



Review Body on Armed Forces Pay

TWENTY-FOURTH REPORT 1995

Chairman: Gordon Hourston



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The Review Body on Armed Forces Pay was appointed in September 1971 to advise the Prime Minister on the pay and allowances of members of the Naval, Military and Air Forces of the Crown and of any women's Service administered by the Defence Council.

The members of the Review Body are:

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¹Gordon Hourston is also a member of the Review Body on Senior Salaries. Baroness Dean of Thornton-le-Fylde was a member of the AFPRB for part of the period of the review reported on here.

Summary of main recommendations

Our detailed recommendations are set out in Chapters 3–6 of our report. We summarise the main recommendations below.

- **Increase in military salary** for all Service personnel, except university cadets, of between 2.5 and 2.9 per cent to daily rates, giving an average increase of 2.57 per cent (paragraphs 76–77, Tables 1 to 3, paragraph 85, paragraph 134 and Appendix 4).
- **Length of service increments** to be increased in line with the average increase in military salary (paragraph 78 and Table 4).
- **Parachute pay** to be uprated in line with the average increase in military salary (paragraphs 95–96).
- **Parachute jumping instructors (PJI) pay** to be uprated to £4.94 per day, and a reserve band of PJI pay to be introduced for PJIs who have been absent from PJI or PJI-related duties for a period of three years (paragraphs 97–99).
- **London pay** to be increased by reference to the RPI (paragraphs 100–101).
- All other forms of **additional pay** to be uprated in line with the average increase in military salary (paragraph 102 and Appendix 5).
- **Separation allowance** to be uprated in line with the average increase in military salary (paragraphs 43–49).
- **The longer service at sea bonus** to be uprated in line with the average increase in military salary (paragraphs 50–51).
- An additional increment to **the Reserve forces bounty** to be introduced after five years qualifying service, to be paid for the training year completed 31 March 1995 (paragraphs 86–89).
- **Accommodation, water and sewerage charges** to be increased by varying amounts to take account of costs in civilian life, with no increases to **food charges** (Chapter 6).

Contents

		<i>Paragraph</i>	<i>Page</i>
<i>Chapter 1</i>	Introduction and background	1	1
<i>Chapter 2</i>	The current pay structure	9	3
<i>Chapter 3</i>	Our approach this year	20	5
	The role of job evaluation and pay comparison ...	21	5
	Review of job evaluation and pay comparison methodology	27	6
	One star officers	29	6
	The X factor	30	7
	Separation	42	9
	Separation allowance (SEPAL)	43	9
	The longer service at sea bonus	50	10
<i>Chapter 4</i>	Building up the military salary	52	12
	Pay comparisons	54	12
	Hours of work	57	13
	Lost leave	61	13
	Service pensions	65	14
	The wider economic considerations	68	15
	The Defence budget	72	15
	Manning	73	16
	Visits to Service units and establishments	75	16
	Our recommendations on the military salary	76	16
	Length of service increments	78	19
	Special pay scales	79	19
	Service medical and dental officers	79	19
	Other special groups	85	20
	The Reserves	86	20
	Performance pay	90	21
	Recognition of Service qualifications	91	21

<i>Chapter 5</i>	Additional pay and allowances	93	22
	Parachute pay	95	22
	Parachute jumping instructors pay	97	22
	London pay	100	23
	Other forms of additional pay	102	23
	Allowances	103	23
 <i>Chapter 6</i>	 Charges	 104	 24
	Accommodation charges	107	24
	Rental charges	107	24
	Future comparators for Service rents	109	25
	Our recommendations on rental charges	116	25
	Furniture hire	117	26
	Single accommodation	118	26
	The married quarter estate	121	27
	Charge in lieu of council tax (CILOCT)	123	27
	Water and sewerage charges	124	27
	Food charges	125	28
	Pay as you dine (PAYD)	129	28
 <i>Chapter 7</i>	 Conclusions and costs	 131	 29
 <i>Appendix 1</i>	 Previous reports of the Review Body on Armed Forces Pay		 31
<i>Appendix 2</i>	Pay comparisons		32
<i>Appendix 3</i>	Military salaries inclusive of the X factor introduced with effect from 1 April 1994 and 1 January 1995		33
<i>Appendix 4</i>	1 April 1995 recommended levels of military salary for certain special groups		35
<i>Appendix 5</i>	1 April 1995 recommended rates of additional pay		38

Chapter 1

Introduction and background

1. The AFPRB was appointed in 1971 to advise the Prime Minister on the pay and allowances of armed forces personnel. It was set up in the absence of machinery for individual or collective bargaining in the armed forces. Now, as then, Service personnel have no right of association, they may not strike, negotiate about pay, resign or change job at will; and with little or no notice may be required to undertake operational duties. This puts them in a unique position amongst public servants. Although since 1971 there has been some relaxation in the engagement structures across the three Services and in the regulations permitting premature voluntary release (PVR), it remains the case that all Service personnel must give lengthy periods of notice before they may leave. Almost invariably, these periods of notice are considerably longer than for civilians.

2. In our recommendations we have always aimed to be fair both to Service personnel and to the taxpayer and we are acutely aware of the responsibilities of our position as independent arbiters on pay. This position is underpinned by the Government's assurance that our recommendations would be accepted unless there were clear and compelling reasons for not doing so. Our recommendations, which have always been based on broad comparability, have never been rejected by the Government although they have been staged on four occasions since 1971.

3. Last year we recommended an average increase in military salary of 3.6 per cent, with amounts varying from 3.0 to 4.4 per cent for individual ranks reflecting broad comparability. Charges were also increased to take account of evidence on broad comparability. We regret that the Government decided to stage our award, with 2.7 per cent being paid to all ranks on 1 April 1994 and the remainder on 1 January 1995.

4. The imposition by the Government of the 1.5 per cent pay award for all public servants in 1993 and its decision to stage the 1994 pay award, together with continuing restructuring and change within the armed forces, has created a degree of uncertainty about our role. We therefore believe that it is appropriate to explain in some detail the background to our approach to the recommendations we make in this report on both pay and charges.

5. Change and uncertainty for the armed forces have stemmed from Options for Change announced in 1990, the effects of which are still working through the Services; the Defence Costs Study, the results of which were published in July 1994 and which will cause a further reduction in Service personnel numbers across the three Services; and the Independent Review of terms and conditions of service, to which we refer below. The total strength of the regular armed forces is now forecast to fall to 236,000 by April 1995, a reduction of some 22 per cent since 1 April 1990. Total redundancies by April 1995 will amount to over 24,000 in the three Services. Further reductions at all ranks will follow after April 1995 as a result of the Defence Costs Study "Front Line First". These reductions should be viewed against a workload which has not generally decreased, and, due to operational and other commitments, may increase sharply and sometimes with little notice.

6. We believe that Service pay must be fair in relation to pay in other walks of life. This is not just a matter of equity as it also underpins recruitment and retention in volunteer professional armed forces. Accordingly, we remain committed to the principle of broad comparability as the starting point for our recommendations on pay and charges. This is the principle of maintaining military salaries at levels broadly comparable with those received by people outside the Services doing jobs of similar size and weight, and recommending charges for accommodation and food which reflect broad levels of expenditure on similar commodities in civilian life.

7. In its evidence the Government has again endorsed the principle of broad comparability but has asked that the mechanisms for delivering it should be reviewed. The Government suggested that we should place less emphasis on what it saw as detailed comparisons and instead retain sufficient information on broadly related pay levels and movements. We were also asked to provide greater “transparency” in the basis on which we exercise our judgment. We welcome this opportunity to clarify the basis on which we work, particularly in view of the changes and uncertainties described above, and we do so in the following chapters. In making our recommendations we are glad to note that the Government endorses a judgmental rather than a mechanistic approach.

8. We welcome the Independent Review of terms and conditions of service under the chairmanship of Mr Michael Bett which is due to report to the Secretary of State for Defence on 31 March 1995, and have drawn to its attention several issues of long-standing concern. A consequence of the timing of the Review has been the deferment of some of our own work, in particular in relation to a major review we are undertaking of the job evaluation and pay comparison systems and another regarding compensation for separated service. However, we include in this report a preliminary discussion of some aspects of the job evaluation systems which are currently used by MOD and also by our consultants in their pay comparison work. There is a similar discussion of the X factor, where we have gathered information about changes in aspects of civilian life which have a bearing on the relative advantages and disadvantages of conditions in the armed forces; and of long-term changes in the housing market as they affect our methodology for establishing accommodation charges. We look forward to progressing our work on these and other major questions, including the complexity of the pay structure, following the conclusions of the Independent Review and for our next report.

Chapter 2

The current pay structure

9. In this chapter we describe the current pay structure and our role in making recommendations within it.

10. The current pay structures for officers and other ranks were introduced in 1970. Job evaluation systems were introduced at about the same time, together with systems designed to give an indication of the levels of pay in civilian employment for jobs which were comparable in terms of size (measures of which include skill and responsibility) with jobs in the Services. Prior to this, Service personnel were paid partly in cash and partly by the provision of free food and accommodation, and by other allowances. Married men were paid more than other personnel. For officers, a linkage also existed to the pay of executive and administrative grades of the Home Civil Service; for other ranks, reference was made to changes in average earnings in manufacturing and other industries.

11. Our first report in 1972 endorsed the new structures and approach, commenting that we intended to carry on with the job evaluation and pay comparison processes, complementing them as necessary by information from salary surveys and index figures for the movement of earnings and prices. While this greatly assisted our judgment, we also commented that the use of job evaluation could not provide an exact indication of the proper level of Service pay given the range of jobs for any one rank and that the process of determining fair levels could not be reduced to a formula. We have continued to hold these views, and we discuss the role and operation of job evaluation and pay comparisons in Chapter 3.

12. Across the three Services there are two main pay systems, one for officers and one for other ranks. Officers are paid according to rank, rather than the skill requirement of the job, and thus all officers at the same rank receive the same rates of military salary. This system recognises that officers are posted away from their specialisation at varying periods in their career as part of a wider career development process. No differentiation is made between individual officers within a rank by paying them strictly according to individual comparability evidence or to job size. The Services have always attached importance to this, as it avoids some potentially divisive problems over pay arising during times of combat, as well as avoiding unfair disadvantage to individuals arising from the requirements of mobility and career development between jobs and postings. An annual or biennial incremental pay system operates within ranks for Lieutenants to Colonels inclusive, and rewards length of service but not performance or special skills in the rank. Brigadiers and the most junior officers are paid on spot rates.

13. For other ranks, trades are separated into pay bands for each rank according to the skill required to do the job, and we recommend separate pay rates for each rank and band which take account of the broad comparability evidence. The paybanding system reflects the situation whereby other ranks are almost invariably deployed within their skill and trades. The Army and RAF have three pay bands within each rank up to and including Corporal, and four from Sergeant to Warrant Officer I. The RN operates an “all of one company” pay system, to reflect the requirement in the RN for all ratings at sea and ashore to operate as an integrated team and to undertake a range of common tasks regardless of main trade. This

means that most junior ratings at Corporal equivalent and below are paid at the middle band (band 2) rates, and senior ratings are divided into two groups: technicians and non-technicians. Technical senior ratings are on average in higher pay bands than non-technical senior ratings.

14. Other ranks receive length of service increments to encourage retention; these are based on length of service and are paid after 9 years service and later. After nine years service, increments are increased at different periods in each of the three Services reflecting their differing retention needs.

15. The X factor is an addition to basic pay which we recommend in order to reflect the difference between conditions of service experienced by members of the armed forces and conditions in civilian life which cannot be taken directly into account when assessing pay comparability. To date we have considered that conditions of service in the armed forces are less favourable than those in civilian life and thus both officers and other ranks receive an X factor on top of basic pay to form the military salary. The X factor is currently 11.5 per cent of basic pay for all regular ranks up to and including Lieutenant Colonel; it tapers off from Lieutenant Colonel and ceases after Brigadier. We commenced this year a comprehensive review of the X factor which we plan to complete for our next report, and we discuss our preliminary thoughts further in Chapters 3 and 4.

16. In addition, to take account of specific recruitment and retention problems, we recommend additional pay as necessary. Unlike our recommendations on the military salary, additional pay is not based on comparability. It may be paid when the armed forces are in competition with other employers for scarce or marketable skills or because personnel are asked to take on particularly demanding duties, for example involving work in difficult conditions or exceptionally long hours.

17. We also make recommendations on two allowances, separation allowance and London pay. Unlike reimbursement allowances, which are the responsibility of MOD management, these are essentially judgmental. We discuss these in Chapters 3 and 5.

