

PREM 19/1003

PART 4

Confidential Filing

TSRB Reports on Salaries of Senior Civil Servants, Senior members of Armed Forces and Judges

ECONOMIC
POLICY

Policy towards next round of Review Body Reports

Part 1: May 1979

Part 4: Nov 1981

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
16.11.81		22.11.82					
17.11.81		20.11.82					
18.1.82		9.12.82					
21.1.82		13.12.82					
29.1.82		16.12.82					
16.2.82		24.3.82					
17.2.82		25.3.83					
18.2.82		28.4.83					
5.4.82		3.5.83					
6.4.82		5.5.83					
7.4.82		6.5.83					
14.4.82							
21.4.82							
27.4.82							
6.5.82							
7.5.82							
14.5.82							
18.10.82							
8.11.82							

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X
ENDS

● PART 4. ends:-

Gregson to PM (P01016) 29/4/83 + altok.

PART 5. begins:-

MCS to MOD 3./5./83

TO BE RETAINED AS TOP ENCLOSURE

Cabinet / Cabinet Committee Documents

Reference	Date
C(82)19	5.5.82
PSP(O)(82)32	22.11.82

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 Wayland Date 25 March 2013

PREM Records Team

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7A
Prime Minister

P.01010

This is the brief

for your meeting

on the Review Body Reports.

PRIME MINISTER

Review Body Reports 1983

ML 29/4

The attached note summarises in Part I the 1983 recommendations of the four Review Bodies and in Part II sets out Government policy and practice relating to implementation of Review Body Reports, including any relevant commitments or statements. Extra copies of the note are provided for handing round at the meeting and collection afterwards, if you so wish. This brief comments on the issues affecting each of the Reports in turn.

Armed Forces Pay Review Body (AFPRB)

2 ✓ Ministers will probably feel that the Government has no alternative but to accept the AFPRB recommendations. To do otherwise would be to depart from past practice since 1978 and would probably be held to conflict with the Government's 1979 Manifesto commitment, frequently reaffirmed since then. The proposed overall increase of 7.2 per cent is disappointingly high and there is no satisfactory explanation in the Report of why it should be greater than last year's 6.1 per cent, bearing in mind that the cumulative average level of settlement in the whole economy is currently running at just under $5\frac{1}{2}$ per cent compared with just over 7 per cent this time last year. There is no longer much scope for repercussions in the public service sector where the only remaining major negotiations are those for the industrial civil service and the local authority white collar groups, although the bulk of the public service groups who have settled in the range 4.5 - 4.9 per cent will no doubt note the discrepancy for future bargaining. With an eye on next year's AFPRB Report you may like to suggest that, when the Government has announced its decisions on the 1983 Review Body Reports, the Secretary of State for Defence might be asked to look into the reason for the higher increase in 1983 compared with last year.

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भारत सरकार

संख्या: 100/100/100

आदेश

श्री १००/१००/१०० दिनांक २९ अप्रैल १९९३

श्री १००/१००/१००

श्री १००/१००/१०० दिनांक २९ अप्रैल १९९३

29 APR 1993





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3. There will be a problem about financing the AFPRB recommendations because of the gap between the 7.2 per cent increase in the pay bill and the 3½ per cent pay factor. Last year the Treasury and the MoD came to an arrangement under which the difference for the first year was absorbed by the MoD but the follow through for later years of the PES period was provided for by an increase in the Defence totals. If Ministers are agreed that the AFPRB recommendations are to be accepted, you will wish to avoid being dragged into a discussion about precisely how the increase is to be financed; this must be settled separately between the Secretary of State for Defence and Treasury Ministers.

4. It has been the practice in recent years for the Government to announce acceptance of the AFPRB recommendations in early or mid-May so that they can be implemented in monthly pay for May. I understand that the latest date of announcement for this purpose this year is likely to be 19 May.

Doctors' and Dentists' Review Body (DDRB)

5. The handling of the DDRB Report is probably the single most difficult issue this year and has a bearing on the handling of the two TSRB Reports. The problem arises over making good the 1981 abatement which the Government failed to make good in 1982. The total increase recommended is therefore 9.7 per cent composed as follows: a 7 per cent increase on the 1982 recommendations (of which 1 per cent is in respect of supplementary payments for long hours worked by junior hospital doctors and dentists); and 2.7 per cent to make good the abatement. The DDRB have said (see para 3 of Part II of the attached note) that "it would be difficult to reconcile failure to implement in full for a third successive year with an independent Review Body system". I also understand that when the DHSS gave evidence to the DDRB the Chairman made a statement on the record on behalf of his colleagues that if for a third year running the Government did not fully implement their recommendations, there was a strong possibility that the Review Body would feel obliged to resign.

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6. The Secretary of State for Social Services is likely to argue strongly in favour of acceptance of the DDRB recommendations including 2.7 per cent abatement on the grounds:

- i. that there is a strong likelihood that the DDRB will resign, that it might not be possible to find successors without entering into new and more binding commitments about acceptance of the DDRB's recommendations, and that the Review Body might no longer be acceptable to the professions ~~so~~ that the Government might have to start from scratch in finding ways of settling doctors and dentists remuneration;
- ii. that, even if the Review Body were to be persuaded not to resign, there is a very serious risk of major trouble from the doctors and dentists, who would mount a vigorous public campaign against the Government;
- iii. that the nurses would no longer be willing to accept a Review Body on the model of the DDRB and that the issue of better arrangements for settling nurses pay would again become a matter of public controversy.

The DHSS acknowledges that acceptance of the DDRB's recommendations may provoke some adverse reaction from the other NHS groups who have accepted $4\frac{1}{2}$ per cent for the current year, but regards this as by far the lesser evil.

7. In addition to the policy issue of whether the DDRB's recommendations should be accepted in full, there is a financial problem. The existing DHSS provision for a pay increase for these groups is $4\frac{1}{2}$ per cent, ie £70 million. The cost of implementing the full 9.7 per cent increase would be £153 million, made up as follows: £94 million for the 6 per cent; £16 million for the supplementary payments for junior hospital doctors and dentists; and £43 million for restoration of the 2.7 per cent abatement. There is thus a gap of £83 million in the current year and a follow through



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in later years of the PES period. The Treasury may argue that, even if the Government accepts implementation of the DDRB recommendations in full, the cost should be met within the existing DHSS provision. The Secretary of State for Social Services is likely to argue that savings of this order could not be found without an unacceptable impact on services. I also understand that, in the course of the bilateral public expenditure discussions last autumn, the Chief Secretary wrote to the Secretary of State for Social Services on 5 October confirming: "that we should handle the issue of the DDRB abatement by recourse to the contingency reserve in due course, subject to policy agreement at the time". The DHSS could therefore reasonably argue that, if Ministers decide that any or all of the £43 million abatement should be made good, this at least should come out of the contingency reserve.

8. Ministers will presumably wish to rule out the option of not even implementing the DDRB's proposal for a 7 per cent increase over their 1982 recommendations. If so, the issue is what to do about the 2.7 per cent abatement. The options are:

- i. to carry forward the abatement for a further year, presumably on the basis that it will be made good at some unspecified time in the future;
- ii. to implement the recommendations in full;
- iii. to adopt some middle course as between i. and ii.

9. There are two possible approaches to a middle course. One would be to implement part, say half, of the 2.7 per cent abatement this year. Another approach would be to defer implementation of the 2.7 per cent until later in the year, say 1st January; it would then have been got out of the way before the 1984 Report; there would be a saving in the current year of about £30 million and it might be possible to present the effective increase in the current year as around 7.7 per cent rather than 9.7 per cent.

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I understand (although this should not be disclosed) that the DHSS may be advising their Secretary of State that this second course might be sufficient to prevent the collapse of the DDRB and any serious trouble from the doctors and dentists, and from the nurses.

Top Salaries Review Body (TSRB): Higher Civil Service, Senior Service Officers and Judiciary

10. The proposed increase for these TSRB groups as compared with the 1982 recommendations is 6.9 per cent, slightly less than the annual increase in the AFPRB and DDRB Reports. However, as in the case of the DDRB Report, there is a problem over past abatement and the shortfall is greater (around 5 per cent). Since these TSRB groups are small in number (658 higher civil servants, 217 senior Service officers, and 957 members of the judiciary) and since three-quarters of the total are in the lowest grades (Under Secretaries, Major Generals and equivalents, and circuit judges and stipendiary magistrates), there is no significant financial problem about implementing the recommendations. The problem is, as always, political and presentational.

11. It would be difficult to treat these TSRB groups either more generously, or very substantially less generously, than the doctors and dentists. Much will therefore depend on Ministers' decisions about the handling of the DDRB Report. In the light of those decisions the options might be as follows:

- i. if DDRB abatement is carried forward for a further year
 - TSRB groups to be treated in the same way(the easiest way to do this in practice might be to deduct from the 1983 recommendations the amount in money terms by which the salaries currently in payment are less than those recommended in 1982);
- ii. if DDRB recommendations are implemented in full
 - either - TSRB groups to be treated in the same way
 - or - middle course to be adopted for TSRB groups (eg partial or deferred restoration of abatement);

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- iii. if middle course is adopted for DDRB
- middle course to be adopted also for TSRB groups
(though not necessarily the same middle course).

12. In taking final decisions on these TSRB groups, Ministers will, as last year, wish to bear in mind the differential between the Brigadier (and equivalent) at the top of the AFPRB groups and the Major General (and equivalent) and Under Secretary at the bottom of the TSRB groups. The salary proposed by the AFPRB for a Brigadier is £25,001. The existing differential between Brigadier and Major General is £2,250. To preserve that differential Major Generals (and Under Secretaries) would need to be paid at least £27,250. This compares with the 1983 TSRB recommendation of £27,750. If last year's abatement of £1,000 was to be carried forward this would be reduced to £26,750 and the differential between Brigadier and Major General would be reduced to £1,750. The proposals for the TSRB groups will need to take account of this problem.

Top Salaries Review Body (TSRB): Members of Parliament, Ministers, Etc

13. The recommended increases are summarised in para 8 of Part II of the attached note. The salaries recommended would involve percentage increases as follows: for MPs 30.9 per cent; for Cabinet Ministers (Commons) 47 per cent; for Ministers of State (Commons) 30.9 per cent; and for Parliamentary Secretaries (Commons) 28.3 per cent. In considering the options Ministers will wish to have regard to the way in which they propose to handle the other Review Body Reports, to Parliamentary expectations, and to public opinion.

14. One option might be to follow the precedents of 1981 and 1982 and propose to Parliament an increase in line with the pay factor, ie this year 3½ per cent. The difficulty about this approach is that it might be held to make a mockery of the Government's request to the TSRB to undertake a review in 1983, and to cast doubt on the Government's good faith in seeking Parliament's approval for the new arrangements for MPs' pay in the debate on 10 June last year, with a 4-yearly review by the TSRB and interim annual adjustments.

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15. At the other extreme there are obvious political difficulties about implementing the TSRB recommendations in full. The Lord President appears to have been most careful in the debate on 10 June 1982 to avoid committing the Government to automatic implementation of the TSRB recommendations for MPs, although he gave the House reason to hope that there may be a better change of implementation in the future than in the past (see especially the exchanges with Mr Alex Lyon at col 465 and with Mr George Cunningham at col 514). Ministers will therefore wish to explore whether there are any middle courses which would enable the Government to say that it was taking some account of the TSRB recommendations, for example abatement or staging.

CONCLUSIONS

16. You will wish:

- i. to establish how far a consensus can be reached with the Ministers most closely concerned on the treatment of each of the four Review Body Reports;
- ii. to decide how the discussion should be taken forward, ie whether further discussion in a similar small group is required, possibly on the basis of some detailed work on options and at what stage proposals should be put before the Cabinet;
- iii. to consider the timing of announcements and, in the case of MPs, the necessary resolution and debate in the Commons.

PLG
P L GREGSON

29 April 1983

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REVIEW BODY REPORTS 1983

INTRODUCTION

This note is in two parts:

Part I summarises the recommendations of the four review body reports in 1983;

Part II summarises existing Government policy and practice relating to implementation of review body reports.

PART I: SUMMARY OF 1983 RECOMMENDATIONS

ARMED FORCES PAY REVIEW BODY (AFPRB)

The AFPRB calculate that implementation of their recommendations on pay will add 7.2 per cent to the estimated pay bill for 1983-84. The range of increases of annual military salaries is:

- for officers: 3.9 - 9.9 per cent
- for warrant officers and senior NCOs: 6.7 - 9.2 per cent
- for corporals and below: 6.1 - 8.3 per cent

The increases for selected ranks are:

	<u>now being paid</u>	£	<u>proposed</u>
Brigadier and equivalent	22,750		25,001
Captain and equivalent	9,574 - 11,129		10,453 - 12,144
Sergeant and equivalent	7,380 - 8,720		7,895 - 9,439
Private and equivalent (I)	5,212 - 6,442		5,552 - 6,976



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DOCTORS' AND DENTISTS' REVIEW BODY (DDRB)

2. The DDRB recommendations for 1981 were not implemented by the Government in full but were abated by an amount which was at that time some 3 per cent. In 1982 the DDRB recommended increases which were estimated to add about 6 per cent to the pay bill making about 9 per cent allowing for the 1981 abatement. The Government decided not to make good in 1982 the 1981 abatement and an increase of around 6 per cent was implemented. The cost of making good the abatement is estimated by the DDRB to add some 2.7 per cent to the pay bill.

3. The DDRB estimate that their recommendations for 1983 would add 7 per cent to the pay bill over and above the costs of implementing their 1982 recommendations. (Of this about 1 per cent is in respect of recommended changes in the rates of supplementary payments to take account of the hours worked by junior hospital doctors and dentists.) If the 2.7 per cent abatement were to be made good the estimated increase on the pay bill would be 9.7 per cent.

4. The recommended levels of remuneration for various grades are as follows:

	£	
Hospital doctors		
House officers	<u>6,720 - 7,850</u>	(excluding earnings from additional sources)
Consultants	<u>18,900 - 24,260</u>	" "
General medical practitioners	<u>20,670</u>	(intended average net remuneration)
General dental practitioners	<u>17,890</u>	(target average net income)

TOP SALARIES REVIEW BODY (TSRB): REPORT ON HIGHER CIVIL SERVICE, SENIOR SERVICE OFFICERS AND THE JUDICIARY

5. In 1982 the TSRB recommended increases in the pay of the higher civil service and senior service officers averaging 13 per cent, and for the judiciary 20 per cent, above the levels recommended as appropriate at 1 April 1980. Because the 1980 recommendations had not been fully implemented

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the recommended increases over the salaries currently in payment were 19.4 per cent for the higher civil service and senior service officers and 24.3 per cent for the judiciary. The Government decided to abate the increases by varying amounts ranging from about a quarter to a third of the difference between the recommended salaries and the salaries then in payment. The TSRB estimate that an increase of slightly less than 5 per cent is now needed for these groups to bring pay up to the levels recommended for 1982.

6. The TSRB recommendations for salary levels for these groups from 1 April 1983 would involve increases over the 1982 recommended figures of 6.9 per cent, making a total of around 12 per cent allowing for the 1982 abatement.

7. The recommended increases for particular ranks are:

	£ recommended for 1 April 1982	£ now being paid	£ recommended for 1 April 1983
<u>Higher civil service and senior service officers</u>			
Secretary of the Cabinet, Permanent Secretary to the Treasury, Field Marshal and equivalent	45,000	42,000	48,000
Permanent Secretary, General and equivalent	40,000	37,750	42,750
Second Permanent Secretary	37,000	35,000	39,500
Deputy Secretary, Lieutenant General and equivalent	32,000	30,250	34,250
Under Secretary, Major General and equivalent	26,000	25,000	27,750
<u>Judiciary (selected ranks)</u>			
Lord Chief Justice	56,000	52,500	60,000
Master of the Rolls, Lord of Appeal	51,500	48,250	55,000
Lord Justice of Appeal	48,500	45,500	52,000
High Court Judge	45,000	42,500	48,000
Circuit Judge	29,000	27,750	31,000
Chairmen, Industrial Tribunals, Metropolitan Magistrates, Provincial Stipendiary Magistrates, County Court Registrars etc	25,000	24,000	29,000

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Top Salaries Review Body: Members of Parliament, Ministers etc

8. The TSRB's main recommendations are:

	£	
	<u>now</u>	<u>proposed</u>
MPs	14,510	19,000
Parliamentary salary for Ministers who are members of the House of Commons	8,460	11,000
Ministers (including Parliamentary salary)		
Prime Minister	46,660 (notional)	65,000
Lord Chancellor	52,500 (notional)	62,000
Mr Speaker	38,785	55,000
Cabinet Minister	37,410	55,000 (Commons) 49,500 (Lords)
Minister of State (Commons)	29,035	38,000
(Lords)	24,200	32,500
Parliamentary Secretary (Commons)	24,160	31,000
(Lords)	19,350	25,500
Attorney General	39,160	55,000
Leader of the Opposition	35,035	50,000


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PART II: GOVERNMENT POLICY AND PRACTICE RELATING TO REVIEW BODIES

General commitment relating to the AFPRB, DDRB and TSRB

There is a long-standing commitment that the Government will implement the recommendations of Review Bodies "unless there are clear and compelling reasons for not doing so".

Policy and practice in relation to the AFPRB

2. The Government's Election Manifesto in 1979 said: "We will ... bring [servicemen's] pay up to full comparability with their civilian counterparts immediately and keep it there". This commitment has been reaffirmed by Ministers on a number of occasions, for example by the Prime Minister in a Written Answer on 15 May 1981. AFPRB Reports have never been rejected by the Government, although the implementation of its 1978 recommendations was staged, to take account of the pay policy which was then in force.

Policy and practice in relation to the DDRB

3. The DDRB's recommendations have been accepted by the Government except for the 3 per cent abatement in 1981 and the failure to make good the 1981 abatement in 1982. The DDRB in their report say that the Government have "recognised that the abatement of our 1981 and 1982 recommendations would be a factor for us to take into account in the course of this year's review We accept that final decisions on our recommendations must be a matter for Government. Nonetheless it would be difficult to reconcile failure to implement these in full for a third successive year with an independent Review Body system."

Policy and practice in relation to TSRB recommendations on the higher Civil Service, senior Service Officers and the judiciary

4. The TSRB recommendations for these groups were accepted in principle but implemented only in stages in 1974 and in 1978. In 1980 increases of about half the recommended level were awarded. For 1981 the TSRB made no new recommendations but urged the Government to implement their 1980 recommendations which would have involved increases of about 12 per cent; instead the

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Government increased the pay of these groups by 7 per cent in line with the then pay offer to the non-industrial civil service. In 1982 the recommended increases were abated by varying amounts of about one quarter to one third. In announcing the Government's decision in a Written Answer on 12 May 1982 the Prime Minister said:

"There are sound management reasons for bringing these salaries up to date quickly and for keeping them up to date in future. But the immediate increases needed for this purpose are large; and, as I announced last week, the Government have felt obliged to cut back the salaries recommended for doctors and dentists in the most recent DDRB report. Accordingly we have decided that we must ask the TSRB groups also to accept some abatement in their salaries this year We recognise that this abatement will be one of the factors to be taken into account by the review body in the course of its next review."

Policy and practice in relation to MPs' and Ministers' salaries

5. The TSRB's recommendations on MPs' pay were accepted in principle in 1975 but implementation was deferred indefinitely. The 1976 recommendations on Ministers' pay were also not implemented. The 1979 recommendations for both groups were staged and not fully implemented until 1981. The 1980 recommendations were not accepted although for MPs and all Ministers except Cabinet Ministers the 1980 recommendations were reached and slightly exceeded in 1981. In 1982 the salaries and allowances of MPs and Ministers were increased by 4 per cent in line with the pay factor included in the Estimates. Hansard extracts of the opening and closing speeches by the Lord President in the Commons Debate on MPs' salaries and allowances on 10 June 1982, covering both the 4 per cent increase and future arrangements, including the TSRB review in 1983, are attached.

MR BIFFEN'S OPENING AND CLOSING SPEECHES IN THE DEBATE ON
MEMBERS OF PARLIAMENT SALARIES ETC

Extracts from House of Commons Hansard Thursday 10 June 1982
Columns 462-471 and 512-515

[Mr. Brown]

the hon. Gentleman will know, the shop's presentation is oriented towards the arcade, and Liverpool Street is almost its back door.

I was delighted when the Minister said that he wished to take a close interest in the compensation factor. I hope that he will not use the Bill as the only vehicle for changing the law about compensation. The right hon. Member for Barrow-in-Furness (Mr. Booth) said that the law should be changed. But the Bill is not the vehicle for that. I welcome the Minister's view and take it that he is serious. I take it that there will be a change in the law on compensation.

Local government will have to be brought into this. No doubt the Secretary of State for the Environment will be involved, because the whole procedure of local government for dealing with road works, sewers and pipelines will be changed. There will be enormous ramifications. That is why such action has not been taken.

I hope that the Bill will not be used to do something that should be undertaken in general law, but I am delighted that the Minister is interested in the issue.

Mr. Race: Whatever the merits of changing the law generally, surely the hon. Gentleman, as an experienced parliamentarian, must accept that that possibility is not before us. We are dealing with a specific Bill concerning one street in London in which injury will probably be caused to a few people. That involves a quite different principle from a general change in the law.

Mr. Brown: That does not alter the fact that if the law is wrong, it is unreasonable to wait for a Private Bill in order to take action. The Minister has said that he is concerned about the compensation and I welcome his interest. The Government can introduce legislation to put a new measure into force that would take account of such factors, and I doubt whether the House would hold up such a provision.

I tried hard to get information from the promoters about the position of the florist. Having seen the shop, I accept what has been said. However, there is nothing to stop anyone from walking in front of the shop as it is. It is impossible to walk in the road, because lorries, cars and vans are parked there. Instead of the lorries, vans and cars parked in front of the florist there will be a temporary hoarding. I hope that the suggestion about the delay is wrong, but the hoarding will only be temporary, while the cars, vans and lorries are there every day of the week. Therefore, they form a barrier anyway. The promoters are doing nothing to hinder the walkthrough. Throughout the work there will be no change in that situation.

The best information that I have is that the shop in the arcade is still the subject of negotiations by the owners of the florist's. I understand that we are talking, not about an extension for storage, but about a new shop. The promoters have leant over backwards to do everything possible to help. However, I am grateful to the House for its support. All hon. Members have voiced the hope that outstanding matters can be considered in Committee. I stress that the work is complementary to the main work to be carried out in Liverpool Street—British Rail's development of Liverpool Street station and the hotel. Finally, I am grateful to the House for welcoming the Bill

Question put and agreed to.

Bill accordingly read a Second time and committed.

Members of Parliament (Salaries, Allowances and Travel Facilities)

8.5 pm

The Lord President of the Council and Leader of the House of Commons (Mr. John Biffen): I beg to move,

That, in the opinion of this House, the salaries payable to Members of this House in respect of service on and after 13th June 1982 should be at the following yearly rates—

(1) £14,510 for Members not falling within paragraph (2); and

(2) £8,460 for Officers of this House and Members receiving a salary under the Ministerial and Other Salaries Act 1975 or a pension under section 26 of the Parliamentary and other Pensions Act 1972.

Mr. Deputy Speaker (Mr. Bernard Weatherill): I understand that it will be convenient to take, at the same time, the following motions:

No. 3,

That the salaries payable to Members of this House in respect of service on and after 13th June 1982 should be at the following yearly rates—

(1) £14,510 for Members not falling within paragraph (2); and

(2) £8,460 for Officers of this House and Members receiving a salary under the Ministerial and Other Salaries Act 1975 or a pension under section 26 of the Parliamentary and other Pensions Act 1972.

No. 4,

That, in the opinion of this House, the limits specified in the Resolution of this House of 5 June 1981 in relation to the allowances payable in connection with a Member's office, secretarial and research expenses should be raised so as to make the limits—

(a) in paragraph (a) of the Resolution (allowance in respect of aggregate amount of general office expenses and expenses on secretarial and research assistance), £8,752 for the year ending 31 March 1983 and £8,820 for any subsequent year; and

(b) in paragraph (b) of that Resolution (provision for enabling a Member to make pension contributions in respect of persons in the payment of whose salaries expenses are incurred by him), £875 for the year ending 31 March 1983 and £882 for any subsequent year.

No. 5,

That in the opinion of this House, the facilities available to the spouse of a Member of this House for free travel in accordance with the Resolutions of this House of 7 April 1971 and 22 July 1975 on journeys within paragraph (a) or (b) of the said Resolution of 7 April 1971 should be extended to children of the Member under the age of 18; but any child's journey in respect of which facilities for free travel are provided in accordance with this Resolution should count against the number of journeys for which facilities for free travel are available to the Member's spouse.

For the purposes of this Resolution a Member's children shall be taken to include step-children, adopted children, foster children and any other child living as one of the Member's family.

No. 6,

That the draft Ministerial and other Salaries Order 1982, which was laid before this House on 27 May, be approved.

No. 7,

That this House—

(a) welcomes the Report of the Select Committee on Members' salaries which was ordered by this House to be printed on 17 February 1982;

(b) agrees with the recommendation in that Report that a review of Members' pay be conducted by the Review Body on Top Salaries once during the fourth year of each Parliament and that, where a shortened Parliament precludes this, the Review Body should carry out a new review not later than four years after the rates of salary consequent on the previous review first became payable;

(c) agrees with the view expressed in that Report that, between such reviews, Members' salaries should be adjusted annually by reference to increases in outside

salaries, but does not accept the recommendation that there should be an annual automatic adjustment by reference to figures taken from the Department of Employment's New Earnings Survey;

(d) is of opinion that her Majesty's Government should instead, in the period between one such review and the next, move annual motions to effect changes in Members' salaries and in so doing should be guided by the average change in the rates of pay of appropriate groups in the Public Service over a relevant period.

Before calling upon the Leader of the House to move the first of the six motions, I have to inform the House that the right hon. Member for Manchester, Openshaw (Mr. Morris) has asked permission to move amendment (b) to motion No. 2 and amendments (a) and (c) to motion No. 4 with figures differing slightly from those shown on the Order Paper. The proposed alteration in motion No. 4 would also involve two further amendments to that motion. Mr. Speaker has decided that it would be in the interests of the House to allow this to be done. Revised copies of pages 2864 and 2865 of the Order Paper have accordingly been placed in the Vote Office and a revised list of selected amendments has been placed in the Lobby.

Mr. Edward du Cann (Taunton): On a point of order, Mr. Deputy Speaker. I am sure that the House will appreciate your ruling, which is no doubt satisfactory from everyone's point of view. However, I wish to ask about the position at the conclusion of the debate. I do not know whether it is proposed to have any Divisions, but if so, would we take all the motions seriatim?

Mr. Deputy Speaker: We shall take them in that manner. Matters are complicated when we debate motions together, but the Chair will make the subject of the Division clear.

Mr. du Cann: I am much obliged. That is precisely the point that I had in mind.

Mr. Biffen: We have to consider tonight two separate but related issues, one short-term and one long term. The short-term issue concerns the increase in hon. Members' pay, in the secretarial allowance and in Ministers' pay in 1982. I shall deal with these matters first. The long-term issue concerns the way that hon. Members' pay is to be settled in future. It is an issue on which we have the report by the Select Committee on hon. Members' Salaries to assist us.

I have already told the House about the Government's proposals for 1982, in answer to a parliamentary question by my hon. Friend the Member for Nelson and Colne (Mr. Lee). In the absence of recommendations by the Top Salaries Review Body this year, we considered that it was reasonable to increase hon. Members' pay, hon. Members' secretarial and research assistance allowance and Ministers' pay by 4 per cent. each, in line with the pay factor included in Estimates. The reason why the TSRB was not asked to review hon. Members' pay and allowances this year is that at the time we would have had to make the request the Select Committee was still considering Members' pay and we did not wish to prejudge its conclusions. The Government's proposals are not generous, but in the circumstances—realism creeps through from time to time—I do not consider that they are unreasonable.

Turning briefly to the specific motions, hon. Members will see that there are two dealing with their 1982 pay increase. The first is an amendable expression of opinion.

The second bears the Queen's Recommendation and the amounts on it cannot be increased. The House may recall from previous debates that the second motion is required because an effective resolution of the House is necessary to increase Exchequer contributions to the Members' pension fund and to increase the pay of the United Kingdom Members of the European Assembly in line with that of Members of the House. The effect of these motions would be to increase the pay of ordinary Members to £14,510 with effect from 13 June, and the parliamentary salary of Ministers and other office holders to £8,460.

The motion on the secretarial allowance increases the maximum of the allowance in a full year to £8,820, with a further £882 available to enable an hon. Member to make pension contributions for his or her employee.

It might be helpful for the general structure of the debate if at this point I were to comment on the amendments which give an alternative option to the House. The amendments tabled by the right hon. Member for Deptford (Mr. Silkin) would increase that sum by 6 per cent. Any chosen figure is a matter of value judgment and a degree of arbitrariness. It would be appropriate for the House to stay with a proposal which is related to the pay factor in the Estimates and if this were to be seen to be leading to any significant fall in equitable levels of pay it would be subject to subsequent investigation and remedy by recommendation of the Top Salaries Review Body.

The other amendments which have been tabled by right hon. Member for Deptford and his associates concern the office, secretarial and research allowance. The amendments propose that there should be an increase of 8 per cent., double that which is proposed by the Government. That figure, however chosen, bears a certain arbitrary implication, but I cannot find it appropriate to recommend to the House a figure that is double that of the pay factor in the Estimates and which is a touch above the general level of settlement in both private and public sectors.

Mr. D. N. Campbell-Savours (Workington): Does the right hon. Gentleman accept that a proportion of the amount that is provided for secretarial and research allowances goes on other things which have little to do with pay; they are to do with purchases? Purchases can be far more directly related to the rise in the cost of living. Within that global figure, would it not have been better to have included some component to cover purchases and the substantially greater increases that relate to them?

Mr. Biffen: Once one moves into that territory, the index that one would choose for purchases would not necessarily be the retail price index. It might be the index of wholesale prices. We would be in difficult territory if we began to base the argument on the refined statistical indices that could be secured for that fraction—

Mrs. Elaine Kellett-Bowman (Lancaster) *rose*—

Mr. Biffen:—of the total spending on the office, secretarial and research assistance allowance which went to the purchase of goods and services.

Mrs. Kellett-Bowman: I apologise to my right hon. Friend for jumping up rather precipitately. Would he not think it fair if a different allowance were made to Members' secretaries who serve only one Member and who are relatively underpaid compared with those who serve two, three or even four Members, who are in some cases grossly overpaid? Should there not be some differential?

Mr. Biffen: My hon. Friend makes an important point which should not be squeezed into the reply that I was giving to the hon. Member for Workington (Mr. Campbell-Savours). All hon. Members must be profoundly conscious that broadly speaking we have a uniform system of allowances and yet immensely individual patterns of expenditure.

Mr. Campbell-Savours: That is a platitude.

Mr. Biffen: It may be a platitude but, my God, it is probably the truest thing that will be said this evening.

