

CONFIDENTIAL

MR NORGROVE

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NATIONALISED INDUSTRY BOARD PAY

There really is no reason why nationalised industry directors should continue to expect higher basic pay increases than their troops. (Your recent PQ answer showed the average Chairman's salary has increased by 45% in real terms since 1979). If their individual performance has been particularly good then the right and proper way to reward them is by a performance-related bonus.

Only four nationalised industries currently have such schemes. This may reflect a lack of specific objectives being set for the other industries - not just on profit and cash flow but on privatisation dates, productivity etc. Objective criteria to measure performance are essential not just for rewarding the management but to force individual Departments to make clear exactly what it is they expect of the industries they supervise.

The Hay-MSL salary survey is horrifying. More than any other organisation Hay-MSL must be responsible for the explosion in white collar salaries of recent years. To let them loose on nationalised industry boards would be to guarantee another TSRB row.

We recommend that:

1. basic board pay rises be limited to the same as the workforces they control;
2. the only way Ministers should be even allowed to propose higher pay rises is through performance bonus schemes.
3. the Hay-MSL proposal should not be pursued.

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