18. From time to time we are asked to make recommendations to alleviate specific problems of shortages of trained personnel which cannot be resolved wholly or in part by the measures described above or by management action. This led us in the early 1990s to recommend retention bonuses for young officers in the RN and the Army as well as to recommend enlistment bounties for some Army recruits who were in very short supply. Both were designed as targeted measures to give more flexibility to the system. We agreed to the withdrawal of retention bonuses in 1993 because of the changed manpower situation resulting from the reduction in the size of the Services and the effect of the recession, meaning that fewer people were leaving and that a number were being made redundant.

19. It has long been our view that the current pay structure is over-complex. This can lead to misunderstandings within the Services about its purpose as well as imposing an administrative burden on those who have to operate it. There is one simple and long overdue reform that we continue to urge MOD to adopt as quickly as possible. This is to move from daily to annual rates of pay in line with current practice almost everywhere in civilian life. Daily rates of pay are anachronistic and cause us problems in considering and assembling our evidence on pay, and to Service personnel who receive varying monthly salaries.

Chapter 3

Our approach this year

20. In this chapter we discuss our approach and in particular the role of job evaluation and pay comparison systems in determining basic pay as well as the other component of the military salary, the X factor. We also comment on the question of separated service looking particularly at the separation allowance (SEPAL) and the longer service at sea bonus (LSSB). All of these are under continuing review and we will return to them in our 1996 report.

The role of job evaluation and pay comparison

21. The Review Body's first report in 1972 explained the rationale for seeking to ensure that pay in the armed forces remained fair in relation to pay in other walks of life: this was not only a matter of equity, but was also necessary to ensure sufficient good quality recruits and to aid the retention of those trained personnel whom the Services wished to deploy in the national interest. We believe now, as the Review Body did then, that unless Service personnel have a continuing assurance that their pay will be kept broadly in line with the level of pay in civilian life, sufficient recruits of the right quality will not be attracted to the Services or personnel will seek early release to join the civilian job market. Although the recession and the redundancies arising from the Options for Change programme have had a dampening effect on PVR and exit rates generally, senior Service managers have told us of their concern that the recruitment and retention situation could rapidly decline as the economy improves. We have recently seen that PVR applications are increasing in some areas.

22. The armed forces are a highly complex organisation comprising over 500 individually recognised trades and professions. These fall across the three Services, each with its own rank, trade structure and ethos. Moreover, as we have already said, there are two separate pay systems, one for officers and one for other ranks. In seeking to make comparisons with civilian jobs, we are aware that although on the face of it some Service trades seem directly comparable with those in civilian life, in most cases there is an additional military element usually commensurate with rank which we must also take into account. Additionally, there are some trades which have no civilian equivalents. Thus we do not attempt to match directly Service or civilian jobs, or to make one-to-one comparisons. Instead we look at similarly sized jobs within trades and professions across civilian life. Independent management consultants advise us on current civilian pay levels; MOD helps us to make valid comparisons between Service and civilian jobs. This process involves judgment and is not simple or mechanistic.

23. We use job evaluation as the basis for the broad comparisons outlined above. This allows jobs to be analysed taking account of several factors, including physical and mental requirements and responsibility for supervision. The relative importance of each of these factors in each job is then measured. The total score from all the factors represents the size of that job. As both civilian and Service jobs are scored under the same job evaluation scheme, it is possible to compare the remuneration of Service jobs with that of civilian jobs of similar size.

24. We collect pay comparability evidence differently for officers and other ranks in view of the different nature of their jobs within the Services. For civilian jobs at levels comparable to officers a commercial database is used containing jobs scored using a standard evaluation scheme, and their associated remuneration. A representative sample of Service jobs is scored under the same scheme and the remuneration levels of jobs with similar scores are extracted from the database. As no reliable database exists for jobs at the level of other ranks, management consultants conduct a survey to identify and evaluate civilian jobs broadly equivalent to Warrant Officer, SNCO and Corporal levels, and to collect remuneration data for these jobs. The survey provides a database which is then used in the same way as that for officers to compare Service and civilian jobs. At the entry levels, Second Lieutenant and Private, relevant information is drawn directly from national earnings statistics, and job evaluation is not used when making comparisons.

25. We make our comparisons on Service pay in the context of the military rank structure and of career patterns which are different from those found generally in civilian life. The rank structure must take account of the requirements of military discipline and readiness for war; and career patterns are determined by the need for a high proportion of young personnel, with the consequence that nearly all recruitment is at the basic entry ranks. A career investment is made in the training of almost all recruits, both officers and other ranks, although many will be required to leave the Services at a comparatively early age and find other work. Even for the minority who attain high rank, or are retained in the Services for other reasons, retirement comes earlier than in civilian life, and usually involves the need to start a second career in middle age.

26. We are aware that many Service personnel, both officers and other ranks, have little knowledge of the job evaluation and pay comparison systems. Some think that we match specific Service jobs with their civilian equivalents and recommend pay accordingly; others that we apply a mechanistic formula which is wholly unrelated to movements in civilian life. We also hear complaints on visits from Service personnel who are unhappy about or who do not understand their paybanding arrangements. We have long commented that it is for Service managers to inform and advise their personnel about these matters. We know that efforts have been made to improve this situation, but we believe that still more could be done.

Review of job evaluation and pay comparison methodology

27. We are now undertaking a quinquennial review of the job evaluation and pay comparison systems. There have been many changes in the organisation of work and of jobs both inside and outside the armed forces, and we believe that the review should be of a fundamental nature. These changes include the introduction of new technology, multi-skilling, and new management practices such as a reduction in supervisory roles and an increasing dependence on competency requirements. Additionally, pay systems have become more flexible and in many areas pay is linked in some way to performance.

28. We also believe that there may be difficulties in working practices which should be addressed in a review. First, the wish to preserve the integrity of the military job evaluation system may have led to an undesirable loss of scope for management discretion. In private companies and other civilian organisations job evaluation is used as a management tool, in order to provide management solutions to problems, much more widely than appears to be the case in the Services. Another problem in recent years has been the increasing difficulty experienced by our consultants in finding sufficient jobs in the civilian sector for some of the Service pay bands. The reasons for this are not clear. However, it seems possible that the external job environment has changed so fundamentally that certain levels of job which traditionally compared with some Service ranks have become much less common. Alternatively, the military factor plan may no longer be assessing appropriately and adequately the size of civilian jobs as accurately as it has in the past.

One star officers

29. From 1 April 1995, Grade 5 civil servants will become part of the senior open structure and therefore fall within the remit of the Review Body on Senior Salaries

(SSRB). There are implications of this change for our remit as one star military officers are traditionally seen as Grade 5 equivalents. We expect to return to this issue in our next report for which we shall be seeking evidence from MOD and considering the matter with the SSRB.

The X factor 30. We have made a start this year on a comprehensive review of the X factor; our last such review was for our 1991 report. The X factor is an addition to basic pay which we recommend in order to reflect the difference between conditions of service experienced by members of the armed forces over a full career and conditions in civilian life, which cannot be taken directly into account when assessing pay comparability. The balance of advantage and disadvantage is averaged out across the three Services and the various arms and units within each Service. Thus the levels we recommend, reflecting our view of the less favourable conditions of service as compared with civilian life, are not intended to reflect the precise current circumstances of individual Service men and women. The level of the X factor has been set at 11.5 per cent for most regular Service personnel since 1991 and at 5 per cent for the Reserve forces.

31. The factors we have taken into account in the X factor since its introduction include:

- a. The disadvantages of:
 - (i) military discipline;
 - (ii) liability for duty at all times without extra pay;
 - (iii) inability to resign at will, change jobs or negotiate for pay;
 - (iv) danger; and
 - (v) turbulence (including an element for separation).
- b. The advantages of:
 - (vi) adventure, travel, and the chance to learn a trade;
 - (vii) longer paid leave than most civilians;
 - (viii) greater job security than most civilians; and
 - (ix) the possibility of early promotion together with the opportunity to exercise responsibility.

In addition to those traditional factors, we have on occasions taken other factors into account, particularly in 1990, when we noted that standards of life between Service and civilian personnel had continued to diverge. We also noted that the rising expectations of Service families, especially in connection with house purchase and the difficulty many Service families (particularly wives) experienced in finding suitable employment, had not been satisfied by management action.

32. With the assistance of evidence from MOD, this year we have addressed a number of issues, including the continued relevance of the current elements of the X factor, possible changes in the balance of advantages and disadvantages within the Services as well as changes in the civilian sector which would influence the relative balance between Service and civilian life. Furthermore we asked MOD to consider the continued need for a single rate of X factor across all locations and all ranks within our remit.

33. We see every reason for the continuance of the X factor, but its future structure will need to reflect any changes in patterns of service caused, for example, by the drawdown of the Services or by changed commitments; the effects of these are now being examined by the Independent Review. We shall need to consider the implications of its recommendations on the subject of separation, which is at present compensated partially within the X factor and also through separation allowance (SEPAL), or within the longer service at sea bonus (LSSB) for RN seagoers. Unlike SEPAL which applies only to married personnel, we regard the X factor as compensating married and single personnel alike. One aim of our review of the X factor and other separation measures is to produce a simpler and more targeted structure of payments. In this connection we have begun to consider both SEPAL and LSSB this year, and our thoughts on each are discussed later in this chapter.

34. We have considered the continued justification for the retention of a single rate of X factor in the light of the need wherever possible to target expenditure more precisely. We know that senior Service managers prefer a single rate, on the grounds that over a career most personnel are subject on the whole to similar amounts of turbulence and danger, as well as for ease of administration. In the past, we believed that it would be contentious and divisive to reward separately certain elements such as danger. We have never favoured the concept of "danger money" as such, nor have we been convinced of the need for "theatre pay". If, however, the nature of Service postings were to change significantly in that most personnel became home-based or were deployed overseas unaccompanied and only on fairly short detachments, or that only certain groups of personnel were exposed to turbulence and danger, we would need to reconsider this approach. In the shorter term, we wish to consider whether there is a case for compensating separation in one allowance, rather than divided as at present between X factor, SEPAL and LSSB.

35. In its evidence to us MOD argued that many of the advantages of Service life have deteriorated in the light of the changes brought about by Options for Change and the Defence Costs Study, whilst disadvantages have increased. Those aspects which MOD perceived to be of primary concern were redundancy, turbulence and what is termed overstretch, all of which are seen to be a direct result of the various changes implemented in recent years.

36. Turbulence is regarded as increasing for two main reasons: first, the changes in patterns of deployment indicate that there is a move towards fewer long accompanied tours overseas and more shorter unaccompanied detachments, resulting perhaps in more basic stability for the families of some Service personnel, but with greater and more erratic periods of separation. Second, in all three Services there is said to be an increase in general workloads, accompanied by a continued shortening of intervals between emergency tours. This is closely related to overstretch, which is regarded by many Service personnel as increasing, particularly following the redundancy programmes affecting each Service. The redundancy programmes, limitations on re-engagement and continuing uncertainty about future prospects have also led to a deterioration of the perception that Service life offers a full career with job security.

37. To assist in our judgment of the changes in Service life relative to the civilian sector we have this year undertaken a study of comparable civilian conditions to ascertain changes which might affect the overall balance of disadvantage experienced by armed forces personnel. In parallel with the changes in conditions experienced by Service personnel, there is evidence of a noticeable and marked deterioration in civilian conditions. During the recession, redundancies increased substantially in the civilian sector contributing to a labour market in which job security has become weaker. Attitude survey data¹ provide evidence of a growth in pessimism about the labour market since 1989 amongst all income groups. Furthermore, in certain areas within the civilian public and private sectors, such as the civil service, the utilities and the service industries, substantial further redundancy programmes are still expected in the next few years.

38. One factor in the Services' perception concerning the impact of the recent drawdown on job security has been the impression that redundancy is a new phenomenon in the armed forces. This overlooks several smaller but significant redundancy programmes in the 1970s and 1980s.

39. The potential difficulty for Service personnel to purchase private accommodation is regarded as a disadvantage which has worsened in recent years, as home ownership became the norm in the civilian sector. Although in the past civilians clearly had an advantage in their readier access to the housing market when for a long period house prices were rising, that advantage is lessened when the housing market is depressed, leaving large numbers of people with negative equity. In 1994 it was estimated that over a million households had negative equity, and research showed that among buyers in the late 1980s, people under the age of 30 at time of purchase, and who were therefore of a similar age to most Service personnel,

¹ British Social Attitudes, annual reports compiled by Social and Community Planning Research, 9th Report published in November 1992, 11th Report published November 1994.

were most likely to hold negative equity. We have also compared the proportions of home owners in the armed forces now with the position in the past, and both with the civilian sector. We found that almost 70 per cent of officers and 37 per cent of other ranks now own their own homes, but at least one third of these homes are not occupied by Service personnel or their families. All the civilian data we have seen to date relates to owner-occupiers and we are not aware of any available data on the proportion of owners who do not occupy their houses. However in 1990¹, around 90 per cent of professional households and “employers and managers” were owner-occupiers as were nearly three quarters of skilled manual workers and just under a half of the semi-skilled.

