



Seen by the PM

PA

Treasury Chambers, Parliament Street, SW1P 3AG
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MUS 18/7

PRIME MINISTER

MINISTERIAL SALARIES

I have seen Sir Robert Armstrong's minute to you of 15 July.

2. In my view these proposals are too generous. I do not think that Ministers can take bigger increases than the du Cann amendment gives to MPs.

3. I have considered an alternative approach under which:

- (i) the Ministerial element in Commons Ministers' salaries is frozen until 1 July 1988 (with the total salary of Ministers in the Commons only increasing with the effects of the du Cann amendment); and
- (ii) Ministers in the Lords get a flat 4 per cent increase now and further 4 per cent increases on 1 January 1984, 1985, 1986 and 1987.

4. I attach a table showing the figures resulting from these proposals for some sample offices. I am having the full schedule worked out. But put briefly it seems likely that under these proposals:

- (i) junior Ministers in the Commons do a little better than senior Ministers in the Commons;
- (ii) all Ministers in the Lords do better than all but the most junior Ministers in the Commons;
- (iii) most, if not all, office holders fare less well in percentage terms than do individual MPs;
- (iv) the total percentage increase in the Ministerial pay bill is ^{3.8 percent} ~~not far off~~ ~~4 per cent~~, and is certainly smaller at each stage than the total percentage increase in the MPs' pay bill.



(In looking at these figures we must note, of course, that for the financial year 1983-84 bigger percentage increases than shown appear - for both Ministers and MPs - because of the effects of an increase now followed by another as soon as January 1984).

5. This, of course, would be a fairly stringent approach, particularly since in looking at differentials between MPs and Ministers we must bear in mind that Ministers are more disadvantaged than MPs by the changes proposed in pension contributions (where the contribution in respect of the supplementary and Ministerial scheme is proposed to go up from 5 per cent to 9 per cent, while that in respect of the Parliamentary scheme goes up from 6 per cent to 9 per cent). A less hair-shirted (and in some ways simpler) formula would be to give all Ministers the same percentage increase at each stage as MPs get under the du Cann proposals, thus 5.5 per cent now, 5.2 per cent in January 1984, and so on. For Ministers in the Lords, the increase would be precisely what the percentage gives; while for Ministers in the Commons, a calculation would have to be made so as to increase the Ministerial salary only by so much as is necessary, when taken with the increase in the Parliamentary salary resulting from the du Cann amendment, to give the required end percentage. I am asking my people to look into this arithmetic too.

6. I would be content with either of these approaches. But I feel that we cannot be seen to be doing better for Ministers than MPs do under the du Cann proposals, and in this context I do not think the differential pension contribution increase cuts much ice.

7. I am copying this minute to the Lord President, the Lord Privy Seal, the Chief Whip and Sir Robert Armstrong.

Margaret O'Hara

for (N.L.)

18 July 1983

(Approved by the Chancellor and Signed in his absence)

C O N F I D E N T I A L

MINISTERS AND OFFICE HOLDERS - SOME SAMPLE OFFICES

COMMONS - Increase in Parliamentary Salary, no increase in Ministerial salary

LORDS - 4 per cent increase in Ministerial salary

| | Current Salary | TSRB Recommend | % Inc | June 83 Salary | % Inc | Jan 84 Salary | % Inc | Jan 85 Salary | % Inc | Jan 86 Salary | % Inc | Jan 87 Salary | % Inc | Jan 87 % increase Over current | Jan 87 as % TSRB |
|--|-------------------|-------------------|----------|-------------------|----------|------------------|----------|------------------|----------|------------------|----------|------------------|----------|--------------------------------------|------------------------|
| Cabinet Minister (C) | 37,410 | 55,000 | 47.0 | 38,490 | 2.9 | 39,570 | 2.8 | 40,650 | 2.7 | 41,730 | 2.7 | 42,825 | 2.6 | 14.5 | 77.9 |
| Cabinet Minister (L) | 28,950 | 49,500 | 71.0 | 30,110 | 4.0 | 31,310 | 4.0 | 32,560 | 4.0 | 33,860 | 4.0 | 35,210 | 4.0 | 21.6 | 71.1 |
| Parly. Secretary (C) | 24,160 | 31,000 | 28.3 | 25,240 | 4.5 | 26,320 | 4.3 | 27,400 | 4.1 | 28,480 | 3.9 | 29,575 | 3.8 | 22.4 | 95.4 |
| Parly. Secretary (L) | 19,350 | 25,500 | 31.8 | 20,120 | 4.0 | 20,920 | 4.0 | 21,760 | 4.0 | 22,630 | 4.0 | 23,540 | 4.0 | 21.7 | 92.3 |
| Government Whip (C) | 21,735 | 28,000 | 28.8 | 22,815 | 5.0 | 23,895 | 4.7 | 24,975 | 4.5 | 26,055 | 4.3 | 27,150 | 4.2 | 24.9 | 97.0 |
| Government Whip (L) | 16,925 | 22,500 | 32.9 | 17,600 | 4.0 | 18,300 | 4.0 | 19,030 | 4.0 | 19,790 | 4.0 | 20,580 | 4.0 | 21.6 | 91.5 |
| Opp. Chief Whip (L) | 16,925 | 22,500 | 32.9 | 17,600 | 4.0 | 18,300 | 4.0 | 19,030 | 4.0 | 19,790 | 4.0 | 20,580 | 4.0 | 21.6 | 91.5 |
| Backbench MPs | 14,510 | 19,000 | 30.9 | 15,310 | 5.5 | 16,110 | 5.2 | 16,910 | 5.0 | 17,710 | 4.7 | 18,500 | 4.5 | 27.5 | 97.4 |
| Parly. Salary (Included above where appropriate) | 8,460 | 11,000 | 30.0 | 9,540 | 12.8 | 10,620 | 11.3 | 11,700 | 10.2 | 12,780 | 9.2 | 13,875 | 8.6 | 64.0 | 126.1 |

