Review Body on Top Salaries

REPORT No. 18

Fifth Report on Top Salaries

Chairman:
THE RT. HON. LORD PLOWDEN, KCB, KBE

Presented to Parliament by the Prime Minister
by Command of Her Majesty
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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 appointments in the nationalised industries were removed from the Review Body's remit in August 1980.

The members of the Review Body are:

Lord Plowden, KCB, KBE, *Chairman*

Sir Harold Atcherley[1]

Lord Chorley[2]

Sir George Coldstream, KCB, KCVO, QC

Lord Hirshfield

Andrew Leggatt, QC

Baroness Seear

Sir Thomas Skyrme, KCVO, CB, CBE, TD[3]

The Secretariat is provided by the Office of Manpower Economics.

[1] Also Chairman of the Review Body on Armed Forces Pay.
[2] Lord Chorley was appointed to the Review Body by the Prime Minister in May 1981.
[3] Sir Thomas Skyrme was appointed to the Review Body by the Prime Minister in June 1981.

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FIFTH REPORT ON TOP SALARIES

CHAPTER 1

INTRODUCTION

The background

1. Last year we made an interim report (Report No. 16), as the work which we had put in hand for a comprehensive review of the kind last carried out in 1977–78 (Report No. 10) had not been completed. This report presents the results of that comprehensive review.

2. It contains our first new recommendations on top salaries since 1980. Our recommendations for that year in Report No. 14 were not accepted in full by the Government. The increases which the Government implemented as from 1 April 1980 were, in general, about half the size of those recommended in Report No. 14 as appropriate at that date. In considering our recommendations for 1981, we therefore had to take into account the fact that a further increase of about 12 per cent overall would have been needed to implement the 1980 recommendations in full. We concluded that no useful purpose would be served by recommending in our interim report new salaries beyond those which remained to be implemented. Instead, we strongly urged the Government to implement our Report No. 14 recommendations in full and as soon as possible. We also made clear that it was our intention to submit a full report by 1 April 1982 containing recommendations on the salaries which we considered appropriate at that date.

3. The Government did not implement the 1980 recommendations in full at 1 April 1981. They decided that the overall cost of the 1 April 1981 increases for each of the groups within our remit should not exceed 7 per cent. All the civil service and armed forces salaries with which we are concerned were increased by 7 per cent. For the judiciary, the amount available was distributed in a way that reflected, to a limited extent, the structure recommended in the report by our Sub-Committee on the Judiciary, chaired by Sir George Coldstream (Report No. 16, Appendix D). This produced increases ranging from 5·7 to 13·6 per cent for the judiciary. For the higher judiciary, the effect was to bring salaries up to, or a little above, the levels recommended in Report No. 14. In general, however, the salaries for those within our remit are still below those recommended in Report No. 14 as appropriate at 1 April 1980–two years ago.

4. Our previous reports on top salaries are listed in Appendix A. The salaries recommended in Report No. 14 and those now in payment are set out in Appendix B.

Developments since Report No. 16

5. Since our interim report the Government has set up a Committee of Inquiry into Civil Service Pay, under the chairmanship of Sir John Megaw. The Committee's terms of reference cover the pay system for the non-industrial civil service as a whole, including the higher grades within our remit. The

Government's evidence to the Committee, of which they sent us a copy, invites them to examine a number of issues touching on matters which we indicated last year we might wish to discuss further in this report in relation to the higher civil service, in particular, the question of introducing ranges of pay related to performance or job weight. Pending the report of the Committee, to which we have ourselves given evidence, we do not think that we should comment further on this subject, except to point out that as long ago as 1974, in Report No. 6, we urged that further thought should be given to the introduction of range pay in place of the present flat rate system. We have since returned to the point on several occasions. We do not underestimate the difficulties, particularly at the higher levels. The introduction of pay arrangements related to performance raises important questions of management extending far beyond pay. We still believe, however, that this matter should be thoroughly explored. It is important in our view that the operation of the pay system should be seen as an integral part of management and used as flexibly as possible to reinforce objectives and to sustain and improve performance.

Our inquiries

6. *Evidence.* We noted in Report No. 16 that we had already received a great deal of written and oral evidence from individuals, representative organisations and Government departments. A list of those who helped us was given in Appendix A to that report. We have relied largely on this earlier evidence, but have sought further written and oral evidence where we judged it essential. We have also received some submissions supplementing those put forward for the interim report. Those who have given further assistance are listed in Appendix C to this report. We are most grateful to everyone who has helped us.

7. In addition to taking written and oral evidence, we have carried out a number of inquiries. These are described briefly below. We refer to them in greater detail in Chapters 2 and 3 where necessary.

8. *Remuneration and other surveys.* In 1980 we carried out a survey of remuneration in the private sector at levels of responsibility broadly corresponding to those with which we are concerned. As in the 1972–74 and 1977–78 reviews, information was collected not only on cash remuneration—that is, salary plus bonus, commission and profit-sharing payments—but also on pensions and fringe benefits. Details of the survey and an analysis of the results, with the exception of pensions, were given in Appendix B to Report No. 16.

9. We carried out a further survey last autumn to bring up to date the information about cash remuneration, but not pensions and fringe benefits, obtained in the previous survey. Details of this more recent survey and of the results are in Appendix D. We decided that it was unnecessary to collect further information on pensions and fringe benefits. The information available to us does not suggest that there has been a change in the provision of such benefits since 1980 of such significance as to affect our judgment.

10. The survey results are particularly relevant to the civil service and armed forces posts. As mentioned in our interim report, we decided that it would be

helpful to carry out some fresh comparisons of jobs in the civil service, the armed forces and the private sector. There had been no evaluation of this kind since our 1972–74 review. We therefore commissioned management consultants to analyse and evaluate a sample of jobs in the civil service and armed forces and to provide information about remuneration for jobs of approximately equivalent weight in the private sector. Although the sample was small, we believe that the jobs examined were sufficient in range and variety to provide us with some useful information to consider with the other evidence that we have received. We have made some limited use of evidence from the former Pay Research Unit in attempting to throw further light on jobs at Under Secretary level in the civil service.

11. In considering salaries for the judiciary information about levels of receipts at the Bar is of particular importance. In 1980 we carried out surveys of receipts of barristers in England and Wales, Scotland and Northern Ireland. We also sought information on the receipts before appointment of those recently appointed to the High Court and Circuit Benches. Details of these surveys and of the results were given in Appendix C to Report No. 16. We have not carried out a further survey to bring the information about barristers' receipts up to date, bearing in mind the burden that would have imposed on those concerned. We have, however, sought information about receipts prior to appointment to the High Court and Circuit Benches from those appointed since our last survey.

12. We have to assess salaries for more than 50 separate classes of post in the judicial structure. The question of relativities within this structure is of considerable importance. We decided, as in the 1977–78 review, to set up a Sub-Committee to examine and make recommendations on the appropriate relativities. The Chairman was Sir George Coldstream. The other members were Lord Hirshfield and Andrew Leggatt QC, together with two co-opted members: Sir George Baker, formerly President of the Family Division of the High Court; and His Honour Edgar Fay QC, a former Official Referee. The Sub-Committee's report was published as Appendix D to Report No. 16.

13. *Pensions.* An analysis of the information about pensions collected in our 1980 remuneration survey is in Appendix E. The Government Actuary has provided us with an assessment of differences in benefits between the private sector pension schemes covered in the survey and the schemes for those within our remit. His report is at Appendix F. We comment on his findings insofar as they affect specific groups in Chapters 2 and 3. The Government Actuary assumes that, in the long term, the yields on investments will exceed the rate of increase in both salaries and prices. The value of public sector pensions more generally has been considered by the Inquiry into the Value of Pensions chaired by Sir Bernard Scott, which reported in 1981 (*Cmnd 8147*). The report, which we understand is still under consideration by the Government, suggested a range of assumptions which might be applied to the valuation of pensions. We asked the Government Actuary to make valuations on the extremes of that range, in addition to assessments on the basis of his preferred assumptions. The results are given in paragraph 5.1 of his report. We do not question the validity of the Government Actuary's professional judgment with

regard to the long term. However, we incline to the view that the assessment for those within our remit should lie somewhere between the Government Actuary's assessment on his own preferred assumptions and the assessment produced by the 'pessimistic' end of the range of assumptions suggested in the Scott Report. In the shorter term in which we have to make our judgments about salary levels, there can in any case be no doubt about the great value to be attached to the guaranteed index-linking of pensions in a period of high inflation. In general, as in previous reviews, we have reservations about whether enough value is placed on the index-linking provisions which apply to the pensions of those within our remit.

Economic factors

14. The criteria which we have used to determine salaries for the three groups within our remit are set out in the following chapters. We explained in Report No. 16 that we must also have regard to general economic circumstances.

15. When there has been a statutory pay policy, or one which was clearly defined and based on a general agreement, with prescribed limits on pay increases to which the groups within our remit were subject equally with others, we have always accepted that our recommendations must conform to the limits in question, while reserving the right to comment on any matters which we considered to be anomalous.

16. It is more difficult where there is no statutory or quasi-statutory policy, but the Government nonetheless attaches prime importance to pay restraint and seeks to secure this in the public sector, particularly among Government employees, by the application of cash limits and other means at its disposal, while relying in the private sector mainly on the operation of economic forces. This was in effect what happened during the 1980–81 'pay round'. For 1981–82 the Government announced a 'pay factor' of 4 per cent as a basis for setting cash limits, though making it clear that this was not intended to be applied inflexibly.

17. To the extent that the Government's policy of restraint is successful, the results will eventually be reflected in any comparisons we make; but we cannot leave the matter there. Comparisons of remuneration are inevitably subject to a time-lag; and in any case we do not use them mechanistically. There is the more immediate question of the state of the economy at the time we make our recommendations. In the absence of a statutory or other specific policy of general application, it would be inconsistent with our independent function, that is, independent of Government as well as other interested parties, simply to settle our recommendations in accordance with some pre-ordained figure. Our duty, as we interpret our terms of reference, is to recommend what we consider to be right taking account of all the circumstances; but we cannot function in an economic vacuum. The economic circumstances at the time form part of the background against which our judgments must be made.

CHAPTER 2

SENIOR CIVIL SERVANTS AND SENIOR OFFICERS OF THE ARMED FORCES

Salary relationship between civil service and armed forces

18. The salaries for the highest levels of the civil service and the armed forces are linked. For example, a Major General receives the same pay as an Under Secretary; a Lieutenant General the same as a Deputy Secretary; and a General the same as a Permanent Secretary. The study carried out for us by management consultants suggested that the overall job weight of Major Generals and equivalent in the armed forces might be heavier than that of Under Secretaries in the civil service. This was a tentative assessment based on a very small sample. The evidence is insufficient to support a firm view one way or the other. We have, on the other hand, been urged in evidence to maintain the present relationship, both on job weight and management grounds. At these levels members of the armed forces and civil service work closely together in many functions and in some cases their jobs are interchangeable. While we do not regard the salary relationship as immutable, we do not find any convincing justification for recommending a departure from it at present.

19. Since the job evaluation study, there have been two developments which reinforce our view that a change in the relationship would be inadvisable. First, as we have mentioned, the Committee of Inquiry into Civil Service Pay has been set up. Any recommendations which the Committee makes for the higher civil service could affect the arrangements for settling the pay of senior officers in the armed forces. Secondly, the higher civil service is now under examination as the result of the Government's acceptance of a report by a review team chaired by Sir Geoffrey Wardale which recommended that unnecessary levels in the management hierarchy should be eliminated. The results of this examination may well affect the overall weight of jobs at Under Secretary level and above. It therefore does not seem appropriate for us at this point to attempt any further evaluation of the relative weights of civil service and armed forces jobs.

Principles and approach

20. In previous reports, particularly Reports Nos. 6 and 10, we have dealt in some detail with our principles and approach. Although there may over the years have been some shifts in emphasis, these are essentially unchanged. There are three main considerations underlying our approach: recruitment and retention; comparison; and structure. We deal with each in turn and review the relevant evidence.

Recruitment and retention

21. In broad terms our objective is to recommend salaries which are adequate to ensure a sufficient supply of men and women with the necessary abilities to fill the posts within our remit; and, insofar as pay is a relevant factor

(it is clearly only one amongst many), to set salary levels that are consistent with the effective motivation of those occupying such posts, or at least which will ensure that they are not affected by lack of incentive or deep-seated feelings of unfairness.

22. There is no direct route to the achievement of such an objective. In the civil service, except in the case of some specialised appointments and special advisers to Ministers, where exceptional arrangements apply, there is scarcely any direct recruitment to top posts; and there is none in the armed forces. There is therefore no readily available test of what it is necessary to pay 'in the market', as there is, for example, in the case of senior appointments in the nationalised industries. Our attention has been drawn in evidence to some recent appointments to top civil service posts from outside the service at salaries well above those in payment to career civil servants. While indicative of the problems which may arise, such cases are too exceptional to form a sound basis for any general conclusion. It is of fundamental importance in considering civil service and armed forces pay at these levels that we are dealing with relatively closed career structures in which the great majority of jobs are filled by promotion or internal transfer.

23. As we have observed in a number of our reports, the salaries paid at top levels have a bearing on the ability to recruit and retain at lower levels, where it may be possible to apply the market test. In practice, the connection between career decisions at an early stage and remuneration prospects in the longer term is impossible to isolate or assess. The salaries of senior civil servants and senior officers in the armed forces cannot be determined solely on the basis of assumptions about the factors influencing the career choices of potential recruits.

