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CABINET

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THE PAY OF MINISTERS, MEMBERS OF PARLIAMENT  
AND SENIOR PUBLIC SERVANTS: TOP SALARIES  
REVIEW BODY REPORTS 14 AND 15

Memorandum by the Secretary of the Cabinet

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1. At their meeting on 1 July (CC(80) 26th Conclusions) the Cabinet instructed me to circulate a further note illustrating the options open to them in respect of the salaries of Ministers and of the groups covered by the 14th Report of the Top Salaries Review Body (TSRB), if it was agreed that the increase for Members of Parliament (MPs) should be reduced from the 14.6 per cent recommended in TSRB 15 to 9.6 per cent, to produce a salary of £11,750 from 13 June 1980. In the tables attached columns A and B show current salary rates and the rates recommended by the TSRB respectively. The basis on which the new options, shown in succeeding columns, have been calculated is described in the rest of this note.

MINISTERS

2. As to Ministers of State and Parliamentary Secretaries in the House of Lords, the Cabinet noted that they received neither a Parliamentary salary nor an attendance allowance, and wished to explore further the possibility of their receiving some payment in lieu. It is doubtful whether an attendance allowance (which is intended to defray the incidental expenses incurred by peers as a result of attending the House of Lords) would be appropriate for Ministers; and it would not be taxable. It is therefore recommended that the payment should take the form of an addition to the salary. It is suggested that the addition should be the same amount for Ministers of State and Parliamentary Secretaries; should be added to the salaries decided upon as a result of this review; and should thereafter be treated for all purposes as part of the salary. It is suggested that the amount of the addition should be £4,000, which is about 60 per cent of the amount of the Parliamentary salary drawn by Ministers of State and Parliamentary Secretaries in the House of Commons.

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3. Under existing legislation (the Ministerial Salaries Act 1975) it is not possible to prescribe one rate of salary for some Ministers of State (and some Parliamentary Secretaries) and another rate for others. But the rates prescribed under the Act are maxima. It would therefore be possible to give effect to the proposal in paragraph 2 by prescribing the new rates proposed for Ministers of State and Parliamentary Secretaries in the Lords as the rates for all Ministers of State and Parliamentary Secretaries, and ensuring that salaries were paid to the Ministers of State and Parliamentary Secretaries in the Commons at the lower levels by administrative action and through the Vote control.

4. Table I attached indicates the salary rates for Ministers which would result from the following decisions:

Cabinet Ministers

- C. Increases of 9.6 per cent
- D. Increases of 7.5 per cent
- E. Increases of 5.0 per cent

Ministers of State (Commons)

- C. Increases of 9.6 per cent

Ministers of State (Lords)

- C. Increases of 9.6 per cent
- F. Increases of 9.6 per cent plus the additional salary proposed in paragraph 2 above.

Parliamentary Secretaries (Commons)

- C. Increases of 9.6 per cent

Parliamentary Secretaries (Lords)

- C. Increases of 9.6 per cent
- F. Increases of 9.6 per cent plus the additional salary proposed in paragraph 2 above.

Salaries of other members of the Government (junior Lords of the Treasury etc) would be increased by 9.6 per cent.

TSRB 14 GROUPS (TABLES 2 TO 4)

5. The other tables attached show the salary rates for each of the four TSRB groups which would result from the following decisions:

C. Reduce the general level of increase recommended by TSRB 14 of about 19 per cent (ie excluding the additional increases recommended to restore differentials and to improve the relative position of the judiciary) in the same proportion as it is proposed to reduce the increase proposed by TSRB 15 for Members of Parliament (MPs) (that is to say, by 35 per cent to not more than  $12\frac{1}{2}$  per cent), but redistributable over the grades concerned so as broadly to preserve the pattern of differentials recommended by the TSRB. Such a decision would reduce the overall cost of the increases to TSRB 14 groups to about half the average increase of 25 per cent which would result from implementing the TSRB recommendations in full (including their proposed special treatment to deal with differential problems); it could still be represented, therefore, as treating these groups more harshly than MPs and Ministers by comparison with the TSRB recommendations.

D. Reduce the average increase to 9.6 per cent (equivalent to a reduction of 50 per cent from the general level of increase recommended by the TSRB), redistributing over the grades concerned so as to preserve the pattern of differentials recommended by the TSRB.

