



Review Body on Top Salaries

Report No. 10

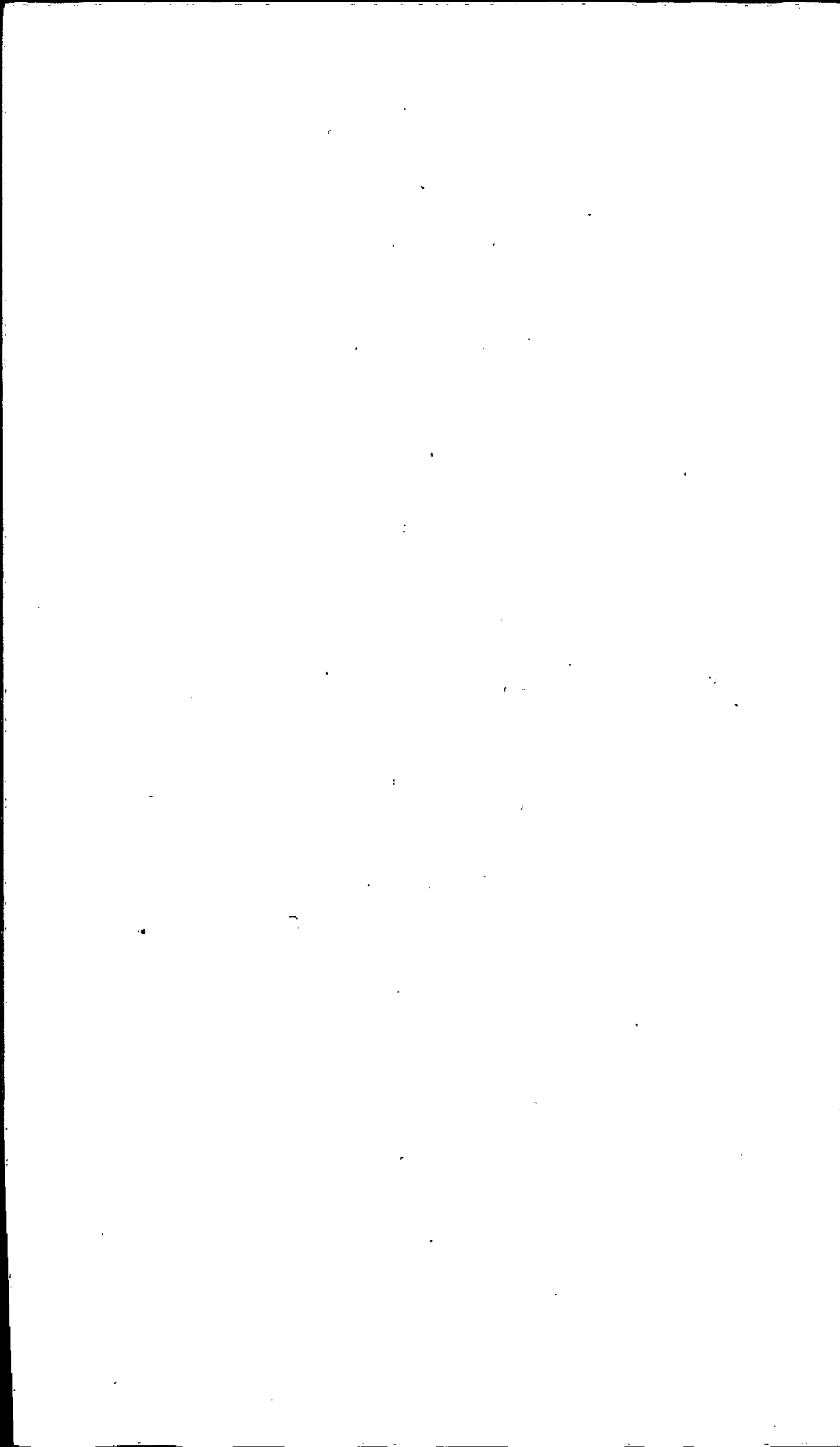
Second Report on Top Salaries

Chairman:
THE RT. HON. LORD BOYLE OF
HANDSWORTH

*Presented to Parliament by the Prime Minister
by Command of Her Majesty
June 1978*

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REVIEW BODY ON TOP SALARIES

The Review Body on Top Salaries was appointed in May 1971 with terms of reference to advise the Prime Minister on the remuneration of the Chairmen and members of the Boards of nationalised industries; the higher judiciary and certain other judicial appointments; senior civil servants; senior officers of the armed forces; and other groups which may be referred to it.

The members of the Review Body are:

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

Sir Harold Atcherley¹

Sir John Clark²

Sir George Coldstream, KCB, KCVO, QC

Lord Hirshfield

Lord Plowden, KCB, KBE²

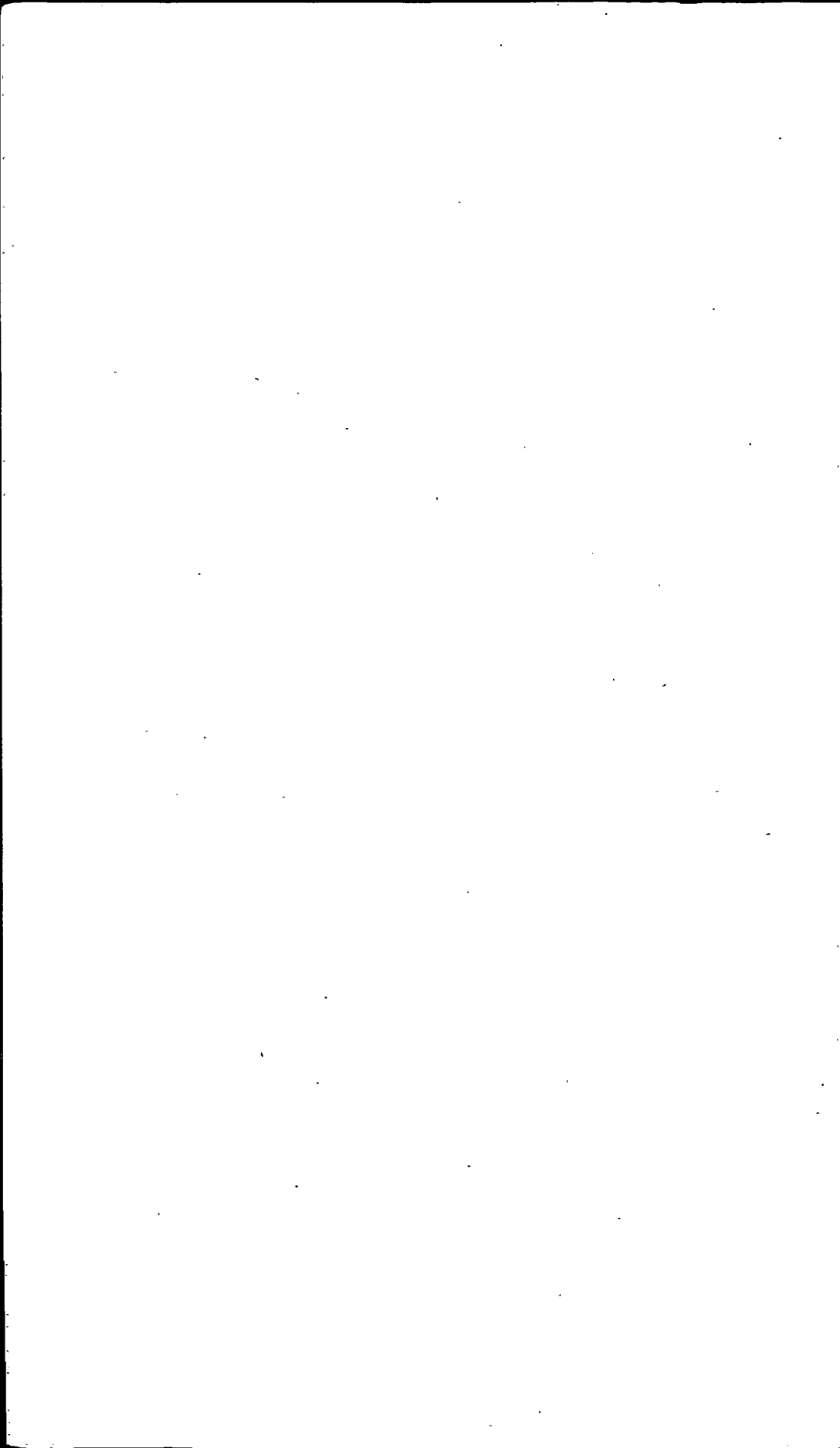
Baroness Seear

The Secretariat is provided by the Office of Manpower Economics.

Mr. A. J. L. Lloyd QC ceased to be a member of the Review Body in January 1978 on his appointment as a Judge of the High Court. Lord Pritchard resigned earlier this year, because of the pressure of his other commitments. Neither Mr. Lloyd nor Lord Pritchard took part in the later stages of this review.

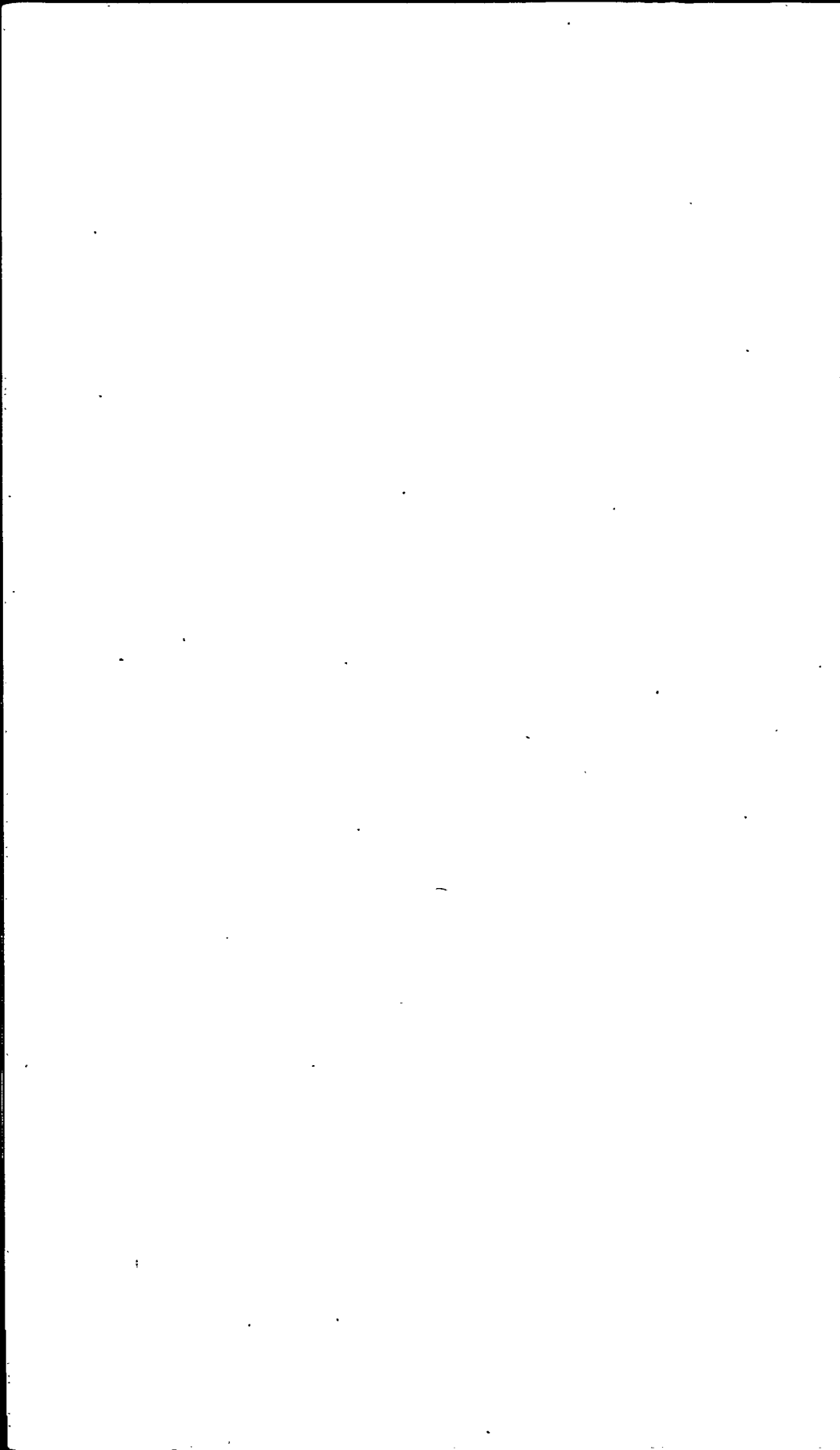
¹Also Chairman of the Review Body on Armed Forces Pay.

²Lord Plowden was appointed to the Review Body by the Prime Minister in November 1977. Sir John Clark was appointed by the Prime Minister in December 1976, but was unable to take part in the later stages of this review.



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SECOND REPORT ON TOP SALARIES

CHAPTER 1

INTRODUCTION

The background

1. This report completes our second major review of the four groups within our standing terms of reference since we were appointed in 1971. During these years, we have also carried out two reviews of the remuneration of Ministers and of MPs, and one review of the Peers' expenses allowance. The previous major review took place during the three years 1972-74, against the background of statutory counter-inflation measures, and led to the recommendations in our Report No. 6¹ in October 1974. The salaries that we recommended then are in Appendix A. Those for the senior levels of the civil service and of the armed forces and for the judicial appointments within our terms of reference were accepted by the Government who decided, however, that the implementation of some of them would have to be staged. As a result of this decision, recommended salaries up to a level of £13,000 were implemented in full with effect from 1 January 1975, but recommended salaries above that level were paid in part only from that date, and a second stage equal to half the amount by which the recommended salary exceeded £13,000, or the existing salary if greater, was to have been paid from 1 January 1976: in practice, the payment of the second stage continues to be deferred. In these instances, it was decided that the recommended salaries would be used immediately for pension purposes.

2. However, for the Chairmen and members of the nationalised industry Boards, the Government took a different line: these recommendations were not accepted, and the Prime Minister of the day announced that a decision on them would be postponed until they had been considered in the light of the report on higher incomes in general that was then awaited from the Royal Commission on the Distribution of Income and Wealth. We immediately made known our view that the discrimination between the treatment of our recommendations for the nationalised industries and for the other three groups was indefensible, and our grave concern at this discrimination has increased with the passage of more than three years.

3. Subsequent developments have not improved the position of those covered by our terms of reference. The introduction of the Government's pay restraint measures in July 1975 had the effect of preventing the implementation of the second stage of those Report No. 6 recommendations that had been accepted in principle in 1974. Two further rounds of restraint measures from August 1976 and August 1977 have had the same effect and, apart from an increase of £208 a year under the August 1976 measures, the appointments affected by the staging arrangements remain on salaries that are up to about £4,000 below those that we recommended—and the Government accepted—as right at 1 January 1975. Current salaries in the nationalised

¹Review Body on Top Salaries, Report No. 6: Report on Top Salaries—Cmnd. 5846, December 1974.

industry Boards remain even more seriously out of date: the Royal Commission's report on higher incomes from employment was published in January 1976¹, but in fact no move whatever was made on the Report No. 6 salary recommendations for the nationalised industry Boards in the light of it. Meanwhile, since 1 January 1975 the cost of living as measured by the retail prices index has risen by 63 per cent.

4. We draw attention also to certain other developments since October 1974. In the early part of 1975, the Prime Minister invited us to consider and to recommend appropriate salaries for six new organisations that were in the process of being set up in the public sector: the National Enterprise Board, the British National Oil Corporation, the Scottish Development Agency, the Welsh Development Agency, British Aerospace and British Shipbuilders. None of the organisations was in being at the time, and we had to form our judgments largely on the basis of their intended functions and scope of activity, and how they were expected to be organised at Board level: we took evidence on these points from the Secretaries of State responsible for them, from senior officials and, in one instance, from the Chairman-designate. We put forward recommendations to the Prime Minister on this basis, and in terms that were designed to be compatible with the nationalised industry Board salaries set out in our Report No. 6—that is, the recommended salaries were those appropriate at 1 January 1975.

5. We emphasised that, in due course, we would need to look again at these 'new' industries in the light of actual working experience, and the present review provides the first opportunity to do so. The salaries that we recommended for the six industries have not so far been made public, although the salaries actually being paid have been published: the recommended 1 January 1975 levels are in Appendix B. They have not been implemented in full, and the salaries paid for individual appointments reflect an abatement of our recommendations to a level that the Government regards as consistent with the relationship between the salaries paid and the salaries recommended for the nationalised industries that were included in our 1972-74 review. We observe, however, that in some instances the abated salaries have proved too low to attract people to Board appointments in the 'new' industries, and that a variety of devices has had to be employed in practice in order to recruit the essential quality of top management: we return to this point in Chapter 6.

The new review

6. This was the general and unpromising background against which we decided to undertake a further review. We did so in the knowledge that our terms of reference envisaged a review of the field "normally every two years" and that, when our Report No. 6 was published in December 1974, the Prime Minister had announced the Government's intention of asking us to undertake future reviews annually (and on the basis of an effective date for our recommendations of 1 April instead of 1 January each year). We also had very much in mind the fact that, over the period between January 1975 and

¹Royal Commission on the Distribution of Income and Wealth—Report No. 3: Higher Incomes from Employment—Cmnd. 6383, January 1976.

the introduction of the restraint measures in July of that year, there had been further movements in pay at comparable levels outside: as so often, the longer a decision is delayed the greater the problems become.

7. Shortly after we began our present review in 1977, we made known to the Prime Minister our intention of putting forward in the early summer of this year recommendations for salaries that would be appropriate in April 1978 terms. The Prime Minister did not seek to dissuade us, but made clear that, where increases beyond the pay policy guidelines were involved, the introduction of up-to-date salaries would need to be staged. We return to this point in Chapter 7. Meanwhile, we heard with great concern of the Government's decision, announced on 15 December 1977, to apply increases ranging between 5 per cent and 10 per cent to existing levels of nationalised industry Board salaries with effect from 1 January 1978 under the 1977-78 pay restraint guidelines. This decision could have disturbing implications for our current review, if the Government remains committed to a 12-month interval between all pay increases irrespective of the circumstances: this situation has to be seen in the context of salaries that are based on 1969 recommendations of the National Board for Prices and Incomes, increased only on an interim basis in 1972¹. Leaving aside the most recent decision, since 1972 supplements under pay policies amounting in all to a little over £1,000 have been paid. This is less than 4 per cent for the Chairmen of the largest nationalised industries since 1972 compared with the increase of some 125 per cent in the retail prices index over the same period. Moreover, the Government's decision has removed the measure of flexibility that exists under the current guidelines, and has made it impossible for us to take special steps immediately to put the nationalised industry Boards on the same footing as the other three groups within our field.

8. In the light of all these considerations, we have had two main objectives in our current review: to take a fresh look at the pay structures provided in the Report No. 6 recommendations and to adjust them where necessary; and to put forward recommendations on the up-to-date salary levels justified for the four groups within our terms of reference. We have not considered *de novo* the basic pay principles that apply across the whole field: we examined these thoroughly in our last review, and we see no reason to modify our general conclusions. However, because of their importance, we summarise them in Chapter 2. We have looked again at the application of the principles that we developed within each area. We have already referred (paragraph 6) to the Government's intention at the end of 1974 to ask us to change the effective date of our recommendations in future from 1 January to 1 April. We have done so on this occasion. This brings the effective date of recommendations for the highest levels of the civil service and of the armed forces into line with the effective date for the implementation of increases for the levels immediately below in both structures. It will, moreover, have the additional advantage of narrowing the gap between the different effective dates within the judiciary, which have their origin in the need prior to 1973 to await legislation before certain judicial salaries could be increased. It remains our aim in time to move to a single effective date of 1 April for all the judicial

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

appointments within our field, although we repeat, as we said in our Report No. 2¹, that we do not regard a single operative date for the whole of the field within our terms of reference as necessarily appropriate for all future reviews.

9. We draw attention to certain changes in the coverage of our terms of reference for this review. In addition to the new nationalised industries that are now included in them (paragraph 4), we have agreed to make recommendations for the water supply industry (comprising the National Water Council, the nine Regional Water Authorities in England and the Welsh National Water Development Authority). On the reorganisation of the water industry into its current form in 1973, we understand that Board salaries were decided administratively in the light of the salary levels for equivalent appointments in the Area Electricity Boards, which have been within our terms of reference since we were appointed. This is, therefore, the first occasion on which water industry Board salaries have been examined by an independent body since reorganisation. Our coverage of the civil service and of the armed forces remains unchanged, but we have agreed to include certain additional judicial appointments which, hitherto, have been dealt with administratively as 'consequentials' of our recommendations. We discuss these in Chapter 5.

10. One general matter arises again in this review, the potential significance of which was already apparent in our 1972-74 review² and which is directly relevant in relation to three of the four groups within our terms of reference, as well as to a much wider area of the public services. We refer to the 'inflation-proofing' provisions of the Pensions (Increase) Act 1971, which constitute a significant element in the total remuneration package. These provisions—which are closely reflected in arrangements that apply extensively within the nationalised industries—have been of great value during the period of high price inflation of recent years, and we have taken full account of them in our current review. Pension arrangements as such do not fall within our terms of reference but, as a major element in the total remuneration package, they are, of course, of direct relevance in drawing comparisons between those areas of the public services that are covered by the Pensions (Increase) Act 1971 or similar arrangements on the one hand, and the private sector on the other.

11. In the context of the civil service generally, inflation-proofing has received close attention recently from the Expenditure Committee of the House of Commons³. A significant amount of evidence was taken about it, and the Expenditure Committee concluded that the principle was defensible so long as civil service pay continued to be based on 'comparability', and so long as the value of the inflation-proofing element was properly costed and taken into account in making comparisons. The Expenditure Committee was primarily concerned with the implications for pay at the levels covered by the processes of negotiation (up to and including Assistant Secretary and equivalent) and the criticisms were mainly directed at the assumptions that are

¹Review Body on Top Salaries, Report No. 2: Interim Report on Top Salaries—Cmnd. 5001, June 1972 (paragraph 18).

²Review Body on Top Salaries, Report No. 6: Report on Top Salaries—Cmnd. 5846, December 1974 (paragraph 27).

³Eleventh Report from the Expenditure Committee, Session 1976-77: The Civil Service—HC 535-1 (paragraphs 53-61).

currently built into the valuation of the provision, which have been acknowledged to be out of date.

12. We share the Expenditure Committee's view that the inflation-proofing element must be valued properly. For the current review, we have again received direct advice from the Government Actuary on the proper quantification of the overall value of the pension provisions at the levels within the civil service and at the equivalent levels in the other areas with which we are concerned, and in private industry, commerce and finance. The detailed results are described in Appendix C. We observe that, while the concept of inflation-proofing is by no means unknown outside the public services, in recent years of high inflation very few organisations have been able to provide pensions increases that have matched the increase in prices. Some of those covered by our salaries survey have moved towards it, albeit on an ad hoc basis, and there are some indications that the practice is spreading. However, the fact remains that only about one quarter of the private sector organisations covered by our survey offered a firm commitment to pensions increases at the levels with which we are concerned (for Board members, only 12 organisations gave a commitment to an annual increase of 5 per cent or more); and although five organisations provided on an ex-gratia basis full protection against inflation over the period covered, only one gave a guarantee of such protection. Other important provisions are now available too: they include general arrangements which enable pensionable salary to be 'dynamised', for example by bringing up to date, as a base for the pension, the average salary over any period of three consecutive years within the last ten years by reference to movements in the retail prices index to the date of retirement. This can be a substantial, if once and for all, benefit in certain circumstances. Although not a normal feature of public service schemes, this provision is now included in many nationalised industry schemes at the levels with which we are concerned.

13. Inflation-proofing provisions are one element only among those that have to be taken into account in assessing the value of particular pension arrangements, just as pension arrangements are one element only in an evaluation of the 'total remuneration package'. But one serious problem remains in assessing the value of inflation-proofing. The Government Actuary has followed standard actuarial practice in the assumptions about future trends in the long-term relationship between interest rates and salary and price inflation. On this basis, an assumption is built into the actuarial evaluation that, in the long term, the rate of return on investments will exceed the rate of increase both in salaries (excluding normal salary progression within a career structure) and in the cost of living. We accept the validity of this assumption for the purposes of long-term actuarial valuations. And we recognise that the valuation of all pension benefits on the basis of our approach is concerned essentially with the long term. But this must not be allowed to obscure the fact that, over a period of high inflation, the value of the inflation-proofed pension assumes correspondingly greater significance.

14. Within these limitations, however, we are satisfied that the evaluations of overall superannuation provisions made for us by the Government Actuary in relation to the four groups covered by our terms of reference include an adequate valuation of the inflation-proofing element. The Gov-

ernment Actuary's report (Appendix C, Annex I, Table A) shows the value of superannuation benefits as a percentage of current salary for certain key grades or levels within each of the four groups and in the organisations that participated in the salaries survey undertaken on our behalf for this review (which we discuss in Chapter 2). For this purpose, the pension arrangements that apply within the private sector at the levels covered by our survey (Chairman, Deputy Chairman, Board member and senior executive) have been applied to key salary levels to compare the value of the different arrangements on the same base. The report also shows (Table B) the same valuation for the private sector organisations based on the salaries that apply in practice to the levels of appointment for which we have detailed information.

15. We emphasise one point in particular: the process of examining levels of salary that would put the appointments within our field into a proper relationship with salaries for jobs of equivalent 'weight' in other areas is one part only of the process of arriving at appropriate salaries. Other factors that are directly related to each individual group within our field also have to be taken into account. We discuss these in Chapters 3-6. But insofar as direct salary comparisons with other sectors have a part to play, and bearing in mind our observations in paragraph 13, we have satisfied ourselves that our comparisons do take proper account of the differences in superannuation arrangements (including the extent of contribution by the 'employee') as part of a comparison of the 'total remuneration package'.

CHAPTER 2

OUR APPROACH AND INQUIRIES

Pay principles

16. We are satisfied that our 1972-74 conclusions on general pay principles remain valid today, but we have looked again at the more detailed principles that we developed then for each of the four groups and we report our conclusions in the following chapters. However, as a measure of the importance that we continue to attach to the general principles, we think it right to rehearse them here, and to spell out our intentions on certain aspects of them. We remain satisfied that no single overriding principle applies with equal force across the whole of our field. Against the background that 'comparability' in one form or another had assumed a growing importance in other fields and in popular discussion, we considered critically its relevance at the levels with which we are concerned, and took the view that comparability with jobs of equivalent weight in other walks of life has indeed a part to play. But both comparability and the idea of 'fairness' that goes with it are difficult concepts to quantify—particularly at the highest levels; our conclusion was that, while comparability has a place as one of a number of indicators, comparisons between one job and another have to take proper account of the different 'environments' of the jobs—particularly in comparisons between jobs in the public services and in the private sector. We found a link between comparability as an indicator of pay levels and the importance of being able to recruit and retain the right level of ability for the four fields with which we are concerned: we saw it as important in principle that the levels of salary should enable each of those fields to recruit and retain an adequate share of the nation's best talent.

17. In this context we draw attention to one particular factor which must be accorded greater weight than when we submitted our 1974 report. Management is all the time becoming more mobile, and this mobility applies to senior civil servants who decide to take up posts in industry no less than to transfers between the public and private sectors, or between industry at home and industry abroad. We think this last aspect of mobility is the most important of all, and we emphasise that certain traditional barriers, especially language, are felt much less as barriers today. At a time of increasing mobility, the need to provide levels of salary that enable the public services to retain an adequate share of the best quality and talent can never have been more important.

18. We observed also that the salaries paid at top levels have an important bearing on the ability to recruit and retain at lower levels within a structure. This led naturally to the third main principle, that the overall salaries structure within an organisation has to provide a rational progression that recognises greater responsibility by increased rewards; and that the increased rewards should be sufficient to provide salary differentials between successive levels that are large enough to give an adequate incentive to the assumption of marked additional responsibilities. Likewise, differentials ought also to be adequate in after-tax terms, but we emphasise that, now as in 1974, the general levels of taxation have not affected our judgment of the

appropriate levels of salary. We considered it essential, too, to take account of the 'total remuneration package' attached to the job—that is, the combination of salary and other cash payments, superannuation arrangements and other benefits. We also took into account some important but unquantifiable differences between the public services and the private sector: such aspects as stability of employment, individual job security and the relative overall prospects of promotion, and the elusive and highly individual concept of 'job satisfaction'.

19. We have again had regard to these general principles. Our recommendations for 1 April 1978 are designed to bring up to date the salary levels that we recommended in Report No. 6, in the light of developments since the end of 1974. In addition to the detailed application of the principles in each group, we have looked again at the individual structures established by our 1974 recommendations. We discuss these further in Chapters 3–6.

Our inquiries

20. To provide background to the new review, invitations were issued on our behalf to individuals and to representative bodies of the groups covered by our terms of reference to put forward formal evidence on the central issues of the pay levels and salary structures established by our Report No. 6 recommendations. In response, and in addition to evidence put to us by the Government Departments directly concerned, we received a wealth of submissions and views, and we discussed many of them with the initiators in oral evidence. We are grateful to all those who took the time and trouble to help us both in this way and in our surveys and inquiries. A list of those who gave evidence is in Appendix D.

21. We have repeated certain of the inquiries that we initiated as part of our background work for the 1972–74 review. We have also undertaken one new inquiry. We record the results in the following paragraphs.

Salaries survey

22. We have repeated the surveys that were carried out on our behalf in 1971 and 1973 of remuneration at senior levels both in industry, commerce and finance in the private sector, and in the nationalised industries. Our aim has again been to acquire up-to-date information on levels of remuneration, on superannuation arrangements and on fringe benefits for top appointments; and to enable the movement in remuneration at comparable levels since our last review to be measured. To this end, the survey was designed to follow closely the form of the 1973 survey, and to cover as far as possible appointments whose nature had not changed significantly since end-September 1974; information for the main elements of direct remuneration (salary, bonus or profit sharing payments etc) was obtained both for September 1974 (that is, as near as practicable to our October 1974 recommendations) and end-September 1977 (the survey questionnaire was issued in September 1977).

23. The sample of private sector organisations was drawn from "The Times 1000" list of the largest companies, with the addition of a number of finance companies: this reflected the basis of the earlier surveys. The sample was larger than in 1973, and covered 328 private and 49 nationalised organ-

isations, compared with 226 and 32 respectively in 1973. The response rate from the nationalised industries was virtually 100 per cent; and from private industry, commerce and finance, 65 per cent. We consider this satisfactory. The questionnaire asked for greater detail on superannuation provisions and on fringe benefits than in 1973: we saw this as particularly important in view of the significance of these aspects of total remuneration within both the public services and the private sector in recent years. The response to the survey covered 2,813 appointments in the private sector (compared with 2,178 in 1973) and 528 full-time and 27 part-time appointments in the nationalised industries (compared with 476 and 17 respectively in 1973).

24. The results of the survey are in Appendix E. The following table shows the changes in the levels of direct remuneration in both private and nationalised industry by ranges of 1974 remuneration, and on the basis of respondents who provided data for both 1974 and 1977.

Table A

Changes in total direct remuneration (salary plus bonus, commission and profit sharing) from September 1974 to September 1977 by ranges of 1974 direct remuneration

1974 salary plus bonus, commission and profit sharing	Private sector			Nationalised industry		
	Mean salary plus bonus etc			Mean salary		
	1974	1977	Percentage increase	1974	1977	Percentage increase
	£000	£000	%	£000	£000	%
£50,000 -	61.1	66.8	9.3	—	—	—
£40,000 -	44.7	51.2	14.5	—	—	—
£35,000 -	36.6	44.3	21.2	—	—	—
£30,000 -	31.9	39.1	22.7	—	—	—
£25,000 -	26.9	32.2	19.7	23.8	24.1	1.2
£22,500 -	23.7	29.6	25.0			
£20,000 -	20.9	25.7	23.0	20.6	22.0	6.8
£17,500 -	18.5	24.1	30.0	18.9	19.0	0.8
£15,000 -	16.0	20.8	29.7	15.7	16.0	2.0
£12,500 -	13.5	17.9	32.7	13.6	15.4	13.7
£10,000 -	11.1	15.5	39.9	11.0	13.5	23.1
£ 9,000 -	9.4	13.0	38.4	9.5	12.7	33.6
£ 8,000 -	8.4	12.1	43.9	8.6	11.5	33.6
£ 7,000 -	7.4	10.5	42.5	7.5	10.3	37.7
£ 6,000 -	6.4	9.5	47.9	6.6	9.0	35.6
£ 5,000 -	5.5	8.5	54.4	5.5	8.0	45.9
Under £5,000	4.2	6.7	59.7	—	—	—
Total	13.1	17.3	32.1	11.6	13.9	19.9

Source: OME

Table A includes senior executives. The marked drop in the size of increase in the nationalised industries at the level of £15,000 and above reflects the extent to which increases in nationalised industry Board salaries have been held below increases for appointments of equivalent weight elsewhere by the failure to implement our 1974 recommendations. Table A also illustrates the extent to which, over the period covered by our survey, salaries at the highest levels have increased at a significantly lower rate than those at lower levels. In the same period, prices as measured by the retail prices index have increased by 67 per cent.

25. However, we are concerned primarily with the extent to which the 1974 *recommended* salaries should now be brought up to date, after making allowance for the proper valuation of superannuation provisions and of fringe benefits. The following table shows the make-up of the total remuneration package in the private sector and in the nationalised industries, expressed as a percentage of salary plus bonus, commission and profit sharing.

Table B

Make-up of average total remuneration for main Board members (including Chairmen and Deputy Chairmen) and for senior executives in private and nationalised industry: September 1977

	Private industry		Nationalised industry	
	Board members	Senior executives	Board members	Senior executives
Salary plus bonus etc	100.0	100.0	100.0	100.0
Superannuation ^a	20.7	15.8	16.0	14.3
Total benefit from car	4.7	5.0	7.5	5.3
Share option or incentive scheme	0.8	0.8	—	—
General expenses allowances	0.3	0.1	0.2	0.1
Housing and other loans	0.8	1.3	—	0.3
Other benefits ^b	1.0	1.2	0.3	0.6
Total remuneration	128.4	124.2	124.0	120.6

Source: OME

^a Total contribution required, as estimated by the Government Actuary, less the employee's actual contribution.

^b Assistance with school fees, free private medical insurance, life assurance and other items.

As our 1973 survey showed also, superannuation benefits and the provision of cars are by far the most valuable benefits provided by the employer: the larger proportionate benefit to nationalised industry Board members from the provision of cars is explained mainly by the lower levels of basic salary against which the cash value of the benefit is measured. In view of the frequency with which the subject was raised with us, we point out that the benefit conferred by the provision of cars amounts to only a fraction of the benefit conferred by superannuation arrangements. Although the contribution made by a miscellaneous collection of 'other benefits' is small as an average, it can have a significant effect for individuals; but the overall scale and distribution of non-cash benefits is not greatly different from the position revealed by our 1973 survey, and the overall effect is limited.

26. We have taken fully into account the information from our survey on movements in remuneration and on the level of total remuneration for appointments at equivalent levels to those in our field, in arriving at our recommendations. We have already explained (paragraphs 12-14) that, as part of our assessment of the superannuation element within the package, the Government Actuary has provided us with an up-to-date assessment of the current value of superannuation arrangements for all the four groups within our terms of reference and, on the basis of the information obtained from our salaries survey, for the private sector of industry, commerce and finance. Through the salaries survey, it has been possible on this occasion for the

Government Actuary to be provided on our behalf with more detailed information about current arrangements in the private sector and in the nationalised industries. His report and evaluations, expressed in terms of the percentage of salary necessary as a regular contribution to finance the particular benefits provided, are in Appendix C. They include a valuation of the inflation-proofing arrangements for those public service pensions that are covered by the Pensions (Increase) Act 1971 or similar arrangements, as they affect the four groups within our terms of reference: we have discussed this in Chapter 1 (paragraphs 10-15). Our assessments of the salaries now appropriate take full account of these aspects.

Bar earnings

27. Throughout our consideration of judicial salaries, we have been aware of the extent to which the Bar is a main source of candidates for judicial appointments, especially those at the highest levels. Consequently, we have seen it as vital to have as up-to-date information as possible on the level of barristers' earnings, and particularly of those groups of barristers from which appointments to the parts of the judiciary with which we are concerned are most frequently made.

28. For our 1972-74 review, surveys of Bar earnings were undertaken directly on our behalf, with the support and help of the Bar Councils of England and Wales and of Northern Ireland, and of the Faculty of Advocates in Scotland. These surveys have not been repeated on this occasion because, at about the same time as we embarked on our review, the Bar Councils in England and Wales and in Northern Ireland were carrying out surveys of their own for submission as part of their evidence to the Royal Commission on Legal Services. Likewise, the Royal Commission on Legal Services in Scotland was preparing to carry out its own survey on much the same lines, through the Faculty of Advocates. Although these surveys were not entirely suited to our particular purposes, it was clear that separate surveys on our behalf would have been wasteful and would have been unlikely to achieve the level of response that is vital if valid results are to be obtained. We therefore sought and obtained the agreement of the two Royal Commissions and of the three professional bodies concerned to provide access to the results of their surveys, and we are most grateful for their co-operation.

29. The results of the survey covering England and Wales have already been published. Those covering Scotland and Northern Ireland have not. It would obviously be inappropriate for us to include detailed information from these surveys in our report in advance of publication of the two Royal Commissions' reports. Consequently, we refer in detail only to the Bar earnings information for England and Wales, which is set out in Appendix F. But we have had access to the full range of information on barristers' earnings in both Scotland and Northern Ireland, and we have taken it fully into account in arriving at our conclusions on the levels of salary appropriate to the judicial appointments within our terms of reference. We are aware that the information is out of date, insofar as the surveys provided detailed data on earnings in 1974-75 (for England and Wales and Northern Ireland) and 1975-76 (for Scotland)—although in each case an estimate of earnings for the following year was provided. The Royal Commission for England and Wales and the

Bar Council have in fact carried out a further survey to bring the information up to date at 1976–77 levels: we have had access to preliminary data from that survey. Because a time lag of anything up to two years is involved between the execution of briefs and the settlement of barristers' fees, surveys of Bar earnings inevitably reflect an historic level of charges, albeit fairly short-term. On this occasion, the main material available to us is more out of date than we would wish and, on the basis of the additional material and the other evidence put to us in the course of the current review, we have made allowance for this. We describe our conclusions on the movements in Bar earnings in Chapter 5.

Job evaluation study for certain nationalised industry Boards

30. In our 1972–74 review, we commissioned an extensive job evaluation study of Board appointments and certain senior executive appointments in the nationalised industries. We described the results and our conclusions on them in Report No. 6¹. It was unnecessary on this occasion to repeat a full-scale study, or to invite an 'outside' view on pay principles for the nationalised industry Boards, since we had developed these ourselves in Report No. 6. But we considered it important to examine again, and on the same basis as before, the position of the small number of industries covered in the last review which had questioned their place in the Report No. 6 structure, or where there had been significant developments in functions since then. Equally, we were convinced of the need to take stock in the same terms of the assessments that we had made in 1975 of the 'new' industries that had been brought within our terms of reference. For the most part, we had made these assessments in the light of expectations of what were intended to be their main functions and what was likely to be the organisation at Board level: we saw it as desirable to take the first opportunity to re-examine the position in the light of working experience.

31. In order to meet this need, and to provide results that were compatible with the study undertaken for the 1972–74 review, the same consultants were commissioned on our behalf to carry out a limited study against the same criteria as those used on the last occasion. Their terms of reference are in Appendix G. As part of the study, the consultants were asked to provide an assessment of the 'going rate' in the private sector of industry for jobs of a weight comparable with those that they had examined on our behalf. They did so on the basis of information from their own regular survey of remuneration. The figures have provided a useful check on our own survey information and an additional indicator of the levels of remuneration now appropriate generally within our field.

