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CONFIDENTIAL

Prime Minister

①

cc JV
PRIVY COUNCIL OFFICE
WHITEHALL, LONDON SW1A 2AT

I think the basket
is uncomfortably empty
- only 3 groups. Shouldn't it

7 June 1982

include many other groups - eg NHS pharmacists,
ambulancemen, local authority

manualls as well as university

teachers, further education teachers?

Should you discuss in the

small group we are

arranging on index-linked

pensions?

FUTURE ARRANGEMENTS FOR SETTLING MPs' PAY

.. I attach my proposed speech on MPs' pay for the debate which is now planned for Thursday 10 June. As presently drafted, paragraph 14 deals with the link between MPs' pay and the pay of various Public Service groups. Following the discussion in Cabinet I would be glad to have your agreement to what I propose to say about this. Mls 7/6

It seems to me that, in choosing the groups to be included, we need to ensure that they represent a widely based segment of the Public Service, although it would not be appropriate to include those groups to whom we have given special commitments, eg the armed forces and the police, nor I think those whose work seems particularly remote from that of MPs, such as manual workers. For practical purposes it would be better to exclude groups settling later than 1 April as these settlements would not be known in time for a debate on MPs' pay before the Summer recess. It would also be an advantage to include only those groups over whose pay Ministers have fairly direct control. This argues against the inclusion of any local authority group, but we cannot omit teachers altogether without making the package look unbalanced. The Secretary of State for Education and Science does at least have a veto on offers to teachers in England and Wales.

Cont .../.

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
Treasury
Parliament Street
LONDON SW1P 3AG

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I am also clear that, following discussion in Cabinet, we must exclude nurses and mid-wives from the NHS group. As you will see therefore I propose to refer in my speech only to NHS doctors and dentists and NHS administrators.

I have considered the scope for widening the basket. Applying the principles set out in my second paragraph above, we do not have a lot of choice. Local authority administrative, professional, technical and clerical staff are not suitable both because of their late settlement date (1 July) and because Ministers have no locus at all in determining their pay. This leaves us effectively with three smaller educational groups, namely:

- Further education teachers in England and Wales (78,000)
- Primary and secondary teachers in Scotland (55,000)
- University teachers (non-clinical) (39,000)

all of whom settle on 1 April.

The case for including those groups is almost wholly presentational: because of their relatively small size they would have little impact on the figures. There could be disadvantages. Ministerial control over their pay is not tight and the more groups that are included, the greater the risk that one of them will have a controversial or otherwise awkward settlement.

The arguments are finely balanced, but I have a marginal preference for including the smaller educational groups to make the basket appear broader. If we did this the result would be a link for MPs with some 500,000 civil servants, 200,000 NHS staff and 600,000 teachers.

There are some procedural points that will need to be resolved, such as whether to drop a group from the basket if it has not settled by 1 July, but we do not need to take decisions about this now.

Cont ../..

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Would you be content for me to proceed in line with my conclusions in this letter and to inform the House of our decisions on linkage accordingly?

I am copying this letter to the Prime Minister and to Sir Robert Armstrong.

Travis
John Biffen

JOHN BIFFEN

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MEMBERS' PAY ETC: DRAFT SPEECH FOR THE LORD PRESIDENT

1. WE HAVE TO CONSIDER TONIGHT TWO SEPARATE BUT RELATED ISSUES, ONE SHORT-TERM AND ONE LONG TERM. THE SHORT TERM ISSUE CONCERNS THE INCREASE IN HON MEMBERS' PAY, IN THE SECRETARIAL ALLOWANCE AND IN MINISTERS' PAY IN 1982; I SHALL DEAL WITH THESE MATTERS FIRST. THE LONG-TERM ISSUE CONCERNS THE WAY THAT HON MEMBERS' PAY IS TO BE SETTLED IN FUTURE. IT IS AN ISSUE ON WHICH WE HAVE THE REPORT BY THE SELECT COMMITTEE ON MEMBERS' SALARIES TO ASSIST US.

