

Copy by John Parkhurst
MP's Pay Pt 5

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a MP's Pay

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Ref. A083/2152

PRIME MINISTER

Top Salaries Review Body Reports

(C(83) 27)

The note (C(83) 27) which you instructed me to circulate sets out the background to the Cabinet's consideration of Report No 19 by the Top Salaries Review Body (TSRB) (Cmd 8879) on the pay of senior civil servants (Under Secretaries and above), senior officers in the armed forces (Major General and equivalent and above) and the judiciary. It puts forward two options for consideration:

Option A (consistent treatment with DDRB Report)

6.9 per cent (current year increase) from 1 April 1983

5 per cent (restoration of abatement) from 1 January 1984

effect in 1983-84: 8.2 per cent increase at a cost of £4.1 million (compared with £6 million for full implementation).

Option B (containing 1983-84 percentage increase at approximately the same level as that for MPs)

6.9 per cent from 1 August 1983

5 per cent from 1 January 1984

effect in 1983-84: 5.85 per cent increase at a cost of £2.9 million.

HANDLING

Salaries of MPs and Ministers

2. You will want to discourage further discussion of MPs' salaries. The Government has now no option but to bring before the House, probably on Tuesday 26 July, the necessary resolution to give full effect to the House's expression of opinion on 20 July.

3. On Ministers' salaries you will also not wish to reopen discussion of the decisions taken at your informal meeting on



18 July which I reported to members of the Cabinet in my minute to Mr Butler of the same date. Those decisions had to be taken because the original intention was to make clear the Government's position during, or at the conclusion of, the debate on MPs' pay, although in the event this did not prove to be necessary. The figures for the salary increases for the various Ministers and office holders which have now been incorporated in a new draft Order in Council are summarised for ease of reference in the table (not circulated to the Cabinet) annexed to this brief. I have minuted you separately about the special position of the Lord Chancellor. Because of the relativity with the pay of the Lord Chief Justice, it will not be possible to table the draft Order in Council until the Government has taken decisions about the pay of top salary groups.

4. I understand that, provided that the Cabinet takes decisions about the salary of the Lord Chief Justice and other top salaries, the draft Order in Council will be tabled late tomorrow for approval by the House next Tuesday at the same time as the effective resolution on MPs' pay. There will also be a Written Answer by the Lord Privy Seal summarising the Government's proposals on Ministerial salaries.

5. Some members of the Cabinet may ask what is to be done about Ministerial salaries from 1 January 1988 onwards, on which date MPs' salaries are to be determined by the movement between 1983 and 1988 of a Civil Service salary currently at or about £18,500. The answer is that the Order in Council which is required for an increase in Ministerial salaries must provide specific figures. Although the Government may wish to take action in 1988 to maintain the differential between the pay of Ministers and that of MPs, it is not clear now what specific figures would be required for that purpose. The Government will therefore have to deal with the situation for 1988 when it arises.

Top Salary Groups

6. You are very familiar with, and have often deployed to your colleagues, the arguments for implementing TSRB Report No 19 on the top salary groups in full. It would be hard to justify

implementing it in full for the whole year in view of the Government's earlier decision to phase the full implementation of this year's DDRB Report, with the current year increase payable from 1 April 1983 and the earlier abatement restored from 1 January 1984. Option A in C(83) 27, which reproduces the proposal considered earlier by the Cabinet on 10 May 1983, involves treating the top salary groups in the same way as the doctors and dentists.

7. Some members of the Cabinet may suggest that the right course would be to give the current year increase of 6.9 per cent only and carry forward the 5 per cent abatement indefinitely. Others may argue for an arbitrary increase in line with the going rate of settlements in the public services, say 4½ to 5 per cent. Either course would be undesirable on management grounds. An awareness that top Civil Service salaries had been held back, and that they are now a long way below remuneration levels at comparable levels in industry and in the City, is one of the factors adversely affecting the quality of recruitment to the Civil Service. The Lord Chancellor will testify to the difficulties he faces in persuading barristers to accept appointment to the bench. The 5 per cent backlog dates back to 1980. There is now a strong case for getting rid of the backlog in implementing recommendations for the top salary groups before the 1984 Report. Much of the embarrassment which successive Governments have encountered in dealing with review body reports results from the backlog in implementing earlier recommendations. In 1984 there will be no such backlog in respect to the AFPRB and the DDRB, and the pay of MPs and Ministers has been settled for several years ahead. This would be a convenient moment to dispose of the one remaining problem of backlog.

