



Review Body on Top Salaries

Report No. 6

Report on Top Salaries

Chairman:

THE RT. HON. LORD BOYLE OF HANDSWORTH

*Presented to Parliament by the Prime Minister
by Command of Her Majesty
December 1974*

LONDON

HER MAJESTY'S STATIONERY OFFICE

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TOP SALARIES REVIEW BODY

The Top Salaries Review Body was appointed in May 1971 with terms of reference to advise the Prime Minister on the remuneration of the Chairman 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

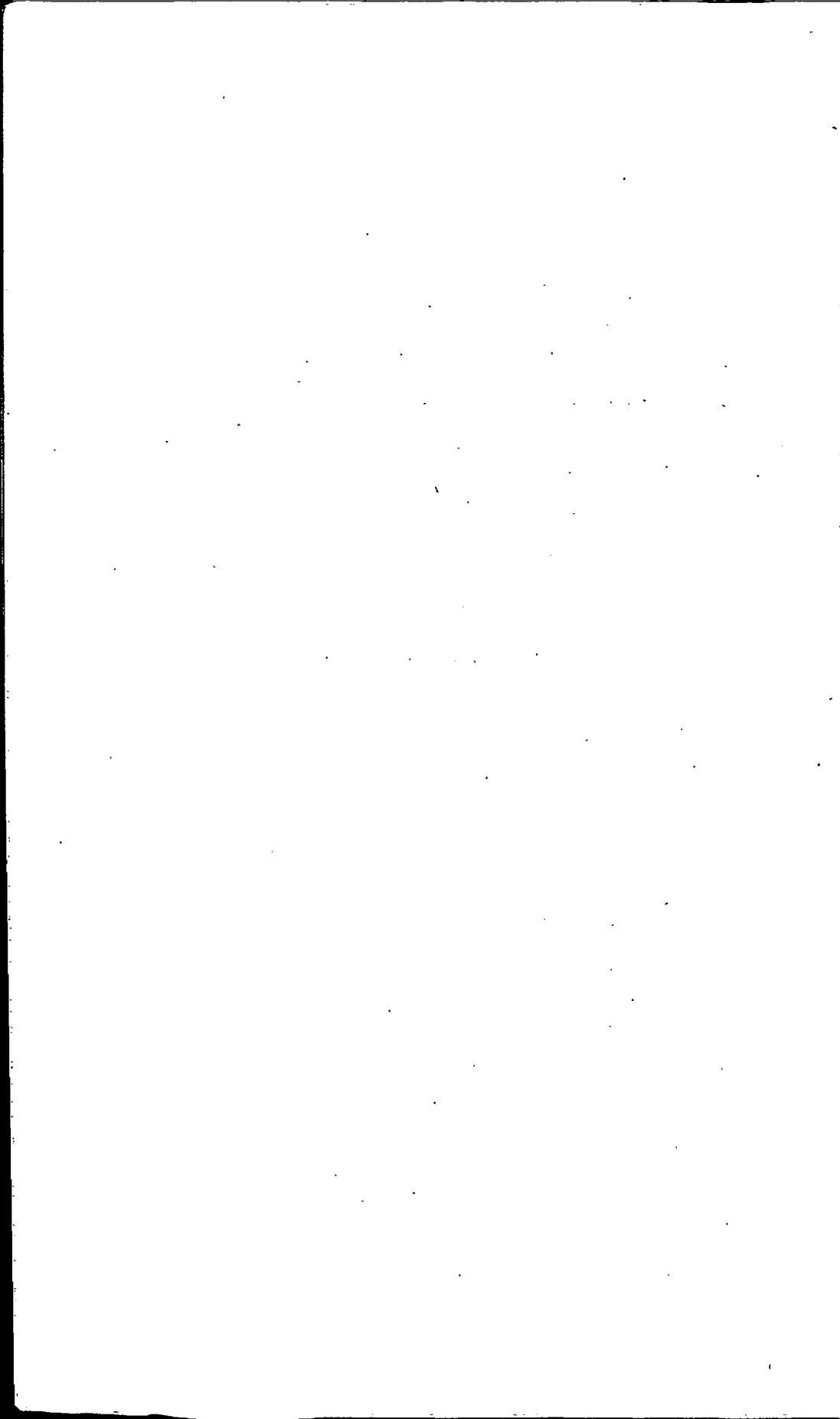
Baroness Secar

Sir Mark Turner

Gerard Young, CBE, JP*

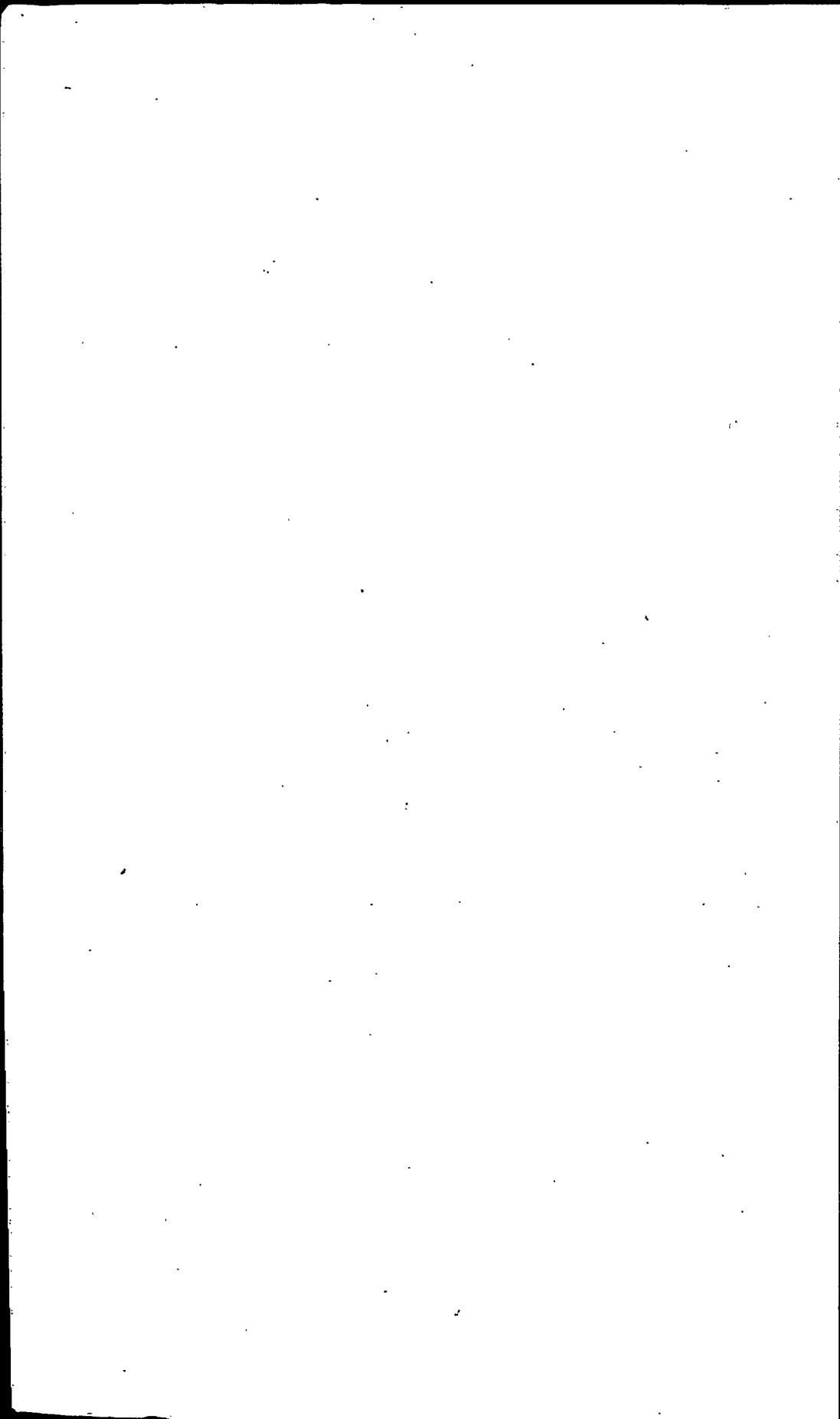
The Secretariat is provided by the Office of Manpower Economics.

*On his appointment in April 1974 as Lord Lieutenant of South Yorkshire, Mr. Young resigned his membership and did not take part in the later stages of this review.



CONTENTS

	<i>Paragraph</i>	<i>Page</i>
Chapter 1: Introduction	1	1
Chapter 2: Pay principles	6	4
Chapter 3: The senior grades of the Higher Civil Service and senior officers of the Armed Forces	35	13
Chapter 4: The Higher Judiciary (and certain other judicial appointments)	66	26
Chapter 5: The Chairmen and members of nationalised industry Boards	95	37
Chapter 6: Our other studies and inquiries	123	46
Chapter 7: Recommendations	148	57
Appendix A: Present pay structures		61
Appendix B: List of those who gave evidence or who assisted in the detailed studies and inquiries		65
Appendix C: Comparison of superannuation benefits		71
Appendix D: Job comparability study for the senior grades of the Higher Civil Service and senior officers of the Armed Forces: a report by an Advisory Group under Mr. H. W. Atcherley's chairmanship		77
Appendix E: The relative evaluation of posts within the upper levels of the judiciary: a report by an Advisory Group under Lord Beeching's chairmanship		87
Appendix F: Terms of reference and summary of findings of a nationalised industry job evaluation study		101
Appendix G: Historical study by Mr. J. V. Hillard		105
Appendix H: Report of a study to compare the degree of job insecurity in the private and public sectors by Mr. D. H. Fulcher and Mr. A. F. L. Bowley		131
Appendix J: Comparisons with salaries and tax rates in EEC countries		144
Appendix K: OME survey of earnings at the Bar		149
Appendix L: OME survey of top salaries		161
Appendix M: The effect of tax on salaries		184
Appendix N: Increases since 1969 in percentage terms		186



REPORT ON TOP SALARIES

CHAPTER 1

INTRODUCTION

1. We were invited in 1971 to begin our first review of the remuneration of the Chairmen and members of the Boards of nationalised industries, the higher judiciary (certain other senior appointments in the judiciary were added subsequently), the senior grades of the Higher Civil Service, and senior officers of the armed forces. Although the number covered by our recommendations is small, the area covered is complex and by its nature sensitive. We quickly came to the conclusion that the thorough study of the whole field which was clearly essential would take at least a year to complete, and we therefore decided to submit interim recommendations, which were accepted by the Government and published in June 1972.¹ That report was designed to provide the necessary time for the studies to be carried out unhampered by shorter term pressures. In it, we described briefly the way in which the present pay structures and relationships had developed: we noted that, although each sector had its own hierarchy, suited to its own requirements, certain *de facto* relationships had evolved between them. We found that, although some of their horizontal relationships had become generally accepted over time, none of them resulted from a measured evaluation of responsibilities, and we were satisfied that it was essential to consider them afresh on merits and to test them wherever possible by modern standards and methods. We were aware of acute problems of compression that existed then in two of the sectors with which we are concerned (the Higher Civil Service and the nationalised industries) where negotiated pay at senior levels immediately below had moved in reflection of the steep rise in earnings outside for comparable work. We were aware that, while our recommendations could be expected to relieve immediate problems, many of the difficulties were likely to remain. We saw them primarily as measures to prevent a widening of the disparity between remuneration in the public and private sectors for comparable responsibilities and to improve the position of those who were about to retire, while we carried out our detailed inquiries.

2. Our work on our substantive review was, of course, overtaken by the introduction of the legislation for controlling inflation. The Price and Pay Codes² required us, in common with all others concerned with the determination of pay, to observe strict limits and to be governed by specific criteria in formulating our recommendations. We continued the studies which are essential to a major review of this kind and, during both Stage 2 and Stage 3 of the counter-inflation programme, we were unanimously agreed on the need for further

¹Review Body on Top Salaries, Report No. 2: Interim Report on Top Salaries—Cmd 5001, June 1972.

²Statutory Instrument 1973, No. 658—The Counter-Inflation (Price and Pay Code) Order 1973. Statutory Instrument 1973, No. 1785—The Counter-Inflation (Price and Pay Code) (No. 2) Order 1973.

interim pay increases. Our second and third interim reports were accepted by the Government and were published in July 1973¹ and June 1974² respectively.

3. Our studies have now been completed, and our report reflects our own deliberations on them, and our discussions with Ministers, with Chairmen of the nationalised industries, with the former Chairman of the National Board for Prices and Incomes, with representatives of Government Departments, of the Staff Side of the Civil Service National Whitley Council, of the British Medical Association, and with serving and former members of the Higher Civil Service, of the armed forces and of the judiciary. In the light of all the material available to us, we have considered the salaries of the Chairmen and members, both full-time and part-time, of the Boards of the main nationalised industries—that is, all those public Boards of a commercial character which are empowered by statute to engage in substantial trading operations.³ Our terms of reference relating to the judiciary have been broadened; consequently, we have considered all judicial appointments whose salaries are paid from central Government funds in the United Kingdom at or above the pay level of Masters and Registrars of the Supreme Court. Our remit in relation to the civil service relates to the senior grades of the Higher Civil Service, and we have therefore considered the Under Secretary, the Deputy Secretary and the Permanent Secretary in the unified grading structure. As we noted in our first Interim Report, the pay of the Assistant Secretary is covered by the civil service negotiating machinery; in formulating our second Interim Report recommendations, we were aware that, as part of an overall settlement for the Administration Group in Stage 2 of the counter-inflation programme, £50 of the increase of £250 a year permitted under the Pay Code for the Assistant Secretary was diverted to provide a relative improvement for some of the lower paid grades within the group. We did not consider it that would be appropriate to reflect this negotiated decision in our recommendations at that time: to have done so would have been to impose a further relative deterioration in the position of the Under Secretary and above and, moreover, would have increased the difficulties with which we were already faced in formulating recommendations which both met the requirements of the time and gave broad justice to those whose pay is under consideration. For similar reasons we took special account in our Third Interim Report of the reduction and prospective elimination of the differential between the Assistant Secretary and the Under Secretary which resulted from a settlement that followed the Pay Board's report on anomalies⁴ during the currency of the Stage 3 Pay Code. In our earlier reports, we expressed our concern about the position of those who were due to retire before our recommendations could be implemented; we have this very much in mind again now, as well as the fact that the pay increases justified in 1969 for the Under Secretary and above were introduced in three stages, so that the differential above the Assistant Secretary's scale maximum was substantially reduced. Our remit on the senior officers of the armed forces relates to Rear Admirals, Major Generals, Air Vice Marshals and above. We have had regard to the recommendations in the Second

¹Review Body on Top Salaries, Report No. 3: Second Interim Report on Top Salaries—Cmnd. 5372, July 1973.

²Review Body on Top Salaries, Report No. 4: Third Interim Report on Top Salaries—Cmnd. 5595, June 1974.

³Those listed in Cmnd 5609, Public Boards—April 1974, with the exception of the Sugar Board, the White Fish Authority, and the Herring Industry Board.

⁴Pay Board Advisory Report 1: Anomalies arising out of the pay standstill of November 1972—Cmnd. 5429, September 1973.

and Third Reports of the Review Body on Armed Forces Pay,¹ and in the Third and Fourth Reports of the Review Body on Doctors' and Dentists' Remuneration,² as these have implications for the area with which we are concerned.

4. We wish to express our thanks to all those who have given evidence to us, and to the many organisations and Boards in private industry and in the nationalised industries, and to those members of the Bars in England and Wales and in Northern Ireland, and of the Faculty of Advocates in Scotland, who have co-operated in our various surveys.

5. The present pay structures of the four groups are in Appendix A. A list of those who have given evidence to us or co-operated in our surveys is in Appendix B.

¹Review Body on Armed Forces Pay, Second Report 1973—Cmnd 5336, June 1973; Review Body on Armed Forces Pay, Third Report 1974—Cmnd 5631, May 1974.

²Review Body on Doctors' and Dentists' Remuneration, Third Report 1973—Cmnd 5353, July 1973; Review Body on Doctors' and Dentists' Remuneration, Fourth Report 1974—Cmnd 5644, June 1974.

CHAPTER 2

PAY PRINCIPLES

6. Our terms of reference cover four distinct areas of the public service. First, there are the senior grades of the Higher Civil Service, who are called on to advise Ministers (themselves answerable to Parliament) on a wide range of policy issues, some of them of the greatest national importance; who are frequently involved in the process of departmental negotiation with organised groups outside the government machine; and who may be responsible for the execution of programmes, or the carrying out of functions, whose significance is unaffected by the fact that they do not figure prominently in election manifestos. Secondly, there is the Judiciary, with its constitutional obligation to interpret and administer the law with total impartiality, uninfluenced by considerations other than justice. It is a cardinal point of British constitutional practice that the judiciary is independent both of Parliament and the Executive. Thirdly, there are the senior officers of the armed forces who have responsibility for strategic and other advice on matters essential to our national security; they exercise command over, and control the operations of, all arms of the Services. Fourthly, there are the Chairmen and members of the Boards of nationalised industries who are concerned with the management of organisations which are essential to the day-to-day life of the community, and which include some of the largest single undertakings in the country.

7. All these sectors of the public service are responsible, in different degrees, for the efficiency and effective deployment of very considerable resources of national wealth and manpower. It is of the highest importance that each of them should be able to attract and retain men and women of outstanding talent and ability; it would be very damaging to the national interest if they were to become deprived of their share of that talent through a system of rewards that came to be regarded as plainly inadequate or inequitable.

8. This approach led us to consider afresh the extent to which comparability with rewards at similar levels outside the public service, and elsewhere within it, should influence salaries in the areas for which we are responsible. As a first step, therefore, we invited advisory groups of experienced people to carry out certain studies on our behalf, described in the chapters which follow, and to give us advice generally on the principles which should govern pay in their area of study. Before stating our own conclusions, we should like to refer to some of their findings.

Senior grades of the Higher Civil Service

9. Our Advisory Group carried out a job comparability study between the civil service and the armed forces on the one hand, and industry on the other. This Group took, as the starting point for its discussion, the elaboration of the principles originally formulated by the Royal Commission on the Civil Service (the Tomlin Commission) in 1931, as they were applied to the senior grades of

the Higher Civil Service following acceptance of the recommendations of the Royal Commission on the Civil Service (the Priestley Commission) in 1955. The Tomlin Commission had taken the view that remuneration in the civil service should be based on what was sufficient to recruit and retain men of the quality required for the job to be done. They considered that broad general comparisons between the civil service and similar outside occupations should be made, and that pay should reflect "the long term trend, both in wage levels and in the economic conditions of the country".¹ For the civil service as a whole, the Priestley Commission recommended that the primary principle for settling pay should be "fair comparison with the current remuneration of outside staffs employed on broadly comparable work, taking account of differences in other conditions of service".² They saw this principle as being fair to the community at large because it looked after the ordinary citizen's interest as a taxpayer and safeguarded the civil service from political pressures. At the most senior levels, the Priestley Commission recognised differences between the highest levels of responsibility in the civil service and in the private sector. They found it possible to make a "reasonable comparison between the higher levels of industry, commerce and finance and those in the civil service", but did not regard it as appropriate to determine pay wholly by reference to salaries in those fields. They considered that other influences, including comparisons with other parts of the public service and "tradition and convention", had a part to play in determining pay at the highest levels. Subsequently, the Standing Advisory Committee on the pay of the Higher Civil Service, under Lord Plowden, modified the basis of comparison for the highest levels in that they laid greater emphasis on comparisons with industry, commerce, and finance.³ Our Advisory Group agreed with this latter approach.

Senior officers of the armed forces

10. We referred in our first Interim Report⁴ to the pattern of pay relationships that has grown up between the senior grades of the Higher Civil Service and senior officers of the armed forces. We said there that no formal pay link existed and that no firm principles had been established on which to base pay levels appropriate to senior officers. In 1958, however, the Advisory Committee on Recruiting⁵ (under the Chairmanship of the Rt. Hon. Sir James Grigg) took the view that the rates of Service pay then current bore a reasonable relationship to those outside; they recommended a regular biennial review to take account of movements in earnings over a range of occupations in civil life, with the range to be determined by the Treasury (which then had overall responsibility for pay in the public services) and the Service Departments. This developed into a system by which, in practice, the pay of officers in the armed forces was governed broadly by changes in the pay of those grades in the Home Civil Service which were recognised as having parallel levels of responsibility. This

¹Report of the Royal Commission on the Civil Service 1929-31 (the Tomlin Commission)—Cmd. 3909, July 1931 (paragraph 308).

²Report of the Royal Commission on the Civil Service 1953-55 (the Priestley Commission)—Cmd. 9613, November 1955 (paragraphs 96-97, 361-367).

³Ninth Report of the Standing Advisory Committee on the Pay of the Higher Civil Service (submitted to the Prime Minister on 30 May 1969 but not published).

⁴Review Body on Top Salaries, Report No. 2: Interim Report on Top Salaries—Cmd 5001, June 1972.

⁵Report of the Advisory Committee on Recruiting—Cmd 545, October 1958.

system lasted until 1966, when Service pay was made a standing reference to the National Board for Prices and Incomes.

11. With the introduction in 1970 of a new basis of remuneration¹ for the armed forces as a whole, certain general principles were adopted for settling levels of pay for all ranks except the most senior officers (those now within our terms of reference). The remit to the NBPI on the pay of senior officers² in that year explicitly directed attention to recent increases in pay in the Higher Civil Service, and the Board interpreted this as indicating that the Government had effectively decided that comparisons between the two groups should be given greater weight in the determination of pay than formerly, and approached the reference with that consideration in mind. Nevertheless, the salaries recommended were designed also to maintain reasonable differentials in the rank structure. But the NBPI did not take into account either the exact level of pay in the equivalent grades or the exact percentage increase that had been awarded: instead, some regard was paid to the rough magnitude of recent increases, since they formed a precedent which the Government as employer could not ignore. A direct link between the pay of the Chief of Defence Staff and the four top Permanent Secretary posts³ was recommended: we discuss this further in Chapter 3. Below Field Marshal, a series of differentials designed to provide a sensible progression from the pay of the Brigadier was recommended. Historical discussion of pay principles and of their application to the senior officers of the armed forces is, thus, relatively limited: the *de facto* relationship with the civil service, which we referred to in our first Interim Report, has ensured that their pay has at least kept pace with other comparable levels elsewhere in the public service. We have thought it essential to test that relationship, and to consider whether or not the same principles ought to apply to the armed forces as to the civil service at these levels. Our Advisory Group endorsed the relationship, after examining a substantial number of jobs.

The Judiciary

12. Another Advisory Group, on the pay structure of the senior levels of the judiciary, was invited to give us the benefit of their views on pay principles. They were faced with a difficult task, as they found little to guide them. There are no less than 41 categories of judicial appointment to be considered. No formal evaluation of relative responsibilities within the judicial structure seems to have been attempted previously nor can any principle of external comparability be applied. On relativities within the structure, the Group had to rely on the evidence that we had received from members of the judiciary and from other sources, and upon their own experience and judgment. The Group saw no special merit in principle in the present equivalence between the salaries of a High Court Judge and of a Permanent Secretary in the Higher Civil Service; but they considered that it would be wrong in practice for the pay of a High Court Judge to fall behind that of the Permanent Secretary, and therefore

¹The "military salary" replaced a system of pay, allowances and benefits in kind. (See Chapter 4 of NBPI Report No. 116, Standing Reference on the Pay of the Armed Forces, Second Report—Cmnd. 4079, June 1969.)

²NBPI Report No. 157: Standing Reference on the Pay of the Armed Forces, Fourth Report, The Pay of Senior Officers—Cmnd 4513, December 1970.

³The Head of the Civil Service and Permanent Secretary to the Civil Service Department, the Permanent Secretary to the Treasury, the Secretary to the Cabinet and the Head of the Diplomatic Service.

regarded the maintenance of at least the existing parity as a safeguard. They also felt that Bar earnings (net of expenses) provided a valuable independent means of checking whether judicial salaries were likely to prove sufficient to maintain satisfactory levels of recruitment.

13. The Advisory Group recognised that the Ministerial salary structure creates a particular problem as regards the relationship between the salaries of the most senior members of the judiciary, in particular the Lord Chief Justice, and the Lord Chancellor. We return to this problem in Chapter 4.

The nationalised industries

14. We describe in some detail (Chapter 5) the principles which have been applied in the past in assessing the salary levels of the Chairmen and members of the Boards of the nationalised industries. We consider it vital to the management of these industries, and therefore essential in the public interest, that the level of salaries, both for Chairmen and Board members, should be adequate to enable the requisite share of top management talent to be recruited and retained. We discuss these matters further in the light of the job evaluations made by consultants on our behalf in representative nationalised industries, and information which they provided about salary levels for jobs of comparable weight in the private sector.

15. We believe that direct comparison with the private sector must be the overriding principle for assessing pay levels for the top posts in the nationalised industries, though we do not go so far as to suggest that it would be appropriate to reflect the highest levels outside. But we see no realistic alternative, where salaries within the nationalised industries are concerned, to an approach which recognises that management responsibilities in these industries are closely comparable to those in the private sector, and must be remunerated accordingly.

Our other discussions

16. As part of our deliberations on pay principles, we have discussed a wide range of ideas put to us by a number of people with experience in the labour economics field, or with a close interest in it. We found general recognition that two broad objectives normally influence decisions on salary levels: "fairness", and recruitment and retention (which, as the Priestley Commission recognised, is not necessarily a reliable indicator of "fairness"). Doubts were expressed to us about too close a reliance on comparability, partly because of the difficulty of finding comparable jobs at the highest levels. Other considerations suggested to us were that pay should be assessed in relation to the demands of a particular job or by reference to the nature and quality of the effort put into it. All of those whom we consulted, however, took the view that relative fairness between occupations is ultimately a matter of political judgment.

17. Whatever the spread of views as to what is "fair", our discussions with representatives of staff associations who negotiate salaries of civil service grades up to the level for which we are responsible left us in no doubt at all that their members themselves feel that there should be substantial differentials between grades, in recognition of the greater responsibility involved; and the negotiated salary structure fully reflects this view. The same is true of nationalised industries where, in some cases, negotiated scales extend up to grades immediately below

Board level. Frankly, we find "fairness" an elusive concept. It is frequently cited as if it were a standard that is capable of a single and precise definition: but there is no such single and precise meaning which can readily be applied. It means different things to different people. For some, "fairness" is synonymous with equality; for others, to suppose that "fairness" in pay policy necessarily means greater equality, on the analogy of "fair shares" of scarce resources, is to beg the very question that we have to consider. But the principle of "fairness", while in our view it cannot be expressed in quantitative terms, must at the very least require that no category of public servants should suffer permanently because the Government, as employer, may wish to follow a more stringent policy than the private sector. We return to this point in paragraph 33.

Our views

18. The conclusion which we have reached from these studies and discussions is that no single overriding principle applies with equal force across the whole of our top salaries field. A number of considerations have an influence on all salaries at the highest levels in the public sector. It is often tempting for Governments or advisory bodies to suppose that, if they knew all the relevant facts, they could hope, with the aid of one or two clearly defined principles, to reach conclusions that were more or less unassailable. We are clear that any such supposition would, in this context, be fallacious. This does not mean that our recommendations are bound to be entirely arbitrary: there are a number of indicators which have to be taken seriously. Indeed, it is precisely because of the multiplicity of such indicators that we cannot hope to arrive at a satisfactory answer by any simple process of calculation.

19. We start first with the extent to which there is comparability between jobs in the public and private sectors in the areas with which we are concerned. We have made it clear that in our view comparability with the private sector must be the overriding factor for assessing pay levels for the top posts in nationalised industries. The difficulty comes when one tries to apply this same principle to the other groups covered by our terms of reference; while we are clear that in the future as in the past it will continue to have a part to play, we feel bound to introduce a note of caution. Looking back, comparability has been an accepted principle in the determination of pay in the civil service, although the emphasis has moved from broad general comparisons and long-term trends to more precise comparisons, at any rate at levels below our field. Comparability has also been applied in the past to the armed forces (including the levels with which we are concerned) and at Board level in the nationalised industries.

20. We are aware of a growing emphasis on comparability in other fields and in popular discussion. However, it appears to us that reliable assessments of comparability between different forms of occupation become increasingly difficult the nearer one approaches the top. Furthermore, the groups within our terms of reference differ so widely that comparability between them at the higher levels or, indeed, between them and the outside world, is, in some cases, of questionable value. As an example of the difficulty of laying too much weight on comparability, we would point out certain marked differences in accountability, and therefore in responsibility for final decision taking, between top jobs in the public and private sectors. The general level of salaries in private

industry reflects, among other things, the extent of the resources for which top management is ultimately responsible. Except in the nationalised industries, there is no complete parallel in the areas covered by our terms of reference. Final responsibility for decisions rests with Ministers, not with senior civil servants or officers who advise them; it is Ministers who must defend their policies in Parliament and in public, and who take the credit or the blame. Nevertheless a senior civil servant is concerned to maintain the efficiency and the integrity not only of his Department but also of the whole service. Once a policy has been thoroughly examined within his Department, he has to bring home to his Minister the full implications of it, and to be prepared when necessary to stand his ground. It is his constant concern to ensure the highest standards of administration and to see that his Minister is not humiliated through acting on advice that is easily shot down. The Higher Civil Service is an integral part of our system of parliamentary democracy. Furthermore, great public as well as political damage may be done through failure to recognise the need to put a particular issue to Ministers. But, in comparison with the private sector, the element of direct personal responsibility, and of risk, is considerably less.

21. The case of the judiciary seems to us somewhat different again; here it is essential that the quality of judicial decisions should be recognised within the community. Just as a senior civil servant needs to have acquired an understanding of the subtle interplay of Government, Parliament and politics, so a judge needs by training and experience to administer good law publicly and in a manner that (within the limits of what Parliament has willed) never appears to violate good sense. There are analogies between these jobs, but it is impossible to feel that there is a useful degree of comparability or that they can be precisely assessed in terms of a single objective standard.

22. Linked with comparability is the question of recruitment and retention. The top posts in each of the groups for which we are responsible are filled almost entirely by internal promotion and selection: the main exception is the nationalised industries, although here too there is increasing scope for chief executives to be recruited from within each industry. There is little or no interchange between posts of similar responsibility among the groups, except in the case of the Ministry of Defence, where some senior appointments may be filled by either a senior civil servant or a senior officer. In the main, the skills and expertise which are developed relate to one field and are not necessarily applicable in other fields. We regard it as vital that nationalised industry salaries should be such as to make it possible to attract senior executives up to and including the level of Chairman from private industry, and that judicial salaries should not be so low as to deter barristers of the right quality from accepting appointment as judges. We are aware, both from evidence that we have received and from personal experience in Government, of the need for salary levels in the Higher Civil Service to be sufficient to retain men and women of outstanding ability. We believe this is also true for senior officers of the armed forces.

23. It is important to remember that levels of pay in the public service, at or near the top, may well affect recruitment and retention lower down, and therefore the standard of ability which the country may expect to have at its disposal in ten or twenty years' time. There is today a world wide competition, from which this country cannot be insulated, for top class managerial and

executive talent, particularly but not exclusively at middle management levels. So far as the nationalised industries are concerned—and these are, of course, the foundations of our industrial life—we cannot afford to forget that managers are wealth creators, and that our balance of payments (and therefore our national solvency and freedom of action to direct resources to socially desirable objectives) reflects the efficiency of Britain's economic performance across the whole field. But the importance of being able to recruit and retain people of high ability is as great in all the areas of public service within our terms of reference.

24. It is generally accepted that salary should reflect the value of an individual's own contribution in a job; at the highest levels in industry the personal contribution and subsequent performance in a job is normally a principal determinant of the salary. At the same time, particularly in a large organisation, an individual may, through no fault of his own, be employed at less than full stretch for some of the time; yet the qualities of mind and training that are brought to a job still need to be recognised and, for this reason, it is appropriate for salary to be related to some extent to qualifications, to expertise, and to the availability of talent.

25. Another factor of considerable importance, which bears directly on the salaries at all levels, is the maintenance of a rational salary structure in which the assumption of greater responsibilities is matched by appropriately increased rewards. Job evaluation is extensively used in industry, both nationalised and private, and elsewhere in the public service, to assess internal relationships. However, its use at the most senior levels is restricted as the qualities of the individual greatly influence both the size and content of the job. A further problem in assessing pay in our field is the upward pressure (increased in times of inflation) resulting from the changes in pay at senior levels immediately below and determined by bodies other than ourselves. In the civil service, these levels are determined by negotiation between the appropriate Departments and Staff Associations, in the armed forces they are fixed by the Armed Forces Pay Review Body, and in the nationalised industries they are either negotiated within each industry or determined by individual contract in the case of those immediately below Board level. There are certain salary links between the lower levels of the judiciary and the Legal Classes of the civil service.

26. We attach importance to adequate differentials within each pay structure. Compression of the kind that has existed since the time of our appointment bears unfairly on those who are promoted to the higher levels and, in some cases, on those immediately below. It also affects morale and operates against the public interest in terms of the effect on effort. Such a situation exists now in the civil service: after allowance is made for the implementation of the second stage of a recent settlement as a pay anomaly¹ the Assistant Secretary scale maximum will be £8,850 compared with the Under Secretary rate of £9,000. A similar situation now exists between the pay of some appointments just below Board level and at Board level in certain of the nationalised industries, including four undertakings where we have found certain senior executives' salaries that exceed those of the lowest paid Board members by amounts which vary from £800 to £3,750.

¹Effective from 7 November 1974.

27. In determining salary levels, it is also necessary to take account of the total remuneration package. Pension rights, which are normally related to final salary, are an integral part of remuneration, and are of particular importance. Their value increases as the level of appointment reached within an organisation rises, and in our view this factor must influence consideration of horizontal salary relationships and internal pay differentials. The provision in public service schemes for increases in pension after retirement to match the rise in cost of living is an especially valuable element. We have compared and analysed them in Appendix C. Other forms of reward include bonuses or share of profits, the use of cars, low-interest loans, and share option or share incentive schemes: however, with the exception of cars, which are commonly provided in industry, we have not found that these are of major significance.

28. Certain other more general considerations influence salary determination in the public services. It has long been the practice in this country to pay the most senior public servants less than is paid for posts of comparable responsibility in the private sector, and we believe that the great majority in the public services do not expect the highest level of monetary rewards that can be attained outside. Yet, if the fruits of long and distinguished public service are too small, it will not continue to attract and retain the quality of individual generally acknowledged to be needed, and standards will decline in consequence. Moreover, where posts at Board level in the nationalised industries have to be filled by recruitment from outside, it is important to ensure that the total remuneration offered is sufficient not to deter candidates of the calibre and quality required. This means that the remuneration offered must not differ too greatly from what can be earned in comparable appointments in private industry.

29. We believe also that it is important to take some account of the relative stability of employment and more assured overall prospects of promotion within the public services. From our examination of these aspects by comparison with private industry, we have concluded that, after taking account of earlier retirement in the armed forces and, to a much lesser extent, in the civil service, there is on the whole a greater degree of job security within the public services than outside, although job security for top management over much of the private sector is often as good. In the public services there is nothing that is comparable to the loss of job caused by a take-over and, although there may be Departmental reorganisations involving changes in the nature of work, they seldom involve premature retirement.

30. We also regard it as important to take account of net job satisfaction. We use this term to describe the balance between those intangible advantages and disadvantages of a particular job that are not readily quantifiable. It is generally acknowledged that public service at the most senior levels holds a marked degree of job satisfaction: it also carries a special degree of status and prestige. Salary levels outside may be a form of compensation for the absence of this form of status, but job satisfaction is a highly individual matter. We believe from our own experience, and from the evidence we have been given, that no one sector has the monopoly of it.

31. We are more than ever inclined to feel, as we come to the end of this stage of our work, that the more you explore the problem the less obvious is the solution. There is a temptation to escape from this impasse in one of two ways. The first is to suppose that a sufficient attention to figures, coupled with a

more systematic approach to job evaluation, could produce an absolutely valid answer. We have given our reasons for rejecting such an approach. The second method of escape would be to argue that at these levels it all comes down to value-judgments and political preferences. In our view, this approach goes to the other extreme and minimises too much the role of reasoned argument based on accurate and up-to-date information. The facts can point the way towards a judgment, but they cannot do more. Since, in most cases, a meaningful degree of comparability can be established between structures up to a certain level, and since we accept the desirability and practical necessity for adequate differentials both up to and beyond that point, it would seem that top salaries might well be arrived at by application of comparability considerations up to their highest meaningful level combined with a projection above that level of differentials appropriately related to those used below. This was our starting point, but we have also needed to satisfy ourselves that the levels of pay are justified both on their own account and with regard to horizontal relationships between the groups and with others within the public services.

32. It is usual for salaries to be expressed in gross terms and, therefore, for differentials to be looked at in the same way. In a fiscal system such as ours, with progressively increasing rates of taxation applying above a threshold, comparisons between rates of gross pay, particularly at higher income levels, can be seriously misleading. We therefore give examples of the effect of our salary recommendations in net and gross terms in order to illustrate our point, together with figures showing the effect of price increases on changes in tax levels and net income in 1974 compared with 1969—the date of the last comprehensive review from which all the present salary levels derive¹ (Appendix M).

33. There will no doubt be those who regard any large increase in top salaries at the present time as inappropriate. But whatever views may be held about the treatment of income and capital distribution as a matter of overall national policy, we do not believe that it would be either practicable or desirable for any Government to lead a movement towards greater equality from the public sector on its own. The four areas of the public service covered by our terms of reference, whatever their other differences, are alike in that they comprise some of the most important functions undertaken by any groups of men and women within our society. The continued availability of talent of the required standard for public service employment is something that our community should never take for granted. In our view, it would be absolutely indefensible to discriminate against those public servants who come within our terms of reference, simply because their salaries are not negotiated.

34. In formulating our recommendations, we have taken all the considerations that we have outlined in this chapter into account, and we have commented in detail on the application of some of them in the chapters in which we describe our various studies. Our recommendations must necessarily involve an element of subjective assessment of pay across a wide field. However, our studies have clearly indicated to us that remuneration in the parts of the public service with which we are concerned has fallen seriously below the minimum required for the most senior levels, and that increases, substantial in some cases, are fully justified. Our recommendations are summarised in Chapter 7.

¹The detailed background is described in our first Interim Report (Review Body on Top Salaries, Report No. 2: Interim Report on Top Salaries—Cmnd 5001, June 1972).

CHAPTER 3

THE SENIOR GRADES OF THE HIGHER CIVIL SERVICE AND SENIOR OFFICERS OF THE ARMED FORCES

Background

35. The civil service and the armed forces each have homogeneous and highly structured hierarchies. The civil service provides the machinery of Government, and administers Government policy through more than 30 major Departments of State, and over one hundred minor Departments whose functions are many and varied. The senior grades of the Higher Civil Service in general carry substantial responsibilities in planning and advising Ministers on policy and in relation to very large resources of manpower and capital. In recent years, there has been a gradual change from the anonymity of the "faceless bureaucrat" to much greater focus on public accountability, to Parliament (through Select Committees) and even to some extent to the public through the modern systems of communication. Much of the work has no direct parallel outside Government service. Of the total of 506,000 non-industrial civil servants, some 800 comprise the senior grades of the Higher Civil Service.

36. The majority of, but by no means all, civil servants who reach the levels within our terms of reference enter direct from their university in their early 20s; some enter later after having acquired experience elsewhere. In general, those who enter do so with a lifetime career ahead. Promotion is by selection. The average age of promotion to Under Secretary is 48 years, and the average length of service in each of the grades with which we are concerned is 4-5 years. A few appointments are filled each year by recruitment from outside (7 in the last two years), and a rather larger number leave to take up jobs outside (15 in the last two years). The normal age of retirement is 60, but service may be continued to age 65 at management discretion and counts towards enhancement of pension. A pension rising to a maximum of one half final salary is payable after 40 years' service, together with a supporting lump sum: taken together, these are actuarially equivalent to a pension of two-thirds final salary. Pensions are increased annually in line with rises in the cost of living, and benefits may be enhanced for those prematurely retired.¹ The grades with which we are concerned are, without exception, entitled to 6 weeks (30 days) leave a year.

37. There is a close working relationship between top civil servants and top armed forces officers in the headquarters of the Ministry of Defence, and some appointments may be held either by a senior service officer or by a senior civil servant. The pay of the armed forces at these levels has, in the past, had a close relationship with pay at comparable levels in the civil service. As we said in our first Interim Report in 1972², we considered it necessary to test the *de facto* relationships that had grown up between the various groups and, to this end, we

¹Appendix C (paragraph 2).

²Review Body on Top Salaries, Report No. 2: Interim Report on Top Salaries—Cmnd. 5001, June 1972 (paragraphs 2 and 27).

decided to commission a common study of these two sectors by comparison with each other and in relation to industry. We shall describe this experiment in some detail, and explain the conclusions we have drawn from it (paragraphs 51—64 below).

38. In recent years, the numbers in the armed forces have fallen steadily as defence commitments overseas have been reduced. They now total some 346,000. The UK armed forces are amongst a small minority that are maintained by voluntary recruitment. Their need to be fully trained and ready for combat at short notice demands the maintenance of a high state of mental alertness and physical fitness at all times. The sophistication and complexity of the modern weapons with which they are equipped also demands a high degree of technological knowledge and expertise. The responsibilities of senior officers fall into four main categories: professional and military advice to the Government; planning and implementing plans on the shape, size and deployment of the forces within Government defence and overseas policies; control of operations in a range of circumstances in peace or war; and the management of the armed forces. Of the total of 245 senior officers within our terms of reference, 98 serve in the headquarters of the Ministry of Defence.

39. In the armed forces, the average age of promotion to Major General or equivalent is 50, and the average length of service in each rank within our terms of reference, taking retirements into account, is 3 years. Officers generally are not free to retire when they choose, but may be released before they reach the compulsory retirement age for the rank in which they are serving if their services are no longer required. Voluntary retirement is possible only exceptionally, other than in circumstances of a decision to reduce the size of the armed forces. In such circumstances, special compensation for premature retirement has been given on two occasions in recent years. The average age of retirement for a Major General is 54 years, for a Lieutenant General 56½ years, and for a General 58½ years. Officers are placed on the Retired List, and remain under a continuing liability to recall for active duty in case of war or emergency. Provided that they have served at least 16 years, they receive retired pay, which rises from about one quarter of final salary to a maximum (after 34 years service reckonable from age 21) of one half of final salary¹. In addition, a terminal grant is payable and pensions are increased annually in line with rises in the cost of living. In the case of voluntary retirement between age 40 and age 50, a small deduction is made in both pension and terminal grant. All members of the armed forces are entitled to 6 weeks (30 days) leave a year.

Pay principles

Senior grades of the Higher Civil Service

40. We have outlined in Chapter 2 the development of the principles on which pay in the civil service as a whole has been assessed since 1931. We quote here the detailed principles recommended by the Priestley Commission² in 1955 for the civil service generally, which have been observed for all grades up to

¹Field Marshals (and equivalents) are placed on half pay irrespective of length of service in the rank.

²Report of the Royal Commission on the Civil Service 1953-55—Cmd. 9613, November 1955 (paragraph 769 (1)–(3)).

and including Assistant Secretary:

"(1) The end to be served by principles of pay in the civil service may be stated as the maintenance of a civil service recognised as efficient and staffed by members whose remuneration and conditions of service are thought fair both by themselves and by the community they serve.

(2) The primary principle of civil service pay should be fair comparison with the current remuneration of outside staffs employed on broadly comparable work, taking account of differences in other conditions of service.

(3) Internal relativities should be used as a supplement to the principle of fair comparison in settling civil service rates in detail and may have to be the first consideration when outside comparison cannot be made, but they should never be allowed to override the primary principle or become too rigid."

In the case of the Under Secretary and above, the Priestley Commission advocated a far less precise application of the "fair comparison" principle. In doing so, they endorsed the principle of broad banding. They considered that account ought to be taken of salaries in industry (both private and nationalised), commerce and finance, and of comparisons with other public services and with senior university staffs. They said that:

"Tradition and convention also play a part; regard must be had to the level of remuneration which will be considered reasonable for the most senior civil servants."¹

41. The Priestley Commission's detailed recommendations on pay levels related to conditions in mid-1955, and they were brought up to date and implemented with effect from 1 April 1956. Subsequently, the machinery proposed for reviewing the pay of the Higher Civil Service was set up, and a Standing Advisory Committee under Lord Coleraine (who was succeeded first by Lord Franks and later by Lord Plowden) was appointed. The first review was carried out in 1959 and ten reports in all were submitted: the last substantive review was completed in 1969. The Standing Advisory Committee made its own inquiries, and carried out its own surveys independently of the Civil Service Pay Research Unit, which had been set up in accordance with the Priestley Commission's recommendations to provide factual information on the comparisons which form the basis of pay negotiations for the Assistant Secretary and below. It aimed to time its own inquiries to coincide with the fact-finding exercises for the Assistant Secretary and below in the Administrative Class, and to report shortly after a settlement had been negotiated. In 1971, we were appointed as a Top Salaries Review Body with our wider remit.

42. We turn now to the question of range pay for the senior grades of the Higher Civil Service. In 1968, the Committee under the Chairmanship of Lord Fulton, which had been appointed to inquire into the structure, recruitment and management of the Home Civil Service, recommended that a unified grading structure should be introduced in the part of the civil service that is now covered by our terms of reference. At the same time, the introduction of range pay was recommended for everyone within the unified grading structure

¹Report of The Royal Commission on The Civil Service 1953-55—Cmd. 9613, November 1955 (paragraph 366).

except for the Permanent Secretary. The Plowden Committee (in its Ninth Report) also supported the introduction of range pay as a means of relating salary to performance, and suggested that the pay rates then recommended could be regarded as the base for the ranges. The Fulton Committee argued the case for its introduction in the following terms:

"The basis of the system we are proposing is the establishment of a number of successive grading levels that together would embrace all the jobs in the service. Each grade would carry a range of pay . . . An essential feature of the system is that the salary range (or scale) for each grade should be relatively broad, and that there should be overlapping of salaries between the grades . . . This is to provide scope for advancement within grades. Thus, while the most able will be promoted well before they reach the maximum of their grade, others can continue to earn salary increases within the same grade."¹

"We have said . . . that each grade should carry a range of pay. This, in our view, should be true of all grades except the very top one—which should be a flat rate varied only in the case of the Head of the Civil Service—and possibly the grade immediately below . . . Regular annual increments seem to us unsuitable and the numbers are small enough to make a different system practicable. The range of pay for each grade should in effect become a "band" of pay, in which only the maximum and minimum points for each grade would be published, and the progress of each officer through the band would not be on a regular incremental basis but determined by an annual review of his performance. Individual salaries would not be published."²

43. A comprehensive review of the structure of the Higher Civil Service was carried out by a joint team of civil servants and consultants as part of a programme of work agreed by the Official and Staff Sides of the National Whitley Council, following the Fulton Committee's Report. This review led to a recommendation against the introduction of range pay, both because a sample inquiry indicated that there would be widespread scepticism about the fairness of the system with consequent risk to morale, and because of the "collegiate" nature of the work of the Higher Civil Service. As a result, flat rate salaries have continued.

44. We have ourselves questioned the validity of the objections to a change of system. Range pay at very senior levels is common in industry and, in any case, we envisage that an individual's place within the range would be known only to those directly concerned, and the limits of the ranges alone would be published. However, the view has been expressed to us quite widely in evidence that range pay based on merit rating as defined by the Plowden Committee would, on balance, be liable to detract from performance, because of the difficulty of evaluating it fairly and consistently between Departments, and that this could give rise to a type of competitiveness that is alien to the civil service. An alternative type of range pay would be one in which the individual's point in the range is determined by reference to job weight and level of responsibility. On the other hand, it has been represented that this concept would be inconsistent with a highly structured hierarchy in which individuals are graded

¹The Civil Service—Cmnd. 3638, June 1968 (paragraphs 218 and 219).

²Ibid., (paragraphs 228 and 229).

according to the level of responsibility exercised. Moreover, we have been told that it is the longer term aim to streamline the job structure to produce an even weight of responsibility at the top levels. For our own part, we are not altogether convinced by the arguments used to justify the rejection of the Fulton Committee recommendation, and we are frankly sceptical of any suggestion that there might ultimately be an even weight of responsibility among those holding the most senior posts. One cannot forecast what political decisions will be taken in the future regarding the size and scope of individual Departments, sometimes under the pressure of circumstances from outside. Nor will those with first-hand experience of Government believe that the burden on Under Secretaries or Deputy Secretaries in a Department could be anything like uniform, though the pressure on a particular individual may suddenly increase (perhaps as the result of a political initiative), in which case the "range" system could proceed to operate. We are not convinced that machinery could not be devised to evaluate "merit-rating" fairly and with reasonable consistency between Departments. While we must note the near-unanimity of evidence that was expressed to us in the contrary direction, we hope that this issue will remain alive and be the subject of further discussion in due course.

Senior officers of the armed forces

45. We have referred (Chapter 2) to the absence of recognised principles on which the pay of the most senior officers of the armed forces was determined in the past. By 1953, a broad relationship had evolved between the pay of the most senior officers in the armed forces and civil service pay at comparable levels, although there was no firm link, and certain problems had arisen in the immediate post-war period. This broad equivalence developed largely because of the problems involved in assessing the pay of all officers, not only the most senior, as (unlike for other ranks) no precise civilian equivalents existed for comparison with officers generally. This relationship, which was accepted in both areas, equated Major General with Under Secretary, Lieutenant General with Deputy Secretary, and General with Permanent Secretary. The relationships were regarded as approximate only, and as illustrating broad relative status. As a result, the pay of senior officers in the armed forces was increased with effect from 1 April 1956, in line with the increases for the senior grades of the Higher Civil Service that flowed from the Priestley Commission's recommendations, although the rates were not the same.

46. One of the principal factors that the Grigg Committee took into account in 1957-58¹ was the adequacy of the remuneration offered, and the conclusion was that, at the time, it represented a "reasonable equivalence" with civil remuneration, and did not constitute a deterrent to recruitment. "Equivalence" was defined as meaning that "people who join one of the Services can expect to get a fair reward for what they do, and are likely, taking their career in the service as a whole, to be able to maintain the same standard of living as they would have done if they had remained in civil life". The Committee concluded that officers' pay was "at the moment of the right order, bearing in mind that they must expect equality with other public servants, rather than with the fewer, but more glittering, prizes offered in industry".

¹Report of the Advisory Committee on Recruiting (under the chairmanship of the Rt. Hon. Sir James Grigg)—Cmnd. 545, October 1958.

Without distinguishing between the most senior officers and other officers, or between officers and other ranks, the Committee recommended that the Services' pay should be reviewed every two years, to take into account movements in civilian earnings over a range of occupations to be determined by agreement between the Treasury¹ and the three Service Departments.

47. The Government accepted this recommendation and, in the first of the biennial pay reviews² in 1960, announced the basis on which changes in armed forces' pay would be determined in future. Officers' pay was to be governed broadly by the relative changes in the pay of comparable grades in the Administrative Class and the Executive Class in the Home Civil Service. Comparison at that time with the senior grades of the Higher Civil Service established that the Permanent Secretary straddled the ranks of General and Field Marshal, and the Deputy Secretary straddled the ranks of Lieutenant General and General. These links were retained in 1962 and were endorsed by Ministers, despite the fact that, as a result, on that occasion the pay of Lieutenant Generals and above was not increased.

48. Following the setting up of the National Board for Prices and Incomes in 1965 and the subsequent introduction of a statutory incomes policy,³ the increases proposed as a result of the 1966 biennial review were referred to the Board, who recommended implementation pending consideration of a new system of review. The Board's report commented on the relatively "crude application of the principle of comparability enshrined in the Grigg formula", and questioned whether it could be fully reconciled with the pay criteria in the then current incomes policy.⁴

49. In November 1967, the Government of the day referred the pay of the armed forces to the NBPI for review on a standing basis. The first two reports under this reference⁵ were concerned primarily with the structure below the levels in our terms of reference. The Third Report⁶ commented on the position of the most senior officers in the following terms:

"In determining the pay of senior officers (from Major General upwards) we have been guided partly by the fact that many of them work in close conjunction with higher civil servants and that in the past the Government, in determining pay for senior officers, has had the pay of higher civil servants in mind, though the relationship does not appear to have been made explicit. We have therefore arbitrarily chosen figures primarily to maintain reasonable differentials between ranks but also taking some account of present pay levels in the Higher Civil Service".

The Fourth Report⁷ dealt specifically with the pay of senior officers in the

¹Prior to the setting up of the Civil Service Department following a recommendation of the Fulton Committee, overall responsibility for pay and conditions in the parts of the public service with which we are concerned lay with the Treasury.

²Service Pay and Pensions—Cmnd. 945, February 1960.

³Prices and Incomes Act 1966.

⁴NBPI Report No. 10: Armed Forces Pay—Cmnd. 2881, January 1966.

⁵NBPI Reports No. 70 and No. 116: Standing Reference on the Pay of the Armed Forces, First and Second Reports—Cmnd. 3651 and Cmnd. 4079.

⁶NBPI Report No. 142: Standing Reference on the Pay of the Armed Forces, Third Report—Cmnd. 4291, February 1970 (paragraph 43).

⁷NBPI Report No. 157: Standing Reference on the Pay of the Armed Forces, Fourth Report, The Pay of Senior Officers—Cmnd. 4513, December 1970 (paragraphs 11 and 15).

light of the Plowden Committee's Ninth Report and, after describing the background (as we have done), expressed the following view:

"In our view, however, a direct comparison of salaries could be regarded as appropriate at the highest rank. In the armed forces, the highest post is that of the Chief of the Defence Staff which may be filled from any of the three Services... Normally there is no other officer of equivalent rank serving actively at the same time. Since we are required to consider the pay of senior officers in the light of the pay award to higher civil servants, we consider that a parallel may reasonably be drawn between the officer who has reached the highest rank attainable in the armed forces and those civil servants who have reached the highest ranks attainable by a career official in civil life. There are four such civil servants: the Permanent Secretaries to the Civil Service Department and the Treasury, the Secretary to the Cabinet and the Head of the Diplomatic Service."

"In framing our recommendations about the pay of Generals and below, therefore, we have decided not to take into account either the exact levels of pay in the equivalent grades of the Higher Civil Service or the exact percentage increases that have been awarded in the past. We have, however, paid some regard to the rough magnitude of recent awards to higher civil servants since they form a precedent which the Government as employer cannot ignore. For the rest, we have to consider what is an appropriate structure of differentials at the higher levels of the armed forces."

50. The salaries recommended by the NBPI in the Fourth Report included an "X factor" element for all except the Field Marshal and equivalent. The X factor is designed to compensate for the balance of advantage and disadvantage of Service life by comparison with civil life, and was valued experimentally by the NBPI at 5 per cent for men when it was introduced in 1970 (subject to a limit of £200 a year, which was increased in 1972 to £250). The NBPI defined elements of the X factor as:

"... the combination of exposure to danger, discipline, total commitment to the Service and the frequent uprooting that is inseparable from Service life. This combination of factors must be set against advantages which the serviceman has over most civilians. Some of these are the counterpart of the disadvantages mentioned above: adventure, variety, and the chance to travel, although this is diminishing. Moreover, servicemen have greater security in many ways than most civilians . . ."¹

The value of the X factor has recently been increased following the Armed Forces Pay Review Body's 1974 review from 5 per cent to 10 per cent (for men) subject to an upper limit of £500 at the rank of Lieutenant Colonel. The greater part of the increase is in recognition of work done during "unsocial" hours under the Stage 3 Pay Code, and a taper has been introduced at Lieutenant Colonel, Colonel and Brigadier levels to reflect the fact that the aspects of service life which are recognised in the X factor bear less heavily at these higher ranks. *A fortiori*, they are still less relevant to those within our terms of reference.

¹NBPI Report No. 142: Standing Reference on the Pay of the Armed Forces, Third Report—Cmd. 4291, February 1970 (paragraph 49).

Job comparability study between the senior grades of the Higher Civil Service, senior officers of the armed forces and industry (private sector and nationalised)

51. In our approach to the problem of evaluating the jobs of the senior grades in the Higher Civil Service and senior officers in the armed forces, and against the background of the Priestley Commission's primary principle as it affected the former, we decided to set up an Advisory Group, to carry out a study of jobs in the civil service, in the armed forces and in industry and commerce, composed of people with direct and recent experience in each of the fields and supported by a firm of management consultants with substantial experience of job evaluation. Mr. H. W. Atcherley, one of our members and formerly Personnel Co-ordinator of Royal Dutch Shell had such experience and acted as Chairman of the Advisory Group. We invited Mr. W. S. J. Carter (formerly Deputy Chairman of the Imperial Tobacco Group, Sir Charles Cunningham (formerly Permanent Secretary at the Home Office and subsequently Deputy Chairman of the United Kingdom Atomic Energy Authority), Admiral Sir Francis Turner (formerly Chief of Fleet Support and member of the Admiralty Board), Mr. J. J. S. Shaw (formerly a Deputy Secretary in the Civil Service Department), Major General P. F. Pentreath (formerly Signal Officer in Chief of the Army) and Mr. D. L. Pearson (a serving Under Secretary) to be members. We had no preconceived ideas on the practicability of the exercise, which was experimental in nature, and we were aware that there would inevitably be problems in making comparisons across frontiers and in widely different fields. We invited the Group to decide on its own detailed methods of work with the aim of establishing a reasonable sample of jobs in industry, commerce and finance at comparable levels of responsibility. We knew that exact comparisons of work, particularly at the highest levels, were likely to be very few indeed, and that the judgment of comparability would in many cases depend on broad overall assessment of responsibility. The procedure we adopted aimed to provide a means of bringing together knowledge and experience of the structure and requirements within the public service and in industry, supplemented by professional expertise in the field of job evaluation. The Advisory Group reported in 1973: its report is at Appendix D. Information on the salaries, superannuation arrangements and other benefits attached to the jobs found to be comparable was collected separately on our behalf by the Office of Manpower Economics. Additional information on the range of salaries generally paid in outside industry for jobs of like weight was provided by the consultants.

52. The Group was supplied with a representative selection of jobs in the internal field, together with job descriptions, which were obtained on our behalf from the Civil Service Department and the Ministry of Defence. From these, 39 jobs were selected—26 in the civil service and 13 in the armed forces—for detailed examination and consideration. In the external field, we approached the Chairmen of 10 large organisations in industry, commerce and finance, and of four of the largest nationalised industries. The private sector organisations represented a cross-section of industry, commerce and finance. A total of 55 outside jobs—36 in the private sector and 19 in the nationalised industries—was selected for similar detailed examination and consideration. Each job was examined by a team of three members from the Group, one from each background, each of whom was able to bring to bear direct knowledge and recent experience of his environment. The teams were supported by the consultants. In this way, the basis of the study was broadened beyond the strict limits of the

sample, and members of the Group were able to acquire an extensive understanding of the fields from successive interviews and subsequent discussions, to provide a basis for judgment about relationships between jobs in the different areas.

