



Armed Forces'  
Pay Review Body

# Armed Forces' Pay Review Body

Forty-Eighth Report 2019

*Chair:* Peter Maddison, QPM

# Armed Forces' Pay Review Body

## TERMS OF REFERENCE

*The Armed Forces' Pay Review Body provides independent advice to the Prime Minister and the Secretary of State for Defence on the remuneration and charges for members of the Naval, Military and Air Forces of the Crown.*

*In reaching its recommendations, the Review Body is to have regard to the following considerations:*

- the need to recruit, retain and motivate suitably able and qualified people taking account of the particular circumstances of Service life;*
- Government policies for improving public services, including the requirement on the Ministry of Defence to meet the output targets for the delivery of departmental services;*
- the funds available to the Ministry of Defence as set out in the Government's departmental expenditure limits; and,*
- the Government's inflation target.*

*The Review Body shall have regard for the need for the pay of the Armed Forces to be broadly comparable with pay levels in civilian life.*

*The Review Body shall, in reaching its recommendations, take account of the evidence submitted to it by the Government and others. The Review Body may also consider other specific issues as the occasion arises.*

*Reports and recommendations should be submitted jointly to the Secretary of State for Defence and the Prime Minister.*

The members of the Review Body are:

Peter Maddison QPM (Chair)<sup>1</sup>  
Brendan Connor JP  
Tim Flesher CB  
Professor Ken Mayhew  
Lesley Mercer  
Vilma Patterson MBE  
Janet Whitworth<sup>2</sup>  
Rear Admiral (Ret'd) Jon Westbrook CBE

The Secretariat is provided by the Office of Manpower Economics.

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<sup>1</sup> Peter Maddison was appointed by the Prime Minister as the Chair of AFPRB from March 2018. He also serves as a member of the Review Body on Senior Salaries.

<sup>2</sup> Janet Whitworth resigned as a Member in September 2018.

# ARMED FORCES' PAY REVIEW BODY 2019 REPORT – SUMMARY

Our central recommendation is that rates of base pay for the main remit group should be increased by 2.9 per cent from 1 April 2019. The key indicators that influenced our recommendation this year are:

- over recent years, some weakening of Armed Forces' pay relative to the wider economy;
- average earnings growth was at 3.5 per cent and 5.2 per cent for those in continuous employment in the UK;
- 68 per cent of Service personnel in 2018 did not receive any pay increase as a result of incremental progression;
- Consumer Prices Index (CPI) inflation at 1.9 per cent;
- the need to balance our pay recommendation against overall affordability;
- the failure to meet recruitment targets;
- outflow figures, including Voluntary Outflow (VO), remaining at high levels, yet there is a sustained tempo of operations;
- an increase in the deficit in military full-time trained strength;
- further declines in motivation and satisfaction with pay, with pay increasingly being cited as a potential reason for Service personnel to leave; and
- the importance of our pay recommendation as an indication of the 'value' of Service personnel.

Summary of other recommendations from 1 April 2019 (unless otherwise stated):

- OR2-1 rate of base pay to be increased to £20,000.
- The following targeted measures as part of the Defence Engineering Remuneration Review (DERR) pay proposals:
  - The single Services to provide evidence for our next round that confirm rates of Engineering Trade Pay for Other Ranks to be applied in each Service and the timescales for implementation.
  - We agree in principle the introduction of an Enhanced Officer Pay Spine – Engineer Specialists (EOPS-ES), with evidence to be provided for our next round to support the number and value of additional increment levels for the EOPS-ES.
- Other targeted measures (full details in Chapter 3):
  - Recruitment and Retention Payment (RRP) (Mountain Leader), RRP (Parachute) and RRP (Parachute Jumping Instructor) to remain at current rates.
  - RRP (Hydrographic) to be implemented with the re-profiled rates as agreed in our 2018 Report, with no additional increase this year.