6. This memorandum does not illustrate the option of simply reducing all the TSRB 14 recommendations by 35 per cent, in line with the reduction proposed for MPs; this would produce an average increase of over 16 per cent, with figures ranging from £21,575 for Under Secretaries to £35,000 for the top Permanent Secretaries.

#### HIGHER CIVIL SERVICE (TABLE 2)

7. It will be seen that both C and D involve putting the rate for Under Secretaries below the Assistant Secretary maximum suggested by pay research; either C or D would therefore entail decisions to set aside pay research for Assistant Secretaries and to refuse arbitration on the scale to be imposed.

8. The scale in D would create a further severe compression of differentials, particularly between Assistant Secretaries and Senior Principals and Assistant Secretaries and Principals. It would also involve setting aside the results of pay research not only for 1,150 Assistant Secretaries (and 3,000 in grades linked to Assistant Secretary) but also to a smaller extent for 730 Senior Principals (and 1,200 in grades linked to Senior Principal).

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SENIOR OFFICERS OF THE ARMED FORCES (TABLE 2)

9. The scales proposed both in C and in D would create a reverse differential between the medical Brigadier and equivalent, whose salary resulting from the latest Armed Forces Pay Review Body (AFPRB) report is £21,000, and medical Major Generals and equivalent, who are at present paid at the same rate as "combatant" Major Generals and Under Secretaries. To put the salary rate for all those at that grade or rank at a sufficiently high level to give a reasonable differential between the medical Brigadier and the medical Major General would put the weighted average cost of the increase outside the ranges proposed.

10. We have considered whether it would be possible to avoid the problems referred to in paragraphs 6 and 7 by putting the Under Secretary rate up to, say, £21,750. This solution would be possible only if Ministers would be prepared to contemplate overall costs outside the ranges proposed and it would not be possible to compensate by sharper reductions at higher levels sufficiently to bring the weighted average cost within the ranges proposed, because of the large preponderance of numbers at the Under Secretary and equivalent level.

11. If that solution is unacceptable, the only solution to the problem of the medical Major Generals and equivalent (of whom there are only 18) appears to be to set a special rate for them at a level higher than the general rate for Under Secretaries and "combatant" Major Generals. They would have to be given a lead of £1,000 if the Under Secretary rate was set at £20,500 (Scale C) and of £1,500 if the Under Secretary rate was set at £20,000 (column D).

THE JUDICIARY (TABLE 3)

12. TSRB 14 altered the relativities between members of the judiciary and the other groups covered by its remit because of special factors applying only to the judiciary - briefly, the difficulty of recruiting lawyers of the necessary quality to the bench against the attractions of high earnings at the bar. Thus the High Court judge, who is at present paid at the same rate as a full Permanent Secretary (£28,500), was to have his salary increased by £1,000 more than that of a Permanent Secretary. The effect of applying a general "deflator" to all the TSRB recommendations would be to reduce these special increases, as well as the general increases, by 35 per cent. In Scale C for the judiciary we have rounded up the increases proposed (except for the Lord Chief Justice) so as to come closer (in some cases all the way) to restoring the cash value of the special increases recommended by the TSRB. This has put the weighted average increase for the judiciary in column C slightly above 12.5 per cent.

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NATIONALISED INDUSTRIES (TABLE 4)

13. The proposed options for Chairmen and Board members of nationalised industries are broadly compatible with the treatment proposed for other TSRB 14 groups.

Signed ROBERT ARMSTRONG

Cabinet Office

2 July 1980

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	A. Current Salary*	B. TSRB 15 recommended rate (% increase)	C. 9.6% increase	D. 7.5% increase	E. 5% increase	F. 9.6% increase + addition for Lords Ministers
	£	£      %	£	£	£	£
<u>MPs (backbenchers)</u>	10,725	12,300    14.6	11,750	-	-	-
<u>Ministers</u>						
Examples:						
Cabinet Ministers <sup>†</sup>	22,325	25,450    14	24,450	24,000	23,500	-
Ministers of State (Commons)	14,812	17,000    14.8	16,250	-	-	-
Ministers of State (Lords)	14,955	17,000    13.7	16,250	-	-	20,250
Parliamentary Secretaries (Commons)	11,262	13,000    15.4	12,350	-	-	-
Parliamentary Secretaries (Lords)	11,405	13,000    14	12,350	-	-	16,350