24. It has been suggested to us that the number of top quality candidates coming forward for the civil service fast stream entry grade of Administration Trainee has declined substantially. The reduction in the number of Administration Trainee vacancies and of openings generally for graduates would lead one to expect that all successful candidates would now be of the highest quality. The evidence is that this has not happened, although the civil service is still able to attract sufficient candidates of a suitable standard, including a proportion who are outstanding. In the armed forces, although recruitment in general is satisfactory, we understand that there is concern about the inability to attract sufficient officer recruits of the right quality in certain specialties. As with the civil service, it would be rash, for the reasons we have stated and on the limited evidence available, to draw any conclusion about the effects of pay prospects at higher levels.

25. The extent to which staff leave senior civil service and armed forces jobs to enter other occupations may provide some indication of whether pay levels are right. A sharp rise in the number of leavers might indicate that remuneration had become less than adequate, though it could be caused by other factors such as declining job satisfaction. Conversely, caution is necessary, in a relatively closed structure, in interpreting low or stable turnover figures. They provide no assurance as to the state of supply at lower levels from which future vacancies will have to be filled; and, given that by the time they

reach the most senior appointments individuals will normally be deeply entrenched in their career, it does not follow that because they are not leaving in substantial numbers all is well in terms of the nexus between pay and morale.

26. The information which we have had about trends in wastage at or immediately below the levels with which we are concerned has been limited. We have been told in evidence that the number of voluntary departures from the civil service at both middle and higher levels has increased. Certainly voluntary early retirement has become more common but this no doubt reflects to some extent the Government's efforts to reduce the size of the civil service. There has been no suggestion that the outflow at middle and higher levels of the armed forces has increased significantly, although we have been told that many of the more able officers in the middle ranks are now beginning to question whether it is worthwhile to accept promotion and remain in the armed forces.

Comparison

27. Against a background in which the tests of recruitment and retention cannot be applied in any direct fashion, we must have some regard to comparisons with remuneration elsewhere. These are of interest to us from two connected points of view: first, because of the link between comparative levels of remuneration and the ability to staff an organisation effectively; and, secondly, because of their connection with what may be felt to be fair, which in turn has implications for morale and incentives and, in the last resort, the ability to retain staff. For these reasons, we have periodically carried out surveys of remuneration in the private sector at levels corresponding broadly to those with which we are concerned in the civil service and armed forces, as well as commissioning studies to compare and evaluate jobs.

28. Details of the most recent survey, which covered pay and other cash benefits only, are set out in Appendix D. The results of the previous survey, which covered in addition pensions and fringe benefits, are given in Appendix B to Report No. 16, with the exception of the pensions information which is included in Appendix E to this report.

29. Table 2 of Appendix D shows the percentage increases in the private sector at different levels of pay between 1 September 1980 and 1 September 1981. Taken with the corresponding table for 1 September 1979 to 1 September 1980 in Appendix B of Report No. 16, this indicates that over the two year period 1 September 1979 to 1 September 1981 salaries for the posts covered by the surveys increased by about 33 per cent. Increases at higher levels of pay were lower than the overall average. For example, the estimated average increase over the two years from 1 September 1979 was about 34 per cent for pay levels of about £20,000 compared with 21 per cent for pay levels of £50,000.

30. Compared with the overall increase in pay of 33 per cent over the 2 year period indicated by the surveys, the Index of Average Earnings and the Index of Retail Prices show increases of about 35 and 29 per cent respectively.

31. We cannot emphasise too strongly that for our purposes comparisons are no more than an aid to judgment, to be taken into account with other relevant factors. The results of our surveys, together with information from other published surveys, are simply one contribution to the wide range of evidence on which we base our recommendations. It would be spurious to use them in a mechanistic way to determine what the salaries should be.

32. By the same token, although we have carried out ad hoc studies, we have not attempted to develop any system of job evaluation or job comparison as a basis for our work. To do so would be to attach a disproportionate value and degree of precision to comparisons so far as the jobs within our remit are concerned. In general, it is more difficult to draw comparisons with jobs at the top of the structure than with those lower down. The jobs in many cases are more difficult to define; and, to an increasing extent as one ascends the scale, the character of the job is influenced by the individual occupying it. At these levels, too, it is important to see jobs in their environment. Clearly the environment in which the armed forces operate cannot easily be compared with the private sector. There are also marked differences in this respect between the civil service and the private sector. Such differences arise, for example, from the interacting roles of Ministers and officials, as well as the Parliamentary dimension to the work of the civil service. There is now, on the other hand, an increasing number of jobs in the higher civil service which can more easily be compared with private sector jobs. These are primarily managerial, involving responsibility for large-scale resources, for example, in organisations such as HM Stationery Office and the Property Services Agency. But they are still only a minority of the posts within our remit.

33. To the extent that comparisons play a part in forming our judgment, we regard it as axiomatic that the total remuneration package should be taken into account, that is, differences not only in salaries but in superannuation and other terms of employment. Accordingly, we have collected information on these matters. In practice, the two most significant items other than salary are differences in pension conditions and the provision of cars, both of which we aim as far as possible to quantify.

34. As to pensions, the Government Actuary has provided an evaluation of the differences, including index-linking, between the private sector schemes covered by our remuneration survey and the arrangements for senior civil servants and senior officers in the armed forces. His report is at Appendix F. We have commented in Chapter 1 on the general question of the value of index-linking. The Government Actuary's main finding on the civil service is that superannuation benefits are worth about 6 per cent more of civil servants' earnings than those of private sector employees with the same level of pay, compared with just under 5 per cent in his assessment for Report No. 10. If account is taken of the difference between the civil servant's contribution of 1½ per cent and the average private sector contribution of 3·6 per cent, the overall difference is now of the order of 8 per cent. The benefits of senior officers in the armed forces are of greater value as percentages of pay than those of civil servants. Moreover, armed forces officers make no contribution towards their pension. However, their pensions are of greater value largely because they retire earlier. It can be argued that armed forces officers are at a dis-

advantage compared with senior civil servants since early retirement prevents them from continuing on full salary until age 60 and they leave the forces at an age when other jobs are difficult to obtain.

35. As for private use of company cars, we have not taken the value of the benefit as the income before tax which a private motorist would require to meet the annual costs himself. That approach does not, in our view, give a true value of the benefit from the point of view of the recipient. Our approach relies more on the expenditure by motorists who buy and run their cars themselves. For our purposes we have estimated the value of company cars on this basis to be about £2,000 a year.

36. For other fringe benefits we try to strike a broader balance. Given that the basic salary comparisons are themselves far from being a matter of exact science, it would be futile to attempt to make precise arithmetical adjustments to some given base for each item. In any case, there are factors such as job security, on which we comment later, which also have to be taken into account. Subject to having a reasonable measure of the major differences in conditions of employment, it makes better sense to treat these matters as part of the general picture on which we base our judgment.

37. Subject to these qualifications, it is of interest to compare estimated total remuneration in the private sector with that for civil service and armed forces jobs using information obtained from the surveys and the Government Actuary's report. The figures are set out in Tables A, B and C.

TABLE A

Mean pay and estimated mean remuneration[a] in selected posts in the private sector at 1 September 1981

		Non-financial sector Turnover (£ million)			
		900 and over	450 but under 900	225 but under 450	Financial sector[b]
Chief executives					
Mean pay	£000	83·8	70·0	57·6	60·8
Estimated mean remuneration	£000	118·3	94·2	78·0	84·4
Other main Board members[c]					
Mean pay	£000	46·6	45·8	37·4	45·3
Estimated mean remuneration	£000	64·2	61·6	49·7	*
Senior executives reporting as head of function					
Mean pay	£000	30·7	30·2	21·5	35·4
Estimated mean remuneration	£000	41·1	39·4	28·3	48·7

Source: OME

It is not possible to derive estimates of median remuneration directly from the survey data. Since median pay is generally less than mean pay, median remuneration will probably be less than mean remuneration.

[a]Remuneration is the value of pay, pension and other benefits. For further details see paragraph 11 of Appendix D of this report.
[b]The financial sector covered by the survey consists of the clearing banks, insurance companies and building societies.
[c]Those on the main Board excluding deputy chief executives.
*Numbers too small to provide a reliable evaluation.

TABLE B

Estimated remuneration for selected posts in the civil service based on salaries in payment at 1 April 1981

	Actual pay	Estimated remuneration[a]
	£	£
Permanent Secretary	33,170	42,500
Deputy Secretary	26,215	32,800
Under Secretary	21,935	27,200
	23,022[b]	28,500[b]

Source: OME

[a]Remuneration is the value of pay plus pension.
[b]Includes inner London weighting of £1,087.

TABLE C

Estimated remuneration for selected ranks in the armed forces based on salaries in payment at 1 April 1981

	Actual pay	Estimated remuneration[a]
	£	£
General	33,170	48,100
Lieutenant General	26,215	37,200
Major General	21,935	30,500

Source: OME

[a] Remuneration is the value of pay plus pension.

38. These figures indicate that, at almost all levels, remuneration for senior jobs is generally much higher in the private sector than in the civil service and armed forces. In looking at comparisons, however, we work from the premise that senior civil servants and senior officers in the armed forces should not expect the highest levels of reward obtainable in the private sector; nor from the evidence which we have received is there any indication that they would think it right that they should do so. As we have said, there are marked differences in the environments within which these various groups work.

39. On the difficult question of relative job security, we have been no more successful than others, most recently the Committee of Inquiry into the Value of Pensions under Sir Bernard Scott, in devising a method of quantifying the adjustment which should be made; but that does not mean that job security should be discarded in considering what conclusions to draw from evidence about remuneration in the private sector. It is clearly a factor which, though not susceptible to precise calculation, must influence our judgment. We have no

doubt that there is greater job security in the public service. The significance of the security factor is all the more apparent in present circumstances. The number of senior civil servants and armed forces officers has declined, but they are still less likely to be made redundant, and face long periods of unemployment, than senior executives in the private sector who, when made redundant in their fifties, may find it impossible to get another job at the same level and difficult even to get one at a lower level. On the other hand, there are signs of change in this respect in the civil service. We have mentioned that a review team chaired by Sir Geoffrey Wardale has recommended that an attempt should be made to reduce the number of posts at Under Secretary level and above. The aim is to remove inessential links in particular chains of command. It has been suggested in evidence that this could lead to a substantial cut in the number of higher civil service jobs which could not be covered by normal wastage; but if that proves to be the case it is something to be taken into account in the future. There is, as we have noted, some evidence of more voluntary retirements than hitherto in the civil service, but although this may to a degree reflect pressures to reduce staffing levels it is not the same as enforced redundancy.

Structure

40. The last consideration underlying our approach is the need for a coherent salary structure which adequately reflects differences in responsibility and provides satisfactory incentives to performance and promotion.

41. Our task viewed narrowly is to recommend the salaries to be attached to an existing structure, but it is open to us to comment on questions of structure which seem to us to be in need of attention. We have frequently done so, usually where we have doubts whether the pay structure is sufficiently attuned to individual performance or differences in job weight. The subject of range pay is being examined by the Committee of Inquiry into Civil Service Pay and we do not propose to deal further with such questions in this report.

42. Taking the existing grade structure as it is, a major question is what pay differentials are appropriate between the jobs which we cover and those immediately below, that is, between Under Secretary and Assistant Secretary and between Major General and Brigadier and their equivalents. Internal differentials assume a special importance in career structures such as these. We pointed out in our last report (Report No. 16, paragraph 18) that, in such an environment, internal differentials may convey a particularly strong message to employees, "especially where, in the absence of any direct relationship between pay and performance, motivation is strongly governed by opportunities for promotion and the rewards that go with it". It can be argued that the settlement of differentials is the most important factor in our approach; but this depends on whether the rates of pay settled for levels immediately below can be assumed to be sound. That is not something which we have felt able to take for granted. In any case, differentials themselves cannot sensibly be determined without any regard to external considerations.

43. We expressed concern in Report No. 16 about the severe compression of differentials which has taken place at the highest levels of the civil service and armed forces, compounded for the latter by the fact that the recommendations of the Armed Forces Pay Review Body for the lower ranks have been fully implemented while those for the senior ranks which we cover have been restricted. These jobs are not unique in having been subject to compression of differentials in recent years; but work carried out for us indicates that at the highest levels in the civil service and armed forces differentials are unusually small and pay rises more slowly with job weight than lower down the structure, whereas in the private sector pay tends to rise with job weight at about the same rate for top jobs as for other jobs. It is to be expected that bigger differentials will be found, as our evidence confirms, in entrepreneurial organisations. However, allowing for all the differences, we are firmly of the view that present differentials at senior levels of the civil service and armed forces are insufficient to reflect differences in job weight adequately or maintain a satisfactory incentive to promotion. One of our principal aims in forming our recommendations for this report has been to enlarge differentials in order to remedy these defects.

Our recommendations

44. Before giving our recommendations there are two points to be made. First, it will be apparent that we do not believe that pay at the levels with which we are concerned can be settled by reference to any formula. It must in our view essentially be a matter for judgment. There is, however, a world of difference between an arbitrary assessment and judgment formed on a careful and systematic examination of the relevant evidence and circumstances. Secondly, we would stress the underlying intention of this review. We are not simply updating our 1 April 1980 recommendations, but presenting the results of a comprehensive review.

45. We recommend the following salaries as appropriate at 1 April 1982.

a. *Senior grades of the higher civil service*

	£
Permanent Secretary to the Treasury Secretary of the Cabinet	45,000
Permanent Secretary	40,000
Second Permanent Secretary	37,000
Deputy Secretary	32,000
Under Secretary	26,000

b. *Senior officers in the armed forces*

	£
Admiral of the Fleet Field Marshal Marshal of the Royal Air Force	45,000
Admiral General Air Chief Marshal	40,000
Vice-Admiral Lieutenant General Air Marshal	32,000
Rear Admiral Major General Air Vice-Marshal	26,000

46. We have not made a separate recommendation for medical and dental Major Generals and equivalent in the armed forces. The increases implemented by the Government at 1 April 1980 introduced a salary differential between medical and 'combatant' Major Generals and equivalent in favour of the medical officers. We have made it clear in previous reports, most recently Report No. 14 (paragraph 88), that we do not consider that a differential between medical and 'combatant' officers at these levels is justified. We recommend that the present differential be abolished as soon as possible.

