

Prime Minister

CONFIDENTIAL

cc Mr. Mount
Mr. Walters

MR. SCHOLAR

Sec X
MLs 23/7

E(NI): NATIONALISED INDUSTRY BOARD MEMBERS' PAY

The Annex to the Chancellor's paper indicates that the proposals by individual Boards for percentage increases in pay are, in many cases, very large indeed - well beyond the limit of public acceptability and well beyond what we would need to pay to retain the existing incumbents. I think the Prime Minister may feel that it would be wrong for E(NI) to attempt to decide on individual salaries, and the decision the Committee has to take is therefore what guidance to give the Chancellor in determining each salary on a case by case basis.

No +

I do not believe that last year's approach, whereby they were in general held to the cash limit figure of 7%, was particularly successful, nor consistent with our desire to reward responsibility and performance. We suggest instead a range, from the 6% which has become the going rate in the public services (or less, if we can get it for Messrs Shelburne and Dearing) up to a ceiling in line with what we chose for top salaries - the Prime Minister will recall that we agreed to increases for senior members of the civil and armed service in the region of 14-17%. It would just about be publicly defensible to allow some Nationalised Industry Board members' salaries to increase by similar amounts, but increases over 6% would be agreed only where they were necessary to retain the individual concerned - and where we wanted to.

I think that Ministers will also wish to consider carefully the way in which any such arrangement becomes public knowledge. It might be best if we could get by with no blanket announcement, and to let a wide range of increases be announced over a reasonable period; but clearly the larger increases ought not to be announced either now, while we are in the terminal stages of the NHS dispute, or in October/November, when Mr. Scargill will be looking for excuses to stir up trouble.

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Finally, I think the repeated difficulty of handling the issue of Board members' pay emphasises the need for the Chancellor to be authorised to make progress as rapidly as possible on relating pay to performance, so that any increases of this order of magnitude in future years can at least be covered by a fig leaf of productivity or efficiency.

23 July 1982

JOHN VEREKER