

PREM 19/193

SEPARATE BOX

MT

PART 1.

SECRET.

Confidential Filing

Top Salary Review Body Reports on  
Salaries of senior civil servants, Judges,  
and Nationalised Industries Board  
Members.

ECONOMIC  
POLICY

May 1979

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
<del>9.5.79</del>							
<del>18.5.79</del>							
<del>31.5.74</del>							
<del>4.6.79</del>							
6.6.79							
2.4.80							
25.4.80							
<del>7.5.80</del>							
19.5.80							
20.5.80							
13.6.80.							
19.6.80.							
27.6.80							
30.6.80							
2.7.80							
30.6.80.							

PREM 19/193

PART 1 ends:-

RTA to CAW (A02481) of 30.6.80.

PART 2 begins:-

CC(80) 26 Coms 1.7.80  
Kendall to PM of 1.7.80

TO BE RETAINED AS TOP ENCLOSURE

## Cabinet / Cabinet Committee Documents

Reference	Date
E (79) 4	18.5.79
E (79) 2 <sup>nd</sup> Meeting, Minute 2	1.6.79
E (80) 15 <sup>th</sup> Meeting, Minute 2	7.5.80
E (80) 40	16.5.80
C (80) 30	16.6.80
Limited Circulation Annex to CC (80)	
24 <sup>th</sup> Conclusions, Minute 4	19.6.80
C (80) 32	27.6.80
C (80) 34	27.6.80

The documents listed above, which were enclosed on this file, have been removed and destroyed. Such documents are the responsibility of the Cabinet Office. When released they are available in the appropriate CAB (CABINET OFFICE) CLASSES

Signed     *AWayland*    

Date     23 March 2010    

PREM Records Team



10 DOWNING STREET

Note for top of file

The only copy of L.C.A.  
E(80)16<sup>th</sup> mtg minutes  
20. May 1980 is the first  
document on Nationalised  
Industries : May 1980 : Nat. Ind.  
Board Salaries.

S.J. Pike

18.3.81



10 DOWNING STREET

Civil Service Scales.

	1979-80.	1980-81.
Principal Max.	11,750	14,000
Senior Principal +1	12,750	
Senior Principal +2	13,750	
Asst. Secretary Min. }	14,250	
Asst. Secretary Max. }	17,000	- 22,000.
U.S.	18,000	
Dep. Sec.	22,500.	

2500 Asst. Sec.

600 U.S.

Conditions.

90700 56

700 000

350 400.

Copy originated on: Parliament Members.  
M's pay: Pt 2.

SECRET AND PERSONAL

A02481

Mr. Whitmore

TOP SALARIES REVIEW BODY: REPORTS 14 AND 15

I attach a Cabinet Office brief for tomorrow's Cabinet.

2. There are three crucial questions to settle, the answers to which will determine the limits within which other matters can be decided:
- A. Any proposal to reduce the salary rates proposed by the TSRB raises a whole hornet's nest of problems, from the question whether MPs would accept a reduction, through all the problems of deciding what alternative rates to adopt and how to minimise differential problems, to the risk of resignation by the TSRB and perhaps the other review bodies. Many of these problems would be avoided by delaying implementation rather than reducing the rates. Is the Cabinet minded to consider delayed implementation as an alternative?
  - B. For Members of Parliament, is the Government prepared to propose, and will the House of Commons accept, lower rates than those recommended by TSRB 15? Or does the Cabinet think that acceptance of the TSRB recommendation for MPs is inescapable?
  - C. Is the Government prepared to refuse arbitration on the Assistant Secretaries' pay, and impose a figure of, say, £19,500, which would enable them to bring the rate for Under Secretaries below the £23,500 recommended by TSRB 14?

/ 3.

SECRET AND PERSONAL

3. If it is agreed to bring down the salary for MPs from the recommended £12,300 to £12,000 (from 14.6 to about 12 per cent), or to some lower figure, it will then be necessary to decide:

B1. What is the corresponding reduction to be imposed on the TSRB 14 groups? Should their increase be reduced in proportion with the reduction proposed for MPs (e.g., by one-sixth, if MPs' pay is brought down to £12,000)? Or should the size of that increase be reduced to the same as that for MPs (whether the figure is 12 per cent or less), even though the increase recommended for them (basically about 19 per cent) was higher than that recommended for MPs?

4. If it is agreed to implement the TSRB 15 recommendation for MPs as it stands, it will be necessary to decide:

B2. Must the TSRB 14 recommendations also be implemented in full? Or should the size of the increase for the TSRB 14 groups be reduced to about 14½ per cent - the same as that for MPs - even though the increase recommended by the TSRB was higher?

5. On the question of Assistant Secretaries' pay, it seems clear that, if it went to arbitration, the award would be for a maximum of not less than £22,000. On this basis the rise for Under Secretaries could not be significantly below the £23,000 recommended by TSRB 14. The Government should not go to arbitration on Assistant Secretaries' pay if it is not prepared to accept the outcome. If the Cabinet would reject an arbitration award of £22,000, it would be better to refuse arbitration, even though that would mean going back on a commitment.

6. If it were to be decided to refuse arbitration, and impose a settlement on Assistant Secretaries, the Government would then have to say that, although it had noted the pay research results for Assistant Secretaries and it had specifically asked the TSRB to consider and make recommendations in respect of the "interface" between

/ Assistant



Assistant Secretaries and Under Secretaries, it had now come to the conclusion that these matters could not be put right on this occasion, because of the overriding need to fight inflation and in particular to reduce the ~~level~~<sup>level</sup> of public sector pay settlements. I do not need to describe the charges of broken faith (the renegeing on the commitment to allow arbitration, the dishonouring of the pay agreement, the renegeing on the implied commitment to do something about the "interface") that would ensue.

7. Then a whole new range of options would be opened up. The existing cash differentials between the Principals' maximum and the Assistant Secretaries would be preserved if the recommended increase for Assistant Secretaries was halved (an increase of £2,500, to £19,500, instead of £5,000, to about £22,000). This would fly in the face of pay research, and of the wish to ~~remove~~<sup>remove</sup> the compression deliberately inflicted on the Assistant Secretaries. It would therefore outrage that group of civil servants, and the civil service trade unions concerned (the First Division Association, the Society of Civil Servants, and the Institution of Professional Civil Servants). It would certainly raise the level at which militancy in the Civil Service began to be expressed. But it could technically be done.

8. If it was then decided to keep the existing cash differential of £1,000 between the Assistant Secretary and the Under Secretary, the Under Secretary rate could be brought down to £20,500 (more outrage, etc, including this time military as well as civilian outrage). Starting from that as a floor, I have constructed three further options, shown in an annex:

- se it  
later  
(leads  
to).
- L. ~~Preserves~~ existing cash differentials upwards from an Under Secretary rate of £20,500;
  - M. Gives Deputy Secretaries and Permanent Secretaries a ~~£1,000~~<sup>flat</sup> £2,000, and therefore reduces the cash differential between Under Secretary and Deputy Secretary;

/ N.

N. Reduces the increase to Permanent Secretaries to £1,500, and so reduces also the cash differential between Deputy Secretary and Second Permanent Secretary.

9. In order to preserve even-handedness it would be necessary to shade the increases to judges and board members similarly. It has to be said that, even if one gave the judges the benefit of the additional edge on civil servants and similar officers recommended by TSRB (i.e., for the High Court Judge £1,000 more than for the Permanent Secretary), the Lord Chancellor would be likely to find it very hard indeed to persuade barristers of the right quality to accept appointment to the bench. But it also has to be said that the sense of outrage in the higher civil service and the armed forces would be compounded if they were made to suffer reductions of this kind from the TSRB proposals and judges were not.

*RWA*

30 June, 1980.

SECRET AND PERSONAL

9%

24575.

19620

18530.

15532

14000.

Grade	A	B		L		M		N	
	Current Salary £	TSRB 14 £	%	Preserve existing cash differentials £	%	+ £2,000 for D.S. and above £	%	+ £1,500 for P.S. + £2,000 for D.S. £	%
Head of Home Civil Service etc.	31,000	37,000	19.4	33,500	8.1	33,000	6.5	32,500	4.8
Permanent Secretary etc.	28,500	34,000	19.3	31,000	8.8	30,500	7.0	30,000	5.2
2nd Permanent Secretary etc.	26,000	31,000	19.2	28,500	9.6	28,000	7.7	27,500	5.7
Deputy Secretary etc.	22,500	27,000	20.0	25,000	11.1	24,500	8.9	24,500	8.9
Under Secretary etc.	18,000	23,500	30.6	20,500	13.9	20,500	13.9	20,500	13.9
Assistant Secretary	max.	22,000	29.4	19,500	14.7	19,500	14.7	19,500	14.7
	min.	14,250	19.2	16,500	15.7				
Principal	max.	14,000	19.1	14,000	19.1				

**SECRET**

3

Copy original or  
Parliament Members  
M.P.S pay; PT 2.

Ref. A02480

PRIME MINISTER

The 14th and 15th Reports of the Top Salaries Review Body

(C(80) 32-34)

**BACKGROUND**

The Cabinet had a first, without commitment, discussion of the 14th Report of the Top Salaries Review Body (TSRB) on 19th June (CC(80) 24th Conclusions, Minute 4). The 15th Report (dealing with the pay of Ministers and Members of Parliament) is now available. Decisions are needed quickly if the presentation of the Government's decisions is not to be affected by leaks of their contents. Nevertheless, despite the fact that the present meeting of the Cabinet has no other business before it you may want to leave more time before coming to final decisions. We have provisionally kept open the possibility of a further meeting on 8th July.

2. The papers are complicated and it would be very easy to become bogged down in detail. If this is to be avoided, you will need to keep a tight control of the discussion and to concentrate on principle rather than detailed figures. (The Cabinet cannot be expected to re-do the work of the TSRB in a single meeting.) I suggest that the points of principle which might be addressed are as follows:-

- (a) Is it sensible to reject or amend the Boyle proposals this time round? The problem of setting the right salaries for Ministers, Members of Parliament and senior public employees is a perennial source of difficulty for Governments. The Review Body system was invented ten years ago in the hope that these matters would be taken to some extent at least "out of politics". Successive Governments have paid lip service to the concept by reiterating that the recommendations of the TSRB - like those of the Doctors and Dentists and Armed Forces Review Bodies - would be accepted save where there were "clear and compelling reasons" to the contrary. In every case, however, successive Governments - fighting against inflation - have agonised over the implementation of the Reports as they have come forward, and each attempt to reconcile the basic commitment

**SECRET**

# SECRET

to implementation with short-term problems of presentation has been fraught with political difficulties and embarrassment to Governments. It would be fair to add that every time recommendations have not been implemented, short-term political advantage has incurred the penalty of longer-term embarrassment, sometimes acute, when the pressure for "catching up" could no longer be withstood. Perhaps some of those covered by these reports might also think that they were entitled to ask whether the Government's emphasis on the need to give adequate incentives for responsibility and hard work applies everywhere else but in the public service.

- (b) In a sense this is a question not just of levels of pay, but of systems of settling pay. Has the Review Body system failed in its primary purpose - which is to provide an alternative system of settling pay for groups of public servants (including Ministers and MPs) who cannot negotiate with the Government (or with whom the Government prefers not to negotiate), and thus to provide a measure of protection both for the Government and for the public servants concerned? Unless salaries for the groups concerned are to be settled simply by Government fiat, are there better alternatives?
- (c) If the Cabinet thinks that the present situation demands some modification of the TSRB proposals, is the desired outcome to be achieved by delaying the implementation of the TSRB recommended rates or by the substitution of new rates to be paid from the due dates? Delayed implementation solves the differential problem, makes it easy to handle pensions, and is unlikely to cause members of TSRB to resign. The questions are whether there should be a common period of delay for all the groups concerned (which in the light of the actual TSRB recommendations would bear harshly on Members of Parliament) or whether a differentiation should be made to take account of the varying size of the recommended increases. A judgment here turns on an assessment of what MPs will accept. It would also be necessary to decide on the period of delay. The implications of various choices are set out in paragraph 11 of C(80) 34.

SECRET

- (d) If the decision is to go for lower salary rates from the due dates, are the Cabinet prepared to envisage cutting back in some way on the recommendations in TSRB 14 before they know what the House is prepared to accept in respect of the pay of MPs? The House of Commons might argue that a knowledge of what the Government is prepared to do about its own employees is a necessary precondition for their own decision. The Chancellor of the Duchy touches on the point in paragraph 8 of his paper (C(80) 33). He argues that the Government could not let MPs off the hook and then be tough on the TSRB 14 groups. He assumes that it would be less invidious if the sequence of events were reversed. I am not sure that I agree: at least the appearance of even-handedness is a desirable part of this complex of decisions. Your colleagues will have to judge the balance of risks here.
- (e) Is the Government prepared to refuse arbitration to the Assistant Secretary grade and to impose a lower settlement on them than that which they might gain at arbitration? A decision here substantially determines the range of options for handling TSRB 14. If the Assistant Secretaries are to get what they regard as their due, then only option B or something like options G, H, J and K, or the timing options in paragraph 11 of C(80) 34, are consistent with that decision. If however your colleagues are prepared to refuse arbitration to the Assistant Secretaries, the full range of options is available.
- (f) By this stage in the discussion decisions on questions of principle may have substantially narrowed the options available. But your colleagues may find it difficult to envisage the choices which remain without the aid of a further summary paper. We could, if required, readily produce such a paper but, in doing so, it would be most helpful if three further questions of principle could be resolved:-
- (i) Are colleagues prepared, in any final decision, to see a result which involves the application of a single percentage increase to all those covered by the Reports? Discussion on 19th June suggested that colleagues did not favour such a solution inter alia because it

SECRET

SECRET

smacked of a new "norm". Confirmation of this view would cut out options C and D of C(80) 34. Equally rejection of the alternative of a uniform across-the-board cut would remove options F and possibly E as well.

- (ii) If the decision is against a single percentage increase, is the Cabinet prepared to see the judiciary given relatively better treatment than other groups, as proposed by TSRB?
- (iii) Should the recommendations for the members of nationalised industry boards, modified in whatever way seems appropriate, serve as a basis for the immediate settlement of their pay or should Ministers say now that they will move to their new system for individual determination of salaries, by Ministers, with the TSRB 14 recommendations as a guide only to that determination? This is a loose end from earlier discussion. Certainly if the Government were to seek to substitute its own judgment for that of the TSRB on levels of pay generally there would be a lot to be said for making the break between nationalised industry pay and TSRB now.
- (iv) Are Ministers content to deal more harshly with their own pay than the Commons may be prepared to accept for MPs' pay or than Ministers may determine for the groups covered by TSRB 14? If Ministers are prepared to treat their own salaries more harshly than those of the other TSRB groups, they will need to choose between the options for their own pay set out in paragraph 11 of the Chancellor of the Duchy's paper C(80) 33. If not, discussion of the Chancellor of the Duchy's options should follow, not precede, final decisions on the pay of MPs and senior public servants.

3. Other relevant background points are:-

- (a) Cash limits: there is no formal problem with cash limits which would impose a particular result on any of the groups covered by TSRB. Most of those concerned are a small fraction of much wider groups for cash limit or EFL purposes, and Parliament is of course not cash limited.