- RRP (Diving) (D)
  - Level 1 of RRP(D) to be removed.
  - RRP(D) and its Explosive Ordnance Disposal and Improvised Explosive Device Disposal supplementary rates to be frozen at current rates until 2021.
  - Another review of RRP(D) to be carried out in time for our 2021 Report.
  - The Clearance Diver Pay Spine to be retained.
- RRP (Explosive Ordnance Disposal) (EOD)
  - RRP (EOD) to be increased by 2.9 per cent.
  - Once structural changes are complete with a Royal Engineer EOD career structure and a Main Trade for Pay has been created, a subsequent paper of evidence to be submitted for our consideration: we note that this is likely to be for our 2021 Report.
- RRP (Special Communications) (SC)
  - RRP(SC) to be increased by 2.9 per cent.
  - RRP(SC) to be paid on a Continuous Career Basis from 1 April 2020.
- RRP (Special Forces Communications) (SFC)
  - RRP(SFC) to be increased by 2.9 per cent.
  - The establishment of an experienced-based RRP(SFC) system replacing the rank-based payment, with effect from 1 April 2020.
  - The establishment of Continuous Career Basis RRP for OF2 SFC Officers Commissioned From the Ranks, with effect from 1 April 2020.
- Other RRP rates to be increased by 2.9 per cent.
- The introduction (on 1 April 2020) of a revised pay scale for Chaplains with 20 increments; to introduce qualifying point bars within the pay progression mechanism; the cessation of tri-Service antedated seniority provision, with a standard starting salary equivalent to the current increment Level 5; and the X-Factor taper is applied to Chaplains Class 1. For this year, the existing Chaplains' pay spine to be increased by 2.9 per cent.
- The Northern Ireland Resident's Supplement to continue to be paid to eligible Service personnel and to be increased by 2.9 per cent.
- Unpleasant Living Allowance (ULA) to be retained and increased by 2.9 per cent, and the qualifying locations for ULA (Operational) to be widened outside the current restriction of Afghanistan to allow qualifying locations worldwide.
- Rates of compensatory allowances not reviewed separately, and Reserves' Bounties, to be increased by 2.9 per cent.
- Service personnel currently on Specially Determined Rates of Pay as a result of transition to Pay16 to continue to receive increases in line with our main uniform pay award.

- **The following recommendations for Defence Medical Services (DMS):**
  - A 2.9 per cent increase in base pay for all ranks within the Medical and Dental Officer (MODO) cadre.
  - A 2.9 per cent increase in General Medical Practitioner (GMP) and General Dental Practitioner (GDP) Trainer Pay and Associate Trainer Pay.
  - No increase in the value of military Clinical Excellence Awards and legacy Distinction Awards.
  - The scope of the Golden Hello is extended to include those recruited and selected by the MOD for Higher Training in those consultant cadres where there is a deficit of at least 10 per cent against the DMS requirement.
  - DMS, the British Medical Association (BMA) and the British Dental Association (BDA) to provide evidence for our next report to identify the appropriate NHS comparators for both GMPs and GDPs. This should ideally take the form of job weighting evidence or survey evidence of typical NHS career paths.
  - DMS, the BMA and the BDA to agree a new methodology for our next report to adjust for the difference between the NHS and MODO pension schemes.
- **For Service Family Accommodation (SFA), Combined Accommodation Assessment System (CAAS) Band A charges to be increased by 0.6 per cent. This recommendation will affect the charges for all lower bands, as they are in descending steps of ten per cent of the Band A rate.**
- **Legacy Four Tier Grading SFA charges in Germany to be increased by 0.6 per cent.**
- **For Single Living Accommodation (SLA), charges for grade 1 to be increased by 0.6 per cent, with increases of 0.4 per cent to grade 2, 0.2 per cent for grade 3 and no increase to grade 4.**
- **Annual charges for standard garages and standard carports to be increased by 0.6 per cent, with no increase to charges for substandard garages and substandard carports.**

This Report sets out our recommendations on military pay, allowances and charges from 1 April 2019. We considered a wide range of evidence from: the Ministry of Defence (MOD), including the Secretary of State and the individual Services; HM Treasury; the Service Families' Federations (SFFs); the Defence Infrastructure Organisation (DIO); the British Medical Association; and the British Dental Association. We also conducted our own analyses of pay comparability of Service pay with civilian pay levels, as well as more detailed research on how pay levels for Armed Forces engineers compare with civilian engineers. We heard directly from Service personnel and their families on 21 visits in the UK and overseas.

