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CABINET

MINISTERIAL COMMITTEE ON ECONOMIC STRATEGY

N.I. BOARD MEMBERS PAY: INVERSE DIFFERENTIALS

Memorandum by the Secretary of State for Energy

1 The Prime Minister announced on 7 April that under new, more flexible arrangements the pay of Nationalised Industry Board Members would be based on managerial and market considerations. On 2 July, however, E Committee agreed that increases this year should not exceed 7% unless exceptional treatment was approved collectively. Pay increases for members of the Boards of the British Gas Corporation and the Atomic Energy Authority have accordingly been limited to 7%.

2 In the case of the National Coal Board (NCB) and the electricity supply industry there are problems of inverse differentials between some Board members and senior officials in those industries reporting to the Board. These problems relate to Members of the National Coal Board and to Deputy Chairmen of the Area Electricity Boards. The Prime Minister's statement recognised that inverse differentials were one of the relevant factors meriting special attention in determining Board pay. To apply the 7% limit to all these Board Members would prevent us completely removing these inequities.

CAUSE OF THE PROBLEM

3 Boards have on occasion been able to hold pay increases for senior officers below the rates awarded to manuals. But, in settling pay for senior officers, Boards have had to take account of the pressure from below in order to produce over time a realistic pay structure which reflects the importance of the role of a top-line management in relation to the staff they direct. The main cause of the problem which has arisen in the NCB and the Area Electricity Boards is that the pay of Board Members has been held down below earlier recommendations by the TSRB.

4 Nonetheless I propose only to make a special case of Area Electricity Board Deputy Chairmen, who seem to me to have the more deserving case. The pay of all NCB and the generality of electricity Board members should therefore be increased by 7%.

ELECTRICITY INDUSTRY

5 An inverse differential between the salaries of the Area Board Deputy Chairmen and the most senior management grades has existed for 5 years. This arose because earlier TSRB recommendations for Deputy Chairmen were cut back. The differential has worsened recently. At 1 April 1980, the minimum for Deputy Chairmen was £3700 below the maximum salary of the Chief Officers they supervised. By 1 April 1981, this inverse differential had widened to £5820. (The present salary scales are: Deputy Chairmen - £17500 - £22500; Chief Officers - £20955 - £23320.)

6 I propose an increase in salary for the Deputy Chairmen ranging from 13.3% to 17.5% and a compression of their scale. This proposal would entail a consequential increase of 9.5% (rather than 7%) at the bottom of the scale for the Chairmen of the Area Boards in order to avoid a new inverse differential between Chairmen and Deputy Chairmen. The effect on salaries of all Board members in the electricity industry would be an average increase of 8.4%. The new scales would operate from 1 April. Details are in the Annex.

CONCLUSION

7 Increases for the NCB, and for most Board Members in the electricity industry, should be restricted to 7%. But I invite colleagues to agree that the problem of inverse differentials affecting Deputy Chairmen of Area Electricity Boards warrants special treatment and to approve the following increases:

- a 13.3% - 17.5% on a compressed scale for Deputy Chairmen of Area Electricity Boards:
- b a consequential increase of 6.9% - 9.5% for Chairmen of Area Electricity Boards.

The industry should then be told firmly that the Government will not in future take steps to remove inverse differentials and that it is up to them to keep down the salary range of senior staff if they wish to prevent a similar problem re-emerging.

Department of Energy

D A R H

11 September 1981

ELECTRICITY SUPPLY INDUSTRY (E.s.i.)

AREA BOARD CHAIRMEN AND DEPUTY CHAIRMEN PAY (IN £000'S)

AREA BOARDS	1 Current Salary (in force since 1980)	2 Recommendation by TSRB 14 1980	3 E.s.i. Proposals for 1981 Salaries*	4 SoS/Energy's Proposals for 1981 Salaries*	5 Effect of Increasing Current Salaries (Col.1) by 7%
Chairmen	23.75-29.75	26.0-33.5	33.5 -36.85	26.0(9.5%)- 31.8(6.9%)	25.412-31.832
Deputy Chairmen	17.5 -22.5	19.0-25.0	28.475-31.322	23.5(17.5%)- 25.5(23.3%) £(and shorter scale)	18.725-24.075

NB: Senior e.s.i. Staff Salaries for comparison (actual as from 1 April 1981):

Chief Officers	20.955-23.320
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NOTES

- * Proposals to take effect from 1 April 1981 (date of senior management's settlement)
- * The proposal in col.4 is to raise the salary range for Deputy Chairmen from the existing £20,000 (5th incremental point) - £22,500 (maximum), to a new range for 1981 of £23,500 - £25,500 with only 5 incremental points. Assimilation would cause no problems as all Deputy Chairmen are at or above the 5th incremental point.

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