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10 DOWNING STREET

From the Private Secretary

25 June 1980

*Dear Robin,*MPs' and Ministers' Pay

As you know, the Chancellor of the Duchy called on the Prime Minister this morning to discuss the TSRB Report on MPs' and Ministers' pay.

The Chancellor said that in many ways Lord Boyle's recommendation on MPs' pay was a godsend in that the percentage increase was significantly lower than most people had assumed. But by the same token it also raised difficulties for the Government: having recommended a relatively low figure of 14.6 per cent, it would be extremely difficult for the Government not to accept it. The Government were committed to implement up-dating this year by the pledge given at the time of last year's decisions. If the Government were to attempt not to implement this year's recommendation, there would be a serious risk of defeat at the hands of the Labour Opposition and on account of Tory abstentions. The suggestion that the onus for deciding what the increase should be should fall entirely on MPs was a non-starter: the Government would certainly have to take a view itself.

The Prime Minister said that, notwithstanding last year's pledge and the relatively low figure recommended, there were still strong arguments for trying to implement a lower figure. Some Members were already saying that, in the changed economic circumstances, it would be wrong to accept full up-dating; pay in both the public and private sectors was rising much too fast; and the latest figures for central government expenditure showed a very large increase compared with last year. Moreover, the up-rating recommended would take MPs' pay up by about 80 per cent compared with the position they had been in when the Government took office: this was a very large increase indeed. If the Government did not recommend a reduction below what Lord Boyle had recommended, it would be seen as failing to set an example for the coming pay round. One possibility would be to accept a recommendation on MPs' pay, but set an example by reducing the increases recommended for Ministers. But her inclination was to go for a reduction in MPs' pay as well. The Prime Minister suggested that a figure of £12,000, which would represent an up-rating of about 12 per cent, might be appropriate - rather than the £12,300 recommended. If the Government were to go down this route, it would be necessary to make similar reductions on the TSRB's recommendations for top public servants.

/The Chancellor

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The Chancellor of the Duchy said that he went along with the Prime Minister's view that Lord Boyle's recommended increases for Ministers would have to be reduced but he repeated that to do less than fully implement the recommendation on MPs' pay was very unlikely to succeed. Nonetheless, it was right to explore the options further.

The Prime Minister went on to say that she would be seeing Mr. Du Cann in the early afternoon. She would indicate to him that Ministers would almost certainly be accepting less than Boyle had recommended; she would go on to enquire how much less MPs would be prepared to take and would suggest - against the background mentioned above - that £12,000 might be appropriate.

We will let you know the outcome of this meeting since we understand that the Chancellor is seeing Mr. Du Cann this evening.

I am sending a copy of this letter to David Wright (Cabinet Office).

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R.A. Birch, Esq.,
Chancellor of the Duchy of Lancaster's Office.

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