We are aware that we are submitting this report after 1 April 2019 and that our remit group will be receiving their award late again this year; this is a consequence of the Government asking us to submit our report in the week commencing 6 May 2019, and it submitting its final evidence to us in the last week of March 2019. The Government has given a commitment to backdating the pay award to 1 April 2019.

The Secretary of State for Defence wrote to our Chair on 20 November 2018 asking us to commence our work for the 2019-20 pay round. The letter drew our attention to the Government's more flexible approach to public sector pay policy, using pay to target areas of skills shortages and to ensure the pay award continues to support wider recruitment and retention within the Armed Forces. It also highlighted the importance of affordability.

## **Context**

The UK economy grew by an estimated 1.4 per cent in 2018, its slowest rate for six years. Forecasts suggest a further slowing of Gross Domestic Product (GDP) growth in 2019, to 1.2 per cent (according to the Office for Budget Responsibility). Inflation fell broadly as expected over the last year, with the CPI rate down to 1.9 per cent in February 2019. Forecasts indicate that CPI inflation will remain close to 2.0 per cent during 2019 and 2020.

The labour market has continued to strengthen, with the level of employment increasing by 473,000 over the year to January 2019 and the employment rate reaching a record 76.1 per cent. Average earnings growth across the economy picked up in the second half of 2018, to reach 3.5 per cent in the three months to January 2019. Public sector average earnings growth also showed an increase, and stood at 2.9 per cent in January 2019. The median of pay settlements picked up to 2.5 per cent in 2018 and it is likely to remain at that level in 2019.

## **Recommendations**

In line with our terms of reference, we make recommendations based on all the evidence we receive, including that presented formally, what we hear from Service personnel on visits, and data on pay comparability. The evidence covers recruitment, retention and motivation. We also take account of the Government's evidence on the economy, affordability, its more flexible public sector pay policy, and consider the cost of living and external pay settlements more generally, recognising that Service personnel retain incremental pay scales and a non-contributory pension scheme.

We remain concerned about the picture that has emerged from our visits and evidence this year. Patterns that have worried us over recent years, and on which we have commented in our previous reports, have continued and in many cases have worsened. Recruitment, across all three Services, remains challenging, and targets are regularly missed. Outflow figures, including voluntary outflow, remain at high levels, whilst the deficit of military full-time trained strength against the Workforce Requirement increased from 5.7 per cent to 6.7 per cent. We are currently in uncertain times economically, yet employment is at a record high, thus increasing the competition for the Armed Forces to recruit and retain the people it needs to deliver its outputs.

Understanding motivation and morale helps to explain some of the recruitment and retention difficulties. According to the 2018 Armed Forces Continuous Attitude Survey (AFCAS) results showed yet again that satisfaction with Service life in general has steadily decreased since 2009. Satisfaction levels with basic pay and recruitment and retention pay continue to decrease and were at the lowest levels recorded. In addition, this year, we received – and welcomed – some valuable qualitative analysis from AFCAS. This provided additional depth to the published quantitative data and its content chimed with several of the themes we heard about on our visits programme.

Our sense from our visits is that most Service personnel perceive that the value of the overall Armed Forces offer has further declined, citing changes to pensions, dissatisfaction with accommodation and food, as well as continued dissatisfaction of pay increases. Service personnel also commented on the continuing effect of an increasing workload due to gapping along with units being held at high readiness for long periods and the impact on family life. This impact was cited as the highest scoring factor for Service personnel's intention to leave the Service.