53. The methods adopted are described in detail in the report on the study (Appendix D). Briefly, the Group first satisfied itself on the acceptability of the *de facto* relationships between the various levels in the internal field of the civil service and the armed forces, and then set about assessing them against the selected jobs in the private sector and the nationalised industries in the sample. The Group found that it was able to form a judgment about the broad equivalence of virtually every job in the sample, although detailed comparison was much more difficult, as some jobs had little in common with any in the other environments. The Group looked for links between jobs in the different sectors on the basis of functional similarity as a means of testing its assessments. This was not possible in every case—for example, civil service jobs primarily concerned with advice on policy involving national issues—but close functional similarities which facilitated direct comparison were found between the majority of the jobs in the sample. The Group was able to identify a range of jobs in the private sector and the nationalised industries which, in its opinion, correspond to the grading and rank levels at the top of the civil service and the armed forces.

54. The Group for its part felt satisfied that the methods of job comparison used in the study did provide a reliable basis on which to assess pay in our field, and suggested that, for the immediate future, the information on pay and other conditions of service could be brought up to date without a further large-scale study. In the longer term, it recognised the importance of taking account of possible changes in rank and grading standards or in private sector practices, and suggested that checks of job comparability across the sectors, perhaps every five years or so, would achieve this.

55. In commenting on the principles on which the pay of the senior grades of the Higher Civil Service can most appropriately be fixed, our Advisory Group found itself in sympathy with the view expressed by the Plowden Committee in its Ninth Report, that greater emphasis should be laid on comparisons with industry, finance and commerce, and pointed out that comparison with other areas of the public service raises questions of circularity and possible “leap-frogging”. In particular, the Group regarded senior university appointments as of very limited relevance since, in their view, there was no functional similarity to civil service or armed forces jobs. The Group regarded it as important that salary levels should be adequate to bear a reasonable relationship to rewards outside for comparable levels of responsibility, while not attempting to match the highest salaries payable in industry. It attached considerable importance to the provision of a reasonable progression for able people on the way up the career structure, and to enabling comparable standards of living to be maintained to those enjoyed by people of similar attainment and responsibility in other walks of life, both at the same stage of a career and also in retirement. The Group noted that, on the occasion of the 1970 review of the pay of senior officers of the armed forces, the terms of reference effectively required an assessment by comparison with the civil service alone, and thus by indirect comparison only with the private sector. The Group was particularly impressed by the extent to which direct outside comparisons could be made for the armed forces

because of the high proportion of line management appointments examined: this was seen to have the additional advantage of providing further material to test civil service salaries at these levels. The Group therefore concluded that direct comparison ought to be made in the future.

56. The Group recognised the existence of important differences between top jobs in industry, commerce and finance on the one hand, and in the civil service and the armed forces on the other, and that these differences would need to be taken into account in determining pay. Particular mention was made of job security, with which career prospects were associated: the Group noted that we had commissioned a separate study of this aspect of job comparability, and did not therefore attempt a judgment of the part it should play in assessing pay levels. It recognised that it is a matter of subjective judgment where the final balance of advantage and disadvantage lies between the various other factors, but expressed the view that none of them other than the "X factor" should significantly affect relativities between private sector pay and the top levels of the civil service and the armed forces. In particular, it gave careful consideration to differences in the environments, and concluded that no differentiation in the levels of reward for jobs of comparable weight would be justified on these grounds.

Our views

57. We are grateful to the members of our Advisory Group for the very great amount of time, care and effort that they devoted to the study, and for the thoroughness of their report. They have in effect confirmed our preliminary view that precise comparison between jobs at the very top of the civil service and of the armed forces, and jobs in the private sector is not practicable. On the other hand they have found—and we accept—that an assessment of broad equivalence is possible even at the very top; and we also accept that there are a number of jobs near the top where there is a sufficient similarity of function, as for example in finance posts, to make direct comparison a useful exercise (though some of us have residual doubts about the results of the comparisons in particular cases). We do not ourselves go so far as the Advisory Group in rejecting by implication the wider basis of comparison advocated by the Priestley Commission and favouring only the narrower basis of comparison with industry, commerce and finance preferred by the Plowden Committee. But we all agree with the general conclusion that job comparison of the kind carried out by the Advisory Group, however difficult in practice, constitutes a valuable and indeed necessary part of the process of determining pay at the levels with which we are concerned.

58. If we were to make such comparison the sole criterion for pay in the highest levels of the public service, then it would imply larger increases than we are now recommending. From the information which we have collected on pay and other conditions of service in the private sector, it is clear that salaries at these levels in the public service are well below those for jobs of comparable weight in industry, commerce and finance. Yet we agree with the Advisory Group that pay in the public service should not attempt to match the highest salaries that can be obtained for jobs of comparable weight in the private sector.

59. In the first place, there is the marked difference in accountability to which we have drawn attention in Chapter 2. In private industry, as the Advisory

Group points out, the emphasis is on profit, productivity and growth. It is this and the competition for management ability, itself a scarce resource, which have resulted in high salaries at and below Board level, and have led in some instances to very high rewards at the top. In this respect, the nationalised industries, for their part, come somewhere between the private sector and the public service since they must pay salaries that are capable of attracting men and women from the private sector and retaining them. On the other hand, appointment to the higher levels in the civil service and armed forces is almost always by promotion from within. Secondly, there is the question of job security. We agree with the findings of the special study on our behalf (Appendix H)¹ that, although it is an over-simplification to regard the public sector as "safe" and the private sector as "dangerous", there is undoubtedly a greater degree of security in most of the public service. Thirdly, there are a considerable number of other factors, less easy to define, such as job satisfaction, stability and convention. All these are reasons why the salaries we recommend for the highest levels in the civil service and the armed forces are below those for jobs of comparable weight in the private sector. At the same time, we acknowledge equally the importance of salary structures in the civil service and armed forces that recognise levels of responsibility and are sufficient to ensure that their ablest people do not seek employment elsewhere.

60. We note that the Group as a whole was satisfied that the existing relationship between the senior grades of the Higher Civil Service and senior officers of the armed forces remained appropriate, and we accept that it should be continued, subject to review from time to time, since circumstances may change and we do not consider that any horizontal relationship should be allowed to become rigid. There are, however, two additional considerations on which the Group has commented: first, the application of the "X factor" to all ranks except the Field Marshal (paragraph 50), and secondly, the payment of "responsibility" allowances to certain appointments.

61. We have considered whether an "X factor" addition to pay is in principle appropriate for those senior officers within our terms of reference, and we have concluded that the concept is not valid at these levels. It is normal both in the public service and outside for top management remuneration to cover all the requirements of the job and all the conditions attached to it. We believe that this is appropriate also at the highest levels of the armed forces and our recommendations, therefore, do not include a special addition on account of the X factor.

62. Taxable "responsibility" allowances are paid to the senior officers in the following appointments:

Chief of Defence Staff, Chiefs of Staff of each Service, and Deputy Supreme Allied Commander Europe	— £1,000 a year
Service members of the Defence Council and of the three Service Boards	— £500 a year

The rates have remained unchanged since 1946, when the allowances were introduced as an additional element in remuneration attributable to the greater

¹Report of a study to compare the degree of job insecurity in the private and public sectors by Mr. D. H. Fulcher and Mr. A. F. L. Bowley.

responsibilities of officers in the qualifying posts than in other appointments at the same rank. The Group has suggested that this practice ought to be reviewed although it recognised that, because of rank structure, it might be necessary for jobs of markedly different size and nature to be held by officers of the same rank, and that, in such circumstances, a responsibility allowance might be justified. In general, we do not consider that it is appropriate for a special allowance to be paid in recognition of responsibility at the most senior levels: the salary for the job should recognise the full range of duties attached to it. There is, however, normally one appointment only at the rank of Field Marshal or equivalent, and payment of an allowance at this level is, in our view, clearly anomalous. It also has implications for pension; although the allowance is taxable, it is disregarded for pension purposes, and there is thus a distinction in retirement between a former Chief of Defence Staff and a former Head of the Home Civil Service. The salary we recommend for Field Marshal is the level we judge to be appropriate for the post of Chief of Defence Staff. As a result, the pension of the Chief of Defence Staff will be enhanced: we regard this as right. We express the hope that the payment of the responsibility allowances to other appointments to which we have drawn attention will be reviewed: we consider that the rates of pay which we recommend are appropriate for the full range of duties.

63. A tax free entertainment allowance is also paid to senior officers who hold particular appointments, at varying rates depending on the appointment and its location. We have been told by senior officers that these allowances are just adequate to cover the necessary cost incurred in the performance of official duties, and we understand that an acceptable method of assessment has been introduced for the regular review and revision of the allowance. This seems to us to dispose of the issue and we make no recommendation on it.

64. The relationship of medical and dental officers with combatant officers poses a special problem. At Lieutenant General level, the duties are wholly administrative and, in the past, pay has been equated to the pay of the combatant Lieutenant General. However, up to and including Colonel, the pay of medical and dental officers has been determined by comparison with the average earnings of General Medical Practitioners in the National Health Service, and these have usually resulted in a lead over the pay of the equivalent combatant officer. The pay of Brigadiers and Major Generals has then been projected to provide a reasonable progression and the present lead (£100) at the level of Major General is relatively insignificant (Appendix A). We understand that most medical and dental Major Generals (and their equivalents) are employed wholly on administrative duties, and only a relatively small proportion—six out of a total of 19—are essentially clinical advisers and act as consultants. In this capacity, they receive a substantial “additional pay” element.¹ We see no merit in the present lead at Major General level, and our recommendations reflect this view.

65. *Recommendation:* We recommend that the senior grades of the Higher Civil Service and senior officers of the armed forces should be paid the following

¹The current annual rates of consultant pay are £602 on appointment rising to £730 after 5 years, and to £876 after 10 years.

annual salaries:

<i>Civil Service</i>							£
Head of the Home Civil Service,							
Permanent Secretary to the Treasury,							
Secretary to the Cabinet	..	..	..	..	..	..	23,000
Permanent Secretary	..	..	..	..	..	..	21,000
Second Permanent Secretary	..	..	..	..	..	..	19,000
Deputy Secretary	..	..	..	..	..	..	15,000
Under Secretary	..	..	..	..	..	..	12,000
<i>Armed Forces</i>							
Field Marshal							23,000
General	..	..	..	..	..	..	21,000
Lieutenant General	..	..	..	..	..	..	15,000
Major General	..	..	..	..	..	..	12,000

The recommended salaries cover medical and dental officers and the equivalent ranks in the Royal Navy and Royal Air Force.

CHAPTER 4

THE HIGHER JUDICIARY (AND CERTAIN OTHER JUDICIAL APPOINTMENTS)

Background

66. We believe that it would be useful, in setting the background to the evaluation which we have made, to describe briefly the judicial structure with which we are concerned, as many are unfamiliar with the arrangements for the administration of justice in the United Kingdom and with the difference between the various judicial appointments.

67. Jurisdiction in criminal and civil cases is exercised through separate courts, and there are different arrangements in England and Wales, in Scotland and in Northern Ireland. Each system has evolved separately, though there are many common features. The report of the Royal Commission on Assizes and Quarter Sessions¹ recommended major reforms of the court system in England and Wales as a result of which the criminal jurisdiction formerly exercised by the Courts of Assize, the Central Criminal Court, the Lancashire Crown Courts and the Courts of Quarter Session has been vested in a single Crown Court. There are now only two courts in which criminal cases are tried: the Crown Court for the serious cases and the Magistrates' Court for the lesser offences. Similarly, in the case of civil actions, important cases go to the High Court and minor cases to the County Court. Cases in the High Court, the Crown Court and the County Courts are tried by members of the permanent judiciary, the High Court Judges and the Circuit Judges, assisted by part-time judges appointed as Recorders. In the Magistrates' Courts, cases are tried by the lay justices and by stipendiary magistrates. The concept of flexibility recommended by the Royal Commission, and adopted in the Courts Act 1971, involves much inter-change of jurisdiction between the two main classes of judges, the High Court Judges and the Circuit Judges. Yet within this system, two principles are maintained: the High Court Judges deal with the more difficult cases, civil and criminal, and the magistracy, lay and professional, deal with the vast mass of the lesser criminal cases.

68. Appeals, criminal and civil, go to the Court of Appeal, but appeals from magistrates go to the Crown Court. The permanent judges of the Court of Appeal are the Lord Chief Justice, the Master of the Rolls, and the Lords Justices of Appeal. All High Court Judges may—and all Queen's Bench and many Family Division Judges do—sit in the Criminal Division of the Court of Appeal and take their turn with the Lord Chief Justice and the Lords Justices. The House of Lords, with the Lord Chancellor and the Lords of Appeal in

¹Report by the Royal Commission on Assizes and Quarter Sessions 1966-69—Cmd. 4153, September 1969.

Ordinary (the Law Lords), is the final appellate court for the United Kingdom.¹ Members of the judiciary also sit on a number of special courts and tribunals.

69. There are some differences in the court system in Scotland, but the structure of the court system in Northern Ireland is similar to England and Wales. In Scotland, while the jurisdiction of lesser offences, both civil and criminal, is exercised in the Sheriff's Court, the superior court for hearing civil cases is the Court of Session, and for criminal cases the High Court of Justiciary. The Judges of the Court of Session (the Lords of Session) also sit as Lords Commissioners of Justiciary. Appeals in civil cases are dealt with by the Inner House of the Court of Session (the Outer House hearing cases at the first instance) and appeals in criminal cases by the Court of Criminal Appeal of the High Court of Justiciary. The permanent appeal judges are the Lord Justice Clerk and the Lord President of the Court of Session, who hears appeals in criminal cases sitting as Lord Justice General.

70. The Master of the Rolls is the President of the Court of Appeal, the Lord Chief Justice of the Queen's Bench Division of the High Court, and the Lord Chancellor of the Chancery Division.² The Family Division of the High Court (formerly the Divorce, Probate and Admiralty Division) is under a separate President. All Heads of Divisions, especially the Lord Chief Justice, have heavy administrative responsibilities in addition to their judicial work. Apart from their judicial duties, members of the Higher Judiciary may be called on to preside over Royal Commissions, Committees of Inquiry, and other special bodies temporarily constituted to investigate particular aspects of national life.

71. The present corps of Circuit Judges includes a large number of judges who, prior to the Courts Act, had separate jurisdiction and titles, such as Official Referees of the Supreme Court, the Recorder of London, the Common Serjeant and Additional Judges of the Central Criminal Court, the Recorders of Liverpool and Manchester, certain full-time Chairmen and Deputy Chairmen of Quarter Sessions, and County Court Judges. All are now designated Circuit Judges,³ and their jurisdiction derives from their tenure of that judicial office. As we have said, the County Court remains a separate court for the trial of minor civil cases, but its judges are Circuit Judges.

72. The permanent judiciary sitting in the High Court and the Crown Court are assisted by a considerable body of judicial officers, of varying degrees of responsibility and jurisdiction, called Masters and Registrars. They are concerned, in the main, with proceedings before and after the trial of an action, but they also try some cases finally, subject to appeal. They form an essential element in the judicial structure.

73. All members of the permanent judiciary, apart from Masters and Registrars, are appointed by the Crown. The most senior appointments, such as the Lord Chief Justice and the Lords of Appeal in Ordinary, are made on the recommendation of the Prime Minister, following consultation with the Lord Chancellor. All other appointments are made on the recommendation of the Lord Chancellor or, in the case of the Scottish judiciary, of the Secretary of

¹Two of the present Lords of Appeal in Ordinary formerly practised at the Scottish Bar.

²In practice, the Vice-Chancellor is the effective head of the Chancery Division.

³The Recorder of London and the Common Serjeant continue to be known by their ancient titles.

State on the nomination of the Lord Advocate. Nearly all appointments to the permanent judiciary on the High Court Bench or the Circuit Bench are made from the ranks of barristers in active practice: it is very unusual for a barrister to be appointed direct to the Court of Appeal or to the House of Lords. The statutory qualifications for appointment are significantly below those operated in practice: for example, a High Court Judge may be appointed from the ranks of barristers of 10 years' standing at the Bar, but it would be rare for any barrister to be appointed before he had been in practice for at least 20 years, and the average period is 30 years. In general, appointments to the High Court are made from among the leading practitioners at the Bar, but Circuit Judges have been, and no doubt will continue to be, promoted from the Circuit Bench to the High Court. The Lords Justices of Appeal are usually drawn from the High Court Bench, and the Lords of Appeal in Ordinary appointed from the Lords Justices of Appeal. High Court Judges, the Lords Justices of Appeal and the Lords of Appeal in Ordinary may be removed from office by resolutions passed by each House of Parliament. All other judges can be removed from office by the Lord Chancellor on grounds of incapacity or misbehaviour.

74. Although nearly all the higher judicial offices are filled from the Bar, solicitors are eligible for such appointments as stipendiary magistrates, Recorders and, in certain cases, Masters and Registrars. Since the Courts Act 1971, it is possible for a solicitor to reach higher offices; solicitors may be appointed Recorders, and a Recorder of 5 years' standing is eligible for appointment to the Circuit Bench.

75. Members of the judiciary are precluded from accepting any other form of occupation, including practice at the Bar, and may not participate in political life. On appointment (there are a few exceptions), they qualify immediately for a pension, which rises to a maximum of one half of final salary after 15 years' service and is increased annually in line with rises in the cost of living. Members of the Higher Judiciary are required to retire at 75 years, but they may retire earlier at 70 years or on completion of the requisite period for maximum pension. For other appointments the maximum age for retirement is 72 years, but earlier retirement at 65 years is possible. The Lord Chancellor has power to allow Circuit Judges to serve until 75 years. On retirement, Judges are strongly discouraged from entering commerce or industry. No member of the Higher Judiciary has returned to practice at the Bar on retirement for nearly 300 years and they may no longer do so. More recently, the Bar Council has extended this prohibition to other members of the judiciary on grounds of professional etiquette.

76. Members of the judiciary are provided with supporting staff and offices at their principal court. They provide their own robes (although an allowance towards their cost is made on first appointment in England and Wales and in Northern Ireland); some may provide their own law libraries, and some augment their clerk's stipend. Where these expenses are wholly, exclusively and necessarily incurred in the performance of judicial duties, they are allowed by the Inland Revenue as a deduction before tax; we have been told that, in general, the amount allowed is not significant in relation to the level of salary paid. Some Judges of the superior courts are required to spend a substantial amount of time on circuit. In England and Wales, for High Court Judges of the Queen's Bench Division, they may amount to three-quarters of their time, and for

Judges of the Family Division, about a half. In Northern Ireland, each High Court Judge spends some 4 weeks on circuit and, in Scotland, Judges of the Court of Session average 5–6 weeks on circuit. Except in Scotland lodgings are provided at public expense for Judges on circuit, and an allowance is paid to meet their subsistence costs and similar expenses for their staff. Circuit Judges who may be required to stay in High Court Judges' lodgings receive a slightly smaller allowance. Otherwise, expenses necessarily incurred by members of the judiciary are reimbursed in accordance with the rules that apply in the civil service.

77. The superior courts normally sit during the periods of the four law terms (or sessions in Scotland). Because of the pressure of work, most courts sit from time to time during vacations. The inferior courts sit continuously throughout the year, but there is generally a period of reduced activity in August and September. Members of the judiciary are free to take leave when they are not required to sit on the Bench. In England and Wales, this may amount on average to some 12–13 weeks (60–65 days) a year for the Higher Judiciary, 11 weeks (55 days) for Circuit Judges and 6 weeks (30 days) for Stipendiary Magistrates. Similar leave arrangements apply in Scotland and in Northern Ireland, with the exception of Sheriffs A who are entitled to 7 weeks (35 days) leave.

Pay principles

78. We have examined the history of judicial salaries since the 18th century, but we have looked in vain for any well-established principles to guide us in this field, except the need to maintain the status and dignity of the judicial office as an essential element in the constitution.¹ Until 1965, the pay of the Higher Judiciary was fixed by statute. Unlike pay in other branches of the public sector, an Act of Parliament was needed to increase salaries, thereby emphasising the special position of the Higher Judiciary in the constitution. From 1965 until 1973, the pay of the Higher Judiciary was fixed by Ministerial Order requiring affirmative resolution in both Houses of Parliament. Since 1973, however, all judicial salaries can be increased (but not reduced) by the Lord Chancellor or the Secretary of State for Scotland with the consent of the Prime Minister as the Minister for the Civil Service. This change has been accepted by the judges who in former times had to wait for the introduction and passing of a statute before long overdue increases could be implemented. The independent role of the judiciary in the constitution is further emphasised by the fact that their salaries are charged on the Consolidated Fund and are not subject to annual scrutiny by Parliament.

79. Prior to 1954, the remuneration of the Higher Judiciary had remained unchanged for a very long period—in the case of High Court Judges, for over 100 years. Three main factors made this situation possible: the level of remuneration for the most senior judicial appointments in the 19th century was substantially higher than the remuneration for other senior public appointments; for much of the period, levels of taxation were relatively low; and, for more than half of the period, problems of inflation did not bite. By 1954, however, substantial increases were considered justified for four main reasons: the length of time that had elapsed since the then current salaries had been intro-

¹An account of the movements in judicial salaries over this period will be found in Appendix G (paragraphs 32–53).

duced, despite changes in the value of money and a steep increase in direct taxation over the period; the relative increase in levels of remuneration for senior appointments in other professions including those elsewhere in the public service; the need to attract to the Bench barristers of the highest quality; and the desirability of providing a measure of stability in order to avoid the need for frequent revision of top judicial pay. We believe that these considerations remain important today, though there must, of course, be a change of emphasis. In practice, since 1954, the salary of the High Court Judge has gradually been overhauled by the pay of the Permanent Secretary in the Higher Civil Service, and there has been parity between them since 1 January 1971. This relationship has evolved without principle, and we have not considered ourselves in any way bound by it. Nevertheless, we consider that a judgment of broad relationships within the judiciary itself and within the public service generally is of greater significance in relation to the Higher Judiciary than direct consideration of outside earnings. In the first place, there is no outside occupation which is directly comparable and, secondly, we agree with our Advisory Group (paragraphs 83-85 below and Appendix E, paragraphs 43-44) that, while Bar earnings (net of expenses) provide a valuable check on salary levels, they cannot on their own provide a complete or valid standard of assessment. We discuss this further in paragraphs 86-93 below.

80. The pay of the Lower Judiciary (including those senior appointments with which we are concerned) also remained unchanged for very many years. In 1937, the remuneration of the County Court Judge approached parity with the Deputy Secretary, and the next increase in 1951 was justified on the grounds of recruiting difficulties and comparisons with outside earnings, as well as in the light of increases made at that time in the Higher Civil Service. Since then, the pay of the Lower Judiciary has moved at roughly the same time and at the same rate as the appropriate levels in the civil service. We understand that, when salaries were reviewed in 1971, particular importance was attached to the maintenance of a stable relationship between the pay of the County Court Judge and of the High Court Judge, and we accept the judgment of our Advisory Group (Appendix E, paragraph 10) that the relationship between the Circuit Judge (subsuming the County Court Judge) and the High Court Judge is of first importance in establishing a satisfactory pay structure. The current pay of the Circuit Judge lies between that of the Under Secretary and Deputy Secretary in the Higher Civil Service.

Appraisal of the structure

81. The present pay structure has developed piecemeal over the years through the exercise of informed judgment on the internal relative levels of responsibility and status. This structure, in recent years at least, has been tested against the rewards for jobs of comparable weight at the highest levels in other parts of the public service, particularly the civil service. As far as we are aware, no formal evaluation of responsibilities within the judicial hierarchy has hitherto been attempted. We considered commissioning an analytical survey by management consultants, but came to the conclusion that such an approach would be inappropriate. We therefore decided to set up an Advisory Group composed of men of long experience and close knowledge of the work of the judiciary, under the chairmanship of one of our members with like qualification. Lord Beeching, as Chairman of the Royal Commission on Assizes and Quarter

Sessions 1966-69, had such knowledge and experience and acted as Chairman of the Advisory Group. We invited Sir George Coldstream (formerly the Permanent Secretary to the Lord Chancellor's Department and now one of our members), the late Lord Parker of Waddington (formerly Lord Chief Justice) and, with the consent of the Lord Chief Justice, Mr. Justice Talbot (a member of the High Court Bench), to carry out a detailed review of the internal structure of the sector of the judiciary with which we are concerned, and to advise us. We also invited Lord Guest (then a Lord of Appeal in Ordinary) and Lord MacDermott (formerly Lord Chief Justice of Northern Ireland) to take part in the work of the Group in respect of appointments in Scotland and Northern Ireland. The Scottish Courts Administration was invited to take part in the consideration of the higher levels of the Shrievalty and, subsequently, Lord Wilson of Langside (formerly Lord Advocate and now Director of the Scottish Courts Administration) gave evidence to us direct. We also invited the Group to advise us both on considerations affecting absolute levels of remuneration and on the principles which should govern judicial pay, but it was understood that the primary task was to assess the internal relationship of one judicial appointment to another, bearing in mind that pay levels are a matter for the Review Body itself.

82. Full job descriptions of the judicial appointments were available to the Group. Those for England and Wales were provided by the Lord Chancellor's Department with a supporting memorandum, and those for appointments in Scotland and Northern Ireland by the Scottish Courts Administration and the Northern Ireland Office respectively. This material, supplemented by the evidence previously presented to us by Lord Chancellor Hailsham (and other members of the Judiciary) and combined with the members' own depth of knowledge and wide experience, formed the basis of the reassessment of each of the three judicial structures. The positions of the High Court Judge and the Circuit Judge in England and Wales were used as the focal points. The assessment was necessarily subjective, but it was based on an informed judgment of the experience and ability required, together with the extent and quality of the workload.

The Advisory Group's Report

83. The Advisory Group reported to us in August 1972. The Group found that the existing relationship of 3:5 (measured in pay terms) between the Circuit Judge and the High Court Judge in England and Wales was broadly right and did not need to be adjusted, but that the differential between the Lord Chief Justice and the High Court Judge did not adequately reflect the Lord Chief Justice's position as the leading figure in the permanent judiciary. It also proposed a widening of the differential between the Circuit Judges and the Masters and Registrars of the Supreme Court. Acceptance of this would necessitate a pulling out of the pay structure as it existed before our first Interim Report. The Group further proposed a rationalisation and grouping of appointments into a reduced number of levels, involving some changes in the existing relationship between different appointments. In particular, it recommended that a differential should be established between the Lords Justices of Appeal and the High Court Judges, in recognition of the promotion which is involved in appointment to the Court of Appeal from the High Court Bench. The Group's report made it clear that, while some regard had been paid to the size of the judiciary

in proportion to the population of each country, no account had been taken of regional differences in the cost of living, levels of earnings at the respective Bars, or particular recruitment difficulties.

84. In considering the implications of the relationships between the proposed new grouping of judicial appointments when translated into salary terms, the report drew attention to three special points. First, the pulling out of the structure below the Circuit Judge, bearing in mind the salary he was then receiving, would have implied lower salaries than existed at 1 January 1971 for Masters and Registrars of the Supreme Court, Metropolitan Magistrates and certain other appointments. This course was not recommended. Secondly, the High Court Judge in England and Wales, the Judge of the Court of Session in Scotland and the Puisne Judge in Northern Ireland had been assessed as equal on job content alone but, as for the judiciary as a whole, account had not been taken of the regional differences which may affect pay levels. Thirdly, a pulling out of the structure above the High Court Judge would produce, at least for the Lord Chief Justice, a higher salary than the Lord Chancellor's. After considering all the implications of this course, the Group reached the conclusion that the Lord Chancellor's salary, as part of the Ministerial salary structure, should not be a limiting factor in the assessment of the remuneration of the Lord Chief Justice.

85. In commenting on the principles of pay as they affect the judiciary, the Group saw no special merit in preserving the present parity between the High Court Judge and the Permanent Secretary, as the work content is very different. However, because of the importance of maintaining the status of the judiciary itself, the Group concluded that it would be wrong to allow the pay of the High Court Judge to fall behind that of the Permanent Secretary. The Group also considered Bar earnings to be relevant as a valuable check on the level of judicial salaries, with particular concern for recruitment to the High Court Bench, but not as a primary determinant of salary levels. The report notes that financial incentives to accept judicial appointments have become somewhat less attractive as a result of the introduction in 1957 of improved arrangements for the provision of pensions by the self-employed, and the aggregation of post-cessation receipts with professional income introduced in 1968.

Our views

86. We accept the judgment of our Advisory Group on the relative weight of the responsibilities of individual judicial appointments within our terms of reference. We are satisfied that no relevant changes have taken place since 1972 which warrant reconsideration of that judgment. On the other hand, the construction of an appropriate salary structure on the basis of the Group's assessment of relativities gives rise, in the context of 1974-75, to special difficulties to which we refer in paragraphs 89 and 90. On other principles affecting judicial pay, we do not differ from the Advisory Group. We agree that the level of Bar earnings is an important check on any assessment of judicial salaries: not only do current earnings from fees inevitably affect the willingness of individual outstanding barristers to accept judicial appointment, but so will the likely trend of their future earnings. We accept also that judicial pay should not attempt to reflect the highest Bar earnings: there is evidence to suggest that these are achieved in middle life, and tend to fall off in the later stages of a career at the Bar (although there are, of course, exceptions).

87. As for the suggestion that acceptance of judicial appointments may now be relatively less attractive financially than it was prior to 1968, we do not believe that either of the changes mentioned in paragraph 85 has so far affected recruitment. Nevertheless there are some indications that barristers are not so readily accepting appointments, particularly to the High Court Bench where some Judges are required to spend much of their time on Circuit. However, we note that the value of the retirement benefits attached to judicial appointment remains an attractive inducement, particularly to the Circuit Bench: a practising barrister must make his own provision by purchasing a retirement annuity out of current income, whereas a Judge is entitled, without having to contribute, to a pension which is maintained in real terms. These benefits have been calculated to be worth an additional 30 per cent of salary assuming retirement with maximum pension between the ages of 65 and 70 (Appendix C), but they will be significantly less for those who retire at a later age.¹ This is an important factor which we have taken into account when considering the relationship with Bar earnings.

88. So far as the relationship between the salaries of the High Court Judge and of the Permanent Secretary is concerned, we think it essential that the High Court Judge should be properly remunerated in recognition of his place in the community generally, though we do not consider that a formal pay link should be established. In general, we regard the Permanent Secretary's salary level as a second convenient cross-check on our judgment of the appropriate level of remuneration for the High Court Judge. But we have looked at each salary level on its own merits.

89. The most difficult and important issue presented to us by the Advisory Group's report concerns the relationship between the salary of the Lord Chancellor and the other members of the Higher Judiciary. At the date of the report, the Lord Chancellor's salary was £20,000 and remains so today. The Group proposed a pulling out of the judicial structure above the level of the High Court Judge. This would have involved raising the Lord Chief Justice's salary (and possibly those of the other most senior judges) above that of the Lord Chancellor. In our Report on Ministers of the Crown and Members of Parliament,² we said:

"The office of Lord Chancellor is unique in that it combines by long tradition the function of Head of the Judiciary with the ministerial duties of a Cabinet Minister".

However, we concluded that, in modern conditions, certainly since the passing of the Courts Act 1971, the Lord Chancellor's functions have become very much more ministerial in character than in the past, when his direct responsibility for the administration of the Courts' system in England and Wales was far less than it is today. Thus, in assessing the Lord Chancellor's salary, we took account of the level of both ministerial and judicial salaries. For the future, we recommended that changes in the Lord Chancellor's salary should be dealt with by legislation at the same time as the salaries of other Ministers. Our deliberations on the remuneration of the highest posts in the judiciary below the Lord

¹The value of pension rights is closely related to the age of retirement: for Judges who retire between the ages of 70 and 75 the value would be of the order of 20 per cent of salary (Appendix C—paragraph 15).

²Review Body on Top Salaries, First Report: Ministers of the Crown and Members of Parliament—Cmd. 4836, December 1971 (paragraph 99).

Chancellor have led us to give further consideration to the views we expressed then. We consider the matter to be one of great importance and no little difficulty. For centuries, the Lord Chancellor's emoluments have invariably exceeded those of his colleagues on the judicial bench, thus emphasising his position at the apex of the judicial structure, and his special position in the Constitution. Until recently, perhaps until very recently, this was commonly accepted as the natural order of affairs by the legal community. Moreover, it was, and also is, accepted that only lawyers of outstanding talent should be appointed to the Woolsack; and that the emoluments of the Office should relate not only to the abilities required but also to its uncertain tenure, depending as it does on the hazards of political life. Hitherto, the level of the Lord Chancellor's salary has, in effect, imposed a ceiling on the salary structure of the whole judicial hierarchy. We recognise that there are certain constraints of a political nature on the level of ministerial salaries, including that of the Prime Minister. If these restraints are to apply to the Lord Chancellor yet his salary level is always to remain above that of his judicial colleagues, the latter will suffer from a compression of their salary structure founded, quite improperly as it appears to us, on political considerations. It is not part of our task in this review to deal with the Lord Chancellor's salary, or to consider whether it is necessary, in order to underline his position as the head of the judicial structure, to keep his salary ahead of the Lord Chief Justice: that is a matter for consideration when ministerial salaries are next reviewed.

90. In the circumstances of 1974-75, the issue has become exceedingly acute as a result of the rate of inflation since 1972. At current monetary values the Advisory Group's assessment involves raising the salary not only of the Lord Chief Justice, but also of the High Court Judge and of all Judges beyond that level, considerably above the salary of the Lord Chancellor. Nevertheless we have concluded that the salary of the High Court Judge in England and Wales ought not to be less than £21,000. We are fully aware of the effect of this conclusion. It may well be that it will produce a situation which cannot persist. Even so, we do not believe that we could have reached different conclusions at the present time consistent with our terms of reference.

91. The Advisory Group also drew special attention to the question of differentials between England and Wales, Scotland, and Northern Ireland for High Court Judges. Two main arguments have been used to justify these in the past—differences between the cost of living and differential levels of Bar earnings in each country. We have taken note of the practice elsewhere in the public service at corresponding salary levels.¹ Indices published by the Department of Employment for housing and transport costs in London and elsewhere show that differences in the cost of living continue to exist. This is confirmed by the survey carried out by the Pay Board for their examination of London Weighting.² We accept, therefore, that such differences are a contributory factor to be taken into account. We have also carried out a survey of earnings at the Bar (in which we were helped by the Bar Council of England and Wales,

¹Differences in the cost of living (mainly housing and transport) for those working in London are recognised by the payment of a London Weighting allowance in the civil service. Since 1965, Deputy Secretary and Permanent Secretary salaries have ceased to attract this allowance: as only a very few posts at these levels were outside London, it was considered that the effective rate of pay was a London rate.

²Pay Board Advisory Report No 4: London Weighting—Cmnd. 5660, July 1974 (Appendix IV, paragraphs 23 and 24).

the Faculty of Advocates in Scotland and the Bar Council of Northern Ireland); we discuss the results of this in greater detail in Chapter 6. We found substantial differences between the total gross earnings for Queen's Counsel in England and Wales, in Scotland and in Northern Ireland. Although such information as we were able to obtain indicated much higher allowable practice expenses in England and Wales than in Scotland or Northern Ireland, the results of our survey confirm the general impression that earnings opportunities for likely candidates for the High Court Bench are considerably greater in England and Wales. We have therefore thought it right to take differential levels of Bar earnings into account.

92. Notwithstanding our acceptance of the judgment of the Advisory Group's proposals on the differential ratings appropriate to the various judicial appointments, we have not found it possible simply to apply their assessments automatically over the whole field. While it is of real importance to maintain the relativity of 3:5 between the salaries of the Circuit Judges and the High Court Judges as recommended by the Advisory Group, some compression of the suggested scale of differentials between the Masters and Registrars and the Circuit Judges appears to us justifiable. We have followed the advice of the Advisory Group and suggested a differential between the Metropolitan Magistrates and the Masters and Registrars. Although the differentials between the four groups (from and including Masters and Registrars to Circuit Judges) are somewhat compressed, we have borne in mind that recruitment to these judicial posts is often sought from much the same field of experience and ability among the profession. As in other sectors of the public service, in framing our recommendations for each part of the judiciary, we have taken account of the whole range of factors mentioned in Chapter 2.

93. At the top of the judicial hierarchy, we agree with the Advisory Group that the existing differential between the salary of the Lord Chief Justice and the High Court Judges does not reflect the status and burdens of his office or its importance to the country: he is the leading figure in the permanent professional judiciary and his responsibilities are heavy. We believe that a salary of £27,000 for the Lord Chief Justice will be regarded as suitable in all the circumstances, taking account of the salary levels we propose in other branches of the public sector. It has also enabled us in large measure to follow the recommendations of the Advisory Group and to meet the need for differentials between the High Court Judges' salaries and those of the Judges whose posts are rated to lie between them and the Lord Chief Justice, including the Lords Justices of Appeal, the Master of the Rolls and the Lord President of the Court of Session. In other respects too, we endorse the views of the Advisory Group, including the desirability of grouping a number of existing appointments for salary purposes, and of according a differential to the Lords Justices of Appeal over the High Court Judges in England and Wales.

94. *Recommendation:* We recommend that the higher judiciary, and other senior judicial appointments should be paid the following annual salaries:

	£
England and Wales	
<i>Higher Judiciary</i>	
Lord Chief Justice	27,000
Master of the Rolls, and Lords of Appeal in Ordinary ..	24,500
Lords Justices of Appeal, and President of Family Division	22,500
High Court Judges	21,000
<i>Lower Judiciary</i>	
President of the Lands Tribunal	16,000
Chief National Insurance Commissioner, and Recorder of London	15,500
Common Serjeant, Members of the Lands Tribunal, National Insurance Commissioners, President of the Industrial Tribunal, and Judge Advocate General ..	14,000
Circuit Judges, Master of the Court of Protection, and Chief Metropolitan Magistrate	13,000
Senior and Chief Masters and Registrars, Regional Chairmen of Industrial Tribunals, Chairman of the Foreign Compensation Appeal Tribunal, and Registrar of the Court of Criminal Appeals	12,500
Chairmen of Industrial Tribunals, Metropolitan Magistrates	11,750
Masters and Registrars of the Supreme Court	11,000
Scotland	
<i>Higher Judiciary</i>	
Lord President of the Court of Session	24,500
Lord Justice Clerk	22,500
Judges of the Court of Session	19,000
<i>Lower Judiciary</i>	
Sheriff Principal of Lanarkshire	16,000
Sheriff Principal of the Lothians, Chairman of the Scottish Land Court	14,000
Sheriffs A	13,000
Northern Ireland	
<i>Higher Judiciary</i>	
Lord Chief Justice	23,500
Lords Justices of Appeal, Puisne Judges	19,000
<i>Lower Judiciary</i>	
Recorder of Belfast	14,000
County Court Judges	13,000

In the case of the Senior Circuit Judge at Newington Causeway, and the Recorders of Liverpool and Manchester we endorse the view of our Advisory Group that the present holders should have a salary lead over the Circuit Judge on a personal basis, in recognition of the importance of the general influence that they continue to exercise.¹ We recommend that the lead should be £750.

¹The Senior Circuit Judge at Newington Causeway, and the Recorders of Liverpool and Manchester, are the honorary titles by which the Senior Circuit Judge on the Crown Court Bench at the Inner London, Liverpool and Manchester court centres respectively are known. These are particularly large court complexes and the Senior Circuit Judge is concerned closely with the work of the lay magistrates in the area and may give advice and assistance to them and to the other Circuit Judges.

CHAPTER 5

THE CHAIRMEN AND MEMBERS OF NATIONALISED INDUSTRY BOARDS

Background

95. The first nationalised industries were created when the existing coal, electricity, gas and certain of the transport undertakings were brought into public ownership after 1945. More recently the field has been enlarged, principally through the setting up of the British Steel Corporation and the translation of the Post Office from a Government Department to a public corporation. It now covers a wide spectrum of industrial activity employing nearly 2 million people, or 7½ per cent of the working population.

96. Most public boards occupy a monopoly position in respect of their particular products or services, but some experience a measure of competition either from private undertakings, other nationalised industries or from overseas imports. While this releases the Boards of nationalised industries from some of the normal commercial pressures, they are subjected to pressures of a different order resulting from Ministerial oversight and Parliamentary scrutiny. The Government lays down the financial targets, controls investment policy, and generally influences pricing and pay policy in a way not limited to the implementation of general prices and incomes policy. They may also on occasion be used as instruments for furthering social policies.

97. The Chairmen and members of the Boards are appointed by the Ministers in charge of the industry concerned, but their remuneration and superannuation arrangements require the consent of the Prime Minister as Minister for the Civil Service. At present, about a quarter of the full-time Chairmen and Board members (and all the part-time equivalents) have been appointed from outside their industries. The practice varies from industry to industry, and there is no set policy. We understand that, for the future, it is generally considered to be desirable for full-time Board members as far as possible to be recruited from within the industry concerned, although importance continues to be attached to the injection of outside experience at the highest levels. The normal initial period of appointment to the Board is 5 years; but a Chairman or member may be dismissed at any time by the Minister, and security of tenure is further affected by the fact that there is no certainty that a contract will be extended. It was the view of the Select Committee on Nationalised Industries in the 1967-68 Session that the aim should be to combine reasonable tenure with flexibility of appointment, and that this would be achieved by the existing system of relatively short initial appointments, normally combined with re-appointment for a second 5-year term if so desired.¹

¹The Select Committee on Nationalised Industries, Session 1967-68: First Report—Volume I (paragraph 299).

In some instances, shorter term appointments are made to suit particular circumstances either of individuals or of industries.

98. Full-time Chairmen and members of the Boards are entitled to normal retirement benefits. In general, a Board member appointed from within an industry continues to be covered by the staff scheme, and an individual appointed from outside is given the option of continuing his existing pension arrangements or transferring to the staff scheme. Alternatively, for late entrants, the rate of pension accrual may be enhanced under discretionary arrangements for "top hat" schemes, or the purchase of added years may be allowed within the limits permitted by the Inland Revenue rules. However, we understand that these arrangements, in practice, are used sparingly: heavy cost is involved.¹

Pay principles

99. Since the nationalised industries were created, there have been three general reviews of the pay of the Chairmen and members of the Boards—in 1957, 1964 and 1969. The first two were carried out by the Government, and the principle of a common pay range for Board members according to experience and responsibilities emerged from the second of them. Between the second and third reviews, higher than standard salaries were authorised by the Government of the day on a number of occasions in order to attract particularly highly qualified men who would otherwise have been called upon to take a substantial reduction in salary and pension prospects if they were to accept appointment as a Chairman. In particular, the Government agreed exceptional salaries for the Chairman and Board members of the British Steel Corporation on its formation in 1967.

100. The existing salary structure for the Chairmen and members of the main nationalised industry Boards stems directly from the third of these reviews, which was carried out by the National Board for Prices and Incomes in 1969. In considering the principles which should govern pay in this part of the public sector, the NBPI commented on the desirability of creating a pay structure to suit the needs of individual industries as the first requirement, and considered comparison with outside developments as of secondary importance. In particular, their report² said that:

- a. "it is essential to develop in each nationalised industry a sound salary structure which will permit the granting of adequate rewards for individual performance and the assumption of greater responsibilities; complete equivalence with the private sector could, however, prove self-defeating;
- b. the salaries and ranges recommended for Board members are designed to provide sufficient headroom below Board level where, in our view, there should be freedom for management to establish appropriate levels and ranges of pay."

The NBPI spelt out³ the reasoning behind its statement of principle in the following terms:

¹Appendix L (paragraph 14).

²NBPI Report No 107: Top Salaries in the Private Sector and Nationalised Industries—Cmd. 3970, March 1969 (paragraph 110).

³NBPI Report No 107: Top Salaries in the Private Sector and Nationalised Industries—Cmd. 3970, March 1969 (paragraph 83).

"It certainly is not self-evident that pay in the public sector should entirely match whatever is paid in the private sector. No system of evaluation can provide a fully objective comparison of jobs as between the public and private sectors, subjective judgment must play a large role. One individual might, for example, contend that, because size is larger, responsibility is larger in the public than in the private sector; another might contend that, since responsibilities in the public sector are shared with Ministers, they are smaller than in the private sector. We cannot rest pay on any such uncertain basis of job comparisons. In any case, save in the most exceptional circumstances when it is considered essential to recruit a particular individual, any attempt in the public sector to match pay in the private sector might push up pay still further in the latter, and thus magnify the problems of the public sector at a later date."

101. Thus the NBPI's intention was clearly to provide a salary structure in the nationalised industries which contained adequate differentials; to encourage and facilitate acceptance of Board appointments on promotion from within; to provide pay ranges which would allow rewards to be related to performance (not simply to age or length of service) and salaries pitched at a level which would be sufficient to enable suitable people to be recruited from outside but not above the general level of pay in private industry for jobs of similar weight. The 1969 recommendations were consistent with these principles and with the views of the Select Committee on Nationalised Industries in its First Report for the Session 1967-68:¹

"The Committee do not believe that the salaries paid to the full-time Chairmen and members of the Boards should necessarily be at the levels ruling in private industry, and certainly they need not be equal to the highest salaries paid to very few people in a very few firms."

It was specifically noted in the Report that the levels of pay proposed fell below the average level of salaries paid in the private sector.

102. In proposing that a system of ranges should be introduced for Board members, the NBPI advocated that it

"should be used to allow the pay of each manager to be linked with his achievements. The normal expectation should be a progression to the mid-point of the individual's salary range, provided that performance is fully up to the expected standard; progress beyond that point should be exceptional and should recognise outstanding performance. In no case should progression depend on age or length of service".²

Whilst this recommendation was accepted in principle, we understand that, in practice, the system of relating increments to length of service, which had been used in some industries, was extended generally to ensure common standards between all industries. It was applied in the lower half of the ranges only. In the initial stages of our review, we found that only a very few Board members were paid above the mid-points of the relevant range. We considered that this was wrong; that it exacerbated the problem of compression in relation to the salaries of those at senior levels below the Board; and, furthermore, that

¹The Select Committee on Nationalised Industries, Session 1967-68: First Report—Volume I, (paragraph 306).

²NBPI Report No. 107: Top Salaries in the Private Sector and Nationalised Industries—Cmd. 3970, March 1969 (paragraph 84).

it did not reflect the normal practice in private industry. This led us to recommend, in our first Interim Report,¹ that full and flexible use of the ranges should be made without delay. In making this recommendation, we envisaged that the full extent of the range should be used, and that the point of entry and subsequent progression within it should be related both to recruitment needs and to the individual's contribution to the work of the Board. This would vary according to qualifications, personal characteristics, weight of responsibilities, and performance. Our recommendation was accepted by the Government, but we understand that, in part as a result of the recent statutory limitations on pay increases, implementation has not yet been reflected in salary levels.

103. The NBPI saw responsibility for determining a Board member's position within the range as a matter for Ministers, guided by the advice of the Chairman, which they saw as being formulated in consultation with the Deputy Chairman and, where appropriate, with the part-time members of the Board.² It seems to us that the NBPI's intentions in this respect have not been put into effect and that, at any rate in the past, there seems to have been some doubt where responsibility for initiating proposals for movements within the range lay. In our view, there is no doubt that this responsibility should rest squarely with the Chairman of each Board, in consultation as necessary with the part-time members: this is the common practice in industry, and is the only way by which the abilities and performance of individual members can properly be judged. We recognise, of course, that Ministers must carry out their overriding statutory responsibilities, and that the Chairmen's proposals will need to be approved by them: for our part, we consider that it should be for exceptional policy reasons only that a Chairman's proposals should be modified.

104. The present system by which, for the purposes of the Board pay structure, the nationalised industries are divided into three groups (Group A, Group B and Group C, in descending order of size of assets in 1969) stemmed from a systematic measurement of individual jobs (carried out by management consultants). The British Steel Corporation, however, was not subsumed into the grouping, because decisions on salaries had then only recently been taken and higher salaries had been introduced than those recommended for the new Group A. Certain other public corporations and Boards with smaller assets were also excluded. The NBPI considered that the British Steel Corporation should properly fall into Group A, and that there should be no general increase in salaries before they had come into line with the other Group A industries. It also considered that the principles of job evaluation should be used to determine the level of top salaries for the other public corporations and Boards. The Government introduced the group structure proposed, and it has been necessary since to accommodate organisation changes and new industries. (The current structure is in Appendix A).

105. Part-time Chairmen and Deputy Chairmen are currently paid salaries based on the equivalent full-time rate, according to the amount of time devoted to the work of the Board. The majority of part-time members are not required

¹Top Salaries Review Body, Report No. 2: Interim Report on Top Salaries—Cmnd. 5001, June 1972 (paragraph 11).

²NBPI Report No. 107: Top Salaries in the Private Sector and Nationalised Industries—Cmnd. 3970, March 1969 (paragraph 86).

to attend more frequently than one day a fortnight and they are paid a flat amount of £1,000, which has not been revised since it was introduced in 1957. It was reviewed in 1969, when it was decided that no change was justified, because the rate had been considered generous when first introduced. In the case of a small number of industries, including the British Steel Corporation, some part-time Board members have additional responsibilities, in recognition of which proportionately higher salaries are paid. In addition, the part-time members of Electricity Boards who are also Chairmen of Consultative Councils are similarly paid a higher salary (£2,100) in recognition of their extra responsibilities.

106. A full-time Board member is normally allowed to retain fees of up to £1,000 where they are derived from any outside appointments considered either to be directly beneficial to his full-time work, or of no possible disadvantage to that work. We have found that the practice in private industry is evenly divided between allowing retention of fees from outside directorships and not allowing it. The salaries we recommend are intended to be full reward for the jobs done and when they have been implemented we see no reason to allow the retention of fees arising from outside appointments. But, in saying so, it is not our intention to discourage such activities in themselves.

Our job evaluation study

107. Of the four areas of the public service directly specified in our terms of reference, the Boards of the nationalised industries are perhaps the most sensitive from the point of view of public opinion as their activities affect the lives of the entire community. They include the most highly paid of those for whose salaries we are responsible; they are responsible for running industries, some of which are the largest in the country and amongst the largest in the world; they need on occasion to be able to attract from the private sector and subsequently retain men of outstanding quality and ability for the highest posts—and, in practice, such men are usually highly remunerated in their existing appointments. Although the opportunity of taking charge of a very large public corporation is often seen as a challenge, which some men of the required calibre will always welcome irrespective of the absolute level of pay offered, we do not consider that excessive financial sacrifices should be called for, if only because of the long-term pensions implications for the individual and for his family. As we have said (Chapter 2) we do not consider that absolute salary levels should equate to the highest in private industry, where anyway we have found a wide range of remuneration for posts of comparable responsibility: we find ourselves close to the views expressed by the NBPI in its 1969 Report, and to those in the report of the Select Committee on Nationalised Industries (First Session 1967–68).

108. Against this background, and in the light of the wide use of job evaluation in industry (though perhaps less commonly at the highest levels), and of the earlier study on behalf of the NBPI in 1968–69, we commissioned management consultants to carry out a job evaluation study of the Chairmen and members of the nationalised industry Boards. The aim was to provide us with a comparison of the relative weight of their responsibilities with those of equivalent appointments in industrial, commercial and financial organisations in the private sector, and to make a critical examination of their salary structure.

The consultants reported to us in March 1973: the terms of reference and a summary of their findings are in Appendix F. The same consultants assisted our Advisory Group which carried out the job comparability study of the most senior levels of the civil service and the armed forces.

109. A representative selection of Board appointments from 18 nationalised industries was chosen: it included Chairmen, Deputy Chairmen and both full-time and part-time Board members. Most of the Group A industries were covered, because of their great diversity and economic importance, together with half of the Group B industries, and a cross-section of Group C; we regarded this as adequate to provide an overall picture of our field. Forty-one Board appointments were selected for evaluation and, in addition, 10 posts immediately below Board level were included to provide information on the structure and operations in certain of the industries. Some of the jobs covered in the study were also selected as part of the job comparability study for the senior levels of the civil service and the armed forces, and the two studies yielded useful complementary information, although the aims and the methods used were different. In the job evaluation study of the nationalised industry Boards, the consultants used their own standard job evaluation system (an analytical points rating system, with "whole job" comparison as a check) which they apply on a regular basis to clients' organisations in both the private and public sectors of industry.

110. The consultants' report compared the responsibilities attached to the Board appointments analysed with those of equivalent appointments in industrial, commercial and financial organisations in the private sector. Attention was drawn to the differences in the roles of the Boards in the two sectors which flow from Ministers' statutory responsibilities in relation to the nationalised industries. The report recognised that different personal attributes may be required in the nationalised industry Chairmen, and that the requirements of the jobs are not the same. It acknowledged the scarcity of undertakings in private industry comparable to the main nationalised industries, but it concluded, nevertheless, that in overall terms the two compare in weight.

111. The detailed findings on job weights have been supplied to us separately: the range is wide. Although a broad correlation has been found between the industry groupings and the difference in the weight of the Chairman jobs (in particular between Group B and Group C) there are some marked differences between the weight of individual Board member jobs. Moreover, some of the senior jobs immediately below Board level have been judged to be heavier than some Board appointments in the same industry.

112. The report discussed possible developments in the salary structure of the nationalised industry Boards, designed to reflect more closely the relative weight of responsibility both between the industries and between appointments within them: no firm view was expressed on the desirability of continuing to group the industries for pay purposes. The practical advantages of grouping were recognised, but the existing system based on the size of net assets was not considered satisfactory. The report suggested that, if grouping is considered desirable, it should be based in future on the Chairmen's salary levels which would take account of the size of the individual jobs and the median practice in the private sector.

113. The consultants suggested that full-time Board members (other than the Chairman) should, within broad limits, be given individual salary ranges which take account of the weight of the different jobs, and the pay levels of senior staff who report to them, and that the ranges should be determined by each Chairman in consultation with two part-time Board members as a "salary committee". It was envisaged that the salary of the Chairman might provide the upper limit of the range, and the maximum salary for the senior management post below Board level the lower limit; alternatively, the limits could bear a fixed relationship to the Chairmen's salary, with different ranges for executive and non-executive Board members. Provision for regular review of Board salaries was also advocated on the lines of practice in the private sector.

114. Payment on a pro rata basis according to the time devoted to the appointment was suggested for part-time Board members. On the basis of attendance on one day a fortnight, one-eighth of the appropriate salary of a full-time Board member subject to a minimum of £1,000 was suggested as reasonable.

Our views

115. We endorse the view that Chairmen in private sector undertakings and nationalised corporations of comparable size have comparably demanding and difficult jobs, although the balance of the main elements and the nature of some of the pressures are different as, indeed, are some of the problems that face the Boards. The freedom of nationalised industry Chairmen to formulate and implement policy is more circumscribed than in private industry, in that they have responsibilities to Ministers and are subject to Parliamentary scrutiny. They are called upon to run their industries in circumstances of changing objectives, over which they have no direct control, and these may well not coincide with the long-term interests of the particular industry. The fact that so large a share of ultimate authority rests with Ministers and Parliament in many ways increases rather than lightens the burden. Nationalised industry Chairmen may be exposed continually to public comment and criticism. However, we accept the view that, although there are differences in environment, the overall weight of Chairmen's jobs in private and nationalised industry is comparable. As we have said (paragraph 107), we agree in principle with the view expressed by both the Select Committee on Nationalised Industries and the NBPI that the salaries paid at Board level should not equal the highest salaries paid outside: but we consider it of crucial importance to maintain salaries at a level which will enable the most suitable candidates to accept appointment and will ensure their retention. In considering the level of remuneration necessary and appropriate for this purpose, we have thought it important to take account of a number of other factors including differences in the characteristics of the nationalised industries themselves.

116. The nationalised industries have some features in common, but there are also inherent differences which make it unreasonable to judge the importance and difficulty of the top jobs on the basis of size alone, whether size be measured in terms of capital, turnover, or manpower. Such factors as diversity of activity within the business, international operation and marketing, and dependence upon advanced technology, may all greatly extend the scope and complexity of management's task; we have taken complexity as well as size into account in our judgment of the relative difficulty and value of the top jobs, amongst the different

nationalised industries. Except in a few cases where our own examination and knowledge of the industries concerned have led us to take a rather different view, we have accepted the consultants' detailed evaluations of job weight.

117. Top management appointments in the nationalised industries, however, are relatively unattractive to some compared with those in the private sector because of the constrictions on their operational freedom. If nationalised industry salary levels are to attract and retain the most suitable men, they must not fall too far short of the remuneration for the majority of jobs of comparable responsibility in the private sector. If they were to do so, the consequent difficulties in attracting men of the right calibre to the top appointments would in the longer term inevitably cause a decline in the efficiency of nationalised industry. They must enable salary structures to be established which provide sufficient incentive for potential candidates for top management to seek promotion within their own industry and not elsewhere, and which permit the payment of appropriate reward for assumption of greater responsibility. We attach particular importance to the maintenance of adequate salary levels from the point of view of the effect on pensions.

118. In determining the appropriate salary levels, we have used the findings of our Salaries Survey (carried out in September 1973) in preference to those of the consultants, as we consider them to be more representative of the pay of top management in large private sector organisations. We discuss the difference in more detail in Chapter 6. We are also aware that, since the ending of statutory pay controls in July 1974, steps have been taken in parts of industry to restore differentials at middle and senior management levels.

119. We recognise the advantages of the existing salaries structure from the point of view of control and of setting pay standards. However, we consider that some changes on the broad lines suggested in our consultants' report are called for in its framework. We consider that there is clear logic in relating the pay of full-time Board members (including the intermediate levels of Deputy Chairman, Chief Executive or Managing Director) to the salary of the Chairman in each industry, and that industries should be grouped together by reference to the salary levels of the Chairmen. We recognise that the subjective element in job evaluation makes small differences in remuneration difficult to justify and that there are practical advantages to grouping industries together, but we do not favour formal categorisation as a matter of principle. We remain strongly of the opinion that responsibilities for determining individual Board members' salaries within the pay ranges and for making recommendations to the Minister should rest with the Chairman, advised by part-time Board members, and we agree with our consultants that provision should be made for a regular review of their position within the ranges. We think that the principle of relating the pay of part-time Board members to those of full-time Board members is reasonable, and considering the particular qualities of the people required, we propose that, on the basis of attendance of one day a fortnight, the appropriate payment should be one-eighth of the mid-point of the appropriate salary range of a full-time Board member subject to a minimum payment of £1,500.