8. Option B has therefore been designed as a way of ensuring at moderate cost in the current financial year, that the TSRB recommendations will have been implemented in full by 1 January 1984, in good time before the next report, which will relate to 1 April 1984 and will have to be considered in May 1984 or thereabouts. The increase in the current year (5.85 per cent) is only fractionally higher than that for MPs (5.73 per cent) and



the cost (£2.9 million) is less than half the cost of implementing the TSRB recommendations in full.

9. In favour of Option A it can - and will - be argued that the top salary groups ought not to be treated less favourably than the doctors and dentists and that there is no good reason for trying to relate decisions on the pay of these groups, which ought to be based on management considerations applicable to these groups, to the decisions which MPs have taken about their own pay in the light of many considerations which are peculiar to elected representatives. In favour of Option B it may be argued that the cost will be less in the current year and that in the light of the Government's stand and the House's decision on MPs' pay it will be easier to present such a proposal to the House and publicly. Any option less favourable than Option B, which already involves a 4 month freeze for the top salary groups after their normal date for a salary increase, would be difficult to justify.

10. It would also, I believe, lead to the resignation of the Top Salaries Review Body. I know that some of your colleagues might not regard that as a disaster; but the Government needs some external and independent advice on salaries of public servants at these levels, which cannot be settled by negotiation; and any alternative to the present Review Body could hardly be expected to take a more responsible line: the dangers would be the other way round. When I saw Lord Plowden recently to tell him what was envisaged on MPs' pay, he said that the Review Body would understand and accept that the House took overriding political considerations into account in settling MPs' pay, but would consider that that credibility was called in question if the Government did not accept the recommendations on top salaries. This view has now been transmitted in writing in a
--- letter of which I attach a copy. I have no doubt that the Review Body would understand and accept a decision in favour of Option A. I think that they would in practice put up with Option B, though the letter talks about credibility of the Review Body being damaged if the treatment was less favourable than that for doctors and dentists: I doubt whether they would see

the difference between 1 April and 1 August as a resignation issue. But I think that any decision which did not bring the salaries up to the recommended levels by the end of this financial year - so that next year's review started with no backlog - would be likely to lead to the Review Body's resignation.

11. As to what the "clients" - the civil servants, officers and judges - themselves would feel, I believe that they would not expect to be more generously treated than doctors and dentists (ie Option A); but their attitude to Option B would be one of resigned acceptance of the political considerations which dictated what would be seen as an illogical deferment of the recommended (and traditional) operative date for the 6.9 per cent from 1 April to 1 August, provided that the 5 per cent backlog was implemented from 1 January 1984; but that, in the light of the award to doctors and dentists and of MPs' decision (with Government acceptance) to take increases from 22 June to 1 January raising their salary level by 10.7 per cent this financial year, anything less generous than Option B would be regarded as highly discriminatory and unfair.

12. Once a decision has been reached, it would be desirable to announce it as soon as possible. If a suitable arranged Question has been put down this evening, you will probably wish to make the announcement by a Written Parliamentary reply tomorrow afternoon. A draft has already been submitted with alternative versions depending on whether Option A or Option B is approved

CONCLUSIONS

13. You will wish the Cabinet to reach conclusions on the following:

- i. whether the Government's response to TSRB Report No 19 on the Top Salary Groups should be on the lines of Option A or Option B in C(83) 27 or on some other basis;
- ii. whether the Government's decision should be announced by Written Answer tomorrow afternoon.

20 July 1983

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5 approved by
and signed in his absence

