms of industrial action, the two unions involved are able at relatively little cost to reimburse their members so that no individual teacher is out of pocket. Strikes and fundamental breaches of contract repudiate contracts of employment and it is open to employers to dismiss employees without notice, simultaneously offering re-engagement on contracts which might be more tightly drawn to specify contractual duties and responsibilities. The entire history of local authority management of the teacher force suggests that this course will not be taken.

(v) local management: in the structure talks (2 above), LEAs professed themselves willing to engage in much more active management of teachers, relating their pay more directly to appraised quality of performance. However, the record on resolute management is against the LEAs. Few have begun to develop systematic appraisal or management procedures to inform their decisions on promotion, deployment, improvement of unsatisfactory performance, re-training etc. It would not seem sensible therefore to see greater employer discretion as the motor for more discriminatory management and rewards; more prudent to look for reform effected by mechanisms and pressures built into the system (hence the proposal in the Appendix).

(vi) the Remuneration of Teachers Act 1965: the Burnham Committee system set up under this Act is increasingly attacked by the local authority employers. They claim that the current deadlock on negotiating pay and structure agreements shows that the machinery has broken down. The employers pressed their case for reform on 6 March and the Secretary of State repeated his readiness to consider proposals which offered the prospect of real improvement on the current arrangements. Officials are to discuss the options. The employers have in mind two main possibilities - repeal, leaving the field to employers and employees, and amendment to bring together negotiations on pay and other conditions, perhaps along the lines of the Scottish machinery.

(vii) international comparisons: though there is a paucity of up-to-date material, there is little doubt that teachers in Britain are not as well paid as teachers in some other OECD countries. To some extent this is simply a reflection of the difference in earnings generally. But it is also the case that most European countries (eg France, Germany, Netherlands) pay their school teachers according to the level at which they teach, whereas in England and Wales all teachers, whether primary or secondary, are paid on the same scales. This compression of differentials reduces possibilities for higher earnings for the high quality teachers. Teachers abroad also tend to do less in the way of pastoral and supervisory work - in France for example there is no contractual requirement other than to teach.

Annex B

SCOTLAND

Present Position

After a ballot of Scottish teachers, a 4.5 per cent settlement was reached in 1984. The subsequent campaign by the NUT in England and Wales, leading to a 5.1 per cent award as a result of arbitration, may have prompted the more resolute subsequent attitude adopted by teachers in Scotland. A campaign for an independent pay review started in August 1984. Since August the Educational Institute of Scotland (EIS), by far the largest of the Scottish teachers' unions, has undertaken industrial action, which includes a boycott of all Government sponsored curriculum developments: this has had serious consequences for the major reform of the curriculum and examination system for 14-16 year olds which has had to be postponed in part. Since January the EIS has intensified its industrial action which now includes sustained selective strikes for 3 days each week at certain schools in the constituencies of Government Ministers. Several schools have lost 20-25 days this term. The EIS has also disrupted procedures related to the Scottish Certificate of Education examinations this year. The Secretary of State has firmly rejected an independent pay review. He did, however, refer to an alternative way forward, ie a review of pay and conditions of service within the teachers' statutory negotiating machinery, ie the Scottish Joint Negotiating Committee. He also indicated that he would be prepared to consider on their merits and in the framework of the Government's existing public expenditure plans for Scotland as a whole any proposals relating to pay and conditions of service which might result from detailed examination undertaken by the SJNC. Despite meetings and exchanges of correspondence to clarify the Government's position, the Teachers' Side have refused to participate in a review of this kind, largely because they are unwilling to contemplate any deterioration in conditions of service.

Two of the smaller unions, the Scottish Secondary Teachers' Association and the Professional Association of Teachers, are willing to take part in a review within the SJNC. The EIS is resolutely opposed and has announced its intention to increase its campaign of disruption in support of the demand for an independent pay review.

No specific pay claim has as yet been submitted for 1985/86.

Aspirations

While the teachers' first priority is undoubtedly to obtain more money, this is linked to a feeling that current and imminent curriculum and assessment reforms in Scotland require a considerable degree of extra effort on the part of teachers for which there is inadequate recompense in salary terms. Even though in practice the reforms have so far only affected teachers in a certain number of subject areas, the profession as a whole sees this argument about additional workload as a justifiable grievance of wider validity.

In recent years the employers have been sympathetic to teachers' demands for better pay, but unable to gratify them because of public expenditure constraints. They are concerned at the disruption to examinations and curriculum development and other aspects of school life which has resulted from the present industrial action; and they would no doubt wish to negotiate a more tightly drawn scheme of conditions of service. They feel that successful negotiation of these tighter conditions could be achieved only by an increased pay offer. In present circumstances they are inhibited by the Secretary of State's control over the level of local authority expenditure.