CHAPTER 3

THE JUDICIARY

47. Our terms of reference for the judiciary have been extended considerably since we were appointed in 1971. Most of the judiciary are now within our remit. The posts covered are listed in Appendix B, together with the salaries which we recommended in 1980 and those currently in payment.

General approach

48. In the previous chapter we set out in some detail the principles underlying our approach to salary recommendations for the civil service and armed forces. Our main objective for the judiciary is the same: to recommend salaries which are adequate to ensure a sufficient supply of those with the qualities and experience needed to fill the jobs. However, the judiciary differs from the top of the civil service and armed forces in that most jobs are filled not by promotion from within a unified career structure but by appointment from outside the judiciary, that is, from lawyers in practice at the Bar or, in some cases, as solicitors. This means that in setting salary levels for the judiciary the overriding considerations are the ability to attract sufficient candidates of the necessary quality and the need to maintain a satisfactory structure which adequately reflects the relative weight and circumstances of different posts. Comparisons with the private sector and the other groups within our remit are of secondary importance. We turn first to the question of structure.

Structure

49. The judicial structure in the United Kingdom is the most complex of the three within our remit. It contains more than 50 different categories of appointment and 13 separate salary levels. As we have mentioned, we decided to set up a Sub-Committee under the chairmanship of Sir George Coldstream to make recommendations on the appropriate relativities between salaries within this structure. The Sub-Committee had the benefit of advice from the Lord Chief Justice of England, the Lord President of the Court of Session and the Lord Chief Justice of Northern Ireland on matters affecting the judicial structure in each country. The Sub-Committee's report was published as Appendix D to Report No. 16. Details of the structure recommended by the Sub-Committee are also given in Appendix G to this report. The Sub-Committee were not asked to recommend salary levels as such and, like the 1977–78 Sub-Committee for Report No. 10, they put forward recommendations on a points basis. They were invited to draw our attention to any factors which they thought should be given particular attention in determining salary levels. The Sub-

Committee's main findings and our general views are set out in the following paragraphs.

Sub-Committee's report

50. In England and Wales the Sub-Committee recommended a substantial improvement in the level of the High Court Judge relative to the lower judiciary. This produces about the same differential between the Circuit Judge and High Court Judge, in percentage terms, as that produced by the salaries recommended in Report No. 6. The Sub-Committee also recommended improvements in the relative positions of the Lords Justices of Appeal and the Vice-Chancellor within the higher judiciary, in addition to some consequential improvements necessary as a result of raising the level of the High Court Judge. With regard to the lower judiciary, the Sub-Committee concluded that the level of the 'Senior Circuit Judge' group, which includes the Recorders of Manchester and Liverpool and the London Official Referees, should be raised relative to that of Circuit Judges to reflect the fact that the appointments all carry a significantly heavier burden than Circuit Judges generally. The Sub-Committee also decided that the level of the Vice-Judge Advocate General should be raised. On a general point, they registered concern as to the effect on differentials of the payment of London weighting at certain levels, but their recommendations took no account of whether posts were based in London or elsewhere.

51. For Scotland, the Sub-Committee recommended that Judges of the Court of Session and Sheriffs should continue to rank with High Court Judges and Circuit Judges respectively in England and Wales. In doing so they took account only of job weight, leaving it for us to decide whether any difference in levels of receipts at the Bar and in the cost of living as between England and Wales and Scotland should affect salaries. The other main recommendations were: that the salary distinction between Sheriffs A and B should be abolished; and that the Sheriffs Principal, and the other Scottish appointments at that level, should be placed at the same level as the Senior Circuit Judge appointments in England and Wales.

52. With regard to Northern Ireland, the Sub-Committee recommended that the posts of Puisne Judge and High Court Judge in England and Wales should continue to be treated as of equal weight. They also considered that it would not be appropriate to differentiate between County Court Judges in Northern Ireland and Circuit Judges in England and Wales, despite some differences in jurisdiction. No changes in the levels of other posts in Northern Ireland relative to those in England and Wales were recommended.

53. Although we have in general accepted the recommendations of the Sub-Committee in arriving at the salaries which we recommend in this report, our recommendations, translated into points, do not exactly match the Sub-Committee's recommendations. To a large extent this is simply a consequence of rounding and other minor adjustments necessary to make a coherent salary structure. In a few cases, however, further evidence and further consideration

have persuaded us that some small amendments to the Sub-Committee's recommendations are desirable. We comment briefly on these below.

54. We consider that the differential between the Lord Chief Justice of Northern Ireland and the Lords Justices of Appeal is rather narrow, bearing in mind the scope of the former's responsibility for the judiciary in Northern Ireland. We have concluded that the relative position of this appointment, together with that of the President of the Family Division, should be slightly raised.

55. We have given much consideration to the position of Circuit Judges in England and Wales, County Court Judges in Northern Ireland and Sheriffs in Scotland. It has been strongly argued in further evidence that, contrary to the views of the Sub-Committee, these appointments should be at a higher level relative to the High Court Judge. It has also been put to us that the position of County Court Judges in Northern Ireland in their judicial structure ought to be raised to a higher level than Circuit Judges in England and Wales. They undoubtedly carry a most onerous burden, including the special responsibility of conducting trials of 'scheduled offences' without a jury. Their work is made particularly difficult by the present political situation in Northern Ireland, although the judiciary there have specifically asked that they should not be singled out for additional payment on this account.

56. On balance, we have concluded that a marginal improvement in the level of these appointments as a whole in relation to the High Court Judge would be justified, but that it would be undesirable to introduce a special lead for the Northern Ireland County Court Judges. We consider that the other appointments currently ranked at Circuit Judge level should also move up in the structure; and we propose a slight consequential improvement for the groups above Circuit Judge and below High Court Judge, that is, those containing the Official Referees and the English Tribunal Presidents.

57. There is a particular difficulty in respect of Sheriffs Principal in Scotland. Their role has been under consideration by a committee chaired by Lord Grieve. As the committee's report has not yet been published we have not been able to take account of it in our review. If it contains anything that might affect our judgment on the position of the Sheriffs Principal in the structure, we shall be ready to consider it in a future review.

58. With regard to appointments below Circuit Judge level, we have given particular attention to Magistrates and to County Court and District Registrars. We are satisfied that the Magistrates are at present correctly ranked with the Masters and Registrars of the Supreme Court and that, subject to the minor adjustment we have made, the relationship recommended by the Sub-Committee between the Magistrates and the Circuit Judges correctly reflects the differences in their responsibilities. We have some reservations, however, about the placing of the County Court and District Registrars by the Sub-Committee. When these posts were brought within our remit in 1980, we

recommended that they should be slightly below the Masters and Registrars of the Supreme Court. The Sub-Committee decided that there was a difference in responsibility between the two groups of Registrars and recommended that a small differential should be maintained. We have considered this again and have taken further evidence. We conclude that, following recent changes in the jurisdiction and responsibilities of the County Court and District Registrars, the difference between the two groups has been reduced to such an extent that it would be reasonable to rank them both at the same level. That will have the advantage of further simplifying the structure. With this adjustment, we believe that there is little further scope for simplification.

59. Having considered relativities within the judicial structure, we turn to the factors which we must take into account in determining what levels of salaries should be attached to that structure, taking High Court and Circuit Judges as our principal benchmarks. We look first at the evidence on barristers' receipts and on recruitment.

Surveys of Bar earnings

60. We have carried out surveys of the receipts and expenses of those practising at the Bar in England and Wales, Scotland and Northern Ireland. The surveys were restricted to those whose year of call or taking silk was compatible with a possible appointment as a High Court or Circuit Judge in England and Wales or to equivalent positions in Scotland or Northern Ireland. We have also made a survey of receipts prior to appointment of High Court Judges and Circuit Judges appointed from the Bar in 1980. Full details of these surveys were given in Appendix C to Report No. 16. In addition we have collected information on the receipts prior to appointment of Judges appointed since the 1980 survey.

61. Information was requested about receipts and expenses in the last full tax year for which information was available. To that extent the information supplied is out of date and allowance must be made for this. We have therefore produced notional figures to reflect the change in the value of money over the relevant period by applying the appropriate movement in the Index of Retail Prices (RPI). With regard to the surveys of recently appointed Judges, we emphasise that the results give only one side of the story; we do not know the receipts of those who did not accept appointment.

62. Table D below shows median and upper quartile net receipts of QCs in full-time practice in England and Wales whose years since taking silk were similar to those of High Court Judges appointed in 1970–80 for the three most common categories of practice prior to appointment. The figures are for the year ending April 1980. Receipts which did not cover that year have been adjusted by applying the appropriate movement in the RPI. The second part of the table gives estimates of the value of these receipts at April 1982, which have

been obtained by applying the estimated increase in the RPI between the middle of the financial year 1979–80 and April 1982.

TABLE D

Median and upper quartile[a] net receipts of practising Queen's Counsel by main category of practice

England and Wales

		Main category of practice		
		London Chancery	London Specialist	London Common Law
Year of silk, 1966–75				
Replies used	No.	9	32	30
Financial year, 1979–80[b c]				
Median	£	49,700	44,088	31,984
Upper quartile	£	*	64,133	45,236
Estimated value at April 1982[d]				
Median	£	67,000	60,000	43,000
Upper quartile	£	*	87,000	61,000

Source: OME

[a]Figures for the lower quartile have not been shown because the evidence suggests that a QC suitable for appointment to the High Court Bench is likely to have net receipts at or above the median for barristers of the same seniority in the same category of practice.

[b]Net receipts are gross receipts less personal pension premiums and professional expenses deductible for tax purposes. Gross receipts, which exclude VAT, are the sum of receipts from practice and other professional activities.

[c]Receipts in years which did not end at April 1980 have been adjusted by applying the appropriate change in the Index of Retail Prices.

[d]The values at April 1982 have been derived by applying the estimated increase in the Index of Retail Prices between October 1979 and April 1982 to the corresponding figures for 1979–80.

*Number of replies too small to provide reliable estimates.

63. That there has been a growing disparity between the salary of a High Court Judge and what may be earned at the Bar can be seen from Table E, which compares net receipts of QCs in 1974–75 and 1979–80 with the relevant judicial salary. For those categories of practice from which High Court Judges are likely to be drawn, the table shows that the disparity between net receipts and the judicial salary in payment at the time has increased between the surveys. For median net receipts the increases range from 26 to 64 percentage points. At the upper quartile the increases range from 37 to 58 percentage points. A comparison of the salary in payment in 1980 with net receipts for 1979–80 updated by the movement in the RPI shows disparities which are not so great as those for 1979–80 but still much higher than those for 1974–75. No allowance has been made for the effect of the Finance Act 1980 which improved the arrangements for tax relief on personal pension premiums for the self-employed. We consider the effect of the Act and subsequent Budget proposals in the section on pensions in this chapter.

TABLE E

Comparison of the salary in payment to a High Court Judge with net receipts from practice of Queen's Counsel in 1974-75 and 1979-80[a] [b]

	Salary in payment to a High Court Judge	Net receipts[c] of practising QCs as a percentage of the salary in payment to a High Court Judge — Main category of practice: London Chancery	London Specialist	London Common Law
	£	%	%	%
Net receipts				
Lower quartile				
1974–75	16,350[d]	*	91	62
1979–80	25,886[e]	*	122	92
Updated to 1980–81[g]	32,000[f]	*	113	86
Median				
1975–75	16,350[d]	126	127	84
1979–80	25,886[e]	190	174	110
Updated to 1980–81[g]	32,000[f]	177	162	102
Upper quartile				
1974–75	16,350[d]	*	178	125
1979–80	25,886[e]	*	236	162
Updated to 1980–81[g]	32,000[f]	*	220	152

Source: OME and the Senate of the Inns of Court and the Bar

[a]Net receipts in 1974–75 are based on replies from QCs taking silk before 1972. The corresponding figures for 1979–80 are based on replies from QCs taking silk before 1977.

[b]In the 1979–80 survey the replies for financial years not ending at April 1980 have been adjusted by applying the appropriate change in the Index of Retail Prices. No such adjustment was made to replies for 1974–75; the average financial year for the survey as a whole corresponded broadly to the calendar year 1974.

[c]See note b to Table D. Net receipts for 1974–75 also exclude sickness benefit insurance premiums. The effect of this is small.

[d]Salary in payment, also recommended, at 26 July 1974; incomes policy threshold payments excluded.

[e]Salary in payment at 1 April 1979; recommended salary was £28,500.

[f]Salary in payment at 1 April 1980; recommended salary was £35,000.

[g]Percentages for 1980–81 are based on net receipts for 1979–80 updated by the movement in the Index of Retail Prices between October 1979 and October 1980.

* Number of replies too small to provide reliable estimates.

64. It is more difficult to isolate from the survey information that might be considered relevant to the salary for the Circuit Judge. Both Junior Counsel and QCs are appointed to the Circuit Bench. Solicitors are also eligible. Up-to-date information on solicitors' earnings is not readily available; and it would be extremely difficult to identify those solicitors who might consider, or be considered for, a judicial appointment. Table F gives median and upper quartile net receipts for Juniors in full-time practice whose year of call was similar to that of Juniors appointed as Circuit Judges in 1973–80 for the three most common categories of practice prior to appointment. The table also shows estimates of the value of these receipts at April 1982.

