

-CH/NL/0464 PTA

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Begins: ~~26/4/89~~ 27/12/88.
Ends: 13/6/89

THIS FOLDER HAS BEEN REGISTERED ON THE REGISTRY SYSTEM

PO | CH | NL | 0464.
Pt. A.

Chancellor's (Lawson) Papers:
Teachers Pay and Conditions.

DD's: 25 Years

[Signature]

14/2/96.

PO | CH | NL | 0464.
Pt. A.



Department of Employment
Caxton House, Tothill Street, London SW1H 9NF
5803
Telephone 01-273
Telex 915564 Fax 01-273 5821

Secretary of State

| | |
|--------------|-------------|
| CH/EXCHEQUER | |
| REC. | 03 JAN 1989 |
| ACTION | CST |
| COPIES TO | |
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✓3/1

The Rt Hon Kenneth Baker MP
Secretary of State
Department of Education and Science
Elizabeth House
York Road
LONDON SE1

A good idea

December 2

New Year

[PS] CST a PS/PMG

I understand that the Committee of Vice Chancellors and Principals have withdrawn from present pay bargaining arrangements because of a dispute over whether a further salary increase for teachers is due for this year and about the amount and funding of next year's increase.

*PEM
Anon
Mneller
Kelly
Case
Scamman
[initials]
Aoplin*

This dispute, and the proposed action of the AUT in boycotting examination work next year, seems to me quite unnecessary. But I wonder whether the apparent dismantling of current arrangements would provide an opportunity for decentralising pay negotiations for university teachers within a devolved budgetary framework? As you know, my White Paper identifies central pay fixing institutions as one of the impediments to wage flexibility. It is important for the Government to give a lead in removing such barriers wherever practicable.

No doubt you will be considering this option, alongside others, in the context of any general review of pay bargaining arrangements for university teachers.

I am copying this letter to the Prime Minister, to other members of EPS(P) and to Sir Robin Butler.

You are.

NORMAN FOWLER



Employment Department · Training Agency
Health and Safety Executive · ACAS



FROM: D I SPARKES
DATE: 9 JANUARY 1989

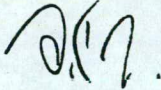
PS/CHIEF SECRETARY

cc PS/Paymaster General
Sir P Middleton
Mr Anson
Dame A Mueller
Mrs Case
Miss Seammen
Mr Kelly
Mrs Chaplin

TEACHERS: PAY BARGAINING ARRANGEMENTS

The Chancellor has seen a copy of Mr Fowler's letter of 23 December to Mr Baker concerning the withdrawal of the Committee of Vice Chancellors and Principals from present pay bargaining arrangements.

2. He agrees that the dismantling of current arrangements provides a good opportunity for decentralising pay negotiations.


DUNCAN SPARKES

CONFIDENTIAL



ELIZABETH HOUSE
YORK ROAD
LONDON SE1 7PH
01-934 9000

*BFE to Duncan
13/11 to see
PWP 1*

The Rt Hon Norman Fowler MP
Secretary of State for Employment
Department of Employment
Caxton House
Tothill Street
LONDON
SW1H 9NN

12 JAN 1989

| CH/EXCHEQUER | |
|--------------|-------------|
| REC. | 12 JAN 1989 |
| ACTION | CST |
| COPIES TO | |
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Norman Fowler

UNIVERSITY PAY

Thank you for your letter of 23 December about the **dispute on university pay**. I fully share your wish to see **greater flexibility** in the arrangements for the pay of **university academic staff**.

The package of measures which I approved in 1987 represented an important first step in that direction. They established the principle that progression through the lecturer scale should be dependent on satisfactory performance, added discretionary points to the senior lecturer scale and widened the salary bands for professors.

There are **some constraints on salary flexibility** within and between the universities;

- university lecturers are **a highly specialised and therefore mobile labour force**. The markets in their skills are national, in some cases international, rather than local;
- at present the largest and most reliable source of recurrent funding is the grants from the **University Grants Committee, which are determined on common principles**. I am looking at alternative methods of funding higher education and to ways of increasing greater diversity in the sources of support, but this is bound to take time to carry through.

That said, there are opportunities even in the short term to get more flexibility. Informal talks between the Committee of Vice-Chancellors and Principals (CVCP) and the Association of University Teachers (AUT) are continuing despite the former's withdrawal from the negotiating machinery. CVCP are proposing that any further increase in pay should take into account differences in what universities can afford by including an element for local discretion, as well as an uplift in national rates. They are also seeking changes in the salary structure which would give management more discretion.

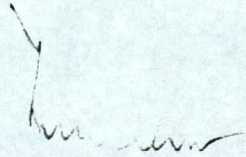
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CONFIDENTIAL

The negotiating machinery which the CVCP have abandoned was voluntary. They withdrew from it as a tactical device to avoid the arbitration for which the machinery provides, despite my assurance that I would veto any arbitral award which they could not afford. So the present position is one simply of direct negotiations between employers and employees: there is little risk to the Government in that because the employers are closely constrained by what they can afford. The industrial action is indeed deplorable and unjustified, especially since less than a quarter of the staff concerned voted for it. We have yet to see how effective it will prove.

The CVCP and AUT are meeting again on 20 January to discuss a pay package. The CVCP is also canvassing opinion among universities about new pay machinery. For the time being I consider it right to wait to see what proposals emerge from these initiatives. The need to remove barriers to pay flexibility is certainly one of the criteria which I should apply to the assessment of any proposals which come forward.

I am copying this letter to the Prime Minister, to other members of EPS(P) and to Sir Robin Butler.



CONFIDENTIAL

FROM: C W KELLY (PAY)
Room 120A/3
DATE: 26 April 1989
ext 4400

CHANCELLOR

*Thanks.
A further year of IAC
is acceptable. What KFB
says that, what KFB
wants is to write only
for teachers. As
Mr ... on ...*

cc: Chief Secretary
Paymaster General
Sir Peter Middleton
Mr Anson
Dame Anne Mueller
Mr Monck
Mrs Case
Ms Seammen
Mr de Berker
Mrs Chaplin

TEACHERS PAY

You may like to have forewarning of a possible approach from Mr Baker about the future arrangements for determining teachers pay.

2. I understand that he saw the Prime Minister about this yesterday. The meeting was a private one and we do not know what transpired. But it seems likely that his message was that there was now little alternative but to allow the Interim Advisory Committee to continue for one more year; and that in the longer term the arrangements for the negotiating group set out in the Green Paper simply would not run. He may have thought it wise to try this on the Prime Minister first to see her reaction before doing so more widely.

3. Thinking again about the format of the negotiating group may not in fact be so heretical. We have been giving some thought to it ourselves. Any mechanism to determine pay is unlikely to prove very stable unless it commands to some extent the confidence of those it affects. The teachers negotiating group, as originally proposed, seems unlikely to do that in current circumstances.

4. How it could be changed to give it a greater chance of securing acceptance, without conceding any of the points which are important to us, is not clear. We have discussed a number of possibilities with DES officials over recent months -

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including for example, use of an interquartile range and various combinations of variations in the membership of the negotiating group and vetoing powers for the Secretary of State - without reaching any very helpful conclusions.

5. Mr Baker is said now to have some proposals of his own. His officials are reluctant to discuss these with us unless and until they have his authority to do so - which depends partly upon the outcome of his meeting with the Prime Minister yesterday. We will continue to press them.

CWK

C W KELLY



FROM: D I SPARKES
DATE: 27 APRIL 1989

MR KELLY (PAY)

cc PS/Chief Secretary
PS/Paymaster General
Sir P Middleton
Mr Anson
Dame A Mueller
Mr Monck
Mrs Case
Ms Seammen
Mr De Berker
Mrs Chaplin

pm p

TEACHERS' PAY

The Chancellor was grateful for your note of 26 April, forewarning him of a possible approach from Mr Baker about the future arrangements for determining teachers' pay. He commented that allowing the Interim Advisory Committee to continue for one more year is acceptable. Beyond that, what Mr Baker wants is a Review Body for teachers; that is not acceptable.

D.I.

DUNCAN SPARKES

mp



J/S

| | |
|-------------|--------------|
| H/EXCHEQUER | |
| REC. | - 3 MAY 1989 |
| ACTION | <i>CST</i> |
| COPIES TO | |
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PRIME MINISTER

TEACHER TRAINING

3/5/89.

1. I am minuting to inform you and colleagues about my plans for two major aspects of teacher training:

- (1) the review of the system for the approval of courses of initial teacher training
- (2) new initiatives to make teacher training more flexible, more responsive to the needs of teachers and schools and more directed to the problems of teacher shortage.

APPROVAL OF COURSES OF INITIAL TEACHER TRAINING

2. I have reviewed the operation of the Council for the Accreditation of Teacher Education (CATE), which Keith Joseph set up in 1984. Much has been achieved but more remains to be done. I wish to introduce tougher criteria for the approval of courses of initial teacher training (ITT) and to improve the machinery for applying them. These criteria will incorporate where possible statements as to the competences to be expected of a student teacher who has successfully completed a course.

3. I am proposing that much of the detailed work of the Council in scrutinising courses should be delegated to local committees. I shall take steps to ensure that these committees exercise an independent and objective judgment. They will have clear terms of reference and will report to the Council. The Council will, as now, be responsible for

*BAKER
→
PM
3/5*

offering me advice on course approval. I want the new Council to advise me regularly not only on courses but on how we can progressively tighten up the criteria. They are minimum thresholds and by raising them we can lever up quality.

4. I plan to implement these changes when the term of office of the present members of CATE expires at the end of this year. I shall need to consult widely on some of the details and it will also take some time to get the new arrangements into place. The Opposition tabled a Supply Day motion on teacher shortages yesterday in which, as we agreed over the weekend, I announced that I shall be issuing a consultation document.

TEACHER TRAINING INITIATIVES

5. I also want to make teacher training more attractive to people with the right qualities and aptitudes for whom present methods of entry are, for one reason or another, unsatisfactory. There are two particular schemes which I regard as highly important. One, for "licensed teachers", was the subject of a consultation document last year and I plan to introduce the scheme this September. The other, for "articled teachers", is an experimental scheme which I announced in outline in a speech in January. This is intended to start in September 1990.

