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cc Mr. Wolfson

PRIME MINISTER

MPs' PAY

The Chief Whip looked in this morning to report on his separate conversations with Kenneth Baker, Edward du Cann and Lord Boyle (in that order) on MPs' pay.

Kenneth Baker suggested to the Chief Whip that if the Boyle updating came out at, say, 18%, one way of dealing with it, rather than reduce it to, say, 10-12%, would be to pay it from 13 October instead of 13 June: in other words, the increase would be staged.

There seem to me to be two difficulties about this, as I told the Chief Whip. First, the figure will still be 18% even if it takes effect a little later, and will therefore do nothing to reduce the expectations of other groups in the next pay round. Second, if it is delayed until October, there will be another bout of publicity for it then - just as some of the first big pay claims, such as Fords and local authority manual workers, are coming up for settlement.

Edward du Cann told the Chief Whip that he saw the Government's difficulties if Boyle recommended an updating of something like 18%, but he reminded him of the various undertakings which the Government had given to implement whatever Boyle proposed and he generally gave the impression of seeing himself in the role of MPs' shop steward. However, in the course of discussion he did say that he thought the 1922 Committee might be ready to back an updating which took MPs' pay from the level of £10,725, which came into effect on 13 June 1980, to about £12,000 (ie the figure which is due to come into effect on 13 June 1981 as the third and last stage of last year's Boyle award). If the updated figure was in fact £12,012, this would give an updating increase of 12% precisely.

If we settled for some arrangement like this, then the figure for 13 June 1981 would be £13,287 (arrived at by adding to £12,012 the difference of £1,275 between the original third stage of Boyle (£12,000) and the second stage (£10,725)). There then remains the

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question of whether that figure should also be updated: the Government has, of course, given no commitment on this point.

Finally, Lord Boyle revealed that the updating for this year's figure which he is likely to recommend is 20%. When the Chief Whip expressed surprise that the figure was so high, he gave him an account of all the data which led to this conclusion, though he did say that he thought that he might be able to get the figure down to 18½% with a good deal of effort. Lord Boyle added that he hoped to submit his report to you on 26 June.

I know that you have been thinking of something more like 9% for the updating, but I think that if the 1922 Committee would go along with a reduction from 20% to 12% this would be worth settling for, if the alternative is for the Government to risk a defeat on a lower figure. Nonetheless, when you see the Chief Whip on Monday morning (when he will be ready to discuss all this with you), you will no doubt wish to explore with him the chances of getting the 1922 Committee to settle for something like 10%, even though this would produce a figure of less than the £12,000 to which Mr. du Cann seemed to attach importance.

JWW

6 June 1980

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