Job security

32. We described in Report No. 6 (paragraph 127 and Appendix H) a study which was commissioned on our behalf of the relative degree of job security between the groups within our terms of reference and the private sector. Our conclusion then was that, while it would be inaccurate to describe

¹Review Body on Top Salaries, Report No. 6: Report on Top Salaries—Cmnd. 5846, (paragraphs 107–114 and Appendix F).

the public services as generally secure and the private sector as generally insecure, employment in the public services carried a greater degree of job security than employment in the private sector overall. We have no evidence to suggest that this conclusion was wrong, or that circumstances have changed to an extent that would invalidate it for the levels with which we are concerned. But we may want to return to this matter in the future.

Overseas inquiry

33. In 1972-73, a detailed study of the remuneration for broadly comparable appointments in other EEC countries was made on our behalf. We have not been able to repeat the inquiry on this occasion, but again we may want to do so in the future.

Salary compression in the nationalised industries

34. We have undertaken one new study as part of the current review. Much of the evidence from the nationalised industries drew attention to the serious problems of compression of the salary structure that has resulted from the failure to implement our 1974 recommendations for the salaries of Chairmen and Board members, whereas the salaries of senior executives in general had not been subject to the same constraint up to August 1975.

35. The results of our inquiries among all the nationalised industries are described in Appendix H. These illustrate the extent of the severe compression and, in some cases, overlap of salaries between senior executives and Board members in nationalised industries¹. We do not consider that all overlap between senior executives and Board members is automatically wrong. There can be good reasons in terms of job weight why an executive's salary may sometimes be higher than the salaries of some Board members. But the degree of the overall compression revealed by our survey illustrates the seriousness of the problems that build up when a salary structure is constrained by artificial limitations on the salaries at the top. Admittedly, not all of the existing problems would have been avoided if the salaries recommended in Report No. 6 had been implemented in full, but the survey provides further evidence of the extent to which those salaries are now out of date. Moreover, the evidence suggests that, in some cases at least, executives' salaries immediately below Board level have been held back to avoid even greater problems of compression or overlap.

¹Appendix H, paragraph 4.

CHAPTER 3

THE SENIOR GRADES OF THE HIGHER CIVIL SERVICE

36. Our terms of reference as they affect the civil service are unchanged and cover the Under Secretary and above. In addition to the general pay principles that we developed during our last review (paragraphs 16–18 above), we described also the detailed considerations that we saw as applicable to the particular circumstances of the highest grades in the civil service. We explained these in our Report No. 6 (paragraphs 57–59), where we observed that comparison with the ‘outside world’ has a part to play, but that the comparisons ought not to be too narrowly drawn. In this, we did not entirely agree with our Advisory Group who, by implication, rejected the wider basis of comparison advocated by the Royal Commission on the Civil Service (the Priestley Commission) and proposed instead the narrower basis of comparison with industry, commerce and finance preferred by the Advisory Committee on Higher Civil Service Pay in its Ninth Report in 1969. We considered that civil service salaries should not attempt to match the highest salaries in the private sector; that a balance must be struck between differing conditions and accountability, job security and job satisfaction; and that account should be taken of the need to recruit and to retain.

37. More recently, we have given further thought to these detailed pay principles in the context of the memorandum that we put forward to the Expenditure Committee of the House of Commons in relation to its examination of developments in the civil service in general¹. In this, we emphasised that the fresh and thorough examination of the subject during our 1972–74 review had led us to broadly the same conclusions as had been reached by others before us: that, at the highest levels, ‘comparability’ has a part to play, but that other important factors have to be taken into account. As we said in a further memorandum to the Expenditure Committee² following publication of its Eleventh Report³, although certain practical problems inevitably arise in establishing the exact value of the rewards for particular jobs, it is the difficulty of assessing and comparing the ‘value’ of the work itself that limits the part that comparability between top civil servants and top executives in other organisations can play in assessing pay.

38. We developed in our Report No. 6 one other ‘principle’ that applies to pay at these levels in the civil service. We found through our studies that there is sufficient similarity between the civil service and armed forces jobs that fall within our remit to justify the continuation in practice of the existing salary relationships between different grades and ranks. We return to this point in Chapter 4, in which we discuss the position of senior officers in the armed forces.

¹Eleventh Report from the Expenditure Committee, Session 1976–77, The Civil Service, Volume II—(Part II), Minutes of Evidence—HC 535–II (pages 688–694).

²Second Special Report from the Expenditure Committee, Session 1977–78, The Civil Service—Observations by the Review Body on Top Salaries.

³Eleventh Report from the Expenditure Committee, Session 1976–77, The Civil Service, Volume I—Report.

Range pay

39. We also examined earlier approaches to the consideration of range pay in relation to the senior grades of the higher civil service in our last review (Report No. 6, paragraphs 42-44). We noted that in 1968 the Fulton Committee had recommended range pay for all senior grades except the Permanent Secretary; that the Advisory Committee on Higher Civil Service Pay had subsequently endorsed this, suggesting that the salary levels recommended in its Ninth Report could conveniently be regarded as the lower limit of the ranges; but that a subsequent joint review by the Official and Staff Sides of the National Whitley Council had recommended against the introduction of range pay because of doubt about the fairness of the system in practice and because of the 'collegiate' nature of the work at these levels in the civil service. We ourselves did not make a firm recommendation at the time of our last review, although we were not entirely convinced about the validity of the objections put to us. In this context, we note with particular interest the encouragement recently given in the Expenditure Committee's Eleventh Report¹ to measures to create a closer relationship between pay and performance in general at all levels in the civil service;

40. For our part, we recognise the difficulties that concern the critics of range pay as a concept for the highest grades, particularly the concern that range pay must be seen to be capable of fair application both as between Departments and between individual posts within Departments. We do not regard the difficulties as necessarily insuperable, although we accept that the implications and the possibilities will need to be examined further and with great care. For this reason, we do not recommend that range pay should be introduced at these levels at this time, although we do urge again the course that we first put forward in 1974—that further detailed investigation should be made of the possibilities without delay. We have been told by the Civil Service Department that preparations for such a study are now well in hand. We welcome this development, and we hope that the results will be available for the next review. We suggest that, while all possibilities will need to be examined, the most practicable system in the context of the civil service is likely to be one that is related to individual performance rather than to job weight. Furthermore, we recognise as we have always done that the difficulties of applying any system of range pay are greater at the very top of the structure (a problem accepted by those who have taken similar views before us—including the 1968 Committee under Lord Fulton as Chairman²): although the problems of the most senior grades cannot simply be ignored, we consider that the most immediate benefit is likely to come from research concentrated at Under Secretary level in the Open Structure.

The structure

41. We turn to the structure as it is now, against the background that our 1974 recommendations were not implemented in full. Nevertheless, the evidence presented to us for the current review provides a clear indication that

¹Eleventh Report from the Expenditure Committee, Session 1976-77, The Civil Service—HC 535-I (paragraphs 129-130).

²The Civil Service—Cmnd. 3638, June 1968 (paragraph 228).

the relativities created by those recommendations were in general satisfactory and require no major adjustment on this occasion.

42. The pay of the levels that fall within our terms of reference cannot, however, be considered in isolation. One important consideration is the relationship with the maximum of the Assistant Secretary scale immediately below. It has been suggested to us that the salary of £12,000 which we recommended for the Under Secretary at 1 January 1975 led to a restriction of the Assistant Secretary scale maximum at 1 April 1975 to £11,000 in circumstances in which the evidence indicated that £11,500 would have been justified, in order to provide a reasonable differential for the Under Secretary. In addition, at least two grades have to be slotted in between the Assistant Secretary and the Under Secretary, and the overall structure has to provide for them. This question of 'interface' with the structure below also creates a problem in the overall pay structure for the armed forces where the salary that we recommend for the Major General and equivalent ranks (itself 'linked' in 1974 to our recommendation for the Under Secretary) has to be considered in relation to the military salary structure for the Brigadier and equivalent which is recommended by the Review Body on Armed Forces Pay. However, it is important to bear in mind also that our Report No. 6 recommendation for a salary of £12,000 for the Under Secretary was put forward at a time when the maximum of the Assistant Secretary scale was £8,338 (October 1974) which became £8,850 with effect from 7 November 1974, and £11,000 with effect from 1 April 1975.

43. The principle of a cohesive salaries structure is one to which we have always attached importance. And, on this occasion, we know the results effective from 1 April 1978 of negotiations up to the Assistant Secretary level and the effects of the Review Body on Armed Forces Pay's 1978 recommendations before we put forward our own recommendations. The maximum of the Assistant Secretary scale will be £12,273 with effect from 1 April 1978. The position on the Brigadier's military salary is rather more complicated: the Review Body on Armed Forces pay has recommended¹ and the Government has accepted in principle and for pensions purposes a fully up-to-date 1 April 1978 level (including a tapered 'X factor') of £13,501 (compared with £10,209 now). The increase has been staged, and the current actual salary with effect from 1 April 1978 is £11,545. Our own recommendations are designed to be fully up to date at 1 April 1978. We have taken into account the full recommended salary for the Brigadier, and we have borne in mind that the 1 April 1978 scale maximum for the Assistant Secretary results from a settlement within the constraints of current guidelines and not from the normal process of negotiation in the light of direct comparisons on the basis of job weight and responsibilities and of 'total remuneration'. We understand that these processes will be resumed as a basis for negotiations in 1979. We return to this problem in Chapter 4, where we consider the senior officers in the armed forces.

¹Review Body on Armed Forces Pay, Seventh Report 1978—Cmnd. 7177 (paragraph 30).

Recommendations

44. Against the background of our re-affirmation of the principles that we described in Report No. 6, and of the structural considerations outlined in this report, we have considered the levels of salary that are now appropriate. We have done this in the light of information that we have received (both from our own salaries survey and from other sources) on the current levels of outside earnings and on the movement in those earnings since our last recommendations for the Under Secretary and above in the civil service. We have explained (Chapter 1) that our 'pay comparisons' are again based on the principle that salary is one element only in the 'total remuneration package' and that the full value of that package—which includes superannuation provisions and 'fringe benefits'—needs to be compared.

45. In the light of these considerations, we recommend that the following salaries should be paid with effect from 1 April 1978:

	£
Head of the Home Civil Service	} 28,000
Permanent Secretary to the Treasury	
Secretary to the Cabinet	
Permanent Secretary	26,000
Second Permanent Secretary	23,500
Deputy Secretary	20,000
Under Secretary	16,000

CHAPTER 4

SENIOR OFFICERS IN THE ARMED FORCES

46. The scope of our terms of reference in relation to the armed forces is unchanged and our recommendations relate to Major General and above in the army and the equivalent ranks in the Royal Navy and the Royal Air Force. As in the other three groups, our remit relates to part only of the salary structure as a whole. In the other groups, the pay of those immediately below the levels for which we are responsible is settled either by direct negotiation or in the light of negotiated settlements. In the armed forces, on the other hand, the pay of all ranks up to and including Brigadier and equivalent is a matter for the Review Body on Armed Forces Pay, whose most recent recommendations were put forward in their Seventh Report¹. Both the recommendations, which also relate to 1 April 1978, and the Government's decisions on them have implications for our own work. We consider this aspect in greater detail in paragraphs 53–54.

47. We have not examined the armed forces structure at Major General and above since our Report No. 6, but we have put forward one recommendation in the interim which we note now simply as a matter of record. In 1975, the Review Body on Armed Forces Pay recommended²—and the Government subsequently accepted—the payment of London weighting where appropriate at all levels in the Services up to and including the rank of Brigadier. Although we do not consider London weighting appropriate for the most senior officers, we took the view then that an exception should be made in the case of Major Generals and equivalent by analogy with the Under Secretary in the civil service, who is eligible for London weighting. As a result of our Report No. 6 recommendations, both the Under Secretary and the Major General receive the same level of salary. We therefore recommended to the Prime Minister that London weighting on the basis in operation for the rest of the armed forces should be paid to Major Generals and equivalent ranks from a current date. The recommendation was accepted and implemented with effect from 1 June 1975.

48. We also discussed in Report No. 6 the particular pay principles that we saw as applicable to the circumstances of senior officers in the armed forces in addition to the general principles applicable across the four groups. In particular, we examined the *de facto* salary relationship that had grown up between the highest grades in the civil service and the highest ranks of the armed forces. We set up an Advisory Group to carry out a study of the extent to which the armed forces and civil service jobs could be compared with each other and with jobs at broadly the same levels outside the public services. We accepted the Advisory Group's view that, subject to review from time to time, the existing relationship between the two groups remained appropriate, and our 1974 recommendations reflected this. We also agreed with the Advisory Group that an assessment of broad equivalence between jobs at these levels in the civil service and the armed forces and in the private sector is possible

¹Review Body on Armed Forces Pay, Seventh Report 1978—Cmnd. 7177, April 1978.

²Review Body on Armed Forces Pay, Second Supplement to the Third Report 1974—Cmnd. 5853, January 1975.

even at the very top, where precise comparison is not practicable. We have not carried out another study of this kind on this occasion: the evidence put to us suggests no grounds for changing our 1974 view on the pay principles that should apply to senior officers in the armed forces.

The structure

49. The structure established by this aspect of our 1974 recommendations does not appear to have given rise to problems. We have received evidence which reports a measure of redistribution of work and of realignment of particular appointments, but our impression is that this results from a general process of streamlining and reorganisation, largely in the wake of recent defence cuts. We have been assured that the overall level of responsibility at each rank has not changed, and we are satisfied that a re-assessment of the existing structural relationships is unnecessary.

50. One other matter has been raised with us. Our 1974 recommendations provided for medical and dental officers in the ranks with which we are concerned to be paid at the same level as 'combatant' officers¹. Written evidence from the British Medical Association to the Review Body on Armed Forces Pay has been brought to our attention, insofar as it is relevant to the salaries of medical Major Generals and Lieutenant Generals. It draws attention in particular to the compression of differentials and to the implications of this for the medical structure below the level with which we are concerned. The British Medical Association proposed that, in future, medical Major Generals and above should be paid more than other Major Generals and above, and that pay links should be created between the salaries of the Directors General (currently Lieutenant General) and of the Chief Medical Officer and between medical Major Generals and the Deputy Chief Medical Officer in the Department of Health and Social Security. We cannot recommend the adoption of this proposal: in pay terms, it would involve equating the medical Major General with the 'combatant' Lieutenant General, and introducing a new level into the military salary structure at the equivalent level to the Second Permanent Secretary in the Open Structure. This would not be justified on the wider evidence.

Pay considerations

51. The subject of the 'X factor' has again been raised with us in the evidence. This is an element in the pay of all ranks below Major General and equivalent that provides compensation for the balance of advantage and disadvantage of Service life by comparison with civil life. At the higher levels of the structure immediately below the Major General, the 'X factor' is tapered from the 10 per cent that applies to 'combatant' men at all levels up to the middle of the Lieutenant Colonel scale to £300 at Brigadier and equivalent level. We examined this matter in our last review, when we concluded² that the concept was not valid at the level of Major General and above, since it is

¹Review Body on Top Salaries, Report No. 6: Report on Top Salaries—Cmnd. 5846, (paragraph 64).

²Review Body on Top Salaries, Report No. 6: Report on Top Salaries—Cmnd. 5846, (paragraph 61).

normal both in the public services generally and in the private sector for top management remuneration to cover all the requirements of the job and all the conditions that go with it. The arguments put to us on this occasion do not persuade us that our earlier conclusion was wrong, and we repeat our view that an 'X factor' payment would not be appropriate for any of the ranks that fall within our terms of reference.

52. It seems to us that the revival of the 'X factor' proposal is to some extent symptomatic of the frustration at out-of-date salary levels (bearing in mind that, at the three highest ranks, the 1 January 1975 salaries have not yet been implemented in full) combined with a measure of dissatisfaction over other aspects of service conditions. We mention two points that have been brought to our notice: the first is the thoroughly out-of-date level of entertainment allowances in and after a period of high inflation, which has assumed greater importance since our last review, when we first drew attention to it¹; and the problems that are beginning to show themselves in relation to the retired pay of officers at Field Marshal and equivalent rank on retirement. In these cases, officers do not receive a pension under the normal superannuation arrangements but, under the Pensions Warrants of each Service, receive 'retired pay' equal to half the level of the salary for the rank at the time of retirement; this is not increased thereafter under the inflation-proofing arrangements that apply to the pensions of all other officers and servicemen, and changes only with a change in the 'full-time' salary for the rank. We have been told that, as a result and in a situation in which salaries have not been increased for more than three years (other than by a supplement of £208), retired pay has now been overtaken by the inflation-proofed pensions of other officers who were less senior on retirement. We do not make specific proposals in relation to problems of this nature, but we draw attention to them as examples of the range of difficulties that begin to emerge when regular review of salaries becomes impracticable.

53. We have already drawn attention (paragraphs 42-43) to the fact that, in both the civil service and the armed forces, the 'interface' between the part of the structure that is within our terms of reference and the part that is immediately below has important implications for our own recommendations. The fully up-to-date 1 April 1978 levels of military salary for all ranks up to and including Brigadier level have been accepted in principle and the Government has given an undertaking that they will be implemented in three stages, the first within an overall increase of 13 per cent in the pay bill from 1 April 1978, followed by two further and approximately equal stages on 1 April 1979 and 1 April 1980, in both cases brought up to date as necessary to provide for changes in relevant outside pay levels at those dates. Although, for the present, they have been implemented in part only, they remain the salary levels that have been judged to be 'right' at 1 April 1978 and, therefore, the levels that we have to take into account in formulating our own recommendations for the salaries appropriate to the most senior ranks at the same date.

54. The fully up-to-date 1 April 1978 salary for the Brigadier and equivalent ranks (including the tapered 'X factor' element) is £13,501. We note

¹Review Body on Top Salaries, Report No. 6: Report on Top Salaries—Cmnd. 5846 (paragraph 63).

that, in putting forward this recommendation, the Review Body on Armed Forces Pay also drew attention to the 'interface' problem as it affects their field. The recommended salary for the Brigadier had to be assessed before knowing the level of salary that we would judge appropriate for the Major General at the same date; consequently, the recommended level for the Brigadier was regarded as provisional—although fully appropriate in the light of the primary evidence¹. In reaching our conclusions about the 1 April 1978 salary level for the Major General, naturally we have borne in mind the level that has been recommended—and accepted—as right for the Brigadier. We are satisfied that our recommendations provide an adequate differential.

55. One problem remains: we have already touched on it in Chapter 3. We continue to regard the Major General as broadly equivalent to the Under Secretary in the civil service and close enough to justify salary equality between the two, as we did in 1974. Our recommendations maintain that position now. But one result is that the 1975 differential between the Under Secretary and the Assistant Secretary has been widened. This is inevitable in present circumstances: as we have already noted (paragraph 43), the maximum of the 1 April 1978 Assistant Secretary scale results from a settlement within the constraints of the guidelines under the 1977–78 voluntary pay restraint measures and not from the normal process of negotiation on the basis of fully up-to-date comparisons with total remuneration outside. To this extent, it is a different kind of indicator from the recommended 1 April 1978 salary for the Brigadier which has been judged by an independent Review Body to be fully up to date at that time.

Recommendations

56. In the light of all these considerations, we recommend that the following salaries should be paid with effect from 1 April 1978:

	£
Admiral of the Fleet Field Marshal Marshal of the Royal Air Force	} 28,000
Admiral General Air Chief Marshal	} 26,000
Vice-Admiral Lieutenant General Air Marshal	} 20,000
Rear Admiral Major General Air Vice-Marshal	} 16,000

¹Review Body on Armed Forces Pay, Seventh Report 1978—Cmnd. 7177 (paragraph 39).

CHAPTER 5

THE HIGHER JUDICIARY AND CERTAIN OTHER JUDICIAL APPOINTMENTS

Background

57. When we were appointed in 1971, our terms of reference for the judiciary related to appointments in the higher judiciary (the High Court Judge and above) together with the Circuit Judges and Metropolitan Magistrates. Early in our 1972-74 review, they were extended to cover a range of appointments with a base at broadly the same salary level as the Under Secretary in the civil service and the Major General in the armed forces, who came within our terms of reference from the beginning. This extension brought, *inter alia*, the Masters and Registrars of the Supreme Court within our terms of reference, and we were also asked to include the Recorder of London, the Common Serjeant and the Additional Judges of the Central Criminal Court. The full list of appointments in England and Wales, in Scotland and in Northern Ireland for which we put forward recommendations in 1974 is in Appendix A.

58. Further changes have been made in the course of the current review. The salaries of a great many appointments have in the past been dealt with administratively in the light of our recommendations. In practice, many of these have not been revised following our Report No. 6 recommendations, as the Government's pay restraint measures announced on 11 July 1975 interrupted the normal administrative process of extending the increases to those appointments that qualified. On this occasion, we have been requested to include a number of these appointments within our review. They are: Provincial Stipendiary Magistrates in England and Wales and Resident Magistrates in Northern Ireland; Industrial Tribunal and Lands Tribunal appointments in Scotland; and the Vice-Judge Advocate General. We have also put forward recommendations for the appointment of President of the Transport Tribunal on this occasion. It was within our terms of reference for the 1972-74 review, but insufficient information on the job and its 'weight' was provided to enable our Advisory Group to make an assessment.

59. We have not, however, included the appointments of Recorder of London, Common Serjeant and the Additional Judges of the Central Criminal Court within our field of review on this occasion. They are paid by the City of London authorities and we do not consider it appropriate for such appointments to come within our terms of reference in the future.

The judicial structure

60. The judicial structure is very much more complex than others at the levels with which we are concerned. It covers three separate judiciaries (in England and Wales, in Scotland and in Northern Ireland), and therefore three separate structures which, at the same time, must have a coherent relationship with each other and must reflect the appropriate status and judicial 'weight' between one appointment and another. It is not hierarchical in the sense of a single career structure: below the High Court Judge and the equivalent level in Scotland and Northern Ireland, it is made up of a number of separate

specialist groups or appointments with specialist jurisdiction which, nevertheless, have to be woven into a pattern that properly reflects weight of responsibility and status within the overall judicial system.

61. In our 1972-74 review, we appointed an Advisory Group to make a detailed study of the relative ranking of all the judicial appointments that were then within our terms of reference. Their conclusions¹, with certain modifications that we found to be necessary, provided the basis of the salary structure which we recommended in Report No. 6.

62. We decided that a new study of relative ranking would be helpful on this occasion, partly because some of the evidence put to us had questioned one or two of the 1972 judgments, and partly because of the appointments that had been brought within our terms of reference for the first time. We therefore decided to adopt the same broad approach as before, and we appointed a Sub-Committee to re-assess the ranking within the present structure, to weigh the volume of evidence put to us in the current review and to put forward recommendations for a judicial structure based on an assessment of the relativities appropriate in current circumstances between individual levels of appointment. We appointed Sir George Coldstream (one of our members and a former Permanent Secretary at the Lord Chancellor's Department) as Chairman of the Sub-Committee, and Lord Hirschfield (also one of our members) and Sir Stanley Rees (a recently retired High Court Judge) as members. The Lord Chief Justice of England, the Lord President of the Court of Session and the Lord Chief Justice of Northern Ireland were appointed as special members and provided most valuable advice and assistance in the deliberations on the structures and appointments in the three countries.

63. The Sub-Committee's terms of reference were restricted to relative ranking and did not include salary levels, which are a matter for us. However, our Report No. 6 salary recommendations provided the overall structure of relativities that the Sub-Committee had to take as its starting point. Likewise, the Sub-Committee was not concerned with such aspects as particular recruitment difficulties which we ourselves might need to take into account in assessing salaries. But we invited the Sub-Committee to draw attention to points that they saw as relevant to our deliberations on salaries. They did so, and we discuss two such issues in paragraphs 68-70 below. The Sub-Committee's report is in Appendix J.

The Sub-Committee's report

64. In examining the judicial structure in England and Wales, the Sub-Committee found that the work of the Circuit Judge has developed to a greater extent than had been envisaged in 1972, and that now justifies a closer relativity with the High Court Judge than the 3:5 ratio that had been maintained in our 1974 recommendations: they concluded that a 2:3 relationship would be appropriate. The Sub-Committee also found that an improvement in the position of the Masters and Registrars within the 1975 structure was justified and that parity with the Metropolitan Magistrates would now be

¹Review Body on Top Salaries, Report No. 6: Report on Top Salaries—Cmd. 5846 (Appendix E).

appropriate. The need for formal establishment of a differential between the 'ordinary' Circuit Judge and certain specific Circuit Bench appointments was also endorsed: this confirms our interim recommendation immediately before the beginning of this review that the 'personal' salary leads¹ for the appointments of Recorder of Liverpool, Recorder of Manchester and the Senior Circuit Judge at Newington Causeway should be transferred from the individual office-holders in 1974 to the appointments. The Sub-Committee considered that the London Official Referees and the Vice-Chancellor of the County Palatine of Lancaster should rank at the same level. In the light of developments since 1972-74, an improvement of the position of the President of the Industrial Tribunals (England and Wales) within the overall structure was recommended. The existing relativities within the Higher Judiciary were found to be generally satisfactory, apart from the position of the President of the Family Division whose 1974 ranking vis-a-vis the Master of the Rolls on the one hand and the Lords Justices of Appeal on the other was considered to have underestimated the weight of the appointment. The Sub-Committee also concluded that the role of the Vice-Chancellor had now developed to an extent that justified a measure of differentiation above the High Court Bench generally.

65. The Sub-Committee's main recommendation for the structure in Scotland was that, in judicial terms, the Judge of the Court of Session should be ranked at the same level as the High Court Judge in England and Wales and that parity between the Sherriff A and the Circuit Judge should be maintained at the new and improved Circuit Judge level. The Sub-Committee also considered the place of the Sheriff B in the structure (although the Sheriff B is not strictly within our terms of reference at present) and assessed it as slightly below the Sheriff A. A single level was found appropriate for the reorganised Sheriffs Principal structure, and the appointment of Chairman of the Scottish Lands Court was equated with it. The Report No. 6 relativities of the other judicial appointments were left undisturbed. The appointments in the Industrial Tribunals (Scotland) and the Lands Tribunal for Scotland, which have been brought within our terms of reference for the first time, were equated with the counterpart appointments in England and Wales, except for both President appointments: these were judged to have less 'weight' than the equivalent appointments in England and Wales because of the smaller size of the organisations and of the workloads.

66. Within the Northern Ireland structure, the Resident Magistrates are included in our terms of reference for the first time, and the Sub-Committee judged them to be broadly equivalent to the Metropolitan Magistrates and Provincial Stipendiary Magistrates in England and Wales. Parity between the County Court Judge and the Circuit Judge was confirmed as appropriate, and a differential for the Recorder of Belfast continued to be justified. The Sub-Committee concluded, again on judicial grounds alone, that the Puisne Judge in Northern Ireland should be ranked with the High Court Judge in England and Wales, and that a differential should be created for the Lords Justices of Appeal in relation to the Puisne Judges, notwithstanding their interchangeability, in order to create a clear 'promotion' step from the High Court to the

¹Review Body on Top Salaries, Report No. 6: Report on Top Salaries—Cmnd. 5846 (paragraph 94).

Court of Appeal. As a result of these decisions, the Sub-Committee adjusted the position of the Lord Chief Justice of Northern Ireland within the overall structure by moving the appointment slightly nearer to the Master of the Rolls and to the Lord President of the Court of Session in Scotland. However, the Sub-Committee did not equate the appointment with the Lord President of the Court of Session, in view of the relative sizes of the countries and of the judiciaries, but suggested that the position should be looked at again in a future review and in the light of any future changes in the Lord Chief Justice of Northern Ireland's responsibilities.

Our views

67. In framing our recommendations, we have throughout had regard to the judgment and recommendations of our Sub-Committee on the relative ranking of the appointments in terms of judicial weight, and we have kept broadly to the pattern recommended. Certain of the recommendations have wider implications to which we draw attention. First, the Sub-Committee's view that parity is justified between the High Court appointments in the three countries reflects the view of the Advisory Group in 1972: our own salary recommendations in 1974 provided lower salaries for the Judge of the Court of Session and the Puisne Judge in Northern Ireland than for the High Court Judge in England and Wales, as had been the practice in the past, in recognition of differences in the costs of living and in the levels of Bar earnings between the three countries¹. We return to this issue in paragraph 73. Second, the Sub-Committee has assessed the Sheriff B within the overall structure: the appointment—unlike the Sheriff A—is not formally within our terms of reference, but we agree that the Sub-Committee was right to examine the position in the light of the significant amount of evidence provided about it. We accept that it would be appropriate for the appointment to come within our terms of reference: we agree with the Sub-Committee's assessment and we make a recommendation in this report.

68. The Sub-Committee also drew our attention to two main general points. The first relates to London weighting. The evidence put forward to us during the current review has indeed made clear that some members of the judiciary—particularly at the lower end of the structure with which we are concerned—consider that they should be entitled to receive some form of London weighting in parallel with Under Secretaries in the civil service and Major Generals and equivalent in the armed forces. The salary recommendations that follow relate to the full weight of the responsibilities of the appointments within our terms of reference and do not take any account of their location: this is made plain, for example, by our acceptance and application to salary levels of the Sub-Committee's recommendation for equality between the Metropolitan Magistrates and the Provincial Stipendiary Magistrates. But we can see no reason to differentiate in this matter between the judiciary and the other groups within our terms of reference that are part of a larger vertical structure. We therefore recommend that London weighting should be introduced for those judicial appointments within our terms of reference that are at a level, in terms of the salary recommendations in this

¹Review Body on Top Salaries, Report No. 6: Report on Top Salaries—Cmnd. 5846 (paragraph 91).

report, equivalent to the Under Secretary and the Major General or below, and that are permanently located in London. We recommend, too, that the same conditions for payment and levels of payment should apply as are in operation at equivalent levels in the civil service from time to time.

69. The Sub-Committee also drew our attention to problems that might arise in relation to particular appointments. In assessing the Vice-Chancellor at a level between the High Court Judge and the Lord Justice of Appeal, the Sub-Committee drew attention to the fact that the result of putting the assessment into practice would be technically a breach of an undertaking to Parliament that the appointment would not attract additional payment. We accept the Sub-Committee's assessment and we have given effect to it in our recommendations.

70. A difficult problem arises from the part-time nature of the appointments of President of the Lands Tribunal in England and Wales and President of the Transport Tribunal. The Sub-Committee has, rightly in our view, based its assessments on the quality of work required, and has left it to others to decide whether the jobs should be part-time appointments or whether, as at present, additional work of an equivalent quality should be allocated to the office-holders to provide a full-time appointment. For our part, we accept the Sub-Committee's approach and, in accordance with our normal practice elsewhere in the field within our terms of reference, we recommend salaries for full-time appointments. If any of the appointments were to become part-time, a *pro-rata* reduction in the salary recommended would be appropriate.

Pay principles

71. We turn now to consideration of the salaries appropriate to this structure and to the principles that underlie them. In our 1972-74 review, we found that we had to develop pay principles on which to base our salary recommendations for the judiciary with little guidance from past practice. We concluded that the judiciary was *sui generis* in this context and that no other group is strictly comparable. The level of Bar earnings, affecting as it does the willingness of successful barristers to accept judicial appointment, provides an important check on our assessment of judicial salary levels, but could not on its own provide a complete or wholly valid standard of assessment. It was clear to us, however, that judicial salaries should not attempt to match the highest levels of Bar earnings. We concluded also that the salary of the Permanent Secretary in the civil service provided a useful cross-check on our assessment of the salary appropriate for the High Court Judge, although a formal link between the two appointments would not be appropriate. We are satisfied that both of these checks remain important.

72. We have already explained (Chapter 2) how we have endeavoured to secure recent information on levels of barristers' earnings. We have noted (paragraphs 27-29) that it was not practicable for a new survey to be carried out on our behalf on this occasion, and that the data to which we have had access (some of which is included in Appendix F) was not designed directly to meet our needs. But the information available to us has been sufficient as a whole to establish two vital points. First, it has enabled us to satisfy ourselves that the judicial salaries recommended in Report No. 6 to operate from 1

January 1975 were generally appropriate in the light of the levels of barristers' earnings then current (our own survey had been carried out in mid-1972 and related to 1971-72). Second, it has established that the level of those earnings has increased substantially since the end of 1974, and thus confirms what we have been told about the increasing difficulty of recruitment from the Bar—particularly, but by no means exclusively, to the Circuit Bench—at current levels of judicial salary. In these comparisons, we have concentrated on the earnings of those barristers from among whom appointments to the judiciary at different levels are most likely to be made, and we have compared net Bar earnings (after appropriate deductions for practice expenses) on a basis that allows for the proper evaluation of judicial pensions against the pension provisions that the self-employed barrister is able to make within the current taxation arrangements. We have taken full account of the information on the levels and trends of Bar earnings in reaching our conclusions on judicial salaries.

73. Our Sub-Committee based its assessments on the 'weight' and judicial content of each appointment, and took no account of 'external' factors that might be relevant to the salaries recommended for appointments otherwise judged to be equal. The levels of Bar earnings provide one such external factor. The Advisory Group appointed in 1972 (paragraph 61) assessed the High Court appointments in the three countries at the same level in terms of judicial content. The Sub-Committee has endorsed that view on this occasion. But, in formulating our 1974 salary recommendations, we concluded that it was right to take into account the differences in the levels of Bar earnings and in the costs of living that then existed between the three countries. We found both to be lower in Scotland and in Northern Ireland than in England and Wales, and our recommendations for the Judge of the Court of Session and the Puisne Judge reflected this¹. We have examined the question again on this occasion. Such evidence as is available to us indicates that there has been some levelling of Bar earnings across the United Kingdom as a whole and, at the same time, of cost of living apart from the high housing and travel costs involved in work in London. We think it right on this occasion to recommend the same salary for the High Court Judge in England and Wales, the Judge of the Court of Session and the Puisne Judge in Northern Ireland.

Our conclusions and recommendations

74. In the light of all the considerations that we have discussed, we recommend the following salaries as appropriate with effect from 1 April 1978 (or from dates in July 1978 for certain appointments—paragraph 8):

Lord Chief Justice	£	34,000
Master of the Rolls	}	31,000
Lord of Appeal		
Lord President of the Court of Session (Scotland)		

¹Review Body on Top Salaries, Report No. 6: Report on Top Salaries—Cmnd. 5846 (paragraph 91).

Lord Chief Justice (Northern Ireland) } President of the Family Division	29,500
Lord Justice of Appeal } Lord Justice Clerk (Scotland) Lord Justice of Appeal (Northern Ireland)	28,000
Vice-Chancellor	27,000
High Court Judge } Judge of the Court of Session (Scotland) Puisne Judge (Northern Ireland)	26,000
President, Lands Tribunal (England and Wales)	20,000
President, Transport Tribunal } Chief National Insurance Commissioner President, Industrial Tribunals (England and Wales)	19,500
President, Industrial Tribunals (Scotland) } Sheriff Principal (Scotland) Chairman, Scottish Lands Court President, Lands Tribunal (Scotland)	19,000
Official Referee (London) } Vice-Chancellor of the County Palatine of Lancaster Recorder of Liverpool Recorder of Manchester Senior Circuit Judge, Newington Causeway Recorder of Belfast (Northern Ireland)	18,250
Circuit Judge } Chief Metropolitan Magistrate Members, Lands Tribunal (England and Wales and Scotland) National Insurance Commissioner Judge Advocate General Sheriff A (Scotland) County Court Judge (Northern Ireland)	17,500
Master of the Court of Protection } Senior and Chief Masters and Registrars Regional Chairmen, Industrial Tribunals (England and Wales and Scotland) Chairman, Foreign Compensation Commission Registrar of the Court of Criminal Appeals Sheriff B (Scotland)	16,750
Masters and Registrars } Metropolitan Magistrate Chairmen, Industrial Tribunals (England and Wales and Scotland) Vice-Judge Advocate General Provincial Stipendiary Magistrate Resident Magistrate (Northern Ireland)	15,250

75. We draw attention again to the situation that has presented a difficult problem since we began our work in 1971. We noted in Report No. 6¹ the serious practical difficulty presented by the relationship between the salary of the Lord Chief Justice as the professional head of the judiciary and the salary of the Lord Chancellor as the overall head of the judiciary. We are directly concerned here with the position of the Lord Chief Justice against the background of the Lord Chancellor's current salary of £20,000 (unchanged since 1 April 1972). Our most recent recommendations for Ministers' salaries (put forward in June 1976 but not yet implemented) provided a salary of £27,000 for the Lord Chancellor in June 1975 terms², the same level as we recommended for the Lord Chief Justice for January 1975. The recommendations that we now put forward for salaries appropriate at 1 April 1978 take the whole of the Higher Judiciary (from the High Court Judge upwards) to salaries that are above the Lord Chancellor's current salary. The problem arises in part because of the different timing of reviews of judicial and Ministerial salaries, but largely because of the different treatment accorded by Government to our recommendations. The recommended salary of £27,000 in Report No. 6 for the Lord Chief Justice has been accepted although implementation has been staged: but the salary of £27,000 recommended for the Lord Chancellor appears to be in suspense. The fact remains that the Lord Chancellor, although a Ministerial appointment, is Head of the Judiciary and, as such, we regard it as thoroughly undesirable that judicial salaries should exceed the salary of the Lord Chancellor other than to a limited extent and for a limited period. Equally, we are strongly of the opinion that the special constraints that have been applied to Ministerial salaries ought not to be allowed to provide an artificial ceiling for the professional judicial salary structure.

¹Review Body on Top Salaries, Report No. 6: Report on Top Salaries—Cmnd. 5846 (paragraphs 89-90).

²Review Body on Top Salaries, Report No. 8: Ministers of the Crown and Members of Parliament and the Peers' Expenses Allowance: Part II—Cmnd. 6574 (paragraphs 80-85).

CHAPTER 6

CHAIRMEN AND MEMBERS OF NATIONALISED INDUSTRY BOARDS

The background

76. The position of the nationalised industry Boards as a whole has presented the greatest single problem in our current review. We have already referred (Chapter 1) to the discrimination against them in relation to our Report No. 6 recommendations and to the more recent Government decision to apply lesser increases, ranging between 5 per cent and 10 per cent, to salaries that had last been adjusted on an interim basis in 1972: this came six months after we had embarked on our current review and could give rise to problems for the immediate future (paragraph 7). We return to the wider implications of this situation in Chapter 7. In effect, the nationalised industry Boards—alone of the four groups within our standing terms of reference—have so far received no part of the salaries that we recommended as appropriate at 1 January 1975. They have, moreover, been excluded from the important measure of pension protection afforded to those in the other three groups at recommended salary levels over £13,000, part of whose 1 January 1975 salary increase is still withheld, except for the purpose of calculating pension on retirement. Nevertheless, as we have noted (paragraph 12), the extensive use in the nationalised industries of provisions for 'dynamising' pensionable salary will have been of some help in this respect.

77. Some of the effects of this situation are as disturbing as they are obvious. We have described (Chapter 2) the extent of the compression and overlap from senior executive salaries below Board level. We accept, as we have said (paragraph 35), that a measure of overlap between the pay of some top executives and some Board members may be valid within an organisation's overall salary structure, but the extent of the compression and overlap that now exists in the nationalised industries is having serious implications for their ability to recruit the quality of Board member that is essential for the top management of industries which—as we said in our Report No. 6—are the foundations of our industrial life.

78. The point has been made to us in evidence time and time again that it has become increasingly difficult to recruit the right quality of people to the top jobs in the nationalised industries at the seriously out-of-date levels of salary on offer—whether from within the particular industry or from outside. We note that increasing use had been made of 'secondment' arrangements as a device to recruit from outside individuals who have the qualities needed without requiring them to face a very substantial drop in salary. Within the industries themselves, we see that arrangements of this kind may be tolerable on a short term basis, but in a situation that has been allowed to drag on for more than three years, it seems to us to be an abuse of the strong sense of loyalty to the industry that has frequently meant that Board members have been prepared to carry on when many of them could move to the private sector and to realistic rewards for their abilities. In this context, it has to be remembered that some of the nationalised industries operate in an environment of intense international competitiveness, which not only makes the task

of running the organisation more difficult but also underlines the importance of paying realistic salaries—in United Kingdom terms at least—if the right calibre of top management is to be recruited and retained. Government cannot expect to rely on the individual's sense of loyalty indefinitely. The nationalised industries need to attract and retain an adequate share of the country's best managerial talent: they will not continue to do so unless there is a marked and lasting improvement in the competitiveness of the salaries at Board level.