120. We attach great importance, here as elsewhere within our terms of reference, to the overall remuneration package. The most important element after pay is superannuation. We have found that in relation to salaries, the retirement benefits for members of the nationalised industry Boards in general

compare reasonably well with those in private industry even though the employee pays a higher share of the overall contribution. There are some other benefits but the differences in practice are not great or widespread. Compared with their private industry counterparts, nationalised industry Board members are provided with fewer overall supplements to pay, and we have taken this into account in our salary recommendations. Details are in Chapter 6.

121. Our attention has been drawn to a particular problem which arises from the fact that the present terms of appointment do not include a specified period of notice for renewal or termination. We have been told that this gives rise to a genuine feeling of insecurity as the end of an appointment approaches. We have sympathy with this view, and we consider that the terms of appointment for Chairmen and members of the Boards of the nationalised industries should be for five years with provision for a year's notice of termination or renewal, or alternatively should be for three years rolled forward at the end of each year of service.

122. *Recommendation:* We recommend that the Chairmen and members of the Boards of nationalised industries should be paid the following annual salaries:

	<i>Chairman</i> £	<i>Deputy Chairman or equivalent (1)</i> £	<i>Board member</i> £
British Steel Corporation ..	40,000	28,000-33,000	21,500-27,500
Post Office			
British Airways Board ..	35,000	24,000-29,000	18,000-22,000
British Rail			
British Gas Corporation ..			
Electricity Council			
National Coal Board			
Central Electricity Generating Board ..	33,000	23,000-27,500	18,000-22,000
National Bus Company ..	24,000	17,000-20,500	12,500-16,500
National Freight Corporation			
Atomic Energy Authority ..	22,500	15,500-19,000	11,500-15,000
Cable and Wireless			
Civil Aviation Authority ..			
Commonwealth Development Corporation			
North of Scotland Hydro- Electric Board			
South of Scotland Electricity Board	18,000	12,500-15,000	9,500-12,000
British Airports Authority ..			
British Transport Docks Board			
Scottish Transport Group ..			
Area Electricity Boards ..	18,000-22,000	12,500-15,000	—
British Waterways Board ..	12,000	8,000-10,000	5,000-7,500

Notes: (1) Vice-Chairman, Managing Director, or Chief Executive.

(2) These rates are for full-time appointments.

Where our recommendations involve lower salaries, current salaries should continue to be paid on a personal basis. Part-time Board members should be paid on a pro-rata basis according to the time devoted to the appointment. Those whose normal attendance is one day a fortnight should be paid one-eighth of the mid-point of the appropriate salary range of a full-time Board member subject to a minimum of £1,500.

CHAPTER 6

OUR OTHER STUDIES AND INQUIRIES

123. We have described the special studies which we commissioned on each of the groups within our terms of reference. In this chapter, we describe and discuss the other detailed studies and inquiries which we have seen as relevant to our substantive review, and which we invited various disinterested people to undertake on our behalf. These include an historical study of pay movements in the area covered by our terms of reference; a study of job security in the same field and in the private sector; an inquiry into remuneration in comparable areas of the public sector in five EEC countries; and a survey of earnings at the Bar. We also carried out our own second survey of the remuneration of top management in private and nationalised industry, commerce and finance.

Historical Study

124. Mr. J. V. Hillard (a lecturer in Industrial Relations in the University of Leeds) undertook on our behalf an historical study of movements in top salaries. The aims were to bring together published data in the field covered by our terms of reference; to identify changes in relativities within it; and to assess the reasons for such changes. The study examines the pay structures of each group; seeks to trace the underlying pay principles; and discusses the evolution of the interdependence of pay principles in so far as the author was able to identify them. The report on the study is at Appendix G.

125. The study concludes that the measure of interdependence which has grown up between the salary structures of the four groups with which we are concerned is a post-1945 phenomenon, and that it has resulted pragmatically rather than from logical design. It suggests that institutional inertia has contributed to the distortion of the salary structures, so that pay in each of the groups has not kept pace with overall movements elsewhere. In the absence of a suitable means of adjustment to external changes in the past, reliance has been placed mainly on social convention and previous practice as the main determinants of pay and, as a result, the rectification of structural anomalies in each group has been made more difficult. Prior to 1939, the process of overall structural change was slow and the disadvantages were less apparent: they became highlighted after 1945, in a period of rapid change and of inflation. The report suggests that the lessons of history point to an absence of underlying principles and reliance on short term measures of amelioration as the major causes of lack of progress towards long term reform.

126. Mr. Hillard's findings tend to confirm the view which we ourselves expressed in our First Interim Report¹, and to support our earlier conclusion that the *de facto* horizontal relationships between the respective pay structures have

¹Review Body on Top Salaries, Report No. 2: Interim Report on Top Salaries—Cmd. 5001, June 1972.

become accepted without having been tested formally. In general, the study recognises that, for the civil service, the armed forces and the nationalised industries, the principle of comparability with the outside world has been followed, but to a different extent and for different periods of time. For the civil service, the Report of the Royal Commission on the Civil Service 1929-31 (the Tomlin Commission) marks a turning point; for the senior levels of the armed forces, the comparison has been indirect, through the equivalent senior grades of the Higher Civil Service; and, from the outset, the nationalised industries have had to compete directly with the private sector for the recruitment of the essential talent. As a result, although the rates of pay initially may have been fixed with other considerations in mind, greater account has had to be taken of prevailing levels of remuneration outside, at least since 1963. For our part, we have been particularly concerned to test whether the existing equation of appointments at the most senior levels in the civil service and armed forces is justified. Our Advisory Group which carried out the job comparability study on our behalf confirmed (Appendix D, paragraph 7) that a detailed examination of jobs in both of the internal fields by members drawn from each and from industry, enabled a common viewpoint to be established on the relative importance of the two sectors. The Group satisfied themselves on the acceptability of the relationships at each level on the existing basis, and then applied their common understanding to the comparison with the private sector and nationalised industry jobs in the sample. Again, while our Advisory Group which examined the structure of the judiciary concludes (Appendix E, paragraph 43) that there is no special merit in the existing identity between the pay of the High Court Judge and of the Permanent Secretary, it acknowledges the usefulness of the relationship as a cross-check with general standards outside the public service. We have taken account of these comments in our own deliberations on pay principles.

A Study of Job Security in the Public and Private Sectors

127. We have already referred (Chapter 2) to stability of employment as an important factor which must be taken into account in assessing relative salary levels. We decided that it was essential to test the generally assumed premise that a significantly higher proportion of senior jobs are at risk in the private sector than in the public sector field with which we are concerned, and we therefore commissioned a study with the aim of examining the comparative degree of insecurity between the two sectors, including differences in approach to compensation for premature retirement, and the prospects of finding alternative work. (We defined the top salaries field for this purpose as appointments attracting pay in excess of £6,000 a year in 1971 terms—rather below the level for which we are responsible which, also in 1971 terms, started at £6,750.) For obvious reasons, we did not consider that a general survey of practice in the private sector was likely to produce useful results: a natural reluctance to provide detailed statistics of this kind was to be expected and, in any case, there is a “grey area” between dismissal and early retirement which we thought might give rise to misleading conclusions. We therefore invited a recently retired Under Secretary in the civil service (Mr. D. H. Fulcher) and an industrial consultant (Mr. A. F. L. Bowley) to undertake a series of case studies in industry. We also sought views from experienced senior people in the public sector, and from institutions which are concerned with these problems in both sectors. The report of their study is in Appendix H, and we refer here briefly to some of its more important findings.

128. Although there are large areas outside the public service where job stability and security are as great as within it, redundancy and insecurity are readily acknowledged to exist in the private sector. Contributory factors include company mergers and take-overs, internal reorganisation and rationalisation, and the differing fortunes of particular industries or of individual companies. While the strain and stress associated with senior appointments might have been expected to be a factor leading to enforced premature retirement, in general the calibre, resilience and confidence of the holders of top management jobs to obtain alternative employment minimises pre-occupation over job security. On the other hand, the report finds that redundant senior staff are those who experience greatest difficulty in finding further employment at the same level. A wide variety of compensation terms for redundancy and premature retirement exists in the private sector. Although in general, large companies have become more generous in their treatment of redundancies in recent years as the problem has increased, no positive correlation is found between generous redundancy terms and insecurity of tenure. Nor is there any evidence that salary levels are adjusted upwards in recognition of an element of insecurity, although some private sector firms acknowledge that in paying the upper end of the market range for senior jobs, this can be an unconscious recognition of these risks.

129. There is appreciably more security in some parts of the public sector than outside, even if we were to assume that the private sector had passed the worst of the redundancy problems. The members of the judiciary are in an exceptional position. The senior grades of the Higher Civil Service have a very strong expectation of continuing until the normal retirement age—although, following the recommendations of the Fulton Committee which provided for retirement in the public interest and redundancy on structural grounds and for limited efficiency, job security is not automatic. In practice, however, there has as yet been virtually no premature retirement at the most senior levels. The compensation terms for premature retirement are published—whereas those given by major industrial companies are not—and we believe that publication is desirable in the public service.

130. The position as it affects senior officers of the armed forces is more complex. Officers who reach the rank of Major General receive some 6 months' notice only either of further advancement or of retirement. On the other hand, pensions are payable immediately on retirement, and we consider that this is an appropriate measure of compensation.

131. There is little difference in the degree of job security for senior executives in the nationalised industries and in private industry. The main difference is at Board level, and arises from the failure to give adequate notice of termination or renewal of appointment, on which we have commented in Chapter 5. Prospects for alternative employment and compensation terms are similar to those in large-scale private industry.

132. The broad conclusion is that there is generally greater security of job tenure in some parts of the public sector than in private industry, even though each sector has some areas of substantial stability of employment and some where insecurity is real. We consider that account must be taken of the greater measure of job security in the public service, particularly at earlier stages of a career in the civil service and also in the judiciary, and of the compensation terms available to senior officers of the armed forces in their special circumstances. While the terms

available for redundancy and premature retirement in the public service are comparable with those of large industrial companies, there are areas in the private sector where the terms are better and others where they are worse; the possibilities of finding alternative work appear to be very similar. We find that there is an increasing awareness of these problems and issues, and we recognise the importance in a potentially insecure situation of considering the overall position of those who may become redundant (including the pension position, retirement gratuities and other compensation terms) in the light of their prospects of re-employment.

Overseas Inquiry

133. When we began our review in 1971, negotiations on UK entry into the European Economic Community were in progress, and it seemed to us highly desirable in the circumstances to commission an inquiry into remuneration at senior levels in comparable parts of the public services of five of the six countries who were then members of the Community. We saw it as important to establish the facts and, although we do not consider that the standards which prevail in other countries are necessarily relevant to circumstances in this country, we believed that they might have some bearing on our task, particularly as participation in the joint official bodies which serve the Community increases (so that greater numbers of public servants are paid at internationally-agreed salary levels), and in the light of the increased amount of inter-communication with Europe. Our main interest, however, was to inform ourselves about the salary relationships in each country between the four groups with which we are concerned, insofar as directly comparable groups exist, and to discover the principles by which those salaries are assessed. To these ends in April 1972, we invited Mr. Peter Coffey (currently Director of the Europa Institute in the University of Amsterdam) to undertake a study in Belgium, France, Italy, The Netherlands and West Germany. Details of remuneration at September 1973 are in Appendix J.

134. The task proved to be difficult: no formal machinery comparable to the Top Salaries Review Body for reviewing public service pay at senior levels exists in any of the countries covered, and reviews are mainly carried out by specially appointed bodies on an *ad hoc* basis. In Belgium and The Netherlands, special units exist to provide advice and information on salary levels and movements. With the exception of West Germany, there is provision for regular review of civil service salaries in the light of movements in the cost of living and, in Belgium and The Netherlands only, similar provision is made for reviewing armed forces' pay. The absence of central machinery comparable to the Review Body perforce complicated Mr. Coffey's task and, as a result, the information which has been made available to us is uneven. Three basic problems were encountered: reticence in providing information about salaries, absence of published information, and difficulty of making direct comparisons both between the different national systems and between standards of living. However, there seems to be a broad similarity in the make-up of pay between the different groups in each country, and there is some evidence that senior civil service salaries form the model for the other groups. Additions to basic salary are common, in the form of "residence", family or child allowances. In France, Italy and West Germany, supplementary payments to reward merit may be made at the most senior levels of the civil service at the discretion of Ministers.

Except in West Germany, no formal link seems to exist between comparable levels in each group and, in all cases, because of the different European and UK judicial systems, the position of judges also differs. In Europe they are civil servants (though they have judicial independence) and are paid as such. In France, the Chairmen of the nationalised industries are seconded civil servants, with enhanced salaries and certain other benefits.

135. Any comparison of remuneration between the different countries must at the present time be viewed with caution as exchange rates are liable to considerable fluctuation. Moreover, direct comparison with similar levels of responsibility in the UK is only possible in the case of the armed forces, where equivalent ranks have been accepted for command of allied forces. In general, pay of senior Service officers in the UK compares favourably with pay in Italy, is generally comparable with pay in Belgium and France, and compares unfavourably with pay in The Netherlands and West Germany; after taking account of different taxation arrangements, net pay compares unfavourably with all countries except Italy. For the senior grades of the Higher Civil Service, we are told that the nearest equivalent to appointments as Director General in Europe would be an intermediate level between Deputy Secretary and Permanent Secretary. If account is taken of the special supplementary allowances payable in certain countries and the different tax rates, the net remuneration of Directors General (or equivalent grades) lies within the Deputy Secretary/Permanent Secretary range in nearly all cases. As we have said, the differences in the judicial system and structure make comparison for the higher judiciary, even in the broadest way, impracticable.

136. Except in France and Italy, public service superannuation schemes are non-contributory. In Belgium, there is a small contribution towards the State health insurance and the widows' insurance schemes. In general, it appears that rather higher pension levels may be earned than in the UK: maximum pension varies between 70 per cent and 80 per cent of final salary, except in the case of the judiciary in Belgium who, in most instances, may retire on the equivalent of full pay. We are reluctant to draw firm conclusions from incomplete information, but our broad conclusion on the limited facts available to us is that there is no reason to believe that UK practice compares unfavourably with European public service pay practice, though there are many differences which arise, in part, from different systems. Because the nationalised industry undertakings differ greatly in size and in the degree of Government control in each country, we do not consider that a meaningful comparison of pay at Board level is possible. However, we have studied a considerable body of information from international surveys of salaries in industry, which indicates that a markedly higher level of remuneration for top executive jobs of comparable responsibility prevails in the private sector in Europe than in the private sector in the UK. We have referred in Chapter 2 to international competition for senior managers: we give examples of comparative salary levels taken from a recent independent survey together with the associated levels of taxation¹.

Survey of Earnings at the Bar

137. In considering the position of the senior levels of the judiciary, we regarded it as important to find out the facts about levels of earnings at the Bar

¹Appendix J (Table 2).

and, as up to date information was not available and the material published by the Inland Revenue and elsewhere was not in a suitable form for our purpose, we decided to carry out our own survey. We did this in mid-1972 with the support of the Bar Council of England and Wales, of the Faculty of Advocates in Scotland and of the Bar Council of Northern Ireland. We restricted our survey to practising members of the Bars of between about 15 and 45 years' standing, as we found from an analysis of the age and length of service of members of the judiciary that appointment to the Bench was being made from within this range, although the majority of appointments fell within a narrower span of seniority, as the following table shows:

TABLE A
Percentage distribution in ranges of years from first call to the Bar
to appointment to the Judiciary (England and Wales): September 1971

	Ranges of years from first call to the Bar to appointment to the Judiciary						
	Under 17	17-19	20-24	25-29	30-34	35-39	40-45
High Court Judge	%	%	%	%	%	%	%
Circuit Judge	1	6	26	26	32	19	3
Metropolitan Magistrate ..	15	9	24	36	15	—	2

Source: 1972 Law List

As most barristers qualify in the early to mid-twenties, a similar spread is found in the age of appointment to the Bench, but the span of age from which the majority of appointments are made is again much narrower (Appendix K, Annex Tables B and C). In general, therefore, appointments are seldom made before middle age.

138. Average earnings for 1970-71 of barristers in full-time practice in England and Wales, Scotland and Northern Ireland are compared in the following table. These earnings are based principally on cash receipts for the year shown and reflect the fees received from briefs accepted up to two years previously, i.e. up to 1968-69 (Appendix K, paragraph 2):

TABLE B
Make-up of average earnings of full-time barristers: 1970-71

Category	Gross practice earnings	Total gross earnings (1)	Expenses (2)	Net professional earnings
	£	£	£	£
<i>Queen's Counsel</i>				
England and Wales ..	17,516	18,011	4,438	13,573
Scotland	8,596	9,099	—(3)	—(3)
Northern Ireland (4)	10,336	10,419	934	9,485
<i>Junior Counsel</i>				
England and Wales ..	9,324	9,534	2,680	6,854
Scotland	6,424	7,550	—(3)	—(3)
Northern Ireland (4)	9,772	9,808	1,592	8,216

Source: OME Survey

Notes: (1) Gross practice earnings and other gross professional earnings.

(2) Expenses allowed for tax.

(3) Not available.

(4) Based on a small sample (Appendix K, Table 2)

Information on earnings in 1971-72 for a majority of the full-time barristers in the survey indicates that, in that year, the average gross practice earnings in England and Wales rose by just over 20 per cent, and for Queen's Counsel in Scotland by 12½ per cent.

139. We analysed in greater detail the distribution of earnings over the ten year age span from which we found that about three-quarters of judicial appointments are made. The following table compares the levels of total remuneration in 1972 (salary plus value of superannuation benefits) for the judiciary of England and Wales with the estimated net professional earnings (gross practice and other professional earnings less expenses) for 1971-72 of barristers in full-time practice:

TABLE C
Comparison of the remuneration in 1972 of the judiciary with the relevant earnings of full-time barristers in England and Wales in 1971-72.

	Judiciary		Estimated professional earnings of barristers (net of expenses)			
	Salary	Total remuneration(1)		Median	Upper quartile	Highest decile
	£	£		£	£	£
High Court Judge	15,750	20,475	<i>Queen's Counsel</i> Aged 50-59 years	12,691	21,938	24,208
Circuit Judge	9,750	12,675	<i>Junior Counsel</i> Aged 50-59 years	5,696	10,126	15,121
Metropolitan Magistrate	8,350	10,270	Aged 45-54 years	8,469	11,566	16,350

Source: OME Survey

Note: (1) Salary plus value of superannuation provisions.

The detailed results of our survey are in Appendix K.

140. The evidence from our survey supports the view expressed by our Advisory Group in 1972 that the key relationship between the High Court Judge and the Circuit Judge in England and Wales is broadly right in salary terms (Appendix E, paragraph 10), and we accept this view. But, since many—perhaps most—Queen's Counsel are likely to be appointed from amongst those who earn more than the upper quartile figure, the evidence in the survey suggests that, even after taking account of the value of the superannuation provisions, the present salary level of the High Court Judge is likely to involve a drop in the current remuneration of some who qualify for consideration for promotion. The earnings of Queen's Counsel on average tend to fall in later life but it is possible, nevertheless, that total remuneration over a working life as barrister and High Court Judge may have been less than it would have been had he remained in practice. However, we do not think that at the time the survey was carried out the differences were such that they would have deterred Queen's Counsel from accepting appointment. Nevertheless, the relative level of remuneration of Queen's Counsel and of High Court Judges remains a factor that requires consideration. A higher proportion of Junior Counsel is promoted to the Circuit Bench than of Queen's Counsel to the High Court Bench (Appendix K, paragraph 12) and we do not consider that any differences in the levels of remuneration are such as to deter acceptance of appointment to the Circuit Bench, or as stipendiary

magistrates. In making our recommendations, we are aware that the general level of fees has increased substantially since the date of our survey in 1972.

141. We have drawn attention (Chapter 4) to the substantial differences shown in our survey between the earnings for Queen's Counsel in England and Wales on the one hand, and in Scotland and Northern Ireland on the other, and we concluded that some regard must be taken of these differences in assessing the pay of the Higher Judiciary in each country. The survey showed a smaller disparity of earnings for Junior Counsel on the same basis, and confirmed our understanding that the earnings opportunities for potential appointees to the Circuit Bench in England and Wales, to the Shrieval Bench in Scotland, and to the County Court Bench in Northern Ireland are broadly similar. We consider, therefore, that the smaller differential in Bar earnings for Junior Counsel should not be taken into account in determining pay in the part of our field immediately below the Higher Judiciary on this occasion, and we have not taken account of it.

Salaries Survey

142. As on the occasion of our first interim review in 1971-72, we have again carried out a survey of remuneration in private and nationalised industry, commerce and finance. Our second survey, which was carried out in September 1973, was designed both to bring up to date the salary information in our first survey (which was related to September 1971) and, in addition, to collect information on superannuation arrangements and other benefits which make up the "total remuneration package". We limited our survey to enterprises which took part in our 1971 study and those which, although unable to participate then, had indicated willingness to do so on a future occasion. Our second survey covers 180 large undertakings. The size distribution was similar to the 1971 survey, except for a slightly lower proportion of smaller firms in the private sector. The following table compares the average salaries in the public and private sectors shown in the survey:

TABLE D
Average salaries (including bonus, commission and profit-sharing)
of top management: September 1973

Sector of industry and size of undertaking	Chairman	Deputy Chairman	Board members	Senior executives
	£	£	£	£
<i>Nationalised industries</i>				
Capital employed:				
£1,250m and over	23,400	(18,400)	14,600	10,900
£ 250m but under £1,250m	(20,600)	17,000	13,700	9,600
£ 50m but under £ 250m	14,800	11,000	11,000	8,600
£ 10m but under £ 50m	(17,200)	(12,200)	(10,000)	7,400
<i>Private Sector</i>				
Commercial and industrial				
Capital employed:				
£1,250m and over	(69,800)	(53,200)	(35,900)	18,300
£ 250m but under £1,250m	42,000	28,800	18,400	10,900
£ 50m but under £ 250m	29,500	24,100	17,000	10,500
£ 10m but under £ 50m	21,600	17,100	11,300	7,100
Financial	32,300	23,200	18,200	14,200

Source: OME

Note: Figures in brackets relate to fewer than 5 posts in sample.

From this table, it is clear that salaries of top management in the nationalised industries were substantially lower than those in organisations of comparable size in the private sector, except for senior executives in the smallest industries. It also indicates that a greater degree of compression in the top management salary structure existed in the nationalised industries than in the private sector. In our view, this situation is unlikely to have changed materially between 1973 and the end of Stage 3 of the statutory incomes policy, but we are aware that there may have been some greater measure of deterioration since in the relative position of members of the nationalised industry Boards.

143. Examination of movements in salaries in the private sector by salary level shows that the increases at the highest levels have been smaller in percentage terms than at lower levels. This continues the trend that we found in our previous survey:

TABLE E

Percentage increases in annual average salaries (including bonus, commission and profit sharing) of top management in the private sector by salary range: September 1968-73

Salary range	Percentage increases	
	1968-71 (1)	1971-73 (2)
£30,000 and over	% 15	% 8
£15,000 but under £30,000	25	12
£10,000 but under £15,000	30	19
£ 6,000 but under £10,000	32	24
Under £6,000	35	31

Source: OME

Notes: (1) Salary ranges based on September 1970.

(2) Salary ranges based on September 1971.

By comparison, the increase in average earnings for the whole of the working population was 35 per cent and 29 per cent for the periods 1968-71 and 1971-73 respectively. The continued tapering in percentage terms of increases at higher salary levels revealed by the survey shows that relativities in the industrial pay structure as a whole over the five years to 1973 have been compressed. In the same periods, the cost of living, as measured by changes in the Retail Price Index, has increased by 20 per cent and 17 per cent respectively. A comparison of these figures with those in the table shows that gross incomes in real terms, as opposed to money terms, at higher levels have declined since 1971, and at the highest level since 1968. Except for gross incomes above £20,000 which would have benefited from tax reliefs between 1971 and 1973, taxation in real terms has increased since 1968, so that net remuneration also in real terms has fallen still further¹: the effect is illustrated in Appendix M (Table 2).

144. The following table summarises the elements which make up the "total remuneration package":

¹ The position in later years will, of course, be affected by the tax changes in 1974.

TABLE F

Make up of total remuneration in September 1973 for main Board members (including Chairmen and Deputy Chairmen) and senior executives in private and nationalised industry

	Private industry		Nationalised industry	
	Board members	Senior executives	Board members	Senior executives
Salary + bonus. . .	% 100	% 100	% 100	% 100
Superannuation (employer's contribution)	18.6	15.9	12.1	12.6
Share option schemes . . .	1.4	0.3	—	—
General expenses . . .	0.6	0.1	0.5	0.0
Car	4.0	3.1	4.0	3.4
Housing and other loans . .	1.0	1.7	—	—
Total remuneration . .	125.6	121.1	116.6	116.0

Source: OME

It will be seen that the total of superannuation and other principal benefits provided by private industry exceeded in percentage terms those provided by the nationalised industries. The difference is mainly attributable to the lower superannuation contributions paid by top management in private industry, but is in part a result of the absence of share option or other incentive schemes and of arrangements for private loans related to house purchase. These were by no means widespread in private industry, only one in five or six participating in share option or other incentive schemes, or benefiting from a low interest loan, but the individual benefit in these instances was substantial. The total benefits, superannuation and other, represented on average a significant supplement to salary both in nationalised industry and in private industry. The detailed results of our survey are in Appendix L.

145. We have compared the results of our survey with the salary information which we were given in the job comparability study on the senior levels of the civil service and armed forces and in the job evaluation study of Chairmen and members of nationalised industry Boards. In the former, which we discuss in Chapter 3, the posts in the private sector which were found to be comparable were relatively highly paid on average, although not by a large margin, and the range of salaries was wide. This confirmed parallel evidence provided by the consultants from their own annual salary surveys. We have taken this into account in our consideration of the results of our study.

146. In the latter study, which we discuss in Chapter 5, the consultants found that the jobs of nationalised industry Chairmen were of similar weight to those of the Chairmen of undertakings in the private sector of comparable size. Our survey showed a marked difference in the pay of top management between the two sectors, particularly in the largest organisations. The consultants told us that the information on Chairmen and Board members in very large companies in their survey was very sparse, and that the range of salaries was very wide. We consider that our survey provides representative information on remuneration practice in companies in the private sector. In making our recommendations, we have taken account of this and of information on movements since then.

Conclusion

147. Our other studies and inquiries, which we have described above, have helped us in formulating the general principles which we believe should apply to our field of responsibility. They have also enabled us, in conjunction with our main evaluation studies for each group within our remit (which we have earlier described in Chapters 3-5), to provide comprehensive information on prevailing levels of remuneration for broadly comparable work outside.

CHAPTER 7

SUMMARY OF RECOMMENDATIONS

148. In this report of the review which we began on our appointment in 1971, we have discussed the general principles which we see as relevant to the determination of top salaries in the public service; we have examined the particular circumstances of each group within our terms of reference and the factors which have governed their pay in the past; and we have described and commented on the findings of the evaluation studies and other inquiries carried out by us or on our behalf. We summarise here our salary recommendations, which we have made after considering all the factors that we have mentioned as relevant.

Effective date

149. With the exception of certain judicial appointments, the pay of all those within our terms of reference was last increased with effect from 1 January 1974 to the extent allowed under Stage 3 of the statutory incomes policy. The revised rates for those judicial appointments were implemented from dates in July 1974 in accordance with the provision which required a minimum interval of 12 months between principal pay increases. We accept the present need to maintain the 12 month interval without exceptions and it is, of course, in line with Government policy. We therefore propose that the salaries which we recommend below should be effective from 1 January 1975 or, where applicable, from dates 12 months after the effective dates of our last recommended increases.

Salary recommendations

150. We recommend the following annual salaries:

	£
<i>a) Senior grades of the Higher Civil Service</i>	
Head of the Home Civil Service, Permanent Secretary to the Treasury, and Secretary to the Cabinet	23,000
Permanent Secretary	21,000
Second Permanent Secretary	19,000
Deputy Secretary	15,000
Under Secretary	12,000

b) Senior officers of the armed forces

Field Marshal	23,000
General	21,000
Lieutenant General	15,000
Major General and their equivalents	12,000

Note: Salaries include medical and dental officers.

c) Judiciary

England and Wales

Higher Judiciary

Lord Chief Justice	27,000
Master of the Rolls, and Lords of Appeal in Ordinary	24,500
Lords Justices of Appeal, and President of Family Division	22,500
High Court Judges	21,000

	£
<i>Lower Judiciary</i>	
President, Lands Tribunal	16,000
Chief National Insurance Commissioner, and Recorder of London	15,500
Common Serjeant, Members of the Lands Tribunal, National Insurance Commissioners, President of the Industrial Tribunal, and Judge Advocate General	14,000
Circuit Judges, Master of the Court of Protection, and Chief Metropolitan Magistrate	13,000
Senior and Chief Masters and Registrars, Regional Chairmen of Industrial Tribunals, Chairman of the Foreign Compensation Appeal Tribunal, and Registrar of the Court of Criminal Appeals	12,500
Chairmen of Industrial Tribunals and Metropolitan Magistrates	11,750
Masters and Registrars of the Supreme Court	11,000
<i>Scotland</i>	
<i>Higher Judiciary</i>	
Lord President of the Court of Session	24,500
Lord Justice Clerk	22,500
Judges of the Court of Session	19,000
<i>Lower Judiciary</i>	
Sheriff Principal of Lanarkshire	16,000
Sheriff Principal of the Lothians, Chairman of the Scottish Land Court	14,000
Sheriffs A	13,000
<i>Northern Ireland</i>	
<i>Higher Judiciary</i>	
Lord Chief Justice	23,500
Lords Justices of Appeal, Puisne Judges	19,000
<i>Lower Judiciary</i>	
Recorder of Belfast	14,000
County Court Judges	13,000

The present holder of the appointment as Senior Circuit Judge at Newington Causeway, the Recorder of Liverpool and the Recorder of Manchester should have salary leads on a personal basis of £750 over the Circuit Judge.

d) *Chairmen and Board members of nationalised industries*

	Chairman £	Deputy Chairman or equivalent (1) £	Board member £
British Steel Corporation	40,000	28,000– 33,000	21,500– 27,500
Post Office			
British Airways Board	35,000	24,000– 29,000	18,000– 22,000
British Rail			
British Gas Corporation			
Electricity Council			
National Coal Board	33,000	23,000– 27,500	18,000– 22,000
Central Electricity Generating Board			
National Bus Company	24,000	17,000– 20,500	12,500– 16,500
National Freight Corporation			
Atomic Energy Authority Cable and Wireless	22,500	15,500– 19,000	11,500– 15,000
Civil Aviation Authority			
Commonwealth Development Corporation			
North of Scotland Hydro- Electric Board			
South of Scotland Elec- tricity Board			

	Chairman £	Deputy Chairman or equivalent (1) £	Board member £
British Airports Authority British Transport Docks Board Scottish Transport Group Area Electricity Boards	18,000	12,500– 15,000	9,500– 12,000
British Waterways Board	18,000– 22,000 12,000	12,500– 15,000 8,000– 10,000	— 5,000– 7,500

Notes: 1. Vice-Chairman, Managing Director, or Chief Executive.

2. The above rates are for full-time appointments.

Where our recommendations involve lower salaries, current salaries should continue to be paid on a personal basis.

Part-time Board members should be paid on a *pro-rata* basis according to the time devoted to the appointment. Those whose normal attendance is one day a fortnight should be paid one-eighth of the mid-point of the appropriate salary range of a full-time Board member subject to a minimum of £1,500.

These salaries subsume the current payments under the threshold arrangements recommended in our Third Interim Report.

151. The salaries we recommend above represent an average increase in overall remuneration at present rates, including current payments under the threshold arrangements, of 28.8 per cent and will cost an additional £5.1 million in a full year. On an annual compound basis since 1 July 1969, the last occasion on which substantive proposals for those within our field were made, these recommendations amount to an overall annual average increase compared with the levels then recommended of 9.4 per cent. On the same annual basis we estimate that during the same period the index of average salaries will have increased by 13.2 per cent, and the index of retail prices by 10.2 per cent. Similarly, compared with 1 January 1972, the date of the last increase before the recent statutory incomes policy, the average annual increase following our recommendations will be 11.4 per cent compared with 14.4 per cent for all salaries and 12.4 per cent for retail prices. Details are in Appendix N.

152. The increases we recommend are substantial but the rates of increase are lower than those that will have taken place in the community as a whole over both these periods; the increases also appear to be less in nearly all cases than those for comparable salaries since July 1969, and to be generally in line with corresponding movements since January 1972.¹ The statutory limitations on increases in pay which were in force between 1972 and 1974 were designed to operate more severely at higher income levels. At the same time, they prevented us from rectifying the problems of compression and of disparity between public and private sectors that existed before the counter inflation measures were introduced. The effect has been that both the structural problems for the groups covered by our terms of reference and the disparities with outside remuneration have now become even more acute. We believe that it is of great

¹The estimate in so far as it includes an element of forecasting is inevitably approximate but is based on our salary surveys up to September 1973, a more recent consultants' survey and other sources.

importance to take this present opportunity to rectify the situation and in particular to establish a reasonable relationship between the public and private sectors at the highest levels, thereby producing equitable treatment for those covered by our terms of reference.

BOYLE OF HANDSWORTH
H. W. ATCHERLEY
BEECHING
GEORGE COLDSTREAM
ANTHONY LLOYD
SEEAR
MARK TURNER

OFFICE OF MANPOWER ECONOMICS
18 October 1974

APPENDIX A

PRESENT PAY STRUCTURES

Salaries shown below exclude current payments under the threshold arrangements.

(a) 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	£17,350	3
Permanent Secretary	£16,350	19
Second Permanent Secretary	£15,350	22
Intermediate pay point (higher)		12(1)
Deputy Secretary	£11,100	144
Intermediate pay point (lower)		73(1)
Under Secretary (2)	£9,000	527

Notes:

(1) Most of the posts between Under Secretary and Deputy Secretary are on a common rate of £9,950 and most of those between Deputy Secretary and Permanent Secretary are on a common rate of £13,200.

(2) London weighting of £410 is payable with effect from 1 April 1974 (previously £228).

(b) Senior officers of the armed forces

	<i>Combatant</i>	<i>Number in post</i>	<i>Medical and dental</i>	<i>Number in post</i>
Admiral of the Fleet, Field Marshal and Marshal of the Royal Air Force ..	£16,350	2		
Admiral, General and Air Chief Marshal ..	£14,850	23		
Vice-Admiral, Lieu- tenant General and Air Marshal ..	£11,350	39	£11,350	3
Rear Admiral, Major General and Air Vice- Marshal	£9,350	160	£9,450	18

(c) Higher Judiciary and other posts down to the equivalent of Under Secretary

<i>England and Wales</i>			<i>Number in post</i>
<i>Higher Judiciary</i>			
Lord Chief Justice	£19,100		1
Lord of Appeal in Ordinary	£17,850		10
Master of the Rolls	£17,850		1
President of the Family Division	£17,850		1
Lord Justice	£16,350		14
High Court Judge	£16,350		71
<i>Lower Judiciary</i>			
Recorder of London	£14,100		1
President of the Lands Tribunal	£12,950		1

Chief National Insurance Commissioner	£12,950	1
Common Serjeant	£12,100	1
Circuit Judge for Inner London	£11,600	1
Recorders of Liverpool and Manchester	£11,600	2
Additional Judge of the Central Criminal Court	£11,600	12
National Insurance Commissioner	£11,100	9
President of the Industrial Tribunals (England and Wales)	£11,100	1
Member of the Lands Tribunal	£11,100	8
Official Referee	£10,850	3
Judge Advocate General	£10,500	1
Circuit Judge	£10,350	238
Assistant Judge, Mayor and City of London Court	£10,350	2
Chief Metropolitan Magistrate	£9,950	1
Senior and Chief Masters and Registrars	£9,950	5
Master of the Court of Protection ..	£9,950	1
Regional Chairmen of Industrial Tribunals	£9,950	4
Chairman of the Foreign Compensation Commission	£9,400	1
Registrar of the Court of Criminal Appeal	£9,380	1
Metropolitan Magistrate	£8,950	38
Chairmen of Industrial Tribunals	£8,950	19
Masters and Registrars of the Supreme Court	£8,950	31
Scotland		
<i>Higher Judiciary</i>		
Lord President of the Court of Session ..	£16,350	1
Lord Justice Clerk	£16,100	1
Judge of the Court of Session	£14,350	18
<i>Lower Judiciary</i>		
Sheriff Principal of Lanarkshire	£11,200	1
Sheriff Principal of the Lothians	£10,400	1
Chairman of the Scottish Land Court ..	£10,400	1
Sheriff A	£9,950	14
Northern Ireland		
<i>Higher Judiciary</i>		
Lord Chief Justice	£15,600	1
Lord Justice of Appeal	£14,100	2
Puisne Judge	£14,100	4
<i>Lower Judiciary</i>		
Recorder of Belfast	£10,900	1
County Court Judge	£9,950	8

(d) **Chairmen and Board members of the nationalised industries**

		<i>Number in post (full-time) (part-time)</i>	
<i>British Steel Corporation</i>			
Chairman	£28,100	1	—
Deputy Chairman	£22,600–25,600	1	1
Board member	£16,600–21,600	4	7

Group A

British Airways, British Gas Corporation, British Railways Board, Central Electricity Generating Board, Electricity Council, National Coal Board, Post Office

	CEGB	Other industries		
Chairman	£21,100	£23,100	6	1
Deputy Chairman	£18,100	£19,100	7	2
Board member	£12,600– £17,600	£12,600– £17,600	32	26

Group B

Commonwealth Development Corporation, National Bus Company, National Freight Corporation, UK Atomic Energy Authority

Chairman	£19,600	2	2
Deputy Chairman	£15,600	1	1
Board member	£10,100– £14,100	4	29

Group C (and other related Boards whose members are paid within similar salary ranges)

Area Electricity Boards England and Wales, British Airports Authority, British Transport Docks Board, British Waterways Board, Cable and Wireless Ltd, Civil Aviation Authority, North of Scotland Hydro-Electric Board, Scottish Transport Group, South of Scotland Electricity Board.

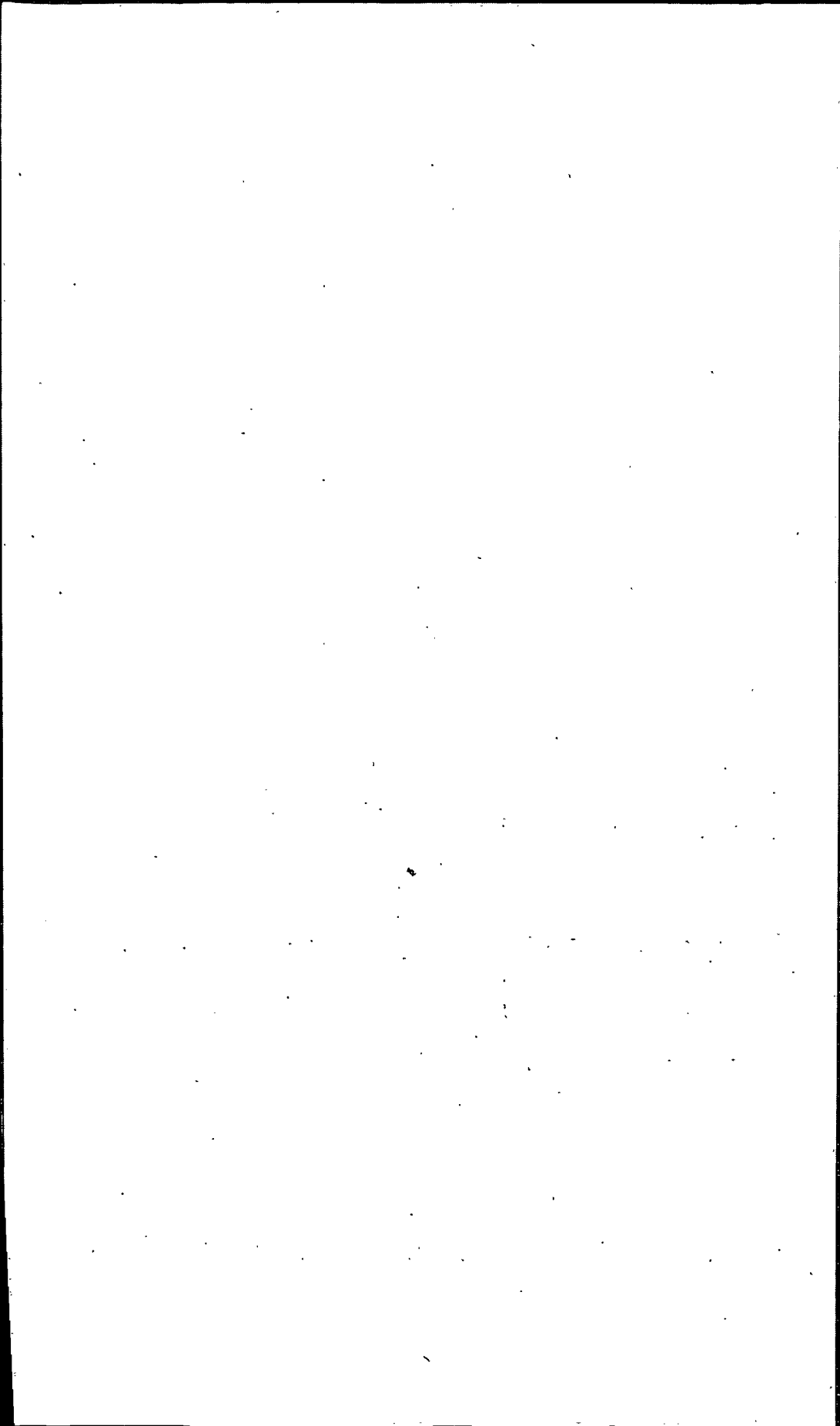
	Area Electricity Boards	Other industries		
Chairman	£12,600– £17,600	£12,750– £17,600(1)	14	6
Deputy Chairman	£9,600– £11,600	£9,000– £13,100(1)	15	3
Board member	—	£8,800– £13,100(2)	23	111

(1) Chairmen and Deputy Chairmen are paid on fixed salaries within these limits.

(2) Board members are paid on salary ranges within these limits.

Note: Part-time Chairmen and Deputy Chairmen are paid on a pro-rata basis.

Part-time Board Members normally receive a fee of £1,000.



APPENDIX B

LIST OF INDIVIDUALS AND ORGANISATIONS WHO GAVE EVIDENCE OR WHO ASSISTED IN THE DETAILED STUDIES AND INQUIRIES

Individuals who gave evidence to the Review Body

His Honour Judge Aarvold, O.B.E., T.D., D.L., Recorder of London
Mr. W. O. Campbell Adamson, Director-General Confederation of British Industry
Sir Douglas Allen, G.C.B., Permanent Secretary, Civil Service Department and Head of the Home Civil Service
Sir Philip Allen, G.C.B., former Permanent Secretary, Home Office
Rt. Hon. Sir William Armstrong, G.C.B., M.V.O., former Permanent Secretary, Civil Service Department and Head of the Home Civil Service
Mr. A. M. Bailey, then Assistant Secretary, now Under Secretary, H. M. Treasury
Mr. I. P. Bancroft, C.B., Second Permanent Secretary, Civil Service Department
Mr. R. Bateman, part-time Member, British Steel Corporation
Mr. J. W. Bourne, Deputy Secretary in Lord Chancellor's Office
Mr. A. F. L. Bowley, formerly with I.C.I., now an Industrial Consultant
Rt. Hon. Lord Boyd-Carpenter, D.L., Chairman, Civil Aviation Authority
Professor E. H. Phelps Brown, M.B.E., F.B.A., Emeritus Professor of Economics of Labour, University of London
Mr. R. N. Bruce, C.B.E., T.D., former Chairman, South Eastern Gas Board
Mr. J. C. Burgh, then Under Secretary, Community Relations Commission, now Deputy Secretary, Department of Prices and Consumer Protection
Mr. F. G. Burrett, C.B., Deputy Secretary, Civil Service Department
Mr. P. L. Burton, former Director, Civil Service Pay Research Unit
Mr. W. S. J. Carter, former Deputy Chairman, Imperial Tobacco Company
Field Marshal Sir Michael Carver, G.C.B., C.B.E., D.S.O., M.C., then Chief of General Staff, now Chief of Defence Staff
Mr. R. Chamberlain, T.D., Master of the Supreme Court, Chancery Division
Professor J. R. Crossley, Montague Burton Professor (Industrial Relations), Leeds University
Sir Charles Cunningham, G.C.B., K.B.E., C.V.O., former Permanent Secretary, Home Office
The late His Honour Judge Cussen, Circuit Judge
Rt. Hon. John Davies, M.B.E., M.P., former Secretary of State for Trade and Industry
Mr. R. F. R. Deare, Assistant Secretary, Ministry of Overseas Development
Rt. Hon. Lord Denning, Master of the Rolls
Sir Denis Dobson, K.C.B., O.B.E., Q.C., Permanent Secretary, Lord Chancellor's Office
Hon. Mr. Justice Donaldson, High Court Judge

Mr. J. R. M. Dryden, first as General Secretary of the Society of Civil Servants and subsequently as Secretary-General, Staff Side of the Civil Service National Whitley Council

Mr. E. F. Elfick, former Secretary-General of the Customs and Excise Controlling Grades Association

Sir Norman Elliott, C.B.E., former Chairman, Electricity Council

Dr. I. T. Field, former Secretary, Armed Forces Committee of the British Medical Association

Dr. N. M. Finniston, Chairman of the British Steel Corporation

Hon. Sir Henry Fisher, former High Court Judge

Mr. G. E. Fitchew, a Principal in H.M. Treasury

Air Chief Marshal Sir Christopher Foxley-Norris, G.C.B., D.S.O., O.B.E., former Chief of Personnel and Logistics, Ministry of Defence

Sir Arnold France, G.C.B., former Chairman (Permanent Secretary), Board of Inland Revenue

Mr. D. H. Fulcher, D.S.C., former Under Secretary in the Department of Health and Social Security

Mr. B. A. Gillman, first as General Secretary of the Association of First Division Civil Servants and subsequently as General Secretary of Society of Civil Servants

Mr. B. T. Gilmore, Assistant Secretary, Civil Service Department

Mr. B. Gottlieb, C.B., former Under Secretary, Post and Telecommunications Department

Hon. Mr. Justice Griffiths, M.C., High Court Judge

Mr. D. M. J. Gwinnell, Chairman of the Association of First Division Civil Servants

Mr. R. H. Godden, Secretary, Scottish Economic Planning Department

Sir Eric Griffiths-Jones, K.B.E., C.M.G., Q.C., Chairman, Commonwealth Development Corporation

Rt. Hon. Lord Hailsham of St. Marylebone, former Lord Chancellor

Mr. H. P. Hall, C.M.G., M.B.E., former Under Secretary, Ministry of Defence

Mr. J. E. Herbecq, then Under Secretary, now Deputy Secretary, Civil Service Department

Sir Arthur Hetherington, D.S.C., Chairman, British Gas Corporation

Mr. T. C. Hetherington, C.B.E., T.D., Legal Secretary (Principal Assistant Solicitor), Law Officers' Department

Mr. A. P. Hockaday, C.M.G., then Under Secretary, now Deputy Secretary Ministry of Defence

Mr. R. Jardine, then Assistant Secretary, Department of Trade and Industry, now Department of Industry

Mr. A. A. Jarratt, C.B., Managing Director of International Publishing Corporation, a former Deputy Secretary in the Department of Employment.

Rt. Hon. Aubrey Jones, former Chairman, National Board for Prices and Incomes

Sir Henry Jones, G.B.E., former Chairman, Gas Council

Mr. R. C. Kent, C.B., Deputy Secretary, Ministry of Defence

His Honour Judge King-Hamilton, Circuit Judge.

Hon. Mr. Justice Latey, M.B.E., High Court Judge

Mr. K. C. Lawrance, Under Secretary, Civil Service Department
 Mr. J. C. Leeming, Under Secretary, Civil Service Department
 Mr. J. C. Liverman, C.B., O.B.E., Deputy Secretary, Department of Energy
 Mr. W. McCall, General Secretary of the Institution of Professional Civil Servants
 Rt. Hon. Richard Marsh, Chairman, British Railways Board
 Sir Robert Marshall, K.C.B., M.B.E., former Secretary (Industry) Department of Trade and Industry, now Second Permanent Secretary, Department of the Environment
 Mr. E. J. T. Matthews, T.D., Master of the Supreme Court, Supreme Court Taxing Office
 Mr. P. Meinertzhagen, C.M.G., General Manager, Commonwealth Development Corporation
 The late Lord Melchett, former Chairman, British Steel Corporation
 Sir Peter Menzies, Chairman, Electricity Council
 Mr. C. E. Mills, Member, Gas Council
 Sir Frank Milton, Chief Metropolitan Magistrate
 Mr. R. Myles Gibson, Chairman, Armed Forces Committee of British Medical Association
 Mr. G. M. Parbury, Registrar of the High Court of Justice in Bankruptcy
 The late the Rt. Hon. Lord Parker of Waddington, former Lord Chief Justice of England
 Sir Anthony Part, G.C.B., M.B.E., first as Permanent Secretary, Department of Trade and Industry, and subsequently as Secretary, Department of Industry
 Major General P. F. Pentreath, M.B.E., former Signal Officer in Chief of the Army
 Rt. Hon. John Peyton, M.P., former Minister for Transport Industries
 Admiral Sir Michael Pollock, G.C.B., M.V.O., D.S.C., former Chief of Naval Staff
 Mr. B. T. Price, Director of Planning and Development, Vickers Ltd., a former civil servant
 The late Mr. R. D. V. Roberts, C.B.E., former Member, Electricity Council
 Mr. J. G. Robertson, President of the Association of Inspectors of Taxes
 Sir Philip Rogers, K.C.B., C.M.G., Permanent Secretary, Department of Health and Social Security
 His Honour Judge Rowe Harding, D.L., Council of County Court/Circuit Judges
 Sir William Ryland, C.B., Chairman, Post Office Corporation
 Sir Idwal Pugh, K.C.B., Permanent Secretary, Department of the Environment
 Mr. J. J. S. Shaw, C.B., former Deputy Secretary in Civil Service Department
 Air Marshal Sir Ernest Sidey, K.B.E., C.B., former Director-General, RAF Medical Services
 Air Chief Marshal Sir Denis Spotswood, G.C.B., C.B.E., D.S.O., D.F.C., former Chief of Air Staff
 His Honour Judge Steel, J.P., Council of County Court/Circuit Judges
 Dr. D. P. Stevenson, C.B.E., Secretary, British Medical Association
 His Honour Judge Stockdale, Council of County Court/Circuit Judges
 Hon. Mr. Justice Talbot, High Court Judge

Lieutenant General Sir Norman Talbot, K.B.E., T.D., former Director-General, Army Medical Services
 Mr. D. Taylor, Association of H.M. Inspectors of Taxes
 Sir Peter Thornton, K.C.B., Secretary, Department of Trade
 Mr. G. W. Totman, C.M.G., O.B.E., Finance Director, Commonwealth Development Corporation
 Admiral Sir Francis Turner, K.C.B., D.S.C., former Chief of Fleet Support, Ministry of Defence
 Mr. C. R. Walker, then Assistant Secretary, Civil Service Department, now Department of Energy
 Mr. I. S. Warren, Master of the Supreme Court, Queen's Bench Division
 Mr. D. W. G. Wass, C.B., then Deputy Secretary, now Permanent Secretary, H.M. Treasury
 Surgeon Vice-Admiral James Watt, Director General of Naval Medical Services
 Mr. J. A. Wedgwood, then Secretary, Electricity Council, now Deputy Chairman, South Eastern Electricity Board
 Rt. Hon. Lord Widgery of South Molton, O.B.E., T.D., Lord Chief Justice of England
 Professor P. J. de la F. Wiles, Professor of Russian Social and Economic Studies, University of London
 Mr. D. Williams, Deputy Secretary, Ministry of Overseas Development
 Sir Leslie Williams, C.B.E., former Secretary-General to the Staff Side of the Civil Service National Whitley Council
 Rt. Hon. Lord Wilson of Langside, Director of the Scottish Courts Administration
 Baroness Wootton of Abinger
 Mr. S. H. Wright, formerly an Under Secretary in H.M. Treasury

Individuals who gave evidence to the Advisory Groups

Mr. J. E. B. Drake, C.B.E., D.S.C., former Special Adviser, Civil Service Department
 Rt. Hon. Lord Guest, former Lord of Appeal in Ordinary
 Vice-Admiral Sir Raymond Hawkins, K.C.B., former Chief of Naval Supplies and Transport and Vice-Controller of the Navy
 Rt. Hon. Lord MacDermott, of Belmont, M.C., former Lord Chief Justice of Northern Ireland
 Mr. D. S. MacKenzie, Deputy Director of Scottish Courts Administration
 Sir Richard Powell, G.C.B., K.B.E., C.M.G., Deputy Chairman, Permanent Committee on Invisible Exports

Government Departments

Civil Service Commission
 Civil Service Department
 Department of Employment
 Department of the Environment
 Department of Trade and Industry
 Foreign and Commonwealth Office
 HM Treasury
 Board of Inland Revenue

Lord Chancellor's Office
Ministry of Defence
Ministry of Posts and Telecommunications
Northern Ireland Office
Scottish Courts Administration

Industry

PRIVATE SECTOR

British Leyland Motor Corporation Ltd
British Oxygen Co. Ltd.
British Petroleum Co. Ltd.
Commercial Union Assurance Co. Ltd.
The Dunlop Co. Ltd.
The General Electric Co. Ltd.
Hawker Siddeley Aviation Ltd.
Imperial Chemical Industries Ltd.
Imperial Group Ltd.
International Computers Ltd.
Lloyds Bank Limited
Longman Group Ltd.
Marks and Spencer Ltd.
National Westminster Bank Ltd.
Reed International
Richard Costain Ltd.
Royal Dutch Shell Group
Simon Engineering Co. Ltd.
Tube Investments Ltd.
Vickers Ltd.

In addition over 200 other companies co-operated in the Salaries Survey carried out by the Office of Manpower Economics.

PUBLIC SECTOR

British Airports Authority
British Airways Board
British Broadcasting Corporation
British Railways Board
British Steel Corporation
British Transport Docks Board
British Waterways Board
Cable and Wireless Ltd.
Central Electricity Generating Board
Eastern Electricity Board
The Electricity Council
The Gas Corporation
Independent Broadcasting Authority
National Bus Company
National Coal Board
National Freight Corporation
Post Office Corporation
Scottish Transport Group
South Eastern Electricity Board

PUBLIC SECTOR (*Continued*)

South of Scotland Electricity Board
U.K. Atomic Energy Authority

ORGANISATIONS

Association of County Court Judges (Circuit Judges)
The Bar Council
British Medical Association
Confederation of British Industry
Faculty of Advocates (Scotland)
Hay-MSL Ltd.
Liaison Committee of the Masters and Registrars of the Supreme Court
Northern Ireland Bar Council
Staff Side of the Civil Service National Whitley Council

APPENDIX C

COMPARISON OF SUPERANNUATION BENEFITS

Superannuation schemes in the public service

1. The principal features of the superannuation schemes for the civil service, armed forces and the judiciary, together with the maximum limits for approval under Inland Revenue rules, are set out in tabular form at Annex I. The schemes for the civil service and armed forces have recently been reviewed, and consideration is now being given to a rationalisation of the various schemes in existence for different parts of the judiciary. In general, the schemes conform to the maximum benefits permitted by the Inland Revenue for retirement at normal retirement age after a full career—a pension of two-thirds final salary after 40 years' service (or a pension of one-half final salary and a lump sum of three times accrued pension, which is the actuarial equivalent)—but there are some significant variations in the approach to each group which reflect their different career opportunities. All the schemes are covered by the Pensions (Increase) Act 1971, under which post-retirement increases are made to public service pensions annually to match increases in the cost of living.

2. *Civil Service.* A civil servant qualifies for a pension provided that he has served for 5 or more years; it is not payable until age 60 which is the normal retiring age. The annual rate of pension accrual is 1/80th of the best year's salary in the last three years so that the maximum pension which can accrue after a full career of 40 years is half that salary. In addition, he receives a lump sum equivalent to three times his accrued pension. The scheme is non-contributory, except in respect of the widow's pension which is one half of the pension her husband was receiving or would have received had he retired on ill-health grounds at the date of his death.

3. Staff with a mobility obligation (Executive Officers and above) who are prematurely retired in the public interest will, if they are over age 40, receive an annual payment equivalent to their accrued pension entitlement enhanced according to age up to a maximum of 5/60ths at 45 or over or what would have been obtained at minimum retiring age if less. They will also receive the superannuation lump sum enhanced in the same proportion and a compensation payment of 6 months' salary—the latter is tapered down from age 57 to extinction after age 59½.

4. *Armed Forces.* An officer of the armed forces qualifies for a pension payable immediately on retirement after a minimum of 16 years' service from age 21. At full career point, i.e. after 34 years' service from age 21, he will receive a pension broadly half the average pay rate over the last year of service. At the minimum retiring age, the rates lie between one-quarter and one-third of current rate of pay. In addition he receives a terminal grant equivalent to three times his annual rate of pension. An officer is also allowed to commute

up to half his pension at any time after he has retired. The widow's pension is one half of her husband's pension entitlement. The scheme is non-contributory.

5. *Judiciary.* On appointment, members of the higher judiciary qualify for a pension equivalent to one quarter of their annual salary on retirement and, Circuit Judges similarly qualify for a pension equivalent to six-fortieths of their annual salary on retirement. Other members of the lower judiciary must serve a minimum of 5 years to qualify. After 5 years' service, Circuit Judges are entitled to a pension equivalent to one quarter of their annual salary; thereafter the annual rate of accrual is 1/40th of their annual salary on retirement, similar to members of the higher judiciary, to produce a maximum pension after 15 years' service equivalent to half the last annual salary. For other members of the lower judiciary, the minimum pension after 5 years' service is three-sixteenths of their annual salary (or 25 per cent less than for the higher judiciary and Circuit Judge); the maximum pension equivalent to half the last annual salary accrues after 20 years' service. In addition, all members of the judiciary receive a lump sum equivalent to twice their accrued pension. The widow's pension is one half of her husband's pension entitlement. The scheme is non-contributory except in respect of the widow's pension. As mentioned in paragraph 1, a comprehensive review of the judicial pension arrangements is in progress.

Superannuation schemes in the nationalised industries

6. The principle features of the superannuation schemes for the main nationalised industries are tabulated in Annex II. Although there are some small variations between the various schemes, they all provide similar net retirement benefits to each other, and to the civil service. In most schemes, the pension is based on an annual rate of accrual of 1/80th of final salary and there is a lump sum benefit of three times accrued pension which may be surrendered for additional pension; in the other schemes, the annual rate of accrual of pension is 1/60th of final salary and there is an option to commute up to one quarter. In cash terms, both types of scheme are broadly equivalent.

