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PRIME MINISTER

The Review Body Reports  
(C(81) 16 - 19 and the Lord Chancellor's letter of  
27th April to the Chancellor of the Exchequer:  
C(81) 13 and my minute of 28th April to  
Mr. Whitmore are also relevant)

BACKGROUND

*Red. Folders →*  
*Returned to Cabinet Office*  
The Reports of the three Review Bodies (Top Salaries, Doctors and Dentists and Armed Forces) have been circulated to colleagues under cover of C(81) 16. In considering them the Cabinet will also need to look across to the problems of the pay of Members of Parliament and Ministers (the record of the last discussion of which I attach a copy), to the current pay dispute in the Civil Service, and to the stalled negotiations on Nurses' pay.

2. The three new Review Body Reports can be briefly summarised as follows:-

- (a) TSRB 16: makes no new recommendations but urges the Government to implement the salary levels they proposed last year as appropriate from 1st April 1980 for the Judiciary, senior Civil Servants and the senior ranks of the Armed Forces. The actual percentage pay increases needed to achieve this from current salary levels are set out in the table on pages 11, 12 and 13 of the Report. They range from 7.5 to 15.4 per cent and average 12 per cent. The Report also announces that it is the Review Body's intention to submit a full report by 1st April 1982 containing "full recommendations on the salary levels which are appropriate at that date". In his letter of 28th April (attach to my minute of that date) Lord Plowden has set out the TSRB's views on how an increase of 7 per cent should be distributed. Either 6 or 7 per cent would still leave these groups on salary levels below those recommended for 1st April 1980.

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- (b) AFPRB 10: the Report states (in paragraph 103) that their recommendations involve an average increase of 10.3 per cent over present rates and of 9.4 per cent when increased charges for food and accommodation are taken into account. These recommendations have been arrived at by the Review Body's normal, and very detailed, processes of comparability and are net of a much increased deduction for the value of Armed Forces' pensions (11 per cent). The resulting recommended pay rates for service men and women cover a wide span and range from 8 per cent to 10½ per cent for Corporals and below, 10 per cent to 13½ per cent for Warrant Officers and senior non-commissioned officers, and 12½ per cent to 14.9 per cent for commissioned officers. The recommended increase for Brigadiers (the highest rank covered by the AFPRB) is 14.5 per cent.
- (c) DDR 11: the Report recommends increases of about 9 per cent across the board though a proposed recoupment of over-payments to Dentists would reduce the cost of implementing their full recommendations down to 8.3 per cent.
3. The position on the three other related groups (MPs and Ministers, the non-industrial Civil Service and the Nurses) is as follows:-
- (a) MPs and Ministers: both MPs and Ministers will automatically receive, in June, the "third stage" pay increases agreed last year. In the case of MPs, this increase is worth 11.9 per cent, and would take the salary from £11,750 to £13,150. Early in April the Lord President and the Chancellor of the Duchy recommended to Cabinet (in C(81) 13) that both groups should receive this year the third stage plus 6 per cent (option D), which would give a salary 18.7 per cent above that now in payment. In most, though not all, cases (Cabinet Ministers being the main exception) option D would bring this year's salaries slightly above the levels proposed by TSRB last year as appropriate for 1st April 1980. Cabinet Ministers would however be 2.4 per cent below the TSRB 15 recommended rates.

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- (b) The non-industrial civil service have been offered and have so far refused 7 per cent from 1st April 1981. With the exception of the TSRB grades and the Assistant Secretaries and Senior Principals, all non-industrial civil servants are now receiving the full pay research rates appropriate to 1st April 1980. There are some signs that the Civil Service unions are concentrating more of their attention on the size of the 1981 increase. The Government has not yet committed itself to binding arbitration in 1982 but such a commitment may be part of the final package.
- (c) Nurses: the Nurses have been offered and refused 6 per cent this year. They are waiting to see what the Government offers the Doctors and Dentists before taking their negotiations further. The strong assumption is that they will not be prepared to settle for less than the Doctors and Dentists receive. The Nurses fared worse than the Doctors last year, and a sense of grievance remains from last year's settlement.

4. The Chancellor of the Exchequer held a private meeting yesterday with the Ministers primarily concerned with the Review Body Reports and with the Lord Chancellor. I understand that the papers now submitted to Cabinet by the three Ministers remain virtually as drafted before the meeting. The Lord Chancellor's position is less clear. His basic view was that his difficulties over recruitment to the judicial Bench would only be solvable if the Judiciary and the Review Body could be assured that the Government intended "barring circumstances which we do not at present foresee, substantially to implement the 1982 recommendations" when these are to hand. The Lord Chancellor guesses - but on the basis of the other Review Body Reports his guess appears reasonable - that this might imply a commitment to increase judicial salaries next year by some 20 per cent over the levels to be set now. The papers from the other Ministers make the following recommendations:

- (a) Armed Forces. Implement in full.