TABLE F

Median and upper quartile net receipts of practising Junior Counsel by main category of practice

England and Wales

		Main category of practice		
		Circuit	London Criminal	London Common Law
Year of call, 1949-61				
Replies used	No.	72	28	18
Financial year, 1979-80[a b]				
Median	£	11,996	13,328	13,486
Upper quartile	£	15,126	19,676	15,849
Estimated value at April 1982[c]				
Median	£	16,000	18,000	18,000
Upper quartile	£	20,000	27,000	21,000

Source: OME

[a, b and c]. See notes b, c and d respectively to Table D.

65. About one third of barristers appointed as Circuit Judges in 1973–80 were QCs. Some indication of relevant levels of receipts can perhaps be obtained by looking at the lower quartiles and medians of net receipts for QCs in the appropriate categories of practice. This information is given in Table G.

TABLE G

Lower quartile and median net receipts of practising Queen's Counsel by main category of practice

England and Wales

		Main category of practice		
		Circuit	London Criminal	London Common Law
Year of silk, 1966-75				
Replies used	No.	26	11	30
Financial year, 1979-80[a b]				
Lower quartile	£	19,661	27,757	22,815
Median	£	22,277	31,236	31,984
Estimated value at April 1982[c]				
Lower quartile	£	27,000	38,000	31,000
Median	£	30.000	42.000	43,000

Source: OME

[a, b and c]. See notes b, c and d respectively to Table D.

66. The surveys of Judges appointed to the High Court in 1977–80 indicate that median net receipts at the Bar prior to appointment were £45,512 in 1979–80 terms, with 50 per cent of those appointed having net receipts between £39,000 and £69,000. For the eight High Court Judges appointed in 1981 median net receipts in 1980–81 terms were £45,140. The fall is explained

mainly by additional expenditure on personal pension premiums following the increase in the Finance Act 1980 of the amount of such expenditure qualifying for relief from income tax. Median expenditure for this purpose in 1980–81 prior to appointment was £7,250, whereas most of those appointed in 1977–80 spent the maximum at that time of £3,000. The lower quartile of £39,000 in 1979–80 terms suggests that well over three quarters of those appointed to the High Court Bench had net receipts prior to appointment greater than the salary of £25,886 which was implemented at 1 April 1979. The lower quartile would have an estimated value of £53,000 at April 1982, if updated by reference to the RPI. That the upper quartile, if similarly updated, would have a value of £94,000 gives some indication of the sacrifice that may be made on appointment to the High Court Bench.

67. Median net receipts for those appointed to the Circuit Bench from the Bar in 1980 were £20,196 in 1979–80 terms, with 50 per cent having net receipts between £16,000 and £24,500. Median net receipts in 1980–81 terms were £23,522 for the four out of the six Judges appointed up to 16 October 1981 who replied to the questionnaire. Compared with High Court Judges, there were much smaller differences between net receipts prior to appointment and the salaries of £18,015 and £22,000 in payment from 1 April 1979 and 1 April 1980 respectively; but we do not know the receipts of those who would have been suitable but refrained for financial reasons from seeking appointment.

Recruitment

68. It has been put to us most strongly that there is increasing difficulty in filling many judicial appointments, but it is not clear how far this may be due to inadequate remuneration or to other factors. In some instances there is an inherent problem, because of the limited number of people with the right combination of qualities and experience, which is unlikely to be solved simply by awarding a more substantial salary increase than could be justified in terms of job weight in relation to other judicial posts.

69. Particular concern has been expressed to us about recruitment to the High Court, where it is essential to be able to secure recruits of the highest quality not only to fill appointments which may be immediately available but also to ensure that there are those with the potential to fill the higher positions. It seems clear that the recruitment difficulties must at least in part be ascribed to the growing disparity between the salary of a High Court Judge and what may be earned at the Bar, as shown in Table E. It has not been argued that the High Court Judge's salary should equate with the highest levels of receipts at the Bar. It has been put to us strongly, however, that the disparity with Bar receipts is now so wide that there is a risk of a serious problem developing in recruiting Judges of the necessary quality. We have been told that there have been several refusals of appointment on financial grounds and that an increasing number of QCs have indicated that they would, for a time at least, prefer to remain at the Bar. We have been told that a salary of £50,000 as at 1 April 1981, appropriately updated, is necessary if this trend is to be halted.

70. The extent of the financial sacrifice involved on appointment to the Bench varies but in some cases it is undoubtedly very considerable, particularly among some specialists. No one has suggested that there should be a range of different salaries for High Court Judges and we ourselves would not think it desirable to move in that direction. There are, of course, many factors other than salary which may influence a candidate in deciding whether to accept appointment, such as status, security, the importance and interest of the work involved and the continuing, if diminished, attractiveness of the judicial pension, on which we comment later in this chapter. So far it has remained possible to fill High Court vacancies, albeit with increasing signs of difficulty; but we accept that there is genuine cause for concern.

71. Evidence has also been given about recruitment difficulties at lower levels of the judiciary. We have been told that there are problems in recruiting sufficient Circuit Judges. There have also been difficulties in recruiting Sheriffs in Scotland. At these levels the limited number of people available who could be considered suitable for appointment, compared with the number of jobs involved, may be a particularly relevant factor. There have, for example, been many new appointments to the Circuit Bench, which has increased greatly in size in the last 10 years. The question of supply is also relevant to some of the more specialised categories of the judiciary, where the nature of the work may not be attractive to more than a small circle of practitioners.

72. Before considering what recommendations it is appropriate to make in the light of this evidence there are several other matters to be taken into account.

Parity of salary for key appointments in England and Wales, Scotland and Northern Ireland

73. Both our 1972 Advisory Group and the 1978 Sub-Committee on the Judiciary assessed the High Court appointments in England and Wales, Scotland and Northern Ireland at the same level in terms of job weight. In Report No. 6 we took account of differences in Bar receipts and in cost of living in different parts of the United Kingdom and recommended that the salary for the Puisne Judge in Northern Ireland and the Judge of the Court of Session in Scotland should be lower than that of the High Court Judge in England and Wales. In Report No. 10 we concluded that there had been some levelling of Bar receipts and cost of living, apart from high housing and travel costs in London, across the UK as a whole; and we recommended that the three jobs should carry the same salary.

74. The latest survey evidence indicates that receipts at the Bar in Scotland are still below those in England and Wales. We have insufficient information from Northern Ireland to assess the position there. So far as any differences in regional costs of living are concerned, we have not thought it right to take these into account, except with regard to London weighting.

75. Those who have given evidence to us for this review have been strongly in favour of maintaining parity. Our Sub-Committee took the same view and we agree.

Pensions

76. Our attention has been drawn to differences in pension provision for different judicial appointments. The main difference is that in some posts it is necessary to serve for 20 years for full pension, whereas in others only 15 years' service is needed. The problem would be less if the higher judiciary were all subject to one scheme and the lower judiciary to another. In practice, jobs which are broadly of the same weight and which attract the same salary are often subject to different arrangements. Thus Circuit Judges equate with Sheriffs for salary purposes but need only 15 years for full pension, whereas Sheriffs have to serve for 20 years. Similarly, Magistrates have to serve for longer than Chairmen of Industrial Tribunals. It has been suggested in evidence that these differences should be reflected in pay. Our Sub-Committee took the view that the logical way to tackle pensions anomalies was by amending legislation, not by adjusting pay relativities. We agree. We cannot make a formal recommendation about the matter since it is outside our terms of reference, but we urge strongly that the present arrangements be rationalised as soon as possible.

77. The judicial superannuation arrangements, providing an index-linked pension of half final salary and a lump sum payment after, in many cases, only 15 years' service, have been considered to be a particularly valuable benefit. We asked the Government Actuary to compare the judicial pension with the pension provision available to the practising barrister. His report is reproduced at Appendix F. He estimates that the pension of the Circuit Judge and the High Court Judge, as a percentage of salary throughout the judicial career, is worth 38 per cent. This is substantially more than the value, for example, of the civil service pension, the Judge's later age of retirement being offset by the shorter career. Evidence has been given, however, that the attraction of the judicial pension has been greatly diminished as a result of the more generous provisions introduced by the Finance Act 1980 for tax relief on pension premiums paid by the self-employed.

78. The Government Actuary has estimated (paragraph 4.9 of his report) that if a barrister, at age 55, were to make provision for pension solely out of the 17½ per cent of net relevant earnings at present allowable against income tax, he would, under the Government Actuary's assumptions, need to earn more than twice as much as the Judge to obtain equivalent benefits on retirement at age 70.

79. The budget statement of 9 March 1982, made after the Government Actuary's report had been completed, contained proposals which would affect the comparison. Two are relevant: the raising of the proportion of net relevant earnings eligible for income tax relief if paid as a pension premium from 17½ to 20 per cent for those born between 1916 and 1933; and the removal of restrictions on the purchase of index-linked Government stock. We understand

from the Government Actuary's Department that allowing for these developments, and for the fact that a barrister can make additional pension provision out of his after-tax income, the barrister from age 55 would, under the Government Actuary's assumptions, now only need to earn before tax about half as much again as the Judge to produce the same income from employment after tax and pension contributions and the same pension benefits after tax on retirement at age 70.

80. There are other factors to be considered. First, a successful barrister may already have made substantial provision for retirement by the time he becomes eligible for appointment to the Bench and this will make the prospect of a judicial pension less attractive. Secondly, the Government Actuary, in his calculations, assumes that investment is made in index-linked Government stock. It is possible that by investing elsewhere, for example in equities or fixed interest stocks, a better return might be obtained although the risk would be greater. Thirdly, the Government Actuary's calculations further assume that both the barrister's earnings and the Judge's salary keep pace with the Index of Retail Prices. In the past ten years the Judge's salary has not done so, though the indications are that the successful barrister's receipts have.

81. Equally, in drawing comparisons with earnings at the Bar, account must be taken of the fact that High Court Judges do not have to retire until the age of 75. During that time they have interesting and important work to perform whilst earning a salary and an index-linked pension, which in our view is still of great value. Although the most successful barristers at their peak achieve extremely high earnings, it is unlikely that they will be able to sustain the capacity to do so to anything like that age. In the civil service and armed forces retirement is normally required not later than age 60, and in industry commonly between 60 and 65 because, except rarely, it is the case that individuals find the strain of the most responsible jobs too great after these ages.

Salary relationships with the civil service

82. Comparisons are sometimes made between the salaries of Judges and those of civil servants. The main comparison is usually between Permanent Secretary and High Court Judge. Until 1971 the High Court Judge received the higher salary. The salaries for the two jobs were the same from 1 January 1971 until 1 April 1980. In Report No. 6 (paragraph 88) we said: "So far as the relationship between the salaries of the High Court Judge and the Permanent Secretary is concerned, we think it essential that the High Court Judge be properly remunerated in recognition of his place in the community generally, though we do not consider that a formal pay link should be established. In general, we regard the Permanent Secretary's salary level as a second convenient cross-check on our judgment of the appropriate level of remuneration for the High Court Judge. But we have looked at each salary level on its own merits." We endorsed this conclusion in Report No. 10 (paragraph 71). In both reports the same salary was recommended for the two jobs. In Report No. 14 we concluded that a departure from parity, in favour of the High Court Judge, was justified on recruitment grounds and the High Court Judge's salary is now higher than that of the Permanent Secretary.

83. We have pointed out that there is a crucial distinction between the judiciary, where most appointments have to be made from outside, and the civil service, where senior appointments are almost invariably filled by promotion or transfer within the service. In view of this we see no basis in logic or practice for maintaining a rigid salary link between the two groups. On the other hand, we recognise the need, in making our recommendations for the judiciary, to have some regard to salaries for others within our remit. On this occasion we are satisfied that a particularly substantial increase is needed for the High Court Judge in view of the evidence on recruitment and receipts at the Bar. The effect of our recommendations is to give the High Court Judge a larger salary lead over the Permanent Secretary than hitherto. We believe this to be justified in present circumstances.

London weighting

84. London weighting, which now stands at £1,087 for inner London and £454 for outer London, raises problems. For pension purposes it is regarded as part of salary. It is paid to those in the bottom two levels of the present structure who work within the civil service London weighting boundaries. It has a significant effect on pay relationships. For example, the present differential between Circuit Judge and Metropolitan Magistrate in inner London is reduced, when London weighting for the latter is included, from £2,500 to £1,413.

85. Many members of the judiciary work in London and are subject to the same additional expenses for housing, travel and so on as those at similar salary levels in the civil service and other public service groups to whom London weighting is payable. It seems appropriate, therefore, that the judiciary should be eligible for London weighting along with these other groups; and we so recommended in our Report No. 10 (paragraph 68). The dissatisfaction which has arisen from its application is perhaps more a symptom of narrow differentials at the bottom of the judicial structure than an indication that it is inappropriate to pay London weighting at all.

86. It has been suggested that the problem could be resolved by extending London weighting to all the lower judiciary, so that the cut-off point for payment would then be at the same level as in the civil service, where all below Deputy Secretary level are eligible to receive it. Other evidence which we have received has been strongly opposed to the extension of London weighting to higher levels in the judicial structure.

87. There is no ready solution to the problem. We see the logic of the suggestion that London weighting should apply up to the same level, in salary terms, as it does in the civil service. However, the judicial structure is quite different from that of the civil service at these levels. Moreover, the working pattern for some judicial jobs does not lend itself to the application of the usual London weighting arrangements. It is difficult to see, for example, how a fair system could be found for applying London weighting to Circuit Judges, given the flexible way in which they are deployed. It might be appropriate to abolish

London weighting altogether for the judiciary, but that would be difficult to justify while civil servants and others at this level continue to receive it. On balance we have decided to recommend no change for the present.