SECRET

# SECRET

- (b) Internal relativities: Mr. Pym may argue that it is very important, managerially, for the Ministry of Defence that existing relationships between the pay of senior military personnel and their civilian counterparts should be maintained.
- (c) Intermediate grades: the tables annexed to C(80) 34 do not, for reasons of space, show all of the posts with separate pay scales covered by the TSRB. This is particularly the case with the judges where 13 different levels of salary are in payment for the TSRB groups. If the Cabinet's conclusions result in a setting of new pay scales other than on a purely mechanistic basis, it will be necessary for a complete list to be agreed. This could be remitted for direct settlement between the Lord Chancellor and yourself.
- (d) London Weighting: in considering the Civil Service pay scales it is necessary to remember that Under Secretaries receive London Weighting (currently £780 a year and due to be revised) which the higher grades do not. This affects the minimum permissible differential to be maintained between the Under and Deputy Secretaries if over-compression is to be avoided.

## HANDLING

4. You will probably prefer to introduce the discussion yourself, explaining how you propose to structure it. You might then ask the Chancellor of the Duchy of Lancaster to give the latest news of the discussions which have been going on with Mr. du Cann as Chairman of the 1922 Committee and of any information he may have about the likely attitude of the Opposition Parties. You will then have to judge whether it would be more expeditious to let each of your senior colleagues concerned (the Lord President, the Lord Chancellor and the Chancellor of the Duchy) give their general impressions of the problems first or whether to cut this phase and take your colleagues step by step through the questions posed in the background section of this brief. You will want to clear as many points out of the way as you can, including the Chancellor of the Duchy's recommendations on secretarial allowances for MPs etc. which are not directly affected by the decisions on pay. But unless the Cabinet were to agree to the implementation in



**SECRET**

full, this time, of the two TSRB Reports, they may well find it more convenient to delay final decisions until they can be provided with a further display of whatever options remain as a consequence of the decisions in principle they may take. I could readily arrange for the quick production of such a paper.

**CONCLUSIONS**

5. The outcome of the Cabinet's discussion is very difficult to predict but the most likely outcome might be:-

- (i) To note the agreements reached on points of principle and on specific recommendations.
- (ii) To invite the Secretary of the Cabinet to produce a further paper for discussion at an early meeting which displays the remaining options open to Ministers in the light of whatever conclusions have been reached at this meeting by the Cabinet.

**ROBERT ARMSTRONG**

30th June, 1980

**SECRET**

*Original filed*

*to Parliament Members*

*PT2: Pay.*

*(copy)*

*Econ PA*

From

THE CHAIRMAN OF THE PARTY

The Rt. Hon. The Lord Thorneycroft

CONSERVATIVE & UNIONIST CENTRAL OFFICE,  
32 SMITH SQUARE,  
WESTMINSTER, SW1P 3HH,

Telephone: 01-222 9000

PT/SOB

30th June 1980

To/ THE PRIME MINISTER

TOP SALARIES

1. We are approaching a period during which decisions critical to the success or failure of the Government's strategy will be taken. Among these decisions those affecting pay in the public and private sector will be important.
2. The Government's strategy involves cutting public expenditure and borrowing and modifying the power of the Unions. We are, I think, all agreed that if we get through this autumn and winter with pay increases well below the level of inflation we may just get by and start trends moving in the right direction. If we fail in this endeavour I expect the Government and the Party to come under savage criticism and see increasing difficulty in mobilising continued support for our main strategy.
3. Pay settlements depend upon public attitudes and are deeply influenced by imitation and example. I regard, therefore, the decisions on Top Salaries, and for that matter on MPs' and Ministers' pay, as of crucial importance.
4. We have as a nation in no way earned the kind of figures which are being canvassed for these sectors and which will be used not as a target but as a base for others to build upon.
5. I do, therefore, urge with all the force at my command and with some knowledge of the way in which opinion is developing in the country, that we limit these increases to single figures. I accept that this will involve some injustice and some distortion. It is, however, better to endure this than see the Government in a few months time derided for the failure of its strategy as it seeks desperately to cut still further against the handicap of wage costs and unemployment mounting inexorably against them.

*Thorneycroft*



Civil Service Department  
Whitehall London SW1A 2AZ  
01-273 4400

From the Private Secretary

*RBF PSAD*

27 June 1980

Tim Lankester Esq  
Private Secretary to the Prime Minister  
10 Downing Street  
LONDON SW1

*See - Mr bym  
attached to  
PM signature  
R*

*Dear Tim,*

...

In response to your letter of 23 June I attach a draft reply for the Prime Minister to send personally to the First Division Association about the Top Salaries Review Body Report on senior civil servants pay. The Lord President feels that this is as far as we can go since decisions have not yet been taken by Ministers. The FDA letter urges full and early implementation of the TSRB recommendations and points out that a large number of staff below the level covered by the Review Body will be affected by the outcome. This is a reference to staff at Senior Principal and Assistant Secretary level whose pay is settled in the normal way by negotiation on the basis of pay research.

The Lord President wrote to the Prime Minister on 1 November about the problem at the interface between the pay of Assistant Secretaries and that of Under Secretaries. The staff were promised a review of the problem to see if a solution could be found for this year's settlement. If no solution is found it may be necessary to allow any dispute about Assistant Secretaries pay to go to arbitration.

Preliminary negotiations have been undertaken with the unions to determine the appropriate pay rates for the Senior Principal and Assistant Secretary grades but it has not been possible for these to be concluded until the Under Secretary rate, which is covered by the TSRB recommendations, has been established. Adequate differentials between the grades are necessary.

*Yours sincerely,  
Jim Buckley*

J BUCKLEY

DRAFT LETTER FOR THE PRIME MINISTER TO SEND TO:

B M F O'Brien Esq  
Association of First Division Civil Servants  
17 Northumberland Avenue  
London WC2N 5AP

Thank you for your letter of 19 June about the recommendations of the Top Salaries Review Body in relation to Senior Staff in the Civil Service.

Your views have been noted and will be taken into account in our consideration of the Review Body's recommendations. I am glad to note in particular that the Association recognises the need for restraint and the role of cash limits. You can rest assured that whatever decisions are taken by the Government they will be for reasons of substance and not cosmetics. Our prime objective is to reduce inflation and it is within that context that we must consider the recommendations of the Review Body.

Em PD

CONFIDENTIAL

1) BT 2  
2) BT 2/7-80

MR. WRIGHT

TSRB REPORTS: CABINET MEETINGS

I have shown the Prime Minister your minute AO2451 of 26 June 1980, and as I mentioned at Sir Robert Armstrong's meeting earlier this morning, she is content with the arrangements which are being made for Cabinet Meetings on 1 and 8 July to consider the TSRB Reports.

C. A. WHITMORE

27 June 1980

CONFIDENTIAL

A02451

MR WHITMORE

## CABINET 1st JULY: TSRB REPORTS

With the Prime Minister's agreement, we are now arranging for the two TSRB Reports (on the salaries of the higher Civil Service, senior officers of the Armed Forces, the higher judiciary and nationalised industry chairmen and branch members and of Ministers' and MPs') to be discussed at a special meeting of the Cabinet at 10.30 am on Tuesday 1st July. The only Cabinet Ministers who seem likely to have serious problems about attending a Cabinet that day are the Foreign and Commonwealth Secretary (who may have to be in Brussels for a Foreign Affairs Council) and the Lord Privy Seal who will have begun a long tour of the Far East. Both the Secretaries of State for Scotland and Northern Ireland will have to return specially to London for the Cabinet: Mr Younger will be in attendance on The Queen and Mr Atkins will be in Northern Ireland for the publication of the Green Paper on the Government of Northern Ireland.

The two TSRB reports will be circulated tomorrow: TSRB 14 on Senior Civil Servants, Army Officers and the judiciary under a Note by the Secretaries and TSRB 15 on MPs' Pay under a memorandum by the Chancellor of the Duchy of Lancaster. I will also be circulating a note to members of the Cabinet covering a note by officials on the various options which are open to the Cabinet.

*J. Night*

*(seen and approved by  
Sir R. Armstrong)*

26 June 1980

*In the light of the Prime Minister's comments about a meeting of the 1922 Committee to discuss MPs' pay, a further Cabinet meeting has now been provisionally arranged for 8th July.*

File

D89

23 June 1980

Enclosed are two letters about the TSRB Report on Senior Public Servants' Pay. The Prime Minister would like to reply personally to the letter from the FDA, and I would be grateful for a draft for this purpose by Monday 30 June. She would be glad if the Lord President would reply to the letter from the Association of Members of State Industry Boards.

T. P. LANKESTER

Jim Buckley, Esq.,  
Lord President's Office.

Ed

File

DSG

20 June 1980

I am writing on behalf of the  
Prime Minister to acknowledge your letter  
of 19 June.

I have placed your letter before the  
Prime Minister and you will be sent a  
reply as soon as possible.

T. P. LANKESTER

B. M. F. O'Brien, Esq.

DSG



BRITISH  
GAS

DER/BH

20th June, 1980.

The Rt. Hon. Lord Soames, GCMG, GCVO,  
CH, CBE,

Lord President of the Council,  
Civil Service Department,  
Whitehall,  
London, SW1A 2AZ.

*MBM*  
*7*  
*Evan*  
*Pol.*  
*27/6*

Sir Denis Rooke CBE FRS  
Chairman

British Gas Corporation  
59 Bryanston Street  
Marble Arch London W1A 2AZ  
Telephone 01-723 7030  
Telex 261710

*Dear Lord President,*

REMUNERATION OF MEMBERS OF NATIONALISED INDUSTRIES

I am writing on behalf of the Nationalised Industries' Chairmen's Group to express the deep concern of the Chairmen and their colleague Members at the recent turn of events.

Throughout almost all the seventies Members of Nationalised Boards were subjected to the most appalling treatment. Not only was discriminatory action taken on their remuneration and maintained for a period of years, during which their pay was effectively halved in real terms, but all this was carried out in the most cavalier fashion. There was no consultation and virtually no proper information, so that they frequently only learned details of the progress of affairs through the Press.

I will not weary you with a recital of all the gruesome history, the Civil Service Department has all the details. But I should just like to make the point that even when the previous Administration moved to rectify the situation the Boyle Recommendation of 1978 was split into three stages, so that we only caught up with the 1978 level in April of this year. And before the anomalies of the past have even been fully eliminated we seem to be in danger of slipping back into the mire once again.

You will understand, therefore, why my colleagues and I are now becoming so concerned; without having been told even that the Top Salaries Review Body had submitted its report we find ourselves once again at the centre of much Press speculation and comment, a great deal of it rather malicious to say the least.

My colleagues and I fully support action to combat inflation so long as it is not discriminatory, but the realities of the industrial situation have to be faced. Like other

/industries ...

industries, Nationalised Industries have to pay competitive salaries to be able to recruit and retain competent senior staff, so that the effect of the gross restraint of Members' salaries was widespread reverse differentials in their upper echelons. Such anomalies are the source of much irritation and frustration when they occur, but when they persist for any length of time they really are most destructive of morale and motivation. By no means have all the anomalies derived from the 1972/78 hiatus been eliminated and a re-growth must not be allowed.

My colleagues are already seriously disturbed by their exposure to a new bout of speculation and unfair comment and ask that we may now be consulted as well as informed.

*Sincerely yours*

*Dennis Toole*

# FDA

Association of First Division Civil Servants

17 Northumberland Avenue London WC2N 5AP

Telephone 01-839 7406/7

The Rt Hon Margaret Thatcher, MP  
Prime Minister  
10 Downing Street  
London S W 1

your ref

our ref

From the Chairman

19 June 1980

*Dear Prime Minister*

I am Chairman of the staff association representing the Senior staff in the Civil Service, a number of whose salaries are directly determined by the report of the Top Salaries Review Body now before you and an even larger number who are this year waiting on its recommendations. My purpose in writing is to urge you to implement the findings of Lord Boyle's committee in full and quickly. For dozens of grades and for hundreds of people this concerns the pay round already settled for most other non-industrial civil servants, who are accordingly already receiving a fair measure of their entitlement under pay comparability arrangements. To pay less than the increases recommended by the Top Salaries Review Body this year would be to single out for unfair treatment not only the small number of staff in the Open Structure but also (we have reason to suppose) staff in lower grades not within Lord Boyle's remit.

This Association realises as well as any that the present state of the economy necessitates restraint. For that reason, cash limits have this year been imposed on the normal operation of our Pay Agreement. We are prepared to cope with what may have to be done across the board in the next pay round, but we would hope that you and your colleagues will not (for cosmetic reasons) introduce further, and selective, restrictions in completing the present round.

We would of course, be happy to discuss the matter with you if it would help.

*Yours sincerely  
Brian O'Brien*

B M F O'BRIEN

---



10 DOWNING STREET

PRIME MINISTER

Here are two letters about the TSRB Report on top civil servants, etc. pay - one from the First Division Association, the other from the Association of Members of State Industry Boards.

We think, on the whole, that you should write to the FDA letter. But I think Lord Soames could reply to the State Industry Boards Association. Agree?

*Yes*  
*no Duty Clerk*  
*PP TL*

20 June 1980



## CABINET OFFICE

With the compliments of  
Sir Robert Armstrong KCB, CVO  
*Secretary of the Cabinet*

C.A. Whitmore, Esq.

70 Whitehall, London SW1A 2AS  
Telephone: 01-233 8319

CONFIDENTIAL



ECM  
Pol  
JWS  
KW

CABINET OFFICE

70 Whitehall, London SW1A 2AS Telephone 01-233 8319

From the Secretary of the Cabinet Sir Robert Armstrong KCB CVO

18th June, 1980

Ref. A02386

You asked me when the decision of the Ministerial Committee on Economic Strategy to take the remuneration of chairmen and board members of nationalised industries out of the Top Salaries Review Body remit was supposed to take effect.

I have now refreshed my memory of the minutes of the meeting, and can confirm what I told you on the telephone. The Committee took a decision in principle that the TSRB should no longer be invited to advise on the remuneration of chairmen and board members of nationalised industries and other essentially trading public corporations. They also agreed, however, that the TSRB should complete their 1980 report on the traditional basis. They must therefore have accepted that they would have to consider the TSRB's recommendations on the remuneration of board members this year. Ministers still have to decide whether to implement the TSRB's 1980 recommendations for board members in whole or in part and then take board members out of the TSRB's remit, or whether to announce immediately that the TSRB will no longer be invited to advise on the remuneration of board members and to set aside the current recommendations.

ROBERT ARMSTRONG

Sir Peter Carey, KCB

CONFIDENTIAL

10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60 61 62 63 64 65 66 67 68 69 70 71 72 73 74 75 76 77 78 79 80 81 82 83 84 85 86 87 88 89 90 91 92 93 94 95 96 97 98 99 100  
FIVE JURY FUND

ROBERT ANDERSON

SECRET

Ref. A02387

PRIME MINISTER

TSRB 14  
(C(80) 30)

BACKGROUND

The note circulated under cover of my note C(80) 30) summarises the Fourteenth Report of the TSRB dealing with the pay of the higher Civil Service, senior officers of the armed forces, the higher judiciary and chairmen and Board members of nationalised industries. Only you, the Chancellor and the Lord President have seen the full report. You are not asking the Cabinet for decisions at the present meeting. The time for this will come (perhaps early in July) when the TSRB's further report on the pay of Ministers and MPs has also been received, and decisions on the two reports can be taken together.