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- (b) Doctors and Dentists. Reject the Report and offer 6 per cent instead (with some tempering of the wind to the Dentists).
- (c) TSRB groups. Reject bringing current salaries up to the levels recommended as appropriate at 1st April 1980 but instead give 7 per cent with distribution to be recommended by the TSRB.

5. Leaving aside the Armed Forces (where there is an overriding commitment), the problem is one of achieving a defensible consistency of treatment between a wide range of different groups in a situation where history has left each with a different starting-point and where each will be looking across at the treatment afforded to the others. To illustrate:-

- (a) If the recommendations in the Ministerial papers, including that for MPs and Ministers, were to be accepted as they stood, MPs would claim that, despite an increase of 18.9 per cent, they were being treated worse than any other group than the senior civil servants, officers and judges: they would not have been brought up to the level recommended by the TSRB for June 1980, and they would be only marginally <sup>above</sup> ~~due~~ that level from June 1981.
- (b) The Judiciary, the senior civil servants and senior members of the Armed Forces would see themselves, with the exception (marginally) of Cabinet Ministers, as the only group whose pay was still being held significantly below the rates recommended for 1st April 1980, whereas all the other groups would be getting more than that level.
- (c) While the Nurses might get a little more than the Doctors and Dentists, they would be likely to claim that last year's anomaly had not been corrected and that, despite the Government's past protestations, their position was one of continuing and sharp decline in real pay.

6. It is tempting to suggest that we should cut through the tangle and give all the Review Body groups (other than the Armed Forces) the pay recommended for them as of 1st April 1980. But that would mean senior civil servants getting an average of 12 per cent, more this time than their junior colleagues (though they got a lot less last year), and the Doctors and

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Dentists getting nothing this time (though they got the full recommended rates last year). It is also to be expected that Members of Parliament would regard the simple implementation of last year's recommended rates (£13,750) as doubtfully consistent with the Government's promises to them.

7. It needs also to be borne in mind that simple parity of treatment (i.e. a common percentage increase) this time between the TSRB groups, the Nurses and the non-industrial civil service cannot be achieved until the final settlement to the Civil Service pay dispute is known.

8. In considering these matters the Cabinet will also wish to bear in mind the problem of 1982 which the Lord Chancellor illustrates in his letter. On all the evidence (some of it displayed in the Review Body Reports) his prediction that next year's TSRB Report for the Judiciary etc. will throw up large recommended increases, must be right; his 20 per cent figure could be too low. Again the course of the Civil Service dispute is relevant. If the final outcome involves a commitment to binding arbitration next year, it will be difficult, if not impossible, to avoid a similar commitment to implement the DDRE and TSRB recommendations for 1982 when these are available. But a promise now to implement the TSRB's future recommendations, as suggested by the Lord Chancellor, would decrease the chances of the Government being able to avoid a commitment to binding arbitration for the remainder of the non-industrial Civil Service - and perhaps for the Nurses as well; and the Doctors and Dentists can be relied upon, if this year's recommendations are not implemented, to demand vocally and persistently full implementation next year - particularly if the TSRB groups are promised that. And the Government could not readily defend, for a third year running, giving the Doctors and Dentists the whole of what was recommended for them, while refusing it to the Judiciary and the senior ranks of the Civil Service and the Armed Forces.

9. In all of this, timing is going to be very important. I gather that the Chancellor's meeting yesterday took the view that the Review Body Reports should be published, and an announcement of policy made, in about 2 weeks' time. To do this before the Civil Service pay dispute has been settled could

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make the Government's position in that dispute much more difficult. The AFPRB Report in particular, with its structured comparability and some commonality of analogues with the non-industrial Civil Service, will provide the Civil Service unions with evidence with which to incite their members to hold out for a much improved offer this year. It is obviously difficult to sit on these Reports for very long when it is known that they have all been delivered to the Government; but, if it is at all possible, there would be a lot to be said for holding them back, and indeed for deferring final decisions on them, until the Civil Service dispute has been settled.

10. Indeed this is a seemingly insoluble tangle. The various groups concerned start in such different positions that it is difficult to see any resolution which does not create new anomalies and considerable presentational difficulties for the Government. This being so, there may be something to be said for suggesting at the outset that this should be treated only as a first discussion, and final decisions postponed until all concerned have had more time to reflect on the discussion, and on the points at issue.

#### HANDLING

11. It would be useful if you could remind your colleagues at the outset of the discussion of the cross-links between the recommendations before them, those made earlier to Cabinet about the pay of MPs and Ministers and with the pay settlements being sought with the non-industrial Civil Service and the Nursing profession. You might also emphasise the tactical and timing complications inherent in the situation. You might then ask the Lord President of the Council, the Secretary of State for Defence and the Secretary of State for Social Services to introduce their papers, the Lord Chancellor to talk about the Judiciary, the Chancellor of the Duchy of Lancaster to remind colleagues of the concurrent problem of the pay of MPs and Ministers, and the Chancellor of the Exchequer to comment generally. You might then seek the Cabinet's reactions to - not necessarily decisions on - the following questions:-

- (a) Do they agree that the Report of the Armed Forces Review Body should be implemented in full with effect from 1st April 1981?

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