

CIBG



PRIME MINISTER

Circulated
as E(EP)(87)3

HIGHER EDUCATION PAY AND CONDITIONS

NBM.

I attach a more detailed paper which examines alternative arrangements for determining pay and conditions of non-clinical academic staff in higher education, including both the university and the new polytechnics and colleges sectors. The paper has been prepared by my officials in the light of views expressed at a meeting you chaired on 25 February. It has been the subject of inter-Departmental consultation at official level.

2. I would like to see a move towards pay bargaining at the level of each institution. But it would not be practicable to enforce this. For the time being the institutions would certainly go for some kind of collective machinery. This being so, most of the Departments concerned broadly agree that the most sensible approach in both sectors is non-statutory national collective bargaining machinery covering both pay and conditions, with my Department having a direct involvement on the management side of the new polytechnics and colleges sector.

3. For this new sector I envisage a role in the early years for the Department in helping to bring together the diverse employer interests of the polytechnics and the different groups of colleges. My representatives should also be able to contribute some expertise on negotiating matters to a management side which will have had no previous experience of negotiation and will not have a counterpart to the well-established secretariat which services the universities' Committee of Vice-Chancellors and Principals (CVCP). That said, I see no need for my Department's formal involvement to consist

of more than perhaps a couple of voting seats. The influence of those seats, when combined with direct control of the purse strings, will be considerable. We should review the need for a continuing Departmental involvement after the first 2 or 3 years.

4. On the university side, there is a long established tradition of independent pay bargaining. It is also the case that the CVCP, assisted by funding constraints, has been quite successful in recent years in keeping university settlements down. However, the present Committee A/Committee B machinery is no longer appropriate and I envisage for the future a single committee on the lines of Committee A which brings together the employers and the Association of University Teachers.

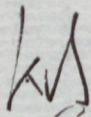
5. Treasury officials have suggested a dominant position for DES representatives on the management sides of both sectors. This would require the DES to have a veto on all aspects of offers by the management side. It would have to be imposed by legislation against strong opposition at least in the case of the universities. It would also conflict with the Government's intention of giving the polytechnics and colleges responsibility for managing their own affairs and would bring with it a Ministerial responsibility for the details of pay and conditions of service in higher education.

6. We are committed by the Higher Education White Paper (Cm 114) to consult both sectors about future negotiating arrangements. There is some flexibility about the timing of these consultations which ought to take place in parallel. If my approach is accepted the new arrangements would not need to be reflected in the forthcoming Education Bill since no statutory provisions would be required. The present voluntary arrangements for the universities could remain in place for the time being; and those recently established for local authority further and higher education would operate until the new polytechnics and colleges sector comes into being

probably in 1989. On the other hand we should not delay unnecessarily because there is now an expectation that the Government will consult and a risk that continued uncertainty will further unsettle the staff in the polytechnics and colleges who do not know what the future holds for their pay and conditions of service arrangements. I should like to initiate the consultations before the summer holidays.

7. I should be glad to know that colleagues are content with my proposals, and am of course ready for a collective discussion if others should wish it.

8. I am copying this minute to other members of E(A), to the Social Services Secretary, and to Sir Robert Armstrong.



KB
Department of Education and Science

| July 1987

[REDACTED]

CONFIDENTIAL

HIGHER EDUCATION PAY AND CONDITIONS

Note by the Department of Education and Science

INTRODUCTION

1. The purpose of this paper is to consider future arrangements for the determination of pay of non-clinical academic and academic-related staff in the higher education (HE) sector in England (and Scottish, Welsh and N Ireland universities) in the light of two developments announced in the White Paper "Higher Education: Meeting the Challenge" (Cm 114):

- Government acceptance of the Croham Report recommendation that the existing negotiating arrangements for university academic salaries be re-examined;
- the Government's intention to set up a new polytechnics and colleges sector in England, comprising the polytechnics, certain other colleges transferred from local government, and existing grant-aided institutions.