2. In approaching the discussion you may care to bear the following points in mind:-

- (a) The two TSRB reports represent only part of the last phase of the present pay round. Other main public sector settlements due in the next few weeks include local authority administrative, professional and technical staffs, Civil Service industrial staff, Post Office administrative and telecommunications staff, nurses and teachers. Taken together these groups represent over 2 million public sector employees.
- (b) The TSRB's 14th report recommends increases averaging 25 per cent for the groups covered. This figure is compounded of two quite different tendencies: a general uprating of around 19 per cent (much in line with the recently accepted increase for doctors and dentists); and higher increases for the lowest grades covered by the report (Civil Service Under-Secretaries, Major Generals and their equivalent)

SECRET



SECRET

and Board members of nationalised industries) where there are particular interface problems with the pay of the staffs immediately below them. Although the issue arises in the armed forces and the nationalised industries as well, it can be illustrated in the case of the Civil Service. The pay of the Assistant Secretaries - immediately below the Under-Secretaries covered by Boyle - is determined by the PRU system and as such is subject to arbitration. For some time the rather different approaches of the two systems has meant that the pay of the Assistant Secretaries has been stepping on the heels of that of Under-Secretaries. In consequence the pay of Assistant Secretaries has been deliberately held back to avoid overlap (though an overlap actually occurred in the early months of this year). You will recall that Lord Soames raised the matter with you in November last year and that you agreed to his proposals for handling (I attach copies of the relevant minutes). TSRB 14 refers in general terms to the problem (in paragraph 5) and in more specific terms in paragraphs 16 to 20. The relatively high rates of increase recommended for Under-Secretaries, Major Generals and their equivalents and the Board members of nationalised industries, represent the Review Body's attempt to cope with this problem.

- (c) In his Report on MPs' pay last year (TSRB 12) Lord Boyle recommended £12,000 a year as the appropriate salary at June 1979. The House agreed to phase the award in three stages. The second stage has just been paid (an increase of £1,275 or 13½ per cent), bringing MPs' salary to £10,725. We do not know the updating which TSRB will recommend as appropriate for this year but, on the form of the other reports, it is likely to be of the order of 20 per cent.
- (d) Ministers have already agreed (E(80) 16th Meeting) that in future the TSRB should no longer be invited to advise on the remuneration of chairmen and Board members of nationalised industries and other essentially trading public corporations. Precise details of the groups to be excluded have still to be settled, as has the timing of an announcement of the decision.

SECRET

(e) Sir Keith Joseph is currently in negotiation about the salary of the new Chairman of the Telecommunications Corporation. Assuming the present candidate does not withdraw, the salary is likely to be of the order of £150,000 a year. An announcement is possible before the Summer Recess.

3. In deciding whether to use the present TSRB reports as an occasion for making a gesture towards pay restraint in the public services the Cabinet will need to consider three questions:

- (a) Are they prepared in principle to see the Government impose a settlement on the TSRB groups at lower levels than those recommended in the present report?
- (b) If so, can effect be given to this view without parallel action on the pay of MPs and Ministers?
- (c) If the answer to (b) is no, what are the prospects of persuading the House of Commons to agree to a less than full updating of MPs' pay this year?

4. Assuming that Ministers would not wish to impose on the groups covered by TSRB 14 a restraint that the House of Commons will not impose on itself, the position of MPs is the key. For the Government - and for MPs - part of the background to this is the statement by the Chancellor of the Duchy of Lancaster, in the House of Commons on 4th March (Column 266), that:

"This year the updating of the second stage payment by the Review Body on Top Salaries /i.e. on MPs' pay/ has been accepted in advance by the Government and the Government are committed to implementing the updating from this summer. That also will be applied to the third stage of the payment /due in June 1981/."

Mr. St John-Stevas went on:

"Furthermore we propose that the Review Body undertake annual reviews of Parliamentary salaries from next year onwards. It is the Government's intention, save in the most exceptional circumstances, that any recommendation made by the Review Body will be implemented."

Full debate  
Flag A

SECRET

5. The fact that assurances have been given in these terms does not of course prevent the House from exercising self-restraint. But the Motion on MPs' pay has to be laid by the Government. Any Motion which departed from the Chancellor of the Duchy's statement would presumably have to be put forward as reflecting a widespread view in the House. If Ministers want to pursue the possibility of an increase in MPs' pay less than that likely to be recommended by the TSRB, the Chancellor of the Duchy and the Chief Whip will need to enter into wide consultations in the House, with the Opposition parties as well as with Government backbenchers.

6. For this to be done effectively, and indeed for the Government to come to a decision on the treatment of the other TSRB groups, the Government will need to have a specific proposition to put forward. Questions which arise are:-

- (a) What abatement would be appropriate? The obvious starting-point would be to reflect the 14 per cent Civil Service cash limit. If this route is chosen, an important subsidiary question arises: namely whether the increases themselves are held to this level or whether the introduction of the recommended rates is deferred (as was done by the Civil Service main pay settlement) to achieve the same cash effect over the year as a whole while preserving the recommended rates as the basis for the future pay structure. If either route were chosen it would be necessary to decide also whether the civil servants involved should benefit, as did their junior colleagues, from a 2½ per cent offset for staff cuts. A staff cut offset would not however be applicable in logic to MPs, Ministers, senior military personnel and judges where presumably there is no expectation of cuts in numbers. A cruder approach, again based on the Civil Service settlement, would be to apply a uniform 5-week (or some other) delay in the implementation of the new rates without attempting to discriminate between sub-groups and individuals. (I should add that, if the increases were paid in full, Sir Ian Bancroft and I would propose to our colleagues that, as the rest of the Civil Service was "staged" for five weeks, the higher Civil Service should voluntarily undertake to accept the same staging.)

SECRET

- (b) Should the senior officers and the lawyers be excluded from the cuts as 'law and order' groups?
- (c) What should be done about Ministers, including especially junior Ministers?
- (d) How should any cuts be presented? At one level the cuts would require no justification. The numbers are small, and those concerned are relatively highly paid. On the other hand, the cuts would be symbolic and would raise a number of pertinent questions. Among these are: Is the Government instituting a policy of selective pay restraints for higher-paid groups only? What are the implications for doctors and dentists, TSRB groups and MPs next year? Will private sector management be expected to follow suit? What 'clear and compelling reasons' have emerged since the Chancellor of the Duchy's statement on 4th March to justify overturning Boyle? (Successive Governments have accepted an obligation to implement the recommendations of the Review Bodies - Top Salaries, Doctors and Dentists and Armed Forces - except where there are "clear and compelling reasons" why they should not do so. The last Government exercised this option but only in the context of a specific national pay policy). Does this act therefore foreshadow a national pay policy? Etc., etc.

7. The alternative course, which may be urged by some colleagues - and which may become essential if MPs refuse to cut their own increases - will be to regard the present reports as clearing the decks of the past (though the problems of the remaining stage payments to MPs and Ministers will remain - they will be the only groups next year to have a claim on an historic rather than a current basis). If, at the end of the day, the Government decides that it has no alternative but to accept the recommendations in the next report on the pay of MPs and Ministers - and hence those in TSRB 14 - it will be for consideration whether to go down fighting - by presenting a resolution to the House which fails to carry - or not to risk defeat on a motion while making its position plain.

SECRET

#### HANDLING

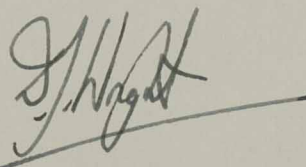
8. You will need to open the discussion yourself, perhaps by posing the three questions in paragraph 3 above. Thereafter almost every member of the Cabinet is likely to wish to make a contribution. Among those who should speak early are the Chancellor of the Exchequer, the Lord President of the Council, the Lord Chancellor (for the judges), the Secretary of State for Defence (for the Services), Lord Gowrie (representing Mr. Prior), and the Secretaries of State for Industry, Trade, Energy and Scotland (as the main sponsoring Ministers for nationalised industries). Once attention focuses on MPs' pay you will also need to bring in the Chancellor of the Duchy and the Chief Whip.

#### CONCLUSIONS

9. No substantive conclusions are required at this meeting. But you will need procedural decisions on:-

- (a) The sounding of opinion in the House (to be remitted for action and report to the Chancellor of the Duchy of Lancaster and the Chief Whip?)
- (b) Preparatory thinking on public presentation on alternative hypotheses of the outcome (to be remitted to the Paymaster General); and, perhaps,
- (c) individual members of Cabinet to sound the opinion of their junior colleagues.

10. You might also consider inviting the Lord President, with colleagues immediately concerned, to prepare specific proposals for abatement to be considered when the Cabinet returns to the subject early in July.



(Robert Armstrong)

(approved by Sir R. Armstrong  
and signed on his behalf)

18th June, 1980

1000  
7  
Lanc

cc/HMT  
D/Emp  
28



10 DOWNING STREET

From the Private Secretary

5 November 1979

MANAGEMENT - IN CONFIDENCE

5962  
79

cc Mr. Leathers  
Mr. Mountfield  
Mr. Miles

The Prime Minister has read the Lord President's minute of 1 November about the problem of Assistant Secretaries' and Under Secretaries' salaries. She agrees that the Pay Research Unit Board and the Top Salaries Review Body should consider the problem jointly and make proposals for its resolution. She has noted, if new arrangements for determining the salaries of Assistant Secretaries cannot be implemented for the 1 April 1980 settlement, it may be necessary to allow any dispute about Assistant Secretary pay next year to go to arbitration.

I am sending copies of this letter to Tony Battishill (H.M. Treasury) and Ian Fair (Department of Employment).

T. P. LANKESTER

Jim Buckley, Esq.,  
Lord President's Office.

MB

*Prime Minister*



*Agree to Soames' proposal, which seems sensible?*

*Yes no*

*R 2/11*

PRIME MINISTER

THE PAY RESEARCH/TOP SALARIES REVIEW BODY INTERFACE

For some years there has been a problem at the interface between the pay of Assistant Secretaries and that of Under Secretaries. This is to let you know how I would propose to deal with it.

Assistant Secretaries have their pay settled in the normal way by negotiations on the Pay Research evidence. The pay of Under Secretaries is determined by the Top Salaries Review Body (TSRB) which collects its own evidence of outside rates and works in a different way.

The problem is that the rate indicated by Pay Research for the maximum of the Assistant Secretary scale has often been too close to, or has exceeded, the rate recommended by the TSRB for the Under Secretary. It has been necessary to reduce the appropriate salary for Assistant Secretaries to keep some sort of differential between Under Secretaries and them. The position is obviously unsatisfactory to everybody. This year Assistant Secretaries were promised a review of the problem to see if a solution could be found.

*4*  
I propose to invite the Pay Research Unit Board (PRUB) and the TSRB to consider the problem jointly and to make proposals for its resolution. I would ask the two bodies to consider the problem urgently in the hope that new arrangements can apply for the 1 April 1980 settlement. If this proves to be impossible, however, it may be necessary exceptionally to allow any dispute about Assistant Secretary pay next year to go to arbitration: I think it would be a good idea to have one member who would serve on both PRUB and TSRB. Sir Derek Rayner would be an ideal candidate but he is far too busy. There is a vacancy on TSRB at the moment. I am looking for a good candidate who could be suitable to fill this and also serve on PRUB. I hope to submit the names of suitable candidates for your approval shortly.

Copies of this minute go to the Chancellor of the Exchequer and the Secretary of State for Employment.

*S.*

SOAMES

1 November 1979





10 DOWNING STREET

THE PRIME MINISTER

18 June, 1980

Dear Edward,

Thank you for your letter of 12 June with which you enclosed the Review Body's Report No. 14. The Government are now considering the recommendations of the Report and I will let you know our decisions in due course.

I look forward to receiving your Report No. 15 on Parliamentary and Ministerial pay shortly.

In the meantime, may I take this opportunity to thank you and your colleagues on the Top Salaries Review Body for all the valuable work you are doing. We are very grateful to you.

Yours sincerely

Raymond

The Right Honourable Lord Boyle of Handsworth

Rd





10 DOWNING STREET

Mini Mini

*enclosed  
above*

Letter to send to

Ld. Boyle looking for

TSEB report.

to.

17/6



**Civil Service Department**  
 Whitehall London SW1A 2AZ  
 01-273 4400

From the Private Secretary

*BF 10.7.80*

17 June 1980

Tim Lankester Esq  
 Private Secretary to the  
 Prime Minister  
 10 Downing Street  
 LONDON SW1

*He SR*  
*pls type attached draft*

*Dear Tim,*

REVIEW BODY ON TOP SALARIES:  
 FOURTEENTH REPORT

In your letter of 13 June you asked for a draft reply for the Prime Minister to send to Lord Boyle. Clearly at this stage the Prime Minister can do little more than acknowledge receipt of the Report; a further letter to Lord Boyle will be needed when the Government has decided what to do about the Report's recommendations.

*DL*

...

I attach a draft.

*Yours sincerely,*  
*Jim Buckley.*

J BUCKLEY

17 JUN 1980



DRAFT LETTER FOR THE PRIME MINISTER'S SIGNATURE TO:

The Rt Hon Lord Boyle of Handsworth  
Chairman  
Review Body on Top Salaries  
Office of Manpower Economics  
22 Kingsway  
LONDON WC2B 6JY

Thank you for your letter of 12 June with which you enclosed the Review Body's Report No 14. The Government are now considering the recommendations of the Report and I will let you know our decisions in due course.

I look forward to receiving your Report No 15 on Parliamentary and Ministerial pay shortly.

In the meantime, may I take this opportunity to thank you and your colleagues on the Top Salaries Review Body for all the valuable work you are doing. We are very grateful to you.

CONFIDENTIAL

file ds  
Evan P.D.

SIR ROBERT ARMSTRONG  
CABINET OFFICE

---

Ministerial discussion of TSRB Reports

I have shown your minute of 13 June 1980 about the two forthcoming Boyle Reports to the Prime Minister. She agrees that they should go straight to Cabinet and she is content for 1 and 8 July to be earmarked provisionally as dates on which Cabinet might discuss them.

You might like to know that the Top Salaries Report was delivered to us yesterday. I understand that it recommends increases of 18-19% on 1 April 1980 rates of pay.

C A WHITMORE

13 June 1980

CONFIDENTIAL

ds

MR. WHITMORE

*New mt.*Prime Minister.

Agree that we should provisionally earmark 1st and 8th July - both of them Tuesdays - for Cabinet meetings on these reports? There are no problems as far as your diary is concerned.

Ministerial discussion of TSRB Reports

In my minute of 11 June, I suggested that the two forthcoming TSRB Reports (Top Salaries and MPs) should be considered together, and should go straight to the Cabinet.

*fwh.*  
13.vi.

2. The TSRB Report on MPs pay will not be ready until about 27 June. Though the issues raised by these reports which Ministers will need to discuss will be clear enough before then - indeed, they are clear now - it will not be possible to brief them before Cabinet for decision until the first week of July.

3. Once both Reports have been received, the fact that they are in the Government's hands will quickly become known, and it will not be possible to delay decisions for very long.