88. Two secondary points arise in connection with London weighting. The first concerns the way in which the cut-off point is defined. The present arrangement is that London weighting is payable to members of the judiciary whose salary is equal to or below that of Under Secretary in the civil service. It has been suggested that instead the cut-off point should be defined in terms of a level in the judicial structure. We think this is preferable and have recommended accordingly.

89. The second point concerns the payment of two levels of weighting for inner and outer London. This has caused some difficulty with Metropolitan Magistrates. Two Metropolitan Magistrates work in outer London and their court staff are paid London weighting on the same basis as Greater London Council staff, who receive a single rate which is substantially higher than the civil service outer London rate. It would be possible to recommend a single rate for all judicial jobs at the appropriate level in London. Normal practice is for such a rate to be determined on a weighted basis to reflect the proportions of eligible posts in inner London and outer London. We estimate that this would produce a rate of about £990, which is about £100 less than the current rate of inner London weighting. There are two main objections to using this approach for the judiciary. First, as the estimate indicates, most of the judicial posts concerned are in inner London and there are relatively few which attract London weighting in outer London. It would be inequitable to alter the arrangements in a way that would adversely affect the majority in order to resolve a relatively minor problem. Secondly, there would be a sharper division between those eligible for London weighting and those outside the London weighting boundary; the present difference in pay of £454 would be more than doubled. We consider that the present two tier arrangement is preferable.

Recommendations

90. It has on this occasion been particularly difficult to determine the salaries of our benchmark appointments of High Court Judge and Circuit Judge. The factors which we have to take into account to some extent pull in different directions. The need is to recruit barristers of the highest ability for the High Court Bench in England and Wales. If the only factor to be considered were comparison with barristers' net receipts, we would have no hesitation in recommending a higher salary for those Judges than we have done. But it is not the only consideration. We have to set it against the need to establish a coherent structure which is defensible on grounds of job weight and recruitment for the whole of the judiciary in England and Wales, Scotland and Northern Ireland. Thus we have to form a balanced judgment as to what is right in present circumstances for the entire United Kingdom judiciary, taking into account all relevant factors and the evidence put to us. We also need to have regard to current economic circumstances. Against this background we have recommended a substantial increase for the High Court Judges in England and Wales and for their opposite numbers in Scotland and Northern

Ireland. Like our recommendations for the Circuit Judges, the increases should go some way towards easing potential recruitment difficulties. If they do not do so we shall reconsider the question in our next review.

91. We recommend the salaries which follow as appropriate at 1 April 1982. We recommend that London weighting should apply, where appropriate, only to those in the lowest group in the structure, that is the group including the Masters and Registrars.

	£
Lord Chief Justice	56,000
Master of the Rolls Lord of Appeal Lord President of the Court of Session (Scotland)	51,500
Lord Chief Justice (Northern Ireland) President of the Family Division	50,000
Vice-Chancellor Lord Justice of Appeal Lord Justice Clerk (Scotland) Lord Justice of Appeal (Northern Ireland)	48,500
High Court Judge Judge of the Court of Session (Scotland) Puisne Judge (Northern Ireland)	45,000
President, Lands Tribunal (England and Wales) President, Transport Tribunal Chief Social Security Commissioner (England and Wales and Scotland) President, Industrial Tribunals (England and Wales)	31,500
President, Industrial Tribunals (Scotland) Sheriff Principal (Scotland) Chairman, Scottish Land Court President, Lands Tribunal (Scotland) 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) President of the Lands Tribunal (Northern Ireland) Chief Social Security Commissioner (Northern Ireland)	30,500

	£
Circuit Judge Chief Metropolitan Magistrate Member, Lands Tribunal (England and Wales and Scotland) Social Security Commissioner (England and Wales and Scotland) Judge Advocate General Sheriffs A and B (Scotland) County Court Judge (Northern Ireland) Master of the Court of Protection Senior and Chief Masters and Registrars of the Supreme Court Registrar of Criminal Appeals President, Industrial Tribunal (Northern Ireland) Member, Lands Tribunal (Northern Ireland) Social Security Commissioner (Northern Ireland)	29,000
Regional Chairmen, Industrial Tribunals (England and Wales and Scotland) Chairman, Foreign Compensation Commission Vice-Judge Advocate General	27,000
Masters and Registrars of the Supreme Court Metropolitan Magistrate Chairmen, Industrial Tribunals (England and Wales and Scotland) Provincial Stipendiary Magistrate Resident Magistrate (Northern Ireland) Chairman, Industrial Tribunal (Northern Ireland) Master, Supreme Court (Northern Ireland) County Court Registrars and District Registrars of the High Court	25,000

CHAPTER 4

CONCLUSION AND SUMMARY OF RECOMMENDATIONS

92. The salaries recommended in this report are the first new recommendations which we have put forward since 1980. As we have explained, most of those for whom we make recommendations are still receiving salaries which fall short, in many cases substantially, of the levels which we then recommended and continue to regard as having been appropriate for 1 April 1980. Pensions too have been affected. Those within our remit are the only groups among those covered by Review Bodies to be placed in this position.

93. The salaries now recommended entail increases over the 1980 recommended figures of 13·0 per cent for the higher civil service and senior officers of the armed forces and 20·0 per cent for the judiciary, or 16·6 per cent overall. Since the 1980 recommendations have not been fully implemented, the increases over the generally lower salaries now actually in payment are somewhat higher: 19·4 per cent for the civil service and armed forces; 24·3 per cent for the judiciary; and 21·9 per cent overall. Over the two years since our 1980 recommendations, salaries at the levels covered by our remuneration survey have risen by approximately 24 per cent; average earnings for the last two complete years for which information is available have increased by about 30 per cent; and the Index of Retail Prices has increased by 25 per cent.

94. While stating these percentages for the purpose of illustration, we wish to emphasise that we are not directly concerned in a basic review such as this with assessing percentages by which previous figures should be updated, but rather with assessing appropriate levels of salary taking account of all factors referred to in the previous chapters.

95. Even so, the increases may seem high in present circumstances. If, however, we were concerned simply to draw comparisons with salaries paid in other occupations, there would have been a strong case for significantly larger salaries than we have thought it right to recommend. For example, the salary of £40,000 which we have recommended for Permanent Secretaries and equivalent levels in the armed forces (Admiral, General and Air Chief Marshal) is less than half the median pay of Chief Executives in the 62 largest companies as shown by our remuneration survey; and the recommended figure for a High Court Judge of £45,000 is only slightly more than half that figure and is far below what is being earned by the most successful barristers. The gap becomes even wider when account is taken of the comparison of differences in both pensions (including index-linking) and fringe benefits.

96. It would be facile to rely on such simple comparisons. We certainly do not attempt to do so. As we have tried to make clear throughout this report, there are many other factors which must be taken into account, such as differences in job content, career patterns, environment and matters, such as job security, which cannot be precisely quantified. Nowhere in the evidence which we have received has it been suggested that the pay of the public servants concerned should match the salaries that can be obtained at top levels in industry and commerce. Nonetheless, bearing in mind that the jobs covered by

our recommendations include some which must be among the most onerous in the country, we do not think that the figures which we now put forward are by any means excessive. In less constrained economic circumstances we might well have been persuaded to recommend higher figures for certain posts.

97. In difficult economic circumstances increases in salaries at these levels are bound to be considered especially sensitive. It is not a problem of costs, which are relatively small. In the case of the civil service, for example, the grades with which we deal account for about ½ per cent of the basic salary bill of the non-industrial civil service as a whole, or about £17 million out of £3,300 million. Of course, much larger sums are at stake for the grades below and insofar as their salary increases are restricted because of cash limits that is something which we cannot ignore. The main reason, in our view, why successive Governments have been prone to hold down top salaries is to set an example, or at least to avoid repercussions which they might fear. It seems to us that the exemplary force of such measures is greatly exaggerated and that sooner or later the problem is likely to become all the more difficult through pressure for large 'catching up' increases. The Government must ultimately decide what shall be paid; but the salaries of the public servants within our remit, for whom negotiation is not appropriate, should not be determined simply on the basis of the political or economic pressures of the moment. For this reason, whatever the precise arrangements for the future, we believe that there should continue to be an independent body to declare the salaries which it judges to be right on the basis of an impartial and systematic examination of the evidence; and that is what we have sought to do.

98. If salaries for the highest public service jobs are allowed to deteriorate to a point at which they are seriously out of line with the responsibilities carried and with opportunities available elsewhere, there will be no disaster overnight. Those concerned will not go on strike and there will be no mass exodus. In the nature of career services the effects on quality of recruitment will only become apparent in the longer term, though there is the risk that they may appear more sharply in the case of the judiciary where appointments have to be filled by direct recruitment from among practising lawyers. Eventually, however, by process of attrition the quality of these services will suffer, to the national detriment, if the financial rewards which can be achieved by the most able are held too far below those obtainable in other walks of life. Such a penalty is no less serious for being less obvious or less immediate and the effects may only become evident when it is already too late to apply any easy corrective. We hope that these considerations will be weighed carefully against any short-term advantage which might be seen in continuing to hold salaries below the levels which we believe to be right.

99. We summarise our recommendations overleaf:

	Recommended 1 April 1982 salaries £
a. *Senior grades of the higher civil service*	
Permanent Secretary to the Treasury Secretary of the Cabinet	45,000
Permanent Secretary	40,000
Second Permanent Secretary	37,000
Deputy Secretary	32,000
Under Secretary	26,000
b. *Senior officers in the armed forces*	
Admiral of the Fleet Field Marshal Marshal of the Royal Air Force	45,000
Admiral General Air Chief Marshal	40,000
Vice-Admiral Lieutenant General Air Marshal	32,000
Rear Admiral Major General Air Vice-Marshal	26,000
c. *Judiciary*	
Lord Chief Justice	56,000
Master of the Rolls Lord of Appeal Lord President of the Court of Session (Scotland)	51,500
Lord Chief Justice (Northern Ireland) President of the Family Division	50,000
Vice-Chancellor Lord Justice of Appeal Lord Justice Clerk (Scotland) Lord Justice of Appeal (Northern Ireland)	48,500
High Court Judge Judge of the Court of Session (Scotland) Puisne Judge (Northern Ireland)	45,000

	Recommended 1 April 1982 salaries £
President, Lands Tribunal (England and Wales) President, Transport Tribunal Chief Social Security Commissioner (England and Wales and Scotland) President, Industrial Tribunals (England and Wales)	31,500
President, Industrial Tribunals (Scotland) Sheriff Principal (Scotland) Chairman, Scottish Land Court President, Lands Tribunal (Scotland) 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) President of the Lands Tribunal (Northern Ireland) Chief Social Security Commissioner (Northern Ireland)	30,500
Circuit Judge Chief Metropolitan Magistrate Member, Lands Tribunal (England and Wales and Scotland) Social Security Commissioner (England and Wales and Scotland) Judge Advocate General Sheriffs A and B (Scotland) County Court Judge (Northern Ireland) Master of the Court of Protection Senior and Chief Masters and Registrars of the Supreme Court Registrar of Criminal Appeals President, Industrial Tribunal (Northern Ireland) Member, Lands Tribunal (Northern Ireland) Social Security Commissioner (Northern Ireland)	29,000
Regional Chairmen, Industrial Tribunals (England and Wales and Scotland) Chairman, Foreign Compensation Commission Vice-Judge Advocate General	27,000

	Recommended 1 April 1982 salaries £
Masters and Registrars of the Supreme Court Metropolitan Magistrate Chairmen, Industrial Tribunals (England and Wales and Scotland) Provincial Stipendiary Magistrate Resident Magistrate (Northern Ireland) Chairman, Industrial Tribunal (Northern Ireland) Master, Supreme Court (Northern Ireland) County Court Registrars and District Registrars of the High Court	25,000

PLOWDEN

HAROLD ATCHERLEY

CHORLEY

GEORGE COLDSTREAM

HIRSHFIELD

ANDREW LEGGATT

SEEAR

THOMAS SKYRME

OFFICE OF MANPOWER ECONOMICS

31 March 1982

APPENDIX A

PREVIOUS REVIEW BODY REPORTS ON TOP SALARIES

No 2 : Interim Report on Top Salaries – Cmnd 5001, June 1972.

No 3 : Second Interim Report on Top Salaries – Cmnd 5372, July 1973.

No 4 : Third Interim Report on Top Salaries – Cmnd 5595, June 1974.

No 6 : Report on Top Salaries – Cmnd 5846, December 1974.

No 10 : Second Report on Top Salaries – Cmnd 7253, June 1978.

No 11 : Third Report on Top Salaries – Cmnd 7576, June 1979.

No 14 : Fourth Report on Top Salaries – Cmnd 7952, July 1980.

No 16 : Interim Report on Top Salaries – Cmnd 8243, May 1981.