40. We also looked at the impact of overstretch in the armed forces and compared it with civilian evidence. This indicated that despite reductions in basic weekly hours and reduced levels of paid overtime working in certain sectors, the extended unpaid overtime worked by professional and managerial staff in particular contributes to the UK civilian workforce experiencing some of the longest overall hours of work in Europe². If overall hours have been increasing for comparable groups in the civilian sector, the gap with the armed forces would be narrowed. We shall return to this issue next year.

41. In summary, although we are aware that Service personnel perceive that their position has deteriorated since our last fundamental review of the X factor, we have concluded that there is no strong argument for changing the X factor this year. We shall complete our review in our 1996 report, when, in the light of the outcome of the Independent Review and changes now in progress following the Defence Costs Study, we shall be in a better position to consider also whether any structural change would be appropriate.

Separation

42. We have paid particular attention this year to the concept of separated service, as this is one of the areas about which we hear the most complaints from armed forces personnel on our visits to Service locations. MOD has provided us with information on separation allowance (SEPAL) and on the longer service at sea bonus (LSSB), which we discuss below.

Separation allowance (SEPAL)

43. Separation allowance is paid to married personnel separated from their families to compensate them for the stresses of separation. It is a taxable allowance whose rules, which are complex in nature, are set by MOD, while we recommend rates appropriate to those rules. The basic qualifying criteria for SEPAL are:

- 30 days separation must elapse in a year before payment of SEPAL begins: it is accumulated in periods of 10 days or more, following which only periods of at least 10 days separation attract the allowance; and
- the individual must be serving 200 miles or more from home by road (or 150 miles in particularly difficult cases), or 100 miles by road and sea.

An additional requirement is the need to re-qualify by accumulating a new period of 30 days separation each year, unless SEPAL is being paid on the anniversary date of its commencement, in which case payment continues until the end of that period of separation.

44. SEPAL is paid at two rates: a lower rate for the first 182 days of separation in the UK and NW Europe, and a higher rate for separation outside NW Europe and from the 183rd day in the UK and NW Europe. We commended one change to the distance criteria of the SEPAL rules in our 1991 report, which included the introduction of a distance criterion of 150 miles for particularly difficult journeys. However, MOD chose only to apply this to separation between Portsmouth and Plymouth.

45. MOD was able to give us some evidence for this review on the differing patterns of separation within the three Services, as well as information on what each Service believes is wrong with the current SEPAL rules. Separated service within the RN is

¹ General Household Survey (Great Britain), 1990.

² Employment in Europe survey, 1994, published by the European Commission, and quoted in: “Whatever happened to the shorter working week?”, Industrial Relations Review and Report, November 1994.

compensated differently when personnel are at sea and when they serve ashore. Seagoers can expect extended separation for anything up to 6 months at a time at sea in peacetime, and sea service is specifically recognised by LSSB (see below) which is paid to both single and married personnel instead of SEPAL. In addition, seagoing personnel receive more warrants than their shore-based colleagues. SEPAL is paid to RN personnel serving ashore. However, the RN believes that because of its subjective nature the emotional effects of separation on individuals cannot be quantified. It would prefer to do away with SEPAL and mitigate the actual financial penalties of separated service experienced by all, ie additional food and accommodation costs and the cost of return travel home. Army units are increasingly deployed from bases in the UK and Germany for short tours of operational duty, and it is expected that this pattern will continue for the foreseeable future. The general application of the 200 mile distance rule is perceived to be unfair and a system based on time and/or distance would be preferred. The Army would like to recompense periods of "exceptional separation", perhaps after a cumulative period of two years, in much the same way as the LSSB scheme currently does for RN seagoers. RAF personnel experience levels of separation which are generally less than the other two Services, although the brunt of separated service seems to be borne by fewer people, but more frequently. These tend to be the RAF's operational squadrons, their front-line engineering support staffs and certain specialist formations. The RAF also sees some merit in the RN's targeted method encompassed within LSSB and believes the current distance criteria to be unfair. The RAF, like the RN, favours a system which does not differentiate between married and single personnel.

46. We have some sympathy with a number of these points. In particular, we believe that the distinction between married and single personnel is becoming more difficult to maintain as in most areas of civilian life single people have many of the same responsibilities as married people, as is increasingly the case for Service personnel. It also seems difficult to justify differing practices in this regard between the three Services, when the RN already recognises married and single personnel equally in the application of LSSB.

47. We will discuss with MOD the philosophy of recompensing separation and the purpose of SEPAL. In particular we wish to consider whether it should remain for the personal and emotional disadvantages of separation or take more account of the nature of the posting, or alternatively be replaced with reimbursement payments more closely related to actual loss. We should like to see more evidence on these factors as well as fuller costings of the different options, and we regard it as important that the outcome of this review should be a system whose rules are seen to be fairer and clearer.

48. As with a number of the other topics we discuss in this chapter, the recommendations of the Independent Review may have implications for separated service. Major questions relate to future patterns of separation for married and single personnel in each Service, and whether there is a case to view separation in the same way for all personnel across the three Services, both married and single, or whether schemes more individually tailored to meet each Service's needs would be more appropriate.

49. From 1 April 1995, however, we recommend the following rates:

	£ per day
Outside NW Europe or separated for more than 6 months in any one period	3.75
Within NW Europe	2.92

The longer service at sea bonus

50. The longer service at sea bonus (LSSB) was introduced in the RN/RM in 1988 as a retention measure, targeted at those who spend longest at sea in a career. This was particularly important at a time of very high PVR rates. LSSB is paid to all qualified RN and RM personnel serving at sea, irrespective of marital status. It replaced SEPAL previously paid to married personnel at sea, hard-lying money paid to those serving at sea in ships where living conditions were judged to be below

standard, and seagoing rates of local overseas allowance (LOA). It is not paid to shore-based personnel.

51. LSSB is payable on completion of two years sea time with increments paid after aggregating a total of 5 and 10 years sea service. As we have already commented, RN management is in general content with its LSSB arrangements which it regards as simple to understand and fairly targeted. We are aware that some personnel perceive an anomaly in that married personnel with less than two years sea service and who do not therefore receive LSSB are currently ineligible for SEPAL too, and we will ask MOD to consider this and other possible anomalies in its forthcoming review of separated service. In the meantime, we recommend that the LSSB structure and increments should be maintained, and we recommend the following rates with effect from 1 April 1995:

After 2 years sea service	£2.87 per day
After 5 years sea service	£4.82 per day
After 10 years sea service	£5.95 per day

Chapter 4

Building up the military salary

52. In the following paragraphs we discuss the evidence on which our recommendations on pay are based. As usual, this evidence comes from a number of sources. Apart from the Government, we also receive evidence and data from our own secretariat, from published sources and from independent consultants we engage to carry out specific tasks on our behalf.

53. Our recommendations are made in the context of developments which have been taking place in recent years, when the drive for improved efficiency in both private and public sectors has led to changes in organisational structures and in the nature of jobs. Among the most significant of these changes have been movements away from large-scale uniform systems to more flexible local arrangements, and from incremental pay to the extension of performance related pay. The growth of teamworking and the breakdown of traditional barriers between jobs, with individuals becoming multi-skilled, have been accompanied by the removal of layers of management.

Pay comparisons

54. In accordance with our usual practice, we began our deliberations by comparing the levels of military salary we recommended last year with the range of civilian earnings at that time (April 1994). For the civilian comparators total earnings were used (basic pay including overtime, bonuses and productivity payments). In reaching our recommendations on the basic pay of Service personnel we compared the average Service working week, excluding unsocial and other excess hours accounted for in the X factor, with the average civilian working week. The hours of work of the two groups were broadly similar when civilian overtime was included. In basic pay therefore we have reflected average overtime payments and where appropriate, the relative value of benefits. Finally, we made two adjustments to civilian remuneration levels in order to achieve a fair comparison—a deduction to take account of the value to the individual of the Armed Forces Pension Scheme and an addition of the X factor to compensate for the balance of disadvantage of Service over civilian life.

55. We subsequently examined and took account of the Government's economic and management evidence which included evidence on affordability. We also received evidence about MOD's plans for efficiency savings and productivity improvements. We considered evidence on the manning situation and looked at internal relativities, including those with two star officers and above covered by the SSRB whose recommendations are not based on comparability. We have always considered the effect of our recommendations on pay in the broader context of the Service rank structure, to ensure proper differentials between all ranks and pay within ranks. Our recommendations about salary levels are made several months in advance of the effective date, 1 April, and we use forecasts of expected future movements in national statistics of earnings, settlements and inflation to inform our final judgment.

56. The Government decided to stage our 1994 recommendations and implement our recommended increases in two phases, with the second stage payable from 1 January 1995. We regret this decision which, together with changes in tax legislation, has impacted particularly harshly on junior personnel. However, taken over the year and with charges also staged, we believe that for the majority of Service personnel remuneration was not far out of line with that of their civilian comparators; this was less so for one star officers and for Colonels where there continued to be a discount.

57. **Hours of work.** Service personnel are often required to work long hours or to be on duty for long periods and sometimes in difficult conditions. In addition, unlike most civilians, many Service personnel are required to be on call when they are not actually working. Each year we compare the hours worked with those worked by civilian comparators; we take account of any excesses (particularly unsocial hours) in our consideration of the X factor. A MOD survey of working patterns provides the basis for the evidence we receive on hours of work. In this survey about 7 to 8 per cent of Service personnel are sampled over a 12 month period on a random basis and asked to complete a 24 hour diary for seven days.

58. The evidence this year shows again that the relationship between the average hours worked by Service personnel and those worked by civilians remains broadly the same. We have also noted that certain armed forces personnel work considerably longer than the average Service working week. The weekly hours worked by Service personnel have on average risen by 0.2 hours per week to 47.3 since last year. The evidence indicates that Service personnel are on duty (including "on call" and "breaks") on average for 67.8 hours a week. This has risen marginally since last year (by 0.3 hours). The data show great variations across the Services and between ranks, but on average Warrant Officers and SNCOs appear to spend the highest number of hours on duty per week. We have noted this year an increase in hours worked by RN watchkeepers and shift-workers in the Army and RAF. We shall be looking in greater depth with MOD at the reasons for, as well as patterns of, shift-working.

59. When interpreting the evidence on hours worked we look particularly at trends over periods. The survey covers other ranks in the RN, Army and RAF in all non-operational locations as well as Northern Ireland and the Falklands. We do not have specific information relating to officers, for Royal Marine personnel, or for personnel in other operational theatres and we have asked MOD to include this information in future surveys. We know that in some locations such as on ships or in submarines, and at a number of operational locations on land, it is impossible or inappropriate for Service personnel to leave this environment. Even when they are not on duty or formally "on call" therefore, they often do not have freedom of movement in their spare time. We take account of this fact in the X factor. Moreover, in Northern Ireland, for example, Service personnel work much longer hours and in more difficult conditions than armed forces personnel generally, and accordingly they receive additional pay.

60. On the other hand, important changes have been taking place in the civilian working environment. Levels of paid overtime have been declining in recent years, particularly for manual and craft-workers in manufacturing industry. In addition, basic weekly hours of work have been reduced. Since 1989, the length of the average working week has fallen both for Service personnel and their civilian comparators, although the rate of fall for civilians is marginally faster. Data from the Labour Force Survey¹ indicate that substantial amounts of unpaid overtime are being worked in the civilian sector, particularly among the professional occupations and to a lesser extent also among skilled workers. However, it is clear that on average, Service personnel are on duty for considerably longer hours than comparable employees in the civilian sector. This position continues to be reflected in the X factor.

61. **Lost leave.** In several of our recent reports we have expressed concern about increasing instances of leave lost due to Service commitments. On visits this was increasingly raised as a major issue across the three Services. We said in our 1994

¹Labour Force Survey 1994, Employment Department.

report that if this were proved to be becoming a significant problem for many Service personnel, it could impact on our view of comparability and the X factor. We mentioned that MOD conducted an annual survey on our behalf to determine the general position on lost leave, but that it had not provided data which could be satisfactorily analysed for either MOD or the Review Body. We said that we needed a suitably reliable form of evidence which would allow us to decide whether we should take any action on remuneration.