79. Thus we have carried out our current review against the background of an intensely unsatisfactory situation throughout the nationalised industries. But it has seemed to us essential both to undertake the review, and to carry it out on exactly the same basis as for the other three groups within our terms of reference, with the object of putting forward recommendations on salaries that are appropriate at 1 April 1978. The nationalised industry Boards in general have co-operated fully in all our inquiries. We have been left in no doubt from both written and oral evidence about the general concern at the effects of the Government's decision to do nothing about our Report No. 6 recommendations, a decision which is widely held to have reflected a cynical disregard for the importance of the provision of reasonable reward for the level of management skills that is required, and to rely too heavily on individual loyalty.

Principles

80. We described in detail in Report No. 6 the principles which need to be followed in assessing nationalised industry Board salaries, in addition to the more general considerations that are applicable to all four public service groups within our terms of reference. We have reviewed them again on this occasion, and we are satisfied that they remain appropriate today, as they were in 1974. We are in no doubt that salaries which are competitive with rewards in industry outside for comparably demanding and difficult jobs are directly relevant here: as a result of our inquiries on that occasion, we were satisfied that, although there are differences in the balance of the main elements and in the nature of the pressures, the overall weight of Chairmen's jobs in the nationalised industries and in the private sector is comparable. But we concluded that, even so, the salaries in the nationalised industries should not equal the highest salaries paid in the private sector for jobs of similar weight, although it was vital for them to be sufficiently attractive to enable the nationalised industries to recruit and retain the necessary quality to their Boards¹. We would add that we consider it of great importance for the nationalised industries to be in a position to provide a career progression to Board level from within an organisation, as many of them already do. But it remains equally important in this case that Board salaries should reflect a realistic progression: our compression survey (paragraphs 34–35) illustrates some of the problems that arise when little or no regard is paid to this need.

81. In order to apply these principles, it is essential to have reliable data about total remuneration at comparable levels of job weight outside the

¹Review Body on Top Salaries, Report No. 6: Report on Top Salaries—Cmnd. 5846 (paragraph 115).

nationalised industries. We have already referred (Chapter 2) to the fact that one of the inquiries carried out on our behalf has been a new survey of remuneration in the nationalised industries and in the private sector. Its main purpose was to obtain as nearly as possible up-to-date information on the levels of remuneration in both areas, and to acquire details of the movements in remuneration over the period since our last review. It is important to emphasise two points. First, the survey, on this occasion as before, provides a 'total remuneration package' comparison; that is, it sought details both of direct remuneration (salary, bonus and profit sharing) and of the other important elements in the total remuneration package—in particular, of superannuation arrangements and of 'fringe benefits'. Second, in order to give as reliable a picture as possible of the movements in direct remuneration, the latest inquiry concentrated primarily on jobs whose nature and broad responsibilities had not changed significantly since September 1974. In this way, we have obtained a full picture of the current total remuneration package at various levels in both sectors, and also an indicator of how the cash elements in remuneration have moved over the period since our 1974 recommendations for the nationalised industries were put forward. The findings from our survey are reported in Appendix E. Our current recommendations for the nationalised industry Boards take full account of the information gathered on levels of remuneration and on movements in it at comparable levels in the private sector of industry, commerce and finance. As we have noted (paragraph 24), the information shows the extent to which, over the period, salaries at the highest levels have increased at a significantly lower rate than those below.

The structure

82. Our 1974 recommendations provided a structure for the nationalised industry Boards that differed from the existing structure, which had been recommended as appropriate in 1969¹ and which, with the passage of time and the addition of new industries, we found inadequate to meet the situation in 1974. Instead of a broad banding of the industries into three Groups (A, B and C), we saw a need for greater flexibility which would reflect a finer assessment of job weight and of the importance of the individual industry to the economy. We emphasised—and we regard it as important to repeat it now in order to correct misunderstandings that have arisen—that, although the nationalised industries have some features in common, we do not consider it appropriate to judge the importance and difficulty of the top jobs on the basis of 'size' factors alone, however measured². We considered then, and we do so now, that diversity of function, international aspects of operation and marketing and involvement in advanced technology all have an important effect on the overall weight of the task. The emergence of the 'new' industries, with purposes more disparate than those of the basic industries nationalised after 1945, has reinforced the principle behind this view.

83. We have already indicated (paragraph 4) the nationalised industries that have been brought within our terms of reference since the last review. In

¹National Board for Prices and Incomes, Report No. 107: Top Salaries in the Private Sector and Nationalised Industries—Cmnd. 3970, March 1969.

²Review Body on Top Salaries, Report No. 6: Report on Top Salaries—Cmnd. 5846 (paragraph 116).

practice, and with the exception of the water supply industry, we put forward recommendations on each of them in 1975 at the request of the Prime Minister, on a basis that was compatible with those for the other nationalised industries in our Report No. 6—that is, the salaries were appropriate at 1 January 1975. It was always our intention, however, to take the opportunity of the first review after 1975 to examine the position of the new industries in the light of operating experience. Moreover, the evidence put forward by the 'old' industries and by their sponsor Departments suggested that some modification of the Report No. 6 structure might be justified in a few cases. A limited job evaluation study was therefore commissioned on our behalf, in part to test some of our Report No. 6 assessments (sometimes in the light of developments since they were made), and in part to provide guidance in the light of practical experience on the place in the Report No. 6 structure of the 'new' industries (including the water supply industry). The consultants who had carried out the job evaluation study for our 1972-74 review were again employed, and were asked to carry out the new study on the basis of the same criteria as before, to ensure that the results would be compatible. We have also made use of the consultants' own assessment of the current remuneration in the private sector for jobs of a comparable weight to those that they have examined on our behalf, as a valuable cross-check on the results of our own salaries survey.

84. In the light of all the evidence, we have concluded that the Report No. 6 structure needs some modification to recognise certain developments since 1974, and to allow for some under-valuations or over-valuations of particular industries in 1 January 1975 terms. We are aware that certain of the industries within our terms of reference may be reorganised in the fairly near future: for example, the changes envisaged for the electricity industry¹ would have a significant effect on the role and functions of the Electricity Council, the Central Electricity Generating Board and the Area Electricity Boards; and it has been proposed² that the Post Office should be divided into two separate organisations. But no change has yet taken place, and our assessments continue to be based on the current position.

85. The evidence put to us in the current review by the nationalised industries and by their sponsor Departments has concentrated primarily on the position of the individual industries within the Report No. 6 structure and on developments in their roles and functions since 1974. But we have been left in no doubt about the widespread frustration and plain sense of injustice that has been created. This led to a number of proposals designed to ensure greater freedom for the individual industries to decide the level of Board salaries below the Chairman, and thus to avoid a situation in which very substantial increases become necessary, with all that this involves in terms of public presentation, notwithstanding the justification for them.

86. The proposals took three main forms. First, that Board members should be paid a salary which, as part of the main salary structure of the individual industry would recognise their executive role and would be

¹Reorganisation of the Electricity Supply Industry in England and Wales—Cmnd. 7134, April 1978.

²Report of the Post Office Review Committee—Cmnd. 6850, July 1977.

adjusted as part of the normal negotiating process within the industry; in addition, that they should be paid a separate fee in respect of the additional responsibilities of Board membership which would be assessed by ourselves or by some other independent means. In the light of the experience of the last four years, the attraction of this proposal for the industries themselves is obvious: but we see it as wrong in principle to regard Board members simply as a tier above a structure of negotiated salaries that would automatically reflect movements in the structure below. The second proposal was that Board remuneration below the Chairman should be left to the individual industry to decide according to its own needs, constrained only by the Chairman's salary, which would be assessed by an independent body in the same way as the Board member 'fee' in the first proposal. Again, in our view, it would be wrong in principle for decisions on salaries at the top of the nationalised industries structure to be left entirely in the hands of the individual industries with only a remote form of outside control. No matter how responsible individual industries might be in the exercise of the freedom involved, it remains important, in this part of the public sector as in others, for the citizen who, whether as taxpayer or consumer, has a direct and individual interest in the performance of the nationalised industries, to be satisfied that objective standards prevail overall. We recognise and sympathise with the frustrations that have given birth to these two proposals. But we are convinced that they are devices to overcome particular problems and that they are not remedies for those problems.

87. The third main proposal is that Board salaries should continue to be based on independent recommendations which should provide significantly wider ranges than at present, both to allow enough flexibility to meet particular requirements and to allow for progression to recognise individual merit and the need to keep an overall salary structure in sensible shape. This is closer to our own thinking. We have twice recommended¹ that full and flexible use should be made of the ranges we proposed to allow the industries to meet particular recruitment and retention needs, and to enable achievement to be recognised. We have been told that, since the recommendations in our Interim Report were accepted, the Government's restraint measures have prevented this part of them from being put into effect. We are in no doubt that the recommendation should be implemented without further delay. We continue to be of the opinion that ranges of pay—certainly at Board member level and in a few cases at Chairman or Deputy Chairman level—are the right way to tackle this problem, combined with up-to-date salary levels and regular annual review of them. But ranges cannot simply be widened without proper regard to the factors that we have outlined (paragraph 86) or to the needs of the overall structure of Board salaries. Our recommendations are put forward on the assumption that ranges will be used in the way that we have indicated. They provide what we regard as adequate width for these purposes.

¹Review Body on Top Salaries, Report No. 2: Interim Report on Top Salaries—Cmnd. 5001 (paragraph 11); and Report No. 6: Report on Top Salaries—Cmnd. 5846 (paragraph 102).

Recommendations

88. In the light of all the considerations that we have discussed, we recommend the salaries below as appropriate with effect from 1 April 1978. In each case they are salaries for full-time appointments; part-time Board members should be paid *pro-rata* according to the amount of time given. For those part-time Board members whose normal attendance is one day a fortnight, and who are currently paid a 'fee' of £1,000, we repeat our Report No. 6 recommendation that the rate should be one-eighth of the mid-point of the appropriate range for a full-time Board member, subject to a minimum payment which we recommend should be increased from £1,000 (£1,500 in Report No. 6 terms) to £2,000, with effect from 1 April 1978. Our recommended salaries for the Regional Water Authorities and the Welsh National Water Development Authority provide a range of full-time salary to cover the different 'weight' of jobs in individual Authorities and are, consequently, put forward on the same basis as our recommendations for the Area Electricity Boards. We understand that the present arrangement whereby all Chairmen's appointments within the Authorities are assessed as half-time appointments is under review.

	Chairman £	Deputy Chairman or equivalent ¹ £	Board member ² £
British National Oil Corporation	50,000	33,500-41,500	27,000-35,000
National Enterprise Board	45,000	31,500-38,500	26,000-31,500
British Steel Corporation Post Office			
British Rail	40,000	26,500-32,500	21,000-26,000
British Gas Corporation			
British Shipbuilders			
National Coal Board			
British Airways Board			
British Aerospace Electricity Council			
Central Electricity Generating Board United Kingdom Atomic Energy Authority	35,000	25,000-30,500	20,500-25,000
Scottish Development Agency National Bus Company National Freight Corporation Civil Aviation Authority British Airports Authority Cable and Wireless Limited	28,000	20,500-25,000	16,500-20,000
Commonwealth Development Corporation North of Scotland Hydro-Electric Board South of Scotland Electricity Board Welsh Development Agency British Transport Docks Board Scottish Transport Group National Water Council	25,000	18,000-22,000	14,000-17,500
Regional Water Authorities	20,000-25,000	—	—
Area Electricity Boards	20,000-24,000	14,500-17,500	—
British Waterways Board	16,000	11,500-14,000	7,500-11,000

¹Vice-Chairman, Managing Director or Chief Executive.

²Salaries for full-time appointments. 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 £2,000.

CHAPTER 7

SUMMARY OF RECOMMENDATIONS

The current review

89. We have now completed our second full review of the four groups within our standing terms of reference. It has taken place against an extremely difficult background. Our 1974 recommendations were accepted in principle for three of the four groups—the top levels of the civil service, the armed forces and the judiciary—but implementation was staged: the second stage continues to be deferred. The recommendations for the fourth group—the Chairmen and members of nationalised industry Boards—albeit put forward on an identical basis, were not accepted even in principle by Government. We have made plain our views on this discrimination.

90. We are in no doubt that our decision early last year to embark on the review was timely, and that it is essential to make known the rates of pay justified now for each of the four groups within our terms of reference. We have received a substantial amount of evidence, both written and oral, particularly in relation to the nationalised industries and the judiciary.

91. We have described our general approach to the review, the inquiries that we have undertaken on this occasion, and our findings and conclusions in relation to each group. Our recommendations are set out below. In all cases, they are the salaries that are appropriate at 1 April 1978 although, as we have explained, some judicial appointments have effective dates in July. We show also the effect of current levels of taxation on our recommended salaries although, as we have said (paragraph 18), the incidence of taxation has not entered into our judgment of the appropriate salaries:

	Recommended salaries £	(Recommended salaries net of tax ¹) £
<i>a. Senior grades of the higher civil service</i>		
Head of the Home Civil Service Permanent Secretary to the Treasury Secretary to the Cabinet	28,000	(13,473)
Permanent Secretary	26,000	(13,108)
Second Permanent Secretary	23,500	(12,461)
Deputy Secretary	20,000	(11,530)
Under Secretary	16,000	(10,199)
<i>b. Senior officers in the armed forces</i>		
Admiral of the Fleet Field Marshal Marshal of the Royal Air Force	28,000	(13,124)
Admiral General Air Chief Marshal	26,000	(12,784)
Vice-Admiral Lieutenant General Air Marshal	20,000	(11,320)
Rear Admiral Major General Air Vice-Marshal	16,000	(10,043)

	<i>Recommended salaries £</i>	<i>(Recommended salaries net of tax¹) £</i>
<i>c. Judiciary</i>		
Lord Chief Justice	34,000	(15,273)
Master of the Rolls	} 31,000	(14,663)
Lord of Appeal		
Lord President of the Court of Session (Scotland)		
Lord Chief Justice (Northern Ireland)	} 29,500	(14,358)
President of the Family Division		
Lord Justice of Appeal	} 28,000	(14,054)
Lord Justice Clerk (Scotland)		
Lord Justice of Appeal (Northern Ireland)		
Vice-Chancellor	27,000	(13,850)
High Court Judge	} 26,000	(13,601)
Judge of the Court of Session (Scotland)		
Puisne Judge (Northern Ireland)		
President, Lands Tribunal (England and Wales)	20,000	(11,880)
President, Transport Tribunal	} 19,500	(11,716)
Chief National Insurance Commissioner		
President, Industrial Tribunals (England and Wales)		
President, Industrial Tribunals (Scotland)	} 19,000	(11,552)
Sheriff Principal (Scotland)		
Chairman, Scottish Lands Court		
President, Lands Tribunal (Scotland)		
Official Referee (London)	} 18,250	(11,305)
Vice-Chancellor of the County Palatine of Lancaster		
Recorder of Liverpool		
Recorder of Manchester		
Senior Circuit Judge, Newington Causeway		
Recorder of Belfast (Northern Ireland)		
Circuit Judge	} 17,500	(11,023)
Chief Metropolitan Magistrate		
Members, Lands Tribunal (England and Wales and Scotland)		
National Insurance Commissioner		
Judge Advocate General		
Sheriff A (Scotland)		
County Court Judge (Northern Ireland)	} 16,750	(10,741)
Master of the Court of Protection		
Senior and Chief Masters and Registrars		
Regional Chairmen, Industrial Tribunals (England and Wales and Scotland)		
Chairman, Foreign Compensation Commission		
Registrar of the Court of Criminal Appeals	} 15,250	(10,132)
Sheriff B (Scotland)		
Masters and Registrars	} 15,250	(10,132)
Metropolitan Magistrate		
Chairmen, Industrial Tribunals (England and Wales and Scotland)		
Vice-Judge Advocate General		
Provincial Stipendiary Magistrate		
Resident Magistrate (Northern Ireland)		

d. Chairmen and members of nationalised industry Boards²

	Chairman £	Deputy Chairman or equivalent ³ £	Board member ⁴ £
British National Oil Corporation	50,000 (18,939)	33,500-41,500 (15,811-17,589)	27,000-35,000 (14,408-16,231)
National Enterprise Board British Steel Corporation Post Office	45,000 (17,882)	31,500-38,500 (15,366-16,922)	26,000-31,500 (14,108-15,445)
British Rail British Gas Corporation British Shipbuilders National Coal Board British Airways Board British Aerospace Electricity Council	40,000 (16,824)	26,500-32,500 (14,198-15,588)	21,000-26,000 (12,590-14,108)
Central Electricity Generating Board United Kingdom Atomic Energy Authority	35,000 (15,767)	25,000-30,500 (13,752-15,144)	20,500-25,000 (12,417-13,809)
Scottish Development Agency National Bus Company National Freight Corporation Civil Aviation Authority British Airports Authority Cable and Wireless Limited	28,000 (14,286)	20,500-25,000 (12,374-13,752)	16,500-20,000 (10,919-12,244)
Commonwealth Development Corporation North of Scotland Hydro-Electric Board South of Scotland Electricity Board Welsh Development Agency British Transport Docks Board Scottish Transport Group National Water Council	25,000 (13,509)	18,000-22,000 (11,480-12,861)	14,000-17,500 (9,772-11,318)
Regional Water Authorities	20,000-25,000 (12,020-13,509)	—	—
Area Electricity Boards	20,000-24,000 (12,020-13,221)	14,500-17,500 (9,992-11,284)	—
British Waterways Board	16,000 (10,546)	11,500-14,000 (8,412- 9,749)	7,500-11,000 (5,755- 8,124)

Notes:

¹Assuming tax rates, bands and allowances for a married man without dependent children (and with no other allowances) as in the 1978 Finance Bill as amended up to 9 June 1978. Allowance is made for the effect on taxable income of employees' superannuation contributions but the contributions themselves are not deducted.

²Net-of-tax salaries are shown below the recommended salaries.

³Vice-Chairman, Managing Director or Chief Executive.

⁴Salaries for full-time appointments. 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 £2,000.

The future

92. In some cases the salaries that we recommend involve very substantial increases over those at present in payment. There are two simple and interrelated reasons for this: many of the appointments currently receive salaries that reflect part only of those that were recommended by us—and accepted by the Government—as appropriate at 1 January 1975; and the great majority of nationalised industry Board members currently receive salaries that were based on the 1969 recommendations of the National Board for Prices and Incomes, increased only on an interim basis in 1972¹ and subsequently supplemented by the modest amounts permitted under pay policies since that date. In these circumstances, it is hardly surprising that the individual increases now appropriate are large: measured against the levels that we recommended for January 1975 they are much less so. They will appear large when set against the background of three years of restraint measures. But the period covered by our recommendations is longer than three years, and it includes the first half of 1975 which, as our salaries survey has confirmed, was the end of a period of exceptional increases for earnings at all levels in other sectors. The average total increase recommended is 31 per cent, representing an annual rate of increase of 8.6 per cent; implementation in full of our recommendations will add £8 million to what we estimate would now be the total annual cost of salaries for the appointments within our terms of reference had our 1974 recommendations been implemented in full.

93. We recognise that the Government will have to consider our recommendations against the background of the continuing need for restraint and that staging may therefore be necessary. But we wish to make three points unequivocally. First and foremost, there must be no discrimination on this occasion against any one of the four groups covered by our recommendations. Second, we regard it as vital that the Government should give a clear commitment in principle to the salaries that we recommend, and should provide for their immediate introduction in full for pension purposes: this would be consistent with the decisions on those of our Report No. 6 recommendations that were accepted but not fully implemented; on our Report No. 7 recommendation for the salary of Members of Parliament; and, most recently, on the recommendations put forward for 1 April 1978 by the Review Body on Armed Forces Pay and by the Review Body on Doctors' and Dentists' Remuneration. Third, our view is that there should not be more than three stages, with the achievement of the full recommended levels not later than 1 April 1980; it will be necessary also to ensure that the current recommendations are brought up to date by the normal review process in the intervening period. The Government has given a commitment to this effect in respect of the 1 April 1978 recommendations from both the Review Body on Doctors' and Dentists' Remuneration and the Review Body on Armed Forces Pay: the same principle should apply to the public service groups within our terms of reference. Unless the Government is prepared to give such a commitment we have to record our unanimous view that it will be difficult for any system of independent review to continue to operate effectively in the 'top salaries' field. In this context, we observe that, for more than thirty years, no real

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

alternative has been found. Independent judgment from some form of independent body, informed both by evidence and by relevant experience among its members, appears to be the best safeguard both of proper rewards for the four groups within our terms of reference and of the public interest.

BOYLE OF HANDSWORTH
HAROLD ATCHERLEY
GEORGE COLDSTREAM
HIRSHFIELD
PLOWDEN
SEEAR

OFFICE OF MANPOWER ECONOMICS
9 June 1978

APPENDIX A

SALARIES RECOMMENDED IN REPORT NO. 6

The following salaries were recommended with effect from 1 January 1975. Salaries currently in payment and the numbers in post at 1 January 1978 are also shown.

	<i>Report No.6 recommended salaries £</i>	<i>Salaries currently in payment¹ £</i>	<i>Numbers in post at 1 January 1978²</i>
(a) Senior grades of the higher civil service			
Head of the Home Civil Service Permanent Secretary to the Treasury Secretary to the Cabinet	23,000	(20,383)	3
Permanent Secretary	21,000	(18,883)	26
Second Permanent Secretary	19,000	(17,383)	16
Deputy Secretary	15,000	(14,208)	151
Under Secretary	12,000	(12,208)	545
(b) Senior officers of the armed forces			
Admiral of the Fleet Field Marshal Marshal of the Royal Air Force	23,000	(19,883)	1
Admiral General Air Chief Marshal	21,000	(18,133)	22
Vice-Admiral Lieutenant-General Air Marshal	15,000	(14,208)	37
Rear Admiral Major General Air Vice-Marshal	12,000	(12,208)	176
(c) Judiciary			
England and Wales			
<i>Higher Judiciary</i>			
Lord Chief Justice	27,000	(23,258)	1
Master of the Rolls	24,500	(21,383)	1
Lord of Appeal in Ordinary	24,500	(21,383)	9
Lord Justice of Appeal	22,500	(19,633)	16
President of the Family Division	22,500	(20,383)	1
High Court Judge	21,000	(18,883)	74
<i>Lower Judiciary</i>			
President, Lands Tribunal	16,000	(14,708)	1
Chief National Insurance Commissioner	15,500	(14,458)	1
Recorder of London ³	15,500	(15,508)	1
Common Serjeant ³	14,000	(14,083)	1
Member of the Lands Tribunal	14,000	(13,708)	5
National Insurance Commissioner	14,000	(13,708)	9
President of the Industrial Tribunals	14,000	(13,708)	1
Judge Advocate General	14,000	(13,708)	1
Circuit Judge	13,000	(13,208)	289
Master of the Court of Protection	13,000	(13,208)	1
Chief Metropolitan Magistrate	13,000	(13,208)	1

	<i>Report No.6 recommended salaries £</i>	<i>Salaries currently in payment¹ £</i>	<i>Numbers in post at 1 January 1978²</i>
Senior and Chief Masters and Registrars	12,500	(12,708)	5
Regional Chairmen of Industrial Tribunals	12,500	(12,708)	4
Chairman of the Foreign Compensation Commission	12,500	(12,708)	1
Registrar of the Court of Criminal Appeals	12,500	(12,708)	1
Chairmen of Industrial Tribunals	11,750	(11,958)	100
Metropolitan Magistrate	11,750	(11,958)	38
Masters and Registrars of the Supreme Court	11,000	(11,208)	31

Scotland

Higher Judiciary

Lord President of the Court of Session	24,500	(20,633)	1
Lord Justice Clerk	22,500	(19,508)	1
Judge of the Court of Session	19,000	(16,883)	18

Lower Judiciary

Sheriff Principal of Lanarkshire	16,000	(14,708)	} 6
Sheriff Principal of the Lothians	14,000	(13,708)	
Chairman of the Scottish Land Court	14,000	(13,708)	1
Sheriff A	13,000	(13,208)	15

Northern Ireland

Higher Judiciary

Lord Chief Justice	23,500	(19,758)	1
Lord Justice of Appeal	19,000	(16,758)	2
Puisne Judge	19,000	(16,758)	4

Lower Judiciary

Recorder of Belfast	14,000	(13,708)	1
County Court Judge	13,000	(13,208)	8

It was also recommended that the current holders of the appointments 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 members of nationalised industry Boards

Note:

Current salaries are not shown for the nationalised industry Boards. The salaries recommended in Report No. 6 have not been implemented, even in part, and the salaries remain as paid under the Groups A-C structure, shown in Report No. 6, Appendix A, with the addition of a supplement of £208 under the 1976-77 pay restraint measures and increases ranging between 5 per cent and 10 per cent paid with effect from 1 January 1978.

	<i>Report No.6 recommended salaries £</i>	<i>Numbers in post at 1 January 1978 (full-time) (part-time)</i>	
British Steel Corporation			
Post Office			
Chairman	40,000	2	—
Deputy Chairman*	28,000-33,000	2	—
Board member	21,500-27,500	5	18

	Report No.6 recommended salaries £	Numbers in post at 1 January 1978	
		(full-time)	(part-time)
British Airways Board			
British Gas Corporation			
British Rail			
Electricity Council			
National Coal Board			
Chairman	35,000	4	1
Deputy Chairman ⁴	24,000-29,000	5	1
Board member	18,000-22,000	25	27
Central Electricity Generating Board			
Chairman	33,000	1	—
Deputy Chairman ⁴	23,000-27,500	1	—
Board member	18,000-22,000	3	4
National Bus Company			
National Freight Corporation			
Chairman	24,000	—	2
Deputy Chairman ⁴	17,000-20,500	—	—
Board member	12,500-16,500	3	13
United Kingdom Atomic Energy Authority			
Cable and Wireless Limited			
Civil Aviation Authority			
Commonwealth Development Corporation			
North of Scotland Hydro-Electric Board			
South of Scotland Electricity Board			
Chairman	22,500	2	4
Deputy Chairman ⁴	15,500-19,000	5	1
Board member	11,500-15,000	7	41
British Airports Authority			
British Transport Docks Board			
Scottish Transport Group			
Chairman	18,000	1	2
Deputy Chairman ⁴	12,500-15,000	—	2
Board member	9,500-12,000	3	17
Area Electricity Boards			
Chairman	18,000-22,000	12	—
Deputy Chairman ⁴	12,500-15,000	12	—
British Waterways Board			
Chairman	12,000	—	1
Deputy Chairman ⁴	8,000-10,000	—	1
Board member	5,000-7,500	—	7

It was also recommended that part-time Board members should be paid on a *pro-rata* basis according to the time devoted to the appointment. Those whose normal attendance was 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.

Notes:

¹Including a supplement of £208 under the 1976-77 pay restraint measures.

²1 October 1977 for the senior grades of the higher civil service.

³The Recorder of London and the Common Serjeant are not covered in the current report (see paragraph 59).

⁴Or equivalent, including Vice-Chairman, Managing Director or Chief Executive.

APPENDIX B

1975 RECOMMENDED SALARIES IN THE 'NEW' NATIONALISED INDUSTRIES

The Review Body recommended the following salaries for full-time appointments in the nationalised industries which were set up early in 1975. The salaries are consistent with those recommended in Report No. 6 for the nationalised industries generally, in 1 January 1975 terms.

	£	Numbers in post at 1 January 1978	
		(full-time)	(part-time)
British National Oil Corporation			
Chairman	40,000-50,000	1	—
Deputy Chairman ¹	27,500-37,500	—	1
Board member	25,000-35,000	1	9
National Enterprise Board			
Chairman	45,000	1	—
Deputy Chairman ¹	30,000-35,000	1	—
Board member	22,500-28,500	—	9
British Aerospace			
British Shipbuilders			
Chairman	35,000	2	—
Deputy Chairman ¹	24,000-29,000	3	—
Board member	18,000-22,000	8	9
Scottish Development Agency			
Chairman	25,000	—	1
Deputy Chairman ¹	17,500-21,000	1	—
Board member	13,000-17,000	—	9
Welsh Development Agency			
Chairman	22,500	—	1
Chief Executive	15,500-19,000	1	—
Deputy Chairman	13,500-17,000	—	1
Board member	11,500-15,000	—	8

Note:

¹Or equivalent, including Vice-Chairman, Managing Director or Chief Executive.

Part-time appointments should be paid on a *pro-rata* basis according to the amount of time devoted to the appointment.

OFFICE OF MANPOWER ECONOMICS

APPENDIX C

ASSESSMENT OF THE VALUE OF SUPERANNUATION BENEFITS: A MEMORANDUM BY THE GOVERNMENT ACTUARY

1. At the request of the Office of Manpower Economics on behalf of the Review Body I have made a new assessment of the value of superannuation in various employments, for the use of the Review Body in the current review of top salaries in the public sector. An earlier assessment was made by my Department in January 1972 and brought up to date in September 1973; this assessment provided the basis for Appendix C to the Review Body's Report No. 6 in 1974. Consideration has been given, as in that assessment, to the Higher Civil Service, the Armed Forces, the Judiciary, the Nationalised Industries and the Private Sector.

2. The assessment takes the form of expressing the value of superannuation benefits attaching to various public and private sector employments as a level percentage addition to salary throughout service. The value of the benefits to an individual expressed in this way depends not only on the level of benefit entitlement but also on the progression of salary throughout service. I have been asked to make the comparison between these individual assessments for public and private sector posts in two forms. First, the value of the actual benefit rights of a senior civil servant is compared with the value of the benefits he would receive were he subject to the benefits of a typical nationalised industry or private sector scheme and with the values of the entitlements of equivalent ranks in the Armed Forces and the Judiciary; thus this comparison takes account only of differences in the scales of benefit. Secondly, the value of the benefit entitlement of holders of top posts in the nationalised industries and in the private sector is shown, according to the size of the organisation; these values take into account both the scales of benefit and the effect of differences in salary progression. There is no direct job-to-job comparison between specified public sector and private sector posts, as is made by the Pay Research Unit in relation to Civil Service salaries in general, since such comparisons would not be relevant to the Review Body's purpose.

THE DATA

3. Information has been provided by the Office of Manpower Economics about the superannuation benefits of some 3,000 anonymous individuals holding office as Chairman, Deputy Chairman, Other Board Member and Senior Executive in some 200 unnamed companies in the private sector and in over 40 unnamed nationalised industries. The private sector bodies have been divided into six size groups as have the nationalised industries (which however were all in the largest three size groups). Aggregate data on salaries have been given for each of the four posts and each size group. The average salaries, in 1977, varied from just over £9,000 p.a. for Senior Executives in the smallest size group to nearly £75,000 p.a. for Chairmen in the largest size group.

4. Adequate information on the superannuation benefits and remuneration of the higher Civil Service, the Armed Forces and the Judiciary was already available to me.

5. These data, for the private sector and the nationalised industries, are considerably more extensive than those available at the time of the previous assessment and they are reflected in the greater detail that it has been possible to give in the assessments in Annex I to this report.

THE APPROACH TO THE TASK

6. Three particular problems arise in an exercise of this nature when the careers being compared may be very different in character. The first concerns the length of career to be taken into account, the second concerns the salary progression over the career, and the third concerns the age at retirement. These are considered in turn below.

Length of career

7. For a senior civil servant, a 40-year career has been assumed. For the Armed Forces retirement at age 55 after a career of about 35 years was assumed and for the Judiciary a career of 15 to 20 years starting at age 50 or a little earlier.

8. In the public service it is usual for most benefits to vary directly with length of service. By contrast, 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 little, if any, smaller than those awarded for a 40-year career. It may be argued that an individual who has changed his employment several times and derived no benefit from, say, his first 20 years' service other than a refund of his pension fund contributions but who nevertheless receives substantially enhanced benefits in respect of his final employment is no better off on this account than a career civil servant. On the other hand, if the civil servant took up his career after a period of employment in the private sector his public service would not be enhanced except in very exceptional circumstances; on this argument, enhanced benefits where given in the private sector should be taken into account. For the same final benefits in each of two cases the value, expressed as a percentage of salary, over a 20-year career approaches double that over a 40-year career.

9. The data provided for the private sector show that under 250, or 10 per cent, of the individuals covered were late entrants with under 20 years of service possible by normal retiring age. Of these, somewhat under half were described as benefiting from some degree of enhancement of pension rights. In addition, it is reasonable to assume that a proportion of those with over 20 (but under 40) years of service possible by normal retiring age will also benefit from such arrangements. The data also show that in the nationalised industries the extent to which the individual benefits from discretionary enhancements is significant, although less so than in the private sector. It is, however, difficult to quantify the value of these enhancements with any precision. I have therefore assessed the value of superannuation benefits in the private sector and the nationalised industries on the assumption that in all cases they accrue over a 40-year period. Thus my assessments for the nationalised industries and the private sector may be slightly understated and the Review Body will want to take account of this point in formulating their recommendations.

Salary progression

10. Since virtually all of the pension schemes being considered are of the final salary type, the value of superannuation to a member is greatly affected by the progress of his salary over his career. For the higher Civil Service three career salary patterns have been constructed to represent those retiring in the grades of Permanent Secretary, Deputy Secretary and Under Secretary. For the Armed Forces and the Judiciary similar career patterns have been constructed for retirements in comparable posts. Where the recommendations of the Review Body's last report have not been fully implemented, alternative patterns have been constructed on the basis of the recommended salaries.

11. For the nationalised industries and the private sector, the approach has been to construct for the average Chairman, Deputy Chairman, Other Board Member and Senior Executive an average salary progression for each size group referred to in paragraph 3 above. The information provided on salaries, also referred to in that paragraph, has been taken into account in constructing appropriate career progressions; for example, in a post where the average salary in 1977 was much higher than that of a senior civil servant, a very much steeper progression of salary over the 40-year career has been assumed than for the civil servant.

Age at retirement

12. Among the items of data provided for the private sector and nationalised industries was the normal retiring age in each case, i.e. the age at which retirement can take place with full benefits. These ages correspond to a retirement age of 60 for the Civil Service. It has been assumed however that in the private sector and nationalised industries, as in the case of the Civil Service, the actual average retirement age is a year or two above the minimum. The retirement ages assumed for the Armed Forces and the Judiciary are referred to in paragraph 7 above.

THE BASIS OF THE CALCULATIONS

The economic assumptions

13. One of the most important elements entering into the calculation of the value of superannuation benefits is the assumed relationship in the long term between interest rates and salary and price inflation; the absolute values of these rates are, for this purpose, far less important than their relative values. It has been assumed in the calculations that the rate of return on investments is $1\frac{1}{2}$ per cent per annum in excess of inflationary increases in salaries (separate allowance is made for normal salary progression on promotion, etc.) and 3 per cent per annum in excess of increases in the cost of living. These rates are below the rates assumed in the calculations made for the Review Body's previous report which were 2 per cent and 4 per cent respectively. A gross rate of interest of 9 per cent per annum has been used in the calculations; this implies a long-term average rate of increase in the cost of living of 6 per cent per annum.

14. Closely linked to the question of inflation, and its assumed level in the future, is the question of pensions increases in the private sector. In the public

sector it has been assumed that pensions increases will continue to follow increases in the cost of living, but in the private sector there is generally no firm provision for this level of increases, except a guarantee of protection up to a very modest level, such as 3 per cent or 5 per cent a year. The data provided by the Office of Manpower Economics included the actual levels of pensions increases in the years 1974-76 and they showed that very many firms gave substantial increases over that period to their retired board members and senior executives. It is not possible to determine the exact proportion of cost of living increases which is covered by pensions increases since the exact period to which each increase relates is not given in the data. However, a summary of the data on an approximate basis is given in Annex II.

15. The period 1974-76 was of course one of very high inflation and it may be expected that firms will be able to afford larger pensions increases (as a proportion of increases in the cost of living) in times of lower inflation. Indeed it seems most likely that when the rate of inflation is very low the pension will be fully protected against inflation. Another consideration is that from April 1978 the new State pension scheme will provide inflation-proofing for some part of the pensions paid by contracted-out schemes—but the effect of this for board members and senior executives, who earn much above the upper earnings level of the new scheme, will be fairly small. Bearing these considerations in mind it has been thought appropriate to assume for any particular scheme a level of pensions increases (expressed as a percentage of increases in the cost of living) one-third of the way between the proportion when inflation was very high (the proportion given by the data) and the proportion when inflation is very low (i.e. 100 per cent). For example, where a scheme covered 40 per cent of cost of living increases in 1974-76 it has been assumed that in future it will cover $40 + \frac{1}{3}(100-40)$, or 60 per cent, of cost of living increases; thus in terms of the average long-term rate of increases in the cost of living of 6 per cent per annum assumed, pensions increases in that scheme would average 3.6 per cent per annum.

THE RESULTS

16. In assessing the worth of each individual's superannuation benefit, the levels of benefit in each scheme considered were found from the data provided by the Office of Manpower Economics, supplemented where necessary by more general information also available to me. This covers the benefits payable on retirement on grounds of ill-health or age, including pension and lump sum benefits, and also lump sums and widows' pensions payable on death in service or after retirement. Regard has been had to the pensionable pay formula for superannuation benefits and, as mentioned earlier, appropriate career structures. Account has been taken in the public sector of entitlement to increases similar to those under the Pensions (Increase) Acts and in the private sector of assumed levels of future pensions increases based on the company's past practice as described in the previous paragraph.

17. The contribution rates assessed as a percentage of salary over a full career (40 years except in the case of the Armed Forces and the Judiciary) sufficient to provide the benefits have not been reduced by the amount of any contribution payable by the member, and the results will need appropriate

adjustment for this feature. Similarly no account has been taken of the tax relief that may be given on members' contributions, nor of whether or not the benefits are taxable.

18. The value of superannuation rights for the public service schemes, other public sector schemes and private sector schemes on the basis of the career patterns and economic assumptions described in earlier paragraphs and a basis of mortality and premature retirement common to all schemes is given in Annex I. The comparisons in Table A between the Civil Service, Armed Forces, the Judiciary, the nationalised industries and the private sector, are shown separately for three broadly comparable careers and final salaries. The figures in the table for the nationalised industries and the private sector represent the value of the benefits to a senior civil servant had he been subject to the benefits of a typical nationalised industry or private sector scheme instead of the Civil Service scheme. Thus the figures compare only the value of the superannuation benefit structure of the different types of employment. Where the Review Body's earlier recommendations have not been fully implemented, figures on the basis of the recommended salaries are also given.

19. Table B covers only top posts in the nationalised industries and the private sector. These percentages of salary allow for the combined effect of the superannuation benefit structure and the average salary pattern appropriate to the particular post and the size group of the nationalised industry or private sector company. The figures for the four top posts shown in Table B are directly comparable to those for the three careers in each of the Civil Service, the Armed Forces and the Judiciary in Table A, in that they are each based on appropriate salary careers.

20. The figures in Table A of Annex I differ considerably from the comparable figures in Annex III to Appendix C of Cmnd. 5846. There are three main reasons for these differences:

- (i) The previous figures were given net after deduction of any contribution by the member, whereas the present figures are the total value of superannuation benefits, with no deduction for member contributions. This has no effect on the values given for the Armed Forces scheme which is non-contributory, but does have an effect for the Civil Service (where men pay contributions of 1½ per cent for family benefits), the Judiciary (where a similar contribution of up to 4 per cent is paid), the nationalised industries and the private sector (where most schemes are contributory with average contributions in 1973 of 6·8 per cent and 3 per cent respectively—see Table on page 176 of Cmnd. 5846).
- (ii) Increases in salaries since 1972 have been much greater, proportionately, in the posts in which senior men begin their careers than in the posts they hold at retirement; this "flattening" of career salary progressions much reduces the value of a final-salary pension. The effect of this factor is greatest for the most senior posts, except for the Judiciary whose pension arrangements cover only their careers after appointment as judges and do not include long periods in more junior posts.