2. I HAVE ALREADY TOLD THE HOUSE ABOUT THE GOVERNMENT'S PROPOSALS FOR 1982, IN ANSWER TO A PARLIAMENTARY QUESTION BY MY HON FRIEND THE MEMBER FOR NELSON AND COLNE. IN THE ABSENCE OF RECOMMENDATIONS BY THE TOP SALARIES REVIEW BODY THIS YEAR, WE CONSIDERED THAT IT WAS REASONABLE TO INCREASE MEMBERS' PAY, MEMBERS' SECRETARIAL AND RESEARCH ASSISTANCE ALLOWANCE AND MINISTERS' PAY BY 4 PER CENT EACH, IN LINE WITH THE PAY FACTOR INCLUDED IN ESTIMATES. THE REASON WHY THE TSRB WAS NOT ASKED TO REVIEW MEMBERS' PAY AND ALLOWANCES THIS YEAR IS THAT AT THE TIME WE WOULD HAVE HAD TO MAKE THE REQUEST, THE SELECT COMMITTEE WAS STILL CONSIDERING MEMBERS' PAY AND WE DID NOT WISH TO PREJUDGE THEIR CONCLUSIONS.

3. THE GOVERNMENT'S PROPOSALS ARE NOT GENEROUS, BUT IN THE CIRCUMSTANCES I DO NOT CONSIDER THAT THEY ARE UNREASONABLE.

4. TURNING BRIEFLY TO THE SPECIFIC MOTIONS, HON MEMBERS WILL SEE THAT THERE ARE TWO DEALING WITH THEIR 1982 PAY INCREASE. THE FIRST IS AN AMENDABLE EXPRESSION OF OPINION. THE SECOND BEARS THE QUEEN'S RECOMMENDATION AND THE AMOUNTS ON IT CANNOT BE INCREASED. THE HOUSE MAY RECALL FROM PREVIOUS DEBATES THAT THIS SECOND MOTION IS REQUIRED BECAUSE AN EFFECTIVE RESOLUTION OF THE HOUSE IS NECESSARY TO INCREASE EXCHEQUER CONTRIBUTIONS TO MEMBERS' PENSION FUND AND TO INCREASE THE PAY OF THE UNITED KINGDOM MEMBERS OF THE EUROPEAN ASSEMBLY IN LINE WITH THAT OF MEMBERS OF THIS HOUSE. THE EFFECT OF THESE MOTIONS WOULD BE TO INCREASE THE PAY OF ORDINARY MEMBERS TO £14,510 WITH EFFECT FROM 13 JUNE, AND THE PARLIAMENTARY SALARY OF MINISTERS AND OTHER OFFICE HOLDERS TO £8460.

5. THE MOTION ON THE SECRETARIAL ALLOWANCE INCREASES THE MAXIMUM OF THE ALLOWANCE IN FULL YEAR TO £8,820, WITH A FURTHER £882 AVAILABLE TO ENABLE AN HON MEMBER TO MAKE PENSION CONTRIBUTIONS FOR HIS OR HER EMPLOYEES. AS IS USUAL, NO MOTIONS HAVE BEEN TABLED ON MEMBERS' OTHER ALLOWANCES, THAT IS THE ADDITIONAL COSTS ALLOWANCE, THE LONDON ALLOWANCE AND THE CAR

MILEAGE ALLOWANCE. THEY WILL BE ADJUSTED IN THE NORMAL WAY FOLLOWING CHANGES IN THE EQUIVALENT CIVIL SERVICE ALLOWANCES. HOWEVER THERE IS ONE SMALL CHANGE THAT I NOW PROPOSE CONCERNING TRAVEL ARRANGEMENTS FOR MEMBERS' FAMILIES. AS THINGS STAND MEMBERS' SPOUSES ARE ENTITLED TO UP TO 15 FREE RETURN JOURNEYS TO WESTMINSTER ON PARLIAMENTARY BUSINESS. MY PREDECESSOR RECEIVED REPRESENTATIONS FROM SEVERAL HON MEMBERS TO THE EFFECT THAT, FOR MEMBERS WITH YOUNG FAMILIES, THE SPOUSE COULD NOT GENERALLY TRAVEL TO WESTMINSTER WITHOUT BRINGING THE CHILDREN, AND THAT THE FREE TRAVEL WARRENT SYSTEM FOR SPOUSES SHOULD THEREFORE BE EXTENDED TO CHILDREN, WITHIN THE EXISTING LIMITS. THE GOVERNMENT ACCEPTS THAT THIS IS A REASONABLE PROPOSITION AND THE MOTION BEFORE THE HOUSE PROVIDES FOR MEMBERS' CHILDREN UNDER 18 TO TRAVEL FREE TO WESTMINSTER UNDER THE SAME CONDITIONS AS CURRENTLY APPLY TO SPOUSES. THE TOTAL NUMBER OF FREE RETURN JOURNEYS AVAILABLE TO MEMBERS' FAMILIES WILL REMAIN AT 15 A YEAR.