All these matters should be considered further by the Top Salaries Review Body. I would far sooner that the study and the determination was undertaken by an organisation with an arm's length relationship with the House than that the House were to be seen obviously voting its emoluments and fringe benefits. When I come to the long-term considerations in the second part of my speech, I will touch upon the prospects of the Top Salaries Review Body being able to undertake just such a study that can reflect upon the problems that were mentioned by my hon. Friend.

Mr. Alexander W. Lyon (York): The right hon. Gentleman has just expressed the fervent view that it was better that the Top Salaries Review Body should deal with our salaries at arm's length than for the House to deal with the matter itself. Will he give an undertaking that in future all the recommendations of the Top Salaries Review Body will be automatically accepted? Is not the alternative that the House should make up its own mind on the Government's advice?

Mr. Biffen: There has to be an almost Augustinian approach to virtue in these matters. That is the ideal to which one aspires and I would have hoped that the experience of recent years might consolidate the view that this is something which for the future ought to be observed more faithfully than it has been in the past.

Mr. Michael English (Nottingham, West) rose—

Mr. John Silkin (Deptford) rose—

Mr. Biffen: Without wishing to be obsequious to Privy Councillors, the right hon. Member for Deptford was first on his feet.

Mr. English rose—

Mr. Biffen: I give way to the hon. Gentleman.

Mr. English: Saint Augustine was the man who said "Lord make me chaste but not yet."

Mr. Silkin: I shall leave the Lord President of the Council further unbattered if I may, because there has been a number of interventions.

Mr. Biffen: I am glad that fraternity is still working.

Mr. Peter Bottomley (Woolwich, West): If the House is to vote for this sort of recommendation which is tied to Government expenditure or Estimates some months ago, would it not be far better for us to determine in the autumn of the previous year our increase from 13 June? We would be setting an example rather than trying to set an example after most other pay has been settled. Secondly, should not a Top Salary Review Body report at least be put to the House so that we can vote on it rather than it being modified by the Government and left as a take-it-or-leave-it issue?

Mr. Biffen: I shall answer my hon. Friend's point about the timing of the Government's figure. This is intended to be for this year only. I am sure that my hon. Friend will realise that the motions before the House are designed to get away from that position for the future. He has made a fair point about the timing, but I am sorry that this year I have to present the position as it is.

I did not entirely appreciate my hon. Friend's second point about the Top Salaries Review Body.

Mr. Bottomley: My point was that it might not be possible for the Government to accept that the recommendation of the Top Salaries Review Body should be enacted. Would the Government consider and ensure that the recommendation is put to the House so that they could then try to lead as many as wanted to away from it rather than forbidding even the possibility of its being enacted?

Mr. Biffen: My hon. Friend is asking me to anticipate the second part of my speech. However, at the end of the day the figure that is presented to the House is amendable. Therefore, if the House wishes to amend it in accordance with the review body's recommendation it is open to it to do so. That has always been the position.

Mr. George Cunningham (Islington, South and Finsbury) rose—

Mr. Biffen: No, I shall not give way now.

Mr. Cunningham: I should be most grateful on this point.

Mr. Biffen: I know that the hon. Gentleman would be, but I wish to complete the reference to the amendments. I do not think that I have indicated any unwillingness to give way. However, I have a responsibility to the House more generally to make a speech with some degree of structure as well as satisfying those who enjoy the blood sport of pursuing the Leader of the House in these circumstances.

The other amendment, which is quite an innovation, is the proposition that there should be a London weighting allowance for secretaries. The view has always been taken hitherto that a cash payment should be made and that how that is used in respect of secretarial services, either in London or in the provinces, or as between equipment and the employment of persons, should be left to the Member's discretion. Once the House begins to make judgments on how expenditures should be undertaken, it will move across a Rubicon which in the fullness of time it will regret having crossed. However, I have no wish to be seen to be obdurate. If the later motions are confirmed by the House and a review is established by the review body of allowances for Members, it is exactly the sort of problem that it can assess and upon which it can make recommendations.

Mr. George Cunningham: A few minutes ago, and quite rightly, the right hon. Gentleman said that the House is always free to substitute its figure for one that is tabled by the Government in the opinion-expressing motion, and that that has always been the tradition of the House in dealing with this subject. That only makes sense if the Leader of the House is prepared also to say that when the House does pass—I do not think that it will do so tonight because I think that it will pass the opinion-expressing motion as it stands on the Paper—an amendment which raises the figure in the opinion-expressing motion, the

Government will accept that as a decision of the House, and will then that night or on another night bring forward an amended, perfected motion to reflect the amended opinion-expressing motion which the House will then carry. Can the Leader of the House tell us whether that is his attitude on how these matters should be handled?

Mr. Biffen: No, I do not think that I can. I understand the point that the hon. Gentleman is making. The relationship between the House and the Government has not been at its happiest and most harmonious on these matters in recent years. I am proposing a modest step forward. I hope that it will take place in circumstances that will lead gradually to a better relationship that will not lead to the clashes that we have had in the recent past. There is nothing that I can say or pledge that will meet the hon. Gentleman's point in the way that he puts it. I think that the House will prefer me to say that in all candour. At the end of the day, these are matters in which the Government have a material political interest and they cannot abdicate the role which has often been performed by all Governments.

I return to the text of my speech as opposed to dealing with the amendments on the Order Paper. As is usual, no motions have been tabled on Members' other allowances—namely, the additional cost allowance, the London allowance and the car mileage allowance. These allowances will be adjusted in the normal way following changes in the equivalent Civil Service allowances. However, there is one small change that I now propose concerning travel arrangements for Members' families. As things stand, Members' spouses are entitled to up to 15 free return journeys to Westminster on parliamentary business. My predecessor received representations from several hon. Members to the effect that, for Members with young families, the spouse could not generally travel to Westminster without bringing the children, and that the free travel warrant system for spouses should therefore be extended to children, within the existing limits.

The Government accept that this is a reasonable proposition and the motion before the House provides for Members' children under 18 years to travel free to Westminster under the same conditions as currently apply to spouses. The total number of free return journeys available to Members' families will remain at 15 a year.

The motion on Ministers' pay invites the House to approve the draft order which increases the pay of Ministers and other office holders by 4 per cent. The rates shown in the order for the Prime Minister and the Lord Chancellor are the rates that may be paid to the holders of these offices and will apply for pension purposes. However, as in previous years, my right hon. Friend and my right hon. and noble Friend will draw only the same salary as their Cabinet colleagues.

Mr. John Silkin: Is the Government's generosity towards the children of Members such that the number of free warrants will not be increased? Indeed, the Government will gain because in the majority of cases the children will have travelled for half price on the railway. The Government will be the gainer of half an adult's ticket.

Mr. Biffen: The right hon. Gentleman makes a fair debating point. However, the request for this reform, if I may dignify it by that description, came from Labour Back Benchers. I do not think that they will be as dismissive of

its symbolism as the right hon. Gentleman is. However, it is true that the entitlement is not increased as a result of this decision. The possibility of its utilisation may be further enhanced.

Mr. Silkin: Surely the Government will gain by this piece of so-called generosity because two children will travel for the same price to the Government as one adult. Therefore, in giving a ticket to a child they are gaining half an adult's ticket.

Mr. Biffen: I am grateful to know that in a previous Treasury incarnation I should be as pleased about the reform as I think I am pleased about it in my role as Leader of the House.

Mr. Barry Sheerman (Huddersfield, East): Surely the Government would have been more generous if they had considered carefully the basis of allowances for spouses and children. One of the penalties of being a Member of this place is being estranged from one's family. We should have free access to our children, and that is what most of us want. We are grateful for any flexibility in the system, but I have four children and I like to see them as much as possible. I do not think that I should be rationed on how often I can see them.

Mr. Biffen: The House should reflect seriously before giving to itself privileges for children's travel which will be sought equally by those in many other occupations which involve the estrangement of families.

Mr. Sheerman: How many?

Mr. Biffen: The numbers argument is a most dangerous one to use in these circumstances. The way in which we treat ourselves is monitored most closely in the outside world. The fact that we are a mere 600-odd is not a material factor in the argument. I am distressed that what was an attempt to have a more generous interpretation of the spouse allowance has resulted in an attack on the Treasury Bench for apparent niggardliness.

The last motion standing in my name on the Order Paper concerns the Government's proposals for dealing with Members' pay in the longer term. Before describing them, I should like to thank the Select Committee on Members' Salaries, whose report forms the starting point of what I shall have to say, for all its efforts. Members' pay is a notoriously difficult subject for the House and, even though I am not able to agree with all its conclusions in every respect, I consider that the Select Committee has presented the House with a most constructive report.

The Select Committee recommended, first, that there should be a review of Members' pay by the Top Salaries Review Body once during the fourth year of each Parliament. If this were precluded by shortened Parliaments a new review should be undertaken not more than four years after the salaries derived from the previous review became payable. The Select Committee's second recommendation was that there should be annual automatic interim adjustments of salaries by reference to increases in the nearest percentile of the new earnings survey.

The Government accept the first of these recommendations. There is great value in having a completely independent review of Members' salaries. If the question were left entirely to the House, I suspect that we should have great difficulty in arriving at an acceptable figure. Moreover, there would certainly be some public suspicion

[Mr. Biffen]

that we were treating ourselves too generously, even if precisely the reverse was the case. I believe that having the independent review towards the end of each Parliament is sensible. If, however, a shortened Parliament knocks us off course, there is nothing to stop us from having two reviews separated by less than four years to get us back on it again.

The coming year is the fourth one of this Parliament. Subject to the views of the House, therefore, we propose to ask the TSRB to conduct a review in time for next year's debate on Members' pay. We should also ask them to review Ministers' pay, the secretarial allowance, and such other aspects of Members' pay, in the broad sense specified by the Select Committee, as may need to be looked at.

How Members' pay is adjusted between reviews also poses a problem. The Government reluctantly accept that there should be some form of adjustment by reference to changes in outside salaries, that is, some form of linkage. We have no enthusiasm for the idea, but, in view of resolutions of the House on the subject in recent years and of what the Select Committee says, we accept it. However, we cannot agree that the link should be automatic or that it should be with the new earnings survey. Although there are examples of pay increases operated by an automatic formula, it is not a practice I believe should be further entrenched and certainly not in an area as sensitive as Members' salaries.

Mr. Gregor MacKenzie (Rutherglen): I am a little puzzled by the Government's reluctance to link pay with an outside body. A few moments ago the Leader of the House said that he was not able to tell us what car allowances and London allowances would be in the year ahead because he had to wait until such time as those figures had been sorted out for the Civil Service. We seem to be linked to the Civil Service for our car and living in London allowances, but apparently it is obnoxious to the right hon. Gentleman to have similar linkage on salary. Some of us are a little puzzled about his attitude on the question.

Mr. Biffen: The Select Committee was not proposing a linkage in respect of salaries. We are discussing the interim increases between the four-yearly review by the Top Salaries Review Body and what form of linkage would be appropriate for that practice. I should strongly discourage the concept that the House should expect for itself some kind of automatic pay increase that proceeded by some stealthy manner or some wholly irreversible manner—for that is what it would seem to do. If the House is not prepared to accept the responsibility of discussing these things once a year, then there will be a great deal of well-justified anxiety and suspicion about how we concluded these matters.

As for the form of the link, whatever may be the relationship in the long run between average earnings and those in the public service, it is right in principle that MPs' pay should keep in step with that of public servants. Any other system would be certain to give rise to bad feeling. Moreover, the new earnings survey is published in November and covers earnings in the year ending with the previous April. The changes that it records are therefore,

on average, over a year old when it is published. That could give rise to great difficulty in a period when the rate of increase in pay settlements was falling.

As an alternative, we propose that between reviews the Government should move annual motions to effect changes in Members' salaries and in so doing should be guided by the average change in the rates of pay of appropriate groups in the public service for the period concerned. There are several important points in that formulation. The first is that, as now, Members' pay would be adjusted following an annual debate. There would not be an automatic adjustment. The second is that, although the Government would be guided by the average increase for particular public service groups, and would normally expect to propose to the House an adjustment in Members' pay that corresponded to the average, there could be circumstances where that course could not be followed for one reason or another. In short, the Government reserve the right to respond flexibly to exceptional circumstances.

The motion refers to "appropriate groups in the public service". The groups that I have in mind are the non-industrial Civil Service, primary and secondary teachers, National Health Service doctors, dentists and administrators. It is not necessary to make a final decision about the groups to be included at this stage. However, the general principles are clear. The groups should represent a widely based segment of the public services but particular groups to whom the Government have given special commitments, such as the Armed Forces and the police, should be excluded. As I envisage that the average pay increase for all groups would be weighted by numbers in the group, there would be little point in including numerically small groups. The groups that I have mentioned all have their settlement date on 1 April. That is useful as it means that, on the one hand, the changes in pay would be recent, unlike the new earnings survey link, and, on the other, that the settlements should have been concluded in time for a debate on Members' pay before the Summer Recess.

The Government do not propose to apply linkage to Minister's pay, or to the secretarial allowance. Between Top Salaries Review Body reviews those items would be revised on an ad hoc basis.

Much passion is aroused by the question of linkage, but in the scheme that I have outlined and that recommended by the Select Committee it is only of secondary importance. The periodic reviews by the TSRB will be the chief means of keeping Members' pay on a satisfactory basis. Providing that those are undertaken regularly, it does not matter much if the interim arrangements are approximate rather than precise.

Amendments have been tabled which concern these resolutions. The first, which deals with the important matters of pension and severance pay, was tabled by the right hon. Member for Deptford. The hon. Member for York (Mr. Lyon) tabled an amendment on pensions, but it was not selected. I understand the concern about severance pay, although it has been examined in the past. However, it would be appropriate, if the House votes for the Government motion this evening, that the Top Salaries Review Body should undertake this autumn a consideration of the matters that are dealt with in those amendments.

There are other amendments in the name of the right hon. Member for Deptford (Mr. Silkin) and my right hon. and learned Friend the Member for Hendon, South (Mr.

Thomas) that invite the House to accept the full Select Committee report without addition, adjustment or amendment. The House is confronted with a straight choice this evening in the Lobbies. The first is, about the comparita that will be used for calculating the interim increases. I have explained our reservations about the new earnings survey as a means of securing the comparisons because we believe that the range of public sector settlements is more appropriate.

The second is whether the increase that will be derived from the comparita should be automatic, as are the mileage allowance or the additional cost changes, or whether it should be the subject of debate, endorsement and confirmation by the House each year. It would be a most significant and dubious departure if we proceeded to a position whereby the annual increase was made automatically without any possibility of judgment in the House. That is why I believe that the arrangements for accepting much of the spirit of the Select Committee's report, buttressed by the Government's proposals, will enhance what is before the House. I hope that we can come to a broad and settled view. The Government's response to the Select Committee's recommendations has been sympathetic and is none the worse because it has not been an unconditional endorsement.

If the House supports the proposals that I have outlined, we shall have taken a modest step in the direction of freeing Members' pay from the capricious circumstances that have attended it in recent years. No doubt we shall have our quota of problems in the future, but I hope that we can avoid the worst pitfalls. I am sure that the House will not expect a perfect arrangement, but I am convinced that the Government's proposals offer a modest and tangible way forward.

8.43 pm

Mr. Charles R. Morris (Manchester, Openshaw): I beg to move amendment (a), to leave out "£14,510" and insert "£14,787".

I understand that it will be convenient also to take the following amendments:

(b), to leave out "£8,460" and insert "£8,618".

(a) to motion No. 4, to leave out "£8,752" and insert "£9,022".

(b) to motion No. 4, to leave out "£8,820" and insert "£9,158".

(c) to motion No. 4, at end add

"(c) additionally, that in those cases where individual Members can authenticate the expenditure they be reimbursed for the payment of an annual London weighting allowance of £1,087 to their secretaries".

(a) to motion No. 7, to leave out from "1982" to end of motion and add

"and agrees with the recommendations of that Report".

(b) to motion No. 7, to leave out from "payable" to end and add

'(c) agrees with the view expressed in that Report that, between such reviews Members salaries should be adjusted annually by reference to increases in outside salaries as indicated in the nearest percentile in the Department of Employment's New Earnings Survey.

(d) does not accept the view in that Report that the question of Members' pensions and severance payments should be subsumed under the general heading of "Pay" to await consideration in the context of the next general review of Members' pay, but is of the opinion that, in the light of anomalies inherent in the present severance

arrangements and the increased insecurity attached to the role of a Member, the Top Salaries Review Body be requested to undertake an urgent review of pension and severance arrangements and make recommendations accordingly."

I preface my contribution to the debate by paying tribute to the Chairman and members of the Select Committee, whose report provides a valuable and helpful backcloth to the debate. If I have decided reservations about some features of their recommendations, that is in no way a reflection on the diligent and responsible way in which they have carried out their task. Having read their report, I also wish to express my appreciation of the oral evidence of the right hon. Member for Taunton (Mr. du Cann), my right hon. Friend the Member for Sunderland, North (Mr. Willey) and, of course, my hon. Friend the Member for Easington (Mr. Dormand) for the continuing work that he has undertaken on behalf of Labour Members.

I have listened attentively to the Leader of the House. Parliamentary salaries should not be so generous as to be an attraction in themselves nor so low as to discourage able aspirants from seeking membership of the House. Members have a right to a fair and reasonable scale of remuneration and a salary sufficient to enable them to do what their constituents increasingly expect of them—to devote a major part of their time, if not their whole time, to their parliamentary duties. It is on the basis of that simple proposition that I take issue with the figures in the motion tabled by the Leader of the House on behalf of the Government.

Right hon. and hon. Members on both sides of the House accept that parliamentary salaries cannot be fully protected, nor indeed isolated, from the consequences of economic inflation. Nor is anyone in the House impervious to the political sensitivities, to which the Leader of the House referred, surrounding the question of Members' pay and allowances. It is time we started distinguishing myth from reality in this issue.

It is a myth that the sustained restraint and self-discipline which Members have exercised over many years in regard to parliamentary pay has ever persuaded anyone to follow our example. The reality is that, during the last 20 years, there is no recorded case of any group—administrative, professional or manual—ever following the lead in pay restraint demonstrated by Members of the House.

If we take the operative date of the proposed annual interim increases, 13 June, in the context of the annual wage cycle, we are at the end of the queue. I suspect that we have been deliberately pushed to the end of the pay round so that parliamentary pay will not be taken as a lead—

Mrs. Kellett-Bowman: Even if one were to accept the right hon. Gentleman's argument that people do not follow us when we are restrained, would he not agree that if we were unrestrained at a time when they are being restrained, it would have the opposite effect and we would be setting an extremely bad example?

Mr. Morris: I can understand the feelings which have generated that thought in the hon. Lady's mind, but I cannot recall an occasion when increases given to Members and Ministers could ever be designated as unrestrained. I invite the hon. Lady or, indeed, any hon.

There are hon. Members who represent constituencies in the provinces and who have secretaries there. Of course, the cost of living is more in London. We have all accepted that. We accepted it for ourselves. There is nothing unusual about that.

Mr. Terence Higgins (Worthing): Hon. Members who do not have London constituencies but who live in London and have no other residence do not get a London weighting.

Mr. Silkin: That is perfectly true, but on the other hand they get allowances that London Members do not get, as the right hon. Gentleman knows.

Mr. Higgins: The right hon. Gentleman is wrong. Those hon. Members in the circumstances that I have just described do not get any allowance whatever.

Mr. Silkin: I stand corrected. I am astonished. I thought that London Members did rather worse than provincial Members. Perhaps the Leader of the House can enlighten us on this, I see that he remains seated. I thought that he, as the Leader of the House and a provincial Member must know. Perhaps we can compromise the issue. I do not want to take up too much time.

If the Inner London allowance is paid to London Members, it strengthens the case for a large Inner London allowance for provincial Members. Perhaps the right hon. Member for Worthing (Mr. Higgins) will begin to press for that. I am astonished that he has not tabled an amendment on that. //

Mr. Biffen: My silence was intended to be a mercy to the House. I should explain that I am certain that the circumstances of my right hon. Friend the Member for Worthing (Mr. Higgins) are quite different from mine, as a Member of Parliament for a rural area and as an office holder. However, I think that I fully understand my right hon. Friend's point.

Mr. Silkin: The right hon. Member for Worthing (Mr. Higgins) has had his fun, but next time he should table an amendment. He should speak on it in the relevant context. We are discussing not payments to hon. Members, but payments to secretaries. We are discussing why they should receive Inner London waiting. They work alongside secretaries who receive Inner London waiting. Inner London waiting is not unusual. Let us consider the allowance. We have an extraordinary idea of what a top salary is. Can it be that £14,000 is a top salary? That is our salary and it is subject to the Review body on Top Salaries. We have a most extraordinary idea of a top salary.

We must do something about our secretaries. As the Leader of the House said, the relationship between a Member of Parliament and his secretary is an important, personal political relationship. However, it is a financial relationship in which the secretary gives of her time and career so that she can assist the Member of Parliament. It is not right that secretaries should have to take what little there is available. If, as the right hon. Member for Taunton (Mr. du Cann) said, we were paid sufficiently, we could pay our secretaries out of that amount. No doubt that was true in David Lloyd George's day. However, the modern equivalent of £400 in 1912 is £40,000 a year. I would willingly make that exchange.

We have not debated the subject of severance payments in detail, but I shall spend three minutes on it. Any hon.

Member who leaves the House can get a severance payment, subject to age and length of service; ranging from six to 12 months. However, the conditions vary slightly. For example, if one's constituency disappears in a major boundary redistribution one becomes eligible. The difference between a major and a minor redistribution might be only two constituents. If an hon. Member is defeated in an election he is also eligible. However, any hon. Member can make himself eligible, even if there is no major redistribution and even if he does not contest his seat. He need put down a deposit of only £150 in any constituency. He need take no part in the election, but he is then entitled. I am over 50—although hon. Members may not have guessed it—and have been a Member of Parliament for more than 15 years, although hon. Members will be unaware of that fact. Therefore I am entitled to a year's severance pay. I need only contest a constituency such as Oswestry at the next election to get a year's severance pay. How ridiculous.

In other words, the House has said that if an hon. Member wants to get his severance pay he can do so. Why not say that every hon. Member—whether he retires, is defeated or is the victim of a boundary redistribution—should receive severance pay on the scale laid down. It is not a generous scale. If we slightly amended the Congress resolution and provided that no civil servant may do better in any way than a Member of Parliament, there would be a great difference. Civil servants do extremely well in comparison with us when it comes to retirement pensions.

I conclude by saying that I think that there are three issues on which the House should divide. These issues are the percentage increase for Members of Parliament—I believe that it should be 6 per cent. and not 4 per cent.—the secretarial allowance and severance pay. There will be free votes, of course, and I cannot bind anyone. I do not wish to do so.

Mr. Biffen: This has been a fairly lengthy debate, although not particularly so by the standard of debates on this subject. The debate has had its nuances and changes of mood. It was much enlivened in its later stages by the hon. Member for Ince (Mr. McGuire), who must have been inspired by the consideration of the Northern Ireland Bill. The hon. Gentleman brought to our proceedings an encyclopaedic consideration of our problems, which added to the charm and compelling nature of his case. Alas, I cannot accept his arguments on linkage.

The hon. Member for Nottingham, West (Mr. English) said that this was a baptism of fire for me, and that is probably true. Given that there is real diffidence about considering these matters in the House, the debate has proceeded in a good, measured and constructive fashion. For all our allegations of cowardice and almost total reluctance to address ourselves to these great issues on pay, it seems that we overcame our inhibitions. In doing so we were immensely assisted by my right hon. and learned Friend the Member for Hendon, South (Mr. Thomas) and by all those who served with him on the Select Committee. —

It is proposed in the motion that Members' pay and the secretarial allowances should increase by 4 per cent., which reflects the pay factor in the Estimates. This has not been universally welcomed in the House, but I was reinforced by the support that I received from my right hon. Friend the Member for Taunton (Mr. du Cann). I note

[Mr. Biffen]

that the right hon. Member for Deptford (Mr. Silkin) intends to divide the House on Members' pay. The increase of 4 per cent. is a value-judgment figure. It is somewhat less than generous, but it is defensible.

Mr. Mike Thomas: Is there a group of workers covered by the Estimates which has been offered 4 per cent. and accepted it?

Mr. Biffen: There is not. If I had had such evidence, I should have used it.

The proposals for the secretarial allowance have given rise to a sharp feeling of anxiety. I take note of the speeches of the right hon. Member for Manchester, Openshaw (Mr. Morris) and of the hon. Member for Sheffield, Heeley (Mr. Hooley). I accept that there is concern about the comparison to be drawn between what happens to those who are employed in the Civil Service and work alongside secretaries employed by Members and what happens to Members' secretaries themselves. The differences in terms and conditions give rise to problems. That is why it is important that the review body should have an early remit to consider the allowances. In that context, I also took note of the argument put forward by the hon. Members for Cardigan (Mr. Howells) and for Nottingham, West, that not only the sums, but the way in which the sums are paid are matters for consideration by that body.

The debate has also ranged widely on matters other than pay. Perhaps the most significant single topic that featured in the speeches was that of pensions. My right hon. Friend the Member for Taunton has made his views on this subject clear on many occasions. I am sure that the House was pleased to have those views reinforced this evening. He again marched in step with the right hon. Member for Openshaw.

The hon. Member for York (Mr. Lyon) made a particularly effective and poignant speech, in which he referred to some of the difficulties faced by our colleagues after their defeat at the last election. I sense that this is something on which feelings in the House are not only strong, but are rising. Although the TSRB has recently examined pensions, it is appropriate that this should again be one of its early considerations.

The hon. Member for Glasgow, Provan (Mr. Brown) made a powerful speech on the problems of severance. The matter was also mentioned by the right hon. Member for Deptford. Although I sound as though I am passing the ball down the line, it is a fact that no really effective judgments can be made on these matters until we have the measured judgment of the TSRB. The important thing is to have these matters remitted to it as speedily as possible so that it can begin its work this autumn.

Needless to say, during the debate the question of the general level of Members' pay was raised. My hon. Friend the Member for Woolwich, West (Mr. Bottomley) made a distinguished speech. It was the only one that supported my position, and I am extremely grateful to him for so doing. He said that the absolute level of Members' pay was unacceptably low, and he hoped a remedy would soon be found. I enjoyed his powerful contribution.

The item that formed the core of the debate, notwithstanding the importance of the 4 per cent. issue was the report of the Select Committee. I welcomed the words of the right hon. Member for Deptford on the importance

of the TSRB. One or two previous remarks by his hon. Friend the Member for Norwich, South (Mr. Garrett), could at least bear the interpretation of his being somewhat less than enthusiastic about it.

We shall not proceed to a more settled consideration of these matters unless the review body has the fullhearted support and confidence of the House. Central to the recommendations of the Select Committee is the role of the review body.

Mr. George Cunningham: That sticks in the craw of many of us a great deal. Apart from the fact that Governments have on many occasions rejected the recommendations of the Committee, in this Parliament the Prime Minister gave a promise to the review body that the Government would implement what it next recommended. She went back on that promise, and the right hon. Member voted in the Cabinet to support her.

Mr. Biffen: If the hon. Gentleman feels that there has been a deplorable standard of conduct by successive Governments in respect of the review body, I only hope that at this hour he will feel sufficiently uplifted by my charitable comments about the body to take encouragement and not repudiate me as though I were here to perform a cynical exercise.

As to the work of the Select Committee and the Government's reaction to it, I understand that the authors of the report are rather disappointed that it has not been accepted in full by the Government, but I doubt whether the Government's reaction merits some of the language used in the debate. The hon. Member for Provan said that the Government's reaction was a "slap in the face" to the Select Committee. My hon. Friend the Member for North Fylde (Sir W. Clegg) said that the Government's reaction was "cynical". My hon. Friend the Member for Sevenoaks (Mr. Wolfson) said that he was unwilling to trust the Government—I do not mean that in the harsh sense—in the light of their past behaviour.

The difficulty has been the Government's reaction to the choice of comparator for the linkage and whether the figure produced by the comparator should be automatic or should come to the House for authority. My right hon. and learned Friend the Member for Hendon, South, the Chairman of the Committee, said that the House could not abandon its ultimate responsibility for determining Members' salaries. Are the Government entitled to say "We accept the principle of linkage, although we have a different comparator from the new earnings survey, but we believe that it would be unwise to establish the precedent of automatic pay increases during a four-year period where the House did not have the responsibility or was not required to make a judgment on those matters."

The comparator of the new earnings survey is not the most satisfactory. I gave some reasons for that in my opening speech. I inquired about the percentage change in earnings within the lifetime of this Parliament. The new earnings survey comes up with a figure of plus 53 per cent., against average earnings of plus 36 per cent. If that was believed to be the means whereby an automatic pay increase would be secured, the position would be politically embarrassing and would demonstrate the wisdom of having another comparator and of the House being entitled to have a view on the matter.

For those reasons, I ask my hon. Friends to support the Government's adjustments to the Select Committee report, because I believe that that is the best way in which to proceed.

Question put, That the amendment be made:—

The House divided: Ayes 41, Noes 136.

Division No. 201]

[12.09 am

AYES

Atkinson, N. (H'gey.)
Bagier, Gordon A.T.
Benn, Rt Hon Tony
Booth, Rt Hon Albert
Brown, Hugh D. (Provan)
Campbell-Savours, Dale
Carter-Jones, Lewis
Cocks, Rt Hon M. (B'stol S)
Cohen, Stanley
Cook, Robin F.
Cowans, Harry
Crowther, Stan
Cunningham, G. (Islington S)
Davis, Clinton (Hackney C)
Davis, Terry (B'ham, Stechf'd)
Dormand, Jack
Evans, John (Newton)
Foster, Derek
Garrett, John (Norwich S)
Harrison, Rt Hon Walter
Home Robertson, John
Howells, Geraint
Lyon, Alexander (York)

McDonald, Dr Oonagh
McGuire, Michael (Ince)
McKay, Allen (Penistone)
McNamara, Kevin
Mitchell, Austin (Grimsby)
Morris, Rt Hon A. (W'shawe)
Morris, Rt Hon C. (O'shaw)
Price, C. (Lewisham W)
Sheldon, Rt Hon R.
Silkin, Rt Hon J. (Deptford)
Snape, Peter
Soley, Clive
Spearing, Nigel
Stoddart, David
Straw, Jack
Walker, Rt Hon H. (D'caster)
Whitehead, Phillip
Woolmer, Kenneth

Tellers for the Ayes:

Mr. Michael English and
Mr. Frank Hooley.