62. Last year therefore the survey form was re-designed and distributed by MOD to some 5,300 Service personnel on a random basis. The response rate was only 34 per cent (1,800 forms), of which about 70 per cent (1,260 forms) were usable, and we again have insufficient confidence in the survey to use it as a basis on which to make any judgment or recommendations. Accordingly, we have asked MOD to give a top priority to overcoming these difficulties, so that appropriate information, which is also needed by Service managers, can be provided to us.

63. In all working environments leave should be taken for the purpose for which it is intended. We believe that in peacetime Service personnel should always take their leave which is essential for continuing operational effectiveness. We are aware that some personnel are confused about the differences between annual leave and leave granted for other purposes, so that on our visits we might be hearing only the worst cases. But we cannot ignore the problem: if many Service personnel regularly cannot take their leave allowance, then other approaches need to be considered. On the other hand, we are aware that at some units the Commanding Officer sometimes decides that personnel may take leave as a reward for good service or for a job particularly well done, and that this is not always documented as leave taken. We have no information about how common this practice is, nor about how practices vary across the Services in recording leave of this kind.

64. We therefore return to the idea of a financial compensation scheme which would work on the principle that over a certain minimum period, personnel would be recompensed financially for annual leave certified by Commanding Officers as lost due to Service commitments. Such payments might be financed from the appropriate Commanding Officer's budget. MOD senior management has reservations about such an approach and would prefer that the Services ensured that their personnel took their leave rather than compensate them if they did not. But we have no evidence that action is being taken to do this in any consistent way. The onus must be placed in a tangible way on Commanding Officers to ensure that leave is taken. In addition to our request to MOD for information on each Service showing data of leave taken, deferred and lost due to Service commitments, we have asked for some specific proposals either for a financial compensation scheme or a programme of management action. We wish to make firm recommendations in our next report accordingly. In the meantime we regard the monitoring of leave taken as the responsibility of management and information on this should not rely solely on form-filling by the individuals concerned.

65. **Service pensions.** The Armed Forces Pension Scheme (AFPS) provides for early and fast accruing superannuation benefits which are index linked from age 55. Service personnel do not contribute directly from their pay to the AFPS, but we make an adjustment to recommended salaries to take account of the relative benefits of the armed forces scheme over those available to civilian comparators, noting in particular that a great majority of Service personnel normally retire earlier than most civilians. The current adjustment figure is 9 per cent for all ranks, apart from Service medical and dental officers, whose pay is adjusted by 11 per cent for ranks up to and including Major and 8 per cent for Lieutenant Colonels and above.

66. The Government evidence has told us that the AFPS is currently being reviewed for the first time in twenty years as part of the Independent Review and that it is possible that the outcome will be a recommendation for an entirely new scheme. We have commented in previous reports on the representations made to us by Service personnel on visits about the perceived inequities between the pension scheme for officers and that for other ranks, particularly on the age from which

service is reckonable, length of service for immediate pension and the amount of pension available for commutation. We understand that these points are being considered in the Review.

67. The Government has advised us that if a new scheme is to be introduced for members of the armed forces, personnel currently serving will have reserved rights to the provisions of the existing scheme, although the option to transfer to a new scheme, if one is introduced, is likely to become available. We shall in any case be conducting our quinquennial valuation of Service pensions this year with the aid of independent actuaries. We plan to reflect the results in our 1996 report.

The wider economic considerations

68. Each year we receive evidence from the Government on the general economic background against which our recommendations are made. We examine evidence about earnings, prices and pay settlements for the whole year from both the Government and independent sources. This information helps inform our judgment about any increases needed to maintain broad comparability.

69. The Chancellor of the Exchequer said in his Budget statement of 29 November that he expected the underlying rate of inflation to rise slightly over the next year, reaching a "temporary plateau of around two and a half per cent", but that he then expected it "to resume its downward trend". The latest data on pay settlements suggest that their level is lifting slightly across the economy, although there are relatively few settlements in the last quarter of the year. Pay settlements shown by the available statistical series (including the OME's non-manual pay movements survey) appear to be broadly in the range of 2.5 to 4.0 per cent in 1994, with modest rises in settlement levels forecast for the coming year.

70. In evidence for this review, the Government invited us to take particular account of general economic considerations and of affordability, as well as the restructuring process continuing within the armed forces arising from the Defence Costs Study and the Independent Review. The Government's primary objectives were that Service rates of pay should be at levels sufficient to recruit, retain and motivate personnel of the right calibre and be accommodated within available resources in the Defence budget. We were invited to make recommendations which targeted pay in as flexible a way as possible to meet changing areas of greatest need. The Government recognised that the approach we use is not a simple or mechanistic one, and agreed with our view that in recommending pay levels which are broadly comparable to those in civilian life, the exercise of our judgment was important. The Government also asked that the process by which recommendations on Service pay are determined should be demonstrably fair both to Service personnel and to the taxpayer.

71. The Government also submitted economic evidence common to all the public sector pay review bodies, which was published on 14 September. This restated the Government's macroeconomic policy objectives: to sustain economic recovery, improve public finances and maintain control of inflation. It emphasised that a tight regime on pay would continue to play a leading role in overall expenditure control. In particular, public expenditure would be set on the basis that pay increases should be at least offset by efficiency savings and other economies. There was no guideline or going rate for the size of settlements. The evidence emphasised that there would be no access to the Reserve to fund pay settlements and that higher pay costs could lead to reductions in service levels or employment, if they could not be covered within provision by the necessary efficiency savings and other economies.

72. **The Defence budget.** The Government told us in its evidence that excluding the cost of the Gulf conflict and redundancy programmes, Defence spending was expected to decline by around 13 per cent in real terms between 1992-93 and 1996-97. Over the same period, Defence expenditure as a percentage of Gross Domestic Product is forecast to fall from 3.8 per cent to 2.9 per cent; it has reached 3.4 per cent in the current financial year. In 1995-96 the Defence budget will be over £700M less than in 1994-95. The evidence stated that the Service paybill had continued to take an increasing proportion of the Defence budget, although this might not be the case for 1994-95, because of the staging of the 1994-95 pay award and as the reductions in Service manpower work through. The Government advised

that the potential for growth in personnel costs within the Defence budget remains a matter for concern. Although there is no additional funding for pay increases, the Government told us that "challenging efficiency targets of 2½% have again been set for 1995-96, 1996-97, and 1997-98". The success of the Defence Costs Study will contribute significantly to this. However, as most of the savings are required to finance the overall Defence programme within the level of resources agreed for the Defence budget in the 1993 Public Expenditure Survey, such savings are not all available to fund pay increases. The Government went on to point out that if sufficient savings were not achieved through efficiency, or the overall cost of personnel increases disproportionately, compensating savings would have to be found elsewhere within operating costs, and that front line capabilities could be affected.

Manning 73. We have received evidence from the MOD on the manning position up to the end of September 1994. Trained strength continues to be generally above requirement, reflecting the time lag between the reduction in the number of posts and the rundown in the number of trained personnel who filled them. Recruitment targets, which are lower than normal, continue to be met, although we note that for the first six months of the current financial year applications for officer entry from civilian life have decreased quite significantly, compared with the same period 12 months ago. Similarly, there was a drop in other rank applications over this period, despite the first increase for some time in the recruitment targets for other ranks, especially in the Army. In this we note that the recruitment pool for young people is changing and that more 16-19 year olds are entering further or higher education. The Services will therefore be facing greater competition in attracting their youngest recruits from a smaller pool.

74. Total outflow from the Services was marginally higher than in the previous year, primarily due to increased redundancies during the period. We note that PVR applications and exit rates as indicated in October 1994 have begun to rise for the first time since 1990; however, it is too soon to say whether this is the beginning of a trend or whether the July announcements about the Defence Costs Study have induced some people to apply to leave prematurely. We shall continue to monitor the manning figures very closely.

Visits to Service units and establishments 75. In 1994 we spent between us about 106 days on a total of 22 visits to locations in the UK and overseas, when we met some 5,000 Service personnel at work and in their homes to discuss their pay and conditions. We place great importance on the views expressed to us during visits and we know from these visits that our independent status is greatly valued by the majority of Service personnel. We met groups drawn from all ranks, representing a wide range of trades and specialisations in each of the three Services. Our visits included Bosnia, the Falkland Islands, Canada, Hong Kong, Turkey, Germany and Northern Ireland as well as some 14 locations in Great Britain. On each visit we were able to explain to personnel, and in some cases their spouses, what our task is and how we do it, as well as hearing their views about pay and other matters which are associated with the special features of Service life.

Our recommendations on the military salary 76. We have taken all this evidence into account in our recommendations below. In recommending some variation in percentage increases between ranks, we have recognised that some civilian comparator groups have moved ahead of their Service equivalents, particularly for some more senior officers in our remit group.

77. We therefore recommend increases in daily rates of between 2.5 and 2.9 per cent with effect from 1 April 1995. The recommended annual rates for officers are shown at Table 1; for Warrant Officers and SNCOs at Table 2; and for Corporals and below at Table 3.

Table 1 Recommended annual^a scales of military salary inclusive of the X factor for officers up to and including Brigadier^b

Rank/length of service	Military salary £
Brigadier	57,736
Colonel after 8 years	51,968
6	50,731
4	49,494
2	48,257
on appointment	47,020
Lieutenant Colonel after 8 years	44,626
6	43,565
4	42,504
2	41,442
on appointment	40,381
Major after 8 years	34,323
7	33,613
6	32,903
5	32,193
4	31,483
3	30,773
2	30,063
1	29,353
on appointment	28,643
Captain after 6 years	26,239
5	25,627
4	25,016
3	24,405
2	23,794
1	23,182
on appointment	22,571
Lieutenant after 4 years	19,508
3	19,043
2	18,578
1	18,113
on appointment	17,649
Second Lieutenant	13,352
Officer Cadet (G) ^c	13,352
Officer Cadet	9,370

^aAnnual salaries are derived from daily rates in whole pence and rounded to the nearest £.

^bArmy ranks are shown in these tables; the pay rates apply equally to equivalent ranks in the other Services.

^cApplies to Army graduate Officer Cadets (except undergraduate medical and dental cadetship holders).

Table 2 Recommended annual^a rates of military salary inclusive of the X factor for Warrant Officers and SNCOs^b

Scale B ^c	Band ^d			
	4	5	6	7
	£	£	£	£
Warrant Officer I	20,196	21,847	24,112	26,341
Warrant Officer II	18,944	20,602	22,835	25,067
Staff Sergeant	17,725	19,376	21,195	23,380
Sergeant	16,766	18,424	20,232	—

Table 3 Recommended annual^a rates of military salary inclusive of the X factor for adult personnel of the rank of Corporal and below^b

Scale B ^c	Band ^d		
	1	2	3
	£	£	£
Corporal I	15,196	16,712	18,527
Corporal II	14,164	15,683	17,498
Lance Corporal I	13,198	14,717	16,529
Lance Corporal II	12,276	13,795	15,606
Lance Corporal III	11,500	13,015	14,688
Private I	11,500	13,015	14,688
Private II	10,581	12,100	13,776
Private III	9,476	10,984	12,656
Private IV	8,469	—	—

^aAnnual salaries are derived from daily rates in whole pence and rounded to the nearest £.

^bRates shown are for Army personnel. These rates apply also to personnel of equivalent rank and pay band in the other Services. Where ranks are not precisely equivalent, or because of the application of the "all of one company" principle in the RN, pay rates for the personnel concerned are derived from the Army rates by established formulae.

^cScale B rates of pay apply to personnel committed to, or who have completed, 6 years or more but less than 9 years service.

Since 1 January 1991 most new entrants have joined on open engagements and are paid, for the first 9 years service, on the Scale A rates of pay applicable to personnel committed to less than 6 years service. For Scale A deduct £109.80 a year from the above rates.

Scale C rates of pay apply to personnel committed to, or who have completed, 9 years service. For Scale C add £164.70 a year to the above rates.

^dThe pay structure for other ranks is divided into pay bands. Jobs at each rank are allocated to bands according to their score in the job evaluation system.

Length of service increments 78. We recommend that length of service increments (LSIs) should be increased in line with the average military salary increase. Our recommendations are detailed below in Table 4.