- (iii) The economic assumptions that have been made on this occasion are of higher rates of inflation and of lower real rates of interest (net of salary- and price-inflation) than those used on the previous occasion. This increases the value of a final-salary pension fully protected against inflation after award; it also increases the difference in value between a pension which is increased after award in line with the cost of living and one with smaller increases.

21. These factors have very different effects on the values at different grades and in different schemes. To take as an example the values for the Civil Service, the previous figure of 30 per cent for a Permanent Secretary, adjusted on account of employee contributions (see paragraph 20 (i)) to 31½ per cent, is now reduced to 24¼ per cent (or 25½ per cent) because the flattening of career salary progression is the factor with by far the largest effect, but for an Under Secretary the previous figure of 20 per cent, adjusted to 21½ per cent, remains virtually unchanged at 21¼ per cent because of the equal and opposite effect of the other two factors, (ii) and (iii), for this grade and scheme.

E. A. JOHNSTON
GOVERNMENT ACTUARY

Government Actuary's Department
London SW1
24 April 1978

ANNEX I

VALUE OF SUPERANNUATION BENEFITS AS A PERCENTAGE OF SALARY THROUGHOUT CAREER

Table A—Values for top Civil Servants, senior officers of the Armed Forces, the Judiciary.
(per cent of salary)

	Career leading to retirement in grade stated in table:		
	(Permanent Secretary)	(Deputy Secretary)	(Under Secretary)
Civil Service	24¼ (25½)	22¼ (22¾)	21¼
Career with similar final salary to civil servant with typical Nationalised Industry scheme benefits	23 (24)	21 (21½)	20
Career with similar final salary to civil servant with typical Private Sector company scheme benefits	19½ (20½)	18 (18½)	17
Armed Forces	(General) 39¾ (41)	(Lieutenant General) 37½ (38)	(Major General) 36½
Judiciary	(High Court Judge) 36 (36)	(Circuit Judge) 36 (36)	(Metropolitan Magistrate) 31

Figures in brackets are values calculated as if the salary levels recommended by the Review Body in 1974 had been implemented by 1977.

Table B—Values for senior posts in Nationalised Industries and in the Private Sector
(Taking into account the salaries in 1977 of the various posts)

Category of Employer (by net assets in £ million)	Career leading to retirement as:			
	Chairman	Deputy Chairman	Other Board Member	Senior Executive
1. Nationalised Industries				
over 1250	24	23½	21½	21¼
over 250 but under 1250	23¼	22¼	22¼	21
over 50 but under 250	21	20¼	20¼	20¼
2. Private Sector Companies				
over 1250	39¾	37½	32¼	27¼
over 250 but under 1250	30¾	29½	26½	21
over 50 but under 250	25	24	20¾	18
over 10 but under 50	20¾	19¼	17¾	14¾
under 10	18¾	18¾	17	13¾
Financial Companies	29½	26½	26	21¾

Notes to Tables A and B:

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 described in the text.
3. The value of superannuation benefits shows the total contribution needed and includes any contribution payable by the employee.

ANNEX II

Pensions Increases in the Private Sector

Category of Employer (by net assets in £ million)	Number of companies covered by data	Number of companies giving information on increases in 1974-76	Average pension increases expressed as proportion of increase in the cost of living from July 1973-June 1976
			per cent
1. Board Members			
over 1250	5	5	74
over 250 but under 1250	32	28	49
over 50 but under 250	59	46	43
over 10 but under 50	52	40	32
under 10	33	21	22
Financial companies	16	12	60
2. Senior Executives			
over 1250	4	4	70
over 250 but under 1250	31	28	50
over 50 but under 250	55	44	45
over 10 but under 50	48	41	29
under 10	32	22	22
Financial companies	22	20	53

APPENDIX D

LIST OF INDIVIDUALS AND ORGANISATIONS WHO GAVE EVIDENCE OR ADVISED US OR ASSISTED IN OUR INQUIRIES

Individuals who gave evidence or advised us

- Hon. Mr. Justice Ackner, High Court Judge
Sir Douglas Allen GCB (now Lord Croham), then Permanent Secretary, Civil Service Department and Head of the Home Civil Service
Mr. P. L. Avery, Chairman of the Staff Side of the Civil Service National Whitley Council
Rt. Hon. Sir George Baker OBE, President of the Family Division of the High Court of Justice
Sir Peter Baldwin KCB, Permanent Secretary, Department of Transport
Mr. R. E. Ball CB, MBE, Chief Master of the Supreme Court, Chancery Division
Sir Ian Bancroft KCB, then Permanent Secretary, Department of the Environment, now Permanent Secretary, Civil Service Department and Head of the Home Civil Service
Sir William Barlow, Chairman, Post Office
Sir Kenneth Barraclough CBE, TD, JP, former Chief Metropolitan Magistrate
Mr. R. L. Bayne-Powell, Senior Registrar in the Family Division of the High Court of Justice
Mr. B. J. Bennett, Deputy Director, Scottish Courts Administration
Mr. R. D. Berridge, Chairman, South of Scotland Electricity Board
Rt. Hon. Lord Beswick JP, Chairman, British Aerospace
Mr. J. R. Bickford-Smith TD, Master of the Supreme Court, Queen's Bench Division
Mr. P. B. Black JP, Chairman, Thames Water Authority
Mr. J. W. Bourne CB, Permanent Secretary, Lord Chancellor's Department
Mr. D. E. Brandrick, Secretary, National Coal Board
His Honour Judge James A. Brown, County Court Judge
Sir Humphrey Browne CBE, Chairman, British Transport Docks Board
Mr. J. R. Buckenham, Secretary, National Water Council
Mr. F. G. Burrett CB, Deputy Secretary, Civil Service Department
Marshal of the Royal Air Force Sir Neil Cameron GCB, CBE, DSO, DFC, Chief of the Defence Staff
Sir Peter Carey KCB, Permanent Secretary, Department of Industry
Mr. R. Chamberlain TD, Master of the Supreme Court, Chancery Division
Mr. M. B. Cholmondeley Clarke, Master of the Supreme Court, Chancery Division
Mr. R. Cook FCA, Chairman, South Wales Electricity Board
Mr. A. Cooke, Secretary, Cable and Wireless Limited
Sir Frank Cooper KCB, CMG, Permanent Under Secretary of State, Ministry of Defence

Sir David Davies, Chairman, Welsh Development Agency
 Mr. F. H. Dean CB, Judge Advocate General
 Rt. Hon. Lord Denning, Master of the Rolls
 Mr. G. C. Dick, Under Secretary, Department of Trade
 Mr. D. G. Dodds CBE, Chairman, Merseyside and North Wales Electricity Board and Chairman, Association of Members of State Industry Boards
 Hon. Mr. Justice Donaldson, High Court Judge
 Mr. J. Driscoll, Director, Nationalised Industries Chairmen's Group
 Mr. Michael Edwardes, Chairman, British Leyland Limited
 Mr. W. A. Elliott MC, QC, President, Lands Tribunal for Scotland
 Mr. N. D. Ellis, General Secretary, Association of First Division Civil Servants
 Rt. Hon. Lord Elwyn-Jones CH, Lord Chancellor
 Miss J. M. Emery, Secretary of the Post Office
 Rt. Hon. Lord Emslie, Lord Justice General of Scotland and Lord President of the Court of Session
 Mr. G. England, Chairman, Central Electricity Generating Board
 Mr. Michael English, MP for Nottingham (West) and Chairman, General Sub-Committee of the House of Commons Expenditure Committee
 Sir Hywel Evans KCB, Permanent Secretary, Welsh Office
 Sir Derek Ezra MBE, Chairman, National Coal Board
 Mr. N. G. Foulkes, Chairman, Civil Aviation Authority
 Sir Douglas Frank QC, President of the Lands Tribunal
 Mr. B. Friend, Board Member for Finance, British Aerospace
 Rt. Hon. Lord Justice Gibson, Lord Justice of Appeal, Northern Ireland
 Mr. B. A. Gillman, General Secretary, Society of Civil and Public Servants
 Rt. Hon. Lord Glenamara CH, Chairman, Cable and Wireless Limited
 Dr. P. W. Glover, Director General of Staff, National Coal Board
 Mr. T. R. H. Godden CB, Secretary, Scottish Economic Planning Department
 Mr. G. J. Graham-Green CB, TD, Chief Taxing Master of the Supreme Court
 Sir William Gray JP, Chairman, Scottish Development Agency
 Admiral Sir Anthony Griffin GCB, Chairman, British Shipbuilders
 Sir Eric Griffith-Jones KBE, CMG, QC, Chairman, Commonwealth Development Corporation
 Sir Douglas Haddow KCB, Chairman, North of Scotland Hydro-Electric Board
 Mr. P. J. Harrop, Deputy Secretary, Department of the Environment
 Mr. P. B. Henderson, Secretary, Association of Members of State Industry Boards
 Sir James Henry CMG, MC, TD, QC, Chairman, Foreign Compensation Commission
 Sir John Hill, Chairman, United Kingdom Atomic Energy Authority
 Mr. M. D. Hobkirk, Under Secretary, Lord Chancellor's Department

Hon. Mr. Justice Hollings, High Court Judge
 Mr. F. T. Horne, Master of the Supreme Court Taxing Office
 Sheriff A. C. Horsfall, President of the Sheriffs' Association
 Mr. D. F. Hubback CB, Special Adviser to the Expenditure Committee of the House of Commons
 Mr. R. D. Ireland QC, Director, Scottish Courts Administration
 Mr. I. H. Jacob QC, Senior Master of the Supreme Court, Queen's Bench Division
 Mr. Walter Johnson, MP for Derby South
 His Honour Judge William Johnson, County Court Judge, Northern Ireland
 Sheriff Principal C. H. Johnston, Sheriff Principal of South Strathclyde, Dumfries and Galloway
 Mr. E. A. Johnston CB, Government Actuary
 Mr. P. D. Jones, Secretary, Staff Side of the Civil Service National Whitley Council
 Lord Kearton OBE, Chairman, British National Oil Corporation
 Sir Kenneth Keith, Chairman, Rolls Royce Limited
 Mr. W. L. Kendall, Secretary General of the Staff Side of the Civil Service National Whitley Council
 Rt. Hon. Ronald King Murray QC, MP, Lord Advocate
 Mr. R. S. Lankester, Clerk of the Expenditure Committee, House of Commons
 Hon. Mr. Justice Latey, High Court Judge
 Rt. Hon. Lord Justice Lawton, a Lord Justice of Appeal
 His Honour Judge Leslie, a Circuit Judge
 Rt. Hon. Sir Robert Lowry, Lord Chief Justice of Northern Ireland
 Mr. W. McCall, General Secretary, Institution of Professional Civil Servants
 Mr. P. A. McCunn, Deputy Chairman, Cable and Wireless Limited
 Mr. Ian MacDonald MC, QC, President, Industrial Tribunals for Scotland
 Mr. E. J. T. Matthews TD, Master of the Supreme Court Taxing Office
 Mr. J. F. Milward, Chairman of the Society of Stipendiary Magistrates of England and Wales
 Sir Nicholas Morrison KCB, Permanent Under Secretary of State, Scottish Office
 Sir Leslie Murphy, Chairman, National Enterprise Board
 Sheriff C. G. B. Nicholson, Secretary, Sheriffs' Association
 Mr. M. P. Nolan QC, Treasurer of the Senate of the Inns of Court and the Bar
 Rt. Hon. Lord Nugent of Guildford, Chairman, National Water Council
 Sheriff Principal F. W. F. O'Brien QC, Sheriff Principal of North Strathclyde
 The Official Referees for the South Eastern Circuit
 Hon. Mr. Justice Oliver, High Court Judge
 Mr. R. W. Orson, Member for Finance, Electricity Council
 Mr. V. G. Paige, Deputy Chairman, National Freight Corporation

Mr. G. M. Parbury, Chief Registrar of the High Court of Justice in Bankruptcy

Hon. Mr. Justice Parker, High Court Judge

Sir Peter Parker MVO, Chairman, British Railways Board

Mr. N. J. Payne CBE, Chairman, British Airports Authority

Sir Daniel Pettit, Chairman, National Freight Corporation

Mr. H. T. H. M. Phelps, Member, British Airways Board

Hon. Mr. Justice Phillips, President, Employment Appeal Tribunal

Sir Leo Pliatzky KCB, Permanent Secretary, Department of Trade

Sir Peter Preston KCB, Permanent Secretary, Ministry of Overseas Development

Sir Frank Price DL, Chairman, British Waterways Board

Mr. T. E. Radice, Assistant Secretary, National Enterprise Board

Sir Jack Rampton KCB, Permanent Secretary, Department of Energy

Sheriff Principal R. Reid QC, Sheriff Principal, Glasgow and Strathkelvin

Sir Stanley Rees TD, DL, former High Court Judge

Mr. J. Ritchie MBE, Master of the Supreme Court, Queen's Bench Division

Mr. L. F. Robertson CBE, Deputy Chairman and Chief Executive, Scottish Development Agency

Sir Denis Rooke CBE, Chairman, British Gas Corporation and then Chairman, Nationalised Industries Chairmen's Group

Mr. C. A. Rose, Member for Personnel, British Railways Board

Mr. E. C. S. Russell, Chief Metropolitan Magistrate

Lord Ryder of Eaton Hastings, then Chairman, National Enterprise Board

Mr. E. A. Seeley, President of Industrial Tribunals (England and Wales)

Mr. A. F. Skinner, Chairman, Anglian Water Authority

Mr. G. D. Squibb QC, JP, President, Transport Tribunal

His Honour Judge Sunderland, a Circuit Judge

Mr. R. J. A. Temple CBE, QC, Chief National Insurance Commissioner

Sir Patrick Thomas DSO, TD, then Chairman, Scottish Transport Group

Sir Francis Tombs, Chairman, Electricity Council

His Honour Judge Trapnell, a Circuit Judge

Sir Charles Villiers MC, Chairman, British Steel Corporation

Mr. A. J. Walmsley, Secretary of the Northern Ireland Resident Magistrates' Association

Mr. J. R. Watts, Principal Actuary, Government Actuary's Department

Mr. J. A. Wedgwood, Chairman, Southern Electricity Board

Rt. Hon. Lord Widgery OBE, TD, Lord Chief Justice of England

Sir Frederick Wood, Chairman, National Bus Company

Mr. R. L. Worsfold, Member for Personnel, British Gas Corporation

Government Departments

Civil Service Department
 Department of Energy

Department of the Environment
Department of Industry
Department of Trade
Department of Transport
Lord Chancellor's Department
Ministry of Defence
Ministry of Overseas Development
Scottish Courts Administration
Scottish Office
Welsh Office

Organisations

Association of Members of State Industry Boards
British Medical Association
Confederation of British Industry
Council of Her Majesty's Circuit Judges
Council of Her Majesty's County Court Judges in Northern Ireland
Faculty of Advocates
General Council of the Bar of Northern Ireland
Hay-MSL Limited
Nationalised Industries Chairmen's Group
Northern Ireland Resident Magistrates' Association
Royal Commission on Legal Services
Royal Commission on Legal Services in Scotland
Senate of the Inns of Court and the Bar
Sheriffs' Association
Society of Stipendiary Magistrates of England and Wales
Staff Side of the Civil Service National Whitley Council

Industry

PRIVATE SECTOR

Over 200 companies in the private sector of industry, commerce and finance co-operated in the salaries survey carried out by the Office of Manpower Economics.

PUBLIC SECTOR

British Aerospace
British Airports Authority
British Airways Board
British Gas Corporation
British National Oil Corporation
British Rail
British Shipbuilders
British Steel Corporation
British Transport Docks Board
British Waterways Board
Cable and Wireless Limited

Central Electricity Generating Board
Civil Aviation Authority
Commonwealth Development Corporation
Electricity Council
National Bus Company
National Coal Board
National Enterprise Board
National Freight Corporation
National Water Council
North of Scotland Hydro-Electric Board
Post Office
Scottish Development Agency
Scottish Transport Group
South of Scotland Electricity Board
United Kingdom Atomic Energy Authority
Welsh Development Agency

Area Electricity Boards:

Eastern Electricity Board
East Midlands Electricity Board
London Electricity Board
Merseyside and North Wales Electricity Board
Midlands Electricity Board
North Eastern Electricity Board
North Western Electricity Board
South Eastern Electricity Board
Southern Electricity Board
South Wales Electricity Board
South Western Electricity Board
Yorkshire Electricity Board

Regional Water Authorities:

Anglian Water Authority
Northumbrian Water Authority
North West Water Authority
Severn-Trent Water Authority
Southern Water Authority
South West Water Authority
Thames Water Authority
Wessex Water Authority
Yorkshire Water Authority
Welsh National Water Development Authority

APPENDIX E
SURVEY OF TOP SALARIES

*(Carried out by the Office of Manpower Economics on
 behalf of the Review Body on Top Salaries)*

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SURVEY OF TOP SALARIES

Part A: Salaries and total remuneration

Scope, purpose and response

1. On behalf of the Review Body on Top Salaries, the Office of Manpower Economics carried out a survey of salaries paid to top management (Chairmen, Deputy Chairmen, main Board members and senior executives reporting directly to the main Board) in private and nationalised industries in September 1977 compared with September 1974. The survey also collected information on the superannuation arrangements and other benefits available, so as to provide the basis for estimating the total remuneration attached to the appointments covered. This is the third¹ survey carried out by the OME for this purpose and, on each occasion, the Confederation of British Industry was consulted about the form of the survey.

2. The sample was again drawn from 'The Times 1000' list of largest companies, with the addition of a number of finance organisations. Table 1 shows the coverage and response in detail; they are compared in summary with the equivalent figures from the 1973 survey in Table A below. The sample was larger than in 1973. On that occasion it consisted, in the main, of the organisations which had responded to the 1971 survey or had indicated their willingness to take part in a future survey; on this occasion, it consisted of 328 organisations in the private sector and 49 nationalised industries—including the 12 Area Electricity Boards and the 9 Regional Water Authorities. The number that responded in the private sector in 1977 was also higher (212 compared with 148), but the response rate was 65 per cent on both occasions.

3. Because the survey covered a three-year period, and because comparative salary information was required only for appointments whose nature and responsibilities had not changed materially during the period, some organisations in the private sector were able to provide salary information for 1977 only. The nationalised industries which had been established after September 1974 likewise could provide 1977 information only. Other organisations gave information only for appointments in their structure where there had not been material change and omitted those where a change in the nature of the job or responsibilities had occurred. As in the previous surveys, the total number of appointments for which each organisation was asked to provide information was limited to a maximum of 30.

4. The first part of the questionnaire sought information for each appointment covered on salary (including directors' fees) at September 1974 and September 1977 and, for the private sector organisations only, on bonus (including commission and profit-sharing payments) received in the preceding year and, in respect of September 1977 only, the level of 'employer' and 'employee' superannuation contributions. The second part of the questionnaire covered separately Board members (including Chairmen and Deputy

¹The analysis of the first survey, which did not cover fringe benefits, was given in Report No. 2, Interim Report on Top Salaries (Cmnd. 5001, June 1972), Appendix E, and of the second survey was given in Report No. 6, Report on Top Salaries (Cmnd. 5846, December 1974), Appendix L.

Table A

Comparison of the coverage and response to the 1977 and 1973 surveys

	1977 survey						1973 survey					
	Questionnaires despatched ^a	Usable replies received	Percentage response rate	Number of posts covered			Questionnaires despatched ^a	Usable replies received	Percentage response rate	Number of posts covered		
				Board members ^b	Senior executives	Total				Board members ^b	Senior executives	Total
	No.	No.	%	No.	No.	No.	No.	No.	%	No.	No.	No.
Private sector												
Commercial and industrial with net assets:												
£1,250m and over	5	5	100.0	40	77	117	3	3	100.0	11	32	43
£250m but under £1,250m	42	32	76.2	220	338	558	18	16	88.9	138	209	347
£50m but under £250m	81	61	75.3	334	573	907	57	45	78.9	334	421	755
£10m but under £50m	99	55	55.6	245	390	635	74	47	63.5	247	367	614
Under £10m	72	34	47.2	140	239	379	53	23	43.4	111	138	249
Total	299	187	62.5	979	1,617	2,596	205	134	65.4	841	1,167	2,008
Financial	29	25	86.2	71	146	217	21	14	66.7	85	85	170
Total	328	212	64.6	1,050	1,763	2,813	226	148^d	65.5	926	1,252	2,178
Nationalised industry^c												
Net assets:												
£1,250m and over	6	6	100.0	25	94	119	5	5	100.0	30	90	120
£250m but under £1,250m	17	16	94.1	44	155	199	5	5	100.0	28	85	113
£50m but under £250m	25	24	96.0	58	179	237	19	19	100.0	46	174	220
£10m but under £50m	1	0	—	—	—	—	3	3	100.0	11	29	40
Total	49	46	93.9	127	428	555	32	32	100.0	115	378	493

^a Excluding those organisations found to be out of the scope of the survey.

^b Including Chairmen and Deputy Chairmen.

^c Including certain part-time Board member posts.

^d Including 8 organisations not submitting data on pension arrangements.

Chairmen) and senior executives, and asked for details of pension arrangements, of share option or incentive schemes, of the provision of company cars, of loans for housing and other purposes, of general expenses allowances and of a number of other fringe benefits.

Increase in salaries from 1974 to 1977 (Tables 2 and 3)

5. Table 2 shows the levels of average salaries alone and of average salaries plus bonus (including commission and profit sharing) in September 1974 and September 1977, and the percentage increases between them for the 2,419 posts in the private sector and the 468 in nationalised industries for which data for both dates were provided. In the private sector, the percentage increases were in general smaller in the larger companies where higher salaries are paid, and were also smaller for the higher appointments than for the lower. In the largest companies, where salary plus bonus, commission and profit sharing in 1974 was some three to four times as high as in the commercial and industrial companies with net assets under £10m, the increases range (in round figures) from 13 per cent for Chairmen to 25 per cent for Board members and 39 per cent for senior executives. In the smallest size group of companies (net assets under £10m), they range from 22 per cent for Chairmen to 42 per cent for Board members and 44 per cent for senior executives. The increases for senior executives in the nationalised industries range from 23 per cent to 29 per cent and, by comparison, look modest; those for Board members, Deputy Chairmen and Chairmen range between 0.2 per cent and 7.4 per cent and are exceptionally low.

6. The private and nationalised industry organisations are compared in terms of size (net assets) in this and other tables¹. On this basis, the salaries of Deputy Chairmen and main Board members in the largest size group of nationalised industries are now lower than salaries plus bonus, commission and profit sharing for the equivalent appointments in the smallest size group in private industry, whereas in 1974 they fell nearer to the middle of the range of mean salaries plus bonus etc in the private sector (Table 2). On the same basis of comparison, senior executives in nationalised industries have lost some ground and have only just maintained their position above the middle of the range of mean salaries plus bonus etc shown in the table for the private sector.

7. Table 3 is likewise based only on those appointments for which salary information was given for both 1974 and 1977 and shows the increases over the period in salary and in salary plus bonus, commission and profit sharing, by ranges of the level of salary plus bonus etc in 1974. In the private sector, the percentage increases at the higher salary levels are very much smaller than those at lower levels and differentials have narrowed throughout. The average percentage increase in salary plus bonus etc in each range above £20,000 in the private sector is less (sometimes much less) than half of the average increases in the two ranges below £6,000. The nationalised industry increases are significantly smaller in every range than in the private sector and, above £12,500, fall very far short of them.

¹The limitations of the relevance of size factors are indicated in Chapter 6 (paragraph 82), and in our Report No. 6 (Review Body on Top Salaries, Report No. 6: Report on Top Salaries—Cmd. 5846, paragraph 116).

Date of last salary increase (Table 4)

8. The salaries of 35 per cent of the private sector appointments covered by the survey had been increased in the September 1977 quarter: this compares with 6 per cent only in the September 1973 quarter in the previous survey. The present survey therefore includes a substantial number of increases made under the post-31 July 1977 restraint measures, which provided a measure of flexibility within a main general 'overall 10 per cent' limit plus provision for self-financing productivity arrangements.

9. Table 4 also shows that the salaries for 61 per cent of the Chairmen appointments and 67 per cent of the Deputy Chairmen appointments in the private sector had been increased in the year to September 1977. In practice, as many as 7 per cent of the Chairmen and 5 per cent of the Deputy Chairmen had had no increase since September 1974 or earlier.

Comparison of salaries in September 1977 (Table 5)

10. Table 5 and later tables are based on all the appointments for which September 1977 information is provided. In the comparisons between corresponding size groups, the salaries in the nationalised industries exceed those in the private sector in two areas only: the lowest decile and the lower quartile for senior executives in the £50m to under £250m size group (£10,800 and £11,500 respectively in the nationalised industries, and £8,500 and £10,200 in the private sector). All other salaries for each level of appointment in the private sector are higher than the salaries in the nationalised industries in corresponding size groups; the differences are most marked in the largest net assets size group. Apart from Chairmen in the £1,250m and over net assets group and other Board members in the £250m-£1,250m net assets group, the mean salaries at Board level in the nationalised industries are lower than the mean salaries for the corresponding levels of appointment in the under £10m net assets group in the private sector.

Ranges of salaries in private and nationalised industry (Tables 6A to D)

11. Tables 6A-D relate respectively to Chairmen, Deputy Chairmen, main Board members and senior executives and compare the distributions of salary plus bonus, commission and profit sharing payments in the private sector with the distributions of salaries in the nationalised industries, by size group. The tables show that for each level of appointment within each size group, a very wide range of salary plus bonus etc is paid in the private sector. Even so, they also show that, except in the case of senior executives in organisations with net assets between £50m and £1,249m, the nationalised industry ranges are, in general, very much lower than the ranges for the equivalent appointments and size groups in the private sector.

Superannuation contributions

12. The 'total remuneration package' (Tables 7 and 8) reflects the Government Actuary's estimates, based on the survey data, of the average total percentage contributions over a full career necessary to provide the stated benefits of the pension schemes (Appendix C, Annex I, Table B). The employer's contribution—the benefit to the employee—has been derived by

deduction of the 'employee's' contributions shown in the salaries survey. This method has been used in preference to the use of the employers' contributions recorded by the survey because the figures that result from the use of the Government Actuary's basis are not affected by the exceptional deficiency contributions made by some of the organisations covered in the survey and do, therefore, reflect more closely the annual benefit to the employee. The total percentage contributions calculated by the Government Actuary are compared in Table B with the sum of the employers' and employees' contributions shown by the survey.

Valuation of fringe benefits

13. The methods adopted to assess the benefit of loans, company cars and other fringe benefits are described in the Annex to this Appendix. Some of the assumptions made to enable the value to the recipient of a company car to be assessed are inevitably arbitrary: the main assumption is that 10,000 miles a year (the normal basis for calculations by the Automobile Association) are travelled; that one-half of this is private motoring; and that the ratio of the benefit to cost is equal to the proportion of private mileage out of the total. The Royal Commission on the Distribution of Income and Wealth made an assessment of the benefit to an individual of the provision of a company car in its 1975 Report on Higher Incomes from Employment¹, but it did not express a view on the proportion of mileage that could properly be taken as representing use other than for business purposes. Instead, the report gave two illustrative examples, one based on 6,667 miles on business and 3,333 miles of private use, and one based on 10,000 miles of private motoring and no business use. As the proportion of private use will vary widely between individuals, it seems reasonable to assume a 50:50 ratio at the level of Board member or senior executive.

Total remuneration

14. Table 7 gives a detailed breakdown of total remuneration for main Board members (including Chairmen and Deputy Chairmen) and senior executives in both the private sector and in nationalised industry. Total remuneration for main Board members in the private sector averaged just over £31,000 at end-September 1977, some 28 per cent higher than salary plus bonus, commission and profit sharing payments, whereas in nationalised industry it averaged nearly £20,000, or 24 per cent higher than salary. The average salary of senior executives in nationalised industry of about £13,900 was at broadly the same level as the average salary plus bonus etc of senior executives in the private sector covered by the survey, but superannuation and fringe benefits added 21 per cent in the nationalised industries compared with 24 per cent in the private sector.

15. The percentage addition to salary plus bonus etc from superannuation and fringe benefits for Board members in the private sector has risen slightly (by 3 percentage points) compared with the position shown by the 1973 survey, but the addition for Board members in the nationalised indus-

¹Royal Commission on the Distribution of Income and Wealth, Report No. 3—Cmd. 6383, January 1976.

Table B
Comparison of total superannuation contributions

	Chairman		Deputy Chairman		Other main Board members		Senior executives	
	Government Actuary's valuation	Actual contributions in survey	Government Actuary's valuation	Actual contributions in survey	Government Actuary's valuation	Actual contributions in survey	Government Actuary's valuation	Actual contributions in survey
Private sector	%	%	%	%	%	%	%	%
Commercial and industrial with net assets:								
£1,250m and over ^a	39¾	(24.2)	37½	(28.7)	32¼	(26.8)	27¼	(23.7)
£250m –	30¾	27.6	29½	40.3	26½	31.8	21	25.6
£50m –	25	37.9	24	34.6	20¾	27.6	18	26.6
£10m –	20¾	27.1	19¼	19.5	17¾	18.3	14¾	17.9
Under £10m	18¾	17.1	18¾	15.7	17	16.5	13¾	16.1
Financial	29½	31.0	26½	31.0	26	26.7	21¾	24.3
Nationalised industry								
Net assets:								
£1,250m and over ^b	24	(14.0)	23½	(21.4)	21½	(18.6)	21¼	(18.2)
£250m –	23¾	13.9	22¼	16.9	22¼	17.5	21	18.7
£50m –	21	16.0	20¼	16.6	20¼	20.0	20¼	20.4

^a Three organisations only for salaries survey contributions column.

^b Five organisations only for salaries survey contributions column.

tries has improved by 7 percentage points (mainly from superannuation benefits). Consequently, although the salary advantage of Board members in the private sector has increased from some 26 per cent in 1973 to 50 per cent in 1977, their average total remuneration advantage has increased less—from 36 per cent to around 55 per cent.

16. Superannuation arrangements and the provision of cars provide the main additional elements in total remuneration in both sectors: superannuation adds between about 14½ per cent and 20½ per cent and company cars add around 5 per cent for all except Board members in the nationalised industries where, largely because of the relatively low salaries, the addition is 7½ per cent. None of the other benefits is reported to amount to as much as one per cent of salary in the private sector although, in total, they average 3 per cent of salary: they are virtually unknown in nationalised industries. Share option or incentive schemes, housing and other loans, medical insurance and life assurance (Board members) are the main elements in the 3 per cent total. Assistance with school fees and other items is negligible. Some of the benefits—for example, a housing loan—may be substantial for individuals but, averaged over all those in the survey, the benefit is small.

17. The total additions to salary plus bonus, commission and profit-sharing payments in the private sector from fringe benefits are estimated to amount to just over 7½ per cent for Board members and nearly 8½ per cent for senior executives. In the nationalised industries, they are estimated to amount to 8 per cent for Board members and 6½ per cent for senior executives. Compared with 1973, the additions for Board members in the private sector have hardly changed but for senior executives in both sectors and for nationalised industry Board members have risen by between 3 and 3½ percentage points.

18. Table 8 summarises, within size group, the additions to salary represented by employers' superannuation contributions and by fringe benefits. The final column shows the resultant total remuneration as an index of the 1977 salary (plus bonus, commission and profit sharing). In the private sector, both for Board members and senior executives, the percentage added by superannuation and fringe benefits (especially the former) declines as size of firm (and salary plus bonus etc) declines: the trend is the same in the nationalised industries, except for the £1,250m and over net assets size group which covers six organisations only. The percentage addition to salary in finance organisations is high because of the level of the superannuation provisions and the more frequent availability of housing and other loans.

19. Compared with the picture shown by the 1973 survey (Report No. 6, Appendix L, Tables 5A and 5B¹) there are now larger differences between size groups in the percentages added by superannuation benefits and fringe benefits in the private sector. Although the additions overall for Board members and for senior executives are only 3 percentage points higher, the additions in the largest size group are 20 and 11 percentage points higher respectively. In the nationalised industries, the overall percentage addition for

¹The index figure for senior executives in Report No. 6, Appendix L, Table 5B, in organisations in the private sector with net assets of less than £10m should read 114 (instead of 144).

Board members is 7 percentage points higher than in 1973 and, for senior executives, 5 percentage points higher.

Part B: Details of superannuation provisions and fringe benefits

Superannuation contributions (Table 9)

20. Table 9 shows for Chairmen, Deputy Chairmen, other main Board members and senior executives, the employers' and employees' mean superannuation contributions expressed as a percentage of salary plus bonus, commission and profit sharing, by ranges of 1977 salary plus bonus etc. Overall, in the private sector the average contribution made by employers is much higher, and the average contribution by 'employees' somewhat lower, than in the nationalised industries. Total superannuation contributions in the private sector are thus much higher as a percentage of salary plus bonus etc than in the nationalised industries (Table B above). In the private sector, the employee's percentage contribution tends to decline as salary levels rise, whereas in the nationalised industries it remains about the same whatever the salary level: on the other hand, the employer's contribution in the private sector at first tends to rise as salary levels increase (to about £15,000 for senior executives and about £20,000 for main Board members) but levels off, or falls slightly thereafter. In the nationalised industries, the distributions of employers' contributions are, again, relatively flat, but there are exceptions.

21. Compared with the 1973 survey (Report No. 6, Appendix L, Table 6), the employers' mean contributions in the private sector have risen sharply (for example, for main Board members from 17.5 to 22.9 per cent), whereas the employers' contributions in the nationalised industries, and the employees' contributions in both sectors, have remained relatively constant.

Coverage of superannuation schemes (Table 10)

22. Eleven appointments only in the private sector did not come within superannuation arrangements provided by the employer: the number in the nationalised industries is higher, but this is largely because the superannuation arrangements in one of the 'new' nationalised industries¹ had not been settled. Over three-quarters of the nationalised industry appointments are "within the main company staff scheme only" whereas, in the private sector, senior executive schemes are much more common and cover over one-half of the Board members and not far short of one-half of the senior executives: this is very similar to the position in 1973. Compared with 1973, the proportion of Board members in the private sector covered by individual arrangements has halved, from about one-sixth of the total to around one-twelfth, and the corresponding proportion of senior executives has also fallen: in the nationalised industries, as in 1973, the proportions are much lower. In the private sector, the proportion of late entrants with less than twenty years' service before retirement has fallen slightly since 1973, to around 11 per cent of Board members and 6½ per cent of senior executives and, in nationalised industry, more senior executives and fewer Board members are late entrants than in 1973. Rather less than half of the late entrants in the private sector

¹British Aerospace.

benefit from discretionary arrangements to enhance pensions, and less than a quarter do so in the nationalised industries: the overall proportion that benefits in this way is small in both sectors.

Basis and size of pension (Tables 11-13)

23. The great majority of those covered by a senior executive scheme or a main staff scheme in both sectors have a pension based on pay at or near retirement (Table 11). Nearly two-thirds of Board members and nearly 40 per cent of senior executives in the nationalised industries are in schemes which provide for pay to be brought up to date to the time of retirement by the movement in the cost of living index, whereas under 10 per cent of those in the private sector are in such schemes. The most common basis in private industry is "final pay or final year's pay"—which is also the next most common in the nationalised industries—with the average of the best 3 years' or 5 years' pay out of the 10 or 13 years preceding retirement running it a close second.

24. On the assumption of full pensionable service, Table 12 shows that nearly everyone at these levels in the private sector will receive a 66⅔ per cent pension with no lump sum (except by commutation). In the nationalised industries, nearly three-quarters of Board members and about 60 per cent of senior executives will qualify for a 50 per cent pension and a lump sum of 150 per cent of annual pensionable pay, which is broadly equivalent to two-thirds of salary as pension. This is the same position as in the 1973 survey. The remaining Board members and the majority of the remaining senior executives are entitled to a 66⅔ per cent pension.

25. The 'normal retirement age' found most frequently in private sector pension schemes is 65 (over 55 per cent of Board members and nearly 70 per cent of senior executives), and in the nationalised industries still higher proportions (over 75 per cent and nearly 80 per cent) normally retire at age 65 (Table 13). In most other nationalised industry schemes, the normal retirement age is 60; the normal retirement age of about half of those in the private sector whose normal retirement age is not age 65 is age 60. A lower proportion of Board members in the private sector than in 1973 (Report No. 6, Appendix L, Table 9) have a normal retirement age of 65 and higher proportions will normally retire either at age 60 or between the ages of 61 and 64: in nationalised industries, the proportion with a normal retirement age of 65 has hardly changed since 1973.

Pensions increases (Tables 14 and 15A to E)

26. Table 14 shows that the pensions attached to all the appointments covered by a senior executive or main staff scheme in the nationalised industries will qualify for increases after retirement—for about 90 per cent of them, on the basis of a firm commitment with different limits and, for the great majority of these, either in line with the provisions of the Pensions (Increase) Act 1971, or by full reflection of the movement of the retail prices index. The picture is less favourable in the private sector, where the pensions of about 90 per cent will be increased after retirement. Just over one-half will be increased on an *ex-gratia* basis only, about one-quarter on the basis of a firm commitment, and the rest by a firm commitment supplemented by *ex-gratia*

payments. Only one private sector organisation in the survey currently guarantees full protection against rising prices but 5 organisations with 26 Board members and 64 senior executives have given full protection against inflation on an *ex-gratia* basis. Eleven other organisations with 59 Board members and 7 organisations with 64 senior executives either give a guaranteed fixed percentage increase of 5 per cent or more or reflect the movement in the retail prices index up to a maximum increase of 5 per cent.

27. Tables 15A–D show respectively for Board members in the private sector, Board members in the nationalised industries, senior executives in the private sector and senior executives in the nationalised industries, the distributions of the annual average increase in pensions provided in the three-year period 1974–76, analysed on the current basis of pension increase¹. But the current basis of increase may not have been in operation during any part of the three-year period: moreover, since the period relates to the *payment* of increases, it may reflect different time-periods for different organisations. In the nationalised industries, with the exception of one senior executive who, if he had been retired, would have had his pension increased by 8.8 per cent, the increases averaged between 16 per cent and 18¾ per cent, irrespective of the basis of the increase. The average annual increase was 18.4 per cent both for Board members and for senior executives in the nationalised industries, compared with 8.2 per cent for Board members (8.9 per cent if those for whom no provision was made for any form of increase are excluded) and 7.7 per cent (8.5 per cent) for senior executives in the private sector. The degree of protection against inflation in the private sector (excluding those for whom no provision was made for any form of increase) ranged, in total over the three years, from nil to more than 100 per cent (that is, the five Board members and four senior executives who would have received, had they been retired, increases of over 22½ per cent a year² which is higher than the rate of inflation of up to 19 per cent a year over the period).

28. In the nationalised industries, with the one exception referred to, the individual average annual increases in pensions ranged from 15 per cent to 19.9 per cent. In the private sector, 107 Board members (12.8 per cent of those for whom data were given) and 168 senior executives (11.5 per cent) would have received pensions increases in this range if they had been retired, and a further 231 Board members (27.5 per cent) and 379 senior executives (26.1 per cent) would have received an annual average increase of between 10 per cent and 14.9 per cent in the same circumstances.

29. Table 15E shows a summary of the pensions increases made in each of the three years from 1974 to 1976. It excludes those employees for whom no provision existed for increases in pensions. In 1974, the increases for the nationalised industries were about twice the size of those in the private sector and in 1975, when the highest percentage increases were given in both sectors, the nationalised industry increases were over two and a half times as large. In 1976, when the increases were at the same general level as in 1974, those for the nationalised industries were rather less than twice the size of

¹The report by the Government Actuary (Appendix C) shows an estimate of the degree of protection provided by size of organisation.

²This very high increase may have included an amount to cover previous years in which no increase had been paid.

those given in the private sector. The ability of private sector superannuation schemes to match increases in the cost of living must partly depend on the rate of inflation. But there is evidence from the survey of some improvement in pension increase provisions in the private sector since 1974.