(a) Licensed teachers

6. The target here is to make it possible for mature people who already have some higher education, but who may well have family commitments, to train on the job. This is particularly aimed at people who want to change their career into teaching in their 20's, 30's and 40's. Unlike students on a conventional postgraduate certificate of education (PGCE) course they will receive a salary, and their training will be the responsibility of the LEA rather than an ITT institution. There will be a lower age limit of 26. The LEA will apply to

the Department for the grant of a licence, and will be expected, in cooperation with the school concerned, to arrange a training programme enabling the licensed teacher, by the end of the 2 year period of the licence, to acquire all the competences towards which all forms of teacher education will be directed. In providing the training tailored to the circumstances of each entrant - some may have useful teaching experience but not a degree level subject qualification, while others may have a degree but no experience in school - LEAs will be expected to draw appropriately on the resources of ITT institutions. I intend to publish the necessary draft regulations in the course of this month, so as to permit recruitment of the first licensed teachers in September this year.

(b) Articled teachers

7. My target here is recent graduates who want to move directly into schools rather than spend another year mainly in a college, polytechnic or university doing a conventional PGCE. I envisage that these articled teachers would do 2 years school-based training, on some kind of salary, but would at the same time have close links with an ITT institution which would award them a PGCE when they had successfully completed that training. The arrangements for articled teachers will need to be agreed by LEAs, schools and ITT institutions, so that the new teachers can gain the proper balance of practical experience and instruction in teaching method in a supportive environment. There has already been an encouraging response from LEAs and ITT institutions to these ideas, and I shall shortly be inviting bids for pilot schemes - which will be supported under the LEA Training Grants Scheme - over the period 1990 to 1994.

(c) Consistency of Quality

8. I shall provide clear statements of the competences expected from trainees who emerge from these alternative training routes into teaching. The competences will be

aligned with those in the main criteria for course approval to ensure consistency of quality. By meeting the demands of particular students and employers more accurately and by recognising the importance of a flexible and practical approach to training, the new routes into teaching will over time improve the overall quality of the profession.

POLICY EVALUATION

9. We shall of course need to evaluate the impact of these policies. One obvious measure is success in recruitment against target into initial teacher training in total and in the shortage subjects in particular. A further measure is recruitment and retention of teachers in schools. These measures are not entirely straightforward to interpret and in seeking to meet our targets we must not sacrifice quality to quantity. Nonetheless we shall have to pay close attention to them, not least because there will be much interest in them from the wider public.

10. I am copying this minute to the other members of E(EP), the Secretary of State for Northern Ireland and Sir Robin Butler.

KAS.

KB

DEPARTMENT OF EDUCATION AND SCIENCE

3 MAY 1989

Gaul
934 0706



FROM: A C S ALLAN
DATE: 4 MAY 1989

I. Duncan

MS SEAMMEN

cc PS/Paymaster General
Sir P Middleton
Mr Anson
Dame A Mueller
Mrs Case
Mr C W Kelly
Mr Call

2. Julie
Note X. Under
Whether we've
agreed to
approve DES
or vice versa.

TEACHERS' PAY

Mr Baker approached the Chancellor in the margins of Cabinet this morning and asked for a bilateral next week to discuss teachers' pay. He wants to make an early announcement that the IAC will run for one more year, and at the same time spell out what regime will follow it. He thinks it will be impossible to proceed with the teachers' negotiating group as previously planned. He is not proposing a review body but said he had a new proposal to put to the Chancellor (presumably something on the lines of a revamped Burnham).

2. The Chancellor would be grateful if you could discreetly find out from DES officials what Mr Baker is likely to propose, and provide appropriate briefing for the bilateral (time not yet fixed).

ACSA

Please sort out.
Abx

A C S ALLAN



Ch/ I am not sure how
keen Mr Baker is to see you,
but he is now in Australia
until 17 May!

Are you content to see him
for 1/2 hr at 5.30pm that
evening before you go off
to appear on Wogan?

No!

Julie
9/5.

Ch/ Is 8.45am on Friday
19 May, before Prayers
at 9.15am, any better?

Julie
11/5. OK



10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

| CH/EXCHEQUER | |
|--------------|------------|
| REC. | 8 MAY 1989 |
| ACTION | CST |
| COPIES TO | |
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✓ e/s

8 May 1989

ppp

Dear Tom,

TEACHER TRAINING

The Prime Minister has seen your Secretary of State's minute of 3 May.

She feels that there are a number of aspects on teacher training initiatives that need to be more fully spelled out for the proposals to be properly assessed. These include:

- the target numbers of new teachers who will enter the profession via the new schemes of "licensed teachers" and "articled teachers";
- details of the way in which the articled teachers scheme would work: including the structure of training - both within the school and at teacher training institutions - the financing of the scheme, and the responsibilities of the Department;
- who will have responsibility for ensuring that these new schemes work - who effectively 'owns' them?

She would be grateful if your Secretary of State could amplify his proposals on these points.

I am copying this letter to the Private Secretaries to members of E(EP), Stephen Leach (Northern Ireland Office) and Trevor Woolley (Cabinet Office).

*Yours,
Paul*

PAUL GRAY

Tom Jeffery, Esq.,
Department of Education and Science.

UNCLASSIFIED

FROM: D A LOWETH (HE2)
DATE: 11 MAY 1989
EXTN: 4714

1. MR FARTHING (HE2)
2. CHIEF SECRETARY

cc: -Chancellor
Sir P Middleton
Mr Anson
Mr Phillips
Mr Monck
Mrs Case
Mr Burr
Mr Call

pwp

TEACHER TRAINING

1. Mr Baker's minute of 3 May to the Prime Minister gives details of two major aspects of teacher training:

(a) the review of the system for the approval of courses of initial teacher training; and

(b) new teacher training initiatives, covering schemes for "licensed teachers" and "articled teachers".

2. Of these, (a) presents few difficulties, with only minimal expenditure implications (£100,000-£150,000 a year). However, the Prime Minister has already drawn attention (her Private Secretary's letter of 8 May) to a number of aspects of (b) that need to be spelt out more fully before the proposals can be properly assessed. The one that interests us most is the financing of the articled teachers scheme. DES officials have told us that they intend that articled teachers should be paid a bursary by the LEA for the two-year course (at least for the pilot scheme - no decision has yet been taken on longer-term funding). This is unlikely to be less than the value of the mandatory award for a one-year Post Graduate Certification of Education (PGCE) plus the first year's teaching salary. It could be more if Mr Baker wants to tempt more potential teachers into the scheme. LEAs will be invited to bid for funding for the pilot as part of the LEA Training Grants Scheme, recently settled for 1990-91. But, thereafter, Mr Baker may well be looking for increased resources.

LOWETH
→
CST
11/5

3. I recommend that you follow up the Prime Minister's request for more details on how the scheme is to be financed by asking for an assessment of its likely cost - and for confirmation that Mr Baker will not be seeking additional resources for the scheme. A draft letter on that basis is attached.

David Loweth

DAVID LOWETH

DRAFT LETTER FROM THE CHIEF SECRETARY TO:

Rt Hon Kenneth Baker MP
Secretary of State for Education
and Science
Elizabeth House, York Road
LONDON SE1 7PH

MAY 1989

TEACHER TRAINING

Thank you for sending me a copy of your minute of 3 May to the Prime Minister. I have also seen the response from her Private Secretary asking you to amplify your proposals on several aspects of the teacher training initiatives.

If I may, I would like to add a further request of my own, which is to ask that you let us have a full assessment of the likely costs of the scheme. I am, of course, assuming that there will be no need for additional expenditure as a result of these proposals - given that articulated teachers will be paid a bursary by LEAs; and that LEA funding will fall to be determined with other priorities within the LEA Training Grants Scheme-but I would be grateful if you could confirm that my assumption is correct.

I am copying this letter to other members of E(EP), the Secretary of State for Northern Ireland and Sir Robin Butler.

[JM]

1976



FROM: MRS JULIE THORPE

DATE: 12 May 1989

*Pay pay
not for my files*

MISS SEAMMEN (P1)

cc PS/Paymaster General
Sir P Middleton
Mr Anson
Dame A Mueller
Mrs Case
Mr C W Kelly
Mr Call

TEACHERS' PAY

Following Alex Allan's minute of 4 May, I am now able to confirm that the Bilateral with Mr Baker will take place at No.11 at 8.45am, on Friday 19 May. I would therefore be grateful if you could provide briefing by close of play on Wednesday 17 May.

Julie Thorpe

MRS JULIE THORPE



Mr Baker bilateral :

- Don't admit foreknowledge of his proposals
- His proposals flawed because
 - (i) weak discipline of c. charge on LA negotiators
 - (ii) difficult for him to amend/reject Group's recommendations
 - (iii) difficult for him to turn aside arbitration body's recommendations
- So would lead to higher settlements, unjustified across-the-board on recruitment & retention grounds
- Let his officials discuss with yours modifying existing machinery,
- Agree to extend IAC for another year if more flexibility oriented.

UNCLASSIFIED



cc:
Chancellor
Sir Peter Middleton
Mr Anson
Mr Phillips
Mr Monck
Mrs Case
Mr Burr
Mr Farthing
Mr D A Loweth
Mr Call

Treasury Chambers, Parliament S

The Rt Hon Kenneth Baker MP
Secretary of State for Education and Science
Department of Education and Science
Elizabeth House
York Road
London
SE1 7PH

CST
BAKER
12/5

12th May 1989

Dear Ken, *mp*

TEACHER TRAINING

Thank you for sending me a copy of your minute of 3 May to the Prime Minister. I have also seen the response from her Private Secretary asking you to amplify your proposals on several aspects of the teacher training initiatives.

I would like to add a further request of my own, which is for a full assessment of the likely costs of the articulated teachers scheme. I am, of course, assuming that there will be no need for additional expenditure as a result of these proposals - given that articulated teachers will be paid a bursary by LEAs; and that LEA funding will fall to be determined with other priorities with the LEA Training Grants Scheme - but I would be grateful if you could confirm that my assumption is correct.

I am copying this letter to other members of E(EP), Tom King and Sir Robin Butler.

Yours Ever, *John Major*

JOHN MAJOR

CONFIDENTIAL

FROM: C W KELLY (PAY)
Room 120A/3
DATE: 17 May 1989
ext 4400

CHANCELLOR

cc: Chief Secretary
Paymaster General
Sir Peter Middleton
Mr Anson
Dame Anne Mueller
Mrs Case
Miss Peirson
Ms Seammen
Mr De Berker
Mr Call

TEACHERS PAY

Your meeting with Mr Baker on Friday follows an earlier private discussion he had with the Prime Minister at which he was asked to discuss his ideas on teachers pay with you before preparing a paper for E(EP) by the end of the month.