6. THE MOTION ON MINISTERS' PAY INVITES THE HOUSE TO APPROVE THE DRAFT ORDER WHICH INCREASES THE PAY OF MINISTERS AND OTHER OFFICE HOLDERS BY 4 PER CENT. THE RATES SHOWN IN THE ORDER FOR THE PRIME MINISTER AND THE LORD CHANCELLOR ARE THE RATES THAT MAY BE PAID TO THE HOLDERS OF THESE OFFICES AND WILL APPLY

FOR PENSION PURPOSES. HOWEVER, AS IN PREVIOUS YEARS, MY RIGHT HON FRIEND AND MY RIGHT HON AND NOBLE FRIEND WILL DRAW ONLY THE SAME SALARY AS THEIR CABINET COLLEAGUES.

7. THE LAST MOTION STANDING IN MY NAME ON THE ORDER PAPER CONCERNS THE GOVERNMENT'S PROPOSALS FOR DEALING WITH MEMBERS' PAY IN THE LONGER TERM. BEFORE DESCRIBING THEM, I WOULD LIKE TO THANK THE SELECT COMMITTEE ON MEMBERS' SALARIES, WHOSE REPORT FORMS THE STARTING POINT OF WHAT I SHALL HAVE TO SAY, FOR ALL THEIR EFFORTS. MEMBERS' PAY IS A NOTORIOUSLY DIFFICULT SUBJECT FOR THIS HOUSE AND, EVEN THOUGH I AM NOT ABLE TO AGREE WITH THEIR CONCLUSIONS IN EVERY RESPECT, I CONSIDER THAT THE SELECT COMMITTEE HAVE PRESENTED THE HOUSE WITH A MOST CONSTRUCTIVE REPORT.

8. THE SELECT COMMITTEE RECOMMENDED, FIRSTLY, THAT THERE SHOULD BE A REVIEW OF MEMBERS' PAY BY THE TOP SALARIES REVIEW BODY ONCE DURING THE FOURTH YEAR OF EACH PARLIAMENT. IF THIS WERE PRECLUDED BY SHORTENED PARLIAMENTS A NEW REVIEW SHOULD BE UNDERTAKEN NOT MORE THAN FOUR YEARS AFTER THE SALARIES DERIVED FROM THE PREVIOUS REVIEW BECAME PAYABLE. THE SELECT COMMITTEE'S SECOND RECOMMENDATION WAS THAT THERE SHOULD BE ANNUAL AUTOMATIC INTERIM ADJUSTMENTS OF SALARIES BY REFERENCE TO INCREASES IN THE NEAREST PERCENTILE OF THE NEW EARNINGS SURVEY.

9. THE GOVERNMENT ACCEPTS THE FIRST OF THESE RECOMMENDATIONS. THERE IS GREAT VALUE IN HAVING A COMPLETELY INDEPENDENT REVIEW OF MEMBERS' SALARIES. IF THE QUESTION WERE LEFT ENTIRELY TO THE HOUSE, I SUSPECT THAT WE SHOULD HAVE GREAT DIFFICULTY IN ARRIVING AT AN ACCEPTABLE FIGURE. MOREOVER THERE WOULD CERTAINLY BE SOME PUBLIC SUSPICION THAT WE WERE TREATING OURSELVES TOO GENEROUSLY, EVEN IF PRECISELY THE REVERSE WAS THE CASE. I BELIEVE THAT HAVING THE INDEPENDENT REVIEW TOWARDS THE END OF EACH PARLIAMENT IS SENSIBLE. IF, HOWEVER, A SHORTENED PARLIAMENT KNOCKS US OFF COURSE, THERE IS NOTHING TO STOP US FROM HAVING TWO REVIEWS SEPARATED BY LESS THAN 4 YEARS TO GET US BACK ON IT AGAIN.