Death in service benefits and life assurance (Table 16)

30. In the private sector, the most common lump sum payable in the event of death in service is between 400 and 499 per cent of annual pensionable pay; between 300 and 399 per cent is also common, and the remainder are spread from nil to over 600 per cent: the payments for Board members tend to be higher on average than those for senior executives. In the nationalised industries, between 100 and 199 per cent is most common; for almost all of the remainder the lump sum is between 200 and 299 per cent.

31. In the private sector, no pension provision is made for widows in the case of 27 per cent of Board members and 24 per cent of senior executives in the event of death in service: in the nationalised industries this would be true of one senior executive only. Over three-quarters of Board members and just under three-quarters of senior executives in the nationalised industries are in superannuation schemes in which the widow's pension is based on 50 per cent of accrued pension¹, and a further 8½ per cent and 6¼ per cent respectively are in schemes providing two-thirds of that amount. Only 5 per cent of Board members and 15 per cent of senior executives in the nationalised industries are in schemes which base the widow's pension on the employee's prospective years of service to the date of normal retirement, compared with about 55 per cent of private sector Board members and senior executives: in the majority of these cases, the percentage of pension payable would be 50 per cent.

32. Very few people in the nationalised industries are covered by life assurance arrangements provided outside the pension scheme: 10 per cent of senior executives only, for whom the average contribution was £529. This is much the same as the level of employer's contribution (£519) made for the 14 per cent of senior executives covered in the private sector, and just over half of the average company contribution made for the 15½ per cent of private sector Board members covered.

Company cars and other travel benefits (Table 17)

33. Compared with 1973 (Report No. 6, Appendix L, Table 12), the proportion with chauffeur driven company cars has fallen in both sectors: the change is most marked for Board members in the private sector (from 20 per cent to 8.5 per cent). On the other hand, in the private sector the proportion with an individually assigned (not chauffeur driven) company car has risen, from 70 per cent to 88 per cent for Board members, and from 78 per cent to 89 per cent for senior executives: in nationalised industry the proportion has nearly doubled to just under 60 per cent. The provision of 'pool' cars and car allowances remains low. A higher proportion of people in the nationalised industries now have chauffeur driven cars than in the private sector, but there

¹That is, service to date of death; in cases of short service, actual service may or may not be enhanced.

is a higher proportion of individually assigned company cars in the private sector.

34. Inevitably, the average values of company cars provided are higher than in 1973. For Board members in the private sector, the average minimum and maximum values have doubled and, for Board members in nationalised industries and for senior executives in both groups, they have increased rather more. As in 1973, the average minimum values are about the same for Board members (at around £5,500) and for senior executives (nearly £4,000) in each sector, and the average maximum values are much the same for senior executives; but the average maximum for Board members in the private sector is some 40 per cent higher (£10,400) than in the nationalised industries (£7,400).

35. In nearly all cases in both sectors, the maintenance of company cars is carried out by the employer—an increase for each group over the 1973 position. In between 46 per cent and 64 per cent of cases, petrol and oil is provided for at least some private motoring—substantial reductions compared with between 58 per cent and 83 per cent in 1973. The percentage of those who are required to make a payment to the company in respect of private motoring has also fallen substantially compared with 1973: in the private sector from 68½ per cent of Board members and 75 per cent of senior executives to 19 per cent in each category, and in the nationalised industries to a lesser extent from 69 per cent to 49 per cent for Board members and from 71 per cent to 50 per cent for senior executives.

36. One senior executive only in the private sector received assistance for travel by public transport between home and office. In the nationalised industries, 9 Board members and 26 senior executives received assistance, of whom 4 and 15 respectively were in British Rail and for whom no details of cost were provided but for whom an estimated benefit has been included in Tables 7 and 8.

Loans (Table 18)

37. The proportion who receive loans for housing has risen slightly in the private sector compared with 1973, and a few in the nationalised industries have also received such loans since 1973. The average amounts of loan outstanding in the private sector have each fallen by about £4,700 to £15,713 for Board members and to £11,310 for senior executives. The mean rate of interest has fallen slightly from 4 per cent to 3·7 per cent for senior executives.

38. The average amount of 'other purposes' loans outstanding for Board members in the private sector has fallen by more than one-half since 1973 to £13,276, and the mean rate of interest has also dropped slightly. The average loan outstanding for senior executives, however, has fallen by about £1,800 only, to £7,415, and is now at a mean rate of interest of 2·3 per cent instead of 1·3 per cent. The proportion of those who receive such loans has also fallen slightly. The average amount of loan outstanding in the nationalised industries has about trebled to £2,071, and the proportion in receipt of loans has increased slightly, but the benefit is small because the mean rate of interest is 10·7 per cent.

Other benefits (Table 19)

39. Apart from free medical insurance for those in the private sector (61 per cent of Board members and 58 per cent of senior executives), none of the other fringe benefits listed in the questionnaire is common, particularly in the nationalised industries. The cost to the company of providing medical insurance for those covered is about £100 a year.

40. The provision of a general expenses allowance for Board members is much less common in both sectors than in 1973: it has fallen from 17 per cent to 9½ per cent in the private sector and from 14 per cent to 5 per cent in nationalised industry. It remains exceptional among senior executives. The mean annual allowances received by Board members (£843 in the private sector and £572 in nationalised industry) were higher by 36 per cent and 7 per cent respectively than in 1973, but were lower in real terms after allowing for inflation.

41. In the private sector, 21 per cent of Board members and 18 per cent of senior executives were entitled to take up shares—very similar proportions to those indicated in the 1973 survey—and the excess value of shares taken up by Board members was about 30 per cent lower at £907 than the 1973 amount of £1,299. The excess value for senior executives rose from £146 to £645.

42. The percentage of private sector organisations which allows directors to retain fees from outside has risen slightly compared with 1973, from just under one-third to just over one-third; about one quarter of these organisations put a limit on the amount that can be retained.

43. A number of other miscellaneous benefits were also mentioned, mainly by organisations in the private sector, in response to a final 'catch all' question on the questionnaire: the most common were schemes for salary continuation in the event of permanent ill health; accident insurances; payment of professional subscriptions; and provision of a telephone. The average benefits from them were not substantial and are not shown separately. They have been included in total remuneration (Tables 7 and 8).

Response to survey

TABLE 1

Numbers

	Questionnaires despatched	Usable replies received	Posts covered				Total
			Chairmen	Deputy Chairmen	Other main Board members	Senior executives	
Private sector							
Commercial and industrial with net assets:							
£1,250m and over	5	5	4	7	29	77	117
£250m but under £1,250m	42	32	22	21	177	338	558
£50m but under £250m	81	61	33	44	257	573	907
£10m but under £50m	99	55	26	43	176	390	635
Under £10m	72	34	20	17	103	239	379
Total	299	187	105	132	742	1,617	2,596
Financial	29	25	8	13	50	146	217
Total	328^a	212	113	145	792	1,763	2,813^b
Nationalised industry (Full-time posts)							
Net assets:							
£1,250m and over	6	6	5	4	13	94	116
£250m but under £1,250m	17 ^c	16	8	8	19	155	190
£50m but under £250m	25 ^c	24	12	17	14	179	222
£10m but under £50m	1	0	0	0	0	0	0
Total	49	46	25	29	46	428	528^d
(Part-time posts^e)							
Net assets:							
£1,250m and over			1	1	1		3
£250m but under £1,250m			8	1	0		9
£50m but under £250m			11	1	3		15
£10m but under £50m			0	0	0		0
Total			20	3	4		27^d

^a Excluding 35 companies out of the scope of the survey because they had been taken over or were part of a larger group, in receivership, or undergoing major reorganisation.

^b Including 130 posts for which details of superannuation contributions were not given and 394 for which 1977 data only were given. Three additional Board members and one additional senior executive are covered in the analyses of pension schemes and fringe benefits.

^c Including 12 Area Electricity Boards and 9 Regional Water Authorities.

^d Including 39 posts for which details of superannuation contributions were not given and 87 for which 1977 data only were given.

^e Excluding posts with nominal salary of £1,000 a year, or with salary for 1 day or less a week.

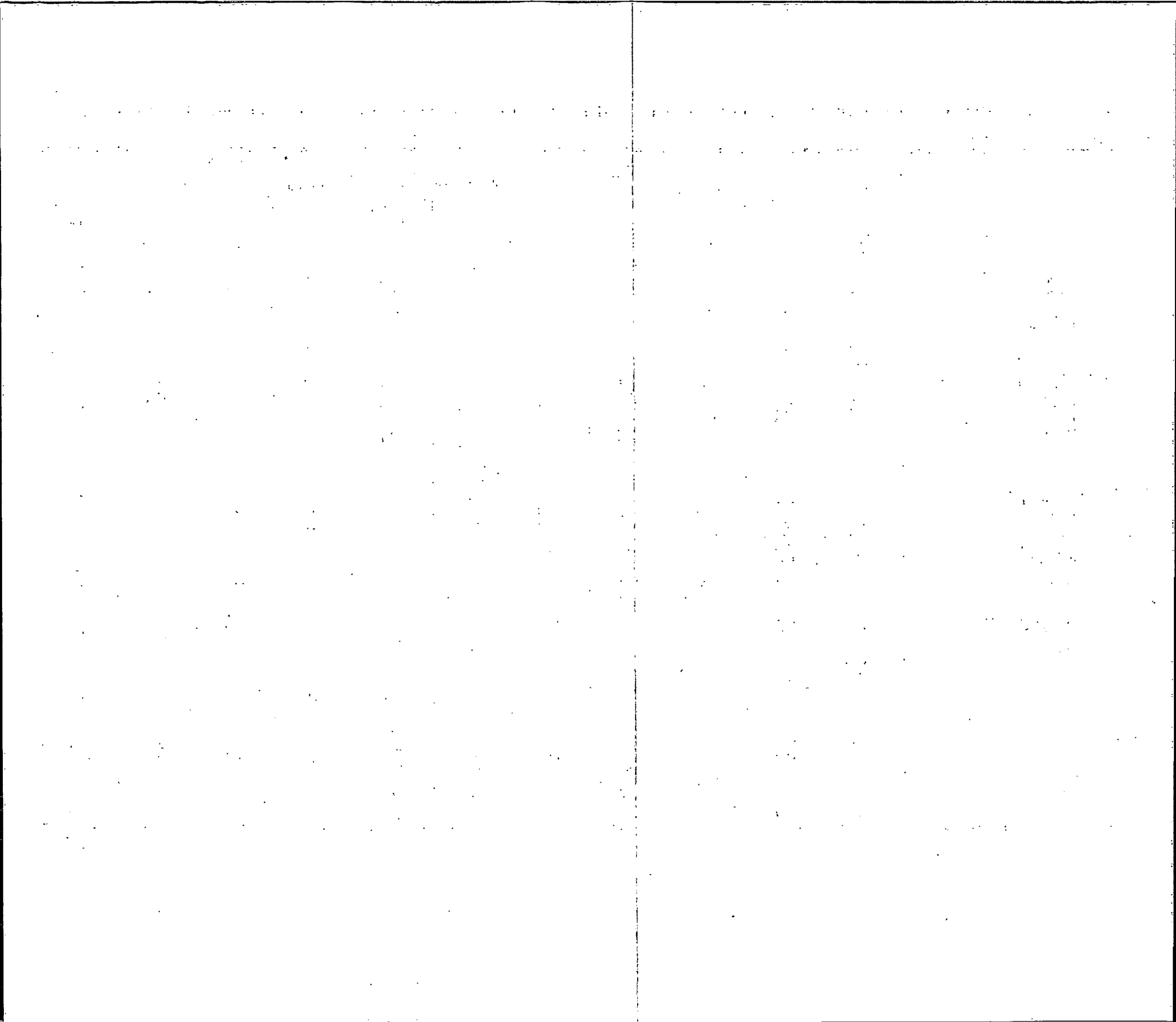


TABLE 2

Percentage increase in mean salaries, and mean salaries plus bonus, commission and profit sharing between September 1974 and September 1977, by type of post and by type and size of organisation

Respondents providing data for both years

	Private sector							Nationalised industry			
	Number of posts	Mean salary			Mean salary plus bonus etc			Number of posts	Mean salary		
		1974	1977	Percentage increase	1974	1977	Percentage increase		1974	1977	Percentage increase
	No.	£000	£000	%	£000	£000	%	No.	£000	£000	%
Chairmen											
Net assets: £1,250m and over	4	66.1	74.8	13.2	66.1	74.8	13.2	6	22.6	22.9	1.4
£250m -	18	37.9	45.9	20.9	41.1	48.4	17.8	14	17.0	17.1	0.6
£50m -	28	26.7	32.7	22.2	27.4	33.1	20.7	20	15.0	15.0	0.2
£10m -	18	20.0	25.8	28.9	21.9	27.3	24.6				
Under £10m	19	15.3	18.8	22.8	17.9	21.9	22.2				
Financial	7	31.4	38.4	22.3	31.4	38.4	22.3				
Total	94	27.3	33.3	22.0	29.0	34.8	20.1	40	16.8	16.9	0.6
Deputy Chairmen											
Net assets: £1,250m and over	7	50.7	59.5	17.4	50.7	59.5	17.4	4	19.9	20.2	1.4
£250m -	16	32.1	38.8	20.8	34.5	40.2	16.2	8	15.5	15.8	2.2
£50m -	35	21.4	27.6	29.0	22.8	29.0	27.4	14	11.8	12.4	5.1
£10m -	35	15.4	19.3	25.4	17.6	21.4	21.7				
Under £10m	16	12.1	16.6	36.9	15.6	21.7	38.6				
Financial	11	22.7	27.6	21.4	22.7	27.6	21.4				
Total	120	21.7	27.1	24.9	23.5	28.9	23.1	26	14.2	14.7	3.3
Other main Board members											
Net assets: £1,250m and over	29	31.9	40.0	25.4	31.9	40.0	25.4	12	14.0	15.0	7.4
£250m -	151	21.0	26.9	28.0	21.9	27.8	26.9	10	14.7	15.4	4.6
£50m -	217	14.0	18.3	30.0	14.8	18.9	27.5	11	10.9	11.6	6.2
£10m -	139	10.0	14.1	40.8	11.9	16.4	37.4				
Under £10m	103	9.3	13.3	43.0	11.4	16.2	42.1				
Financial	48	18.3	22.5	23.2	18.3	22.7	23.8				
Total	687	15.1	19.8	31.1	16.2	21.1	29.9	33	13.2	14.0	6.2
Senior executives											
Net assets: £1,250m and over	77	18.4	25.9	40.8	19.1	26.5	38.9	92	12.0	14.7	22.7
£250m -	300	12.2	16.3	34.3	12.9	17.1	32.8	118	11.2	14.2	26.4
£50m -	467	8.9	12.5	40.6	9.4	13.2	40.7	159	9.7	12.5	28.6
£10m -	312	6.6	9.2	39.4	7.0	9.7	39.1				
Under £10m	226	5.5	8.2	48.4	6.0	9.2	52.1				
Financial	136	13.2	16.5	25.4	13.3	16.7	25.8				
Total	1,518	9.4	13.0	37.6	9.9	13.7	37.5	369	10.8	13.6	26.2
All posts											
Net assets: £1,250m and over	117	25.3	33.1	30.7	25.8	33.5	29.9	114	13.0	15.3	17.9
£250m -	485	16.5	21.5	29.8	17.5	22.4	28.1	150	12.2	14.6	19.7
£50m -	747	11.7	15.7	34.3	12.3	16.3	33.2	204	10.4	12.7	21.5
£10m -	504	8.6	11.9	37.2	9.6	13.0	35.1				
Under £10m	364	7.4	10.6	42.9	8.6	12.4	44.0				
Financial	202	15.5	19.3	24.3	15.6	19.5	24.6				
Total	2,419	12.4	16.4	32.9	13.1	17.3	32.1	468	11.6	13.9	19.9

TABLE 3

Percentage changes from September 1974 to September 1977 in mean salaries and mean salaries plus bonus, commission and profit sharing by ranges of 1974 salary plus bonus etc

Respondents providing data for both years

Range of 1974 salary plus bonus etc	Number of posts	Private sector						Nationalised industry			
		Mean salary			Mean salary plus bonus etc			Number of posts	Mean salary		
		1974	1977	Percentage increase	1974	1977	Percentage increase		1974	1977	Percentage increase
	No.	£000	£000	%	£000	£000	%	No.	£000	£000	%
£50,000 -	13	53.8	63.0	17.0	61.1	66.8	9.3	—	—	—	—
£40,000 -	24	43.7	50.3	15.1	44.7	51.2	14.5	—	—	—	—
£35,000 -	34	35.3	42.9	21.4	36.6	44.3	21.2	—	—	—	—
£30,000 -	57	28.4	35.5	24.7	31.9	39.1	22.7	—	—	—	—
£25,000 -	79	25.0	30.8	22.9	26.9	32.2	19.7	8	23.8	24.1	1.2
£22,500 -	59	22.2	28.1	26.5	23.7	29.6	25.0				
£20,000 -	108	19.2	24.4	26.6	20.9	25.7	23.0	6	20.6	22.0	6.8
£17,500 -	153	17.2	22.5	31.1	18.5	24.1	30.0	15	18.9	19.0	0.8
£15,000 -	192	14.7	19.4	31.5	16.0	20.8	29.7	32	15.7	16.0	2.0
£12,500 -	273	12.8	16.9	31.8	13.5	17.9	32.7	63	13.6	15.4	13.7
£10,000 -	386	10.6	14.7	39.4	11.1	15.5	39.9	204	11.0	13.5	23.1
£ 9,000 -	149	9.0	12.7	39.9	9.4	13.0	38.4	87	9.5	12.7	33.6
£ 8,000 -	197	8.1	11.6	43.3	8.4	12.1	43.9	34	8.6	11.5	33.6
£ 7,000 -	177	7.0	10.0	42.0	7.4	10.5	42.5	6	7.5	10.3	37.7
£ 6,000 -	192	6.2	9.0	45.5	6.4	9.5	47.9	8	6.6	9.0	35.6
£ 5,000 -	167	5.3	8.0	51.2	5.5	8.5	54.4	5	5.5	8.0	45.9
Under £5,000	159	4.1	6.4	56.2	4.2	6.7	59.7	—	—	—	—
Total	2,419	12.4	16.4	32.9	13.1	17.3	32.1	468	11.6	13.9	19.9

TABLE 4

Date of last increase in salary for each type of post, by type of organisation

Respondents providing data for both years

	Number and percentage of posts with salary increase														Total			
	In quarter ended								In year ended									
	September 1977		June 1977		March 1977		December 1976		September 1977		September 1976		September 1975				September 1974 or earlier	
No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	
Chairmen																		
Private	28	30	10	11	8	9	11	12	57	61	8	9	22	23	7	7	94	100
Nationalised: full-time	2	9	2	9	18	82	0	0	22	100	0	0	0	0	0	0	22	100
Nationalised: part-time	0	0	0	0	18	100	0	0	18	100	0	0	0	0	0	0	18	100
Deputy Chairmen																		
Private	23	19	24	20	17	14	16	13	80	67	7	6	27	22	6	5	120	100
Nationalised: full-time	1	4	3	12	20	83	0	0	24	100	0	0	0	0	0	0	24	100
Nationalised: part-time	0	0	0	0	2	100	0	0	2	100	0	0	0	0	0	0	2	100
Other main Board members																		
Private	212	31	125	18	115	17	97	14	549	80	49	7	82	12	7	1	687	100
Nationalised: full-time	2	7	4	14	23	79	0	0	29	100	0	0	0	0	0	0	29	100
Nationalised: part-time	0	0	0	0	3	75	0	0	3	75	0	0	0	0	1	25	4	100
Senior executives																		
Private	581	38	348	23	260	17	221	15	1,410	93	64	4	40	3	4	0	1,518	100
Nationalised	133	36	109	30	75	20	47	13	364	99	0	0	5	1	0	0	369	100
All posts																		
Private	844	35	507	21	400	17	345	14	2,096	87	128	5	171	7	24	1	2,419	100
Nationalised	138	29	118	25	159	34	47	10	462	99	0	0	5	1	1	0	468	100

TABLE 5

Mean, median, quartile and decile salaries including bonus, commission and profit sharing in
September 1977^a

All respondents

	Private sector							Nationalised industry ^b			
	Commercial and industrial					Financial	Total	Net assets (£m)			
	Net assets (£m)							1,250 and over	250 but under 1,250	50 but under 250	Total
	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				
£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
Chairmen											
Highest decile		55.5	47.5	43.9			53.3			19.1	23.5
Upper quartile		53.8	41.0	33.3	23.6		45.0		23.5	17.6	20.0
Median	76.2	48.1	33.0	26.0	20.2	40.0	33.0	23.5	16.3	14.0	16.0
Lower quartile		42.8	29.0	16.8	18.0		22.2		14.9	13.0	13.0
Lowest decile		35.0	20.6	15.3			17.0			11.6	12.8
Mean	74.8	46.4	34.4	26.9	21.7	38.6	34.5	22.9	18.4	15.2	17.4
Deputy Chairmen											
Highest decile		50.2	43.0	31.4			43.1				19.5
Upper quartile		42.5	35.1	25.7	23.5	36.0	36.8			13.0	18.8
Median	74.3	40.0	28.0	22.0	20.0	24.2	26.2	19.5	16.0	12.0	13.3
Lower quartile		35.0	21.7	17.0	17.5	17.5	19.7			11.7	12.0
Lowest decile		33.0	17.7	15.1			16.6				11.5
Mean	59.5	41.0	29.8	22.6	22.0	27.5	29.6	20.9	17.3	12.9	15.4
Other main Board members											
Highest decile	59.6	37.7	27.7	27.5	25.4	30.4	32.2				21.4
Upper quartile	56.5	32.0	24.0	23.0	18.5	27.1	26.0	16.5	19.8	13.0	16.8
Median	32.2	25.5	20.0	16.4	14.7	21.8	20.5	15.4	16.3	12.2	15.0
Lower quartile	28.6	22.0	15.5	12.5	12.7	17.6	15.0	15.0	15.0	11.5	13.0
Lowest decile	23.3	20.2	12.2	10.7	9.1	15.2	11.7				11.4
Mean	40.0	27.7	19.8	18.3	16.2	22.8	21.7	15.5	17.7	12.7	15.4
Senior executives											
Highest decile	37.4	21.2	19.8	15.1	12.8	29.4	20.7	16.9	18.6	14.7	17.1
Upper quartile	33.2	19.0	16.7	12.1	10.7	19.8	16.9	15.3	16.5	14.2	15.1
Median	27.2	16.6	13.1	10.0	9.1	14.0	12.8	14.3	14.5	12.5	13.5
Lower quartile	18.8	14.7	10.2	8.0	7.2	11.7	9.5	13.2	13.1	11.5	12.3
Lowest decile	16.1	13.2	8.5	6.5	6.3	9.5	7.3	12.5	12.3	10.8	11.3
Mean	26.5	17.1	13.9	10.4	9.3	16.8	13.9	14.6	15.1	12.6	13.9

^a Deciles omitted if 20 posts or less; quartiles omitted if 10 posts or less.^b Including part-time Chairmen, Deputy Chairmen and Board members on full-time equivalent salaries.

TABLE 6A

Chairmen: Distribution in ranges of September 1977 salaries plus bonus, commission and profit sharing, by size and type of organisation

All respondents

Range of 1977 salary plus bonus etc	Net assets: £1,250m and over		£250m but under £1,250m				£50m but under £250m				£10m but under £50m		Under £10m		Financial		Total					
	Private		Nationalised		Private		Nationalised		Private		Nationalised		Private		Private		Private		Private		Nationalised	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
£50,000 -	4	100			11	50			3	9			1	4			19	17				
£40,000 -					6	27			8	24			4	15	1	5	6	75	25	22		
£35,000 -					3	14			5	15			1	4			9	8				
£30,000 -					1	5	1	6	7	21			2	8	1	5	1	12	12	11	1	2
£25,000 -									5	15			6	23	2	10	1	12	14	12	1	2
£22,500 -			3	17			4	25					1	4	3	15			4	4	7	16
£20,000 -			1	17			1	6	2	6	2	9	2	8	4	20			8	7	4	9
£17,500 -					1	5			1	3		17	2	8	5	25			9	8	4	9
£15,000 -							6	38	1	3	5	22	5	19	3	15			9	8	12	27
£12,500 -							4	25	1	3		9	39						1	1	13	29
£10,000 -											3	13	2	8					2	2	3	7
£9,000 -															1	5			1	1		
£8,000 -																						
£7,000 -																						
£6,000 -																						
£5,000 -																						
Under £5,000																						
Total	4	100	6	100	22	100	16	100	33	100	23	100	26	100	20	100	8	100	113	100	45	100
Mean salary plus bonus etc £000	75		23		46		18		34		15		27		22		39		34		17	

TABLE 6B

Deputy Chairmen: Distribution in ranges of September 1977 salaries plus bonus, commission and profit sharing, by size and type of organisation

All respondents

Range of 1977 salary plus bonus etc	Net assets		£1,250m and over		£250m but under £1,250m				£50m but under £250m				£10m but under £50m		Under £10m		Financial		Total			
	Private		Nationalised		Private		Nationalised		Private		Nationalised		Private		Private		Private		Private		Nationalised	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
£50,000 -	4	57			4	19			2	5					1	6	1	8	11	8		
£40,000 -	2	29			8	38			5	11			3	7	1	6			19	13		
£35,000 -	1	14			4	19			5	11			1	2	1	6	4	31	16	11		
£30,000 -					3	14			7	16			3	7	1	8	1	8	14	10		
£25,000 -					1	5	1	11	11	25			8	19	1	6			21	14	1	3
£22,500 -			2	40	1	5			2	5			4	9	4	24	1	8	12	8	2	6
£20,000 -									4	9			6	14	2	12	1	8	13	9		
£17,500 -			3	60			3	33	3	7	1	6	6	14	4	24	3	23	16	11	7	22
£15,000 -							2	22	5	11	2	11	8	19	1	6	1	8	15	10	4	12
£12,500 -							1	11					4	22	2	12	1	8	3	2	5	16
£10,000 -							2	22					11	61	1	6			5	3	13	41
£9,000 -																						
£8,000 -																						
£7,000 -																						
£6,000 -																						
£5,000 -																						
Under £5,000																						
Total	7	100	5	100	21	100	9	100	44	100	18	100	43	100	17	100	13	100	145	100	32	100
Mean salary plus bonus etc £000	60		21		41		17		30		13		23		22		27		30		15	

TABLE 6C

**Other main Board members: Distribution in ranges of September 1977 salaries plus bonus, commission and profit sharing,
by size and type of organisation**

All respondents

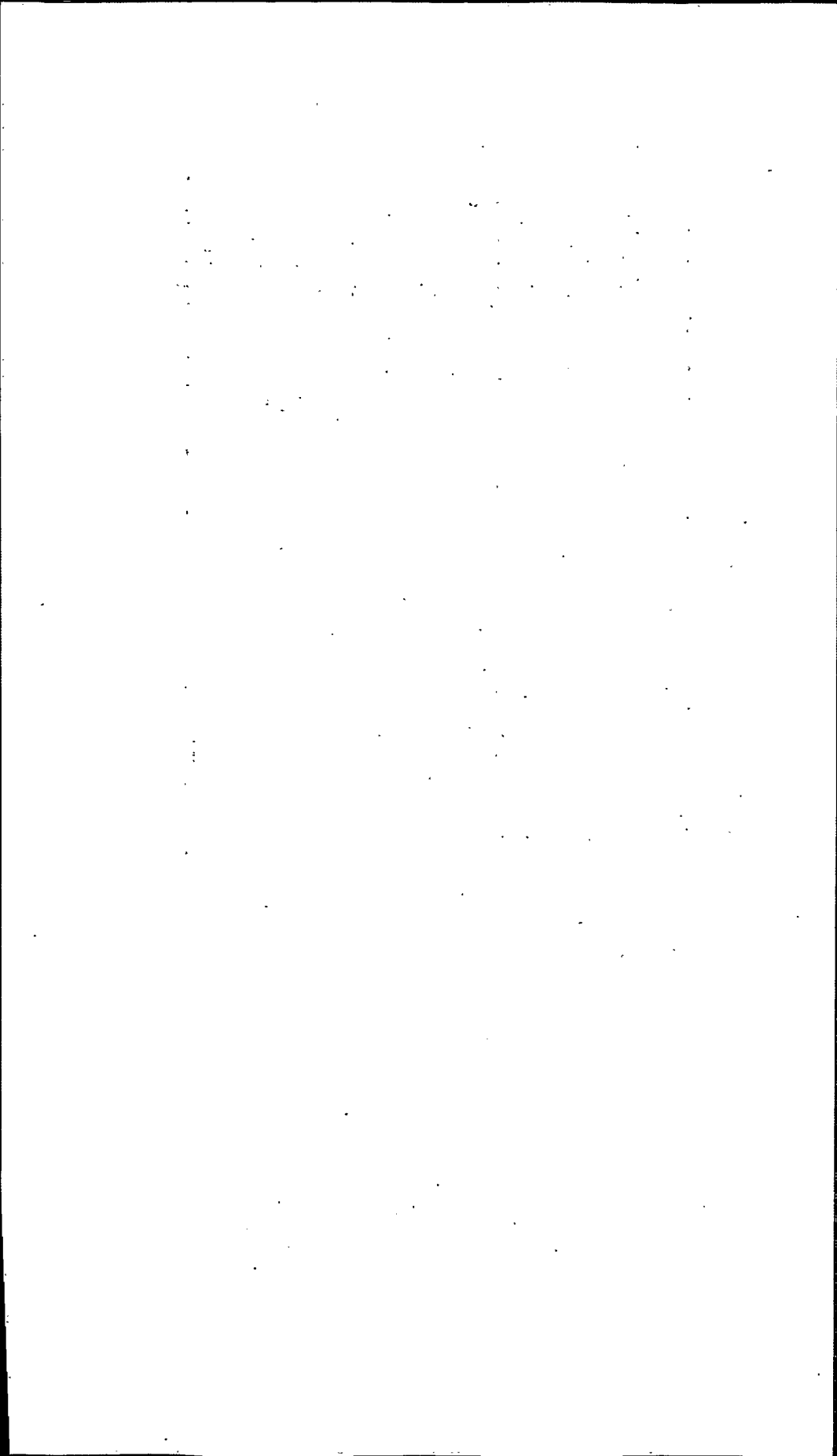
Range of 1977 salary plus bonus etc	Net assets		£1,250m and over		£250m but under £1,250m				£50m but under £250m				£10m but under£50m		Under £10m		Financial		Total					
	Private		National- ised		Private		National- ised		Private		National- ised		Private		Private		Private		Private		Private		National- ised	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
£50,000 -	11	38												1	1					12	2			
£40,000 -	1	3			13	7			2	1			3	2	1	1			20	3				
£35,000 -	2	7			14	8			2	1			5	3			2	4	25	3				
£30,000 -	4	14			38	21			9	4			5	3	2	2	4	8	62	8				
£25,000 -	7	24			47	27	1	5	42	16			17	10	9	9	13	26	135	17	1	2		
£22,500 -	2	7			19	11	2	11	37	14			14	8	5	5	5	10	82	10	2	4		
£20,000 -	2	7	1	7	30	17	2	11	38	15			9	5	5	5	9	18	93	12	3	6		
£17,500 -					11	6	3	16	30	12	2	12	24	14	8	8	8	16	81	10	5	10		
£15,000 -			12	86	4	2	7	37	37	14			25	14	21	20	4	8	91	11	19	38		
£12,500 -					1	1	4	21	30	12	5	29	29	16	28	27	4	8	92	12	9	18		
£10,000 -									16	6	9	53	36	20	8	8	1	2	61	8	9	18		
£9,000 -									6	2			6	3	7	7		19	2					
£8,000 -									3	1			2	1	3	3			8	1				
£7,000 -									4	2	1	6			6	6			10	1	1	2		
£6,000 -			1	7					1	0									1	0	1	2		
£5,000 -																								
Under £5,000																								
Total	29	100	14	100	177	100	19	100	257	100	17	100	176	100	103	100	50	100	792	100	50	100		
Mean salary plus bonus etc £000	40		16		28		18		20		13		18		16		23		22		15			

TABLE 6D

Senior executives: Distribution in ranges of September 1977 salaries plus bonus, commission and profit sharing, by size and type of organisation

All respondents

Range of 1977 salary plus bonus etc	Net assets		£1,250m and over		£250m but under £1,250m				£50m but under £250m				£10m but under £50m		Under £10m		Financial		Total			
	Private		Nationalised		Private		Nationalised		Private		Nationalised		Private		Private		Private		Private		Nationalised	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
£50,000 -	6	8															4	3	10	1		
£40,000 -	11	14							3	1							3	2	17	1		
£35,000 -	15	19				0			5	1							6	4	27	2		
£30,000 -	10	13			1	1	1	1	8	1							8	5	33	2	1	0
£25,000 -	4	5	1	1	18	5	3	2	19	3							1	0	7	5	50	3
£22,500 -	6	8	3	3	40	12	5	3	21	4							8	5	81	5	8	2
£20,000 -	12	16	4	4	71	21	21	14	63	11	1	1	14	4	3	1	6	4	169	10	26	6
£17,500 -	7	9	26	28	107	32	36	23	84	15	10	6	19	5	2	1	18	12	237	13	72	17
£15,000 -	3	4	52	55	82	24	69	45	111	19	78	44	50	13	21	9	39	27	306	17	199	46
£12,500 -	2	3	8	9	14	4	20	13	139	24	79	44	104	27	54	23	25	17	338	19	107	25
£10,000 -	1	1							48	8	3	2	45	12	48	20	13	9	155	9	3	1
£9,000 -									33	6	6	3	49	13	30	13	2	1	114	6	6	1
£8,000 -									10	2	1	1	41	11	34	14	4	3	89	5	1	0
£7,000 -									12	2	1	1	36	9	29	12	3	2	80	5	1	0
£6,000 -									15	3			21	5	9	4			45	3		
£5,000 -									2	0			2	1	8	3			12	1		
Under £5,000																						
Total	77	100	94	100	338	100	155	100	573	100	179	100	390	100	239	100	146	100	1,763	100	428	100
Mean salary plus bonus etc £000	27		15		17		15		14		13		10		9		17		14		14	



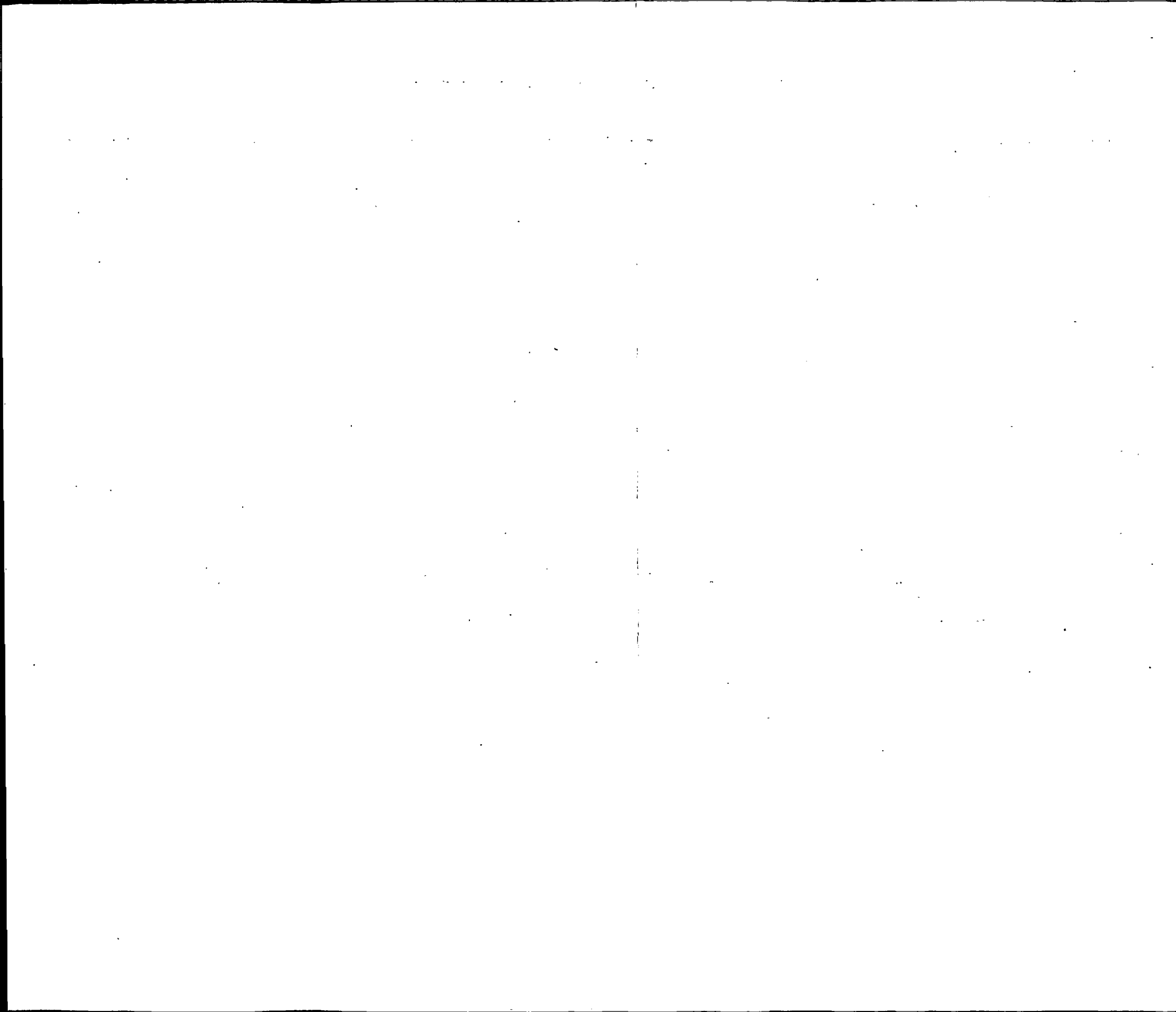
Composition of mean total remuneration, by type of post and type of organisation

TABLE 7

All respondents

	1977 salary plus bonus etc	Superannuation			Excess from share option or incentive scheme	General expenses allowance	Benefit from provision of				Employee's payments towards private motoring	Benefit from car allowance	Total benefit from provision of car (7+8+9+10-11+12)	Benefit from provision of					Total remuneration (1+4+5+6+13+14+15+16+17+18+19)	
		Total contribution ^a	Employee's contribution	Employer's contribution (2-3)			Company car	Chauffeur	Maintenance	Petrol & oil ^b				Housing loan	Other loan	Assistance with school fees	Free private medical insurance	Life assurance		Other items ^c
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
Private sector																				
Main Board members																				
Average amount £	24,167	5,708	694	5,014	192	80	697	150	203	108	42	12	1,128	87	118	14	63	145	30	31,037
Per cent of salary plus bonus %	100	23.6	2.9	20.7	0.8	0.3	2.9	0.6	0.8	0.4	0.2	0.0	4.7	0.4	0.5	0.1	0.3	0.6	0.1	128.4
Senior executives																				
Average amount £	13,895	2,630	438	2,192	116	13	446	12	160	80	33	23	688	102	84	13	57	70	21	17,252
Per cent of salary plus bonus %	100	18.9	3.2	15.8	0.8	0.1	3.2	0.1	1.2	0.6	0.2	0.2	5.0	0.7	0.6	0.1	0.4	0.5	0.2	124.2
Nationalised industry																				
Main Board members																				
Average amount £	16,097	3,516	941	2,575	—	29	519	490	176	113	86	—	1,212	—	—	—	16	—	33	19,961
Per cent of salary plus bonus %	100	21.8	5.8	16.0	—	0.2	3.2	3.0	1.1	0.7	0.5	—	7.5	—	—	—	0.1	—	0.2	124.0
Senior executives																				
Average amount £	13,941	2,896	898	1,998	—	15	337	233	130	71	65	37	743	38	1	—	15	48	24	16,824
Per cent of salary plus bonus %	100	20.8	6.4	14.3	—	0.1	2.4	1.7	0.9	0.5	0.5	0.3	5.3	0.3	0.0	—	0.1	0.3	0.2	120.7

The total percentage contributions were estimated from the provisions of the individual pension schemes by the Government Actuary (Appendix C) For private motoring. Includes: provision of telephones; salary continuation in the event of permanent ill-health schemes; accident insurance; professional subscriptions.



