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10 DOWNING STREET

From the Private Secretary

30 June 1983

Dear David,

MPs' Pay

The Prime Minister took a meeting this morning to discuss the TSRB report on MPs' pay and allowances. The Lord Chancellor, the Chancellor of the Exchequer, the Lord Privy Seal, the Secretaries of State for Defence and Employment, the Chief Whip, Sir Robert Armstrong and Mr. Gregson were present.

In discussion, it was noted that Mr. du Cann was supporting the proposition that the TSRB's recommendations should be implemented in full now, but that there should be no further increases during the lifetime of the Parliament. This was inconsistent with the recommendations of the Thomas Committee, but consistent with Mr. du Cann's earlier position. The merit of this view was that it involved no staging, and got away from the idea of annual salary increases for MPs. The difficulty was, of course, the sheer size of the increase involved, which would cause public resentment and would do great damage to the Government's efforts in the pay scene generally. An alternative would be for the Government to recommend a substantial abatement of the Plowden increase - say a 50% abatement, which would produce a salary of £16,750. This represented an increase of 15.4%. It would be possible to propose this with or without further annual increases to take account of rising prices later in the Parliament. It was noted that the majority opinion in the House was at present against staging, and that more and more Members seemed ready to accept something less than the full amount recommended by Plowden; a substantial abatement, however, would arouse much opposition.

In further discussion it was noted that the Government's earlier stance would make it difficult to rule out annual increases later in the Parliament to take account of rising prices. This argued for proposing a starting level for the Parliament as low as possible. There was general agreement that the non-pay recommendations of Plowden should be accepted in full, except that in relation to the pension contribution rate. Plowden was recommending increasing this from 6% to 8%, to help finance the greatly improved pension benefits he recommended. It was noted that, even at the higher level of 8%, the pension scheme was more generous than that which applied to the Civil Service, where the notional contribution rate was also 8%, yet the total cost of the

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scheme was 20% as against the 22% cost of the MPs' scheme. It was felt that to go above Plowden's recommendations, to a 9% contribution rate, would arouse disproportionate opposition amongst Members; but that it would be right to propose a 9% rate, in line with the Government's general policy of increasing contribution rates for public sector pension schemes.

In a brief discussion of a suggestion that there should be a provision for three months' redundancy pay for Ministers who had not been re-appointed, it was agreed that such provision was desirable, was unlikely to attract criticism, could not be retrospective, and would best be floated in a backbench amendment to the resolutions which would be put forward on Ministers' pay. It was also agreed that the Plowden recommendations in respect of reimbursement of Peers' expenses should be accepted.

Summing up the discussion, the Prime Minister said that she wished to defer consideration of Ministers' pay and the TSRB recommendations on top salary groups until the picture was clearer on MPs' pay and allowances. She would reconvene the meeting early next week to take the discussion further. You will no doubt have heard that there was substantive discussion about MPs' pay and allowances at the Cabinet meeting which took place later in the morning.

I am sending a copy of this letter to John Kerr (H.M. Treasury), Barnaby Shaw (Department of Employment), Murdo Maclean (Chief Whip's Office), Richard Hatfield (Cabinet Office) and to Peter Gregson.

I would be grateful if you and they would ensure that these copies are not further copied, nor circulated outside Private Offices.

*Yours sincerely,*

*Michael Scholar*

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David Heyhoe, Esq.,  
Lord Privy Seal's Office.

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