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E(80) 15th Meeting

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CABINET

MINISTERIAL COMMITTEE ON ECONOMIC STRATEGY

MINUTES of a Meeting held at  
10 Downing Street on  
WEDNESDAY 7 MAY 1980 at 2.45 pm

PRESENT

The Rt Hon William Whitelaw MP  
Secretary of State for the Home Department  
(In the Chair)

The Rt Hon Sir Keith Joseph MP  
Secretary of State for Industry

The Rt Hon James Prior MP  
Secretary of State for Employment

The Rt Hon Michael Heseltine MP  
Secretary of State for the Environment

The Rt Hon David Howell MP  
Secretary of State for Energy

The Rt Hon John Biffen MP  
Chief Secretary, Treasury

THE FOLLOWING WERE ALSO PRESENT

The Rt Hon Nicholas Edwards MP  
Secretary of State for Wales  
(Item 1)

The Rt Hon Patrick Jenkin MP  
Secretary of State for  
Social Services  
(Item 1)

The Rt Hon Norman Fowler MP  
Minister of Transport  
(Item 2)

Mr Paul Channon MP  
Minister of State, Civil  
Service Department

Earl of Mansfield  
Minister of State, Scottish Office

Mr J R Ibbs  
Central Policy Review Staff

SECRETARIAT

Sir Robert Armstrong  
Mr P Le Cheminant  
Mr D J L Moore

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1. 1980 REPORT OF THE REVIEW BODY ON DOCTORS' AND DENTISTS' REMUNERATION  
Previous Reference: E(79) 2nd Meeting, Item 3

The Committee considered memoranda by the Secretaries of State for Social Services, Scotland and Wales (E(80) 37) and by the Minister of State, Civil Service Department (E(80) 39) about the implementation of the recommendations of the 1980 Report of the Doctors' and Dentists' Review Body (DDRB).

THE SECRETARY OF STATE FOR SOCIAL SERVICES said that, as a result of the last Government's pay policies, the pay of doctors and dentists had been behind that of comparable groups since 1975. In their 1978 report the DDRB had recommended both the appropriate levels of pay for Doctors and Dentists and its achievement in three stages to be completed in April 1980. The then Government had undertaken to honour this recommendation. The present Government had given a similar undertaking when in Opposition, and the Prime Minister had confirmed this shortly after the Election. Last year the Government had accepted the recommendation of the 1979 Report but, to avoid setting a precedent for dealing with comparable recommendations from the Top Salaries Review Body (TSRB), had not publicly repeated the commitment to up-date pay to 1980 levels. Nevertheless, there was no doubt that the doctors and dentists believed that there was such a commitment, and fully expected the Government to accept the recommendations in the present Report. These were in two parts: 10.7 per cent on average to bring earnings in line with those of comparable groups at April 1979, and so complete the staging process; and a further 18.7 per cent on average to up-date those April 1979 earnings to April 1980 levels. The increases were broadly what Departments had expected, and that part of them which was covered by a cash limit could be accommodated within the limit. A supplementary estimate would be required for the Family-Practitioner Service, which was not cash limited, but the amount of the increase here was in line with what had been expected. In view of their previous commitments, he recommended that the Government should accept and implement the Report in full from the due date of 1 April 1980.

THE MINISTER OF STATE, CIVIL SERVICE DEPARTMENT, said that he agreed with this recommendation. The Committee should, however, be aware that acceptance of the recommendations of the DDRB would have implications for the decisions to be taken in June when the TSRB would be presenting two Reports - the first

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on the judges, senior officers of the armed forces, senior civil servants and the chairmen and members of nationalised industry boards; and the second on the pay of Ministers and of Members of Parliament. If it were agreed to up-date the pay of doctors' and dentists' to 1980 levels as from 1 April 1980, it would be very difficult for the Government to act differently for the groups covered by the TSRB Reports.

In discussion it was generally agreed that the Government should implement the DDRB's recommendations. The resulting increases would, however, do nothing to assist the Government's efforts to reduce the rate of inflation, and in presenting them it would be important to emphasise that a considerable part of the total increase was to complete a staging process recommended to and accepted by the then Government in 1978 and was thus in effect a carry-over from previous pay-rounds in which the doctors' and dentists' had fallen behind.

