



REVIEW BODY ON TOP SALARIES

Report No. 2

Interim Report on Top Salaries

Chairman:

THE RT. HON. LORD BOYLE OF HANDSWORTH

Presented to Parliament by the Prime Minister

by Command of Her Majesty

June 1972

LONDON

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TOP SALARIES REVIEW BODY

The Top Salaries Review Body was appointed in May 1971 with the terms of reference to advise the Prime Minister on the remuneration of the Chairmen and members of the Boards of nationalised industries; the higher judiciary; senior civil servants; senior officers of the armed forces, and other groups which may be referred to it. The Review Body was asked to undertake an immediate review and further reviews normally at two-yearly intervals.

The members of the Review Body are:

The Rt. Hon. Lord Boyle of Handsworth, *Chairman*

H. W. Atcherley

Lord Beeching

Sir George Coldstream, KCB, KCVO, QC

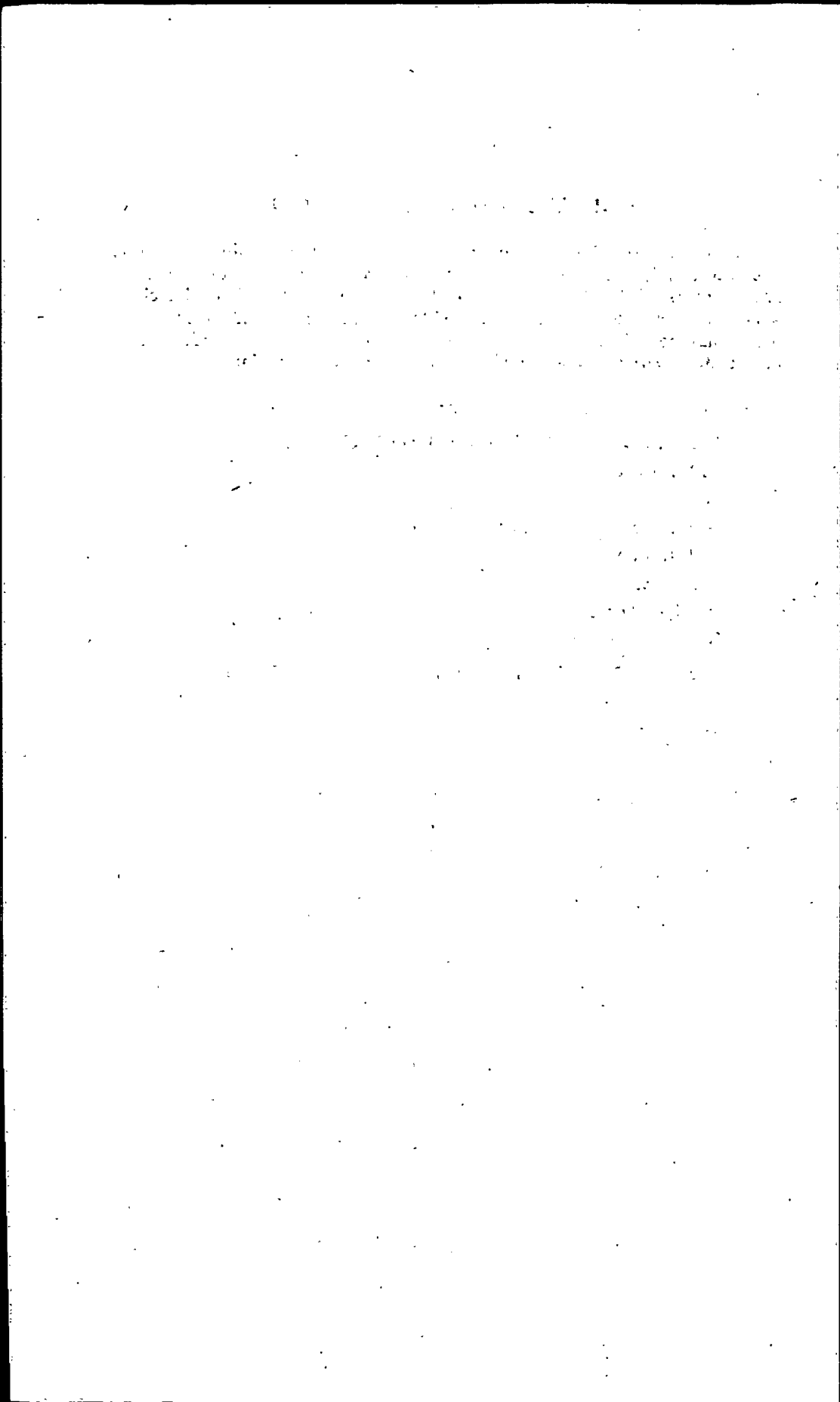
A. J. L. Lloyd, QC

Lady Seear

Sir Mark Turner

Gerard Young, CBE, JP

The secretariat is provided by the Office of Manpower Economics.



CONTENTS

	<i>page</i>
Terms of reference	iii
	<i>paragraph</i>
Chapter 1: Introduction	1
Chapter 2: The case for an interim review	8
Chapter 3: Our approach to our task	19
Chapter 4: Recommendations	25
Appendix A: Present pay structure for Chairmen and Board members of the main nationalised industries	12
Appendix B: Present pay structure for senior grades of the Higher Civil Service	13
Appendix C: Present pay structure for the higher judiciary and certain other posts covered by the recommendations	14
Appendix D: Present pay structure for senior officers of the armed forces	15
Appendix E: OME Survey of the remuneration of top management in industry, commerce and finance	16
Appendix F: Percentage of earned income retained 1971/72	23

INTERIM REPORT ON TOP SALARIES

CHAPTER 1

INTRODUCTION

1. We were appointed in May 1971 as an independent Review Body, and were given the following terms of reference:

“To advise the Prime Minister on the remuneration of the Chairmen and members of the Boards of nationalised industries; the higher judiciary; senior civil servants; senior officers of the armed forces, and other groups which may be referred to it.”