The Secretary of State shares the concern about finding a way to obviate future disruptive action of the present kind and to re-establish better relations with the teaching profession. Failure to do this would prejudice his longer term objective to improve the quality of teaching, for example through programmes of staff development. It will also make it difficult, and ultimately perhaps impossible, to deliver the fundamental changes in the curriculum and the system of assessment which Ministers require in order to make education a more worthwhile and relevant experience for all young people.

Background Factors

The changing climate of opinion within the teaching force in Scotland can be more readily understood in the light of the following background factors:-

(i) Pay Erosion: Teachers believe that their pay has suffered compared with that of other groups of workers, some of whom enjoy index-linking or have the benefit of standing review bodies. If a baseline of May 1979 is taken, they have in

fact fared rather better than civil servants in comparable grades and most other groups in the public sector; indeed, between 1979 and 1984 the average pay of teachers increased by 82 per cent against a rise in RPI of 62 per cent. Since 1980, however, (ie post Clegg) teachers' pay has risen by only 30 per cent as compared with 49 per cent for non-manual workers generally.

(ii) Attitudes: There is no doubt that teachers are suffering from a crumbling of morale. They believe that there is little outside appreciation of the demands of their job and the hours of actual work required of them. Their status in the eyes of both their own pupils and the community at large is steadily falling. Many rue the career choice, sometimes a highminded one, which brought them into teaching. They consider themselves forced into their campaign for an independent review as the only way out of a spiral of decline. Although the teachers' associations generally welcomed the abolition of corporal punishment in Scotland, they feel that for that and other reasons classes are now more difficult to control, and there is a general complaint that alternative disciplinary methods take a great deal more time.

(iii) Nature of the job: There can be little argument that the teacher's job is becoming more demanding - not least because of Government policy:-

(a) all courses for 14-18 year olds in school are being revised as a result of Government led development programmes; all secondary school teachers will be required to prepare new syllabuses and materials and master new teaching methods;

(b) the new courses emphasise practical and oral skills and vocational relevance; this requires more work with small groups of pupils;

(c) the assessment and certification arrangements for the new courses require pupils to be assessed against objectively developed standards of performance rather than

being marked simply in order of merit; this requires all teachers to master unfamiliar assessment techniques;

(d) because end-of-course written examinations cannot adequately test practical and oral skills or the achievements of pupils at the lower end of the ability range, internal assessment by pupils' own teachers is necessary throughout the course; and this in turn pinpoints more accurately where there is a need for remedial action to help pupils achieve the required standard;

(e) the same emphasis on practical skills etc and more objective assessment is being developed in the lower stages of secondary education and in primary schools.

All this requires a level of teacher involvement to which only the most able aspired in the past. As the new procedures become fully understood, the system should become more manageable but at present the demands are seen by teachers as formidable and forbidding and it is likely that the workload of assessment will remain greater than it was before. Some provision for additional staffing to take account of the extra work arising from the 14-18 reforms has been made but how far this has worked through to schools depends on the attitude of individual education authorities; and there are arguments that what has been provided is not enough.

(iv) Penalties: The existing scheme of conditions of service dates back to 1975, when a much greater degree of co-operation from the teaching force was taken for granted. It now contains various flaws and omissions with the result that it is possible for a teacher to do the bare minimum without breaching conditions of service. Education authorities have thus far been reluctant to discipline errant teachers because:

(i) they support the teachers' cause; or

(ii) they do not wish to jeopardise a positive response by the Teachers' Side to the Secretary of State's proposal for a joint review of pay and conditions of service; or

(iii) they genuinely cannot state that particular duties are contractual duties since they have in the past been conceded as being outwith the scope of the contract.

Some are now beginning to take a tougher line. There have been complaints from individual parents that, by permitting industrial action to disrupt studies, education authorities are in default of their statutory duty to provide adequate and efficient education; but the authorities concerned claim that they are largely powerless and that a tougher stance would merely provoke disruption on a wider scale.

(v) Pay machinery: The Scottish Joint Negotiating Committee (SJNC), with a remit covering both pay and conditions of service, was established as recently as 1982. Within the Management Side, the Secretary of State has only two representatives and no veto or weighted vote; but adequate safeguards exist against excessive pay awards through the Secretary of State's control of local authority expenditure.

The pay structure in Scotland differs markedly from that in England and Wales. There are only two main scales - for secondary and primary teachers respectively. In addition, there are 8 bands of responsibility allowance for promoted staff, varying according to the nature of the responsibility, the type of school and size of the school roll. It is generally recognised that there are imperfections in these arrangements and the teacher unions would probably welcome a single scale. It is likely, however, that their dissatisfaction with the structure is little more than a symptom of discontent with salary levels as such.

Since the inception of the SJNC, pay settlements have taken the form of a referral to arbitration (with the finding accepted by the Secretary of State) in 1982, a settlement with ACAS assistance in 1983 and a normally negotiated settlement in 1984.

EDUCATION: Teachers Pay Pt 4