CURRENT ARRANGEMENTS FOR PAY DETERMINATION

Universities

2. The formal machinery for negotiating the pay of university academic staff - other than clinical academics - and the pay of academic-related staff involves two committees. The first stage, known as Committee A, involves the Association of University Teachers (AUT) and the University Authorities Panel (AUP), the employers' negotiating team appointed by the Committee of Vice Chancellors and Principals (CVCP). An independent Chairman is appointed by agreement of both sides - Sir Pat Lowry has recently been appointed to succeed Sir Alexander Johnston, who has been Chairman since the present arrangements were established. The Chairman's task is to ensure that a single proposal goes forward to the Government, if necessary by formulating that proposal himself. Such a proposal is binding on both the AUT and the AUP. The proposal is then put to the Government in the second committee, known as Committee

2. This consists of the independent Chairman of Committee A together with representatives of the universities and of the AUT on the one hand, and DES on the other. The Chairman of Committee B is appointed by the Secretary of State, and is the Deputy Secretary responsible for pay matters in the DES.

3. The arrangement is voluntary and dependent for its successful operation on the goodwill of the parties involved. That goodwill is less apparent now than before and all sides have concerns over the appropriateness of the machinery. Indeed, the fact that Committee B met only twice in 1986, both times in non-negotiating mode, and that it did not meet at all during 1983-85, is indicative of the fragility of the formal structure.

4. There is no collective arrangement for negotiating conditions of service for university staff. These have for the most part been settled on a local basis with each institution. Some strains have, however, appeared following the recently agreed universities pay restructuring, which included some conditions of service elements alongside the substantial general increase in pay. The AUT would like more central negotiation on conditions but individual universities are reluctant to cede this to the CVCP.

Local authority higher education

5. Before the 1987 Teachers' Pay and Conditions Act, the pay of all teachers in the local authority sector of further education (FE) was determined under the Burnham arrangements set up by the 1965 Remuneration of Teachers Act. The Burnham FE Committee consisted of local authority employer and teachers' union representatives, and an independent chairman. The National Association of Teachers in Further and Higher Education (NATFHE) dominated the teachers' side. The DES had 2 voting seats. Conditions of service were determined in a parallel voluntary body, the National Joint Council for Further Education (NJC). The differences between the composition of the NJC and Burnham FE were that on the NJC the Association of Polytechnic Teachers (APT) had no seat and the DES had only observer status. In recent years negotiations on both pay and conditions of service have in practice taken place in the NJC, with ratification through the Burnham machinery an empty formality.

6. The 1987 Act repealed the Burnham arrangement, and in relation to further education left the employers and unions free to agree their own arrangements. In practice this makes little real difference. The NJC has formally become

the body responsible for negotiations on pay as well as conditions of service. The one difference is that under the Act a seat on the NJC has had to be found for the APT.

Grant-aided institutions

7. The colleges, other than Cranfield and the Royal College of Art, are bound as a condition of the grant they receive from the DES to pay their academic staff the established FE rates, and they also follow the conditions of service set in the NJC. They have no negotiating arrangements of their own, and have only observer status on the NJC.

Non-Academic Pay

8. The Government is not involved in the arrangements for determining the pay and conditions of non-academic staff in either the universities or the polytechnics and colleges. So far as the local authority institutions are concerned, the non-academic staff are treated like other local authority white collar and manual workers (in the negotiation of whose pay Government Departments play no direct part). The grant aided institutions follow the local authority sector and in some cases the NHS. So far as staff in universities other than academic and academic-related are concerned, there is a mixture of local and national bargaining, with the pattern effectively determined by what happens in local authorities. Arrangements for the pay of non-academics are not considered further in this paper; it may be appropriate at a later stage to consider whether the existing links with local authority pay bargaining could and should be weakened.

NEW ARRANGEMENTS FOR PAY DETERMINATION

9. Public funding for the new polytechnics and colleges sector will flow through the Polytechnics and Colleges Funding Council (PCFC). Funds will be paid direct by central Government to the PCFC for allocation by that body to the institutions on a contract basis. There will be few other sources of finance, though institutions will be able to earn money from external sources for research and other activities - perhaps amounting to 5 per cent of total income. That will not make a significant reduction in the extent to which the new sector will be dependent on Government for financing its main staff pay bill.

10. Thus there will in future be financing arrangements for the polytechnics and colleges sector which are similar to those for the university sector. It follows that one possibility to be considered is a single set of pay-determining arrangements covering all of higher education in England (and the rest of the UK universities).