Table 4 Recommended rates of length of service increments

Rating/Rank	Daily rates ^a after completing the following years of reckonable service					
	9	12	15	16	18	22
	£	£	£	£	£	£
Royal Navy/Royal Marines						
Warrant Officer, Warrant Officer I (RM)	1.12	1.75	—	2.47	—	3.03
Warrant Officer II (RM)	1.12	1.75	—	2.47	—	2.95
Chief Petty Officer, Colour Sergeant (RM)	1.12	1.75	—	2.31	—	2.31
Petty Officer, Sergeant (RM)	0.96	1.36	—	1.99	—	1.99
Ordinary, Able and Leading rating, Marine 2nd Class, Marine 1st Class, Corporal (RM)	0.79	1.12	—	1.12	—	1.12
Army						
Warrant Officer I	0.96	1.36	1.68	—	2.31	3.03
Warrant Officer II	0.96	1.36	1.68	—	2.31	2.64
Staff Sergeant	0.96	1.36	1.68	—	2.31	2.31
Sergeant	0.96	1.36	1.68	—	1.99	1.99
Corporal	0.79	1.12	1.36	—	1.36	1.36
Private, Lance Corporal	0.79	1.12	1.12	—	1.12	1.12
Royal Air Force						
Warrant Officer	0.96	1.36	1.68	—	2.31	3.03
Chief Technician, Flight Sergeant	0.96	1.36	1.68	—	2.31	2.31
Sergeant	0.96	1.36	1.68	—	1.99	1.99
Corporal	0.79	1.12	1.36	—	1.36	1.36
Leading Aircraftman, Senior Aircraftman, Junior Technician	0.79	1.12	1.12	—	1.12	1.12

^aRounded to the nearest penny.

Special pay scales 79. **Service medical and dental officers.** Our comments and recommendations on Service medical and dental officers are usually submitted to the Prime Minister in the Spring in a supplementary report, so that we can take account of the Government's decisions on the recommendations of the Review Body on Doctors' and Dentists' Remuneration (DDRB). Our approach has been to compare the remuneration of Service medical and dental officers over a full career (MOD advise 32 years) with that available on average to a General Medical Practitioner (GMP) in the NHS.

80. Each year we base our recommendations on an analogue which we determine judgmentally from the "intended average net remuneration" (IANR) set by the DDRB for NHS GMPs, allowing for the different terms and conditions of service in the Services and the NHS. We derive pay scales from this analogue to give a suitable progression through a typical Service career, recognising that career patterns differ from those found in the NHS, and making adjustments for pensions and the X factor. In recent years we have decided to recommend a percentage increase to the analogue, rather than conduct a precise re-calculation. This was because we had reservations both about the career structure and consequent pay structures for these officers and in view of the many changes within the NHS, including the introduction of Trust hospitals, the new fund-holding arrangements for NHS GMPs, and uncertainty about the pay of NHS General Dental Practitioners (GDPs). With all these factors in mind we asked the MOD, the British Medical Association (BMA) and the British Dental Association (BDA) to look in depth at the single analogue and to consider possible alternatives. However, all the parties preferred to remain with the current system.

81. The Government evidence this year reported the outcome of Defence Costs Study 15 (DCS 15) which has far-reaching implications for the structure and role of the Defence Medical Services (DMS). We know, for example, that significant

reductions in posts are planned following the decision to re-structure and re-organise the provision of secondary care and we understand there will be significant reductions in the uniformed requirement to match the reduction in Service hospitals. Further reductions are possible and fewer officers than at present may be able to complete a full career. Promotion prospects are also likely to be reduced, and it is possible that the nature of promotion will change and be geared more to the military requirements of the post and professional merit, rather than time served. Work is currently in hand within MOD to devise a new structure for the DMS to match the Defence Costs Study proposals and only when this is completed will the full career implications of the changes become clear.

82. MOD is therefore currently unable to tell us what the precise number, grading and duties of posts in the new organisation will be, nor where shortages lie. As a result we have not received any substantive proposals from MOD for this report to assist us in our continuing review of the analogue pay system, nor has MOD been able to comment with any certainty on the manning position within the DMS. MOD accepts however that it will no longer be defensible or desirable to have a pay structure which links pay solely to rank and which assumes that the typical officer will have a 32 year career, earning promotion to Colonel or equivalent on a time-served basis.

83. We have received written evidence from the British Medical and Dental Associations. In view of the uncertainty which exists about the future of the DMS, the Associations were unable to put forward specific proposals on pay, but they were able to indicate to us the areas where they considered action should be taken in the near future and where they believed that problems exist. They told us that the current climate in the DMS is "fraught with anxieties" about career prospects and redundancies, that morale is low and that PVR applications have increased since last year. On the analogue, the Associations felt that a more flexible approach should be taken towards calculating pay. They also considered that the current system of basing comparisons on NHS GMPs' pay over a career is no longer appropriate given that the prospects of being able to undertake a full career in the DMS are being significantly reduced. They believe that in the future the DMS might rely more heavily on individuals joining the Services on short contracts for a defined period, and that the pattern of recruitment and retention of medical and dental officers is therefore likely to change significantly.

84. We have noted the evidence we have seen from all parties, and in view of the uncertainties and changes within the DMS we do not feel that we can make any substantial recommendations on the structure of the pay of Service medical and dental officers this year. However, we continue to have serious doubts in principle about the use of the current single analogue system, and we look forward to seeing MOD's proposals for a new system or systems in time for our next report, together with those from the BMA and BDA. In the meantime, we will be writing again to the Prime Minister in the Spring with recommendations on pay, taking account of the DDRB's recommendations on IANR.

85. **Other special groups.** For veterinary officers, chaplains, officers promoted from the ranks, naval apprentices, probationary medical technicians and junior entrants we recommend increases following established linkages with the main scales of military salary, in the range of 2.5 to 2.9 per cent. As in the past, we recommend an increase for university cadets based on RPI movements. Our recommendations for these other special groups are at Appendix 4.

The Reserves

86. In previous reports we mentioned that MOD was undertaking a fundamental review of the role, strength and shape of the Volunteer Reserves, which has resulted in the need for legislation on the call-out of the Reserves and which would culminate in a Reserve Forces Act. Since we expect the outcome of this review to affect the structure of certain aspects of pay, such as the bounty, we are not in a position to make any recommendations for significant changes to remuneration until we know what is planned. We await MOD's proposals which we hope will address a number of concerns expressed to us by the Volunteer Reserves. We also wish to see proposals for the Medical Reserve forces.

87. This year we have received evidence from MOD and from the Council of Territorial Auxiliary and Volunteer Reserve Associations (TAVRA) (who also gave oral evidence), and we visited a battalion headquarters. Concern was expressed to us again about the effect that the uncertainty about the future role of the Reserves was having on recruitment and retention, especially in the TA. A main area of concern from each focused on the level and structure of the bounty. All parties believed that a priority should be the retention of more experienced personnel who currently receive increments to the bounty after their first, second and third years of qualifying service but no further increments after that. A number of different proposals were put to us about the form and structure which the bounty could take to encourage retention.

88. We recommended increases to the bounty last year, the new payments for which are due for payment for the training year completed on 31 March 1995. The bounty rates which were agreed by the Government are as follows:

First year	£275
Second year	£575
Third year	£850

89. However, we are concerned that the uncertainty which currently exists is having an adverse effect on retention of longer serving personnel, especially in the TA. In their evidence to us, both MOD and TAVRA proposed an additional increment to the bounty for 5 years service and after, for all ranks and in accordance with current eligibility rules, to be payable also for the training year completed on 31 March 1995. We agree, and recommend that it should be set at £900. For those personnel in receipt of different levels of bounty, such as the Royal Irish Regiment (HSPT) element, new rates should be applied to maintain the existing relationships between these and the bounty rates outlined above.

Performance pay

90. Last year we appointed management consultants to consider along with the SSRB the relevance of performance pay within the Services. This was against the background of the introduction of forms of performance pay in many parts of the public sector. We subsequently had useful discussions with senior MOD management and with the Independent Review team, which is now looking at the principle of performance pay for Service personnel as a means of introducing more pay flexibility.

Recognition of Service qualifications

91. We have continued to monitor the Services' progress in recognising Service trades, professions and levels of ability wherever possible by the use of National Vocational Qualifications (NVQs) and other forms of recognition by appropriate lead bodies and professional institutions. This is of added significance in times of redundancies and reduced career prospects arising from the drawdown of the armed forces.

92. The evidence we have seen appears to show that accreditation is much less a problem for officers than for other ranks and that practices for other ranks vary considerably between the three Services, with the RAF making good progress in combining training with NVQs and updating them throughout a career. We are aware that in civilian life it is the larger companies with over 500 employees who make the greatest use of NVQs or who are making plans to use them shortly, whereas only a small percentage of smaller employers with less than 50 employees make use of them. Two of the awarding bodies (City & Guilds and BTEC) are considering replacing their existing awards with NVQs and we hope that Service training establishments will be able to satisfy the revised training requirements which will ensue. As we have said in previous reports, we see the recognition of Service qualifications as an important recruitment and retention issue and we urge the Employment Department and the MOD to liaise closely to take the issue forward. We will return to this subject in our next report.

Chapter 5

Additional pay and allowances

93. Additional pay is an augmentation to the military salary paid for certain posts where there is evidence of particular difficulty in recruitment or retention; it is not based directly on comparability. It may be paid when the armed forces are in competition with other employers for scarce or marketable skills or because personnel are asked to take on particularly demanding duties, for example involving work in difficult conditions or exceptionally long hours. The purpose of additional pay is to alleviate the manning problems which would otherwise result.

94. Each year we review a number of these payments. For this report we have reviewed parachute pay and parachute jumping instructors pay which we discuss below.

Parachute pay

95. Parachute pay is paid as a recruitment and retention measure to all qualified personnel of the Parachute Regiment and to other members of all three Services who have an operational liability to parachute. For members of the Parachute Regiment the payment continues for as long as they have a liability for recall to parachute operations and subject to minimum fitness and training requirements; for other personnel not in the Regiment the payment begins at the commencement of parachute training and ceases when the parachuting requirement ceases.

96. We have reviewed the need for parachute pay and the continuity rules for its payment. We conclude that the payment remains justified in order to ensure the adequate manning of parachute units and we are content with the current rules for its payment. Accordingly we recommend that from 1 April 1995 the daily rate of parachute pay should be increased in line with the military salary to £3.44 per day.

Parachute jumping instructors pay

97. Parachute jumping instructors (PJIs) receive a higher rate of additional pay than other parachutists. PJIs are all drawn from amongst RAF physical training instructors. They currently retain PJI pay for as long as they remain medically fit and have a liability to undertake the full range of PJI duties. PJI pay serves as an incentive to retain personnel within their specialisation to enable the Services to make use of the expertise they attain. We were told that PJIs undertake considerably more parachute descents and have far greater responsibilities than other military parachutists. We saw for ourselves the nature of the work involved. There have been manning problems in the past, but we were advised that the management action taken in 1990 has been largely successful, apart from at Sergeant level where problems still exist.

98. We agree that PJI pay should continue and we recommend that it be uprated from 1 April 1995 to £4.94 per day. We also agree with MOD's proposal for the introduction of a reserve band of PJI pay on the grounds that we firmly believe that all forms of additional pay should be payable only where the reasons for their introduction are being met or that they will be met again soon. Thus we recommend that any PJIs who have been absent from PJI or PJI-related duties for a period of more than 3 years should be subject to a reserve band, as for other forms of

additional pay. We further recommend that this should be set at 75 per cent of the PJI pay rate and become effective from 1 April 1996, in order to give advance notice to those likely to be affected and for whom there will be a reduction in pay.

99. We recommend also that transitional arrangements should apply. Personnel who are in non-PJI appointments on 1 April 1996 and who have already been in that appointment in excess of 3 consecutive years should not move to a reserve band until the end of that appointment or 1 April 1997, whichever is the sooner. Personnel who, during their current appointment, on 1 April 1996, exceed 3 consecutive years away from PJI-related duties, should also move to a reserve band either at the end of that appointment or 1 April 1997, whichever comes first. These arrangements would apply until such time as any individual returned to PJI-related duties.

London pay 100. For our 1996 report, we shall be conducting a fundamental review of London pay and we shall be seeking evidence from MOD accordingly. Although we are aware that Service personnel generally have little choice in their postings, we wish to consider this form of additional pay in the light of recent changes in the civil service whereby London weighting has been abolished and replaced with a recruitment and retention allowance to be used anywhere in the UK and at departmental discretion. We also wish to consider afresh the ranks at which this payment is granted.

101. In the interim we have continued our practice of basing our recommendations on movements in the RPI, and with effect from 1 April 1995 we recommend:

	Inner London	Outer London
	£ per year	£ per year
Basic	985	553
Owner-occupier	1,526	769

Other forms of additional pay 102. We review each year the levels of all forms of additional pay not discussed in the main body of our report. The rates we recommend with effect from 1 April 1995 have been increased in line with the military salary and are shown in Appendix 5.

