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CABINET

MEMBERS OF PARLIAMENT AND MINISTERS' PAY

Memorandum by the Chancellor of the Duchy of Lancaster

1. The Twelfth Report from the Review Body on Top Salaries (TSRB), recommends revised current levels of pay for Members of Parliament (MPs) and Ministers, new rates for the Peers' Expense Allowance and an interim increase in Members' Secretarial and Research Assistance Allowances. A further substantive report on the Secretarial Allowances and certain other remaining points is expected shortly.

THE PARLIAMENTARY SALARY

2. The Review Body draw attention to the fact that the Parliamentary salary has not been brought properly up to date for 7 years, and argue strongly for the introduction of a revised figure of £12,000 with effect from the due date of 13 June 1979. This represents an increase of 74 per cent over the current rate of £6,897 and of 28 per cent on the rate (£9,372) used for pension purposes. The Review Body do not themselves recommend staging of the increase, but recognise that the Government may need to propose this course to the House; in this event they suggest that full implementation should be completed by 1980. The cost of full implementation would be about £2.8 million in a full year.

3. The increases recommended are large (74 per cent for MPs and an average of 95 per cent for Ministers and Office Holders). However, they must be seen in context. It is 7 years since the salaries were last brought fully up to date. Since January 1972 prices have risen by nearly 160 per cent and average earnings by nearly 200 per cent. It is 4 years since the last independent review but MPs' current salaries are still below the level recommended then and Ministers' pay is only a little above its 1972 levels. There is no obvious basis for challenging the figures on their merits. They are consistent with trends in prices and earnings and are consonant with other recommendations from the Review Bodies. (The Lord Chancellor's current salary is for example related to that recommended for the Lord Chief Justice.)

LINKAGE

4. The Review Body were asked to re-examine the question of a salary link for Members in the light of the strong views held by many Members, as evidenced by the passing of the 1975 Resolution which expressed the desirability of a link with the Assistant Secretary grade in the Civil Service "... not later than 3 months after the next General Election ...". TSRB have re-examined this issue carefully but have repeated the conclusion reached in their First and Seventh Reports that a link to a particular group would be wholly inappropriate. They believe that a better course would be to reflect movements at levels of pay comparable to the salary of an MP. In short, they conclude that it would be right for Members' pay to be subject to independent substantive review every 4-5 years with updating in the interim years on the basis of a link with an appropriate point in the New Earnings Survey (published annually by the Department of Employment in October).

5. There are a variety of factors to be considered here. There is a very strong body of support in the House for some kind of linkage, and in particular for a link with the Civil Service. Members are naturally concerned about the invidious position in which they find themselves in having to make a decision affecting their own personal interest, and it is argued that this situation tends to inhibit the House from voting a realistic salary for its Members. The strength of feeling among Members on this issue can be seen from the support given to the following Resolution of the House passed in 1975:-

"That in the opinion of the House it is desirable in principle that the salaries of members should be regulated to correspond with a point on the scale paid to an Assistant Secretary in the public service, not later than three months after the next General Election, and annually until that date, the salaries of Members should be increased by not less than the same amount of increase as these Assistant Secretaries."

6. We must weigh against this the TSRB's clear contrary views which will of course be made public. Moreover, we should recognise that should we choose to reject the Review Body's views and go for a link for example with Assistant Secretary we might be faced with increases considerably in excess of those already recommended. A link with a lower grade on the other hand might be objected to in the House. Further, we should recognise that, even on the basis of the link proposed by the Review Body, Members' pay may well be at such a level as to leave no room for the irregular substantive reviews every 4-5 years to recommend any further increase. For example, the £8,000 recommended by TSRB in 1975 would have been updated to £11,712 in 1978 and probably above £12,000 this year. Finally, we should recognise that if we accept linkage we will face public charges of not only having index-linked pensions but also index-linked pay.

7. Nevertheless, having regard to all these facts and especially the strong feeling in the House, I believe that our best course is either to accept the TSRB's views and propose to the House interim updating on the basis of the New Earnings Survey, or to accept in principle that there should be a link with the Civil Service. Further detailed work would be necessary to establish precisely what Civil Service rate would be appropriate, and whether it would remain necessary to subject the levels to continuing independent review every 4-5 years.

MINISTERS' ABATED PARLIAMENTARY SALARY

8. The counter-inflation measures of 1975-79 led to three rates of Parliamentary salary being in force for Ministers (£3,529 Cabinet, £4,299 non-Cabinet, £4,642 Whips) whereas a common rate existed previously. TSRB recommend a new common rate of £7,000 representing increases ranging from 51 per cent to 98 per cent on the current rates at a cost of about £250,000 per annum.