We were asked to begin our first review of these groups in 1971, and to undertake future reviews normally at intervals of two years. Shortly after our appointment, and as a matter of priority, we were asked to undertake a review of the remuneration of Ministers of the Crown and Members of Parliament, and our first report was therefore concerned with that remit.¹ This is our second report, and the first occasion on which we review the remuneration of the four groups covered by our standing reference.

2. Our terms of reference cover a wide field and many different types of responsibility. Each group has a different hierarchy, and *de facto* relationships have evolved between their respective pay structures. Over a period of time some of these horizontal relativities have become generally accepted, although they do not result from any measured evaluation of responsibilities. Our enquiries on this occasion have convinced us that further study of each group is essential, both to ensure that salary levels are adequate, and to test the pattern of relativities within and between groups. We have begun to collect evidence for a review in depth of each group, which we intend to complete within a year. In that review, we shall also give further consideration to the principles governing the pay of those covered by our terms of reference.

3. Meanwhile, to prevent their remuneration from falling too far behind those in comparable occupation outside the public service, we have considered and now recommend interim pay increases for the main levels in each group; we envisage that consequential adjustments will be made for the remainder in each group. We have considered the salaries of Chairmen and full-time members of the Boards of the principal nationalised industries, and our recommendations are intended to set the pattern for the Chairmen and members of certain other public corporations and Boards². We have considered the main appointments

¹ Review Body on Top Salaries, First Report, Ministers of the Crown and Members of Parliament: Cmnd 4836, December 1971.

² NBPI Report No 107, Top Salaries in the Private Sector and Nationalised Industries, Cmnd 3970, March 1969 included the British Airports Authority, the British Transport Docks Board, the UK Atomic Energy Authority, Cable and Wireless Ltd and Remploy Ltd, as having close links with, or certain similarities to, the main nationalised industries.

in the higher judiciary¹. We have not considered posts in the lower judiciary, some of which have firm pay links with the Legal Class in the civil service, and we envisage that consequential adjustments will be made where appropriate in the light of our recommendations. Our remit on the civil service relates to the senior grades of the Higher Civil Service, and we have considered the position of the Under Secretary, the Deputy Secretary and the Permanent Secretary. The pay of the Assistant Secretary is within the civil service negotiating machinery. Our remit on senior officers of the armed forces relates to the ranks of Rear Admiral, Major-General, Air Vice Marshal and above. The Armed Forces Pay Review Body, with which we have linked membership, is responsible for recommendations on the pay of the remainder of the armed forces.

4. The last review of the remuneration of Chairmen and members of the Boards of nationalised industries was carried out as part of a general study of top salaries in industry, by the former National Board for Prices and Incomes (NBPI) in 1969². This included a detailed survey by questionnaire of pay and responsibilities in twelve nationalised undertakings, and in a sample of about one hundred companies in the private sector, covering the whole 'remuneration package', including pensions and fringe benefits. In addition, with the help of management consultants, senior executives in both the public and private sectors were interviewed personally, in order to amplify the information on levels of responsibility. A second assignment was carried out by consultants, in which a system of job evaluation was applied in four nationalised industries³, and the results related to a survey of firms in the private sector carried out by the same consultants. The Government of the day accepted the recommendations for substantially increased salary levels, but these were implemented in three stages: the first two from 1 April 1969 and 1 April 1970; the third, which was planned to take effect from 1 April 1971, was brought forward to 1 January 1971 for members only. The increase due at the final stage was further deferred to 1 July 1971 for the highest levels in each of the four groups within our terms of reference (including both Chairmen and Deputy Chairmen of nationalised industry Boards), in response to offers by them to forego it, in the national interest, for that period. The present salary structure is at Appendix A.

5. The last review of the remuneration of the senior grades in the Higher Civil Service was carried out in 1969 by the Standing Advisory Committee on the Pay of the Higher Civil Service (under the chairmanship of Lord Plowden). The Committee drew on information in the NBPI's Report on Top Salaries, which it supplemented by enquiries of its own, including a special investigation by management consultants into relative levels of responsibility, using job evaluation methods which they had already developed for use in industry. The Committee found the existing rates of pay for the senior grades in the Higher Civil Service to be seriously out of line with the salaries paid for comparable levels of responsibility in industry and commerce, and recommended substantial increases. The Committee expressed the hope that the increases would be

¹ We have also made recommendations for Circuit Judges as we were invited to do, and for Metropolitan Magistrates (see paragraph 26(d)).

² NBPI Report No 107, Top Salaries in the Private Sector and Nationalised Industries, Cmd 3970, March 1969.

³ The Central Electricity Generating Board, the National Coal Board, British Rail and British European Airways.

implemented with as little delay as possible, but recognised that incomes policy considerations at that time might cause the Government to defer implementation in full and, to meet this situation, proposed "with considerable reluctance" implementation in three stages. The first stage was put into effect from 1 July 1969. In its tenth report, submitted to the Prime Minister in June 1970, the Committee recommended adjustment of the second stage increase for Under Secretaries, to take account of a recently negotiated central pay increase which had reduced the differential between the Assistant Secretary and the Under Secretary. The second stage increases proposed by the Committee, including the adjustment of the Under Secretary rate, were implemented with effect from 1 July 1970, and the third stage was introduced with effect from 1 January 1971 (except for Permanent Secretaries, who had accepted six months' further postponement—see paragraph 4 above). The present salary structure is at Appendix B.