These are patterns that we noted last year, framing our recommendations accordingly. The Government did not feel able to accept these recommendations in full, but paid part of our proposed pay award in the form of a non-consolidated lump sum, which it felt to be “in the spirit” of our recommendations. It is, of course, for the Government to decide how it responds to our recommendations. We can appreciate that it felt that it faced a difficult dilemma, and tried to find a way through. However, our visits this year left us in no doubt that Service personnel did not feel that the response was in the spirit of our recommendations. On the contrary; we were told that Service personnel felt a non-consolidated award showed disrespect for the unique role that they perform. We conclude that the money spent on the non-consolidated element of last year’s pay award did not secure value for money, in terms of improving motivation and morale. We suggest this should be kept in mind when Government considers our recommendations in future years.

It is against this background that we have considered our overall pay award for this year. We have seen no evidence of significant improvement and some evidence of further deterioration across all Services. On value for money grounds, this is a worrying position, which needs to be addressed, or it will worsen and the ultimate costs of resolving it will be greater. In our view, some re-prioritisation of MOD budgets, in favour of pay awards that might start to reverse these patterns, is therefore appropriate, recognising that this will present some challenges, given the continuing pressures on public finances.

The labour market continues to be tight with employment being at a record high and a low level of unemployment. This suggests that recruitment could become yet more problematic for the Armed Forces as they face competition in recruiting and retaining the right people. We have considered the current level of average weekly earnings increases and pay settlements. The annual percentage change in median full-time gross weekly earnings for those in continuous employment in the UK in 2018 was 5.2 per cent. We also note that 68 per cent of Service personnel in 2018 did not receive any pay increase as a result of incremental progression. Looking at pay comparability, over recent years there has been a weakening of Armed Forces’ pay relative to the wider economy.

Our recommendations need to respond to developments in the wider labour market. **For 2019-20, we recommend an across the board increase of 2.9 per cent in base pay. We also recommend that OR2-1 rates of base pay be increased to £20,000 from 1 April 2019.**

We are persuaded by the evidence submitted by MOD that the current structure already provides for targeting pay, be it through the Pay16 pay structure and its Trade Supplement Placement pay, the numerous bespoke pay spines and the range of RRPs, Financial Retention Incentives and Golden Hellos. MOD is also taking a multi-year pay strategy that focuses on different groups over the next three years. We are therefore content that a uniform pay award in tandem with our other recommendations addresses targeting for our remit group. However, the future needs of the Armed Forces may require different and specialist skills, some of which will be in high demand externally. We are not therefore closed to the idea of differentiated pay awards in the future in response to labour market pressures and strategic Service needs.

Separate from base pay we considered targeted measures which continue to play an important role in supporting long standing recruitment and retention issues. Our process for reviewing RRPs allows cadres to be examined when required rather than on a fixed timetable, and we believe that MOD should be more proactive in addressing such issues before they need emergency action. We are concerned that despite the use of RRPs and other measures, in some critical cohorts (e.g. pilots) the impact of shortages of skilled Service personnel is expected to still be significant in terms of a negative operational impact in five years’ time and beyond. For such groups, RRPs are effectively a permanent addition to pay, but are non-pensionable. We continued with our revised approach for reviewing RRPs this year, whereby each RRP category is subject to a light touch annual review where the analysis is focused on key staffing data. **We recommend an increase of 2.9 per cent in RRP for most cadres, however the rates for Mountain Leader, Parachute and Parachute Jumping Instructors are held at existing**



levels. Our review last year of RRP (Hydrographic) led to the reprofiling of this RRP, and we recommend this commences from 1 April 2019. Chapter 3 includes the full details of the reviews we carried out this year of RRP (Diving), RRP (Explosive Ordnance Disposal), RRP (Special Communications) and RRP (Special Forces Communications).

Whilst pensions do not fall within our terms of reference, we maintain an interest particularly as the effects of pensions, including pension taxation, affect issues that are within our remit, such as recruitment and retention. It is clear from our visits that there is growing concern amongst Medical and Dental Officers and senior officers across the military about pension taxation. As such, we will continue to monitor the situation.