Summary of mean total remuneration, by type of post and size and type of organisation

All respondents

	Number of posts	1977 salary plus bonus etc	Employer's super-annuation contribution ^a	Benefit from		Total remuneration	
				Company cars ^b	Other items	Amount	Index (1977 salary plus bonus = 100)
		£	£	£	£	£	
Private sector							
Main Board members							
Commercial and industrial							
£1250m and over	40	46,869	15,307	1,175	189	63,539	136
£250m -	221	30,864	7,769	1,342	1,499	41,474	134
£ 50m -	336	22,575	4,190	1,115	627	28,506	126
£ 10m -	245	19,954	2,963	1,066	291	24,273	122
Under £10m	140	17,693	2,517	1,074	239	21,523	122
Financial	71	25,416	6,550	811	1,470	34,247	135
Total	1,053	24,167	5,014	1,127	729	31,037	128
Senior executives							
Commercial and industrial							
£1250m and over	77	26,535	6,955	860	949	35,299	133
£250m -	339	17,076	3,137	793	882	21,887	128
£ 50m -	573	13,864	1,976	701	406	16,947	122
£ 10m -	390	10,446	1,102	627	130	12,305	118
Under £10m	239	9,265	867	644	141	10,917	118
Financial	146	16,774	3,417	544	1,106	21,841	130
Total	1,764	13,895	2,192	688	477	17,252	124
Nationalised industry							
Main Board members							
£1250m and over	22	18,382	3,028	1,454	0	22,864	124
£250m -	35	17,869	3,073	1,715	169	22,825	128
£ 50m -	43	13,768	2,002	682	43	16,495	120
Total	100	16,097	2,575	1,212	78	19,961	124
Senior executives							
£1250m and over	94	14,641	2,195	930	10	17,776	121
£250m -	155	15,071	2,208	981	266	18,527	123
£ 50m -	179	12,594	1,714	439	115	14,862	118
Total	428	13,941	1,998	743	141	16,824	121

^a The total percentage contributions were estimated by the Government Actuary (Appendix C) and the estimated employers' contributions were derived from these by subtracting the employees' contributions shown by the salaries survey.

^b Including car allowances.

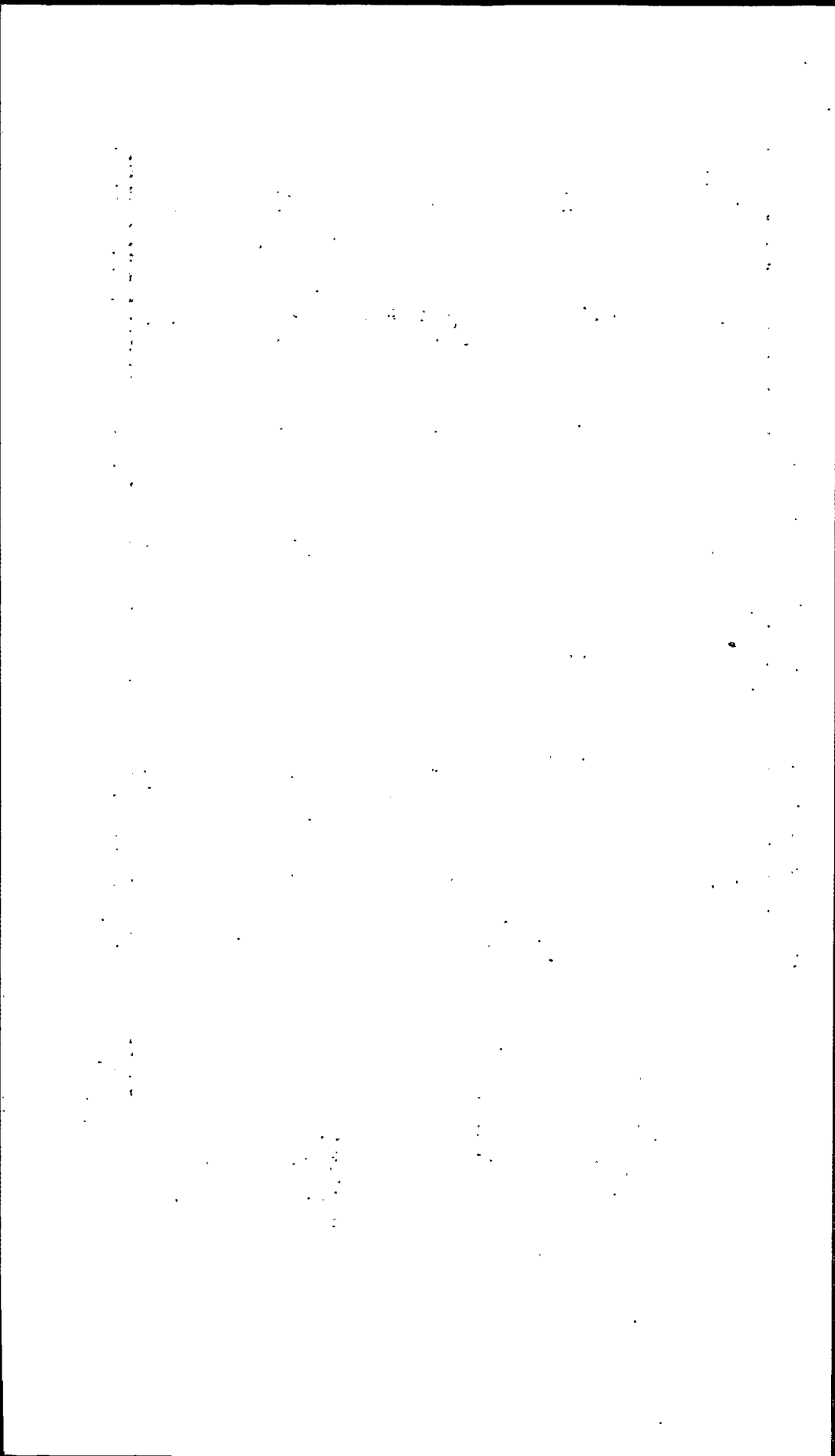


TABLE 9

Percentage superannuation contributions for each type of post by type of organisation, by ranges of 1977 salary plus bonus, commission and profit sharing

All respondents (providing superannuation data)

Range of 1977 salary plus bonus etc	Chairmen				Deputy Chairmen				Main Board members				Senior executives			
	Private		Nationalised		Private		Nationalised		Private		Nationalised		Private		Nationalised	
	Employer's contribution	Employee's contribution	Employer's contribution	Employee's contribution	Employer's contribution	Employee's contribution	Employer's contribution	Employee's contribution	Employer's contribution	Employee's contribution	Employer's contribution	Employee's contribution	Employer's contribution	Employee's contribution	Employer's contribution	Employee's contribution
	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%
£50,000 -	23.2	1.1			45.2	1.5			20.4	0.3						
£40,000 -	25.2	2.4			26.2	2.9			25.6	2.5			26.4	2.5		
£35,000 -	53.0	2.2			30.0	1.7			22.8	2.2			24.5	2.5		
£30,000 -	27.7	3.4	13.0	5.0	36.8	3.5			25.7	2.7			23.8	1.4		
£25,000 -	32.2	4.4			23.0	3.3			25.7	2.5			19.1	1.4		8.0
£22,500 -	13.7	2.1	7.9	4.4	14.7	4.3	17.0	8.5	28.9	2.9			22.5	3.1	15.5	7.0
£20,000 -	25.4	3.1	8.3	4.7	18.9	4.4			27.5	2.2	18.0	9.0	21.8	3.3	16.8	8.1
£17,500 -	12.7	3.8	8.4	3.0	17.7	3.6	10.8	6.4	17.3	3.7	7.2	4.8	24.0	2.9	13.1	5.9
£15,000 -	17.5	4.8	9.8	5.2	17.7	3.9	9.8	5.4	15.5	4.1	12.1	6.4	25.1	2.9	13.2	6.7
£12,500 -	14.1	5.0	12.0	6.3	9.1	4.0	9.0	5.2	14.8	3.9	12.6	6.8	20.4	3.3	12.6	6.4
£10,000 -	13.0	6.0	10.8	6.0	14.7	2.4	12.1	6.3	15.6	4.9	13.2	7.2	16.9	3.5	12.5	6.4
£ 9,000 -	8.2	5.0							15.0	4.0			15.7	3.6	11.9	6.8
£ 8,000 -									15.2	5.0			14.7	4.4	12.5	5.7
£ 7,000 -									7.3	4.6	15.0	7.5	13.1	4.9	11.8	6.0
£ 6,000 -									8.8	4.4	16.0	8.0	11.6	4.7	11.8	6.0
£ 5,000 -													9.7	5.0		
Under £5,000													7.1	5.9		
Mean contribution	26.9	2.6	9.9	5.0	27.0	3.0	11.5	6.3	22.9	3.0	12.2	6.6	20.4	3.2	12.8	6.5
Number	(103)		(42)		(132)		(31)		(763)		(42)		(1,685)		(401)	

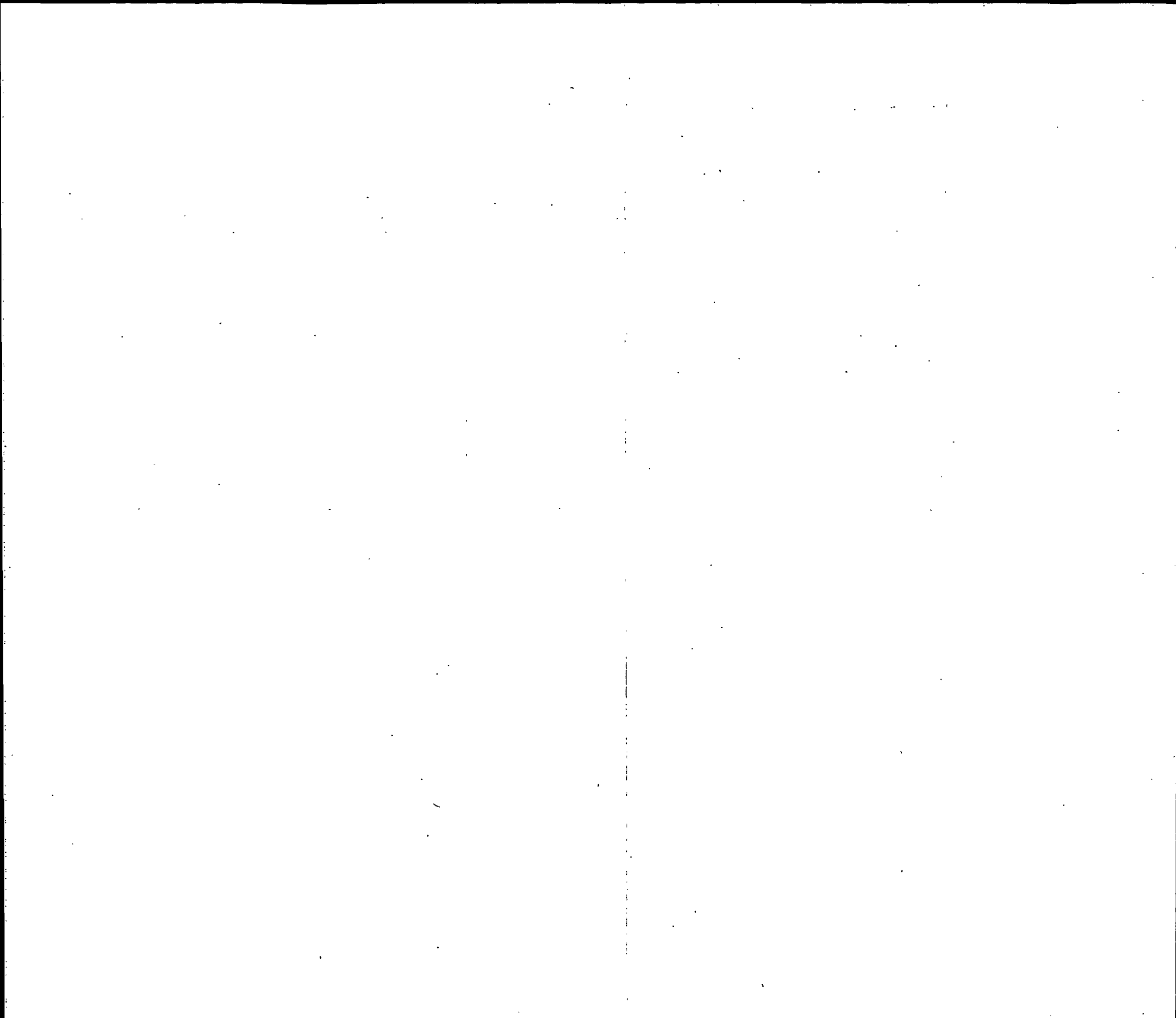


TABLE 13

Age on retirement

		Private sector				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 main company staff scheme	Number %	182	957 100.0	189	1,713 100.0	32	82 100.0	45	398 100.0
Normal retirement age for those in:									
(i) a senior executive scheme only (or in addition to a main company staff scheme)									
(ii) a main company staff scheme only									
Under 60 years	(i)	Number	1	6 0.6	—	—	—	—	—
	(ii)	Number %	—	—	—	—	—	—	—
60 years	(i)	Number	28	175 18.3	12	104 6.1	2	6 7.3	25 6.3
	(ii)	Number %	15	81 8.5	17	123 7.2	2	3 3.7	57 14.3
61-64 years	(i)	Number	21	135 14.1	23	231 13.5	—	—	—
	(ii)	Number %	6	30 3.1	5	69 4.0	3	10 12.2	—
65 years	(i)	Number	49	235 24.6	52	441 25.7	1	2 2.4	8 2.0
	(ii)	Number %	70	294 30.7	99	745 43.5	24	61 74.4	308 77.4
Over 65 years	(i)	Number	1	1 0.1	—	—	—	—	—
	(ii)	Number %	—	—	—	—	—	—	—

TABLE 12

Proportion of pensionable pay given as pension and additional lump sum

		Private sector				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 main company staff scheme	Number %	182	957 100.0	189	1,713 100.0	32	82 100.0	45	398 100.0
Proportion of pensionable pay received as pension (before allowing for commutation), assuming full pensionable service ^a :									
Under 50 per cent	Number %	—	—	1	5 0.3	—	—	—	—
50 per cent	Number %	—	—	2	13 0.8	23	59 72.0	25	236 59.3
51-65 per cent	Number %	8	40 4.2	8	78 4.6	—	—	11	67 16.8
66½ per cent	Number %	171	901 94.1	173	1,583 92.4	9	23 28.0	9	95 23.9
Over 66½ per cent	Number %	1	8 0.8	2	21 1.2	—	—	—	—
Proportion of annual pensionable pay given as lump sum in addition to pension, assuming full pensionable service ^a :									
Nil	Number %	180	949 99.2	186	1,700 99.2	9	23 28.0	11	135 33.9
150 per cent or more	Number %	—	—	—	—	23	59 72.0	34	263 66.1

^a Excluding those organisations in which pensions are not based on pay at or near retirement.

TABLE 11

Basis of pension

		Private sector				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 main company staff scheme	Number %	182	957 100.0	189	1,713 100.0	32	82 100.0	45	398 100.0
Pension based on pay at or near retirement and updated to the time of retirement by the movement in the cost of living	Number %	15	78 8.2	19	159 9.3	20	53 64.6	19	156 39.2
Pension based on pay at or near retirement but not updated to time of retirement:									
Final pay or final year's pay	Number %	60	323 33.8	54	467 27.3	4	9 11.0	13	100 25.1
Best year's pay out of final 3 or 5 years' pay	Number %	15	89 9.3	15	146 8.5	3	8 9.8	7	57 14.3
Average of final 3 or 5 years' pay	Number %	21	95 9.9	29	267 15.6	1	4 4.9	—	—
Average of best 3 or 5 years' pay out of last 10 or 13 years' pay	Number %	39	196 20.5	43	388 22.7	—	—	—	—
Other. ^a	Number %	17	92 9.6	15	144 8.4	1	4 4.9	2	39 9.8
Choice of the more beneficial of two of the above bases	Number %	13	76 7.9	11	129 7.5	3	4 4.9	4	46 11.6
Pension based on another method	Number %	2	8 0.8	3	13 0.8	—	—	—	—

^aIncluding, in private industry, 12 organisations with 69 Board members and 10 organisations with 93 senior executives for which the detail of the basis was not specified.

Superannuation and life assurance schemes

TABLE 10

		Private sector				Nationalised industry			
		Board members		Senior executives		Board members		Senior executives	
		Organisations	Posts	Organisations	Posts	Organisations	Posts	Organisations	Posts
Total covered by the questionnaire	Number %	197	1,053 100.0	192	1,764 100.0	34	100 100.0	46	428 100.0
Covered by individual arrangements (whether or not in addition to a senior executive or main company staff scheme)	Number %	50	89 8.5	18	47 2.7	1	2 2.0	3	4 0.9
Covered by continuation of a previous scheme	Number %	—	—	—	—	3	3 3.0	—	—
Total	Number %	50	89 8.5	18	47 2.7	4	5 5.0	3	4 0.9
of which - qualifying for maximum pension plus lump sum benefits under Inland Revenue rules	Number %	30	57 5.4	5	16 0.9	2	2 2.0	1	1 0.2
Within a senior executive scheme (whether or not in addition to the main company staff scheme)	Number %	100	552 52.4	87	776 44.0	3	8 8.0	4	33 7.7
Within the main company staff scheme only	Number %	91	405 38.5	121	937 53.1	29	74 74.0	43	365 85.3
No pension cover provided by the employer	Number %	7	7 0.7	3	4 0.2	3	13 13.0	2	26 6.1
Late entrants with less than 20 years' service before normal retirement age	Number %	78	118 11.2	69	119 6.7	8	11 11.0	19	40 9.3
of which - benefiting from discretionary arrangements to enhance pensions	Number %	44	63 6.0	21	35 2.0	4	4 4.0	4	5 1.2
- not benefiting because of retained benefits from previous employment	Number %	3	4 0.4	3	4 0.2	—	—	1	2 0.5
- not benefiting for other reasons	Number %	35	51 4.8	49	80 4.5	5	7 7.0	15	33 7.7

Basis of pension increases

		Private sector				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 main company staff scheme	Number %	182	957 100.0	189	1,713 100.0	32	82 100.0	45	398 100.0
Pension increased after retirement	Number %	166	887 92.7	170	1,568 91.5	32	82 100.0	45	398 100.0
Basis of increase for those with pension increase									
Firm commitment to increase pensions:									
By reflecting movements in the retail price index									
(i) in full	Number %	1	4 0.4	1	2 0.1	4	9 11.0	4	44 11.1
(ii) in part, with a 5 per cent limit	Number %	5	30 3.1	3	26 1.5	—	—	—	—
(iii) in part, with a 2½ or 3 per cent limit	Number %	3	7 0.7	5	32 1.9	—	—	—	—
(iv) in part, with another limit	Number %	2	16 1.7	3	18 1.1	1	7 8.5	1	25 6.3
In line with the provisions of the Pensions (Increase) Act 1971	Number %	—	—	—	—	24	56 68.3	36	275 69.1
By a fixed percentage of:									
(i) 5 per cent or more	Number %	6	29 3.0	4	38 2.2	—	—	—	—
(ii) Between 3 per cent and 5 per cent	Number %	2	14 1.5	2	11 0.6	—	—	—	—
(iii) 2½ per cent or 3 per cent	Number %	25	113 11.8	26	227 13.3	—	—	—	—
On another basis	Number %	5	30 3.1	4	33 1.9	1	1 1.2	1	10 2.5
Ex gratia increases in pensions which have resulted in pension increases in the past:									
Reflecting movements in the retail price index									
(i) in full	Number %	5	26 2.7	5	64 3.7	—	—	—	—
(ii) in part up to a fixed limit	Number %	3	16 1.7	3	19 1.1	—	—	—	—
(iii) in part up to a given proportion	Number %	6	18 1.9	6	54 3.2	—	—	—	—
(iv) in part, other	Number %	34	209 21.8	34	318 18.6	1	4 4.9	1	18 4.5
In line with movements in salaries at corresponding levels within the company	Number %	3	12 1.3	5	42 2.5	—	—	—	—
Reflecting other factors	Number %	37	192 20.1	42	408 23.8	1	5 6.1	1	25 6.3
Mixture of firm commitment and ex gratia payments									
Firm commitment to part of the movement in the retail price index	Number %	12	67 7.0	14	132 7.7	—	—	1	1 0.3
Firm commitment to a fixed percentage	Number %	14	88 9.2	10	110 6.4	—	—	—	—
Other	Number %	3	16 1.7	3	34 2.0	—	—	—	—

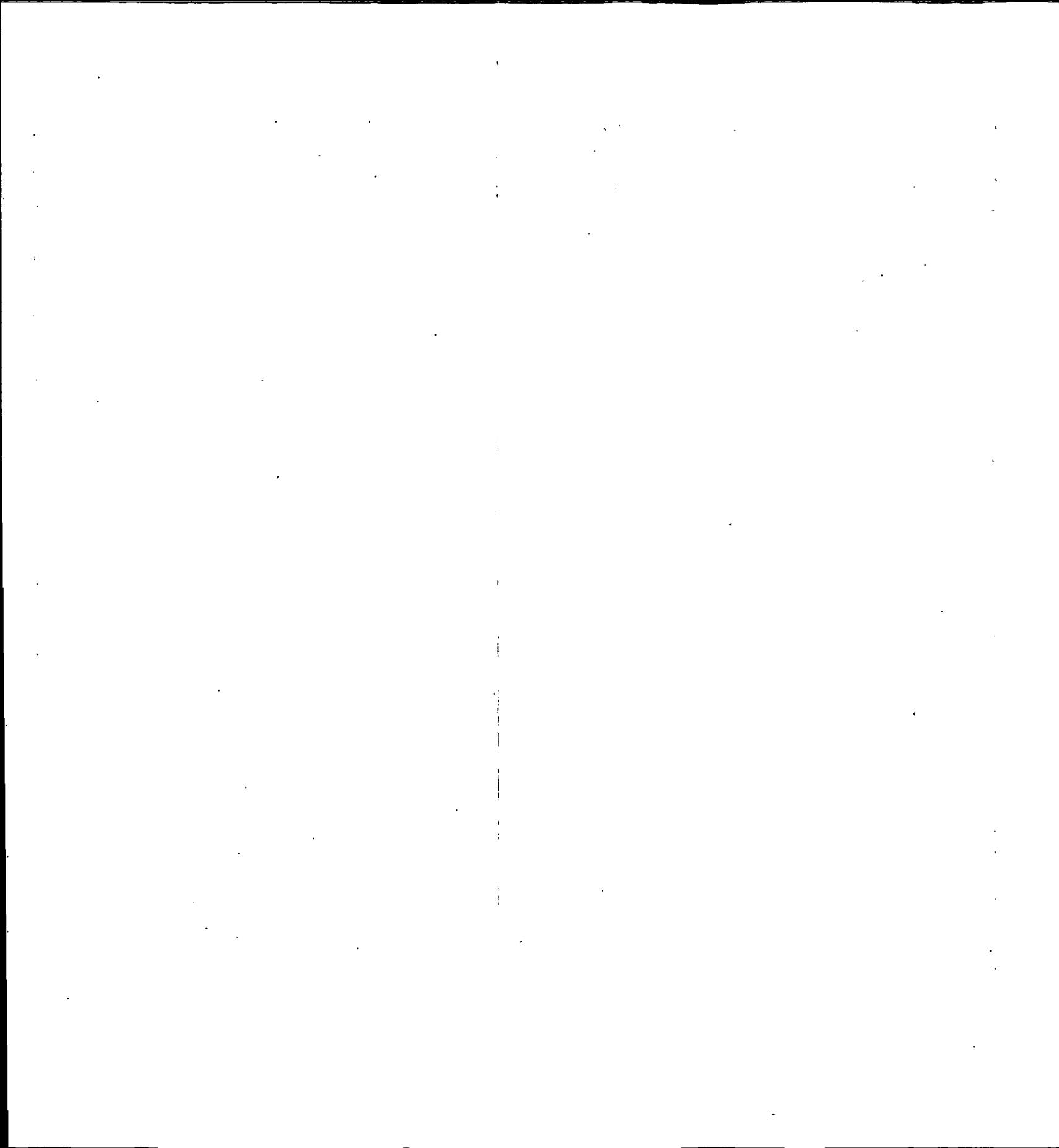


TABLE 15A

Board members in private sector: Distribution of annual average percentage increases in pensions after retirement made in 1974-1976^a, by basis of increase
Number of posts

Current basis of increase	Organisations stating increases	Posts		Ranges of annual average percentage increases in pensions												Overall annual averages		
		Total	With increases stated	0	0.1-2.4	2.5-2.9	3.0-3.9	4.0-4.9	5.0-7.4	7.5-9.9	10.0-12.4	12.5-14.9	15.0-17.4	17.5-19.9	20.0-22.4		22.5 or over	
No increase payable	16	70	70	70													% 0.0	
Firm commitment to:																		
Retail price index in full	1	4	4													4	17.8	
Retail price index in part	7	53	42			9	3		30								4.3	
Pensions increase act	0	0	0														—	
Fixed percentage	25	182	133			29	79	9	4	10	2						3.7	
Other	1	4	4							4							8.7	
Ex gratia payments which have reflected:																		
Retail price index in full	5	26	26								5		12		9		15.6	
Retail price index in part	39	243	229	4	4	3	9	1	34	19	98	19	15	18		5	10.9	
Salaries in the company	1	12	6							6							8.7	
Other	33	192	173	20	10	6	7	1	24	26	33	26	11	9			8.7	
Mixture of firm commitment and ex gratia increases	24	171	151				8	6	30	30	14	34	18	11			10.7	
Total	Number %	152	957	838	94	14	47	106	17	122	95	152	79	56	51	—	5	8.2 ^b
				100.0	11.2	1.7	5.6	12.6	2.0	14.6	11.3	18.1	9.4	6.7	6.1		0.6	

^a The precise period to which the increases relate will vary between one organisation and another, and the basis of any increases in that period may not have been the current basis shown.

^b 8.9 per cent if those to whom "no increase payable" are excluded.

TABLE 15B

Board members in nationalised industry: Distribution of annual average percentage increases in pensions after retirement made in 1974-1976^a by basis of increase

Current basis of increase	Organisations stating increases	Posts		Ranges of annual average percentage increases in pensions													Overall annual increases
		Total	With increases stated	0	0.1-2.4	2.5-2.9	3.0-3.9	4.0-4.9	5.0-7.4	7.5-9.9	10.0-12.4	12.5-14.9	15.0-17.4	17.5-19.9	20.0-22.4	22.5 or over	
No increase payable	0	0	0														%
Firm commitment to:																	—
Retail price index in full	3	9	8														18.5
Retail price index in part	1	7	7										7				16.1
Pensions increase act	23	56	55														18.7
Fixed percentage	0	1	0														—
Other	0	0	0														—
Ex gratia payments which have reflected:																	—
Retail price index in full	0	0	0														—
Retail price index in part	1	4	4														17.8
Salaries in the company	0	0	0														—
Other	1	5	5														18.7
Mixture of firm commitment and ex gratia increases																	—
																	—
Total	29	82	79	—	—	—	—	—	—	—	—	—	7	72	—	—	18.4
Number %			100.0										8.9	91.1			

^a The precise period to which the increases relate will vary between one organisation and another, and the basis of any increases in that period may not have been the current basis shown.

TABLE 15C

Senior executives in private sector: Distribution of annual average percentage increases in pensions after retirement made in 1974-1976^a by basis of increase

Number of posts

93

Current basis of increase	Organisations stating increases	Posts		Ranges of annual average percentage increases in pensions													Overall annual average	
		Total	With increases stated	0	0-1-2-4	2-5-2-9	3-0-3-9	4-0-4-9	5-0-7-4	7-5-9-9	10-0-12-4	12-5-14-9	15-0-17-4	17-5-19-9	20-0-22-4	22-5 or over		
No increase payable	19	145	145	145														%
Firm commitment to:																		0-0
Retail price index in full	1	2	2															17-8
Retail price index in part	6	76	44			12	9			22	1					2		4-0
Pensions increase act	0	0	0															—
Fixed percentage	24	305	208			49	133					26						3-8
Other	1	4	4							4								8-7
Ex gratia payments which have reflected:																		
Retail price index in full	5	64	64									13		22	29			16-0
Retail price index in part	40	391	366	13	4	17		7	63	58	114	41	26	19		4		10-2
Salaries in the company	4	42	38						6	31		1						8-2
Other	37	408	356	44	13	9	26	10	59	47	63	47	21	17				8-1
Mixture of firm commitment and ex gratia increases	22	276	226		18		14		40	48	53	21	14	18				9-5
Total	Number %	159	1,713	1,453	202	35	87	182	17	190	189	269	110	83	85	—	4	7-7 ^b
				100-0	13-9	2-4	6-0	12-5	1-2	13-1	13-0	18-5	7-6	5-7	5-8		0-3	

^aThe precise period to which the increases relate will vary between one organisation and another, and the basis of any increases in that period may not have been the current basis shown.

^b8.5 per cent if those to whom "no increase payable" are excluded.

TABLE 15D

Senior executives in nationalised industry: Distribution of annual average percentage increases in pensions after retirement made in 1974-1976^a by basis of increase

Current basis of increase	Organisations stating increases	Posts		Ranges of annual average percentage increases in pensions													Overall annual average	
		Total	With increases stated	0	0.1-2.4	2.5-2.9	3.0-3.9	4.0-4.9	5.0-7.4	7.5-9.9	10.0-12.4	12.5-14.9	15.0-17.4	17.5-19.9	20.0-22.4	22.5 or over		
																		Number
No increase payable	0	0	0														%	
Firm commitment to:																	—	
Retail price index in full	3	44	35											35			18.5	
Retail price index in part	1	25	25														16.1	
Pensions increase act	34	275	265										25	3	262		18.7	
Fixed percentage	0	10	0														—	
Other	0	0	0														—	
Ex gratia payments which have reflected:																	—	
Retail price index in full	0	0	0														—	
Retail price index in part	1	18	18													18	17.8	
Salaries in the company	0	0	0														—	
Other	1	25	25													25	18.7	
Mixture of firm commitment and ex gratia increases	1	1	1							1								8.8
Total	41	398	369							1				28	340			18.4
		%	100.0							0.3				7.6	92.1			

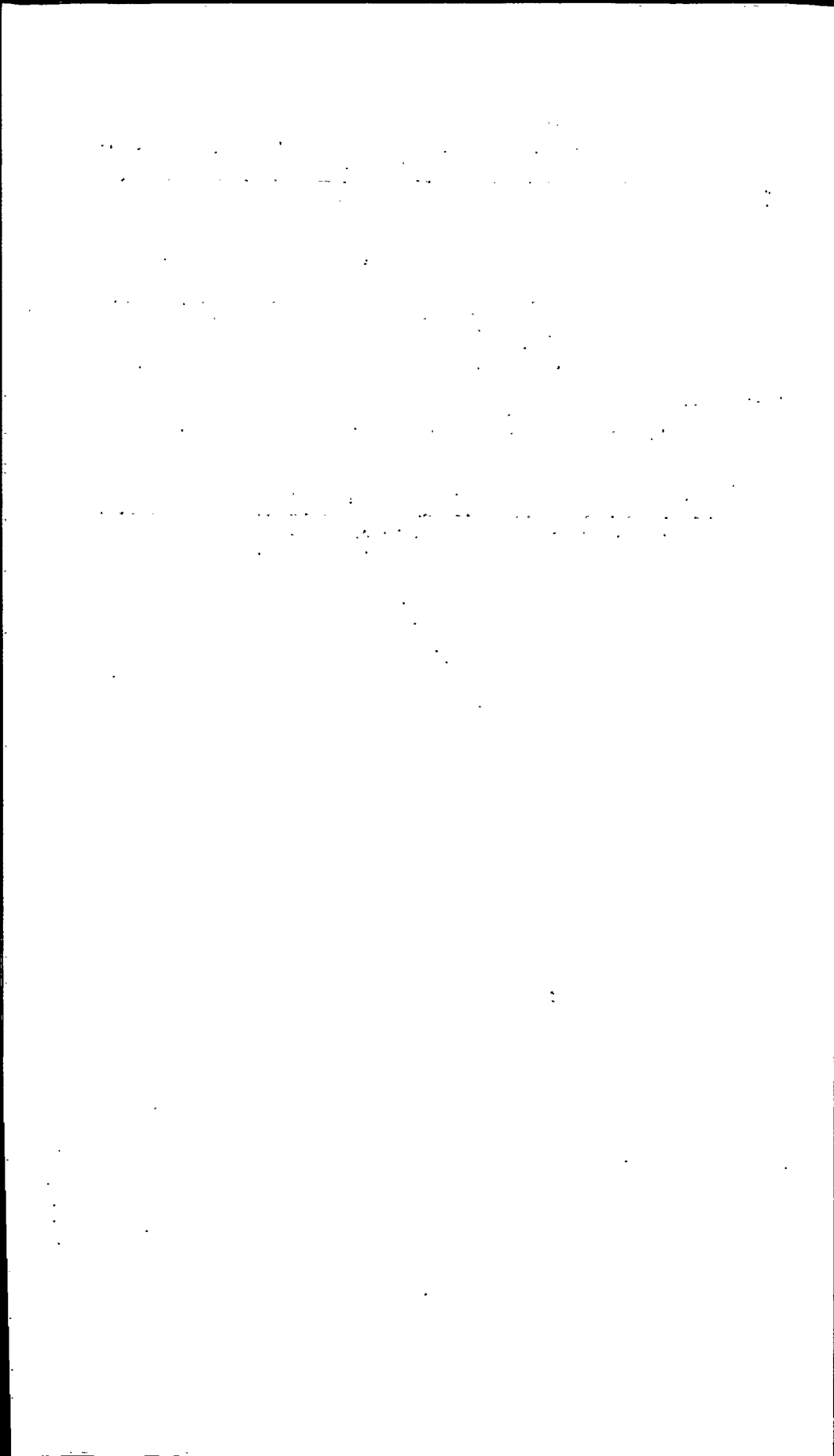
^a The precise period to which the increases relate will vary between one organisation and another, and the basis of any increases in that period may not have been the current basis shown.

TABLE 15E

Mean percentage increases^a in pensions after retirement, made in 1974, 1975 and 1976, by type of organisation and type of post

	Year in which increase made					
	1974		1975		1976	
	Number of posts for which information given	Mean increase	Number of posts for which information given	Mean increase	Number of posts for which information given	Mean increase
Board members		%		%		%
Private sector	768	8.3	791	9.9	820	8.9
Nationalised industry	79	15.7	80	24.8	80	15.0
Senior executives						
Private sector	1,308	7.7	1,402	9.4	1,453	8.5
Nationalised industry	369	15.7	378	25.0	378	14.8

^a Excluding those for whom there is no provision for pension increases.



Death in service benefits and life assurance provision

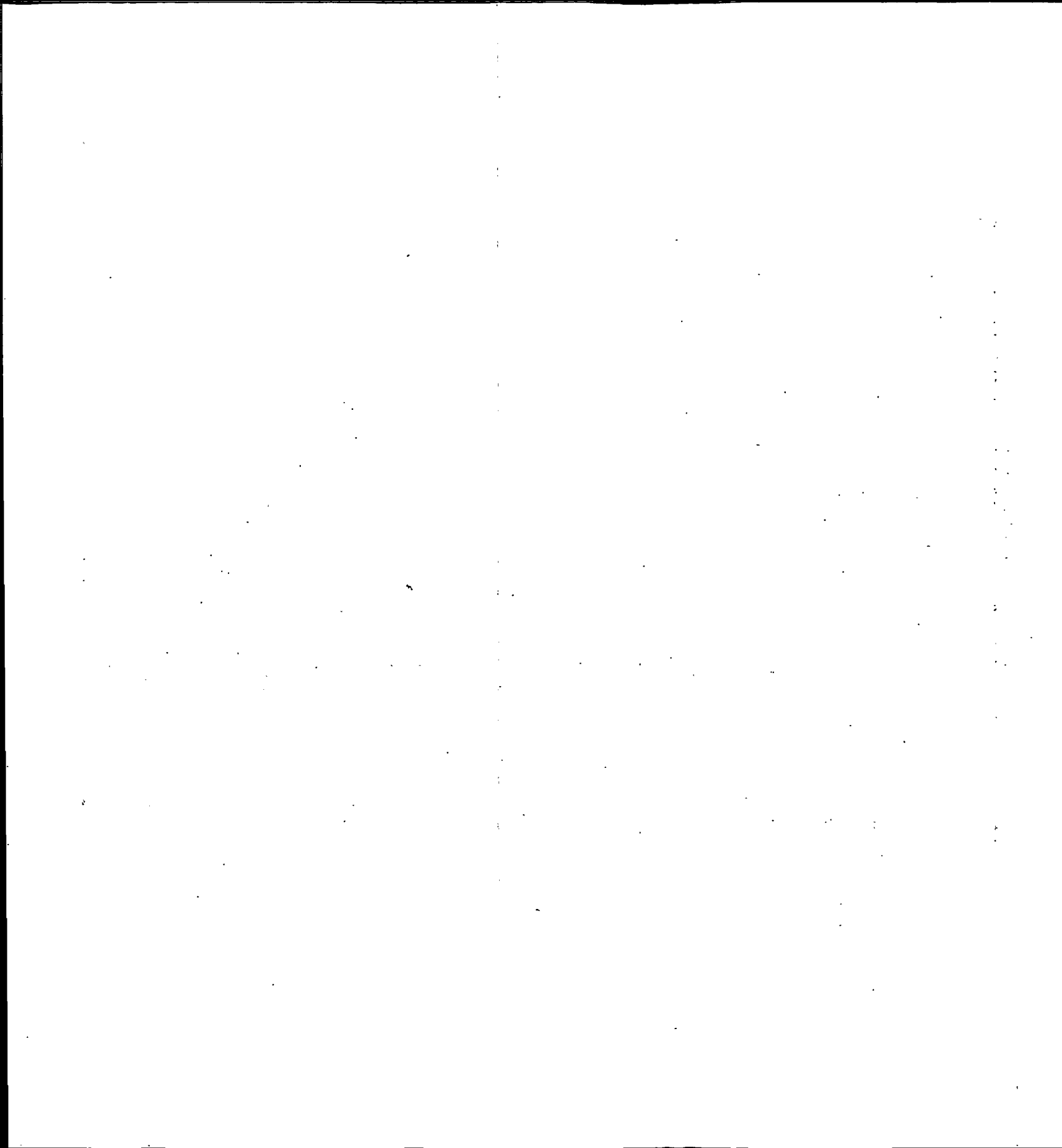
		Private sector				Nationalised industry			
		Board members		Senior executives		Board members		Senior executives	
		Organisations	Posts	Organisations	Posts	Organisations	Posts	Organisations	Posts
Total covered by a senior executive or main company staff scheme	Number %	182	957 100.0	189	1,713 100.0	32	82 100.0	45	398 100.0
Lump sum payable as a percentage of annual pay in the event of death in service ^a									
None payable	Number %	5	21 2.2	7	65 3.8	—	—	—	—
Under 100 per cent	Number %	5	26 2.7	9	83 4.8	1	2 2.4	—	—
100-199 per cent	Number %	16	83 8.7	17	162 9.5	17	45 54.9	25	231 58.0
200-299 per cent	Number %	27	120 12.5	39	306 17.9	13	31 37.8	17	142 35.7
300-399 per cent	Number %	27	145 15.2	37	352 20.5	1	4 4.9	3	25 6.3
400-499 per cent	Number %	83	443 46.3	69	600 35.0	—	—	—	—
500-599 per cent	Number %	9	64 6.7	7	88 5.1	—	—	—	—
600 per cent or more	Number %	9	49 5.1	4	57 3.3	—	—	—	—
Widow's pension in the event of death in service									
None payable	Number %	49	260 27.2	44	415 24.2	—	—	1	1 0.3
Based on a proportion of accrued pension:									
Under 50 per cent	Number %	3	9 0.9	3	31 1.8	—	—	1	6 1.5
50 per cent	Number %	16	60 6.3	16	132 7.7	27	67 81.7	34	294 73.9
66⅔ per cent	Number %	2	9 0.9	3	24 1.4	1	7 8.5	1	25 6.3
Based on a proportion of prospective pension:									
Under 50 per cent	Number %	7	49 5.1	8	102 6.0	1	1 1.2	1	12 3.0
50 per cent	Number %	65	374 39.1	73	658 38.4	2	3 3.7	6	46 11.6
Over 50 per cent but under 66⅔ per cent	Number %	3	19 2.0	3	27 1.6	—	—	—	—
66⅔ per cent	Number %	18	94 9.8	17	166 9.7	—	—	—	—
Purchase of an annuity	Number %	5	32 3.3	5	29 1.7	—	—	—	—
Percentage of salary	Number %	13	45 4.7	14	117 6.8	—	—	—	—
Other methods	Number %	1	6 0.6	3	12 0.7	1	4 4.9	1	14 3.5
Life assurance arrangements outside the Pension scheme									
Number covered	Number %	26	147 15.4	24	238 13.9	—	—	3	39 9.8
Mean cost to company for those covered	£		1,042 ^b		519 ^c		—		529 ^d
Number making contributions towards cost	Number %		5 0.5		38 2.2		—		—
Mean contribution by those making a contribution	£		308		373		—		—

^a One organisation in the private sector with 6 Board members did not answer the question.