7. The pension arrangements for Board members have been designed to give a wide measure of flexibility in order to deal with the great variety of pension backgrounds from which individuals may be drawn. In general, a Board member appointed from the staff of the industry remains in the staff scheme, and a member appointed from outside has the option of being pensioned in continuation of his existing arrangements or by analogy with the pension arrangements for the staff. Where it is considered to be justified, Ministers have discretion to improve upon the normal arrangements. Added years may be allowed within the Inland Revenue limits, but in view of the heavy cost involved, this discretion is used sparingly. There is also discretion to allow immediate death cover, immediate pension, and compensation as appropriate on premature termination of employment on grounds other than ill-health, and the purchase by the member of additional benefits within Inland Revenue limits by sacrificing salary.

Superannuation schemes in the private sector

8. Fully up-to-date comprehensive information about private sector pension schemes is not available. The main source of such information is the survey of occupational pension schemes undertaken by the Government

Actuary's Department (GAD) every three or four years. The most recent survey¹ which relates to 1971, examined over a thousand schemes. It is difficult to identify the 'average' private sector scheme; the hypothetical scheme, combining the best features of all the schemes, does not exist and would not be a valid standard by which to judge the public service schemes. Nonetheless, the survey shows that the public service schemes (as they stood then) did not compare unfavourably with most of the private sector schemes in the sample and, after the improvements made in 1972, they compare well. 'Staff' schemes were defined as schemes open to non-manual employees, and perhaps to manuals as well; two thirds of the members of all private sector staff schemes were covered for pensions accruing at 1/60th of final salary or better, and 45 per cent of staff scheme members were in schemes giving widows pension cover other than by allocation from the husband's pension—although in many cases cover is not given for both death in service and death after retirement as it is in the public service. About 70 per cent of members were in schemes with some arrangements for post-retirement increases but these arrangements often fell short of full protection against price increases. In these three important respects, therefore, the public service schemes were in line with the better private sector staff schemes. The 1971 survey concluded that "there has been no marked improvement [since 1963] in the extent to which preserved benefits are actually awarded on exit from pension schemes". In this regard, the public service schemes are generally better than those in the private sector, following the recent reviews.

9. Information on superannuation arrangements was obtained in the survey of top management remuneration carried out by the Office of Manpower Economics on behalf of the Top Salaries Review Body in 1973. (Detailed results of this survey are given in Appendix L). This showed that over 98 per cent of top management posts (defined in the survey as Board members and senior executives reporting directly to a Board member) were provided with superannuation cover. The majority were either covered by individual arrangements or were in special senior executive pension schemes, either alone or in addition to the basic industry or company staff pension scheme. About half of those who were late entrants with less than 20 years' service before normal retirement age were benefiting from discretionary arrangements to enhance pensions. In this respect the superannuation arrangements for top management in the private sector are generally better than in the public service. For virtually all posts, the relevant pension schemes provided for the maximum pension of two-thirds final salary permitted by the Inland Revenue at normal retirement age after a full career. Over 80 per cent of posts were in schemes with some arrangements for post-retirement increases, but only about 10 per cent gave full protection against price increases. In this regard, the superannuation arrangements for top management in the private sector were worse than those in the public service, as they were also in respect of the provision of a widow's pension: over 20 per cent of posts did not benefit in this way even in the event of death after retirement.

Assessment of retirement benefits

10. The values, expressed as a percentage of current salary, of the retirement benefits enjoyed by the senior grades of the Higher Civil Service, senior officers

¹Occupational Pension Scheme 1971, Fourth Survey by the Government Actuary, 1972.

of the armed forces, the judiciary, the Chairmen and members of nationalised industry Boards and the private sector have been calculated by the Government Actuary's Department, and are in Annex III. Details of the pension arrangements for the private sector are based on information available on a reasonable sample of large private companies.

11. There are three major difficulties in making calculations of this nature. First, it would be unrealistic to restrict them to the pension benefits earned in respect of service as a top executive. For example, if a civil servant retires as an Under Secretary, his pension benefits for all his service will be based on his salary as an Under Secretary, not just the benefits for his service in that grade. Equally, the value of the pension rights accruing to an Under Secretary age 50 is greatly affected by his subsequent career; they are much greater if he is subsequently promoted to Deputy Secretary or Permanent Secretary than if he remains an Under Secretary.

12. This problem has been dealt with by calculating the percentage contribution rate payable throughout a full career (taken as 40 years) to secure the benefits for a civil servant who retires after a typical career at one of three salary levels:

- I - final salary equivalent to Permanent Secretary
- II - final salary equivalent to Deputy Secretary
- III - final salary equivalent to Under Secretary

Similarly a full 40 year career in the other services has been assumed, apart from the armed forces where a career of about 35 years (with a retirement at age 55) has been taken, and the judiciary where a career of 15 to 20 years starting at age 50 or a little earlier has been used:

13. In the public sector, it is usual for most benefits to vary directly with length of service. For top management in the private sector, there is often provision for benefits to be enhanced on a discretionary basis for those with less than 40 years' service, so that those with 20 or more years' service may be given benefits that are little, if at all, smaller than those awarded for a 40-year career (paragraph 9 above). To the extent that they are used, the value of pension rights in the private sector for those with less than 40 years' service may be more valuable, relative to those in the public sector, than the table in Annex III would indicate.

14. The second major problem is that, since virtually all the schemes concerned are final salary schemes, the percentage contribution rate depends on the salary progression throughout the career. It has not been possible to investigate typical career patterns in the various groups and organisations considered; indeed, at these levels, it is doubtful if there is such a thing as a typical career. In every case, therefore, the three typical career patterns described in paragraph 12 above have been used, though it may well be that they are not strictly relevant elsewhere than in the civil service. The same basis has also been used throughout for rates of interest, rates of mortality, proportions married, salary inflation etc. as these are unlikely to vary greatly from scheme to scheme.

15. The third problem concerns ages of retirement. Most of the superannuation schemes give a minimum age at which retirement can take place with full benefits. In general, in these cases it has been assumed that retirement

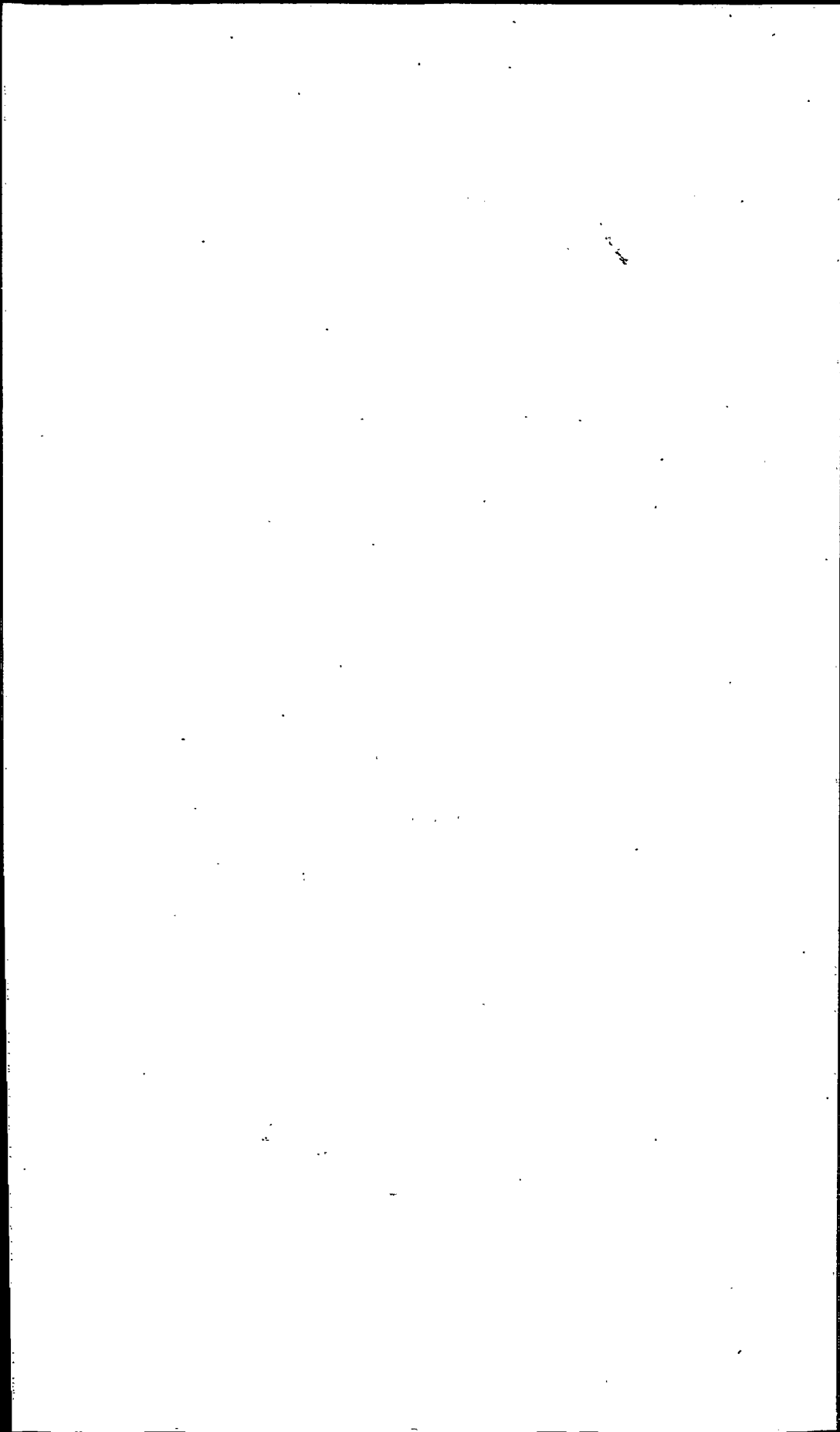
will take place at that age. In practice, in some schemes members may well serve on beyond that age, and in others they may be allowed to retire earlier with little, if any, loss of pension rights. Finally, for the armed forces and the judiciary no fixed retirement ages are laid down and an average age at retirement of 55 years for the former and between 65 and 70 years for the latter has been assumed (paragraph 12 above). It should be noted that the contribution rates are very sensitive to the assumptions regarding age of retirement: for example, the contribution rate for a High Court Judge serving the full qualifying period for maximum pension who retires at age 65 is 37 per cent, at age 70 is 23 per cent and at age 75 is 17 per cent.

16. The benefits which have been taken into account are those payable on retirement on grounds of age and widow's pensions or lump sum benefits payable either on death in service or on death after retirement. Ill health and withdrawal benefits have been ignored. Account has been taken in the public sector of entitlements to increases under the Pensions (Increase) Act 1971, and in the private sector of any practice of the company concerned to increase pensions after award. The contribution rates have been reduced by the gross amount of any contribution payable by the members. No account has been taken of the tax relief that may be given on members' contributions, or of whether or not the benefits were taxable.

17. From an examination of the values given in Annex III, the difference between the figures for the various groups and organisations, and in particular between the civil service and industry, both in the nationalised and private sectors, may seem large given the basic similarity of the schemes. Nevertheless, they are almost wholly accounted for by two elements of disparity—the assumed age at retirement and the rate of personal contribution. Variations in lump sum and widow's pension provision play a relatively minor part in producing the differences in contribution rates.

Value of superannuation benefits as percentage of current salary

- Annex I Principle features of superannuation schemes – Public Service
II Principle features of superannuation schemes – Nationalised Industries
III Comparative contribution rates as percentage of current salary



ANNEX 1 — PRINCIPAL FEATURES OF SUPERANNUATION SCHEMES — PUBLIC SERVICE

(Including Inland Revenue limits)

	Civil Service	Armed Forces (Officers)	Judiciary	Maximum for approval under I/R Rules (at normal retirement age)
Retirement benefits				
Pension				
Normal pension age	60	37–55	After 15 yrs or 75 for Higher Judiciary. After 15 yrs service and 65 or 72 for Lower Judiciary	60–70 men/55–60 women
Minimum length of service	5	16	Mainly nil but 5 yrs for some lower judiciary	Nil
Annual rate of accrual	1/80	According to published tables	Equal to 1/30 for Higher Judiciary and some Lower Judiciary and 1/40 for rest	1/60 (2)
Salary to which related	Final (4)	Terminal	Terminal	Final (5)
Maximum pension at normal retiring age	1/2	Approx 1/2 after 34 years service (3)	1/2	2/3
Preservation and transferability	Preserved after 5 years' service transfer—public sector	Payable on retirement	Payable on retirement	(including lump sum benefit converted on a basis of £9 lump sum to £1 pension).
Lump Sum				
Annual rate of accrual	3/80	According to published tables	Equal to 1/15 and 1/20	The maximum lump sum available whether as benefit or result of commutation of part of pension is $120/80 \times$ final salary and may be paid after a minimum of 20 years' service on a system of uplifted 3/80ths similar to uplifted 1/60th. The maximum lump sum may be paid whether or not the maximum benefits (i.e. pension + lump sum) are paid.
Salary to which related	Final (4)	Terminal	Terminal	
Maximum proportion to pension (years)	3	3 (3)	2	
Commutation Maximum proportion of pension (%)	—	Currently 50	—	
Death in service benefit				
Proportion of salary (years)	1 (7)	3 $\times$ accrued pension (6) or 2 $\times$ maximum pension	1	4 plus refund of contributions with interest
Qualifying period	Nil	Nil	Mainly nil but 5 yrs for some Lower Judiciary	—
Widow's pension				
Proportion of pension	1/2 (1) (9)	1/2 (9)	1/2 (1)	2/3
Children's pension				
Proportion of pension per child				} 2/3 per child subject to a total of 3/3
a. Where there is a widow	1/4 up to 2 children (1)	1/4 up to 2 children	1/4 up to 2 children	
b. No widow (if different)	1/3 up to 2 children	1/3 up to 3 children	1/3 up to 3 children	
Death after retirement benefit (no widow)				
Proportion of pension guaranteed payable	1 (8)	Nil	1 (8)	10 (but if guarantee does not exceed 5 years outstanding payments may be commuted)
Contributory or non-contributory	non-contributory	non-contributory	non-contributory	

Notes: (1) Separate contributory scheme

(2) Late entrants can have accelerated accrual so as to provide maximum benefits after 10 years' service

(3) Known as retired pay and terminal grant

(4) Best of last 3 years

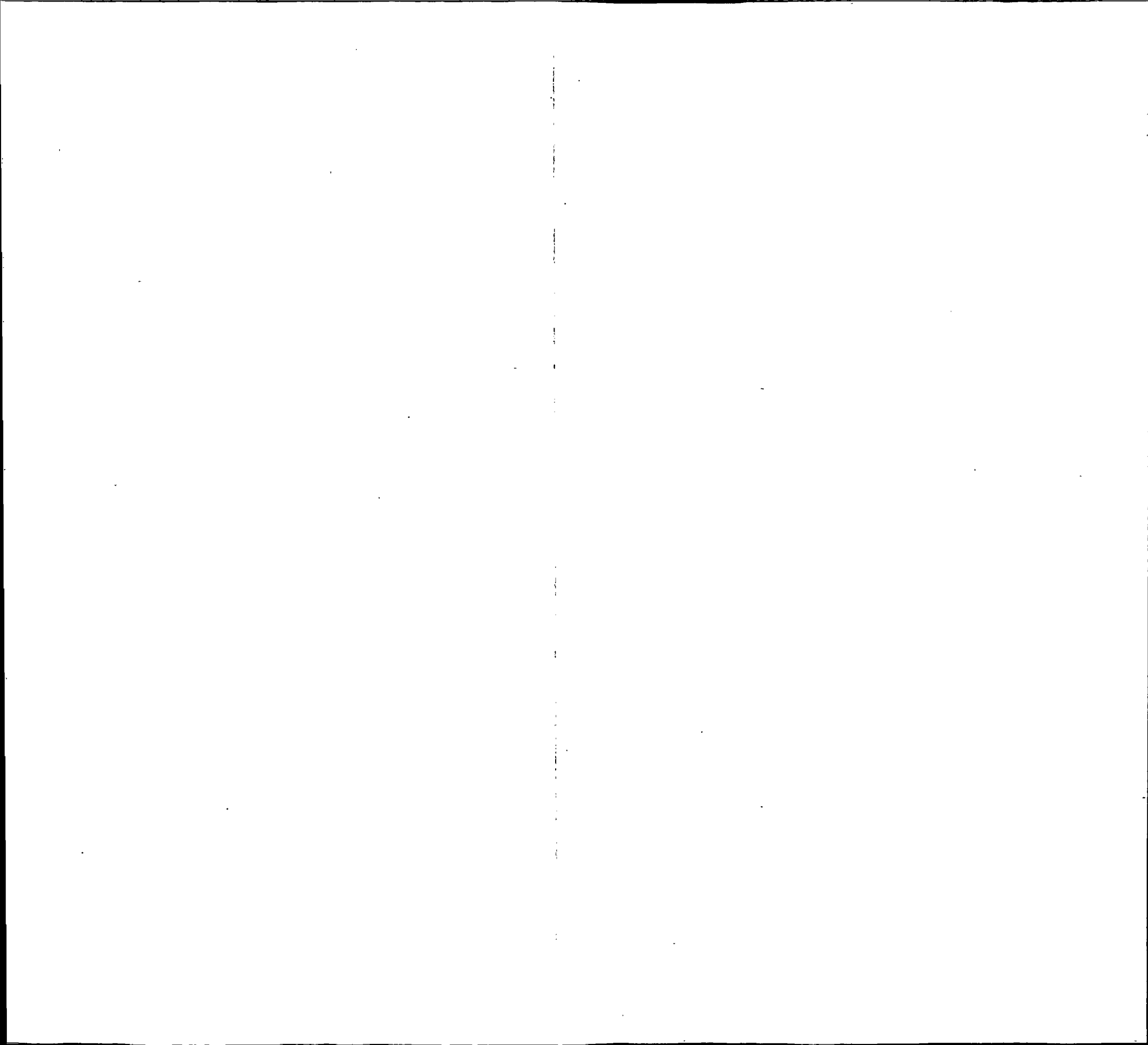
(5) Any of last 5 years or best 3 or more consecutive years in last 10 years

(6) Payable to widows, children or dependants

(7) Or 3/80 a year of service, if better

(8) Less benefits already received

(9) For first 3 months receives equivalent of husband's salary or pension being paid at time of his death



ANNEX II—PRINCIPAL FEATURES OF SUPERANNUATION SCHEMES—NATIONALISED INDUSTRIES

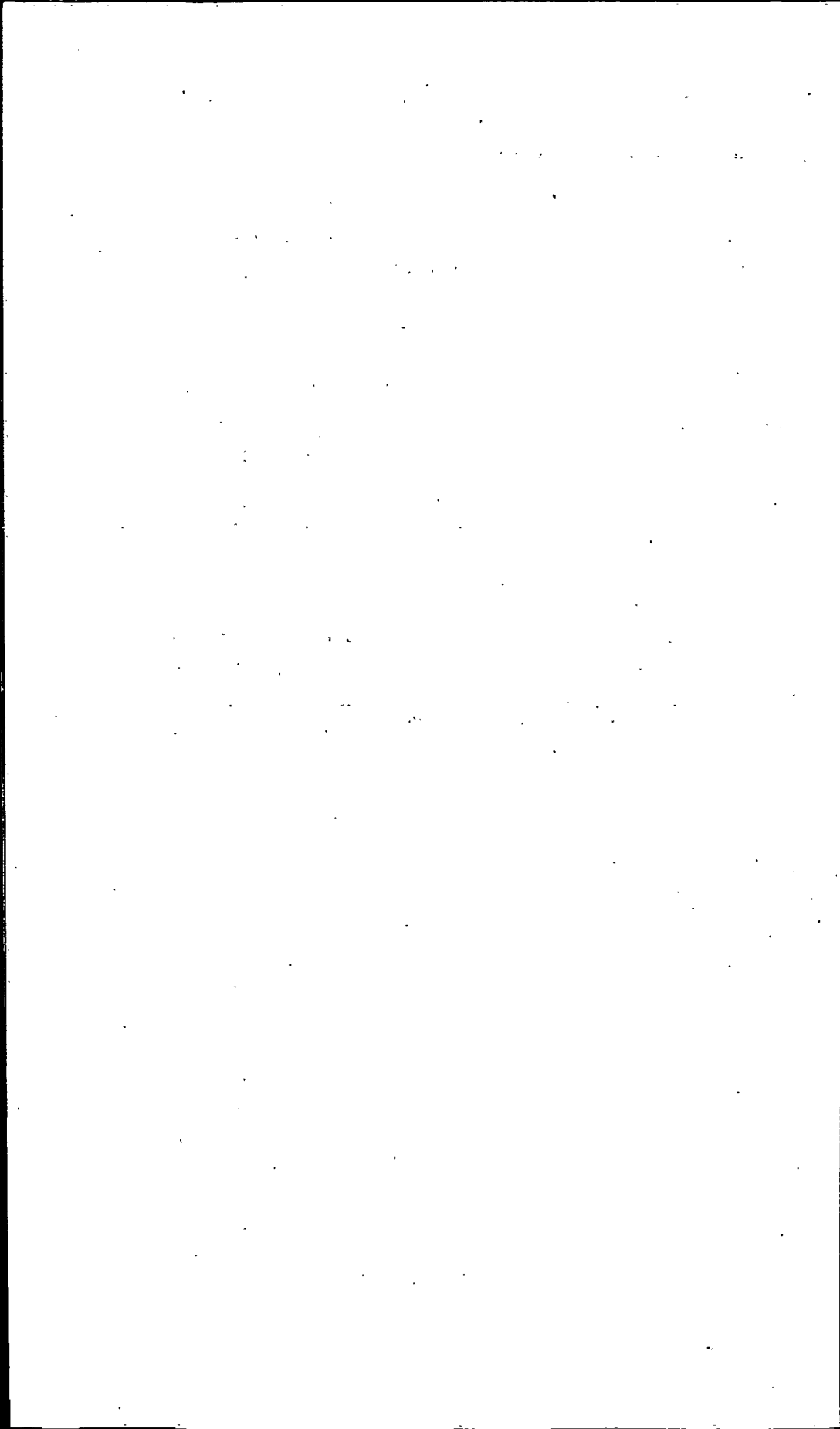
Retirement Benefits	Coal	Electricity	Gas	Steel (Fully modified)	Rail (Fully modified)		Airways	Post Office	Airports
Pension:									
Normal Pension Age	65 (60 Women)	65 (60 Women)	65 (60 Women)	65 (60 Women)	62 (60 Women)		63 (60 Women)	60	65 (60 Women)
Minimum service (Qualifying period) ...	10 years	5 years	10 years	5 years	5 years		5 years	10 years	5 years
Annual rate of accrual ...	1/80th	1/80th	1/60th	1/80th	1/60th		1/60th	1/80th	1/80th
Salary to which related ...	Final year	Final year	Best in last 5 years	Average of best 3 in last 12 years.	Final year		Average of best 3 in last 6 years	Average of best 3 in last 10 years.	Final year
Maximum pension at normal retiring age ...	$\frac{1}{2}$ salary or $\frac{2}{3}$ salary if lump sum surrendered.	$\frac{1}{2}$ salary or $\frac{2}{3}$ salary if lump sum surrendered.	$\frac{2}{3}$ salary	$\frac{1}{2}$ salary or $\frac{2}{3}$ salary if lump sum surrendered.	$\frac{2}{3}$ salary		$\frac{2}{3}$ salary	$\frac{1}{2}$ salary	$\frac{1}{2}$ salary or $\frac{2}{3}$ salary if lump sum surrendered.
Preservation and transferability ...	Preserved after 10 years service. Transfer—public sector.	Preserved after 5 years service. Transfer—public sector.	Preserved after 10 years service. Transfer—public sector.	Preserved after 5 years service. Transfer—public sector.	Preserved after 5 years service. Transfer—public sector.		Preserved after 5 years service. Transfer—public sector.	Preserved after 10 years service. Transfer—public sector.	Preserved after 5 years service. Transfer—public sector.
Lump sum:									
Annual rate of accrual ...	3/80th	3/80th	—	3/80th	—		—	3/80th	3/80th
Salary to which related ...	Final year	Final year	Final year	As for pension	—		—	As for pension	As above
Maximum proportion to pension (years) ...	3	3	—	3	—		—	3	3
Commutation:									
Maximum proportion of pension ...	—	—	25%	—	25%		25%	—	—
Death in Service Benefit:									
Proportion of salary (years) ...	1 or 3/80th	1 or 3/80th	1 or 3/40th	1 or 3 years ill-health pension	Married man: 1 × ill-health pension Single man: 5 × ill-health pension		1 or 2 years if death occurs through an air accident	1 $\frac{1}{2}$ (or 3/80) after 10 years	1 or 3/80th per year
Qualifying period ...	Nil	5 years	5 years	Nil	5 years		Nil	varying lesser amounts between 1 and 10 years service	5 years
Widows Pension:									
Proportion of pension ...	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{2}{3}$ of ill-health pension		$\frac{1}{2}$	$\frac{1}{2}$	$\frac{1}{2}$
Qualifying period ...	Nil	5 years	10 years	Nil	5 years		Nil	10 years	5 years
Children's Pension:									
Proportion of pension per child									
a. Where there is a widow ...	15% for first, 30% for more than one child.	£100 for first plus £95 for each other child.	£117 for first plus £111 for each other child.	$\frac{1}{4}$ for 1 child 5/12 for 2 or more children	$\frac{3}{8}$ for 1 child $\frac{5}{8}$ for 2 or more children		$\frac{1}{8}$ for each child up to a maximum of 4 children	$\frac{1}{8}$ for 1 child $\frac{1}{4}$ for 2 children $\frac{1}{2}$ for 3 or more children	$\frac{1}{4}$ for 1 child $\frac{1}{2}$ for 2 children or more
b. No widow (if different) ...	Double above	Increase by £30 per child	Increase by £36 per child	Double above	Double above		Double above	2/9 for 1 child 4/9 for 2 children $\frac{2}{3}$ for 3 or more children	$\frac{1}{3}$ for 1 child $\frac{2}{3}$ for 2 or more children
Death after retirement benefit:									
Proportion of pension guaranteed payable ...	5	5	5	5	As for death-in-service less benefits paid		As for death-in-service less benefits paid	5	As for death-in-service less benefits paid
Contributory or non-contributory ...	Contributory	Contributory	Contributory	Contributory	Contributory		Contributory	Contributory	Contributory

ANNEX III

VALUE OF SUPERANNUATION BENEFITS AS PERCENTAGE OF CURRENT SALARY

Group or Organisation	Salary Range		
	Final Salary level equivalent to:		
	Permanent Secretary I	Deputy Secretary II	Under Secretary III
Civil Service	per cent 30	per cent 23	per cent 20
Armed Forces	(Field Marshal or General 45)	(Lieutenant General) 33	(Major General) 29
Judiciary	(High Court Judge) 30	(Circuit Judge) 30	(Metropolitan Magistrate) 23
Nationalised Industries:			
Coal	17	13	10
Airways	20	15	12
Electricity	16	12	10
Gas	18	14	11
Steel	14	11	9
Post Office	23	17	14
Private Sector — average of 80 companies	22	19	15

- Notes: 1. These percentages apply to gross salaries, i.e. before deduction of superannuation contributions.
2. The assumptions made as to career length and age at retirement are set out in the text.
3. The value of superannuation benefits shows the total contribution rate needed i.e. net of employee's contributions where applicable.



APPENDIX D

JOB COMPARABILITY STUDY FOR THE SENIOR GRADES OF THE HIGHER CIVIL SERVICE AND SENIOR OFFICERS OF THE ARMED FORCES: A REPORT BY AN ADVISORY GROUP UNDER Mr. H. W. ATCHERLEY'S CHAIRMANSHIP

Introduction—the Group's remit and membership

1. The Advisory Group was appointed to carry out a job comparability study for the senior grades of the Higher Civil Service and senior officers of the armed forces with the aim of establishing a reasonable sample of jobs at comparable levels of responsibility in industry (both private and nationalised), commerce and finance, and of providing information on salaries and other conditions of service (including superannuation arrangements) and fringe benefits attached to them. We were also invited to express views in the light of the study on the use of job comparison methods in the future; and on the principles which should govern pay at these levels in the two public service sectors. The Review Body appointed one of its members, Mr. H. W. Atcherley (former Personnel Co-ordinator of Royal Dutch Shell) as Chairman of the Group, and Mr. W. S. J. Carter (former Deputy Chairman of the Imperial Tobacco Group), Sir Charles Cunningham (former Permanent Secretary at the Home Office and subsequently Deputy Chairman of the United Kingdom Atomic Energy Authority), Admiral Sir Francis Turner (former Chief of Fleet Support and member of the Admiralty Board), Mr. J. J. S. Shaw (former Deputy Secretary at the Civil Service Department), Major General P. F. Pentreath (former Signal Officer in Chief of the Army) and Mr. D. L. Pearson (a serving Under Secretary) as members.

The scope of the inquiry

2. Our remit covered Major Generals and above; and equivalent levels in the Royal Navy and Royal Air Force (262 posts),¹ and Under Secretaries and above in the Higher Civil Service (722 posts).² The Ministry of Defence provided us with a sample of 31 armed forces posts with job descriptions, from which we selected 13 for detailed examination and consideration. The Civil Service Department similarly provided a sample of 56 posts with job descriptions, from which we selected 26 for the same detailed treatment. Our selection of posts for examination covered a cross-section of types of job in each environment. Initially we consulted the Chairmen of seven large organisations in the private sector and, later, to satisfy ourselves that the field covered was sufficient, we enlarged it to ten, as follows:

¹198 Major Generals and equivalent (2-star), 42 Lieutenant Generals and equivalent (3-star), 21 Generals and equivalent (4-star) and one Field Marshal or equivalent (5-star) posts.

²496 Under Secretaries, 124 Deputy Secretaries, 14 Second Permanent Secretaries, 20 Permanent Secretaries, 3 Permanent Secretaries paid an additional £1,000 and 65 on intermediate pay points. These figures include 290 posts which were formerly in the scientific and other professional classes.

British Oxygen Company
Commercial Union Assurance Company
Imperial Chemical Industries Limited
Imperial Tobacco Group
International Computers Limited
Marks and Spencer Limited
National Westminster Bank Limited
Royal Dutch Shell Group
Tube Investments Limited
Vickers Limited.

We discussed with the Chairmen the selection of posts likely to afford a reasonable degree of comparability, taking account of the desirability that some should be at or below the lower border line. We agreed on 36 posts for on-the-spot examination. The outside field initially chosen had been suggested to the Review Body by the management consultants appointed to advise us, and the extension was proposed by us in the light of our experience. We were satisfied that it was appropriate to look for the comparisons in large organisations, since they were most likely to provide a reasonable similarity of structure to the highest levels of the civil service and the armed forces. We were concerned that our study should cover a cross-section of these large organisations in industry, commerce and finance, and were satisfied that our sample as extended achieved this.

3. We also consulted the Chairmen of three of the largest nationalised industries, and subsequently, to strengthen this part of the sample, we enlarged it to four, as follows:

The British Airways Board
British Rail
The British Steel Corporation
The Electricity Supply Industry

and selected 19 posts for detailed examination. We chose those posts which seemed to us to offer a reasonable expectation of comparability with the internal field, although in a few cases it did not prove possible to draw reliable comparisons, either on a functional basis or on a general basis.

4. In addition, we consulted a number of senior people who had experience of moving from the private sector to one of the other sectors (or in the reverse direction), in order to get a first-hand impression of that experience.

Method of conducting the inquiry

5. We were provided with detailed written descriptions of each job in the internal sample and of over half of the jobs selected for the external sample. Each job selected was normally examined by a team of three members of the Group, one each from industry, the civil service and the armed forces, each of whom was able to bring to bear direct knowledge and recent experience of his particular environment, and it was particularly helpful that some members of the Group had considerable knowledge of more than one environment. Each team was supported by a management consultant or by a member of the Office of Manpower Economics Secretariat. In this way, we were able to take full advantage of the knowledge and experience of all members, and thus to broaden the basis of the study rather beyond the strict limits of the sample.

In addition, it was essential to the process that, in the course of successive interviews and subsequent discussions, each member should acquire an adequate understanding of the other environments than his own to provide a basis for judgment about the relationship between jobs in different areas.

6. Each interviewing team prepared its own description of the job in the light of the interview both to bring out all relevant elements of it and to ensure consistency of standards in the assessments. These job descriptions formed the basis of the Group's later assessments and comparisons, and it was therefore essential from the point of view both of the success and of the acceptability of the study to ensure their accuracy. Our normal practice was to give each job holder the opportunity to comment on the description of his job; as it happened, where there were comments, no fundamental differences were involved.

7. For the internal field, our remit related to the existing structure in each area. We began our task by a detailed examination of the jobs in it: this enabled us to establish a common viewpoint on the relative importance of jobs in the two sectors. We were able to reach an understanding among ourselves on this, and to satisfy ourselves of the acceptability of the relationships between the various levels in the armed forces and the civil service. Having done this, it became possible to apply our common understanding to the comparison of the private sector and nationalised industry jobs in the sample with the various levels in the armed forces and the civil service: for convenience, we have described them by reference to armed forces ranks in "star" terms. We recognise, of course, that there is nothing in the private sector that is analogous to the rank and grading systems which run right across the sectors of the internal field. But since we were considering individual jobs, we were satisfied that this did not distort the picture.

8. Our collective judgments were reached through detailed examination and consultation, in which we were assisted by the consultants. In this process, members of the interviewing teams described the impressions formed of each job, and drew comparisons both with various jobs and with general conditions in their respective environments, and also with other jobs which they had seen in the course of the interviewing programme. In this way, we arrived at a consensus view. We found it possible to form a judgment about the broad equivalence of virtually every job in the sample to others we had seen, although detailed comparison was more difficult, as some jobs had little in common with any jobs in other environments and, indeed, we found significant differences in type and content between jobs at comparable levels in the same environment.

Functional comparisons

9. In order to test the assessments which we had made, we sought to establish links between jobs in the different sectors on the basis of functional similarity. We found that the results justified and supported the comparisons we had already made of a more general character, based on the requirements of each job in terms of judgment, executive content and so on. We were not able to apply a functional approach in every case: the problem was particularly difficult in relation to those civil service jobs which were primarily concerned with policy-making involving national issues, which tended to defy functional comparison with individual jobs in the other environments. In these cases, reliance had to be placed almost entirely on the more general comparisons and

on the relationship between such jobs and others in their own environments which had greater functional similarity with those elsewhere. Where such functional similarity did exist, direct comparisons were facilitated. On the one hand, we examined a number of line management posts where the job holder's main responsibilities involved the direction of operations and, generally, control of large numbers of staff engaged in the implementation of the organisation's policies. On the other hand, we identified four specialist support functions which featured in more than one environment: finance, legal, personnel and technical.

10. Our sample included 43 line management posts, six in the armed forces, six in the civil service, 11 in the nationalised industries and 20 in the private sector. There were enough to provide an adequate field of comparison between Major Generals in the armed forces (four posts), Under Secretaries in the civil service (four posts), and equivalent levels in the nationalised industries (five posts) and the private sector (ten posts). At 3-star level, the sample included ten line management posts, covering all four sectors.

11. Our sample included ten finance posts (four in the civil service, two in the nationalised industries and four in the private sector): four other posts in the private sector were concerned with planning but also had a substantial finance content. We found a marked degree of similarity between these posts, which were commonly concerned with the provision of advice on the allocation of financial resources; appraisal of proposals for capital investment; and participation in, or influencing of, general policy making.

12. There were two legal posts in our sample (one in the civil service and one in the private sector), and the functional similarity is obvious. The primary requirement is for professional expertise and judgment. The job holders interviewed also spent time in organising the work of their professional subordinates and other staff; in providing legal services; and in identifying the legal implications of general policies.

13. Our sample included seven personnel jobs, covering all four sectors. The weight of each job seemed to us to be particularly influenced by features such as the amount of participation in the making of personnel policies; the number of personnel functions for which the job holder was responsible, directly or indirectly and, in particular, the extent to which he was personally involved in negotiation; the number of staff in the organisation; and the number of other functions for which he was responsible (for example, one covered management services as well as personnel functions).

Analysis of jobs examined in the external field

14. Of the 19 jobs which we examined in the nationalised industries, 11 were concerned with line management, one with personnel management and two with finance. All had close functional similarities with jobs which we examined in the civil service and the armed forces. One of the five remaining jobs was concerned with planning, and we found no close functional similarity between it and other jobs which we examined. Four were concerned with technical questions, and it was clear to us from our combined knowledge and experience that there would be no difficulty in finding posts with comparable technical responsibilities in the other environments, although there was only one such technical post amongst the jobs which we examined.

15. Of the 36 jobs which we examined in the private sector, 20 were concerned with line management, four with personnel management, one with legal matters and four with finance. We found that all of these had close functional similarities with jobs which we examined in the civil service and the armed forces. In addition, the four jobs which were concerned with planning (to which we refer in paragraph 11 above) had some similarity to jobs in the public sector carrying heavy finance responsibilities. Two jobs were concerned with marketing and, although both had responsibilities *inter alia* for line management and for planning, we concluded that detailed functional comparisons were not possible. There was also one technical job.

General findings on job comparability

16. We found it possible to compare the jobs in the sample within and between the sectors which we have examined, and further direct comparison of functionally similar jobs supported the judgments made. As a result, we have been able to identify jobs in the private sector and nationalised industries which, in our opinion, correspond to the rank and grading levels established in the civil service and the armed forces. We identified only two jobs above the 4-star level, and decided that it would not be of direct assistance to the Review Body if we were to look for further outside jobs at 5-star or higher levels. This is, of course, only a first step in the process of determining pay at these levels in the civil service and the armed forces. The next step is to discover what pay and other benefits can be taken as generally representative in the private sector and nationalised industries for posts found to be comparable with the standards of the ranks and grades. After that, it is necessary to consider the principles properly applicable to the translation of such information into salaries etc. appropriate to top jobs in the civil service and armed forces, taking due account of environmental differences. We discuss below, first, pay and other benefits attached to the jobs in the outside field which we have studied and, second, pay principles, as further contributions to the Review Body's task in formulating its pay recommendations. The general conclusion which we draw from our study is that job comparison constitutes a valuable and indeed necessary part of the process of determining pay at these levels.

Salaries and conditions of service of private sector and nationalised industry posts in the sample

17. We were invited by the Review Body to provide information on salaries and other conditions of service (including superannuation arrangements) and fringe benefits attached to the outside jobs found to be comparable. We wish to make it clear that we completed our assessments of the jobs in the sample before we referred to the information on salaries etc., and our assessments were not influenced by it. The information was relevant to our discussion of pay principles. We found that the information indicated very clearly that a wide range of salaries is paid in private industry and the nationalised industries for jobs of much the same size. Our consultants confirmed that in their experience different companies paid substantially different rates for jobs of similar size.

18. Because we knew that there was wide variation in private sector salaries, from the outset we considered that, to provide an adequate picture of remuneration outside as a basis for judgment of salary levels for the civil

service and the armed forces, additional information would be desirable: it was for this reason that we extended the sample. We also invited our consultants (on the basis of their own salary survey) to provide information on the range of salaries generally paid in outside industry for jobs of comparable weight to those we had examined in this sector. In order to do this, the consultants had to evaluate the jobs in the private sector and the nationalised industries in their own terms.

Our conclusions on the use of the job comparison methods

19. We are satisfied that the methods we have used in our study provide a reliable basis on which to assess pay at these levels. We consider that, for the immediate future, the information on pay and other conditions of service could be brought up to date, without requiring a further large-scale study. However, in the longer term, it would be important to take account of possible changes in rank and grading standards, or in private sector practices. Checks of job comparability across the sectors, perhaps every five years or so, would achieve this.

Range pay and responsibility allowances

20. We have also considered the question of range pay, which the Fulton Committee proposed should be introduced at least at Under Secretary level. Some of us are attracted to this proposal in principle, and believe that it would be workable at Under Secretary and possibly Deputy Secretary level, whether based on job weight, on assessment of performance, or on a combination of the two. Much of the criticism of the concept would be met by publishing only the limits of the range. We agreed that range pay would not be appropriate for Permanent Secretaries, and we can see practical difficulties in the way of its application in the armed forces.

21. In our view there is good reason to review the existing practice of paying responsibility allowances to certain senior officers in the armed forces. We recognised that, because of the rank structure, it may be necessary for jobs of markedly different size and nature to be held by officers of the same rank and that, in these circumstances, a responsibility allowance may be justified. However, the payment of a responsibility allowance at the "5-star" level, where there is only one appointment, clearly cannot be justified on this account. In our opinion, this is an anomalous arrangement, which has implications for pensions, and to which we draw the Review Body's attention. We consider that the 5-star salary itself ought to take account of the full range of duties.

Pay principles

Senior grades of the Higher Civil Service

22. We have considered in some detail the principles which have been applied in determining the salaries of the senior grades of the Higher Civil Service since the Report of the Royal Commission on the Civil Service 1953-55 (the Priestley Commission) which recommended that the outside salaries which should be taken into account in determining pay at these levels should be those in industry (private and nationalised), commerce, finance, other public services (for example, senior posts in the Local Authorities) and the universities. In its Ninth Report in 1969, the Standing Advisory Committee on the Higher Civil Service (the Plowden Committee), which accepted the Priestley Com-

mission's concept, laid greater emphasis on comparison with industry, finance and commerce. We agree with this view.

23. We have considered whether the nationalised industries should continue to feature in the field of comparison, bearing in mind that pay at the highest levels in that sector itself takes account of levels of remuneration in the private sector and, so far as Chairmen and Board members are concerned, is covered by the Review Body. Nevertheless, we consider that the nationalised industries should continue to be included: although they are part of the public sector, they may from time to time recruit top managers from private industry and, in certain respects, are closer to the private sector than to the civil service. In addition, we found useful comparisons both at Board level and immediately below and, in some cases, they provided a useful "bridge" in terms of job type and content between the civil service/armed forces and the private sector.

24. Comparison with other areas of the public service also raises questions of circularity and possible "leap-frogging". In Local Government, for example, a number of jobs have functional similarities to the civil service, and these will increase after the forthcoming re-organisation into larger units. But regard is paid to civil service salary levels in determining top Local Government pay. We consider that senior university appointments are of very limited relevance since, apart possibly from Vice-Chancellors and Registrars, there is, in general, no functional similarity to civil service jobs. In any case, in the past civil service salaries have had some influence on senior university salaries. We have considered too the existing *de facto* equation of the salaries of the High Court Judge and the Permanent Secretary which the Review Body referred to in its Interim Report. We see no special merit in this parity as a matter of principle, as the nature and content of the jobs is very different. We have therefore concluded that salary levels in these areas of the public service would not, in general, help in the determination of civil service salaries.

25. We have considered whether there is any satisfactory alternative to job comparison with the private sector as the starting point for determining pay at the highest levels in the civil service. We regard it as important that salary levels in the public service should be adequate not only to attract a sufficient number of able recruits, but also to ensure their retention, and this implies a degree of comparability at the lowest levels. Above these levels, the situation might be dominated by the need to provide a reasonable career progression, and theoretically it would be possible to devise a suitable higher salary structure solely by extrapolation, either at or above Under Secretary level, from directly comparable salaries below. However, we believe that it is also necessary for civil service salaries at all levels to bear a realistic relationship to rewards outside for comparable levels of responsibility. This is not to say that top salaries in the part of the public sector with which we are concerned should attempt to match the highest salaries at comparable levels in industry, but that we attach considerable importance to the provision of a reasonable progression for able people on the way up, and to enabling standards of living to be maintained that are comparable with those enjoyed by people of similar attainments and responsibilities in other walks of life, not only at the same stage of a career but also in retirement. We attach particular importance to the implications for pensions: because of the incidence of taxation on high levels of earned income, the effect on pensions may be of greater importance to the individuals concerned than the effect on net salary.

Senior officers of the armed forces

26. On the occasion of the 1970 review of the pay of senior officers in the armed forces, the terms of reference effectively required pay levels to be assessed by comparison with the civil service, rather than on internal vertical relativities or other considerations. This, of course, meant indirect comparisons with the private sector. We have been particularly impressed by the extent to which direct outside comparisons can be made for the armed forces: largely because of the higher proportion of line management appointments, we have been able to make these more readily for the armed forces than for the civil service. This has had the additional advantage of providing material which might otherwise not have been available to test civil service salaries at these levels. Moreover, the considerations which we have discussed in paragraph 25 in relation to the civil service apply with equal force. We therefore conclude that direct comparison should be made in the future.

Other factors

27. There are other important differences between employment in industry, commerce and finance and in the civil service or the armed forces which need to be taken into account when determining pay at these levels. One of the most important of these is job security, with which we also associate career prospects. We understand that the Review Body has commissioned a study into comparative job security in the public and private sectors, and we have not therefore considered it in depth ourselves. But we think it important that factors such as these should be taken into account when pay levels in the public sector are assessed.

28. There are differences in the conditions of service attached to the jobs in the field we have examined: these include retirement age, superannuation arrangements, leave entitlement and, in some cases, fringe benefits. There are also significant differences between conditions of service in the civil service and the armed forces themselves; in the armed forces, there is a particular problem in the lower retirement age, although there are different arrangements for earning pensions. We think that account should be taken of these differences, although we doubt whether any of them, other than the superannuation provisions, can be quantified realistically. We regard working long hours under considerable pressures as important "unquantifiables". Although this is a feature of most top jobs on occasion, we have not ourselves seen examples in our private sector field of comparison where pressures of this kind are as consistently present as in the case of most top civil servants. This is because of the range and variety of subjects for which they have responsibility, and of the need to work to strict time limits imposed by Ministerial and Parliamentary requirements. However, we have not found differences in hours of work or leave provisions which of themselves would justify an adjustment to pay.

29. There are certain environmental factors which relate only to the armed forces: at present these are recognised and recompensed through an "X factor" element in pay. These were discussed by the National Board for Prices and Incomes in its Second and Third Reports on the Pay of the Armed Forces, and the elements which constitute it were defined¹ as follows:

"i. The serviceman is wholly committed to the Service and is subject to a

¹Cmnd. 4079, Chapter 6, paragraph 78.

code of discipline which reaches far beyond that obtaining in any form of civilian employment.

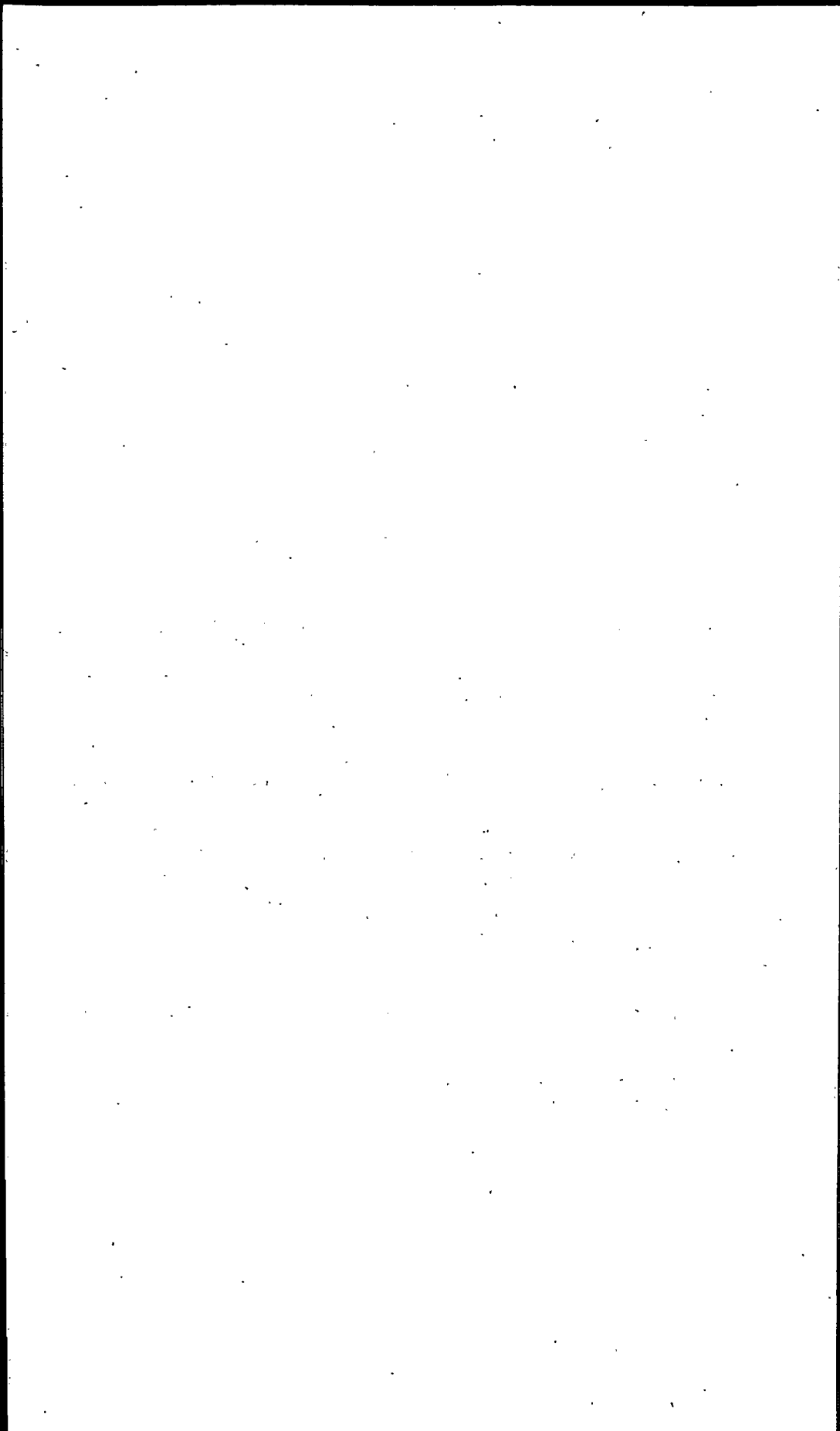
- ii. He is liable to be exposed to danger on active service.
- iii. He is required as part of his normal peacetime service to endure bad or uncomfortable conditions while in the field or on board ship.
- iv. He is subject to the constant upheaval and uncertainty—or what has been called the “turbulence”—imposed by the need for high mobility in a military force.”

If the “X factor” is acceptable in principle, it would appear reasonable to apply the same basis of payment to all levels. However, a ceiling has been introduced at the highest levels, and the “X factor” is currently equivalent to 5 per cent or £250, whichever is less. We do not know if the ceiling of £250 is still considered appropriate: this is not a matter for us.

30. It is a matter for subjective judgment where the final balance of advantage and disadvantage lies between the factors we have mentioned. Nevertheless, it is right that account should be taken of them. Our judgment is that none of these considerations except the “X factor” should significantly affect relativities between private sector pay and pay at the highest levels of the civil service or the armed forces.

31. In carrying out our review, we have had regard to differences in the environments in which the people whose jobs we have been considering do their work. In the armed forces, the sense of service and the ready acceptance of strict discipline are all-pervading. In the civil service, officers at the levels with which we are concerned must, in taking decisions or tendering advice, have constantly in mind what is politically feasible and what their Ministers can, if necessary, justify to Parliament. In private industry, with its emphasis on profit, productivity and growth, individual responsibility at the highest levels is considerable. The nationalised industries, in this as in other respects, come somewhere in between; they must follow policies which are broadly acceptable to Ministers and at the same time, like private industry, try to satisfy their customers and make a success of their business. These different environments may reflect, or be reflected by, some differences of motivation in those who work in them, although we did not note any such differences in the organisations which we visited. We have no hesitation in concluding, after most careful consideration, that no differentiation in the levels of reward for jobs of comparable size would be justified on these grounds and, in general, that particular weight should be given to the considerations which we discuss in paragraph 25.

24 May 1973



APPENDIX E

THE RELATIVE EVALUATION OF POSTS WITHIN THE UPPER LEVELS OF THE JUDICIARY: A REPORT BY AN ADVISORY GROUP UNDER LORD BEECHING'S CHAIRMANSHIP

Introduction

1. The Advisory Group on the Judiciary was invited by the Review Body to carry out a detailed re-appraisal of the internal structure of the sector of the judiciary covered by the Top Salaries Review Body's terms of reference, as part of the review in depth referred to in the Interim Report on Top Salaries (Cmnd. 5001) of the four public sector groups for which the Review Body is responsible. The Chairman of the Review Body told the Group that advice on considerations affecting absolute levels of pay and on the principles which should govern the pay of the judiciary at these levels would be welcome, but it was understood that this was not the Group's primary purpose. Lord Beeching was appointed Chairman of the Advisory Group: Lord Parker of Waddington, Mr. Justice Talbot and Sir George Coldstream were members. Lord Guest was invited to participate in consideration of the relativity of positions in the Scottish Judiciary, and Mr. MacKenzie, a Deputy Director of the Scottish Courts Administration, was invited to help, because of inclusion of the upper levels of Shrievalty in our terms of reference. Lord MacDermott was invited to assist the Group, in a similar way, in assessing the relativities of positions in the Northern Ireland Judiciary.

The scope of the inquiry

2. The Review Body's own terms of reference refer specifically to the Higher Judiciary, but it has become apparent that limitation of consideration to the High Court Bench was not intended. Even before the Advisory Group was set up, the Review Body was asked by the Lord Chancellor to include recommendations for Circuit Judges and Metropolitan Magistrates in its Interim Report. We understand that it is intended to extend the Review Body's terms of reference to cover Lower Judiciary appointments at and above the salary level of the Under Secretary in the Higher Civil Service (£6,750 prior to the implementation of the Interim Report and £8,250 from 1 January 1972).¹

3. Because the information can only be useful, we have included in our assessment of relativities all those appointments which may be of concern to the Review Body. Thus, in England and Wales, our assessment embraces Masters and Registrars, and all other judicial appointments carrying an equal or higher salary at present. For Scotland, we have included Sheriffs A, and for Northern Ireland, we have included County Court Judges.²

¹We have been told that the Lord Privy Seal has now invited the Review Body to consider Lower Judiciary posts at these levels.

²Up to the introduction of direct rule, the Government of Northern Ireland was responsible for the salaries of County Court Judges and the Recorder of Belfast.

4. All members of the Advisory Group were acquainted with the structure of the judiciary in England and Wales and, to varying degrees, were familiar with the tasks performed by the different types of Judge. This knowledge was supplemented by notes from the Lord Chancellor's Department describing the functions and responsibilities of all the judicial posts in England and Wales which the Group was asked to consider. Similar notes were provided about posts in Scotland and in Northern Ireland and, since it was recognised that the Group had not the same familiarity with the general structure of the judiciaries in those two countries, these notes were, in each case, prefaced by a description of the structure. The Group also took into account evidence on judicial salaries which had been presented to the Review Body at an earlier stage by the Lord Chancellor, the Lord Chief Justice, the Master of the Rolls, a number of members of the High Court Bench, Circuit Judges and the Chief Metropolitan Magistrate.

5. It has not been considered necessary to describe the three structures in this report, or to reproduce the large number of job descriptions: all that information is available to the Review Body for reference.

6. Insofar as differences between the three systems have a significant effect upon the work of judges of roughly comparable rank, reference is made to them in the commentary on the assessments of particular posts which follows Table 1.

The sequence of consideration followed by the Advisory Group

7. Because there are structural differences between the three judiciaries under consideration, as well as differences in size and in present salary levels, the Advisory Group decided to assess the relativities first of positions in the judiciary of England and Wales, and then of the appointments in Scotland and Northern Ireland respectively. After that, the scales for Scotland and Northern Ireland were reconciled with the scale established for the larger and more complex judiciary of England and Wales, by comparing roughly equivalent posts in the three systems; in particular, by comparisons at the High Court Judge and Circuit Judge levels.

The method of assessing relativities

8. What the Advisory Group set out to do was to assess the ratios between salary levels deemed to be appropriate between different ranks of the judiciary, and to express the results on a points marking scale linearly convertible into a scale of actual salaries by use of a suitable conversion constant. It will be for the Review Body to decide, in the light of its wider survey of all the factors affecting the determination of top salaries, what magnitude the constant should have and, indeed, whether the same constant should be used for each of the three judiciaries under review.

9. It would have appeared more obviously satisfactory if it could have been said that the Group had found some objective method of quantifying and suitably weighting the job components contributing to the salary deserts of each judicial appointment, but no such claim is possible. On the contrary, the assessments were derived from individual judgments by members of the Group which were frankly subjective and global. It was clear that each of us, in forming

our judgments, gave consideration to such factors as qualifying experience and ability, the magnitude and the quality of the workload, disturbance or restriction of private life, the maintenance of a standard of living appropriate to status, and so on, but the weighting and summation of these various factors was largely intuitive. That being so, it is particularly important to record that the assessments of the relative salary worth of different jobs by individual members of the Group were usually very close, and that no difficulty was experienced in reconciling views in the minority of cases where initial judgments were not virtually the same. There were, however, just a few special posts for which the assessments remained tentative, not because of disagreement between the members of the Group, but because not enough was known about their present or future content to permit firm assessment.

10. To calibrate the points scale used for assessment, consideration was given first to the ratio between the salaries of Circuit Judges and High Court Judges in England and Wales. As a result the Group concluded that these salaries should be in the ratio 3:5. This is approximately the present position and we see no reason to change it. Then, consideration was given to the differentials which seemed appropriate, on the one hand, as between Puisne Judges and other levels of the High Court Bench and, on the other hand, as between Circuit Judges and other judicial posts below the High Court level which we had been asked to review. Then, to clarify presentation, a marking of 100 points was allocated to Masters and Registrars of the High Court, the posts marked lowest on the scale, and markings for all other levels under consideration were derived by applying the appropriate ratio to that base.

11. Salary relativities were assessed in a similar manner for the judiciaries of Scotland and Northern Ireland, using Judges of the Court of Session and Sheriffs A as key posts in Scotland, and Puisne Judges and County Court Judges as key posts in Northern Ireland. Moreover, although there are some differences between the key posts at the two levels in the three judiciaries, it was concluded, for reasons which are touched on again later, that these differences are not sufficient to justify any significant difference in points rating. Therefore, the three scales were combined into one by equating the marking of key posts, and the results for all the posts under review are presented in Table 1.