NOES

Allison, Rt Hon Michael
Ancram, Michael
Baker, Kenneth (St. M'bone)
Baker, Nicholas (NDorset)
Beaumont-Dark, Anthony
Berry, Hon Anthony
Best, Keith
Biffen, Rt Hon John
Blaker, Peter
Boscawen, Hon Robert
Bottomley, Peter (W'wich W)
Boyson, Dr Rhodes
Brittan, Rt. Hon. Leon
Brooke, Hon Peter
Bruce-Gardyne, John
Bryan, Sir Paul
Buchanan-Smith, Rt. Hon. A.
Buck, Antony
Butcher, John
Cadbury, Jocelyn
Carlisle, Kenneth (Lincoln)
Chalker, Mrs. Lynda
Channon, Rt. Hon. Paul
Chapman, Sydney
Clark, Sir W. (Croydon S)
Clarke, Kenneth (Rushcliffe)
Clegg, Sir Walter
Cope, John
du Cann, Rt Hon Edward
Dunn, Robert (Dartford)
Edwards, Rt Hon N. (P'broke)
Eggar, Tim
Eyre, Reginald
Fenner, Mrs Peggy
Finsberg, Geoffrey
Fletcher, A. (Ed'nb'gh N)
Fletcher-Cooke, Sir Charles
Forman, Nigel
Fowler, Rt Hon Norman
Fraser, Peter (South Angus)
Garel-Jones, Tristan
Glyn, Dr Alan
Goodhew, Sir Victor
Goodlad, Alastair
Greenway, Harry

Griffiths, E. (B'ySt. Edm'ds)
Hamilton, Hon A.
Hamilton, Michael (Salisbury)
Hampson, Dr Keith
Havers, Rt Hon Sir Michael
Hawkins, Paul
Hayhoe, Barney
Heseltine, Rt Hon Michael
Higgins, Rt Hon Terence L.
Hogg, Hon Douglas (Gr'th'm)
Howe, Rt Hon Sir Geoffrey
Howell, Rt Hon D. (G'ldf'd)
Hurd, Rt Hon Douglas
Jenkin, Rt Hon Patrick
Jopling, Rt Hon Michael
Joseph, Rt Hon Sir Keith
King, Rt Hon Tom
Lamont, Norman
Lang, Ian
Lawrence, Ivan
Lawson, Rt Hon Nigel
Lee, John
Lyll, Nicholas
Macfarlane, Neil
MacGregor, John
McNair-Wilson, M. (N'bury)
Major, John
Marlow, Antony
Marten, Rt Hon Neil
Mather, Carol
Mayhew, Patrick
Mellor, David
Miller, Hal (B'grove)
Mills, Iain (Meriden)
Miscampbell, Norman
Mitchell, David (Basingstoke)
Moate, Roger
Moore, John
Morrison, Hon C. (Devizes)
Morrison, Hon P. (Chester)
Myles, David
Nelson, Anthony
Newton, Tony
Onslow, Cranley
Page, Richard (SW Herts)

Parkinson, Rt Hon Cecil
Patten, John (Oxford)
Pawsey, James
Percival, Sir Ian
Pollock, Alexander
Raison, Rt Hon Timothy
Rathbone, Tim
Rees, Peter (Dover and Deal)
Rees-Davies, W. R.
Rhys Williams, Sir Brandon
Ridley, Hon Nicholas
Rifkind, Malcolm
Roberts, M. (Cardiff NW)
Roberts, Wyn (Conway)
Rossi, Hugh
Sainsbury, Hon Timothy
Shaw, Michael (Scarborough)
Shelton, William (Streatham)
Silvester, Fred
Sims, Roger
Skinner, Dennis
Stewart, A. (ERenfrewshire)
Stewart, Ian (Hitchin)
Stradling Thomas, J.
Tebbit, Rt Hon Norman

Thomas, Rt Hon Peter
Thompson, Donald
Thornton, Malcolm
Townend, John (Bridlington)
Trippier, David
Vaughan, Dr Gerard
Viggers, Peter
Waddington, David
Wakeham, John
Waldegrave, Hon William
Walker, Rt Hon P. (W'cester)
Waller, Gary
Ward, John
Warren, Kenneth
Wells, Bowen
Whitelaw, Rt Hon William
Wiggin, Jerry
Winterton, Nicholas
Wolfson, Mark
Young, Sir George (Acton)
Younger, Rt Hon George

Tellers for the Noes:

Mr. David Hunt and
Mr. Selwyn Gummer.

Question accordingly negated.

Main Question put and agreed to.

Resolved,

That, in the opinion of this House, the salaries payable to Members of this House in respect of service on and after 13th June 1982 should be at the following yearly rates—

- (1) £14,510 for Members not falling within paragraph (2); and
- (2) £8,460 for Officers of this House and Members receiving a salary under the Ministerial and Other Salaries Act 1975 or a pension under section 26 of the Parliamentary and other Pensions Act 1972.—[Mr. Biffen.]

MEMBERS' SALARIES

Queen's Recommendation having been signified—

Resolved,

That the salaries payable to Members of this House in respect of service on and after 13th June 1982 should be at the following yearly rates—

- (1) £14,510 for Members not falling within paragraph (2); and
- (2) £8,460 for Officers of this House and Members receiving a salary under the Ministerial and Other Salaries Act 1975 or a pension under section 26 of the Parliamentary and other Pensions Act 1972.—[Mr. Biffen.]

MEMBERS' OFFICE, SECRETARIAL AND RESEARCH ALLOWANCE

Motion made, and Question proposed,

That, in the opinion of this House, the limits specified in the Resolution of this House of 5th June 1981 in relation to the allowances payable in connection with a Member's office, secretarial and research expenses should be raised so as to make the limits—

- (a) in paragraph (a) of the Resolution (allowance in respect of aggregate amount of general office expenses and expenses on secretarial and research assistance), £8,752 for the year ending 31st March 1983 and £8,820 for any subsequent year; and
- (b) in paragraph (b) of that Resolution (provision for enabling a Member to make pension contributions in respect of persons in the payment of whose salaries expenses are incurred by him), £875 for the year ending 31st March 1983 and £882 for any subsequent year.—[Mr. Biffen.]

Amendment proposed: (a), to leave out '£8,752' and insert '£9,022'.—[Mr. John Silkin.]

Question put, That the amendment be made:—

The House divided: Ayes 44, Noes 132.

Division No. 202]

[12.22 am

AYES

Atkinson, N. (H'gey.)
Benn, Rt Hon Tony

Booth, Rt Hon Albert
Brown, Hugh D. (Provan)



OFFICE OF MANPOWER ECONOMICS

22 KINGSWAY
LONDON WC2B 6JY

Telephone 01-405 5944

CONFIDENTIAL

29 April 1983

The Rt Hon Margaret Thatcher MP
10 Downing Street
London SW1

Dear Prime Minister

REVIEW BODY ON TOP SALARIES

I enclose the Review Body's report on parliamentary pay and allowances. The report is in two volumes. Volume 1 contains our recommendations; and Volume 2 a series of surveys and studies which formed part of the evidence we took into account for the review.

Yours sincerely
Edwin Plowden

PLOWDEN, CHAIRMAN
REVIEW BODY ON TOP SALARIES

Prime Minister 1 7

Ref. A083/1217

PRIME MINISTER

CF
9.15 on Thursday 5th ch. 3/15



TRAFF
Refer Gregson
Review Body Reports

Yes - urgently attached.

Agree to a meeting including Mr Tebbitt and Lord Hailsham?

Handling of Review Body Reports

MCS 29/4

I undertook to let you have advice on the handling of the Review Body reports. You already have three reports: those of the Armed Forces Pay Review Body (AFPRB), the Doctors' and Dentists' Review Body (DDRB) and the Top Salaries Review Body (TSRB) on the Higher Civil Service, senior Service officers and the judiciary. The remaining report, that of the TSRB on MPs and Ministers, will be delivered to you (and to no-one else) today or, at latest, tomorrow.

2. So far the handling of the reports has been influenced by the consultations on the pay offer to the non-industrial Civil Service. The evidence now is that the tide of opinion among union membership is running firmly in favour of acceptance. By Tuesday of next week any ballots and consultations are likely to have been completed, and the Treasury hope to have received notification of acceptance from the Council of Civil Service Unions before Thursday 5 May, as the unions know that this is the last date for getting the increase implemented in monthly pay at the end of May.

3. I therefore suggest that you should convene an ad hoc meeting of the following small group of Ministers on Tuesday or Wednesday of next week, to discuss how best to handle the publication of and decisions on these reports, both generally and in relation to the political timetable:

- Chancellor of the Exchequer
- Secretary of State for Defence
- Secretary of State for Social Services
- Lord President of the Council

The Lord Chancellor has a claim to be invited, because of the TSRB recommendations involving the judiciary. Another possible addition is the Secretary of State for Employment. You will probably, however, wish to keep this initial meeting to the absolute minimum.



4. I believe you have already provided the Secretary of State for Defence with the AFPRB report and the Secretary of State for Social Services with the DDRB report. I suggest that the Chancellor should have the TSRB report on the Higher Civil Service etc (if he has not already seen it) and also the AFPRB and DDRB reports before the meeting. You may prefer not to release any copy of the TSRB report on MPs and Ministers before the meeting. In addition to letting you have a brief for the meeting, we could provide you with a short note summarising the key recommendations in all four reports which might be handed round at the meeting as a basis for the discussion and collected afterwards.

now
sent to
him
MCS 29/4

5. Final decisions of substance on the four reports will have to be taken ultimately by the Cabinet. The earliest regular meeting at which this would be practicable would be Thursday 12 May. We are already tentatively planning that that meeting might be required to take final decisions on local government organisation and finance (rates, future of GLC and Metropolitan Counties, ILEA, and the draft White Paper on the London Regional Transport Authority). It would be far from ideal to have to take decisions on the Review Body reports at the same time, but much will depend on how quickly you wished to clear the decks. In the case of MPs' pay the Government would have to table proposals for approval by the House of Commons and there would need to have been prior consultations beforehand with leading members of the Opposition parties. If it is thought necessary to complete this process before the date on which a decision to hold a June Election would have to be announced, the Cabinet cannot defer decisions on the Review Body reports beyond 12 May.

REA

ROBERT ARMSTRONG

28 April 1983



10 DOWNING STREET

MCS

in folder
attached
tape.

We have two copies
of the report, copies
to Nick Owen?

July

No

Mus



OFFICE OF MANPOWER ECONOMICS

22 KINGSWAY
LONDON WC2B 6JY

Telephone 01-405 5944

CONFIDENTIAL

Prime Minister

Last year 5%

30 March 1983

+6.9% on average.

The Rt Hon Margaret Thatcher MP
10 Downing Street
LONDON SW1

Dear Prime Minister

No copies circulated
and no-one informed
for the time being.

REVIEW BODY ON TOP SALARIES

I enclose our Sixth Report on Top Salaries, containing our recommendations on the salary levels that we consider to be appropriate for implementation from 1 April 1983 for senior civil servants, senior officers in the armed forces, and the judiciary.

MES 30/3

We shall be submitting our report on Parliamentary pay and allowances, as planned, by 30 April.

Yours sincerely
Edwin Plowden

PLOWDEN, CHAIRMAN
REVIEW BODY ON TOP SALARIES



10 DOWNING STREET

From the Principal Private Secretary

SIR ROBERT ARMSTRONG

File back to Mr. Butler

Mr. Scholar - to see
+ hold papers
please

Mr Butler

Should we keep the Chancellor

(Treasury in touch)

Top Salaries : Rocks Ahead

X The Prime Minister discussed with you this morning your minute of 24 March. The Prime Minister is much concerned by the expected recommendations of the TSRB. She agreed with your conclusion that consideration of all three reports should take place simultaneously, and that we should restrict circulation of the first TSRB report until the two subsequent ones are received.

X The Prime Minister wondered whether the TSRB, in considering their recommendations for Members of Parliament, had taken account of the number of M.P.s in the British Parliament relative to other countries and the recent increase in this number. She suggested that you might pass this thought to Lord Plowden.

on X

E. E. R. BUTLER

and the
Lord President

on X and

the £20,000?

Mr. Scholar

Let us have a word with the Chancellor or Mr. Kerr ~~in~~ next week.

FERB :
25.3.

MUS 25/3

25 March, 1983

PA

Ref. A083/0915

MR BUTLER

Prime Minister

You may like to have
a word with Sir Robert about
this.

FERB

24.3.

Top Salaries: Rocks Ahead

This minute is to give the Prime Minister advance notice of problems ahead on top salaries.

2. The Top Salaries Review Body (TSRB) is preparing two reports. One is a normal "updating" of top public service salaries (higher civil servants, senior officers in the armed services, the judiciary). That should be submitted by Easter. The second is a more fundamental review of the pay and allowances of Members of Parliament and Ministers. That should be submitted by the end of April.

3. I understand that the evidence which the TSRB has received on management salaries in industry suggests that differentials at the top have been widening over the last year. On the basis of that evidence the TSRB is likely to recommend for higher civil servants, senior officers and the judiciary salary levels 7 to 8 per cent higher than those which they recommended last year. Last year's recommendations were abated by five percentage points, but in her statement the Prime Minister recognised that the abatement would be one of the factors to be taken into account by the TSRB in the course of this year's review. The salary levels to be recommended by the TSRB for these groups are thus likely to be something like 12 to 13 per cent above those currently in payment.

4. Another factor which the TSRB will have had in mind in arriving at their recommendations is that the Armed Forces Pay Review Body (AFPRB) is expected to recommend increases of over 10 per cent in the pay of the Brigadier (and equivalent ranks in other services). The differential between the Brigadier (the top level covered by the AFPRB) at £22,750 and the Major General (the bottom rank covered by the TSRB) at £25,000 is already pretty compressed. If the AFPRB'S recommendation for the Brigadier is accepted, it will be difficult to avoid increasing the salary of the Major General (and ranks above that) by at least the same percentage.



!!
3

5. On Members of Parliament, I understand that the TSRB is likely to recommend a salary of £20,000, which would represent an increase of 38 per cent over the existing salary of £14,510. They could well recommend correspondingly large increases in Ministerial salaries. The new rates would come into effect at the beginning of the new Parliament, and would then be updated each year by reference to a bracket of salaries, until the next TSRB review in the fourth year of the next Parliament. The TSRB may also recommend an interim increase to come into effect on 13 June 1983 for whatever period remains of this Parliament.

6. Clearly the handling of these various reports and the decisions on the recommendations are going to present considerable difficulties. I am inclined to think that we should have to sit on the first TSRB report until we have the AFPRB report and the second TSRB report, and then consider, and make decisions and announcements on them, together. Another argument for this is the need to avoid prejudging the discussions on the main Civil Service pay claim.

7. If the Prime Minister decides to proceed accordingly, we shall have to restrict extremely narrowly the circulation given to the first TSRB report.

REA

ROBERT ARMSTRONG

24 March 1983

MR MOUNT

cc Mr Scholar ✓
Mr Ingham

REVIEW BODIES

The reports of the various review bodies will not reach us until around Easter. But I would like to alert you and Michael Scholar to one or two aspects of handling them, since I will by then have left.

There are at present three review bodies, who will produce four reports. I expect the TSRB to present its report on Top Salaries just before or just after Easter. The AFPRB and the DDRB will probably report around mid-April although the DDRB could possibly be a little earlier. The TSRB's report on Ministers and MPs will be later, probably towards the end of April.

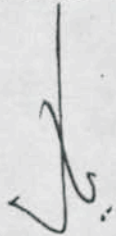
The first point, with which I know Michael Scholar is very familiar, is that these reports are sent by the Chairmen in confidence to the Prime Minister, although the OME of course knows what is in them, and the sponsor department usually picks it up from them. But in previous years it has been found possible for us to sit on the reports for a week or two in order, for instance, to get the Civil Service pay negotiations out of the way. I would judge that that is necessary this year, since the TSRB will certainly recommend reinstatement of last year's shortfall, and thus come up with a range of proposed increases significantly higher than what we are trying to settle for with the rest of the Civil Service.

The second point relates to the particular difficulties that will be presented by the DDRB report. Two years ago we cut back the DDRB's recommendation by 3%; and we declined to reinstate it last year. The DDRB will undoubtedly propose that this 3%

be no longer withheld (actually, because salaries have risen in the meantime, it is now a little less than 3%). Unless the DDRB are clever enough to combine that with a recommendation for a very low increase for this year, so as to give a total recommendation around 6%, they are going to come up with a figure around 8% or so, which will be very difficult indeed to handle.

The DHSS reckon that if the DDRB are turned down for the third successive year, they will resign, on the grounds that there is no point in their continuing if their recommendations are consistently ignored. If they do that, it is rather unlikely that the new review body for the nurses could be successfully established. But Ministers would find it difficult to swallow a settlement for doctors and dentists of the order of magnitude achieved by the water workers, and well above the miners - even though I have no doubt that that is what Mr Fowler will recommend.

I hesitate to give advice on this before seeing the DDRB's recommendation. But I hope that when it comes in we here will not attach unnecessary importance to the continuation of the DDRB, nor to the establishment of the nurses' review body. The review body system causes problems for us every year, and is in fundamental conflict with the determination of pay on the basis of market factors and affordability, however much evidence we put into them. Our efforts to wind them up invariably founder on the objections of the sponsor departments, who claim that it is impossible to construct a better system. But if the DDRB resigned, I do not think it would be long before we discovered that the pay of doctors and dentists could perfectly well be settled by direct negotiation within a framework of cash limits.



4 March 1983

Prime Minister

②

MR SCHOLAR

To note this and

the Treasury letter attached.

cc Mr Mount
Mr Walters O/R

Mes 17/12

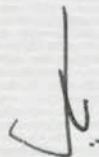
ANNUALITY AND THE REVIEW BODIES

The letter of 14 December from the Chancellor's Private Secretary makes the perfectly fair points that there is nothing to stop the Review Bodies deciding that automatic annual pay increases are no longer appropriate, but that we cannot instruct them accordingly.

I see this issue as part of the wider problem of moving away from automatic annual pay increases in the public sector generally. It is a matter for judgement how quickly we can get there, but it must be the Government's policy to get there eventually. As long as inflation is kept under control, ie in low single figures, we have to reach the stage where pay rises are only available where they are earned or where there are skill shortages, if we are to regain competitiveness.

We cannot reach that stage during this pay round. Although the CBI reports that one in ten of the settlements so far is zero, the average is still around 5%, and our own 3½% pay factor is well known. But we could contemplate announcing that there would be no automatic increases next round. That would also give us the opportunity of tying pay increases to the rate of introduction of new technology, which is going to be increasingly important in the Civil Service.

You may feel that there is no need to reply to the letter.


16 December 1982



ce JV

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

14 December 1982

Michael Scholar, Esq.,
No.10 Downing Street

Dear Michael,

Civil Service:
Pay and Pensions
: P4 12

ANNUALITY AND THE REVIEW BODIES

Your letter of 8 November, which was primarily concerned with the Megaw Report, recorded that the Prime Minister wondered whether we should be encouraging the Review Bodies to move away from automatic annual pay increases.

There is nothing in the Review Bodies' terms of reference which requires them either to carry out a review or to recommend a pay increase every year; they are required simply to "advise the Prime Minister on the remuneration/pay and allowances" of the groups. In general, the Review Bodies carry out annual reviews because they follow current, conventional pay practice (though in the case of the Top Salaries Review Body the then Government announced in December 1974 that it proposed specifically to invite the Review Body to carry out annual reviews for the higher Civil Service, senior armed forces officers and the judiciary).

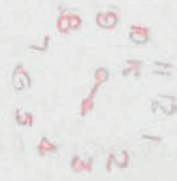
To preclude the Review Bodies from carrying out annual reviews or from making annual awards before a clear trend away from annual increases has become established in the economy generally, would be strongly resented by the groups on whose pay they report. A particular problem would arise in relation to the Government's commitment to the armed forces. We should also risk creating a 'catching up' problem in the years in which the Review Bodies did report. However, we can perfectly reasonably frame our economic and other evidence to the Review Bodies in such a way as to encourage them to consider whether any pay increase is justified in the year in question, and not to take this for granted. The Prime Minister will have seen the draft evidence to the Top Salaries Review Body which sets out to do just this. A similar line has been taken in the draft evidence to the Doctors and Dentists and Armed Forces Review Bodies.

I am copying this letter to the Private Secretaries to members of the Cabinet, the Attorney General and the Lord Advocate, and to John Sparrow and Sir Robert Armstrong.

Yours sincerely,
Margaret O'Mara

MISS M. O'MARA

Civil Servant : Pay + Pension
Pt. 13



75 DEC 1982

COMMUNICATIONS

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NBPM

MUS 14/12



MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1A 2HB
2111/3
Telephone 01-218 (Direct Dialling)
01-218 9000 (Switchboard)

MO 4/6/2

13th December 1982

Dear Margaret,

ECONOMIC EVIDENCE TO THE TSRB *will request if required*

Thank you for sending Richard Mottram a copy of your letter of 3rd December to Mary Brown, and of the draft economic evidence to the TSRB which it covered.

I have shown the draft evidence to my Secretary of State. He has no comments to offer on it.

I am copying this letter to the recipients of yours.

*Yours sincerely
Nick Evans*

(N H R EVANS)

Miss M O'Mara

14 DEC 1982





hwe ECONPOLICY (W)

B/C J Verokov

10 DOWNING STREET

From the Private Secretary

9 December, 1982

ECONOMIC EVIDENCE TO THE TSRB

Thank you for sending me a copy of your letter to Mary Brown.

I showed the Prime Minister the attached draft evidence of the Top Salaries Review Body. She is content that it be submitted to the Review Body.

I am sending copies of this letter to David Staff (Lord Chancellor's Office), Richard Mottram (Ministry of Defence), Felicity Everiss (Department of Employment) and Richard Hatfield (Cabinet Office).

M. C. SCHOLAR

Miss M. O'Mara,
HM Treasury

A

SP



Portionant
✓

Caxton House Tothill Street London SW1H 9NF

Telephone Direct Line 01-213 6400
Switchboard 01-213 3000

Miss Margaret O'Mara
Private Secretary to the
Chancellor
Treasury
Great George Street
LONDON SW1

9 December 1982

Dear Margaret

ECONOMIC EVIDENCE TO THE TSRB

with mcs?
Thank you for sending me a copy of your letter
of 3 December to Mary Brown.

My Secretary of State has seen the draft of
the evidence and is content with it.

I am sending copies of this to the recipients
of your letter.

Yours Sincerely,
Kathy Weniss

MS F M EVERISS
Private Secretary

Econ Pol, TO RB, P44



- 8 DEC 1982

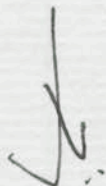
cc Mr. Mount
Mr. Walters

MR. SCHOLAR

ECONOMIC EVIDENCE TO THE TSRB

You asked for my comments on the draft submitted under cover of the letter of 3 December from the Chancellor's office to Lady Young's office.

We saw the evidence in draft, and we are content with it. The Prime Minister may want to note particularly the first sentence of paragraph 3, a further indication of the Government's wish to get away from the assumption of automatic annual increases. The only paragraph that could cause difficulty is paragraph 10 which attempts to argue that even where larger pay rises can be afforded, there is a case for holding them back - unfortunately, we have been unable to apply that principle to nationalised industries board pay.



JOHN VEREKER

8 December 1982



Prime Minister (1)

Agree? (John Vercher

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

so recommends)

3 December 1982

MCS 8/12

Ms Mary Brown
Private Secretary to the
Lord Privy Seal

Yes

Dear Mary,

ECONOMIC EVIDENCE TO THE TSRB

We will shortly need to submit evidence to the Top Salaries Review Body for their 1983 review of salaries. We know that on this occasion they will be concentrating on salaries of MPs and Ministers, and do not envisage more than updating recommendations for other TSRB Groups. Accordingly, the Chancellor envisages that the main evidence submitted should be the usual economic material.

I now enclose a draft of this evidence, and should be grateful if you, and those to whom I am copying this letter, would let me know whether your Ministers are content with it by Friday 10 December.

I am sending copies to Michael Scholar (No.10), David Staff (Lord Chancellor's Department), Richard Mottram (Ministry of Defence), Felicity Everiss (Department of Employment) and to Richard Hatfield.

Yours Sincerely,

Margaret O'Mara

MISS M O'MARA
Private Secretary

DRAFT

TOP SALARIES REVIEW BODY: ECONOMIC EVIDENCE

In this evidence the Government sets down economic factors which, in its view, need to be taken into account in considering the level of salaries.

2. In the Government's economic strategy bringing down the rate of inflation is a central objective. A very large reduction has been achieved from a peak of 21.9 per cent in May 1980, and progress continues. The year-on-year increase in the retail prices index was down to 6.8 per cent in October and is expected to be down to 5 per cent early next year. These are the lowest levels for a decade.

3. In these circumstances the assumption of automatic annual increases in pay needs to be increasingly questioned. There can of course never be any general entitlement to pay increases based on price movements, because living standards depend on economic performance; but in practice when inflation was high pay bargainers took it as a major influence on pay levels. Greater stability in prices should now enable negotiators to get away from this and concentrate on what is needed in market terms and on what can be afforded.

4. The national need for low settlements remains compelling. Pay is one of the main factors in costs, and therefore in competitiveness; and better competitiveness is the key to higher output and lower unemployment. With unemployment very high and still rising, pay settlements must be kept to very low levels. Moreover, the existence of so much slack in the labour market generally means that there can rarely be a market case for substantial increases in pay.

5. Company profitability is now improving a little, but it is still much too low for industrial health. The net real rate of return in manufacturing has fallen to about 2 per cent, compared with an average of over 10 per cent in the 1960s. There

are several reasons for this, but the pressure of high wages ranks high among them.

6. Since the beginning of 1981 there has been some recovery - around 15 percentage points - in our manufacturers' international cost competitiveness. But this followed a loss of about 40 per cent over the previous two years. And because other countries have continued to make their own advances our competitiveness has shown little or no further recovery in 1982. Imports (excluding oil) are up by some 10 per cent since the first half of 1981 and, though exports have held up quite well, our share of world markets has not increased. We must reckon also with the effects of continued wage moderation in competitor countries. Public service pay increases of only 2 per cent, for example, are planned in both the Federal Republic of Germany and in Japan.

7. There is therefore no scope for letting up on pay. The slowing down of earnings growth over the past two years needs to be maintained and indeed sharpened. Higher pay may offer higher living standards for some in the very short run; but only at the eventual expense of lower profits, more inflation, lower output, and fewer jobs. Our living standards as a nation would then continue to fall further and further behind those of other countries.

8. These economic factors bear directly on the trading sector of the economy. But they are crucially relevant also to the public services. High public service settlements inevitably influence expectations and tend to increase the settlement levels which can be achieved in the trading sector. And public service pay increases cost money which has to be found by taxation, or by more borrowing which pushes interest rates up. Higher taxation weakens incentives and aggravates the difficulties of holding down wage increases elsewhere. And higher interest rates worsen companies' financial cash position, making them less inclined towards investment and enterprise. All these repercussions must bear heavily on judgements about pay in the public services.

9. The Government has to make a judgement on what the country can afford. It has decided on an assumption of $3\frac{1}{2}$ per cent to calculate the cash provision for the pay of the armed forces, the civil service, and certain other groups in 1983-84. This does not mean that all public service settlements will be as much as or no more than $3\frac{1}{2}$ per cent. But it does indicate the sort of level which negotiators generally need to have in mind. However, there is no minimum: the lower the level of pay increases, the better for output and employment.

10. The small size of groups within the TSRB's remit means that their pay does not have a large direct effect on total expenditure. But the same rigorous criteria need to be applied to all public service pay costs, whether large or small; and increases in top salaries, inevitably conspicuous, can have a substantial impact on expectations elsewhere.

11. Finally, full weight needs to be given to job security in the public services. This remains a substantial if unquantifiable benefit, relevant to judgements on financial remuneration.

- 1) Miss ~~Stephens~~ ~~Naked~~
2) Mr ~~Burton~~ ECON POL

to note

17 2/12

PRIME MINISTER

I understand from the Home Office that Lord Plowden, whose term as Chairman of the Police Negotiating Body is coming to an end shortly, is likely to seek a valedictory meeting with you. His term as Chairman of the Top Salaries Review Body runs out in April. The Home Office think that it would be worth seeing him given the range of his activities; shall we agree if he approaches us?

Yes Mr

17

30 November 1982



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

Prime Minister (2)

NHS 9/11

8 November 1982

The Rt Hon Sir Geoffrey Howe QC MP
 Chancellor of the Exchequer
 Treasury Chambers
 Great George Street
 LONDON
 SW1

Dear Geoffrey

mt

I have seen a copy of your minute of 13 October to the Prime Minister on how we should handle the question of the future of the Top Salaries Review Board. The first point I should make is that I do not think decisions on that issue need affect our handling of NHS pay issues.

My second point is that I entirely agree that we should not allow decisions on TSRB recommendations to pre-empt, or to appear to pre-empt, longer-term decisions on Civil Service pay, before we have fully considered the Megaw proposals and their implications.

Lastly, I agree that there could be advantage in maintaining a body such as the TSRB. Not following the Board's recommendations can of course cause difficulties to arise, but I think these are preferable to establishing other arrangements which might in effect involve Ministers in negotiating with their top official advisers on their pay.

I am copying this to the Prime Minister, members of MISC 83, the Lord Chancellor and the Lord President.

Norman Fowler

NORMAN FOWLER

Recor Pel, T3RB, P44

DEPARTMENT OF HEALTH & SOCIAL SECURITY

Administrative Planning, Research & Statistics, Washington, D.C.

From the Director of Health & Social Security

Director of Health & Social Security
Washington, D.C.

I have been advised that you are interested in the work of the
Department of Health & Social Security in the area of
health care delivery. The Department is currently conducting
a study of health care delivery in the United States and
is interested in your views on this subject.

My report contains a number of recommendations that we would like
to discuss with you. It is hoped that you will find these
recommendations helpful in your work.

I am sure that your views will be most helpful in this regard.
I would be glad to discuss these recommendations with you
at any time.

I am sure that your views will be most helpful in this regard.
I would be glad to discuss these recommendations with you
at any time.

cc: HMT *Econ Pol* *289*
 DHSS
 D/M
 LPS
 M/S, MOD
 Mr. Le Cheminant (HMT)
 CPRS



10 DOWNING STREET

bc: Mr. Vereker

From the Private Secretary

18 October 1982

The Prime Minister considered over the weekend the Chancellor's minute of 13 October about the role of the TSRB in decisions on the pay of the higher Civil Service.

The Prime Minister agrees that the TSRB have a continuing role in this area; and that they should be told that the Government does not expect them to reflect Megaw's various recommendations on the pay structure of the higher Civil Service in their advice on pay rates for 1983.

I am sending copies of this letter to the Private Secretaries to the other members of MISC 83, David Staff (Lord Chancellor's Office) and David Heyhoe (Lord President's Office).

M.C. SCULLAR

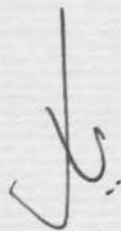
Miss Margaret O'Mara,
 H.M. Treasury.

MR SCHOLAR

cc Mr Mount

MEGAW AND THE FUTURE OF THE TOP SALARIES REVIEW BODY

I am sure the Chancellor is right to conclude, in his note of 13 October, that we should tell the TSRB to proceed normally this year, and not to take into account the Megaw recommendations on the pay structure of the higher civil servants. Apart from the reasons the Chancellor gives, there are two other very important considerations. First, we do not yet want to imply acceptance of any part of Megaw; and second, one of the Megaw recommendations is that "Governments should pay more attention than in the past decade to the recommendations of the review body", which would make it quite difficult not to accept the TSRB's recommendations if we tell them to reflect the other Megaw proposals.