4. We have now booked the regular Cabinet meeting on 3 July for a discussion of the medium-term economic outlook, as a prelude to discussing public expenditure on 10 July. I do not think that we can postpone that timetable: we need to have had these meetings before 16 July (the date fixed for the special meeting on economic strategy); and we may need a second discussion on public expenditure before the Recess (on 17 or 24 July) and bilateral meetings between the Treasury and spending departments are required.

5. The TSRB reports are not the right business to meet the Prime Minister's requirement for something to follow the economic discussion on 3 July (I am thinking of the Broad Sanctuary site for that). It might be possible to take them before or after the discussion on public expenditure on 10 July, though that would make for a long and contentious morning, and the subject may not keep that long.

6. We may therefore need to think in terms of a special meeting of the Cabinet on 1 or (more likely) 8 July, to discuss the TSRB reports.

/In public

*The report on the pay of civil servants, judges, etc has arrived. Tim tells me. It recommends increases of 18-19%.*

*fwh*

In public relations terms it would be preferable not to hold a special meeting for this purpose; if it seems to be inevitable, we shall have to present the extra meeting as something required by the volume of business that has to be dealt with by the Cabinet before the recess.

REA

13 June 1980

T.S.R.B. REPORT ON TOP SALARIES - SENIOR CIVIL SERVANTS, ETC.

Attached is Lord Boyle's Report on Top Salaries (Top Civil Servants, etc.).

Top civil servants and the other groups covered in this Report have already received - as from 1 April 1980 - the final stage of the 1978 Report's recommended increases. This final stage payment involved increases of about 10 per cent for most of the grades covered, though one or two of the nationalised industry Chairmen had larger increases because the original recommended "appropriate" rates involved very large increases indeed.

This Report is concerned with the uprating of these final stage payments. The recommendation for the majority of them is that they should be increased by about 18-19 per cent. This appears to be based on a review of earnings which the Review Body carried out (see page 10 of the Report) of earnings increases in the private sector between January 1979 and January 1980 which produced an average increase of 18.3 per cent.

There are, however, some divergences from this general 18-19 per cent figure. These arise in cases where the Review Body has taken the view that the pay for the grade in question has moved markedly out of line with outside analogues, where the responsibility of the job has changed, or where (as in the case of Under-Secretaries and Major-Generals) there has been excessive compression with the salary levels directly below.

Examples of recommended increases which are outside the 18-19 per cent figure are:

Under-Secretary and Major-General	+ 31%
High Court Judge	+ 23%
Chairman of the Transport Docks Board	+ 33%
Chairman of N.E.B.	- 5%

/ These



These recommendations, although broadly in line with the P.R.U. settlement, are going to cause us a lot of difficulty. The problem is two-fold: first, they come shortly after the final staging of the 1978 recommendations and the increases are intended to be payable from 1 April; consequently, the percentage increases will be interpreted in the media as being about 30 per cent - just as the doctors' settlement was. Second, the increases in absolute terms are of course very large.

As regards the pay of nationalised industry Chairmen, we have of course decided that in future the Review Body should not be asked to make recommendations; and that their pay, and also that of Board members, should be decided by Ministers in consultation with C.S.D. The Review Body itself has had serious doubts about continuing to make recommendations in this area, and this is spelt out in paragraphs 6-13 of the Report. When we announce that nationalised industries will in future not be covered by the T.S.R.B., it will be useful to have this backing from the Review Body.

Finally, handling. We will not have the report on MPs until the end of the month. I am sure that the two reports will need to be considered together, and I understand that Robert Armstrong will be suggesting that we should have a special Cabinet on 1 July or 8 July for this purpose. In the meantime, however, officials can be considering the implications of this Report; and if you agree, I will have copies sent on a restricted basis to the main Departments concerned.

I will let you have a letter to send to Lord Boyle on Monday.

---

R.

13 June 1980

File

ERH M DSG

B/F 19-6-80

---

13 June 1980

We spoke about the T.S.R.B. Report on top civil servants, etc., which came in last night. I said that we would talk about handling again on Monday. In the meantime, I would be glad if you could let me have a draft reply for the Prime Minister to send to Lord Boyle (copy of his letter enclosed).

**J. P. LANKESTER**

Jim Buckley, Esq.,  
Lord President's Office.

TR



OFFICE OF MANPOWER ECONOMICS

22 KINGSWAY  
LONDON WC2B 6JY

Telephone 01-405 5944

CONFIDENTIAL

The Rt Hon Margaret Thatcher MP  
10 Downing Street  
London SW 1

12 June 1980

*Dear Prime Minister*

REVIEW BODY ON TOP SALARIES

We have now completed our review of the salaries within our standing terms of reference and I enclose our Report No 14.

I should like to add a word about the progress of the review of Parliamentary and Ministerial pay that you invited us to undertake in your letters of 30 July 1979 and 14 February 1980. We were not able to begin work on this review as early as we would have wished because of the need to complete Report No 14 which, as you will probably realise, was itself delayed by the programme of work for the major review of Parliamentary pay and allowances that led to Reports No 12 and 13. However, we are now hard at work on Report No 15 and we hope to submit it by the end of the month.

*Yours sincerely*  
*Edward Boyle*

BOYLE OF HANDSWORTH, CHAIRMAN  
REVIEW BODY ON TOP SALARIES

CONFIDENTIAL

CONFIDENTIAL



Secretary of State for Industry

Paul Channon Esq MP  
 Minister of State  
 Civil Service Department  
 Whitehall  
 London SW1A 2AZ

DEPARTMENT OF INDUSTRY  
 ASHDOWN HOUSE  
 123 VICTORIA STREET  
 LONDON SW1E 6RB

TELEPHONE DIRECT LINE 01-212 3301  
 SWITCHBOARD 01-212 7676

*Make -  
 To see  
 R.*

*Prime Minister*

*To Mr.*

12 June 1980

*Dear Paul,*

*R.  
 13/6*

When we discussed the problem of Nationalised Industries Board Members' pay, and the future of TSRB, in E Committee on 20 May, it was agreed that I should offer certain key members of British Aerospace increases of up to £5,000 per year from 1 July, and make any necessary consequential changes, in order to persuade them to accept re-appointment for a full term. This was in recognition of the very small pay increases which the two Chief Executives, in particular, have received since nationalisation in 1977; and of our need to retain the services of leading members of the Board if we are to keep open the possibility of a flotation later this year.

Adam Butler has now discussed the problem of salaries with Dr Pearce, BAe's Chairman; and I am writing to let you know the details of the package which we have agreed. This is as follows:

- a Page and Jefferson, the Chief Executives of BAe's operating Groups, to be given increases of £5,000 to bring them up to £33,750 slightly above the mid-point of the present Deputy Chairman range and to retain that relative position in any uprating we decide on after considering the TSRB report.
- b Greenwood, the present Deputy Chairman, to be paid the same rate as the two Chief Executives (ie an increase of £1,250 on his present salary).
- c Rubython and Friend, the two senior Board Members, to receive increases to the top of the Board Member range, (currently £28,750) and to retain this position after TSRB, or other upratings.

Dr Pearce has expressed confidence that increases of this order should be sufficient to persuade these key Board Members to accept re-appointment for a full term. We will therefore shortly be

/writing ...



writing formally to the members concerned offering them re-appointment on these terms.

I am copying this letter to the Prime Minister and to the other members of E Committee.

*Leam*

*Kerr*

---

113 JUN 1980



CONFIDENTIAL



Econ PShay

CABINET OFFICE  
Central Policy Review Staff

70 Whitehall, London SW1A 2AS Telephone 01-233 7765

From: J. R. Ibbs

Qa 05028

20 May 1980

Dear Minister of State,

Government Control over Public Board Members'  
Pay and Pensions

As I understand the outcome of this morning's meeting of E, the TSRB will cease to make recommendations on the salaries of Board members of nationalised industries and other 'trading' Government bodies. Instead recommendations will be made by sponsoring Departments and be subject to agreement by the Civil Service Department.

Although it is perhaps an obvious point I feel I should let you know that, from my experience of salary matters in two large and diversified groups of companies in the private sector, there will be difficulty in arriving at any defensible pattern, in avoiding leap-frogging and other problems unless there are some clear guidelines that have to be met by Departments who want to obtain your agreement. I accept that the idea is to have greater flexibility than hitherto but unless this occurs within some recognised framework I believe it will cause serious problems. Without some framework salary decisions are likely to be unduly influenced by special pleading, each piece of which sounds quite plausible on its own but which has a ripple effect on other decisions. This is why schemes akin to that of Hay MSL often have to be adopted in the end. If the setting of suitable guidelines is deferred their eventual introduction under pressure of events is doubly difficult because of the anomalies that have occurred and cannot be accommodated within them.

I am sending a copy of this letter to the Prime Minister, to members of E, and to Sir Robert Armstrong.

Yours sincerely,

J R Ibbs

EWON 11

CONFIDENTIAL

PRIME MINISTER

Government Control over Public Board Members'  
Pay and Pensions  
(E(80) 40)

BACKGROUND

This paper by the Minister of State, Civil Service Department, was commissioned at the meeting of E on 7th May (E(80) 15th Meeting, Item 2), in response to a general view of Ministers that the Top Salaries Review Body (TSRB) is an unsatisfactory method of fixing the pay of nationalised industry Board Members. An immediate problem was the wish of the Secretary of State for Industry to appoint a Chairman of the proposed Telecommunications Corporation at a salary considerably higher than TSRB rates. It was agreed that a decision on this - and on any similar proposals - should be deferred for two weeks, so that Ministers could consider it in the context of the Minister of State, Civil Service Department's analysis of the general problem.

2. The short-comings in the present system are familiar:-
  - (i) The last Government refused significant increases for nationalised industry board members throughout the mid-1970s, and, more recently, increases have been staged.
  - (ii) This has led to well publicised difficulties in recruiting chairmen and chief executives to some boards, and also to problems with other key appointments such as finance directors.
  - (iii) In some cases executive board members are earning less than those immediately below them, and this has led to staff refusing appointment to board level.
  - (iv) Governments are criticised both for allowing exceptions in individual cases and for implementing general pay increases following TSRB reports.



CONFIDENTIAL

3. The TSRB would say - with some good reason - that the fault lies with Government rather than with the TSRB system. In paragraph 6 of their 1979 Report they said:-

"Over the years, most of the more acute problems that we have encountered in the areas with which we are concerned (including the field of Parliamentary remuneration) have resulted from - or have been exacerbated by - the postponement of decisions on difficult or potentially unpopular aspects of public service pay particularly at 'top' levels. In our experience postponement simply increases the problem and has a 'circular' effect of its own."

4. They also acknowledge the problems of individual salary levels and of structural relationships; and, in their 1979 Report, they said that they would look at these in their 1980 Review.

5. Against this background, the memorandum attached to the Minister of State's paper discusses four main options which are summarised in paragraphs 5-9. These are based on discussions with the sponsoring Departments, but the analysis is the work of the CSD. They are:-

- (a) Option A is to make no change and to resist introducing more flexibility.
- (b) Option B is to let the TSRB continue to deal with the nationalised industries but to encourage them to recommend substantially higher salaries. A variant of this approach would be to confine their role to the salaries of chairmen. Sponsor Ministers would be advised on board members' pay by the chairman and non-executive directors of the industry concerned.
- (c) Option C, which the Minister of State recommends, is to abolish the TSRB's role in this field. Each sponsoring Minister would negotiate the pay of his chairmen. Executive board salaries would be determined, industry by industry, by the chairmen and non-executive directors. The pay of these board members would not be subject to control by sponsor Ministers.

CONFIDENTIAL

(d) Option D is to give up Ministerial responsibility for nationalised industry board pay altogether (but not to surrender the power of appointment). Each board would then determine its own pay and be answerable for it, as in the private sector.

6. Legislative implications. At present the Statutes for each Board provide for pay of all board members to be determined by the Secretary of State concerned with the consent of the Minister for the Civil Service (who succeeded in 1968 to the Treasury's duties in this regard). The CSD now propose that this statutory responsibility should be removed from their Ministers, although, under B and C, they would retain an interdepartmental co-ordinating role. If sponsoring Ministers, under Options C and D, gave up any or all of their present statutory responsibility for determining pay, that too would require legislation.

7. It is proposed that certain other public boards should in future be treated on all fours with the nationalised industries, but that the CSD should continue to control centrally the arrangements for fringe bodies largely dependent on Government financing.

8. The 1980 Report of the TSRB will not be ready until the second half of June. (today's Times is wrong in suggesting that it will be out within a few days). Ministers will have to decide then whether to accept the proposals and announce that the system will be changed for the future or to introduce a new system immediately. This points to further work over the next month with the objective of firm decisions by the end of June. In the meantime Ministers will wish to decide whether their thinking has been taken sufficiently far to allow for a decision on the salary for a proposed chairman of Telecommunications Corporation, and for any other special cases which may be around.

9. The Secretary of State for Industry warned E of his problem over the Telecommunications Corporation in his letter of 1st May to the Minister of State, Civil Service Department. But he did not reveal that the candidate in mind was Sir Kenneth Corfield of Standard Telephones and Cables, and that the salary he wanted was his present one of £150,000 a year. I understand that Sir Kenneth Corfield has also said that, if appointed, he would want freedom

CONFIDENTIAL

from Ministerial control in deciding his investment programme. The appointment has to be made soon because Sir William Barlow will probably be leaving in August.

HANDLING

10. You will wish to ask the Minister of State, CSD, to present his paper. In doing so, it would be helpful if he could give the Committee any foretaste of the line the TSRB might take. It could be that they are thinking in terms of some radical changes themselves and, if so, Ministers will no doubt want to consider them, particularly as they could make the presentation of any change in the system easier. Other Ministers will then wish to comment on the options. After reaching conclusions on the main paper, you might then invite the Secretary of State for Industry to make his case on the salary of the chairman of Telecommunications Corporation.

11. In discussion you will wish to examine each of the four options and to put some further questions:-

- (i) Option A - Continue as now. This will no doubt be quickly dismissed as ignoring the present problems, and in particular the need for some greater flexibility.
- (ii) Option B - TSRB to continue but to be encouraged to recommend higher salaries. The paper points to two objections to this: that there could be political difficulty in a Government initiative to encourage higher salaries; and that, even if it were done, there would still be insufficient flexibility to cater for exceptional cases. On the other hand the TSRB was set up in order to produce some degree of consistency over the field as a whole, and diminish the risk of leapfrogging increases, either on the basis of competition or on that of comparability, and to relieve the Government of the day of some of the political onus of deciding these salaries. This option would at least retain a broad framework and some sharing of the political responsibility, with more scope for flexibility than hitherto, rather than moving into a system of horse-trading, industry by industry.

CONFIDENTIAL

You will also wish to consider the variant of retaining the TSRB's role in determining the pay of chairmen but letting the pay of the executive boards be decided by sponsoring Ministers on the advice of the chairman and non-executive directors in each board. Since the need for considerable flexibility applies relatively more to the salaries of the chairmen rather than those below them, the variant may not greatly help.