6. In recent years, the remuneration of the lower judiciary has moved broadly in line with salaries in the civil service. In some cases, the links are firm and salaries have been adjusted consequentially either with each of the three stages of the increases for the senior grades in the Higher Civil Service or, where the links are at lower levels, with increases in the civil service at those levels. In those cases where lower judiciary salaries required Parliamentary authority, salaries were increased from 1 July 1969, with a combined second and third stage payment from 1 January 1971. There are no similar links between the higher judiciary and the civil service, and the last salary increase was paid in two stages, from 29 May 1970 and 1 July 1971 (voluntarily deferred from 1 January 1971). In fact, the salaries of the High Court Judge and the Permanent Secretary are currently the same. The present salary structure is at Appendix C.

7. The last review of the pay of senior officers in the armed forces was carried out by the NBPI in 1970¹, at the invitation of the Government following the decision to implement the recommendations in the ninth and tenth reports of the Standing Advisory Committee for the senior grades of the Higher Civil Service (see paragraph 5 above). The NBPI conducted its review on the basis that the terms of reference on that occasion effectively required pay levels to be assessed by comparison with the civil service, rather than on internal vertical relativities or other considerations. This is a matter which we shall examine in greater depth in our next review, as part of our consideration of the principles governing pay. For our present purpose, we have taken account of the fact that the NBPI recommended that the salary of the Chief of Defence Staff, including his existing level of responsibility allowance, should be equal to the salary of the Permanent Secretary, Head of the Home Civil Service. The recommendations for Admirals, Generals, Air Chief Marshals and below were not based on exact parity with the equivalent levels in the civil service, but had regard to the broad magnitude of the recent increases, as well as to the maintenance of an appropriate structure of differentials at the higher levels of the armed forces. The recommendations were implemented with effect from 1 January 1971, subject to voluntary postponement to 1 July 1971 for Admirals, Generals, Air Chief Marshals and above. The present salary structure is at Appendix D.

¹ NBPI Report No 157, Standing Reference on the Pay of the Armed Forces, Fourth Report: the Pay of Senior Officers, Cmnd 4513, December 1970.

CHAPTER 2

THE CASE FOR AN INTERIM REVIEW

8. Although the last instalment of the increases proposed for each of the four groups was only implemented from 1 January 1971 (or, by voluntary deferment, from 1 July 1971), all the present salary levels in fact derive, directly or indirectly, from comparisons with outside rates in mid-1969. Direct comparisons were made between the responsibilities of the Chairmen and Board members of the nationalised industries and those in outside industry, and between the senior grades of the Higher Civil Service and outside industry, and the pay levels of each group were assessed on the results. For the judiciary and the senior officers of the armed forces, however, direct outside comparisons were not made: their present pay levels are based, for the judiciary at least in part, on the maintenance of existing general relativities with the civil service. We are not satisfied that this is an appropriate way to settle pay in these two groups. We do not, however, consider it practicable as part of an interim review to reach firm conclusions on the most suitable yardstick for assessing their pay in the longer term. We shall consider this further in the course of our next review. Meanwhile, we have taken as our starting point the fact that the present salary levels were considered to reflect outside rates prevailing in mid-1969.

9. There have been substantial increases in wages and salaries generally since mid-1969, and especially from the beginning of 1970 to mid-1971. Salaries have risen by about 29 per cent (July 1969 to December 1971) and prices by about 20 per cent (July 1969 to January 1972). We have found clear evidence, from various surveys including our own, that salaries at the highest levels have risen less rapidly, and may have risen little more than prices since 1 July 1969.

10. Within the public service, salaries of some management grades immediately below the levels with which we are concerned are negotiated and, since mid-1969, have reflected the general steep rise in earnings outside for comparable work. As a result, differentials between the top salaries and those at senior levels below have been compressed. This problem is particularly acute in the nationalised industries and in the Higher Civil Service. We accept the need for adequate differentials, and we recognise that negotiated decisions will continue to have a bearing on our recommendations. But we consider it important that our freedom to form our own judgments should not be undermined by decisions taken elsewhere.

11. In the nationalised industries, differentials have been seriously eroded, and we have been told that, in some instances, they have been extinguished between Board level and the senior executives immediately below: this is confirmed by information from our own salaries survey¹. The problem of compression is particularly urgent, because of the difficulty of recruiting and retaining senior executives; it is also important to provide adequate remuneration on promotion to Board membership. The position is exacerbated by the

¹ See Appendix E: OME Survey of the remuneration of top management in industry commerce and finance, Table 1.

present general practice of restricting Board members' salaries to the lower half of the existing ranges, and we consider that full and flexible use of the ranges should be made without delay by the Ministers and Chairmen concerned.

12. In the civil service, the differential between the Assistant Secretary and the Under Secretary has been reduced from £1,550 (regarded as appropriate in mid-1969) to £450 from 1 January 1971, and would be narrowed still further by the application of the recently agreed central pay increase effective from 1 January 1972. We were told that the need to maintain some differential to accommodate intermediate pay levels was the overriding factor in determining the 1 January 1971 scale maximum for the Assistant Secretary. Whilst we do not suggest that the salary of the Under Secretary should be rigidly governed by the preservation of a fixed lead over the Assistant Secretary's scale maximum either in cash or percentage terms, nonetheless we consider that a significant lead is essential to maintain a sensible structure.

13. Differentials between senior officers in the armed forces, and those immediately below have also been reduced, and would contract further on completion of the general review of pay below the highest levels if no adjustment were made. We have also been told of a growing problem of maintaining a reasonable relationship between the remuneration of the judiciary and earnings at the Bar.