15 October 1982

210



C JV
Prime Minister (1)

PRIME MINISTER

Yes mt

Agree X (see John Verheij's note, attached)?

MEGAW AND THE FUTURE OF THE TOP SALARIES REVIEW BODY

MUS 15/10

Ahead of the meeting on the Megaw Report which we both envisage, it would be useful to reach an early decision on whether we intend to continue to use the TSRB to advise us on the pay of the Higher Civil Service.

The urgency arises because the TSRB are already preparing for their reviews for 1983 (including this time a special review of the pay of MPs and Ministers). We need to tell them whether we look to them to report on the pay of the Higher Civil Service as at 1 April 1983.

I believe that they have a continuing role in this area. Megaw argued that it would be inappropriate for rates of pay for the Higher Civil Service to be settled by negotiation and that decisions should be taken by the Government in the light of external and published advice. I agree with this, and if we are to seek external advice there is much to be said for leaving the task with the TSRB.

The TSRB will also want to know whether we expect them to take into account this time Megaw's various recommendations on the pay structure of the Higher Civil Service (including for example the proposal that there should be varied rates of pay for Permanent Secretaries and Deputy Secretaries according to the weight of individual jobs). I am sure that we need more time to form our views on these recommendations; not least because, in some cases, there are links with issues affecting the pay of lower grades which will not be resolved quickly. I concluded that we should tell the TSRB that we do not expect them to reflect these Megaw recommendations in their advice on the pay rates for 1983.

X /



If it is agreed, we might announce our decision on the continuing role of the TSRB as soon as the House returns, perhaps by a low key PQ.

I am copying this minute to other members of MISC 83, the Lord Chancellor and the Lord President.

A handwritten signature in black ink, appearing to be the initials "G.H.".

(G.H.)

13 October 1982

Leon Pol

PRIME MINISTER

Questions: Pay

TSRB too high

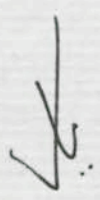
On the contrary, Mr. Speaker: In many ways, I would have liked them to be higher, as the Review Body recommended. The pay of these groups has been held down since 1980. It is essential to the quality of our legal system, to the effectiveness of our armed forces, and to the efficiency of public administration, to pay enough to get good top people.

TSRB vs NHS

I do not see a connection. Health Service workers have been awarded large increases in the course of this Parliament; TSRB groups have not. The Health Service pay bill is very large; the TSRB pay bill is not. The Health Service already recruits and retains, in general, enough good people for the jobs available; the TSRB groups do not.

TSRB vs MPs

If I were to give top people enough to match the increase in pay enjoyed by MPs in the lifetime of this Parliament, I would have given them a good deal more, not less, than the TSRB recommended.



13 May 1982

TOP SALARIES REVIEW BODY (TSRB) : BACKGROUND NOTE

1. The TSRB (chaired by Lord Plowden) advises the Prime Minister on the remuneration of the judiciary, senior civil servants and senior officers of the armed forces.
2. In 1980 TSRB recommended increases averaging 26% for members of these groups. The Government felt unable to accept these recommendations because of its wish to reduce the levels of pay increases in the public sector at that time. It decided that the groups concerned should have increases averaging 12½% in 1980. In 1981 the TSRB urged the Government to implement in full their 1980 recommendations but did not recommend any new rates. They said that they would be producing a comprehensive report in 1982. Again the Government did not feel able to implement the TSRB's recommendation in full but awarded increases averaging 7% to the three groups in 1981. This meant that they were still some 5% behind the 1980 recommended levels.
3. This year the TSRB have recommended salaries which are 19.4% above the rates currently in payment for the Civil Service and Armed Forces, 24.3% for the judiciary, and 21.9% on average. As compared with their recommendations in 1980 the figures are 13% for the Civil Service and Armed Forces, 20% for the judiciary, or 16.6% overall. The Government has decided that these increases should be reduced by some 5½ percentage points on average. The attached table shows the new salaries that will be paid to the higher Civil Service and senior officers of the Armed Forces and to the holders of the main judicial offices. The total cost of the increases is some £7½ M. It will be contained within existing cash limits where these apply.
4. Until 1980 nationalised industry board members were included in the TSRB's remit. They were removed by the Government so that greater account could be taken of market and managerial factors in settling their salaries. These salaries are now determined directly by Ministers following proposals by the individual boards. No proposals have yet been received for 1982 by the Treasury.

B

MPs' PAY : BACKGROUND NOTE

1. In 1979 the Top Salaries Review Body recommended that MPs' pay should be increased from £6,897 pa to £12,000. The Government accepted that the amount was right but because the increase was so large it proposed, and the House accepted, that it should be implemented in three stages. The third and final stage was paid with effect from 13 June 1981. The TSRB reported again in 1980 and recommended a further 14.6% increase in Members' pay. However as part of its policy of pay restraint in the public sector, the Government persuaded the House to accept an increase of only 9.6% in 1980. The TSRB did not make any new recommendations in 1981 but urged the Government to implement in full and as soon as possible its 1980 recommendations. The Government considered, and the House accepted, that a 6% increase in 1981 would be appropriate. Hence from 13 June 1981 MPs' pay rose to £13,950 (as against the figure of £13,750 recommended by the TSRB as appropriate in 1980). A table showing the movement in MPs' pay since 1979 is attached.
2. In 1980 the House voted, against the Government's advice, for a link between the salary of Members and the salary of a specified grade in the public service. Following consultations, the Government agreed that a Select Committee should be set up to consider the question of linkage on the basis of periodic independent reviews of MPs' pay and a link to a basket of outside occupations between such reviews. The report of the Select Committee was published in March 1982. It recommended a review of MPs' pay by the TSRB once during the fourth year of each Parliament and annual automatic interim adjustment of salaries between reviews by reference to the increase in the nearest percentile in the New Earnings Survey. The Government is still considering its response to these recommendations.
3. The TSRB was not asked to report on MPs' pay and allowances this year because of the existence of the Select Committee. At the latest time when TSRB could have been asked to begin a review (late autumn 1981), it was not clear whether the Select Committee would be making any recommendations about the right level of MPs' pay in 1982.

4. The increase of 4% in MPs' pay in 1982 is only a proposal. The final decision rests with the House of Commons. The next step is for the Government to table motions containing its proposals on MPs' pay and secretarial allowance and to lay an Order in Council on Ministers' pay, and for the Commons to debate them (the increase for Ministers must also be debated in the Lords). If the Government were defeated it would need to reconsider its position. No increase can be implemented without both the agreement of the Government (because of the public expenditure implication) and a resolution of the Commons (and the Lords in the case of Ministers' pay).
5. The normal pay settlement date for MPs and Ministers is 13 June. However whereas the resolution increasing MPs' pay can be retrospective, the Order increasing Ministers' pay cannot.
6. The pay of Members of the European Assembly is linked to and identical with that of MPs'. It increases automatically when effective resolutions on MPs' pay are passed. However MEPs do not receive MPs' allowances (they have their own allowances which are regulated by the European Assembly itself).

MPs' PAY SINCE 1979

<u>DATE</u>	<u>TSRB RECOMMENDATION</u>	<u>ACTUAL SALARY</u>	<u>COMMENT</u>
May 1979	-	£6,897	Salary in payment when present Government entered office.
June 1979	£12,000	£9,450	First stage of 1979 increase.
June 1980	£12,300 (Second stage plus 14.6%)	£11,750	Second stage plus 9.6%.
June 1981	£13,750 (Third stage plus 14.6%)	£13,950	Third stage plus 9.6% from 1980 and a further 6%. The £13,750 was recommended by TSRB in 1980 and hence contains no element for updating in 1981.
June 1982	-	£14,500	Proposed 4% increase (rounded to nearest £25).

MINISTERS' PAY : EXAMPLES

	<u>Current salary</u>	<u>Proposed salary</u>
	£	£
Prime Minister	36,725 ⁽¹⁾	38,200
Cabinet Minister	27,825	28,950
Minister of State (Commons)	19,775	20,575
Minister of State (Lords)	23,275	24,200
Parliamentary Secretary (Commons)	15,100	15,700
Parliamentary Secretary (Lords)	18,600	19,350

NOTES

1. The Prime Minister's salary is that applicable for pension purposes. The Prime Minister draws only the same salary as other Cabinet Ministers.
2. All proposed salaries rounded to the nearest £25.
3. Parliamentary salary for Ministers in Commons now £8,130. Proposed new rate = £8,450.
4. The following other office holders have their salaries increased in line with the increase given to Ministers:

Speaker	
Chairman of Ways and Means	} Deputy Speakers
First Deputy Chairman of Ways and Means	
Second Deputy Chairman of Ways and Means	
Chairman of Committees	
Principal Deputy Chairman of Committees	
Leader of the Opposition	
Chief Opposition Whip (Commons)	
Two Assistant Opposition Whips (Commons)	
Leader of the Opposition (Lords)	
Chief Opposition Whip (Lords)	

C

TOP SALARIES REVIEW BODY GROUPS : SCHEDULE OF NEW SALARIES

	1	2	3	4	5	6	7
	Current salary	TSRB recommendation for 1.4.80	TSRB recommendation for 1.4.82	New salary	% increase over current salary	% increase over TSRB '80	Number in group
	£	£	£				
<u>a. Senior grades of the higher civil service</u>							
Permanent Secretary to the Treasury Secretary to the Cabinet	35,845	37,000	45,000	42,000	17	14	2
Permanent Secretary	33,170	34,000	40,000	37,750	14	11	22
Second Permanent Secretary	30,495	31,000	37,000	35,000	15	13	16
Deputy Secretary	26,215	27,000	32,000	30,250	15	12	141
Under Secretary	21,935	23,500	26,000	25,000	14	6	524
<u>b. Senior officers in the armed forces</u>							
Admiral of the Fleet Field Marshal Marshal of the Royal Air Force	35,845	37,000	45,000	42,000	17	14	1
Admiral General Air Chief Marshal	33,170	34,000	40,000	37,750	14	11	20

	1	2	3	4	5	6	7
	Cur- rent salary	TSRB recom- menda- tion for 1.4.80	TSRB recom- menda- tion for 1.4.82	New salary	increase over current salary	increase over TSRB 80	Number in group
	£	£	£	£			
High Court Judge) Judge of the Court of Session (Scotland)) Puisne Judge (Northern Ireland))	35,000	35,000	45,000	42,500	21	21	99
President, Lands Tribunal (England and Wales)) President, Transport Tribunal) Chief Social Security Commissioner) (England and Wales and Scotland)) President, Industrial Tribunals) (England and Wales))	25,500	26,000	31,500	30,000	18	15	4
President, Industrial Tribunals (Scotland)) Sheriff Principal (Scotland)) Chairman, Scottish Land Court) President, Lands Tribunal (Scotland))	24,750	25,250	30,500	29,000	17	15	9
Official Referee (London)) Vice-Chancellor of the County Palatine of) Lancaster) Recorder of Liverpool) Recorder of Manchester) Senior Circuit Judge, Newington Causeway) Recorder of Belfast (Northern Ireland)) President of the Lands Tribunal) (Northern Ireland) ¹) Chief Social Security Commissioner) (Northern Ireland) ¹)	24,500	24,500	30,500	29,000	18	18	10

	1	2	3	4	5	6	7
	Cur- rent salary	TSRB recom- menda- tion for 1.4.80	TSRB recom- menda- tion for 1.4.82	New salary	increase over current salary	increase over TSRB 80	Number in group
	£	£	£	£			
Circuit Judge)							
Chief Metropolitan Magistrate)							
Member, Lands Tribunal (England and Wales)							
and Scotland)							
Social Security Commissioner (England and)							
Wales and Scotland)							
Judge Advocate General)							
Sheriff A (Scotland))							
County Court Judge (Northern Ireland))							
Master of the Court of Protection)	23,250	24,000	29,000	27,750	19	16	385
Senior and Chief Masters and Registrars)							
of the Supreme Court)							
Registrar of Criminal Appeals)							
President, Industrial Tribunal)							
(Northern Ireland) ¹)							
Member, Lands Tribunal (Northern Ireland) ¹)							
Social Security Commissioner)							
(Northern Ireland) ¹)							
Sheriff B (Scotland)	23,250	23,500	29,000	27,750	19	18	56
Regional Chairmen, Industrial Tribunals)							
(England and Wales and Scotland))	22,750	23,500	27,000	25,750	13	10	17
Chairman, Foreign Compensation Commission)							
Vice-Judge Advocate General	22,000	22,500	27,000	25,750	17	14	1

	1	2	3	4	5	6	7
	Cur- rent salary	TSRB recom- menda- tion for	TSRB recom- menda- tion for	New salary	increase over current salary	increase over TSRB 80	Number in group
	£	£	£	£			
Masters and Registrars of the Supreme Court)							
Metropolitan Magistrate)							
Chairmen, Industrial Tribunals)							
(England and Wales and Scotland))	20,750	22,500	25,000	24,000	16	7	181
Provincial Stipendiary Magistrate)							
Resident Magistrate (Northern Ireland) ¹)							
Chairman, Industrial Tribunal)							
(Northern Ireland) ¹)							
Master, Supreme Court (Northern Ireland) ¹)							
County Court Registrars and District)	20,500	22,000	25,000	24,000	17	9	153
Registrars of the High Court)							

Note = ¹ These appointments were added to the remit after Report No 14. The salaries shown for the appointments in Column 2 are those recommended in Report No 16 in 1 April 1980 terms.



HM TREASURY

Old Admiralty Building Whitehall London SW1A 2AZ

Telephone 01-273 5511
GTN 273
Switchboard 01-273 3000

M Scholar Esq
10 Downing Street
LONDON SW1

12 May 1982

Dear Mr Scholar

TSRB ANNOUNCEMENT

I attach a revised table on public sector pay, showing the 1980 increases. The TSRB groups had quite a large increase in 1980 themselves as they received the third stage of their 1978 increase on 1.4.80 (plus a further 12½%).

Yours sincerely
Alan Williams

A R Williams
Pay 2

Enc

CONFIDENTIAL

MAIN PUBLIC SERVICE GROUPS: Pay increases since 1980

- NON-INDUSTRIAL CIVIL SERVICE : Brought fully up-to-date in 1980 (PRU settlement). Since then $7\frac{1}{2}\%$ (1981): 5.9% (1982). Current increase over 1980 13.8% .
- ARMED FORCES : Brought fully up-to-date in 1980 (AFPRB). Since then 10.3% (1981): 6.1% (1982), as recommended by AFPRB. Current increase over 1980 17.0% .
- DOCTORS AND DENTISTS : Fully up-to-date 1980 (DDRDB). Since then 6.0% (1981): 6.0% (1982). Current increase over 1980 12.4% .
- POLICE : Subject to increases under the Edmund Davis formula. Fully up-to-date in Sept 1980 (21.3%): Sept 1981 13.2% . Yet to settle in 1982. Current increase over 1980 13.2% .
- TEACHERS : Fully up-to-date in 1980 (Clegg and arbitration). Since then $7\frac{1}{2}\%$ (1981). Yet to settle in 1982 (3.4% offered: 11.2% compounded over 1980).
- NURSES : Fully up-to-date 1980 (Clegg). Since then 6.0% (1981). Yet to settle in 1982 (6.4% offered: 12.8% compounded over 1980).
- TSRB GROUPS (senior civil servants & armed forces officers) : Currently 5% less than 1980 recommendations. New rates 8% over 1980 recommended levels.

Note, It is no good showing the large increases
the non-TSRB groups got in 1980 because
TSRB got a large increase then too -
catching up on their 1978 level!

CONFIDENTIAL

MINISTERS' PAY : EXAMPLES

	<u>Current salary</u>	<u>Proposed salary</u>
	£	£
Prime Minister	36,725 ⁽¹⁾	38,200
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NOTES

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Speaker	
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Chairman of Committees	
Principal Deputy Chairman of Committees	
Leader of the Opposition	
Chief Opposition Whip (Commons)	
Two Assistant Opposition Whips (Commons)	
Leader of the Opposition (Lords)	
Chief Opposition Whip (Lords)	

TSRB

about the difficulty experienced by people wishing to re-enter the United Kingdom after previously being given leave to stay for an unlimited period; and what steps he has taken.

Mr. Raison: Following our review of policy on returning residents, we announced last December certain changes designed to overcome some of the difficulties experienced by such people. We are not aware of any recent general complaints on this subject; complaints about individual cases are considered on their merits.

PRIME MINISTER

Top Salaries Review Body (Report)

Sir John Biggs-Davison asked the Prime Minister if she has any further statement to make about the report of the Top Salaries Review Body.

The Prime Minister: I informed the House last week that the Government were considering the report of the Top Salaries Review Body on the pay of the higher Civil Service, senior officers of the Armed Forces and the judiciary. I am now able to announce our decisions.

The report recommends increases in the pay of the higher Civil Service and senior officers of the Armed Forces averaging 13 per cent., and for the judiciary 20 per cent., above the levels recommended as appropriate at 1 April 1980.

Because the 1980 recommendations have, for the most part, not been fully implemented, the recommended increases over the salaries currently in payment are somewhat larger: 19.4 per cent. for the Civil Service and the Armed Forces and 24.3 per cent. for the judiciary. In its report the TSRB argues cogently that substantial increases in the salaries of these groups are now justified. The Government agree. It is in the national interest to ensure an adequate supply of candidates of sufficient calibre for appointment to judicial office and to provide an adequate career structure and suitable differentials in the higher reaches of the Civil Service and the Armed Forces. The House will remember that, after many years of restraint, the pay of these groups is still on average 5 per cent. below the levels considered appropriate as long ago

as 1 April 1980. This situation is unique among public servants and, in the Government's view, its continuation would carry unacceptable risks of long-term damage to our ability to attract and retain individuals of the high calibre needed to fill these vital posts.

There are sound management reasons for bringing these salaries up to date quickly and for keeping them up to date in future. But the immediate increases needed for this purpose are large; and, as I announced last week, the Government have felt obliged to cut back the salaries recommended for doctors and dentists in the most recent DDRB report. Accordingly, we have decided that we must ask the TSRB groups also to accept some abatement in their salaries this year. The precise level of abatement to be applied is a matter of judgment. A table showing the conclusions to which the Government have come is appended to this answer. We were particularly concerned with the need to provide adequate pay differentials between the lowest grades of the Civil Service and the Armed Forces covered by the report and their colleagues immediately below them in their respective organisations. For the rest we have applied an abatement of about one-third of the proposed increase at the highest levels in each group and have settled intermediate salaries broadly in line with the pattern of differentials proposed in the review body's report. We recognise that this abatement will be one of the factors to be taken into account by the review body in the course of its next review.

The Government's decisions mean weighted average increases in the salaries of the higher Civil Service and senior officers of the Armed Forces of 8 per cent. above the rates of salary recommended for 1 April 1980 and 14.3 per cent. above the salaries currently in payment. The equivalent figures for the judiciary are 14.5 per cent. and 18.6 per cent. The new rates of salary will come into effect from 1 April 1982. The cost of implementing the Government's proposals will be about £7.5 million. In the case of the Civil Service and the Armed Forces, the increases represent less than 0.05 per cent. of their combined pay bills.

The report of the Top Salaries Review Body has been laid before the House today and will be published as a Command Paper shortly. Copies in typescript are now available in the Vote Office.

Top Salaries Review Body Groups: Schedule of New Salaries

	1	2	3	4	5	6	7
	Current salary	TSRB recommendation for 1 April 1980	TSRB recommendation for 1 April 1982	New salary	Percentage increase over current salary	Percentage increase over TSRB 1980	Number in group
	£	£	£				
<i>a. Senior grades of the higher Civil Service</i>							
Permanent Secretary to the Treasury	35,845	37,000	45,000	42,000	17	14	2
Secretary to the Cabinet							
Permanent Secretary	33,170	34,000	40,000	37,750	14	11	22
Second Permanent Secretary	30,495	31,000	37,000	35,000	15	13	16
Deputy Secretary	26,215	27,000	32,000	30,250	15	12	141
Under Secretary	21,935	23,500	26,000	25,000	14	6	524

b. Senior officers in the Armed Forces

	1 Current salary £	2 TSRB recommendation for 1 April 1980 £	3 TSRB recommendation for 1 April 1982 £	4 New salary	5 Percentage increase over current sal- ary	6 Percentage increase over TSRB 1980	7 Number in group
Admiral of the Fleet Field Marshal Marshal of the Royal Air Force Admiral General	35,845	37,000	45,000	42,000	17	14	1
Air Chief Marshal Vice-Admiral Lieutenant General Air Marshal Medical Rear Admiral Medical Major General Medical Air Vice-Marshal Rear Admiral Major General Air Vice-Marshal	33,170	34,000	40,000	37,750	14	11	20
	26,215	27,000	32,000	30,250	15	12	37
	23,005	23,500	26,000	25,000	9	6	17
	21,935	23,500	26,000	25,000	14	6	141
<i>c. Judiciary</i>							
Lord Chief Justice Master of the Rolls Lord of Appeal Lord President of the Court of Session (Scotland) Lord Chief Justice (Northern Ireland) President of the Family Division Lord Justice of Appeal Lord Justice Clerk (Scotland) Lord Justice of Appeal (Northern Ireland) Vice-Chancellor High Court Judge Judge of the Court of Session (Scotland) Puisne Judge (Northern Ireland) President, Lands Tribunal (England and Wales) President, Transport Tribunal Chief Social Security Commissioner (England and Wales and Scotland) President, Industrial Tribunals (England and Wales) President, Industrial Tribunals (Scotland) Sheriff Principal (Scotland) Chairman, Scottish Land Court President, Lands Tribunal (Scotland) Official Referee (London) Vice-Chancellor of the County Palatine of Lancaster Recorder of Liverpool Recorder of Manchester Senior Circuit Judge, Newington Causeway Recorder of Belfast (Northern Ireland) President of the Lands Tribunal (Northern Ireland)* Chief Social Security Commissioner (Northern Ireland)*	44,500	43,000	56,000	52,500	18	22	1
	41,000	40,000	51,500	48,250	18	21	11
	39,000	38,500	50,000	47,000	21	22	2
	37,500	36,500	48,500	45,500	21	25	22
	37,500	36,000	48,500	45,500	21	26	1
	35,000	35,000	45,000	42,500	21	21	99
	25,500	26,000	31,500	30,000	18	15	4
	24,750	25,250	30,500	29,000	17	15	9
	24,500	24,500	30,500	29,000	18	18	10

	1 Current salary	2 TSRB recommendation for 1 April 1980	3 TSRB recommendation for 1 April 1982	4 New salary	5 Percentage increase over current salary	6 Percentage increase over TSRB 1980	7 Number in group
	£	£	£				
Circuit Judge							
Chief Metropolitan Magistrate							
Member, Lands Tribunal (England and Wales and Scotland)							
Social Security Commissioner (England and Wales and Scotland)							
Judge Advocate General							
Sheriff A (Scotland)							
County Court Judge (Northern Ireland)							
Master of the Court of Protection	23,250	24,000	29,000	27,750	19	16	385
Senior and Chief Masters and Registrars of the Supreme Court							
Registrar of Criminal Appeals							
President, Industrial Tribunal (Northern Ireland)*							
Member, Lands Tribunal (Northern Ireland)*							
Social Security Commissioner (Northern Ireland)*							
Sheriff B (Scotland)	23,250	23,500	29,000	27,750	19	18	56
Regional Chairmen, Industrial Tribunals (England and Wales and Scotland)	22,750	23,500	27,000	25,750	13	10	17
Chairman, Foreign Compensation Commission	22,000	22,500	27,000	25,750	17	14	1
Vice-Judge Advocate General							
Masters and Registrars of the Supreme Court							
Metropolitan Magistrate							
Chairmen, Industrial Tribunals (England and Wales and Scotland)							
Provincial Stipendiary Magistrate	20,750	22,500	25,000	24,000	16	7	181
Resident Magistrate (Northern Ireland)*							
Chairman, Industrial Tribunal (Northern Ireland)*							
Master, Supreme Court (Northern Ireland)*							
County Court Registrars and District Registrars of the High Court	20,500	22,000	25,000	24,000	17	9	153

Note:

* These appointments were added to the remit after report No. 14. The salaries shown for the appointments in column 2 are those recommended in report No. 16 in 1 April 1980 terms.

Falkland Islands

Mr. Arthur Lewis asked the Prime Minister, in view of the fact that the Argentine Government have been condemned by the United Nations for having committed unprovoked aggression and are still refusing to implement United Nations decisions, what guarantees Her Majesty's Government consider necessary to ensure that, even if the Argentine Government promise withdrawal and the establishment of the status quo, this action will actually be taken.

The Prime Minister: The Government regard it as of the greatest importance that any ceasefire arrangements or

agreement in settlement of the dispute should contain satisfactory provisions for ensuring that what has been agreed is implemented in full.

Mr. Meacher asked the Prime Minister what has been the total cost of the Falklands operation so far.

The Prime Minister: It is not possible at this stage to give an accurate assessment of the total cost of the Falklands operation. However, the extra costs so far represent a small proportion of total public expenditure, and can and will be financed without departing from the Government's economic strategy.

AGRICULTURE, FISHERIES AND FOOD

Farm Incomes

Mr. Austin Mitchell asked the Minister for Agriculture, Fisheries and Food, further to his reply dated 20 April, *Official Report*, c. 65-66, concerning the reduction in the real incomes of farmers since 1970, if he will publish a table in the *Official Report* in terms of persons or holdings or otherwise showing farming income for different sectors and in particular the returns on cereals, milk and livestock products.

Mr. Buchanan-Smith: The figures I gave in reply to the hon. Member's previous question were derived from the output, input and income tables of successive annual review of agriculture White Papers. These do not apportion farming income between individual sectors, and it is not therefore possible to provide comparable information on the lines requested. Information on the average net income of different types of farm is however given in paragraphs 11-13 and in table 24 of the "Annual Review of Agriculture 1982" White Paper, Cmnd. 8491.

Mr. Austin Mitchell asked the Minister of Agriculture, Fisheries and Food, further to the reply of 20 April, *Official Report*, c. 62, showing the change in the real incomes of farmers since 1970, whether and to what extent the figures represent a change in the actual standards of living of farmers in terms of disposable incomes; whether he collects figures of incomes in a form which enables them to be classified by income groups; and whether he will publish in the *Official Report* a table showing the distribution of farm incomes on the same or as near the same basis as given by the hon. Member for Cirencester and Tewkesbury (Mr. Ridley) in his reply of 8 March, *Official Report*, c. 299-300.

Mr. Buchanan-Smith: The figures which I gave in my previous reply to the hon. Member were based on the farming income figure in successive annual review of agriculture White Papers. The farming income calculation does not measure the disposable income of individual farmers and it follows that the figures may not represent changes in actual standards of living. Nor does the calculation permit classification by income groups. Information is however available from the farm management surveys about the distribution of full-time farms according to the level of net farm income as defined in the surveys. The latest published analyses are given, for England, in table 3 "Farm Management Survey in England, Supplementary Analyses 1979/80"; for Scotland in table 3 of "Farm Accounts 1979/80 and 1980/81, Analysis by type and size for full time farm businesses"; and for Northern Ireland in table 5 of "Farm Accounts Northern Ireland 1979/80 and 1980/81". Copies of these documents are in the Library of the House.

European Community (Surplus Wine)

Mr. Crouch asked the Minister of Agriculture, Fisheries and Food (1) whether he is satisfied that the European Economic Community Commission will be able to police the arrangements for the disposal of alcohol distilled from wine resulting from the 1982 exceptional distillation operation, in view of the problems encountered in similar operations;

(2) whether consideration was given to embodying the EEC Council's and Commission's undertakings on the United Kingdom ethyl alcohol industry in the EEC regulation (701/82) authorising the exceptional distillation of 6.5 million hectolitres of wine;

(3) whether he is satisfied with the terms of the guarantee from the EEC Council and Commission concerning the United Kingdom ethyl alcohol industry, under which the Commission retains sole judgment on whether the ethyl alcohol market will be disturbed, and which contains no provision whereby the agreement of Her Majesty's Government is required before a disposal is made;

(4) why the undertaking of the EEC Council and Commission concerning the United Kingdom ethyl alcohol industry contains no condition that Community aid for wine alcohol disposal be limited so that its floor price is equal to the grain alcohol price, in view of the implications for the United Kingdom ethyl alcohol and Scotch whisky industries;

(5) why the guarantee received from the EEC Council and Commission concerning the United Kingdom ethyl alcohol industry is in the form of a joint draft declaration by the Council and Commission; why it refers only to 1982; and why it is stated to be without prejudice to the proposed amendment (COM(81) 408 Final) to the 1979 wine regulation.

Mr. Buchanan-Smith: The undertakings made by the Council and Commission in connection with the exceptional distillation under regulation 701/82 were designed to protect the markets for ethyl alcohol, of which the United Kingdom is a major producer, and were included at my request. No such safeguards applied to previous distillations. I am satisfied with the legal framework and administrative procedures for applying these safeguards.

Safeguards appropriate to future distillations are still under discussion in Brussels in the context of the reform of the wine regime.

Northern Wales (Radioactivity Levels)

Mr. Wigley asked the Minister of Agriculture, Fisheries and Food what is the assessment of his Department of the effect of radioactive discharges from the Windscale plant of British Nuclear Fuels Ltd. on radioactivity levels of the sea along the coast of Northern Wales.

Mr. Buchanan-Smith: A marine monitoring programme of radioactive discharges is undertaken by my Department and by the site operators. I am satisfied that no group of individuals living along the coast of North Wales is currently exposed to more than a small fraction of the radiation dose limit recommended by the International Commission on Radiological Protection as a result of discharges from Sellafield—formerly Windscale—and the nuclear power station at Wylfa.

Margarine

Mr. Peter Mills asked the Minister of Agriculture, Fisheries and Food, in view of the high percentage of fish oil being used in margarine, if he will take steps to provide for the ingredients on a package of margarine to be identified on the packaging; and if he will make a statement.

A08391

Mr. Whitmore

PA Mus

Statement on TSRB

I am sorry that, for reasons you know, this comment is belated.

I think that both the Review Body and the client groups could be helped by the insertion at the end of the first full paragraph on page 2 of the Treasury draft of the following sentence:

We recognise that this statement will be one of the factors to be taken into account by the Review Body in the course of their next review.

Such a sentence ~~makes~~ it would make
it clear that the Government was
not disputing the rationale for the
TSRB's recommendations and acknowledged
that its decisions left some unfinished
business, without committing the
Government itself in respect of its
own decisions next year.

RA

12. v. 82

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TSRB ANNOUNCEMENT: ADDITIONAL SUPPLEMENTARY MATERIAL

Replace existing Q.1 ("Increase too large?") by:-

Q.1 (i) When were the recommendations of the TSRB last implemented in full and on time?

A.1 (i) In 1974 (see attached table).

Q.1 (ii) Are not the increases too large?