Chapter 3 also includes the latest position on the **Defence Engineering Remuneration Review (DERR)**. MOD has set out its plans for Engineering Trade Pay for Other Ranks; and for an RAF Enhanced Officer Pay Spine – Engineer Specialists. Evidence for our next report on DERR will set out detail on the proposed rates of Trade Pay and the number and value of additional increment levels for our consideration.

We also reviewed **Chaplains' pay** and recommended the introduction in April 2020 of a revised pay scale with 20 increments, to include qualifying point bars within the pay progression mechanism and a starting salary equivalent to the current increment level 5, with the X-Factor taper applied to Chaplains Class 1. For this year, we recommend that the Chaplains' pay spine is increased by 2.9 per cent.

Our review of the **Northern Ireland Residents' Supplement (NIRS)** resulted in our recommendation that it should continue to be paid to eligible Service personnel and increased from 1 April 2019 by 2.9 per cent. Going forward, we will review NIRS on a quinquennial basis, but earlier if required by a change in the security situation.

Following our review of the **Unpleasant Living Allowance**, we recommend that it is retained, that the qualifying locations be widened outside the current restriction to just Afghanistan, and that it be uplifted from 1 April 2019 by 2.9 per cent.

We recommend an increase of 2.9 per cent in the **Reserves' Bounties** and the rates of all other compensatory allowances not reviewed separately.

We continue to monitor the impact of Pay16 and HM Treasury has already agreed that Pay16 pay protection should be extended until 31 March 2024. Pay16 is an important part of MOD's ongoing workforce reform programme. This round MOD asked us to consider a specific issue relating to Pay16 transitional pay protection for those Service personnel in receipt of Specially Determined Rates of Pay (SDRP). We reviewed evidence from MOD and the single Services and whilst we accept that the current pay protection arrangements could be viewed as generous, we conclude that the **current arrangement whereby all of those on pay protection – both Standstill Rates of Pay and SDRP – should continue to receive our recommended uniform pay uplift, should apply.**

Our consideration of Medical Officers and Dental Officers (MODOs) is contained within the chapter on Defence Medical Services (DMS). We intend expanding the chapter to include our consideration of the wider groups that form the DMS – our intention is to ensure that all groups within DMS are considered in a rolling five-year work schedule. We **recommend a 2.9 per cent increase for all ranks within the MODO cadre this year.** We also recommend that DMS, the BMA and the BDA provide evidence for our next report to identify the appropriate NHS comparators for both GMPs and GDPs. This should ideally take the form of job weighting evidence or survey evidence of typical NHS career paths; and also agree a new methodology for our next report to adjust for the difference between the NHS and MODO pension schemes.



We also recommend a 2.9 per cent increase in GMP and GDP Trainer Pay and Associate Trainer Pay, and that there is no increase in the value of military Clinical Excellence Awards and legacy Distinction Awards. We recommend that the scope of the Golden Hello is extended to include those recruited and selected by the MOD for Higher Training in those consultant cadres where there is a deficit of at least 10 per cent against the DMS requirement.

Accommodation is a key component of the overall military package and remains one of the most important issues for Service personnel and their families. We always try to see first-hand the full range of accommodation when on visits and hear directly from Service personnel and families. We received written and oral evidence from the SFFs, MOD, the individual Services and DIO.

The poor quality of the maintenance service for accommodation continued to be a common theme during our visits. It will be important for the new National Housing Prime contract to have effective Performance Indicators within it.

We believe that maintaining the level of subsidy between rents for military personnel and those in the civilian sector is important, and we therefore recommend an inflation-based increase to SFA charges this year. The annual increase (at November 2018) in the actual rents for housing component of the CPI was 0.6 per cent. We therefore **recommend an increase to Band A charges of 0.6 per cent with effect from 1 April 2019**. This recommendation will affect the rents of lower SFA bands, as they are in descending steps of ten per cent of the Band A rate. This increase will apply to the rental change for both furnished and unfurnished properties. We make a similar recommendation for SFA in Germany that remains on the old Four Tier Grading system.

