

MOST CONFIDENTIAL RECORD
TO
CC(83) 21st Conclusions
Thursday 30 June 1983

PARLIAMENTARY
PAY AND
ALLOWANCES
:
Previous
Reference:
CC(83) 17th
Conclusions,
Minute 2

THE PRIME MINISTER said that the Top Salaries Review Body (TSRB), in their Report No 20 on Parliamentary Pay and Allowances, had proposed that the salary of Members of Parliament should be increased by 31 per cent, from £14,510 to £19,000. The Report contained proposals on pensions, including an increase in the accrual rate from 1/60th to 1/50th and an increase in the contribution rate from 6 per cent to 8 per cent. It also proposed increases in allowances for Members of Parliament and Peers, and large increases in the salaries of Ministers. She had already made clear the Government's general attitude to the recommendations for Ministers; it was now necessary to consider those relating to Members of Parliament. The proposals on allowances and pensions were very generous and, together with previous pay increases, could justify a much smaller salary increase than the TSRB recommended. The 31 per cent proposed by the TSRB was quite unacceptable and would have a disastrous effect on other pay settlements. There were two options: to reject the Report altogether and suggest a figure similar to recent public sector settlements; or to propose as a compromise an increase of, say, 15 per cent, in which case the pensions contribution rate might be set at 9 per cent.

In discussion the following main points were made -

- a. A proposal by the Government that the salaries of Members of Parliament should be increased by 15 per cent would contrast unfavourably with the 3.7 per cent increase in the old age pension and with other pay settlements in the public sector, which had been in the region of 5 per cent and were expected to be even lower in the forthcoming pay round. From that point of view it might be better for the Government to propose a low increase, accept the risk of a defeat in the House of Commons, and be prepared to distance itself from the House's decision. It was by no means certain that such a proposal would in fact be defeated.
- b. If a low offer were made, emphasis could be placed on the other proposals in the TSRB Report, especially those on pensions, which were very favourable. It was also relevant that in the previous Parliament Members' pay had risen from £6,900 to £14,510.
- c. If the Government proposed a low figure and was defeated, the authority of the Leader of the House and the Chief Whip could be damaged. Some of the Government's supporters had no additional sources of income, and Members of Parliament, unlike other public servants, had no security of tenure. There was substantial support for the TSRB recommendations. From that point of view it might be preferable for the Government to propose the lowest figure that was likely to be accepted by Parliament.

d. Whatever proposal the Government made, it was not clear how far it could distance itself from the final decision of the House of Commons. The size of the Government's majority could lead the public to associate the Government with whatever decision the House made.

e. The Government's attitude to the TSRB's recommendations on Ministerial salaries would be discussed in the following week. There would be difficulties, particularly for Parliamentary Secretaries, if the House approved a high increase for Members and if Ministerial salaries were not increased. A Member lost substantial tax allowances on becoming a Minister.

f. It was recognised that the question of Ministerial salaries in the House of Lords raised separate issues.

THE PRIME MINISTER, summing up the discussion, said that it would be necessary for the Chief Whip to take further soundings of opinion among the Government's supporters before a decision could be taken. An attempt should be made to influence them towards acceptance of a figure around 4 per cent, by pointing out the level of awards to pensioners and to others in the public sector, and of a pension contribution of 9 per cent (the equivalent of the 8 per cent effectively in force in the Civil Service). The value of the recommendations on pensions and allowances should also be stressed. It was clear that a high increase in the salaries of Members of Parliament could have an adverse effect on the Government's economic strategy.

The Cabinet -

1. Invited the Chief Whip to take further soundings of opinion among the Government's supporters, as indicated by the Prime Minister in her summing up of the discussion.
2. Agreed to resume their consideration of Reports No 19 and 20 by the Top Salaries Review Body at their meeting on 7 July 1983.