14. As we have said, in 1969 the pay of Chairmen and members of the nationalised industry Boards and of the senior grades of the Higher Civil Service was found to be seriously out of line with earnings in the private sector, and significant increases were recommended. Comparable increases were extended to the senior officers of the armed forces and the judiciary. However, in the period of over two and a half years which has elapsed, outside earnings have risen rapidly, with the result that the pay of each public service group with which we are concerned has again fallen substantially behind earnings in the private sector, and compression, in some cases acute, has resulted. Serving members of these groups have therefore, been less favourably treated than people at comparable levels in the private sector, and than those immediately below them in the public service.

15. Moreover, because pensions and other retirement benefits are calculated as a proportion of final salary, or salary over a final period of years, delay in the implementation of justified increases causes a lasting reduction in the pension benefits of those retiring in the period affected. We regard this as particularly serious.

16. For all these reasons, we consider that there is an urgent need now for an interim increase in salaries in the groups with which we are concerned. We make detailed recommendations in Chapter 4.

17. In present circumstances, because of the existing *de facto* relationships between the different groups with which we are concerned in the public service, we see it as convenient for their pay movements to take place at the same time. We consider that, at any rate for the present interim review, our recommendations should take effect from the common operative date of 1 January 1972.

18. While we are in principle opposed to retrospective pay increases, we regard the limited measure of backdating recommended as justified in relation to the outside comparisons we have made. We were asked to give priority to our review concerning Ministers of the Crown and Members of Parliament: this resulted in some deferment of our deliberations on our present remit. Moreover, for the civil service, our proposal brings the senior grades of the Higher Civil Service into line with the effective date of pay reviews for the Assistant Secretary, and gives the new Administration Group as a whole a common operative date. We would nevertheless stress that we do not necessarily regard a single operative date for the whole top salaries field as appropriate for future reviews.

CHAPTER 3

OUR APPROACH TO OUR TASK

19. In order to inform ourselves for our main task, we have already taken evidence from Ministers, from Chairmen of the main nationalised industries, from Government Departments, from the Staff Side of the Civil Service National Whitley Council, from the British Medical Association, and from serving and former members of the Higher Civil Service, the armed forces and the judiciary. Whilst some of this evidence has had a bearing on our interim review, the greater part of it will be directly relevant to our forthcoming substantive review. For our immediate purpose, we have been concerned to establish the degree of movement that has taken place in top salaries since 1 July 1969, the date at which the present salary levels were last compared with pay in the private sector.

20. In the absence of detailed statistics on the earnings of top management in the private sector, apart from consultants' surveys related to a limited number of customer companies, we have carried out a survey of over 250 large undertakings to collect salary information since September 1968, on similar lines to the statistical survey carried out by the NBPI at that time. The following table compares the average salaries in the public and private sectors which result from our survey.

TABLE A

Average salaries¹ (including bonus, commission and profit-sharing) of top management: September 1971

Sector of industry and size of undertaking	Chairman	Deputy Chairman	Board members
	£	£	£
<i>Nationalised industries</i>			
Group A	20,600	17,400	12,300
B	17,000	(13,500) ⁽³⁾	10,300
C	11,600	8,600	7,500 ⁽⁴⁾
<i>Private sector</i>			
Commercial and industrial			
Capital employed:			
£250 m and over ⁽²⁾	43,100	29,800	18,800
£100 m but under £250 m ⁽²⁾	30,900	24,300	16,000
£10 m but under £100 m ⁽²⁾	20,000	14,600	11,100
Under £10 m	12,100	11,300	8,300
Financial	27,200	19,600	15,300

Notes: (1) The figures reflect a wide range of salaries.

(2) The size categories of these undertakings in the private sector correspond broadly to the grouping used for the nationalised industries.

(3) The present rate for full-time Deputy Chairmen: only one was paid at this level at the time of the survey.

(4) Salaries are paid in respect of full-time executive appointments only.

21. The following table summarises movements in the salaries of top management in the private sector.

TABLE B

Percentage movements in annual average salaries (including bonus, commission and profit-sharing) of top management by posts held: September 1968-71

	Percentage changes (September)			
	1968-69	1969-70	1970-71	1968-71
	%	%	%	%
Chairmen	4.3	7.0	4.4	16.5
Deputy Chairmen	7.0	6.1	6.0	20.4
Main Board members	8.3	10.0	8.5	29.2

22. Examination of movements in the salaries of top management in the private sector by salary level also reveals a smaller increase in the highest salaries: our analysis shows common movement in four broad ranges, as follows:—

TABLE C

Percentage movements in annual average salaries (including bonus, commission and profit-sharing) of top management by salary range: September 1968-71

Salary range (September 1970)	Percentage changes (September)	
	1969-71	1968-71
	%	%
£30,000 and over	6.7	14.7
£14,000 to £29,999	16.6	24.7
£8,000 to £13,999	20.5	30.2
Under £8,000	23.7	34.7
Total	18.8	28.2

The evidence summarised in both Tables B and C in our view confirms that increases at the highest salary levels in recent years have been smaller in percentage terms than those in the rest of the top salaries field. The longer term effect of this trend requires further study. The detailed results of our survey are in Appendix E.

23. We are concerned to establish the movement in salaries between 1 July 1969 and 1 January 1972, which we have recommended as the common operative date for our interim recommendations. This is a period of two and a half years and, if we adopt the same basis as was used in 1969 both by the NBPI and by the Standing Advisory Committee for the Higher Civil Service, we may assume that the overall increase for the period lies somewhere between 18·8 per cent and 28·2 per cent. These rates may be compared with increases of 20·4 per cent in prices, and 28·9 per cent in salaries over the two and a half year period from July 1969.