Last year we set out our concerns with the ongoing use of some very poor pockets of SLA which we consider unacceptable and a potential breach of duty of care. We wanted MOD to establish clear ownership of a programme to deal with the worse pockets of SLA. During this round all three Services wrote to us stating that they had plans to improve SLA and that they were increasing their investment despite the many competing priorities for funding. We welcome the additional impetus which these developments give to dealing with the SLA issues which we have raised and look forward to early sight of progress. Nevertheless, on the ground, little appears to have changed. So, despite the financial issues, we will be expecting the work which has been started to result in measurable progress in tackling the worst SLA by the time of our next report. We will continue to monitor the condition of SLA in our forthcoming visits. As with SFA we are linking our recommendation to the actual rents for housing component of CPI adopting our usual tiered approach. We therefore **recommend an increase of 0.6 per cent to grade 1 SLA rental charges, 0.4 per cent to grade 2, 0.2 per cent to grade 3 and no increase to grade 4 from 1 April 2019**. Chapter 5 also includes our recommendations on the charges for garages and carports.

MOD are piloting its Future Accommodation Model (FAM) initiative, which seeks to deliver affordable, good quality accommodation to Service personnel as a key part of the overall offer. FAM will continue to provide SLA and under current planning, will provide a standard core accommodation payment to those with a home elsewhere. We strongly support widening the entitlement of accommodation to 21st century family units and remain very interested in the results of the FAM pilots. We also support the continuation of the Forces Help to Buy scheme.

In our last report, on the Daily Food Charge (DFC), we agreed with a proposal from MOD for food cost data to be reviewed on a quarterly basis, with the DFC being adjusted in-year provided that the cost from one quarter to another has increased or decreased by at least 2 per cent; or if there is a prolonged period (of three quarters of data) of an increase (or decrease) from the prevailing DFC. We note from food cost data that the DFC as at April 2019 will be £5.29.

## Looking Ahead

The continuing skill shortages in certain cadres remain a major concern for the future capability of the Armed Forces. The National Audit Office has highlighted this in their report.<sup>3</sup> We welcome MOD's proposals for engineers through its DERR. It is critical that focus on this group continues. MOD also intend to consider how a structure for a cyber force might be introduced. We look forward to this evidence for our next round.

Last year we discussed the importance of investment in training capacity for key skill shortages. In next year's evidence on any key skill shortages, we would welcome MOD's analysis of how a training pipeline should best operate, especially in addressing long-term Manning and Operational Pinch Points in categories such as pilots.

MOD continues with its major change programmes within the People area. The challenge for MOD will be in delivering these changes against the perception of Service personnel that the main driver is a desire to cut costs, and to reduce the benefits available to them. MOD should be upfront about any savings that are attached to particular initiatives and should also recognise the need to invest extra resources in some change programmes in order for them to be effective.

In relation to the DMS, we look forward to receiving convincing evidence on the appropriate comparators for GMPs and GDPs. In addition, we will focus on nursing in our next report.

Over the next year, we intend working with MOD and the Senior Salaries' Review Body (SSRB) to gather evidence and consider whether any changes to the X-Factor tapering arrangements, both within SSRB's and our remit group, are required.

Chapter 6 also sets out our consideration of multi-year pay deals. In our view, there are a number of obstacles to such an approach, not least the lack of employee representation. We conclude that multi-year pay deals would not be of benefit to the Armed Forces. We do however support the multi-year pay strategy that MOD has adopted in this year's evidence and look forward to its further development.

We again ask for clear communication. It is essential that communications are open, transparent, owned throughout the chain of command, and regularly reinforced. It is also important that those passing on messages do not undermine them, but are adequately briefed, convey them properly, and deal appropriately with any concerns that Service personnel raise.

At the forefront of our mind is the unique role that our Armed Forces play. We know from our visits that Service personnel are committed, dedicated and professional, and the support provided by spouses and families is vital. We do not underestimate the importance of our independent voice, particularly given the lack of union representation for our remit group. We will continue to support them in our areas of responsibility to the best of our ability.

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<sup>3</sup> *Skill Shortages in the Armed Forces: 59th Report of Session 2017-9*, HC1027, National Audit Office, 18 July 2018.