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PRIME MINISTER

Pay of MPs, Ministers and Junior Ministers  
in the House of Lords  
(C(81) 21)

BACKGROUND

The background to this issue is summarised in my note, C(81) 21.

*Eloy A*  
*DojB* —  
2. On 9th April the Cabinet approved the proposals in paragraph 13 of C(81) 13 for dealing with the pay of Junior Ministers in the Lords (C(81) 15th Conclusions, Minute 5). Of the five options in C(81) 13 for the pay of MPs and Ministers they narrowed the choice to:-

Option B. The figure of £13,150, fixed last year to take effect on 13th June 1981, to stand unchanged (giving an increase of 11.9 per cent on this year's salary).

Option D. The figure of £13,150 fixed last year to be increased by 6 per cent to £13,950 (an increase of 18.7 per cent on this year's salary).

3. In the Cabinet's discussion on 30th April (CC(81) 17th Conclusions, Minute 5) the Chancellor of the Duchy of Lancaster strongly recommended that Option D, which he and the Lord President had proposed when putting forward C(81) 13, should now be approved. He was supported in this by the Chief Whip. The Chancellor of the Exchequer, however, wished to leave open for further discussion this week the possibility of confining the increase to Option B.

4. The main arguments for Option D are:-

- (i) MPs would regard Option B as tantamount to a breach of the undertaking that the third stage would be reviewed and updated. On 21st July 1980 the then Chancellor of the Duchy of Lancaster undertook to Parliament that the TSRB would be asked to review the third stage increase due in 1981, and said that the Government would implement the results of the third stage review "unless there are clear and compelling reasons not to do so."




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- (ii) Setting aside the staged element, the 'new money' of 6 per cent is in line with that being offered elsewhere in the public services, and less than the 7 per cent for civil servants.
- (iii) To seek to deny it would provoke a long-running argument in Parliament now, to run serious risk of a Government defeat, and to build up problems for next year.

I have annexed to C(81) 21 an extract from the draft of an announcement by you on the Review Body Reports as an indication of what might be said if the Cabinet decide in favour of Option D and to announce that decision and those on Junior Ministers in the Lords together with the decisions on the other Review Body Reports. I shall be submitting to you separately a draft of the full statement, when I have all the Departmental comments on it.

5. The arguments affecting the choice between Options B and D are:-

- (i) Whatever the merits of the case for D, it would be represented by critical commentators as 18.7 per cent for MPs and a similar amount for Ministers when the going rate generally in the private and public sectors is in single figures. Option B is more 'respectable' in public relations terms.
- (ii) More specifically, and however unfairly, Option D, if announced soon, could make it much more difficult to settle the Civil Service dispute with 7 per cent in 1981.
- (iii) Option D could be represented as going beyond (for MPs and some Ministers) the expected recommendations in the new TSRB report which will be on the lines of urging the Government to implement the full recommendations made last year (£13,750 for MPs) as soon as possible. Unfavourable comment may also be made at the difference in treatment between what MPs and Ministers propose for themselves (roughly full implementation or better of last year's TSRB recommendations) and that which they intend for Judges, Generals etc., who will still,

  
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following last weeks decision, be significantly short of last year's TSRB recommendations. Only Option B would avoid this.

You will recall that the Secretary of State for Trade suggested that some of these problems would be eased if the announcement of the Government's decision on MPs and Ministers were deferred until after the other announcements. The general view seemed to be, however, that it was preferable to deal with all the announcements in one clean sweep, so avoiding the risks of leaks and the possibility of charges that the Government had deliberately held back revealing advantageous increases for themselves and for MPs.

6. You will note (from the last paragraph of the draft statement) that the House has to approve a Resolution and an Order in Council implementing the increases proposed in the remuneration of MPs and of Ministers with effect from 13th June, 1981. In the case of Ministers the law does not allow of retrospection; that is a further argument in favour of taking and implementing the decisions now.

#### HANDLING

7. You might open the discussion by inviting the Chancellor of the Duchy of Lancaster to re-state the case for Option D. The Lord President of the Council and the Chief Whip will wish to say whether they confirm their support. You might then ask the Chancellor of the Exchequer whether he wishes to press the case for limiting the increase to Option B and to establish whether any other Ministers support this view.

8. When the Cabinet has decided which option it approves, you will then need to decide whether that decision should be announced in the context of your statement on the three Review Body Reports or later. It should not be necessary to discuss in detail the draft which I have annexed to C(81) 21, which is subject to amendment.

#### CONCLUSIONS

9. In the light of the discussion you will wish to record:-

- (i) On whether the pay of MPs and Ministers should be increased to £13,150 (Option B) or to £13,950 (Option D) with effect from 13th June 1981.

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- (ii) On whether that decision should be announced next week as part of your statement on the Government's response to the three Review Body Reports, or later.
- (iii) If Option B were approved, to instruct me to prepare a revised draft of the statement in which the decision would be announced.

*RA*

Robert Armstrong

6th May 1981