2. This is against a background in which the DES have already secured a place in the 1989/90 session for a teachers pay bill, but as yet no agreed proposals on what to put in it, and with the remit of the IAC having effectively run out, unless it is extended by affirmative order.

The Baker proposals

3. The Baker proposals, as set out in a minute to the Prime Minister (which we have not seen) and subsequently elaborated, are apparently as follows:

- i. To abandon the proposed Teachers Negotiating Group (TNG).
- ii. To let the Interim Advisory Committee do another year.
- iii. To aim for an understanding with the teachers on an alternative acceptable framework for negotiation, to be announced in September with the IAC remit.

KELLY
→
CX
17/5

iv. To combine this with two substantial real terms increases in teachers pay before the next election.

4. The Prime Minister is said to have confined herself to expressing some reservations about across the board real terms increases and some hankering after more local pay bargaining.

5. The minute to the Prime Minister was apparently rather vague about the details of the new machinery. But we understand that what Mr Baker has in mind is:

i. A negotiating group composed entirely of the unions and local authorities with the DES there only as observers.

ii. The Group to be charged to make recommendations to the Secretary of State by a certain date. The date chosen (probably 1 January) would be determined to ensure that any decisions taken were fully reflected in local authority budgets and in the community charge.

iii. The recommendation having been made, the Secretary of State would have the power to accept, amend or reject it. It is not clear whether it is envisaged that this power will be unfettered, or subject to some form of Parliamentary procedure.

iv. If the two sides fail to submit an agreed recommendation, the Secretary of State would appoint a body looking like the present IAC to make a recommendation in their place, which he could also accept, amend or reject.

Discussion

6. This is, of course, a complete (though not unexpected) volte face. The TNG, which Mr Baker now wants to abandon, was intended to have a majority of votes for HMG on the management side as well as arbitration only by joint agreement and a power of imposition for the Secretary of State subject to negative resolution. The creation of a TNG with these features was announced in the October 1987 Green Paper as a decision. Only the details were

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supposed to be for consultation. It was recognised in E(EP) that arrangements of this kind were unlikely to be popular. But they were thought essential to ensure that the Government view of affordability was given sufficient weight, and it was explicitly agreed that at the end of the day they were likely to have to be imposed.

7. Mr Baker, who was never very happy with that decision, is now trying to go back on two of the three main features. His representatives on the new negotiating group would have only observer status, and using a new advisory body in cases of disagreement amounts to something very like arbitration with unilateral access. His objective in proposing this is partly to try to distance himself as much as possible from teachers pay. But he must also be aware:

i. That the pressure exerted by the community charge is unlikely in practice to be a sufficient discipline on local authority negotiators.

ii. That his power to amend or reject recommendations made to him is likely to be extremely difficult ever to use.

iii. That it will be even more difficult to turn aside recommendations made by the arbitration body.

And that the net outcome is therefore likely to be higher settlements.

8. This would, of course, be entirely consistent with his view on the need for real increases in teachers pay anyway - a view which is justified as he sees it by the need to improve the quality of the teaching force if the introduction of the national curriculum is to be effective. He cannot claim generalised recruitment and retention problems. Outside London (where there are real problems which have not yet been properly addressed) and shortage skills (where he is doing something but probably not yet enough), the crude statistics do not suggest any serious problem of quantity.

Alternatives

9. The objection to Mr Baker's proposals is obvious. They simply do not give us enough confidence that affordability will be sufficiently taken into account in the negotiating process.

10. But we also have some sympathy with the notion that the TNG as originally proposed will not do either. Despite what was said about imposition in 1987, new machinery for settling the pay of such an important group which does not command at least some degree of tacit acceptance by those concerned (local authorities as well as teachers) is unlikely to provide any more satisfactory or settled a framework for the future than did Burnham. We do therefore urgently need to explore with DES officials how the original proposals might be modified. There are a number of possibilities which we could explore, perhaps along the lines of the arrangements proposed earlier by Mr Rifkind for Scotland (no power of imposition, no majority for HMG on the management side but power to determine management's negotiating position if agreement cannot be reached, giving an effective veto). Other possibilities include an independent chairman, some kind of Megaw-type machinery, or even different arrangements for arbitration.

11. Mr Baker's officials have, however, been forbidden to talk to us about any of this until after he has spoken to you.

The IAC

12. The easiest part of all this to deal with is the proposition that the remit of the IAC could be extended for another year. It will be no easier this year than in previous years to set the remit. But the timing is such that there is almost certainly now no real alternative. The chances of having new machinery in place by April 1990 seem fairly slim. Even if that were not the case Mr Baker and we both see some advantages in another set of IAC recommendations - we because we suspect that there is more chance of introducing greater flexibility into the system that way, Mr Baker because he would not trust his new negotiating group not to attempt to claw back some of the delegations to schools which are essential for the introduction of local management in schools. We do not need to agree the remit for the IAC until the autumn. But it might be worth floating with Mr Baker the possibility of making it much more flexibility oriented this year.

CONFIDENTIAL

13. We have been given the details of Mr Baker's proposals in confidence. It would be unhelpful if he knew that you had had foreknowledge of them.

ck

C W KELLY



JPWP

Treasury Chambers, Parliament Street, SW1P 3AG
01-270 3000

19 May 1989

Tom Jeffery Esq
PS/Secretary of State for Education
and Science
Department of Education and Science
Elizabeth House
39 York Road
LONDON
SE1 7PH

cc PS/Chief Secretary
PS/Paymaster General
Sir P Middleton
Mr Anson
Dame A Mueller
Mrs Case
Miss Peirson
Mr C W Kelly
Ms Seammen
Mr de Berker
Mr Call

Dear Tom,

TEACHERS' PAY

The Chancellor met your Secretary of State, at the latter's request, at No.11 Downing Street this morning to discuss teachers' pay.

Opening, your Secretary of State said that the Interim Advisory Committee (IAC) had now been in place for two years and on the whole he thought that after the big adjustment in teachers' salaries two years ago it had produced settlements which had been reasonably acceptable to all involved and broadly in line with those in the Civil Service. Your Secretary of State reminded the Chancellor that in his Green Paper in October 1987 he had proposed a new means of setting teachers' pay, the Teachers' Negotiating Group (TNG). This had provided for a Government majority of votes on the management side, arbitration only by joint agreement, and a power of imposition for your Secretary of State subject to negative resolution.

Your Secretary of State said that he had now discussed the Green Paper proposals exhaustively with both the local authority employers and the union sides and it was clear to him that neither was prepared to sign up to them. Indeed, there was a strong chance that the employers would boycott the TNG if he proceeded with legislation while the unions, for their part, insisted that the TNG did not offer negotiation in any true sense. The enmity that would be aroused if he proceeded with the proposal would, he felt, almost certainly lead to industrial action in schools.

Your Secretary of State said he therefore proposed to abandon the TNG and, as an interim measure, let the IAC carry on for a further year; this could be done by Statutory Order and he was confident



that its Chairman and members would be prepared to serve for a further year. Extending the life of the IAC had certain other attractions and would obviate the need for legislation in the next session.

Your Secretary of State said that, in order to win the unions' acceptance of these arrangements he would need to be able to announce at the same time how teachers' pay would be negotiated from 1991 onwards. By then, the community charge would be in its second year of operation and beginning to exert a restraining influence on local authority spending decisions. He therefore proposed a new negotiating group composed solely of the union and local authority sides. The group would be charged with making recommendations by 30 November each year. The two sides would thus be able to reach independently a negotiated agreement but their discussions would be fully informed by Ministers' decisions on revenue support grant and any decisions would be fully reflected in the community charge. Should the group fail to submit an agreed recommendation, the IAC would be reactivated in its present form.

Your Secretary of State said that the great advantage of his proposals was that they gave the Government the opportunity to stand aside while negotiations were proceeding. He also mentioned that this approach would bring the negotiation of teachers' pay into closer alignment with that for city technology colleges and grant maintained and locally managed schools.

Replying, the Chancellor said what your Secretary of State was suggesting was a complete volte face. The creation of a TNG was put forward in the 1987 Green Paper not as a proposal for consultation but as a firm decision. Your Secretary of State's proposals were more akin to the discredited Burnham machinery than anything the Government had envisaged. Effectively, we would be back to a position which your Secretary of State had once memorably described as "unions negotiating with unions".

Continuing, the Chancellor said he had serious doubts whether the pressure exerted by the community charge would in practice be a sufficient discipline on local authority negotiators. He foresaw the two sides negotiating large settlements with impunity, and he would then come under acute pressure from colleagues, particularly in the run-up to an election, to provide additional Exchequer finance to ameliorate the effect on the community charge. However, he had some sympathy with your Secretary of State's view that the TNG as originally proposed was not the best way forward. Officials from the Treasury and your Department needed to explore urgently how the original proposals might be modified. In the meantime the Chancellor said he was content to extend for another year the remit of the IAC provided that a greater degree of selectivity and flexibility could be injected into its recommendations. Your Secretary of State heartily agreed with this last point.

As to modifying the TNG proposals, your Secretary of State said that he was prepared to look at every possibility. But he doubted whether either an independent Chairman, unilateral right of access to arbitration or giving the local authority employers a greater



weighting in the negotiating committee would persuade the two sides that the TNG provided a framework for true negotiations. Whilst he was certainly not prepared to buy peace at any price, this was the point on which he had to satisfy the two sides; failure to do so could well mean trouble in schools in the run-up to the next election.

Concluding, the Chancellor said he could not accept your Secretary of State's proposal for a negotiating group composed solely of the local authority and union sides. Such a body simply would not take affordability sufficiently into account. But he would ask his officials to explore, without commitment, with those in your Department how the TNG proposals might be modified as a matter of urgency. The Chancellor said he had found their bilateral discussion useful and said he and your Secretary of State may wish to meet again in due course to discuss the progress that had been made.

Yours sincerely.

Duncan Sparkes

DUNCAN SPARKES
Assistant Private Secretary



ELIZABETH HOUSE
 YORK ROAD
 LONDON SE1 7PH
 01-934 9000

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| REC. | 22 MAY 1989 |
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22/5

JEFFERY
 →
 GRAY
 22/5

Paul Gray Esq
 Private Secretary
 10 Downing Street
 LONDON SW1

pm

22 MAY 1989

Dear Paul

Thank you for your letter of 8 May responding to Mr Baker's minute to the Prime Minister of 3 May about teacher training. The Chief Secretary also wrote on 12 May.