ROBERT ARMSTRONG

Lindsay Wilkinson

MINISTERS AND OFFICE HOLDERS : PROPOSED SALARIES

Office	Current Salary	TSRB Recommend	Inc	June 83 Salary	% Inc	Jan 84 Salary	% Inc	Jan 85 Salary	% Inc	Jan 86 Salary	% Inc	Jan 87 Salary	% Inc	Jan 87 % increase Over current	Jan 87 as % TSRB
Prime Minister	46,660	65,000	39.3	48,530	4.0	51,050		53,600		56,120		58,650		25.7	90.2
Lord Chancellor	52,500	62,000	18.1												
Mr Speaker	38,785	55,000	41.8	40,340	4.0	42,440		44,560		46,650		48,750		25.7	88.6
Cabinet Minister (C)	37,410	55,000	47.0	38,910	4.0	40,930		42,980		45,000		47,020		25.7	85.5
Cabinet Minister (L)	28,950	49,500	71.0	30,110	4.0	31,680		33,260		34,820		36,390		25.7	73.5
Minister of State (C)	29,035	38,000	30.9	30,410	4.7	31,990		33,590		35,170		36,750		26.6	96.7
Minister of State (L)	24,200	32,500	34.3	25,350	4.7	26,670		28,000		29,320		30,640		26.6	94.3
Parl. Secretary (C)	24,160	31,000	28.3	25,460	5.4	26,780		28,120		29,440		30,760		27.3	99.2
Parl. Secretary (L)	19,350	25,500	31.8	20,390	5.4	21,450		22,520		23,580		24,640		27.3	96.6
Attorney General	39,160	55,000	40.4	40,730	4.0	42,850		44,990		47,100		49,220		25.7	89.5
Solicitor General	33,810	44,000	30.1	35,160	4.0	36,990		38,840		40,670		42,500		25.7	96.6
Lord Advocate (C)	29,000	38,500	32.8	30,160	4.0	31,730		33,320		34,890		36,460		25.7	94.7
Solicitor General for Scot.	30,210	38,000	25.3	31,420	4.0	33,050		34,700		36,330		37,960		25.7	99.9
<u>In the House of Commons</u>															
Leader of the Opposition	35,035	50,000	42.7	36,490	4.2	38,390		40,310		42,200		44,100		25.9	88.2
Chief Whip	32,610	42,000	28.8	34,030	4.4	35,800		37,590		39,360		41,130		26.1	97.9
Dep. Chief Whip	29,035	38,000	30.9	30,410	4.7	31,990		33,590		35,170		36,750		26.6	96.7
Opposition Chief Whip	29,035	38,000	30.9	30,410	4.7	31,990		33,590		35,170		36,750		26.6	96.7
Government Whip	21,735	28,000	28.8	22,910	5.4	24,100		25,310		26,500		27,690		27.4	98.9
Assistant Opposition Whip	21,735	28,000	28.8	22,910	5.4	24,100		25,310		26,500		27,690		27.4	98.9
Chairman, Ways and Means	29,035	38,000	30.9	30,410	4.7	31,990		33,590		35,170		36,750		26.6	96.7
Dep. Chairman Ways and Means	26,585	34,500	29.8	27,920	5.0	29,370		30,840		32,290		33,740		26.9	97.8
<u>In the House of Lords</u>															
Chief Whip	24,200	32,500	34.3	25,350	4.7	26,670		28,000		29,320		30,640		26.6	94.3
Dep. Chief Whip	19,350	25,500	31.8	20,390	5.4	21,450		22,520		23,580		24,640		27.3	96.6
Government Whip	16,925	22,500	32.9	17,840	5.4	18,770		19,710		20,640		21,570		27.4	95.9
Leader of the Opposition (L)	19,350	25,500	31.8	20,390	5.4	21,450		22,520		23,580		24,640		27.3	96.6
Opposition Chief Whip	16,925	22,500	32.9	17,840	5.4	18,770		19,710		20,640		21,570		27.4	95.9
Chairman of Committees	24,200	32,500	34.3	25,350	4.7	26,670		28,000		29,320		30,640		26.6	94.3
Prin. Dep. Chairman of Cttees	21,750	29,000	33.3	22,780	4.7	23,960		25,160		26,340		27,530		26.6	94.9
Members of Parliament	14,510	19,000	30.9	15,308	5.5	16,106	5.2	16,904	5.0	17,702	4.7	18,500	4.5	27.5	97.4
Parliamentary Salary (included above where approp)	8,460	11,000	30.0	9,543	12.8	10,626	11.3	11,709	10.2	12,792	9.2	13,875	8.5	64.0	126.1



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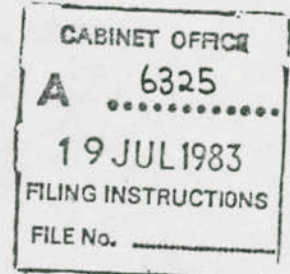
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19 July 1983

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Dear Richard,

REVIEW BODY ON TOP SALARIES

Lord Plowden met Sir Robert Armstrong last week to discuss the latest TSRB reports. As I mentioned to you at Lord Plowden's request, he is concerned that he may not have dealt with one particular point arising from consideration of Report No. 19, containing the recommendations for senior civil servants and armed forces officers, and the judiciary.

Last year, when the Government abated the increases recommended for these groups in Report No. 18, it was made clear that it was doing so because the Government had felt obliged to cut back the salaries recommended by the DDRB for doctors and dentists. The position is set out on page 1 of Report No 19. Lord Plowden takes the view that, against this background, the credibility of the Review Body would be gravely damaged if the TSRB groups covered by Report No. 19 were to be accorded less favourable treatment this year than has already been announced for doctors and dentists.

You undertook to convey this view to Sir Robert Armstrong.

Yours sincerely
G E Johnson
G E JOHNSON