10. THE COMING YEAR IS THE FOURTH ONE OF THIS PARLIAMENT. SUBJECT TO THE VIEWS OF THE HOUSE, THEREFORE, WE PROPOSE TO ASK THE TSRB TO CONDUCT A REVIEW IN TIME FOR NEXT YEAR'S DEBATE ON MEMBERS' PAY. WE WOULD ALSO ASK THEM TO REVIEW MINISTERS' PAY, THE SECRETARIAL ALLOWANCE AND SUCH OTHER ASPECTS OF MEMBERS' PAY, IN THE BROAD SENSE SPECIFIED BY THE SELECT COMMITTEE, AS MAY NEED TO BE LOOKED AT.

11. HOW MEMBERS' PAY IS ADJUSTED BETWEEN REVIEWS ALSO POSES A PROBLEM. THE GOVERNMENT RELUCTANTLY ACCEPTS THAT THERE SHOULD BE SOME FORM OF ADJUSTMENT BY REFERENCE TO CHANGES IN OUTSIDE SALARIES, IE SOME FORM OF LINKAGE. WE HAVE NO ENTHUSIASM FOR THE IDEA, BUT IN VIEW OF RESOLUTIONS OF THE HOUSE

ON THIS SUBJECT IN RECENT YEARS AND OF WHAT THE SELECT COMMITTEE SAY, WE ACCEPT IT. HOWEVER WE CANNOT AGREE THAT THE LINK SHOULD BE AUTOMATIC OR THAT IT SHOULD BE WITH THE NEW EARNINGS SURVEY. ALTHOUGH THERE ARE EXAMPLES OF PAY INCREASES OPERATED BY AN AUTOMATIC FORMULA, IT IS NOT A PRACTICE I BELIEVE SHOULD BE FURTHER ENTRENCHED AND CERTAINLY NOT IN AN AREA AS SENSITIVE AS MEMBERS' SALARIES.

12. AS FOR THE FORM OF THE LINK, WHATEVER MAY BE THE RELATIONSHIP IN THE LONG RUN BETWEEN AVERAGE EARNINGS AND THOSE IN THE PUBLIC SERVICE, IT IS RIGHT IN PRINCIPLE THAT MPs PAY SHOULD KEEP IN STEP WITH THAT OF PUBLIC SERVANTS. ANY OTHER SYSTEM WOULD BE CERTAIN TO GIVE RISE TO BAD FEELING. MOREOVER THE NEW EARNINGS SURVEY IS PUBLISHED IN NOVEMBER AND COVERS EARNINGS IN THE YEAR ENDING WITH THE PREVIOUS APRIL. THE CHANGES IT RECORDS ARE THEREFORE ON AVERAGE OVER A YEAR OLD WHEN IT IS PUBLISHED. THIS COULD GIVE RISE TO GREAT DIFFICULTY IN A PERIOD WHEN THE RATE OF INCREASE IN PAY SETTLEMENTS WAS FALLING.

13. AS AN ALTERNATIVE WE PROPOSE THAT BETWEEN REVIEWS THE GOVERNMENT SHOULD MOVE ANNUAL MOTIONS TO EFFECT CHANGES IN MEMBERS' SALARIES AND IN SO DOING SHOULD BE GUIDED BY THE AVERAGE CHANGE IN THE RATES OF PAY OF APPROPRIATE GROUPS IN THE PUBLIC SERVICE FOR THE PERIOD CONCERNED. THERE ARE SEVERAL IMPORTANT POINTS IN THIS FORMULATION. THE FIRST IS THAT, AS NOW, MEMBERS' PAY WOULD BE ADJUSTED FOLLOWING AN ANNUAL DEBATE; THERE WOULD NOT BE AN AUTOMATIC ADJUSTMENT. THE SECOND IS THAT ALTHOUGH THE GOVERNMENT WOULD BE GUIDED BY THE AVERAGE INCREASE

FOR PARTICULAR PUBLIC SERVICE GROUPS, AND WOULD NORMALLY EXPECT TO PROPOSE TO THE HOUSE AN ADJUSTMENT IN MEMBERS' PAY THAT CORRESPONDED TO THIS AVERAGE, THERE COULD BE CIRCUMSTANCES WHERE THIS COURSE COULD NOT BE FOLLOWED FOR ONE REASON OR ANOTHER. IN SHORT, THE GOVERNMENT RESERVES THE RIGHT TO RESPOND FLEXIBLY TO EXCEPTIONAL CIRCUMSTANCES.