Allowances 103. We have not commented separately on allowances this year, other than separation allowance in Chapter 3, as we are aware that the whole allowance package is being considered by the Independent Review team. However, aspects of the allowance package were frequently criticised during our visits in the course of the year, and in particular, aspects of the eligibility rules and distinctions in entitlement between single and married personnel.

Chapter 6

Charges

104. Each year we make recommendations about the charges paid by Service personnel for accommodation and food. Accommodation charges are for rent and for furniture hire, with an addition for water and sewerage. We see it as axiomatic that all charges should compare fairly with the costs civilians might expect to incur, after making due allowance for the special circumstances of service in the armed forces. It has long been our view that our recommendations on pay and charges are inextricably linked in our overview of broad comparability.

105. Last year we commented on the problems we faced in interpreting and applying the comparability data on rents, because at the time of very large increases in local authority rents (1991-92 and 1992-93) increases within the Services were restricted to 1.5 per cent in 1993 in line with the Government's public sector pay policy. In our 1994 report we decided not to reflect broad comparability in our recommendations on the pay of the more senior officers within our remit and we consequently constrained our recommendations on rental charges. However, we made recommendations which began to restore the balance on rents and we indicated that we would be conducting a fundamental review of accommodation charges this year.

106. In this chapter we set out some preliminary comments by housing consultants we appointed to consider the issue with us. Their examination of the rented sector in the broader context of developments in the housing market as a whole has pointed to a range of issues to be examined in reviewing the basis of comparator information. In the interim, we make recommendations on accommodation charges for 1995-96 which continue the catching up process with local authority rent increases we described in our previous report.

Accommodation charges

107. **Rental charges.** We have traditionally based our recommendations on rental charges on the evidence we receive about local authority rents, with an abatement element to reflect the disadvantages of living in Service accommodation when compared with local authority housing. Against a background of high mobility where personnel may be required to occupy Service accommodation, these disadvantages have traditionally included the comparative lack of security of tenure for Service personnel (they must generally vacate Service accommodation on leaving the armed forces), the absence of the right to buy available to local authority tenants, and the lack of choice in the allocation of quarters. We include an element within the charges to cover the provision of certain maintenance beyond that undertaken by local authorities, and we recommend a separate element for the hire of furniture.

108. Married quarter charges are determined by Type and Grade of accommodation. The Type of accommodation (ie the size) allocated to personnel varies according to rank, marital status and family size. The Grade of each property depends on qualitative criteria such as its condition and location. We have not yet seen the results of MOD's study into the grading structure which we expect to receive for our next review.

109. **Future comparators for Service rents.** We have mentioned in recent reports our concern that local authority rents remained the sole comparator for both officer and other rank married quarter accommodation charges and that we were also considering the use of data from housing associations and the private rented sector. We have this year taken our study further and commissioned two housing consultants to draw up reports on the civilian housing market, looking particularly at the range of possible comparators.

110. The civilian housing market is complex and has changed considerably over the last 25 years. The rented sector has decreased in size, while owner-occupation has increased to its current two-third share of the housing market. About a quarter of housing is provided by local authorities and housing associations at subsidised rent levels to meet priority needs.

111. Only 20 per cent of all civilian households are local authority tenants, as compared with 30 per cent in 1971, and the proportion of the heads of these households who are in full-time employment has also fallen substantially. The private rented sector has contracted and, though now growing, is still relatively small (around 10 per cent of the housing market); but it is more representative than local authority stock of the housing occupied by full-time employees.

112. The housing consultants' reports pointed towards two possible disadvantages of the continued reliance on local authority housing as the sole comparator for Service married quarter rents. The first was the inappropriateness of using a housing sector which is heavily subsidised and where housing benefit plays a large part. Second, as local authority rents vary so widely by location, the overall average may no longer be meaningful as a guideline for determining nationwide charges for married quarters. A further issue is that local authority houses do not provide comparators for officer accommodation; comparable houses are to be found in the private rented and owner-occupier sectors. It is also possible that better comparators than those currently found in local authorities for other rank Type C and D accommodation might also be found in these sectors.

113. The rents set by housing associations for new lettings are more firmly based on principles which take account of the cost of provision and might therefore be of greater relevance. Their condition, arrangement and environment also suggested that they may be a closer comparator than local authority stock to the married quarters provided by the Services. However, they make up only a very small part of the overall housing market, and as with local authority housing there is a wide variation in rents by location.

114. Finally, the housing consultants looked at the private rented sector and at owner-occupation. About 90 per cent of civilians who are in work and in jobs broadly comparable with those of Service personnel are to be found in the owner-occupier or private rented sectors. Owner-occupation is the dominant form of housing for households where the head of the household is in full-time employment (some 50 per cent in England). In considering owner-occupation as a possible comparator, several issues immediately arise. One of these is the question of the extent to which it would be appropriate to attempt to equate the outgoings of owner-occupiers with those of tenants paying rents, in particular how to take account of the acquisition of a capital asset given that its future value is highly uncertain and cannot easily be realised.

115. Our aim now is to address these and other issues and to complete the review of our methodology for our next report. This involves examining the abatement for the disadvantages of living in Service accommodation to which we refer above and looking at the basis for furniture hire, as well as looking for more appropriate comparators. We would particularly welcome early evidence from MOD.

116. **Our recommendations on rental charges.** This year we have continued to base our recommendations for accommodation charges on rents charged for local authority housing. The rate of increase of these rents has again been significantly higher than equivalent increases to Service rents over the past year. To reflect the comparability evidence we have continued our practice of recommending a higher percentage increase for officer accommodation than for that of other ranks.

117. **Furniture hire.** Charges for Service accommodation contain an element for furniture hire which is related to an assumed life for furniture. We had planned to review the way in which we recommended furniture charges this year, but have decided to include this element in our review of accommodation charges, particularly as we see merit in equalising charges for the different Grades within a Type of accommodation.

118. **Single accommodation.** The charges we recommend for single accommodation are derived from those for furnished married quarters, based on a formula agreed with MOD. We have not changed this methodology.

119. The charges we recommend to apply from 1 April 1995 for married and single quarters are shown in Tables 5 to 7 below. The increases to married quarter charges average some 8 per cent for officers and 5 per cent for other ranks.

Table 5 Married quarters^a

Type of quarter	Annual ^b charge			
	Grade 1	Grade 2	Grade 3	Grade 4
	£	£	£	£
Officers				
I	3,349	3,030	2,061	1,237
II	3,009	2,716	1,848	1,105
III	2,617	2,368	1,610	970
IV	2,277	2,053	1,446	860
V	1,973	1,786	1,233	754
Other ranks				
D	1,519	1,369	966	567
C	1,387	1,252	875	523
B	1,270	1,146	798	472
A	933	838	582	355

Table 6 Single quarters^a

Rank	Annual ^b charge			
	Grade 1	Grade 2	Grade 3	Grade 4
	£	£	£	£
Major and above	1,358	1,222	875	534
Captain and below	1,124	1,017	714	443
Warrant Officer and SNCO	802	721	512	311
Corporal and below	439	395	282	176
Young Serviceman/woman ^c	329	296	212	132

^aCharges comprise a rental element (including additional maintenance) and furniture hire, but exclude water and sewerage.

^bAnnual charges are derived from daily rates in whole pence and rounded to the nearest £.

^cThose receiving less than the minimum adult (ie Private IV) rate.

Table 7 Breakdown of total annual accommodation charge for Grade 1 married quarters

Type of quarter	Basic rent (unfurnished) and maintenance	Furniture hire (full)	Recommended total accommodation charge ^a
	£	£	£
Officers			
I	2,705	644	3,349
II	2,430	578	3,009
III	2,126	490	2,617
IV	1,830	447	2,277
V	1,581	392	1,973
Other ranks			
D	1,230	289	1,519
C	1,138	249	1,387
B	1,058	212	1,270
A	761	172	933

^a The recommended charge may not be the exact sum of the components because it has been adjusted for daily rates and all components rounded to the nearest £.

120. We further recommend that the separate charge for a garage should be £242 per annum.

The married quarter estate

121. MOD advised us that in the summer of 1994, its plans to establish a Housing Trust ran into technical difficulties. Accordingly, MOD began to consider alternative approaches to meeting its objectives of improving the quality and management of Service housing and transferring the married quarter estate to the private sector.

122. In November 1994, the Secretary of State for Defence announced the engagement of merchant bankers to help develop proposals. He also announced that, in the meantime, an internal tri-Service organisation, the Defence Housing Executive (DHE), would be established from 1 April 1995 to manage and maintain the estate as an entity rather than on the current single-Service lines. The announcement added that the DHE would bring together the various different housing staffs and be able both to maximise efficiencies and provide a better service to armed forces families. Though a likely candidate for privatisation in due course, it will begin life as a budgetary unit within the MOD. The Secretary of State expressed confidence that the establishment of the new organisation would work to the advantage of Service families. We welcome assurances by MOD that these plans do not affect the current system under which accommodation charges are recommended by the AFPRB.

Charge in lieu of council tax (CILOCT)

123. Service personnel living in barracks, messes and married quarters are exempt from the normal regime of council tax; instead MOD pays contributions in lieu of the council tax to local authorities, broadly equivalent to the amount of tax which would otherwise have been due. The costs incurred for occupied properties are recovered from individuals by standard charges according to Type of property and are payable with accommodation charges. This system allows a uniform payment wherever personnel are posted, including posting overseas. CILOCT replaced the council tax and overseas facilities charge and appears to be working satisfactorily.

Water and sewerage charges

124. We continue to endorse the principle that Service water charges should reflect those of civilian comparators. As proposed by MOD, we have therefore recommended that water charges for officers should be set at the forecast weighted national average for unmeasured supply at 1 April 1994 prices. This is £183 per annum. For other ranks, we have decided to continue the process of phasing the increased charges begun last year and we therefore recommend an increase to £165 per annum. However, in our 1996 report we expect to recommend the equalisation

of these charges for other ranks with those for officers. We further recommend that the water charge for occupants in single accommodation should be increased to £62 per annum.

Food charges 125. Each year we recommend food charges for single personnel and a different rate for married unaccompanied (MUA) personnel who would otherwise expect to eat at home. We base our recommendations on food charges on periodic examinations of the level of civilian food expenditure obtained through the Family Expenditure Survey (FES). In the intervening years we are guided by movements in food costs as indicated by the food component of the RPI.

126. This year we have looked at the 1993 FES data for single and married unaccompanied personnel. The current formula for the single food charge is based on half the food expenditure of a two-adult non-retired household (determined from FES data and weighted to reflect the distribution of income of single Service personnel). For the MUA food charge, the evidence taken from the FES is used to estimate the "home savings" if one member of the household is absent. Both charges have a "meals service element" added to cover the fuel used in cooking, and both single and MUA charges are abated to allow for weekend absences. The latest FES data show that the charge for single personnel is at about the right level. However, the data also show that the home-savings element has decreased since 1989, possibly as a result of changes in patterns of food purchasing and consumption, and we therefore consider that based on the current formula, the MUA charge is at about the correct level.

127. There should therefore be no increases to food charges for single or MUA personnel this year and we recommend that they should remain at the levels shown below:

Single charge	£20.93 per week
Married unaccompanied charge	£15.40 per week

128. For our next report we wish to consider with MOD the concept of equalising food charges for married unaccompanied and single personnel on the basis of the FES data for single people, but that those married personnel separated involuntarily from their families (ie for Service reasons and not from choice) should be recompensed or reimbursed for all or part of the extra costs by MOD. This we believe might give the closest approximation to conditions in civilian life, where similar distinctions would not be made between married and single personnel.

Pay as you dine (PAYD) 129. In several of our recent reports, we have expressed our concern about Service personnel paying a standard charge for meals regardless of how many they actually take. As PAYD systems seem to operate successfully in some overseas armed forces, as well as being widespread in civilian life, we asked MOD to evaluate such a system for the armed forces.

130. We know both from the Tri-Service Feeding Survey and from our own visits that a high level of support exists within the Services for PAYD. MOD is currently conducting trials of different means of recording meal attendances and we look forward to seeing the results.

Chapter 7

Conclusions and costs

131. In making our recommendations this year we have sought to be fair both to Service personnel and to the taxpayer. In accordance with the broad comparability evidence, we recommend slightly higher percentage increases in pay to the more senior ranks within our remit, and also recommend higher increases in accommodation charges for this group. On accommodation charges generally, we recommend higher percentage increases than those for the military salary at all ranks in order to continue the work we began last year to address the disparities which have occurred between civilian comparators and Service equivalents. We also continue to recommend increases in water and sewerage charges to reflect those in civilian life. We do not recommend any increase to the level of the X factor this year, nor do we recommend any increase to food charges.

