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PRIME MINISTER

SCHOOLTEACHERS

Keith Joseph and George Younger minuted you jointly on 26 March with proposals for the Government's policy towards schoolteachers over the next three or four years. I fully understand both the educational and electoral considerations involved. But I fear I cannot accept these proposals as they stand. I am not convinced that they would be effective; they would have serious implications for the pay of other public service groups; and they would add substantially to public expenditure.

Effectiveness

2. Teachers north and south of the border are refusing to discuss structural change or changes in conditions of service. Their aim is to prise more money out of the Government without accepting any of the changes which are necessary if our educational objectives are to be achieved. They can cause considerable disruption in schools at relatively little cost to themselves or their unions.

3. Keith's conclusion is that we should stand firm in the pay negotiations this year. I welcome this. But he also proposes that an additional £100m (2 per cent of the paybill) should be made available for teachers in England and Wales in 1986-87, rising to £250m (5 per cent of the pay bill) over three years. Sums of a similar order, in proportion to the number of teachers, are proposed for Scotland.



4. This amounts to little more than paying teachers more for what they should be doing anyway. I appreciate that the aim is to buy co-operation. But I do not believe that the proposed performance-related pay system will make much difference to the attitude of teachers, not least because any teacher placed on a higher scale following good performance would in practice probably remain there whether or not that performance was sustained. In any event, as the minute points out, both teachers and employers will dislike a discretionary scheme on the lines proposed. It surely cannot be sensible to make additional funds available if we do not believe that they will achieve what we want, namely an effective body of teachers willing to give effect to the educational policies set out in last Tuesday's White Paper.

Other public service pay groups

5. I do not deny that the position may become increasingly unstable. But the teachers are not alone. The Civil Service, the NHS non-Review Body groups and the local authority employees have all claimed that they are demoralised because the Government has sought to reduce the size of the public sector; and since 1980 all of them have seen their earnings slip relative to the national average. Comparisons between public service groups do not suggest that the teachers have done particularly badly. For example, between April 1980 and April 1984, the average earnings of a secondary schoolteacher have increased by 34.6 per cent; whereas those of non-industrial civil servants increased by 32.2 per cent. These increases compare with an increase of 31.2 per cent in the average value of the RPI between 1980-81 and 1984-85, the two relevant pay periods.

6. It would be wrong to consider any changes for teachers in isolation. There is no doubt that, if teachers were given an additional 5 per cent for structural changes, other public



service groups would want similar sums. The local authority manuals have already agreed to embark on restructuring talks; and there are many structural changes which unions and management would like to see introduced in the Civil Service, if the necessary funds could be found.

Public expenditure

7. Even if I were willing to take risks on the other aspects of these proposals, I could not agree to the additional expenditure involved. There is again likely to be substantial overspending by local authorities in 1985-86, which will make it very difficult to hold to our published plans for the later years. To add up to £250m for teachers' pay in England and Wales alone would be taken as a signal that we had abandoned our efforts to contain local authority expenditure.

8. However, there is an alternative possibility which would involve no net addition to our spending plans. We said in our Green Paper last year on long-term expenditure, as Keith acknowledges, that we want a smaller as well as a better teaching force. If the modest rate of decline already planned in January's Public Expenditure White Paper could be accelerated so that, for example, the pupil teacher ratio in England (currently about 17.7) reverted by 1987-88 to its 1981-82 level of 18.5 instead of falling to 17.5, we should save well over £100m by 1987-88. If, but only if, the delivery of these savings could be assured, they could then be made available for appropriate extra payments to some teachers.

Conclusion

9. To sum up:-

- (i) I do not believe that the present proposals will help us to achieve our educational objectives.



- (ii) They will also make it much more difficult for us to handle other public service pay groups.
- (iii) We cannot afford major additions to our present public spending plans. There must be a faster reduction in teacher numbers if some of them are to be paid more.
- (iv) Meanwhile we should stand firm in pay negotiations this year and make no promises, however conditional, about next.

10. I am sending copies of this minute to the Secretaries of State for Education and Science, Scotland, Wales, the Environment, Employment and Northern Ireland and to Sir Robert Armstrong.

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

N.L.

1 April 1985