14. THE MOTION REFERS TO "APPROPRIATE GROUPS IN THE PUBLIC SERVICE". THE GROUPS I HAVE IN MIND ARE THE NON-INDUSTRIAL CIVIL SERVICE, PRIMARY AND SECONDARY TEACHERS, NHS DOCTORS AND DENTISTS AND NHS ADMINISTRATORS. IT IS NOT NECESSARY TO MAKE A FINAL DECISION ABOUT THE GROUPS TO BE INCLUDED AT THIS STAGE. HOWEVER THE GENERAL PRINCIPLES ARE CLEAR: THE GROUPS SHOULD REPRESENT A WIDELY BASED SEGMENT OF THE PUBLIC SERVICES BUT PARTICULAR GROUPS TO WHOM THE GOVERNMENT HAS GIVEN SPECIAL COMMITMENTS, SUCH AS THE ARMED FORCES AND THE POLICE, SHOULD BE EXCLUDED. AS I ENVISAGE THAT THE AVERAGE PAY INCREASE FOR ALL GROUPS WOULD BE WEIGHTED BY NUMBERS IN THE GROUP, THERE WOULD BE LITTLE POINT IN INCLUDING NUMERICALLY SMALL GROUPS. THE GROUPS I HAVE MENTIONED ALL HAVE THEIR SETTLEMENT DATE ON 1 APRIL. THIS IS USEFUL AS IT MEANS THAT, ON THE ONE HAND, THE CHANCES IN PAY WOULD BE RECENT ONES, UNLIKE WITH THE NES LINK, AND, ON THE OTHER, THAT THE SETTLEMENTS SHOULD HAVE BEEN CONCLUDED IN TIME FOR A DEBATE ON MEMBERS' PAY BEFORE THE SUMMER RECESS.

15. THE GOVERNMENT DOES NOT PROPOSE TO APPLY LINKAGE TO MINISTERS' PAY, OR TO THE SECRETARIAL ALLOWANCE. BETWEEN TSRB REVIEWS THESE ITEMS WOULD BE REVISED ON AN AD HOC BASIS.

16. A GOOD DEAL OF PASSION IS AROUSED BY THE QUESTION OF LINKAGE BUT IN THE SCHEME THAT I HAVE OUTLINED HERE, AND THAT RECOMMENDED BY THE SELECT COMMITTEE, IT IS REALLY ONLY OF SECONDARY IMPORTANCE. THE PERIODIC REVIEWS BY THE TSRB WILL BE THE CHIEF MEANS OF KEEPING MEMBERS' PAY ON A SATISFACTORY BASIS. PROVIDING THESE ARE UNDERTAKEN REGULARLY IT DOES NOT MATTER MUCH IF THE INTERIM ARRANGEMENTS ARE APPROXIMATE RATHER THAN PRECISE.

17. IF THE HOUSE SUPPORTS THE PROPOSALS I HAVE OUTLINED HERE THEN I BELIEVE WE WILL HAVE TAKEN A MODEST STEP IN THE DIRECTION OF FREEING MEMBERS' PAY FROM THE CAPRICIOUS CIRCUMSTANCES THAT HAVE ATTENDED IT IN RECENT YEARS. DOUBTLESS WE SHALL HAVE OUR QUOTA OF PROBLEMS IN THE FUTURE. I HOPE, HOWEVER, THAT WE SHALL AVOID THE WORST PITFALLS. THE HOUSE, I AM SURE, WILL NOT EXPECT A PERFECT ARRANGEMENT, BUT I AM CONVINCED THAT THE GOVERNMENT'S PROPOSALS OFFER A MODEST AND TANGIBLE WAY FORWARD.

18. THEREFORE I URGE THE HOUSE TO SUPPORT THE VARIOUS MOTIONS STANDING IN MY NAME.



PRIME MINISTER'S OFFICE
WHITEHALL LONDON SW1A 2AA

WJV

PA

MUS 11/6

11 June 1982

Dear Geoffrey,

FUTURE ARRANGEMENTS FOR SETTLING MPs' PAY

Thank you for your letter of ^{TRM} 9 June.