24. We have not sought to preserve the external relativities with the private sector implied in the proposals in the last substantive reviews for Chairmen and Board members of nationalised industries, and for the senior grades of the Higher Civil Service: we shall examine these aspects more fully in our next review. In the meantime, our primary concern is to bring pay in our field more nearly up to date by broad comparison with outside salary movements since mid-1969.

CHAPTER 4

RECOMMENDATIONS

25. In making our recommendations, we have given due consideration to all the factors mentioned above, which we believe to be relevant to our interim review. We have also given full weight to the importance which the Government attaches to the containment of wage and salary increases, and we have been conscious too of its declared intention to implement our proposals unless there are clear and compelling reasons for not doing so. We have noted the movements in pay at senior levels in the private sector. We have taken account of the central pay increase recently negotiated for grades up to Senior Principal in the Administration Group of the civil service, which we understand would normally be extended to the Assistant Secretary in the Higher Civil Service. We have also had regard to the reviews now being carried out by the Armed Forces Pay Review Body and the Doctors and Dentists Review Body which have implications for the senior ranks of the armed forces¹.

26. We recommend that the following annual salaries should be paid with effect from 1 January 1972:

(a) Chairmen and full-time Board members of nationalised industries

	<i>British Steel Corporation</i>	<i>Group A</i>	<i>Group B</i>	<i>Group C</i>
	£	£	£	£
Chairman	27,500	22,500	19,000	12,000-17,000
Deputy Chairman ...	22,000-25,000	18,500	15,000	9,000-11,000
Full-time Board members	16,000-21,000	12,000-17,000	9,500-13,500	7,250-9,500

We express no view on this occasion on the pay of part-time Board members. We shall consider their position in our substantive review.

(b) Senior grades of the civil service

	£
Head of the Home Civil Service, Permanent Secretary to the Treasury and Secretary to the Cabinet	16,750
Permanent Secretary	15,750
Deputy Secretary	10,500
Under Secretary	8,250

¹ Our recommendations for senior officers of the armed forces include an 'X factor' addition paid as part of the military salary in recognition of the 'specially onerous' conditions of Service life; they also take into account the responsibility allowances paid to senior officers in certain posts.

(c) *Senior Officers of the armed forces*

						Combatant	Medical and Dental
						£	£
Field Marshal	...	...	...	...	...	15,750	
General	...	...	...	...	...	14,250	
Lieutenant General	...	...	...	...	...	10,750	10,750
Major General and their equivalents	...	...	...	...	...	8,750	8,850

(d) *Judiciary*

Higher Judiciary

						£
Lord Chief Justice	...	...	...	...	...	18,500
Lord of Appeal in Ordinary, Master of the Rolls, and President of the Family Division	...	...	...	...	...	17,250
Lord Justice of Appeal and High Court Judge	...	...	...	...	...	15,750

Lower Judiciary

Circuit Judge	...	...	...	...	...	9,750
Metropolitan Magistrate	...	...	...	...	...	8,350

27. *On an annual compound basis since 1 July 1969, these recommendations amount to an overall average increase of 6·8 per cent, with a range from 3·9 per cent for the highest salaries to 8·4 per cent for the lowest. On the same basis, the upsurge of inflation during this period has increased prices by 7·7 per cent a year, while average salaries have risen by 11·1 per cent a year. We are therefore in no doubt that the interim increases we recommend are the minimum required if confidence in fair treatment for the public service is to be maintained pending completion of our substantive review. In carrying out this further task, on which we have already embarked, we intend to examine the principles which should govern the pay of those covered by our terms of reference, and to look afresh at the pattern of relativities.*

BOYLE OF HANDSWORTH
H. W. ATCHERLEY
BEECHING
GEORGE COLDSTREAM
ANTHONY LLOYD
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GERARD YOUNG

OFFICE OF MANPOWER ECONOMICS

17 March, 1972

APPENDIX A

PRESENT PAY STRUCTURE FOR CHAIRMEN AND BOARD MEMBERS OF THE MAIN NATIONALISED INDUSTRIES

					<i>Number in post (full-time)</i>
<i>British Steel Corporation</i>					
Chairman	...	...	...	£25,000	1
Deputy Chairman	...	...	...	£20,000-24,000	2
Ordinary Member	...	...	...	£15,000-19,000	3

Group A

National Coal Board, British Railways Board, Electricity and Gas Councils, Central Electricity Generating Board⁽¹⁾, British Airways Board⁽²⁾, Post Office Corporation

Chairman	...	...	...	£20,000	6
Deputy Chairman	...	...	...	£16,000	6
Ordinary Member	...	...	...	£10,000-15,000	26

Group B

British Overseas Airways Corporation, British European Airways, U.K. Atomic Energy Authority, National Bus Company, National Freight Corporation

Chairman	...	...	...	£17,000	4
Deputy Chairman	...	...	...	£13,500	3
Ordinary Member	...	...	...	£8,000-12,000	13

Group C

Area Electricity and Gas Boards, North of Scotland Hydro-Electric Board⁽¹⁾, South of Scotland Electricity Board⁽¹⁾, Scottish Transport Group

Chairman	...	...	...	£10,000-15,000	24
Deputy Chairman	...	...	...	£7,500- 9,500	25

(There are no ordinary members paid as such. The Chief Executive, Scottish Transport Group, has a personal salary range of £10,001-12,500).

Notes:

- (1) In 1970 the Central Electricity Generating Board was upgraded from Group B to Group A, but the Chairman and Deputy Chairman, who are ex-officio members of the Electricity Council, are paid £19,000 and £15,000 respectively. The salaries of the Chairmen and Deputy Chairmen of the two Scottish Electricity Boards were also readjusted at the same time to maintain their relativity with the Central Electricity Generating Board.
- (2) The British Airways Board comes into existence on 1 April 1972. From that date salaries of the two Air Corporations will cease to be determined by the Secretary of State, except for those members (such as the two Chairmen) who are also members of the British Airways Board.

