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From: J B UNWIN  
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MR NORGROVE

**TEACHERS PAY**

As you requested, I have prepared, with Mr Wiggins' help, the attached note which summarises as a basis for discussion the current position on the teachers' pay dispute.

2. Although decisions of substance will not be needed until the early autumn, I think that some urgent further preparatory work is necessary if the Government are not to be at a serious tactical disadvantage. The first requirement is to form some sort of game plan for dealing with ACAS and Main and the immediate decisions that will be required on 1986-87 pay and conditions. Thereafter, substantive decisions will be needed on the longer-term negotiating machinery, although it will not be possible to reach sensible conclusions on this until we see how ACAS and Main turn out.

3. These points are summarised in the conclusions of the note, together with my view that, if the Government are not to risk appearing in an entirely reactive and wrecking light, some further signalling of their requirements should be made very soon. Mr Baker started last Friday by making it clear that the Government would be looking to replace Burnham. I have heard that even this has irritated ACAS, who thought it would have been helpful if these noises has been made much earlier. So time is running out.

J B UNWIN

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TEACHERS' PAY

AGREED OBJECTIVES

Ministers have agreed:

(i) The Government cannot stand off completely from the process that determines teachers' pay and conditions;

(ii) Burnham must be replaced (Mr Baker has now publicly asserted this);

(iii) any replacement must as far as possible secure:

(a) affordable pay settlements;

(b) more effective management of teachers' and schools by LEAs;

(c) an end to industrial action;

(d) minimum conflict with the Green Paper local finance proposals.

2. No course open to the Government can meet all these objectives. So the question is which approach offers the best prospect across these objectives taken together.

CONSTRAINTS AND TIMING

3. The Government does not control the timing. It is constrained by ACAS in England and Wales, and Main in Scotland. On present form ACAS will not report until September, but figures and proposals will leak very soon. Main is unlikely to report before the end of September.

4. This suggests that there are 2 problems to negotiate:

(i) Short Term: how to respond immediately to ACAS and Main;

(ii) Longer Term: what longer term machinery on pay and conditions of service should be put in place.

SHORT TERM: ACAS AND MAIN

5. The Government are not committed to any immediate decisions on ACAS. They have said they will consider the results when available. In principle the Government could:

(i) accept in toto - but that would prejudice Main (as well as being costly and defective on other objectives);

(ii) reject immediately and refuse to finance - but that would invite resumption of disruption;

or (iii) announce that full consideration would be given to the implications of ACAS and Main when both were available.

6. In response to Main, the Government could then:

(i) accept in toto, both as regards 1986-87 pay and conditions etc, and as regards longer term machinery;

(ii) reject completely - probably unthinkable;

or (iii) accept selectively (eg it might be possible to accept the recommendations on pay and conditions, but reject those on longer term machinery).

7. The further response to ACAS would then depend on what is in Main. Possibilities for England and Wales would be:

(i) accept ACAS alongside Main (as being essentially compatible) as regards immediate pay and conditions, giving separate condition to longer term machinery;

(ii) accept ACAS as the basis for an immediate settlement, but subject to the advice of an expanded Main Committee (again, dealing separately with longer-term machinery);

(iii) reject ACAS entirely and consult an expanded Main Committee on the application of the Scottish recommendations to England and Wales;

8. The viability of paragraph 7 (ii) and (iii) would, of course, depend on the nature of the ACAS and Main recommendations and the view taken of them by teachers and public opinion. Any rejection of ACAS must run the risk of renewed disruption. Nor would referral of ACAS to an expanded Main Committee guarantee delivery of recommendations significantly tougher than ACAS. Difficulties are in any case likely if ACAS and Main seriously diverge. If, as is likely, Main is tougher, the Scottish unions would stick out for ACAS terms, while the Government would no doubt want to impose the Main terms on England and Wales. The latter could probably only be secured, if at all, by new primary legislation, whereas an immediate settlement that carried a modicum of goodwill should be capable of implementation through existing machinery.