- (iii) Option C - abolish TSRB's role but retain a Ministerial role.  
This is the Minister of State's preferred option. Sponsor Ministers would continue to determine chairmen's pay but not that of executive board members. The latter would be determined by the chairman and non-executive directors of each board. The system would allow flexibility on the terms for chairmen, and would enable the salaries in each industry to be tailored to its particular needs. It would free Ministers from the annual publicity of responding to TSRB recommendations. But you will wish to consider whether:-

- (a) Ministers would still be vulnerable to criticism on individual salaries below chairman level, whether they were formally responsible or not,  
(b) such criticism could be intensified if the new system led to a general bidding-up of salaries all round, with run of the mill board members benefiting from the high salaries that could quite rightly be paid to the really good people.

The variant of maintaining a Ministerial role in determining a small additional fee for board membership is not obviously helpful. It is the total pay that matters, and critics will simply add the fee to the executive's salary. It is not clear what would be the arrangements for non-executive part-time members.

- (iv) Option D - abolish both the TSRB role and Ministerial control.  
Under this option each board would determine its own salaries. The Minister of State, CSD would have liked to recommend it. But he rules it out because he says that a board could refuse to

CONFIDENTIAL

pay the necessary salary to a candidate whom the Minister wished to appoint. I suspect that this fear could be exaggerated - boards are used to accepting Ministerial appointments and they could parade a high salary as effectively his decision rather than theirs. The greater objection is probably that complete abdication of any Ministerial role could result in considerable criticism, and certainly so if it led to a massive increase in board salaries.

(v) Should the Civil Service Department retain a co-ordinating function?

Under Options B and C, the CSD propose that they should give up their statutory responsibility for consenting to salaries but that they should retain some general co-ordinating role with Departments. I am sure that some co-ordinating role is necessary. At the very least, Ministers will wish to cross-check with colleagues on the salaries that they are approving or condoning. Otherwise there is a serious risk that they would be played off against each other, and separate decisions announced which could be difficult to defend. If an industry is in deficit, an increase in the chairman's salary is indirectly an Exchequer liability: another reason for keeping a role for the central Departments, even if statutory responsibility is given up.

(vi) What are the legislative implications?

As explained in paragraph 10 above, all the options except A could require legislative changes. There is no provision for this in the 1980-81 Legislative Programme. A Bill would probably be short and easy to draft. It would be controversial if the role of the sponsoring Ministers were to be abolished, but probably less so if the change was confined to the statutory responsibility of the Minister for the Civil Service. You will wish to consider whether this effectively rules out introducing radical changes within the next year. If it were simply a question of removing the role of the Minister of the Civil Service there would possibly be no serious difficulty - he could nominally

CONFIDENTIAL

continue to give his consent until such time as the legislative change was made. However, if it were a question of removing or amending the role of sponsoring Ministers the choice seems to lie between adding a short Bill to the 1980-81 Programme or deferring the change for a year.

(vii) Are the arrangements for other public bodies acceptable?

These are set out in paragraph 10 of the attachment to the Minister of State's paper. They seem sensible. But before any final decisions were taken the CSD would have to produce a comprehensive list of the bodies with precise proposals for how they should be handled.

(viii) What further work and consultations are necessary?

Although the Minister of State's paper usefully sets out four broad options a good deal more detailed work seems necessary either to pursue further suggestions which Ministers might put forward in discussion for various options, or to put the flesh on the bones for a particular option. I suggest that the aim should be to have this further work ready in time for the discussion on the 1980 TSRB Report which will come in the second half of June. A view will then have to be taken on whether the Government should accept the 1980 recommendations but announce that the system will be different in future or whether they should introduce a new system forthwith, taking account of the 1980 TSRB recommendations as appropriate. Before a final decision is taken I suggest that there should be discussions with the TSRB and with the nationalised industry chairmen themselves.

Legislative implications also need to be considered further.

CONCLUSIONS ON E(80) 40

12. In the light of the discussion you will wish:-

- (i) either to decide in favour of one of the options or to narrow the choice between the options and, either way, to call for a fully worked out scheme, including proposals for any new legislation, for further discussion;

CONFIDENTIAL

- (ii) to decide whether there can be any informal discussions with the TSRB and/or the nationalised industry chairmen either now or after Ministers have taken their own thinking further;
- (iii) to invite the Minister of State, Civil Service Department, to arrange for this further work, including any consultations which may be approved, to be carried out by his Department and all the other Departments concerned in time for the outcome to be put to E in mid-June when the 1980 TSRB Report should be available;
- (iv) in the meantime to defer taking a view - other than provisionally - on whether any new system should be introduced immediately or whether this year's decision should be based on the TSRB's 1980 Report and any new system introduced later.

DISCUSSION OF THE CHAIRMAN OF THE TELECOMMUNICATIONS CORPORATION

13. You will then wish to invite the Secretary of State for Industry to explain his proposals for the salary of the Chairman of the Telecommunications Corporation.

14. It is likely that the outcome of the main discussion will be that Ministers will be disposed to accept more flexibility in future. But should it go as far as paying Sir Kenneth Corfield a salary of £150,000 a year, bearing in mind -

- (i) Sir William Barlow's present salary for running Posts as well as Telecommunications is £48,500;
- (ii) the public reaction to such a salary following the recent decision on Mr. McGregor, the Chairman Elect of the British Steel Corporation;
- (iii) the likely reactions of other chairmen, including those such as Sir Denis Rooke, who could be well placed to get much higher salaries if they were to move to the private sector.

15. Are there any other conditions attached? The Chief Secretary, Treasury and sponsoring Ministers are likely to object strongly to any proposal that Sir Kenneth Corfield should be free to decide his own investment programmes irrespective of cash limit and other controls.

CONFIDENTIAL

16. If his appointment is acceptable, can the news be deferred? If an appointment were to be made at £150,000 a year it would clearly be much better if it were announced in the context of a statement on the Government's general policy for nationalised industries board pay in the future. I understand that there would be no need to announce the appointment within the next two months, although progress would have to be made behind the scenes. You will wish to ask the Secretary of State for Industry to confirm that this was so.

17. If the appointment is not approved what are the possibilities for other candidates? The size and growth potential of the Telecommunications Corporation is such that it is undoubtedly important to get a good chairman and, if necessary, to pay him something over the going rates. But it should be possible to find someone willing to take the job at a more acceptable salary. Unlike some nationalised industries, Telecommunications is not a bed of nails. Whoever took the job could well find himself presiding over success, and could expect to be less vulnerable to Government intervention than some of his colleagues in charge of the less successful and more contentious industries.

CONCLUSIONS ON THE CHAIRMAN OF THE TELECOMMUNICATIONS CORPORATION

18. In the light of the Committee's discussion you will wish:-

- (i) either to agree to the appointment as proposed by the Secretary of State for Industry, but with any publicity deferred for the time being and on the understanding that the Chairman Elect will be subject to the same financing control arrangements as apply to other nationalised industries;  
or to invite the Secretary of State for Industry to negotiate further with Sir Kenneth Corfield with a view to trying to persuade him to accept a lower salary;  
or to invite the Secretary of State for Industry to find another candidate at TSRB rates or something reasonably near to them.
- (ii) Agree that all other cases for exceptional treatment, pending a final decision on the future of the TSRB system, should be put to Ministers for collective decision.

19th May 1980

-9-

CONFIDENTIAL

  
(Robert Armstrong)



cc Sppts filing

Lu Whitmore

**CONFIDENTIAL**

Ref. A02103

**HOME SECRETARY**

---

**E: Pay of Nationalised Industry Board Members**

**BACKGROUND**

In his letter of 1st May to the Minister of State, Civil Service Department, the Secretary of State for Industry raised the general question of the difficulty of finding suitable chairmen and chief executives of nationalised industries at present salary levels; and the particular problem of recruiting a chairman for the new Telecommunications Corporation. He said that he would welcome a discussion of this problem at E.

2. In his reply of 2nd May the Minister of State, CSD, proposed that he should put a paper to E "in the course of the next week or so" on the general question of the role of the TSRB in dealing with board members' pay and also the role of Ministers. He pointed out that ad hoc decisions on particular cases could prejudice any general discussion of these issues. He suggested that in the meantime E should establish clearly with the Ministers dealing with the nationalised industries whether it was essential for any of the current individual cases to be decided immediately; and in advance of his own paper.

3. The Secretary of State for Scotland and the Minister of Transport have been invited for discussion of this item in view of their responsibilities for nationalised industries.

4. The general problem of finding suitable board members at current salary levels is familiar. But the Secretary of State for Industry offers colleagues no indication of his precise problems over recruiting the chairman designate of the Telecommunications Corporation, beyond saying that the main obstacle is the level of salary. I understand that the candidate is Sir Kenneth Corfield of Standard Telephones and Cables Ltd. Sir Keith Joseph wants to recruit him quickly because Sir William Barlow, the present chairman of the Post Office, has resigned and is likely to go in August. But Sir Kenneth Corfield is believed to want:

CONFIDENTIAL

- (i) £150,000 a year compared with £48,500 which Barlow is getting as Chairman of both Posts and Telecommunications [not all of your colleagues will know this and if the figure is mentioned they should be enjoined to keep it confidential], and
- (ii) an assurance that he will be given freedom to decide the Telecommunications investment programme.

£150,000 is what he claims to be getting now.

HANDLING

5. There is likely to be fairly ready welcome for Mr. Channon's proposal for a general review and for his suggestion that pending the outcome of the review the number of ad hoc decisions should be kept to the absolute minimum. Assuming that no other urgent cases are revealed in discussion the main immediate problem will be the proposals for the chairman of the Telecommunications Corporation. You might ask the Secretary of State for Industry to speak first, and to concentrate particularly on the problem of Sir Kenneth Corfield. The Minister of State, CSD could then say something about his proposed paper. The other Ministers dealing with nationalised industries will then want to comment.

6. The main points to establish in discussion are:

- (a) The timing and coverage of the proposed general paper.

Details can await Mr. Channon's paper. For the moment it will be enough to ask him to circulate it as soon as possible (? in time for discussion in the week beginning 19th May). It would however no doubt be useful to Mr. Channon in preparing his paper to have the general views of colleagues particularly as to coverage e.g. is it enough to look at Chairmen only or should the recruitment of all Board members be considered? Should pensions be included in the review? And so on. As part of the preparation for later discussion you may also wish to invite the Minister of State, CSD, to arrange for his officials to discuss the problem, and possible solutions, urgently with officials of the other Departments dealing with nationalised industries, and of the Treasury. All these Departments will have views and it would be helpful if they could be taken on board before a paper is put to Ministers.

CONFIDENTIAL

(b) Timing of the decision on the Chairman of the Telecommunications Corporation.

The Secretary of State for Industry may well argue that an early decision is necessary if he is to retain the interest of Sir Kenneth Corfield. But in judging this the Committee will want to bear in mind:-

- (i) the current row over the arrangements for Mr. Ian MacGregor, the Chairman Elect of the British Steel Corporation;
- (ii) the likely reaction of the present nationalised industry chairmen, and in particular those such as Sir Denis Rooke of the British Gas Corporation who could well command a much better salary outside;
- (iii) the reaction of the TSRB if a series of ad hoc decisions are announced which appear to prejudice their own current work.

You may therefore wish to steer the Committee to deferring a decision - if time allows - until the CSD's general paper is available. It would also be useful to hear from the Minister of State, CSD, whether he knows what general line the TSRB are likely to take. I understand that their present report is being delayed because they are worried about the nationalised industry part of their remit. If their report is going to point to the need for radical changes here, that could make decisions in favour of large increases for particular chairmen more palatable once the TSRB report is out.

(c) The arrangements if the Committee is willing to let the Secretary of State for Industry settle the appointment of the Chairman of the Telecommunications Corporation now.

If E is persuaded that the Secretary of State for Industry must make further progress now in negotiating with Sir Kenneth Corfield you will wish to clarify how much freedom he can have. For example the Chief Secretary - and Ministers responsible for nationalised industries - are most unlikely to accept that Sir Kenneth Corfield can have freedom to decide telecommunications investment levels irrespective of the constraints of cash limits and financial targets. More generally,

CONFIDENTIAL

members of E will no doubt want the Secretary of State for Industry to report further on his proposals, both on salary and on any other special arrangements, before finally clinching the deal.

CONCLUSIONS

7. In the light of the discussion the Committee might be guided to reach the following conclusions:

- (a) to invite the Minister of State, Civil Service Department, to bring forward urgently his proposed paper suggesting the form and content of a review of the arrangements for determining the pay of nationalised industry board members, taking account of any points made in discussion.
- (b) to invite the Minister of State, Civil Service Department, to arrange, if time permits, for his paper to be discussed at official level with interested Departments before submission to E.
- (c) either to defer a decision on the pay of the Chairman Designate of the Telecommunications Corporation until the CSD paper has been taken in E

or to authorise the Secretary of State for Industry to negotiate further with Sir Kenneth Corfield on the understanding that both the level of the salary, and other conditions of service, are subject to clearance with colleagues (if necessary out of Committee) before any commitment is made.

ROBERT ARMSTRONG

(Robert Armstrong)

6th May, 1980

1-7 MAY 1960

121  
123  
124  
125  
126  
127  
128  
129  
130

cc Appts filing

CONFIDENTIAL

cc A Duguid



Minister of State

Civil Service Department  
Whitehall London SW1A 2AZ  
Telephone 01-273 3000

2 May 1980

The Rt Hon Sir Keith Joseph Bt MP  
Secretary of State for Industry  
Ashdown House  
123 Victoria Street  
LONDON SW1E 6RB

MBM

12

SV

Dear Keith,

Thank you for your letter of 1 May about your difficulties in filling senior posts in the nationalised industries. I have a great deal of sympathy with your feelings about this, and have been becoming increasingly worried about the operation of the TSRB system in this area. There is also the question of the control of board pensions, about which I wrote to you on 28 February.

It seems clear that we should take a thorough look at these problems which, I agree, call in question the role of the TSRB in the nationalised industry field, the role of Ministers and the nature of the responsibility they should seek to exercise. I wonder therefore whether the most sensible way to proceed would be for me to put a paper to E drawing out the general questions that need to be discussed. This could be done in the course of the next week or so.

In the meantime I have no wish to be unhelpful in the particular case of the Telecommunications Corporation which you mentioned. But I think we need to look at this in the context both of the reaction to the decision on the BSC Chairman and of any other individual cases which you or other colleagues might wish to pursue in advance of a general discussion. For example, there is the Rolls Royce problem about which you wrote to me on 28 April - where an assurance on the lines you suggest that the rate for the job of Rolls Royce Chairman is at least £60,000 could have considerable repercussions for all the remaining nationalised industries. The same would apply to any especially favourable treatment for the British Aerospace Board, about which I have been in correspondence with Adam Butler.

Ad hoc treatment of a whole series of cases would obviously prejudice any general discussion of the issues. Might I suggest therefore that when we meet on Wednesday our first task should be to establish clearly with our colleagues whether it is essential for any of the current individual cases to be decided immediately?

I am copying this letter to the recipients of yours, and to Norman St John Stevas, George Younger and Norman Fowler.