12. It should perhaps be emphasised that, so far as possible, points allocated to a job reflect what the Group deems to be the relative salary worth of the job, having regard to its difficulty, importance, quality of decision-making, onerousness and so on. In considering the position of the Lord Chief Justices and the Lord President of the Court of Session, we had some regard to the size of the higher judiciary and the population of each country:

		<i>Population</i>	<i>Higher Judiciary</i>
England and Wales	—	48.6 million	96 (1 to 500,000)
Scotland	—	5.2 million	19 (1 to 280,000)
Northern Ireland	—	1.5 million	7 (1 to 215,000)

Our marking does not include consideration of factors such as the cost of living, or earnings at the Bar, which may be different in the three areas under consideration, nor does it cover such factors as recruitment difficulties which result from the particular nature of some jobs:

Detailed appraisal of the existing judicial structure

13. Our points assessment, together with the relativities which existed before the implementation of the recommendations in Cmnd. 5001, is as follows:

TABLE I

Category	Recommended	Differential at 1.1.72. (pre-Cmnd. 5001)
<i>Group 1</i>		
Masters and Registrars of the Supreme Court ..	100	100
<i>Group 2</i>		
a) Metropolitan Magistrates	110	100
b) Chairmen of Industrial Tribunals		
<i>Group 3</i>		
a) Senior and Chief Masters and Registrars ..	120	115
b) Registrar, Court of Criminal Appeal		106
c) Chairman, Foreign Compensation Appeal Tribunal		107
d) Regional Chairmen of Industrial Tribunals ..		115
<i>Group 4</i>		
a) All Circuit Judges	135	121
b) Chief Metropolitan Magistrate		115
c) Master of Court of Protection		115
d) Sheriffs A		115
e) County Court Judges (Northern Ireland) ..		115
<i>Group 5</i>		
a) Common Serjeant	150	139
b) Members, Lands Tribunal		131
c) National Insurance Commissioners		131
d) President, Industrial Tribunal		131
e) Judge Advocate General		123
f) Sheriff Principal of the Lothians		121
g) Chairman, Scottish Land Court		121
h) Recorder of Belfast		122
<i>Group 6</i>		
a) Recorder of London	165	153
b) Chief National Insurance Commissioner ..		158
<i>Group 7</i>		
a) President, Lands Tribunal	175	158
b) Sheriff Principal of Lanarkshire		133
<i>Group 8</i>		
a) High Court Judges	225	204
b) Judge of the Court of Session		175
c) Puisne Judges (Northern Ireland)		172
d) Lords Justices of Appeal (Northern Ireland) ..		172
<i>Group 9</i>		
a) Lords Justices of Appeal	235	204
b) President of Family Division		226
c) Lord Justice Clerk (Scotland)		201
<i>Group 10</i>		
Lord Chief Justice (Northern Ireland)	245	193
<i>Group 11</i>		
a) Lords of Appeal in Ordinary	265	226
b) Master of the Rolls		226
c) Lord President of the Court of Session ..		204
<i>Group 12</i>		
Lord Chief Justice	300	245

14. We have the following comments to make on some of the appointments.

England and Wales

Metropolitan Magistrate

15. We have given the Metropolitan Magistrate a small differential over the Masters and Registrars. Our assessment is based solely on our judgment of the responsibilities of the job and does not take into account the recruitment difficulties which influenced the level of the pay recommendation in the Review Body's Interim Report.

Industrial Tribunals

16. Our assessment of the responsibilities of the Chairmen, the Regional Chairmen and the President must be regarded as provisional, because it is not yet possible to assess the longer term effects on them of the Industrial Relations Act 1971. In particular, the effects of the extension of the jurisdiction of the tribunals and of the new provisions on unfair dismissals are not clear, and our points assessment may need revision in the light of longer experience.

Registrar of Criminal Appeals

17. The Lord Chancellor's Department has advocated the maintenance of a salary lead for the Registrar of Criminal Appeals over other Masters and Registrars, because both workload and responsibility are heavier. Our own assessment is that the differential in points terms should be larger than it is at present, in view of the burden of responsibility carried for the administration of the criminal appeals system as well as, in his capacity as Master of the Crown Office, his responsibility for administering the work of the Divisional Court. In all the circumstances, we consider that the Registrar of Criminal Appeals should be equated with the Senior and Chief Masters and Registrars.

Circuit Judge

18. The work which the Circuit Judges may be called upon to do varies over a wide range and, because of the recent introduction of the present system, the load is not yet by any means uniformly spread over all members of the Circuit Bench. This will always remain true to some extent, as has long been the case with High Court Judges. Nevertheless, all Circuit Judges have the same jurisdiction and the general objective of the Royal Commission on Assizes and Quarter Sessions and the intention of the Courts Act 1971 was to make them more flexibly employable. For this reason we recommend a uniform points assessment for all Circuit Judges, based upon consideration of the diversity of work which they may be called upon to perform.

19. We have given special consideration to a number of appointments whose place in the judicial structure prior to the Courts Act 1971 lay between the County Court Judge and the High Court Judge.

i. The Recorder of Liverpool, the Recorder of Manchester, and the Senior Circuit Judge at Newington Causeway

The 1971 Act removed much of the administrative burden from these appointments to the Circuit Administrator and, as a result, we do not consider that a differential assessment over the Circuit Judge is justified.

However, we regard the position of the present holders of the appointments as special, as they continue to exercise an important general influence, and we regard the continuation of a salary lead on a personal basis as justified for the present holders.

ii. *Vice-Chancellor of the County Palatine of Lancaster*

The 1971 Act did not distinguish this appointment from other Circuit Judges, and we agree that no such distinction is justified.

iii. *Official Referee*

Any Circuit Judge may now be required to undertake the duties of Official Referee, and we agree that a differential is no longer justified.

City of London Judges

20. The Courts Act 1971 provides that the Recorder of London and the Common Serjeant should continue to be paid by the City of London Authorities now and in the future. It also provides that the Circuit Judges who formerly held office as Additional Judges of the Central Criminal Court and the Assistant Judge of the Mayor's and City of London Court shall continue to be paid by the City although no further appointments will be made to these offices in future. The Lord Chancellor has asked the Review Body to cover these appointments in its recommendations.

a. *Circuit Judges who were Additional Judges of the Central Criminal Court and the Assistant Judge at the Mayor's and City of London Court*

These appointments are closely analogous to other Circuit Judges, some of whom may also spend time at Central Criminal Court sittings. We do not consider a differential justified.

b. *The Common Serjeant*

We are prepared to accept that a small differential over the Circuit Judge is justified by the status of the office.

c. *The Recorder of London*

Our assessment of the status and weight of the responsibilities attached to the appointment leads us to conclude that a further differential over the Circuit Judge is justified.

The Chief Metropolitan Magistrate

21. Because of the special judicial functions, the general responsibility for giving guidance to the magistracy as a whole (including lay Magistrates), and the heavy administrative burden carried by the holder of the office, we consider that a points rating equal to the Circuit Judge is justified.

The Master of the Court of Protection

22. The appointment is normally held by a senior Chancery QC, and involves the administration of a large office with heavy responsibility for large sums of money belonging to mental patients. We consider it to be of equal weight to the Circuit Judge.

Members of the Lands Tribunal and National Insurance Commissioners

23. Both Members and Commissioners at present have small salary differentials over the Circuit Judge. We are conscious that the existence of small differentials could have the undesirable effect of diminishing the status of the Circuit Judge. We have therefore examined the existing structure with particular care. The importance of the jurisdiction of the Lands Tribunal is generally recognised. Likewise, National Insurance Commissioners have important responsibilities. Normally they act as the final appellate tribunal on social security legislation, and their work has been described to us as arduous and unrelenting. Both bodies therefore require high quality membership and we consider that the continuation of small differentials is justified.

The Judge Advocate General

24. The Lord Chancellor's Department has suggested that the present salary differential of £100 over the Circuit Judge should either be abolished or increased to a more meaningful level. We recognise that the volume of work had declined with the reduction in the size of the armed forces, but our own view is that the importance of the appointment as the senior judicial post for the Services should be recognised. Taking account also of the substantial remaining responsibilities, we consider a 10 per cent differential over the Circuit Judge to be justified.

President of the Lands Tribunal

25. We assess the responsibilities of this appointment as superior to those of the Circuit Judge, and near to High Court Judge status. Moreover the President is recruited from a small field of barristers with specialist knowledge, and the importance of attracting the right man from a generally high paid field strengthens the argument when it is extended to pay levels.

High Court Judges

26. As we have said in paragraph 11 above, we have used the office of High Court Judge as a key level for assessing differentials within the judicial hierarchy, based on the current ratio of 5:3 with the Circuit Judge.

Lords Justices of Appeal

27. The High Court Judge and the Lord Justice of Appeal have always been paid at the same salary level. They do different types of work, but exceptional intellectual qualities are called for in a Lord Justice of Appeal, and appointment to the Court of Appeal from the High Court Bench is regarded as a promotion. On the other hand, the Lord Justice of Appeal does not undertake Circuit work, with the attendant inconvenience which we have taken into account in assessing the High Court Judge. On balance, we consider a differential justified, in recognition of the promotion. However, we do not consider that it should be large, because the need for it is substantially offset by the absence of the inconvenience factor inherent in Circuit work.

President of the Family Division

28. The Master of the Rolls and the President of the Family Division are at present paid at the same salary level. Because the work of the Family Division has not expanded to the same extent as the work of the Queen's Bench Division or the Court of Appeal, and because the 1971 Act has removed much

of the President's administrative responsibilities, we consider that a differential in favour of the Master of the Rolls should be introduced. In our view, parity between the President and the Lord Justice of Appeal is now appropriate.

Lords of Appeal in Ordinary and the Master of the Rolls

29. The demands on the Master of the Rolls are more time-consuming and exacting than those on Lords of Appeal in Ordinary, but the latter have the higher status. In practice, movement between the appointments can be in either direction, and we conclude that the existing parity is justified. Our assessment widens the differential over the High Court Judge in both cases, and recognises both the status and the importance of the work.

The Lord Chief Justice

30. We consider that the present differential between the High Court Judge and the Lord Chief Justice is too small. We have assessed the responsibilities of the Lord Chief Justice in his capacity as non-political professional head of the judiciary, including his responsibilities for the administration of the Queen's Bench Division and of the Criminal Division of the Court of Appeal. As the Lord Chancellor's Department has told us, no major change in the substantive criminal law, in organisation of criminal or civil business, in the work of the Judiciary as a whole, or in any field connected with the administration of justice would be taken without consultation with him and, on these matters, the Lord Chancellor and the Home Secretary rely on his advice. We attach great importance to recognition of his status (see also paragraph 42c. below).

Scotland

Sheriff A

31. Before the implementation of the Report of the Royal Commission on Assizes and Quarter Sessions, the Sheriff A was paid at the same salary level as the County Court Judge in England and Wales. When the office of Circuit Judge was created, however, the Circuit Judge's salary was fixed at a higher level than the County Court Judge's, in recognition of the requirement to exercise both civil and criminal jurisdiction. The Sheriff A also has both civil and criminal jurisdiction although, in criminal cases, his powers of punishment are limited to 2 years' imprisonment, and his level of responsibility in these cases is perhaps nearer to that of a Metropolitan Magistrate. However, in civil cases, his jurisdiction is not subject to financial limitations, and is wider than the County Court jurisdiction of a Circuit Judge. On balance, we consider that the Sheriff A should be assessed at the same level as the Circuit Judge.

Sheriffs Principal

32. Although the jurisdiction of the only two full-time Sheriffs Principal is the same, the administrative workload of the Sheriff Principal of the Lothians is less onerous than that of the Sheriff Principal of Lanarkshire, and should therefore attract a lower assessment. Having regard to the substantial administrative workload carried, we consider that the Sheriff Principal of Lanarkshire should be assessed at a slightly higher level than the Recorder of London. We do not, however, accept a proposal by the Scottish Courts Administration that there should be parity between the Sheriff Principal of Lanarkshire and Judges of the Court of Session. The argument put to us for this course was that,

although the job content differed, the level of overall responsibility was similar. If this were accepted, one effect (translated into salary terms) would be that the top level in the Scottish Lower Judiciary would coincide with the lowest level in the Scottish Higher Judiciary. We recognise that the administrative workload of the Sheriff Principal of Lanarkshire is heavy, but his responsibilities are substantially less than those of Judges of the Court of Session: in criminal cases his powers of punishment are identical with those of the Sheriff A, though in civil cases he hears appeals from the Sheriffs. Our assessment gives a differential of just under 30 per cent between the Sheriff Principal and the Judges of the Court of Session.

Judge of the Court of Session

33. We are satisfied that the responsibilities and jurisdiction of Judges of the Court of Session are equivalent to those of the High Court Judges in England and Wales. Their Circuit work involves less disturbance to their private lives but in our view this is not sufficient reason to justify a different points assessment, bearing in mind that the burden of circuit work falls very unevenly on the High Court Judges in England and Wales. (Other considerations which may be relevant are referred to in paragraph 42b. below.)

The Lord Justice Clerk

34. The Lord Justice Clerk has administrative responsibilities and functions which, in our view, justify the continuation of a differential over the Judges of the Court of Session, and we consider that the same points assessment as for Lords Justices of Appeal is appropriate.

The Lord President of the Court of Session

35. The Scottish Courts Administration put to us the view that the present parity between the Lord President of the Court of Session and the High Court Judge in England and Wales does not adequately reflect the Lord President's status in the Scottish judicial hierarchy, or recognise his substantial administrative responsibilities. They also suggest that the existing differential over the Lord Justice Clerk is too small. For our part, we consider that the position of the Lord President has to be seen in the context of his relationship with the 18 Judges constituting the higher judiciary in Scotland, by comparison with the Lord Chief Justice's position in relation to a higher judiciary of 95 Judges in England and Wales. In the light of all these considerations, we consider that the appropriate rating for the Lord President is parity with the Lords of Appeal in Ordinary and the Master of the Rolls in England and Wales.

Northern Ireland

County Court Judges

36. The responsibilities of the County Court Judge in Northern Ireland are comparable with those of the Circuit Judge in England and Wales. They sit regular sessions to hear criminal cases, their jurisdiction covers all crime except murder and treason, and their sentencing power includes life imprisonment. They also hear appeals from Petty Sessions and from Juvenile courts. Their civil jurisdiction is wider in that cases with no financial limitation come before them under the Criminal Injuries Code, but narrower in that the common law limit for the County Court Judge in Northern Ireland is at present £300, compared with the Circuit Judge's limit of £750. On the other hand they also hear civil actions

remitted from the High Court and then there is no financial limit. On balance, we consider that the appointment should be equated with the Circuit Judge.

The Recorder of Belfast

37. The Recorder of Belfast has the same jurisdiction as a County Court Judge, but has a differential of £500 in view of his status and substantially larger volume of work. We consider that a 10 per cent differential in favour of the Recorder is merited.

Puisne Judge

38. The jurisdiction in law of the High Court Judge (England and Wales), of the Judge of the Court of Session (Scotland) and of the Puisne Judge (Northern Ireland) is not identical, but it is similar in nature. There are differences in workload between them: for example, the Puisne Judge in Northern Ireland is infrequently burdened with long civil cases and his Circuit work is limited: this is, however, offset by the requirement to take a share of Appeal Court work. Moreover, although the work is not identical, the same qualities are required, and it is difficult indeed to justify any appreciable difference in the points rating for such closely similar work requiring the same quality of judgment. On balance, we regard the logic of the situation as justifying the same points rating for each appointment, subject to the considerations we refer to in paragraph 42b. below.

Lords Justices

39. As in England and Wales, the present salary level of the Lords Justices is the same as that of the Puisne Judges. However, notwithstanding the fact that we consider a small differential justified for the Lords Justices of Appeal in England and Wales, we regard it as right to maintain parity between the Lords Justices and the Puisne Judges in Northern Ireland. We have taken into account the fact that in a small judiciary it is necessary that all the judges, while discharging as far as possible their primary functions, should be interchangeable. All the Puisne Judges sit from time to time as members of the Court of Appeal, while the Lords Justices of Appeal undertake High Court work, including Circuit work, as the need arises. There is therefore little difference in the nature of their work.

Lord Chief Justice

40. In the light of the Lord Chief Justice's special responsibilities as head of the judiciary in Northern Ireland and as adviser to the Government of Northern Ireland on all matters of law and legal administration, we conclude that a small differential in terms of points rating over the Lords Justices of Appeal in England and Wales is warranted.

Salary implications of the assessments

41. Our main task has been to recommend differentials based on our judgement of job content, and we have not modified the assessment we regard as appropriate because of possible salary implications. We have, however, checked the implications of our assessments by translating them into salary terms on two different bases: the Review Body's recommended salaries for the Circuit Judge (£9,750) and the revised salary of the Masters and Registrars (£8,350). The figures are set out in Tables II and III, together with the salaries which have been introduced following Cmnd. 5001.

TABLE II

Category	Consequential salary	1972 salary post Cmnd. 5001
	£	£
<i>Group 1</i>		
Masters and Registrars of the Supreme Court ..	7,220	8,350
<i>Group 2</i>		
a) Metropolitan Magistrates	7,940	8,350
b) Chairmen of Industrial Tribunals .. .		8,350
<i>Group 3</i>		
a) Senior and Chief Masters and Registrars ..	8,670	9,350
b) Registrar, Court of Criminal Appeal .. .		8,780
c) Chairman, Foreign Compensation Appeal Tribunal ..		8,800
d) Regional Chairmen of Industrial Tribunals ..		9,350
<i>Group 4</i>		
a) All Circuit Judges	9,750	9,750
b) Chief Metropolitan Magistrate		9,350
c) Master of Court of Protection		9,350
d) Sheriffs A		9,350
e) County Court Judges (Northern Ireland) ..		7,850 ¹
<i>Group 5</i>		
a) Common Serjeant	10,830	11,500
b) Members, Lands Tribunal		10,500
c) National Insurance Commissioners		10,500
d) President, Industrial Tribunal		10,500
e) Judge Advocate General		9,900
f) Sheriff Principal of the Lothians		9,800
g) Chairman, Scottish Land Court		9,800
h) Recorder of Belfast		8,350 ¹
<i>Group 6</i>		
a) Recorder of London	11,920	13,500
b) Chief National Insurance Commissioner ..		12,350
<i>Group 7</i>		
a) President, Lands Tribunal	12,640	12,350
b) Sheriff Principal of Lanarkshire		10,600
<i>Group 8</i>		
a) High Court Judges	16,250	15,750
b) Judges of the Court of Session		13,750
c) Puisne Judges (Northern Ireland)		13,500
d) Lords Justices of Appeal (Northern Ireland) ..		13,500
<i>Group 9</i>		
a) Lords Justices of Appeal	16,970	15,750
b) President of Family Division		17,250
c) Lord Justice Clerk (Scotland)		15,500
<i>Group 10</i>		
Lord Chief Justice (Northern Ireland)	17,690	15,000
<i>Group 11</i>		
a) Lords of Appeal in Ordinary	19,140	17,250
b) Master of the Rolls		17,250
c) Lord President of the Court of Session ..		15,750
<i>Group 12</i>		
Lord Chief Justice	21,670	18,500

¹These salaries were determined by the Northern Ireland Government in 1971 and have not been increased since the publication of Cmnd. 5001.

TABLE III

Category	Consequential salary	1972 salary post Cmnd. 5001
	£	£
<i>Group 1</i>		
Masters and Registrars of the Supreme Court ..	8,350	8,350
<i>Group 2</i>		
a) Metropolitan Magistrates	9,185	8,350
b) Chairmen of Industrial Tribunals		8,350
<i>Group 3</i>		
a) Senior and Chief Masters and Registrars ..	10,020	9,350
b) Registrar, Court of Criminal Appeal		8,780
c) Chairman, Foreign Compensation Appeal Tribunal		8,800
d) Regional Chairmen of Industrial Tribunals ..		9,350
<i>Group 4</i>		
a) All Circuit Judges	11,270	9,750
b) Chief Metropolitan Magistrate		9,350
c) Master of Court of Protection		9,350
d) Sheriffs A		9,350
e) County Court Judges (Northern Ireland) ..		7,850 ¹
<i>Group 5</i>		
a) Common Serjeant	12,525	11,500
b) Members, Lands Tribunal		10,500
c) National Insurance Commissioners		10,500
d) President, Industrial Tribunal		10,500
e) Judge Advocate General		9,900
f) Sheriff Principal of the Lothians		9,800
g) Chairman, Scottish Land Court		9,800
h) Recorder of Belfast		8,350 ¹
<i>Group 6</i>		
a) Recorder of London	13,780	13,500
b) Chief National Insurance Commissioner ..		12,350
<i>Group 7</i>		
a) President, Lands Tribunal	14,610	12,350
b) Sheriff Principal of Lanarkshire		10,600
<i>Group 8</i>		
a) High Court Judges	18,790	15,750
b) Judges of the Court of Session		13,750
c) Puisne Judges (Northern Ireland)		13,500
d) Lords Justices of Appeal (Northern Ireland) ..		13,500
<i>Group 9</i>		
a) Lords Justices of Appeal	19,620	15,750
b) President of Family Division		17,250
c) Lord Justice Clerk (Scotland)		15,500
<i>Group 10</i>		
Lord Chief Justice (Northern Ireland)	20,460	15,000
<i>Group 11</i>		
a) Lords of Appeal in Ordinary	22,130	17,250
b) Master of the Rolls		17,250
c) Lord President of the Court of Session ..		15,750
<i>Group 12</i>		
Lord Chief Justice	25,050	18,500

¹These salaries were determined by the Northern Ireland Government in 1971 and have not been increased since the publication of Cmnd. 5001.

42. We refer to three special issues which arise from the translation of our points assessments into salary levels:

(a) The position of the Metropolitan Magistrate

If we adopt the first of the two bases (Table II), our assessment, based solely on the responsibilities of the jobs, would imply a less favourable salary for the Metropolitan Magistrates than the Review Body's interim recommendation of £8,350. We understand that, in making this recommendation, the Review Body took account of special recruitment difficulties to which their attention had been drawn. It does not follow that the increases given to the Metropolitan Magistrate because of this exceptional factor should be reflected in all the other salaries in the judicial hierarchy. We also regard it as sound to base our Table on the larger group (198 Circuit Judges by comparison with 37 Metropolitan Magistrates). We do not wish to suggest, however, that the interim salary of the Metropolitan Magistrate should be cut back to the level implied in our assessment. However the Masters and Registrars who previously received the same salary as the Metropolitan Magistrate, have been given a salary of £8,350 as a consequential of the Review Body's recommendation. We therefore feel obliged to include Table III in our report, to show the effect of our recommendations on the basis of the salary of the Masters and Registrars.

(b) Differentials between England and Wales, Scotland and Northern Ireland

On job content alone, we have assessed the High Court Judge (England and Wales), the Judge of the Court of Session and the Puisne Judge (Northern Ireland) as equals. We have been told that the existing salary differential has been based in the past on two main arguments: differences between the cost of living in London and elsewhere, and differential levels of Bar earnings on the same basis. The Review Body's survey of Bar earnings is being extended to cover Scotland and Northern Ireland, in order to provide information on the second of these arguments. Further consideration will be needed of both.

(c) Relationship between the salaries of the Lord Chancellor and the Lord Chief Justice

The Review Body in its First Report (Cmnd. 4836) recommended that the Lord Chancellor's salary should be dealt with as part of the Ministerial salary structure. Hitherto it has operated as a ceiling to compress the judicial structure below. We consider that the position of the Lord Chancellor, as the Ministerial head, should not be a limiting factor, notwithstanding his overall responsibility for the judicial structure. We are strongly of the opinion that the position of the Lord Chief Justice, as non-political professional head of the legal system, should be assessed on that basis.

Principles of pay

43. We are invited to consider the principles on which future recommendations on pay at the most senior levels of the judiciary should be based. We have already commented on the need to remove the inhibition at present imposed on objective assessment of the pay structure by the Lord Chancellor's salary level in the separate Ministerial structure. We have considered whether the existing parity between the High Court Judge and the Permanent Secretary has any special merit, either as a reference point or as a 'safety-net', around which the remainder

of the judicial structure could be projected on the basis of our points assessments. The Lord Chancellor's Department has suggested that it provides a satisfactory relationship and fair recognition of the responsibilities at this level in each field, and indeed this view seems to be common among the judges themselves. However, we see no special merit in this identity as a matter of principle: the content of the jobs is very different, and it would be difficult to justify continuance of the parity on these grounds. Notwithstanding this, the very existence of a strong feeling that the status of the High Court Judge will suffer if his salary falls below that of other senior public servants constitutes an argument for the continuation of the relationship: we think it would be wrong if the pay of the High Court Judge were allowed to fall behind the pay of the Permanent Secretary, and that account should be taken of this in the translation of our recommendations into salary terms.

44. The main alternative to parity with Permanent Secretaries which we have considered is comparison with other opportunities open to senior members of the legal profession, at the Bar. In principle, we think Bar earnings (net of expenses) provide a valuable means of checking whether judicial salaries are at an appropriate level, particularly from the point of view of recruitment to the High Court Bench. Our view has been influenced in particular by recent changes in the total pattern of Judges' remuneration because two extremely attractive financial incentives to accept judicial appointment have now disappeared. As a result of the Finance Act 1968 post-cessation receipts are now aggregated with professional income and, even if they are spread over the first few years of service on the Bench, the proportion left after taxation is likely to be relatively small. Since receipts may amount to a full year's earnings, the change is significant. Moreover, although the pension arrangements for the Higher Judiciary have been particularly favourable in the past, the introduction of improved arrangements for the self-employed has reduced the attractiveness to barristers of the judicial terms. Because of these changes, it may well be that absolute salary levels will assume greater importance than in the past.

14 August 1972

APPENDIX F

TERMS OF REFERENCE AND SUMMARY OF FINDINGS OF A NATIONALISED INDUSTRY JOB EVALUATION STUDY

I. Terms of reference

1. To select, in consultation with the Office of Manpower Economics, a representative sample of Board appointments in the nationalised industries¹, including Chairmen, Deputy Chairmen, and both full and part-time members.

2. To analyse and evaluate this sample.

3. To compare the responsibilities attached to the appointments analysed with those of appointments of comparable weight in industrial, commercial and financial organisations in the private sector, selected in consultation with the Office of Manpower Economics.

4. On the basis of the evaluation, to comment on the existing salary structure and groupings of the main nationalised industries, including the relationship of the British Steel Corporation to the rest.

5. To report such further developments in the salary structure of the nationalised industries that emerge as desirable to reflect the relative weights of responsibility, both between the separate industries and between appointments within them. It is not part of the terms of reference to recommend new salary levels but information on salaries paid for equivalent levels of responsibility is required.

II. Summary of findings and conclusions

Analysis and evaluation

1. Analysis of Board member jobs indicates that there are significant differences of role. Some Board members have clearly defined and accountable managerial roles for the performance of specific sections or aspects of their industry; other Board members do not have the same accountability.

2. The different roles of Board members not only affect the size of their jobs; they have implications for salary determination. The salary paid to an "executive" director has a different impact on non-Board salaries from that of a "non-executive" Board member.

3. On the basis of evaluation there are clearly distinguishable differences between the sizes of some Chairmen jobs which are currently in the same Group.

4. There are particularly marked differences in the size of Chairmen jobs as between Groups B and C.

5. There are some non-Board jobs which are bigger than some Board jobs in the same industry.

6. There are substantial differences in job content in different Deputy Chairmen jobs. There is no constant relationship between the size of a Chairman job and the size of relevant Deputy Chairman jobs.

¹The nationalised industries are listed in broad order of size in Annex A to this Appendix.

Comparison of senior nationalised industry jobs with the private sector

7. There are very few jobs in the private sector comparable in size and importance to the Chairmen and Board member jobs in the Group A nationalised industries.

8. The external environment and the controls placed on nationalised industry Chairmen are different from those under which Chairmen operate in the private sector. The nationalised industry Chairman tends to have less freedom to act but more pressure from public visibility and from ministerial requirements.

9. Comparison of generic roles of Board members and Chairmen in the nationalised industries and in the private sector is useful as an aid to job understanding but it is of little help in quantifying differences. In order to quantify differences a common yardstick is necessary and the application of the judgment of knowledgeable people in using that yardstick.

Pay

(a) The present position in the nationalised industries

10. Decisions on pay for Board jobs and senior non-Board jobs are taken independently by different people using different criteria. It would be surprising if this process did not sometimes lead to internal differential problems.

11. Jobs of similar size are currently being paid different salary levels in different nationalised industries, even within the same Group.

12. It is not clear whether present policy envisages that senior jobs of equal size in the different nationalised industries should be paid the same amount and that the policy is not being met in practice; or whether present policy intends that different amounts should be paid for jobs of equal size in different industries. If the latter policy is being pursued it is not clear what criteria have been used to determine the different levels of pay policy.

(b) Pay policy

13. In the private sector, the salary paid to a job holder is a function of many things other than the size of job. These include: pay policy of competitors, capacity to pay, performance of the job holder, internal differentials, the bargaining power of the job holder and the needs of the company to acquire or retain the job holder. Moreover some pay practices exist as a result of careful predetermined policy and control, others are the result of diverse *ad hoc* decisions and historical accident.

14. In establishing pay policy in the nationalised sector three relationships are of importance:

- (i) pay relationship with the private sector
- (ii) pay relationships between the nationalised industries
- (iii) pay differentials within each industry.

15. A critical factor affecting pay for nationalised industry Board jobs is acceptability.

16. Salaries must be at a high enough level to be acceptable to those with the necessary talents to perform satisfactorily in the jobs. Salaries must also be at a level which is acceptable to other employees in the industry, and to public opinion which is not necessarily sufficiently well informed to make appropriate

judgments. If public opinion on salary levels cannot be reconciled with the requirements of those suited to fill these senior appointments, then the nationalised industries will be starved of the talent needed to enable them to operate efficiently on behalf of the nation.

17. The cost of salaries of Board members and Chairmen in the nationalised industries is relatively insignificant, because of the small number of posts involved, and is not a limiting factor. If cost considerations alone applied, there would be a strong case for paying Board members substantially higher salaries to avoid any squeezing effect between Board salaries and those paid to non-Board jobs.

18. It is important to decide whether all nationalised industries should aim to pay jobs of equal size the same salary. The private sector does not follow this practice. There are "high paying companies", "low paying companies" and "average payers", for reasons which the companies concerned believe to be commercially sound.

19. If it is decided to pay at a similar level in all the nationalised industries, it is unlikely that a level below the average of the private sector would attract and retain suitable people or that salaries very much above the average would be acceptable politically and to the public in the present climate of opinion.

20. A policy of paying at the average—or median—level would have different impacts on the different nationalised industries.

(c) Suggestions for further developments in the nationalised industry salary structures

Chairmen

21. Chairman's pay could be approved by the Minister for each industry, taking as criteria the size of the job and the median pay in the private sector.

22. The resultant pay decisions could then be grouped after the pay decisions had been made, if that were felt to be desirable. The present grouping arrangement is not suitable as a determinant of pay, because the magnitude of net assets controlled is not of itself an appropriate determinant of salaries.

Other Board member jobs

23. It is desirable to establish a means of interlocking pay for Board jobs with that of pay for senior non-Board jobs in order to avoid differential problems.

24. A Board salary committee could be appointed in each industry comprising the Chairman and two part-time members.

25. The Board salary committee would recommend salary ranges for "executive" Board members within guidelines which would ensure that differentials were maintained between "executive" Board jobs and the executive non-Board jobs which those members controlled.

26. The Board salary committee would also recommend salary ranges for non-executive Board jobs within guidelines. These guidelines would take into account the responsibilities of the Board members concerned and would include a predetermined range, the minimum of which could be 50 per cent of the Chairman's salary.

Part-time Board members

27. The Board salary committee could determine notional salaries as if for full-time membership and subsequently recommend *pro rata* salaries in relation to the length of time the part-time member devoted to his appointment, including proper recognition of thinking and preparatory time.

Regular review

28. Regular review of salaries, preferably on an annual basis, is desirable to prevent distortion of internal differentials, and to alleviate bad publicity caused by infrequent and therefore necessarily substantial increases in salaries.

March 1973

ANNEX A

Size of Nationalised Industries

Industry	Net Assets	Number of employees	Annual turnover
	£m		£m
British Steel Corporation	1,400.3	226,600	1,477.8
British Airways Board (1)	527.6	49,440	646.9
British Gas Corporation	2,108.8	102,091	971.4
British Rail	989.0	250,083	789.71
Central Electricity Generating Board ..	3,273.9	64,217	1,429.4
Electricity Council (2)	5,287.9	177,537	1,926.4
National Coal Board	513.1	242,500	913.6
Post Office	4,074.0	420,955	1,762.8
Commonwealth Development Corporation	209.5	not applicable	19.2
National Bus Company	102.7	67,839	200.4
National Freight Corporation	109.8	50,600	234.8
UK Atomic Energy Authority	160.6	18,637	29.5
Area Electricity Boards			
London	199.4	11,606	156.9
South Eastern	160.2	8,295	128.8
Southern	248.1	8,685	175.5
South Western	134.0	8,234	93.5
Eastern	245.8	11,336	195.3
East Midlands	194.3	8,625	157.9
Midlands	204.7	10,550	181.6
South Wales	86.8	5,026	84.4
Merseyside and North Wales	128.8	6,411	121.0
Yorkshire	202.7	8,815	173.2
North Eastern	136.1	6,590	110.7
North Western	186.8	10,414	182.2
British Airports Authority	97.0	4,644	48.7
British Transport Docks Board	136.4	11,658	55.8
British Waterways Board	10.3	3,015	6.7
Cable and Wireless	97.3	9,559	54.8
Civil Aviation Authority	25.8	8,272	17.7
North of Scotland Hydro-Electric Board ..	297.2	3,588	48.1
Scottish Transport Group	37.6	16,104	48.9
South of Scotland Electricity Board ..	571.7	13,779	164.1

Notes: (1) The figures are the combined BOAC and BEA results.

(2) The figures are for the electricity supply industry, and include the CEGB and the Area Electricity Boards.

(3) All the figures in the table are taken from the latest Annual Report.

APPENDIX G

HISTORICAL STUDY BY MR. J. V. HILLARD

CONTENTS	<i>Paragraphs</i>
Introduction	1- 4
The Higher Civil Service	5-31
The Judiciary	32-53
Senior officers in the armed forces	54-65
Chairmen and Board members of nationalised industries	66-81
Conclusions	82-88

Introduction

1. This paper is an historical account of movements in top salaries for the groups covered by the Review Body. Its main purpose is an analysis of salary structures in an historical context and an examination of the extent to which there has evolved a degree of interdependence in pay principles between the four groups. The latter consideration is important, since the terms of reference of the Top Salaries Review Body 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.¹

2. A second aim of the study is an analysis of the development of the respective salary structures in terms of whether the principles on which they are founded are, in some sense, rational. One notion of rationality is the consistent application of given principles. Unfortunately, if the principles themselves are not clear cut, an evaluation of the efficacy of a particular structure is surrounded by uncertainty. This problem is especially acute in analysing the public sector, because no distinct criteria are ostensibly applicable. In contrast to the private sector, there is no clearly defined market for the product of the public sector. The valuation of the product is reliant on social and political considerations, which has a direct bearing on the salaries the electorate is willing to pay its servants. The principle most commonly adopted has been the preservation of customary relativities² itself a historical product which may lead to internal inconsistencies. The situation is further complicated by the necessity for buyers of labour in the public sector to compete in the labour market. Whereas reliance on the "market" price of labour is not sufficient in itself for determining what public sector salaries should be, complete disregard for it may make the preservation of customary relativities inappropriate.

3. A major problem stemming from the lack of concrete principles is that there is no automatic mechanism for translating changes in overall economic and

¹Review Body on Top Salaries, Interim Report on Top Salaries, Cmnd. 5001, June 1972, paragraph 2.

²The notion of customary relativities' will be elucidated below.

social structures into a concomitant transformation of structures within the public sector. The absence of appropriate analogues between the public and private sectors is crucial in this respect. As a consequence, the existence of institutional constraints may be a contributory factor towards a distortion of salary structures and its perpetuation. This provides a third major theme of the study.

4. In the first instance, an individual examination of the history of each group is undertaken, followed on by overall evaluation in the concluding section.

The Higher Civil Service

5. The history of wage determination for the Higher Civil Service provides many instances of the difficulties involved in ascertaining an appropriate level of remuneration for a group with no specific counterpart in the private sector. Although the history of the civil service is very well documented¹ this section aims to isolate the effects of such matters as civil service reform on the development of its wage structure. As a consequence, the analysis will be selective rather than comprehensive, and influences which did not directly affect the wage structure will be omitted.

6. The most important factor during the eighteenth and nineteenth centuries was the gradual elimination of patronage as a result of the administrative reforms of Pitt, Peel and Gladstone. The process of reform extended over a long period. It had been recommended in 1806, for example, that salaries "should be a full and competent recompense for the execution of office and no more."² Another suggestion was for the creation of graduated salaries for each department. By 1832 all civil servants received salaries, but scales still differed from one department to another.

7. The patronage system was an anathema to the emerging utilitarian ethic of the nineteenth century, as well as opposed to the free market ideas of the classical economists. The use of selection by competitive examination after the creation of the Civil Service Commission in 1855 was an attempt to ensure the most able did not suffer discrimination, and to promote a system of recruitment which reflected the principles of competition, characteristic of the contemporary society. By the 1870's, patronage had been almost entirely eliminated,³ but the autonomy of each department remained, with different rates of pay and conditions of service. In fact, little attention was given to the assessment of salary structure and the creation of a competitive selection did not alleviate the problem of internal organisational anomalies.

8. The terms of reference of both the Playfair Commission⁴ and MacDonnell⁵ did not specifically include an examination of salary questions, and were hardly concerned with the highest grades, the salaries of whom fluctuated during the nineteenth century. The haphazard development of salary structure is

¹e.g. H. R. H. Greaves, *The Civil Service in the Changing State*, 1947; E. W. Cohen, *The Growth of the Civil Service, 1780-1939*, 1941; E. Hughes, *Civil Service Reform, 1853-5*, History, June 1942; J. B. Brown, *The Main Reports on the British Civil Service since the Northcote-Trevelyan Report*, Memorandum No. 10 to the Fulton Committee, 1968.

²Reports from the Commissioners on Fees and Gratuities, 1806.

³Gladstone issued an Order in Council in 1870 which enacted that all vacancies should be filled by competitive examination, apart from the Foreign Office and the Home Office.

⁴The Civil Service Inquiry Commission P.P. 1875, C.1113.

⁵The Royal Commission on the Civil Service, 1912-3, Cd. 6209.

shown by the lack of uniformity in organisation and salary for first division posts until 1919. On the other hand this lack of uniformity could have been a satisfactory reflection of the existence of undoubted differences in Departmental conditions and job-weights, the appreciation of which tends to be ignored with the imposition of a uniform structure.

9. The salaries of most permanent heads of departments were revised early in the nineteenth century. In 1810, for instance, the Permanent Head of the Treasury received a yearly salary of £3,000, which rose to £3,500 between 1815 and 1826¹. The main reason for the subsequent reductions in all permanent heads' salaries was the pressure on successive Governments to pursue economy, so that by 1919 only five were paid an annual salary above £2,000.² The majority (thirteen out of twenty one) were paid £2,000 and three less than £2,000.³

10. The first substantive examination of the salary position of the Higher Civil Service was undertaken by a committee chaired by H. H. Asquith, which reported on 20 July 1920.⁴ In framing its recommendations, the Committee noted that the nominal salaries of permanent heads were less than those obtained a century before despite a large increase in their responsibilities⁵. In addition, the emoluments of Admirals and Generals in active command were over double those of Permanent Heads, even not accounting for non-taxable allowances.⁶

11. It was also apparent in some departments, especially the newly created Ministry of Transport, that a number of officers subordinate to the permanent head drew higher salaries than those normally paid to permanent heads themselves.⁷ For instance, the Treasury representative at the Ministry of Transport and the Chairman of the Rates Advisory Committee, both received annual salaries of £5,000. In fact, such posts were regarded as being on a different basis from normal civil service salary determination in the sense that they required highly specialised knowledge.⁸ These exceptions to the normal rule provide an interesting precedent for the present Government's policy of interchangeability between the civil service and private industry.

12. The Permanent Head of the Ministry of Transport, Sir Francis Dunnell, was paid an initial salary of £4,250 (plus the civil service bonus of £500), which was over double the amount paid to the majority of Permanent Heads. In fact,

¹Other examples are Home Office, £2,500 in 1799; Foreign Office, £2,800 in 1799; Colonial Office £2,500 in 1810; Admiralty (Accountant in Victualling Office), £3,249 in 1797, and War Office, £2,500 in 1817.

²Namely the Treasury, £2,500; Foreign Office, £2,500; Metropolitan Police, £2,000-£2,500; Transport, £4,750, and the Board of Trade, two joint heads at £2,000.

³Agriculture, Education and the Post Office.

⁴Report of the Committee Appointed to Advise on the salaries of the Principal Posts in the Civil Service, Cmd. 1188.

⁵For instance, the Revenue Departments cost over £50,000 in salaries to the Boards in 1822, compared with less than £17,000 in 1921 after the application of the Asquith recommendations.

⁶In 1920, a General in First Class Command received £4,340 plus a tax-free entertainment allowance of £1,100 and the First Sea Lord was paid £4,800 with a free furnished house.

⁷Also, the Director of the Naval Constitution received £3,000, the Chief Medical Officer at the Ministry of Health, £2,100, and the First Parliamentary Counsel, £2,500.

⁸This is significant because the possession of 'highly specialised' knowledge obviously had a market rate attached to it. On the other hand nearly all civil servants possess 'highly specialised' knowledge, but this in itself is not sufficient to command a high price unless many people are bidding for it.

Sir Francis Dunnell was on loan from the North Eastern Railway.¹ By the Ministry of Transport Act of 1919, the Government refunded Sir Francis' salary of £3,500 to the North Eastern Railway and personally recompensed him the £250 he received as a member of the South Yorkshire Joint Lines Committee, as well as providing a disturbance allowance of £500. The Government stressed that the post carried a personal rate, subject to reconsideration after two years. The exceptional salary was justified because Sir Francis possessed exceptional qualifications and he enjoyed no pension rights like other civil servants. The significance of this exceptional case, however, was its use as an argument in favour of raising the salaries of the other permanent heads.²

13. Other evidence taken into account by the Asquith Committee was strikingly similar in content to the present day discussion over Higher Civil Service remuneration. For instance, it was contended that a widening of differentials had occurred with "pay of commercial and professional men especially since 1914"; in spite of a war bonus of £500 which was intended to offset both the increased burden of extra duties³ and war-time inflation. Also it was noted that a number of top civil servants had been subjected to attractive offers from outside, so that it was necessary to ensure "that the conditions of service are sufficiently attractive to secure an adequate supply of suitable recruits".⁴

14. The Committee recognised that there were certain advantages accruing to employment in the Higher Civil Service which might have offset the disadvantages of a relatively lower level of remuneration. These included "the prestige attaching to their appointments, the professional amenities associated with their work and their security of tenure and pension privileges". In spite of these considerations, however, the Asquith Committee concluded "we are unanimously of the opinion that the century old rate of remuneration now given is inadequate". It was duly recommended and accepted that "the salary of the respective Permanent Heads of the Departments under consideration should be raised to £3,000 a year . . . a figure which cannot be challenged either on the merits of the case or on any comparative basis".⁵

15. The Asquith Committee then was the first serious attempt to ascertain the principles involved in the determination of Higher Civil Service salaries. It recognised the increasing importance of the administrative function, but the arbitrary nature of its concluding remarks is a clue to the intrinsic difficulties with which they were faced. The search for underlying principles was the paramount problem and the vagueness of the arguments used reflected the

¹This again compares with the present Government's temporary employment of certain 'experts' to co-ordinate policy.

²Even though in the actual report Asquith commented 'the Permanent Head of the Ministry of Transport is apparently regarded as *sui generis*', the background minutes to the Committee reveal its importance in the final recommendations.

³During the First World War the service 'had to assume responsibility for the disposition of the nation's economic resources and for ensuring that the Government's plans for the use of manpower and the production of war material were carried out as effectively as possible.' J. B. Bourn, *op. cit.* page 446.

⁴Asquith Report, *op. cit.*

⁵Asquith Report, *op. cit.* The Permanent Secretary and Controllers of the Treasury received a basic salary of £3,500. Taken as it stands, this quotation implies a rejection of the notion of comparability and seems to suggest that the Asquith figures were deliberately set at a higher rate than might have been recommended on the basis of comparison.

difficulties involved. If a salary structure remains static for long periods of time, as is apparent in this case and there is no automatic means of adjusting it, say, to movements in the cost of living or the overall salary structure, the possibilities of its becoming seriously out of line are greatly enhanced. Until the Priestley Commission of 1953, it appears that the salaries of the Higher Civil Service were only changed when it was abundantly clear that such a situation had been reached, and this is a striking feature of the determination of civil service pay throughout its history.

16. Part of the problem may have resulted from the Asquith Committee's decision that the discussion of Higher Civil Service remuneration was a question "solely and directly" for the Government and not a Whitley Committee. Such an attitude was partly a reflection of the uniqueness of such posts, but it simultaneously promoted an institutional blockage to short-term adjustments, and enhanced the difficulties of making necessary large scale adaptations. As a consequence, the basic salary of Permanent Heads was to remain at £3,000 until 1946, during which time immense changes had occurred in the overall wage structure. The implications of this argument will be explored below.

17. One of the most significant results of the investigations of the Asquith Committee was the promotion of uniformity in organisation for all first division posts down to the level of Assistant Secretary. Asquith left to the Treasury the examination of the higher officials serving under Departmental Heads. In fact, the salary of Deputy Heads was increased after Asquith from £1,700 to £2,200, a new level of Principal Assistant Secretary was created at a salary of £1,200 x 100 — £1,500, and the Assistant Secretary grade was paid £1,000 x 50 — £1,200. Apart from the cessation of the war bonus which was removed in the so-called Super-Cut of 1921 and certain "roundings" in the structure below Deputy Head level¹, no further changes took place until the implementation of the Tomlin recommendations in 1939.²

18. The Tomlin Commission laid down general principles upon which civil service remuneration should be based, providing a conventional wisdom which has hardly been questioned. The crux of the so-called Tomlin formula is contained in paragraph 308 of the Report:

"We are satisfied . . . that broad general comparisons between classes in the Service and outside occupations are possible and should be made. In effecting such comparisons the State should take a long view. Civil service remuneration should reflect what may be described as the long term trend, both in wage levels and in the economic condition of the country. We regard it as inadvisable that the conditions of service of civil servants when under review should be related too closely to factors of a temporary or passing character."

This approach is sound if it is accepted that the existing wage structure is satisfactory, and Tomlin concluded "after weighing the evidence we are satisfied that the present general standard of remuneration of civil servants is reasonable in the light of the wage levels now prevailing and calls for no substantial revision."³ It was not made clear by Tomlin whether the outside comparison

¹For instance a new maximum of £1,450 for Assistant Secretaries was implemented in 1935.

²The Royal Commission on the Civil Service, 1929-31, Cmd. 3909.

³*op. cit.* paragraph 317.

should be linked by an index or by a direct comparison of levels. Also, the difficulty of adopting such a pragmatic outlook, that the existing structure was "just about right", begs the question that a fundamental disequilibrium might exist whether this was a function of failings in the civil service system or to imperfections in the private sector market. Any system of "wage determination by Royal Commission" which typifies the principles evolved for the remuneration of the Higher Civil Service, is faced with the basic problem of balancing a long-term notion of the need for a "rational" wage structure against the demands of short-term political expediency.

19. The Tomlin Commission's recommendation that the salaries of Permanent Heads and Deputy Heads should not be increased, provides an illustration of how difficult it is to account for long-term ramifications. Justification for not raising the salaries of the two classes was provided by the evidence of Sir Warren Fisher, the Permanent Secretary. He contended that £3,000 should be an absolute ceiling for members of the Administrative Class to avoid their being regarded as a favoured class within society. He argued that if they were paid a higher rate "you would have an easy, cheap attack started up, which would be damaging to the Service. I would say that these men should retain that rate of pay and not any more, although it has no commercial or industrial or financial relativity whatsoever."¹ Such an argument contradicts the underlying principles which Tomlin laid down², but it may have been taken into account in their ultimate decision to preserve the existing rates of remuneration.

20. On the other hand, Tomlin recommended that rates for posts below Deputy Secretary should be increased.³ As a consequence, there was an inevitable crowding of rates at lower levels, as well as a convergence between the latter and the highest level. On the other hand, once a change in existing relativities had taken place, it became accepted as a possibility for any future investigations. For instance, when Higher Civil Service salaries were improved in January 1946, the existing relativities were preserved.⁴

21. The next substantive review of Higher Civil Service remuneration was undertaken by the Chorley Committee of 1949,⁵ which interpreted its terms of reference as a consideration of "Civil service salaries in their long-term relationship"⁶ to the general salary and wage structure of the country. The Tomlin "ideal" formula was accepted as well as Asquith's view that salaries and other conditions must be sufficiently attractive to secure an adequate supply of recruits.⁷

¹Minutes of Evidence to the Tomlin Commission, paragraph 18743.

²See above paragraph 18.

³Specifically this meant a new maximum for Principal Assistant Secretary of £1,700, for Assistant Secretary of £1,500 and the creation of a new post in some departments of Under Secretary at £1,900.

⁴Cmd. 6680. The rate for the Permanent Secretary to the Treasury was increased to £3,750; other Permanent Secretaries, £3,500; Deputy Secretaries, £2,500; and Assistant Secretaries £1,320-£1,720. The post of Principal Assistant Secretary was discontinued.

⁵Report of the Committee on Higher Civil Service Remuneration, Cmd. 7635.

⁶*op. cit.* page 3.

⁷*op. cit.* page 5.

22. Although the Chorley Committee did not believe top salaries in the Civil Service should be determined on a purely competitive basis,¹ it noted a marked widening of differentials between top civil servants and jobs of comparative status in other employments.² It is also interesting to compare the effect of personal taxation on the net income of top civil servants from 1920 to 1946.

	1920		1938-9		1946-7	
	Gross	Net	Gross	Net	Gross	Net
	£	£	£	£	£	£
Permanent Secretary	2,000	1,900	3,000	2,271	3,500	1,900
Deputy Secretary			2,200	1,742	2,500	1,500
Under Secretary			1,900	1,535	2,000	1,275
Assistant Secretary			1,500	1,245	1,700	1,110

The striking feature is that the take-home salary of Permanent Secretaries was the same in 1920 as in 1947. In addition, increased personal taxation during the Second World War reduced the net salaries of all grades, in spite of the increase in gross salaries in January, 1946.³ These statistics in themselves provide suitable evidence that the salary structure of the Higher Civil Service was out of line with "the general salary and wage structure of the country", but unfortunately the outcome of the Chorley Committee's investigations was contrary to its original intention. The economic crisis which the country was facing meant that its implementation was delayed until 1951 and even though the Committee did not concern itself with questions of immediate Government policy,⁴ which states the case against any general increase in individual money incomes in present conditions,⁵ its recommendations were modified by such considerations. This illustrates again the dangers involved in permitting short-term criteria to interfere with prospective re-alignment of the wage structure in the longer run.

23. Despite the pressure of immediate economic difficulties, the Chorley Committee attempted to elucidate principles upon which a rational wage structure might be based. It was contended that "in our opinion a substantial increase of salaries in the highest posts of the civil service was already overdue in 1939".⁶ This implicit recognition of wage structure anomaly was reinforced by "the weight of the increased burden carried by senior civil servants during the war. It has not diminished with the peace . . . nor do we find any prospect of slackening in the near future."⁷ A second ground for immediate increases was the steep rise in the cost of living which taken with the effects of increased personal taxation (see above paragraph 19) had exacerbated the unfavourable position of top civil servants.

¹In coming to this conclusion, the purely competitive basis was rejected because 'the Civil Service is and will remain a service in which dazzling individual rewards are inappropriate' . . . and . . . 'conditions of service also need to be considered' *op. cit.* page 5-6.

²Although it did not specify the nature of these employments.

³Also, during the Second World War the amount of annual leave was reduced from forty-eight days to thirty-six.

⁴Contained in the White Paper on Personal Incomes, Costs and Prices, Cmd. 7321.

⁵Chorley, *op. cit.* page 3.

⁶*op. cit.* page 6.

⁷*op. cit.* page 6.

24. Finally the Committee analysed the effect of the creation of nationalised industry Boards and concluded "it is difficult to suppose that the personal quality of the Permanent Secretaries, the severity of their training or the weight of their responsibilities justifies the inequalities which now exist".¹ In other words, the Committee sought a narrowing of the differential between the top civil servants and full time Board staffs, and recommended this policy as a long-term principle. This is most important since it appears to have been underestimated in subsequent investigations.

25. The Tomlin formula of broad general comparison with outside occupations was regularised by the Priestley Commission² into the principle of "fair comparison", which was another attempt to cater for the long-term labour supply needs of the civil service. Priestley claimed that fair comparison as the primary principle was advantageous because "it looks after the ordinary citizen's interest as a taxpayer. If the Government which represents him pays what other responsible employers pay for comparable work, the citizen cannot reasonably complain that he is being exploited. Equally, we consider that he would agree that he could not, in the long run, obtain an efficient service by paying less".³ Implicit in Priestley's analysis is an acceptance that contemporary comparisons are in themselves meaningful and ignores the possibility that such customary relationships may have masked inherent structural defects. On the other hand, it was beyond Priestley's terms of reference to legislate about the efficacy of the private pay structure. It was simply taken as given. This raises a fundamental dilemma of whether the Government as a "good employer" should commit itself—as far as its own employees are concerned—to following wage and salary movements in the private sector; or, on the other hand, to try and set a lead by keeping salaries down. Priestley was strongly committed to the notion that the Government should follow rather than lead.

26. A basic difference between Tomlin and Priestley emerged on the actual calculation of "fair comparison". Whereas Tomlin endorsed following long-term trends, Priestley recommended "fair comparison with the current remuneration of outside staffs employed on broadly comparable work, taking account of differences in other conditions of service".⁴ In a period of constant increases in prices and salaries it was appropriate to place greater emphasis on contemporary changes. As a means to this end, Priestley recommended the creation of a Standing Advisory Committee on Higher Civil Service Pay to avoid recourse to having to create a special body on each occasion salary changes were thought necessary.

27. If it is accepted that the salary structure of the Higher Civil Service was by the 1950s out of line with the overall wage structure for the historical reasons outlined above,⁵ fair comparison is another element which may prevent potential reform. The efficacy of fair comparison is dependent on the initial comparison being satisfactory and there are *prima facie* grounds for supposing this notion has never been seriously considered. In other words, it is likely that Priestley

¹*op. cit.* page 7.

²Report of the Royal Commission on the Civil Service, Cmd. 9613.

³*op. cit.* paragraph 97.

⁴*op. cit.* paragraph 96.

⁵See especially paragraphs 18 and 19 above.

underestimated the amount of upgrading necessary to restore a satisfactory basis for comparison and this has never been undertaken on the scale needed. As a result, there has been a tendency to rely on the updating of customary relativities based simply on cost of living arguments.

28. The main criterion for salary increases in the 1960s has been the need to compensate for overall inflationary tendencies in the economy. One side-effect of the implementation of such piecemeal increases has been an acceleration of a narrowing of internal differentials within the Higher Civil Service,¹ so that Permanent Secretaries have suffered, especially in relation to Assistant Secretaries.² The reluctance to increase salaries at the highest level can be traced back to the 1930s.³ This anomaly was recognised by the Standing Advisory Committee on the Pay of Higher Civil Service. In their opinion, "at Permanent Secretary level the pay, considered in terms of the responsibility exercised, is seriously out of line with prevailing salaries in industry and commerce."⁴ In fact it could be argued that a persistent disposition to underestimate the relative importance of Permanent Secretaries has been a major stumbling block to general reform of the salary structure.

29. The lessons of history clearly show that the structure of salary determination for the Higher Civil Service is basically misaligned. The use of job evaluation techniques to regularise the notion of fair comparison⁵ provides guidelines upon which a discussion of underlying principles can be based. It cannot, however, isolate fundamental faults in the salary structure because the latter is accepted as a parameter in such an analysis.

30. The essence of any system of wage determination which is not sensitive to long-term structural change is that it becomes distinguished only by its ability to account for the immediate problem, with the avoidance of any consideration of long-term consequences. In particular, it seems that Permanent Secretaries and Under-Secretaries have suffered a relative decline owing to a long-standing reluctance dating back to the 1930s to raise the salary ceiling at the highest level. Also, the effect of employing outsiders at special rates, on the needs of the normal career progression for the permanent official, has been a recurring but unresolved problem.

31. Any avoidance of long-term structural problems only enhances the difficulties faced by each successive Commission, Committee or Review Body. The post-war history of Higher Civil Service remuneration has been characterised by a progression from one short-term crisis to the next. This process seems likely

¹The differential between a Permanent Secretary and an Assistant Secretary was 222% in 1956 but had fallen in 1969 to 169.5% (Assistant Secretary=100%).

²It is interesting to note that the salary of Assistant Secretary was subject to investigation by the Pay Research Unit and not the Standing Advisory Committee. This may be a further reason for the narrowing of internal differentials.

³See above paragraphs 15 and 16.

⁴Ninth Report of the Standing Advisory Committee on the Pay of the Higher Civil Service, May 1969, page 7.

⁵"We should expect outside comparison to be made as part of the process of job evaluation assessing the importance of the job to the work of the Service and establishing the rate for jobs of similar responsibility outside the service"—Report of the Committee on the Civil Service, 1966-8.

to continue unless a permanent strategy is evolved to transcend the caprice of the moment.¹

The Judiciary

32. The principles of pay determination for the Higher Judiciary in England and Wales appear to have been surrounded by a mystique derived from its unique position in relation to the Constitution. In fact, the role and status of the judicial function has always been a prime factor in determining the salary structure of this sector. This not only makes the discussion of traditional "market factor" determinants largely irrelevant, but also prevents a satisfactory isolation of the relationship between the salary structure of the Judiciary in comparison to other sections of society.

33. Although the Act of Settlement of 1700 enacted that the salaries of the Judiciary should be "ascertained and established"² no statutory attempt was made to fix the actual amount paid. Instead, judicial salaries comprised Court Fees, profits obtained from saleable offices and sums from the King's Civil List. When the Civil List Establishment was settled by Royal Warrant in 1715, the salaries of judges were raised considerably and as the century progressed the Judiciary became increasingly independent from Parliamentary jurisdiction. During the eighteenth century therefore, a judge's salary was an amalgam of various elements largely fortuitous in origin and amount.

34. In 1758, a special measure was passed for increasing judicial salaries by the imposition of special Stamp Duties, which gave the King power to grant augmentations out of the proceeds. Parliament had resolved that "the remuneration of Judges were inadequate to the importance and dignity of their office". In 1762, these Stamp Duties were increased.