Licensed teachers will be appointed to fill vacancies in schools. Their salaries will have to be funded from normal budgets and their training costs from the resources available to LEAs and schools, including the LEA training grants scheme, which are not being increased for this purpose. The Secretary of State will not control the number of places available. It will be for schools and LEAs to decide in the light of the candidates available how far they want to fill posts with licensed teachers as opposed to newly trained teachers, currently serving teachers or re-entrants to the profession.

In some parts of the country with particular recruitment difficulties or greater opportunities to recruit from industry or the armed services the take up may be greater than others. Formal targets would not be appropriate, at least at this stage. The quality of the candidates will be as important as the quantity in establishing the credibility of the scheme. The Secretary of State would be pleased if in the first few years the numbers coming in by this route built up to about double the 1,000 or so teachers a year coming in by the less effective entry routes it is replacing.

The articulated teacher scheme is intended as an alternative route to teaching for more traditional younger graduates. It will initially be launched experimentally. The Department is aiming for about six pilot schemes, taking an average of about 50 entrants a year each.

To launch the articulated teacher scheme the Secretary of State is inviting LEAs and teacher training institutions jointly to put costed proposals to the Department. The aim is a two year training in post leading to the PGCE. The teaching load of articulated teachers would increase progressively through the

course. Most of their formal training would be delivered in schools by teacher trainers and experienced teachers specially selected and trained for their role. There would also need to be off-the-job training at the institution where students could work together. Students would have opportunities to visit and teach in schools other than their main teaching school to widen their experience.

The institutions involved will receive funding for the training given to articulated teachers through the Funding Councils as they would for other students. The trainees will be paid a bursary. That and any necessary additional expenditure in the training school to increase or train their staff for this new role will be eligible for 65% grant under the LEA training grants scheme.

In considering proposals for pilot schemes we shall be looking for value for money and trying to get as close as possible to the present cost of one year's full-time training on grant plus the first year of teaching on a salary. With two cohorts entering a two year training the experimental scheme will span four financial years. Over that period we expect about £4 million of LEA expenditure to be supported by 65% grant from the resources available under the scheme, which are not being increased for this purpose.

The prime responsibility for making these schemes work will rest with the LEA, or the GM school where these are involved. The training institutions will have a stronger role in relation to the articulated teacher scheme. It will be for LEAs and schools to put recommendations for the acceptance of individuals as licensed teachers to the Secretary of State. It will be for them to see that the teachers they have appointed as licensed teachers are suitably trained. They will put the recommendation for the award of qualified teacher status to the Secretary of State at the end of the period of training. In the case of articulated teachers it will be for the teacher training institution to see that the students, who will be enrolled with them, are suitably trained in the schools. We shall be monitoring both schemes with HMI and seeking to ensure full collaboration between LEAs, schools and teacher training institutions.

I am copying this letter to the private secretaries of the other members of E(EP), the Secretary of State for Northern Ireland and the Secretary of the Cabinet.

Yours,

Tom

T B JEFFERY
Private Secretary

CONFIDENTIAL

Handwritten notes:
If no
intention
can be
done, X
plan
proposals
@ wh
Mr Rifkind
Mr de Berker
Mr Case
Mr Monck
Dame Anne Mueller
Mr Anson
Sir Peter Middleton
Paymaster General
Chief Secretary

FROM: C W KELLY (PAY)
Room 120A/3
DATE: 25 May 1989
ext 4400

CHANCELLOR

cc: Chief Secretary
Paymaster General
Sir Peter Middleton
Mr Anson
Dame Anne Mueller
Mr Monck
Mrs Case
Mr de Berker
Mr Call

*ch/ Any immediate reactions
or steer you wish to
give.*

dis

*Kelly
->ch/lex
25/5*

TEACHERS PAY

Mrs Case and I had a useful meeting with DES officials yesterday following your discussion with Mr Baker last Friday.

2. As a result, we are now a lot clearer about precisely what Mr Baker has in mind. But the dilemma it poses has if anything become even sharper.

3. I had thought before the meeting that it might be possible to find some intermediate position between the full rigour of the Green Paper TNG proposals, which would give us virtually complete control of the management side of the negotiating process but little incentive for the local authorities to participate, and the Baker plan, which would leave negotiations solely to local authorities and rely on a combination of the community charge and a power of override to look after our interest in affordability. The ideal would be some arrangement which gave us a significant influence over what happened in the negotiations, but not so great an influence that it left no role for local authorities.

4. I still do not rule this out. But I am beginning to think that it may be a chimera.

5. It would certainly be possible in principle to devise some kind of workable compromise if sufficient goodwill existed. Mr Rifkind believed earlier, for example, that in Scotland he could get agreement on an arrangement which gave him a minority of

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voices on the management side but an effective veto on any offer being made. This would be broadly equivalent to the position under Burnham before the (non-statutory) concordat broke down.

6. But the DES are adamant that neither the local authorities nor the teachers would play ball with a similar arrangement in England and Wales, given past history. They also say that, although they have toyed with the idea of arrangements which gave them a substantial minority vote, they have come to the conclusion that almost any form of tripartitism runs the risk of degenerating into posturing and political point-scoring and does not encourage the local authorities to behave responsibly. Nor does it serve Mr Baker's political objective of wanting to distance himself as far as possible from the negotiations.

7. I have some sympathy with this line of argument. But the implication is that if we do not agree to something which looks fairly like the Baker plan the only realistic alternative may be for DES to take over responsibility for the negotiations themselves. This would not be an approach which would commend itself to them.

8. According to his officials, Mr Baker argues that the risks of his approach are not as substantial as we make out.

9. First, there is the effect of excessive settlements on the community charge. I have the impression that even Mr Baker does not believe that this will be a wholly effective discipline. It would be too easy to turn the blame for excessive increases on to insufficient RSG provision by the Government. But it must be worth something and it is what we rely on for most of the other local authority groups.

10. Second, both local authorities and teaching unions are keen to get back into the negotiating process. Mr Baker believes that they will understand that if they do not behave reasonably responsibly we will take the negotiations away from them again (which might suggest that we should give ourselves the power to do this in the legislation). It might also help that the NUT will no longer have a majority on the union side, so that there might be some more genuine dialogue on that side too, rather than the NUT simply determining its own position and enforcing it on the others.

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11. Third, the timetable for reaching agreement will be quite short. If agreement is not reached there will be an automatic reference to the IAC, acting as a mixture of review body and arbitrator. (Mr Baker apparently means the existing IAC). He will determine the terms of reference.

a review body by another name.

12. Finally, if he does not like the outcome, Mr Baker will be able to refer any settlement back for further discussion and, if necessary, will be able to amend it. The DES have not overlooked the problem Mr Hurd is having with a similar power, but claim that they will be able to learn from these arguments to produce something a bit more effective.

13. There is something in most of these points. But none are wholly persuasive, particularly against a background in which Mr Baker is known to believe that real increases in teachers pay are desirable. Fear of the consequences for the community charge is unlikely to prove to be as effective a discipline on local authority negotiations as DES control. The keenness of the unions to get back to collective bargaining is directly related to what they can get out of it. It would be much more difficult to set the IAC restrictive terms of reference than it is under the present set-up; and because teachers pay and conditions would be set out in a statutory document, the Government override power would be subject to affirmative resolution, which is likely to make it very difficult to exercise.

X | 14. At the other extreme, the DES taking on sole responsibility for negotiating teachers pay themselves would not be totally silly. It would follow the National Health Service model, and it would recognise the reality of who supplies most of the cash and the fact that the role of the local authorities is diminishing as the result of local management of schools.

15. On the other hand, direct responsibility would mean a higher political profile than with the Baker proposals (though no higher than it is now). It would mean that responsibility for increases in the community charge resulting from settlements higher than the provision made in the RSG would be seen to rest squarely with the Government; and it would increase the pressure to compensate by adjusting the RSG. We have found to our cost how difficult it is to avoid pressure of this kind in relation to financing review body awards to health service groups.

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16. Neither model is therefore very attractive. If DES are right - and they might be, though I am not yet wholly convinced - in thinking that in the particular circumstances of England and Wales intermediate positions between the two extremes are unlikely to be sustainable, there is an awkward choice to be made.

17. We will continue to give thought to the alternatives, to the credibility of the assertion that a minority voice for the DES in the negotiating group would be worse than no voice, and to ways in which the Baker plan could be amended to make it more acceptable. I do not yet know what best to recommend to you.

18. The difficulty is that, as a result of Mr Baker's refusal to allow his officials to talk to us until he had spoken to you, we now have very little time left. There is a meeting of E(EP) on 14 June, for which he is scheduled to put in a paper. We have suggested to his officials that there would be a lot to be said for seeking to delay this, to allow at the very least for a further meeting between you and him before this is aired with colleagues. They think it unlikely that he will decide to do this.

19. We will need therefore to decide fairly quickly what line we wish to take and whether you want to put in a paper of your own.

20. I have agreed this minute with Mrs Case.

pp *SSDuffing*
C W KELLY



10 DOWNING STREET

LONDON SW1A 2AA

26 May 1989

From the Private Secretary

PHJ

GRAY
→
JEFFERY
26/5

Dear Tom,

TEACHER TRAINING

Thank you for your letter of 22 May.

Having seen the further detail on the proposals for licensed teachers and articulated teachers, the Prime Minister is concerned about the likely small scale of the impact of these changes. For example, it would seem that in 1993 the articulated teachers scheme would produce only some 2.5 per cent of newly trained teachers, with 97.5 per cent coming from traditional routes. The Prime Minister had envisaged on the basis of your Secretary of State's earlier minute of 3 May that the proposed new schemes would have had a greater effect.

The Prime Minister would therefore like to discuss your Secretary of State's proposals further, and would be grateful if your Secretary of State could put a further paper on this to the next meeting of E(EP) scheduled for 14 June.

I am copying this letter to the private secretaries to members of E(EP), Northern Ireland Office and to Trevor Woolley (Cabinet Office).

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| CH/EXCHEQUER | |
| REC. | 31 MAY 1989 |
| ACTION | CST |
| COPIES TO | |
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*Yours,
Paul*

PAUL GRAY

Tom Jeffery, Esq.,
Department of Education and Science

CONFIDENTIAL



10 DOWNING STREET

LONDON SW1A 2AA

26 May 1989

From the Private Secretary

| | |
|-----------------|--|
| CHIEF SECRETARY | |
| REC. | 26 MAY 1989 |
| COPY | Mr Loweth |
| COPIES TO | Cx, Sir P Middleton, Mr Anson Mr Phillips, Mr Farthing Mr Mack, Mrs Case, Mr Burns, Mr Call |

Dear Tom,

TEACHER TRAINING

Thank you for your letter of 22 May.