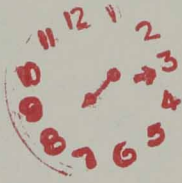
Yours  
Paul

PAUL CHANNON

CONFIDENTIAL

CONFIDENTIAL

-6 MAY 1980



CONFIDENTIAL

*cc Appts files*  
CONFIDENTIAL



DEPARTMENT OF INDUSTRY  
ASHDOWN HOUSE  
123 VICTORIA STREET  
LONDON SW1E 6RB

TELEPHONE DIRECT LINE 01-212 3301  
SWITCHBOARD 01-212 7676

Secretary of State for Industry

1 May 1980

Paul Channon Esq MP  
Minister of State  
Civil Service Department  
Whitehall  
London SW1A 2AZ

*Paul Channon*

*Ray*

*Dear Paul.*

We spoke briefly about the difficulties I am experiencing in attracting individuals of the right calibre and stature to fill senior posts in nationalised industries. The most difficult problem has been in finding suitable Chairmen and Chief Executives. The cause has been the level of salaries we are able to offer under the TSRB regime.

Experience has shown that we need considerably more flexibility if we are to attract and secure the right individuals. Managing nationalised industries is formidably difficult; there are Augean Stables to cleanse and the task is complicated by continual (and unsympathetic) Parliamentary and media interest. There is no doubt that the present TSRB salaries are substantially below the going rate for the top jobs in private industry in this country. They are even less enticing when compared with the salaries on offer overseas, and many of those who have the right qualifications are able to take their scarce talents abroad *or are employed by multi-national firms.*

Salaries in the nationalised industries have been constrained for many years by the refusal of successive Governments to implement the Review Body's recommendations at the proper time. The Review Body's recommendations themselves - no doubt influenced by the policies of successive Governments - have also been modest. Whilst average earnings generally have risen by some 236% since January 1972, TSRB-recommended salaries have gone up by only 90%. In the same period the RPI has increased by 196%. I doubt very much whether the next TSRB Report will redress the position entirely.

I have serious reservations about the entire TSRB system. Salaries ought to be determined by market forces and the present arrangements have many of the features of pay control. I am not suggesting, however, that we should seek to over-rule the Review Body in the generality of cases until after we have received its next report.

/When ...

CONFIDENTIAL



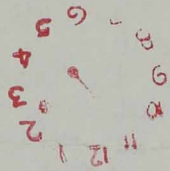


When I gave evidence to the Review Body on 17 April I explained my problems to them and we had an interesting discussion. They were not unsympathetic and I am sure they would welcome a lead from Government on this difficult issue. My sole concern is to be able to offer a competitive salary in those cases where we are seeking not the average manager but a top flight industrialist to run an industry which is of significant importance to the economy. In these cases we need to pay the going market rate. A measure of flexibility is not only desirable, it is essential.

I would welcome a discussion of this problem at E Committee on Wednesday next. My most immediate problem is in finding a Chairman designate for the proposed Telecommunications Corporation following Sir William Barlow's resignation. I have identified a very good candidate and I have promised to let him have a fairly early decision. The main obstacle is the level of salary. Although money is not his main concern the drop in net income to TSRB levels would be too great for him to contemplate.

I am copying this letter to the Prime Minister, to our colleagues on E Committee and to Sir Robert Armstrong.

*E. W. K.*



- 2 MAY 1980

Original filed  
~~Acad. Health TSB~~  
Defence (AFPRB)

Prime Minister Econ Pol 2

This note sets out where we stand on each of the Review Body reports.

Ref A 02043

MR WHITMORE

12 27/4

The Reports of the relevant Review Bodies on the pay of the Armed Forces and Doctors and Dentists have already been received; the Report of the TSRB on top salaries generally (Civil Servants, senior officers in the Armed Forces, Judges and National Industries Board members) is expected in June; and the further TSRB on MPs' pay is also expected in that month. We discussed these Reports this morning and Cabinet Office officials have been considering with Departments the way in which these Reports are to be handled, given the degree of inter-linking between them. The position is as follows -

a. The Government is committed to accept the Report of the AFPRB (the statement last year said that: "Having thus fulfilled its undertaking by restoring the pay of servicemen to the levels of their counterparts, it is the Government's intention to maintain it thereafter at those levels"). Mr Pym is anxious to announce the Government's acceptance of the new recommendations - which would apply to forces' pay from 1 April 1980 - before the Defence debate is concluded on Tuesday next. For this purpose he proposes an announcement by way of written answer on Tuesday. (He would prefer the answer to be in the Prime Minister's name). The form of words of this announcement has we understand been agreed between Defence and the Treasury to take account of the cash limit point. Mr Pym will minute the Prime Minister tonight seeking agreement to this procedure.

In the Box

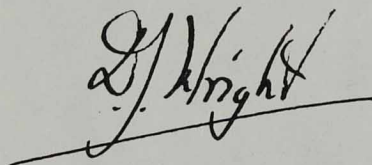
b. The Doctors and Dentists Report - also operative from 1 April 1980 - presents a slightly different problem. The Government deliberately avoided a commitment to updating in its public announcements last year though we understand that, insofar as they relate to cash limited expenditure, the Report's recommendations can be accommodated within the agreed cash limit

Handwritten initials

for the NHS (The pay of GP's and Dentists falls outside the cash limited area). The intention here is that Mr Jenkin will put a paper to E Committee towards the end of next week (which can if necessary be conveniently discussed at the meeting arranged for 7 May). In it he will recommend acceptance and immediate implementation of the Report. (Despite the Government's care last year to avoid a commitment to implement this year's Report, there are pre-Election statements on record which support Mr Jenkin's proposal.) At the same time Mr Channon will be advised by his officials to put a short paper to the same E meeting looking ahead to the two TSRB Reports so that the consequences for them of the Government's decisions on the DDRB Report will be in colleagues' minds.

c. The Government has rather greater freedom on handling the TSRB Report on Civil Servants etc. The Press announcement issued last year when the previous Report on these issues was published said explicitly: "No decision has been taken on the Review Body's recommendation that the full rates applicable to 1 April 1980 should be further adjusted next year to take account of adjustments in the intervening period." Colleagues will have to decide, when the Report is available, on the extent, if any, to which they wish to make use of last year's disclaimer to impose different treatment on these groups. The CSD in particular are considering whether, given that the implementation of PRU for the generality of Civil Servants this year was delayed by 5 weeks to keep within cash limits, they should recommend the imposition of a similar delay for the Civil Servants covered by the TSRB Report. If so, and there are strong management arguments to support such a course, it may nevertheless be necessary to let some of the other TSRB groups (eg senior service officers) enjoy full implementation on the due date of 1 April. These matters need not be decided now but Ministers will need to be aware that it may not be possible to maintain complete consistency of treatment as between all of the Review Body Groups over the months ahead.

d. The problem of consistency of treatment may also arise with MPs' pay. Mr St John Stevas said in the House on 9 July last: "The June 1980 increase [ie for MPs] will be further updated, in a manner analogous to that adopted for other Review Body groups". If the pay increase for senior Civil Servants is to be held back for 5 weeks it might be open to the Government to impose a similar delay on Members of Parliament - though the precedents to be set for other Review Body groups could be argued against delay. Again there is no need for Ministers to decide this question in advance of receipt of the relevant Report but it is right that the point should be on the table when the earlier decisions are taken on 7 May.



*pp.*

ROBERT ARMSTRONG

25 April 1980

21  
Ref: A01884

of Defence: May 79: Armed Forces Pay  
Part Members: TSRB, PE 2, Gen PA  
Nat. Health: PE 2 Prime Minister  
Doctors and Dentists Pay

CONFIDENTIAL

MR. LANKESTER

md

To write.

12  
3/4

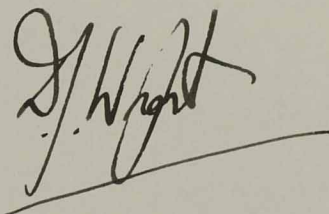
Review Body Reports

We have been checking on the likely timing of receipt of the various Review Body Reports which are currently in preparation. According to the Civil Service Department, we can expect the following:-

- (a) The Report on Doctors and Dentists within the next 2 weeks.
- (b) The Armed Forces Report at the end of April.
- (c) The Top Salaries Review Body Report in mid-June.
- (d) The Report on Ministers and MPs also in mid-June.

2. All of these times are more or less as expected except for the TSRB Report on top salaries (nationalised industries, Civil Servants, Judges, Generals, etc.) which until recently had been expected in April. I am told that the delay is probably due to problems over salaries in the nationalised industries.

3. Of the Reports, the Government is committed to more or less automatic implementation of those on the Armed Forces and on Members of Parliament. But it will of course be necessary to consider whether there is any need for staging of the implementation on awards, particularly in the light of whatever settlement is reached for the Civil Service in general. There is in addition a strong, but not inviolable, commitment to implement the Doctors' and Dentists' and TSRB Reports.



(D. J. Wright)

2nd April 1980

CONFIDENTIAL

[Mr. Wellbeloved.]  
Pensions Order—during the course of the  
main debate on the first motion?

Mr. Speaker: Yes. That is right.

The Chancellor of the Duchy of  
Lancaster and Leader of the House of  
Commons (Mr. Norman St. John-Stevas):

I beg to move,

- 1 That, in the opinion of this House, the following provisions about  
salaries and pensions of Members of this House should be made:—  
5 (1) The salary payable to Members of each of the descriptions in  
the first column of Table 1 below—  
5 (a) in respect of service on and after 13th June 1979 and  
before 13th June 1980 shall be at the yearly rate specified in  
relation to that description in the second column of that  
Table; and  
10 (b) in respect of service on and after 13th June 1980 and  
before 13th June 1981 shall be at the yearly rate specified  
in relation to that description in the third column of that  
Table; and  
15 (c) in respect of service on and after 13th June 1981 shall be  
at the yearly rate specified in relation to that description  
in the fourth column of that Table.

TABLE 1

<i>Description of Member</i>	<i>Yearly rate of salary from 13th June 1979 to 12th June 1980</i>	<i>Yearly rate of salary from 13th June 1980 to 12th June 1981</i>	<i>Yearly rate of salary from 13th June 1981</i>
1. Member not within any other paragraph.	£9,450	£10,725	£12,000
2. Member receiving a salary under the Ministerial and other Salaries Act 1975 as Comptroller or Vice-Chamberlain of Her Majesty's Household, junior Lord of the Treasury or Assistant Govern- ment or Opposition Whip.	£5,820	£6,410	£7,000
3. Officer of this House or Member, other than Member of the Cabinet, receiv- ing any other salary under the Act of 1975, or receiving a pension under section 26 of the Parliamentary and other Pensions Act 1972.	£5,650	£6,325	£7,000
4. Member of the Cabinet receiving salary under the Act of 1975.	£5,265	£6,130	£7,000

(2) The ordinary salary of every Member in respect of service  
on and after 13th June 1979 shall be regarded for pension pur-  
poses as being at the rate of £12,000.

(3) Members of each of the descriptions in the first column of  
Table 2 shall be credited—

(a) by way of supplement to their salaries payable in  
respect of service on or after 13th June 1979 and before  
13th June 1980 with amounts at the yearly rate specified

70

75

80

85

90

95

*Description  
of Member*

1. Member with  
paragraph  
2 of Table  
draws the  
of his salary.
2. Member with  
paragraph  
of Table 1  
does not  
the whole  
salary.
3. Member with  
paragraph  
of Table 1  
except one  
whose case  
deduction  
required to  
made under  
ion 3 or 4  
the Act of

By common consent, the  
salaries for Members of  
not an easy one to resolve  
successful Government that  
in this sphere was that of  
Alec Douglas-Home, in 19  
posals were made before the  
implemented by the success  
ment. It is fair to say that  
of Commons is not always  
when considering these mat  
is a paradox here which I  
the difficulties. The House  
is virtually the only body i  
with power to determine fu  
of its own Members. It is  
fact that the source of the  
The House is naturally retic  
the fullness of its powers in  
benefit itself directly.

There is another factor  
to take into account. It is a  
The tradition in this country  
and voluntary public service  
of Parliament were not paid  
all until 1911, when payme  
year was first introduced. T  
although it is not sustainable  
ditions of today, dies hard.  
public attitudes. It seems  
the contemporary manifesta  
that Members should be pa

- in relation to that description in the second column of that Table;
- (b) by way of supplement to their salaries payable in respect of service on or after 13th June 1980 and before 13th June 1981 with amounts at the yearly rate specified in relation to that description in the third column of that Table.

70

75

80

85

90

95

*Description of Member*

1. Member within paragraph 1 or 2 of Table 1 who draws the whole of his salary.
2. Member within paragraph 1 or 2 of Table 1 who does not draw the whole of his salary.
3. Member within paragraph 3 or 4 of Table 1 except one in whose case no deduction is required to be made under section 3 or 4 of the Act of 1972.

TABLE 2

	<i>Yearly rate of supplement from 13th June 1979 to 12th June 1980</i>	<i>Yearly rate of supplement from 13th June 1980 to 12th June 1981</i>
	£153.00	£76.50
	£153.00 plus 6 per cent. of the amount forgone, but not together exceeding £173.59.	£76.50 plus 6 per cent. of the amount forgone, but not together exceeding £97.69.
	£173.59	£97.09

By common consent, the question of salaries for Members of Parliament is not an easy one to resolve. The most successful Government that I can recall in this sphere was that of the then Sir Alec Douglas-Home, in 1963. The proposals were made before the election and implemented by the successor Government. It is fair to say that the House of Commons is not always at its best when considering these matters. There is a paradox here which I think explains the difficulties. The House of Commons is virtually the only body in the country with power to determine fully the salary of its own Members. It is in that very fact that the source of the difficulty lies. The House is naturally reluctant to assert the fullness of its powers in matters which benefit itself directly.

There is another factor that we have to take into account. It is a cultural one. The tradition in this country is of unpaid and voluntary public service. Members of Parliament were not paid anything at all until 1911, when payment of £400 a year was first introduced. That tradition, although it is not sustainable in the conditions of today, dies hard. It influences public attitudes. It seems to me that the contemporary manifestation of it is that Members should be paid, but not

paid adequately. That is not a principle of great logical merit, but it is a principle of powerful effect.

I would make clear at the outset, both to the House and the country, that the Government's view is that Members of Parliament should be adequately paid. Hon Members occupy a position of prestige, influence and responsibility and that position should be reflected in their remuneration.

Furthermore, the Government believe that ad hoc arrangements by which hon. Members' salaries are reviewed once in each Parliament are no longer satisfactory by themselves in inflationary periods. It is therefore the Government's intention that if the proposals that I have put before the House command support Lord Boyle's committee should be requested to find one or more professional analogues to which the pay of hon. Members should be linked between reviews.

That statement of Government policy has to be balanced against other considerations, including the economic needs of the country. Hence flow the Government's proposals for the phasing of the increase—three instalments over a two-year period. That is the phasing adopted



CONFIDENTIAL

cc Nat Health (DDRBS)

Ecan PR



Civil Service Department

Whitehall London SW1A 2AZ

01-273 4400

6 June 1979

TIM LANKESTER ESQ  
10 Downing Street

Dear Tim,

MBM  
TL

7/6

TOP SALARIES AND DOCTORS' AND DENTISTS' REVIEW BODIES REPORTS

I write to put on record the outcome of yesterday's discussions between ourselves, Health and Social Security and Mr Whitelaw.

Don Brenton's letter of 4 June suggested a particular formulation to deal with the question of updating of the Doctors' and Dentists' Review Body Report for April 1980. That formulation was not the one agreed by Economic Strategy Committee on 1 June and the Lord President had already written to the Prime Minister to make this point in advance of the letter from Mr Jenkins's office.

