



Prime Minister

Ref. A08277

PRIME MINISTER

Public Service Pay

In your absence the Cabinet agreed yesterday morning:

- (1) to implement the Civil Service Arbitration Tribunal (CSAT) award for the non-industrial Civil Service;
- (2) to implement the Armed Forces Pay Review Body (AFPRB) recommendations;
- (3) to abate the Doctors' and Dentists' Review Body (DDRB) recommendations by three percentage points, and implement a 6 per cent increase;
- (4) to announce (1), (2) and (3) next week;
- (5) to abate the Top Salaries Review Body (TSRB) recommendations by an amount to be determined;
- (6) to defer an announcement on the TSRB decisions.

2. The Chancellor of the Exchequer was invited to co-ordinate the arrangements for announcing (1), (2) and (3).

3. On the TSRB recommendations, most Ministers were prepared to agree some abatement in view of the difficulties of the Secretary of State for Social Services, but the Cabinet did not finally decide by how much. Most of the Ministers who favoured any abatement favoured an abatement of five percentage points, as proposed by the Chancellor. The Secretaries of State for Social Security, Employment and Energy favoured abatement by one-third. The Secretary of State for Northern Ireland favoured abatement by one-half? A number of Ministers were sympathetic to the Lord Chancellor's problems of recruiting judges, and were prepared to contemplate a smaller abatement for judges than for the senior officers and civil servants, or even no abatement at all. In the end it was agreed to look at the consequences of abatement of five percentage points and of one-third, and to consider the choice between the two at a subsequent meeting.



4. The Chancellor of the Exchequer subsequently agreed that we should set out, in a series of tables, the salary rates that would result from each of these abatements, as compared with the rates now in payment and those recommended by the TSRB. He thought that it might well be possible to devise a sensible and coherent salary structure somewhere between these limits.

5. There was not much enthusiasm in Cabinet for a "staging" proposition, whereby whatever was abated for doctors and dentists and for the TSRB groups would become automatically payable next year.

6. There is not in reality much logic in the Chancellor's proposal for an abatement of five percentage points in the TSRB recommendations. The argument is that the 1980 increase left the TSRB groups 12 per cent short of the TSRB's recommendations, and that, by giving a further increase of 7 per cent in 1981, the Government left them 5 per cent short. In fact, of course, other groups (the rest of the Civil Service, the NHS, the doctors and dentists) also got 6 to $7\frac{1}{2}$ per cent increases in 1981; so the Government's decision for the TSRB groups still left them 11 to 12 per cent short, not 5 per cent short.

7. The logic of the abatement by one-third is that the decision not to restore to the doctors and dentists the 3 per cent deducted from the DDRB's recommendation last year reduced their recommendation for 1982 by one-third (3 per cent off 9 per cent), and that that should be matched by an abatement by one-third of the TSRB's recommendations.

8. That is a kind of presentational logic. It would still leave the TSRB groups with increases ranging from about 12 per cent to about 18 per cent. An equally valid presentational logic would be to say that the Government's decision left the doctors and dentists three percentage points short of the level recommended by the DDRB, and a comparable measure for the TSRB groups would be to abate the TSRB recommendations by three percentage points. That would produce slightly larger percentage increases for the groups concerned, but the difference would have no presentational significance in the contexts with which the Secretaries of State for Social Services and Employment are concerned: on any of these abatement formulae the percentage increases for the TSRB groups are going to be in the mid-teens.



9. There are, as you and other Ministers have said, valid reasons in terms of management and retention for implementing the TSRB recommendations in full. If they have to be abated in order to give the doctors and dentists a feeling that they are not being picked out for special discrimination, then that abatement should be as little as is necessary to achieve that objective. There is also the point made by you and others that, the nearer the Government get to the recommended levels for TSRB groups this year, the less embarrassment it is likely to face next year. On this basis it may be worth considering a third option of abating the TSRB groups by three percentage points.

10. I attach a table showing the three options at selected salary points.

11. Whatever the Cabinet decides, I think that it should be the same for all the groups covered by the TSRB recommendations. The Lord Chancellor argued his case vigorously on the judges, and attracted some sympathy; but the judges are already treated more generously than the other groups in the recommendations and to add to that discrimination in their favour in respect of abatement would add greatly to the resentment felt by senior officers of the armed forces and senior civil servants. That is another argument, perhaps, for going for a smaller rather than a larger abatement. Because the increases recommended for judges are larger than those recommended for senior officers and senior civil servants, abatement by a fixed number of percentage points is more favourable to the judges than abatement by a proportion of the recommended increase.

12. On the timing of the announcement of the decision on the TSRB groups, the Cabinet was concerned to defer it to spare embarrassment to the Secretary of State for Social Services in relation to the nurses' ballot and the discussions of NHS pay. I well understand that; but I fear that deferment of the announcement will only defer and not reduce embarrassment: if the announcement is not embarrassing in relation to the NHS, it will be thought to be embarrassing in relation to some later event, like the teachers' arbitration or the Annual Conference of the National Union of Mineworkers. I should have thought that, once the Cabinet has taken its decision, the announcement had better be got out of the way without delay.

REA

ROBERT ARMSTRONG

One the
Cabinet has
decided, surely,
there will be
leaks if
there is not
an immediate
announcement.

30th April 1982

MCS

CONFIDENTIAL AND PERSONAL

	A	B	C	D	E	F
	Salaries recommended as appropriate at 1 April 1980	Salaries currently in payment	Salaries recommended by TSRB	C minus 3 percentage points	C minus 5 percentage points	C minus one third
	£	£	£	£	£	£
Permanent Sec. { General etc. {	34,000	33,170	40,000	39,000	38,350	37,725
Deputy Sec. { Lt. General etc. {	27,000	26,215	32,000	31,215	30,700	30,075
Under Sec. { Major General etc. {	23,500	21,935	26,000	25,350	24,900	24,645
Lord Chief Justice	43,000	44,500	56,000	54,665	53,775	52,165
Lord of Appeal	40,000	41,000	51,500	50,270	49,450	48,000
Lord Justice of Appeal	36,500	37,500	48,500	47,375	46,625	44,835
High Court Judge	35,000	35,000	45,000	43,950	43,250	41,665
Circuit Judge etc.	24,000	23,250	29,000	28,300	27,835	27,085
County Court Registrars	22,000	20,500	27,000	26,385	25,975	24,835

CONFIDENTIAL AND PERSONAL