Having seen the further detail on the proposals for licensed teachers and articulated teachers, the Prime Minister is concerned about the likely small scale of the impact of these changes. For example, it would seem that in 1993 the articulated teachers scheme would produce only some 2.5 per cent of newly trained teachers, with 97.5 per cent coming from traditional routes. The Prime Minister had envisaged on the basis of your Secretary of State's earlier minute of 3 May that the proposed new schemes would have had a greater effect.

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*Yours,
Paul*

PAUL GRAY

Tom Jeffery, Esq.,
Department of Education and Science

CONFIDENTIAL

JMGT
→ KELLY
31/5



FROM: J M G TAYLOR

DATE: 31 May 1989

MR C W KELLY (PAY)

cc PS/Chief Secretary
PS/Paymaster General
Sir P Middleton
Mr Anson
Dame A Mueller
Mr Monck
Mrs Case
Mr de Berker
Mr Call

Julie
see the note,
over.

TEACHERS' PAY

The Chancellor was grateful for your note of 25 May.

2. He has commented that, if no intermediate position can be devised, he would sooner move to DES taking on sole responsibility for negotiating Teachers' pay themselves than accept Mr Baker's proposal.

3. He will hold a meeting on this. This office will arrange.

Jr

J M G TAYLOR

8/6

*This is v. difficult
It must fall to X,
or you → explain
the CST com
talk that on*



FROM: MRS JULIE THORPE
DATE: 6 June

CHANCELLOR

TEACHERS PAY

The meeting with officials is, as you know arranged for 3.45pm on Thursday, although Sir Peter Middleton is not able to attend at this time.

I have offered Mr Baker a meeting after this at 6.00pm, but DES are claiming that this is far too late for them to amend their paper and get it circulated to No 10 by Friday. I have explained our difficulty in that we cannot hold the meeting with officials any earlier because of the debate tomorrow. It appears that Mr Baker will be attending OD(E) on Thursday and that he would like his bilateral with you in the margins of this. If we were to agree you would need to hold the meeting with officials sometime tomorrow after the debate. This of course would be difficult as you would have little time to consider the papers beforehand.

A second option would be to hold the meeting with officials after Cabinet on Thursday, but this is equally unattractive as it would be before First Order Questions and it would not give DES much more time.

X/

The third option is for arrangements to stay as they are and for Mr Baker to produce his paper as quickly as he can?

Julie

THORPE
→
CF
6/6

CONFIDENTIAL

FROM: C W KELLY (PAY)
Room 120A/3
DATE: 7 June 1989
ext 4400

CHANCELLOR

cc: Chief Secretary
Paymaster General
Sir Peter Middleton
Mr Anson
Dame Anne Mueller
Mr Monck
Mrs Case
Mr A J C Edwards
Mr de Berker
Mr Call

Ch/ Main issues are

- Do we agree direct negotiations by DES is what we should push for?
- How do we play Mr Baker's paper to E (EP)?

015

Kelly
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CX
7/6

TEACHERS PAY

Mr Baker's officials say that he is still determined to put in a paper to E(EP) next Wednesday, and that he is not disposed to make any significant amendments to his proposals for new machinery. They have set their details out for us in the annex attached.

2. You may feel that there might now be some advantage in letting him go ahead with the paper, subject to our seeing it first and provided we can be reasonably confident that the meeting will go against him. This would then at least allow further work to be done on more realistic alternatives.

3. You are discussing the issues with us tomorrow before a further meeting with Mr Baker. I suggest that the main points to be addressed then are:

i. Do you accept the Baker proposition that tripartitism will not work, with the implication that the Teachers Negotiating Group is a dead letter and that it is not worth exploring possible variations on the same theme.

ii. Do you agree that Mr Baker's alternative is unacceptable?

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iii. Do you agree that the realistic alternatives are variants of one of two basic options - for DES to take on responsibility for negotiating pay themselves or to let the local authority employers do it but with the Secretary of State having some kind of power of veto?

iv. If so, which of these two options is preferable?

4. I have to admit to some considerable uncertainty still in my own mind. But I think that my answers to these questions would be:

i. Yes (probably). But it is interesting that Mr Rifkind took, or used to take, a different view about what might be possible in Scotland; and it may be that Mr Baker himself would have second thoughts if he came to believe that he could not get agreement on his own proposals.

ii. Yes (definitely). The Baker plan would not give us sufficient control over affordability. It would come perilously close to creating a review body for a group who would still possess the power to take industrial action; and the first stage of negotiations involving local authorities would be likely to prove something of a charade, open to many of the same objections that Mr Baker has to tripartitism in the TNG.

iii. Yes. But there are a number of variants of each. In the direct negotiating model, for example, the DES could be obliged to consult the various groups of employers first.

iv. Direct negotiations. If the local authorities were to do the negotiations I do not think that it would be possible to devise a form of veto which could be effectively exercised if things went wrong. This is particularly so since the scheme will be a statutory one. Something (undoubtedly of a constraining kind) will have to be said in Parliament about the circumstances in which the power will be exercised, and once exercised it will be subject to some form of Parliamentary procedure.

777
King
Baker

CONFIDENTIAL

5. Direct negotiation, despite Mr Baker's understandable distaste for it, would give us far greater confidence that our concerns were being taken in account, would give the unions a genuine negotiation and would better reflect reality. But it would involve a relatively limited role for the actual employers of teachers (which could, inter alia, have ILO implications); it could in some degree at least increase the pressures to raise grants to finance awards (though it may be possible to exaggerate this); and it would be more up-front politically.

CWK

C W KELLY

enc

AIDE MEMOIRE ON PROPOSALS FOR NEW TEACHERS PAY NEGOTIATING MACHINERY

MAIN COMPONENTS

1. Negotiations between employers and employees: observer status only for Government.
2. Strict, defined timescale for reaching a settlement by agreement or arbitration.
3. Access to arbitration by agreement of both sides only.
4. If time runs out, determination of a settlement to be referred by the Secretary of State, on his own terms, to an IAC type body appointed by him.
5. Settlements arrived at within the negotiating machinery, whether by agreement or by arbitration, to take the form of recommendations to the Secretary of State for statutory implementation. He would have the power to refer them back, with reasons, for further consideration within a defined timescale. If he did not like what came up the second time round he would have the power to impose his own views.
6. The power to modify settlements reached in the negotiating machinery should, if possible, be at large. Alternatives are a power designed only to protect the Secretary of State's interests in structure and conditions; or one which covers structure and conditions and provides some kind of last resort affordability/economic policy power as well.
7. Determinations by an appointed body would also take the form of recommendations to the Secretary of State, as with the IAC now. The Secretary of State would have similar powers to accept such determinations or substitute his own views to those he has with the IAC.

AFFORDABILITY

8. Affordability would be controlled through the new local Government funding arrangements. The Government will have to take a view on the levels of teachers pay in determining the allowance it is prepared to make for spending at need on education. In presenting assessed need to spend on education, there will be keen interest in the assumption made about the cost of employing teachers. It seems likely that it will be necessary to reveal this.

9. Local authority negotiators and individual local authorities would have to consider the implications for other education provision, other services and the level of the community charge in reaching pay settlements within the financial constraints set by the community charge regime. In view of this, the terms of reference of a body appointed by the Secretary of State to determine the settlement would need to make it clear that they would have to work within the constraints set by the Government's RSG settlement.

CONFIDENTIAL

FROM: MRS JUDITH CHAPLIN

8th June 1989

x4359

CHANCELLOR

cc PS/Chief Secretary
PS/Paymaster General
Sir Peter Middleton
Mr Anson
Dame Anne Mueller
Mr Monck
Mrs Case
Mr C W Kelly
Mr de Berker
Mr Call

TEACHERS' PAY

Unfortunately I have not seen any of the papers on teachers' pay until late this morning. Having sat on the Burnham Committee for many years and on the Interim Advisory Committee in its first year, I do have strong views on the negotiating machinery which is likely to work. Had I seen the papers earlier I would have written a minute to you setting out these views.

2. Briefly, I think it would disastrous to move to direct negotiation between the teachers' unions and the DES. The Government would be blamed for any disruption in the schools and the local authorities would blame the Government for any shortfall in their other services, saying that the pay award, such a substantial part of their total spending, had been set too high. The Government could be directly blamed for high Community Charges.

3. If the Government were to take such substantial control of the education section then it should be removed from local authorities altogether.

4. I believe that the negotiations should be done between employers and employees, and I believe there is no point to the DES having a veto within the Committee. What is needed is a veto if the settlement reached is unacceptably beyond the amount provided in the RSG. As your paper says, there are a substantial number of variants of this veto, but I do not agree that the first stage of negotiations

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CONFIDENTIAL

involving the local authorities would necessarily be a charade. The existence of the IAC and the fact that it has to work within a remit could well exert pressure on the two sides to settle at acceptable levels.

5. What does not appear to be being discussed is the extent to which local authorities should be able to vary the national pay arrangements and it is essential that any legislation does not prevent this happening.

Jc

JUDITH CHAPLIN



Treasury Chambers, Parliament Street, SW1P 3AG
01-270 3000

9 June 1989

Tom Jeffery Esq
PS/Secretary of State for Education
and Science
Department of Education and Science
Elizabeth House
39 York Road
LONDON SE1 7PH

Dear Tom,

TEACHERS' PAY

The Chancellor met your Secretary of State at No.11 Downing Street yesterday afternoon for a further discussion of teachers' pay.

Your Secretary of State said that he hoped the Chancellor could now agree that the proposed Teachers' Negotiating Group should be abandoned and, as an interim measure, the Interim Advisory Committee (IAC) should be allowed to carry on for a further year. The question was what should in due course take its place. Although both he and the Chancellor agreed that the IAC had worked fairly well, the teachers would not put up with it indefinitely. Your Secretary of State said that he still saw considerable attractions in his proposal to hand over initial negotiations on teachers' pay to a new group composed solely of the union and local authority sides; if this group failed to reach an agreed settlement within a fixed period of time the IAC would be reactivated. Your Secretary of State would have the power to override, impose and vary the settlement; legislation would have to specify that he was able to exercise these powers on grounds of cost or compelling educational need. Such arrangements would have the advantage of allowing the Government to remain aloof from the early stages of negotiations.

