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CABINET

TOP SALARIES REVIEW BODY: REPORT ON TOP SALARIES

Note by the Secretary of the Cabinet

1. The Prime Minister has now received the Report of the Top Salaries Review Body (TSRB) recommending rates of salary appropriate at 1 April 1980 for the higher Civil Service, senior officers of the armed forces, the higher judiciary, and chairmen and board members of nationalised industries.

2. This Report will be brought before the Cabinet in a very few weeks' time, together with the TSRB's forthcoming report (still awaited) on the remuneration of Ministers and Members of Parliament, so that decision can be taken on the two reports together. In the meantime the Prime Minister has asked me to circulate to the Cabinet the attached Summary of the Report on "top salaries". It is proposed that the Cabinet should have a first discussion at its meeting on 19 June, so as to identify the problems which the two reports present for the Government and the considerations which will need to be taken into account in reaching decisions. The Cabinet will not be asked to take decisions at the meeting on 19 June.

3. In view of the nature of the subject, this note and the attached Summary are being given a limited circulation. Members of the Cabinet are asked to ensure that knowledge of the Summary and its contents is strictly confined to those who need to know for the purpose of providing them with essential briefing for the meeting on 19 June.

Signed ROBERT ARMSTRONG

Cabinet Office

16 June 1980

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TOP SALARIES REVIEW BODY : SUMMARY OF REPORT No 14

1. The Top Salaries Review Body covers the higher Civil Service, senior officers of the Armed Forces, the higher judiciary and nationalised industry Chairmen and Board members - 2,000 people in all. Report No 14 was sent to the Prime Minister on 12 June. It recommends increases averaging 25.8% (they vary from 16.2% to 30.6%) with effect from 1 April 1980. The total annual cost of the recommended increases for all groups is £10.9 million.

2. The Review Body has taken into account movements in outside salaries over the past year, but has given particular attention to the problem of compression and overlap between the salaries within its remit and salaries immediately below. In the case of the nationalised industries, there has been a deteriorating relationship between the salaries of Board members and those of senior managers reporting to the Board. In the higher Civil Service, there has been the compression between the Under Secretary and the maximum of the Assistant Secretary scale, negotiated on the basis of pay research evidence; and similarly in the Armed Forces the differential between the Major General (and equivalent) and the Brigadier (and equivalent) has narrowed. In the case of judges, the Review Body has examined the level of earnings at the Bar in years prior to appointment. These considerations have led the Review Body to recommend higher increases for those at the lower levels of the groups within their remit than for those at the top. Examples of the detailed recommendations are attached.

3. In the case of the nationalised industries, the Review Body has also recommended wider pay ranges for Board members and deputy chairmen (and more flexible movement within those ranges) in order to reward merit; and freedom to pay certain chairmen up to 10% more than the recommended rate in certain circumstances. The Review Body has, however, expressed doubts about its role in this area, because of the difficulty in reconciling a "review body" approach with a "market rate" approach.

4. The review body concludes that if Government and Parliament do not feel that its proposals are right, it is for them to set different terms of reference or to take responsibility for new means of carrying out its present functions.

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ANNEX

	Current Salary £	Recommended £	Increase %
<u>Higher Civil Service and</u>			
<u>Senior Armed Forces Officers</u>			
Head of Home Civil Service etc) Admiral of the Fleet) Field Marshal) Marshal of the Royal Air Force)	31,000	37,000	19.4
Permanent Secretary) Admiral) General) Air Chief Marshal)	28,500	34,000	19.3
Deputy Secretary) Vice-Admiral) Lieutenant General) Air Marshal)	22,500	27,000	20
Under Secretary) Rear Admiral) Major General) Air Vice-Marshal)	18,000	23,500	30.6
<u>Judiciary</u>			
Lord Chief Justice	37,000	43,000	16.2
High Court Judge	28,500	35,000	23
Circuit Judge	19,500	24,000	23
<u>Nationalised Industries</u>			
<u>Chairmen and Members*</u>			
ENOC			
Chairman	53,500	63,500	18.7
Members	29,250-37,750	36,500-47,500	25.3
British Steel			
Post Office			
Chairman	48,500	57,500	18.6
Members	28,500-34,500	34,000-44,500	24.6
Aerospace, Airways, Gas, Rail, Shipbuilders, Coal, Electricity Council			
Chairman	44,000	52,500	19.3
Members	23,250-28,750	28,500-36,500	25
Airports, Docks, Cable and Wireless, Civil Aviation, Bus, Freight, National Water Council, Scottish Development			
Chairman	31,000	37,000	19.4
Members	18,500-22,500	22,500-29,000	25.6

* increase calculated between ~~CONFIDENTIAL~~ of the ranges.