As it turned out, the Prime Minister was not in a position to look at this issue before she left for Paris. In the Prime Minister's absence the Lord President spoke to the Deputy Prime Minister Mr Whitelaw who confirmed that the decision taken at the Economic Strategy Committee did not allow the Secretary of State for Social Services to go as far as his Private Secretary's letter did in implying that uprating for Doctors and Dentists in 1980 was very much a foregone conclusion. Mr Whitelaw said that both TSRB and DDRB were to be dealt with in the same way and, that in dealing with questions on both, specific probing about updating in 1980 should be dealt with on the basis that we had not yet reached that date so that the questions were hypothetical. No decisions had in fact been taken about 1980.

The Secretary of State of Social Services accepted this line.

I am copying this letter to Don Brenton in Mr Jenkins's office.

Yours sincerely,  
Jim Buckley.

J BUCKLEY  
Private Secretary

Chief Executive Department  
General Services Administration  
Washington, D.C. 20540



7 JUN 1979



CONFIDENTIAL

cc Nat Health (DDRB)



(Ld Pres.)  
c. Chief Sec  
DEngy  
DTde  
MAFF  
DEm  
DI  
HMT  
FCO  
HO

10 DOWNING STREET

From the Private Secretary

6 June 1979

DDRB AND TSRB

The Prime Minister did not have an opportunity to consider the Lord President's minute of 4 June on the above subject before she left for Paris yesterday. In this minute, the Lord President argued that if the E Committee decision on 1980 updating for doctors and dentists pay were to be changed, the decision on top salaries should be changed likewise. In the event, the Secretary of State for Social Services has accepted that, notwithstanding the assurances given in Opposition and more recently by the Prime Minister, the decision of E Committee on doctors and dentists pay should stand, and that no firm commitment in respect of updating for 1980 should be given at this stage (Don Brereton's letter of 4 June refers). I also understand that the question of 1980 updating for doctors and dentists has not been raised by the press.

I am sending copies of this letter to the Private Secretaries to Members of E Committee and to Martin Vile (Cabinet Office).

**T. P. LANKESTER**

Jim Buckley, Esq.,  
Lord President's Office.

CONFIDENTIAL

CONFIDENTIAL

Prime Minister

cc Mr James  
cc Nat Health (DDCB)



Mr Jenkin (Flag A) thinks  
he can stand by the decision  
of E Committee on 1980  
~~was~~ up-dating, despite  
your letter (Flag B) to the  
BMA. So Lord Soames'  
point falls. Agree?

IL 4/6

PRIME MINISTER

DDRB AND TSRB

At E Committee last Friday we agreed to updating for both DDRB and TSRB for 1979 but decided to defer a decision in both cases on a commitment to updating for 1980. On the basis of these decisions my Private Secretary sent yours a draft letter to Lord Boyle and a draft Press Notice on the TSRB position.

X | I now understand that the Secretary of State for Social Services has pointed out that a firm commitment was given to the 1980 updating for DDRB when in Opposition. Although I recognise that, in one sense, DDRB is different from TSRB both in respect of our own and the previous Administration's commitment to 1980, I must point out two things. First, the previous Administration had not decided against updating for TSRB - they had merely deferred a decision. Secondly it is both equitable and logical that, where the 1980 decision is concerned the two should be handled in the same way. As I said at our meeting I was perfectly content that no decision on this should be taken where the TSRB groups are concerned providing the same applied to DDRB. But if the decision on DDRB is, after all, to be changed I really think this should apply also to TSRB. Not only are the financial implications minute as compared with the other Review Body groups, but there is a legacy of mistrust from the previous Administration's attitude towards these groups of people which we should not seek to perpetuate for so small a cost.

I am sending copies of this minute to E Committee colleagues and to Sir John Hunt.

S

SOAMES  
4 June 1979

X But last year this was handled differently -  
i.e. for doctors and dentists there was a  
commitment to up-dating; for top salaries  
there was not.

IL



-4 JUN 1979

cc Nat Health (DDRB)

**CONFIDENTIAL**

A



**DEPARTMENT OF HEALTH & SOCIAL SECURITY**

Alexander Fleming House, Elephant & Castle, London SE1 6BY

Telephone 01-407 5522

*From the Secretary of State for Social Services*

T P Lankester Esq  
10, Downing Street

4 June 1979

*Dear Tim,*

In your letter of 4 June to Liz Thornton, you referred to the apparent conflict between the decision of E Committee not to enter at this stage into any new commitment about the further updating of doctors' and dentists' pay in 1980 to 1980 levels and the undertaking given on behalf of the Government to stand by the commitments given in Opposition on the phasing and updating of the recommendations made in the Review Body's Eighth Report.

Officials here had already drawn attention to this as a point of difficulty, and had pointed out that, when the DDRB's report is published, questions are likely to be asked about the Government's present commitment to the assurance about staging and updating given by the then Prime Minister last year and endorsed by them when in Opposition. My Secretary of State has concluded, in the light of the discussion in E Committee, that the best way of dealing with such a question will be to refer to the long established practice of accepting Review Body reports unless there are over-riding national considerations to the contrary. This practice will apply next year as it did this; and there is no reason to forecast a different outcome.

This does involve some risks in that both the profession and the Review Body will react with alarm if they believe that the commitment given by the previous Government to staging and updating of the 1978 report has been abandoned. However, my Secretary of State believes that this risk is minimised if we deal with questions in the way suggested and accepts in the light of the discussion at Committee E last week that we should not make firm commitments about 1980 at this stage.

I am sending copies of this to Private Secretaries to members of E. and to Martin Vile.

*Yours sincerely  
D Brereton*

D BRERETON  
Private Secretary

**CONFIDENTIAL**

CONFIDENTIAL

DEPARTMENT OF HEALTH & SOCIAL SECURITY  
ALBANY OFFICE  
100 State Street  
Albany, New York 12242

11 12 1 2 3 4 5 6 7 8 9 10

-4 JUN 1979

In your letter of June 14, 1979, you referred to the apparent  
conflict between the decision of the Committee not to enter at this stage  
into any new commitment about the "status" of doctors' and  
dentists' pay in 1980 and the recommendations of the  
of the Government to stand by the commitments given in the  
regarding the application of the recommendations made in the  
doctor's body's

Officials here are giving their attention to this as a political difficulty  
and not pointing out that the issue is purely a political one  
and that the Government's responsibility is to the  
citizens. It is not possible to give the issue the same  
priority as that given in the past. The Secretary of State has  
in the past of the Committee in a Committee, and the  
way of dealing with such a question will be to refer to the  
question of applying the doctor's body's recommendations and over-riding  
recommendations to the contrary. This matter will only  
refer to it in this; and there is no reason to forecast a different outcome.

Changes involve more than in that both the protection and the level of  
will result with them if they believe that the commitment given by the  
previous commitment to study and reporting of the 1978 report has been  
maintained. However, the Secretary of State believes that this risk is minimized  
if we do not withdraw from the very important people in the light of  
the Government's Committee a lot of what we should not make like  
commitments about 1980 at this stage.

I am sending copies of this to private secretaries to members of the  
and to the Vice

Private Secretary



10 DOWNING STREET

THE PRIME MINISTER

Dear Mr. Grey-Turner,

Thank you for your letter of 4 May about the 1979 Report of the Review Body on Doctors' and Dentists' Remuneration.

I can assure you that the Government will consider this Report at a very early stage and that decisions on its implementation will be announced as soon as possible. You can be assured that we stand by the commitment which we made in Opposition on both phasing and updating of the recommendations in last year's Report.

Yours sincerely  
Margaret Thatcher

E. Grey-Turner, Esq.



① → 2.30 minutes  
CBA BAB - MW  
DDR B - DAB -

cc Nat Health (DDAS)

WASS  
CO  
bc MR JAMES

Tracy  
WO  
SO  
Def  
P.G.O.

174



10 DOWNING STREET

From the Private Secretary

4 June 1979

Dear Liz.

Top Salaries Review Body and Doctors' and Dentists'  
Review Body Reports

You wrote to me on 1 June enclosing a draft Press Notice on TSRB 11 and a draft letter for the Prime Minister to send to Lord Boyle. The Prime Minister has now agreed the enclosed draft for the Press Notice, which is a slightly revised version of the one which you sent. She has also signed the letter to Lord Boyle, which I will despatch later this afternoon (though I am holding this, at your request, pending a further note from the Lord President).

The Press Notice will be put out from here at No. 10 at 2.30 p.m. tomorrow; no doubt you will arrange for the Report to be published at the same time. The No. 10 Press Office are in touch with your Press Office about this, and will of course want to have full briefing in the course of today.

The Report of the Doctors' and Dentists' Review Body will be published simultaneously by DHSS.

The Prime Minister has approved the draft Press Notice which Don Brereton enclosed with his letter of 1 June, and she has also signed the letter to Sir Ernest Woodroffe, which will be despatched this afternoon. The Press Notice for Doctors' and Dentists' pay will be put out by DHSS, and they will be responsible for briefing; but the No. 10 Press Office will wish to be consulted on this. DHSS are urgently considering the implications of the letter which the Prime Minister sent to the Secretary of the BMA last month in which she said - "We stand by the commitment which we made in Opposition on both the phasing and updating of the recommendations in last year's Report". On the face of it, this would appear to contradict the decision which E Committee took on Friday on the commitment to further up-dating next year.

I am sending a copy of this letter to Don Brereton (Department of Health and Social Security) and Martin Vile (Cabinet Office).

*Wm*  
*Tracy*

Miss E.A. Thornton,  
Lord President's Office

**CONFIDENTIAL**

JB

DRAFT PRESS NOTICE (Top Salaries Review Body Report 11)

Report No. 11 of the Review Body on Top Salaries is published today as a Command Paper (Cmnd 7576 Price £0.95).

In their Report last year the Review Body recommended salary levels as appropriate at 1 April 1978. These were accepted by the then Government in full for pensions purposes and are being introduced in stages to April 1980. The stage payment due on 1 April 1979 has already been implemented. The new Report recommends revised salary levels appropriate to 1 April 1979, taking account of the previous decision on staging. The average increase so recommended is 11.7% representing an increase of £4 million in the annual salary bill for the groups in question.

The Government accepts the Review Body's recommendation for 1 April 1979 and the adjusted rate for April 1980. The latter will, in the normal way, be adopted from 1 April 1979 for pensions purposes. No decision has been taken on the Review Body's further recommendation that the full rates applicable to 1 April 1980 should be further adjusted next year to take account of developments in the intervening period.



Exam RL  
file special.

10 DOWNING STREET

THE PRIME MINISTER

4 June 1979

Dear Edward,

I am writing to let you know, before any public announcement is made, of the Government's decisions on the recommendations contained in the Review Body's Eleventh Report which you sent to my predecessor. May I also take this opportunity to thank you and your colleagues on the Review Body on Top Salaries for the extremely valuable job that you are doing in this whole area. We are grateful.

The Government has accepted as appropriate the salaries you recommended for 1 April 1979, and while we do not feel that it would be practicable to pay them in full from that date we shall introduce them for pension purposes with effect from 1 April 1979. We also accept your recommendation that the actual salaries to be paid as from 1 April 1979 should be those actually in payment prior to your recommendations under the existing staging arrangements plus the difference in each case between the salary you recommended for 1 April 1978 and the 1 April 1979 salary which you now recommend.

I should add that while we have noted that you remain of the view that the completion of the staging process on 1 April 1980 should result in salary levels that are appropriate at that date we have not thought it right to take a decision on that at this stage.

/The Government's

The Government's decisions will be announced by Press Notice at 2.30 tomorrow, Tuesday 5 June, and the report will be published at the same time.

Yours

Raymond

---

The Right Honourable  
The Lord Boyle of Handsworth

PRIME MINISTER

c.c. Mr. James  
Nat. Health (D & D.) May '59

Top Salaries Review Body and Doctors' and Dentists' Review Body

The Committee decided this morning on the recommendations in the latest Reports on Doctors and Dentists and Top Salaries. The timing and the source of the announcements was left open, although it was provisionally agreed that both announcements should be made from No.10 today.

DHSS have reconsidered and decided that the announcement for Doctors and Dentists should be made on Tuesday because this is the earliest they can get their Report published. We need not object to this. But it means that the Top Salaries announcement must be on Tuesday as well.

As regards who puts out the statements, we think the Top Salaries one must come from No.10 - because the Report covers not only civil servants, but judges, top army officers, nationalised industry chairmen, etc. However, we think it would be better for the announcement on Doctors and Dentists to come from DHSS. This will help to keep you out of the "firing line", and it is consistent with the announcement on armed forces pay which was made by Mr. Pym..

I attach at Flag A a draft of the statement on Doctors and Dentists provided by DHSS, which seems fine. At Flag B is a draft statement on Top Salaries. This is a redraft of something sent over by CSD, which was unclear!

I also attach, at Flags C and D, letters for you to send to the Chairmen of the two Review Bodies; these will be dispatched on Monday afternoon to give them some advance warning of the Tuesday statements.

/You will notice

You will notice that neither the statement nor the letter on doctors and dentists mentions that we decided against giving a commitment now to up-date the April 1980 staging. It is not necessary to mention this since - in contrast to the Top Salaries report - the report did not recommend such a commitment. However, DHSS will need to be prepared to answer questions on this point. They may be in some difficulty because, on their advice, you recently wrote to the BMA (Flag E) reaffirming the Conservative Party's position in opposition. This appears to commit us to next year's up-rating.

I have told DHSS to look at precisely what Mr. Jenkin said in opposition, and if necessary clear their lines with us on Monday.

Do you agree that the announcements be made on Tuesday from No.10 for Top Salaries and from DHSS for Doctors and Dentists?

Are you content with the draft statements?

Yes

Ans.

R

1 June 1979

*Evon B.*

DRAFT PRESS NOTICE (Top Salaries Review Body Report 11)

In their Report last year the Review Body recommended salary levels as appropriate at 1 April 1978. These were accepted by the then Government in full for pensions purposes and are being introduced in stages to April 1980. The stage payment due on 1 April 1979 has already been implemented. The new Report recommends revised salary levels appropriate to 1 April 1979, taking account of the previous decision on staging. The average increase so recommended is 11.7% representing an increase of £4 million in the annual salary bill for the groups in question.

The Government accepts the Review Body's recommendation for 1 April 1979 and the adjusted rate for April 1980. The latter will, in the normal way, be adopted from 1 April 1979 for pensions purposes. No decision has been taken on the Review Body's further recommendation that the full rates applicable to 1 April 1980 should be further adjusted next year to take account of developments in the intervening period.

*Agreed auto*



CONFIDENTIAL



**Civil Service Department**  
Whitehall London SW1A 2AZ  
01-273 4400

T Lankester Esq  
Private Secretary to the  
Prime Minister  
10 Downing Street  
London SW1

1 June 1979

*Dear Tim*

REVIEW BODY ON TOP SALARIES: ELEVENTH REPORT

In the light of the decision in E this morning, I attach a draft Press Notice, together with a draft of the customary letter to Lord Boyle telling him of the Government's decision, for the Prime Minister's consideration over the week-end.

