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COPY NO 83

5 May 1982

CABINET

PAY OF MPs AND MINISTERS IN 1982

Memoiandum by the Chancellor of the Exchequer and
The Lord President of the Council

1. The Select Committee on Members' Salaries published its report on 23 March. The Committee was concerned solely with the question of future pay arrangements. The report recommends reviews of MPs' pay each Parliament by the Top Salaries Review Body (TSRB) and the automatic adjustment of Members' salaries between reviews by reference to increases in the nearest percentile of the New Earnings Survey. It makes no proposals on the level of pay increases in 1982.
2. The Government's attitude to the Report, and in particular to the proposed link with the New Earnings Survey will be dealt with in a separate paper on the Report, which we will put to Cabinet. There is much to be said for debating the Report and the Government's proposals on MPs' pay together in the House. Meanwhile this paper deals only with MPs' pay for 1982.
3. Unlike previous years, the TSRB have not been asked to review the pay and allowances of MPs in 1982. This was because the Select Committee's review was in progress. We therefore start from a clean slate in the sense that we have no specific recommendations before us for a 1982 increase.
4. The final decision on Members' salaries rests with the House of Commons. We believe that the House will insist on some increase this year whether or not decisions have been reached on future arrangements. A sustainable case can be made for an increase of 4 per cent. There are a number of public service groups whose pay negotiations or arbitrations have yet to be completed, including teachers, nurses and various other National Health Service employees, and Local Authority administrative, professional, technical and clerical staff. An announcement of a 4 per cent increase for MPs might possibly influence negotiations and arbitrations for these groups towards moderate settlements. Any indication that we were prepared to contemplate offering more to MPs would certainly be prayed in aid to put strong upward pressure on all outstanding public service pay settlements.

5. Since we came into office, MPs - in the light of TSRB recommendations - have had very large increases in pay. The increase of 74 per cent agreed for them in 1979 was paid in three stages between 1979 and 1981. In 1980 they received a further 9.6 per cent, admittedly somewhat less than the 14.6 per cent proposed by the TSRB. Last year the TSRB recommended only that MPs' pay should be brought up as quickly as possible to the higher level they had recommended for 1980. In the event we decided to give MPs a further 6 per cent on top of their earlier increases. This brought their salary to £13,950. This was £200 more than the recommendation by the TSRB in 1980, reiterated in their 1981 report. Although there was obviously a large element of "catching up" in the increases they have received, an MP's salary is therefore now over double what it was in May 1979.
6. Against this background we are agreed that we should propose to the House a 4 per cent increase in MPs' pay this year.
7. The majority of Ministers have had a pattern of increases similar to that for MPs over the last few years (though Cabinet Ministers have done a little worse). We suggest that they too should get 4 per cent this year and that we should announce this at the same time as our proposals on MPs.
8. The decisions we are proposing to announce this week on the Civil Service, Armed Forces and doctors and dentists will inevitably affect the way a 4 per cent increase is viewed by MPs. The announcement of an award to the TSRB groups of the sort we are contemplating - around 14 per cent - might make matters even more difficult, but there is clearly a large element of catch-up in those awards. On timing, there are conflicting considerations. On the one hand, if the announcement about MPs' pay is linked to the TSRB announcement it may serve to offset it in presentational terms, and this could be an advantage. On the other, some MPs may react strongly to the discrepancy between the 4 per cent they are offered and the much higher awards for senior civil servants, senior ranks in the Armed Forces, and the Judiciary. But these feelings will be there even if the two announcements are not linked.
9. It would be possible to delay an announcement on MPs' pay until the settlement date of 13 June or even beyond providing an announcement and debate took place before the Recess. For MPs, but not Ministers, any award would be retrospective to the settlement date. But a delay much beyond that date would lead to increasing restlessness, and in principle an earlier debate on pay and on the Select Committee's Report seems desirable.
10. We should bear in mind that a pay settlement cannot be imposed; we have to carry the House with us. If the 4 per cent was accepted, well and good; but if an amendment were carried for a higher amount, we would not be bound to accept it, but the position would be difficult.

11. The TSRB has in the past dealt with two smaller matters when reviewing the pay of MPs and Ministers: secretarial and research assistance allowances of MPs and the Peers' expense allowance. We propose that MPs' allowances should be increased by 4 per cent in line with their pay, and it would presumably be appropriate to increase by the same amount the Peers' expenses allowance and the secretarial allowance for Lords Ministers. There is no necessary linkage between increases in pay and allowances, but they were increased by the same amount last year, and this would be the simplest and most straightforward course. But there is some feeling among MPs that the secretarial and research assistance allowances are inadequate, and there may be some pressure for more.

CONCLUSION

12. We invite Cabinet to agree that we should propose to the House of Commons that the pay of MPs and of Ministers, and MPs' secretarial allowances, should be increased by 4 per cent this year. The timing of an announcement needs to be considered in relation to plans for announcing TSRB and other public service pay awards. There are some arguments for linking them, but it is not essential to do so. We should, if necessary, also say that we are not yet in a position to respond to the Select Committee's Report, but we should give no encouragement about the part of their recommendation which suggests linking MPs' pay to the New Earnings Survey.

G H
J B

Treasury Chambers

5 May 1982