^b Based on 132 posts only.

^c Based on 225 posts only.

^d Based on 24 posts only.



Provision of company cars and other travel benefits

		Private sector				Nationalised industry			
		Board members		Senior executives		Board members		Senior executives	
		Organisations	Posts	Organisations	Posts	Organisations	Posts	Organisations	Posts
Total covered by questionnaire	Number %	197	1,053 100.0	192	1,764 100.0	34	100 100.0	46	428 100.0
Assistance with public transport costs in respect of travel between home and office	Number %	—	—	1	1 0.1	3	9 9.0	3	26 6.1
Mean payment to those in receipt	£	—	—	627	—	155 ^a	—	69 ^b	—
Provided with:									
(i) a company car with full-time chauffeur	Number %	50	90 8.5	4	12 0.7	8	28 28.0	6	57 13.3
(ii) a company car	Number %	181	927 88.0	182	1,576 89.3	25	58 58.0	37	243 56.8
(iii) a 'pool' car for travel between home and office	Number %	14	42 4.0	2	4 0.2	4	8 8.0	3	11 2.6
(iv) a car allowance	Number %	7	27 2.6	6	68 3.9	—	—	12	34 7.9
Mean payment to those in receipt	£	—	462	—	603	—	—	—	468
Total of (i) and (ii) above:	Number %	—	1,017 100.0	—	1,588 100.0	—	86 100.0	—	300 100.0
Average values of company cars provided:									
Minimum	£	—	5,427	—	3,963	—	5,598	—	3,877
Mean	£	—	7,903	—	5,213	—	6,484	—	5,051
Maximum	£	—	10,379	—	6,463	—	7,370	—	6,226
Provision of maintenance	Number %	186	971 95.5	174	1,495 94.1	31	86 100.0	39	299 99.7
Provision of petrol	Number %	101	518 50.9	86	737 46.4	19	55 64.0	18	163 54.3
Normally making a payment to the company in respect of private motoring	Number %	44	199 19.6	42	299 18.8	18	42 48.8	24	150 50.0

^a Based on 5 posts only.^b Based on 8 posts only.

TABLE 18

Loans for house purchase or other purposes

		Private sector				Nationalised industry			
		Board members		Senior executives		Board members		Senior executives	
		Organisations	Posts	Organisations	Posts	Organisations	Posts	Organisations	Posts
Total covered by the questionnaire	Number %	197	1,053 100.0	192	1,764 100.0	34	100 100.0	46	428 100.0
Receiving financial assistance for house purchase (other than on appointment or relocation by the company)	Number %	22	74 7.0	42	198 11.2	—	—	6	20 4.7
Mean loan	£	15,713 ^a		11,310 ^c		—		16,263	
Mean rate of interest charged	%	3.7 ^a		3.5 ^d		—		6.6	
Receiving financial assistance for other purposes	Number %	18	71 6.7	26	167 9.5	—	—	2	7 1.6
Mean loan	£	13,276 ^b		7,415		—		2,071	
Mean rate of interest charged	%	1.2 ^a		2.3		—		10.7	

^a Based on data for 72 posts only.^b Based on data for 66 posts only.^c Based on data for 180 posts only.^d Based on data for 179 posts only.

Other benefits

		Private sector				Nationalised industry			
		Board members		Senior executives		Board members		Senior executives	
		Organisations	Posts	Organisations	Posts	Organisations	Posts	Organisations	Posts
Total covered by the questionnaire	Number %	197	1,053 100.0	192	1,764 100.0	34	100 100.0	46	428 100.0
Receiving a general expenses allowance	Number % £	27	100 9.5	6	45 2.6	2	5 5.0	3	15 3.5
Mean annual allowance for those in receipt	£	843 ^a		522		572		437	
Entitled to acquire shares under a share option or share incentive scheme	Number %	45	223 21.2	40	317 18.0	not applicable			
Mean excess of open market value over the price paid of shares taken up in the year to September 1977	£	907 ^b		645 ^c					
Entitlement of full-time directors to retain fees from outside:	Yes, without limit	Number %	53 26.9						
	Yes, with limit	Number %	17 8.6	not applicable		not applicable			
	No	Number %	46 23.4						
	Not applicable	Number %	81 41.1						
Receiving assistance with the education of children	Number % £	4	13 1.2	7	30 1.7	—	—	—	—
Mean amount paid to those in receipt	£	1,120		787		—		—	
Receiving free medical insurance	Number %	119	643 61.1	112	1,026 58.2	5	21 21.0	6	74 17.3
Mean cost to the company per person covered	£	103 ^d		98 ^e		78		84	

^aBased on data for 99 posts only.^bBased on data for 218 posts only.^cBased on data for 304 posts only.^dBased on data for 628 posts only.^eBased on data for 996 posts only.

ANNEX

CALCULATION OF VALUE OF BENEFITS PROVIDED

Housing loans

The average benefit is calculated as the difference between the mean rate of interest shown in the survey and the average mortgage rate over the year from 1 October 1976 to 30 September 1977, applied to the mean loan outstanding and then averaged over all respondents.

Other loans

As for housing loans but the rate of interest used for comparison was the London Clearing Banks Base Rate plus 3 per cent.

Company cars

Costs and benefits were calculated on the following assumptions:

(a) Standing charges:

(i) Depreciation¹ at 15 per cent a year of the mean value of cars provided

(ii) Road Fund Licence at £50

(iii) Insurance² as a percentage of the mean value of the cars provided, ranging from 2.45 per cent to 3.15 per cent depending upon the average mean value of the car provided but also taking account of the average minimum and maximum values. A full no claims bonus (60 per cent) has been assumed on a gross premium for a company car garaged within the Metropolitan Police Area but not within a London Postal district.

(b) Maintenance

Maintenance was calculated, on the assumption of 10,000 miles running a year, as a percentage of the mean values of the cars provided, ranging from 5.05 per cent to 8.20 per cent and based on the Automobile Association's April 1977 "Schedule of Estimated Running Costs".

(c) Petrol and oil

Consumption was calculated as for maintenance: the percentages range from 5.05 per cent to 8.75 per cent of the value of the car.

(d) Chauffeur

The cost of employing a chauffeur is estimated as £3,500 a year.

(e) Employee payments

It was assumed that, where employees were reported to be making payments for private motoring, the extent of these payments was sufficient to cover the cost of petrol and oil (this assumption was based on information from other surveys).

¹As assumed by the Royal Commission on the Distribution of Income and Wealth: Report No. 3, Higher Incomes from Employment, page 211 (Cmnd. 6383).

²Quotations for a range of cars spanning the values given by respondents were obtained from a leading motor insurer.

The benefits to the employee have been calculated as half the above costs on the assumption that for those provided with company cars 5,000 miles a year are run on business and 5,000 miles on private motoring.¹ The results are averaged over all respondents.

Other items

For all other items, the benefits are taken as the costs reported by the respondents for those receiving the benefit, averaged over all (relevant) employees covered.

OFFICE OF MANPOWER ECONOMICS

¹ The Royal Commission on the Distribution of Income and Wealth: Report No. 3, illustrated the effects of one-third and of 100 per cent private motoring (Table H3).

APPENDIX F

EARNINGS AT THE BAR IN ENGLAND AND WALES

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EARNINGS AT THE BAR IN ENGLAND AND WALES

1. A summary of the results of a survey of the earnings of barristers, conducted on behalf of the Senate of the Inns of Court and the Bar and designed primarily to provide evidence for submission to the Royal Commission on Legal Services, is given below. The survey had certain limitations for the present purposes, which are indicated.

2. It is difficult to make comparisons with the results of the survey of earnings at the Bar carried out by the Office of Manpower Economics in 1972 (Report No. 6, Appendix K): the latest year for which information was collected in that survey related to 1970-71, and the earliest year covered in the present survey is 1972-73. Moreover, the coverage is different, in that the 1972 survey covered barristers of 15 to 44 years' standing only.

Response to survey

3. The questionnaire was designed by the Senate and its consultants, and was despatched in May 1976 to all members of the Bar at 1 October 1975. Detailed data collected related to the 1974-75 tax year, that is the accounting year ending during the 12 months to 5 April 1975, but summary data was obtained for the two earlier years and for 1975-76, although this was often estimated: the accounting year-end for just over half of the respondents was 5 April, and the average period covered corresponded broadly to the calendar year 1974. By the closing date of 25 August 1976, 2,375 completed questionnaires had been received of which 2,087 were usable, including 207 from Queen's Counsel: this represented about 65 per cent of some 3,200 barristers practising in October 1974 (Table 1, footnote (a)). A total of 288 returns was rejected: most of these were from barristers who were not in full-time practice, in particular from barristers who were too junior to provide information for 1974-75; the others included returns from law reporters, university lecturers and "very elderly part-time" barristers. When classified by seniority, the response rates for Queen's Counsel were fairly close to the overall average, but those for Junior Counsel were more variable. The response rate for Junior Counsel with at least 15 full years in practice was just over 50 per cent.

Seniority

4. Junior Counsel with at least 15 full years in practice and established Queen's Counsel are of greatest interest, because these two groups provide the main recruitment ground for appointments to the judiciary. The survey, however, was designed to provide information for all barristers and, both because of the time lag between the carrying out of a brief and the receipt of payment for it—typically 1-1½ years—and the time that it takes for a Queen's Counsel to become established, the results for the recently appointed Queen's Counsel have been aggregated, where possible, with those for the most senior Junior Counsel.

Gross and net earnings

5. Table 2 shows the make-up of barristers' earnings; gross income (excluding VAT) received in 1974-75 has been divided between practice earnings and judicial fees, and net income has been derived by deducting

professional expenses, personal pension premiums and sickness benefit insurance premiums. The last two items could be left within net income, but some of the information shown in later tables is available only after they have been excluded: the average amounts for these items are shown separately, and are not substantial in relative terms—they account for just over 4 per cent of gross fees or 6 per cent of net income. The average gross income received by Junior Counsel of at least 15 years' standing and by recently appointed Queen's Counsel was £15,377 for England and Wales as a whole (6 per cent higher in London and 9 per cent lower elsewhere), of which about 4 per cent was attributable to judicial fees. Expenses and pension and sickness benefit premiums accounted for nearly one-third of the gross income, so that average net income was £11,174 in London, £9,142 outside London and £10,327 overall.

6. Average gross income for Queen's Counsel appointed before 1972 was £26,565, some 73 per cent above the average for the group considered above, and the differential is larger between those practising in London and those outside at nearly 20 per cent compared with 16 per cent for Junior Counsel. Judicial fees again contributed a small proportion of the total income, and the proportion of gross fees accounted for by expenses and by pension and sickness benefit premiums was also nearly a third, as for the combined figures for the most senior Junior Counsel and Queen's Counsel appointed in or after 1972. Average net income was £18,250 for England and Wales as a whole, some 77 per cent higher than the net income of the most senior Junior Counsel and the recently appointed Queen's Counsel, and just under £19,000 in London.

7. Table 3 shows average gross and net incomes of all barristers by seniority. The earnings of Junior Counsel with between 9 and 15 full years in practice were broadly similar to the earnings of those with longer experience, and those with 4–8 years' experience reported net incomes of about two-thirds as much on average. Those more recently called to the Bar, however, earned much less: average net income of barristers with up to 3 years' experience was £2,609 and expenses accounted for a higher proportion of gross fees (39 per cent).

The spread of earnings

8. Quantiles of gross earnings and net income respectively for 1974–75 are in Tables 4 and 5 for Junior Counsel with at least 15 years' standing and for recent and established Queen's Counsel. Results for London practitioners are shown for two groups of court work only, and it is not possible to provide aggregates either for all London practitioners or for all Queen's Counsel and senior barristers combined because of the limitations of the survey analysis. For Junior Counsel with at least 15 years' standing, the upper quartile net income was £11,354 (gross fees £16,596); for recently appointed Queen's Counsel, £20,282 (£28,453); and for established Queen's Counsel, £22,372 (£30,625). The very highest net earnings are in the Chancery and Specialist Divisions in London, where highest decile earnings for established Queen's Counsel were (in round figures) £45,000 (£59,000).

9. Information on the distribution of earnings by ranges is available only for the net income of all Junior Counsel (including those recently called to the

Bar) and of all Queen's Counsel. Table 6 shows that 184 barristers, some 9 per cent, had net incomes of at least £15,000 in 1974-75, and that nearly half of these earned in excess of £20,000.

Movements in earnings

10. Trends in gross and net income between 1972-73 and 1975-76 are in Table 7. The sample sizes are different for each year, and the net income analysis excludes loss makers. With this exception, the samples include all Junior Counsel and Queen's Counsel respectively, so that trends in the higher quantiles only are relevant in considering recruitment to the judiciary. Net income has tended to increase at a slightly lower rate than gross income over the three-year period considered: for example, upper quartile earnings increased for Junior Counsel by 40.2 per cent in gross terms and 35.8 per cent in net terms. Increases between 1972-73 and 1973-74 were generally around 10 per cent, although Queen's Counsel upper quartile earnings moved ahead faster. Thereafter, the increases for Junior Counsel were fairly modest in 1974-75 but more substantial (around 20 per cent) in 1975-76; Queen's Counsel on the other hand had larger increases (approaching 20 per cent) in 1974-75 and smaller increases in 1975-76. The rises in earnings may be slightly overstated because the data all come from a single survey and do not, therefore, fully reflect the effect of barristers leaving the profession.

Numbers in the judiciary by age and seniority at 1 May 1978

11. The Annex provides an analysis of the main groups of the judiciary in England and Wales by age (Table A), age on first appointment (Table B), seniority from first call (Table C) and, for Lords Justices of Appeal, years of service as a High Court Judge (Table D) and brings up to date the information in Report No. 6, Appendix K, Annex. Averages from the previous analysis are shown for comparison except in Table B, where the analysis is by ranges of age on first appointment to any judicial post, instead of by ranges of age on appointment to the post held currently.

12. Compared with the September 1971 position, the average age of Circuit Judges has fallen from 60 to 58 years and numbers have risen sharply—by some 66 per cent. The age of Metropolitan Magistrates has also fallen by one year and numbers have risen by 24 per cent.

TABLE 1

Response to the survey

Status and seniority of barristers	Total at the Bar in October 1974 ^a	Total covered by the survey ^b	Percentage covered
	No.	No.	%
Junior Counsel			
With full years in practice:			
3 and under	850	726	85
4-8	950	479	50
9-15	625	367	59
Over 15	600	308	51
All	3,025	1,880	62
Queen's Counsel			
Appointed during or since 1972	125	76	61
Appointed before 1972	220	131	60
All	345	207	60
All barristers	3,370	2,087	62

^a If an allowance of about 5 per cent of the total is made for those who are unrepresentative of general practice, the total would be reduced to 3,200, giving a response rate of 65 per cent.

^b After exclusion of 288 completed forms (31 anonymous; 12 from Law Reporters; 10 from university lecturers; 198 from those too junior to be able to provide 1974-75 details; and 37 others including from the "very elderly" and from other part-timers). A further 36 forms were excluded, as they were received too late.

TABLE 2

Make-up of fees (excluding VAT) received in 1974-75^a

Status and location of barristers	Survey number	Gross practice income	Judicial fees	Total gross fees	Expenses ^b	Personal pension and sickness benefit insurance premiums ^c	Total net income
	No.	£	£	£	£	£	£
Junior Counsel with over 15 full years in practice as at April 1974, and Queen's Counsel appointed during or since 1972							
England and Wales	384	14,826	551	15,377	5,050	625	10,327
In London	224	15,984	328	16,312	5,138	669	11,174
Outside London	160	13,205	862	14,067	4,925	564	9,142
Queen's Counsel appointed before 1972							
England and Wales	131	25,654	911	26,565	8,315	1,155	18,250
In London	105	26,778	672	27,450	8,492	1,179	18,958
Outside London	26	21,114	1,876	22,990	7,601	1,060	15,389
Total							
England and Wales	515	17,580	642	18,222	5,880	760	12,342
In London	329	19,429	438	19,867	6,209	832	13,658
Outside London	186	14,310	1,004	15,314	5,299	633	10,015

^a Accounting year ending in the 12 months to 5 April 1975. Just over half of all barristers in the survey had 5 April as their accounting year end.

^b Professional expenses, personal pension premiums and sickness benefit insurance premiums.

^c These items are also included in the 'expenses' column. Personal pension premiums account for about 95 per cent of the amounts shown.

TABLE 3

**Average gross fees (excluding VAT) and net income received in
1974-75, by seniority**

Status and seniority of barristers	Survey number	Total gross fees	Expenses ^a	Total net income
	No.	£	£	£
Junior Counsel				
With full years in practice:				
3 and under	726	4,284	1,675	2,609
4-8	479	8,733	3,082	5,651
9-15	367	13,122	4,539	8,583
Over 15	308	12,958	4,430	8,528
Queen's Counsel				
Appointed during or since 1972	76	25,178	7,560	17,618
Appointed before 1972	131	26,565	8,315	18,250
All barristers	2,087	10,299	3,539	6,760

^a Professional expenses, personal pension premiums and sickness benefit insurance premiums.

TABLE 4

Quantiles of gross fees (excluding VAT) received in 1974-75

Status and location of barristers	Survey number	Gross fees received					
		Average	Lowest decile	Lower quartile	Median	Upper quartile	Highest decile
	No.	£	£	£	£	£	£
Junior Counsel with over 15 full years in practice as at April 1974							
England and Wales	308	12,958	4,925	8,009	11,662	16,596	21,943
In London: Chancery/Specialist	68	13,113	3,508	7,444	12,540	17,371	22,568
Family/Common Law/Criminal	112	13,336	4,915	7,784	11,662	16,470	23,756
Outside London	128	12,545	5,643	8,762	11,151	14,647	20,003
Queen's Counsel appointed during or since 1972							
England and Wales	76	25,178	15,543	18,227	23,712	28,453	37,833
In London: Chancery/Specialist	27	31,815	19,397	24,874	30,534	36,048	47,637
Family/Common Law/Criminal	17	24,091	—	18,366	21,839	26,262	—
Outside London	32	20,155	14,877	16,419	20,163	24,989	26,974
Queen's Counsel appointed before 1972							
England and Wales	131	26,565	13,971	17,689	24,213	30,625	42,005
In London: Chancery/Specialist	54	32,326	9,978	18,710	29,948	41,711	58,941
Family/Common Law/Criminal	51	22,287	15,083	16,660	21,103	27,008	30,650
Outside London	26	22,990	16,128	18,074	21,193	28,329	31,521

TABLE 5

Quantiles of net income received in 1974-75

Status and location of barristers	Survey number	Net income received					
		Average	Lowest decile	Lower quartile	Median	Upper quartile	Highest decile
Junior Counsel with over 15 full years in practice as at April 1974	No.	£	£	£	£	£	£
England and Wales	305 ^a	8,612	2,615	5,000	7,377	11,354	14,938
In London: Chancery/Specialist	66 ^a	9,099	1,862	4,889	8,531	12,079	16,621
Family/Common Law/Criminal	111 ^a	8,883	2,264	5,170	7,887	11,499	16,425
Outside London	128	8,126	3,698	5,031	7,117	9,574	13,441
Queen's Counsel appointed during or since 1972							
England and Wales	76	17,618	9,432	12,147	16,423	20,282	28,876
In London: Chancery/Specialist	27	23,250	13,742	18,793	21,652	26,767	33,941
Family/Common Law/Criminal	17	16,978	—	11,905	16,284	18,455	—
Outside London	32	13,206	7,652	9,632	13,482	16,561	18,723
Queen's Counsel appointed before 1972							
England and Wales	131	18,250	7,856	11,185	16,054	22,372	29,490
In London: Chancery/Specialist	54	22,870	7,312	14,155	20,779	29,450	45,296
Family/Common Law/Criminal	51	14,816	7,673	10,404	13,873	19,198	22,524
Outside London	26	15,389	9,675	11,485	15,019	19,762	21,855

^a Survey numbers exclude 3 Junior Counsel in London (2 Chancery/Specialist; 1 Family/Common Law/Criminal) who had nil (or negative) net income. The quantiles for Junior Counsel are therefore strictly inaccurate to the extent that these barristers should have been taken into account. No further information is, however, available.

TABLE 6

Distribution of net income received in 1974-75

Net income	All Junior Counsel	All Queen's Counsel	All barristers	
	No.	No.	No.	%
£25,000 or over	12	36	48	2.3
£20,000 but under £25,000	11	30	41	2.0
£15,000 but under £20,000	46	49	95	4.6
£10,000 but under £15,000	191	52	243	11.6
£ 5,000 but under £10,000	611	29	640	30.7
Under £5,000	1,009	11	1,020	48.9
Total	1,880	207	2,087	100.0

TABLE 7

Trends in gross fees (excluding VAT) and net income received between
1972-73 and 1975-76 for all barristers

	Year				Percentage changes		
	1972-73	1973-74	1974-75	1975-76 (estimated)	1972-73 to 1973-74	1973-74 to 1974-75	1974-75 to 1975-76
Junior Counsel	£	£	£	£	%	%	%
Gross fees (excl. VAT) received ^a :							
upper quartile	9,700	10,600	11,400	13,600	9.3	7.5	19.3
highest decile	13,200	14,700	16,400	19,800	11.4	11.6	20.7
survey number	No. (1,376)	(1,583)	(1,880)	(1,776)			
Net income received ^a :							
upper quartile	6,700	7,300	7,600	9,100	9.0	4.1	19.7
highest decile	9,200	10,200	11,200	13,500	10.9	9.8	20.5
survey number ^b	No. (1,343)	(1,540)	(1,836)	(1,759)			
Queen's Counsel							
Gross fees (excl. VAT) received ^a :							
median	18,000	20,000	24,000	26,000	11.1	20.0	8.3
upper quartile	23,000	26,200	30,200	35,400	13.9	15.3	17.2
highest decile	30,100	35,000	40,600	45,800	16.3	16.0	12.8
Survey number	No. (198)	(201)	(207)	(202)			
Net income received ^a :							
median	12,400	13,700	16,300	18,000	10.5	19.0	10.4
upper quartile	16,300	18,600	21,900	25,000	14.1	17.7	14.2
highest decile	22,700	24,800	29,600	33,000	9.3	19.4	11.5
survey number	No. (198)	(201)	(207)	(202)			

^a Rounded to the nearest £100.^b Excludes loss makers.

ANALYSES OF AGE AND LENGTH OF SERVICE OF THE JUDICIARY^a: 1 MAY 1978

ANNEX

TABLE A

All judges: Percentage distribution in ranges of age

	Age							All ranges (100%)	Average age	
	Under 45	45-49	50-54	55-59	60-64	65-69	70 and over		May 1978	Sept 1971
Lords Justices of Appeal	—	—	—	6	13	50	31	Number 16	Years 67	Years 66
High Court Judges	—	4	14	27	26	14	16	74	61	61
Circuit Judges ^b	—	5	24	23	22	18	8	291	58	60
Metropolitan Magistrates	—	17	29	10	24	15	5	41	57	58

TABLE B

All judges: Percentage distribution in ranges of age on first appointment to judicial office

	Age on first appointment to judicial office							All ranges (100%)	Average age	
	Under 45	45-49	50-54	55-59	60-64	65-69	70 and over		May 1978 ^c	
Lords Justices of Appeal	—	13	62	25	—	—	—	Number 16	Years 53	
High Court Judges	1	14	43	32	—	—	—	74	54	
Circuit Judges ^b	2	32	38	20	9	0	—	291	52	
Metropolitan Magistrates	20	39	22	17	—	2	—	41	49	

TABLE C

All judges: Percentage distribution in ranges of years from first call to the Bar^d to appointment to various levels of the Judiciary

	Years from first call to appointment to various levels of the Judiciary							All ranges (100%)	Average time	
	Under 17	17-19	20-24	25-29	30-34	35-39	40-46		May 1978	Sept 1971
Lords Justices of Appeal	—	—	—	13	6	31	50	Number 16	Years 38	Years 38
High Court Judges	—	—	19	36	23	20	1	74	29	30
Circuit Judges ^b	1	4	41	26	14	12	1	291	27	28
Metropolitan Magistrates	10	17	37	17	15	2	2	41	24	24

TABLE D

Lords Justices of Appeal: Percentage distribution in ranges of years of service as a High Court Judge

	Years of service as a High Court Judge					All ranges (100%)	Average time	
	1-3	4-6	7-9	10-12	13 and over		May 1978	Sept 1971
Lords Justices of Appeal	—	13	62	25	—	Number 16	Years 9	Years 9

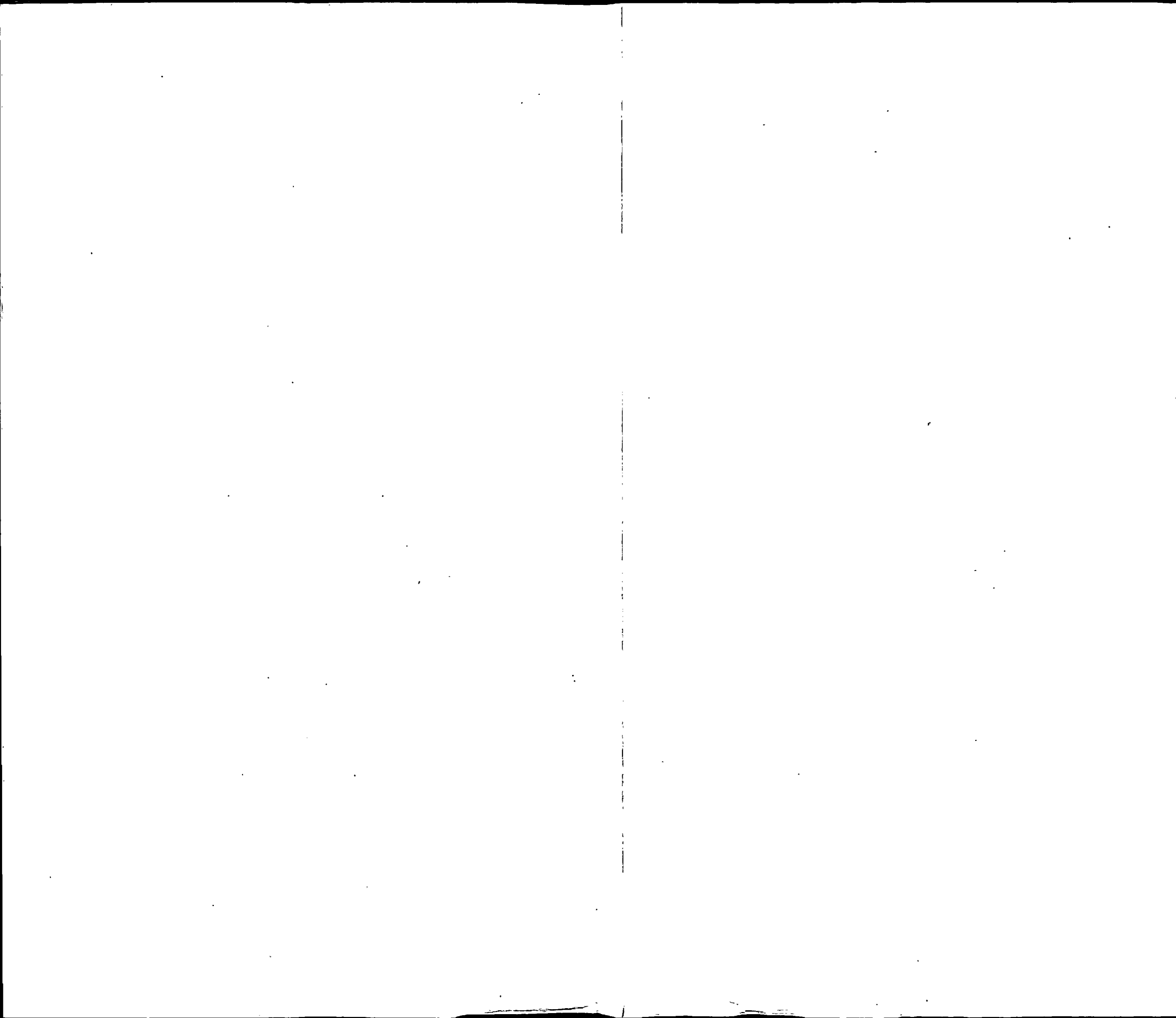
Source: Lord Chancellor's Office

^a England and Wales excluding the Lord Chief Justice and the Master of the Rolls.

^b Including City of London.

^c Figures for September 1971 are not comparable.

^d Date of admission for solicitors appointed to the Circuit or Metropolitan Bench.



APPENDIX G

TERMS OF REFERENCE OF A SECOND NATIONALISED INDUSTRY JOB EVALUATION STUDY

Terms of Reference

1. To select, in consultation with the Office of Manpower Economics, a representative sample of Board appointments in the nationalised industries (including Chairmen, Deputy Chairmen and Members) from:

- (a) specified industries covered in the job evaluation study commissioned by the Office of Manpower Economics in 1972, (Report No. 6 of the Review Body on Top Salaries);
- (b) industries which have come into being since the end of 1974; and
- (c) the water supply industry.

2. To analyse and evaluate this sample.

3. To provide advice on the range of salaries paid in industrial, commercial and financial organisations outside the State sector, for jobs of comparable weight.

ANNEX

SIZE OF NATIONALISED INDUSTRIES

Industry	Net assets	Number of employees	Annual turnover
	£m	000's	£m
British National Oil Corporation	369.0	0.4	23.5
National Enterprise Board ^a	1,165.2	276.3	2,750.3
British Steel Corporation	3,067.1	207.9	3,059.4
Post Office	6,181.0	407.4	3,806.0
British Railways Board	1,473.2	243.5	1,439.7
British Gas Corporation	2,194.0	99.9	1,957.5
British Shipbuilders	180.0	86.6	643.0
National Coal Board	1,147.6	307.0	2,426.6
British Airways Board	655.8	59.4	1,247.9
British Aerospace	320.0	68.8	860.0
Electricity Council and Area Electricity Boards	2,389.1	100.2	1,041.6
Central Electricity Generating Board	3,855.1	60.7	3,101.4
United Kingdom Atomic Energy Authority	136.6	13.3	179.4
Scottish Development Agency	71.7	0.6	50.0
National Bus Company	165.0	67.9	358.4
National Freight Corporation	139.1	43.0	326.0
Civil Aviation Authority	51.7	7.8	65.3
British Airports Authority	304.3	5.4	103.2
Cable and Wireless Limited	139.0	9.5	98.1
Commonwealth Development Corporation	259.4	0.4	30.5
North of Scotland Hydro-Electric Board	447.0	3.8	127.3
South of Scotland Electricity Board	720.8	13.7	355.9
Welsh Development Agency	60.0	0.5	33.0
British Transport Docks Board	161.1	11.5	98.0
Scottish Transport Group	58.1	14.7	89.2
National Water Council and Regional Water Authorities	3,326.0	61.5	937.6
British Waterways Board	12.3	3.2	9.9

^a Includes all organisations in which there is a holding.

APPENDIX H

NATIONALISED INDUSTRY SALARY COMPRESSION SURVEY

(Carried out by the Office of Manpower Economics on behalf of the Review Body on Top Salaries)

Organisation of survey

1. Inquiry forms were sent in August 1977 to the 49 nationalised industry organisations within the Review Body's terms of reference: all except two replied. Each organisation was asked to show, within thousand pound ranges, the distribution of the salaries¹ of the following three groups in July² of each of the years 1974 to 1977:

- (i) Board members (full-time only, excluding the Chairman);
- (ii) Senior executives 1 (defined as those senior staff reporting direct to Board members);
- (iii) Senior executives 2 (defined as those senior staff whose level of responsibility is next to that of the senior executives 1).

Overlap in pay between Board members and senior executives

2. For reasons of confidentiality, the detailed relationships between the salaries of Board members and senior executives in individual industries is not shown. Table A shows these in summary form for the fourteen industries in

Table A

Industries in which senior executives 1 and 2 were paid more, the same or less in 1974 and 1977 compared with Board members^a

Relationship	Number of industries	
	1974	1977
Highest paid senior executive 1 in:		
higher range than lowest paid Board member	5	10
same range as lowest paid Board member	2	4
lower range than lowest paid Board member	7	0
higher range than highest paid Board member	1	6
same range as highest paid Board member	2	5
lower range than highest paid Board member	11	3
Highest paid senior executive 2 in:		
higher range than lowest paid Board member	2	3
same range as lowest paid Board member	1	4
lower range than lowest paid Board member	11	7
higher range than highest paid Board member	1	2
same range as highest paid Board member	0	1
lower range than highest paid Board member	13	11

^a Excluding Chairmen and Deputy Chairmen.

¹Defined as salaries used in published accounts for directors and employees receiving emoluments of more than £10,000—that is, emoluments in cash and kind excluding employers' contributions to superannuation schemes.

²If preferred, information for the end of the financial year could be given: 10 industries provided information on this basis, all for end-March.

which there were full-time Board members (other than the Chairman and Deputy Chairman) and which gave information for both 1974 and 1977: The table compares the salaries of the highest paid senior executive 1, and of the highest paid senior executive 2, with the salaries of the lowest and highest paid Board members. It shows the number of industries in which the senior executive was remunerated in a higher, the same or a lower thousand pound range compared with the highest and lowest paid Board members in the industry.

3. Measured by any of the relationships in Table A, the degree of compression or overlap between Board members and senior executives increased between 1974 and 1977. In 1977, the highest paid second tier senior executive received more than the highest paid Board member in two industries and, in a third, was paid within the same thousand pound range. Three qualifications need to be made about the comparisons between the two years, but they do not affect the broad conclusions to be drawn from the changes. First, the differences have been measured only in terms of the thousand pound ranges in which the remuneration falls so that a small increase in salary, such as the £208 cash supplement in 1977, can take one group just over the boundary between two adjacent thousand pound ranges and leave another group which had previously been in the same range just below a boundary: conversely, an increase of £900 could leave a salary in the same thousand pound range as before. Second, a temporary vacancy in a post at the date of the count in one year can affect the position. Third, and most important, salary restructuring at a time of major organisational change can affect the picture, particularly when it has resulted in moves between the three groups for whom data were requested, in the introduction of 'new' senior executives 2 into the analysis, or the omission of 'existing' senior executives 2: one major nationalised industry was reorganised twice in this way between 1974 and 1977.

Numbers affected by overlap in pay between Board members and senior executives

4. Table B shows within ranges of numbers of senior executives (1 or 2) whose salaries overlap the salaries of the lowest paid and highest paid Board member respectively, the number of industries in which overlaps occurred in 1977, out of the seventeen industries in that year with full-time Board members other than a Chairman or Deputy Chairman. In some industries, substantial numbers of senior executives (in one case, as many as 47) were paid more than the lowest paid Board member, and overlaps or payment in the same thousand pound range occurred in all but two industries. Moreover, in seven industries, more than one senior executive received more than the highest paid Board member, including two industries in which between ten and fifteen senior executives were in this position.

TABLE B

Number of industries in which senior executives are remunerated more highly than Board members

Number of senior executives (1 or 2)	Number of industries in which the number of senior executives shown by ranges in the first column were remunerated in a higher thousand pound range than the	
	Lowest paid Board member	Highest paid Board member
	Number	Number
Over 25	1	0
20-25	1	0
10-15	1	2
5- 9	2	0
4	2	1
3	1	1
2	1	3
1	2	0
0	6 ^a	10 ^b

^a Includes 4 industries in which 29 executives are remunerated in the same thousand pound range as the lowest paid Board member.

^b Includes 5 industries in which 20 executives are remunerated in the same thousand pound range as the highest paid Board member.

Extent of overlap in remuneration between Board members and senior executives

5. Table C shows the number of thousand pound ranges by which the salaries of the highest and lowest paid Board members exceeded (+) or were less than (-) the salaries of the highest paid senior executives in 1977.

Table C

Extent of differential between the salaries of the highest or lowest paid Board member and the highest paid senior executive

Board member	Number of industries in which the salary of the highest or lowest paid Board member exceeded (+) or was less than (-) the salary of the highest paid executive by the number of £000 ranges shown										Total number of industries	
	Number of £000 ranges											
	+4 or more	+3	+2	+1	0	-1	-2	-3	-4	-5		-6
Highest paid	3	0	1	1	5	3	2	1	1	0	0	17
Lowest paid	1	1	0	0	4	2	5	1	1	1	1	17

6. Table C shows that the extent by which the salary of the highest paid senior executive overlapped the salary of the highest paid Board member, ranged up to 4 thousand pound ranges, and the salary of the lowest paid Board member by up to 6 thousand pound ranges.

7. In all the industries (other than the Area Electricity Boards) for which recommendations were made in Report No. 6, some senior executives 1 are paid within the current ranges of salary for Board members, and a number of senior executives 2 are also paid within these ranges. In many of these industries, senior executives are now paid salaries within or even above the ranges recommended in Report No. 6 for Board members, but which have not been implemented.

Area Electricity Boards

8. In all except one of the twelve Area Electricity Boards (which do not have full-time Board members), the remuneration of at least one senior executive 1 exceeds the current salary of the Deputy Chairman and, in all except four, the most highly paid senior executive 2 is either in or above the thousand pound range in which the Deputy Chairman falls. In half of the areas, top senior executives 1 are now paid more than the minimum of the salary range for Deputy Chairmen recommended in Report No. 6 for implementation from 1 January 1975.

'New' industries

9. Some senior executives in the 'new' nationalised industries are also paid within the present ranges for Board members and these industries, like the 'old' industries, also face compression or overlap problems.

Repercussions at lower levels

10. In commenting on their returns, a number of the industries drew attention to the fact that, in addition to creating compression or overlap at the levels for which detailed information was requested, the effect of the restriction of Board salaries was being felt still lower down the senior executive structure.

OFFICE OF MANPOWER ECONOMICS

APPENDIX J

RELATIVITIES WITHIN THE JUDICIAL STRUCTURE: A REPORT BY A SUB-COMMITTEE ON THE JUDICIARY UNDER SIR GEORGE COLDSTREAM'S CHAIRMANSHIP

Introduction

1. The Sub-Committee on the Judiciary was appointed by the Review Body on Top Salaries to re-examine the relativities within the judicial structure that resulted from the Report No. 6 recommendations in 1974, to recommend on any changes considered appropriate in the relativities between the appointments within that structure, and to include certain appointments that were not within the Review Body's terms of reference on the occasion of the last review. Sir George Coldstream was appointed Chairman of the Sub-Committee and Lord Hirshfield and Sir Stanley Rees were members. Three special members were appointed to advise the Sub-Committee on matters relating to the individual judicial structures within England and Wales, Scotland and Northern Ireland: we had the advantage for this purpose of the advice of the Lord Chief Justice of England, the Lord President of the Court of Session and the Lord Chief Justice of Northern Ireland.