APPENDIX B

SALARIES RECOMMENDED IN REPORT NO 14 AS APPROPRIATE AT 1 APRIL 1980 AND SALARIES CURRENTLY IN PAYMENT

	A *Salaries recommended as appropriate at 1 April 1980* £	B *Salaries currently in payment* £	*Numbers in post at 1 October 1981*
a. *Senior grades of the higher civil service*			
Permanent Secretary to the Treasury Secretary of the Cabinet	37,000	35,845	2
Permanent Secretary	34,000	33,170	22
Second Permanent Secretary	31,000	30,495	16
Deputy Secretary	27,000	26,215	141
Under Secretary	23,500	21,935	524
b. *Senior officers in the armed forces*			
Admiral of the Fleet Field Marshal Marshal of the Royal Air Force	37,000	35,845	1
Admiral General Air Chief Marshal	34,000	33,170	20
Vice-Admiral Lieutenant General Air Marshal	27,000	26,215	37
Medical Rear Admiral Medical Major General Medical Air Vice-Marshal	23,500	23,005	17
Rear Admiral Major General Air Vice-Marshal	23,500	21,935	141
c. *Judiciary*			
Lord Chief Justice	43,000	44,500	1
Master of the Rolls Lord of Appeal Lord President of the Court of Session (Scotland)	40,000	41,000	11
Lord Chief Justice (Northern Ireland) President of the Family Division	38,500	39,000	2
Lord Justice of Appeal Lord Justice Clerk (Scotland) Lord Justice of Appeal (Northern Ireland)	36,500	37,500	22
Vice-Chancellor	36,000	37,500	1
High Court Judge Judge of the Court of Session (Scotland) Puisne Judge (Northern Ireland)	35,000	35,000	99
President, Lands Tribunal (England and Wales) President, Transport Tribunal Chief Social Security Commissioner (England and Wales and Scotland) President, Industrial Tribunals (England and Wales)	26,000	25,500	4

	A Salaries recommended as appropriate at 1 April 1980 £	B Salaries currently in payment £	Numbers in post at 1 October 1981
President, Industrial Tribunals (Scotland) Sheriff Principal (Scotland) Chairman, Scottish Land Court President, Lands Tribunal (Scotland)	25,250	24,750	9
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) President of the Lands Tribunal (Northern Ireland)[1] Chief Social Security Commissioner (Northern Ireland)[1]	24,500	24,500	10
Circuit Judge Chief Metropolitan Magistrate Member, Lands Tribunal (England and Wales and Scotland) Social Security Commissioner (England and Wales and Scotland) Judge Advocate General Sheriff A (Scotland) County Court Judge (Northern Ireland) Master of the Court of Protection Senior and Chief Masters and Registrars of the Supreme Court Registrar of Criminal Appeals President, Industrial Tribunal (Northern Ireland)[1] Member, Lands Tribunal (Northern Ireland)[1] Social Security Commissioner (Northern Ireland)[1]	24,000	23,250	385
Sheriff B (Scotland)	23,500	23,250	56
Regional Chairmen, Industrial Tribunals (England and Wales and Scotland) Chairman, Foreign Compensation Commission	23,500	22,750	17
Vice-Judge Advocate General	22,500	22,000	1
Masters and Registrars of the Supreme Court Metropolitan Magistrate Chairman, Industrial Tribunals (England and Wales and Scotland) Provincial Stipendiary Magistrate Resident Magistrate (Northern Ireland)[1] Chairman, Industrial Tribunal (Northern Ireland)[1] Master, Supreme Court (Northern Ireland)[1]	22,500	20,750	181
County Court Registrars and District Registrars of the High Court	22,000	20,500	153

Note: [1]These appointments were added to the remit after Report No. 14. The salaries shown for the appointments in Column A are those recommended in Report No. 16 in 1 April 1980 terms.

APPENDIX C

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

(Those who gave evidence or assisted in the earlier part of this review are given in Appendix A to Report No. 16)

Individuals

Rt Hon Sir John Arnold, President of the Family Division of the High Court of Justice
Mr R L Bayne-Powell, Senior Registrar of the Family Division of the High Court of Justice
Rt Hon Lord Denning, Master of the Rolls
His Honour Judge Brian Gibbens QC, Circuit Judge
Mr I O Griffiths QC, Chief Social Security Commissioner
Rt Hon Lord Hailsham of St Marylebone CH, The Lord Chancellor
Mr F T Horne, Master of the Supreme Court Taxing Office
Rt Hon Lord Lane AFC, Lord Chief Justice of England
Rt Hon Lord Lowry, Lord Chief Justice of Northern Ireland
Mr E J T Matthews TD, Chief Master of the Supreme Court Taxing Office
Rt Hon Sir Robert Megarry, Vice-Chancellor of the Chancery Division of the High Court of Justice
Mr E C S Russell, Chief Metropolitan Magistrate
His Honour Judge Sir William Stabb QC, Senior Official Referee

Government Departments

Ministry of Defence
Government Actuary's Department
Lord Chancellor's Department
Management and Personnel Office
Scottish Courts Administration
H M Treasury

Organisations

Association of County Court and District Registrars
Association of Sheriffs Principal
Council of Civil Service Unions
Council of Her Majesty's Circuit Judges
Council of Her Majesty's County Court Judges in Northern Ireland
Sheriffs' Association

Industry

Over 130 companies in the private sector of industry, commerce and finance co-operated in the remuneration survey carried out by the Office of Manpower Economics.

APPENDIX D

SURVEY OF TOP SALARIES IN THE PRIVATE SECTOR, 1980-81

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

CONTENTS

SURVEY OF TOP SALARIES IN THE PRIVATE SECTOR 1980-1981

Introduction

1. On behalf of the Review Body on Top Salaries, the Office of Manpower Economics carried out a survey of salaries and other direct remuneration, such as bonuses and commission, of Board members and senior executives in the private sector. Pensions and other fringe benefits were not covered. The main purpose of the survey was to bring up to date the information on pay obtained from the previous survey which, in addition, covered pensions and other fringe benefits[1]. The results of this survey relate to the period 1 September 1980 to 1 September 1981. The Review Body is most grateful for the co-operation of those who contributed to the surveys.

Selection of the sample

2. As in the previous survey, companies in the non-financial sector were selected from the 'Times 1,000' list of the largest companies in the United Kingdom using turnover as a measure of company size and as the basis of stratification. In order to allow for inflation and to make comparisons with the previous survey easier, the limits of the size bands for turnover were formed by increasing the limits of the previous survey by 12½ per cent. In addition, a smaller sample was selected – 145 organisations compared with 214. The resulting increase in the margins of error was not thought to be significant particularly when set against the reduction in the burden of form-filling on industry. Generally, companies which had co-operated in previous surveys were selected. In addition, a small sample of the new entrants to the 'Times 1,000' was chosen.

The questionnaire

3. As mentioned in paragraph 1 this survey covered pay only. All companies were asked to provide information for full-time members of the main Board and senior executives who reported to a Board member. In addition, non-financial companies with turnover of at least £450 million and all those in the financial sector were asked for details of the pay of senior executives at the next level down and of full-time Board members of major subsidiaries. In all cases companies were asked to provide the information for posts whose nature and responsibility had not changed in the year up to 1 September 1981.

Response

4. 131 organisations provided usable replies – a response rate of over 90 per cent. The response for different sectors is shown in Table C. Compared with previous surveys, when response rates have varied between 65 and 75 per cent,

[1] The current survey is the seventh of this kind to be carried out. Reports on the previous surveys are given in Report No. 2, (Cmnd. 5001, June 1972), Appendix E; Report No. 6, (Cmnd. 5846, December 1974), Appendix L; Report No. 10, (Cmnd. 7253, June 1978), Appendix E; Report No. 11, (Cmnd. 7576, June 1979), Appendix C; Report No. 14, (Cmnd. 7952, July 1980), Appendix C; Report No. 16, (Cmnd. 8243, May 1981). Appendix B. Pensions and other benefits were covered in the second, third and sixth surveys.

the response rate is high. This is due in part to the inclusion of those who had co-operated previously, although this was also done in the past. The poorest response rate of just over 70 per cent was in the smallest size band of non-financial companies. Table 1 at the end of this Appendix contains further information, including details of the posts covered by the replies.

TABLE A

Organisations' response to the survey

Sector	Number in 'Times 1,000'	Number selected	Providing replies: Number	Providing replies: As a percentage of number selected	Number used
	No.	No.	No.	%	No.
Non-financial					
Turnover (£ million)					
900 and over	62	19	19	100·0	19
450 but under 900	59	18	18	100·0	17
225 but under 450	95	24	23	95·8	21
113 but under 225	141	20	18	90·0	19
56 but under 113	262	20	17	85·0	16
28 but under 56	381	24	17	70·8	19
All non-financial	1,000	125	112	89·6	111
Financial	NA	20	20	100·0	20
Total	NA	145	132	91·0	131

6 companies gave information for a subsidiary in a lower size band, one having a turnover of under £28 million.
NA = Not appropriate.

Scaling up of the replies

5. As in last year's survey the replies have been scaled up to provide estimates for all companies and posts within the definitions of the survey. A description of this procedure is given in the report of last year's survey[1]. Tables 2 to 5 at the end of this Appendix give both the actual number of posts in the replies and the number of scaled up posts.

Results

6. Detailed results, in a similar form to those from last year's survey, are in Tables 2 to 5. The main points are described in paragraphs 7 to 12.

Mean levels of pay and increases in pay

7. Table 2 shows that, for all posts in the survey, salary plus bonus, etc increased on average by 11·3 per cent between 1 September 1980 and 1981. As in the previous survey, which covered a period one year earlier, there was evidence of smaller increases for those with higher levels of pay, with those for whom salary plus bonus, etc was £60,000 or over in 1980 receiving an average increase of just under 2 per cent. For salary alone the overall average increase was just under 13 per cent with some evidence of lower increases for those

[1] Paragraph 5 of Appendix B in Report No. 16 (Cmnd. 8243, May 1981).

whose salary in 1980 was £70,000 and over, where the average increase was about 8 per cent. For all posts, bonus and other similar payments averaged about 6 per cent of total pay.

8. Table 3 compares mean pay for 1 September 1980 and 1981 for the main levels of post in the survey, namely, chief executives on the main Board, deputy chief executives on the main Board, other main Board members and senior executives at various levels. As in 1979–80, mean levels of pay, with or without bonus, at different levels of post tend to be higher in the financial sector than in the non-financial sector as a whole. However, when compared with 1979–80 the difference in percentage increases has become less marked.

Date of last increase in salary

9. Table 4 shows the distribution of the date of the last increase in salary for the different levels of post in the survey. Salaries for 36 per cent of the posts had been increased between 1 May 1981 and 1 September 1981, leaving 64 per cent for which a salary review might be expected in the period 2 September 1981 to 1 April 1982. For the different levels of posts the proportion of posts receiving salary increases between May and September varied between 15 and 48 per cent which is a wider spread than last year's 24 to 51 per cent. As in previous surveys, January, April, July and October were the most frequent months for increases, these 4 months accounting for 76 per cent of the posts.

Medians, quartiles and deciles

10. Table 5 shows the medians, quartiles and deciles for the main levels of posts in the survey. As was the case with last year's survey, the figures confirm the tendency for levels of pay in the non-financial sector to be higher for the larger size bands. For example, median pay for a chief executive in the non-financial sector ranges from £84,800 in the group of largest companies to £31,700 in the smallest companies in the survey. The corresponding figures for senior executives reporting as a head of function to the main Board are £28,900 and £13,500 respectively. The table also indicates the variation in pay at a given level of post in a given size band. The spread of pay about the median can be measured by half the difference between the quartiles expressed as a percentage of the median. For those groups where the number of "actual posts" was reasonably large, that is, greater than 25, the spread measured this way ranged from 8 to 37 per cent.

Estimated mean remuneration

11. Table 6 shows mean salary plus bonus, etc and estimates of mean remuneration at 1 September 1981 for: chief executives on the main Board; other main Board members, excluding deputy chief executives; and senior executives reporting as a head of function to main Board members. Mean remuneration has three components. The first is mean salary plus bonus, etc. The second is the value of pension benefits, which is derived from the values shown by Table 2 of Appendix F of this report and the employee's contribution shown by Table 1 of Appendix E. The values obtained ranged from 9 to 34 per cent of pay. The third component is the value of other benefits estimated from the point of view of the recipient. For example, in the case of the most

important benefit after the pension, that is, the private use of a company car, the value was based on the income before tax which would be needed to meet the costs incurred by motorists who buy and run their own cars. On this basis the value of a company car was about £2,000 a year. A similar approach was adopted for valuing other fringe benefits. As the cost to the employer of providing them may be expected to be nearer to the cost for an individual of obtaining them privately, the values were based on the information about the provision of fringe benefits at 1 September 1980 in Appendix B of Report No. 16. Estimates for 1 September 1981 were produced by applying the appropriate change in the Index of Retail Prices.

12. The table shows that, on average, the value of pensions and other benefits adds between 20 and 40 per cent to remuneration depending on the level of post and the size of organisation. This gives values of mean remuneration ranging from £18,400, for senior executives reporting as a head of function to the main Board of the smallest non-financial companies in the survey, to £118,300 for the chief executives of the largest non-financial companies.

Comparison with previous survey

13. Since the present and the previous survey both asked for information about salary plus bonus, etc at 1 September 1980 it is possible to compare figures from the two surveys for this date. Table B below compares the

TABLE B

Distribution of salary plus bonus, commission and profit-sharing at 1 September 1980 as shown (A) by the previous survey and (B) by the present survey

All posts

Range of salary plus bonus etc at 1 September 1980	(A) Previous survey		(B) Present survey	
	Number of scaled up posts	Percentage of posts	Number of scaled up posts	Percentage of posts
	No.	%	No.	%
£80,000 and over	68	0·3	93	0·4
£70,000 –	100	0·4	163	0·6
£60,000 –	130	0·5	134	0·5
£50,000 –	282	1·1	238	0·9
£45,000 –	296	1·1	379	1·5
£40,000 –	589	2·3	527	2·1
£35,000 –	1,114	4·3	1,033	4·0
£30,000 –	1,890	7·3	1,861	7·3
£25,000 –	2,872	11·1	3,244	12·7
£22,500 –	2,079	8·0	2,517	9·8
£20,000 –	2,629	10·1	3,060	11·9
£17,500 –	2,800	10·8	2,808	11·0
£15,000 –	3,909	15·1	3,245	12·7
£12,500 –	3,158	12·2	2,942	11·5
£10,000 –	3,062	11·8	2,653	10·3
Under £10,000	965	3·7	744	2·9
Total	25,943	100·0	25,641	100·0

distribution of salary plus bonus etc at 1 September 1980 as recorded by the present and the previous surveys. The two distributions show a reasonable measure of agreement. Differences could be due to:

(i) Sampling variation, which has led to different companies and different posts within the same company being included in the present survey compared with the previous survey.