A.1 (ii) No. Even when implemented the pay of the senior civil servants and the senior serving officers will be on average only 8 per cent a head of the levels they should have received in 1980. There are very few groups in our society who have received only 8 per cent over the past two years. The adverse impact of inadequate pay structures on career services is slow to reveal itself. In the Government's judgment the present increases are the minimum needed to meet its management objectives. [Had it not been for the decision to cut back on the pay increase of the Doctors and Dentists the Government would almost certainly have implemented the present TSRB recommendations in full.]

Q.1 (iii) The Prime Minister's statement talks of these groups as being unique in the public services in that their pay is still below the levels recommended in 1980. Can you illustrate this?

A.1 (iii) Yes - see attached table.

Replace the third sentence of paragraph 3 of the TSRB Background Note by:-

"In abating these proposals the Government has sought, as the Prime Minister's statement says, to provide adequate differentials with the grades immediately below those covered by TSRB, and to preserve the TSRB pattern of differentials."

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At the end of the first question on the MPs' pay announcement add:-

"At this level MPs' pay is already $1\frac{1}{2}$ per cent above the 1980 TSRB recommendations. The Government's present decisions will give the largest group of civil servants and Armed Forces officers (Under Secretaries, Major Generals and equivalents) 6 per cent more than their 1980 recommended levels. The fact that a further 4 per cent for MPs would make them almost level pegging with these groups is a coincidence.

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COMPARISON OF TSRB RECOMMENDATIONS AND SALARIES ACTUALLY PAID

The TSRB's recommendations for the pay of the higher Civil Service, senior officers of the Armed Forces and the Judiciary have not been implemented in full and on time in any year since 1974. This is illustrated for the higher Civil Service in the table below:

		1974	1975	1978	1979	1980	1981	1982
		£	£	£	£	£	£	£
Permanent Secretary to the Treasury and Secretary of the Cabinet)	TSRB recommendation	17,350	23,000	28,000	31,000	37,000	37,000	45,000
	Actual salary	17,350	20,175	22,422	28,211	33,500	35,845	42,000
Permanent Secretary	TSRB recommendation	16,350	21,000	26,000	28,500	34,000	34,000	40,000
	Actual salary	16,350	18,675	20,772	25,886	31,000	33,170	37,750
Second Permanent Secretary	TSRB recommendation	15,350	19,000	23,500	26,000	31,000	31,000	37,000
	Actual salary	15,350	17,175	19,122	23,811	28,500	30,495	35,000
Deputy Secretary	TSRB recommendation	11,100	15,000	20,000	22,500	27,000	27,000	32,000
	Actual salary	11,100	14,000	15,629	20,314	24,500	26,215	30,250
Under Secretary	TSRB recommendation	9,000	12,000	16,000	18,000	23,500	23,500	26,000
	Actual salary	9,000	12,000	13,429	16,714	20,500	21,935	25,000

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TO ASK THE LORD PRESIDENT OF THE COUNCIL IF HE WILL MAKE A
STATEMENT ON THE SALARIES OF MEMBERS OF PARLIAMENT.

Yes, Sir. The Top Salaries Review Body has not been asked to make recommendations this year on the pay of Members of Parliament and it is necessary to come to a conclusion about the right levels of salary for 1982. The Government therefore proposes that the House should accept a general increase ^{of 4 per cent} in pay, and in the allowances payable to MPs for secretarial assistance, ~~of 4 per cent~~ in line with the pay factor included in Estimates.

The pay and allowances of Ministers have broadly followed the pattern of increases accepted by the House in recent years. We intend to propose, therefore, at the appropriate time, that the pay and allowances of Ministers should be increased by the same 4 per cent pay factor as we recommend to the House for the pay of Members of Parliament.



10 DOWNING STREET

(1)

Prime Minister

TSRB / MPs pay

Norman Fowler has now withdrawn
his request for postponement.

Agree these two written answers
tomorrow?

Do you prefer the Treasury text
at (X), or John Verchev's alternative
- which removes the doctors and dentists
companism and gives a broad hint that
we will finish the catching-up next year?

MLS 11/5

CONFIDENTIAL

DRAFT WRITTEN PARLIAMENTARY QUESTION

Q. To ask the Prime Minister whether she has any further statement to make about the report of the Top Salaries Review Body.

A. I informed the House last week that the Government was considering the report of the Top Salaries Review Body on the pay of the higher Civil Service, senior officers of the Armed Forces and the Judiciary. I am now able to announce our decisions.

The report recommends increases in the pay of the higher Civil Service and senior officers of the Armed Forces averaging 13 per cent, and for the Judiciary 20 per cent, above the levels recommended as appropriate at 1 April 1980.

Because the 1980 recommendations have, for the most part, not been fully implemented, the recommended increases over the salaries currently in payment are somewhat larger: 19.4 per cent for the Civil Service and the Armed Forces and 24.3 per cent for the Judiciary.

In its report the TSRB argues cogently that substantial increases in the salaries of these groups are now justified. The Government agrees. It is in the national interest to ensure an adequate supply of candidates of sufficient calibre for appointment to judicial office and to provide an adequate career structure and suitable differentials in the higher reaches of the Civil Service and the Armed Forces. The House will remember that, after many years of restraint, the pay of these groups is still on average 5 per cent below the levels considered appropriate ^{as long ago as} 1 April 1980. This situation is unique among public servants and, in the Government's view, its continuation would carry unacceptable risks of long-term damage to our ability to attract and retain

/individuals

But the immediate increases needed for this purpose are larger and as I announced last week, the government have

individuals of the high calibre needed to fill these vital posts.

There are sound management reasons for bringing these salaries up to date quickly and for keeping them up to date in future.

However, as I announced last week, ^{the Government} have felt obliged to cut back ^{on} the recommended salaries for the Doctors and Dentists and we must ask the TSRB groups once again also to accept some abatement in their salaries. ^{Recommend} The precise level of abatement to

be applied is a matter of judgment. I will circulate with the official report a table showing the conclusions to which the Government has come. We were particularly concerned ^{with the need to provide} to preserve adequate pay differentials between the lowest grades of the Civil Service and the Armed Forces covered by the report and their colleagues immediately below them in their respective organisations. For the rest we have applied an abatement of about one-third of the proposed increase at the highest levels in each group and have settled intermediate salaries broadly in line with the pattern of differentials proposed in the Review Body's report.

The Government's decisions mean weighted average increases in the salaries of the higher Civil Service and senior officers of the Armed Forces of 8 per cent above the rates of salary recommended for 1 April 1980 and 14.3 per cent above the salaries currently in payment. The equivalent figures for the Judiciary are 14.5 and 18.6 per cent. The new rates of salary will come into effect from 1 April 1982. ^{This year} The 651.

The report of the Top Salaries Review Body report has been laid before the House today and will be published as a Command Paper shortly. Copies in typescript are now available in the Vote Office.

(X)
Alternative
Furthermore
But the increases recommended are so large that we cannot bring these salaries up to date in one year. So...

To ask the Lord President of the Council if he will make a Statement on the salaries of Members of Parliament.

*

Yes, Sir. [The Select Committee which was appointed last year to consider the longer term arrangements for Members' pay has recently reported and the Government is considering its recommendations. In the meantime] the Top Salaries Review Body has not been asked to make recommendations this year on the pay of Members of Parliament and it is necessary to come to a conclusion about the right levels of salary for 1982. The Government therefore proposes that the House should accept a general increase in pay, and in the allowances payable to MPs for secretarial assistance, of 4 per cent in line with the pay factor included in Estimates.

The pay and allowances of Ministers have broadly followed the pattern of increases accepted by the House in recent years. We intend to propose, therefore, at the appropriate time, that the pay and allowances of Ministers should be increased by the same 4 per cent pay factor as we recommend to the House for the pay of Members of Parliament.

* John Verker proposes omitting the square-bracketed words — arguing that if we refer to the Select Committee we will have to disassociate ourselves from their indexation proposal. Agree?
MCS

DRAFT WRITTEN PQ ON PEERS' EXPENSES

- Q. To ask the Lord Privy Seal whether the Government will be proposing any increases in the Peers' expenses allowance and the secretarial allowance for Ministers and other paid office holders in the House of Lords.
- A. The Prime Minister announced on [], in reply to a written Parliamentary Question in another place, that the Government proposed increases in MPs' pay, in MPs' secretarial allowance and in Ministers' pay of 4 per cent. We consider that it would also be appropriate to increase the Peers' expenses allowance and the secretarial allowance for Ministers and other paid office holders in this House by 4 per cent. I will be putting proposals to the House in due course. If approved the new rates would come into operation from 1 July this year, one year after the last increase.

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From the Private Secretary



Prime Minister
July Clerk
11/5
Management and Personnel
Whitehall London SW1A 2AZ
Telephone 01-273 4400
GTN 273

11 May 1982

Peter Jenkins
Private Secretary to the
Chancellor of the Exchequer
HM Treasury
Parliament Street
LONDON SW1P 3AG

Dear Peter,

PAY ANNOUNCEMENT: TSRB, MPs and MINISTERS: PARLIAMENTARY HANDLING

Thank you for sending me a copy of your note of today's date with the proposed announcements. The Lord Privy Seal is content with them.

Perhaps I can just mention a couple of points on how we propose to handle these things in the Lords. First, we shall need to arrange a parallel written Question and Answer to that of the Prime Minister's on TSRB. As last time, I would be grateful if your Parliamentary Clerk would ensure that copies of the report are also available in the Printed Paper Office in the Lords and that the Command Paper is laid before that House too.

Second, any statement such as that proposed for the Lord President can potentially be repeated in the Lords and if the Opposition want it it is not easy to resist. However, we propose to seek to persuade the Opposition that it is not necessary to repeat this statement since the proposed written Answer on Peers Expenses would cover all that was necessary for the Lords. I am advised that the Opposition are likely to agree to this and on that basis we shall go ahead with a written Answer along the lines of the attached sheet.

I would be grateful if we could be kept in touch with the timing of these replies so we can make the necessary arrangements.

I am copying this letter to Michael Scholar at No.10, the Private Secretaries to the Lord Chancellor, the Lord President of the Council, the Secretary of State for Defence and to David Wright in Sir Robert Armstrong's Office.

Yours sincerely,
Jim Buckley.

J BUCKLEY

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DRAFT WRITTEN LORDS QUESTION ON PEERS EXPENSES

Q. To ask Her Majesty's Government:

Whether they will be proposing any increases in the Peers expenses allowance and the secretarial allowance for Ministers and other paid office holders in the House of Lords.

The LORD PRIVY SEAL (Baroness YOUNG):

My Right Hon Friend the Lord President of the Council announced today in another place that the Government proposed increases in MPs, in MPs secretarial allowance and in Ministers' pay of 4%. We consider that it would also be appropriate to increase the Peers expenses allowance and the secretarial allowance for Ministers and other paid office holders in this House by 4%. Proposals will be put before the House in due course. If approved the new rates will come into operation from 1 July this year, one year after the last increase.

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cc Mr. Mower

PA
MR. SCHOLAR

Draft announcements on the TSRB and MPs' pay

We had a word about the proposed written replies circulated by the Treasury today, and I promised to let you have comments:

TSRB

The main point on this draft is the ambiguity of the first sentence in the fifth paragraph, with its reference to the need to bring the top salaries up to date quickly and to keep them up to date in future. This is clearly intended as a mild hint at the Government's desire to bring top salaries into line next year. As ~~such~~, I doubt if it goes as far as the Prime Minister would wish, and I think it could go a little further without exceeding what was agreed by Cabinet, and without risking an unintended commitment to do the same for the doctors and dentists. Indeed, I am very doubtful about justifying the TSRB cut-back in terms of our having done the same for the DDRB. I suggest that the opening of this paragraph should read as follows:

"There are sound management reasons for bringing these salaries up to date quickly, and for keeping them up to date in future. But the increases recommended are so large that we cannot bring these salaries up to date in one year. So we must ask the TSRB groups to accept an abatement in their salaries this year. The precise level . . . "

One small drafting point in the fourth paragraph: we might say: "considered appropriate as long ago as 1 April 1980", instead of "at 1 April 1980".

MPs

You will know whether Cabinet excluded the possibility of the Government making some response to the Select Committee's recommendations in the announcement of this year's pay rise. It seems to me that if we are going to mention the Select Committee's Report, as the draft does, we really ought to indicate our major

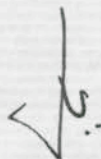
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/ reservation

CONFIDENTIAL

- 2 -

reservation about it, namely the unacceptability of any form of indexation arrangement. Otherwise, the House might reasonably feel that the Government do not have major objections of principle and was simply digesting the details.



John Vereker

11 May 1982

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Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

11 May 1982

Michael Scholar, Esq.,
No.10 Downing Street

Dear Michael

PAY ANNOUNCEMENT: TSRB, MPs AND MINISTERS

... Further to my letter of this morning I attach some additional supplementary material for the TSRB announcement tomorrow.

I am copying this letter to the Private Secretaries to the Lord Chancellor, the Lord President of the Council, the Secretary of State for Defence, the Lord Privy Seal and Sir Robert Armstrong.

*Yours ever
Pete*

P.S. JENKINS

CONFIDENTIAL

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Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

11 May 1982

Michael Scholar Esq
10 Downing Street

*e JV
BM
+ 1 for Mr Williams
of the OME
with my compo*

Dear Michael,

PAY ANNOUNCEMENT: TSRB, MPs AND MINISTERS

I attach drafts of the proposed announcements on the pay of the TSRB groups, MPs and Ministers. I also attach a first draft of the Notes for Supplementaries.

I am copying this letter to the Private Secretaries, the Lord Chancellor, the Lord President of the Council, the Secretary of State for Defence, the Lord Privy Seal and Sir Robert Armstrong.

Yours ever,

Peter

PETER JENKINS

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10 DOWNING STREET

From the Private Secretary

7 May 1982

Top Salaries' Review Body: Lord Plowden

At the Prime Minister's request, Lord Plowden called on her this afternoon. Sir Robert Armstrong was also present.

The Prime Minister told Lord Plowden what the Cabinet's decision was in relation to the Top Salaries Review Body Report. The Prime Minister said that the Government much regretted the need to abate the increases recommended by the Review Body. The position in the pay negotiations in the National Health Service had decided them to abate the recommendations of the Doctors' and Dentists' Review Body by 3 percentage points, or about one-third. In these circumstances the Government had felt obliged similarly to abate the TSRB recommendations. The Prime Minister showed Lord Plowden option C in the table attached to the Chancellor's paper for Cabinet last Thursday.

Lord Plowden said that this decision would give him some difficulty with the other members of the Review Body. But this was not a serious matter. He enquired whether the Government felt the work of the TSRB was worthwhile. The Prime Minister assured him that the Report had been invaluable, and that the decision on these groups' pay would have turned out much less well without the benefit of the TSRB Report. The Government very much wanted the TSRB to continue in existence.

There was some general discussion about pay. Lord Plowden said that the salary levels recommended in the Report were certainly low in comparison with those in banking and insurance and with City levels generally. He took the view, however, that these groups were themselves considerably overpaid in comparison with much management in industry. He also commented that the legal professions had put particularly strong and effective pressure on the TSRB in their deliberations.

Concluding the meeting, the Prime Minister thanked Lord Plowden for his work and the work of the Review Body. She asked him if he would be prepared to serve for another year as Chairman. Lord Plowden replied that he would be glad to do so.

/ I am sending

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- 2 -

I am sending a copy of this letter to Michael Collon (Lord Chancellor's Office), David Omand (Ministry of Defence) and David Wright (Cabinet Office).

MICHAEL SCHOLAR

John Kerr, Esq.,
H.M. Treasury.

~~CONFIDENTIAL~~



10 DOWNING STREET

From the Private Secretary

7 May 1982

Many thanks for your letter of 6 May with which you enclosed contingency draft briefing material on the TSRB Report.

S/F 1

We now have the Cabinet's decision on the Report, and it may be that an announcement will be made on Tuesday or Wednesday of next week. No decision has been made about which day next week the announcement will be made, but I think we should prepare ourselves against the possibility of a Written Answer on Tuesday. We here will accordingly put a Question down on Monday, and I would be grateful if you would let us have a draft Answer during the course of Monday.

The Prime Minister has commented that two points need to be made very strongly in the announcement. The first is that the TSRB group are the only group not to have enjoyed a catching up in pay since the Government took office. She would like the awards - Clegg, other review body reports etc - of the other groups listed so as to make this point more clearly. She would also like it to be said, if this is indeed the case, that the TSRB group is the only one whose present salary is below that recommended for 1 April 1980. Finally, the Prime Minister would like the announcement to prepare the ground for next year's decision to include some element of making good this year's abatement of the catching-up process.

M. C. SCHOLAR

Peter Jenkins, Esq.,
H.M. Treasury.

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✓ Mr Vereker
Mr Mower



PA

Treasury Chambers, Parliament Street, SW1P 3AG

01-233 3000

6 May 1982

Michael Scholar Esq.
10 Downing Street
LONDON
SW1

Dear Michael

TSRB REPORT NO 18

You may like to have a copy of the contingency draft briefing material which we have prepared for the possibility of including in tomorrow afternoon's pay announcement Government decisions on the TSRB report. This will have to be revised as soon as we know the decision which Cabinet has reached about this. We would then propose to circulate briefing material to other interested departments (MOD, DHSS, Lord Chancellor's Office). But at this stage we are only sending it to you.

*Yours ever
Peter*

P.S. JENKINS
Private Secretary

TSRB ANNOUNCEMENT

Q1 Increases too large?

A1 The Government believe they are fully justified. It is essential to ensure an adequate supply of candidates of sufficient calibre for the Bench and to provide an adequate career structure and differentials in the higher levels of the Civil Service and Armed Forces.

Since the pay of these groups has been held down since 1960 it is not surprising that by now recruitment and career structure considerations make above average increases necessary.

Q2 Other public sector groups will be encouraged to press for large increases?

A2 All pay claims must be considered in the light of their own particular circumstances. The pay of other groups has not been held down in recent years to the same degree as the TSRB groups.

Q3 Why not implement TSRB in full?

A3 The Government decided it had to reduce the increase recommended for doctors and dentists by the DDRB and in these circumstances did not feel able to implement the TSRB report in full.

Q4 Are not the TSRB groups being treated more harshly than doctors and dentists?

A4 The precise level of abatement is bound to be a matter of judgement and no two groups are precisely comparable. The Government considers that the reductions in the increases recommended for the two groups are fair given their different circumstances.

Q5 What is the rationale for the pattern of increase/level of reduction

The Government has broadly maintained the structure of the TSRB's recommendations while reducing the level of increase in each case.

Q6 Should not large increases of this kind be postponed?

A6 There is no time when large increases for senior public servants are easy to implement, but recruitment and career structure considerations point to action being taken now. To put off a decision to do so for a year or more would only make the ultimate decision to go ahead more difficult.

Q7 Have recruitment considerations been applied to the increase for senior civil servants and armed forces officers?

A7 It is difficult to apply recruitment considerations direct to the senior levels of a career service. But an inadequate career structure is demotivating and induces good staff to leave.

Q8 Why larger increases for the Judiciary?

A8 This was what TSRB recommended and it reflects the need to attract high calibre lawyers to the Bench.

Cost of proposals?

A9 Minimal. The cost is spread over a large number of cash limits and can easily be contained.

Q10 Will full TSRB rates be promulgated for pension purposes?

A10 No. The Government considers that the rates to be implemented are appropriate ones. It would not be appropriate to promulgate other rates for pension purposes.

Q11 Will the TSRB report again next year?

A11 The Government at present has no plans to alter existing arrangements. But TSRB's future will have to be considered in the light of anything the Megaw Committee might have to say about the pay of the higher Civil Service and appropriate machinery for handling this.

Q12 Nationalised industry board salaries?

A12 These are now determined by Ministers on a board by board basis following proposals from the individual boards themselves. No proposals for 1982 have yet been considered by Ministers.

Q13 MPs' pay

A13 The Government will put proposals to the House of Commons in due course.

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TOP SALARIES REVIEW BODY (TSRB) : BACKGROUND NOTE

1. The TSRB (chaired by Lord Plowden) advises the Prime Minister on the remuneration of the judiciary, senior civil servants and senior officers of the armed forces.
2. In 1980 TSRB recommended increases averaging 26% for members of these groups. The Government felt unable to accept these recommendations because of its wish to reduce the levels of pay increases in the public sector at that time. It decided that the groups concerned should have increases averaging 12½% in 1980. In 1981 the TSRB urged the Government to implement in full their 1980 recommendations but did not recommend any new rates. They said that they would be producing a comprehensive report in 1982. Again the Government did not feel able to implement the TSRB's recommendation in full but awarded increases averaging 7% to the three groups in 1981. This meant that they were still some 5% behind the 1980 recommended levels.
3. This year the TSRB have recommended salaries which are 19.4% above the rates currently in payment for the Civil Service and Armed Forces, 24.3% for the judiciary, and 21.9% on average. As compared with their recommendations in 1980 the figures are 13% for the Civil Service and Armed Forces, 20% for the judiciary, or 16.6% overall. The Government has decided that these increases should be reduced by some 5½ percentage points on average. The attached table shows the new salaries that will be paid to the higher Civil Service and senior officers of the Armed Forces and to the holders of the main judicial offices. The total cost of the increases is some £7½ M. It will be contained within existing cash limits where these apply.
4. Until 1980 nationalised industry board members were included in the TSRB's remit. They were removed by the Government so that greater account could be taken of market and managerial factors in settling their salaries. These salaries are now determined directly by Ministers following proposals by the individual boards. No proposals have yet been received for 1982 by the Treasury.

TOP SALARIES REVIEW BODY GROUPS : SCHEDULE OF NEW SALARIES

	1	2	3	4	5	6	7
	Current salary	TSRB recommendation for 1.4.80	TSRB recommendation for 1.4.82	New salary	% increase over current salary	% increase over TSRB '80	Number in group
	£	£	£				
<u>... Senior grades of the higher civil service</u>							
Permanent Secretary to the Treasury Secretary to the Cabinet	35,845	37,000	45,000	42,000	17	14	2
Permanent Secretary	33,170	34,000	40,000	37,750	14	11	22
Second Permanent Secretary	30,495	31,000	37,000	35,000	15	13	16
Deputy Secretary	26,215	27,000	32,000	30,250	15	12	141
Junior Secretary	21,935	23,500	26,000	25,000	14	6	524
<u>... Senior officers in the armed forces</u>							
Admiral of the Fleet Field Marshal Chief of the Royal Air Force	35,845	37,000	45,000	42,000	17	14	1
General Lieutenant General Air Chief Marshal	33,170	34,000	40,000	37,750	14	11	20

	1	2	3	4	5	6	7
	Cur- rent salary	TSRB recom- menda- tion for 1.4.80	TSRB recom- menda- tion for 1.4.82	New salary	increase over current salary	increase over TSRB 80	Number in group
	£	£	£	£			
Vice-Admiral)							
Lieutenant General)	26,215	27,000	32,000	30,250	15	12	37
Air Marshal)							
Medical Rear Admiral)							
Medical Major General)	23,005	23,500	26,000	25,000	9	6	17
Medical Air Vice-Marshal)							
Rear Admiral)							
Major General)	21,935	23,500	26,000	25,000	14	6	141
Air Vice-Marshal)							
<u>c. Judiciary</u>							
Lord Chief Justice)	44,500	43,000	56,000	52,500	18	22	1
Master of the Rolls)							
Lord of Appeal)							
Lord President of the Court of Session)	41,000	40,000	51,500	48,250	18	21	11
(Scotland))							
Lord Chief Justice (Northern Ireland))							
President of the Family Division)	39,000	38,500	50,000	47,000	21	22	2
Lord Justice of Appeal)							
Lord Justice Clerk (Scotland))	37,500	36,500	48,500	45,500	21	25	22
Lord Justice of Appeal (Northern Ireland))							
Chancellor)	37,500	36,000	48,500	45,500	21	26	1

	1	2	3	4	5	6	7
	Cur- rent salary	TSRB recom- menda- tion for 1.4.80	TSRB recom- menda- tion for 1.4.82	New salary	increase over current salary	increase over TSRB 80	Number in group
	£	£	£	£			
High Court Judge) Judge of the Court of Session (Scotland)) Justice Judge (Northern Ireland))	35,000	35,000	45,000	42,500	21	21	99
President, Lands Tribunal (England and Wales)) President, Transport Tribunal) Chief Social Security Commissioner) (England and Wales and Scotland)) President, Industrial Tribunals) (England and Wales))	25,500	26,000	31,500	30,000	18	15	4
President, Industrial Tribunals (Scotland)) Sheriff Principal (Scotland)) Chairman, Scottish Land Court) President, Lands Tribunal (Scotland))	24,750	25,250	30,500	29,000	17	15	9
Official Referee (London)) Vice-Chancellor of the County Palatine of) Lancaster) Recorder of Liverpool) Recorder of Manchester) Senior Circuit Judge, Newington Causeway) Recorder of Belfast (Northern Ireland)) President of the Lands Tribunal) (Northern Ireland) ¹) Chief Social Security Commissioner) (Northern Ireland) ¹)	24,500	24,500	30,500	29,000	18	18	10

	1	2	3	4	5	6	7
	Cur- rent salary	TSRB recom- menda- tion for 1.4.80	TSRB recom- menda- tion for 1.4.82	New salary	% increase over current salary	% increase over TSRB 80	Number in group
	£	£	£	£			
Circuit Judge)						
Chief Metropolitan Magistrate)						
Member, Lands Tribunal (England and Wales and Scotland))						
Social Security Commissioner (England and Wales and Scotland))						
Judge Advocate General)						
Sheriff A (Scotland))						
County Court Judge (Northern Ireland))						
Master of the Court of Protection	)	23,250	24,000	29,000	27,750	19	16
Senior and Chief Masters and Registrars of the Supreme Court	)						385
Registrar of Criminal Appeals)						
President, Industrial Tribunal (Northern Ireland) ¹)						
Member, Lands Tribunal (Northern Ireland) ¹)						
Social Security Commissioner (Northern Ireland) ¹)						
Sheriff B (Scotland)	)	23,250	23,500	29,000	27,750	19	18
Regional Chairmen, Industrial Tribunals (England and Wales and Scotland)	)	22,750	23,500	27,000	25,750	13	10
Chairman, Foreign Compensation Commission	)						17
Vice-Judge Advocate General	)	22,000	22,500	27,000	25,750	17	14
	)						1

	Cur- rent salary	TSRB recom- menda- tion for 1.4.80	TSRB recom- menda- tion for 1.4.82	New salary	% increase over current salary	% increase over TSRB 80	Number in group	
	£	£	£	£				
Justices and Registrars of the Supreme Court)							
Metropolitan Magistrate)							
Chairmen, Industrial Tribunals (England and Wales and Scotland))							
Provincial Stipendiary Magistrate)	20,750	22,500	25,000	24,000	16	7	181
Resident Magistrate (Northern Ireland) ¹)							
Chairman, Industrial Tribunal (Northern Ireland) ¹)							
Master, Supreme Court (Northern Ireland) ¹)							
County Court Registrars and District Registrars of the High Court)	20,500	22,000	25,000	24,000	17	9	153

Note = ¹ These appointments were added to the remit after Report No 14. The salaries shown for the appointments in Column 2 are those recommended in Report No 16 in 1 April 1980 terms.

ANNOUNCEMENT ON PAY OF MPs AND MINISTERS

Q1 Why a smaller increase than senior civil servants/officers of armed forces/judges?

The circumstances of the groups are different. The problems of recruitment, career structure and differentials that affect the judiciary, higher Civil Service and senior officers of the armed forces do not apply to MPs. Moreover, whereas before the increase just announced the pay of the former groups was on average some 5% below the level recommended by TSRB in 1980, MPs' pay was £200 a year above this level.

Q2 Why 4% : 6% now the going rate?

There is no "going rate". Many civil servants and members of the armed forces will be getting less than 6%. In the absence of a TSRB recommendation on the right level for MPs' pay this year, the Government felt it appropriate to propose increases no higher than the pay factor included in Estimates.

Q3 Why any increase at all: no recruitment problems?

It is important that able people should not be deterred from seeking to become MPs because of inadequate pay. If MPs pay is allowed to drop too far behind it becomes more difficult to bring it up to appropriate levels.

Q4 Why no TSRB recommendations on MPs?

The Government did not consider it appropriate to ask the TSRB to report on MPs' pay whilst a Select Committee was considering the subject.

Q5 What is the Government's view on the Select Committee's recommendations?

The Government is still considering these recommendations.

Q6 What does Government think about a link with New Earnings Survey?

The Select Committee report as a whole is still being considered by the Government but it should not be assumed that all the recommendations will necessarily be accepted.

Q7 Have the Government given up using the TSRB altogether for MPs' pay?

The fact that the TSRB was not asked to report this year was solely due to the existence of the Select Committee. The Select Committee itself recommended periodic reviews of MPs' pay by the TSRB and this is one of the points the Government is considering.

Q8 Are the increases for MPs firm decisions?

They are firm proposals by the Government but the House of Commons has the final decision about increases in MPs' pay and allowances. The Government's proposals will be debated by the House in the next few weeks.

Q9 What if the House rejects the Government's proposals?

The Government will have to reconsider its position. The Government's agreement is necessary before any increases can be implemented.

Q10 Will the Select Committee report be debated at the same time?

That depends on the outcome of the Government's consideration of the report but it seems likely.

Q11 Why was secretarial allowance only increased by 4%?

As with pay, in the absence of a TSRB recommendation on the right level, the Government considered that an increase in line with the provision in Estimates would be appropriate.

Q12 Detailed questions about the structure of the secretarial allowance

In the absence of advice from the TSRB the Government did not think it appropriate to make any major changes to the secretarial allowance. MPs will have the opportunity to put forward in the debate any specific points they have concerning the allowance.

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MPs' PAY : BACKGROUND NOTE

1. In 1979 the Top Salaries Review Body recommended that MPs' pay should be increased from £6,897 pa to £12,000. The Government accepted that the amount was right but because the increase was so large it proposed, and the House accepted, that it should be implemented in three stages. The third and final stage was paid with effect from 13 June 1981. The TSRB reported again in 1980 and recommended a further 14.6% increase in Members' pay. However as part of its policy of pay restraint in the public sector, the Government persuaded the House to accept an increase of only 9.6% in 1980. The TSRB did not make any new recommendations in 1981 but urged the Government to implement in full and as soon as possible its 1980 recommendations. The Government considered, and the House accepted, that a 6% increase in 1981 would be appropriate. Hence from 13 June 1981 MPs' pay rose to £13,950 (as against the figure of £13,750 recommended by the TSRB as appropriate in 1980). A table showing the movement in MPs' pay since 1979 is attached.

2. In 1980 the House voted, against the Government's advice, for a link between the salary of Members and the salary of a specified grade in the public service. Following consultations, the Government agreed that a Select Committee should be set up to consider the question of linkage on the basis of periodic independent reviews of MPs' pay and a link to a basket of outside occupations between such reviews. The report of the Select Committee was published in March 1982. It recommended a review of MPs' pay by the TSRB once during the fourth year of each Parliament and annual automatic interim adjustment of salaries between reviews by reference to the increase in the nearest percentile in the New Earnings Survey. The Government is still considering its response to these recommendations.