35. From 1786 onwards the myriad sources of income were gradually eliminated and the creation of the Consolidated Fund in that year meant that new judges on appointment were to be paid wholly from that one source. It was not until 1852, however, when the last of the Chancery Judges was incorporated, that the entire Judiciary salary bill was charged to the Consolidated Fund. The majority of judges were covered by 1799, when the Chief Baron of the Court of Exchequer received £4,000 and Puisne Judges £3,000 each year, exempt from taxes.³

36. Salary levels were changed in 1809, 1825 and 1832, but it should be noted that they were not always raised. In 1825, for instance, the annual salary of Puisne Judges was settled at £5,500, but in 1832 it was reduced to £5,000 for all those appointed after 1828. In 1832, the Judges of the Courts of King's Bench, Common Pleas and Exchequer were ordered by Parliament⁴ to provide

¹This does not mean that the policy which has governed the determination of Civil Service salaries over the past forty or fifty years is no longer valid. But it may mean that policy or system ought eventually to be fitted into a wider approach to salaries, wages and incomes generally, designed to prevent a position whereby pay increases are justified in an endless sequence by reference to other pay increases without regard either to the need for general economic efficiency or to the special claims of particular groups' Lord Bridges, *The Treasury*, Allen and Unwin 1964, page 131.

²12 and 13 Will. III Chapter 2.

³2 and 3 Will. IV Chapter 116.

⁴Judges etc. Salaries, C. 644, 26 July 1832.

details of their returns and expenses. The average incidental expenses, accounted for mainly by Circuit Expenses, amounted to about £700.¹ By an Act of 1851, the salaries of the Judges of Common Law Courts settled at a level which was to remain unaltered for nearly a century.

37. If the standard of living and price level of 1851 is compared to the contemporary remuneration of Judges, it is immediately apparent that the latter were in an extremely exalted position in relation to other sections of the community. At this time the Chief Justice received £8,000 and the Master of the Rolls £6,000.² It is necessary, therefore, to examine the reasons for such high salaries, as well as generous pension rights.³

38. One element reflected the transfer of judicial salaries to the Consolidated Fund, with the concomitant need to compensate for the loss of income previously obtained from Court Fees and the right to sell posts. Perhaps more important however, was the notion that the Judges occupied a unique position in relation to the Constitution so that they had to be "above politics" and guaranteed free from corruption.⁴ High judicial salaries, therefore, reflected their hierarchical status in relation to other members of society. In other words judicial remuneration was almost totally immune from direct market forces.⁵

39. On the other hand the striking feature of the history of judicial salaries is their stability in cash terms over long periods of time, which ultimately caused a narrowing of the differential between them and other sectors. If the hierarchical status argument is accepted, there should be a continuous maintenance of the differential, unless the status position itself has changed. An examination of this problem, therefore, is of major importance.

40. The mechanism by which judicial salaries were changed, however, provides an initial qualification to the simple "hierarchical status" argument. Since judicial salaries were a permanent charge on the Consolidated Fund, they could only be changed by an Act of Parliament. In addition, the prevalent *laissezfaire* attitude towards the control of Government expenditure provided a further constraint, which promoted a static salary structure. Indeed, Gladstone

¹For instance, the salary of Mr. Justice Park was £5,500 and expenses were composed of £312 for the Summer Circuit (Oxford), £346 for the Spring (Western) Circuit and £45 annual expenses for Chambers in Serjeant's Inn. *op. cit.*, page 6.

²As Routh notes, even in 1913 High Court Judges obtained an after tax income which in 1960 prices, would have been worth about £20,000. G. Routh, *Occupation and Pay in Great Britain*, NIESR 1965, page 70.

³Also, High Court Judges were extremely few in number and the method of appointment by invitation obviously enhanced their status.

⁴"The judges . . . are appointed to hold particular offices of dignity and exceptional importance. They occupy a vital place in the Constitution of this country. They stand equally between the Crown and Executive and between the Executive and the subject. They have to discharge the gravest and most responsible duties . . . so that it is . . . essential that their security and independence should be maintained inviolate". Memorandum to the Lord Chancellor, quoted in 88 H.L. Deb 5s Col. 1209, 1933.

⁵Barbara Wootton describes the social element in wage and salary determination in the following terms: 'Pay and prestige are closely linked and it is the rule that the high-prestige person should be also the highly paid person'. *The Social Foundations of Wage Policy*, Allen & Unwin, 1955, p. 68. In the context of the Judiciary she refers to a quotation from the Times. 'The dignity of the Bench must be upheld by a certain way, which must extend as much to the judges' home lives as, for example, to the manner in which they travel to and from courts'. *op. cit.* page 129.

even suggested in 1873 that the salaries of Ordinary High Court Judges might be reduced from £5,000 to £4,000 per annum.¹

41. More serious was the debate engendered by the passing of the National Economy Act in 1931, under which the judges were asked to accept a salary cut of 20 per cent. Not only did the Judges claim that they were exempt from the Act on legal grounds,² but also raised a number of interesting arguments, which are relevant to the assessment of the importance of status in judicial salary determination.

42. Great emphasis was placed again on the position of the Judiciary within the Constitution. For instance, Lord Renkellour claimed:

"His majesty's Judges have stood on a different footing from the civil service and from the naval and military services for a space of over 200 years . . . since Judges are to hold office in good behaviour and not at His Majesty's Pleasure . . . for over 200 years His Majesty's Judges have not been subjected to temptations, political or otherwise, in discharge of high office."³

In other words, the Judges still regarded themselves as a "special case" independent from the vagaries of the market place, and not subject to the same considerations as other public servants because of their unique position of being entrusted with "constitutional responsibilities". This notion was reinforced by the Lord Chancellor's remark that:

"the civil service stands in an entirely different position from that of the Judiciary. The method of their appointment is different their tenure is different and their stipend is on a different basis. His Majesty's Judges are absolutely independent of the Crown or the Executive Government and this unique position in the Constitution has been entrusted to them, not for their own benefit or advantage but for the advantage and benefit of the whole of the people of England."⁴

43. According to these arguments, the independence of the Judges in pursuit of their office would be impaired if they were subject to a reduction in salary. It is difficult, in retrospect, to ascertain whether the serenity and dignity of the Judges would have been diminished by bringing their salaries "into conformity with the general economic situation of the nation"⁵ or if their symbolic refusal was more likely to "incur the unpopularity and odium of all the classes in the community."⁶

¹B. Abel Smith and Stevens, *The Lawyers and the Courts*, page 127. The idea met stout opposition and almost all the Judges wrote indignant letters to the Prime Minister opposing the idea, which was not put into effect. Also it is likely the judges' differential had widened in relation to other sections in the period before 1900, owing to stable and even declining cost of living.

²88 H. L. Deb. 5s. col. 1209 ff. See also R. F. V. Heuston-Lives of the Lord Chancellors 1885-1940, Clarendon Press, 1964, page 513-9.

³90 H. L. Deb. 5s. col. 65.

⁴90 H. L. Deb. 5s. col. 82. If, as the quotation seems to imply, the Judges are not employed either by the Crown or the Executive, it is perhaps not surprising that little attention was given to questions of remuneration since they had insisted, in effect, that nobody was responsible for it.

⁵90 H. L. Deb. 5s. Col. 80.

⁶Heuston, *op. cit.*, page 515. Heuston adds, there can be little doubt that in the controversy of 1931-3 the judges had the stronger position in point of law. The wisdom of their attitude from the broader viewpoint of national policy is a matter on which opinions may still differ.' *op. cit.* page 519.

44. Notwithstanding the argument that a salary reduction would be "unconstitutional", it is necessary to examine other possible reasons for the Judges strong rejection of the proposed cut. It cannot be denied that the Judges had suffered a relative decline in relation to other sections in society. For instance, their salaries had remained unchanged during the rapid inflationary period during and just after the First World War.¹ A narrowing of the salary differential was also exacerbated by their liability to personal taxation, which brought them into the super tax bracket. The use of "constitutional" arguments, therefore, was more likely an outward reflection of the desire to prevent a further decline of their standard relative to other groups in society.²

45. On the other hand, Abel Smith and Stevens argue, that the growing acceptance and popularity of such concepts as parliamentary sovereignty, the rule of law, the separation of powers and responsible government made it increasingly difficult for the judges to appear to have any explicit role in the development of law . . . a position which seemed to make their predispositions irrelevant'.³ In other words, it might be claimed that the judicial function within the Constitution *had* changed and 'their actual power had ebbed away'.⁴ If this notion is accepted, the stability of the judicial structure can partly be explained by an increase in the status of other elements in the Constitution, as compared with a relative decline in the status of the judicial function. On these grounds, therefore, *mutatis mutandis*, a relative decline in salary levels might have been a reflection of a mutual decline in relative status. As a corollary to this point, it should be noted that, whereas the salaries of High Court Judges remained constant at £5,000 during the inter-war period, the salary of Permanent Heads of Civil Service Departments rose from £2,000 to £3,000, a narrowing of the differential between the two groups from 60 per cent to 40 per cent.

46. As mentioned earlier, the salaries of the Higher Judiciary were to remain unaltered until 1954,⁵ which necessarily meant a further relative decline, given the inflationary tendencies during and after the Second World War.⁶ Meanwhile, the Chorley Committee had recommended substantial increases for the Higher Civil Service, narrowing the differential between High Court Judges and Permanent Secretaries to 30 per cent. This may be a simple reflection of the increased administrative burden with the coming of the Welfare State, perhaps compounded by the Judges inability to agitate publicly on salary questions.

47. This latter point should not be underestimated. The Judges have never been able to present a unified salary claim through, say, a professional association and, as noted above, the salary structure could only be altered by an Act of Parliament until 1965. The combination of these constraints must be viewed in the light of the intense economic difficulties facing post-war Britain. When the

¹Given that the average index of the cost of living was 100 for 1906-10 it stood at 167 in 1930. G. Routh, *op. cit.*, page 110.

²It is interesting that at no time during the public debate did the Judges make explicit reference to the narrowing of differentials.

³Abel Smith & Stevens, *op. cit.*, pages 122 and 125.

⁴*Op. cit.*, page 125. On the other hand, the distinction between the making of law and its administration is a crucial one. The latter has increased considerably, especially since the Second World War.

⁵With the exception of County Court Judges who were awarded an increase in 1951 when they undertook jurisdiction on matters of divorce.

⁶The cost of living index stood at 381 in 1954 (1906-14=100) G. Routh, *op. cit.*, page 110.

salary of High Court Judges was increased to £8,000 in 1954 it must be viewed a long overdue institutional response, which, given the absence of the above constraints, might have occurred more automatically.

48. The history of judicial salaries since 1954 has consisted of a series of piecemeal increases, more or less in conjunction with salary movements in the Higher Civil Service and changes in the cost of living. In other words little attention has been paid to a consideration of principles governing judicial salaries, apart from an acceptance that the existing structural relationship was somehow satisfactory. This presupposition is rather tenuous, given the way in which the salary structure has developed since 1700. If the determination of judicial salaries was previously regarded as exogenous to the factors which affected other public sector salaries,¹ it is surely difficult to argue that a logical relationship has emerged since 1945.

49. On the other hand, if the main concern in the first instance, is not an analysis of major structural inadequacies, but instead a need to adopt a pragmatic approach, given certain short-term constraints, it is necessary to examine the judicial structure in the light of actual events.

50. In the 1930's the Judges had argued that their position in the Constitution made it impossible to equate the basis of their salary determination with that of other public sector employees. Unfortunately, "a judgeship used to be regarded as a very highly paid position, whereas it is now in the higher level of salaries, but carries no more than is paid to, say, the chairman of a national board".² This undoubted decline in relation to salaries in other occupations has brought about a convergence of top salary levels.³ In consequence, it is now inevitable that comparisons must be undertaken between the Higher Judiciary and other highly paid members of the public service. The main problem remains of how such a comparison is possible, if the Constitutional argument still holds.

51. Turning the argument the other way, it is possible that status is no longer strongly linked to salaries above a certain level, so that there might be no increase in status for a judge if, say, his salary were doubled. In addition, one writer has questioned the need for high remuneration to avoid temptation, in that "corruption is eliminated by professional tradition, which is perhaps the only effective method under any system".⁴ There seems some justification, therefore, in the contemporary situation for abandoning the Constitutional argument as the prime determining factor for judicial salaries, although in the long-term its influence cannot be ignored. The crucial question is whether the status of the Higher Judiciary as an essential and independent element in the Constitution has been eroded by the narrowing of salary differentials, especially since 1945. If the level of their status has remained extant in spite of a relative decline in remuneration, it is necessary to examine other criteria for determining the judicial wage structure.⁵

¹See above, paragraph 41.

²R. M. Jackson, *The Machinery of Justice in England*, CUP., 1967 page 291.

³In 1971, for instance, parity was established between the High Court Judge and the Permanent Secretary, described by the Prime Minister as a 'proper relationship'.

⁴R. M. Jackson, *op. cit.*, page. 291.

⁵Another factor of importance in the hierarchical status argument concerns the large increase in the numbers of Judges sitting on the Bench. When the number of judges was extremely small, as was the situation during the nineteenth century the status of the judiciary was naturally enhanced.

52. If it is accepted that it is extremely difficult to use almost any method of fair comparison as far as the Judiciary is concerned, one such criterion might be the level of earnings at the Bar, so taking into account the potential supply of recruits to the Bench. This criterion is an ostensibly useful one, since in England we have had to tempt men to leave private practice of a lucrative nature, and this is the reason for the salary.¹ The usefulness of such criterion is mitigated by the possibility that salaries at the Bar may be functionally related to those on the Bench, but more important, it is likely that factors other than the level of remuneration affect the supply of potential members to the Bench.²

53. During a debate in the House of Lords in 1933 on the question of Judges' Salaries, the Lord Chancellor concluded his remarks by saying "your Lordships may rest assured that the question (of the position of the Judges) will be reconsidered as and when the general circumstances of the country permit".³ It is regrettable that such circumstances have not arisen, since it is almost impossible to recommend a rational approach to the problem without taking into account the long term structural ramifications.

Senior officers in the armed forces

54. The method of remuneration for senior officers has a unique history in many ways analogous to the Judiciary, in that it has always been difficult to evolve consistent principles of comparability with other members of society. The situation is further complicated by the need to distinguish between the different demands on the Services during peace time and war time, and the possibility of compulsory conscription is an additional factor only applicable to this sector. Also, there are "aspects of life which find no counterpart in civilian life, such as total commitment to the services and a code of discipline not encountered in civilian employment."⁴

55. Any analysis of forces' remuneration must account for the autonomy of each of the three services, but for the sake of convenience rather than constancy this section will follow the convention of using the remuneration of the army as a basis, on the assumption that there is considerable equivalence of rank. On the other hand, an important recurring element in the history of officers' remuneration has been the argument for and against consolidation and this will not be ignored.

56. The early history shows many resemblances to the civil service and Judiciary, the outstanding characteristic being a static salary structure over long periods of time. For instance, prior to an increase in 1919 the pay of an Admiral had remained unaltered since 1816. In 1857, the Command Pay of a General (C in C) was £9 9s. 6d. per diem; a General received £5 13s. 9d.; Lieutenant-General £3 15s. 0d and a Major General £1 7s. 11d.⁵ In terms of the hierarchical status argument advanced in the section on the Judiciary, it

¹R. M. Jackson, *op. cit.*, page 291.

²Routh, for instance, points out that, although there was a severe decline in differentials, this did not produce any appreciable decrease in those willing to go to the Bench. *op. cit.* page 175.

³90 H. L. Deb. 5s. col. 83.

⁴NBPI Report No. 142, Standing Reference on the pay of the Armed Forces, Third Report Cmd. 4291, February 1970.

⁵Report of the Commissioners appointed to inquire into the system of purchase and sale of Commissions in the Army, 1857.

appears that very senior officers were placed in between the Higher Judiciary and the top civil servants, although strict comparison is not possible because the officer had considerable benefits from the State, such as furniture for his quarters, mess at a low rental, opportunities for horse hire and other concessions. Indeed, the complex mixture of pay, allowances and charges were not finally codified and simplified until 1970.¹

57. Before 1919, then, there was a multiplicity of regimental and corps pay for different arms of the service and during the First World War officers enjoyed a privileged tax position. By this time, officers of the rank of General and Lieutenant General received consolidated rates of pay.² The first substantive investigation of pay principles took place in 1919, when the Fisher Committee recommended that the diversity of rates should be replaced by uniform inclusive rates, with an aim as far as possible to correlate the emoluments of officers of similar rank in the three services. It will be remembered that a similar attempt was made to consolidate the salary structure of first division civil servants.³

58. The Fisher Committee also recommended the recognition of the special responsibilities of certain posts by the payment of additional grants in the form of table money. This may be regarded as an early attempt to institute some form of range pay. The War Office, however, opposed this because it departed from their practice of paying general officers according to appointment, irrespective of rank. In fact, a series of across the board increases were approved, which although substantial in themselves came nowhere near the 50 per cent increases simultaneously granted to Permanent Secretaries.⁴

59. The next significant change in officers' pay occurred in 1935, when rates were "consolidated" by 9½ per cent in a downward direction.⁵ This was a reflection of the Government's desire for economy in a period of severe recession, but it is constructive to compare the ability of the Judiciary to oppose a reduction, in contrast to the implementation of the Services' cuts. Presumably, sixteen years of peace diminished the potency of the arguments against the reduction, but it must be remembered that officers' pay was now subject to personal taxation, and the cut meant a reversion to pre-1919 gross rates.

60. It is clear from the preceding analysis that the determination of officers' pay was largely independent from salary movements in other sectors of public service in strong contrast to post war tendencies, when a correlation with movements in the Higher Civil Service has evolved. Part of the explanation must lie in the customary attitudes which evolved during the nineteenth century and

¹NBPI Report No. 142, *op. cit.*

²G.O.C-in-C, 1st Class: £3,500 pa.

G.O.C-in-C, 2nd Class: £2,500 pa.

Lieutenant Generals in administrative appointments and heads of missions: £2,000 pa.

³The Asquith Committee reported in 1920.

⁴G.O.C-in-C, 1st Class: £3,650 pa.

G.O.C-in-C, 2nd Class: £2,737 pa.

General not in command: £2,455 pa.

Lieutenant General: £2,190 pa.

⁵G.O.C-in-C, 1st Class: £3,367.

G.O.C-in-C, 2nd Class: £2,478.

General not in command: £2,314.

Lieutenant General: £1,986.

perpetuated into the twentieth during which the basic emoluments remained static. A crucial shift occurred during the Second World War:

"With the growing complexities of equipment and training in fighting arms, there is no longer the same justification for the marked distinction which at present exists between the emoluments of the different arms and corps. This applies particularly to the higher ranks, where purely technical qualifications tend to decrease relatively in importance as compared with military and administrative qualifications.¹"

With the onset of total warfare the different qualities demanded of the higher ranks meant that a reappraisal of the now outmoded structure was vital.² In fact the Second World War necessitated a final shift away from the army as essentially a social institution to a professional organisation with ultimately different aims.

61. Unfortunately, as had been shown no satisfactory analogues had been previously utilised or even thought necessary. The problem was highlighted in 1948 by a Ministry of Defence working party on pay and allowances, which noted the lack of any civilian "equation" as far as officers were concerned. The advent of "professionalism" in any case made past criteria largely irrelevant and necessitated an examination of the problem from a new viewpoint. A Treasury minute of 1953 seems to be the first explicit recognition of *some* relationship between the Higher Civil Service and senior officers, although it stressed this was an equation of status rather than salary. There was, in fact, no clear cut base line between the civil service and army pay. For instance, the pay of senior officers was adjusted in 1958³ and 1960⁴ whereas Higher Civil Service pay was reviewed in 1956 and 1959, and also the rates were different. The 1958 review was concerned specially with the Government's decision to end conscription by 1962, and naturally they considered the adequacy of remuneration in this context. The Committee concluded that officers' pay represented a reasonable equivalence with civil remuneration "bearing in mind they must expect equality with other public servants, rather than with the fewer, but more glittering, prizes offered in industry". The 1960 pay review, stated that in the future armed forces "pay would be governed broadly by the relative changes in pay of comparable grades in the Home Civil Service."⁵ In this way an implicit relationship gradually became an increasingly accepted convention.

62. The NBPI was required to examine the proposed increases of the fourth biennial review in 1966 and the application of the Grigg formula of simple comparison with movements in the Administrative grades of the civil service was questioned as being incompatible with the current incomes policy criteria.⁶ Nevertheless the NPBI felt the Grigg formula was a commitment to

¹Committee on Post-war Emoluments of Army Officers, June 1945, WO/32/11186 P.B.

²The Committee on Post-war emoluments recommended a flat rate of pay for Colonels and Brigadiers (a new rank equivalent to Air Commodore in the R.A.F.) substantially higher than the Lieutenant-Colonels rate and one rate instead of two for Lieutenant-Generals and Generals.

³Report of the Advisory Committee on Recruiting, Cmd. 545, Oct. 1958, which recommended biennial reviews to 'take into account movements in civilian earnings over a range of occupations'.

⁴Service pay and pensions, Cmnd. 945, February 1960.

⁵At that time, a Permanent Secretary was equivalent to General/Field Marshal and Deputy Secretary straddled the ranks of Lieutenant General and General.

⁶NBPI Report No. 10 Armed Forces Pay, Cmnd. 2881, January 1966.

be honoured. Similarly in the First Report of the Standing Reference on Armed Forces Pay¹ the NPBI felt they "could not accept the Grigg system should be applied in full for a further round of increases, but we were not yet in position to prepare an alternative method of fixing Forces Pay".² The Second Report of the Standing Reference³ however, did not seem to pay much attention to this problem, and in spite of a job evaluation exercise and the emergence of the "X" factor,⁴ the notion of comparability with the Higher Civil Service was strengthened. "We have arbitrarily chosen figures primarily to maintain reasonable differentials between ranks but also taking some account of present pay levels in the higher civil service".⁵ In addition the Board recommended "intermediate reviews every two years or more frequently"⁶ if necessary. Far from replacing "the crude application of the Grigg formula" the effect of the NBPI's investigations was its codification into a guiding principle, even if it was not yet an ultimate criterion.⁷

63. In its last report on Forces Pay however, the NBPI observed "the fact that the Government has required us to consider the pay of senior officers 'in the light of' the increases awarded to higher civil servants indicates that the Government has effectively decided that comparisons between the two groups should be given the greater weight in the determination of pay on this occasion."⁸ It appears, therefore, that the convention now had the stamp of Government approval,⁹ and the question of its efficacy was shelved.

64. The major reason for complementarity seems to have been guided by "the fact that many senior officers worked in close conjunction with higher civil servants",¹⁰ but this denies a qualitative difference between the two groups in relation to their respective occupations, which the "X" factor recognises but does not satisfactorily solve. In other words, a salary relationship founded merely on a customary connection reinforced by convention is likely to be a

¹NBPI Report No. 70 Standing Reference on the Pay of the Armed Forces First Report, Cmnd. 3651, May 1968.

²NBPI Report No. 77, Third General Report, August 1967 to July 1968, Cmnd. 3715, July 1968, paragraph 287.

³NBPI Report No. 116, Standing Reference on the Pay of the Armed Forces, Second Report, Cmnd. 4079, June 1969.

⁴"We regard the X factor as comprising the combination of exposure to danger discipline, total commitment to the Service and the frequent uprooting that is inseparable from Service life . . . which find no counterpart in civilian life. We recommended the X factor element should be set at 5 per cent" NBPI Report No. 142, Standing Reference on the Pay of the Armed Forces, Third Report, Cmnd. 4291, February 1970.

⁵Report No. 116, *op. cit.*

⁶NBPI Report No. 122, Fourth General Report, July 1968 to July 1969, Cmnd. 4130, July 1969, paragraph 244.

⁷"In framing our recommendations about the pay of Generals and below, we have decided not to take account either the exact levels of pay in the equivalent grades of the Higher Civil Service or the exact percentage increases that have been awarded in the past. We have however paid some regard to the rough magnitude of recent awards to the higher Civil Servants since they form a precedent which the Government as an employer cannot ignore." NBPI Report No. 157, Standing Reference on the Pay of the Armed Forces, December 1970, Cmnd. 4513, paragraph 15.

⁸Report No. 157, *op. cit.*, paragraph 8.

⁹"It is necessary, for working purposes, to have certain conventions about the relationship of service and civilian ranks. A Brigadier is regarded as equivalent to an Assistant Secretary, a Major-General to an Under-Secretary, a Lieutenant-General to a Deputy Secretary and a General to a Permanent Secretary." Report No. 157, *op. cit.*, paragraph 9.

¹⁰Report No. 157, *op. cit.*, paragraph 2.

contributory factor towards "the endless chain of increases because others have had increases."¹

65. Given the problem of discovering an adequate basis for senior officers' remuneration in the immediate post war era, comparison with the Higher Civil Service provided perhaps the most reliable guide but its transformation into an overriding principle seems too simplistic in its uncritical acceptance of convention.

Chairmen and Board members of Nationalised Industries

66. The structure of wage determination for Board members of the nationalised industries pinpoints the problems involved in evolving a rational wage policy for the public sector in the light of full employment, inflation and balance of payments difficulties which have plagued Britain since 1945. As the public sector of industry was not created until after the Second World War, the salary structure did not suffer an initial handicap of being bounded by history as was the case with the other groups for which the Top Salaries Review Body is responsible. On the other hand the creation of the nationalised industries brought special problems, which are the main concern of this section.

67. The crucial factor in the discussion over the principles of wage determination in the nationalised industries has been the need to reconcile the element of public service involved as against comparability with the private sector. In essence the history of remuneration in this group shows a gradual shift away from the former towards more comparability with private industry. It will be argued that this is partly a reflection of a changing attitude towards the function of the public sector in industry within a modern corporate economy.

68. A number of characteristics delineate the nationalised industries from traditional notions of both public and private sector organisation. On the one hand ordinary business pressures such as responsibility to shareholders are absent, but this is replaced by another form of managerial control in terms of the notion of Ministerial responsibility. Secondly, although the nationalised industries occupy an ostensibly monopolistic position within their respective markets, nearly all experience considerable competitive pressure, which in the case, for instance, of the coal industry has increased rapidly during the 1960's. Thirdly, the desire by successive Governments to promote efficiency within the public sector of industry, especially with reference to pricing and investment policies² has meant that the nationalised industries have to fulfil certain financial targets. Finally, the tendency to use the nationalised industries as an example to the private sector, of efficiency in such matters as wages policy has further increased the commercial pressures on the Board members. In these ways, the contrast between the public and private sectors of industry is one of degree rather than kind, particularly since 1960.

69. The early history of the nationalised industries was mainly concerned with the evolution of norms of conduct in a previously unexplored territory.

¹NBPI Report No. 98, Standing Reference on the pay of University Teachers in Great Britain, Cmnd. 3866, December 1968, paragraph 38.

²The shift from pricing at marginal cost instead of average cost was a major innovation during the 1960's. See *The Financial Obligations of the Nationalised Industries*, Cmnd. 1337, 1961 and *Nationalised Industries; a review of Economic and Financial Objectives*, Cmnd. 3437, 1967.

Similarly the determination of principles of remuneration involved several unique factors. The enormous responsibilities and the high levels of "experience and knowledge which the Board members are required to possess"¹ was the first element to be considered. There could be some grounds for contemporary comparison with the specialist and technical officers within the civil service who tended to be paid a higher salary than normal members of the administrative class. Also, the Board members in the early days of nationalisation did not usually enjoy security of tenure or the valuable pension rights which were available to the Administrative Class of the civil service. The initial rate of remuneration for Board members aimed, therefore, at a balance between the notion of their being servants of the State and the need to reward their possession of specialist knowledge. In other words the main criterion, for remuneration was the need to ensure that it was "sufficient to secure the services of leading industrialists or businessmen," although this does not necessarily mean that salary scales must be as high as in private enterprise.²

70 The pursuit of such a policy had one interesting side-effect. In the inter-war years, the annual salary of the Chairman of the London Transport Passenger Board was £12,500. This was reduced to £5,000 after the creation of the other Nationalised Boards, which illustrates the possibility of structural change when underlying circumstances have altered. The official policy towards remuneration was reflected in Stafford Cripps' statement in 1948, when he contended that salaries of the members of nationalised Boards were calculated "at the level necessary to obtain men with the qualifications and experience required for these highly responsible posts having regard to the current salaries obtainable for similar posts in the field of private enterprise".³ Professor Robson, writing in 1952, thought that the salary structure appeared to be broadly reasonable,⁴ having regard to the various factors outlined in the previous paragraph.

71. The salaries of chairmen and members of the Boards are determined by the particular Minister responsible for the industry, and the amounts paid reflect differing levels of experience and responsibilities necessary in a particular post. Salary levels remained static until 1957, when the recommendations of the Fleck Committee⁵ and the Herbert Committee⁶ were implemented. The former simply recommended "that the salaries of the Chairmen and other full time Board members should be substantially increased,"⁷ but the Report of the Herbert Committee isolated a major difficulty with the contemporary method of remuneration, which had ramifications for all nationalised industries.

72. The logic of their argument is worth quoting at length:

"We are given to understand that an element of social service is attached to membership of the Boards of nationalised industries with the implication that remuneration of such members need not be fixed in relation to remuneration in private enterprise. The philosophy behind the

¹W. A. Robson, *Problems of Nationalised Industry*, Allen & Unwin, 1952, page 103.

²W. A. Robson, *Nationalised Industry & Public Ownership*, 2nd ed., Allen & Unwin, 1962 page 230.

³H of C deb. 447 cols. 183-4.

⁴W. A. Robson, *Problems of Nationalised Industry*, page 103.

⁵Report on the Advisory Committee on Organisation (1955) National Coal Board. (The Fleck Report).

⁶Report of the Committee of Inquiry into the Electricity Supply Industry, 1956, Cmd. 9672. (The Herbert Report).

⁷*op. cit.* paragraphs 76 and 78.

determination of salaries in nationalised industries is apparently that such salaries should lie at some point between those current in the Public Service on the one hand and private business on the other. We find it difficult to understand this philosophy as the electricity supply industry has to compete with private industry for its technical staff, its administrators and its leaders.”¹

In other words the Herbert Committee advocated greater comparability with the private sector and “in its struggle for technical and commercial efficiency, the salaries must be sufficient to attract and retain its top management in the face of severe external competition”.² The existing criteria for salary determination were considered to be “quite irrelevant”.³ In addition, since the remuneration of Board members had been unchanged since 1947, there had been a compression of internal differentials.⁴ The dangers of this occurrence are explored in the section on the civil service, where similar problems have been experienced. The Herbert Committee concluded that if the Boards are to be run as commercial enterprises (and we think they should) the remuneration of the men who run these enterprises should be on a level commensurate with their abilities and their market value.⁵

73. What Herbert described as “the arbitrary restriction of salaries of top management”⁶ again illustrates the serious problems engendered when there is a lack of an objective, automatic method of reviewing the salary structure. Such an approach only changes the prospect of disequilibrating tendencies and makes the ultimately political task of convincing other sections of society of the efficacy of large salary increases all the more troublesome. Professor Robson has claimed “the salaries of the members of public corporations were not in most cases unreasonably low when they were originally fixed.”⁷ On the other hand, the persistent refusal to increase salaries “were bound to have an adverse effect on the ability of the nationalised industries to recruit and hold highly qualified staff at a time of acute shortage of such personnel”.⁸ As a result of an interdepartmental review in July 1957 salary increases ranging from 15 per cent to 60 per cent were implemented, the actual amount varying according to the size and importance of the industry concerned. One further consequence of this review was the division of the industries into four main categories.

74. No further changes in structure occurred until the report of a Working Party in 1963. It is interesting to note that the review was temporarily postponed during the pay pause of 1961 and 1962, illustrating again the influence of short-term pressures as a disequilibrating force. As well as recommending substantial salary increases for the now customary reasons of preventing further distortions in the salary structure and difficulties in recruitment, the Working Party also advocated a system of range pay for Board members, so that different levels of experience and responsibility could be appropriately recompensed. The main feature of the first two salary reviews, then, was simply need to undertake a

¹The Herbert Report, *op. cit.*, paragraph 312.

²*op. cit.*, paragraph 313.

³*op. cit.*, paragraph 313.

⁴*op. cit.*, paragraph 313.

⁵*op. cit.*, paragraph 314.

⁶*op. cit.*, paragraph 314.

⁷W. A. Robson, *Nationalised Industry and Public Ownership*, page 230.

⁸*op. cit.*, page 230.

"catching-up" process, without the ability to view the problem in its long-term perspective. In 1964, the Government awarded about a 25 per cent overall increase in salaries and introduced a common range of payment for Board members.

75. One feature of the salary structure, which has analogies with the Higher Civil Service, was the occasional institution of special salaries to attract specially qualified personnel to become chairmen of certain nationalised industries.¹ The implications of such a policy seem contradictory in that it might become difficult to separate the exception from the rule. Also, there are inevitable ramifications on the internal career structure of the industries concerned, as well as between the different nationalised industries. The ability to offer an individual a salary "not greater than the salary he is being paid by his company"² created what the Select Committee on Nationalised Industries regarded as "serious anomalies and confusion".³

76. The Select Committee did not believe that "the salaries paid to the full time Chairmen and board members should necessarily be at levels ruling in private industry", but they thought that "the proper rate for the job must be significantly higher than that which is now generally paid".⁴ This was an explicit recognition of excessive distortion which had resulted from a continuous inability to accommodate a series of rapid structural transformations in the post-war economy. A third review of the salary structure was undertaken by the NBPI in 1969 and it is instructive to assess its findings and recommendations in the light of these considerations.⁵

77. In the terms of reference to the NBPI it was made clear that top salaries in the nationalised industries were

"substantially behind those of Board members and men with comparable responsibilities in private industry. A marked divergence of salaries between nationalised industries could be expected to have a serious effect on efficiency, by reducing the nationalised industries' ability to retain and recruit suitable people at Board level."⁶

The NBPI undertook detailed investigations of various nationalised industries and discovered at high levels in the salary structure "pay differentials between different levels of management suddenly become very much compressed".⁷ This characteristic is congruent with the previous analysis of this section, owing to the institutional constraints on the highest paid groups in the public sector. As the NBPI noted, "the public undertaking reflects the traditional characteristics of the public service, one of which is that financial rewards at the top are not outstandingly high".⁸

¹Exceptional salaries were also instituted for the chairman and Board members of the British Steel Corporation in 1967.

²First Report from the Select Committee on Nationalised Industries Session 1967/68, Vol. 1, paragraph 303.

³*op. cit.*, paragraph 304.

⁴*op. cit.*, paragraph 306.

⁵The Select Committee concluded 'to put it bluntly, the State cannot afford to manage its public industries on the cheap. There is too much at stake.' *op. cit.*, paragraph 308.

⁶NBPI Report No. 107, Top Salaries in the Private Sector and Nationalised Industries, Cmnd. 3970, March 1969, page iii.

⁷*op. cit.*, paragraph 77.

⁸*op. cit.*, paragraph 82.

78. Unfortunately, in trying to resolve this difficulty the NBPI put forward a compromise argument, which avoided the main point at issue. On the one hand, they contended that "no system of evaluation can provide a fully objective comparison of jobs . . . we cannot rest pay on any such uncertain basis of job comparisons," but then it is asserted, "save in the most exceptional circumstances when it is considered essential to recruit a particular individual, any attempt in the public sector to match pay in the private sector might push up pay still further in the latter, and thus magnify the problems of the public sector at a later date".¹ There are two major implications from this line of argument. Firstly if it is impossible to use job evaluation as a means of comparison it must be difficult to ascertain the existence of "exceptional circumstances" which justify the special treatment of "a particular individual." Secondly, it could be argued that unless an attempt is made to match public and private sector salaries, this in itself could "magnify the problems of the public sector at a later date".

79. The NBPI concluded that comparison with pay in the private sector, should not be regarded as the primary criterion. "We consider rather that pay within the nationalised industries should be designed to induce men to accept higher responsibility, without at the same time creating problems of retention and recruitment of suitable personnel."² The method by which such a structure could be implemented were not elucidated, however, and it is apparent that concrete principles have yet to emerge.

80. The history of remuneration for Chairmen and Board members of nationalised industries is again indicative of the contingency of maintaining a static salary structure during a period of substantial economic and social change. Part of the problem may be a recognition of the "question whether public opinion would tolerate such (comparable) salaries being paid to men whom most people regard as being public servants."³ This argument has lost most of its potency in a period when personal salaries and "special salaries" above the normal rate have become an accepted phenomenon."

81. With the onset of nationalisation it was inevitable that the distinction between the civil service and private industry should become blurred and as a result part of the difficulty is "due to the much lower remuneration paid to Ministers, top civil servants, judges and other people of great ability and experience."⁴ This ignores the undoubted qualitative demarcation between the civil service and the nationalised industries, and the use of comparison within the public sector may be ultimately more deleterious than comparison with private industry. The criteria of performance of Board members are *prima facie* more identifiable namely the economic efficiency of their enterprises. Similar criteria do not necessarily apply to the civil service and elsewhere in the public sector. A reliance on linking salaries of groups within the public sector carries the risk of the whole public sector becoming geared to top private salaries. In other words, there are strong grounds for treating Board members on a different basis from the other sectors.

¹*op. cit.*, paragraph 83.

²*op. cit.*, paragraph 4.

³W. A. Robson, *Nationalised Industry and Public Ownership*, page 232.

⁴*op. cit.*, page 232.

Conclusions

82. The clear indication from this historical survey is that interdependence of salary structures between the four groups is almost entirely a post-war phenomenon and the general acceptance of horizontal relativities¹ has resulted from the expediency of convenience rather than logical design. There is considerable evidence to suggest that institutional inertia contributed towards distortion of salary structures at an early date, so that salaries for all groups within the public sector have hardly ever been commensurate with overall movements in the economic and social structure.

83. The absence of a suitable means of adjustment to exogenous change strengthened the reliance on social convention and tradition as the main structural determinants. Such a dependence simply magnified the difficulties of reform, owing to an intrinsic Parliamentary and Ministerial tendency to resist change. The implicit danger of using customary relationships may be illustrated by examining the way in which the salaries of the Chairmen and Board members are initially determined.

84. The Chorley Committee contended that a change in the salary structure of the Higher Civil Service was already overdue in 1939, and the increases awarded in 1946 should only be regarded as an interim step towards long-term reform. On the other hand, the salary level of Chairmen and Board members was calculated in relation to the *existing* current levels in the Higher Civil Service. If the salary levels of the latter, in a longer perspective, were regarded as being too low, there are a priori grounds for assuming that Chairmen and Board members were underpaid from the outset. In addition once the interdependence of the various elements within the public sector became accepted, the possibilities of rectifying the imbalance receded.

85. The drawbacks of wage determination using a static notion of structural relationships were not so apparent in the period before 1945 because the process of overall structural change was slow-moving, especially during the inter-war depression. This did not prevent the emergence of structural anomalies and it has been argued the exigencies of pre-Keynesian economic thinking created difficulties, especially in the highest ranks of the Civil Service, the Judiciary and the Armed Forces.

86. The post-war economic situation, however, highlighted the disadvantages of such a procedure. In a period of rapid structural changes, exemplified by increasing levels of inflation, the lack of an effective mechanism of adjustment meant that any thoughts of long-term reform were subsumed by the short-run needs of simply "catching-up". Unfortunately, this process is self-perpetuating because of backward and forward linkages with the private sector as well as within the public sector, so that pay rises based on increases in the salaries of people in other occupations are in themselves inflationary. The idea of inflation as an inherently reinforcing process leads to pessimistic conclusions about its control.

87. In addition, it could be argued that successive attempts by the Government to restrain the over rapid growth of prices and incomes have introduced a variety of new distortions, in addition to the long standing problems which all

¹Interim Report on Top Salaries, *op. cit.* paragraph 2.

the Royal Commissions have had to take into account. In relation to the emergence of prices and incomes constraint, the main feature of Government policy has been the attempt to restrain pay levels in the public sector, especially for manual workers in nationalised industries. The resulting dilemma of having to adopt a similar policy for Top Salaried employees merely enhances the difficulty of enacting long-term structural reform.

88. On the other hand, the lessons of history show that the lack of underlying principles and a reliance on short term amelioration have been major stumbling blocks to any progress towards long-term reform. The Government, as a major employer of manpower within the economy, is in an ideal position to provide guidelines in this situation, especially, through such instruments as the Top Salaries Review Body.

APPENDIX H

REPORT OF A STUDY TO COMPARE THE DEGREE OF JOB INSECURITY IN THE PRIVATE AND PUBLIC SECTORS

By Mr. D. H. FULCHER and Mr. A. F. L. BOWLEY

CONTENTS

	<i>Paragraphs</i>
Introduction	1- 6
I THE PRIVATE SECTOR	7-33
The attitude of senior staff towards and extent of their concern about redundancy	9-18
Compensation for redundancy and premature retirement	19-26
Possibilities of alternative work and assistance in obtaining it	27-29
Influence of insecurity on salary levels	30-33
II THE PUBLIC SECTOR	34-47
The civil service	34-37
The armed forces	38-42
The nationalised industries	43-46
Judiciary	47
III CONCLUSION	48
Annex A	Main topics for discussion.

Note: This study was carried out between July and December 1972 by Mr. D. H. Fulcher, D.S.C., until 1970 an Under Secretary in the Department of Health and Social Security, and by Mr. A. F. L. Bowley, T.D., until 1970 Head of the Salary Policy and Staff Conditions section of ICI.

Introduction

1. The purpose of the study was to examine the comparative degree of job insecurity in the top salaries field (taken as appointments attracting pay in excess of £6,000 a year) as between the private and public sectors, including differences in approach to compensation for premature retirement and the possibilities of alternative work. In assessing levels of remuneration, the importance may be argued of taking into account the relative degree of security between public sector employment and elsewhere—and such argument commonly assumes that a significantly higher proportion of senior jobs are at risk in the private sector, whether as a result of mergers or in the more extreme cases the collapse of an enterprise. Consequently, a factual study, if it could produce more than generalities, could be expected to offer important assistance to the Review Body in assessing appropriate salary levels for those within its compass.

2. Before the study was launched, it had already been decided that a general survey of practice and policy in the private sector would be impractical, not only because of the sheer size of the undertaking and of a natural reluctance to provide detailed statistics in this field, but also because the existence of an imprecise area falling between dismissal and early retirement would mean that a

misleading and highly dubious picture would result from the amalgamation of statistics, produced without exact agreement on definitions and obtained from a large and diverse number of sources. It had therefore been concluded that the more promising course would be to seek information on outside policy and practice by means of industrial case studies—supported by the views and experience of some senior people in the public sector, and of institutions involved in the problems in both the sectors concerned. The study team entirely accepted this view.

3. The selected organisations in private and nationalised industry were first approached by Lord Boyle on our behalf: others were approached by the OME Directorate or by the study team themselves. There was no refusal of an interview and help, and it was obvious in all cases that those we saw in the firms and organisations had gone to considerable trouble to brief themselves, so as to provide us with interesting, frank and useful discussions. We are more than grateful to them.

4. The study team followed up the initial approach by sending named individuals in the organisations a list of ten areas for discussion—writing to do this a few weeks in advance of the meeting. A copy of this list appears at Annex A. The interviews, each lasting for about two hours, began in July and continued at the rate of about two a week until November 1972. There were 26 such interviews in all.

5. Confidentiality had been guaranteed in the correspondence preceding each interview, and at the start of every such meeting was again emphasised, both as regards the information given to the study team and the fact that the organisation was among those included in the study. We had expected this pledge of confidentiality to be important—and so it proved. Certainly without it we could not have expected the productive and informative discussions which took place everywhere we went. Plainly there is widespread interest in the subject of our enquiry, revealing as it did differing views on a number of major aspects.

6. Our report is presented in two parts—the first dealing with the private sector, and the second with the public sector. For this purpose, we have grouped the detailed questions set out in Annex A into principal areas for discussion, to avoid the overspill between individual questions which would otherwise have been inevitable and which was indeed an unavoidable feature of the frank and open ended discussions on which we must rely for our conclusions.

I THE PRIVATE SECTOR

7. Our initial search for published information about the extent of job insecurity in the private sector led us to various documents issued by organisations such as the British Institute of Management, and the Institute of Personnel Management. These provided helpful material, although much of it was more specifically concerned with aspects of job insecurity, such as redundancy terms and new career possibilities, than with job insecurity itself. Nor was it concentrated on the very senior levels of employment with which our project was concerned. And some of the studies were out of date, at least for our purpose, because the extent of insecurity can be a rapidly changing factor not only nationally but more particularly within certain industries. At least the published

material suggested a common view that the trend over the last few years to mergers of companies, and to rationalisation within them, had increased awareness of redundancy risks and problems—and this awareness was generally apparent during all the interviews we had.

8. Such awareness is entirely understandable. Given a situation in which there is cause to worry about job insecurity, it could be argued that there is plenty to worry about. The senior executive can have children still at school or university and with his other commitments is likely to assume that redundancy would be a financial catastrophe. He may well moreover have been practically married to his company as well as to his wife and have had little or no time to gather a wide circle of friends other than his business contacts. On redundancy, these contacts and interests may rapidly be lost, together with prestige and sense of purpose, and there is a risk that he might deteriorate even to the extent of not being able to get another worthwhile job. But given that shipwreck can be a disaster, what are its chances of happening, and what are the prospects of rescue? To seek answers to this central question, we started by testing the attitude and concern of senior staff about redundancy.

The attitude of senior staff towards and extent of their concern about redundancy

9. The answers to any questions put under this heading depended to a substantial extent on the company, and more especially on the industry, providing them. Redundancy and job insecurity were obviously words now said out loud and most interviews had not very far progressed without references being made to the collapse of Rolls-Royce, making the obvious point that, if this great organisation could prove unsafe, where was safety to be found. This commonly led on to the suggestion that an increasing number of competent and ambitious people no longer saw their careers as a steady advance through the ranks of the company which would adequately look after them from school or university to retirement—instead they contemplated promotion to higher responsibilities and rewards through a succession of jobs with various companies, with their loyalty to any one firm being overtaken at least to some extent by a loyalty towards a profession, or towards a technical or managerial discipline. We would regard this as a significant development in an age of increasing technology and expertise, although it is impossible to express it in terms of percentages or numbers. There certainly was ready agreement with the suggestion that mergers and take-over bids could increase job insecurity, as could internal re-organisation or the imposition of a new management style.

10. Much of this could, however, have been written without undertaking any interviews at all, and, when such generalisations are tested against the actual situation in a number of companies, a far more complex picture can emerge. So much is relative—for example, some companies claimed little or no redundancy or early retirement and then produced statistics indicating that as many people left before the normal retirement age as served to it. Other companies made the opposite claim, similarly out of keeping with the figures. And yet the statistics themselves can be suspect—if only for the reason—there are others—that, human nature being what it is, the real cause of dismissal might well be masked by comforting phrases designed not to wound.

11. It is difficult and probably quite unrealistic to list in any valid order of priority the factors contributing to job insecurity: a wide variety of possibilities

emerged in discussions but they cannot be added together and applied even to an industry, let alone to an individual company.

12. Mergers and take-overs were certainly most frequently mentioned as presenting the risk of staff reduction, and of subsequent redundancies, after completion of the re-grouping, due to incompatibility in a different but still close-knit team. And yet there were those who saw mergers in a different light and did not regard them as an unmixed curse—on the argument that a smaller unit could do well to get under the safer umbrella of a larger organisation, with job security increased and more openings and positions created.

13. Almost as frequent mention was made of the risks to jobs, presented by internal company re-organisation and rationalisation. There was general agreement that such manpower slimming exercises had been widespread over recent years, and must be expected to go on as a continuing process of management survey. There was in fact some frank admission that some prosperous companies could well have been overmanned in lush conditions so that when chill winds blew they pruned back hard and it would hardly console staff so made redundant to tell them that the organisation should not have got into such a condition in the first place. Even so, it seems fair to say that the major impact of this potential insecurity factor is probably now spent, and that concern on this account may well be switching to worry about job prospects and satisfaction, as opposed to fear of losing the job altogether.

14. The third important factor was that job security could depend as much on the fortunes in the industry in which a company was engaged as on the fortunes of the individual company itself. Loss of trade in one or other section of the economy could itself create the merger or re-organisation situations, and risks that, within a company, the whole or part of a major operating unit could be closed down. And there could well be new factors contributing to such loss of trade—such as issues of technology, and of pollution and the environment recently brought to the surface and into the limelight by articulate groups of people and as a result of a growing awareness and concern among the community as a whole.

15. The fourth main factor which we had expected to emerge was the strain and stress presumed to be associated with senior appointments, and so leading to a number of enforced premature retirements due, in popular terms, to running out of steam. This proved to be a discussion topic, allied with the concept that such stress could be increased by more complex operational techniques, greater management sophistication, and the problems which could be presented in modern industrial relations. Even so, we almost had to put these words into the mouths of most respondents to get them said—and they were usually dismissed with the view that people who emerge at the top tended to be tough, competent and self-confident. We were frequently told that senior executives of this calibre did not worry to any great extent about job security—and for that matter need not worry—feeling with some justification that even if they did have to leave a company they would be capable of finding an equivalent job.

16. It is easier to list these principal perils than to quantify them. It would be idle to pretend that they have had no effect on the attitude of senior staff to job security—certainly such people now concern themselves more than in the

past with such matters as service agreements, periods of notice, redundancy terms, effect of inflation on pensions, and risks of take-over.

17. And yet there is much to be said on the credit side. General experiences of internal restructuring and organisation have in many areas been completed in their more dramatic forms, and on-going management surveys do not normally create risks to job security to anything like the same extent. Admittedly, the pace of mergers and take-overs shows little or no sign of slowing down. But the attitude of management has undoubtedly changed, in the sense that there is more and increasing awareness of responsibility towards staff who may be affected, with greater sympathy, concern, and recognition of the human element. Overall, we gained the impression that there simply did not exist a general situation of a widespread group of worried people, but there were inevitably pockets of worried people, in areas of industry where profits were marginal and losses not unknown. And the real division within an industry is probably between large and small companies. The former are obviously far more able to absorb redundancies in one part of the organisation by sideways transfers to other sections: in a merger situation, they are more likely to be the bidder rather than the bid for; internal re-organisation and projections of staff requirements can more effectively be matched. And some small companies can be especially at risk when most of what they produce goes to a large company buying out components—divorce of a comfortable marriage of this kind can be traumatic in its effect.

18. Setting this aside, together with the uncertainties of many merger situations in which there could be substantial (but nowadays better provided for) casualties and equally substantial opportunities, the truth of the matter in our view is that for the most senior executives, there are large areas of the private sector where job security has stabilised and is good. As good, indeed, as in the public sector. We were in this connection impressed by one respondent who said that the trouble was that industrial managers commonly felt that they must be less secure than if they were in the public sector, emphasising in their outlook the difference as they saw it between profit motives and production targets on the one hand and a less quantifiable job at comparable levels in the civil service, at any rate, on the other. Such an attitude of mind may well not reflect the facts, and is unlikely to be changed by any attempted comparative statistics about job security.

Compensation for redundancy and premature retirement

19. We discovered an extreme variety of treatment of compensation for redundancy and premature retirement in the private sector. Some companies (mainly small) give the minimum notice to which the senior executive is entitled and the minimum lump sum payment as detailed in the Redundancy Payments Act. (The State scheme is based on years of service, varying from half a week's payment per year of service at the youngest ages to $1\frac{1}{2}$ weeks at the oldest ages. There is a service limit of 20 years and an annual salary limit of £2,080—in other words, 30 week's pay at £40 per week is the absolute maximum).

20. At the other end of the scale some companies award on an ex-gratia basis up to $2\frac{1}{2}$ years' salary (or more) as a lump sum (such payments are taxable over £5,000). Additionally, contractual periods of notice are extended and

pensions are enhanced, rather than reduced for actuarial reasons, so that up to 2/3rds of final year's salary is paid.

21. In between these two extremes a number of companies provided reduced pensions, but did not apply the full actuarial reduction for premature retirement; and also awarded lump sum payments of about 18 months' salary for senior redundant executives with long service.

22. In general, large companies have become more generous in their treatment of redundancies in recent years as the problem has increased. A number have done so on ethical grounds, when it is felt that redundancy or premature retirement has not been the fault of the individual who has given really valuable service over a life-time; additionally such companies wish to maintain their reputation as good employers as well as to bolster up the morale of the senior executives remaining.

23. Such companies are becoming more sophisticated in their selection processes and in their projections of career structure, age distribution and manpower. It is possible that, as time goes on, they may not be willing (or able) to continue to provide redundancy payments on an equally generous scale.

24. Other companies (and these may include those who offer less security of tenure) are unable to offer generous redundancy terms due to lack of funds and because their pension funds, some of which have been inherited or taken over, are inadequate. Such companies cannot afford "inflation-proofing" of pensions either on an ex-gratia or contractual basis. Normal retirement ages varied between 60, 62, 63 and 65 and it was clear that companies with lower retirement ages were financially better able to cope with generous early retirement schemes—for the obvious reason that retirement at say age 57 leaves only 3 years of uncompleted service to cater for if the normal pension age is 60, instead of an 8 years gap if the normal age is 65. There was a tendency towards reducing the normal retirement age for senior executives below 65, and some companies stated that average retirement ages for such staff were now as low as 58/59.

25. It is very unusual in the private sector for special compensation/premature retirement terms to be published. If there were, it might allay some of the fears of senior staff about the possibility of redundancy, but it would remove from senior management the flexibility they like to exercise in order that specially generous terms can be awarded to the most deserving people, instead of the available jam being spread thinly over all and sundry.

26. We discovered no positive correlation between generous redundancy terms and insecurity of tenure. In fact there are some signs that there may be an inverse correlation in that it is some of the small hire-and-fire companies in an unstable market who give the minimum notice and redundancy terms required by statute.

Possibilities of alternative work and assistance in obtaining it

27. This heading covers another area where definitive statistics are not available. It was felt that senior staff up to age 57, who were redundant or had been retired early and had family commitments, invariably sought paid employment for economic reasons in order to maintain a reasonable, if not com-

parable, standard of living. Some of those over age 57, who had received a good pension and lump sum, were more interested in an occupation either paid or unpaid, than in another job of similar status and salary.

28. The reputation of many of the companies we saw was such that many redundant senior staff, who had reached high office, managed to obtain reasonable employment. If, however, trade had deteriorated on a national or world wide basis in a certain product, then there were no vacancies available for those who had specialised in it. Many of these companies in addition to a generous length of notice and personal recommendations helped redundant staff by paying for counselling advice with specialist agencies who provided a service for redundant staff. One company mentioned that of those who wanted further employment, one third got comparable jobs, one third lesser jobs, and one third had the greatest difficulty in getting any job at all.

29. Such specialist agencies and others, who counselled redundant senior staff and sometimes put them in direct touch with prospective employers, tended to deal with those staff who found the greatest difficulty in finding employment. It was mentioned that the difficulty was in inverse ratio to the importance of the previous job, with the redundant managing director finding the greatest difficulty. A rough formula quoted was that it takes one month per £1,000 of former salary to find other suitable employment. We were also advised that if men in good health had geographical flexibility, salary flexibility and occupational flexibility, they could normally get a job even at age 55. Some however at this age were naturally not prepared to dig up all their roots and start afresh in a new locality, at a lower salary and in a different occupation.

Influence of insecurity on salary levels

30. When companies were asked if their senior salary levels in general contained any element which reflected a payment for job insecurity their first answer was almost always in the negative. A few of them however on further consideration of the question said that in paying the market rate for senior jobs there could be an unconscious element for insecurity. Only one company felt that because it was operating in such a tough and insecure industry, market rates must inevitably contain an (unquantifiable) element for insecurity.

31. Although it is clear that in industry and commerce as a whole there is no general additional payment for insecurity, we did note some exceptions to this rule. Certain jobs—e.g. fashion editor, investment manager, civil engineering contract manager—were mentioned as being known to be particularly insecure and were highly rewarded partly for that reason. Again it was pointed out that, because of their hire-and-fire mentality, a few companies (not seen by us) had to pay highly to attract senior staff. Thirdly there were special situations, such as short-term contracts or during a progressive closing down of a project or process, when staff had to be compensated highly because of the near certainty of impending unemployment.

32. Some respondents pointed out the paradox that job security would be at a minimum in a declining organisation, which would simply not have the money to pay high salaries to compensate for insecurity. Conversely it could be argued that it is the prosperous sections of industry with near total job security, which produce the highest salary rates and where the only real risk is the merger/

take-over situation. In fact a consultancy firm well known in the job evaluation field has stated that in 1972 the highest paying companies tend to be those in which:

- a. wage and salary costs are a relatively low proportion of total costs, and
- b. there is a high technical skill content allied to a stable or growing market.

33. Higher salary levels therefore do not seem to provide a general answer to the problem of job insecurity either in practice or theory. A more effective solution which was mentioned by a few of our respondents (and has our own support) is that the remuneration package as a whole should be considered to include compensation terms payable for redundancy or enforced early retirement. Indeed, it would seem quite unjustifiable to pay everybody higher salaries because some of them might suffer enforced unemployment through no fault of their own: in other words, remuneration policy should be as generous as is reasonably possible, with adequate "fail-safe" terms if and when redundancy occurs.

II THE PUBLIC SECTOR

The civil service

34. We said earlier in our Report (paragraphs 7 and 9) that redundancy and job insecurity were now words said out loud in the private sector, and indeed this must be an understatement in some parts of it. They are also being voiced in the civil service. Following the recommendations of the Fulton Committee, a study of the arrangements for premature retirement in the Home Civil Service and in the Diplomatic Service was carried out by the Official Side and Staff Side of the National Whitley Council, and a new agreement concluded. *Inter alia*, this provided for retirement in the public interest, or on redundancy or structural grounds, and for limited efficiency. This agreement is only a year or so old and it is far too early to measure its effects, in terms of statistics. Certainly those we have been able to obtain, reflecting the position prior to the agreement, indicate virtually no enforced premature retirement among senior officers in the Home Civil Service, which in general can cope with redundancy situations by sideways transfer. So that the merger/take-over situation neither effectively translates to the civil service nor would create the same problems (or opportunities) as in industry.

35. Even so, the Fulton recommendations and the agreement subsequently concluded on terms for premature retirement, itself somewhat widened in scope, have in our view created something of a feeling that job security in the Higher Civil Service is lessening, and with this would go some regret, not only for the obvious reason that a safe job had perhaps become less safe, but also because job security leads to considerable independence of outlook and advice. Against all this it might be argued that, if civil service recruitment of administrators, together with promotion policy and procedure, were in fact more effective, better planned at least in the long-term, and more impartially carried out than in the private sector, the result could be less wastage at the top, certainly on efficiency grounds and even on redundancy grounds, the pyramid consequently

being better shaped and more painstakingly built up. The underlying assumption here is a large one but probably not without a show of reason. In any event and whatever may be the extent of a feeling that, post-Fulton, job security in the Higher Civil Service has decreased, we consider that such security continues to be as good as anything to be found in the private sector, and better than much of it.