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Prime Minister

This is in line with
the discussions. There is little or



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no advocacy of
restraint - but I

cannot judge if
such advocacy would
or would not go down
badly in the House.

Acw Carolyn

18 July 1983

PARLIAMENTARY PAY AND ALLOWANCES

I enclose a copy of the Lord Privy Seal's proposed opening remarks for tomorrow's debate on this subject.

Copies go to Michael Scholar (No 10), John Kerr (HM Treasury), David Beamish (Lord President's Office), Murdo Maclean (Chief Whip's Office), and Richard Hatfield (Cabinet Office).

MCS 18/7

Yours ever,
David

D C R Heyhoe
Private Secretary

Carolyn Sinclair
HM Treasury
Treasury Chambers
Parliament Street
LONDON SW1P 3AG

I BEG TO MOVE MOTION NO / /, IN RESPECT OF MEMBERS' SALARIES, WHICH STANDS ON THE ORDER PAPER IN MY NAME. I UNDERSTAND, MR SPEAKER, THAT, IF YOU AGREE, IT MAY BE CONVENIENT TO DISCUSS WITH THIS THE OTHER MOTIONS IN MY NAME, NAMELY MOTIONS / / - / /.

I WILL IN THE COURSE OF MY REMARKS COMMENT UPON THE AMENDMENT IN THE NAME OF / WHICH SEEKS THE FULL IMPLEMENTATION OF THE PLOWDEN REPORT. I SHALL ALSO REFER TO THE AMENDMENTS IN THE NAME OF MY RT HON FRIEND THE MEMBER FOR TAUNTON WHICH EFFECTIVELY SUGGEST AN ALTERNATIVE WAY OF DETERMINING MEMBERS PAY. INDEED I REALISE THE DEBATE MAY WELL CENTRE AROUND THE PROPOSALS OF MY RT HON FRIEND - PROPOSALS WHICH ARE ACCEPTABLE TO THE GOVERNMENT.

I HAVE AN OBLIGATION NEVERTHELESS TO SPEAK TO THE INITIAL RECOMMENDATIONS OF THE GOVERNMENT; AND THIS I PROPOSE TO DO AS SUCCINCTLY AS I CAN.

THE DETAILS OF THOSE RECOMMENDATIONS AND SUBSEQUENT MOTIONS WERE SET OUT IN THE ANSWER I GAVE TO MY HON FRIEND THE MEMBER FOR HEREFORD ON THURSDAY, 14 JULY. I SHOULD PERHAPS ALSO EXPLAIN, AT THE OUTSET, WHY THERE ARE TWO SIMILAR MOTIONS ON THE ORDER PAPER ON PAY. THIS IS THE NORMAL PROCEDURE. THE FIRST MOTION IS FRAMED AS AN EXPRESSION OF OPINION AND CAN BE AMENDED; THE SECOND BEARS THE QUEEN'S RECOMMENDATION AND CANNOT. THE SECOND MOTION IS REQUIRED TO PROVIDE FOR AN INCREASE IN EXCHEQUER CONTRIBUTIONS TO THE PENSION FUND FOLLOWING AN INCREASE IN MEMBERS' PAY. IF THE MOTION FRAMED AS AN EXPRESSION OF OPINION HAS FAVOUR WITH THE HOUSE, THE SECOND, EFFECTIVE MOTION WILL THEN BE MOVED. CONVERSELY, IF THE EXPRESSION OF OPINION MOTION IS AMENDED, THE EFFECTIVE MOTION WILL NOT BE MOVED TONIGHT, BUT I WOULD PROPOSE TO BRING A SUITABLY REVISED VERSION BEFORE THE HOUSE AT AN EARLY OPPORTUNITY.