132. There are several areas where we deferred work following the setting up of the Independent Review, in particular on job evaluation and pay comparison methodology, accommodation charges, compensation for separation and the structure of the X factor. We look forward to continuing with this work in the light of the Review's findings, so that we can make early recommendations.

133. We estimate that the costs of our recommended changes in the year beginning 1 April 1995 are as follows:

Table 8

	<i>£ million^a</i>
Military salary (all regular Services)	
Officers	22.7
Officers promoted from the ranks	2.0
Other ranks	73.5
Juniors and apprentices	0.3
	98.5
Additional pay, allowances and other emoluments in the nature of pay (all regular Services)	5.3
	103.8
Total paybill cost^b	112.0
Reserve forces^b	4.9
Total including Reserves^b	116.9
Less: charges (all Services)	
Increased yields:	
food	0.0
accommodation	9.1
Total	(9.1)
Net cost of recommendations taking account of increased yield from charges	107.9
Estimated effect of accruing superannuation liability contributions ^c	23.4

^aTotals may not equal the sum of the components as figures have been individually rounded.

^bIncludes employers' national insurance contributions (ERNIC).

^cDue to changes in public expenditure survey conventions in 1993, MOD costs now include provision for accruing superannuation liability contributions (ASLCs). These figures are included to reflect technical changes in the treatment of armed forces pensions. These changes were designed to provide Government Departments with better visibility of the true costs of employing manpower. No resulting change in pension benefits or payment occurred and Departments were fully compensated for the effect of the change of policy.

134. We estimate that the implementation of our recommendations will add 2.58 per cent to the regular and Reserve forces paybill for 1995-96. The net cost effect of our recommendations taking account of the yield from increased charges is an increase of 2.5 per cent. Our estimates are based on the average manpower strength of the armed forces in 1995-96 as forecast by MOD. To the extent that actual strengths differ from forecasts, the cost of implementing our recommendations will also differ. Service personnel will receive increases in daily rates of pay of between 2.5 and 2.9 per cent and average 2.57 per cent.

135. The armed forces are undergoing an unprecedented period of change since the establishment of our Review Body. It is clear from our visits that the scale and pace of change is affecting morale and staging the award for a second successive year could have an adverse effect on recruitment and retention. We therefore attach much importance to the full implementation of our recommendations from 1 April 1995.

GORDON HOURSTON (*Chairman*)
 MICHAEL BOLTON
 JOHN COX
 JOHN CROSBY
 GUY NEELY
 ROGER PALIN
 DOROTHY VENABLES

OFFICE OF MANPOWER ECONOMICS

18 January 1995

Appendix 1

Previous reports of the Review Body on Armed Forces Pay

First Report	... ..	Cmnd. 4954, April 1972
Second Report	... ..	Cmnd. 5336, June 1973
Supplement to Second Report	... ..	Cmnd. 5450, October 1973
Third Report	... ..	Cmnd. 5631, May 1974
Supplement to Third Report	... ..	Cmnd. 5729, September 1974
Second Supplement to Third Report	... ..	Cmnd. 5853, January 1975
Fourth Report	... ..	Cmnd. 6063, May 1975
Supplement to Fourth Report	... ..	Cmnd. 6146, July 1975
Second Supplement to Fourth Report	... ..	Cmnd. 6420, March 1976
Fifth Report	... ..	Cmnd. 6470, May 1976
Supplement to Fifth Report	... ..	Cmnd. 6515, July 1976
Sixth Report	... ..	Cmnd. 6801, April 1977
Seventh Report	... ..	Cmnd. 7177, April 1978
Supplement to Seventh Report	... ..	Cmnd. 7288, December 1978
Eighth Report	... ..	1979
Supplement to Eighth Report	... ..	Cmnd. 7603, June 1979
Second Supplement to Eighth Report	... ..	Cmnd. 7770, November 1979
Ninth Report	... ..	Cmnd. 7899, May 1980
Supplement to Ninth Report	... ..	Cmnd. 7956, July 1980
Tenth Report	... ..	Cmnd. 8241, May 1981
Supplement to Tenth Report	... ..	Cmnd. 8322, July 1981
Eleventh Report	... ..	Cmnd. 8549, May 1982
Supplement to Eleventh Report	... ..	Cmnd. 8573, June 1982
Twelfth Report	... ..	Cmnd. 8880, May 1983
Supplement to Twelfth Report	... ..	Cmnd. 8950, July 1983
Thirteenth Report	... ..	Cmnd. 9255, June 1984
Supplement to Thirteenth Report	... ..	Cmnd. 9301, July 1984
Fourteenth Report	... ..	Cmnd. 9526, June 1985
Supplement to Fourteenth Report	... ..	Cmnd. 9568, July 1985
Fifteenth Report	... ..	Cmnd. 9784, May 1986
Supplement to Fifteenth Report	... ..	Cmnd. 9866, July 1986
Sixteenth Report	... ..	Cm 126, April 1987
Supplement to Sixteenth Report	... ..	Cm 176, July 1987
Seventeenth Report	... ..	Cm 357, April 1988
Supplement to Seventeenth Report	... ..	Cm 396, June 1988
Eighteenth Report	... ..	Cm 579, February 1989
Supplement to Eighteenth Report	... ..	Cm 667, April 1989
Nineteenth Report	... ..	Cm 936, February 1990
Supplement to Nineteenth Report	... ..	Cm 1065, May 1990
Twentieth Report	... ..	Cm 1414, January 1991
Supplement to Twentieth Report	... ..	Cm 1529, May 1991
Twenty-First Report	... ..	Cm 1815, February 1992
Supplement to Twenty-First Report	... ..	Cm 1941, May 1992
Twenty-Second Report	... ..	Cm 2150, February 1993
Twenty-Third Report	... ..	Cm 2461, February 1994
Supplement to Twenty-Third Report	... ..	Cm 2586, July 1994

Pay comparisons

1. **Broad comparability.** We aim to recommend pay levels broadly comparable to those outside the Services for jobs at similar levels. Comparisons with civilian jobs are not made on a job for job basis but by comparing the range of jobs at each rank, or rank and band, with a range of broadly similar posts outside. Job for job comparisons would not be appropriate as for many Service posts there are no precise civilian equivalents. Independent management consultants advise us on current civilian pay levels; MOD helps us to make valid comparisons between Service and civilian jobs. This process of applying broad comparability involves judgment, and is not simple or mechanistic.

2. **The Service pay structure.** The Service pay structure affects the way in which jobs are considered to be comparable. At officer level, all officers in a specific rank are paid on the same scale regardless of the nature of the job - thus Majors in combat units are on the same scale as Majors in support units. Similarly, for non-commissioned ranks, all trades in the same pay band at each rank earn the same salary.

3. **Job evaluation.** Job evaluation is used as the basis for the broad comparisons outlined above. This allows jobs to be analysed taking account of several factors including training and experience required, levels of responsibility and numbers of staff managed. The relative importance of each of these factors in each job is then measured. The total score from all the factors gives a measure of the "size" of that job. As both civilian and Service jobs are scored under the same job evaluation scheme it is possible to compare the remuneration of Service jobs with that of civilian jobs of a similar size.

4. **Evidence.** The collection of pay comparability evidence relies heavily on this form of comparison of job sizes using job evaluation. This evidence is collected differently for officers and other ranks:

- (a) *Officers.* For civilian jobs at levels comparable to officers a commercial database of jobs, all scored using a standard evaluation scheme, is used. A representative sample of Service jobs is scored under the same scheme and the remuneration levels of jobs of similar scores extracted from the database.
- (b) *Other ranks.* As no reliable database exists for jobs at the level of other ranks, management consultants conduct a survey to identify and evaluate civilian jobs at WO, SNCO and Corporal levels and to collect remuneration data for these jobs. The survey provides a small database which is then used in the same way as that for officers to compare Service and civilian jobs.
- (c) *New entrants.* At the entry levels, Second Lieutenant and Private, relevant information is more directly available from national earnings statistics and job evaluation is not used when making comparisons.

5. **Decision making.** The starting point is a comparison of the levels of military salary in payment the previous April with civilian earnings at that date. For the civilian comparators, total earnings (ie basic pay including overtime, bonuses and productivity payments) are used. In reaching our recommendations on the basic pay of Service personnel we compare the average Service working week, excluding unsocial and other excess hours accounted for in the X factor, with the average civilian working week. The hours of work of the two groups are broadly similar when civilian overtime is included. In basic pay therefore we reflect average overtime payments and where appropriate, the relative value of civilian and Service pensions and benefits.

6. Our recommendations about salary levels are made several months in advance of the effective date, and we use forecasts of expected future movements in national statistics of earnings, settlements and inflation to inform our judgment.

Appendix 3

Military salaries inclusive of the X factor introduced with effect from 1 April 1994 and 1 January 1995

Table 3.1 Officers^a: annual^b rates

Rank/length of service	Military salary	
	1 April 1994	1 January 1995
Brigadier	£ 55,046	£ 55,958
Colonel after 8 years	49,596	50,417
6	48,417	49,217
4	47,235	48,016
2	46,059	46,815
on appointment	44,877	45,614
Lieutenant Colonel after 8 years	42,596	43,293
6	41,577	42,263
4	40,562	41,234
2	39,548	40,205
on appointment	38,533	39,175
Major after 8 years	32,916	33,317
7	32,233	32,631
6	31,551	31,945
5	30,872	31,259
4	30,189	30,572
3	29,510	29,886
2	28,831	29,200
1	28,149	28,514
on appointment	27,466	27,828
Captain after 6 years	25,331	25,473
5	24,743	24,882
4	24,152	24,291
3	23,564	23,699
2	22,973	23,108
1	22,382	22,517
on appointment	21,794	21,926
Lieutenant after 4 years	18,922	18,980
3	18,473	18,527
2	18,024	18,075
1	17,575	17,622
on appointment	17,126	17,170
Second Lieutenant	12,950	12,990
Officer Cadet	9,088	9,118

^aArmy ranks are shown in these tables; the pay rates apply equally to equivalent ranks in the other Services.

^bAnnual salaries are derived from daily rates in whole pence and rounded to the nearest £.

Table 3.2 Warrant Officers and SNCOs^a: annual^b rates

Scale B ^c	Band ^d							
	4		5		6		7	
	1 Apr 1994	1 Jan 1995	1 Apr 1994	1 Jan 1995	1 Apr 1994	1 Jan 1995	1 Apr 1994	1 Jan 1995
	£	£	£	£	£	£	£	£
Warrant Officer I	19,308	19,630	20,889	21,236	23,053	23,437	25,185	25,605
Warrant Officer II	18,111	18,414	19,699	20,024	21,834	22,196	23,973	24,364
Staff Sergeant	16,947	17,228	18,527	18,834	20,265	20,601	22,356	22,725
Sergeant	16,031	16,297	17,615	17,907	19,345	19,666	—	—

Table 3.3 Corporals and below^a: annual^b rates

Scale B ^c	Band ^d					
	1		2		3	
	1 Apr 1994	1 Jan 1995	1 Apr 1994	1 Jan 1995	1 Apr 1994	1 Jan 1995
	£	£	£	£	£	£
Corporal I	14,713	14,786	16,184	16,261	17,940	18,027
Corporal II	13,717	13,782	15,180	15,257	16,940	17,024
Lance Corporal I	12,779	12,841	14,250	14,319	16,002	16,082
Lance Corporal II	11,888	11,943	13,355	13,421	15,111	15,184
Lance Corporal III	11,132	11,187	12,600	12,662	14,220	14,290
Private I	11,132	11,187	12,600	12,662	14,220	14,290
Private II	10,267	10,297	11,738	11,771	13,363	13,403
Private III	9,191	9,220	10,658	10,687	12,279	12,315
Private IV	8,216	8,242	—	—	—	—

^aRates shown are for Army personnel. These rates apply also to personnel of equivalent rank and pay band in the other Services. Where ranks are not precisely equivalent, or because of the application of the "all of one company" principle in the RN, pay rates for the personnel concerned are derived from the Army rates by established formulae.

^bAnnual salaries are derived from daily rates in whole pence and rounded to the nearest £.

^cScale B rates of pay apply to personnel committed to, or who have completed, 6 years or more but less than 9 years service.