As you know, we were prepared, and able, to publish on TSRB this afternoon, but in the light of DHSS's position on DDRB publication you told me that we should defer such action until next week. We are accordingly now going ahead with a view to publication next Tuesday.

I am sending copies of this letter and attachments to Don Brereton and Martin Vile.

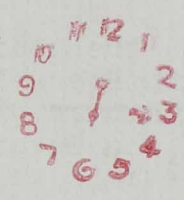
*Yours sincerely*

*Liz Thornton*

Ms E A Thornton  
APS/Lord President

U.S. DEPARTMENT OF THE ARMY  
HEADQUARTERS  
WASHINGTON, D.C.

JUN 1 1979



DRAFT PRESS NOTICE (TSRB 11)

Report No.11 of the Review Body on Top Salaries is published today as a Command Paper (Cmnd 7576 Price £0.95).

The Report recommends salary levels as appropriate at 1 April 1979 for senior grades of the higher civil service, senior officers in the armed forces, the judiciary and Chairmen and members of nationalised industry Boards. The salary levels recommended by the Review Body last year as appropriate at 1 April 1978 were accepted by the then Government and are being introduced by stages to April 1980. The Review Body see it as vital that the Government accept the 1 April 1979 salary levels they now recommend as appropriate and introduce them for pension purposes from that date. They consider it equally important that the increases now recommended over the salaries they recommended as appropriate at 1 April 1978 should be paid from 1 April 1979. The average increase<sup>SO</sup>/recommended is 11.7% representing an increase of £4m in the annual salary bill for the groups in question.

The Government accepts the Review Body's recommendations for 1 April 1979. They will consider in due course the Review Body's further recommendation that fully up to date salaries should be paid from 1 April 1980.

11.30

CONFIDENTIAL

DRAFT LETTER FOR THE PRIME MINISTER'S SIGNATURE TO:

The Rt Hon Lord Boyle of Handsworth  
Chairman, Review Body on Top Salaries  
Office of Manpower Economics  
22 Kingsway  
London WC2B 6JY

I am writing to let you know, before any public announcement is made, of the Government's decisions on the recommendations contained in the Review Body's Eleventh Report which you sent to my predecessor. May I also take this opportunity to thank you and your colleagues on the Review Body on Top Salaries for the extremely valuable job that you are doing in this whole area. We are grateful.

The Government has accepted as appropriate the salaries you recommended for 1 April 1979, and while we do not feel that it would be practicable to pay them in full from that date we shall introduce them for pension purposes with effect from 1 April 1979. We also accept your recommendation that the actual salaries to be paid as from 1 April 1979 should be those actually in payment prior to your recommendations under the existing staging arrangements plus the difference in each case between the salary you recommended for 1 April 1978 and the 1 April 1979 salary which you now recommend.

I should add that while we have noted that you remain of the view that the completion of the staging process on 1 April 1980 should result in

CONFIDENTIAL

CONFIDENTIAL

salary levels that are appropriate at that date we have not thought it right to take a decision on that at this stage.

The Government's decisions will be announced by Press Notice at *noon* on *tomorrow* and the report will be published at the same time.

CONFIDENTIAL

Econ 151

C O N F I D E N T I A L

PRIME MINISTER

Since I shall not be able to attend the rearranged meeting of E on Friday I thought I should send you this note to say that I strongly agree with the recommendation by the Lord President in paragraph 7 of his paper on the TSRB's 11th Report (E(79)4).

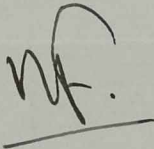
The Boards of the nationalised transport industries are still resentful about their treatment by the last Administration and, if we are now to decide, for example, that we should give pay increases to senior officers of the Armed Forces, but withhold them from nationalised industry Members, the effect could be very severe. Some of our Board Members have already spent too much time and energy on arguing about their personal position. I believe that there could well be a number of resignations, especially amongst the full-time executive members, whose role is vital for the success of the undertakings.

C O N F I D E N T I A L

C O N F I D E N T I A L

It seems to me that everything possible should be done to prevent resignations and to ensure that board members concentrate upon their proper role of running their industries effectively. If we give them their increases for 1979, but they are still left in doubt about 1980, I fear that some mistrust could remain. For this reason, I would urge that if the recommendations are to be accepted for 1979, we should also promise to implement updating recommendations for 1980 as well. This is the very strong view of the TSRB themselves, and I think it is a justified one.

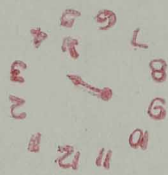
I am sending copies of this to the other Members of E, and to Sir John Hunt.



NORMAN FOWLER

31 May 1979

C O N F I D E N T I A L



131 MAY 1979



CONFIDENTIAL

PRIME MINISTER

Top Salaries Review Body 11th Report  
(E(79) 4)

BACKGROUND

The essential point in this paper is that the last Government accepted in 1978 the salary scales recommended in the Review Body's 10th Report (TSRB10) subject to staging (10 per cent on 1st January 1978; half the balance on 1st April 1979; and the remainder on 1st April 1980) but came to no conclusion on updating the 1979 and 1980 stages to take account of developments since the 10th Report was prepared. They did however give forward commitments on updating in 1979 and 1980 to the other two Review Body groups (the Doctors and Dentists and the Armed Forces) and to the Police. The present Report (TSRB 11) recommends the updating required in 1979. The cost of implementation is small, and raises no particular problems over cash limits. The main difficulty is the "demonstration effect" of apparently large increases for some individuals especially when the updating is added to the already agreed second stage of payments under the earlier Report (TSRB10).

HANDLING

2. You might ask the Lord President to introduce his paper, and see whether the Chancellor of the Exchequer or the Secretary of State for Employment wish to add anything. You will then want to work through the two main issues and three minor ones:-

- (a) Whether to implement the TSRB 11 recommendations.

The Lord President recommends doing so. That means paying the salaries in brackets in the third column of the Annex from 1st April 1979. The increases involved are those shown in the first column. There is no great argument about the methodology used by TSRB in updating last year's recommendations. They yield an 11.7 per cent increase on average, with a fairly narrow spread of increases between the top and bottom of the scales. There is no strong

CONFIDENTIAL

reason of principle for differentiating the TSRB group from the DDRB group - where promises of updating have already been given: see the previous item on the agenda (the Armed Forces have, of course, deliberately been given preferential treatment). Nor does there seem any reason to distinguish between the different categories covered by TSRB.

(b) What commitments to make for 1980?

Lord Soames' recommendation (paragraph 8a) is a shade ambiguous.

We understand that he means that the figures in brackets in the fourth column of the Annex should be promised now and implemented on 1st April 1980; and that they should be introduced immediately for pension purposes; but that no commitment should be given to update these figures further in 1980. This would be in line with what the last Government did in accepting the previous TSRB Report, though is less generous than the treatment accorded by them to the Doctors and Dentists, the Armed Forces and the Police. Because the paper is a little ambiguous, it would be well to get the point and a decision on it clearly on the record. The choice is between giving and not giving a promise to update the Report's recommendations in 1980. And this in turn depends on whether the Government prefers to keep its options open for the future or to take one decision now and so avoid having to come back to the problem next year.

3. Of the minor issues:-

- (c) Pensionability. As noted above, Lord Soames proposes to introduce the updated 1st April 1980 rates for pension purposes immediately. This follows a well-established pattern, where the recommendations of Review Bodies are staged. Pensions are already based on the 1st April 1980 rates recommended in TSRB10 (i.e. the unbracketed figures in column 4 of the Annex). The proposal is that people retiring after 1st April 1979 should be pensioned on the basis of the figures in brackets in the fourth column instead.

CONFIDENTIAL

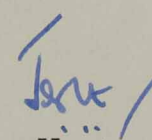
- (d) British Rail. We have been warned of a particular local problem about the number of British Rail Board Members who can be paid on the Deputy Chairman point. The facts are in paragraph 25 of the TSRB Report. This is not an issue on which the Committee will want to waste time. If Mr. Fowler raises it, you might ask him to take the matter up separately with the Lord President (who will be briefed to agree to do this).
- (e) Judges. Paragraph 20 of the Report refers to the overlap between the pay of senior judges and that of the Lord Chancellor. This will be sorted out when the TSRB reports on MPs' pay - we are told it is due in mid-June.
- (f) Civil Service consequentials. The PRU recommended rates for Senior Principals and Assistant Secretaries which would have brought the latter over the proposed rates for Under Secretary. Implementation has therefore been deferred until decisions have been taken on TSRB. The CSD propose to negotiate abated rates for Assistant Secretaries and Senior Principals to fit in with the decisions at higher grades which the Committee will take at this meeting. This is a management matter which the Lord President should be able to deal with himself (in consultation as necessary with you) and does not really need collective discussion. The question of the overlap between the two systems could of course be raised together with the possibility of rationalising the arrangements. But there is no need for you to be drawn on this possibility yet.
- (g) Timing. The Lord President wants to make an early announcement (printing is in hand).

CONCLUSIONS

4. The conclusions of the meeting might therefore be:-
- (i) to agree that the Report and the Government's decision on it should be published as soon as possible; (the timing depending on that agreed for the DDRB Report);

CONFIDENTIAL

- (ii) to agree that the recommended rates for 1st April 1979 set out in TSRB 11 should be implemented from that date;
- (iii) to agree that those retiring after 31st March 1979 should be pensioned on the basis of the updated rates recommended for 1st April 1980;
- (iv) to confirm that the updated recommended rates for 1st April 1980 shown in the Report should be implemented on that date;
- (v) either to agree that no further commitment should be given now about updating those rates once more in 1980; or to enter into such a commitment now;
- (vi) to invite the Lord President to settle, after consulting you, the consequential pay increases for Assistant Secretaries and Senior Principals in the Civil Service;
- (vii) (if necessary) to invite the Minister for Transport to take up separately with the Lord President the question of British Railways Board Members' salaries.

  
John Hunt

31st May 1979

CONFIDENTIAL

*Primi Minister 2*



MINISTRY OF DEFENCE  
MAIN BUILDING WHITEHALL LONDON SW1  
Telephone 01-~~920~~7022 218 2111/3

*Mr Pym has  
to leave at about  
30th May 1979 11.20 and has  
points to make  
on Top Salaries,  
but I am  
sure this will  
be reached by  
then.*

CONFIDENTIAL

MO 20/17/6

*Dear Tim,*

MINISTERIAL COMMITTEE ON ECONOMIC STRATEGY

*DL  
31/5*

As you know the Defence Secretary has been invited to attend the meeting on Friday of the Ministerial Committee on Economic Strategy to discuss the Top Salaries Review Body 11th Report and the 1979 Report of the Review Body on Doctors' and Dentists' Remuneration. Mr Pym will be in attendance from 1030 therefore for Items 2 and 3. He has, however, a long standing commitment to escort HRH The Duke of Edinburgh at an official ceremony at Wellington Barracks at 1130 that morning.

*U*

In case for any reason time does not allow Mr Pym to be present for all of Item 2, he has asked me to say that he supports the Lord President's conclusions in his memorandum E(79)4 on the 11th Report of the TSRB. His chief concern is with the senior military ranks covered by the Report. When Cabinet took note on 10th May of the decision to implement in full from 1st April 1979 the recommendations of the Armed Forces' Pay Review Body they recognised that this might mean a brief period of overlap between the rates for Brigadiers and the rates for Major Generals and that this was inevitable until a decision had been taken on top salaries. The Defence Secretary feels that it will be most important at least

/ to ...

Tim Lankester Esq.,  
10 Downing Street

CONFIDENTIAL  
CONFIDENTIAL

CONFIDENTIAL



CONFIDENTIAL

2

to update the salaries now in payment as Lord Boyle recommends, both to correct the inverted differential for the Major Generals and to maintain the confidence of the Forces as a whole in the Government as a good employer. He recognises that this will still leave the pay - if not the pensions - of the senior military ranks, unlike that of the rest of the Armed Forces, some way short of the proper level.

On Item 3, it has already been decided that Service doctors and dentists will, like their combatant colleagues, get their fully up-to-date military salary backdated to 1st April this year. The AFPRB will be making recommendations in a supplementary Report on the salary scales for Service doctors and dentists when they know whether or not the Government accepts the DDRB's assessment of the fully up-to-date 1st April 1979 rates for General Medical Practitioners, who provide the analogue for them.

I am copying this letter to the Private Secretaries of the members of the E Committee, and to Martin Vile (Cabinet Office).

*Yours sincerely,*

*David Omand*

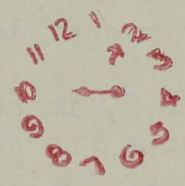
(D B OMAND)

CONFIDENTIAL

CONFIDENTIAL



31 MAY 1979



Faint, illegible text, possibly a signature or header.

Faint text at the bottom of the page, possibly a footer or reference number.

CONFIDENTIAL

ECON  
POL

PRIME MINISTER

Top Salary Review Body Reports

*ms*

Background

The TSRB reported just before the Election on the pay of judges, nationalised industry chairman and board members, senior Service officers and senior civil servants. It is expected to report soon after the Whitsun recess on the pay of MPs and Ministers.

The last report of the TSRB on judges, etc. (TSRB 10) was received early last year and the then Government agreed to accept the recommended rates for pensions purposes; to pay 10 per cent at once (the "norm" of the then pay round) and to phase in the balance in two equal stages payable on 1 April 1979 and 1 April 1980. They did not however agree then to updating the TSRB recommendations in 1979 and 1980 to take account of subsequent developments. This distinguishes their handling of the TSRB report from those of the Armed Forces' Review Body and the Doctors' and Dentists' Review Body, where they committed themselves in advance to updating. They took no decision against updating but simply deferred the issue. In the event, no decision was taken.

The first of the two-stage payments was duly made on 1 April this year. The latest report of the TSRB (TSRB 11) now recommends what this year's updating should be (on average 11.7 per cent).

There is no need for Cabinet to take an immediate decision. Indeed, on this occasion, the updating payment could probably be decided by the E Committee without reference to Cabinet. If this were acceptable, the TSRB report could conveniently be taken by E together with the latest report of the Doctors' and Dentists' Review Body (DDRDB), which is also to hand, at a meeting in, say, two weeks' time. (The DDRB is a little less straightforward than that of the TSRB because while the Government is committed in advance to its updating recommendations it also makes proposals about consultants' contracts which break new ground and may need some thought.)

/ We do not

CONFIDENTIAL



CONFIDENTIAL

- 2 -

We do not yet know what the TSRB recommendations for MPs and Ministers will be. But given the long time which has elapsed since they were last adjusted the increases are likely to be substantial. When this report is to hand - perhaps a month from now - you may feel that the proposals should be considered by Cabinet as a whole.

Handling

There is no need for any substantive discussion at this stage. The only point which might arise is the relationship of the TSRB recommendation for senior officers with their immediate juniors who will have benefited from the Government's decision to implement the report of the Armed Forces' Pay Review Body (AFPRB) in full and at once. But Mr. Pym has indicated that he is content to live with this anomaly for a short period. You need therefore, I suggest, do no more than refer to the imminence of decisions on these various reports and perhaps to indicate the distribution of decisions between E and the Cabinet.

Conclusions

The Cabinet will need do no more than note the position.

---

PETER LE CHEMINANT

9 May 1979

CONFIDENTIAL