36. This however applies only to the Home Civil Service. Elsewhere there is one major exception—the Diplomatic Service. The reasons for this are not hard to find. The merging in 1968 of the Foreign Office and the Commonwealth Office reduced the number of top jobs, at a time when the post-war bulge in recruitment was penetrating into the most senior ranks. Apart from this, the Diplomatic Service had been declining in size, and the Home Civil Service solution of transfer elsewhere in Whitehall is more difficult for senior diplomats. And the Diplomatic Service always has to live with problems of “postability”, either due to medical reasons or because an officer’s background experience had been too narrow or specialised for an emerging vacancy, or had been in the “wrong part of the world”. Job insecurity is therefore greater in the Diplomatic Service than in the Home Civil Service—not excessively greater but in our view significantly so. There is however no salary difference between the two Services.

37. As to compensation terms, those contained in the new agreement mentioned in paragraph 34—which are published—stand comparison with the terms offered by major industrial companies—which are normally not published. We necessarily make this comment in a general way, because detailed examination and appraisal of one set of redundancy payments against another can involve assumptions, the exercise of options, and complex actuarial considerations.

The armed forces

38. The Top Salaries Review Body is concerned with officers of at least “2-star” rank—Rear Admirals, Major Generals and Air Vice-M Marshals—and above, and it is on such senior officers and their career and retirement prospects that we have concentrated. Given operational and military requirements, the career pattern of the Services, in comparison with civilian practice in industry and indeed elsewhere in the public sector, tends to provide a relatively slow progression to mid-career, with promotion to Commander/Lieutenant Colonel/Wing Commander usually taking place within a couple of years each side of age 40. Then follows relatively rapid progress for those who continue to advance in rank. Promotion to “2-star” rank usually takes place from age 47 onwards, with the average age for this in recent years being about 50. Since the formal retiring age varies by Service from 55 to 60, the tenure in this and higher ranks may be relatively short, and in many cases amount to only about one tour of duty (say three years) or at the most two in the final rank achieved.

39. The conclusion to be drawn from this brief summary of a fairly complex situation—complex in the sense that it can vary by Service and by Branch of the Service—must be that once an officer reaches “2-star” rank, on average at the age of 50, he faces considerable job insecurity thereafter. He might serve one tour of duty and be retired at age 53. He might instead be promoted and continue to serve another tour beyond this age—followed again by retirement or advancement. The pattern, taking the Army as an example, was that in

1971/72 the average age on exit was 55 for Major Generals, 57 for Lieutenant Generals and 60 for Generals. So the uncertainty is real, notwithstanding the fact that such officers can normally rely on at least 6 months' notice of what will happen when a tour of duty ends.

40. Service pay provides no element for this insecurity—either at these very senior levels or lower down. The "X" factor which pay contains reflects a serviceman's exposure to danger, discipline, total commitment to the Service, and frequent uprooting. Insecurity is not in the list. On the other hand, the officers with whom we are concerned retire on immediate pension (assessed by rank and length of service) with a terminal grant of three times the annual pension rate. This disregards redundancy schemes—such as those of 1957 and 1967—since there is no permanent redundancy scheme in existence for the armed forces, and such schemes which are from time to time declared are essentially designed for officers below "2-star" rank. Any exceptions made to this rule are so infrequent as not to affect our general appraisal of the situation.

41. Resettlement of retired officers in civilian employment is in practice a combined effort between the Ministry of Defence, the Department of Employment, the Professional and Executive Recruitment Service and a number of voluntary associations plus private efforts, for example through personal contacts, made by the officers themselves. The subject of resettlement has been researched in considerable depth and reported on at considerable length, most recently in a "Report of the Officers Resettlement Survey 1970", issued in January 1972, and following a similar survey in 1968. This 1972 Report, running to nearly 300 pages, was based on a survey questionnaire sent to most of the officers who left the Armed Services during 1968 and 1969, of whom some 70 per cent responded. Analyses by rank put together as the most senior group all those of Colonel (and the Royal Navy and RAF equivalents) and above, and so do not deal separately with the very senior ranks with whom we are concerned. Using the survey's definition of the most senior officers, a number of general statements can be made.

42. Some 94 per cent of such senior officers wanted other employment on retirement from the Services. In general, they started looking for it during their last 6 months of service—successfully so, for about half of them. For the rest, the average placement time was 6 months. Of the total numbers, less than 9 per cent had failed to find another job by the end of their first year of retirement. About half the occupations obtained were concerned with administration and personnel work. The average salary was £2,500—a 1968/69 figure. There was in fact very little long-term unemployment among those who really wanted work. The conclusion must be that, notwithstanding the marked uncertainties of tenure for senior officers in their fifties, prospects of other employment, when this is wanted after retirement, are indeed good.

The nationalised industries

43. As far as the nationalised industries are concerned, the Top Salaries Review Body makes recommendations on the remuneration of the Chairmen and members of their Boards only. As part of this project, however, our discussions with the two organisations, which we visited, included senior executives in the over £6,000 salary group on the same basis as in the private sector. It is after all from this group that most Board members will in future be recruited.

44. As far as job insecurity for senior executives is concerned the real comparison is between one industry and another and it is almost irrelevant whether it is in the public or private sector. Job insecurity was somewhat greater in one organisation which we visited than in the other. The underlying reasons for this can be ascribed to the different dates of formation and the fact that one of them was more subjected to both national and international competition in selling and marketing its products.

45. The main difference in job security between the nationalised and private sectors of industry is at Board level. Nationalised Board appointments are for a limited period (3 or 5 years were quoted) and there is no guarantee of renewal or roll-over period stating what length of notice has to be given. Ministers do not have to give reasons for not renewing a contract. Additionally the blaze of publicity to which Board members of all nationalised industries are liable to be subjected can also give rise to a feeling of greater insecurity.

46. Prospects of alternative employment were similar to those in large-scale industry in the private sector. In one case compensation for premature retirement was very similar to the civil service scheme except that there was more room for management discretion. In the other, compensation was less generous and there was no inflation proofing of the pension fund.

Judiciary

47. As far as job security is concerned, the members of the judiciary are in a specially favourable position; the Higher Judiciary hold office subject to good behaviour and can only be removed at the request of both Houses of Parliament; the Lower Judiciary hold office for life but may be removed by the Lord Chancellor for inability or misbehaviour. The normal retirement age for the Higher Judiciary is 70 and for the Lower Judiciary 65, but the former may continue to serve until 75 and the latter until 72.

III CONCLUSION

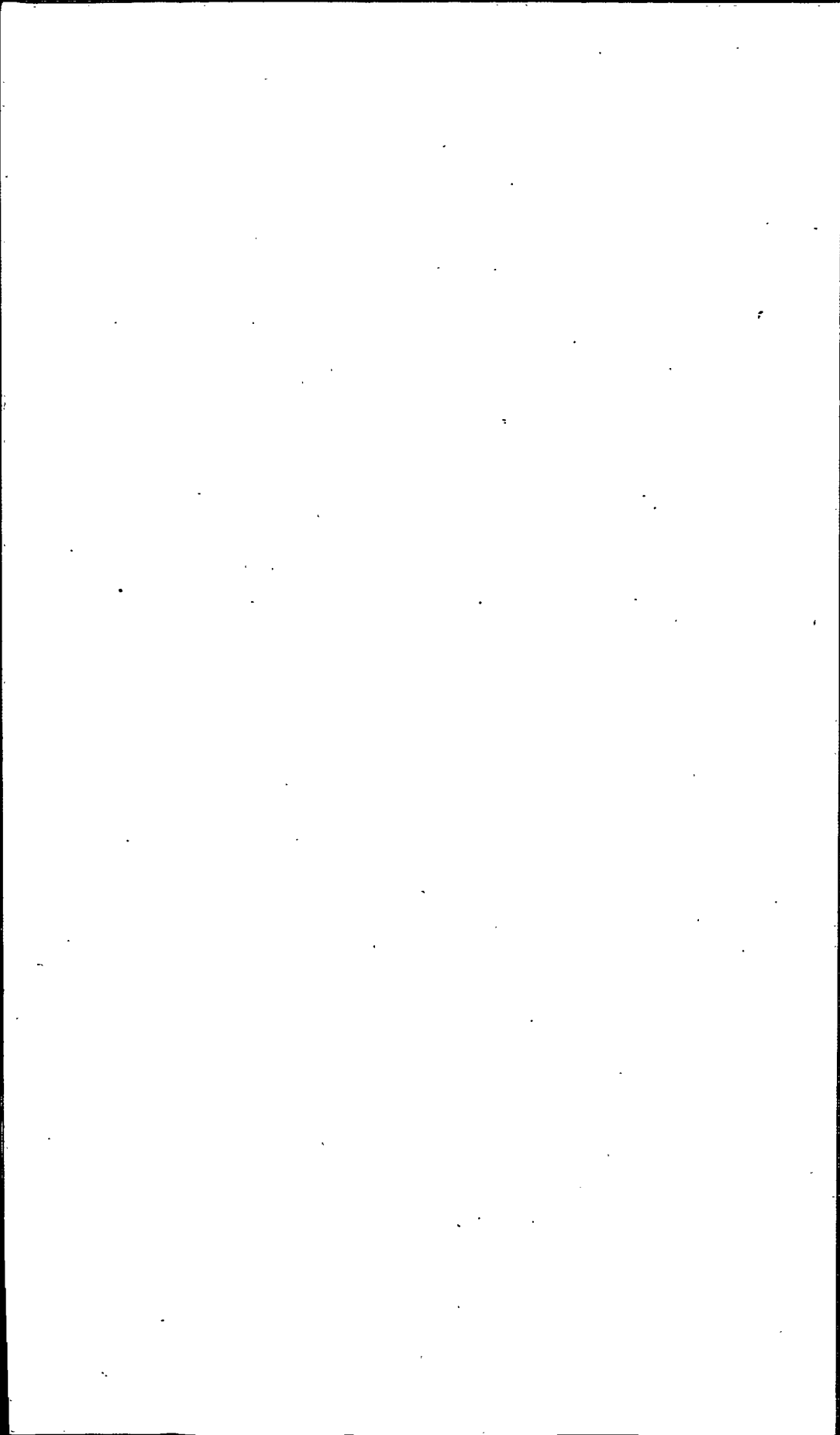
48. The main conclusion which we drew from our study is that it would be quite wrong to consider the problem in black and white terms—namely that, as regards job security among senior staff, the public sector is safe and the private sector is dangerous. Contrary perhaps to popular belief and the oversimplification which can so easily go with it, each has its own areas in which such security is good, and other areas in which insecurity is a real factor. In a general way, one could say that there is appreciably more safety to be found in some parts of the public sector than outside it, even though the private sector is probably now over the worst of redundancy situations. But this is the sort of statement which means nothing to senior staff threatened by job insecurity and it certainly in no way helps in any appraisal of pay. Nor could we find any adequate evidence that compensation for insecurity was provided in salary rates, and it was even suggested to us that really insecure top jobs were commonly to be found in the smaller firms of uncertain viability which would hardly have the financial resources to pay enhanced salaries. Undoubtedly there is increasing awareness of the problems of these prematurely retired and a better appreciation of the social as well as the financial issues involved. And in our view the most prevalent attitude now is to consider the whole remuneration

package—pay, fringe benefits, pensions, retirement gratuities and redundancy terms—on the argument that what really matters in a potentially insecure situation is the whole financial treatment of those who might become redundant, and their prospects of re-employment.

ANNEX A

MAIN TOPICS FOR DISCUSSION

1. What is the attitude of senior staff (salary over say £6,000) to the possibility of redundancy or involuntary early retirement: is there a marked degree of concern about it?
2. If so, are the fears associated with take-over/mergers, with prospective internal reorganisation and/or reductions in manpower, with inability to keep up with modern technology or the pressures and mental strain of top jobs? Or are there other reasons?
3. Have top managers on the way up had to live to an abnormal degree with the possibility of weeding out or dismissal? If not, to what degree?
4. Have there been significant changes in job insecurity in the last 5-10 years? Is the situation likely to improve or worsen in the future?
5. If senior staff become redundant or retire early do they seek alternative suitable further employment and, if so, do most of them obtain it?
6. Are statistics available, or (if not) could they be obtained, showing the proportion of senior staff who become redundant or retire early and for what reasons (including ill health)? Are there any significant differences between senior staff and top management in the incidence of job insecurity?
7. Does the incidence of job insecurity have an influence on salary levels?
8. What is the pensionable age? Is there any special treatment to encourage "voluntary" early retirement?
9. What special financial compensation is given for redundancy or early retirement (for example, lump sum payments and treatment of pensionable service) both at senior levels and at the highest levels?
10. Is assistance provided in obtaining further employment?



COMPARISONS WITH SALARIES AND TAX RATES IN EEC COUNTRIES

TABLE 1 — COMPARISONS OF GROSS SALARIES, ALLOWANCES AND DEDUCTIONS IN SELECTED PUBLIC SERVICES IN THE UNITED KINGDOM, BELGIUM, FRANCE, ITALY, THE NETHERLANDS AND WEST GERMANY, (a) SEPTEMBER 1973

UNITED KINGDOM

	Civil Service			Army			Magistrature			Nationalised Industry
	Permanent Secretary	Deputy Secretary	Under Secretary	General (4*)	Lieutenant General (3*)	Major General (2*)	High Court Judge	Circuit Judge	Metropolitan Magistrate	Chairman, Group A
	£	£	£	£	£	£	£	£	£	£
Basic salary	16,000	10,750	8,500	14,500	11,000	9,000	16,000	10,000	8,600	22,750
Allowances:										
Child allowance	47	47	47	47	47	47	47	47	47	47
Deductions:										
National Insurance	50	50	50	50	50	50	50	50	50	50
Graduated NI Pension Scheme	97	97	97	97	97	97	97	97	97	97
Gross salary before tax	15,900	10,650	8,400	14,400	10,900	8,900	15,900	9,900	8,500	22,650

BELGIUM

	Secrétaire Général		Directeur Général		Inspecteur Général		Lieutenant Général		Général Major		1er Prés. Cour de Cassation		Prés. Cour d'Appel		Judge Tribunal d'Arrondissement	
	Frs	£	Frs	£	Frs	£	Frs	£	Frs	£	Frs	£	Frs	£	Frs	£
Basic salary (b)	900,000	(9,000)	800,000	(8,000)	700,000	(7,000)	900,000	(9,000)	800,000	(8,000)	1,120,000	(11,200)	940,000	(9,400)	632,000	(6,320)
Actual salary (b)	1,054,530	(10,545)	937,360	(89,374)	820,190	(8,202)	1,054,530	(10,545)	937,360	(9,374)	1,312,304	(13,123)	1,101,398	(11,014)	740,514	(7,405)
Allowances:																
Uniform allowance							6,400	(64)	6,400	(64)						
Military expenses allowance ...							21,090	(211)	21,090	(211)						
Daily mission allowance ...							Actual expenses or 'ad hoc' fixed sum									
Deductions:																
Health insurance	6,912	(69)	6,912	(69)	6,912	(69)	6,912	(69)	6,912	(69)	6,912	(69)	6,912	(69)	6,912	(69)
Widows and orphans fund ...	68,544	(685)	60,928	(609)	53,312	(533)	68,544	(685)	60,928	(609)	85,300	(853)	71,590	(716)	48,133	(481)
Gross salary before tax	979,074	(9,791)	869,520	(8,695)	759,966	(7,600)	1,006,564	(10,066)	897,010	(8,970)	1,220,092	(12,201)	1,022,896	(10,229)	685,469	(6,855)

FRANCE

	Directeur Général. E.		Directeur Général. B.		Directeur Général. C.		Général (d)		Général de Division (e)		Général de Brigade (e)		1er Prés. Cour de Cassation		1er Prés. Cour d'Appel	
	Frs	£	Frs	£	Frs	£	Frs	£	Frs	£	Frs	£	Frs	£	Frs	£
Basic salary	96,510	(8,541)	90,165	(7,979)	83,956	(7,430)	94,395	(8,331)	90,165	(7,979)	73,245	(6,482)	114,135	(10,100)	102,855	(9,102)
Allowances:																
Special allowance (c)							13,802	(1,218)	13,802	(1,221)	13,802	(1,221)				
Residence allowance	14,476	(1,281)	13,525	(1,197)	12,593	(1,114)	14,160	(1,250)	13,525	(1,197)	10,987	(972)	17,120	(1,515)	15,428	(1,365)
Family allowance	2,887	(255)	2,887	(255)	2,887	(255)	4,061	(359)	4,061	(359)	4,061	(359)	2,887	(255)	2,887	(255)
Deductions:																
Social security							1,372	(121)	1,328	(118)	1,159	(102)				
Pension fund	5,791	(512)	5,410	(479)	5,037	(446)	5,664	(500)	5,410	(479)	4,395	(389)	6,848	(606)	6,171	(546)
Gross salary before tax	108,082	(9,565)	101,167	(8,952)	94,399	(8,353)	119,382	(10,537)	114,815	(10,160)	96,541	(8,543)	127,294	(11,264)	114,999	(10,176)

ITALY

	Civil Service				Army				Magistrature						Nationalised Industry		
	State General Accountant, Prefect, Chief of Police		General Manager (formerly Dir. General)			Lieutenant General		Major General		President, Court of Cassation		Counsellor Court of Appeal		Judge or equivalent		State Railways Director General	
	Lire	£	Lire	£		Lire	£	Lire	£	Lire	£	Lire	£	Lire	£	Lire	£
Basic salary	12,540,000	(8,360)	10,200,000	(6,800)		6,027,000	(4,018)	5,453,700	(3,636)	15,810,000	(10,540)	8,760,000	(5,780)	7,650,000	(5,100)	12,540,000	(8,360)
Allowances:																	
Cost of Living allowance	374,400	(250)	374,400	(250)		374,400	(250)	374,400	(250)	374,400	(250)	374,400	(250)	374,400	(250)	374,400	(250)
Child allowance	260,160	(173)	260,160	(173)		260,160	(173)	260,160	(173)	260,160	(173)	260,160	(173)	260,160	(173)	260,160	(173)
13 month bonus	1,045,000	(697)	850,000	(567)		502,250	(335)	454,475	(303)	1,317,500	(878)	722,500	(482)	637,500	(425)	1,045,000	(697)
Military allowance						779,760	(520)	690,720	(460)								
Special allowance (f)						1,260,000	(840)	1,260,000	(840)								
Deductions:																	
Pension fund	682,539	(455)	560,859	(374)		441,771	(295)	407,686	(272)	852,579	(568)	481,299	(321)	428,259	(286)	682,539	(455)
Gross earnings before tax	13,537,021	(9,025)	11,123,701	(7,416)		8,761,809	(5,841)	8,085,769	(5,390)	16,909,481	(11,273)	9,545,761	(6,364)	8,493,801	(5,662)	13,537,021	(9,025)

THE NETHERLANDS

	Secretary General or Director General		Direkteur A		Direkteur B		General		Lieutenant General		General Majoor		President Hoge Raad		President Gerechtshoven		Judge Rechtbank	
	Fls	£	Fls	£	Fls	£	Fls	£	Fls	£	Fls	£	Fls	£	Fls	£	Fls	£
Basic salary	82,812	(12,360)	72,852	(10,873)	66,876	(9,981)	105,900	(15,806)	91,512	(13,659)	82,812	(12,360)	118,392	(17,670)	87,204	(13,016)	72,852	(10,873)
Allowances:																		
Sickness allowance	800	(119)	800	(119)	800	(119)	800	(119)	800	(119)	800	(119)	800	(119)	800	(119)	800	(119)
Travel allowance	480	(72)	480	(72)	480	(72)	480	(72)	480	(72)	480	(72)	480	(72)	480	(72)	480	(72)
Child allowance (g)	770	(115)	770	(115)	770	(115)	770	(115)	770	(115)	770	(115)	770	(115)	770	(115)	770	(115)
Holiday allowance	6,216	(928)	5,460	(815)	5,016	(749)	7,944	(1,186)	6,864	(1,024)	6,216	(928)	8,880	(1,325)	6,540	(976)	5,460	(815)
Deductions:																		
Pension fund (including widows and orphans fund)	8,436	(1,259)	7,908	(1,180)	7,164	(1,069)	12,036	(1,796)	10,260	(1,531)	8,436	(1,259)	13,644	(2,036)	9,720	(1,451)	7,908	(1,180)
Gross earnings before tax	82,642	(12,335)	72,454	(10,814)	66,778	(9,967)	103,858	(15,502)	90,166	(13,458)	82,642	(12,335)	115,678	(17,265)	86,074	(12,847)	72,454	(10,814)

WEST GERMANY

	Civil Service						Army						Magistrature						Nationalised Industry
	Direktor des Bundesrates		Ministerial Direktor				General		General Leutnant		General Major		President des Bundesgerichtshofes		Vorsitzende Richter bei einem Obersten Bundesgericht		Richter an Bundesgerichten		
	DM	£	DM	£			DM	£	DM	£	DM	£	DM	£	DM	£	DM	£	
Basic salary	87,526	(12,328)	87,526	(12,328)			92,033	(12,962)	73,283	(10,322)	65,002	(9,155)	92,033	(12,962)	68,697	(9,676)	61,459	(8,656)	
Allowances:																			
Special supplementary allowance	9,160	(1,290)	9,160	(1,290)			9,160	(1,290)	9,160	(1,290)	9,160	(1,290)	9,160	(1,290)	9,160	(1,290)	9,160	(1,290)	
Residence allowance	7,410	(1,044)	7,410	(1,044)			7,410	(1,044)	7,410	(1,044)	7,410	(1,044)	7,410	(1,044)	7,410	(1,044)	7,410	(1,044)	
Child allowance	1,261	(177)	1,261	(177)			1,261	(177)	1,261	(177)	1,261	(177)	1,261	(177)	1,261	(177)	1,261	(177)	
Deductions:																			
Health insurance	1,950	(275)	1,950	(275)			1,950	(275)	1,950	(275)	1,950	(275)	1,950	(275)	1,950	(275)	1,950	(275)	
Gross salary before tax	103,407	(14,564)	107,307	(14,564)			215,221	(15,198)	89,164	(12,558)	80,883	(11,391)	107,914	(15,198)	84,578	(11,912)	77,340	(10,892)	

(a) The exchange rates used were as at September 1973:

£=100 Belgian francs

£=11.33 French francs

£=1500 Italian lire

£=6.7 Dutch florins

£=7.1 DM

(b) Salary scales have not changed since 1.4.1972. Actual salary is the basic plus five cost-of-living increases, the most recent being 1.9.1973.

(c) Allowance for professional qualification.

(d) Estimated from data provided.

(e) Calculations of middle of the scale remunerations of generals of brigade (2*) and generals of division (3* to 5*)

(f) Maximum paid to officers with at least 12 years operative service.

(g) This is estimated from the previous report as no figure was given.

TABLE 2

Top management remuneration for selected posts in UK, Belgium, France, Italy, The Netherlands and West Germany at end December 1973

Firms with turnover	United Kingdom	Belgium		France		Italy		The Netherlands		West Germany	
	£	£	BF	£	Frs	£	Lire 000s	£	FL	£	DM
<i>Under £10m</i>											
Chief Executive	14,200	17,400	1,740,000	18,900	213,000	15,900	23,800	16,700	112,000	19,400	138,000
(managing director)	(100)	(123)		(133)		(112)		(118)		(137)	
Deputy Chief Executive ..	10,800	12,100	1,210,000	14,500	163,000	11,300	17,000	12,800	86,000	14,700	104,000
	(100)	(112)		(133)		(104)		(118)		(135)	
Top Manufacturing Executive ..	9,000	10,500	1,050,000	12,200	138,000	9,900	14,800	10,200	68,000	10,200	72,000
	(100)	(117)		(136)		(110)		(114)		(113)	
<i>Between £10m-£100m</i>											
Chief Executive	22,500	28,000	2,800,000	29,500	333,000	22,700	34,000	25,600	172,000	29,700	211,000
(managing director)	(100)	(124)		(131)		(101)		(114)		(132)	
Deputy Chief Executive ..	16,700	18,400	1,840,000	22,600	255,000	18,000	27,000	19,800	132,000	21,400	152,000
	(100)	(110)		(135)		(108)		(118)		(128)	
Top Manufacturing Executive	12,700	15,700	1,570,000	18,200	206,000	14,600	22,000	15,300	103,000	16,100	115,000
	(100)	(124)		(143)		(115)		(120)		(127)	

Source: Management Centre Europe, Brussels

Notes: Figures in brackets are percentages relative to UK

Exchange rates used at September 1973 (in line with other tables in Appendix J)

£1 = 100 Belgian Francs

£1 = 11.3 French Francs

£1 = 1,500 Lire

£1 = 6.7 Dutch Florins

£1 = 7.1 DM

Salaries are based on regression analyses from 1973 surveys in each country, with projections to end 1973 for cost of living and budgeted merit increases. The sampling method is not known completely, and the information may not be fully representative. The numbers of posts in each country are relatively small (Chief executives, 73 to 128; Deputy chief executives, 10 to 56; and Top manufacturing executives, 41 to 94).

The turnover ranges shown are approximate conversions from dollar ranges \$1-25m and \$25-200m.

TABLE 3

Effective (a) and marginal (b) rates of tax for married couples (income all earned) for the
United Kingdom, Belgium, France, Italy, The Netherlands and West Germany

Gross income before tax	United Kingdom(c)		Belgium(d)		France(e)		Italy(f)		Netherlands(g)		West Germany(h)	
	Effective rate of tax	Marginal rate of tax	Effective rate of tax	Marginal rate of tax	Effective rate of tax	Marginal rate of tax	Effective rate of tax	Marginal rate of tax	Effective rate of tax	Marginal rate of tax	Effective rate of tax	Marginal rate of tax
£	%	%	%	%	%	%	%	%	%	%	%	%
8,000	30.8	43.6	28.3	43.3	17.7	28.5	21.7	29.0	31.4	52.7	27.2	47.0
10,000	35.2	53.1	31.9	46.2	19.9	28.5	23.7	31.6	37.1	59.6	30.9	46.0
12,000	39.0	58.1	34.9	49.6	21.9	32.3	25.4	33.7	41.4	63.1	33.9	48.8
15,000	44.0	63.7	38.3	52.25	24.7	35.6	26.5	35.3	46.3	66.0	37.4	51.3
20,000	50.3	69.2	41.8	52.25	27.4	35.6	30.7	40.8	52.0	68.9	41.7	54.3
25,000	55.1	74.2	44.8	56.7	30.0	40.5	33.4	44.4	55.7	70.4	44.7	56.6

Source: Inland Revenue

(a) Average tax paid on whole income.

(b) Average tax paid on additional income between one level and the previous one.

(c) Relating to 1973/74 tax year. The higher personal allowance (married man) of £775 has been deducted from the gross income.

(d) BF100=£1. Based on 1973 rates; surcharge for local authorities ignored.

(e) F11.3=£1. Based on latest rates, those for year of income 1972.

(f) L1,500=£1. Local income tax (Family Tax) ignored. Latest income tax rates used.

(g) 6.7 Fl=£1. Year of income 1973.

(h) DM7.1=£1. Based on latest rates (1973) including existing 3 per cent surcharge and proposed 10 per cent surcharge, where applicable.

General Notes relating to (d), (e), (f), (g), and (h): (1) A deduction has been given in the computations for compulsory social security contributions, to the extent that such a deduction is allowed.

(2) A deduction has been given for any statutory minimum expenses, allowance, earned income relief etc.

APPENDIX K

OME SURVEY OF EARNINGS AT THE BAR

Scope of the Survey

1. In July and August 1972, the Office of Manpower Economics on behalf of the Top Salaries Review Body carried out a survey of earnings at the Bars in England and Wales, Scotland and Northern Ireland. The survey was designed to give information about the professional earnings of those practising barristers whose standing falls within the bracket from which appointments to the judiciary are made. An analysis of the age and length of service of judges, and their age and seniority on appointment is attached as an annex to this Appendix.

2. The survey was therefore restricted to practising barristers of 15-44 years' standing, or those called to their respective Bars between June 1928 and June 1957. In England and Wales, and in Northern Ireland, the survey covered both QCs and Junior Counsel but in Scotland, where the survey was conducted on behalf of the Office by the Faculty of Advocates, QCs only were covered. The questionnaire, which was used for the survey in England and Wales, and in Northern Ireland, asked for information on gross practice earnings, other professional earnings, and expenses allowed for tax; with the exception of expenses, similar information was obtained in Scotland. Barristers were asked to report their earnings on the normal basis used for purposes of income tax. This is usually on a cash basis and not on an earnings basis. It is estimated by the Bar Council that cash payments lag about 1½-2 years behind the actual earnings to which they are related.

Response to the Survey

3. Table 1 shows that the overall response, excluding refusals and incomplete returns, was 44 per cent in England and Wales (50 per cent for QCs and 42 per cent for Junior Counsel), 68 per cent in Scotland and 35 per cent in Northern Ireland. Although the percentages of full-time usable returns out of the total questionnaires issued are lower, the above percentages are considered to be closer to the actual response rate of full-time practising barristers in the scope of the survey because of the inclusion of some part-time practitioners among both respondents and non-respondents. As explained in the footnotes to the table, the response is expressed in terms of those who are now QCs or Junior Counsel, but for the purpose of the analysis of earnings 74 QCs (62 in England and Wales, 9 in Scotland and 3 in Northern Ireland) who took silk during or since the period to which their earnings relate have been included with the Junior Counsel because it was considered important that the analysis of the earnings attributed to the QCs should exclude any earnings before they had taken silk. Of these, about 30 (24 in England and Wales) are estimated to have taken silk during the period covered by their earnings and the remainder after that period. In making this estimate a delay between earnings and payments of up to 2 years has been assumed.

Make-up of earnings

4. Table 2 shows that other professional earnings are generally only a small percentage of gross practice earnings, the highest percentage being for Scottish barristers where it amounts to nearly 10 per cent. Expenses allowed for tax, on the other hand, are very substantial and amount to about a quarter of gross earnings: those of Junior Counsel are slightly higher than those of QCs. Expenses are, however, lower in Northern Ireland than in England and Wales. These substantial amounts of expenses account for a large part of the difference between what are often believed to be the earnings of barristers and the net figures published by the Inland Revenue.

Analyses by seniority, age and ranges of earnings

5. Tables 3, 4 and 5 analyse earnings of full-time barristers in England and Wales by years from call to the Bar, by age, and in ranges of earnings respectively. In each case, Table A analyses gross practice earnings, and Table B net professional earnings. Tables A and B in all cases tell a broadly similar story except that, of course, the net professional earnings are at a lower level. The figures for Scotland and Northern Ireland have been excluded from Tables 3-5 because of the small numbers involved.

6. The analyses by year since call to the Bar (Table 3) and by age (Table 4) also show somewhat similar features to each other. The analyses relate to 1970-71 since that is the year common to all the returns covered by the survey. (The footnote to Table 2 shows the numbers providing data for both 1969-70 and 1970-71 and for both 1970-71 and 1971-72 respectively). In Table 3, the basis of analysis is the years from call to the Bar up to 1970 as that is the date to which earnings relate, although the sample was based on seniority in 1972. Table 3 shows that numbers called to the Bar in 1939-1945 were small and that practice earnings tend to fall off among Junior Counsel after 21 years seniority, partly because many of those with higher earnings take silk. Table 4 shows that among QCs there is relatively little variation by age. The average seniority of Junior Counsel in the survey was 19 years and that of QCs 23 years.

7. The main difference between the analyses by age and those by seniority is that the gap for the war years does not exist, presumably because most of those who would otherwise have been called to the Bar but for the war resumed their careers afterwards. The patterns of earnings are similar, except that Junior Counsel aged over 65, though claiming to be full-time, hardly appear to be earning on a full-time basis.

8. The gross practice earnings in 1970-71 in Table 5A show 17 QCs and 11 Junior Counsel in England and Wales earning £20,000 or more a year and 6 QCs and 2 Junior Counsel earning £25,000 or more, but Table 5B shows that, on a net earnings basis, only 13 QCs and 5 Junior Counsel earned £17,500 or more, and 6 QCs and 1 Junior Counsel earned £20,000 or more.

Changes in earnings 1969-70 to 1971-72

9. Table 6 analyses changes in the paired data on earnings, based on the numbers shown in the footnote to Table 2. These percentages are combined to give the percentages in the last column over the 2 years together. In England and Wales there was a much bigger rise in earnings of Junior Counsel in the second

year than in the first year. Expenses of Junior Counsel, however, rose much more slowly and, therefore, net earnings more steeply than gross earnings in both periods; for QCs, expenses and net earnings kept more in pace with the rise in gross earnings.

Distribution of earnings in the main age groups

10. A comparison of Tables B and C of the annex shows that appointments from the Bar to all three groups of the judiciary are much more concentrated by age than by seniority from first call to the Bar, which suggests that age is a more critical factor in selection than seniority. Table B of the annex shows that the main age groups from which appointments were made are 50-59 for High Court Judges and Circuit Judges (average ages on appointment 55 and 54 respectively) and 45-54 for Metropolitan Magistrates (average age on appointment 50). In each case these age groups cover some three quarters of all appointments with the remaining appointments spread fairly evenly above or below these age bands. Since nearly all appointments to the High Court were from QCs and to the other two groups from Junior Counsel, the distribution of earnings of QCs aged 50-59 and Junior Counsel aged 50-59 and 45-54 have been analysed to show earnings in the three main fields from which appointments from the Bar to the three principal groups of the judiciary respectively were made.

11. Table 7 shows the net professional earnings in 1970-71 by ranges for these three groups of barristers, together with the median earnings, upper quartile and highest decile (i.e. the 50th, 25th and 10th percentile earnings from the top in a ranking order). The table also shows the effect of updating the earnings to 1971-72, based on the average increases in net professional earnings of those barristers (60 per cent of Junior Counsel and 70 per cent of QCs) who provided information for both 1970-71 and 1971-72. It will be seen that the median earnings, and to a lesser extent the highest percentile earnings, of Junior Counsel aged 50-59 are lower than those of Junior Counsel aged 45-54, despite the overlap between these groups. Presumably this is mainly because the younger Junior Counsel aged 45-49 include more of those who later become QCs or Circuit Judges than the older group aged 55-59, even though more QCs are appointed before the age of 45.

Appointments to the judiciary

12. An annual average of 33 barristers took silk and 6 High Court Judges were appointed in the five years up to 1972 which indicated a proportion of 1 in just over 5 or 18 per cent, of QCs becoming High Court Judges. For Circuit Judges, the annual average number appointed over the same period was 16, or about 12 from the 50-59 age band. The annual supply of full-time Junior Counsel in that age band before appointment to the judiciary is more difficult to assess but is estimated from the survey of earnings to be very roughly about 30, which suggests that, allowing for a few appointments of solicitors, nearly 40 per cent of those who were Junior Counsel at the age of 50 became Circuit Judges. For Metropolitan Magistrates, the number of appointments averaged only 2 a year in the five years up to 1972, and the proportion was correspondingly very much smaller.

SURVEY OF BARRISTERS' EARNINGS

Table

- 1 Response to the Survey
- 2 Make up of earnings in 1970-71 of full-time barristers in the United Kingdom
- 3A Numbers and average gross practice earnings of full-time barristers in England and Wales in 1970-71 by ranges of years since call to the Bar
- 3B Numbers and average net professional earnings of full-time barristers in England and Wales in 1970-71 by ranges of years since call to the Bar
- 4A Numbers and average gross practice earnings of full-time barristers in England and Wales in 1970-71 by ranges of years of age
- 4B Numbers and average net professional earnings of full-time barristers in England and Wales in 1970-71 by ranges of years of age
- 5A Distribution of gross practice earnings of full-time barristers in England and Wales in 1970-71
- 5B Distribution of net professional earnings of full-time barristers in England and Wales in 1970-71
- 6 Average earnings and average percentage changes in gross practice earnings and net professional earnings 1969-70 to 1970-71, 1970-71 to 1971-72 and 1969-70 to 1971-72
- 7 Distribution of net professional earnings of full-time barristers in England and Wales in the main age groups from which appointments to the Judiciary are made 1970-71 and imputed for 1971-72

Annex Table Analyses of age and length of service of the Judiciary, September 1971

- A All judges: Percentage distribution in ranges of ages
- B All judges: Percentage distribution in ranges of age on first appointment
- C All judges: Percentage distribution in ranges of years from first call to the Bar to appointment to various levels of the Judiciary
- D Lord Justices of Appeal: Percentage distribution in ranges of years of service as High Court Judge

TABLE 1

Response to the Survey

	Number of questionnaires sent out	No reply or incomplete returns (a)	Replies			Total returns + out of scope (cols 3 to 5)
			Out of scope (b)	Usable returns		
				Full-time	Part-time	
	(1)	(2)	(3)	(4)	(5)	(6)
<i>Junior Counsel (c)</i>						
England and Wales No.	815	475	51	267	22	340
%	(100)	(58)	(6)	(33)	(3)	(42)
Northern Ireland No.	6	4	—	2	—	2
%	(100)	(67)	—	(33)	—	(33)
<i>Queen's Counsel (c)</i>						
England and Wales No.	276	137	9	118	12	139
%	(100)	(50)	(3)	(43)	(4)	(50)
Scotland No.	34	11	—	22	1	23
%	(100)	(32)	—	(65)	(3)	(68)
Northern Ireland No.	17	11	—	6	—	6
%	(100)	(65)	—	(35)	—	(35)
TOTAL						
England and Wales No.	1,091	612	60	385	34	479
%	(100)	(56)	(6)	(35)	(3)	(44)
Northern Ireland No.	23	15	—	8	—	8
%	(100)	(65)	—	(35)	—	(35)

Source: OME Survey

(a) Includes 34 refusals and 11 incomplete replies.

(b) Deceased, retired, earnings at the Bar minimal, only recently returned to practice, etc.

(c) In analysing earnings, the data for 74 (62 England and Wales, 9 Scotland and 3 N Ireland) of the Queen's Counsel earnings are included with Junior Counsel, because earnings are on a payments basis and therefore relate to earnings accruing $\frac{1}{2}$ to 2 years earlier; consequently, Queen's Counsel who had taken silk less than this period before the period covered by their earnings would have had part or the whole of their earnings as Junior Counsel. It was considered important that the earnings for Queen's Counsel should exclude any cases where part of the earnings were as Junior Counsel.

**Make-up of earnings in 1970-71(a) of full-time barristers in the
United Kingdom**

TABLE 2

	Number	Gross practice earnings	Other gross profes- sional earnings	Total gross earnings	Expenses allowed for tax	Net profes- sional earnings under Schedules D & E
		£	£	£	£	£
<i>Junior Counsel</i>						(b)
England and Wales	329	9,324	210	9,534	2,680	6,854
In London	179	9,699	181	9,880	2,746	7,134
Outside London	150	8,877	244	9,121	2,600	6,521
Scotland	9	6,424	1,126	7,550	Not available	
Northern Ireland	5	9,772	36	9,808	1,592	8,216
<i>Queen's Counsel</i>						
England and Wales	56	17,516	495	18,011	4,438	13,573
In London	48	17,245	385	17,630	4,237	13,393
Outside London	8	19,147	1,152	20,299	5,642	14,657
Scotland	13	8,596	503	9,099	Not available	
Northern Ireland	3	10,336	83	10,419	934	9,485
TOTAL						
England and Wales	385	10,516	251	10,767	2,935	7,832
In London	227	11,295	224	11,519	3,062	8,457
Outside London	158	9,397	290	9,687	2,754	6,933
Scotland	22	7,707	758	8,465	Not available	
Northern Ireland	8	9,984	54	10,038	1,346	8,692

Source: OME Survey

(a) The periods covered by the returns were as follows:—

		1969-70 and 1970-71	1970-71 and 1971-72
England and Wales	JC	131	198
	QC	16	40
Scotland	JC	2	7
	QC	1	12
Northern Ireland	JC	1	4
	QC	—	3

(b) If 24 QCs who took silk during the period of accrual of their earnings were excluded the average net earnings would be reduced by £424 to £6,430.

TABLE 3A

Numbers and average gross practice earnings of full-time barristers in England and Wales in 1970-71 by ranges of years since call to the Bar

		Years since call to the Bar (in 1970)								All years	Average period
		13-15	16-18	19-21	22-24	25-27	28-30	31-33	34-36		
Junior Counsel	No.	82	101	76	38	6	2	16	5	3	329 19.0
	£	8,799	10,093	10,275	8,267	10,418	4,996	5,883	4,762	13,740	
Queen's Counsel	No.	3	8	13	22	—	—	4	3	3	56 23.2
	£	17,750	22,071	15,762	17,179	—	—	17,138	13,267	19,963	
Total	No.	85	109	89	60	6	2	20	8	6	385 19.6
	£	9,115	10,973	11,077	11,535	10,418	4,996	8,134	7,951	16,852	

Source: OME Survey

TABLE 3B

Numbers and average net professional earnings of full-time barristers in England and Wales in 1970-71 by ranges of years since call to the Bar

		Years since call to the Bar (in 1970)									All years
		13-15	16-18	19-21	22-24	25-27	28-30	31-33	34-36	37-39	
Junior Counsel	No.	82	101	76	38	6	2	16	5	3	329
	£	6,271	7,504	7,694	5,888	8,586	3,763	4,299	3,031	10,526	6,854
Queen's Counsel	No.	3	8	13	22	—	—	4	3	3	56
	£	14,098	17,099	12,387	13,016	—	—	14,167	10,369	15,283	13,573
Total	No.	85	109	89	60	6	2	20	8	6	385
	£	6,547	8,208	8,379	8,502	8,586	3,763	6,273	5,783	12,904	7,832

Source: OME Survey

TABLE 4A

Numbers and average gross practice earnings of full-time barristers in England and Wales in 1970-71 by ranges of years of age

		Years of age							Average age
		Under 40	40-44	45-49	50-54	55-59	60-64	65 and over	
Junior Counsel	No.	33	126	89	37	23	15	6	329 46.6
	£	9,273	9,978	10,070	8,786	6,109	8,449	2,656	
Queen's Counsel	No.	—	6	16	19	8	4	3	56 51.8
	£	—	20,952	16,381	15,894	21,676	13,780	20,863	
Total	No.	33	132	105	56	31	19	9	385 48.6
	£	9,273	10,476	11,031	11,198	10,126	9,571	8,725	

Source: OME Survey

TABLE 4B

Numbers and average net professional earnings of full-time barristers in England and Wales in 1970-71 by ranges of years of age

		Years of age							All ages
		Under 40	40-44	45-49	50-54	55-59	60-64	65 and over	
Junior Counsel	No.	33	126	89	37	23	15	6	329 6,854
	£	6,562	7,270	7,620	6,549	4,441	6,101	1,400	
Queen's Counsel	No.	—	6	16	19	8	4	3	56 13,573
	£	—	16,323	12,867	12,470	15,472	11,510	16,516	
Total	No.	33	132	105	56	31	19	9	385 7,832
	£	6,562	7,681	8,420	8,558	7,288	7,240	6,438	

Source: OME Survey

TABLE 5A

Distribution of gross practice earnings of full-time barristers in England and Wales in 1970-71

£ thousands

			Range of earnings												Total	
			Under £2.5	£2.5 £5.0	£5.0 £7.5	£7.5 £10.0	£10.0 £12.5	£12.5 £15.0	£15.0 but under £17.5	£17.5 £20.0	£20.0 £22.5	£22.5 £25.0	£25.0 £30.0	£30.0 £35.0		£35.0 or more
Junior Counsel	..	No. %	14 (4)	39 (12)	78 (24)	65 (20)	63 (19)	33 (10)	17 (5)	9 (3)	8 (2)	1 (0)	2 (1)	- (-)	- (-)	329 (100)
Queen's Counsel	..	No. %	- (-)	1 (2)	4 (7)	4 (7)	8 (14)	6 (11)	10 (18)	6 (11)	7 (12)	4 (7)	2 (4)	1 (2)	3 (5)	56 (100)
Total	..	No. %	14 (4)	40 (10)	82 (21)	69 (18)	71 (18)	39 (10)	27 (7)	15 (4)	15 (4)	5 (1)	4 (1)	1 (0)	3 (1)	385 (100)

Source: OME Survey

157

TABLE 5B

Distribution of gross practice earnings of full-time barristers in England and Wales in 1970-71

£ thousands

			Range of earnings												Total	
			Under £2.5	£2.5	£5.0	£7.5	£10.0	£12.5	£15.0	£17.5	£20.0	£22.5	£25.0	£30.0		£35.0
				£5.0	£7.5	£10.0	£12.5	£15.0	£17.5	£20.0	£22.5	£25.0	£30.0	£35.0		or more
Junior Counsel	..	No. %	30 (9)	88 (27)	80 (24)	74 (23)	28 (9)	14 (4)	10 (3)	4 (1)	1 (0)	- (-)	- (-)	- (-)	- (-)	329 (100)
Queen's Counsel	..	No. %	1 (2)	4 (7)	4 (7)	12 (21)	6 (11)	10 (18)	6 (11)	7 (12)	2 (4)	1 (2)	1 (2)	- (-)	2 (4)	56 (100)
Total	..	No. %	31 (8)	92 (24)	84 (22)	86 (22)	34 (9)	24 (6)	16 (4)	11 (3)	3 (1)	1 (0)	1 (0)	- (-)	2 (1)	385 (100)

Note: (0)=less than half of one percent

Source: OME Survey

TABLE 6

Average earnings and average percentage changes in gross practice earnings and net professional earnings 1969-70 to 1970-71, 1970-71 to 1971-72 and 1969-70 to 1971-72

	Average earnings (paired returns)				Percentage changes (a)		
	1969-70	1970-71	1970-71	1971-72	1969-70 to 1970-71	1970-71 to 1971-72	1969-70(b) to 1971-72
	£	£	£	£	%	%	%
<i>Gross practice earnings</i>							
Junior Counsel							
England and Wales	9,582	10,350	8,621	10,253	10.8	20.3	33.3
Scotland	6,965	5,750	6,617	6,520	..	..	..
Northern Ireland	5,580	7,875	10,246	12,802	..	..	..
Queen's Counsel							
England and Wales	15,998	18,399	16,638	19,965	17.6	21.4	42.8
Scotland	5,118	6,251	8,791	9,364	..	12.6	..
Northern Ireland	—	—	10,336	12,158	..	..	..
<i>Net professional earnings</i>							
Junior Counsel							
England and Wales	7,122	7,637	6,313	7,640	14.8	25.4	43.3
Northern Ireland	4,530	6,357	8,681	10,873	..	..	..
Queen's Counsel							
England and Wales	12,412	14,437	12,773	15,585	16.5	23.2	43.5
Northern Ireland	—	—	9,485	11,196	..	..	..

Source: OME Survey

(a) Percentages are not shown where the numbers (shown in footnote (a) to Table 2) are less than 10.

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

Distribution of net professional earnings of full-time barristers in England and Wales in the main age groups from which appointments to the judiciary are made 1970-71 and imputed for 1971-72

TABLE 7

		Lower limit of range of net earnings										* Median	Upper* quartile	Highest decile
		£0-	£2,500-	£5,000-	£7,500-	£10,000-	£12,500-	£15,000-	£17,500-	£20,000-	All ranges			
<i>Queen's Counsel</i>												£	£	£
Aged 50-59 years	No.	1	2	2	7	5	3	—	5	2	27	10,318	17,836	19,681
	%	(4)	(7)	(7)	(26)	(19)	(11)	(—)	(19)	(7)	(100)			
<i>Junior Counsel</i>														
Aged 50-59 years	No.	12	22	10	8	2	4	2	—	—	60	4,557	8,101	12,097
	%	(20)	(37)	(17)	(13)	(3)	(7)	(3)	(—)	(—)	(100)			
Aged 45-54 years	No.	9	33	30	30	11	5	5	2	1	126	6,775	9,253	13,080
	%	(7)	(26)	(24)	(24)	(9)	(4)	(4)	(2)	(1)	(100)			
Applying the average percentage changes from 1970/71 to 1971/72 as shown in the survey the ranges and medians, upper quartiles and highest deciles become:—														
159	<i>Queen's Counsel</i>	£0-	£3,075-	£6,150-	£9,225-	£12,300-	£15,375-	£18,450-	£21,525-	£24,600-		12,691	21,938	24,208
	(Average increase 23%)											Aged 50-59 years		
	<i>Junior Counsel</i>	£0-	£3,125-	£6,250-	£9,375-	£12,500-	£15,625-	£18,750-	£21,875-	£25,000-		5,696	10,126	15,121
	(Average increase 25%)											Aged 45-54 years		
												8,469	11,566	16,350

*Actual, not calculated from ranges.

Source: OME Survey

Analyses of age and length of service of the Judiciary, September 1971

Annex TABLE A

All judges: *Percentage distribution in ranges of age*

	Ranges of age							All ranges (100%)	Average (Years)
	Under 45	45-49	50-54	55-59	60-64	65-69	70 and over		
Lords Justices of Appeal	%	%	%	%	%	%	%	Number	
High Court Judge	—	3	10	23	29	21	29	14	66
Circuit Judge	—	6	13	26	25	26	9	69	61
Metropolitan Magistrate	3	12	9	27	33	24	6	175	60
						12	3	33	58

All judges: *Percentage distribution in ranges of age on first appointment*

TABLE B

	Ranges of age on appointment						All ranges (100%)	Average (Years)
	Under 45	45-49	50-54	55-59	60-64	65 and over		
Lords Justices of Appeal	%	%	%	%	%	%	Number	
High Court Judge	—	—	7	7	57	29	14	62
Circuit Judge	3	12	30	44	14	—	69	55
Metropolitan Magistrate	12	14	38	34	10	1	175	54
		33	39	15	—	—	33	50

All judges: *Percentage distribution in ranges of years from first call to the Bar to appointment to various levels of the Judiciary*

TABLE C

	Ranges of years from first call to the Bar to appointment to various levels of the Judiciary							All ranges (100%)	Average (Years)
	Under 17	17-19	20-24	25-29	30-34	35-39	40-45		
Lords Justices of Appeal	%	%	%	%	%	%	%	Number	
High Court Judge	—	—	20	26	32	19	3	14	38
Circuit Judge	1	6	26	26	28	10	2	69	30
Metropolitan Magistrate	15	9	24	36	15	—	—	175	28
								33	24

Lords Justices of Appeal: *Percentage distribution in ranges of years of service as High Court Judge*

TABLE D

	Ranges of length of service as a High Court Judge						All ranges (100%)	Average (Years)
	1-3	4-6	7-9	10-12	13 and over			
Lords Justices of Appeal	%	%	%	%	%		Number	
	7	7	50	29	7		14	9

Note: The above tables exclude the Lord Chief Justice of England and the Master of the Rolls.

Source: 1972 Law List

APPENDIX L

OME SURVEY OF TOP SALARIES

Scope and purpose

1. The Office of Manpower Economics on behalf of the Top Salaries Review Body carried out a survey of salaries of top management in private and nationalised industries between September 1971 (the final date to which the previous OME survey related) and September 1973. In addition, the survey was designed to gather information on the main superannuation arrangements and other benefits (*i.e.* the total remuneration package). As before, the Confederation of British Industry was consulted about the form of the survey, and the questionnaire was addressed to the respondents to the 1971 survey and those others who had indicated their willingness to take part in a further exercise.

Sample and response

2. The response, both of firms and posts covered in the analysis, is shown below:

TABLE A

Response to the Survey

	No. of questionnaires sent out	Out of scope (a)	Usable response to the survey	Posts covered				Total
				Chairmen	Deputy chairmen	Main Board members	Senior executives	
Private industry								
Commercial and industrial Assets:								
£1,250m and over	3		3	3	4	4	32	43
£250m but under £1,250m	18		16	11	10	117	209	347
£50m but under £250m	59	2	45	38	38	258	421	755
£10m but under £50m	81	7	47	32	33	182	367	614
Under £10m	56	3	23	12	17	82	138	249
Total	217	12	134	96	102	643	1,167	2,008
Financial	21		14	8	14	63	85	170
Total	238	12	148(b)	104	116	706	1,252	2,178
Nationalised industry (Full-time posts)								
Assets:								
£1,250m and over	5		5	5	3	18	90	116
£250m but under £1,250m	5		5	3	6	17	85	111
£50m but under £250m	19(c)		19	14	16	10	174	214
£10m but under £50m	3		3	1	2	3	29	35
Total	32		32	23	27	48	378	476
(Part-time posts (d))								
Assets:								
£1,250m and over				—	2	2		4
£250m but under £1,250m				2	—	—		2
£50m but under £250m				5	1	—		6
£10m but under £50m				2	1	2		5
Total				9	4	4		17

(a) Company taken over, going through process of reorganisation or fundamental changes in responsibilities of posts.

(b) Includes 8 firms that did not submit data on pension arrangements.

(c) Includes 12 Area Electricity Boards.

(d) Excluding posts with nominal salary of £1,000 p.a. or with salary for 1 day or less per week.

The analysis is based on 148 returns (including a few which omitted information on superannuation arrangements and other benefits) obtained from the 226 addressees within the scope of the survey in private industry, giving an overall response of 65½ per cent. This response is similar to that obtained in the 1971 survey, when 215 returns were obtained out of 328 addressees within scope. As before, there was a complete response from the nationalised industries. The overall number of respondents was some 30 per cent less than in the previous survey.

3. An indication of the comparability of the private sector respondents' characteristics in the two surveys can be seen in the following table:

TABLE B

Comparison of 1971 data for private industry in previous and present surveys

I. Distribution of 1971 salaries for all (full-time) posts surveyed

Salary plus bonus range £000	Posts in previous survey		Posts in present survey	
	No.	%	No.	%
Under 4	191	8.5	126	6.1
4 but under 5	228	10.1	156	7.6
5 but under 6	227	10.0	178	8.6
6 but under 7	221	9.8	156	7.6
7 but under 8	216	9.5	189	9.2
8 but under 9	192	8.5	193	9.4
9 but under 10	143	6.3	142	6.9
10 but under 11	150	6.6	158	7.7
11 but under 12	96	4.2	83	4.0
12 but under 13	101	4.5	122	5.9
13 but under 14	58	2.6	73	3.5
14 but under 15	53	2.3	56	2.7
15 but under 20	203	9.0	241	11.7
20 but under 25	82	3.6	85	4.2
25 but under 30	51	2.2	48	2.3
30 but under 40	31	1.4	33	1.6
40 but under 50	11	0.5	11	0.5
50 and over	8	0.4	9	0.4
Total	2,262	100.0	2,059	100.0

II Average 1971 salaries, including bonus, commission and profit sharing

Capital-employed	Previous survey				Present survey			
	Chairmen	Deputy chairmen	Main Board members	Senior executives	Chairmen	Deputy chairmen	Main Board members	Senior executives
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
£250m and over	43.1	29.8	18.8	—(a)	44.9	32.7	16.8	10.2
£10m but under £250m	23.9	19.8	12.8	7.2	23.8	17.7	12.2	7.4
Under £10m	12.1	11.3	8.3	5.0	11.4	9.6	7.3	4.4
Financial	27.2	19.6	15.3	11.1	28.4	21.4	14.9	12.0

(a) Not published

The first part of the table compares the survey distributions of posts according to range of 1971 salary (including bonus). The distributions are broadly similar, although the low 1973 response from smaller firms results in fewer posts with lower salaries. The second part of the table compares average salaries from the two surveys for different levels of posts and sizes of organisation. Again the agreement is reasonably close, although lower salaries for the smallest firms in 1973 may be in part attributable to the movement of firms into the next biggest size group over the two year interval, in line with the growth of net assets. Apart from these systematic differences, sample variations inevitably exist, but the overall characteristics of the posts correspond fairly well.

4. The number of individual posts for which data were obtained was just under 2,200 for private industry and nearly 500 (including a few which were part-time) from nationalised industry, giving in total about 10 per cent fewer posts than in the 1971 survey. In making this comparison, it should be noted that, in general, posts were included only if their nature of responsibility had not changed materially over a 2-year period, against the 1-year period of the earlier survey. The senior executives covered were, as before, those reporting directly to main Board members but not more than 30 posts in total were to be included by any company. The questions asked included details of salary (including director's fee) at September 1971, 1972 and 1973, bonus (including commission or profit sharing payments) received in each of the years ending September 1971, 1972 and 1973 (for private industry only), and details of superannuation contributions for the most recent date. A second questionnaire sought information, for Board members (including chairmen and deputy chairmen) and senior executives separately, about pension arrangements, share incentive schemes, provision of cars, and loans for housing and other purposes.

5. The number of firms, who provided information on pension arrangements, and the posts covered, were as follows:

TABLE C

Numbers covered by superannuation and life assurance data

	Private Industry				Nationalised Industry			
	Board Members		Senior Executives		Board Members		Senior Executives	
	Organisations	Posts	Organisations	Posts	Organisations	Posts	Organisations	Posts
Assets								
£1,250m and over	3	11	3	32	5	26	5	90
£250m but under £1,250m	16	138	16	209	5	26	4	60
£50m but under £250m	43	327	42	416	18	40	19	174
£10m but under £50m	41	207	41	328	2	6	2	29
Under £10m	21	108	18	126	—	—	—	—
Total	124	791	120	1,111	30	98	30	353
Financial	10	85	11	85	—	—	—	—
Total	134	876	131	1,196	30	98	30	353

As can be seen the overall number of posts for which this information was provided was about 5 per cent less than that for which salary information was given. This was due to some firms, mainly small, not being able to supply the relevant details.

Salary levels and changes

6. Medians, quartiles and the highest and lowest deciles of 1973 salaries (including bonus) are set out in *Table 1* for the different levels of post by size of private and nationalised organisation. It will be seen that the salary levels of chairmen, deputy chairmen and Board members in nationalised industry are significantly less than those of their counterparts in comparably sized undertakings in private industry. A similar relationship exists in the pay of senior executives but, other than in the largest organisations the difference is much smaller between nationalised industry and private industry. Overall the average salary is similar, but this is due to the higher proportion of smaller firms in the private sector. The size grouping was based on the latest published net assets except for companies in the financial sector which are grouped together.