Approach

2. Our terms of reference require us to examine and recommend on the relativities between the judicial appointments that fall within the Review Body's own terms of reference. In appointing us, the Review Body made clear that our task was to assess the content and 'weight' of the jobs, and that we were not concerned with levels of salary. Our recommendations are thus put forward in 'job ranking' terms, and take no account of external factors—such as particular recruitment difficulties, or differences in cost of living or in levels of Bar earnings between the three countries—that may need to be recognised in assessing the salary levels appropriate to the structure of relativities. These are matters for the Review Body itself. However, it was made clear to us that we would be free to draw the Review Body's attention to problems or difficulties that we consider merit special attention. We have done this where we consider it necessary.

3. Our task has been broadly the same as the task of the Advisory Group which the Review Body appointed in the course of its 1972–74 review of the field then within its terms of reference whose report to the Review Body was published as an Appendix to the Review Body's own report¹. In reaching our conclusions, we have taken account of the extensive evidence that has been submitted to the Review Body itself by individuals and groups within the judiciary in all three countries. For reasons of confidentiality, anonymity and practicality in view of the great weight of material, a full summary of all the evidence—both written and oral—put to the Review Body has been made available to us. We are satisfied that we have been able to take full account of all the evidence put forward in this review.

¹Review Body on Top Salaries, Report No. 6: Report on Top Salaries—Cmd. 5846 (Appendix E).

4. We decided to examine first the individual structures in each of the three countries, with the advice of the special member directly concerned. Subsequently, we have reconciled the results of these separate deliberations to provide a cohesive structure of relativities in 'absolute' judicial terms which we show in our recommendations. In our deliberations on the judicial 'weight' of the individual levels of appointment, we have given due consideration to the factors that the 1972 Advisory Group also took into account¹: these include qualifying experience and ability required to undertake particular work, the magnitude and quality of the workload and the general pressures that are inseparable from judicial work. We have followed the practice of the Advisory Group in presenting the relativities recommended as a scale based on a 'points' rating of 100: in order to indicate clearly the changes that we consider appropriate, we show on this basis the relativities established by the salaries recommended in Report No. 6, our adjustments to that structure, and the results re-converted to a new 100 base. We repeat a point that the 1972 Advisory Group made in its report¹: notwithstanding the weight of evidence and opinion available to us, the assessment of relativities between one appointment and another—in spite of the seeming precision with which our recommendations are presented—remains largely a matter of subjective judgment. In a field such as the judiciary, we believe this to be inevitable. The evidence submitted to the Review Body by some individual groups in the judicial hierarchy indicated varying degrees of dissatisfaction with the points rating allocated to them respectively in the pay structure adopted in Report No. 6. This was particularly so in the case of the Masters and Registrars, the Chairmen of the Industrial Tribunals, the Metropolitan Magistrates and the Circuit Judges in England and Wales: and in the case of the Sheriffs in Scotland and the County Court Judges in Northern Ireland. In some cases, it was argued that the Review Body had been under a misapprehension as to the basic nature and extent of the work: in others, the case for promotion now rests upon an increase in jurisdiction and responsibility since 1975. To all of these arguments we have given the most careful consideration with the aid of our special members.

The structure

5. In reaching our conclusions, we have made a number of changes and taken a number of points into account in our assessments. We make the following observations on certain of the appointments.

A. England and Wales

Masters and Registrars of the Supreme Court

6. Although the different groups of Masters and Registrars cover a wide range of judicial work, we consider it appropriate to continue to assess them as a single group. But we have concluded that their position in the 1975 structure calls for adjustment. Their work is different in nature from the work of the Metropolitan Magistrates (and the circumstances under which it is

¹ Review Body on Top Salaries, Report No. 6: Report on Top Salaries—Cmd. 5846 (Appendix E, paragraph 9).

carried out are also different), but we consider, on a balance of all the relevant factors, that the appointments should rank together (see also paragraph 7). Thus, while Masters and Registrars will continue to form part of the group that provides the base for the new structure, we have substantially improved their 1975 position vis-a-vis the appointments that were then judged to rank immediately above them (Table 1, columns B and C).

Metropolitan Magistrates and Chairmen of Industrial Tribunals

7. We are satisfied that these appointments should continue to be grouped together, and that the Masters and Registrars should form part of the same group. The enlarged group provides the new base of the structure with which we are concerned, and we are persuaded that it is right on this occasion to reduce the overall differential between the base and the apex of the structure. The Advisory Group in 1972 regarded its assessment of the Chairmen of Industrial Tribunals relative to other judicial appointments as provisional (Report No. 6, Appendix E, paragraph 16) and there is some evidence to suggest that they may have been slightly overvalued in the Report No. 6 recommendations compared with Masters and Registrars. The complexity and burden of their work has undoubtedly increased since then, but we are satisfied that they are now properly rated alongside Metropolitan Magistrates and Masters and Registrars.

Provincial Stipendiary Magistrates

8. These appointments have been brought within the Review Body's terms of reference for the first time. On the evidence available to us, we see no significant difference between the 'weight' of their job and that of the Metropolitan Magistrate. We have assessed them at the same level in the structure.

Vice-Judge Advocate General

9. This appointment, too, is included in the Review Body's remit for the first time. We consider it appropriate to rank it at the same level as the Masters and Registrars, Metropolitan Magistrates and the Chairmen of Industrial Tribunals.

Senior and Chief Masters and Registrars

10. We consider it appropriate to adjust the structure by a slight upward movement of these appointments as part of the group that includes the *Registrar of the Court of Criminal Appeal*, *Regional Chairmen of Industrial Tribunals* and the *Chairman of the Foreign Compensation Commission*. Nevertheless, there will be a slight narrowing of the differential between the Senior and Chief Masters and Registrars and the Masters and Registrars, but we regard this as acceptable in the light of our reassessment of the appropriate position of the Masters and Registrars within the overall structure. We have re-examined the position of the Master of the Court of Protection and we now think that the appointment should be included in this group.

Circuit Judge

11. In terms of the overall structure, the relationship between the Circuit Judge and the High Court Judge remains the key. In 1972, the Advisory Group concluded that the ratio between the two levels of appointment should be maintained at the existing 3:5 level (Report No. 6, Appendix E, paragraph 10): in practice, the Report No. 6 salary recommendations narrowed the relativity slightly (to just over 3:4.8). Much of the evidence put forward on this occasion suggests that the work of the Circuit Bench—which was still at an early stage of development when the Advisory Group examined the position in 1972—has developed to such an extent as to justify a closer relationship to the High Court Judge. We have examined this evidence carefully and it is clear to us that a greater share of Crown Court and High Court civil work has devolved to the Circuit Bench as a whole since the last review. Notwithstanding the wide range of work of the Circuit Bench, we regard it as appropriate, at least for the present, to continue to assess Circuit Judges as a whole at one level (with the exception of certain specific appointments that we deal with in paragraph 12 below). We have concluded that the Circuit Judge should be moved nearer to the High Court Judge, but that a clear and significant differential must remain between them having regard to the great weight and importance of the High Court Judge's function. In the light of both these requirements, we have given especially careful consideration to all the relevant factors, and we have concluded that a ratio of 2:3 is the right differential in current circumstances. We have grouped the Circuit Judge with the *Members of the Lands Tribunal*, the *National Insurance Commissioners* and the *Judge Advocate General*, all of whom remain at their Report No. 6 level. We would emphasise that the regrouping means a promotion for the Circuit Judge, not a demotion for the other members of the group whose relativities with the High Court Judge remain the same. We also consider it appropriate that the *Chief Metropolitan Magistrate*, who was equated with the Circuit Judge in 1975, should be included in this group.

Other Circuit Bench appointments

12. The *Recorders of Liverpool and Manchester* and the *Senior Circuit Judge at Newington Causeway* retained an existing lead over other Circuit Judges on a personal basis (Report No. 6, Appendix E, paragraph 19(i)). The Advisory Group commented at the time that the appointments had been relieved of much of the administrative burden that had previously distinguished them from County Court Judges, and that, as a result, the lead should be retained on a personal basis only, to recognise the important general influence exercised by the individual office holders. More recently, the Review Body has accepted on a provisional basis pending the outcome of this review that there is now justification for transferring the lead to the offices. We are satisfied that the administrative burden of the appointments continues, and that the *primus inter pares* role in a large Courts complex¹ poses a significant additional burden on the senior judge. We therefore consider that they should be ranked slightly above the Circuit Judge in the structure. We

¹Usually 9 judges sit at any one time in Liverpool, 11 or 12 at Manchester and 15 at Newington Causeway.

believe that two other appointments need to be distinguished in the same way: *Official Referees* and the *Vice-Chancellor of the County Palatine of Lancaster* were deliberately equated with other Circuit Judges in the Advisory Group's 1972 recommendations (Report No. 6, Appendix E, paragraphs 19(ii)-(iii)). Official Referees' work can now be designated to any Circuit Judge, but we consider that the work of the London Official Referees is of a nature and quality that justifies distinguishing it from the general level of the Circuit Bench work; we are also satisfied that, although the Vice-Chancellor of Lancaster may be less heavily loaded than Circuit Judges in general, the work is more consistently of a High Court standard and should be distinguished from the main level. We have included both appointments in the higher group.

President of the Industrial Tribunals

13. The workload and jurisdiction of the Industrial Tribunals as a whole has expanded significantly since the last review. While we are satisfied that the relativities which we recommend for the Regional Chairmen and Chairmen adequately recognise the extent to which the burden falls in practice on individuals (and has not been reduced through an increase in the number of appointments), we consider that the burden of administrative responsibilities on the President, and the status of the appointment have increased significantly. We have therefore assessed the appointment at a higher level in the structure than previously.

President of the Transport Tribunal

14. The appointment of President of the Transport Tribunal came within the Review Body's terms of reference for the last review, but the Advisory Group was unable to reach a conclusion on it on the evidence that was available. We have considered the appointment in detail on this occasion, and have concluded that it should rank alongside the Chief National Insurance Commissioner and the President of the Industrial Tribunals. This appointment and the appointment of *President of the Lands Tribunal* (which we have left in its Report No. 6 position within the structure) both raise a general issue to which we return in paragraph 34 below.

The Higher Judiciary

15. We have weighed the evidence carefully, and we have concluded that, with two exceptions, the appointments at High Court Judge level and above should remain in their existing relativities within the overall structure. But we consider that the role of the *Vice-Chancellor* has now developed to a point at which, as *de facto* President of the Chancery Division, the functions and responsibilities attached to the appointment justify a higher ranking. We have assessed the Vice-Chancellor between the High Court Judge and the Lord Justice of Appeal. We also conclude that the 1972-74 ranking of the *President of the Family Division* alongside the Lords Justices of Appeal underrates the appointment, which involves a substantial administrative burden: our view is that a position between the Lords Justices of Appeal and the Lords of Appeal and Master of the Rolls is justified. Our recommendations reflect this.

B. Scotland

Sheriffs A

16. The Report No. 6 salary recommendations equated the Sheriff A with the Circuit Judge in England and Wales, on the basis recommended by the Advisory Group. We have indicated our view that the Circuit Judge should move up relatively within the overall structure (paragraph 11) and we discuss below the implications for the County Court Judge in Northern Ireland (paragraph 26). We have examined the appointment of Sheriff A in Scotland in the light of the changed position of the Circuit Judge and, although the civil jurisdiction of the appointment remains wide, we do not consider that the work has changed in scope and quality to the same extent as has the work of the Circuit Judge. But the appointments remain very broadly comparable and we consider that, on balance, the advantage lies with maintaining the existing relationship between the Circuit Judges, Sheriffs A and County Court Judges in Northern Ireland.

17. We have also considered the position of the Sheriffs B and Sheriffs C, both of which have featured in the evidence to the Review Body. Neither appointment is formally within the Review Body's terms of reference at present, and both have in the past been treated as 'consequentials' of Review Body recommendations. Both are currently paid lower salaries than the Sheriff A—a situation which implies lesser job weight. It has been suggested that the few remaining Sheriffs C (Sheriff appointments in the more remote areas) are residual appointments from a time when many Sheriff appointments were part-time, and we do not consider that they give rise to the same order of problem as the Sheriffs B whose work is closer to that of the Sheriffs A. Indeed, the main remaining difference between the two appointments seems to be the additional burdens associated with the work of the Sheriffs' Courts in Glasgow—the only Courts in which Sheriffs A preside. We share this view and we consider that the place of the Sheriffs B in the judicial structure should be just below the level that we recommend for the Sheriff A. We have included the Sheriffs B in our structure to assist the Review Body in deciding whether to agree that they should be included within its terms of reference and, if so, to put forward salary recommendations for them.

Sheriffs Principal

18. Since the 1972-74 review, the structure of Sheriffdoms has changed and 6 full-time Sheriff Principal appointments have replaced the two full-time and ten part-time appointments which then existed. The Review Body has received a substantial amount of evidence on the effects of these changes and on the additional administrative work and work related to other functions not directly connected with the judicial operation of the Sheriffdom that Sheriffs Principal undertake. One of the purposes of the restructuring was more nearly to equalise the workload between Sheriffdoms: we are satisfied this had been achieved to the extent that all Sheriff Principal appointments should now be grouped at a single level within the structure.

Chairman of the Scottish Lands Court

19. The appointment was ranked with the lower of the two full-time Sheriff Principal appointments in the Report No. 6 structure. We regard equality with the new single level of Sheriff Principal as appropriate now.

Industrial Tribunals (Scotland) and Lands Tribunal for Scotland

20. The two Tribunals have been brought directly within the Review Body's terms of reference for the first time in the current review. The Industrial Tribunal system is the same as the system in England and Wales, and is governed by the same legislation. Chairmen and Regional Chairmen perform the same broad range of function in both countries, and the appointments in Scotland ought clearly to be assessed at the same level as those in England and Wales: the Regional Chairman appointment is currently paid as an 'ordinary' Chairman but, in our view, the additional responsibilities attached to the post should be recognised. However, although the function of the President of the Industrial Tribunals in Scotland is identical to the function of the equivalent appointment in England and Wales, the scale of operation in each country is very different, and this imparts a significant difference to the general directing and administrative responsibilities of the top appointment in each case. On this account, we have assessed the President in Scotland at a slightly lower level in the overall structure than the President in England and Wales.

21. We have followed the same approach for the Lands Tribunal for Scotland. We see no reason to differentiate between appointments as Members in Scotland and in England and Wales, but we consider that the appointment of President should be equated with that of the President of the Industrial Tribunals (Scotland).

Judge of the Court of Session

22. In 1972, the Advisory Group was satisfied that the Judge of the Court of Session should be equated with the High Court Judge in England and Wales on the basis of judicial 'weight'. The difference in the salaries recommended by the Review Body in 1974 for the two appointments took account of factors (differences in the costs of living and in Bar earnings) that are outside our terms of reference. For our part, we confirm that, in judicial terms alone, there continue to be no grounds for distinguishing between the two appointments. Our assessments reflect this.

Lord Justice Clerk

23. The 1974 assessments equated the Lord Justice Clerk with the Lords Justices of Appeal in terms of jurisdiction and weight of job. This continues to be appropriate.

Lord President of the Court of Session

24. We consider that the present position of the Lord President of the Court of Session in the overall structure continues to be appropriate. We are satisfied that the differential with the Lord Justice Clerk and the relationship with the top of the judicial structures in England and Wales and in Northern Ireland remain broadly satisfactory.

C. Northern Ireland

Resident Magistrates

25. These appointments have been brought within the Review Body's terms of reference for the first time in the current review. Previously, in terms of pay, they have been equated with the Metropolitan Magistrates and the Provincial Stipendiary Magistrates in England and Wales. We have already assessed the Provincial Stipendiary Magistrates at the same level as the Metropolitan Magistrates in terms of overall job weight (paragraph 8). We see no reason to distinguish between them and the Resident Magistrates in Northern Ireland, and we have therefore assessed them at the same level in the structure as a whole.

County Court Judges

26. The relationship of the County Court Judge to the Puisne Judge is as important in the Northern Ireland judicial structure as is the Circuit Judge relationship to the High Court Judge in England and Wales. The structure recommended in Report No. 6 put the Circuit Judge and the County Court Judge on the same level, in the light of the Advisory Group's 1972 assessment that the responsibilities and jurisdiction of the appointments were comparable (Report No. 6, Appendix E, paragraph 36). On this occasion, we have found that a narrowing of the differential between the Circuit Judge and the High Court Judge is justified in order to recognise the full development of the Circuit Judge role (paragraph 11). We are aware that it is the intention to create in Northern Ireland an equivalent to the Circuit Bench in the near future, and that this may affect the level of the work of the County Court Judge. Nevertheless, we are satisfied that the present responsibilities and jurisdiction of the appointment (including the trial of the scheduled criminal offences without a jury) remain sufficiently close overall to the Circuit Judge to regard the appointments as broadly comparable, and to maintain equality between them in the new structure. This conclusion assumes that the rating of the Puisne Judge in Northern Ireland will be the same as that of the High Court Judge in England and Wales (paragraph 28).

Recorder of Belfast

27. The *primus inter pares* nature of the appointment and the fact that the Recorder is the chairman of the County Court Rules Committee continue to justify an assessment above the level of the County Court Judge.

Puisne Judges

28. The Advisory Group recommended in 1972 that, on the basis of judicial 'weight' and jurisdiction, the Puisne Judge should rank at the same level as the High Court Judge in England and Wales (Report No. 6, Appendix E, paragraph 38). But, in attaching salaries to the Advisory Group's recommendations, the Review Body itself took account of differences in costs of living and in Bar earnings between the two countries, and recommended a lower salary for the Puisne Judge than for the High Court Judge. These 'external' factors are again a matter for the Review Body and not for us. For

our part, we agree with the 1972 conclusion that, in judicial terms, the two appointments warrant the same points rating, and we reflect this view in the structure that we put forward.

Lords Justices of Appeal

29. Because of the extent of the interchangeability between the Puisne Judge and the Lord Justice of Appeal in Northern Ireland, the Advisory Group in 1972 did not follow the pattern that it set in England and Wales in creating a differential between the High Court Judge and the Appeal Court Judge. We have examined this matter afresh, and we are convinced that, while interchangeability is still an important factor, and is necessary to the efficient functioning of a small higher judiciary (see the table in paragraph 30 below), it should not be allowed to override the fact that the move to the Appeal Court is a promotion and that it is now established practice (so we have been told) to appoint to the Appeal Court exclusively from the High Court. We consider that a differential is appropriate and that it should be the same as we have indicated for England and Wales.

Lord Chief Justice

30. In the light of our recommendations for the Puisne Judge and the Lord Justice of Appeal (paragraphs 28–29 above), we consider it right to adjust the position of the Lord Chief Justice in the overall judicial structure, and we have improved it slightly. We have considered whether we would be justified in ranking the appointment alongside that of the Lord President of the Court of Session in Scotland. But we have concluded that, in terms of the overall weight of responsibility at the head of the judiciary, we cannot simply ignore the relative sizes of the judiciaries (particularly the higher judiciaries below the top appointment) and of the populations served. The position is as follows:

	<i>Population</i>	<i>Higher Judiciary</i>
England and Wales	49.2 million	99 (1:497,000)
Scotland	5.2 million	20 (1:260,000)
Northern Ireland	1.5 million	7 (1:215,000)

In the light of this, we have assessed the Lord Chief Justice of Northern Ireland immediately below the Lord President, and at the same level as the President of the Family Division in England and Wales. But we draw attention to the fact that the changes envisaged in the Northern Ireland (Judicature) Bill may in the future affect the responsibilities of the Lord Chief Justice and the position will need to be examined again in a future review in the light of developments.

Recommendations

31. We show below the overall structure that results from our conclusions, and we commend these relativities to the Review Body as a basis for considering its salary recommendations.

TABLE 1

	A	B	C
Lord Chief Justice	223	245	245
Master of the Rolls	203	223	223
Lord of Appeal			
Lord President of the Court of Session (Scotland)			
Lord Chief Justice (Northern Ireland)	197	217	214
President of the Family Division		217	205
Lord Justice of Appeal	186	205	205
Lord Justice Clerk (Scotland)		205	205
Lord Justice of Appeal (Northern Ireland)		205	173
Vice-Chancellor	182	200	191
High Court Judge	174	191	191
Judge of the Court of Session (Scotland)		191	173
Puisne Judge (Northern Ireland)		191	173
President, Lands Tribunal (England and Wales)	132	145	145
President, Transport Tribunal	128	141	118*
Chief National Insurance Commissioner		141	141
President, Industrial Tribunals (England and Wales)		141	127
President, Industrial Tribunals (Scotland)	125	137	—
Sheriff Principal (Scotland)		137	127/145
Chairman, Scottish Lands Court		137	127
President, Lands Tribunal (Scotland)		137	—
Official Referee (London)	120	132	118
Vice-Chancellor of the County Palatine of Lancaster		132	118
Recorder of Liverpool		132	125
Recorder of Manchester		132	125
Senior Circuit Judge, Newington Causeway		132	125
Recorder of Belfast (Northern Ireland)		132	127
Circuit Judge		127	118
Chief Metropolitan Magistrate		127	118
Members, Lands Tribunal (England and Wales and Scotland)	115	127	127
National Insurance Commissioner		127	127
Judge Advocate General		127	127
Sheriff A (Scotland)		127	118
County Court Judge (Northern Ireland)		127	118
Master of the Court of Protection		120	118
Senior and Chief Masters and Registrars	120	114	
Regional Chairmen, Industrial Tribunals (England and Wales and Scotland)	109	120	114
Chairman, Foreign Compensation Commission		120	114
Registrar of the Court of Criminal Appeals		120	114
Sheriff B (Scotland)		120	—
Masters and Registrars	100	110	100
Metropolitan Magistrate		110	107
Chairmen, Industrial Tribunals (England and Wales and Scotland)		110	107
Vice-Judge Advocate General		110	107
Provincial Stipendiary Magistrate		110	107
Resident Magistrate (Northern Ireland)			

*1 January 1974 salary

Note: Column A shows the relativities commended by the Sub-Committee as an independent structure. Columns B and C show, respectively, the changes made by the Sub-Committee to the structure recommended in Report No. 6 and that structure.

General points

32. Our task has been to recommend the relativities between appointments that we see as appropriate to reflect only their judicial 'weight'. We have not been concerned with 'external' factors that may affect salaries for the appointments. These are for the Review Body to consider. But we regard it as part of our task to focus attention on certain general points that have already been put to the Review Body in evidence.

33. First, the question of London weighting: we are aware of a certain amount of pressure within some parts of the lower judiciary that fall within the Review Body's terms of reference for the payment of London weighting in relation to London appointments. It is not for us to express a view on this and we do not know whether the Review Body itself will see it as appropriate to put forward a recommendation. But we want to make clear that our own recommendations (as our assessment for the Metropolitan Magistrates and the Provincial Stipendiary Magistrates in England and Wales shows) take no account of the particular location in which a job is carried out.

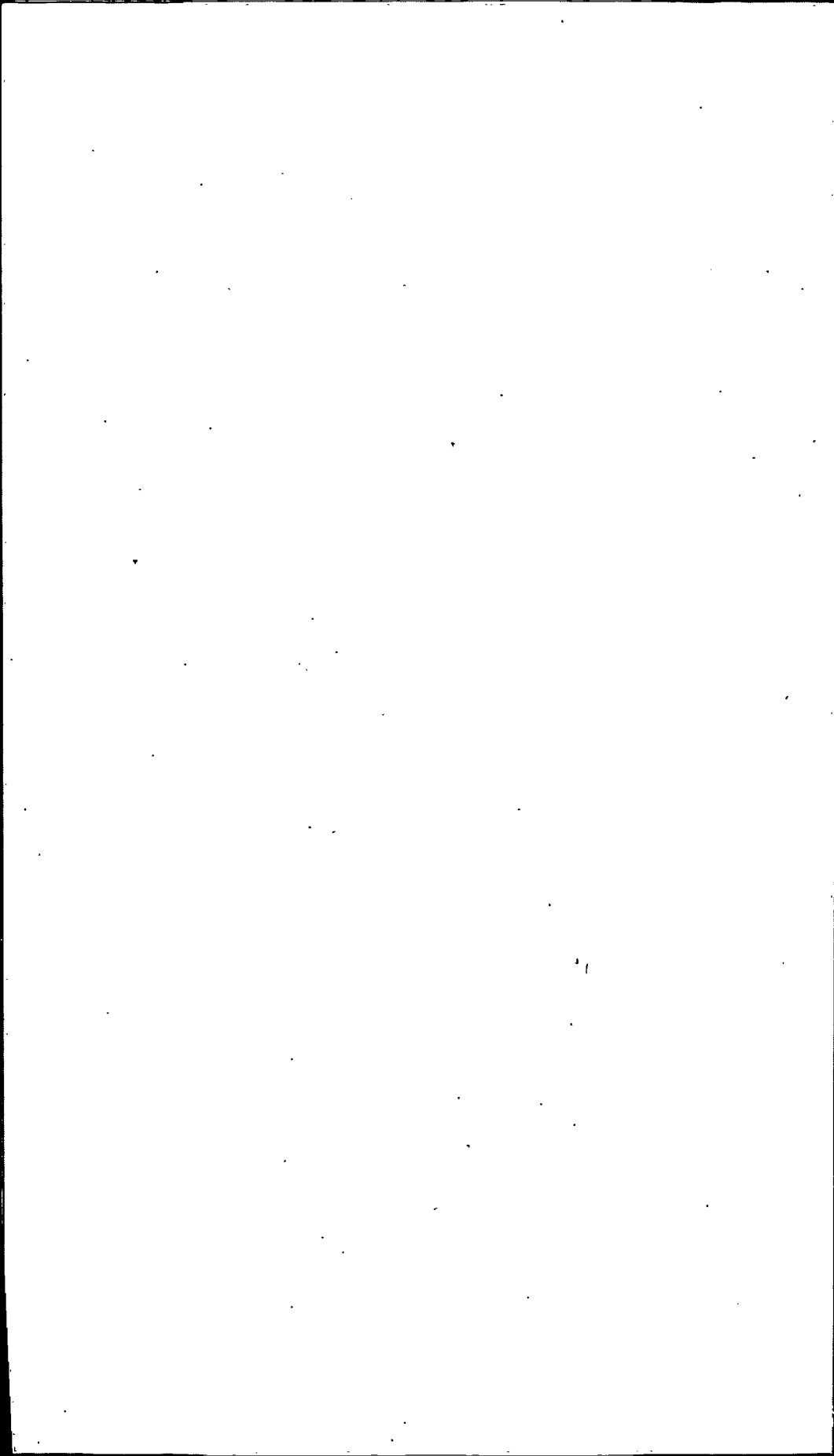
34. Certain of our individual recommendations give rise to specific problems. We consider it right to recognise the development of the role of the Vice-Chancellor and we have assessed it at a higher level than the High Court Judge (paragraph 15). But we understand that, when the appointment was created, an undertaking was given to Parliament by the Lord Chancellor of the day that it would not be remunerated by a higher salary than the High Court Judge. Our assessment has implications for this undertaking. A more immediate problem arises in relation to the appointments of President of the Lands Tribunal and President of the Transport Tribunal. The workload of both appointments has now declined to the point where they take up only part of the office-holders' working time: the rest of their time is spent on other judicial work of equivalent level of responsibility. Nevertheless, the work of the appointment on a part-time basis has to be carried out to exactly the same standard as if it were a full-time job. It is the workload and not the quality of the work that has changed. We have not taken account of the other work carried out in either case. We have assessed the appointments at the level that we regard as appropriate in the light of the quality of the work: on this basis, it will be possible to judge the appropriate level of salary for a full-time appointment.

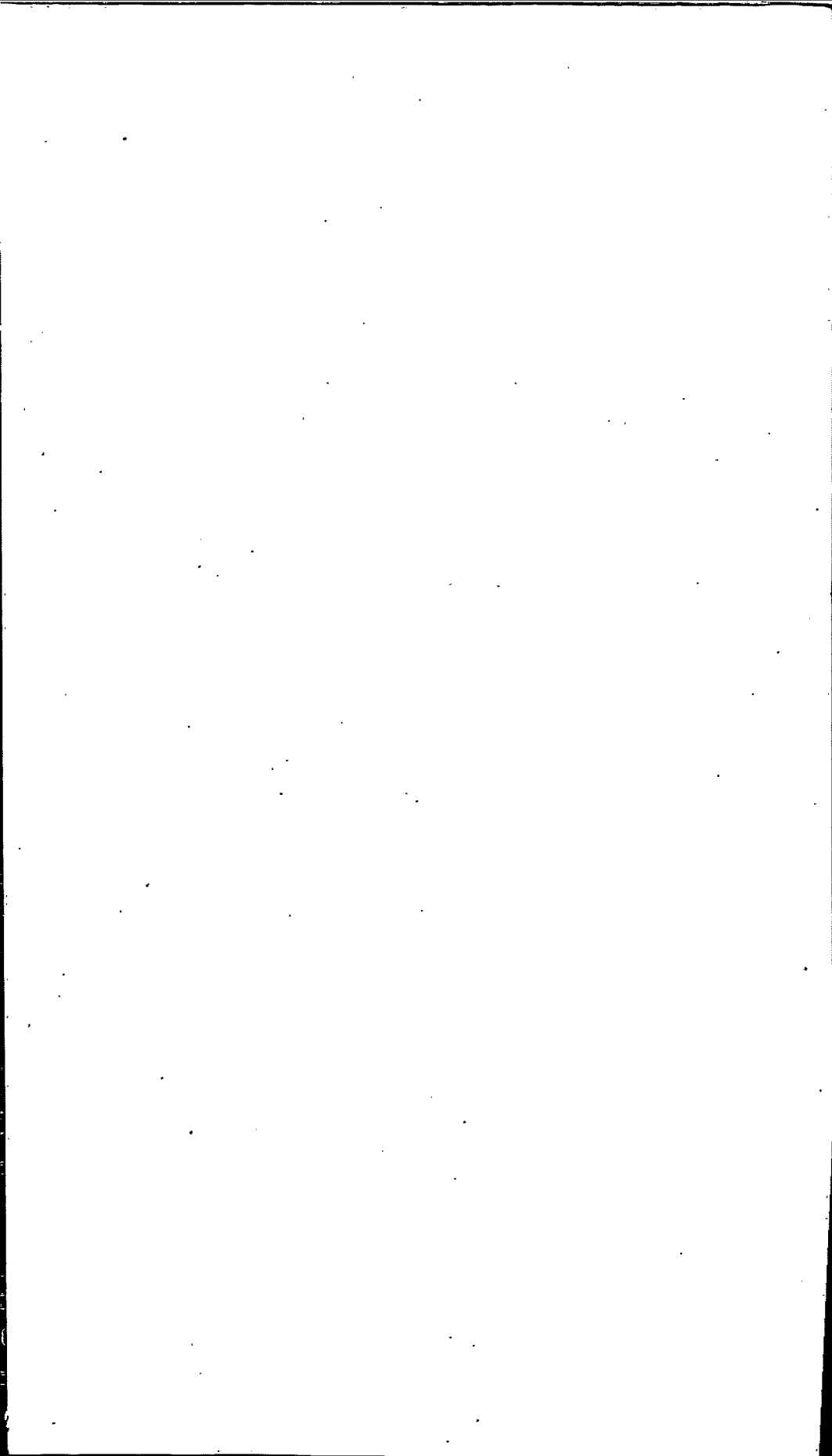
35. Finally, we make an important point in relation to our assessments of the appointments in the Northern Ireland judicial structure. We have considered very seriously whether we should take into account at least some of the stress and strain inevitably associated with the emergency situation in Northern Ireland. We are intensely aware of the extent to which that situation

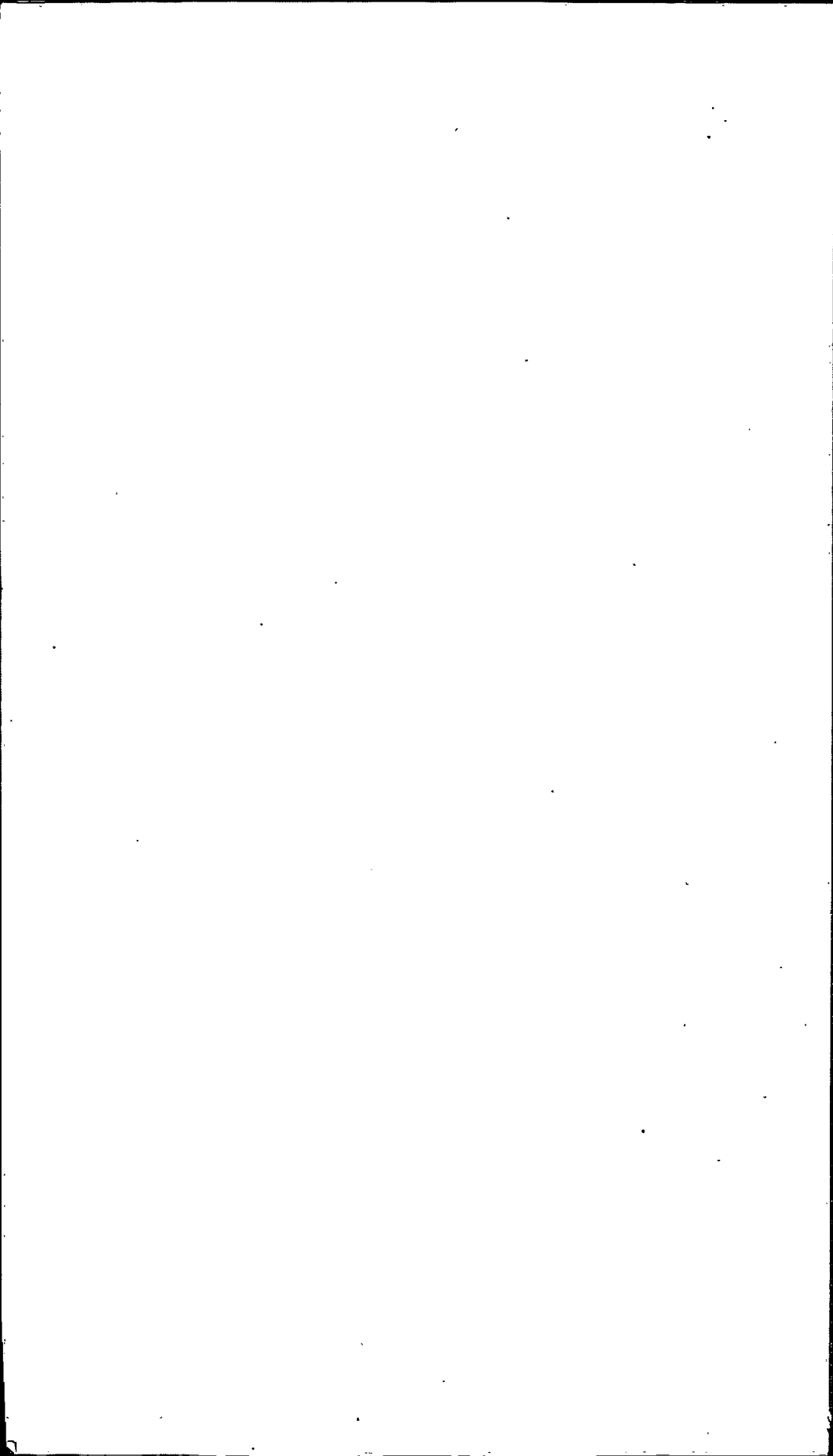
affects the security and private lives of members of the Northern Ireland judiciary and of their families. But we have concluded that it would be wrong in principle to recognise the situation in our recommendations. In reaching this conclusion, we have been impressed by the forthright view of the Lord Chief Justice of Northern Ireland that it would be totally inappropriate to adjust our assessment of the weight of the jobs to recognise the danger and difficulty associated with the work of the judiciary in present circumstances and we understand that his view is widely shared in the Northern Ireland judiciary.

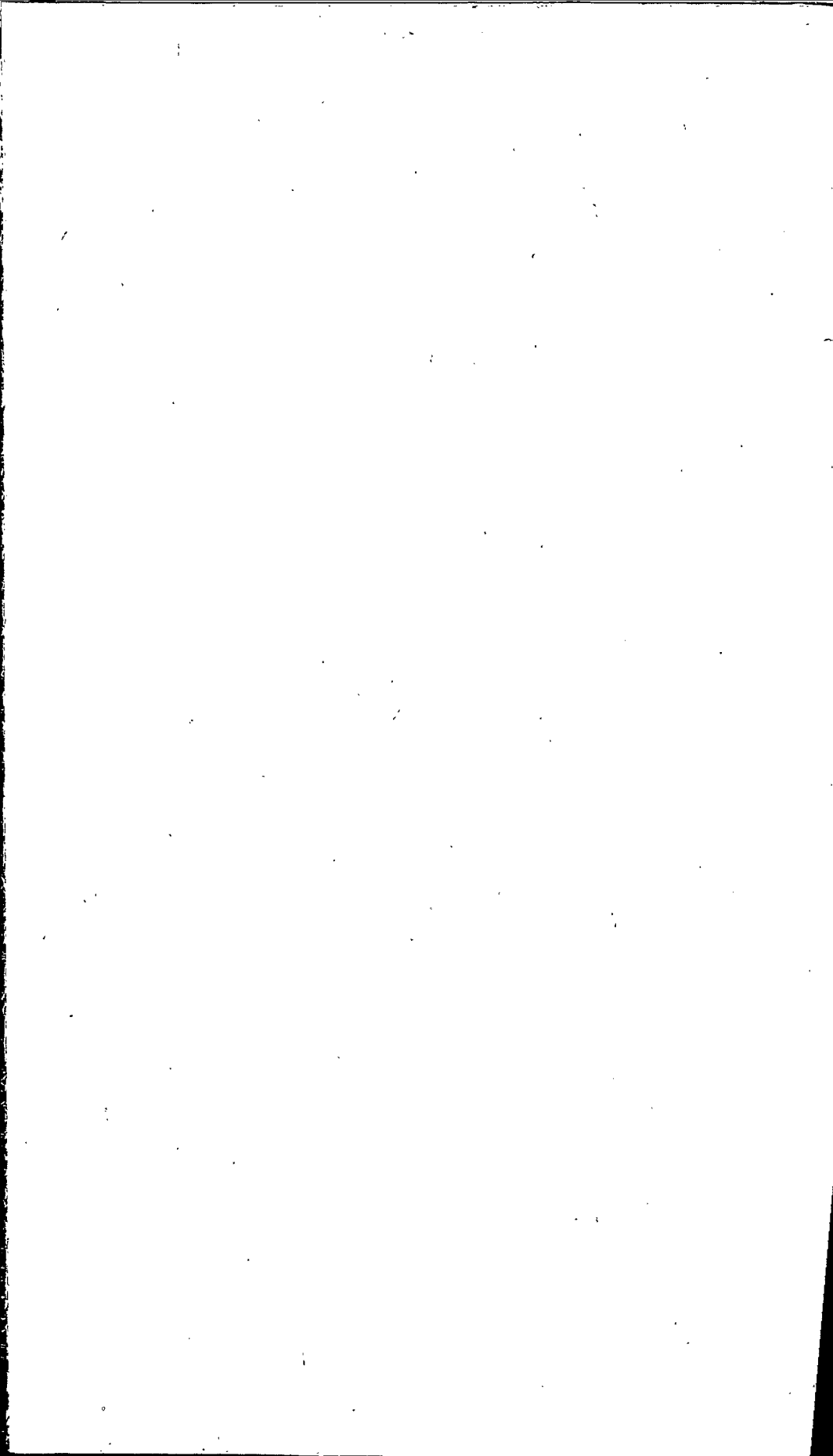
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