THE HOME SECRETARY, summing up the discussion, said that, having taken note of the implications of their decision for the Groups covered by the TSRB Reports due in June, the Committee agreed that the Government was bound to accept and implement the 1980 Report of the DDRB in full. The Report had been submitted to the Prime Minister and it would accord with precedent for her to announce the Government's decision herself. The Secretary of State for Social Services should agree the draft of a Written Answer, taking account of the points made in discussion, with the Secretaries of State for Employment, Scotland and Wales, the Chief Secretary, Treasury, and the Minister of State, Civil Service Department, and then submit it to the Prime Minister together with advice on when it should be given.

The Committee -

1. Agreed that the Government should accept and implement the 1980 Report of the Doctors' and Dentists' Review Body in full from the due date of 1 April 1980;
2. Invited the Secretary of State for Social Services to agree with the Secretaries of State for Employment, Scotland and Wales, the Chief Secretary, Treasury, and the Minister of State, Civil Service Department, the terms of a draft Written Answer by the Prime Minister announcing this decision, and to submit the draft to the Prime Minister together with advice on when the Answer should be given.

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## 2. PAY OF NATIONALISED INDUSTRY BOARD MEMBERS

The Committee had before them a letter of 1 May 1980 from the Secretary of State for Industry to the Minister of State, Civil Service Department about the system of determining the pay of nationalised industry board members, and a letter of 2 May from the Minister of State, Civil Service Department, in reply.

THE SECRETARY OF STATE FOR INDUSTRY said that it was becoming increasingly difficult to attract people of the right calibre to fill senior posts in nationalised industries, particularly chairmen and chief executives. A main cause was the inadequate level of salaries resulting from the recommendations of the Top Salaries Review Board (TSRB). In his view the present arrangements should be replaced. One possibility would be to follow the practice of some private sector companies and to allow audit committees, comprising the part-time non-executive directors in each nationalised industry, to determine the salaries of the executive board members. In the meantime he was faced with the problem of recruiting as soon as possible a chairman for the proposed British Telecommunications Corporation. One of the prospective candidates was looking for a salary considerably higher than that provided by the present TSRB scales. He could, however, postpone a decision on this appointment for two weeks if he could then put forward recommendations on it in the context of a general review of the present system of determining salaries of nationalised industry board members.

THE MINISTER OF STATE, CIVIL SERVICE DEPARTMENT, said that he agreed that the present system, and the role of the TSRB in relation to nationalised industry board members should be reviewed. As it was, the present system gave the Government the worst of all worlds: TSRB scales did not allow Ministers to offer salaries sufficiently high to attract good people to key industries; the increases recommended tended none the less sufficiently large to embarrass the Government of the day; and, if exceptions to TSRB rates were made, in the interest of appointing the best people, this would also lead to public criticism. He would be willing to put a memorandum to the Committee within two weeks

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which would review the present system and make recommendations for changes. In the meantime he recommended against any further decisions being taken on particular cases which could prejudice the outcome of Ministers' decisions on this review.

In discussion there was general agreement that the present system should be reviewed. The problem was not confined to the appointment of Chairmen as Chief Executives. The restrictions on salaries of board members had led in some instances to staff refusing promotion to board level, since this would have meant a reduction in their pay. In the case of the National Freight Corporation there were, as a result, no full-time executive directors. Consideration would have to be given, however, to the implications of any major change in the present system. In industries where high salaries were paid to recruit a chairman those below would seize the opportunity to bid for significant increases for themselves. It was not clear that non-executive directors would provide an effective restraint on salary increases. The boards of other public sector bodies which were not covered by the TSRB could well regard any apparently favourable treatment of the nationalised industries as setting a precedent for them.

THE HOME SECRETARY, summing up the discussion, said that the Committee agreed that there should be a review of the system of determining the salaries of nationalised industry board members, and of the role of the TSRB in this area. The Minister of State, Civil Service Department, should prepare a memorandum, taking account of the points made in discussion and making recommendations. He should arrange for this to be discussed by officials of the Departments dealing with the nationalised industries and of the Treasury. The memorandum should be ready for discussion by the Committee in the week beginning 19 May. In the meantime no decisions should be taken on individual appointments to nationalised industry boards, other than on terms in line with present TSRB scales.

The Committee -

1. Invited the Minister of State, Civil Service Department -
  - a. to bring a memorandum to the Committee, for discussion in the week beginning 19 May reviewing the system of determining the pay of board members of the nationalised industries and making recommendations.

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- b. to arrange for the issues to be discussed beforehand by officials of his Department, of the Departments dealing with nationalised industries, and of the Treasury.

2. Agreed that, pending discussion of the memorandum by the Minister of State, Civil Service Department, no decisions should be taken on individual appointments to nationalised industry boards other than on terms in line with the present Top Salaries Review Board scales.

Cabinet Office  
8 May 1980

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