

Ref: A09911

PRIME MINISTER

MPs' and MINISTERS' PAY  
(C(79) 24)

The Cabinet last discussed MPs' and Ministers' pay on Wednesday, 20 June (CC(79) 7th Conclusions, Minute 4). The essential conclusions as they affected MPs' pay were that the Cabinet accepted the TSRB recommendations as "the rate for the job"; agreed that the full rates should be adopted in full for pensions purposes immediately; and agreed that the increased pay of MPs should be implemented "in three equal stages over a period which would give treatment no more generous than that given in any other recent public sector group decision". This latter decision was subsequently interpreted, and announced to Parliament, as requiring payment in three equal stages, in June 1979, June 1980 and June 1981.

2. You subsequently took stock of the position at a meeting with your senior colleagues on 26 June before your departure for Tokyo. The outcome of that meeting was that those present agreed that there could be no retreat from the position already adopted by the Cabinet. They were however prepared to see improvements made in the Government's offer where these could be reconciled with the decision of the Cabinet. The three possibilities identified as meeting this criterion are described in paragraph 1 of the Chancellor of the Duchy's paper C(79) 24. Your meeting authorised "those concerned" - ie the Chief Whip - to float these ideas with backbench Members of Parliament, without commitment, as a preliminary for a final decision by the Cabinet after your return from Tokyo.

3. In his paper the Chancellor of the Duchy of Lancaster reports a counter-proposal which has been made by the 1922 Committee. They have conceded 2-year staging but have asked for an immediate increase of 35.9 per cent (as against the 24.7 involved in "three equal stages") on the grounds that this would bring Members' current salary up to the current pensionable rate. The remainder of the increase would be paid in two equal stages, in June 1980 and June 1981. They have however also asked that, starting in 1980, MPs' pay should be

"indefinitely" linked to "one or more professions to be derived by the TSRB". The Chancellor of the Duchy of Lancaster, while recognising that these proposals go well beyond the Cabinet's original intentions (notably but not only on linkage) recommends that they should be further improved to bring the size of the first stage into line with the original Boyle recommendations - 50 per cent of the increase now (37 per cent on existing salaries) and half the balance in June 1980 and June 1981 - and then accepted. The Chancellor of the Duchy also proposes that the same staging should apply to Ministerial and other office holders' salaries though he does not say whether, in his view, these too should be index-linked.

4. I must say that I am surprised at the Chancellor of the Duchy's proposals. The impression my people got from the Chief Whip late last week (and it is the Chief Whip, not the Chancellor of the Duchy who has been most closely involved with the 1922 Committee) was that the proposals which had emerged from your meeting on 26 June were likely to be acceptable subject only to a promise that the third stage payment in June 1981 would be dealt with in whatever way emerged as the treatment of the third stage payments due to the doctors and dentists in April 1980. This would have been a tolerable concession within the parameters laid down by Cabinet. The new proposals are however not only well outside the Cabinet's parameters but carry severe potential penalties for wage bargaining in the economy at large. This is particularly the case with the linkage proposals where as of now only the police and firemen have a guaranteed link to pay movements by other groups and, eg the local authority manual workers, have long sought, but been denied, an automatic link with the movement in manual workers' earnings generally.

5. In short the Chancellor of the Duchy of Lancaster's proposals are defective in the following ways -

- a. They go beyond the principles accepted by Cabinet on 20 June (a promise to update the third stage has been denied the doctors and dentists and the other top salary groups).

- b. They depart from rather than build on the Government's statement of 21 June. (A 37 per cent pay increase now as against 24.7 per cent).
- c. They concede the principle of indefinite forward linking on which Boyle expressed considerable doubts and which could have a significant adverse effect on wage bargaining elsewhere in the economy.
- d. They even go beyond what the 1922 Committee is asking for.
6. The Cabinet now has to decide -
- a. Whether it regards the 1922 Committee's demands as representative of opinion in the House and whether they are to be regarded as a negotiating position or as their last word. (If I may say so without disrespect there is something slightly comic about seeing the 1922 Committee behave like a group of very efficient shop stewards negotiating with a rather uncertain management.)
- b. If so whether the Government is prepared to concede their demands - or indeed to go rather beyond them as the Chancellor of the Duchy proposes. (My own view is that this cannot be an acceptable option.)
- c. Whether to negotiate further and if so on what basis. The proposals which emerged from your meeting on 26 June are at about the limit of acceptability under the Cabinet's decisions in principle. Is it worth saying as authoritatively as possible that they are the Cabinet's last word and that the 1922 Committee must decide whether to accept them or defeat the Government and accept the public odium for so doing.
7. As a separate issue you might also care to ask the Chancellor of the Exchequer and the Lord President where they have got to in the points about Junior Ministers and Ministers in the levels raised at your meeting on 26 June.

CONCLUSIONS

8. Subject to discussion you may find it helpful to lead the Cabinet to agree -

a. That it stands by the conclusions it reached on 20 June and the proposals made in the House on 21 June.

b. That it is prepared to accept the additional proposals, summarised in paragraph 1 of C(79) 24, which emerged from your meeting of 26 June and which are consistent with a.

c. That it should be made clear to the 1922 Committee that, unless they can find some additional suggestion within the framework of the Government's statement and the principles adopted by Cabinet, the Government's offer set out in a. and b. above is its last word. And that if the 1922 Committee insist on more they can only get it by voting down the Governments' proposals in the House and substituting their own on their own responsibility.

M.H.

PP

JOHN HUNT