THAT SAID, I PROPOSE TO SPEAK BRIEFLY AS I REALISE THAT MANY MEMBERS ALSO WISH TO SPEAK. I SHALL, OF COURSE, SEEK AN OPPORTUNITY TO SPEAK AGAIN AT THE CONCLUSION OF THE DEBATE. ON THAT OCCASION I HOPE TO COMMENT UPON THE POINTS THAT HAVE BEEN RAISED MEANWHILE.

THE GENESIS OF THE PROPOSALS NOW BEFORE US LIES IN THE REPORT OF THE SELECT COMMITTEE ON MEMBERS' SALARIES PUBLISHED IN FEBRUARY 1982. THE COMMITTEE RECOMMENDED THAT THE TOP SALARIES REVIEW BODY SHOULD WHERE POSSIBLE REVIEW MEMBERS' PAY IN THE FOURTH YEAR OF EACH PARLIAMENT.

THE GOVERNMENT AND THE HOUSE ACCEPTED THIS RECOMMENDATION ON 10 JUNE 1982 AND THE REVIEW BODY HAVE ACCORDINGLY CARRIED OUT THEIR REVIEW. THEIR REPORT WAS PUBLISHED AS CMND 8881. THE GOVERNMENT ARE MOST GRATEFUL TO LORD PLOWDEN AND HIS COLLEAGUES FOR THEIR WORK, AND ACKNOWLEDGE THE CARE THAT HAS GONE INTO THE PREPARATION OF THE REPORT.

THE REVIEW BODY CONSIDERED THE FOLLOWING MATTERS: THE SALARIES OF MEMBERS OF PARLIAMENT; THEIR SECRETARIAL, RESEARCH AND OFFICE EXPENSES; OTHER ALLOWANCES AND FACILITIES FOR MPs; THEIR PENSIONS AND RESETTLEMENT ARRANGEMENTS; AND THE SALARIES OF MINISTERS AND OTHER OFFICE HOLDERS. I WILL DEAL BRIEFLY WITH EACH OF THESE ELEMENTS.

FIRST, THE GOVERNMENT HAS TABLED MOTIONS AUTHORISING THE REVIEW BODY'S RECOMMENDATIONS FOR THE IMPROVEMENTS IN VARIOUS ALLOWANCES PAYABLE TO MPs. THE BIGGEST SINGLE CHANGE HERE IS THAT THE ALLOWANCE AVAILABLE FOR SECRETARIAL AND RESEARCH ASSISTANCE SHOULD BE INCREASED FROM £8,820 to £13,000 PER YEAR.

THE GOVERNMENT ALSO ENDORSE THE PROPOSAL THAT, IN FUTURE, ELIGIBILITY FOR THE ALLOWANCE SHOULD BE SUBJECT TO THE CONDITION THAT ALL PAYMENTS TO MPs' STAFF SHOULD BE MADE BY THE FEES OFFICE, ON BEHALF OF THE MP AND DIRECT TO THE STAFF CONCERNED. THIS IS DESIRABLE IN THE INTERESTS OF ACCOUNTABILITY.

THE REVIEW BODY SAID NOTHING ABOUT ARRANGEMENTS FOR REVIEWING THIS ALLOWANCE. HOWEVER, THE GOVERNMENT PROPOSE THAT ANNUAL ADJUSTMENTS TO THE ALLOWANCE SHOULD IN FUTURE BE CONSIDERED, AS IS BROADLY THE PRACTICE WITH ALL OTHER ALLOWANCES.

TURNING TO PENSIONS, THE REVIEW BODY RECOMMEND, AND THE GOVERNMENT ACCEPT, THAT THE PENSION ACCRUAL RATE FOR MPS SHOULD IN FUTURE BE SET AT 1/50TH RATHER THAN 1/60TH OF PENSIONABLE SALARY. THIS IS A LONG SOUGHT CHANGE. MEMBERS' CANNOT NORMALLY BE EXPECTED TO HAVE HAD A FULL WORKING PARLIAMENTARY LIFE OF 40 YEARS.