A SINGLE ARRANGEMENT

11. A single forum for determining pay across the whole of higher education might tend over time to make the university and polytechnic sectors more like each other, whereas the Government's higher education policies rest on continuing distinctions between their functions and the levels of public funding they receive. There would no doubt be pressure from the polytechnics and colleges for pay parity between the two sectors, which would be expensive (university lecturers would continue to have a pay lead of some 10-16 per cent, according to grade, over their counterparts in the polytechnics and colleges if the latter accepted the FE employers' current offer). More immediately the two interests on each side of such an arrangement would be unlikely to blend well. The Committee of Directors of Polytechnics (CDP) would be bent on achieving parity of pay and resources with the universities, an objective which the CVCP would fear could only be achieved at the universities' expense. And the AUT and NATFHE are most unlikely bedfellows - the latter would strive for parity and the former for continuing superiority.

12. Thus unified machinery could probably only be achieved through imposition, and there are no clear advantages in a single collective bargaining forum which would justify imposing it. The conclusion must be that there will have to be separate pay determining arrangements for the university sector and for the polytechnics and colleges sector.

NO GOVERNMENT INVOLVEMENT

13. Separate pay arrangements could be achieved by leaving all the institutions - universities, polytechnics and colleges - free to determine pay as they wished. A possible but unlikely outcome would be a network of institution-based arrangements, which would have the benefit of being sensitive to local market conditions. Against that it can be argued that the market for most higher education lecturers is national, if not international, and that locally differentiated pay structures

could obstruct desirable labour mobility.

14. In practice the outcome of leaving it to the institutions to sort themselves out would be voluntary collective bargaining on a national scale. Failure to join together in this way would put the institutions at a considerable disadvantage to the nationally organised unions. The universities would continue to group together, as would the polytechnics who would probably but not certainly take the colleges under their wing. The overall result could well prove unsatisfactory, and there would be no clear channel through which Government views and objectives could make themselves felt in relation to the new sector.

UNIVERSITY SECTOR

15. There are three options: no change; the abolition of Committee B and the retention of something like the present Committee A; and the addition of a Government presence to Committee A. It has already been noted that the Committee A/Committee B structure is unlikely to survive, with Committee B effectively redundant (as it has been since the introduction of cash planning into the arrangements for the universities).

16. The abolition of Committee B and the retention of Committee A would probably be acceptable to the CVCP. The AUT's preference is less clear, though they could hardly resist this kind of arrangement if Government and CVCP were for it. Government influence would be exercised mainly through control of the purse strings, to which conditions as to the kind of pay structure and conditions of service Government might want could be attached. Occasional informal discussion between DES and one or other or both of the two sides would no doubt be needed so as to ensure a clear understanding of the Government's position; in practice this is broadly what has prevailed for the last few years.

17. The alternative would be a negotiating committee with a direct Government involvement on the management side - Committee A with DES representation. While the AUT might welcome the opportunity this would offer to bargain directly with the Government, the CVCP would not welcome a Government presence on the management side. The CVCP see negotiation with their employees as their job. And it is a job which they have done fairly well. A DES presence is unlikely to add to the influence which the Department already wields through

its control of funding, especially if it is unwelcome to the CVCP; and there would be a risk that it might force the CVCP and the AUT together in confronting the Government with demands for more money. In practice purse string control has been effective in recent years in delivering acceptable pay settlements for the university sector in Committee A.

POLYTECHNICS AND COLLEGES SECTOR

18. The new polytechnics and colleges sector will be different from the university sector. The employers will consist of three disparate groups, none of which has any experience of pay negotiation. The CDP will be the dominant force on the employer side, and its approach will be coloured by a wish for parity of treatment with the university sector. The inexperience and diversity of interest on the employer side argue for a major role for the DES on the management side in the early years. Provided good working relationships can be established and maintained it would enable the DES representatives to bring together the different interests of the polytechnics and the colleges. It would also permit the Government's position to be kept clearly in the minds of both the management side and the unions at crucial points in the negotiating process.

19. The above considerations suggest that the preferred outcome from the Government point of view would be a single negotiating body consisting of the employers, the unions, and the DES, possibly with an independent chairman. The need for a continuing DES presence could be reviewed after the first 2 or 3 years. Such an arrangement seems most likely to lead to pay and conditions supporting the flexible and efficient provision of higher education that the Government wants. It would not be like Burnham, because the "management side" would be almost wholly dependent on the Government for finance to pay for settlements reached; and on the unions' side there is nothing like the conflicts of view and interests which made the sensible operation of the schoolteachers committee impossible.

20. The formal strength of the DES presence has to be determined. A minority voting presence, when combined with control of the purse strings, would give the Department's representatives a sufficiently powerful voice on the management side. Because the Government would be the only real source of finance there

would be no need for a veto or a weighted vote.