The Chancellor repeated that your Secretary of State's proposals were unacceptable because they gave no guarantee that the key criterion of affordability would be given sufficient weight; in practice, the community charge would not exert a genuine restraining influence on the employers' side in negotiations. This was a crucial consideration, for should the IAC need to be activated it would surely never recommend a settlement below what had been offered by the employers' side. He also doubted whether



in practice your Secretary of State would be able to set aside the recommendations of the new group or the IAC, particularly if such powers were subject to Parliamentary approval.

In the discussion which followed, two new proposals were put forward. Your Secretary of State suggested that the discipline of the community charge could be reinforced by the adoption of a Megaw-type formula, as existed in Civil Service pay negotiations, whereby the upper and lower quartiles of non-manual pay settlements acted as constraints but a power of set-aside would be available if agreement was reached above the median. He envisaged that the needs assessment would provide for a settlement at the median level. He believed that such an arrangement might be acceptable to the NUT.

The Chancellor, for his part, said he might be prepared to see your Secretary of State's proposals adopted if the quid pro quo were a no-strike agreement with the teachers' unions. Your Secretary of State said that some unions, notably the head teachers and possibly the NUT, might accept this but he doubted whether the NAS would do so. If this was the case, the Chancellor remarked, the NAS should be given the stark choice between putting the IAC onto a permanent basis and accepting your Secretary of State's proposals combined with a no-strike agreement. It would be a great coup to secure the latter.

It was agreed that your Secretary of State would put his original proposals to E(EP) but on the clear understanding that the Chancellor could not accept them in their present form and that they would serve as a basis for further discussions. The Treasury would not put in a paper of its own at this stage but officials of both Departments would explore the suggestions made at this meeting.

Yours sincerely,

Duncan Sparkes

DUNCAN SPARKES
Assistant Private Secretary



FROM: D I SPARKES

DATE: 9 June 1989

MR C W KELLY

cc PS/Chief Secretary
PS/Paymaster General
Sir P Middleton
Mr Anson
Dame A Mueller
Mr Monck
Mrs Case
Mr A J C Edwards
Mr de Berker
Mrs Chaplin
Mr Call

TEACHERS' PAY

At the Chancellor's meeting with officials yesterday afternoon, it was agreed that further work should be put in hand on Mr Baker's proposal to let the local authority employers and union sides take over initial responsibility for negotiating teachers' pay, and an alternative to it. The acceptability of a scheme like Mr Baker's would depend on:

- (i) whether adequate account could be taken of the key criterion of affordability; it could be very difficult to give a constraining remit to the IAC if the local authorities had already offered something higher, even if that was not accepted by the unions; perhaps the remit should be decided before negotiations took place;
- (ii) whether the Secretary of State's powers of override, variation and imposition could in practice be used; this partly turned on whether they had to be subject to Parliamentary approval;
- (iii) whether it provided sufficient assurance that a return to the worst abuses of the Burnham days could be avoided;
- (iv) whether the new arrangements were likely to prove durable; the Chancellor could see little advantage in replacing the generally satisfactory IAC arrangements



unless he could be persuaded that other arrangements were better and were likely to endure;

- (v) whether the new arrangements allowed sufficient scope for local flexibilities and encouraged rather than hindered a shift towards local bargaining.

3. Mrs Chaplin should be involved in this further work.

4. Meanwhile the briefing for E(EP) next Wednesday should contain a thorough and strong rebuttal of Mr Baker's present proposals. The Treasury objective at E(EP) should be to have further work commissioned from officials.

... 5. I attach the minutes of the Chancellor's bilateral with Mr Baker yesterday evening. You will see that two new suggestions were made. Mr Baker proposed strengthening the discipline imposed by the community charge by adopting a Megaw-type formula. The Chancellor suggested that Mr Baker's proposals might be acceptable if, as a quid pro quo, we could get a no-strike agreement with the teachers. It was agreed that both these proposals deserved further consideration.

D.S.

DUNCAN SPARKES

CONFIDENTIAL



FROM: CHIEF SECRETARY
DATE: 9 June 1989

CHANCELLOR

*1 to 5 for grant to April
Advise both on the proposal
discuss with Mr Baker
& on the proposal
This very much reflects
your proposal to Mr Baker -
CST will have seen minutes
of that discussion (below) -
dis*

cc: Paymaster General
Sir Peter Middleton
Mr Anson
Dame Anne Mueller
Mr Monck
Mrs Case
Mr C W Kelly
Mr de Berker
Mr Call
Mrs Chaplin

TEACHERS' PAY

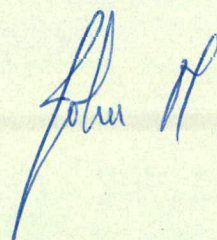
We spoke briefly after the meeting on teachers' pay yesterday. The thought occurs to me that we might proceed as follows:

- (a) resist Kenneth's present proposal and seek to stay with an IAC unless and until something better emerges;
- (b) let us examine offering a full scale Review Body provided the teachers concede a no strike agreement.
 - The offer of a Review Body should be popular with the teachers and, if they rejected it in order to retain the right to strike, it would immensely strengthen our position in seeking to retain an IAC.
 - We would be seen to be magnanimous - they would be seen to be obstructive.
 - If on the other hand the teachers accepted a Pay Review Body and no strike agreement then that should improve the status of the profession, (which I would welcome,) and would also be popular with the wider electorate.

CST
→
CX
9/6

- And, as with NHS Review Bodies, the options to stage or vary awards would always be there.

3 I am copying this to those who attended the meeting yesterday afternoon for their comments and advice.



JOHN MAJOR



FROM: D I SPARKES
DATE: 12 JUNE 1989

PS/CHIEF SECRETARY

cc PS/Paymaster General
Sir P Middleton
Mr Anson
Dame A Mueller
Mr Monck
Mrs Case
Mr C W Kelly
Mr De Berker
Mr Call
Mrs Chaplin

→ Folder for
EEP tomorrow

BFNB/A

TEACHERS' PAY

The Chancellor was grateful for the Chief Secretary's minute of 9 June suggesting a way forward on negotiating Teachers' pay. Please would Mr Kelly consider these suggestions alongside those made at the Chancellor's bilateral with Mr Baker on 8 June and incorporate any advice in the briefing for Wednesday's meeting of E(EP).

D.I. Sparkes

DUNCAN SPARKES

BRIEF

pay1.bw/de Berker/June/02-13

CONFIDENTIAL

FROM: J DE BERKER (PAY1)
DATE: 12 June 1989
ext 5605

1. MR KELLY ^{ck} _{12/6}
2. CHANCELLOR OF THE EXCHEQUER

cc Chief Secretary
Paymaster General
Sir P Middleton
Dame Anne Mueller
Mr Anson
Mr Monck
Mrs Case
Mr Edwards
Ms Seammen
Ms Young
Ms Simpson
Mrs Chaplin
Mr Call

DE BERKER
→
CK
12/6

FUTURE MACHINERY FOR SCHOOL TEACHERS' PAY AND CONDITIONS IN ENGLAND AND WALES

1. E(EP) is due to discuss Mr Baker's paper on Wednesday 14 June at No 10 starting at 2.15 pm.
2. Mr Baker asks for colleagues agreement:
 - (a) not to implement the TNG as envisaged in the 1987 Green Paper;
 - (b) that the IAC should operate for the 1990 settlement;
 - (c) endorsement for his own proposals for teachers' negotiating machinery;
 - (d) the decision to use the IAC for 1990 and the proposals for future negotiating machinery should be announced as a package in September; and
 - (e) that the legislation to implement the new machinery should be deferred from 1989-90 to 1990-91 session.

~~BF 2/16~~

14/6



Chf/Cabinet Office have
arranged a meeting
of E (EP) for 2.30pm on
Wednesday 14 June -
to discuss teachers pay.
I explained to them
that you have the 100
lecture next day.

Are you content to
attend anyway or do
you want to send the
CST?

Julie
19/5

~~message~~ for
keep open
open ✓

CONFIDENTIAL

3. We think that you can accept (a) and will want to endorse (b). The key issue is, of course, the future negotiating machinery. Decisions on this will largely determine (d) and (e).

4. At your bilateral with Mr Baker last Thursday you agreed he could put forward his proposals on teachers negotiating machinery on the clear understanding that they were not acceptable to you in their present form and that they would serve as a basis for further discussions. You asked for the E(EP) briefing to contain a thorough rebuttal of the proposals with the objective of commissioning further work from officials.

Structure of the Paper

This consists of five sections: the line to take is shown in bold.

(i) Consultations on a teachers' negotiating group (paragraphs 1 and 2)

5. The prospect of a TNG has attracted universal opposition from teachers and their employers. Their preferred alternative is a National Joint Council (NJC) with direct negotiations between teachers and employers with minority government representation on the employers' side and no power of imposition. However, Mr Baker says there is a growing recognition that in any new machinery the Government needs usable safeguards on cost, pay structure, and conditions. If so, we ought to be able to build on this.

(ii) The case for a new approach (paragraphs 3-6)

6. The 1987 Manifesto pledged new permanent machinery. Despite its excellent track record Mr Baker says that the IAC is not suitable because it does not offer negotiations. Delivering the Government's educational reforms means it is important that any new machinery should be acceptable to the teachers which imposing a TNG would not be. Moreover, it would not work as the employers would probably refuse to participate and leave the Government facing the teachers. Mr Baker does not think that a first stage mechanism can be constructed on a tripartite basis. This applies equally to an NJC.

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7. Mr Baker may well be right in arguing that the IAC, with its role restricted by a remit limiting the cost of its recommendations, is unlikely to be sustainable as a permanent mechanism. Its workability depends a great deal on the members. Also the remit has to be set at or near the beginning of the pay round and we are virtually obliged to set it below what we might otherwise accept as a reasonable outcome. Knowing this, it is virtually inevitable that the IAC should exceed its remit to some extent.

8. But as a matter of tactics you will not want to concede this unless, and until, there is agreement on something better to take its place. The IAC with all its imperfections is still better than what Mr Baker currently proposes.

- The IAC has delivered sensibly structured settlements moving towards flexibility.
- It has delivered excellent affordability.
- The teaching profession has swallowed the IAC recommendations without any fuss.

9. Mr Baker will argue (probably correctly) that in the long run the IAC cannot survive in its present form as the teachers will want to negotiate with the Government about the size of the remit; and (probably incorrectly) that the IAC cannot be used again for 1990 unless it is coupled with attractive proposals on permanent negotiating machinery.

