

CONFIDENTIAL

PRIME MINISTER

Teachers Pay
(C(79) 8)

BACKGROUND

At its meeting on Monday the Ministerial Committee on Economic Strategy (E) decided, on balance, in favour of a reference of teachers' pay to the Standing Commission on Pay Comparability, provided the terms of reference were improved from those previously agreed between the parties - but not agreed by Government. The required improvements were that they should specifically cover conditions as well as pay and that the reference to Houghton should be weakened by dropping the words "in particular" before "Houghton". This conclusion was subject to Cabinet's endoresment in the light of their consideration about the future of the Standing Commission (the previous item on the Cabinet agenda).

2. In addition Mr. Carlisle was asked to sound out the parties on their attitudes to the changes E considered essential and it was noted that there might have to be some improvement in the terms of the present offer of 9 per cent plus staging on 1st April 1980 and 1st April 1981 in order to get agreement to the amended terms of reference. Mr. Carlisle was given no discretion to agree to any improvements in the offer without reference back to colleagues, and was asked in particular to give no assurances about Government Support through Rate Support Grant (RSG). He was asked to report the outcome to Cabinet.

3. Mr. Carlisle's paper C(79) 8 reports that, following discussions with both the parties, he believes there is an outside chance of getting agreement to a reference to the Commission on the amended terms agreed by E, though arbitration is still in his view a more likely outcome. His paper assesses, I think realistically, the improvements which would have to be made in order to find a way out of the present damaging impasse, whther by way of a comparability study or arbitration.

CONFIDENTIAL

4. It will be essential for Cabinet to give Mr. Carlisle clear instructions otherwise the Burnham Committee talks on the following day will make no progress. If this happens an already difficult situation will be made much worse, and industrial action will be stepped up.

5. The Annex to Mr. Carlisle's paper provides the further information about the cost of the various options for improving the present offer, teacher supply, wastage rates and so on, which E suggested Cabinet should have as background to their discussion. But you will want to avoid getting bogged down in discussion of how all this affects the immediate issues - though there is much that would be relevant if there is a comparability study.

HANDLING

6. You will want Mr. Carlisle to speak briefly to his paper, reporting on his discussions with the parties; and to ask Mr. Younger if he has anything to report on the Scottish situation.

7. The issues for Cabinet depend partly on their own prior decision on the future of the Commission. If they do not rule out in principle any further references to it then the essential questions are -

(a) Do they endorse the E conclusion that comparability - on acceptable terms - is preferable to arbitration for the teachers? You might seek rapid agreement on that point rather than go over again the E discussion. But you will want to get specific endorsement to the amendment to the terms of reference agreed by E which Mr. Carlisle proposes, for technical reasons, in paragraph 3 of his note.

(b) Do they agree that the improvements to the present offer, outlined in paragraphs 4 - 6 of C(79) 8, are a price worth paying in order to get agreement to a reference to Clegg? It is relevant to remember here that some improvement in the offer - probably more specific - will be necessary if the matter has to go to arbitration.

CONFIDENTIAL

8. The key questions on (b) - which arises also in the arbitration context - is at paragraph 4d. - will the Government give RSG for expenditure arising in 1979-80? The answer must depend mainly on Cabinet's earlier discussion of the Chief Secretary's general proposals for the handling of RSG in the context of his public expenditure paper (C(79) 4). He proposed that the Government should meet their share of local authority pay settlements this year subject to an overall cut in RSG which, though much influenced by the level of settlements, would not be related to specific settlements. If Cabinet has accepted his approach then it should be possible to endorse Mr. Carlisle's package in paragraphs 4 - 6, including the promise of RSG support. If, on the other hand, it has rejected the Chancellor's approach then the position is much more difficult. Mr. Carlisle's proposal go virtually no further on RSG than the previous Administration were willing to go and are the least that the local authorities will be willing to accept. If they are not endorsed it is difficult to see how the Burnham negotiations can progress. So it would be necessary for Cabinet to decide whether, on a one-off basis, they would provide RSG cover in 1979-80 for teachers and whether this should be linked to any formula to discount for RSG purposes some part of the cost of the settlement. This would be bound to be arbitrary and there is little time to settle the details before Burnham meets. And if the local authorities got no assurance at all on RSG the negotiations must founder. The same issues of principle will arise on other local authority settlements - particularly the massive white collar workers' settlement due in July.

9. If Cabinet rejects the comparability approach either generally or specifically for teachers, then the only viable option is arbitration. It may well come to this in any case if, as seems likely, the unions will not agree to the revised terms of reference. Cabinet should therefore decide -

- (a) whether, as Mr. Carlisle maintains, it will be necessary for there to be a substantially improved offer from the Management Panel before the Burnham chairman can deem that negotiations have broken down and trigger arbitration?
- (b) if so, what improvement can the Government accept?

CONFIDENTIAL

10. Mr. Carlisle outlines the options in paragraph 9 of his paper and seeks advice. You might press him to clarify his preference. Subject to that there are obvious advantages in keeping the 1st April 1979 offer down to around 9 per cent with a payment on account, to be offset, later, rather than a higher initial figure. You will want to avoid detailed discussion and perhaps give Mr. Carlisle negotiating freedom, subject only to a decision on the key question of Government assurances on RSG, without some assurance the local authorities will not move and the issue is, as in the comparability context discussed above - whether to give them this within the framework of the Chancellor's broad approach, or on some ad hoc basis. No assurance at all will just produce a stalemate.

CONCLUSIONS

11. You will want Cabinet to settle -

- (a) whether they agree that the preferred option is a reference to the Standing Commission, on the terms approved by E (and amended in detail by Mr. Carlisle) if not the case must go to arbitration;
- (b) if so, whether they are prepared to accept Mr Carlisle's recommendation in his paper for handling the negotiations including in effect the Chief Secretary's RSG proposals;
- (c) if (but only if) the Cabinet have not accepted the Chief Secretary's RSG proposals, are they prepared to give specific RSG cover for Mr. Carlisle's negotiating proposals (bearing in mind that some additional RSG cover is almost certainly necessary to avoid an inconclusive meeting of Burnham on Friday with industrial action intensified and a solution still to be found);
- (d) if on the other hand Cabinet prefer arbitration - or it becomes the only option because the teachers reject comparability - what guidance are the Cabinet prepared to give Mr. Carlisle on the offer to be made as the basis of arbitration (see paragraph 9 of his paper); and what assurance can he give the local authorities about RSG in these circumstances - bearing in mind their reluctance to make any further offer without RSG cover;

CONFIDENTIAL

- (e) whether they agree that the same broad approach should be taken in respect of negotiations about the pay of teachers in further education and other associated groups who traditionally follow the school teachers (and in Scotland are part of the same negotiations).

JH

John Hunt

16th May 1979