(ii) Changes in the pay data, for example, because of backdated increases.

14. It is also possible to compare the figures for mean salary plus bonus etc at 1 September 1980 for different levels of post. This is done for the main levels of post in the survey in Table C. The aggregated differences in the table mask some larger differences in the comparisons for individual size bands. In addition to the two factors mentioned in paragraph 13 these differences could also be caused by:

(i) Changes in the constituent companies in a given size band.

(ii) Changes in the coding of level of responsibility.

TABLE C

Comparison of mean salary plus bonus, commission and profit-sharing at 1 September 1980 for the main levels of post as shown (A) by the previous survey and (B) by the present survey

	Mean salary plus bonus etc 1 September 1980		Percentage difference
	(A) Previous survey	(B) Present survey	
	£000	£000	%
Main Board members			
Chief executives			
Non-financial	41·1	43·0	4·8
Financial	50·1	54·8	9·4
Deputy chief executives			
Non-financial	38·8	40·6	4·6
Financial	*	55·8	*
Other main Board members			
Non-financial	28·1	27·9	−0·7
Financial	36·6	39·2	7·1
Senior executives			
Heads of function reporting to main Board members			
Non-financial	19·2	19·6	2·1
Financial	29·6	31·8	7·4
Others reporting to main Board members			
Non-financial	16·3	19·1	17·2
Financial	*	14·8	*

*Number of posts too small to provide reliable figures for comparison.

Table 1

Response and coverage of survey

Sector	Number of organisations in 'Times 1,000'	Questionnaires despatched	Replies used[a]	Members of main Board: Chairman and chief executive	Deputy chairman and chief executive	Chief executive	All chief executives on Board	Deputy chairman and deputy chief executive	Deputy chief executive	All deputy chief executives on Board	Other main Board members	Senior executives: Reporting to main Board: Head of function (A)	Not head of function (B)	Total	Reporting to those in (A)	Reporting to those in (B)	Reporting to those in either (A) or (B)	Others[b]	Total
Non-financial																			
Turnover (£m)																			
900 and over	62	19	19	13	1	2	16	3	10	13	125	179	31	210	75	20	95	22	481
450 but under 900	59	18	17	7	3	3	13	2	4	6	67	150	22	172	87	20	107	8	373
225 but under 450	95	24	21	8	—	9	17	—	6	6	98	151	78	229	c	c	c	11	361
113 but under 225	141	20	19	6	2	10	18	2	5	7	75	167	42	209	c	c	c	8	317
56 but under 113	262	20	16	6	1	8	15	5	1	6	49	119	47	166	c	c	c	3	239
28 but under 56	381	24	19	9	1	9	19	2	2	4	45	124	33	157	c	c	c	9	234
All non-financial	1,000	125	111	49	8	41	98	14	28	42	459	890	253	1,143	162	40	202	61	2,005
Financial	NA	20	20	—	1	17	18	—	5	5	26	131	14	145	130	7	137	42	373
Total	NA	145	131	49	9	58	116	14	33	47	485	1,021	267	1,288	292	47	339	103	2,378

[a] 6 non-financial companies provided information for a subsidiary in a smaller size band, one of which had a turnover of less than £28 million.
[b] "Others" contains the following posts: Chairmen and deputy chairmen who are not the chief or deputy chief executive, chief and deputy chief executives not on the main Board, senior executives on executive committees and full-time members of Boards of subsidiaries not included in previous columns.
[c] Information about these posts was not sought from companies in this sector.
NA = Not appropriate.

TABLE 2

Percentage increase in mean salary and mean salary plus bonus, commission and profit-sharing between 1 September 1980 and 1 September 1981 by ranges of 1980 salary plus bonus, etc

All posts

Range of 1980 salary plus bonus, etc	Number of posts		Mean salary			Mean salary plus bonus, etc		
	Actually used	Scaled up	1980	1981	Percentage increase	1980	1981	Percentage increase
	No.	No.	£000	£000	%	£000	£000	%
£80,000 and over	24	93	66·5	72·8	9·5	90·9	96·2	5·9
£70,000 –	30	163	53·2	56·6	6·3	74·0	73·5	−0.6
£60,000 –	39	134	53·0	58·9	11·1	62·8	63·9	1·8
£50,000 –	79	238	50·0	55·4	10·8	53·0	57·5	8.5
£45,000 –	79	379	41·3	47·2	14·3	46·8	52·0	11·1
£40,000 –	106	527	36·5	41·1	12·8	42·0	45·9	9·2
£35,000 –	153	1,033	35·1	39·6	12·5	37·1	40·8	9·9
£30,000 –	233	1,861	29·6	33·6	13·3	32·0	35·6	11·3
£25,000 –	318	3,244	25·0	28·3	13·2	26·9	30·1	12·1
£22,500 –	221	2,517	22·3	25·2	13·0	23·6	26·2	11·2
£20,000 –	254	3,060	19·9	22·6	13·4	21·1	23·7	12·2
£17,500 –	236	2,808	17·9	20·3	13·1	18·6	20·9	12·5
£15,000 –	218	3,245	15·4	17·5	13·3	16·2	18·3	13·4
£12,500 –	195	2,942	13·2	15·0	13·1	13·8	15·7	13·6
£10,000 –	156	2,653	10·6	11·9	12·3	11·3	12·6	12·1
Under £10,000	37	744	8·6	9·6	12·0	8·8	9·9	11·9
Total	2,378	25,641	20·7	23·4	12·9	22·3	24·8	11·3

Percentage increase in mean salary and mean salary plus bonus, commission and profit-sharing between 1 September 1980 and 1 September 1981

Level of post and sector	Number of posts		Mean salary			Mean salary plus bonus, etc		
	Actually used	Scaled up	1980	1981	Percentage increase	1980	1981	Percentage increase
	No.	No.	£000	£000	%	£000	£000	%
Main Board members								
All chief executives on main Board								
Non-financial								
Turnover (£m)								
900 and over	16	52	75·7	83·7	10·5	77·7	83·8	7·9
450 but under 900	13	45	59·7	64·3	7·6	64·1	70·0	9·2
225 but under 450	17	77	49·2	56·2	14·3	50·1	57·6	15·2
113 but under 225	18	134	44·1	51·8	17·3	46·0	53·1	15·5
56 but under 113	15	246	34·9	40·8	16·9	39·3	44·3	12·6
28 but under 56	19	381	27·1	30·3	12·0	35·7	36·8	3·1
All non-financial	98	934	37·7	42·9	13·8	43·0	47·0	9·3
Financial	18	18	53·1	58·9	10·9	54·8	60·8	10·9
Total	116	952	38·0	43·2	13·8	43·2	47·3	9·4
All deputy chief executives on main Board								
Non-financial								
Turnover (£m)								
900 and over	13	42	61·6	68·4	11·1	61·6	68·4	11·1
450 but under 900	6	21	44·7	51·3	14·6	44·8	52·0	16·1
225 but under 450	6	27	54·1	57·6	6·3	61·2	69·7	13·9
113 but under 225	7	52	32·7	37·4	14·5	34·1	38·6	13·3
56 but under 113	6	98	30·2	35·7	18·3	33·3	39·9	20·0
28 but under 56	4	80	28·8	35·7	23·7	34·6	40·0	15·5
All non-financial	42	321	37·4	43·2	15·5	40·6	46·8	15·3
Financial	5	5	52·9	58·8	11·2	55·8	61·4	10·0
Total	47	326	37·6	43·4	15·4	40·8	47·0	15·2
Other main Board members								
Non-financial								
Turnover (£m)								
900 and over	125	408	41·6	46·4	11·4	42·2	46·6	10·3
450 but under 900	67	233	38·1	43·4	13·9	40·7	45·8	12·7
225 but under 450	98	443	31·2	35·9	14·9	32·3	37·4	15·7
113 but under 225	75	557	24·3	28·0	15·4	25·9	29·2	12·7
56 but under 113	49	802	21·7	24·7	14·2	23·8	26·5	11·1
28 but under 56	45	902	18·9	21·9	16·0	20·8	23·3	12·1
All non-financial	459	3,345	26·2	29·9	14·3	27·9	31·3	12·3
Financial	26	26	37·0	42·8	15·7	39·2	45·3	15·8
Total	485	3,371	26·3	30·0	14·3	28·0	31·4	12·3

Continued

Percentage increase in mean salary and mean salary plus bonus, commission and profit-sharing between 1 September 1980 and 1 September 1981

Level of post and sector	Number of posts		Mean salary			Mean salary plus bonus, etc		
	Actually used	Scaled up	1980	1981	Percentage increase	1980	1981	Percentage increase
	No.	No.	£000	£000	%	£000	£000	%
Senior executives								
(A) Head of function reporting to main Board members								
Non-financial								
Turnover (£m)								
900 and over	179	1,537	27·0	30·3	12·0	27·7	30·7	10·9
450 but under 900	150	951	24·9	27·8	11·8	26·6	30·2	13·5
225 but under 450	151	1,018	18·4	21·2	14·9	18·6	21·5	15·6
113 but under 225	167	1,469	18·8	21·3	13·3	19·4	21·7	12·2
56 but under 113	119	2,636	17·9	20·2	12·6	19·6	21·6	10·3
28 but under 56	124	2,928	12·8	14·4	12·3	13·6	15·0	10·8
All non-financial	890	10,539	18·6	21·0	12·6	19·6	21·9	11·7
Financial	131	162	30·4	34·0	11·8	31·8	35·4	11·4
Total	1,021	10,701	18·8	21·2	12·6	19·8	22·1	11·7
(B) Others reporting to main Board members								
Non-financial								
Turnover (£m)								
900 and over	31	359	25·4	29·2	15·2	26·2	29·9	13·9
450 but under 900	22	191	23·1	23·9	3·4	23·6	24·3	3·0
225 but under 450	78	769	20·3	23·3	14·6	21·3	24·4	14·9
113 but under 225	42	660	17·3	19·9	14·5	18·3	20·6	12·9
56 but under 113	47	933	13·0	14·7	13·6	20·1	20·3	0·9
28 but under 56	33	722	10·8	11·9	10·4	11·4	12·6	10·3
All non-financial	253	3,635	16·6	18·8	13·1	19·1	20·9	9·3
Financial	14	14	14·7	17·4	18·5	14·8	17·5	18·5
Total	267	3,649	16·6	18·8	13·1	19·1	20·8	9·3
Senior executives reporting to head of function at (A) above[a]								
Non-financial								
Turnover (£m)								
900 and over	75	1,964	22·3	25·1	12·7	23·3	25·9	11·4
450 but under 900	87	2,693	17·3	19·5	12·7	18·7	21·3	13·6
450 and over	162	4,658	19·4	21·8	12·7	20·7	23·2	12·5
Financial	130	222	23·4	26·1	11·8	24·4	27·2	11·5
Total	292	4,880	19·6	22·0	12·6	20·8	23·4	12·5

Continued

Percentage increase in mean salary and mean salary plus bonus, commission and profit-sharing between 1 September 1980 and 1 September 1981

Level of post and sector	Number of posts		Mean salary			Mean salary plus bonus, etc		
	Actually used	Scaled-up	1980	1981	Percentage increase	1980	1981	Percentage increase
	No.	No.	£000	£000	%	£000	£000	%
Senior executives reporting to those at (B) above[a]								
Non-financial								
Turnover (£m)								
900 and over	20	659	19·5	22·4	15·0	20·0	23·2	16·1
450 but under 900	20	604	16·0	16·5	3·1	16·4	16·7	2·3
450 and over	40	1,263	17·8	19·5	9·9	18·2	20·1	10·1
Financial	7	19	20·2	23·1	14·5	20·2	23·1	14·5
Total	47	1,282	17·8	19·6	10·0	18·3	20·1	10·2
Others[b]								
Non-financial	61	438	29·8	32·4	8·6	34·8	36·5	4·9
Financial	42	42	41·5	46·9	13·2	42·4	47·9	13·0
Total	103	480	30·9	33·7	9·2	35·5	37·5	5·7
All posts								
Non-financial	2,005	25,133	20·6	23·2	12·9	22·2	24·7	11·3
Financial	373	508	28·8	32·3	12·3	30·0	33·6	12·0
Total	2,378	25,641	20·7	23·4	12·9	22·3	24·8	11·3

[a] For the non-financial sector information for posts at this level was only sought from companies whose turnover was £450 million or over.
[b] See note b to Table 1.