21. Given the DES presence on the NJC which now sets pay and conditions in polytechnics and colleges, it seems unlikely that the two sides would resist DES involvement in new machinery as proposed above.

22. Arrangements of this kind could be secured in two ways: by legislation or as a condition of grant. As legislation is required to set up the new sector there would be no difficulty in using that legislation to establish statutory arrangements for pay determination. The disadvantage of statutory backing is that it would give some permanence and inflexibility into a particular set of arrangements which might not be appropriate in the longer term.

23. The alternative of requiring a particular arrangement as a condition of funding to the institutions is therefore attractive. The Secretary of State will have a reserve power to give directions to the PCFC and the latter will be required to draw up Financial Memoranda governing its financial relationship with each of the institutions. It should therefore be possible to include in those Memoranda as a condition of funding the requirement that the pay and conditions of its academic staff should be determined in accordance with arrangements to be agreed with the Government.

THE REGIONAL DIMENSION

24. The new polytechnics and colleges sector will be confined to England. For the present at least the Government intends no corresponding change for the Welsh institutions outside the universities which provide higher education. A Welsh local authority will continue to have a direct employer responsibility for the single Welsh polytechnic. The Welsh Office will aim to ensure that pay and conditions in that polytechnic replicate these in the English polytechnic sector.

25. The Government intends however to make provision in the forthcoming legislation for the future application of the new arrangements in Wales should this seem desirable at a later stage.

26. The non-university sector of higher education in Scotland is mainly funded by SED, and consists of colleges of education and polytechnic equivalents known as central institutions. For pay determination purposes the statutory

Scottish Joint National Council (Further Education) covers this group as well as the local authority colleges. In practice the local authority FE interests dominate, and the question may arise whether the present statutory SJNC (FE) should continue to cover Scottish AFE. The English proposals for the polytechnics and colleges sector will provide a precedent for the establishment of separate negotiating machinery for the colleges of education and the central institutions. The legislation required to set up the new polytechnics and colleges sector in England might provide a suitable opportunity to make the necessary changes in the current Scottish statutory arrangements.

CONSULTATION

27. There is a commitment in the Higher Education White Paper (Cm 114) to consult both sectors about future negotiating arrangements. There is some flexibility about the timing of these consultations which ought to take place in parallel. No provisions would need to be included in the forthcoming Education Bill unless statutory machinery was required; no such provisions would be needed if the recommendations in this paper were accepted. The present voluntary arrangements for the universities can remain in place for the time being; and those recently established for local authority further and higher education will have to operate until the new polytechnics and colleges sector comes into being probably in 1989. On the other hand there should be no unnecessary delay because there is now an expectation that the Government will consult and a risk that continued uncertainty will further unsettle the staff in the polytechnics and colleges. It would be appropriate to initiate the consultations before the summer holidays.

CONCLUSION

28. The following issues need to be considered:

- i. the case for a single set of arrangements covering all of higher education. The paper argues that this would be unwelcome to some of the key parties involved and would not further the Government's policies for higher education (paras 11-12);
- ii. the case for leaving the institutions free to set up their own arrangements. The paper argues that the likely outcome for the polytechnics and colleges of voluntary collective bargaining

on a national scale with no direct Government involvement would not be satisfactory (paras 13-14);

- iii. the appropriate arrangements for the university sector. The paper envisages a single committee similar to the existing Committee A (paras 15-17);
- iv. the appropriate arrangements for the new polytechnics and colleges sector. The paper points towards a single negotiating body with the DES in membership of the management side in the early years, set up as a condition of grant (paras 18-23);
- v. the Scottish dimension. The paper notes that there could be a case for Scotland to follow the English pattern and establish separate negotiating machinery for the colleges of education and the central institutions (para 26).
- vi. consultation. The paper notes that there is a commitment in the Higher Education White Paper (Cm 114) to consult both sectors about future negotiating arrangements. It would be appropriate to initiate the consultations before the summer holidays (para 27).

CCBA



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

PRIME MINISTER

NBM NBM at this stage
(circulated as
E(EP)(87)3)
— affop

HIGHER EDUCATION PAY AND CONDITIONS

Kenneth Baker sent me a copy of his minute of 1 July on this subject.