✓
Lord Plender
attached
much
importance
to this.
Mrs

LEGISLATION WILL BE REQUIRED FOR THE PENSION CHANGES, WHICH WILL BE INTRODUCED AFTER THE HOUSE RETURNS FROM THE SUMMER RECESS.

THE REVIEW BODY ALSO RECOMMENDED THAT A RESETTLEMENT GRANT SHOULD BE AVILABLE TO ALL MPS WHO LEAVE THE HOUSE AT A GENERAL ELECTION, WITH THE EXCEPTION OF THOSE WHO HAVE REACHED NORMAL RETIREMENT AGE. THE HOUSE WILL BE AWARE THAT THE PREVIOUS RULE WAS THAT A MEMBER HAD TO BE DEFEATED IN THE GENERAL ELECTION IN ORDER TO QUALIFY FOR THIS BENEFIT. THE REVIEW BODY RECOGNISED THAT WIDENING THE CRITERIA INVOLVES A BASIC CHANGE, BUT SAID THAT THEY WERE IMPRESSED BY THE WEIGHT OF EVIDENCE ON THE DIFFICULTIES AND THE ANOMALIES WHICH ARISE FROM THE PRESENT CRITERIA.

THE GOVERNMENT HAVE ACCEPTED THE REVIEW BODY'S RECOMMENDATION ON THIS POINT. IT PROPOSES THAT THE RESETTLEMENT GRANT SHOULD BE AVAILABLE TO ALL MEMBERS WHO RETIRED FROM THE LAST PARLIAMENT FOLLOWING THE DISSOLUTION ON 13 MAY THIS YEAR.

AT THIS POINT I WOULD LIKE TO CONSIDER ONE OTHER ALLOWANCE, NAMELY MOTOR MILEAGE.

AS THE HOUSE WILL KNOW, A RESOLUTION DATING FROM 1975 PROVIDES THAT THIS ALLOWANCE SHOULD BE LINKED TO THAT PAYABLE TO CIVIL SERVANTS. THE CIVIL SERVICE MOTOR MILEAGE ALLOWANCE HAS BEEN PERIODICALLY INCREASED TO REFLECT MOVEMENT IN COSTS AND THESE INCREASES, WHICH ARE AUTOMATICALLY REFLECTED IN THE MILEAGE RATE FOR MPs, ARE NOTIFIED TO MEMBERS BY THE FEES OFFICE.

RECENTLY THERE HAS BEEN A FURTHER DEVELOPMENT IN THE CIVIL SERVICE MILEAGE ALLOWANCE. FOLLOWING A RAYNER INVESTIGATION IT HAS BEEN DECIDED TO INTRODUCE A TWO-TIER PAYMENTS STRUCTURE MORE CLOSELY RELATED TO ACTUAL COSTS. THUS THE PRESENT RATE WILL BE PAID FOR THE FIRST 9,000 MILES IN ANY FINANCIAL YEAR, BUT A REDUCED RATE WILL BE PAID FOR MILEAGE THEREAFTER. IN CURRENT CIRCUMSTANCES THIS WILL MEAN PAYMENTS RESPECTIVELY OF 25.8p and 14p.

THE GOVERNMENT HAVE CONSIDERED THESE CHANGES IN RELATION TO THE POSITION OF MEMBERS OF PARLIAMENT. THEY CONCLUDE THAT THE NEW CIVIL SERVICE TWO-TIER STRUCTURE OF MOTOR MILEAGE ALLOWANCE IS APPROPRIATE ALSO FOR MPs. UNDER THE TERMS OF THE RESOLUTION OF 1975, THE TWO-TIER STRUCTURE WILL COME INTO EFFECT FOR MPs FROM 1 OCTOBER 1983.

I COME NOW TO THE QUESTION OF SALARY ITSELF. AS THE HOUSE KNOWS, THE REVIEW BODY RECOMMENDED A SALARY OF £19,000 PER ANNUM FOR MPS, AN INCREASE OF SOME 31 PER CENT ON THE PRESENT FIGURE. THE GOVERNMENT PROPOSES A SALARY OF £15,090 PER ANNUM, OR AN INCREASE OF 4 PER CENT. THE GOVERNMENT HAVE ALSO PROPOSED INCREASES OF 4 PER CENT IN RESPECT OF MINISTERS AND OTHER OFFICE HOLDERS.