\* Current Salary includes second stage of 1979 pay increase

† For Lord Chancellor see Table 3

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TABLE 2: Higher Civil Service and Senior Armed Forces Officers

	A.	B.		C.		D.	
	Current Salary £	TSRB 14 recommended rates (% increase) £	%	About 12.5% increase for group as a whole £	%	About 9.6% increase for group as a whole £	%
<u>Higher Civil Service and Senior Armed Forces Officers</u>							
Head of the Home Civil Service) Permanent Secretary to the Tsy) Secretary of the Cabinet )	31,000	37,000	19.4	33,500	8.1	33,000	6.5
Admiral of the Fleet ) Field Marshal ) Marshal of the Royal Air Force )							
Permanent Secretary Admiral General Air Chief Marshal	28,500	34,000	19.3	31,000	8.8	30,500	7.0
Second Permanent Secretary	26,000	31,000	19.2	28,500	9.6	27,750	6.7
Deputy Secretary Vice Admiral Lieutenant General Air Marshal	22,500	27,000	20	24,500	8.9	24,000	6.7
Under Secretary Rear Admiral Major General Air Vice-Marshal	18,000	23,500	30.6	20,500	13.9	20,000	11.1
Percentage increase for group as a whole	-	-	27.2	-	12.4	-	9.8

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A.

B.

C.

D.

A. B. C. D.

Civil Service rates for grades below Under Secretary

	<u>Pay Rates</u> 1.1.80	<u>Pay Research Rates</u>		
Assistant Secretary	14,250 - 17,000	17,100 - 22,000	16,500 - 19,500	16,000 - 19,000
Senior Principal	11,750 - 15,000	14,000 - 18,000	14,000 - 17,500	14,000 - 17,000
Principal	8,850 - 11,750	10,600 - 14,000*	10,600 - 14,000*	10,600 - 14,000*

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\*1980 rate already in payment

Table 3: The Judiciary

	A	B		C		D	
	Current Salaries £	TSRB Recommended Rates (% increase) £ %	About 12.5% increase for group as a whole £ %		About 9.6% increase for group as a whole £ %		
Judiciary Examples							
Lord Chancellor (notional salary)	33,307*	38,700	16.2	36,000	8.1	35,000	5.1
Lord Chief Justice	37,000	43,000	16.2	40,000	8.1	39,000	5.4
High Court Judge etc	28,500	35,000	22.8	32,000	12.2	31,000	8.8
Circuit Judge etc	19,500	24,000	23	22,000	12.8	21,250	9.0
Masters and Registrars of the Supreme Court etc	17,250	22,500	30.4	20,000	15.9	19,250	11.6
Percentage increase for group as a whole	-	-	24.8	-	13.4	-	9.5

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\*2nd stage  
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	Current Salaries	TSHB Recommended Rates (% increase)		About 12.5% increase for group as a whole		About 9.6% increase for group as a whole	
	£	£	%	£	%	£	%
<u>Nationalised Industries Chairmen &amp; Members</u>							
Examples:							
BNOG							
- Chairman	53,500	63,500	18.7	58,500	9.3	57,500	7.6
- Members	29,250	36,500	25.3	33,000	13.4	32,000	9.7
	-37,750	-47,500		-43,000		-41,500	
British Steel, Post Office							
- Chairman	48,500	57,500	18.6	53,000	9.3	52,000	7.2
- Members	28,500	34,000	25	31,500	12.7	30,750	9.9
	-34,500	-44,500		-39,500		-38,500	
Aerospace, Airways, Gas, Rail, Shipbuilders, Coal, Electricity Council							
- Chairmen	44,000	52,500	19.6	48,500	10.2	47,500	8.0
- Members	23,250	28,500	25	26,000	13	25,500	10.6
	-28,750	-36,500		-32,750		-32,000	
Airports, Cable & Wireless Civil Aviation, Bus, Freight, Scottish Development							
- Chairmen	31,000	37,000	19.4	34,000	9.7	33,500	8.1
- Members	18,500		25.6	20,500	13.4	20,000	11.0
	-22,500		22,500		-26,000		-25,500
Docks, National Water Council							
- Chairmen	27,750	-29,000	33.3	32,500	17.1	31,500	13.5
- Members	15,750		45.1	19,250	23.2	18,500	18.3
	-19,750			-24,500		-23,500	
Percentage increase for group as a whole		-	24.1	-	12.5	-	9.6