

CONFIDENTIAL

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MR BUTLER

Prime Minister

I attach the paper. Clearly you will want to be involved in this.

cc Mr Mount
Mr Walters

Would you like to take this E(NI) meeting? Yes please

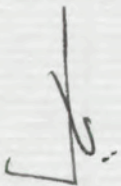
FERB 2.3. mf

BUSINESS: PAY OF NATIONALISED INDUSTRY BOARD MEMBERS

I understand from the Cabinet Office there they are proposing that the Chancellor's paper E(NI)(83)7 on the pay of nationalised industry board members be taken at a meeting of E(NI) on 9 March under the Chancellor's chairmanship. I think the Prime Minister will want to take this meeting.

I am always reluctant to suggest that the Prime Minister chair any meeting of E(NI), which has a poor track record of useful discussions. But the Prime Minister has always taken a keen interest in nationalised industry board pay; and, indeed, I think that it would be inconceivable for major decisions to be taken on it without her being closely involved. Furthermore, she has expressed a particular interest in one approach: the possibility of dividing board remuneration into two parts, one being a salary and one being a separate fee for board membership. The proposals in the Chancellor's paper are far-reaching, since they not only suggest a range for board pay increases this year, but also cover possible introduction of Performance-Related Pay; you may feel that the Prime Minister should have the opportunity to glance at the paper to see if she wishes to take the meeting.

In due course, we would wish to provide a brief: we think that a two-tier remuneration system could work, with the second tier being performance-related according to labour-productivity and capital-productivity criteria.



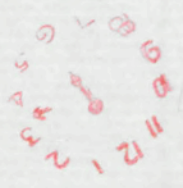
JOHN VEREKER

2 March 1983

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Handwritten text at the top of the page, including the phrase "I think the paper is cloudy" and "Would you like to be involved in this?"

LEB 3-8



2 - MARY 1983