The Government provides 80 per cent of the money for universities and will provide 95-100 per cent for the new sector. Pay, in turn, is about 80 per cent of their costs. The arrangements for negotiating pay should reflect the taxpayers interest in the outcome: both the responsibility for paying the bill and concern about the pay structure and conditions of service and their effect on the quality of education. Kenneth Baker's proposals fall well short of a fair reflection of these interests. If we are to achieve our education objectives for these bodies within the funds we are prepared to allocate to them we must have greater control over this large element of costs.

For the universities, Kenneth argues that the Committee A/Committee B system has broken down and that financial levers and informal contact will give us sufficient influence over pay in future. The danger is that, under Kenneth's proposed arrangements, the universities could negotiate an excessive settlement with the union and then come along to the Government and ask for extra money to finance it. We would be faced with the dilemma of either giving in or refusing. If we refused and the settlement was called off we would be held responsible for the managements inability to reach a settlement - rather like we were with teachers before Burnham was abolished. If, instead the universities went ahead and implemented the settlement we would then be blamed



for the cutbacks in research and in student numbers necessary to finance it. Either way we would not have avoided the responsibility of taking a view about pay and dealing with the consequences of the settlement. But we would have lost any influence over the outcome.

To avoid this happening we need a voice on the management side of the negotiating body and the ultimate ability to veto excessive settlements. Both are important: the former to ensure that we have an influence on pay structure and conditions of service which are a key influence on the quality of education, and the latter to protect both educational priorities and the public purse. I suggest that the official side of a reconstituted Committee A should contain some Government representatives who could vote on all matters. The weighting of the Government voting strength would be for consideration but I do not envisage the Government having a voting majority. Settlements negotiated by this Committee would take effect once the Secretary of State had confirmed them, but he could if absolutely necessary veto settlements on cost grounds, and in the last analysis impose his own. I think that these arrangements would provide an appropriate balance between the managerial prerogatives of the universities and the financial responsibilities of Government.

I would envisage the same kind of arrangement applying for the new polytechnic and college sector and its counterpart in Scotland.

I also agree with Kenneth Baker that it would be desirable to get consultations started before the summer holidays. I think they should be on the basis indicated above.

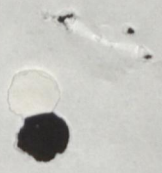
I am copying to E(A), John Moore and to Sir Robert Armstrong.

N.L.

N.L.

6 July 1987

Education: Policy PT10





SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

CONFIDENTIAL

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

8 July 1987

NBAN

Dear Ken,

HIGHER EDUCATION PAY AND CONDITIONS

Thank you for sending me a copy of your minute of 1 July to the Prime Minister about future arrangements for the negotiation of pay and conditions in the universities and the polytechnics. I agree with what you propose. On the polytechnics, I am sure, from our experience with the centrally-funded sector here, that there is no need for a DES weighted vote or veto on the polytechnics negotiating body, given the influence you will have as the prime source of funding.

I should make two points about the implications of your proposals for Scotland. Firstly, I appreciate your offer in paragraph 26 of the paper attached to your minute, to consider legislation in your Bill to abolish our unsatisfactory SJNC(FE) which at present attempts to act as a forum for negotiations in both the centrally-funded and local authority sectors here. But as I am now going ahead with my Education (Scotland) Bill, I will have my own legislative vehicle and, subject to the agreement of colleagues, will be able to use that to abolish the SJNC(FE).

Secondly, we ought to recognise that at some stage there may be a case for bringing the polytechnic and Scottish centrally-funded negotiating machinery together - given the importance the Scots attach to comparisons with the polytechnics (and the universities). But management here still has a lot of unfinished business to do on tightening up further on conditions of service in the centrally-funded sector and probably would not want to lose control of these issues by becoming a minority voice on a Scottish/English Management Side. However, it is an issue which I think I should flag up neutrally when we issue a Scottish consultative document in the next month or so about the abolition of the SJNC(FE) and the arrangements which should succeed it in the centrally-funded sector. For the meantime I do not think that the issue need be mentioned in your consultative document and given that neither you nor I will be seeking a statutory replacement to the present arrangements, we can decide what is best in the light of comments we receive on our consultations.

I am copying this letter to the Prime Minister, to other Members of E(A), the Secretary of State for Social Services and to Sir Robert Armstrong.

*Yours ever,
Mall*

MALCOLM RIFKIND

EDUCATION: Teachers Pay P. 10