Better to omit these two sentences?
FERB

THIS PROPOSED INCREASE REPRESENTS A VALUE JUDGEMENT OF WHAT IS AN APPROPRIATE SALARY FOR A MEMBER. WE ARE ALL CONSTRAINED TO MAKE A VALUE JUDGEMENT OF WHAT THAT FIGURE SHOULD BE. THE TSRB REPORT SUGGESTS IT SHOULD PAY REGARD TO A MEMBER BEING FULL TIME WITH NO OTHER SOURCE OF INCOME AND IT ALSO MUST TAKE ACCOUNT OF THE UNIQUE NATURE OF AN MPS OCCUPATION. THOSE FACTORS ALONE HOWEVER DO NOT INDICATE A SELF-EVIDENT SALARY. WE HAVE STILL TO MAKE OUR OWN POLITICAL JUDGEMENT ABOUT AN ISSUE SENSITIVE IN ITS ECONOMIC AND SOCIAL CONSEQUENCES. AS I HAVE SAID THE GOVERNMENT MOTION PROPOSES AN ANNUAL SALARY FOR MPS OF £15,090. THAT FIGURE STANDS TO BE CONSIDERED SHOULD THE AMENDMENTS OF MY RT HON FRIEND FOR TAUNTON FAIL.

I REITERATE THAT WE HAVE TO MAKE OUR PERSONAL AND POLITICAL JUDGEMENT ON THIS ISSUE. IT IS REDOLENT WITH ECONOMIC IMPLICATIONS FAR GREATER THAN THE ACTUAL SUMS INVOLVED. IN THAT CONTEXT THEREFORE I INVITE THE HOUSE TO REJECT THE AMENDMENT IN THE NAME OF / THE HON MEMBER FOR EASINGTON REQUIRING AN IMMEDIATE INCREASE IN MEMBERS PAY OF 31 PER CENT SO PROVIDING AN ANNUAL SALARY OF £19,000.

MAY I TURN NOW TO THE PROPOSALS OF MY RT HON FRIEND FOR TAUNTON. IN NO SENSE WOULD IT BE APPROPRIATE FOR ME TO ANTICIPATE THE SPEECH I KNOW HE WILL MAKE IN THEIR ADVOCACY. I WOULD HOWEVER LIKE TO REFLECT UPON THE GENERAL IMPLICATION OF THE AMENDMENTS. I MAKE THE FOLLOWING POINTS IN NO ORDER OF MAGNITUDE. FIRST THE AMENDMENTS MAKE A CHANGE IN THE BALANCE BETWEEN MEMBERS' PAY AND ALLOWANCES; SECONDLY THEY PROVIDE FOR A SLIGHTLY HIGHER PENSION CONTRIBUTION; THIRDLY THEY PROVIDE FOR A SOMEWHAT HIGHER INITIAL SALARY INCREASE THAN THE GOVERNMENT PROPOSAL OF 4 PER CENT; FOURTHLY THEY PROVIDE FOR PRECISE PLANNED SALARY INCREASES TO THE PRE-DETERMINED LEVEL OF £18,500 BY 1987. THIS, INCIDENTALLY SETS ASIDE THE MORE GENERAL PROPOSALS OF THE SELECT COMMITTEE FOR DEALING WITH PAY INCREASES DURING A PARLIAMENT. FIFTHLY, AND PERHAPS MOST SIGNIFICANT OF ALL, THE AMENDMENTS PROVIDE FOR LINKAGE WITH THE RELEVANT CIVIL SERVICE GRADE FROM 1987 ONWARDS WITH ARRANGEMENTS TO SECURE A CONTINUING PARLIAMENTARY PRESENCE AND AUTHORITY ON THESE MATTERS. FINALLY, THE

AMENDMENTS HAVE BEEN DRAWN IN SUCH A WAY AS TO TAKE ACCOUNT OF THE PUBLIC SPENDING FACTORS THAT ARE OF MUCH CONCERN TO THE GOVERNMENT.

MY RT HON FRIEND HAS INTRODUCED AMENDMENTS THAT DO NOT SO MUCH REFINE THE DEBATE ON THE TSRB REPORT; THEY TRANSFORM IT. THE DEBATE THAT LIES AHEAD WILL ENABLE THE HOUSE TO MAKE JUDGEMENTS THAT GO CONSIDERABLY WIDER THAN THE CURRENT YEAR. MEANWHILE, THERE REMAIN THE OTHER MOTIONS STANDING IN MY NAME WHICH ARE UNAFFECTED BY THE AMENDMENTS OF MY RT HON FRIEND. I STRONGLY COMMEND THESE TO THE HOUSE, AND I BELIEVE THEY ARE COMPLEMENTARY TO THE AMENDMENTS IN SECURING AN EQUITABLE RESOLUTION OF THE IMMEDIATE AND LONGER TERM PROBLEM OF MEMBERS PAY AND ALLOWANCES. I BEG TO MOVE.

18 JUL 1983

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