7. *Table 2* shows percentage movements in salaries (including and excluding bonuses) between 1971 and 1973, for private and nationalised industries (taking all levels of post together), classified by range of 1971 salary and bonus. The results indicate that the higher salary levels have tended to increase much more slowly since 1971, both in the period 1971-72 before the statutory incomes policy was introduced and in the following year when it was in force. This continues the trend towards narrowing relative differentials shown in the two years before 1971 in the last survey. In the year to September 1972, nationalised industry salaries advanced rather more than those in private industry (as a result of increases following the Top Salaries Review Body's report), but in the next twelve months, private industry regained most of the leeway. The general level of increase in private industry for 1972-73, i.e. the period mostly coinciding with Stages 1 and 2 of the statutory incomes policy, was just under 7 per cent, or somewhat above £800 in money terms. Taking salary alone, excluding bonus, the increase was nearer 6 per cent, or £700. Modest increments of 5 per cent or less in 1972-73 were prevalent in private industry only at (1971) levels above £15,000 per annum, whereas the corresponding nationalised industry threshold was barely half as high. Some of the average increase above £250 (the individual pay limit in Stage 2) might be due to personal increments, and also to increases granted in the last few weeks prior to the incomes standstill of Stage 1 of the counter-inflation policy; part may also be due to minor increases in responsibility that do not amount to a "material change" (paragraph 4 above).

Date of last increase

8. *Table 3* shows the date of the last salary increase prior to the end of September 1973. In the private sector as a whole, some 63 per cent of posts had attracted an increase in salary (excluding bonus) during the previous twelve months, compared to 80 per cent when the corresponding information was gathered in the 1971 survey. The difference was most marked for chairmen, of whom only 27 per cent received an increase in the latest year against 50 per cent in the earlier survey; it is noticeable that as many as 30 per cent reported no salary increase since September 1970. Nearly a quarter of the deputy chairmen received no increase since September 1971, but otherwise most of the posts at all levels attracted increases more recently, particularly in the nationalised industries. Most of the increases of the latest year took effect from dates in the first and second quarters of 1973, though this pattern will have been to a certain extent a distortion from normal practice, because of the statutory incomes policy.

Distribution and averages of salaries

9. *Table 4* shows the distribution and averages of salaries (including bonuses) at end-September 1973 for chairmen, deputy chairmen, Board members and senior executives. Results are shown separately for private and nationalised industry, classified by size. As might be expected, the nationalised industry salary ranges are much more compressed for chairmen, deputy chairmen and Board members, but the spread is comparable to private industry in the case of senior executives. Over half the chairmen in private industry receive more than the highest paid chairman in nationalised industry, and probably similarly so with the deputy chairmen. On the other hand, a fair number of chairmen in private industry are paid less than any of their nationalised industry counterparts, and they were by no means all from the smallest companies. At Board member and senior executive level, private industry salaries in companies in the £50-£250m and £250-£1,250m net asset ranges are very similar, but otherwise salaries in the private sector vary much more according to size than the nationalised industry salaries. At senior executive level, nationalised industry salaries are broadly comparable with those in private industry, except in the very largest organisations.

Total remuneration

10. *Table 5(a)* gives an overall analysis of the results from the second part of the survey dealing with detailed aspects of superannuation cover, and with various other benefits. The table shows for main Board members (including chairmen and deputy chairmen) and for senior executives, in both private and nationalised industry, the total remuneration package, divided into elements for salary and bonus for employer (and employee) contributions to superannuation, and for the various other benefits. It should be noted however that because details of remuneration were not provided for all the posts there are small discrepancies between the average salary and bonus in *Tables 5(a)* and *(b)* and in the other tables.

11. Total remuneration at end-September 1973 for Board members (including chairmen and deputy chairmen) in private industry averaged almost £22,500 per annum, some 26 per cent (or £4,500) more than salary and bonus. The main element of the addition is the employer's superannuation contribution, amounting to over £3,300. The assessed benefit from assistance given towards private motoring is also an important element and averages 4 per cent of salary and bonus. Additions to the salaries of nationalised industry Board members amount to about 17 per cent, two-thirds the figure for private industry, the main reason for the difference being the smaller employer's contribution to superannuation. The private motoring benefit and general expenses allowances are fairly comparable, but only in private industry does management benefit from share options and cheap loans. In nationalised industry senior executives receive additions to salaries broadly comparable in percentage terms to Board members: this applies in private industry for most of the elements which make up the total remuneration package but employers' contributions to superannuation are less for senior executives than for Board members. Comparisons of overall private and nationalised industry incomes shows that, whereas the Board members in private industry averaged some 26 per cent more in salary and bonus, their lead increased to 36 per cent in total remuneration; similarly, while private industry

executives had a small lead of under £200 in salary and bonus, their greater additional benefits yielded a £700 or 6 per cent differential in total remuneration terms despite the smaller average size of organisation.

12. The make-up of total remuneration for Board members and senior executives by type and size of industry is given in *Table 5(b)*. This shows that, in private industry, the larger firms gave a greater proportion of total remuneration in the form of superannuation and other benefits, with those in the financial sector providing the highest additions to salary and bonus in this way. In nationalised industry the converse is the case, with the smaller undertakings giving the largest percentage additions to salary and bonus, and more comparable in amount to those in private industry generally.

Superannuation

13. Average employer and employee contributions for superannuation and life assurance for the four levels of post in private and nationalised industry, classified by range of 1973 salary (and bonus) are shown in *Table 6*. Overall these contributions amount to much the same in percentage terms, though not of course in absolute terms, in the two sectors of industry, with the private sector having a small lead for deputy chairmen and Board members and the nationalised sector for chairmen and senior executives. Within the total, however, the employee contribution bears more heavily in nationalised industry, being nearly four times greater as a percentage of salary for chairmen and over twice as much for the other levels. It will also be noted that there is a very wide variation in the average percentage contributed for superannuation purposes over the range of earnings, particularly at the more senior levels, where however the numbers involved are often small. For senior executives in private industry, there seems to be a persistent trend towards greater proportional pension and life insurance cover for higher salary levels, apart from the few highest paid.

14. *Table 7* summarises superannuation coverage. The majority of top management posts in nationalised industry are included in basic staff schemes, but in private industry senior executive schemes are common, covering half the Board members and almost as many of the senior executives. A very small number of posts were reported as carrying no pension cover provided by the employer. In private industry one-sixth of Board members (including probably a much greater proportion of chairmen and deputy chairmen) are covered by individual arrangements ("top hat" schemes), but only 5 per cent of senior executives are similarly covered. In nationalised industries such individual arrangements are few. Rather more than half those covered by the survey in both sectors are due to qualify for maximum total pension and lump sum benefits under Inland Revenue rules on reaching normal retirement age. Of those who are late entrants with less than 20 years to serve before retirement and are eligible, about one half in each sector of industry benefit from discretionary arrangements to enhance pensions.

15. The basis used for determining pensions and lump sum entitlement in senior executive or basic company schemes is shown in *Table 8*. With few exceptions, all schemes involved pensions based on pay at or near retirement. In nearly all the schemes in private industry the proportion of pensionable pay received as total pension (before allowing for commutation and assuming full pensionable service) is 66 $\frac{2}{3}$ per cent, but in nationalised industry schemes the

proportion is more often 50 per cent but with a lump sum paid on retirement in addition providing the rough actuarial equivalent in total value.

16. From *Table 9* it can be seen that 65 years is the most usual retiring age in both private and nationalised industry, for both Board members and senior executives. Overall, about a third of the private sector posts have retiring ages under 65, and rather more than half of these involve retirement at 60. The table also shows that the National Insurance pension is not normally deducted from the pension paid but, in about 15 per cent of the schemes, it is deducted in its entirety, and in many other schemes some deduction is made.

17. *Table 10* analyses the basis of pension increases after retirement for posts covered by senior executive or basic staff superannuation schemes. In nationalised industry schemes, pension increases after retirement are virtually universal, with over one half of the posts covered receiving cost of living increases either similar to those in the public service under the Pension Increase Acts, or in other ways. Schemes covering 80 per cent of posts in private industry make provision of some sort for post-retirement pension increases, over half being by ex-gratia awards or following periodic reviews. Only about 10 per cent of each of the Board member and senior executive posts in private industry are in schemes which provide for post retirement increases specifically to match increases in the cost-of-living.

18. Death in service and death in retirement benefits are shown in *Table 11*. In nationalised industry superannuation schemes, the minimum lump sum payable on death in service is generally between one and two years' annual salary. In private industry schemes, minimum lump sum benefits in similar circumstances are generally larger, particularly for Board members, often reaching four and sometimes six times annual salary. In contrast, many schemes in private industry do not pay a widow's pension; this is not the case in nationalised industry schemes. For death after retirement, a similar difference in provision for widow's pension exists, just over 20 per cent of both Board member and senior executive posts in private industry being in schemes with no provision for payment of a widow's pension. For both death in service and death in retirement, a widow's pension of 50 per cent of the husband's accrued pension is most commonly paid in each sector.

Car and travel benefits

19. *Table 12* examines the assistance provided towards the cost of travel between home and office and of private motoring. For Board members in private industry, provision of such assistance in one way or another is almost universal; about 5 per cent are reported to receive no benefit but some of these may be effectively covered by a general expense allowance (*Table 13*). Usually a company car is provided and about one in five benefited in addition from the full-time services of a chauffeur. Over three-quarters of senior executives in private industry are entitled to a company car but one in seven receive no assistance towards the cost of private travel. Top management in nationalised industry is more likely to be provided with a chauffeur-driven car, but overall their motoring benefit is much less. The average value of company cars for senior executives, where provided, is around £2,300 both in private and in nationalised industry; for Board members values ranged up to £5,000 and over

in private industry, compared with up to £3,200 in nationalised industry. In both sectors company cars are generally maintained free, although provision of free petrol is less frequent; however, about 70 per cent of those with official cars make a contribution towards the cost of private motoring.

Other benefits

20. Other principal benefits are shown in *Table 13*. The payment of general expenses allowances (rather than *ad hoc* payments of expenses actually incurred) are not common, particularly among senior executives. One in six of Board members in private industry receive about £600 on average, while a slightly smaller number in nationalised industry receive about £500 on average. About one in five of top management in private industry have acquired shares under share incentive or option schemes; the average excess of the end-September 1973 of the open market value over the price paid for shares actually taken up during the previous year amount to almost £1,300 for Board members, but only £150 for senior executives. About one-third of firms in private industry allow outside directorship fees to be retained and an equal proportion do not; the remaining companies reported that the question was not applicable. Virtually no financial assistance in the form of cheap loans for housing (other than on appointment or on relocation) or for other purposes is being received by top management in nationalised industries. However, in private industry about one in six receives such assistance, and the average amount ranges from £16,000 at an average of $2\frac{1}{2}$ per cent interest for senior executives to £20,000 at 4 per cent interest for Board members for housing loans, and from £9,000 to £28,000 respectively at $1\frac{1}{2}$ per cent interest for other loans.

Average, median, quartile and decile salaries, including bonus, commission and profit sharing, September 1973 (a)

TABLE I

					Private industry				Nationalised industry							
					Commercial and industrial					Finan- cial	Total	Net assets (£m)				Total
												Capital employed (£m)				
					1,250 and over	250 but under 1,250	50 but under 250	10 but under 50	Under 10			1,250 and over	250 but under 1,250	50 but under 250	10 but under 50	
					£000	£000	£000	£000	£000	£000	£000	£000	£000	£000		
Chairmen																
Highest decile					46.0	55.3	31.0	21.4	45.2	46.0		19.2		22.8		
Upper quartile					45.4	32.9	26.2	18.2	36.0	35.8		16.8		22.8		
Median					41.5	27.6	20.8	15.2	35.0	25.9		14.8		16.2		
Lower quartile					37.8	22.2	15.4	9.8	25.0	17.1		12.5		13.2		
Lowest decile					35.1	12.7	12.0	7.1	12.8	11.1		12.2		12.2		
Average					42.0	29.5	21.6	14.0	32.3	28.0		14.8		17.5		
Deputy chairmen																
Highest decile					41.1	35.1	22.4	17.2	32.0	35.0	18.8	20.2	12.9	18.5		
Upper quartile					30.8	27.6	20.3	15.2	29.5	27.3	18.6	20.2	12.2	15.8		
Median					27.5	23.5	15.9	11.2	28.3	20.3	18.2	18.8	10.7	12.1		
Lower quartile					24.2	18.6	13.6	9.8	27.2	15.2	17.8	12.8	10.4	10.6		
Lowest decile					18.9	16.4	11.6	8.7	11.0	11.0	17.3	11.2	10.1	10.2		
Average					28.8	24.1	17.1	12.1	23.2	21.7	18.4	17.0	11.0	13.2		
Main Board members																
Highest decile					25.0	23.1	17.2	13.5	25.4	22.6	18.8	14.0	13.1	15.0		
Upper quartile					20.9	20.0	13.3	10.3	22.1	18.8	15.0	13.8	12.4	13.9		
Median					18.0	16.3	10.5	9.2	17.7	14.9	14.0	13.6	10.2	13.4		
Lower quartile					15.1	14.2	8.4	7.5	13.6	10.6	13.0	13.3	9.6	12.4		
Lowest decile					12.8	11.8	6.4	6.2	12.3	8.1	12.4	13.1	9.2	9.8		
Average					18.4	17.0	11.3	9.1	18.2	15.1	14.6	13.7	11.0	13.2		
Senior executives																
Highest decile					25.0	14.2	14.1	10.5	8.6	19.0	14.2	11.8	10.7	8.6	12.0	
Upper quartile					21.2	12.4	12.1	8.6	6.3	17.1	11.6	12.0	10.5	9.6	10.3	
Median					17.4	10.7	10.1	6.6	5.0	13.3	9.1	10.2	9.5	8.7	9.2	
Lower quartile					16.1	9.1	8.4	5.4	4.2	10.7	6.6	9.3	8.6	7.6	8.1	
Lowest decile					14.0	7.8	7.2	4.3	3.4	8.8	5.0	8.6	7.9	6.9	7.2	
Average					18.3	10.9	10.5	7.1	5.5	14.2	9.5	10.9	9.6	8.6	9.4	

(a) Data omitted where five posts or fewer: totals, however, include these posts.

Source: OME Survey

TABLE 2

Percentage changes in average salaries and average salaries plus bonus for all posts in private and nationalised industry, September 1971-1973

1971 Salary+ bonus (£000)	Private industry							Nationalised industry			
	Number of posts	Percentage increase						Number of posts	Percentage increase		
		Salary			Salary plus bonus				Salary		
		1971-72	1972-73	1971-73	1971-72	1972-73	1971-73		1971-72	1972-73	1971-73
		%	%	%	%	%	%		%	%	%
Under 4	126	16.5	13.0	31.7	17.1	14.1	33.7	4	21.7	8.2	31.7
4 but under 5	156	13.5	10.7	25.6	15.8	12.9	30.8	6	14.4	8.7	24.3
5 but under 6	178	15.0	12.2	29.1	16.8	12.0	30.9	20	9.9	7.9	18.6
6 but under 7	156	12.8	9.8	23.8	14.3	10.8	26.7	79	14.5	5.8	21.2
7 but under 8	189	13.1	9.3	23.6	14.5	10.9	27.0	114	15.6	4.3	20.6
8 but under 9	193	11.7	9.7	22.5	12.1	9.3	22.5	56	14.8	3.2	18.5
9 but under 10	142	10.8	7.1	18.7	10.9	9.3	21.2	47	13.9	3.0	17.3
10 but under 11	158	11.6	8.7	21.3	11.9	6.9	19.6	24	14.8	3.6	18.9
11 but under 12	83	12.7	3.1	16.2	13.5	5.5	19.7	29	16.3	2.5	19.2
12 but under 13	122	11.6	7.7	20.2	10.7	7.8	19.3	13	13.9	1.8	15.9
13 but under 14	73	11.9	5.6	18.1	12.8	6.7	20.4	3	13.9	1.7	15.8
14 but under 15	56	7.1	5.5	13.0	6.0	9.1	15.6	1	14.3	1.6	16.1
15 but under 17.5	148	9.2	3.5	13.0	9.7	3.6	13.6	10	14.0	2.0	16.4
17.5 but under 20	93	6.4	4.4	11.0	8.9	4.3	13.6	4	14.2	—	14.2
20 but under 22.5	53	6.2	-0.5	5.7	6.3	1.4	7.8	7	7.9	-2.6	0.5
22.5 but under 25	32	9.0	-0.3	8.7	5.3	3.7	9.2	—	—	—	—
25 but under 30	48	6.1	2.2	8.5	6.4	3.0	9.6	1	10.0	0.9	11.0
30 but under 40	33	4.7	0.4	5.0	5.6	3.0	8.8	—	—	—	—
40 but under 50	11	2.0	6.5	8.5	2.1	9.7	12.1	—	—	—	—
50 and over	9	7.1	0.5	7.6	7.1	-4.8	2.0	—	—	—	—
Total	2,059	10.1	6.2	17.0	10.5	6.8	18.0	418	14.4	3.6	18.5

Source: OME Survey

Private industry	1971	1972	1973
Average salary	£ 10,468	11,529	12,244
Average salary plus bonus	£ 10,919	12,063	12,882

Nationalised industry	1971	1972	1973
Average salary	£ 8,643	9,891	10,243

TABLE 3

Date of last increase in salary for each type of post by type of organisation

	Date of last salary increase																							
	In quarter ended												In year ended											
	September 1973			June 1973			March 1973			December 1972			September 1973			September 1972			September 1971			September 1970 or earlier		
	Orgs	Posts		Orgs	Posts		Orgs	Posts		Orgs	Posts		Orgs	Posts		Orgs	Posts		Orgs	Posts		Orgs	Posts	
	No.	No.	%	No.	No.	%	No.	No.	%	No.	No.	%	No.	No.	%	No.	No.	%	No.	No.	%	No.	No.	%
Private industry																								
Chairmen	3	3	2.9	12	12	11.5	12	12	11.5	1	1	1.0	28	28	26.9	35	35	33.6	9	9	8.6	32	32	30.8
Deputy chairmen	4	5	4.3	15	17	14.7	17	19	16.4	10	11	9.5	46	52	44.8	33	37	31.9	13	13	11.2	13	14	12.1
Main Board members	14	47	6.7	40	119	16.9	46	153	21.7	27	51	7.2	100	370	52.4	65	257	36.4	18	42	6.0	21	37	5.2
Senior executives	28	81	6.5	70	355	28.4	71	370	29.6	35	109	8.7	124	915	73.1	58	275	22.0	7	12	1.0	22	50	4.0
Total	37	136	6.2	83	503	23.1	84	554	25.4	52	172	7.9	135	1365	62.7	92	604	27.7	33	76	3.5	60	133	6.1
Nationalised industry																								
Full-time																								
Chairmen	—	—	—	—	—	—	22	22	95.6	—	—	—	22	22	95.6	—	—	—	—	—	—	1	1	4.4
Deputy chairmen	—	—	—	—	—	—	26	27	100.0	—	—	—	26	27	100.0	—	—	—	—	—	—	—	—	—
Main Board members	—	—	—	—	—	—	13	41	85.4	1	3	6.2	13	44	91.7	1	3	6.2	—	—	—	1	1	2.1
Senior executives	3	3	0.8	14	111	29.4	27	177	46.8	4	35	9.3	29	326	86.2	7	50	13.2	—	—	—	2	2	0.5
Total	3	3	0.6	14	111	23.3	28	267	56.1	4	38	8.0	29	419	88.0	7	53	11.1	—	—	—	3	4	0.8
Part-time																								
Chairmen	—	—	—	—	—	—	9	9	100.0	—	—	—	9	9	100.0	—	—	—	—	—	—	—	—	—
Deputy chairmen	—	—	—	—	—	—	4	4	100.0	—	—	—	4	4	100.0	—	—	—	—	—	—	—	—	—
Main Board members	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	1	2	50.0	—	—	—	1	2	50.0
Total (full and part-time)	3	3	0.6	14	111	22.5	32	280	56.8	4	38	7.7	32	432	87.6	7	55	11.2	—	—	—	3	6	1.2

Source: OME Survey

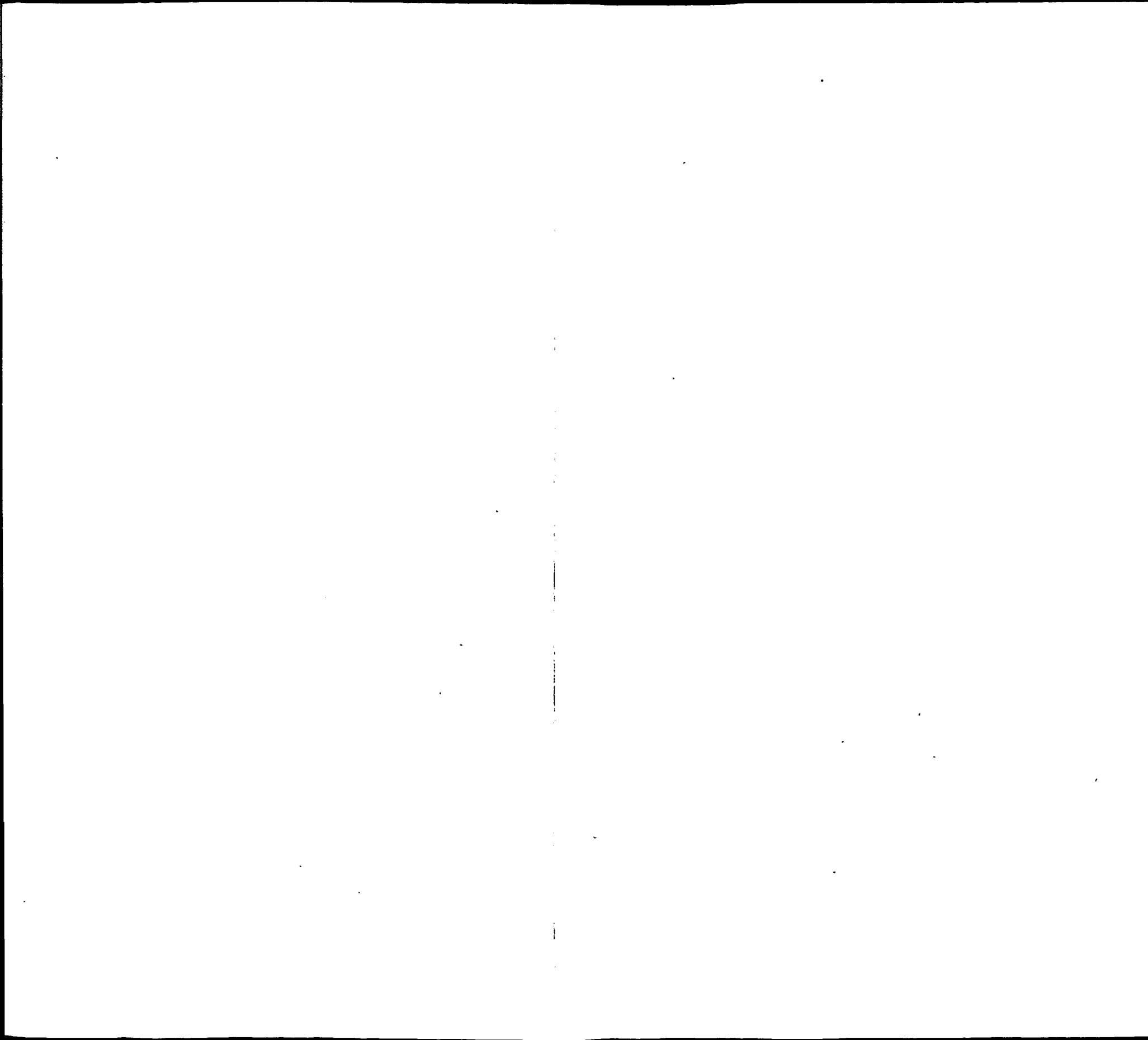


TABLE 4 (a)
Distribution of numbers by size of 1973 salary + bonus for chairmen and deputy chairmen by type and size of organisation

	1973 salary + bonus (£'000)																		Average salary + bonus £'000
	Under 4	4-5	5-6	6-7	7-8	8-9	9-10	10-11	11-12 but under 13	13-14	14-15	15-17.5	17.5-20	20-22.5	22.5-25	25-30	30-40	40-50	
Chairmen																			
Private:																			
Assets £1250m and over																		3	(69.8)
£ 250m—£1249m																		1	42.0
£ 50m—£ 249m			1					2	1		1	1	1	3	1	12	3	6	29.5
£ 10m—£ 49m				1	1		1		2		6	2	6	3	3	4	1	1	21.6
Under £10m				1	1		1	1	1		3	2	2	2	1		2		14.0
Financial									1							4	2		32.3
Total Number %			1.0	2.9	2.9		2.9	3.0	4.0	2.0	10.6	5.0	11.0	5.0	16.4	18.3	13.5	9.0	28.0
Nationalised:																			
Assets £1250m and over														1	3	1			23.4
£ 250m—£1249m															2				20.6
£ 50m—£ 249m									3	3	3	2							14.8
£ 10m—£ 49m											1								17.2
Total Number %									3.0	3.0	3.0	5.0	2.0	4.3	5.0	4.3			17.5
									13.0	13.0	13.0	21.7	8.7	4.3	21.7	4.3			100.0
Deputy chairmen																			
Private:																			
Assets £1250m and over																		2	(53.2)
£ 250m—£1249m																		1	28.8
£ 50m—£ 249m								1	2		6	4	8	5	8	6			24.1
£ 10m—£ 49m				1					2	4	6	4	6	2	1	1			17.1
Under £10m					1	1	3	3	2		4	1	1						12.1
Financial								1	1		1	2	1		6	2			23.2
Total Number %				0.9	0.9	0.9	2.6	4.3	4.3	3.4	2.6	14.7	10.3	12.9	7.8	15.5	10.3	2.6	21.7
Nationalised:																			100.0
Assets £1250m and over																			18.4
£ 250m—£1249m									1				3						17.0
£ 50m—£ 249m							3	9	3			1	2	2					11.0
£ 10m—£ 49m									1										12.2
Total Number %							3.0	9.0	2.0			3.7	5.0	2.0					13.2
							11.1	33.3	7.4				18.5	7.4					100.0

Note: Bracketed figures represent under 5 posts in sample of private industry

Source: OME Survey

Source: OME Survey

Distribution of numbers by size of 1973 salary + bonus for Main Board members and senior executives by type and size of organisation

[illegible]

TABLE 5A

Make-up of total remuneration 1973 including component percentages (based in turn on salary plus bonus and total remuneration) for main Board members (including chairmen and deputy chairmen) and senior executives in private and nationalised industry

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
	1973 salary + bonus ¹	Superannuation contributions		Excess from share option or incentive scheme	General expense allowance	Benefit from use of		Provision of car		Employee contributions towards private motoring	Total benefit of car (Columns 7 to 10-11)	Benefit from provision of		Total remuneration (Columns 2+3+5 +6+12 +13+14)
		em- ployer	em- ployee			com- pany car	chauf- feur	main- tenance	petrol			hous- ing loan	other loan	
Private Industry														
<i>Main Board members</i>														
Average amount £ . .	17,898	3,326	539	259	104	517	164	131	102	198	716	43	142	22,488
% of salary + bonus	100	18.6	3.0	1.4	0.6	2.9	0.9	0.7	0.6	1.1	4.0	0.2	0.8	125.6
<i>Senior executives</i>														
Average amount £ . .	9,529	1,515	322	26	10	287	10	68	46	114	297	91	66	11,534
% of salary + bonus	100	15.9	3.4	0.3	0.1	3.0	0.1	0.7	0.5	1.2	3.1	1.0	0.7	121.1
Nationalised Industry														
<i>Main Board members</i>														
Average amount £ . .	14,161	1,709	977	—	72	268	286	65	57	108	568	—	—	16,510
% of salary + bonus	100	12.1	6.9	—	0.5	1.9	2.0	0.5	0.4	0.8	4.0	—	—	116.6
<i>Senior executives</i>														
Average amount £ . .	9,360	1,179	652	—	1	153	147	39	37	62	314	—	—	10,854
% of salary + bonus	100	12.6	7.0	—	0.0	1.6	1.6	0.4	0.4	0.7	3.4	—	—	116.0

¹Including profit sharing.

Source: OME Survey

TABLE 5B

Make-up of total remuneration by type and size of industry

	Number of posts	1973 salary + bonus	Employer's super-annuation contribution	Other additions to salary	Total remuneration	
					Amount	Index (1973 salary + bonus =100)
		£	£	£	£	£
Private industry						
Main Board members ¹						
Commercial and Industrial						
£1250m and over ..	11	51,440	7,443	1,032	59,915	116
£250m but under £1250m	138	21,020	4,528	1,073	26,621	127
£ 50m but under £250m	327	19,134	4,001	1,161	24,296	127
£ 10m but under £50m	218	13,596	2,086	689	16,371	120
Under £10m	108	10,026	949	716	11,691	117
Financial	85	24,770	4,440	4,173	33,383	135
Senior executives						
Commercial and Industrial						
£1250m and over ..	32	18,342	3,652	416	22,410	122
£250m but under £1250m	209	10,900	1,947	474	13,321	122
£ 50m but under £250m	416	10,442	1,830	517	12,789	122
£ 10m but under £50m	338	7,059	869	279	8,207	116
Under £10m	126	5,504	416	330	6,259	144
Financial	85	14,157	2,310	1,505	17,972	127
Nationalised industry						
Main Board members						
£1250m and over ..	26	16,692	1,681	552	18,925	112
£250m but under £1250m	26	15,240	1,816	996	18,052	116
£ 50m but under £250m	41	12,483	1,435	589	14,507	116
£ 10m but under £50m	11	11,886	2,539	192	14,617	123
Senior executives						
£1250m and over ..	90	10,906	1,199	412	12,517	113
£250m but under £1250m	60	9,942	1,162	425	11,529	116
£ 50m but under £250m	174	8,686	1,151	225	10,062	116
£ 10m but under £50m	29	7,403	1,314	316	9,033	122

¹Including chairmen and deputy chairmen.

Source: OME Survey

TABLE 6

Employer's and employee's annual percentage contribution to superannuation and life assurance by 1973 salary + bonus range for each type of post by type of organisation

	1973 salary + bonus (£000)																				Average contribution
	Under	4	5	6	7	8	9	10	11	12	13	14	15	17.5	20	22.5	25	30	40	50 and over	
	4	5	6	7	8	9	10	11	12	13	14	15	17.5	20	22.5	25	30	40	50	50 and over	
Private	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%
Chairman																					
Employer's contribution					17.2		3.5	15.5		18.0		10.8	4.2	17.8	12.8	30.4	23.1	13.2	20.7	12.4	16.2
Employee's "							2.0	2.2		1.8		3.0	2.8	2.1	2.1	1.6	5.9	1.7	0.5	0.9	2.0
Deputy chairman																					
Employer's contribution				19.0	18.0	17.2	3.0	12.6	13.5	4.2	4.3	15.4	16.3	16.4	11.8	15.1	23.1	25.2	20.2	11.1	17.4
Employee's "					2.0	2.2	7.2	4.9	3.2	0.6	2.8	4.2	2.8	3.8	2.7	8.7	1.5	1.8		2.5	2.8
Main Board members																					
Employer's contribution	5.0	16.5	3.7	9.4	6.8	9.8	10.7	11.7	14.6	17.6	17.4	17.2	18.7	19.4	17.7	26.7	20.3	21.5	0.6		17.5
Employee's "	5.0	3.0	2.7	3.6	3.5	3.8	4.3	6.5	3.0	6.3	2.5	1.9	2.2	2.3	2.4	1.6	4.8	1.4	0.4		3.0
Senior executives																					
Employer's contribution	8.1	9.1	10.2	10.1	13.3	14.2	13.4	15.4	17.3	16.4	16.4	16.4	19.9	23.9	18.0	21.4	12.3	20.4			15.2
Employee's "	4.6	5.6	4.0	5.2	4.2	4.1	4.0	2.5	2.6	2.4	2.3	3.7	2.0	1.1	1.2	2.0	3.3				3.2
Total																					
Employer's contribution	8.1	10.0	9.7	9.9	12.2	13.4	12.4	14.3	16.5	16.4	16.3	16.7	18.3	20.0	16.5	24.2	21.2	19.2	19.4	11.2	16.4
Employee's "	4.7	5.3	3.9	4.8	4.0	4.0	4.2	3.6	2.7	3.7	2.4	2.6	2.2	2.2	2.3	3.0	4.1	1.6	0.4	1.2	3.0
Nationalised																					
Chairman																					
Employer's contribution										12.0	12.0	12.0	9.1	12.5	12.0	11.9	10.0				11.3
Employee's "										6.3	6.8	6.5	4.8	11.6	6.5	7.3	15.0				7.5
Deputy chairman																					
Employer's contribution							12.0	11.8	5.9	12.1					11.4	8.6					10.5
Employee's "							6.5	5.6	2.9	8.6					7.9	5.8					6.4
Main Board members																					
Employer's contribution							18.0	10.8		10.6	11.3	10.2	9.5	10.0	5.0						10.7
Employee's "							8.5	5.4		7.9	8.7	5.7	5.0	15.0	3.0						7.5
Senior executives																					
Employer's contribution		13.6	12.8	15.2	12.3	12.4	11.0	12.6	12.7	12.2	13.5	11.8	14.4	16.6	16.0	11.0					12.3
Employee's "		8.0	7.6	8.0	6.6	6.5	6.6	7.6	6.8	6.8	6.9	6.2	4.0	6.0		6.0					6.7
Total																					
Employer's contribution		13.6	12.8	15.2	12.3	12.2	11.3	12.4	12.2	11.7	12.1	11.3	9.8	12.5	9.2	11.7	10.0				11.8
Employee's "		8.0	7.6	8.0	6.6	6.4	6.6	7.1	6.6	7.4	8.0	6.1	4.3	9.0	4.0	7.1	15.0				6.8

Source: OME Survey

Superannuation and life assurance schemes

TABLE 7

		Private industry				Nationalised industry			
		Board members		Senior executives		Board members		Senior executives	
		Organisations	Posts	Organisations	Posts	Organisations	Posts	Organisations	Posts
Total covered by questionnaires	Number %	134	876 100.0	131	1,196 100.0	30	98 100.0	30	353 100.0
(i) Those covered by individual arrangements	Number %	59	154 17.6	21	63 5.3	1	3 3.1	2	4 1.1
(ii) Those covered by continuation under a previous scheme	Number %	—	—	—	—	5	8 8.2	—	—
Total	Number %	59	154 17.6	21	63 5.3	6	11 11.2	2	4 1.1
of which—those who will qualify for maximum pension plus lump sum benefits under IR rules	Number %	41	88 10.0	10	26 2.2	—	—	—	—
(iii) Those within a senior executive scheme alone (or in addition to a basic industry staff scheme)	Number %	69	442 50.4	66	538 45.0	3	10 10.2	3	37 10.5
(iv) Those within the basic industry staff scheme only	Number %	60	266 30.4	72	591 49.4	25	74 75.5	28	312 88.4
(v) Those with no specific cover but chance of <i>ex gratia</i> awards	Number %	1	1 0.1	—	—	—	—	—	—
(vi) Those with no pension cover provided by the employer	Number %	8	13 1.5	3	4 0.3	2	3 3.1	—	—
Late entrants with less than 20 years' service before normal retirement age	Number %	58	109 12.4	46	112 9.4	10	22 22.4	12	23 6.5
of which—those benefiting from discretionary arrangements to enhance pensions	Number %	27	53 6.0	19	49 4.1	5	11 11.2	5	6 1.7
those not benefiting because of retained benefits from previous employment	Number %	1	1 0.1	3	4 0.3	3	4 4.1	—	—

Source: OME Survey

Basis of pension and proportion of pensionable pay given as pension and additional lump sum

TABLE 8

		Private industry				Nationalised industry			
		Board members		Senior executives		Board members		Senior executives	
		Organisations	Posts	Organisations	Posts	Organisations	Posts	Organisations	Posts
Total covered by a senior executive or basic company staff scheme	Number %	124	708 100.0	128	1,129 100.0	28	84 100.0	30	349 100.0
Pension based on (a)									
(i) Pay at or near retirement	Number %	120	688 97.2	125	1,108 98.1	28	84 100.0	30	349 100.0
Proportion of pensionable pay received as total pension (before allowing for commutation) assuming full pensionable service									
Under 50 per cent	Number %	2	9 1.3	3	18 1.6	—	—	—	—
50 per cent	Number %	5	38 5.4	5	31 2.7	22	62 73.8	22	238 68.2
51-65 per cent	Number %	7	32 4.5	10	62 5.5	—	—	—	—
66½ per cent	Number %	106	609 86.0	107	997 88.3	6	22 26.2	8	111 31.8
(ii) total pay earned throughout career with firm	Number %	2	9 1.3	2	11 1.0	—	—	—	—
(iii) flat amount not related to salary	Number %	1	2 0.3	—	—	—	—	—	—
Proportion of annual pensionable pay given as lump sum on retirement in addition to pension									
Nil	Number %	121	695 98.2	124	1,103 97.7	6	22 26.2	8	111 31.8
17 per cent	Number %	—	—	—	—	—	—	1	4 1.1
25 per cent	Number %	1	4 0.6	1	12 1.1	—	—	—	—
50 per cent	Number %	1	5 0.7	1	10 0.9	—	—	—	—
100 per cent	Number %	—	—	1	3 0.3	1	3 0.3	—	—
150 per cent	Number %	1	4 0.6	1	1 0.1	21	59 70.2	21	234 67.1

(a) 1 private company with 9 Board members and 10 senior executives did not answer the questions.

Source: OME Survey

Retiring age, and deduction of NI pension

TABLE 9

					Private industry				Nationalised industry			
					Board members		Senior executives		Board members		Senior executives	
					Organisations	Posts	Organisations	Posts	Organisations	Posts	Organisations	Posts
Total covered by a senior executive scheme or a basic company staff scheme					Number							
					%							
						124	708	128	1,129	28	84	30
							100.0		100.0		100.0	349
												100.0
Normal retiring age for those within												
(i) a senior executive scheme alone (or in addition to a basic company staff scheme) ..												
(ii) a basic company staff scheme alone												
60 years (i)					Number	11	88	8	97	2	9	2
					%		12.4		8.6		10.7	35
(ii)					Number	10	40	13	102	1	7	47
					%		5.6		9.0		8.3	13.5
61-64 years (i)					Number	11	76	13	133	—	—	—
					%		10.7		11.8			
(ii)					Number	7	30	5	48	1	4	—
					%		4.2		4.2		4.8	
65 years (i)					Number	47	278	45	308	1	1	2
					%		39.3		27.3		1.2	0.6
(ii)					Number	43	196	54	441	23	63	265
					%		27.7		39.1		75.0	75.9
Proportion of National Insurance pension deducted												
Nil					Number	84	481	79	698	23	68	173
					%		67.9		61.8		81.0	49.6
50 per cent					Number	5	38	6	47	—	—	—
					%		5.4		4.2			
100 per cent					Number	16	108	21	171	3	6	66
					%		15.2		15.2		7.1	18.9
Other(a)					Number	19	81	22	213	2	10	110
					%		11.4		18.9		11.9	31.5

(a) Includes a percentage for each year of service, a proportion based on total years service, flat amounts, and other.

Source: OME Survey

TABLE 10

Basis of pension increases

		Private industry				Nationalised industry			
		Board members		Senior executives		Board members		Senior executives	
		Organisations	Posts	Organisations	Posts	Organisations	Posts	Organisations	Posts
Total covered by a senior executive or basic company staff scheme	Number %	124	708 100.0	128	1129 100.0	28	84 100.0	30	349 100.0
Pension increase after retirement(a)	Number %	99	604 85.3	100	902 79.9	28	84 100.0	29	340 97.4
Basis of increase(b) for those with pension increase.									
Ex gratia awards	Number %	48	273 45.2	54	512 56.8	1	3 3.6	—	—
Escalation clause	Number %	27	150 24.8	25	179 19.8	15	31 36.9	10	90 26.5
Cost of living increases	Number %	9	76 12.6	7	83 9.2	2	10 11.9	4	52 15.3
Periodic reviews	Number %	10	72 11.9	8	68 7.5	—	—	2	12 3.5
2½ per cent per annum	Number %	3	20 3.3	3	27 3.0	—	—	—	—
Pensions Increase Acts	Number %	—	—	—	—	8	32 38.1	7	119 35.0
Electricity Supply Pension Increase Scheme ..	Number %	—	—	—	—	—	—	4	24 7.1
Other	Number %	1	9 1.5	2	24 2.7	2	8 9.5	1	18 5.3

Source: OME Survey

(a) Apart from one scheme all private industry schemes allow pensions increase at discretion of the company but without commitment.

(b) One private company with 4 Board members and 9 senior executives and one nationalised industry with 25 senior executives did not give the basis of increase.

Death in service and death in retirement: benefits

TABLE 11

	Number %	Private industry				Nationalised industry			
		Board members		Senior executives		Board members		Senior executives	
		Organisations	Posts	Organisations	Posts	Organisations	Posts	Organisations	Posts
Total covered by a senior executive or basic company staff scheme	Number %	124	708 100.0	128	1,129 100.0	28	84 100.0	30	349 100.0
Death in service. Minimum lump sum payable as a percentage of annual pay									
Under 100 per cent	Number %	18	112 15.8	20	198 17.5	2	6 7.1	3	49 14.0
100-199 per cent	Number %	26	128 18.1	25	264 23.4	24	76 90.5	25	285 81.7
200-399 per cent	Number %	40	207 29.2	49	357 31.6	1	1 1.2	2	15 4.3
400-599 per cent	Number %	34	226 31.9	27	225 19.9	1	1 1.2	—	—
600 per cent or more	Number %	6	35 4.9	7	85 7.5	—	—	—	—
Widows pension as a percentage of accrued pension									
Nil	Number %	50	281 39.7	47	390 34.5	—	—	1	9 2.6
33-40 per cent	Number %	6	41 5.8	6	38 3.4	8	26 31.0	9	121 34.7
50 per cent	Number %	57	329 46.5	64	599 53.1	19	50 59.5	18	183 52.4
66½ per cent	Number %	6	36 5.1	6	69 6.1	1	8 9.5	1	20 5.7
100 per cent	Number %	—	—	—	—	—	—	1	16 4.6
Other	Number %	5	21 3.0	5	33 2.9	—	—	—	—
Death in retirement. Widows pension as a proportion of pension									
Nil	Number %	32	155 21.9	31	261 23.1	—	—	—	—
25-40 per cent	Number %	9	58 8.2	7	53 4.7	8	26 31.0	8	99 28.4
50 per cent	Number %	71	413 58.3	78	708 62.0	19	50 59.5	20	214 61.3
66½ per cent	Number %	9	58 8.2	8	81 7.2	1	8 9.5	1	20 5.7
100 per cent	Number %	—	—	—	—	—	—	1	16 4.6
Other	Number %	3	24 3.4	4	34 3.0	—	—	—	—

Source: OME Survey

The provision of company cars and other travel benefits

TABLE 12

				Private industry				Nationalised industry			
				Board members		Senior executives		Board members		Senior executives	
				Organisations	Posts	Organisations	Posts	Organisations	Posts	Organisations	Posts
Total covered by the questionnaire	..	..	Number %	134	876 100.0	131	1,196 100.0	30	98 100.0	30	353 100.0
Number provided with:											
(a) a company car + full time chauffeur	..	..	Number %	55	176 20.1	9	15 1.2	13	36 36.7	7	63 17.8
(b) a company car	..	..	Number %	115	611 69.7	111	933 78.0	16	29 29.6	16	92 26.1
(c) pool facilities for travel between home and office	..	..	Number %	6	25 2.8	3	21 1.8	1	4 4.1	2	31 8.8
(d) a car allowance	..	..	Number %	6	22 2.5	10	45 3.8	—	—	8	32 9.1
For those in (a) and (b):											
the average range of values of company cars:											
Minimum	..	..	..	£2,724		£1,930		£2,553		£1,906	
Maximum	..	..	..	£5,142		£2,611		£3,182		£2,729	
with provision of:											
maintenance	..	..	Number %	114	675 85.8	99	826 87.1	21	55 86.6	17	138 89.0
petrol	..	..	Number %	86	501 63.6	70	551 58.1	19	47 72.3	15	129 83.2
employees who normally pay towards private motoring	..	..	Number %	93	538 68.4	85	711 75.0	18	45 69.2	15	110 71.0

Source: OME Survey

Other benefits

TABLE 13

	Private industry				Nationalised industry			
	Board members		Senior executives		Board members		Senior executives	
	Organisations	Posts	Organisations	Posts	Organisations	Posts	Organisations	Posts
Total covered by the questionnaire	134	876 100.0	131	1,196 100.0	30	98 100.0	30	353 100.0
Number receiving a general expense allowance .. Number %	29	149 17.0	8	29 2.4	5	14 14.3	1	8 2.3
Average annual allowance	£618		£407		£535		£50	
Number entitled to acquire shares under incentive schemes Number %	29	177 20.2	25	215 18.0				
Average excess of open market value over the price paid	£1,299		£146		not applicable			
Entitlement of full-time directors to retain fees from outside(a)								
Yes Number %	42	31.3	not applicable					
No Number %	44	32.8						
Not applicable Number %	45	33.6						
Number who receive financial assistance for: house purchase Number %	13	50 5.7	22	119 10.0	—	—	—	—
average loan	£20,512		£15,979		—	—	—	—
average rate of interest	4.0%		2.7%		—	—	—	—
other purposes Number %	11	68 7.8	20	139 11.6	—	—	2	2 0.6
average loan	£28,096		£9,233		—	—	£677	
average rate of interest	1.4%		1.3%		—	—	8.9%	

(a) Three companies did not answer the question.

Source: OME Survey

APPENDIX M

THE EFFECT OF TAX ON SALARIES

Tax in 1974-75

1. Table 1 shows examples of the salaries recommended in this Report and the corresponding net salaries after tax for a married man without children. Because of the highly progressive rates of taxation at these salary levels, the differentials in gross salaries are very substantially reduced in terms of net income. Where other sources of income are available to the married couples, such as investment income or a wife's earnings, the value of the salary differentials are liable to be further reduced, because any substantial differential for one salary over another involves a higher marginal rate of tax.

Changes in taxation since 1969-70

2. Table 2 illustrates the increases that would be required in gross income between April 1969 and April 1974 to maintain the real value, after allowing for price increases, of net salaries after tax in April 1969 in examples from the range of gross salaries with which this Report is concerned. This 5-year period is one in which, before allowing for inflation, substantial reductions in taxation of incomes were made in the Budgets of 1971, 1972 and 1973, and were only partially reversed in the 1974 Budget. But tax rates at levels at which surtax or, from 1973-74, their equivalent higher rates of income tax are payable, are particularly sensitive in real terms to inflation and to the resulting "fiscal drag". This is mainly because the surtax bands are not subject to indexation and are rarely revised to take account of inflation. The effect of rising taxation in real terms between 1969 and 1974 can be seen by comparing the increases in gross salary required in April 1974 to maintain the equivalent in real terms, after allowing for inflation, of April 1969 net salaries with the increase in prices over this period (54½ per cent). Where the increase in salaries required exceeds the figure of price increases (as it does for all the salaries shown except the highest), the difference represents the effect of the rise in taxation in real terms.

TABLE 1
Examples of recommended salaries gross and net of tax

	Recommended salary	
	Gross (before tax)	Net (after tax) ¹
	£	£
Civil Service:		
Head of the Home Civil Service	23,000	10,003
Permanent Secretary	21,000	9,663
Deputy Secretary	15,000	8,013
Under Secretary	12,000	7,010
Armed Forces:		
Field Marshal	23,000	10,003
General	21,000	9,663
Lieutenant General	15,000	8,013
Major General	12,000	7,010
Judiciary:		
Lord Chief Justice	27,000	10,683
Lord of Appeal in Ordinary	24,500	10,258
High Court Judge	21,000	9,663
Circuit Judge	13,000	7,373
Metropolitan Magistrate	11,750	6,917
Nationalised Industry:		
British Steel Corporation: Chairman ..	40,000	15,217
Deputy Chairman ..	28,000-33,000	12,480-13,620
Board member ..	21,500-27,500	10,910-12,366
British Gas Corporation: Chairman ..	35,000	14,076
Deputy Chairman ..	24,000-29,000	11,567-12,708
Board member ..	18,000-22,000	9,786-11,071
Atomic Energy Authority: Chairman ..	22,500	11,225
Deputy Chairman ..	15,500-19,000	8,911-10,107
Board member ..	11,500-15,000	7,324- 8,727
British Airports Authority: Chairman ..	18,000	9,786
Deputy Chairman ..	12,500-15,000	7,746- 8,727
Board member ..	9,500-12,000	6,401- 7,539
Area Electricity Boards: Chairman ..	18,000-22,000	9,786-11,071
Deputy Chairman ..	12,500-15,000	7,746- 8,727

¹At 1974-75 tax rates for a married man without children. For those in the nationalised industries allowance is made for the effect on taxable income of a 7 per cent deduction for employees' superannuation contributions: the contributions themselves are not deducted.

TABLE 2
Effect of price increases on changes in tax levels and net income in 1974 compared with 1969

April 1969		April 1974		
Gross salary	Net salary after tax	Gross salary required to produce 1969 net salary*		Net salary equivalent to that in 1969
£	£	£	% increase	£
6,000	4,084	10,198	70.0	6,310
8,000	5,024	14,215	77.7	7,762
10,000	5,804	18,372	83.7	8,967
12,000	6,312	21,524	79.4	9,752
15,000	6,883	26,712	78.1	10,634
20,000	7,446	31,830	59.1	11,504
25,000	7,883	35,800	43.2	12,179

Retail prices

54.5

*Net salary equivalent to that in 1969 in "real" terms, *ie* allowing for the intervening rise in prices.

APPENDIX N

INCREASES SINCE 1969 IN PERCENTAGE TERMS

Recommended increases in top salaries (a) and increases in average earnings, salaries and prices since 1969 (in percentage terms)

TABLE 1

	1 July 1969(b)-1 January 1975		1 January 1972-1 January 1975		1 January 1974-1 January 1975	
	Percentage increase	Annual rate of increase	Percentage increase	Annual rate of increase	Percentage increase	Increase on pay including threshold payments as at November 1974
	%	%	%	%	%	%
Civil Service	71.9	10.3	41.7	12.3	33.1	30.8
Armed Forces	65.0	9.5	39.0	11.6	30.9	28.8
Judiciary(c)	56.9	8.5	34.9	10.5	27.9	26.1
Nationalised Industry	58.5	8.7	37.1	11.1	31.7	30.3
Overall	64.1	9.4	38.4	11.4	30.8	28.8
Average earnings(d)	104.6	13.9	56.6	16.1	26.5	
Average salaries(e)	97.7	13.2	49.8	14.4	25.1	
Retail Prices(f)	70.9	10.2	42.0	12.4	17.7	

Notes:

- (a) Averages based on numbers of posts in October 1974.
- (b) Recommended levels. These were introduced in three stages between 1 July 1969 (1 April 1969 for Chairmen and Board members of nationalised industries) and 1 January 1971 (1 July 1971 for the most senior levels in all groups).
- (c) For the Higher Judiciary and Metropolitan Magistrates the periods covered are about 6 months later than those shown.
- (d) Movements in DE Monthly Index of Earnings (wages and salaries). The estimate for 1 January 1975 is based on an increase of 18.4 per cent from April 1974 as forecast in the National Institute Economic Review, August 1974.
- (e) Movements in DE Annual Index of Average Salaries using interpolations based on their Monthly Index of Earnings. The estimate for 1 January 1975 is based on the assumption that salaries rose rather less fast than all earnings from April 1973 (the last published figure) to April 1974 (10 per cent compared with 12.3 per cent) and thereafter by 18.4 per cent as for wages and salaries.
- (f) The January 1975 forecast is based on that for consumer prices as in the National Institute Economic Review, August 1974.

Recommended increases in salaries (in percentage terms) for key grades since 1969

TABLE 2

	No. in post October 1974	1 July 1969 – 1 January 1975		1 January 1972 – 1 January 1975		1 January 1974 – 1 January 1975	
		Percentage increase	Annual rate of increase	Percentage increase	Annual rate of increase	Percentage increase	Increase on pay including threshold payments as at Nov. 74
		%	%	%	%	%	%
Civil Service: Head of the Home Civil Service.. ..	3(a)	53.3	8.1	37.3	11.2	32.6	31.3
Permanent Secretary	19	50.0	7.7	33.3	10.1	28.4	27.1
Second Permanent Secretary	22	46.2	7.1	28.8	8.8	23.8	22.4
Deputy Secretary	144	67.7	9.7	42.9	12.6	35.1	33.1
Under Secretary	527	77.8	11.0	45.5	13.3	33.3	30.9
Armed Forces: Field Marshal	2	64.3	9.4	46.0	13.5	40.7	39.3
General	23	68.0	9.9	47.4	13.8	41.4	39.8
Lieutenant General	39	62.1	9.2	39.5	11.7	32.2	30.2
Major General and equivalent	160	65.6	9.6	37.1	11.1	28.3	26.1
Judiciary: Lord of Appeal in Ordinary	10	58.1	8.7	42.0	12.4	37.3	36.0
Lord Justice of Appeal	14	60.7	9.0	42.9	12.6	37.6	36.2
High Court Judge	71	50.0	7.7	33.3	10.1	28.4	27.1
Judge of the Court of Session	18	58.3	8.7	38.2	11.4	32.4	30.9
Circuit Judge	238	56.6	8.5	33.3	10.1	25.6	23.6
Metropolitan Magistrate	38	71.5	10.3	40.7	12.1	31.3	28.9
Master and Registrar of the Supreme Court	31	60.6	9.0	31.7	9.6	22.9	20.7
Nationalised Industry: Large industries(a): Chairman	8	75.6	10.8	57.4	16.3	53.4	52.3
Deputy Chairman	10	60.8	9.0	42.0	12.4	37.8	36.6
Board Member	39	62.3	9.2	41.1	12.1	35.6	34.2
Medium size industries(b): Chairman	4	36.8	5.9	25.7	7.9	21.7	20.7
Deputy Chairman	3	31.5	5.1	22.4	7.0	17.5	16.3
Board Member	3	32.5	5.3	15.2	4.8	9.5	8.0
Small industries(c): Chairman	20	60.6	9.0	33.2	10.0	28.0	26.6
Deputy Chairman	20	58.9	8.8	33.2	10.0	26.0	24.1
Board Member	15	34.1	5.5	13.0	4.2	6.9	5.3

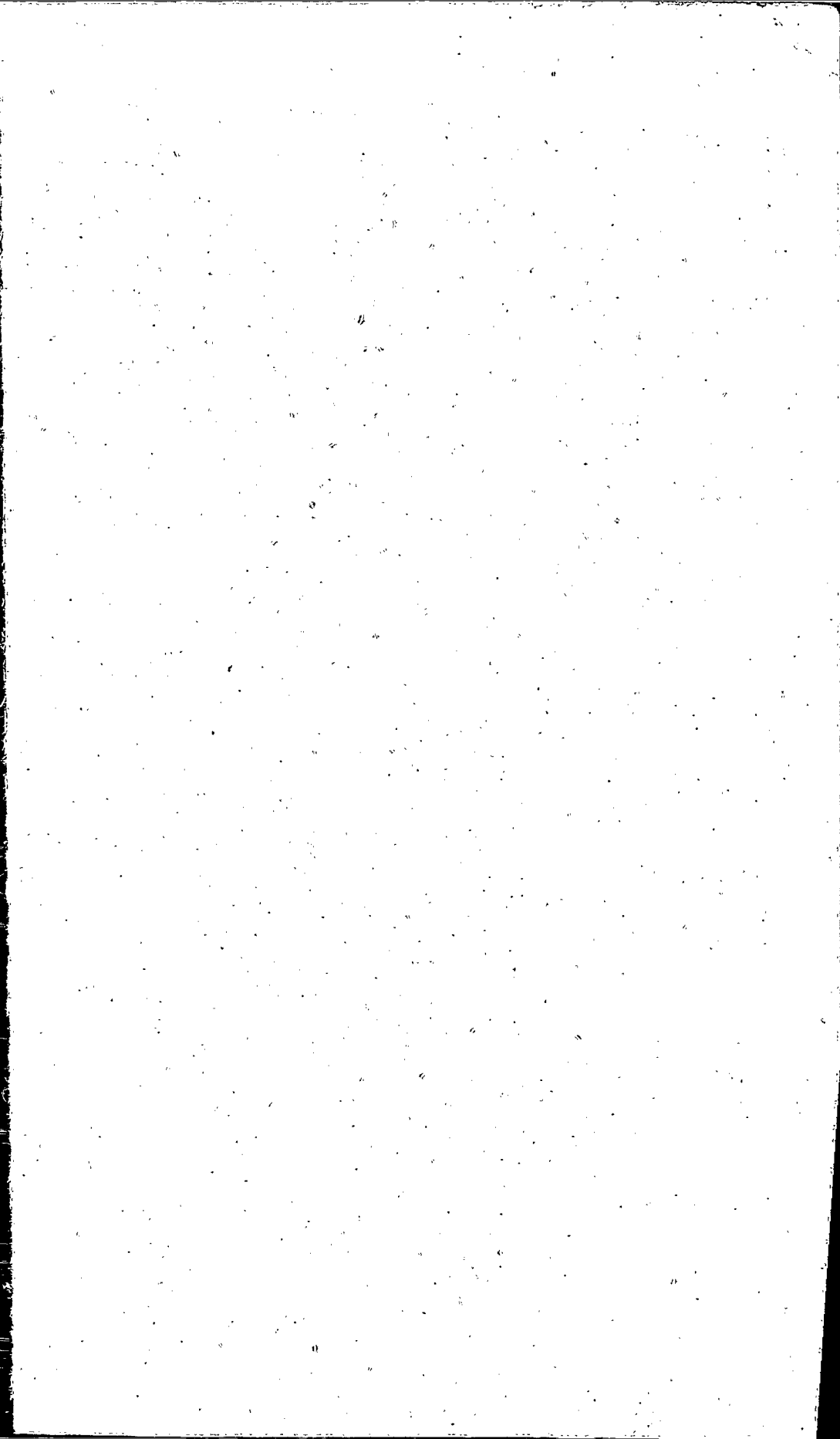
(a) Head of the Home Civil Service, Permanent Secretary to the Treasury, and Secretary to the Cabinet.

(b) British Steel Corporation, Post Office, British Rail, National Coal Board, Electricity Council, British Gas Corporation, British Airways Board, Central Electricity Generating Board.

(c) National Freight Corporation, National Bus Company, Commonwealth Development Corporation, Atomic Energy Authority.

(d) Cable and Wireless, Civil Aviation Authority, North of Scotland Hydro Electric Board, South of Scotland Electricity Board, British Airports Authority, British Transport Docks Board, Scottish Transport Group, Area Electricity Boards, British Waterways Board.

See also Notes (a), (b) and (c) to Table 2.



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