3. The TSRB was not asked to report on MPs' pay and allowances this year because of the existence of the Select Committee. At the latest time when TSRB could have been asked to begin a review (late autumn 1981), it was not clear whether the Select Committee would be making any recommendations about the right level of MPs' pay in 1982.

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4. The increase of 4% in MPs' pay in 1982 is only a proposal. The final decision rests with the House of Commons. The next step is for the Government to table motions containing its proposals on MPs' pay and secretarial allowance and to lay an Order in Council on Ministers' pay, and for the Commons to debate them (the increase for Ministers must also be debated in the Lords). If the Government were defeated, it would need to reconsider its position. No increase can be implemented without both the agreement of the Government (because of the public expenditure implication) and a resolution of the Commons (and the Lords in the case of Ministers' pay).
5. The normal pay settlement date for MPs and Ministers is 13 June. However whereas the resolution increasing MPs' pay can be retrospective, the Order increasing Ministers' pay cannot.
6. The pay of Members of the European Assembly is linked to and identical with that of MPs'. It increases automatically when effective resolutions on MPs' pay are passed. However MEPs do not receive MPs' allowances (they have their own allowances which are regulated by the European Assembly itself).

Prime Minister.

PA

Do you want to see Lord Plowden or to write to him?

RM
6v.

Ref. A08327

MR WHITMORE

Top Salaries Review Body: Lord Plowden

Against the possibility that the Cabinet might decide to announce this afternoon the decisions on top salaries which it took this morning I submitted yesterday a draft letter for the Prime Minister to send to Lord Plowden, which I could have tried to get to him before an announcement this afternoon.

2. The Cabinet in the event decided to announce the TSRB decisions with the decision on MPs' pay within the next 10 days. The Lord President thinks that he can be ready for an announcement on MPs' pay by next Tuesday, 11 May.

3. This gives us a little more time for dealing with Lord Plowden. Would the Prime Minister still like to send the letter - I suggest on Monday, if the announcement is to be on Tuesday - or would she rather invite Lord Plowden to come in and see her?

Come in and see me.
RM

RA

ROBERT ARMSTRONG

6 May 1982

Prime Minister

①

6

one refers to
a 5% abatement;
the other to a
1/3 abatement

Ref. A08313

PRIME MINISTER

Please would you sign both *
the attached letters? I will
despatch the appropriate one after
Cabinet tomorrow, via Sir R Armstrong.

MLs 5/5

TSRB

If the Cabinet decides on Thursday morning both to abate the TSRB's
recommendations and to announce that decision, along with the decisions about
the Civil Service Arbitration Tribunal and the other review bodies on Thursday
afternoon, we shall need to consider how best to handle Lord Plowden.

2. It is, as you know, the normal procedure to give the Chairmen of the
review bodies advance notice of the Government's decision on their reports. The
Secretary of State for Social Services will, I understand, be arranging to see the
Chairman of the Doctors and Dentists Review Body on Wednesday evening. It
would clearly not be possible for you to see Lord Plowden yourself between the
Cabinet's decision on Thursday and the time of an announcement on Thursday
afternoon. I therefore suggest that the best course would be for you to write to
--- Lord Plowden on the lines of the draft attached, which would need to be revised
after Cabinet to incorporate the substance of the Cabinet's decision. If you agree,
we could arrange for a letter to be submitted to you for signature over Thursday
lunchtime, and I would try to make arrangements to see Lord Plowden early on
Thursday afternoon to deliver it personally to him.


No-see
above
MLs

RIA

ROBERT ARMSTRONG

5 May 1982

* please note: letters not sent. *
6/5/82.



DRAFT LETTER FROM THE PRIME MINISTER TO
LORD PLOWDEN

I shall be announcing this afternoon the Government's decisions on the recommendations of the three pay review bodies, including those of the Top Salaries Review Body. We have given a great deal of thought to the recommendations and to the arguments set out in the Review Body's Report, which we found most helpful.

We recognise the need to give adequate rewards to those who bear heavy responsibilities in senior positions in the public services, and the strength of the arguments which the Review Body has adduced in support of its recommendations. But we have also to take account, as the Review Body itself has recognised, of the importance of pay restraint in current economic circumstances, and of the effect that full implementation of the large increases recommended by the Review Body could have at a time when other public service groups on lower levels of remuneration are being expected to accept much smaller increases. We have concluded that it would be right to abate the increases recommended by the Review Body ~~by~~ (5 percentage points) ~~(one-third)~~¹. Even this, of course, will still entail very substantial pay increases for the groups concerned, which will in the Government's view go a long way towards meeting the arguments set out in the Review Body's report. But we recognise that they will still leave the salaries of these groups at levels lower than those which the Review Body believes would be right, and that that is a fact which both the Review Body and the Government will have in mind when next the salaries are revised.

I should like to thank you and the other members of the Review Body most warmly for the work you have put into preparing your report. As I have said, although we did not feel able in present circumstances to give full effect to its recommendations, we were impressed by the force of its arguments and we found it of invaluable assistance in reaching our decisions.

SECRET

Prime Minister

4

MR SCHOLAR

Cabinet, 6 May: TSRB

We agreed that it might be useful if I set out for the Prime Minister's convenience the main arguments she may wish to deploy with her colleagues tomorrow on the TSRB, covering both the size of any abatement to the award, and the timing of the announcement.

These arguments, which are not, of course, new to the Prime Minister, are summarised on the attached sheets.

↓

5 May 1982

SECRET

SECRET

CASE FOR THE SMALLEST ABATEMENT TO THE TSRB AWARD

1. Colleagues may tend to think of the TSRB award mainly in terms of mandarins' pay. It isn't: over two-thirds (of the cost of the recommendations) is for the judiciary, for which the Lord Chancellor has made a convincing case. And a significant part is for the armed forces - surely this is the worst possible moment to cut back on the pay of service commanders?
2. Most top salaries are currently still at pre-1980 levels; only the TSRB groups have not had a full catching up settlement under this administration.
3. There is unlikely to be Parliamentary criticism of any TSRB award: MPs' pay has more than doubled already since this Government came to power. And colleagues may recall that they themselves have done far better than their senior civil servants since the Election. (Cabinet Ministers up 102 per cent to £35,955; Ministers of State in the Commons up 122 per cent to £27,905).
4. A big abatement would be inconsistent with the Government's commitment to improving the quality of management in the Civil Service. Low salaries and poor promotion prospects must mean lower quality - and the likelihood of more Crown Agents type problems.
5. The recipients of top salaries are too remote from the large pay groups such as NHS ancillaries to be regarded by them as comparators; anyway, whatever formula is used, the settlement will still be in double figures; 15½% - 22½% is not significantly more embarrassing than 13½% - 20½%.
6. There is no logical base for any of the abatement formulae suggested, because of the differing origins of current salaries.

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THE CASE FOR ANNOUNCING THE TSRB DECISIONS, TOGETHER WITH OTHER DECISIONS, ON 6 MAY

1. The longer we leave it, the harder it will become. If we do it now, it will be part of a much larger package of measures, and one which won't be much noticed during the Falklands crisis. If we leave it, together with MPs' pay, there will be increasing pressure to cut it back still further.
2. Since the case for cutting it back rests on the purported need to show that we are not treating doctors and dentists unfairly, there is no point in cutting it back unless we announce it at the same time as the DDRB.
3. If we make no announcement, there is bound to be speculation that the TSRB is going to be accepted in full, but that we are afraid to admit it now.
4. If it is substantially delayed, it will start to have adverse effects elsewhere: the teachers, the setting of the miners' pay claim at their annual conference, Nationalised Industry Board salaries, or even the next pay round.

5. It is likely to leak anyway - it is surprising that it
has not done so yet.
/ Mrs

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3

SECRET

Ref. A08321

PRIME MINISTERTiming of announcement of TSRB decisions

You told the Cabinet on Tuesday that you thought that the Government's decisions on the TSRB recommendations should be announced this week along with the decisions on the CSAT award and on the recommendations of the AFPRB and DDRB. When the Cabinet discussed this on Thursday 29 April, some Ministers argued for postponement of the TSRB announcement on the grounds that this would have an adverse effect on the arbitration on the pay of schoolteachers in England and Wales and on the pay negotiations for the NHS groups, particularly the nurses' ballot. It was suggested that the right time for the announcement might be after these matters had been settled.

2. The hearing on the English and Welsh schoolteachers' arbitration is not expected to be on 19 May, and the best guess for the timing of the announcement of the award is the end of May. So far as the nurses are concerned, the Secretary of State for Social Services has himself made clear in his minute of 30 April that he does not expect the outcome of the nurses' ballot on the pay offer to be known until the end of May, the latest date fixed by the Royal College of Nursing for the return of ballot forms. The meeting of the Nurses and Midwives Whitley Council to consider the results of the ballot is being provisionally arranged for 6 June. If therefore the announcement of the TSRB decision were to be postponed until after the English and Welsh schoolteachers' arbitration and the nurses' ballot, it could not be made until early June. It must be very unlikely that the position could be held for so long; speculation would be greatly stimulated as soon as the Government announced that it was still considering the TSRB recommendations.

3. It is in any event improbable that the TSRB decision would affect the outcome of the English and Welsh schoolteachers' arbitration. It is much more

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likely to be influenced by the arbitration award for the Scottish schoolteachers, a flat rate increase of 6 per cent, which is likely to be announced tomorrow or on Friday. The Secretary of State for Education and Science has so far taken the view that the TSRB recommendations, even without abatement, would be unlikely to affect the schoolteachers' arbitration.

4. So far as the NHS groups are concerned the Secretary of State for Social Services is likely to continue to argue, as in his minute of 30 April, that the TSRB decision will have an impact on the negotiations. But some Ministers may argue, as they did last week, that the decisions on the DDRB, CSAT and AFPRB will in practice have a far greater influence on the negotiations.

he now does
so in his new
minute, of
5 May

M/S

RA

Robert Armstrong

5 May 1982

10 DOWNING STREET

From the Private Secretary

27 April 1982

Dear John,

The Prime Minister held a meeting with Ministers this morning about a number of pay issues. The Home Secretary, the Lord Chancellor, the Chancellor of the Exchequer, the Secretaries of State for Education and Science, Defence Scotland, the Lord President, the Secretary of State for Social Services, the Lord Privy Seal, the Secretary of State for Employment, the Chief Whip, the Minister of State, Treasury, Mr. Hayhoe, Sir Robert Armstrong and Mr. John Sparrow were present.

The Chancellor of the Exchequer said that a number of pay issues required decisions. The award of the Civil Service Arbitration Tribunal (CSAT), which gave an average increase of 5.9%, and a range for individuals from 4.75% at the bottom of the scales to 6.25% at the top, was lower than had been feared and higher than had been hoped. In his judgment it was at about the limit of acceptability. He believed that it would involve an addition to the 4% cash limits, although he hoped colleagues would be able to absorb no less than 5% of the 5.9% within existing departmental cash limits by finding further administrative or manpower savings. The Armed Forces Review Body Report (AFPRB) recommended a range of increases which would add 6.1% to the estimated 1982/83 pay bill. He believed that these recommendations should be accepted. The Doctors and Dentists Review Body (DDRB) recommendations, which would add 6% to the pay bill, or 9% when the 3% deducted from the 1981 recommendations was taken into account, would if implemented in full create very considerable difficulties for the negotiations currently in progress with other National Health Service groups. The Top Salaries Review Body (TSRB), which recommended on average a 21.9% increase over current levels, also posed considerable problems. The most logical course was, perhaps, to accept all these recommendations; but this would make the National Health Service negotiations very difficult. If the DDRB recommendations were not fully accepted, there would be a strong case for a less than full acceptance of the TSRB recommendations. There were a number of options here: it would be possible to deduct 3% from the recommended increases, numerically in line with what was being done with the DDRB. An alternative approach would be to deduct 5% on the grounds that the TSRB recommendations were in part making good the 5% shortfall of the salaries awarded in 1981 as against the 1980 recommendations.

/Further

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Handwritten: "Ben 2" with a checkmark

Handwritten notes: "cc Civil Service Pay Review Committee Doctors & Dentists Pay TSRB" with a checkmark and "LP's office"

Handwritten initials: "My"

Further in the background were the issues of teachers' and police pay. English and Scottish primary and secondary teachers were now subject to arbitration. The English further education teachers' negotiations were probably now stalled awaiting the result of arbitration, but there seemed to be a case for conceding 5.5%, or even 5.9%, given that Scottish further education teachers had settled at an average of 5.5%, with Scottish local authority further education teachers receiving 5.9%.

In discussion there was general acceptance of the Chancellor's conclusions as regards the CSAT award. There was, too, a general disposition to accept in toto the recommendations of the AFPRB. The following points were made in discussion:

- a) There were strong grounds for implementing the recommendations of the TSRB in full. This group, unlike other groups, had never had a full catching-up operation. Problems of recruitment and retention of people of the right calibre were beginning to make themselves felt, and it was of the highest importance to maintain the quality of those who held these posts. The levels of remuneration recommended by the TSRB were low in relation to the private sector. The public expenditure cost was of little importance in the decision. The differentials between these grades and the grades immediately below them had become excessively compressed. There would, certainly, be political difficulty in accepting the TSRB recommendations. There would not be very much less criticism if 3-5% were deducted from these recommendations; to avoid criticism it would be necessary to implement a very much smaller figure, and this was not a practicable option in 1982, bearing in mind the recent history. In any year it would be politically difficult to grasp this nettle; the time had come to do so.
- b) Against this it was argued that acceptance of the TSRB recommendations would make the NHS pay negotiations very hard to handle. It would not be possible to justify offers in the 4-6.4% range to the NHS groups at the same time as 19.4% was offered to senior civil servants and service officers. Nor would it be possible to accept all the Review Body Reports except the DDRB. If the doctors and dentists were held at 6% there was some prospect of sticking successfully to the present NHS offer. To make this one-third reduction on the DDRB recommendations acceptable to the doctors and dentists it would be necessary similarly to cut the TSRB recommendations, by one-third or more. Alternatively, both the DDRB and TSRB recommendations could be accepted in full, but paid in two stages with an abatement of, respectively, 3% and, say, 5% this year.
- c) There was arguably less scope in the NHS than in the Civil Service to squeeze a higher pay increase from a given cash limit. The NHS was a labour-intensive service, and

the Government's policy, in successive public expenditure reviews, had been to budget for a real improvement in the NHS. Demographic trends also worked in the same direction.

d) Departments would not find it easy to absorb part of the cost of the CSAT award within their cash limits, as proposed by the Chancellor. There would be particular difficulties in relation to the prison service, and the defence programme, where the 4% cash limit pay factor was itself already under great pressure as a consequence of the Falkland Islands dispute.

e) On the other hand, the proposal to absorb only part of the CSAT award within existing cash limits would create difficulties with local authorities. The Government's stance with them was that no extra money was available to finance higher pay increases. Their argument would be that the Government was prepared to raid the contingency reserve to finance its own employees' pay increases.

f) With the Task Force at sea it would be unfortunate if there were any suspicion that the Government was holding back its response to the AFPRB recommendations. Ideally all these pay decisions would be announced together. But if this were not possible, there was a strong case for going ahead with the AFPRB in advance of the rest.

The Prime Minister said there were a number of principles to be followed in these matters. It was necessary for broad economic reasons to restrict the level of pay increases. There must, too, be justification for each of the Government's decisions on pay. It was essential that there should be effective management at the top in the public sector. The Prime Minister said that it was agreed that the award of the CSAT, and the recommendations of the AFPRB, should be accepted. The balance of opinion also firmly favoured a full acceptance of the recommendations of the TSRB and the DDRB. There was a good case for announcing all these decisions at the same time, and soon; if this was not possible it would be desirable to go ahead separately with the AFPRB and CSAT. It was recognised that these conclusions would cause very great difficulties with the NHS pay negotiations. The Chancellor of the Exchequer and the Secretary of State for Social Services were, therefore, asked to consider what changes might be necessary to the Government's stance in the NHS negotiations in the light of the meeting's conclusions generally. The results of this consideration together with the group's other conclusions should be put to Cabinet on Thursday 29 April. The Chancellor of the Exchequer should also discuss with the Home Secretary and Defence Secretary the problems which had been raised in relation to the effect of the CSAT award on existing cash limits for the prison service and the defence budget; the general presumption for Departments, however, should be that no less than 1% of the award should be absorbed within existing cash limits. As regards police pay, inter-departmental consideration of the official side report on the police pay system was necessary; when this was concluded she would be grateful if the Home Secretary would bring the matter to colleagues again.

/I am

I am sending copies of this letter to John Halliday (Home Office), Michael Collon (Lord Chancellor's Office), Imogen Wilde (Department of Education and Science), David Omand (Ministry of Defence), Muir Russell (Scottish Office), David Heyhoe (Lord President's Office), David Clark (Department of Health and Social Security), Jim Buckley (Lord Privy Seal's Office), Barnaby Shaw (Department of Employment), Murdo Maclean (Chief Whip's Office), Adrian Carter (HM Treasury), David Wright (Cabinet Office) and Gerry Spence (CPRS). I would be grateful if you and they would give this letter the most limited possible circulation.

Yours sincerely,

Michael Scholar

John Kerr, Esq.,
HM Treasury.

	Actual Salary	TSRB 1980 recs	TSRB 1982 recs	Maintain current AS/US diff*	TSRB -3%+	TSRB -5%#
	£	£	£	£	£	£
<u>PERM. SECRETARY</u>	33,170	34,000	40,000	35,127	39,008	38,345
<u>US</u>	21,935	23,500	26,000	23,240	25,335	24,896
<u>GENERAL etc</u>	33,170	34,000	40,000	35,127	39,008	38,345
<u>MAJOR GENERAL etc</u>	21,935	23,500	26,000	23,240	25,335	24,896
<u>HIGH COURT JUDGE</u>	35,000	35,000	45,000	37,065	43,960	43,260
<u>CIRCUIT JUDGE</u>	23,250	24,000	29,000	24,622	28,295	27,830

* i.e. increasing US salary to maintain the present cash differential with AS and giving all other grades the same percentage increase as US (5.9%)

+ 3 percentage points less than the TSRB 1982 recommendations (about same percentage shortfall in 1982 as DDRB if later cut back to 6%)

5 percentage points less than the TSRB 1982 recommendations (about same percentage shortfall in 1982 as TSRB groups now are in relation to 1980 recommendations.)

Carla

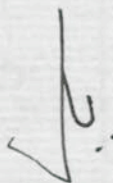
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MR. SCHOLAR

Review Bodies

As you know, the distribution of the reports of the three Review Bodies is at present limited to Ministers and their offices. This is causing some difficulty in those Departments who need to prepare briefing for the Prime Minister's meeting next Tuesday; if you see no objection, I think it would greatly help if you could now authorise a wider distribution, particularly for the AFPRB and DDRB. The danger of a leak adversely affecting the Civil Service Arbitration Tribunal is of course fast receding.



John Vereker

21 April 1982

CONFIDENTIAL

PERSONAL AND CONFIDENTIAL

file BK

Ewan Pol

19 April 1982

REVIEW BODY REPORTS

Peter Wregson has suggested that I send you copies of the Review Body Reports. I accordingly enclose copies of the Armed Forces' Review Body's Report, the Top Salaries' Review Body Report and the Doctors' and Dentists' Review Body Report.

I would be grateful if you could ensure that no copies are taken of these Reports and that you restrict to the greatest possible degree the number of people who see them.

MICHAEL SCHOLAR

M.E. Quinlan, Esq.,
HM Treasury

E

PERSONAL AND CONFIDENTIAL

FROM:

THE RT. HON. LORD HAILSHAM OF ST. MARYLEBONE, C.H., F.R.S., D.C.L. *with my comp's*

*→ CJV + David Wright 2. Room 201
ms*



HOUSE OF LORDS,
SW1A 0PW

CONFIDENTIAL

7th April, 1982

The Right Honourable
The Prime Minister,
10 Downing Street.

Prime Minister

ms

MA 13/IV.

My dear Margaret

Judicial Salaries

The Lord Chief Justice has sent me a copy of his letter to you of 2nd April and in a personal letter to me has stressed his concern about the level of judicial salaries and the effect of Government decisions in the past.

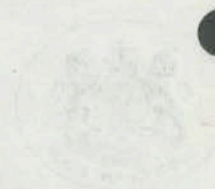
As matters stand it is an unfortunate fact that acceptance of judicial office means for practitioners of adequate quality a very considerable drop in disposable income and this does mean that I cannot always make the appointments to the Bench which I think best, though so far I believe I have managed to maintain a high standard for the High Court Bench. But it also means that I find continual difficulty in attracting suitable candidates for the Circuit Bench and in practice I have not been able to make as many appointments as I think the courts (particularly the Crown Court) require.

As I shall make plain to Lord Lane, I am very conscious of the difficulties which face colleagues when, as a matter of fundamental economic policy, we are trying to keep salary increases down and to set an example in the public service. It remains, however, a very relevant point that with the judiciary (unlike the Armed Forces or the Civil Service) we must look for people who have achieved success in a highly competitive field in which they can command earnings of the highest order. It will be as plain to you as to me that irreparable harm could be done to the fabric of society if we were no longer able to attract people at the top of the professional tree to take judicial appointments. I do, therefore, think that we shall have to give very serious consideration when reaching a decision on T.S.R.B.'s latest Report to the desirability of recognising the "market rate" factor in the case of the judiciary.

Since drafting this, I have seen yr: reply to the LCJ

*Yrs.
[Signature]*

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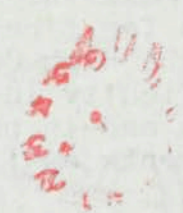


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APR 1982

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From P.M. d.d

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cc: Lord Chancellor

10 DOWNING STREET

THE PRIME MINISTER

7 April 1982

My dear Lord Chief Justice,

Thank you for your letter of 2 April.

I do indeed remember your letter last October, and the memorandum you and the other Heads of Divisions sent to the Top Salaries Review Body; and you will recall the replies which Quintin Hailsham and I sent you on 9 November.

I quite understand your concern about the level of judicial salaries. As Quintin Hailsham said in his letter to you, none of my colleagues would doubt that it is of the first importance to maintain the quality and status of the Judiciary. You may be assured that this consideration will very much be in our minds when we come to consider the recommendations of the Top Salaries Review Body.

I am sending a copy of this letter to Quintin Hailsham, to whom, I understand, your letter was also copied.

Yours sincerely
Raymond Storer

The Rt. Hon. The Lord Chief Justice of England

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10 DOWNING STREET

From the Private Secretary

6 April 1982

I attach a copy of a letter the Prime Minister has received from the Lord Chief Justice, together with a copy of a possible draft reply from the Prime Minister.

I would be grateful for your comments in the course of today if possible.

~~LB/H~~ reviewed by telephone 5/4

MS

Michael Collon, Esq.,
Lord Chancellor's Office.

CONFIDENTIAL

FLAG A

~~DRAFT REPLY TO LORD~~

~~CHIEF JUSTICE~~

Thank you for your letter of 2 April.

I do indeed remember your letter last October, and the memorandum you and the other Heads of Divisions sent to the Top Salaries Review Body; and you will recall the replies which Quintin Hailsham and I sent you on ~~15/10~~⁹ and 10 November.

I quite understand your concern about the level of judicial salaries. As Quintin Hailsham said in his letter to you, none of my colleagues would doubt that it is of the first importance to maintain the quality and status of the Judiciary. You may be assured that this consideration will very much be in our minds when we come to consider the recommendations of the Top Salaries Review Body.

I am sending a copy of this letter to Quintin Hailsham, ~~to~~ to whom, I understand, your letter ~~was~~ was also copied. ~~40~~



10 DOWNING STREET

From the Private Secretary

5 April 1982

REVIEW BODY ON TOP SALARIES

I enclose two copies of the Review Body's latest report.

I would be grateful if you, and those to whom I am copying this letter, would ensure that no further copies of the report are made at this stage, and that for the time being the report is shown to no-one except the copy addressees of this letter and their Ministers.

We have so far received no enquiries here whether this report has been received by the Prime Minister. When such enquiries are received we intend to say that the report has been received, and that, as in the past, its contents will not be disclosed until the Government has reached a decision on these matters.

I am copying this letter to John Kerr (HM Treasury), Jim Buckley (Chancellor of the Duchy of Lancaster's Office), David Omand (Ministry of Defence), Barnaby Shaw (Department of Employment, and David Wright (Cabinet Office). Copies are also going to Messrs. Le Cheminant and Gregson (Cabinet Office).

CONFIDENTIAL

Michael Collon, Esq.,
Lord Chancellor's Office.

SECRET

pg 1

1

Copy No 1 of 2 copies

Prime Minister

MR. SCHOLAR

The TSRB have delivered 60 copies to the Treasury. They are under Mr le Cheminant's lock and key. The Treasury are being asked if the TSRB Report Report has been received and are ducking the question. Shall I on Monday distribute to

I have now had a look at the latest TSRB Report, submitted by Lord Plowden on 31 March, of which you and I are holding the only copies. I have not of course mentioned its existence to anyone else. I doubt if the Prime Minister will want to read it yet, because it is voluminous: you may feel it would be helpful to her to have in her weekend box this summary, and my preliminary comments. The time for advice on how to treat the TSRB's recommendations will be much later, after we have dealt with the Civil Service arbitration.

the very limited group you envisaged

Wednesday? (see attachment)

Thurs 2/4

Yes

The recommendations are easily summarised. Compared with the existing salary levels, the TSRB recommend increases for senior civil servants and senior armed forces officers averaging 19.4%; and for the judiciary, increases averaging 24.3%. But within these averages lie considerable variations by grade, and I attach as an annex a list of the main grades and increases over present salaries.

These recommendations are not wholly unexpected, given that the TSRB always made it clear that they would be submitting proposals to bring top salaries right up-to-date, including the amounts by which they still fall short of their 1980 recommendations. I do not think the Report is by any means disastrous, and indeed there are two aspects of it from which we can draw comfort:

(i) The recommendations could have been a lot worse. In general, top salaries are still below the 1 April 1980 TSRB recommendations, and last year the TSRB said that an increase of about 12% would have been needed to implement those recommendations in full. In practice, only 7% was given. The average increases are substantially lower than movement of average earnings (35%) and RPI (29%) over a comparable period. If implemented, the proposals would still leave Permanent Secretaries, for instance, with less than half the median pay of Chief Executives of the 62 largest companies; and would leave High Court Justices with only just over half their likely earnings at the Bar. Permanent Secretaries, at £40,000,

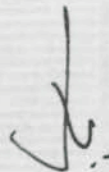
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/ would be

would be receiving less than any of the full-time Chairmen of our nationalised industries.

(ii) Much of the justification used by the TSRB's Report is in line with the general approach to pay which we have been adopting, for instance in our evidence to the Megaw Inquiry and to the Civil Service Arbitrator. The TSRB say that comparisons should be an element, but cannot possibly be determinant in assessing salaries; they accept the relevance of general economic circumstances; they make much of recruitment, retention and motivation; and they emphasise the role of structure. Their references to range pay, performance pay and the value of pensions are all helpful.

It is too early to make even a preliminary assessment of what should be our reaction to this Report, although it is already possible to see that there would be particular difficulty in cutting back on the recommendations concerning the judiciary. The Report contains powerful ammunition in support of its recommendations, if Ministers choose to use it: the TSRB says (paragraph 38) that at almost all levels remuneration for senior jobs is generally much higher in the private sector than in the Civil Service and Armed Forces; and that the severe compression of salaries, particularly between Assistant Secretaries and Under Secretaries, is insufficient to maintain a satisfactory incentive. And they conclude that the exemplary force of their recommendations, in having repercussions elsewhere, has been greatly exaggerated in the past.



John Vereker

2 April 1982

SECRET

ANNEX

	Present Salary	Recommended Salary	% increase
Joint Head of the Civil Service	£35,845	£45,000	25.5
Permanent Secretary/ Admiral/General/ Air Chief Marshal	£33,170	£40,000	20.6
Second Permanent Secretary*	£30,495	£37,000	21.3
Deputy Secretary*	£26,215	£32,000	22.0
Under Secretary*	£21,935	£26,000	18.5

* and equivalent service grades

Lord Chief Justice	£44,500	£56,000	25.8
Lord of Appeal	£41,000	£51,500	25.6
High Court Justice	£35,000	£45,000	28.5
Circuit Judge	£23,250	£29,000	24.7

SECRET

U.K. U.S. Fr. Ireland
f Uganda, Japan

Togo
Zaire
Guyana

Jordan. " Recalling statement

1) President -

1) demands an immediate

2) ^{un} withdrawal of all ^{US} ^{troops} ^{from} ^{Jordan}

3) calls on both to seek diplomatic

ways to settle their differences

and to respect fully

the personal freedoms of citizens



Prime Minister (1)

You did reply to the Lord Chief Justice. So did Lord Hailsham (copy letters attached). The Lord Chief Justice's private secretary tells me they received these letters but had overlooked the fact; he apologises.

ROYAL COURTS OF JUSTICE,

LONDON, WC2A 2LL

PERSONAL

Suggest you reply as in the attached [cleared with the Lord Chancellor]

2nd April 1982

MLs 6/4

My dear Prime Minister.

pt 3 att

You may remember that in October last I sent you a letter enclosing a copy of a memorandum sent by myself and all Heads of Divisions to the Top Salaries Review Body expressing the view that, if the future quality of the judiciary was not to be prejudiced, the salaries of High Court Judges needed to be increased to a figure of £50,000 plus at least the appropriate figure to take account of inflation since our previous memorandum.

I received an acknowledgement from your office dated the 13th October stating that it would be laid before you at the earliest possible moment. Since then I have heard nothing, no doubt because the matter was not sufficiently urgent for it to receive your attention. It has, however, now become urgent, because judicial salaries for the coming year must soon come up for consideration and the report of the Top Salaries Review Body is expected shortly.

There is little I can add to what is set out in the memorandum, a further copy of which I enclose lest the original has been mislaid, save that my concern for the future has considerably increased since last October. I venture to urge you that immediate and really effective action should be taken. The preservation of the future quality of the Judiciary is certainly as important as anything in the task of maintaining law and order. In my view it is more so. If prison building or the strength of the police force is allowed to run down, crash measures can be taken to restore the position. If the quality of the judiciary is allowed to decline, they cannot. Restoration will take a long time during which the structure of our society will have been seriously damaged.

If it would help I am of course willing to discuss the whole matter with you at your convenience.

Yours sincerely,

Geoffrey Howe

The Rt. Hon. Margaret Thatcher, MP,
Prime Minister,
10 Downing Street,
LONDON, SW1.

MEMORANDUM

To: T. S. R. B.

From: HEADS OF DIVISIONS

Last year we submitted a memorandum stating that it was our view that a salary of £50,000 p.a. was necessary as at 1st April if the quality of the High Court Judiciary was not to be jeopardised. We adhere to this view and are confirmed in it by the fact that, since then, we understand, two appointments have been refused on financial grounds. This coming April the salary required will be the above figure increased at least by an amount to take full account of inflation.

