

From

THE CHAIRMAN OF THE PARTY

The Rt. Hon. The Lord Thorneycroft

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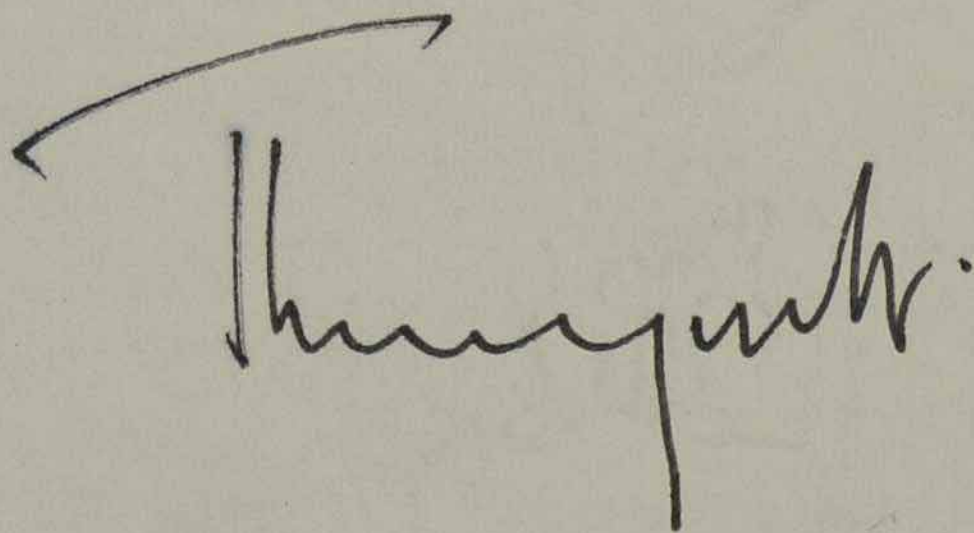
PT/SOB

30th June 1980

To/ THE PRIME MINISTER

TOP SALARIES

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



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