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PRIME MINISTER

STATEMENT ON PAY OF MPs AND MINISTERS

The Leader of the House has submitted the attached draft of the Statement on MPs and Ministers pay which he is to make tomorrow afternoon. The Lord Chancellor has seen it and is content with it, though he has asked for the addition of the words in brackets at the end of the penultimate paragraph.

The amendments in black ink are changes which I suggest might be made.

You will want to look particularly carefully at the penultimate paragraph which deals with your personal decision about your own pay. I believe that you wished to be able to make plain that you would not be receiving any increase until the third stage. There is a difficulty about this. I warned you before you saw Mr. Callaghan that, on the basis of some quick sums, it appeared that the gross emoluments of Cabinet Ministers (Ministerial salary plus Parliamentary salary) would exceed your present gross emoluments of £25,529 when Stage 2 was implemented, and that for this reason it would be better when talking to Mr. Callaghan to stick to the formula that you would not accept that part of the new rate for your office which would keep your pay above that of other Cabinet Ministers. We have now done the arithmetic in full and the attached table confirms that Cabinet Ministers' gross emoluments will overtake yours at Stage 2. It would only be true that you would receive no increase until Stage 3 if we work on the basis of Ministerial salary alone. The Cabinet Minutes have been drafted on the assumption that we are dealing in terms of gross pay (i.e. inclusive of Parliamentary salary).

The Lord Chancellor of course has no Parliamentary salary and receives only his Ministerial salary. If this is compared with the increased rates ^{of Ministerial salary} for Cabinet Ministers, his present level of pay is not overtaken until Stage 3. But, if we take account of Cabinet

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Ministers' Parliamentary salary as well as Ministerial salary, the Lord Chancellor's present salary is exceeded at Stage 1.

This is very complicated and will not be easy to put over publicly. I suggest that we should stick to the formula used in the draft Statement.

This problem apart, are you content with the draft Statement as amended?

I also attach a letter for you to send to Lord Boyle. This ought to go off tomorrow.

JWS.

PS.

If you wish to discuss this, I shall be here for the rest of the evening.

JWS.

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CABINET CONCLUSIONS ON MPs' & MINISTERS' PAY

1. The Boyle recommendations on the Parliamentary salary and on Ministerial and office-holders' pay are accepted in full as being 'the rate for the job'.
2. The increases in pay will be made in three equal stages over a period which will give treatment no more generous than that given to any other recent public sector group. Staging will therefore be over 2 years - June 1979, June 1980 and June 1981.
3. The full rates will be adopted in full for pensions purposes immediately.
4. The recommended increases in allowances, including Peers' Allowances and the interim increase in secretarial allowances for MPs will be paid in full immediately.
5. The Government will table a motion immediately in both Houses, implementing decisions 1-4 above.
6. No decision yet on review or linkage but if an amendment to this motion is tabled to link MPs pay to any outside analogue or index members of the Government will abstain.
7. The Government will ask the TSRB to consider urgently, as part of its forthcoming report on secretarial allowances, the question of Peers' expense allowances for Ministers and office-holders in the House of Lords.
8. The Prime Minister and the Lord Chancellor, whose salaries alone are differentiated from those of the Cabinet, will not accept that part of the approved new rate for their offices which would keep their pay (inclusive of Parliamentary salary) above that of other Cabinet Ministers.
9. The Government's decision should be announced by way of statements by the Leaders of both Houses on Thursday 21 June. The necessary motions should then be tabled and debated before the Summer Recess.
10. The Prime Minister will see the Leader of the Opposition on 20 June to inform him of the Government's decisions.

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PAY OF MEMBERS OF PARLIAMENT AND MINISTERS

STATEMENT BY THE CHANCELLOR OF THE DUCHY OF LANCASTER ON 20 JUNE 1979

The Top Salaries Review Body, under the chairmanship of Lord Boyle, submitted to the Prime Minister on 11 June its twelfth report, which deals with the pay of Members of Parliament, Ministers and Officers of the House of Lords, and with certain allowances. The Government is most grateful to Lord Boyle and his colleagues for their thorough review and clear recommendations. The report was published today and copies are available in the Vote Office.

The Review Body draws attention to the fact that the Parliamentary salary has not been brought properly up to date for seven years. They recommend a revised figure of £12,000 with effect from the due date of 13 June 1979. They also recommend that the Parliamentary salary of Ministers and other paid office holders who are Members of the House of Commons should be increased from their present level to £7,000. They make a series of detailed recommendations about the pay of Ministers and of Office Holders, of which the most significant are an increase in the pay of Cabinet Ministers from £14,300 to £25,000, and of Parliamentary Secretaries from £6,050 to £13,000, excluding in both cases the relevant part of their Parliamentary salary. The other increases they propose are set out clearly in the report. These increases are large, although this is in part the result of action taken by previous Governments in holding back the recommended dates in earlier reviews.

The Government accepts the sums recommended. However, both sides of the House will recognise that it would be entirely wrong if we in this House were to treat ourselves more favourably than others. We have therefore decided to recommend to the House that the full increases should not be brought in immediately, but in three equal stages, the first in the present month, the second in June 1980 and the third in June 1981.

/ The Government

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The Government also proposes that the full recommended salary rates should be adopted for pension purposes from the appropriate date this summer. This too follows the treatment agreed for public service groups in recent settlements.

The Review Body also recommend increases in the secretarial allowance for Members of Parliament from £4,200 to £4,600 as an interim measure, pending a final recommendation in the second part of their Report, which is due shortly. They propose increases in the Peers' expenses allowance, together with certain changes in the definition of eligible expenditure.

The Government proposes that the increases in allowances, including Peers' expenses allowances, should be introduced in full immediately. The Government has asked the Review Body to consider urgently the question of secretarial and other necessary expenses incurred by Ministers in the House of Lords in the course of their Parliamentary duties.

The Review Body considered how their recommended salaries could be kept up to date. Their view was that, for Members of Parliament and for Ministers alike, the proper course is regular independent review. They recognised, however, the practical advantage of finding a suitable way of keeping the salary of Members up to date between reviews and described in detail the comparative advantages and disadvantages of some of the different forms of link which had been suggested to them. This is a difficult issue and there are arguments for and against a link of this kind. The Government prefers therefore to reserve judgement until it has had further opportunities to take account of the views of the House.

The rates recommended by TSRB for the Prime Minister and the Lord Chancellor are, as in the past, higher than those for other Cabinet Ministers. The Prime Minister is unable to be in the House today because she is attending the European Council in Strasbourg.

/ She has, however,

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She has, however, authorised me to say that while she and the Lord Chancellor have agreed that the proposed rates are appropriate for their respective offices and should apply after the next election, they have decided not to accept any increase which would put their Ministerial salary above the amount recommended for their Cabinet colleagues. Consequently, they will take no increase in Ministerial salary until 1981. They have decided to take this course on the clear understanding that all other Ministerial increases are accepted, subject only to staging.

The House will have an early opportunity to debate and decide these matters.

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