We do not regard the fact that this would greatly exceed the Government's overall target of a 4% increase as affecting the matter. The target is an overall one and, therefore, implies that some will get less and others more than the mean. This was done to some extent last year. Quite apart from this, however, the preservation of the quality of the judiciary is one of the essential foundations of the future of society. It surely ought not to be put in jeopardy on the ground that to preserve it would involve granting financial rewards going beyond current short term policy. If preservation required salaries very much higher than we are advocating, such salaries would in our view have to be granted. It seems to us irresponsible to provide society in future with a second-class judiciary in order to save a comparatively small amount of money now.

That large increases are sometimes necessary has, of course, been recognized in the recent 25% increase in the salary of the Chairman

of British Rail.

We do not know to what extent further evidence from the Judiciary will be sought this year, but we understand that the Review Body is to meet towards the end of October, and we feel it desirable that our views should be before them at the outset of their deliberations.

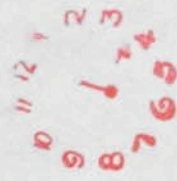
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Henry M.P.

John P.

W. P. V.C.

APR 1982





10 DOWNING STREET

THE PRIME MINISTER

9 November, 1981

Confidential

My dear Lord Chief Justice,

Thank you for your letter of 9 October enclosing a copy of the memorandum submitted by yourself and the other Heads of Divisions to the Top Salaries Review Body. I understand your concern, and I am grateful to you for bringing it to my attention.

I understand that you also sent a copy to Quintin Hailsham. He will be replying to you in the near future.

Yours sincerely

Raymond Stobart

The Rt. Hon. the Lord Chief Justice of England

Rlb



HOUSE OF LORDS,
SW1A 0PW

9 November 1981

Confidential

Dear Geoffrey :

Thank you for your letter of 9th October, attaching a copy of the memorandum submitted by the Heads of Divisions to T.S.R.B. The Prime Minister has asked me to thank you also for the copy which you sent to her.

I quite understand your concern about the present level of judicial salaries. None of my colleagues would doubt that it is of the first importance to maintain the quality and status of the Judiciary and, while I am not convinced that it is necessary to pay the very highest salaries to do this, there has never been any question of trying to get judges on the cheap. The Review Body has said that it intends to submit a full report by the beginning of April 1982, which will contain full recommendations on the salary levels appropriate at that date, and I have no doubt that, in framing their report, they will take very full account of your memorandum. They have asked me to give evidence next month, and I expect your points will be put to me by them. Meanwhile, you will understand that no decision on judicial salaries can be taken until Ministers have seen T.S.R.B's report.

yrs:

The Right Honourable
The Lord Chief Justice of England.



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

31 March 1982

Dear Prime Minister

REVIEW BODY ON TOP SALARIES

I now enclose the Review Body's latest report. This completes the review on which we made an interim report last year and contains our recommendations on the salaries we consider appropriate for payment as from 1 April 1982.

John P. Plowden
Chairman

PLOWDEN, CHAIRMAN
REVIEW BODY ON TOP SALARIES

Prime Minister

- ① This has arrived inconveniently early. The conditions are on pp' 36-41.
- ② Only two copies exist within the government - this one and one locked in my cupboard.
- ③ Should we, for the time being
 - (i) show to no-one (except John Vereker), and if asked say you have received it but have not yet had a chance to study it?
 - (ii) show to a small, named, list - the Lord Chancellor, Geoffrey Howe, Janet Young, John Nott, + one private secretary each; together with Robert Armstrong, and Peter Gregson, and Peter le Cheminant. Plus Norman Tebbit?

Clive and I suggest starting off with (i) - for, say, a week; then proceeding to (ii).

MCS 31/3

Agree?

Yes no

ECON POL: TSRB

Pt. 4

File A4



with mes

attached

10 DOWNING STREET

From the Principal Private Secretary

18 February 1982

Dear Sir,

Thank you for your letter of 17 February 1982 about the latest state of play on the reports of the three Review Bodies.

I am grateful to you for this information.

Yours sincerely,

Peter

Peter Le Cheminant Esq., CB

A4

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CONFIDENTIAL

~~SM~~ L N Verker.



HM TREASURY

Old Admiralty Building Whitehall London SW1A 2AZ

Telephone 01-273 }
GTN 273 } 4253
Switchboard 01-273 3000

17 February 1982

C A Whitmore Esq
10 Downing Street
LONDON SW1

Dear Aive

Following our conversation earlier today I have checked with OME about the latest state of play on the reports of the three Review Bodies. It is of course too soon to be certain but the current "best guess" is that the TSRB report will be available very close to 1 April (and possibly even a few days before then) and that the AFPRB and DDRB reports will be available by Easter. If these guesses turn out to be true we may therefore achieve a very convenient bunching of the three Review Bodies' reports in the first two weeks of April. And this might also be the time when the results of the Civil Service Arbitration case will be to hand - though the uncertainties here are greater.

I am copying this letter to Peter Gregson.

P Le Cheminant

P Le Cheminant

CONFIDENTIAL

Mr. N. Nelson



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COMMERCIAL

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CONFIDENTIAL

Ewan Pol.

*CF
PPs please
MUS 17/2*

*P.A.
CT Treasury agree MOD evidence)
MUS 19/2*

MR. SCHOLAR

cc: Mr. Hoskyns

EVIDENCE FOR THE ARMED FORCES PAY REVIEW BODY

I think the draft economic evidence proposed by MOD for the AFPRB contains most of the points we would want to have made. In particular, it is important that, as we move towards a redefinition of the AFPRB's working practices, the maximum weight be given not just to macro-economic considerations, but to recruitment, retention and job security. These points are now covered in paragraph 7, although I would prefer to see them expanded and supported with the detailed evidence which I know from our other work is available within MOD.

You may feel the best way forward would be to wait for the Treasury to respond and then to suggest to the Prime Minister that we make this point.

17 February 1982

CONFIDENTIAL



MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1
Telephone 01-~~330 7022~~ 218 2111/3

From pd
NBPM
12/16/2
✓
cc. J.V.

MO 4/4

16th February 1982

Dear JRM,

Michael Scholar wrote to the Treasury on 21st January to say that the Prime Minister had suggested that letters be sent to Pay Review Bodies stressing that powerful economic evidence was being put to them.

I attach a copy of the evidence which it is proposed should be put to the Armed Forces Pay Review Body by the Ministry of Defence. This has been drafted in consultation with Treasury officials but the Chancellor may wish to see it before it goes. Subject to his views we would propose to put it to the AFPRB as quickly as possible. Mr Nott's preference would be for the evidence to be forwarded under cover of a suitably robust official letter, which would refer to Ministerial endorsement of the line taken. A separate letter to the Chairman to warn of its arrival will not therefore be necessary.

I am copying this letter and the attachments to Michael Scholar and to the recipients of his letter.

Yours sincerely
Nick Evans

(N H R EVANS)

1982 PAY REVIEW : GENERAL BACKGROUND

In its tenth report, the Armed Forces Pay Review Body acknowledged that in framing its recommendations for 1981/82 it had taken into account the recession in the economy which had affected both earnings and security of employment in many areas. The Government welcomes this approach and, in this part of the evidence for the 1982 review, wishes to stress the continuing importance of achieving realistic pay settlements in the public sector. It particularly asks the Armed Forces Review Body to give full weight to the level of economic activity; to the present satisfactory state of recruitment and retention; and to the relatively good job security which members of the Armed Forces continue to enjoy.

2. The financial instability caused by persistent and rapid inflation undermines the prospects for sustained economic growth. The Government's aim is to bring down the rate of inflation, and its monetary and fiscal policies have consistently been directed to this end. Considerable progress has already been achieved; and inflation is now around half the peak level of nearly 22 per cent reached in May 1980.

3. Monetary and fiscal policies create the overall context within which total income within the economy is determined. Excessive increases in pay reduce the scope for growth in output and employment. The international context is also important. The UK exports around 30 per cent of its total production against fierce overseas competition. And our home market is also vulnerable to imports. Our international competitiveness is therefore a key determinant of the level of employment and of the prospects for improved living standards.

4. Our past performance illustrates the damage which excessive pay settlements can cause. Over the five years to 1980 labour costs per unit of manufacturing output nearly doubled in the UK. In contrast, they rose by one-half in Canada, by one-third in the United States, by

1/6
sixth in Germany and not at all in Japan. Almost all of the deterioration in UK competitiveness since the Government came to power can be put down to the higher rate of increase of UK labour costs compared to those of our competitors.

The Government has constantly emphasised the need for pay settlements to be kept as low as possible in order to improve the prospects for employment: realistic pay awards are an essential pre-condition for any lasting reduction in unemployment. Some progress has already been made. Since the beginning of this year lower pay settlements, together with increased productivity, have meant that unit wage costs in manufacturing have shown little increase. But this is only a beginning. Pay settlements which bear a proper relationship to productivity need to become a feature of our economy, as they are in the strongest economies.

6. Some employees are not directly subject to the rigours of international competition. But no group can or should be immune from the need for realistic pay settlements compatible with what the country as a whole can afford and, in the case of public service employees, what the government and taxpayer can afford. Pay in the public services has a major influence on the health of the economy. It accounts for about 30 per cent of public expenditure. Excessive increases in this pay bill are bound to lead to increased taxation or borrowing (and, therefore, higher interest rates) with a damaging effect on private sector investment and costs, and on the prospects for economic recovery and employment. Excessive increases for particular groups of staff also have wider effects through repercussions on other groups and lead to self-defeating 'leap-frogging'.

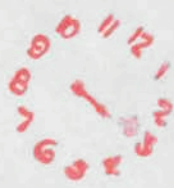
7. Evidence on the manning position in the Armed Forces is being provided separately. The Review Body will note from this the improvement in recruitment and retention since last year. There are now few areas

in which manpower difficulties are being experienced. The Government believes that this should be an important factor in influencing levels of pay, particularly for those ranks to which recruiting takes place. Another important point is that the degree of security of employment in the Armed Forces is significantly higher than for most private sector groups. There will in due course be some redundancy in the Armed Forces as manpower levels are adjusted to meet the plans outlined in the Defence White Paper of June 1981 (Cmd 8288) but it is likely that most of this will be on a voluntary basis and no one will be obliged to leave before April 1983. The Government considers that relative job security is of crucial importance at a time of high unemployment.

8. The Government hopes that where there is room for judgement in the process of arriving at a proper level of pay for the Armed Forces, taking account of their special position, the Review Body will have full regard for the economic and other factors mentioned above.



116 FEB 1982





Bevan P. 1
✓ JV

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

29 January 1982

Michael Scholar Esq.
10 Downing Street
LONDON
SW1

CF.

No further action.

Dear Michael,

Mus 29/1

THE PAY REVIEW BODIES

Thank you for your letter of 21 January.

The Chancellor has asked me to point out that economic evidence has already been submitted to the DDRB, and will be submitted very shortly to the other review bodies. It might therefore best meet the Prime Minister's wishes if economic evidence submitted to the TSRB and AFPRB were to go under cover of letters, from the Chancellor and the Secretary of State for Defence respectively, emphasising the importance the Government attaches to the arguments in it. Government representatives giving oral evidence to the review bodies would of course repeat this message.

Unless he hears to the contrary, the Chancellor will assume that this is acceptable to the Prime Minister.

I am sending copies of this letter to the other recipients of yours.

Yours ever
J.O. Kerr

J.O. KERR
Principal Private Secretary

29 JUN 1982



COMPTON

Originals
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later
A 3/2



File AH

CCS Tsy (PSS)
CO (Dw)

10 DOWNING STREET

From the Principal Private Secretary

29 January 1982

Dear Councillor Rumbold,

Further to my letter of 12 January, I am replying on behalf of the Prime Minister to the points about the Review Body system raised in your letter of 7 January.

You express concern that the Review Bodies are using comparability as one of the criteria for setting pay levels. The Review Bodies are, of course, free to decide what they should take into account in reaching their conclusions. As regards accountability, these conclusions are presented as recommendations to the Government; and it is for the Government, not the Review Bodies, to decide on the appropriate action in the light of the recommendations.

In the case of the Doctors and Dentists Review Body the Government gave an undertaking to the professions, which the Review Body reproduced in their 1971 Report (Cmd 4825), as follows:

'It (the DDRB) would be free to obtain whatever information it might want, to look at all the factors it considered relevant, and to form its own judgment'.

It is therefore for the DDRB to decide what use to make of comparability criteria. The Government has not constrained it to rely on this particular factor. Indeed, as you will know, the Government has drawn attention to the importance of other relevant factors, such as recruitment and retention, in its economic evidence to the DDRB.

You also draw attention to the arrangements whereby teachers' pay is negotiated in the Burnham Committee under the Remuneration of Teachers Act 1965, but other conditions of service are negotiated separately with the local authority employers. A number of issues are raised by these arrangements, which are currently under consideration by the Secretary of State for Education and Science. Your letter has been drawn to the attention of his Department.

Yours sincerely,

Councillor Mrs A C R Rumbold CBE

Alwi Whitmore.

*original into
Joan Powell
2/2.*



H M Treasury

Parliament Street London SW1P 3AG

Switchboard 01-233 3000
Direct Dialling 01-233 3620

Sir Douglas Wass GCB
Permanent Secretary

C A Whitmore Esq
10 Downing Street
LONDON
SW1

27 January 1982

Dear Mr Whitmore,

LETTER FROM COUNCILLOR MRS RUMBOLD

Further to David Wright's letter of 14 January (copied to you), I now attach a draft reply to Mrs Rumbold's letter of 7 January to the Prime Minister. This has been cleared as necessary with DES and DHSS.

I am copying this letter (without enclosures) to David Wright.

Yours sincerely,

Duncan Slaughter

D C W SLAUGHTER
Assistant Private Secretary

DRAFT LETTER

From: The Principal Private Secretary, No. 10

To: Councillor Mrs A C R Rumbold, CBE

Further to my letter of 12 January, I am replying on behalf of the Prime Minister to the points about the Review Body system raised in your letter of 7 January.

2. You express concern that the Review Bodies are using comparability as one of the criteria for setting pay levels. The Review Bodies are, of course, free to decide what they should take into account in reaching their conclusions. As regards accountability, these conclusions are presented as recommendations to the Government; and it is for the Government, not the Review Bodies, to decide on the appropriate action in the light of the recommendations.

3. In the case of the Doctors and Dentists Review Body the Government gave an undertaking to the professions, which the Review Body reproduced in their 1971 Report (Cmnd 4825), as follows:

'It [the DDRB] would be free to obtain whatever information it might want, to look at all the factors it considered relevant, and to form its own judgment.'

It is therefore for the DDRB to decide what use to make of comparability criteria. The Government has not constrained it to rely on this particular factor. Indeed, as you will know, the Government has drawn attention to the importance of other relevant factors, such as recruitment and retention, in its economic evidence to the DDRB.

4. You also draw attention to the arrangements whereby teachers' pay

is negotiated in the Burnham Committee under the Remuneration of Teachers Act 1965, but other conditions of service are negotiated separately with the local authority employers. A number of issues are raised by these arrangements, which are currently under consideration by the Secretary of State for Education and Science.

Your letter has been drawn to the attention of his Department.



JE JV
John Pol
Management and Information Systems
Whitehall London SW1A 2JZ
Telephone 01-273 4400
GTN 273 4400

Chancellor of the Duchy of Lancaster

21 January 1982

From the Private Secretary

Peter Jenkins Esq
Private Secretary to the Chancellor
of the Exchequer
HM Treasury
Parliament Street
LONDON SW1P 3AG

Dear Peter,

TSRB: ECONOMIC EVIDENCE

Thank you for your letter of 18 January. The Chancellor of the Duchy is content with the suggested evidence for the TSRB.

I am copying this to Michael Scholar at No.10.

Yours sincerely,
Jim Buckley.

J BUCKLEY

22 JAN 1992



File

ds



10 DOWNING STREET

From the Private Secretary

21 January 1982

cc CO
WO
SO
LCO
MOT
CAZ
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HO

The Pay Review Bodies

The Prime Minister was grateful for the Chancellor's minute of 15 January about the possibility of a Ministerial meeting with the Chairmen of the Review Bodies.

The Prime Minister thinks that it would be a mistake for Ministers to see the Chairmen regularly in the way proposed, and has suggested instead that letters be sent stressing that the Government will be putting in powerful economic evidence to the Review Bodies.

I am copying this letter to the Private Secretaries to the other members of E Committee, Michael Collon (Lord Chancellor's Office), Muir Russell (Scottish Office), John Craig (Welsh Office) and David Wright (Cabinet Office).

M. C. SCHOLAR

John Kerr, Esq.,
HM Treasury.

CONFIDENTIAL

He

bc J. Vencker

MR SCHOLAR

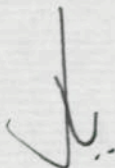
P. 9. (PM saw
and did not comment)

CF pps p1

MUS 22/1

TSRB: ECONOMIC EVIDENCE

I do have one comment on the draft evidence for the TSRB suggested by the Treasury. Para 9 makes considerable play of affordability. Both because Ministers may wish to treat the TSRB groups rather differently this year, and because the staff involved are a tiny proportion of the total staff covered by cash limits, I think this paragraph is best omitted (and ^{the} related ~~the~~ Annex 2A).



J. VEREKER

20 January 1982



(1)

10 DOWNING STREET

Prime Minister

Pay Review bodies

Is the letter instead of

John Nott / Norman Fowler / Geoffrey Howe

seeing the pay review bodies?

Or as well as them seeing them

(and instead of you seeing them)?

MCS 20/11

Instead of - - -
think it's a mistake to see
them every time . MCT



✓ SV
AW
Prime Minister (2)
You will wish to

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000 18 January 1982

be aware of
his.

J Buckley Esq
Private Secretary
Chancellor of the Duchy of Lancaster
Whitehall
LONDON SW1A 2AZ

ms
Ms 18/1

Dear John,

TSRB : ECONOMIC EVIDENCE

As you know it is normal practice for the Government to let the TSRB have a note on economic factors bearing on their work. The attached draft - which is very similar to the note already submitted to the DDR - has been approved by the Chancellor, who would be grateful to know whether Lady Young too would be content with it.

I am copying this letter to Michael Scholar at No.10 in case he wishes to show the draft to the Prime Minister.

Yours ever

Jenkins

PP P S JENKINS
Private Secretary

1. SALARIES REVIEW BODY

GENERAL ECONOMIC BACKGROUND

General economic circumstances must play a major part in determining the level of pay settlements in the public sector. The Government is sure that the Review Body will wish to recognise this factor when framing its recommendations. In this section of the evidence the Government sets out its views on the nature and the importance of the economic considerations relevant to pay determination generally.

2. The financial instability caused by persistent and rapid inflation undermines the prospects for sustained economic growth. The Government's aim is to bring down the rate of inflation, and its monetary and fiscal policies have consistently been directed to this end. Considerable progress has already been achieved; and inflation is now around half the peak level of nearly 22 per cent reached in May 1980.
3. Monetary and fiscal policies create the overall context within which total income within the economy is determined. Excessive increases in pay reduce the scope for growth in output and employment. The international context is also important. The UK exports around 30 per cent of its total production against fierce overseas competition. And our home market is also vulnerable to imports. Our international competitiveness is therefore a key determinant of the level of employment and of the prospects for improved living standards.
4. Our past performance illustrates the damage which excessive pay settlements can cause. Over the 5 years to 1980 labour costs per unit of manufacturing output nearly doubled in the UK. In contrast, they rose by one-half in Canada, by one-third in the United States, by one-sixth in Germany and not at all in Japan. Almost all of the deterioration in UK competitiveness since the Government came to power can be put down to the higher rate of increase of UK labour costs compared to those of our competitors.
5. The Government has constantly emphasised the need for pay settlements to be kept as low as possible in order to improve the

prospects for employment: realistic pay awards are an essential pre-condition for any lasting reduction in unemployment. Some progress has already been made. Over the past year lower pay settlements, together with increased productivity, have meant that unit wage costs in manufacturing have shown little increase. But this is only a beginning. Pay settlements which bear a proper relationship to productivity need to become a feature of our economy, as they are in the strongest economies.

6. Some employees are not directly subject to the rigours of international competition. But no group can or should be immune from the need for realistic pay settlements compatible with what the country as a whole can afford and, in the case of public service employees, what the government and taxpayer can afford. Pay in the public services has a major influence on the health of the economy. It accounts for about 30 per cent of public expenditure. Excessive increases in this pay bill are bound to lead to increased taxation or borrowing (and, therefore, higher interest rates) with a damaging effect on private sector investment and costs, and on the prospects for economic recovery and employment. Excessive increases for particular groups of staff also have wider effects through repercussions on other groups and lead to self-defeating "leap-frogging".

7. While concepts such as productivity or output raise certain questions of definition in relation to the groups in the Review Body's remit, the considerations set out above provide a frame of reference against which all questions of the determination of remuneration must be considered. The application of these considerations to the question of pay in the public services is discussed more fully in the memorandum submitted to the Inquiry into non-industrial Civil Service pay under the Chairmanship of Sir John Megaw. (The memorandum is attached as Annex A). That Inquiry is directed to Civil Service pay; but the general arguments in the memorandum are relevant to the public services outside the Civil Service.

8. The Government attach special importance to the discussion in this memorandum of the necessity to give full weight in determining pay to market factors such as recruitment and retention. Rates of

pay should not exceed what is necessary to recruit and retain staff of the right quality in the right numbers. A further important factor is job security which is significantly higher for the groups in the Review Body's remit than it is for most private sector groups. The Government consider that these considerations are of crucial importance at a time of high unemployment and widespread redundancies.

9. Finally, the Government wish to draw paragraph 4c of the memorandum at Annex A to the attention of the Review Body. This stresses that it is unrealistic to attempt to determine pay rates without regard to the resources available to finance them. What can be afforded is an essential consideration. In the public services, this fact has been expressed through the system of cash limits. The Government announced on 15 September the basis on which it had decided to provide for pay costs at the current stage of planning public expenditure. This allowed for an increase of 4% in earnings from due settlement dates in the coming year. (A copy of the relevant statement and supporting material is attached at Annex A2).

10. The small size of the particular groups within the TSRB's remit means that their pay does not have a large direct impact on total expenditure. This is not of course in itself a reason for generous treatment and the Government has to take account of the influence of changes in these salaries on expectations elsewhere in the economy, which may have an indirect effect on public spending. The Review Body's findings are of great importance to the Government in arriving at its decisions but, for the reasons set out here, the Government must, as in the past, reserve to itself the final decisions about the pay it is prepared to offer to these groups.

MEMORANDUM ON FUTURE PAY ARRANGEMENTS
FOR THE NON-INDUSTRIAL HOME CIVIL SERVICE

Submitted to the
Inquiry into non-industrial Civil Service Pay
under the chairmanship of the
Rt Hon Sir John Megaw

Civil Service Department
Whitehall
LONDON
SW1A 2AZ

OCTOBER 1981

Introduction

1. The Committee of Inquiry into Civil Service pay has asked* for "a memorandum setting out the main issues you believe the Committee should tackle and any views on them which you wish to place before the Committee". This memorandum is a first response to that request.

Background

2. About 7½ million people are employed in the public sector of the United Kingdom economy (broadly the nationalised industries, local authorities, National Health Service, the Civil Service and the Armed Forces of the Crown). Within this total the Government is directly responsible for the pay and conditions of service of some 690,000 civil servants (of whom 150,000 are industrial civil servants), some 323,000 members of the Armed Forces, and some 1.2 million employees of the National Health Service. The methods used to settle pay throughout the public sector vary. They reflect both the history and the particular nature of the service or industry concerned.

3. The factual background memorandum already submitted to the Committee by the Civil Service Department (Chapters 5-7) describes the arrangements for pay determination in the non-industrial Home Civil Service (which is the subject of the present inquiry) and their historical development. The pay determination system for the bulk of this service was embodied in formal Pay Agreements, negotiated with the unions, from which the Government has now withdrawn. The system derived from the recommendations of the Royal Commission on the Civil Service ("Priestley") which reported in 1955. The Committee will no doubt wish to study that report in detail. Its main conclusion was that the primary principle governing Civil Service pay should be "fair comparison" with the current remuneration of outside staffs employed on broadly comparable work, taking account of differences in other conditions of service.

*In a letter from the Chairman of the Inquiry, Sir John Megaw, to the Lord President of the Council dated 6 August 1981.

Why a new system?

4. The Committee will wish to know why the Government believes that the system derived from Priestley should now be brought into question. There are four main reasons -

a. Whatever its abstract merits, the Priestley system has not in practice worked well in recent years, and the resulting damage to its credibility has led to a loss of Civil Service and public confidence in it, as a means of settling Civil Service pay. In nine out of the last fifteen years the system has been over-ridden or implemented only after delay, often because its straightforward implementation would have conflicted with the formal incomes policies adopted by previous Governments. This in itself suggests that the system is no longer satisfactory: on more occasions than not it has not provided a means of solving the problem of pay for the Civil Service. This is partly because economic circumstances have changed since the mid-1950s, when there was near full employment, inflation was not a serious problem and pay increases indicated by the system were generally modest. It is also because of some characteristics of the system. There are two particular defects. First, a system based on comparability is almost bound to be "backward-looking" to some degree, and so is likely to generate increases which may be out of line with increases taking place elsewhere in the economy at the time. This poses particular problems at a time when the national interest requires a substantial reduction of inflation and inflationary expectations. And second, because any such system tends to establish expectations of entitlement to an increase in pay - but does nothing to take account of the fact that the cash allocations to meet these expectations cannot necessarily be made available.

b. An essential element in any pay system must be an attempt to assess the market and to consider whether pay rates are at the level required to recruit, retain and motivate the appropriate number of staff of the right quality. In the Priestley system it has been assumed, in effect, that the pay rates indicated by "fair comparisons" are a reasonable proxy for the market. But it is increasingly questioned whether the system provides an

adequate reflection of the market rates of pay. It has tended to insulate Government employees from the realities of life as they exist in the private sector, partly because intangibles such as job security, which cannot be easily reduced to a cash value, are under-rated. The Government believes that the information available in the pay determination process should include a systematic analysis of recruitment and wastage. Such statistics need to be interpreted with care in relation to a service which is traditionally regarded as a lifetime career, because the results of failure to recruit and retain staff of sufficient quality may not be fully reflected in the performance of the service except over many years; but the ability to recruit and retain staff, as demonstrated in statistics, can help to show whether pay rates are in line with the market for each particular type of labour and thus "fair" both to employees and to the taxpayer.

c. We live in a world in which rapid economic changes - for example drastic changes in the price of oil - may require equally rapid and often harsh reaction. In such a setting "fairness" - certainly desirable - may not always be sustainable. Trading concerns have to react to such circumstances by laying off employees, or by acknowledging that no pay increase at all is possible. The public service cannot expect to be insulated from the impact of adverse economic developments simply because the money to meet the wage bill comes from the taxpayer. The questions of availability of finance and what can be afforded were treated as secondary in the old system and introduced, if at all, only as reasons for overriding the system and not as part of it. Outside Government, the ability of the employer to pay is inevitably a crucial part of the process of determining pay. It is true that the question of the Government's ability to pay involves judgements which are different from those which have to be made by private sector employers and often more complex. But the question is no less important for the Government for that reason. It involves the interests of every taxpayer and the economic health of the country. A system which ignored this and appeared to generate pay rates which were in some abstract sense, and without relation to availability of finance, "correct" was artificial and unreal. The Government's judgement of what it is justified in paying, taking account of financial and macroeconomic considerations and the competing claims of other elements in public expenditure, as well as of managerial considerations, must necessarily play an essential part in the process of determining what pay should be.

d. Even on its own terms, the old comparability system no longer commands confidence that it gives truly "fair" results. In the Government's view it is questionable whether comparisons were made with the right outside analogues; whether the wider problem of "circularity" - which has to be faced in any case if there is any tendency among private sector firms whose employees are taken as analogues automatically to reflect Civil Service pay increases - was not compounded by the use of public sector analogues; whether, given the growth of fringe benefits in the private sector, the valuation placed on them had not become too detailed and mechanistic; whether adequate allowance was made for the benefit to civil servants of index-linked pensions; and whether the methods used to evaluate pay research evidence, and to bring it up-to-date as a basis for negotiation, were justifiable.

Approach to a new system

5. As the Committee's terms of reference make clear, the Government starts from the proposition that there is a substantial public interest in the recruitment and maintenance of an efficient and fairly remunerated Civil Service; in the orderly conduct of the business of Government and its services to the public; and in the maintenance of good industrial relations in the Civil Service. On the other hand there is an equally clear public interest in the provision of essential public services at maximum efficiency and minimum cost. The Government recognises that in a free society it is not possible in the long term to impose pay and conditions of service by fiat; and that there is an inevitable cost to the Exchequer and to society if pay in sensitive areas is settled by the process of industrial confrontation. It is therefore the Government's intention when the Committee's report is available to seek to negotiate a new Pay Agreement with the Civil Service unions which will be informed by the Committee's findings. In these negotiations the Government will aim to arrive at an ordered and agreed arrangement for determining Civil Service pay which, so far as possible: can endure; provides a sound basis for good industrial relations; is acceptable to the staff concerned; commands the confidence of both Parliament and the public; and takes proper account of broader economic considerations. The Government is under no illusions that it will be easy to reconcile these objectives but it looks to the Committee to help it to do so.

6. In negotiating any new agreement the Government will be seeking a means of arriving at rates of pay which are adequate but not excessive, to recruit, retain and motivate sufficient numbers of staff of satisfactory quality. The Government recognises that, in the longer term, Civil Service pay rates must bear a reasonable relationship to those of outside employers if serious management problems, including industrial relations difficulties, are to be avoided. The Government also recognises that comparisons with outside rates of pay and conditions of service in comparable employment provides a useful broad indication of what is required for these purposes. Comparability in some form plays a part in pay negotiations in the public and private sector alike. Accurate information about the labour market is a valuable management tool particularly for an employer like the Civil Service which has to recruit and retain a very wide range of employees in a wide variety of locations with different skills, aptitudes and qualifications.

7. At the same time, the Government strongly believes that it would be undesirable for any new arrangements to give rise to a presumption of an automatic entitlement to rates of pay based on pay comparisons without adequate regard being paid to other relevant considerations, including the Government's duty to control public expenditure and to manage the economy in the interests of the population as a whole.

8. This means that the process for determining civil service pay must take proper account of financial and macroeconomic considerations. The Government must in any event retain the right, in the last resort, to decide whether on any particular occasion the wider national interest should take precedence over the operation of any system, however well constructed. But the Government would prefer to have procedures which should make it possible for agreed settlements to be the general rule and for resort to "override" to be necessary only in exceptional circumstances. The Government would be grateful for the Committee's advice on how and at what stage financial and macroeconomic considerations can best be taken into account in the process of pay determination.

The basic issues

9. In carrying out its remit to make recommendations on the process by which the remuneration of the non-industrial Civil Service should be determined there are a number of important general issues which the Committee will want to examine and on which the Government would welcome the Committee's views -

a. The form of a new pay system.