Since 1 January 1991 most new entrants have joined on open engagements and are paid, for the first 9 years service, on the Scale A rates of pay applicable to personnel committed to less than 6 years service.

Scale C rates of pay apply to personnel committed to, or who have completed, 9 years service.

^dThe pay structure for other ranks is divided into pay bands. Jobs at each rank are allocated to bands according to their score in the job evaluation system.

Appendix 4

1 April 1995 recommended levels of military salary for certain special groups

Table 4.1 Recommended annual^a rates of military salary for veterinary officers of the Royal Army Veterinary Corps

Rank/length of service	Military salary
	£
Brigadier	57,736
Colonel	51,968
after 8 years	50,731
6	49,494
4	48,257
2	47,020
on appointment	47,020
Lieutenant Colonel	44,626
after 4 years	43,287
2	41,944
on appointment	41,944
Major, Captain ^b	40,560
after 21 years	38,884
19	37,208
17	35,531
15	33,855
13	32,164
11	30,568
9	28,969
7	27,369
5	25,770
3	24,171
1	22,571
On appointment	22,571

^aAnnual salaries are derived from daily rates in whole pence and rounded to the nearest £.

^bReserved rights apply to Majors and Captains with 23 years or more reckonable service.

Table 4.2 Recommended annual^a rates of military salary for Chaplains

Rank/length of service	Military salary
	£
Chaplain-General	57,736
Deputy Chaplain-General ^b	49,494
Principal Chaplain	47,020
Chaplain (Class 1) ^b	
After 2 years in the rank or on appointment with 24 or more years service	44,165
On appointment with less than 24 years service	42,504
Chaplain	
Class 2	
Class 3	
Class 4	
After 26 years service	44,165
After 24 years service	42,504
After 22 years service	40,849
After 20 years service	39,188
After 18 years service	37,526
After 16 years service	35,864
After 14 years service	34,203
After 12 years service	32,541
After 10 years service	30,879
After 8 years service	29,218
After 6 years service	27,556
After 4 years service	25,894
After 2 years service	24,233
On appointment	22,571

Table 4.3 Recommended annual^a rates of military salary for officers promoted from the ranks (other than those who enter the General List)

Years of commissioned service	Years of service in the ranks		
	Less than 12 years	12 years but less than 15 years	15 years or more
	£	£	£
After 16 years	30,404		
14	29,994		
12	29,584	30,404	
10	29,174	29,994	
8	28,764	29,584	30,404
6	28,354	29,174	29,994
5	27,944	28,764	29,584
4	27,545	28,354	29,174
3	26,908	27,944	28,764
2	26,275	27,545	28,354
1	25,638	26,908	27,944
On appointment	25,005	26,275	27,545

Table 4.4 Recommended annual^a rates of military salary for university cadets

	£
fourth year	10,771
third year	9,867
second year	8,788
first year	7,657

^aAnnual salaries are derived from daily rates in whole pence and rounded to the nearest £.

^bArmy only.

Table 4.5 Recommended annual^a rates of military salary for naval apprentices and probationary medical technicians

	£
fourth year	14,054
third year	9,681
second year	7,924
first year	6,160

Table 4.6 Recommended annual^a rates of military salary for junior entrants (all categories, including young soldiers)

Age	Military Salary
	£
17½ and over (or on entering productive service before this age)	8,359
17 but under 17½	6,321
16 but under 17	5,208

^aAnnual salaries are derived from daily rates in whole pence and rounded to the nearest £.

Appendix 5

1 April 1995 recommended rates of additional pay

Major items

	Rate £ per day	Reserve band rate ^c £ per day
FLYING PAY		
Officer aircrew (trained)		
All officer aircrew in the rank of Wing Commander ^a (with less than 6 years service in the rank) and below except RAF specialist aircrew		
Flight Lieutenant	Initial rate 9.09	—
	Middle rate ^b 15.26	—
	Top rate ^b 23.06	17.95
Wing Commander ^a		
After 6 years service	21.82	17.95
After 8 years service	20.53	17.95
Group Captain ^a		
On appointment	19.24	17.95
After 2 years service	17.95	16.68
After 4 years service	16.68	14.77
After 6 years service	14.77	12.83
After 8 years service	12.83	10.91
Air Commodore ^d	7.69	6.54
RAF specialist aircrew		
(a) Flight Lieutenants (not Branch Officers)		
On designation as specialist aircrew	29.63	—
After 1 years service as specialist aircrew	30.16	—
After 2 years service as specialist aircrew	30.69	—
After 3 years service as specialist aircrew	31.22	—
After 4 years service as specialist aircrew	31.75	—
After 5 years service as specialist aircrew	32.28	—
After 6 years service as specialist aircrew	32.81	—
After 7 years service as specialist aircrew	33.34	—
After 8 years service as specialist aircrew	33.87	—
After 9 years service as specialist aircrew	34.40	—
After 10 years service as specialist aircrew	34.93	—
After 11 years service as specialist aircrew	35.46	—
After 12 years service as specialist aircrew	35.99	—
After 13 years service as specialist aircrew	36.52	—
After 14 years service as specialist aircrew	37.05	—
After 15 years service as specialist aircrew	37.58	—
After 16 years service as specialist aircrew	38.64	—
(b) Branch Officers		
On designation as specialist aircrew	23.54	—
After 5 years service as specialist aircrew	26.16	—
Non-commissioned aircrew (trained)		
RM and Army pilots qualified as aircraft commanders	Initial rate 9.09	—
	Middle rate ^b 15.26	—
	Top rate ^b 23.06	17.95
RM ^d and Army pilots ^e and aircrewmen, RAF	Initial rate 4.50	—
	Middle rate ^f 9.93	—
	Top rate ^g 11.67	9.93
Aero-medical and escort duties pay (RAF)	5.09	—
Flight Nursing Assistant's pay	3.59	—
Royal Logistic Corps air despatch pay ^h	Lower rate 3.15	—
	Higher rate ^b 5.09	—
Flying extra pay (RN), crew pay (RAF), Royal Logistic Corps helicopter crew pay ^h	3.15	—

^aIncluding equivalent ranks in the other Services. However pilots in the Army and RM who are not qualified as aircraft commanders do not receive the officer rate of flying pay but receive the Army pilot rate of flying pay.

^bAfter 4 years on the preceding rate.

^cFrom 1 April 1995, rates apply to personnel with 6 consecutive years in non flying-related appointments on cessation of their current appointment. For those personnel remaining in their current appointment the rates apply from 1 April 1997.

^dRates for RN aircrew, including RM pilots, are adjusted to give them the same total earnings as Army or RAF personnel of equivalent rank carrying out similar duties.

^eRM and Army pilots not qualified as aircraft commanders.

^fAfter 9 years total service, subject to a minimum of 3 years aircrew service.

^gAfter 22 years reckonable service.

^hAlso payable while under training

							Rate £ per day	Reserve band rate £ per day
DIVING PAY								
<i>Category</i>								
1	RN Diver (Ordinary and Junior rate) prior to Category 3 qualification						2.62	—
	Ship's Diver—all ranks and ratings							
	Army Compressed Air Diver—all ranks							
2	RN Search and Rescue Diver—all ratings						5.28	—
	Army Unit Diving Supervisor							
3	RN Diver (Junior, Ordinary and Able Diver) when qualified to Category 3 standards						7.54	—
	Army Advanced Diver—all ranks							
4	RN Diver (Leading Diver etc) when qualified to Category 4 standards						12.82	—
	Army Supervisor and Instructor—all ranks							
	RN Mine Countermeasures and Diving Officer ⁱ							
5	RN Diver (Petty Officer and above) when qualified to Category 5 standards							
	on appointment	...	...	...	...	...	18.51	—
	after 3 years	...	...	...	...	...	19.85	—
	after 5 years	...	...	...	...	...	21.08	—
	(unfit to dive)							
	on appointment	...	...	...	...	...	5.85	—
	after 3 years	...	...	...	...	...	7.08	—
	after 5 years	...	...	...	...	...	8.36	—
Deep and experimental diving								
Lump sum per dive	Grade 4	...	...	...	...	...	447.00	—
	Grade 3	...	...	...	...	...	224.00	—
	Grade 2	...	...	...	...	...	115.00	—
	Grade 1	...	...	...	...	...	—	—
Additional hourly rates	Grades 2 to 4	...	...	...	...	...	9.03	—
	Grade 1	...	...	...	...	...	4.51	—
SUBMARINE PAY								
1	Midshipman, Able Rate and below	...	...	...	...	...	8.41	8.05 ^j
2	Leading Rate and Petty Officer	...	...	...	...	...	9.23	8.05 ^j
3	Acting Sub-Lieutenant/Sub-Lieutenant (except SD List), Chief Petty Officer, Warrant Officer	...	...	...	...	...	10.98	8.05 ^j
4	Sub-Lieutenant (SD), Lieutenant (all lists until break points for 5th tier below)	...	...	...	...	...	11.80	10.72 ^j
5	Seaman Lieutenants on qualifying Advanced Warfare Course, Marine Engineer Lieutenant on recommendation for Deputy Marine Engineer Officer, Weapons Engineer Lieutenant on recommendation for Charge appointment, Lieutenant Commander and qualifying Captains	...	...	...	...	...	13.54	10.72 ^j
Addition for Nuclear Propulsion Senior Rates:								
	Category B watchkeeper	...	...	...	...	...	5.59	—
	Category A watchkeeper (Nuclear Chief of Watch)	...	...	...	...	...	8.21	—
HYDROGRAPHIC PAY								
Captain/Commander/Lieutenant Commander/Lieutenant in charge of survey	...	...	...	...	...	...	6.87	5.13 ^k
Surveyor 1st Class, Warrant Officer/Chief Petty Officer Survey Recorder	...	...	...	...	...	...	4.77	3.54 ^k
Surveyor 2nd Class, Petty Officer Survey Recorder	...	...	...	...	...	...	2.46	1.85 ^k
Leading Seaman Survey Recorder	...	...	...	...	...	...	1.85	1.38 ^k
Junior/Ordinary/Able Seaman Survey Recorder	...	...	...	...	...	...	1.13	0.87 ^k

ⁱTo be paid Category 5 diving pay when in post requiring immediate control of diving operations.

^jRates apply after 3 years ashore. Special transitional arrangements apply to personnel who were ashore 3 or more years on 1 April 1991. The mark-time rate which applies is £8.18 for tiers 1 to 3.

^kRates apply after 3 years out of designated billet. Special transitional arrangements apply to personnel already 3 or more years out of designated billet on 1 April 1992. The mark-time rates which apply are £6.00, £4.15, £2.15, £1.60 and £1.00 respectively.

	<i>Rate</i>	<i>Reserve</i>
	<i>£ per day</i>	<i>band rate</i>
		<i>£ per day</i>
SUBMARINE ESCAPE TANK TRAINING PAY ^l	7.90	—
RM SPECIAL SERVICE PAY (MOUNTAIN LEADERS)	6.72	—
ACADEMY SERGEANT MAJOR, SANDHURST	6.09	—
SOUTH GEORGIA ADDITIONAL PAY	4.13	—
NORTHERN IRELAND ADDITIONAL PAY	4.13	—
PARACHUTE JUMPING INSTRUCTOR'S PAY	4.94	3.70 ^m
PARACHUTE PAY	3.44	—

Minor items

	<i>Rate</i>	<i>Reserve</i>
	<i>£ per day</i>	<i>band rate</i>
		<i>£ per day</i>
GURKHA SERVICE PAY		
Regular officers of Gurkha Rifle Regiments		
Lieutenant Colonel and above	5.25	—
Major	4.58	—
Captain	3.90	—
Lieutenant and Second Lieutenant	3.30	—
GURKHA LANGUAGE PAY		
Seconded Service personnel		
Oral proficiency rate	0.52	—
Oral and written proficiency rate	0.90	—
EXPERIMENTAL PAY (per test)	1.73	—
EDUCATION OFFICER ASSISTANT'S PAY	1.28	—
PAYMENT FOR WORK OF AN OBJECTIONABLE NATURE (PWON)		
Basic rate	2.29	—
Higher rate	11.44	—
PAYMENT FOR WORK IN UNPLEASANT CONDITIONS (PWUC)		
	0.60	—
PAYMENT FOR ACTING AS A COURT SHORTHAND WRITER (per folio)	0.52	—

^lDivers receive an additional £1.37 a day. Trained parachutists in the Subsunk Parachute Assistance Group receive an additional 71p a day.

^mFrom 1 April 1996, this rate applies to personnel who have been absent from PJI or PJI-related duties for more than 3 years on cessation of their current appointment or 1 April 1997, whichever is sooner.

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