MINISTERS' AND OFFICE-HOLDERS' PAY

9. The Review Body's last recommendations on Ministers' pay (Report No 8) were not implemented because of the previous Government's counter-inflation measures; these salaries are thus even more out of date than those of Members. Individual increases ranging between 50 per cent and 150 per cent (and in the case of the Deputy Chief Whip Commons, 209 per cent and Chief Opposition Whip in the Lords 239 per cent) are recommended in the current report resulting in an average increase on the salary bill of 95 per cent. The Prime Minister's salary would be raised from £22,000 to £33,000 and a Cabinet Minister's from £14,300 to £25,000. In place of the present £8,250-£10,450 range for Ministers of State, two distinct salary levels are recommended - £20,000 for Ministers in charge of Departments but outside the Cabinet and £17,000 for other Ministers of State. Parliamentary Secretaries move from £6,050 to £13,000 and the Whips from £4,400 to £11,000. The cost of implementing these proposals would be around £900,000 per annum. The TSRB have noted that the work of the Leader of the Opposition has greatly expanded in recent years and they have recommended a 110 per cent rise to £22,000 per annum.

10. TSRB are known to be strongly critical of the current position on Ministers' pay; they have voiced objections both in top salaries reports and in evidence to a Select Committee. They are particularly concerned that the salary of the Lord Chief Justice exceeds the Lord Chancellor's and that the exceptionally low pay of the Lords' Whips could have an adverse effect on business.

SECRETARIAL AND RESEARCH ALLOWANCE

11. The TSRB intend to return to this allowance in their next Report which may be expected shortly. For the present they propose a modest interim increase of £400 to £4,600 per annum.

PEERS' EXPENSE ALLOWANCE (PEA)

12. The Review Body's previous recommendations (Report No 9) for dividing PEA into separate claimable elements was not adopted by the previous Government. Instead, the existing daily maximum of £13.50 was retained but a higher figure of £16.50 was introduced for Peers staying overnight in London. In their current report, the majority view of TSRB is that the earlier recommendation should stand. They feel that there should be clear guidance for Peers on which items of expenditure may be claimed, and that it should be incumbent on Peers to distinguish between certain broad categories of expenditure in submitting a claim. The new recommended maximum for each item is:

Overnight subsistence	£18.50
Day subsistence and incidental travel	£ 9.00
Secretarial costs, postage and certain additional expenses	£ 8.50

IMPLEMENTATION

13. There seems no basis for taking issue with the recommendations on their merits, particularly having regard to the rise in prices and earnings since the last reviews. Moreover, these recommendations appear consistent with other recent recommendations from the three Review Bodies.

14. There are obvious difficulties about implementing increases in Parliamentary pay and allowances at any time. Such increases, however well founded, will always provoke comment, and there is an argument for facing this difficulty at an early stage of Parliament and immediately implementing the full recommendations. This action would be presented as giving Members and Ministers an appropriate income for the first time in 7 years. Deferring acceptance in some form will not make the problem go away; it will return in future years in a more acute form.

15. However, the arguments for recommending a staged increase are even stronger. This would be consistent with our action on the other recent Review Body Reports (except that on the Armed Forces where for special reasons we agreed on immediate full implementation), whereas immediate implementation of the full amount would be criticised as giving MPs and Ministers a better deal than recent public service settlements. There is

moreover always the consideration that we should continue to set an example in the matter of pay restraint. In the event of a decision to stage the introduction of the new rates, the TSRB recommend that the full amounts be promulgated for pension purposes immediately.

CONCLUSION

16. I invite the Cabinet to agree that we should accept:
- i. The TSRB recommended salary levels for both MPs and Ministers and Office-Holders.
 - ii. Implementation subject to staging (of the options in the Annex I recommend E or F).
 - iii. The establishment of a linkage either with the New Earnings Survey or with the Civil Service.
 - iv. Immediate promulgation of the full salary levels for pension purposes.
 - ~~v. Interim updating for MPs on the basis of the New Earnings Survey.~~

I understand that the Leader of the House of Lords would similarly support adoption of the Review Body's recommendations on Peers Expense Allowance.

17. Colleagues will recall that the expenditure in question is not subject to cash limits.
18. The House will be anxious to know what is contained in the Report and, if Cabinet accepts the above recommendations, I would recommend that we announce our decisions to the House by means of an arranged written Parliamentary Question when the Report is published tomorrow. A debate would follow shortly after, in the week beginning 2 July.

N St J S

Privy Council Office

18 June 1979

OPTIONS FOR STAGING THE £12,000 RECOMMENDATION FOR MPs

	June 1979	Jan 1980	April 1980	June 1980	Nov 1980
(A) Full implementation	£12,000 →				
(B) 50% now; balance in 6 months	9,450	£12,000 →			
(C) 50% now; balance in 12 months	9,450			£12,000 →	
(D) 3 stages	8,600		£10,300	12,000 →	
(E) 3 stages, switching to automatic updating based on New Earnings Survey from Nov 1980	9,450			10,725	£12,000 → + updating
(F) 3 stages, switching to automatic updating based on a link with the Civil Service from April 1981	9,450			10,725	Apr 1981
					£12,000 → + updating

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