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CABINET

MPs' AND MINISTERS' PAY

Memorandum by the Chancellor of the Duchy of Lancaster

1. Following the response of the House to our proposals for dealing with the 12th report of the Review Body on Top Salaries (TSRB), the Chief Whip has discussed with the 1922 Committee a possible package of improvements. These include:-

- i. a guarantee that the staging process would be completed irrespective of any pay freeze;
- ii. an undertaking that MPs' pay would be reviewed biennially by the TSRB;
- iii. a commitment to update the 1980 stage, perhaps by further reference to Boyle, although no such commitment could be given for 1981 at this time.

2. The 1922 Committee have now considered this and the Chairman has reported that, whilst the Committee is now prepared to concede staging, they wish to propose an alternative package comprising:-

- a. the salary of MPs to move immediately to £9,372 per annum (the current pensionable rate) with Ministers and Office-Holders to receive pro-rata increases;
- b. the balance of the recommended £12,000 to be paid in two equal stages in June 1980 and June 1981;
- c. updating in 1980, 1981 and indefinitely thereafter on the basis of a linkage with one or more professions to be devised by TSRB.

3. The main differences between our amended proposals as put forward by the Chief Whip and those now suggested by the 1922 Committee are:-

- i. The 1922 Committee proposes a larger increase this summer - an extra £774 per annum for Members (35.9 per cent on current salary instead of 24.7 per cent), and pro-rata an extra £1,724 per annum for a Cabinet Minister, and an extra

£149 per annum abated Parliamentary salary for Cabinet Ministers. However a small number of Ministers and Office-holders would in fact be worse off under the 1922 proposals (see Annex for details).

ii. The 1922 proposals would commit the Government to updating both of the remaining stages of the implementation of TSRB 12 thus going beyond what has been done for other TSRB groups and for the Doctors' and Dentists' Review Body; and

iii. would imply updating on a continuing basis indefinitely with no independent review of that updating mechanism at all. An open-ended commitment such as this has only been given to the Police and Armed Forces to date.

4. In the light of what we now know of opinion in the Party we must recognise that, whilst the 1922 proposals before us go further than we had originally intended, they have a certain merit. There would be obvious difficulties about accepting them after the public statement of our earlier proposals, but we must bear in mind the probability that we face a long, hard winter on the pay front and it would be most unhelpful for the Government to be defeated in the House on this matter at this time.

5. However, if we are now prepared to move beyond the amended proposals that the Chief Whip has been canvassing, I would see great merit in going slightly beyond the proposals of the 1922 Committee and adopting the original Boyle recommendation of paying 50 per cent at the first stage. This would move MPs' pay to £9,448.50 this June - an increase of £76.50 over the 1922 Committee's proposals - and a Cabinet Minister's to £19,650 - some £59 per annum above. We would then be able to represent our action as being in accord with the recommendations of an independent Review Body and we could not be represented as having acceded completely to the approach demanded by our backbenchers. Obviously if we are to ask Lord Boyle to make further reports - on Members' allowances, on the form of a future linkage of Members' pay and of Ministers' pay in the future - then there is advantage in accepting his recommendations where possible. Moreover, the smaller is the difference between what we are finally prepared to accept and what Boyle originally recommended, the greater is the argument for moving to Boyle's recommendation itself.

6. As to the 1922 Committee's proposals on linkage the only amendments that I would recommend are that we should seek to have the link based on more than one analogue and we should reserve our position about possible future independent reviews of the linkage chosen; perhaps every 5 to 7 years.

7. Accordingly, in the light of all the factors, I recommend that we now agree to adopt the proposals put to us by the 1922 Committee, increased slightly to coincide with Boyle's original recommendation for June 1979 and that we inform the Chairman of the Committee accordingly. We should also consider how best to launch urgent discussions with the other parties to ensure the maximum support for our revised proposals.

N. St. J. S.

Privy Council Office

4 July 1979

	<u>Current</u>	Govt's original proposal	<u>June, 1979</u> 1972 proposal	Boyle Staging (50%)
of Parliament	6,897	8,598	9,372	9,448.50
Minister	14,300	17,867	19,434	19,650
er of State	8,250/ 10,450	11,167/ 12,633	11,212/ 14,202	12,625/ 13,725
mentary Secretary	6,050	8,367	8,222	9,525
Chief Whip	5,500	9,333	7,474	11,250
Lords	5,522	7,348	7,504	8,261
Commons	4,400	6,600	5,980	7,700
Opposition	10,450	14,300	14,202	16,225