APPENDIX B

PRESENT PAY STRUCTURE FOR SENIOR GRADES OF THE HIGHER CIVIL SERVICE

		<i>Number in post</i>
Head of the Home Civil Service, Permanent Secretary to the Treasury, Secretary to the Cabinet	£15,000	3
Permanent Secretary	£14,000	20
Second Permanent Secretary	£13,000	14
Intermediate pay rates		6 ⁽¹⁾
Deputy Secretary	£9,000	124
Intermediate pay rates ⁽²⁾		59 ⁽¹⁾
Under Secretary	£6,750 ⁽²⁾	496

Notes:

- (1) It is intended to group together posts between Under and Deputy Secretary on a common pay point of £7,800 and intermediate posts between Deputy and Permanent Secretary on a common pay point of £11,000. The grading of these posts is currently subject to review in connection with the introduction of the new higher structure.
- (2) London weighting of £175 is payable.
- (3) This table does not show Parliamentary Counsel who are paid on an incremental scale from £7,625 to £9,000.
- (4) This table does not include a very small number of posts (for example, Inspector of Constabulary) whose pay is linked with directly comparable posts outside the Civil Service.

APPENDIX C

PRESENT PAY STRUCTURE FOR THE HIGHER JUDICIARY AND CERTAIN OTHER POSTS COVERED BY THE RECOMMENDATIONS

		<i>Number in post</i>
Lord Chancellor	£20,000 ⁽¹⁾	1
Lord Chief Justice	£16,750	1
Lord of Appeal in Ordinary, Master of the Rolls, President of the Family Division ...	£15,500	12
Lord Justice, Puisne Judges	£14,000	83
Lord President of the Court of Session (Scotland)	£14,000	1
Lord Justice Clerk (Scotland)	£13,750	1
Judge of the Court of Session (Scotland) ...	£12,000	15
Lord Chief Justice, Northern Ireland	£13,250	1
Lord Justice and Judge of the High Court, Northern Ireland	£11,750	6
Circuit Judge	£8,300	186
Metropolitan Magistrate	£6,850	37

Note:

- (1) The salary of the Lord Chancellor was determined by the Ministerial and Other Salaries Act 1972 and is payable from 1 April 1972. Of the total salary of £20,000, £2,500 is paid in recognition of his function as Speaker of the House of Lords.

APPENDIX D

PRESENT PAY STRUCTURE FOR SENIOR OFFICERS OF THE ARMED FORCES

		<i>Combatant</i>		<i>Medical and dental</i>	
			<i>Number</i>		<i>Number</i>
			<i>in post</i>		<i>in post</i>
Admiral of the Fleet, Field Marshal and Marshal of the Royal Air Force	£13,998	1			
Admiral, General and Air Chief Marshal	£12,501	21			
Vice-Admiral, Lieutenant General and Air Marshal	£9,253	39		£9,253	3
Rear Admiral, Major General and Air Vice-Marshal	£7,245	178		£7,391	20

APPENDIX E

OME SURVEY OF THE REMUNERATION OF TOP MANAGEMENT IN INDUSTRY, COMMERCE AND FINANCE

Sample and response

1. The Office of Manpower Economics on behalf of the Top Salaries Review Body carried out a survey of movements in salaries of top management in private and nationalised industries from September 1968 (the date of the NBPI survey of top salaries¹) to September 1971. The survey was designed to provide more information about salaries at the highest levels than was available from existing sources. The Confederation of British Industry was consulted about the form of the survey. The questionnaire was addressed to one-third (337) of 'The Times 1000' list of the largest commercial and industrial companies, to 33 of the larger financial companies and to the 14 main nationalised industries and 24 Area Gas and Electricity Boards. It was sent out at the end of December 1971.

2. This was a wider sample and included smaller companies than the NBPI survey, which was confined to a sample of the 300 largest commercial and industrial companies and some finance companies, of which 101 responded, and the results are not directly comparable (the NBPI survey was in any case more detailed). The analysis is based on 215 returns from private industry and 38 returns from nationalised industries (a further 7 returns from private industry showed only a single year's data). The total response of 260 returns out of 408 issued was 64 per cent (60 per cent from private industry only). A further 10 per cent (42) of the total were outside the scope of the survey because of major reorganisations and this probably applied to other non-respondents.

¹ NBPI Report No 107, Top Salaries in the Private Sector and Nationalised Industries, Cmd 3970, March 1969.

3. The sampling fractions of companies, sample numbers and response both of firms and posts covered in the analysis given in Tables 1 to 3 are shown below:

	Samp- ling fraction	Sample number	Usable re- sponse	Posts covered				
				Chair- men	Deputy Chair- men	Main Board mem- bers (a)	Senior execu- tives	Total
Commercial and industrial:								
Assets:								
Over £250 m ...	All	23	19	17	17	125	187	346
£100 m to £249 m...	All	52	35	28	27	206	261	522
£10 m to £99 m ...	2/5	154	88	51	23	393	537	1,004
Under £10 m ...	1/5	108	53	31	17	166	233	447
Total ...	1/3	337	195	127	84	890	1,218	2,319
Financial ...		33	20	8	12	81	134	235
Total private ...		370	215	135	96	971	1,352	2,554
Nationalised industries (incl. Area Boards)...		38	38	35	33	51	279	398
Total private and nationalised ...		408	253	170	129	1,022	1,631	2,952

(a) Other than Chairmen and Deputy Chairmen.