It is obviously desirable that a new pay system should be agreed by the Government with the unions and it has already been made clear that it is the Government's intention to seek to achieve this. But how far should the new pay system be a highly structured one? How far should prior agreement on the use to be made of agreed factual analysis determine the outcome and how much should be left for negotiation?

b. The relative weight which should be attached in any new system to comparisons of pay and other conditions of service and to other factors such as the position on recruitment and retention, relative efficiency and relative job security.

Under the old system other factors besides those based on direct comparisons could be, and were, introduced into the negotiations which followed pay research but this was not done on a quantified or structured basis and the influence of such factors on the final outcome was relatively modest. The Government would particularly welcome an assessment of the practicability of evaluating such factors and recommendations on methods for doing this.

c. The scope under a new process of pay determination for keeping pay increases for the Civil Service more in phase with those in the community generally.

As explained in paragraph 4a. this problem has caused considerable difficulty in the past.

d. The reconciliation of any arrangements for pay determination in the Civil Service with the Government's general economic responsibilities for controlling public expenditure and maintaining the value of money.

This is an area of particular difficulty not only in deciding how financial and macroeconomic considerations can best be taken into account

in the process of pay determination but also at a more technical level in reconciling procedures and timetables for fixing cash limits and for negotiating Civil Service pay. The Treasury is ready to provide more detailed evidence on the public expenditure procedures involved, including the fixing of cash limits.

e. The reconciliation of the Government's ultimate accountability to Parliament for expenditure on Civil Service pay with an ordered pay system agreed with the unions.

Clearly if a new pay process is to be negotiated with the Civil Service unions and to have a reasonable prospect of long term acceptability it would need to pass two tests. First, it must be capable, in normal circumstances, of serving as the basis for pay settlements which are justified on management grounds and acceptable not only to the negotiating parties, but also to Parliament and the public. Second, it would need to contain as clear an indication as possible of the circumstances in which, and the manner by which, it could exceptionally be overridden by Government on wider policy grounds of the national interest. In considering these matters the Committee will wish to consider, for example, the role which Parliament might be invited to play.

f. The role of arbitration.

The Government accepts that arbitration will have a role to play in any new system for settling Civil Service pay as it has done since the Arbitration Agreement of 1925. The present Arbitration Agreement provides for unilateral access to arbitration, although successive Governments have consistently and publicly reserved the right to refuse access to arbitration on grounds of policy. It has also been accepted over the years that, while preserving the constitutional position that Governments cannot commit Parliament to expenditure without its approval, Governments would not invite Parliament to approve the setting aside of an arbitration award.* The Government has not withdrawn from the Arbitration Agreement

*The special arrangements to which the Government is committed for next year's pay settlement differ from this. The Government has accepted in advance of these negotiations that there should be access to arbitration should negotiations fail. It has however also expressly reserved the right to ask the House of Commons to approve the setting aside of any resulting arbitration award should the Government judge this to be necessary in the national interest. The arrangements derive from the particular circumstances of 1981 and should not necessarily be regarded as a precedent for the future.

with the Civil Service unions as it has from the Pay Agreements with them. But clearly the role of arbitration under any new system will need to be considered in the negotiation for any new Pay Agreement following the Committee's report. For the avoidance of misunderstanding, however, it should be made clear now that the Government attaches the greatest importance to ensuring that, whatever the future arrangements may be, it cannot be forced into an arbitration process with an award which it is required to implement regardless of circumstances. This could be achieved either by the Government reserving the right to withhold agreement to go to arbitration (making resort to arbitration subject to the consent of both sides) or by the Government reserving the right - perhaps subject to the agreement of the House of Commons - to override an arbitration award; or indeed by a combination of the two. There are arguments for and against each course, and the Government would be grateful for the Committee's views on the options. But it is in the Government's view essential to retain in the process of pay determination some safeguard preserving its right of ultimate decision in exceptional circumstances.

Technical issues arising in the process of comparison

10. If the Committee considers that a new system should provide for structured pay comparisons a number of technical questions would arise about how this should be done. The Committee's views would be particularly welcome on the following points -

a. Should comparisons be made with actual outside pay rates or with percentage movements in pay?

Comparison with percentage movements in pay could ease the problem of mis-match between the movement of Civil Service and outside pay referred to in paragraph 9c. But it is outside rates of pay for comparable work which reflect the real position in the labour market and hence affect the employer's ability to recruit and retain employees. Moreover, information on rates can be collected in much more detail so as to establish separate and more valid comparisons for different groups of staff.

b. What outside analogues should be used and how should they be selected?
Comparisons need to be as representative as possible. But any process of comparison runs the risk of circularity, with all major employers being influenced by the rates which others set. It has been suggested that this risk may be acute where comparisons are made with other public

sector analogues. The Scott Committee on the Value of Index Linked Pensions recommended the exclusion of public sector analogues from the field of comparison for both pay and pensions purposes. It has also been argued that the fields of comparison used by the PRU were biased in favour of large and "good" employers and took insufficient account of the realities of the wider labour market. There are also particular problems in using pay comparison where the Civil Service is itself the main employer of a particular type of staff; and, as with some professional staff, where significant numbers of the profession as a whole are self-employed.

c. Is "whole job" comparison the best approach?

This approach, used by the PRU, involved the identification of jobs in external organisations whose functions and responsibilities taken in the round were closely similar to Civil Service jobs. The Committee may wish to consider how far "whole job" comparisons are appropriate for all types of Civil Service work particularly at the higher levels where difficulties were experienced under the pay research system in making reliable comparisons. The Pay Research Unit Board for example suggested that the cut-off point for pay research should have been lower under the old system.

d. How should "fringe benefits", including index-linked pensions, be taken into account in the comparison process?

Outside pay rates need to be adjusted for differences in other benefits and conditions of service. The Committee will wish to satisfy itself that any new arrangements provide for these elements to be properly and stringently valued. The Scott Committee made recommendations on the evaluation of index-linked pensions. These are at present being considered by the Government.

e. What, if any, arrangements should there be to ensure that any data collected are "up to date"?

The techniques of adjustment to current rates used in the latter stages of operating in the old pay agreement were the subject of much criticism and especially the "uprating" of the outside rates collected by the PRU by reference to price movements. There are questions here of both principle and practice.

f. What organisational arrangements would be best suited to the collection of data under any new system and what role should any data collection agency play?

In examining this question the Committee will wish to consider the nature and status of any new data collection organisation. Should it be free-standing and visibly independent of management and unions? Could it be grafted on to an existing organisation like the Office of Manpower Economics? The Committee will also wish to consider the role of any new agency. Should the role be confined to the collection of data or extended into processing and analysing?

g. To what degree should the data collected for purposes of pay comparisons be made publicly available?

Much of the data collected by the Pay Research Unit was provided on a confidential basis by individual employers. But public confidence depends on public information. This problem links in with the role to be assigned to any new organisation charged with data collection.

Other issues

11. In addition to those described above there are other issues about the future pattern of Civil Service pay arrangements on which the Government would welcome the Committee's views -

a. What role should internal relativities play in settling pay rates?

Internal relativities are an important secondary factor in the determination of Civil Service pay rates. It is inevitable that in a structure as complex as that of the non-industrial Home Civil Service the pay of some groups of staff will need to be settled on the basis of an agreed internal pay relativity with that of another. In some areas there are also questions of vertical relativities with the industrial Civil Service. The arrangements which are made must enable pressing management problems to be dealt with by pay adjustments where these become necessary. There are also wider questions about the relationship between pay and grading structure. The problem is to achieve the best balance between considerations of internal management structure and the matching of pay rates for different groups to the outside market.

b. Is there a place for using merit pay in the Civil Service, and if so how should it be applied?

Outside the Civil Service, particularly in the private sector, extensive use is made of merit pay arrangements. But there are special management difficulties about the application of merit pay systems in the public service.

c. Is the use made of incremental scales in the Civil Service justified and are modifications desirable?

Apart from their possible use as an instrument for rewarding merit, questions arise here on the use of incremental scales as such.

d. Is there a case for introducing productivity bargaining into the pay system for the Civil Service?

Successive Governments have taken the view that the pursuit of improvements in productivity and efficiency of Civil Service operations is a management function with which staff are expected

to co-operate without special payment on the basis that such co-operation should be given in return for a fair rate of pay. This links with the problem of assessing comparative efficiency inside and outside the Service in making pay comparisons.

e. Is there a case for wider geographical variation in rates of pay for civil servants?

The system of "provincial differentiation" was abandoned in 1958, and Civil Service pay rates now apply nationally, with extra payments ("London weighting") to staff employed in Inner and Outer London. National rates are logical and convenient where there is an obligation or widespread practice of mobility; but for types of employment where there is considerable regional variation in pay levels (eg clerical and typing staff) it can lead to anomalies and distortions: over-payment in some areas and inability to recruit and retain staff in others. It is for consideration whether Civil Service rates for at least some (eg the non-mobile) grades, if not for all grades, should attempt to match local pay conditions more closely.

f. Is there scope for the introduction of "no industrial action" agreements into the Civil Service?

It is sometimes suggested that long term agreements on mechanisms for settling pay in the public services should be associated with some form of agreement restricting the right of staff to take industrial action. The Committee may wish to consider this possibility either in relation to the Service as a whole or for limited groups of staff engaged on particularly sensitive work.

Higher Civil Service Pay

12. The terms of reference of the Committee cover the non-industrial Civil Service as a whole. The Higher Civil Service have not been covered by the process of pay determination and negotiation which applies to the rest of the non-industrial Civil Service; recommendations on pay rates

for the Higher Civil Service are made by the Top Salaries Review Body (TSRB). This difference of treatment reflects both the difficulty of settling the pay of these senior management grades by any process of negotiation and the fact that rather different considerations apply in the settling of their pay, including not only relativities with senior levels in other public services but also relativities with Ministers. Nonetheless, problems have arisen from the co-existence of two separate processes of pay determination covering different parts of a unified career structure, and particularly at the "interface": the grades of Assistant Secretary (covered by the general system) and of Under-Secretary (covered by the TSRB) and their equivalents. The Committee will no doubt wish to have discussions about the position and the problems with the Review Body.

Conclusions

13. The Committee has been asked to advise both on the principles which should form the basis of a new pay arrangement for the Civil Service and on practical arrangements for applying it. Naturally both the principles and the practical arrangements will need to take account of other conditions of service and of other aspects of Civil Service management which bear on the question of appropriate remuneration. Accordingly the Committee has been given terms of reference which leave it free to examine any aspect of Civil Service management and practice which it regards as relevant to its task.

14. It will be apparent to the Committee that this first paper on issues is in part simply an annotated agenda. The Government is ready to provide fuller evidence on any of the points covered by it and indeed on any other matters where the Committee would find further information helpful to its work.



H. M. TREASURY

Parliament Street, London SW1P 3AG, Press Office: 01-233-3415
Telex 262405

.15.9.81

PUBLIC EXPENDITURE PLANNING: CASH FACTORS

The Chancellor of the Exchequer announced in his Budget statement on 10 March, 1981 that the Public Expenditure Survey this year would, for the first time, be conducted in terms of prospective cash expenditure, rather than in terms of "constant prices". For this reason, the plans in the last Public Expenditure White Paper (Cmnd 8175) were, at the outset of the Survey, put onto a prospective cash basis, which included an allowance for cost increases between now and future years.

In the spring a provisional allowance was made for general increases in costs of 7 per cent between 1981-82 and 1982-83 and of 6 per cent and 5 per cent respectively for the following two years.

In now preparing for the main decisions on the cash totals for each programme, the Government has reviewed the provisional allowance for 1982-83 and has decided to use separate factors for pay and for other cost increases. These factors will be, for earnings, an increase of 4 per cent from due settlement dates in the coming year, and for other costs an increase of 9 per cent between this financial year (1981-82) and next (1982-83). This change has little net effect on the overall cash total of public expenditure, but it does affect the distribution between programmes.

The pay factor does not imply that all public service pay increases will or should be 4 per cent. Some may be less, and some may be more. There is no automatic entitlement to any particular pay increase: each must be justified on its merits. The pay factor is a broad measure of what the Government thinks reasonable and can be afforded as a general allowance for increases in pay, at this stage of fixing the programme from which the public service wage bill has to be met.

All public service wages are paid for from rates, taxes or borrowing. Excessive wage increases can only mean higher rates or taxes or further cut-backs, for example in public sector capital investment, which will cost jobs in both public and private sectors. The lower the level of pay settlements, the more there could be available for job creating investment throughout the economy.

The cash expenditure figures arrived at by applying these pay and price factors provide a framework for the further Ministerial decisions to be taken later. The final cash provisions for individual programmes, and where appropriate cash limits for next year, will follow from those further Ministerial decisions to be taken subsequently.

The Rate Support Grant paid to the local authorities for 1982-83 will be determined by Ministers' decisions on the cash provision for local authority services which may themselves be affected by overspending in the current year. But the

framework will be the plans revalued using these factors of 4 per cent for pay increases and 9 per cent for increases in other costs.

Press Office
HM Treasury
Parliament Street
LONDON SW1P 3AG

136/81

Tel: 233 3415

Notes for Editors

Public expenditure surveys, Ministerial decisions on them, and public expenditure White Papers have hitherto been expressed throughout/prices ruling at an earlier time, known as "constant prices" or "survey prices", rather than the prices which might be expected to rule at the time the money is actually spent. For example the March 1981 White Paper set out the plans for 1981-82 and later years in terms of "1980 survey prices": these were broadly the prices ruling in autumn 1979. The Chancellor announced in his Budget/^{speech} the decision to express plans in future in terms of the prospective cash spend. He explained the objectives of the move to be to get away from the presumption inherent in the old volume system that what was once planned could always be afforded, however much its costs might have risen, to focus much more closely on the money actually spent, and to relate decisions to the cash that would be available. (Hansard, 10 March 1981, Col 768-9)

2. This year, as part of the change to cash planning, it is necessary to convert the existing plans in constant prices - 1980 survey prices - in the last public expenditure White Paper (Cmnd 8175) to the new prospective cash basis, to act as a starting point for this year's survey.

3. This conversion was done on a provisional basis in the Spring so that work on the survey could be in cash from the outset. It allowed for a general increase in all costs of 7% between 1981-82 and 1982-83, and increases of 6% and 5% respectively for the following 2 years.

It was envisaged from the outset that this provisional basis of revaluation would be reviewed at this point before the final stages of the survey, in which Ministers take their decisions. This review has now been made.

4. The 7% general factor provisionally applied for increases in all elements of cost between 1981-82 and 1982-83 is, as the notice says, to be replaced by separate factors of 4% for pay and 9% for other costs. The weighted average of these two factors is close to the provisional 7%. The change therefore will have very little net effect on the total for expenditure plans in 1982-83 in the last White Paper revalued to cash. But it does affect the split of totals by programmes.

5. The single factors for general increases in the subsequent 2 years, 6% and 5% respectively, are not changed.

6. The switch to cash planning has changed the sequence of decisions.

Decisions are no longer taken first on the plans in terms of "survey prices" and then on the cash limit factors to be used as part of the conversion of those decisions to cash limits/ and Estimates. Discussions and decisions on the survey are taken in cash throughout. This requires, at least for this year of the change, the general cash factors used in revaluing the existing plans from the old price basis to be confirmed - or to be revised - before the main decisions are taken. (This is some weeks earlier than the first cash limits factors would have been settled under the old system.)

7. Decisions on programmes may lead to reductions in some, increases in others compared with the last White Paper converted to cash. Such

decisions may include among other things, an adjustment upward or downward to the cash provision for a particular programme to allow, in whole or in part for movements in pay and prices which are especially affecting that programme and which are expected to differ significantly from these general factors.

8. As the decisions will be in cash, it will be possible to derive the cash limits from them without any further change in price basis. The presumption will be that cash limits will be set to correspond exactly to the decisions on programmes. Also, as now, the presumption will then be that cash limits, once set, will not be changed. If in an exceptional case, Ministers decide later to provide more cash than allowed in their original decisions on the programmes, that increase will have to be met from within the Contingency Reserve.

9. The 9% price factor represents what is considered realistic provision, on the basis of the information at present available, for the prices to be paid by departments. It is not a precise forecast.

10. The pay factor applies to the increase in earnings (basic pay plus overtime etc), not basic rates, and applies from settlement dates.

11. If a reduction in ^{manpower} numbers is planned (as in the Civil Service) that will be taken into account in the calculation of the provision for the relevant programmes.

Ref. A07182

MR WHITMORE

The Chancellor of the Exchequer sent me a copy of his minute of 15 January, expressing the view that the Prime Minister and he should see the Chairmen of the three pay review bodies.

2. For reasons which I indicated to you when his suggestion was first made in November (my minute of 11 November A05937), I think that it would be preferable for the Prime Minister not to see the Chairmen on this occasion - or, at any rate, not to see the Chairman of the Top Salaries Review Body.

3. I should be in any case inclined to think that it would be a mistake to get into any kind of habit whereby the Prime Minister regularly saw the Chairmen of the review bodies at this stage of their reviews; if it were to become a habit, it would be very difficult to discontinue it without disproportionate significance being read into that.

4. If there is to be any Ministerial contact with the review bodies of a kind which is intended to put the Government's point of view on public sector pay and cash limits, one possibility might be that it should come from the Ministers principally concerned, as suggested in paragraph 4 of the Chancellor's minute. It is arguable, however, that that would put at least the Secretaries of State for Defence and Social Services in an invidious position vis-a-vis the groups whose salaries the review bodies are advising on. Moreover, on that basis it would be arguable that the Chairman of the TSRB should be seen not only by the Chancellor of the Exchequer but also by the Lord Chancellor and the Secretary of State for Defence (because they deal with the judiciary and with senior officers in the armed services). These difficulties could be avoided if all three Chairmen were to be seen, either together or in turn, by the Chancellor of the Exchequer.

ROBERT ARMSTRONG

ROBERT ARMSTRONG

18 January 1982

await RTA
advise

AO
JV

(1)



Prime Minister

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

Past papers attached.
Please see Sir R Armstrong's
Do you wish advise
(Mug. I)

to see the Chairmen
yourself, with the
Chancellor?

PRIME MINISTER

I think it is a mistake to
see them regularly. I wonder if a
letter would be better, stating

Or would you prefer that

THE PAY REVIEW BODIES

that we shall refer in powerful
economic evidence sub.

John Mott, Norman Fowler, and the
Chancellor saw them?

A couple of months ago the Sub-Committee on Public Service
pay (E(PSP)) discussed what the Government's attitude to
the pay review bodies should be in the present pay round;
and I minuted you on 30 October about the outcome of that
discussion. One of the conclusions which I recorded was
that there would be advantage in your and my meeting the
Chairmen of the review bodies, as we did before they produced
their 1981 reports.

MES 15/1

Flag A

Flag B

2. In responding to my minute, your office reported - on
11 November - that you were doubtful about this suggestion,
but had come to no firm conclusion. We do now need to come
to a decision both on whether there should be Ministerial
contacts with the review bodies in advance of their 1982
reports, and if so on which Ministers should be involved.

Flag C

3. My view remains that we should proceed as last year,
and that you and I should see the Chairmen. The Secretary
of State for Defence strongly supported this view in his
minute of 9 November. The handling of the review body reports
may be more difficult this year than last, and we do not want
to give the review bodies the impression that we attach less
importance this year to getting recommendations which can
be reconciled with our wider economic objectives.



4. But if you feel otherwise, I think we must ensure that there is at least some Ministerial contact with the Review Bodies. What I would suggest is that the Ministers most closely concerned should see the respective Chairmen. (John Nott, Norman Fowler, and myself for the AFPRB, DDRB, and TSRB respectively.) I would be grateful for your views.

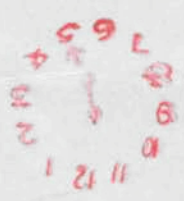
5. I am copying this minute to other members of E Committee, to the Lord Chancellor, and to the Secretaries of State for Scotland and Wales, and to Sir Robert Armstrong.

(G.H.)

15 January 1982



GORDON



15 JAN 1982

Original into

Joan Parnall

8/2.



CABINET OFFICE

A 9272

13 JAN 1982

FILING INSTRUCTIONS

FILE No. _____

10 DOWNING STREET

From the Principal Private Secretary

Mr David Wright
Cabinet Office

I enclose a copy of a letter, together with a copy of my acknowledgment, from Councillor Mrs. A.C.R. Rumbold about the Review Body on Doctors' and Dentists Remuneration.

I should be grateful if you would let me have a suggested Private Secretary reply dealing with the points raised by Mrs. Rumbold.

JW.

12 January 1982

Original into
Joan Potter 3/2.

12 January 1982

I am writing on behalf of the Prime Minister to thank you for your letter of 7 January about the Review Body on Doctors' and Dentists' Remuneration. This will be placed before her and a reply will be sent to you as soon as possible.

I do know, however, that the Prime Minister will be glad to learn of your willingness to continue as a member of the Review Body and will be grateful to you.

sgd. CLIVE WHITMORE

Councillor Mrs. A.C.R. Rumbold, C.B.E.

Royal Borough of Kingston upon Thames

*original with
from letter 8/1*
Councillor Mrs A C R Rumbold, CBE

Guildhall
Kingston upon Thames
KT1 1EU
Telephone: 01-546 2121

7th January 1982

The Rt. Hon Margaret Thatcher MP
Prime Minister
10 Downing Street
LONDON

Dear Mrs Thatcher

Thank you for your letter of 24th December reappointing me to the Doctors' and Dentists' Review Body for the current year. I shall, of course, be happy to serve again.

However I would like to take this opportunity to express a couple of personal reservations about the Review Body system. Obviously I fully understand the reasons why they were created at the time, and if I am critical of them at this time, I cannot offer a constructive alternative that could be guaranteed to be acceptable to the professions dealt with in this manner.

My first concern is that the Review bodies are using comparability as one of the criteria for setting pay levels at a time when market forces in the private sector are pulling pay settlements down, but no such forces operate in the public sector for a truly critical comparison to be made. Whilst it would be dangerous to say as a general rule that both Doctors and Dentists have other paths through which they can enhance their overall pay, it is certainly true to say that in certain parts of the country such as London and the Home Counties, many Consultants use private practice to achieve just that. Whilst I believe that to be perfectly acceptable, I do worry about the double standards of using both private and public sector pay to uplift awards in order to remain at the "right level" in the pecking order. This is particularly true at a time when the economy nationally is struggling out of a crisis which will certainly be more likely to succeed if pay increases are kept low.

The second concern which is mirrored in the other body dealing with pay negotiations on which I serve - the Burnham Committee - is where negotiations on pay take place in isolation from the conditions of service. It undoubtedly places the employees in a very strong position if they are able to claim that the employers must only price the job and not set down the ground rules for the money. It is less true of the Burnham Committee where at least the employers have the weapon of saying what the actual sum of money available is, and can say that the employees have to choose between higher money and fewer employees or lower increases and fuller employment. The Review bodies actually suffer from true lack of accountability although of course are protected from the ultimate responsibility by Parliament.

I suspect that you share the view that this second point is a serious impediment to negotiations and I wonder to what extent the Government is considering a change in this respect?

Yours sincerely

A. C. R. Rumbold

Geo
pat
B/C J Vereker

16 November, 1981

Judicial Salaries

The Prime Minister has seen and carefully noted the Lord Chancellor's letter of 9 November to the Lord Chief Justice on judicial salaries.

I am sending a copy of this letter to John Kerr (HM Treasury) and Jim Buckley (Chancellor of the Duchy of Lancaster's Office).

M H Collon, Esq
Lord Chancellor's Office

SK

SIR ROBERT ARMSTRONG

The Prime Minister was grateful for your minute (A05937) of 11 November.

You will know, from my letter to John Kerr of 11 November, and to David Omand of 16 November, what her conclusions on this subject are.

M. C. SCHOLAS

16 November, 1981

CONFIDENTIAL

R H



B/C John Vereker

10 DOWNING STREET

From the Private Secretary

16 November, 1981

DTTaw. PGO
 CDLO CS, HMT
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 POE DO
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The Pay Review Bodies

The Prime Minister was grateful for your Secretary of State's minute of 9 November about the Pay Review Bodies.

You will by now have seen my letter to John Kerr of 11 November, which records the Prime Minister's conclusions on this subject. The Prime Minister has commented that she sees the force of your Secretary of State's views, but doubts whether the Boards will carry on if Ministers make a practice of seeing them as proposed each year.

I am sending copies of this letter to the Private Secretaries to members of E Committee, the Lord Chancellor, the Secretaries of State for Scotland and Wales and David Wright (Cabinet Office).

M C 307 23

D Omand, Esq
Ministry of Defence

6

CONFIDENTIAL

Econ Pol
TSRB

CONFIDENTIAL

B
File



CC I. Vercher

10 DOWNING STREET

From the Private Secretary

11 November, 1981.

Pay Review Bodies

The Prime Minister was grateful for the Chancellor's minute of 30 October about what the Government's attitude should be to the Pay Review Bodies in the present pay round.

The Prime Minister agrees that all three Review Bodies should be allowed to report in the usual way. She agrees too that there should be a review by officials on the scope for modifying the Government's commitment to comparability between service and civilian pay. She has commented that the time has come to consider carefully the way in which the Government's commitment on armed forces pay might cover recruitment and retention factors. Finally, the Prime Minister is doubtful about the suggestion in paragraph 4 of the Chancellor's minute that there would be advantage in her, together with the Chancellor, meeting the Chairmen of the Review Bodies as they did before the 1981 reports were produced. The Prime Minister has here commented that it might be better to drop these meetings this year, and instead put the emphasis on getting the right message in the evidence given by the Government to the Review Bodies. She has, however, come to no firm conclusion on this latter point at the present time.

I am sending copies of this letter to the Private Secretaries to the other members of E, the Private Secretaries to the Lord Chancellor and the Secretaries of State for Scotland and Wales, and to David Wright (Cabinet Office).

M. C. SCHOLAR

John Kerr, Esq.,
HM Treasury.

CONFIDENTIAL

File

Prime Minister

Ref. A05937

MR. WHITMORE

You have already decided that you will probably not see the Chairmen but will concentrate on the evidence 9/11 I will tell Sir R Armstrong this

I have seen a copy of the minute which the Secretary of State for Defence recently wrote about evidence to the Review Bodies. MCS 13/11

2. I should remind you that I was consulted, very privately and confidentially, by Lord Plowden about the next TSRB Report, and whether they should go ahead with it in the usual way, despite the fact that they might well come up with a recommendation for an embarrassingly high figure in percentage terms. Before replying to Lord Plowden I had a word with the Prime Minister about this: she realised that the figure might be embarrassingly high on this occasion, given all that had happened in the past, but thought it right that the TSRB should carry on with their Review. Though the percentage increase figure might be high, it could be that in terms of its effect on cash limits it would not be too difficult to accommodate, given that the number of people concerned is very small.

3. I subsequently said to Lord Plowden that I thought that the right course was for the TSRB to carry on with their Review.

4. In the circumstances it might perhaps be best if on this occasion, as the Secretary of State for Defence suggests, the Prime Minister did not herself see the Chairman of the Review Bodies, but left it to Treasury Ministers to bring the economic arguments to the attention of the Review Bodies.

no - the Defence Secretary thinks you and not he shd see the Review Bodies

RA

ROBERT ARMSTRONG

MCS

11th November, 1981

Ref. A07182

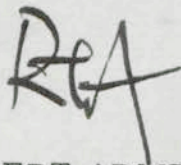
MR WHITMORE

TPM -
The Chancellor of the Exchequer sent me a copy of his minute of 15 January, expressing the view that the Prime Minister and he should see the Chairmen of the three pay review bodies.

2. For reasons which I indicated to you when his suggestion was first made in November (my minute of 11 November A05937), I think that it would be preferable for the Prime Minister not to see the Chairmen on this occasion - or, at any rate, not to see the Chairman of the Top Salaries Review Body.

3. I should be in any case inclined to think that it would be a mistake to get into any kind of habit whereby the Prime Minister regularly saw the Chairmen of the review bodies at this stage of their reviews; if it were to become a habit, it would be very difficult to discontinue it without disproportionate significance being read into that.

4. If there is to be any Ministerial contact with the review bodies of a kind which is intended to put the Government's point of view on public sector pay and cash limits, one possibility might be that it should come from the Ministers principally concerned, as suggested in paragraph 4 of the Chancellor's minute. It is arguable, however, that that would put at least the Secretaries of State for Defence and Social Services in an invidious position vis-a-vis the groups whose salaries the review bodies are advising on. Moreover, on that basis it would be arguable that the Chairman of the TSRB should be seen not only by the Chancellor of the Exchequer but also by the Lord Chancellor and the Secretary of State for Defence (because they deal with the judiciary and with senior officers in the armed services). These difficulties could be avoided if all three Chairmen were to be seen, either together or in turn, by the Chancellor of the Exchequer.



ROBERT ARMSTRONG

18 January 1982

FROM:

THE RT. HON. LORD HAILSHAM OF ST. MARYLEBONE, C.H., F.R.S., D.C.L.

2



to J. Vanech

HOUSE OF LORDS,
SW1A 0PW

Judiciary - In Confidence

Prime Minister

Prime Minister

MF

rus 11/11

Judicial Salaries

As you asked, I have replied to the Lord Chief Justice, who had sent both of us copies of the submission by the Heads of Divisions to the Review Body on Top Salaries. I have been careful to avoid offering more than sympathy; but it is my own view that the Heads of Divisions have a strong case, even if rather over-stated. While we could not possibly set the salary for the High Court Bench at a level which matched the highest earning at the Bar, there is no doubt that the present salary of £35,000 is so far below the earnings of those we want to attract that, unless there is a significant increase in 1982, we shall find it difficult to get the best Silks to accept appointment.

Clearly, we can do nothing until we have the next report by T.S.R.B.: but whatever we then do for the other groups concerned, we shall run serious risks if we hold the Judiciary to the very low increases for which we shall be hoping elsewhere.

I am copying this to the Chancellor of the Exchequer and to the Chancellor of the Duchy of Lancaster.

H: of Sr: M.

10th November, 1981



HOUSE OF LORDS,
SW1A 0PW

9 November 1981

Confidential

Dear Geoffrey :

Thank you for your letter of 9th October, attaching a copy of the memorandum submitted by the Heads of Divisions to T.S.R.B. The Prime Minister has asked me to thank you also for the copy which you sent to her.

I quite understand your concern about the present level of judicial salaries. None of my colleagues would doubt that it is of the first importance to maintain the quality and status of the Judiciary and, while I am not convinced that it is necessary to pay the very highest salaries to do this, there has never been any question of trying to get judges on the cheap. The Review Body has said that it intends to submit a full report by the beginning of April 1982, which will contain full recommendations on the salary levels appropriate at that date, and I have no doubt that, in framing their report, they will take very full account of your memorandum. They have asked me to give evidence next month, and I expect your points will be put to me by them. Meanwhile, you will understand that no decision on judicial salaries can be taken until Ministers have seen T.S.R.B.'s report.

yrs :

The Right Honourable
The Lord Chief Justice of England.



10 NOV 1957

PART 3 ends:-

9-11-87

PART 4 begins:-

10-11-87