#### LONGER TERM ARRANGEMENTS

9. The main options considered by Ministers so far are:-

(i) Free Collective Bargainig: likely to be very costly with little or no progress on conditions of service, management etc;

(ii) Standing Advisory Committee (SAC): could be costly and repercussive. But better chance of securing other education objectives;

(iii) Teachers' Negotiating Group (TNG): also likely to be costly, with less progress on other objectives. But easier for Government to reject its recommendations (at risk of renewed disruption).

10. In practice, the choice between these options (or other models) will depend to a large extent on the character of the immediate settlements on pay and conditions and the recommendations of Main on longer-term machinery. If Main produces reasonable pay and conditions recommendations, and also (as seems possible) recommends some form of SAC, it may be hard to resist this. On the other hand, the more teachers get by way of an immediate pay settlement, the less they might be inclined to resist TNG type machinery, although this would remain a potential source of conflict in the future. And if the immediate pay settlement were excessive, an SAC would risk guaranteeing a permanent relative pay lead for teachers (as the Edmund Davies formula does for the police).

11. These considerations suggest that the option the Government chooses should not be permanent. It could be presented as a temporary arrangement after a period of difficulty until such time as more normal bargaining arrangements (? decentralised) could be restored. This could be made explicit in the legislation which might, for example, contain a time limit (say, 5 years) subject to prolonging the arrangements by affirmative resolution procedure.

#### OTHER ISSUES

12. Any course chosen must also take account of:

(i) the conflict with local government finance policy;

(ii) wider proposals for the future of the education system.

#### Central v Local Responsibility

13. There is no escape from the dilemma. But a choice has to be made. Unless the Government stands aside completely (which would not stop it being held responsible for the deficiencies of the education system or for high rate increases as a result of excessive teachers pay settlements, or extract it

from its role as partial pay master), any extension of central control would conflict with the Green paper on Local Government Finance. However, a central mechanism were established, this could be justified on the basis that:-

(i) it was (at least in intention) temporary, and the local government finance reforms (in England and Wales) will take a decade or so to complete;

(ii) the education service is different in character from other local services; central Government must, and is so expected by the public, to be directly involved.

#### The Future of the Education System

14. The proposals identified for further study at the Prime Minister's last meeting on 15 May were:-

- open enrolment -
- Government maintained schools -
- reintroduction of direct grant schools -
- expansion of the assisted places scheme. -

The options of a national education system or separately elected education authorities had previously been ruled out.

15. Although it would be logical to settle the future development of the education system before taking decisions on the arrangements for teachers' pay and conditions now, in practice none of the responses above seems likely to conflict with likely developments. And in any case the response to ACAS and Main simply cannot be postponed if the risk of renewed disruption is to be minimised.

#### CONCLUSIONS

16. We now need to prepare:

(i) a tactical approach for handling ACAS in the period before the publication of Main (paragraph 5);

(ii) a tactical approach for handling ACAS and Main when both have been received, together with possible ways of restricting immediate pay increases to the less expensive of the two packages (paragraphs 6 and 7);

(iii) contingent legislation if required to enforce the conditions elements in the packages (paragraph 8)

(iv) contingent legislation to set in place an SAC or TNG or other longer-term mechanism (paragraphs 9-11).

17. Conclusions (i) to (iii) are more urgent than (iv), the final decision on which will have to be taken in the light of decisions on the ACAS and Main recommendations. Whichever options are chosen, however, there is a strong case for declaring the Government's requirements well in advance. Mr Baker has already signalled the Government's view that Burnham is unsatisfactory and must be replaced. It is for consideration whether, on the basis of the above analysis, he should now go further and list the Government's main requirements for any replacement system. Otherwise, repudiation of ACAS and/or Main will risk being seen as an entirely wrecking response, resulting from the Government's failure to address the issues responsibly earlier.