Thus the survey covered over 2,500 top posts in private industry and nearly 3,000 in all.

Scope of the survey

4. The posts covered in private industry are only those for which the nature or responsibility had not changed materially at least in the latest year to September 1971, or where the basis of remuneration had not changed, *e.g.* a substantial shift in the balance between salary and pension contribution. Figures for earlier years were only to be supplied if similarly comparable. The senior executives covered were those reporting directly to main Board members, but not more than 30 posts in total were covered by any company. The questions asked (in the questionnaire to private industry) were a position code and for September in each of the last four years: (1) the amount of salary and directors' fee and (2) the bonus, commission or profit sharing received in the last full year; and for the latest year's salary, the operative date of the last increase. For the nationalised industries, similar information was obtained about salaries, and additional questions were asked in respect of the Chairmen and Board members about length of service, internal or external recruitment and reasons for retirements and resignations; this additional information is required mainly for the Review Body's forthcoming substantive review.

Salary levels and changes

5. Table 1 compares the average salaries and their spread (medians, quartiles, and highest and lowest deciles¹) of Chairmen, Deputy Chairmen, Board members and senior executives reporting direct to main Board members in nationalised and private industry by size of undertaking. The two largest size groups in terms of capital employed correspond very broadly to the private sector company Groups A and B in NBPI Report No 107 on Top Salaries, but the third group includes more small companies than Group C in the NBPI Report, and the smallest group was not represented in that survey. In addition, the ranges of the larger size groups are the same as in the NBPI survey and have not been revised upwards to allow for inflation and growth of assets. The movements in salary levels within each of the ranges between the two surveys therefore do not fully reflect the rise in salaries between September 1968 and September 1971. Averages and spread of earnings of senior executives in the companies with capital employed of £250 m and over are not shown because a number of the largest companies provided figures for Chairmen, Deputy Chairmen and Board members but not for senior executives. As a result, the figures available are incomplete and inconsistent with those of Board members and above. It will be seen that the differences in average pay between size groups in private industry are accentuated the higher the post, the Chairmen having almost a 4 : 1 ratio between the largest and smallest group of companies compared with a little over 2 : 1 for Board members, and the differences for the groups shown for senior executives are also narrower than for Board members. It is also noticeable that, while the present pay of Chairmen and Board members in Groups A and B nationalised industries corresponds most nearly to the average of the third size group (£10 m-£99 m) in private industry, that of senior executives in Groups A and B nationalised industries is considerably higher than in this group and not far behind that in the £100 m-£250 m group in private industry. Because the pay of senior executives in the nationalised industries is closer to private industry than is the pay of Board members, the spread of earnings shows a significant overlap in pay levels between senior executives and main Board members in the nationalised industries, and the highest deciles for senior executives in each of groups A, B and C are higher than the lower quartile for main Board members, despite the relatively few industries concerned. The spread of earnings within each group shows, however, that the size of assets is only a crude guide to differences in responsibility as reflected in pay. This would apply still more to comparisons between private and nationalised industry than to comparison within the field of private companies.

¹ *i.e.* the salaries of the 10th, 25th, 50th, 75th, 90th percentage places in ranking order by size.

6. Table 2 gives the results of the changes in salaries of all posts covered in commercial, industrial and finance companies over respectively the three years and two years to September 1971. Over both the three-year period from September 1968 to September 1971 and the two-year period from September 1969 to September 1971 there is clear evidence of a smaller movement in the highest salaries than in those below with dividing lines at salary levels (in September 1970) of £8,000, £14,000 and £30,000. Over these two periods the weighted average respective increases up to £8,000 were 34.7 and 23.7 per cent; from £8,000 to £14,000 30.2 and 20.5 per cent; from £14,000 to £30,000 24.7 and 16.6 per cent and over £30,000 14.7 and 6.7 per cent. Salaries generally (based on the Department of Employment's survey¹) rose by 29 per cent from July 1969 to December 1971 and prices by 20 per cent to January 1972.

7. Table 3 shows the annual movements and linked total percentage changes over the period for Chairmen, Deputy Chairmen, main Board members and senior executives in private industry. Here again the effect of smaller increases for higher salaries is apparent and is reflected in substantial narrowing in the differentials between these groups. Against this there is some evidence from consultants' surveys that other remuneration, such as pension provision and the cost of providing company cars, has been increasing faster for higher salaries, partly offsetting the narrowing of the salary differential (this reservation also applies to Table 2).

Date of last increase.

8. Table 4 shows the date of the last salaries' increase (September 1971) for Chairmen, Deputy Chairmen, main Board members and senior executives in private industry. It will be seen that about half of the salaries of Chairmen and a little more than half for Deputy Chairmen were increased in the current year, about one-quarter in the previous year and the remainder either in the year before or earlier. For main Board members about three-quarters were increased in the current year, a little under one-fifth in the previous year and the remaining 9 per cent earlier, whereas for senior executives 90 per cent were increased in the current year and most of the remainder in the previous year. The table shows that annual adjustments are normal though not universal for senior executives and that for the higher posts annual adjustments are less frequent.

9. From the information supplied it appears that the commonest months in which increases occur are January (20 per cent of Board members and 23 per cent of senior executives), July (17 and 22 per cent respectively) and April (15 per cent in each case). These three months together account for just over half the increases of Board members and 60 per cent of the increases for senior executives.

¹ Salaries Survey linked to Monthly Index of Wage and Salary Earnings.

