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CABINET

## TSRB REPORT No. 18: OPTIONS FOR ABATEMENT

Memorandum by the Chancellor of the Exchequer

1. Cabinet on 29 April (CC(82) 21st Conclusions, Minute 3) agreed to accept the rates of pay for senior civil servants, senior Service officers and the Judiciary recommended in the 18th Report of the Top Salaries Review Body (TSRB) subject to an abatement in the range of five percentage points to one-third of the increases in pay which would result from full implementation. I was invited, in consultation with the Lord Chancellor, the Secretary of State for Defence and the Lord Privy Seal, to produce options for implementing this decision.
2. The reasons behind Cabinet's decision were:-
  - a. We believed that acceptance in full of the recommendations of the Doctors and Dentists Review Body (DDRB) (which would have led to an increase in the pay of Doctors and Dentists averaging 9 per cent as from 1 April 1982) would jeopardise the success of the current negotiations on National Health Service pay and that accordingly the rate of increase to be implemented for Doctors and Dentists should be reduced on average to 6 per cent.
  - b. We did not believe that we could ask the Doctors and Dentists to accept this proposal if a similar cut were not also made in the rates of pay recommended in the 18th Report of the TSRB for senior civil servants, senior Service officers and the Judiciary.
3. The attached table illustrates three options for achieving the abatement we had in mind:-
  - a. Option A  
Reduce the increase in the pay of those covered by the TSRB report by 5 percentage points (the amount by which on average their current pay falls short of that recommended as appropriate at 1 April 1980). It could ~~then~~ be argued that both the TSRB and DDRB groups were being asked to absorb existing shortfalls on past review body recommendations. However, apart from the fact that the shortfalls on past TSRB and DDRB salary recommendations relate to different periods (TSRB is a shortfall on 1980 recommendations; DDRB on 1981 recommendations) this option takes no account of changes in the internal relativity of TSRB pay rates which have occurred in recent years, notably as a result of the restructuring of judicial salaries which took place in 1981.

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b. Option B

Reduce the increase in the pay of the TSRB groups by one-third. This could then be presented as an equivalent sacrifice to that being suffered by the DDRB groups (whose pay this year will be increased by 6 instead of 9 per cent). Again this is not an easy option to defend in detail. The average actual cut in the proposed increases in TSRB salaries would be 7 percentage points out of 22 and the problem of internal relativities would remain.

c. Option C

In view of the difficulties with both options A and B I have illustrated in the table a third option (Option C) which, while based on the one-third cut option, seeks to allocate the increases to individuals in ways which preserve the pattern of internal relativities set by TSRB 18. It is also very modestly more generous to the lowest ranks in each group in order to provide a little more 'clear water' between them and the ranks immediately below (eg Brigadiers and equivalents in the Armed Forces whose pay is now to be increased, following the Armed Forces Pay Review Body recommendations, to £22,750 and the senior Assistant Secretaries whose pay, following the Civil Service Arbitration Tribunal award, will be £22,200). Additionally I have sought to ensure that no individual will suffer a greater cut under this option than under option B. The combined effect of my proposals is to reduce the weighted average increase in TSRB salaries from current levels from the 21.9 per cent recommended by the TSRB to 16.5 per cent; and the increases over 1980 recommended levels from 16.6 per cent to 11.3 per cent.

4. If we adopt Option C - as I myself recommend - we will still face a difficult task explaining to those concerned why they should be more harshly treated than the Doctors and Dentists. But I do not think we should seek elaborate mathematical justifications. The internal line, I suggest, should be the simple one that, having decided not to implement the DDRB report in full, we felt obliged to abate the TSRB recommendations and that the abatement we have suggested is, in our judgment, the minimum necessary in the circumstances. Externally our critics will concentrate on the size of the increases not on that of the abatement. Our answer to them should be robust. We have a duty to ensure that new recruits to the judicial bench are of suitable calibre; and we have a duty to provide adequate career prospects and adequate rewards on promotion at the upper reaches of the Civil Service and the Armed Forces to enable them to function efficiently. Our decisions represent our judgment of the minimum pay increases needed to fulfil these duties.

5. Cabinet on 29 April envisaged that we should seek to come to a conclusion about the TSRB recommendations on 6 May, in order to be in a position to announce them, together with the other pay decisions, that afternoon. I accordingly attach a preliminary draft of a passage for possible inclusion in the overall announcement.