- The experience of the last two years does not support the views that the IAC cannot be used again.
- If we are to introduce new permanent arrangements in place of the IAC it is important to get them right. At this stage do not believe that a better alternative to the IAC has been identified.

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(iii) A New Mechanism (paragraphs 7-10)

10. You are familiar with Mr Baker's proposals for permanent arrangements which were described in the annex to Mr Kelly's submission of 7 June and with minor revisions in Annex B of the paper. A point to note is that the IAC only has a role if teachers and LEAs are unable to reach agreement in the first stage.

11. The attraction for teachers is that this would give them negotiations with their employers and the possibility of securing a settlement more generous than we would like. For employers the incentive is that of being masters in what they consider to be their own house. Responsible settlements are to be ensured by the discipline of community charge and the need to get the Secretary of State's endorsement - which will also prevent unwarranted changes in the pay structure (incentive allowances etc) and conditions (number of hours/specified duties).

12. Key questions are: will these arrangements work? Are they the best we can devise?

- Mr Baker has not helped himself by refusing to let his officials speak to yours until very recently. It is vital to get the answer right. Accept that TNG may not hold out the promise we hoped two years ago but not clear that present proposals are the best which can be devised.
- First stage of Baker proposals basically an NJC which he accepts will not work because of tripartite nature. Why should it work here? Employers can agree to expensive settlement confident that Government will step in and impose affordable settlement and take the odium.
- Imposing a cheaper settlement would probably trigger industrial action.

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- In theory Government powers substantial but in practice unusable. The power of imposition would be subject to affirmative resolution. Under the present arrangements accepting IAC recommendations subject to negative resolution. Would probably not get away with this under the Baker proposals as IAC would only be called in when teachers and employers had been unable to agree so it would be necessary to impose a settlement.
- Setting the IAC remit after the parties had been unable to reach agreement would be open to criticism of not saying what you wanted beforehand. Publishing a remit before the negotiations started could lead to teachers and employers refusing to negotiate on grounds there was nothing for them to decide.
- Very difficult in practice not to accept IAC recommendations even if unsatisfactory.
- It is not clear how the discipline of community charge would work. Admirably designed for stopping individual councils stepping wildly out of line but an expensive increase for teachers would affect all local education authorities and it would be much easier for them to argue that provision insufficient. We would be particularly vulnerable in the run up to the Election.

13. At some stage Mr Baker is likely to ask whether you have any workable alternatives:

- IAC has served us well, see no reason why it should not continue if we are unable to devise anything better.

14. Mr Baker is likely to say that the IAC can only be used again if it is coupled with an announcement on attractive long term arrangements.

- Puts cart before horse. Long term arrangements must be acceptable to Government as well as teaching profession.

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- More generally, other possibilities should be explored. At recent bilateral Mr Baker suggested that power of imposition should be tempered by undertaking not to overturn settlements at or below the median in the interquartile range.
- Alternatively teachers might be offered the prospect of the IAC indefinitely unless they signed up to no strike agreements. If they agreed to no strike agreements it might be worth considering a review body.
- It might be worth looking again at whether there is a greater scope for local bargaining. Inherently desirable if it can be achieved though do not underestimate difficulties.

15. Mr Baker welcomes local bargaining in principle but thinks it is unworkable in practice as the employers would combine to avoid being picked off individually by the national unions and because LEAs cannot be trusted to act sensibly on pay structure and conditions of service. We do not believe it is possible to make rapid progress towards local negotiations but it is important that any new negotiating arrangements do not inhibit progress in this direction and if possible encourage it.

16. More generally, Mrs Chaplin takes the view that LEAs are possibly more responsible than we give them credit for - at least no worse than the DES. The problem with Burnham was its size, its tripartite nature, and its method of operating, features which politicised it and made it ineffective. She accepts that the difficulty which existed because of a veto within Burnham (the power to blame Government) will exist with any veto. Some veto is clearly necessary to block outrageous outcomes. This may indicate the need to set some sort of remit, possibly based on Megaw, before negotiations begin.

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(iv) Transition to new mechanism (paragraphs 11-13)

(v) Next steps (paragraphs 14 and 15)

17. As you are aware the legislative programme is very crowded and Mr Baker outlines how he could surrender his slot in the 1989/90 legislative programme and use the existing legal framework to get his long term arrangements into place without legislation until in the 1990/91 session. The IAC would run this autumn but in autumn 1991 the teachers and the LEAs would negotiate. The IAC would then be asked to recommend the outcome of the negotiations to the Secretary of State which he could then accept. The new framework would be in place for the 1992 negotiations. You will want to reserve your position on this until the details of the permanent arrangements have been settled as it may not be possible to introduce other arrangements in this way.

- slot in 1989/90 legislative programme must not be surrendered until proposals on long term arrangements settled, otherwise may prejudice choice open to colleagues.

18. Mr Baker also makes a strong plea for a more generous remit in 1990 on the grounds of recruitment and retention, and also as a sweetener for the generality of teachers to help their discussions on new negotiating machinery:

- There can be no commitment on 1990 remit, this will be discussed in the autumn in the normal way.
- In any event all payments should be targeted. Generalised douceurs for teachers unlikely to secure desired effect.

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Line to take

19. Key points:

- No need to dispense with IAC unless alternative permanent arrangements demonstrably better.
- Not convinced Baker proposals workable as they stand or the best available. More work is needed. Specifically, *Megaw-type formula, no-strike agreement, more local bargaining.*
- Will address size of teachers 1990 pay increase when IAC remit is discussed in the normal way.
- Slot in next year's legislative programme should not be dropped until colleagues have agreed on nature of negotiating arrangements.

20. HE are content.

Jonathan de Berker

JONATHAN DE BERKER

CONFIDENTIAL

File Ref; H/0006/01

FROM: D A LOWETH (HE2)
 DATE: 13 JUNE 1989
 EXTN: 4714

1. MRS CASE (HE)
 2. CHANCELLOR

AP 13/6.

cc: Sir P Middleton
 Mr Anson
 Mr Phillips
 Mr Monck
 Mr Farthing
 Mr Burr
 Mr Call

Copy attached for:

Chief Secretary

E(EP)(89)1: TEACHER TRAINING

Memorandum by the Secretary of State for Education and Science

1. Mr Baker's paper surveys the present situation and prospects for teacher recruitment, and outlines a number of teacher training initiatives to attract new recruits into the profession. No decision or agreement is required. The paper has been produced at the Prime Minister's request (Private Secretary's letter of 26 May) reflecting both her concern at the likely small scale of the impact of a number of initiatives - licensed teachers scheme and articulated teachers scheme - and her more fundamental concern over conventional initial teacher training (ITT) and the kind of teacher which it produces.

Initiatives

2. The main initiatives outlined by Mr Baker to develop new routes into teaching are:

(i) the "licensed teacher" scheme (starting September 1989). To qualify for the scheme, a candidate must be at least 26 years old and have undertaken 2 or more years of higher education. Training will be classroom-based. Mr Baker hopes that the scheme will replace the current non-standard routes into teaching and has set an initial target of 2,000 participants a year - although no deadline has been set to achieve this;

(ii) the "articled teacher" scheme (starting September 1990). The aim of this scheme is to attract new or recent graduates who wish to undertake training which is more school-based than the current Post-Graduate Certificate of Education (PGCE). Mr Baker proposes to start with pilot schemes provided 300-500 places a year. Training will last two years.

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 6

3. Other measures outlined by Mr Baker are:

(i) the need to make conventional ITT more relevant to the classroom competences which teachers will need;

(ii) attracting returners to the profession - currently about 14,000 people a year (mostly married women) come back into service; and

(iii) ensuring that teachers already in service continue to receive adequate training.

Expenditure Implications

4. The initiatives outlined by Mr Baker will have minimal public expenditure implications. The licensed teacher scheme will be funded by LEAs from within their own resources, with some Government support through the LEA Training Grants Scheme (LEATGS) - which is not being increased for this purpose. Trainees will be paid a salary. Similarly, expenditure on trainees and training for the articulated teacher scheme will be funded through LEATGS. Trainees will be paid a bursary, which is unlikely to be less than the value of the mandatory award for a one-year PGCE plus the first year's salary. It could be more if Mr Baker wants to tempt more potential teachers into the scheme. The Prime Minister may not be satisfied that leaving it to LEAs in this way will ensure that these schemes get off the ground; and there is a risk that this, together with the Prime Minister's desire to promote new routes into teaching, may increase the pressure for increased public expenditure.

5. Mr Baker is not bidding in the Survey for the licensed teacher and articulated teacher schemes, but he is bidding for extra resources to promote teacher recruitment and to combat shortages - in particular to cover the costs of providing distance learning materials, bursaries to students in shortage subjects, "taster" courses for potential recruits, measures to attract overseas teachers, and additional resources for the work of the Teaching as a Career (TASC) unit. In addition, Mr Baker is proposing a major publicity campaign to counter teacher shortages. Bids are as follows:

| | 1990-91 | £ million | |
|-------------------------|---------|-----------|---------|
| | | 1991-92 | 1992-93 |
| Teacher Supply Measures | 2.78 | 2.86 | 2.93 |
| Publicity | 6.50 | 6.50 | 6.50 |

Nature of the Problem

6. All the initiatives outlined by Mr Baker are designed to combat problems he perceives regarding teacher recruitment and supply in the 1990s - forecasting an overall shortfall of 10-20,000 teachers by 1995. It is significant that Mr Baker does not propose raising the pupil:teacher ratio (PTR) from its current rate of 17:1 - an issue which the Chief Secretary has already raised with him (letter of 29 March 1988 - copy attached). It will need to be addressed when Mr Baker takes decisions later this year on initial teacher training intakes for 1991-93. It would be worth making the point that the PTR has fallen significantly from around 20:1 in 1975-76 to 17:1 (largely because LEAs have not cut teacher numbers in line with the decline in pupil numbers). There is no reason to increase the number of teachers just because pupil numbers are set to rise again. Some policy initiatives, particularly the national curriculum, will place new demands on teachers - but that is not a reason to simply add to the numbers - we should be looking for increased teacher productivity.

Line to Take

7. The Prime Minister is likely to take the lead and will be looking for the proposed licensed teacher and articulated teacher schemes to have a greater effect on developing new routes into teaching. The schemes have already been agreed and you need not object to them - as there are minimal additional expenditure implications, but you should make the following points that:

- (i) any further proposals for developing new routes into teacher training which may involve increased public expenditure (paragraph 4 above refers) would need to be assessed on cost-effectiveness grounds; and

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(ii) we should be looking for increases in teacher productivity which will absorb the effect of rising pupil numbers (paragraph 6 above refers).