TABLE 1

Average, median, quartile and decile salaries, including bonus, commission and profit-sharing

	Nationalised Industries			Private Industries				
	Group A	Group B	Group C	Commercial and Industrial				Finan- cial (a)
				Capital employed				
				£250m and over	£100m but under £250m	£10 m but under £100m	Under £10 m	
	£000	£000	£000	£000	£000	£000	£000	£000
Chairmen								
Highest decile ...				65.3	50.4	27.9	20.3	37.2
Upper quartile ...				46.8	41.0	25.0	15.4	35.0
Median ...				37.8	28.0	19.5	10.9	30.0
Lower quartile ...				33.2	25.0	14.8	9.1	22.0
Lowest decile ...				31.7	18.4	10.8	7.0	16.8
Average ...	20.6	17.0	11.6	43.1	30.9	20.0	12.1	27.2
Deputy Chairmen								
Highest decile ...				40.6	32.3	20.7	16.6	26.4
Upper quartile ...				35.4	28.1	16.6	12.9	24.5
Median ...				28.5	25.3	12.8	10.2	17.7
Lower quartile ...				24.2	20.4	10.9	8.6	16.5
Lowest decile ...				20.7	16.6	8.3	7.4	15.2
Average ...	17.4	—	8.6	29.8	24.3	14.6	11.3	19.6
Main Board members(b)								
Highest decile ...	18.0	—	8.6	27.5	22.1	16.9	12.6	22.6
Upper quartile ...	12.5	11.0	7.7	20.9	17.9	13.3	9.7	18.7
Median ...	11.0	10.0	7.5	16.9	15.5	10.0	8.0	15.1
Lower quartile ...	11.0	9.6	7.1	13.7	13.3	7.7	6.1	10.8
Lowest decile ...	10.0	—	6.8	11.8	11.6	6.2	5.2	7.5
Average ...	12.3	10.3	7.5	18.8	16.0	11.1	8.3	15.3
Senior executives(c)								
Highest decile ...	11.1	10.2	7.5		12.4	9.5	7.5	16.5
Upper quartile ...	9.5	9.5	7.4		10.5	7.4	5.9	13.9
Median ...	8.7	9.0	7.1		9.0	5.8	4.6	10.4
Lower quartile ...	7.5	8.1	6.6		7.6	4.7	3.7	8.2
Lowest decile ...	6.6	7.4	6.3		6.5	4.0	3.1	6.4
Average ...	8.9	8.9	7.0		9.2	6.3	5.0	11.1

(a) Relates to only 8 Chairmen and 12 Deputy Chairmen.

(b) Other than Chairmen and Deputy Chairmen.

(c) Incomplete data (see paragraph 5 of this Appendix).

Source: OME Salaries Survey

TABLE 2

Percentage changes in average salaries(a) 1968-71 and 1969-71 by salary(a) range for all posts in commercial, industrial and financial companies

Salary range	Number of posts covered		Percentage changes	
	1968-71	1969-71	September (b) 1968-71	September (b) 1969-71
(£'000)			%	%
50 and over	8	8	14.2	4.3
40 but under 50	10	11	10.5	6.1
30 " " 40	25	31	17.3	8.2
25 " " 30	43	51	26.0	17.1
20 " " 25	73	82	24.7	17.0
15 " " 20	185	203	24.3	16.1
14 " " 15	46	53	24.4	17.0
13 " " 14	48	58	34.1	20.4
12 " " 13	82	101	31.6	20.6
11 " " 12	84	96	30.1	18.9
10 " " 11	129	150	29.5	20.9
9 " " 10	125	143	30.4	21.0
8 " " 9	162	192	27.8	20.8
7 " " 8	198	216	34.5	23.7
6 " " 7	190	221	34.6	24.2
5 " " 6	208	227	34.9	22.9
4 " " 5	190	228	33.8	22.8
3 " " 4	125	142	37.0	25.4
Under 3	41	49	33.7	25.7
Total	1,972	2,262	28.2	18.8

(a) Salary plus bonus, commission or profit-sharing for previous year.

(b) Based on linking the percentage changes for annual pairs of data.

Source: OME Salaries Survey

TABLE 3

Percentage movements in annual average salaries (a) September 1968-71
in commercial, industrial and financial companies

	Percentage changes (September)				
	1968-69	1969-70	1970-71	1968-71 (b)	1969-71 (b)
	%	%	%	%	%
Chairmen	4.3	7.0	4.4	16.5	11.7
Deputy Chairmen	7.0	6.1	6.0	20.4	12.5
Main Board members	8.3	10.0	8.5	29.2	19.3
Senior executives	8.8	10.1	10.8	32.7	21.9
Total	7.9	9.4	8.6	28.2	18.8

(a) Salary plus bonus, commission or profit-sharing for previous year.

(b) Based on linking the percentage changes for annual pairs of data.

Source: OME Salaries Survey

TABLE 4

Date of last increase in salaries at September 1971 in commercial,
industrial and financial companies

	Date of last increase (a)			
	In current year (ended September 1971)	In previous year	In year before last	Earlier
	%	%	%	%
Chairmen	50.0	24.6	12.3	13.1
Deputy Chairmen	54.9	24.4	11.0	9.7
Main Board members	73.0	18.2	6.2	2.6
Senior executives	89.9	7.8	1.4	0.9
Total	80.3	13.1	4.1	2.5

(a) Excluding 8% in total for whom no date was given.

Source: OME Salaries Survey

APPENDIX F

PERCENTAGE OF EARNED INCOME RETAINED 1971/72 (Married couples, income all earned)

Earned income before tax	Earned income after tax	Percentage retained
£	£	%
30,000	11,913	39.7
20,000	9,446	47.2
15,000	8,028	53.5
10,000	6,188	61.9
4,000	2,975	74.4
2,000	1,577	78.8
1,000	879	87.9

Source: Inland Revenue

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