G H

Treasury Chambers

5 May 1982

DRAFT TSRB PASSAGE FOR THE PAY STATEMENT

1. The Report of the Top Salaries Review Body recommends increases in the pay of the higher Civil Service and senior officers of the Armed Forces averaging 13 per cent, and for the Judiciary 20 per cent, above the levels they recommended as appropriate at 1 April 1980. The combined increase averages 16.6 per cent. Because the 1980 recommendations have for the most part not been fully implemented the increases over the salaries currently in payment are somewhat higher: 19.4 per cent for the Civil Service and the Armed Forces; 24.3 per cent for the Judiciary; and 21.9 per cent overall.
2. The Government has no doubt that substantial increases in the salaries of these groups are now justified. It is in the national interest that we ensure an adequate supply of candidates of sufficient calibre for appointment to the Judicial Bench, and we need to provide an adequate career structure and suitable differentials in the higher reaches of the Civil Service and the Armed Forces to enable these vital organisations to function efficiently. At the same time, and particularly in view of its decision on the pay of Doctors and Dentists, the Government does not feel that it can implement the recommendations of the TSRB in full despite the powerful arguments advanced in favour of them in the Review Body's report.
3. The precise level of abatement to be applied to the TSRB recommendations is a matter of judgment. Full details of the Government's decisions are being made available in the Vote Office as are copies of the TSRB report itself. Broadly speaking the Government's decision means a weighted average increase in the salaries of the higher Civil Service and senior Officers of the Armed Forces of 14.3 per cent over salaries currently in payment and 8.0 per cent over the recommended rates of salary for 1 April 1980. The equivalent figures for the Judiciary are 18.6 per cent and 14.5 per cent. The combined figures are 16.6 per cent on average above current salary levels and 11.3 per cent above the salary levels recommended in 1980.

NOTE: The figures in the final three sentences above assume that Cabinet will choose Option C.

	(1)	(2)	(3)	(4)	(5)	OPTION A			OPTION B			OPTION C			number in group
	actual salary (£)	TSRB rec. for 1.4.80 (£)	TSRB rec. for 1.4.82 (£)	% increase (3) over (1)	% increase (3) over (2)	resulting salary (£)	% increase over current salary	% increase over TSRB '80	resulting salary (£)	% increase over current salary	% increase over TSRB '80	proposed salary (£)	% increase over current salary	% increase over TSRB '80	
Permanent Secretary to the Treasury } Secretary of the Cabinet } Field Marshal, etc }	35,845	37,000	45,000	26	22	43,200	21	17	41,950	17	13	42,000	17	14	3
Permanent Secretary, General, etc	33,170	34,000	40,000	21	18	38,350	16	13	37,700	14	11	37,750	14	11	42
Second Permanent Secretary	30,495	31,000	37,000	21	19	35,500	16	15	34,850	14	12	35,000	15	13	16
Deputy Secretary, Lt General etc	26,215	27,000	32,000	22	19	30,700	17	14	30,050	15	11	30,250	15	12	178
Under Secretary, Major General etc	21,935	23,500	26,000	19	11	24,900	14	6	24,650	12	5	25,000	14	6	682
Lord Chief Justice	44,500	43,000	56,000	26	30	53,800	21	25	52,150	17	21	52,500	18	22	1
Master of the Rolls etc	41,000	40,000	51,500	26	29	49,450	21	24	48,000	17	20	48,250	18	21	11
Lord Chief Justice (NI) etc	39,000	38,500	50,000	28	30	48,050	23	25	46,350	19	20	47,000	21	22	2
Lord Justice of Appeal etc	37,500	36,500	48,500	29	33	46,600	24	28	44,850	20	23	45,500	21	25	23
Vice Chancellor	37,500	36,000													
High Court Judge etc	35,000	35,000	45,000	29	29	43,250	24	24	41,650	19	19	42,500	20	20	99
President, Lands Tribunal (England and Wales) etc	25,500	26,000	31,500	24	21	30,250	19	16	29,500	16	13	30,000	18	15	4
President, Industrial Tribunal (Scotland) etc	24,750	25,250	30,500	23	21	29,250	18	16	28,550	15	13	29,000	17	15	19
Official Referee (London) etc	24,500	24,500													
Circuit Judge etc	23,250	24,000	29,000	25	21	27,850	20	16	27,100	17	13	27,750	19	16	441
Sheriff B (Scotland)	23,250	23,500													
Regional Chairman, Industrial Tribunals (England & Wales) etc*	22,750	23,500	27,000	19	15	25,850	14	10	25,600	13	9	25,750	13	10	18
Magistrates and Registrars etc	20,750	22,500	25,000	21	11	23,950	15	6	23,550	13	5	24,000	16	7	334
County Court Registrars etc	20,500	22,000													

\* Vice-Judge Advocate General now included in this group.