David Loweth

DAVID LOWETH

CONFIDENTIAL

Chancellor, PMG.

Miss Beard

B/F 3 w/kg.

TJD 5/4



Sir P. Middleton, Mr Anson, Sir T. Bor
Mr Phillips, Mrs Case, Mr Hanstr
Mr Spackman, Mr Tombull
Mr Bott, Mr Grieve, Mr Gilhool
Mr Fellgett, Mr S. Kelly

Treasury Chambers, Parliament Street, SW1P 3AG

Miss Robinson

Mr Cropper, Mr Tyrie
Mr Call

The Rt Hon Kenneth Baker MP
Secretary of State for Education and Science
Department of Education and Science
Elizabeth House
York Road
London
SE1 7PH

29 March 1988

Dear Gen,

TEACHER NUMBERS

I have recently had occasion to consider some of the longer-term issues which are likely to face us on public expenditure. The question of teacher numbers seemed to me to raise points which I think we should consider.

As I understand it, we will shortly be reaching the bottom of the demographic trough in the number of school children, after a fall which has continued for some 15 years. Teacher numbers have also fallen, but by only about half as much. In consequence, the pupil: teacher ratio has fallen significantly, from around 20:1 to 17:1.

Some of this fall has no doubt been attributable to "better schools" policies and to increased in-service training. But much of the fall has only occurred because the willingness of local education authorities to cut teacher numbers has simply not kept pace with the rapid decline in the number of pupils.

That may to some extent have been inevitable. What is not inevitable is that maintaining the present historically low PTR should be allowed to become an objective in its own right as pupil numbers rise again through the coming decade. As far as I am aware there is no justification for thus targetting a particular level of PTR, and no clear evidence that small class sizes have much to do with educational effectiveness and pupil achievement.

I recognise, of course, that it is local education authorities rather than your Department who decide how many teachers to employ. But your Department has considerable influence through its policies on teacher supply and training.

CST
→
BAKER
29/3/88

CONFIDENTIAL

It is also in a position to give a lead to local education authorities on appropriate standards of provision across the service. I know that your officials have been giving some initial thought over the past year to the question of teacher numbers in the 1990s.

As this work proceeds, and is discussed with officials here, I question whether it is right to be thinking in terms of much if any increase in teacher numbers from present levels. Even with prospective growth in pupil numbers, holding teacher numbers constant would still not take the PTR above levels experienced in the fairly recent past. Some of our policy initiatives, such as the national curriculum, may make some new demands on teachers. I do not see that as a reason for simply adding to the numbers. The work force in many areas of the economy is having to adjust to new demands. Indeed the substantial investment which there has been in a more highly trained teaching force, with better equipment and higher pay, ought to mean that we can look for significant increases in productivity which will absorb the effect of rising pupil numbers.

I would be interested to know your views on these points.

Yours Ever,
John

JOHN MAJOR

CONFIDENTIAL

FROM: MRS JUDITH CHAPLIN
13th June 1989
x4359

CHANCELLOR

cc Chief Secretary
Paymaster General
Sir Peter Middleton
Mr Anson
Dame Anne Mueller
Mr Monck
Mrs Case
Mr C W Kelly
Mr A J C Edwards
Ms Young - Pay 1
Mr de Berker
Mr Call

CHAPLIN
→
CX
13/6

TEACHERS' PAY

As you know, I do not think the solution to the settlement of teachers' pay is for the DES to take direct negotiating power.

- Strikes in schools are very unpopular and highly visible and the Government would be seen to be directly to blame.
- As the Government would be responsible for the settlement the Secretary of State for Education would have a strong argument for additional funds if settled above the amount allowed in the RSG.
- Although we are all sceptical about how accountable the Community Charge will make local authorities, it seems illogical to lessen that accountability by removing a substantial part of local authorities' spending from their control.

2. It would obviously be better to return to direct negotiation between the local authority employers and the teachers if possible. However if that is to be the case, two things are needed: encouragement to make them settle and to settle within an affordable amount.

CONFIDENTIAL

CONFIDENTIAL

3. Presumably Ken Baker's scheme of activating the IAC if the employers/employees fail to settle is aiming to achieve the first objective. I do not agree that the initial negotiations would be a charade as certainly the teachers would not wish the settlement referred to the IAC, which would be working within a remit.

4. What worries me more is whether the IAC would be able to deliver an affordable scheme. It would be difficult for the Secretary of State having referred from the local authority negotiations to the IAC to then veto their proposals as well.

5. The ability of the IAC to deliver entirely depends upon who the members are, and how tough they are prepared to be. In the first year it was a great battle to get a settlement within the remit and to prevent a minority report. That would be made even more difficult if the IAC already knew the figure which the employers had offered and the teachers had refused. If the remit was set lower some members of the IAC would refuse to accept it. So I agree with Chris Kelly's conclusion that Ken Baker's scheme is unlikely to work.

6. Clearly it is essential that there is some veto on an excessive settlement. There is the danger that such a veto will work in the same way as it did when the DES had a weighted vote within Burnham. The problems of the Burnham Committee went wider than the existence of the veto. One was the sheer size which led to negotiation between the two leaders with the Chairman which was then not ratified by either the teachers' panel or the local authority employers' panel. But certainly its major difficulty, particularly once the majority of the management side were in political opposition to the Government, was that the employers would reach a settlement with the unions which they knew would be vetoed by the DES members' weighted vote. The blame then passed to Government.

7. If negotiations were between LEAs and teachers, I think that there would have to be a clear indication of what the Government would not accept, possibly a Megaw-type formula. The blame could then be passed back to the negotiating body if they knowingly made a settlement outside what was acceptable. Giving a range of settlement is useful; otherwise the maximum acceptable becomes the starting point from the teachers' point of view.

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8. Since strikes by teachers are so unpopular perhaps a review body should be considered as the Chief Secretary suggests. There are two arguments against it:

- it is most unlikely that the NAS/UWT would agree to a no strike agreement;
- it might make it more difficult to increase the flexibility in teachers' pay.

I hope that eventually we'll see a far greater flexibility in teachers' pay - both regional pay and merit pay. The evidence from the other review bodies is that they have not been encouraging such movement sufficiently, although perhaps it could be set up with a remit to move over X number of years from the current 5 per cent of flexible pay to up to at least, say, 15 per cent. If this were possible, plus a no strike agreement, a review body might be the most successful solution but, again, it would depend very much upon who served on the body.

9. I am not as optimistic as you that the IAC will continue to operate satisfactorily. As I have said, the battles were difficult enough in the first year and apparently worse in the second year. But, more damagingly, agreement had been reached to keep the base rate rises within the remit with longer-term recommendations on performance related pay when the Committee was told that there was additional money for the base rates. That has undermined the finality of the remit and it is unlikely that members will battle again to keep within it.

10. It seems important to me that, even after more discussion on what is likely to work, the scheme chosen is given a trial run before being enshrined in legislation. I personally would favour going back to direct negotiation between local authority employers and teachers, possibly within some sort of parameters, but it would be a high risk policy to introduce that in a form which could not be altered if it didn't work.

Jc
JUDITH CHAPLIN

CONFIDENTIAL

FROM: C W KELLY (PAY)
Room 120A/3
DATE: 13 June 1989
ext 4400

CHANCELLOR

cc: Chief Secretary
Paymaster General
Sir Peter Middleton
Mr Anson
Dame Anne Mueller
Mr Monck
Mrs Case
Mr A J C Edwards
Ms Young - Pay 1
Mr de Berker
Mrs Chaplin
Mr Call

KELLY
→
CX
13/6

mp

TEACHERS PAY

Mr de Berker has provided a comprehensive brief for the meeting of E(EP) tomorrow.

2. As he points out, one of the weaknesses in our position is that while we dislike Mr Baker's proposal we are not yet totally clear what we want to put in its place. We have been reflecting further on this following your meeting last Thursday, and I have also discussed with Mrs Chaplin.

3. One of the key questions is the extent to which we want to ensure proper regard to affordability. The only option which would give us a guarantee of that is central government taking on the negotiations. You ruled that out at your meeting unless and until the possibility of central government also employing teachers were to be re-opened. I do not wish to dissent.

4. All the other options give us at best an imperfect influence on affordability. But this is perhaps an inevitable and logical consequence of local autonomy.

5. Nor is a certain amount of tension in the system necessarily a bad thing if we want to avoid the type of cycle in public sector pay which has brought the system into disrepute before.

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6. If direct negotiations are excluded we have now identified three basic options:

i. A free standing review body in return for a no strike agreement, as suggested by the Chief Secretary.

This has a number of attractions, though it is not unknown for review bodies to reach unhelpful conclusions. The DES judgement is that it is unlikely to be acceptable to the teacher unions. But they could be wrong. And offering it to them would help us take the moral high ground.

ii. Variants on the IAC.

I do not myself believe that we can continue very much longer with an IAC if that involves the kind of remit that we have given it hitherto. But it may be possible to think up something a bit more flexible, for example making use of a Megaw-type interquartile range. And we could of course vary the remit from year to year if that seemed appropriate.

iii. Free negotiations between local authorities and the teacher unions.

In terms of affordability, this would be the most risky option of the three. We would probably want to accompany it with some kind of formal veto power for the Secretary of State, but we would have to accept that it was mainly window dressing, for use only in extremis. We would want to make certain that the machinery was more effective than under Burnham, eg a smaller membership, a way of resolving deadlock, no independent chairman and so on. It might also be possible to find some way of returning negotiation to them on a conditional basis, with the Secretary of State having the power to suspend it again if they were to behave unreasonably, or perhaps not to legislate until they have had a year or two to show what they can do (though that could pose technical difficulties). It is possible that in these circumstances we might find the local authorities a lot more responsible than we have hitherto given them credit for.

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7. Mr Baker's approach is a combination of (ii) and (iii). We do not believe it will work satisfactorily, for the reason given in the brief. Either we give the IAC a remit before negotiations between local authorities and teacher unions begin, in which case they will regard the outcome as predetermined; or we do not, in which case we are likely to find it difficult to impose a restrictive remit at a later stage, if offers have already been made.

8. Of the three options, there is some attraction in the Chief Secretary's idea. It may be worth trying, even if we think the chances are probably against reaching agreement. But if we were to go down this route we would need to sort out a fallback position before we start. We do not want to get in the position of threatening continuation of the IAC as an alternative if we believe that option (iii) is preferable.

CWK

C W KELLY