I am happy to proceed as you suggest.

I am copying this letter to the Prime Minister and to Sir Robert Armstrong.

JOHN BIFFEN

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
Treasury Chambers
Parliament Street
London SW1

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*Parliament
etc SV*



Prime Minister (2)

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

MS 10/6

9 June 1982

The Rt. Hon. John Biffen, MP
Lord President of the Council

John Biffen

[Handwritten mark]

FUTURE ARRANGEMENTS FOR SETTLING MPs' PAY

- mcs

Thank you for your letter of 7 June and the draft of your speech tomorrow.

I agree that we should exclude nurses and midwives from the linked groups to be proposed to the House.

The arguments in respect of the three further teaching groups are as you say more finely balanced. While I can see that there could conceivably be some presentational advantage in including them, there could also be the presentational disadvantage that the "basket" might then - wrongly - seem rather heavily weighted to educational groups, just as the original one was rather heavily NHS-weighted. Moreover, in relation to the pay of all three groups Parliament has a direct role - arbitration awards to school and further education teachers in England and Wales can be set aside by resolution of both Houses; those to similar Scottish groups can be set aside by the Secretary of State subject to negative Parliamentary resolution; while those to University teachers are binding on both sides "subject to the over-riding authority of Parliament". One can envisage critics arguing that enlargement of the basket to include the three additional groups could create a conflict of interest. On balance I would prefer no enlargement.

I am entirely content with the draft of your speech.

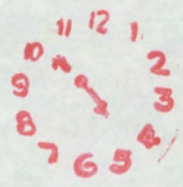
I am copying this letter to the Prime Minister and to Sir Robert Armstrong.

[Handwritten signature]

GEOFFREY HOWE

CONFIDENTIAL

JUN 1982



Parliament

9 June 1982

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PA. / *overwritten by events*
MCS 10/6

MR SCHOLAR

cc Mr Rickett
Mr Mount

MPs' PAY

We had planned to leave discussion of the Lord President's proposals (his letter of 7 June) until the meeting to be arranged on index-linked pensions; but I think we may have overlooked the Lord President's intention to make his announcement during the debate tomorrow (and the Cabinet minutes record that the House ought to be advised before the end of this week), so I offer these thoughts about his proposals for the basket of comparators, in addition to those you and I have already discussed:

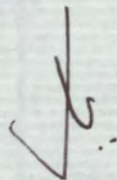
- (i) This is a thoroughly unhelpful comment, but I must make it nonetheless: the more closely the concept of a basket of public service comparators for MPs is examined, the more objectionable it seems. Pay is only one element of remuneration, and linking MPs to some kind of weighted average of other pay rises overlooks job security, pension arrangements, productivity, and changes in supply and demand. It is also a seriously retrogressive step towards comparability.

- (ii) And there are objections to almost every group that is chosen. Ministers have already ruled out manual workers, and nurses and midwives, as being in some intangible sense inappropriate comparators for MPs; and they have quite rightly taken the view that groups with specially favourable arrangements, such as the uniformed services, should also be excluded. Mr Biffen points out that it is illogical to include groups over whose pay Ministers do not have direct control, which rules out local authority employees. Teachers ought to be excluded under that criterion, as well as because teachers' arbitration is subject to House of Commons override. For all we know, that may also be true of civil servants, post-Megaw.

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(iii) So it would be far preferable for Cabinet to reverse its decision to go for a basket of comparators, and leave the interim adjustment to be made each year on the basis of a proposal by the Government, and a vote in the House. Only if that is considered by Ministers to be unsaleable to MPs should we contemplate a basket, and then you and I have already agreed the only thing to do is to throw in as many groups as possible, including all the small ones, to muddy the waters and therefore to make it easier to override the outcome.



JOHN VEREKER

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10 DOWNING STREET

CR

PAP

Prime Minister

MPS pay analogues

If you do not wish to have a meeting - and I am not sure whether you do or not - would you like me to make the point at X in my note?

Told → I will
David Hayhoe leave it
MCS 8/6

to
Mrs John Patten
mt.