TABLE 4

Date of last increase in salary for each level of post in all sectors

Level of post		Number and percentage of posts with salary increase in																			Total	Actual number of posts used
														Quarter ended				Year ended				
		Sept 1981	Aug 1981	July 1981	June 1981	May 1981	Apr 1981	Mar 1981	Feb 1981	Jan 1981	Dec 1980	Nov 1980	Oct 1980	Sept 1980	June 1980	Mar 1980	Dec 1979	Sept 1979	Sept 1978	Sept 1977 or earlier		
Main Board members																						
1. Chief executives	Scaled up no.	4	1	265	28	55	284	48	16	133	8	3	55	8	5	3	3	11	—	20	952	116
	%	0·4	0·1	27·8	2·9	5·8	29·8	5·0	1·7	14·0	0·8	0·4	5·8	0·8	0·6	0·4	0·4	1·1	—	2·1	100·0	
2. Deputy chief executives	Scaled up no.	—	—	115	4	31	43	23	49	38	3	—	15	5	—	—	—	—	—	—	326	47
	%	—	—	35·2	1·3	9·5	13·2	7·2	15·1	11·6	1·1	—	4·5	1·4	—	—	—	—	—	—	100·0	
3. Other main Board members ...	Scaled up no.	63	69	998	177	101	714	174	45	530	73	22	306	35	—	—	60	3	—	—	3,371	485
	%	1·9	2·1	29·6	5·3	3·0	21·2	5·2	1·3	15·7	2·2	0·6	9·1	1·0	—	—	1·8	0·1	—	—	100·0	
Senior executives																						
4. Heads of function reporting to main Board members	Scaled up no.	72	288	2,565	672	274	2,410	156	215	1,782	237	414	1,225	178	94	14	84	20	—	—	10,701	1,021
	%	0·7	2·7	24·0	6·3	2·6	22·5	1·5	2·0	16·7	2·2	3·9	11·4	1·7	0·9	0·1	0·8	0·2	—	—	100·0	
5. Others reporting to main Board members	Scaled up no.	18	163	977	54	534	398	181	33	450	136	56	619	11	—	—	20	—	—	—	3,649	267
	%	0·5	4·5	26·8	1·5	14·6	10·9	5·0	0·9	12·3	3·7	1·5	17·0	0·3	—	—	0·5	—	—	—	100·0	
6. Executives reporting to heads of function at 4 above[a]	Scaled up no.	134	22	1,191	27	66	862	73	42	1,883	33	94	381	—	—	73	—	—	—	—	4,880	292
	%	2·7	0·5	24·4	0·6	1·3	17·7	1·5	0·9	38·6	0·7	1·9	7·8	—	—	1·5	—	—	—	—	100·0	
7. Executives reporting to those at 5 above[a]	Scaled up no.	—	—	181	13	—	29	—	15	475	—	316	253	—	—	—	—	—	—	—	1,282	47
	%	—	—	14·1	1·0	—	2·3	—	1·1	37·0	—	24·6	19·8	—	—	—	—	—	—	—	100·0	
Other posts[b]	Scaled up no.	—	7	70	7	6	152	3	16	69	6	3	11	41	44	1	—	24	—	20	480	103
	%	—	1·4	14·5	1·5	1·2	31·7	0·7	3·4	14·3	1·2	0·7	2·4	8·6	9·1	0·2	—	4·9	—	4·2	100·0	
All posts	Scaled up no.	291	550	6,361	983	1,066	4,893	659	431	5,359	496	907	2,867	277	143	91	167	58	—	40	25,641	2,378
	%	1·1	2·1	24·8	3·8	4·2	19·1	2·6	1·7	20·9	1·9	3·5	11·2	1·1	0·6	0·4	0·7	0·2	—	0·2	100·0	

[a] For the non-financial sector information for posts at this level was only sought from companies whose turnover was £450 million or over.
[b] See note b to Table 1.

TABLE 5

Median, quartile and decile salaries, including bonus, commission and profit-sharing, at 1 September 1981, by level of post and by sector

Level of post		Non-financial							Financial	Total
		Turnover (£ million)						Total		
		900 and over	450 but under 900	225 but under 450	113 but under 225	56 but under 113	28 but under 56			
Main Board members										
1. Chief executives										
Highest decile	£000	*	*	*	*	*	*	75·1	*	76·0
Upper quartile	£000	*	*	*	*	*	*	57·6	*	60·0
Median	£000	84·8	64·4	57·6	51·4	40·8	31·7	41·7	62·3	42·1
Lower quartile	£000	*	*	*	*	*	*	32·0	*	32·0
Lowest decile	£000	*	*	*	*	*	*	25·0	*	25·0
Mean	£000	83·8	70·0	57·6	53·1	44·3	36·8	47·0	60·8	47·3
Actual posts	No.	16	13	17	18	15	19	98	18	116
Scaled up posts	No.	52	45	77	134	246	381	934	18	952
2. Deputy chief executives										
Highest decile	£000	*	*	*	*	*	*	62·5	*	62·5
Upper quartile	£000	*	*	*	*	*	*	53·0	*	53·0
Median	£000	62·5	51·9	56·5	38·2	42·8	*	44·3	63·2	44·3
Lower quartile	£000	*	*	*	*	*	*	38·2	*	38·2
Lowest decile	£000	*	*	*	*	*	*	27·5	*	27·5
Mean	£000	68·4	52·0	69·7	38·6	39·9	*	46·8	61·4	47·0
Actual posts	No.	13	6	6	7	6	4	42	5	47
Scaled up posts	No.	42	21	27	52	98	80	321	5	326
3. Other main Board members										
Highest decile	£000	60·1	63·1	51·5	42·0	40·6	34·3	47·6	*	48·3
Upper quartile	£000	51·5	53·0	43·5	38·5	32·9	27·5	39·0	49·6	39·1
Median	£000	44·0	41·2	35·0	29·5	25·3	21·8	29·5	47·9	29·5
Lower quartile	£000	38·5	37·1	31·0	19·0	19·2	18·7	21·4	36·6	21·4
Lowest decile	£000	36·0	34·4	24·5	16·0	13·6	15·5	16·4	*	16·4
Mean	£000	46·6	45·8	37·4	29·2	26·5	23·3	31·3	45·3	31·4
Actual posts	No.	125	67	98	75	49	45	459	26	485
Scaled up posts	No.	408	233	443	557	802	902	3,345	26	3,371

*Number of posts too small to provide reliable figures.

Continued

Median, quartile and decile salaries, including bonus, commission and profit-sharing, at 1 September 1981, by level of post and by sector

Level of post		Non-financial: Turnover (£ million): 900 and over	450 but under 900	225 but under 450	113 but under 225	56 but under 113	28 but under 56	Non-financial: Total	Financial	Total
Senior executives										
4. Heads of function reporting to main Board members										
Highest decile	£000	42·6	43·1	29·6	27·9	28·6	20·4	33·5	54·7	33·8
Upper quartile	£000	35·0	35·0	25·0	24·5	24·4	17·2	26·8	43·4	27·0
Median	£000	28·9	29·9	21·0	21·5	19·5	13·5	20·3	32·8	20·4
Lower quartile	£000	26·0	24·0	16·8	18·9	15·7	11·5	15·0	23·3	15·4
Lowest decile	£000	23·4	19·9	12·7	15·5	13·7	9·9	11·7	17·7	11·7
Mean	£000	30·7	30·2	21·5	21·7	21·6	15·0	21·9	35·4	22·1
Actual posts	No.	179	150	151	167	119	124	890	131	1,021
Scaled up posts	No.	1,537	951	1,018	1,469	2,636	2,928	10,539	162	10,701
5. Others reporting to main Board members										
Highest decile	£000	*	*	33·4	26·5	27·3	*	30·7	*	30·7
Upper quartile	£000	33·5	*	28·1	23·5	21·7	13·6	26·5	*	26·4
Median	£000	30·4	27·1	24·9	22·5	18·6	13·3	19·7	16·1	19·5
Lower quartile	£000	27·5	*	18·8	16·5	17·0	11·5	14·8	*	14·8
Lowest decile	£000	*	*	15·6	14·0	15·4	*	12·7	*	12·7
Mean	£000	29·9	24·3	24·4	20·6	20·3	12·6	20·9	17·5	20·8
Actual posts	No.	31	22	78	42	47	33	253	14	267
Scaled up posts	No.	359	191	769	660	933	722	3,635	14	3,649
6. Executives reporting to heads of function at 4 above										
Highest decile	£000	30·6	32·4					30·7	46·2	32·4
Upper quartile	£000	28·1	25·3					27·2	35·3	27·2
Median	£000	26·2	18·7					22·5	24·1	22·6
Lower quartile	£000	22·5	17·0	a	a	a	a	17·6	17·5	17·5
Lowest decile	£000	20·4	13·8					16·0	15·1	16·0
Mean	£000	25·9	21·3					23·2	27·2	23·4
Actual posts	No.	75	87					162	130	292
Scaled up posts	No.	1,964	2,693					4,658	222	4,880

[a] Information about these posts was not sought from companies in this sector.
*Number of posts too small to provide reliable figures.

Continued

TABLE 5 *continued*

Median, quartile and decile salaries, including bonus, commission and profit-sharing, at 1 September 1981, by level of post and by sector

Level of post		Non-financial: Turnover (£ million): 900 and over	450 but under 900	225 but under 450	113 but under 225	56 but under 113	28 but under 56	Non-financial: Total	Financial	Total
7. Executives reporting to those at 5 above										
Highest decile	£000	*	*					*	*	24·7
Upper quartile	£000	*	*					24·6	*	24·6
Median	£000	24·6	18·0					20·1	24·1	20·2
Lower quartile	£000	*	*	a	a	a	a	18·0	*	18·0
Lowest decile	£000	*	*					*	*	12·8
Mean	£000	23·2	16·7					20·1	23·1	20·1
Actual posts	No.	20	20					40	7	47
Scaled up posts	No.	659	604					1,263	19	1,282

[a] Information about these posts was not sought from companies in this sector.
* Number of posts too small to provide reliable figures.

TABLE 6

Mean salary plus bonus, commission and profit sharing and estimated mean remuneration[a] at 1 September 1981, for selected levels of post and by sector

Level of post		Non-financial: Turnover (£ million): 900 and over	450 but under 900	225 but under 450	113 but under 225	56 but under 113	28 but under 56	Non-financial: Total	Financial	Total
Chief executives on main Board										
Mean salary plus bonus etc	£000	83·8	70·0	57·6	53·1	44·3	36·8	47·0	60·8	47·3
Mean remuneration										
Amount	£000	118·3	94·2	78·0	68·8	55·4	44·6	60·2	84·4	60·7
As a percentage of mean salary plus bonus etc	%	141	135	135	130	125	121	128	139	128
Actual posts in 1980–81 survey	No.	16	13	17	18	15	19	98	18	116
Scaled up posts in 1980–81 survey	No.	52	45	77	134	246	381	934	18	952
Other main Board members[b]										
Mean salary plus bonus etc	£000	46·6	45·8	37·4	29·2	26·5	23·3	31·3	45·3	31·4
Mean remuneration										
Amount	£000	64·2	61·6	49·7	38·2	33·1	28·4	40·7	*	*
As a percentage of mean salary plus bonus etc	%	138	134	133	131	125	122	130	*	*
Actual posts in 1980–81 survey	No.	125	67	98	75	49	45	459	26	485
Scaled up posts in 1980–81 survey	No.	408	233	443	557	802	902	3,345	26	3,371
Senior executives reporting as head of function to main Board members										
Mean salary plus bonus etc	£000	30·7	30·2	21·5	21·7	21·6	15·0	21·9	35·4	22·1
Mean remuneration										
Amount	£000	41·1	39·4	28·3	27·8	26·2	18·4	27·8	48·7	28·1
As a percentage of mean salary plus bonus etc	%	134	130	132	128	121	123	127	138	127
Actual posts in 1980–81 survey	No.	179	150	151	167	119	124	890	131	1,021
Scaled up posts in 1980–81 survey	No.	1,537	951	1,018	1,469	2,636	2,928	10,539	162	10,701

[a] Remuneration is the value of pay, pension and other benefits.
[b] Those on the main Board excluding deputy chief executives.
* Numbers too small to provide a reliable estimate for the financial sector.

APPENDIX E

SURVEY OF REMUNERATION IN THE PRIVATE SECTOR, 1979-80: PENSION SCHEMES

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

CONTENTS

Note: Because of rounding, rows or columns may not add up exactly to the totals shown.

SURVEY OF REMUNERATION IN THE PRIVATE SECTOR 1979-80
PENSION SCHEMES

Introduction

1. Appendix B of Report No. 16 contained the report on the survey of remuneration in the private sector for the period 1 September 1979 to 1 September 1980 carried out by the Office of Manpower Economics. That report gave the results for pay and fringe benefits other than pensions. This appendix contains tables showing different aspects of the pensions schemes of the organisations which replied to the survey.

2. The tables cover replies from 137 organisations – 117 in the non-financial sector selected from the 'The Times 1,000' list of largest companies in the United Kingdom and 20 organisations in the financial sector. The posts covered were full-time members of the main Board and senior executives. In producing the results in the tables the replies from respondents in the non-financial sector were scaled-up so as to provide estimates for all 1,000 companies in the 'Times' list. A more detailed description of the survey can be found in Appendix B of Report No. 16.

Results

3. Tables 1 to 13 contain the detailed results on pensions contributions and benefits. The replies by organisations were also used by the Government Actuary in his report.

Pension contributions

4. Table 1 shows the average percentage contributions made by employers and by employees to employer's pension schemes for different levels of post and different sizes of organisation. The table shows that, irrespective of the level of post, the employee's contribution is, on average, between 3 and 4 per cent, with a tendency for higher level posts to have a lower rate of contribution. Overall, the employer's average contribution ranges from 19 per cent to 29 per cent. The main difference between the non-financial and the financial sectors is that the employee's contribution in the former is, on average, higher by about 2 percentage points. Within the non-financial sector there is some indication that contributions by employers in companies with a turnover of £100 million and over are higher.

Pension benefits (Tables 2–13)

5. Tables 2(i) and (ii) show the pension arrangements for main Board members and senior executives respectively. Overall, about half of the main Board members were in a senior staff scheme as distinct from the main company staff scheme or some other arrangement, but for companies with a turnover of £400 million and over this proportion was two thirds. Most other Board members were in the main company staff scheme. About 14 per cent of Board members were late entrants to pension schemes, with less than 20 years'

service before the usual retirement age, and three quarters of these benefited from discretionary arrangements to enhance pensions. Senior executives were divided almost equally between senior staff schemes and main company schemes, although within this overall figure there was a tendency for increasing company size to be associated with membership of a senior staff scheme. As with Board members, about 14 per cent of senior executives were late entrants, with the prospect of reaching less than 20 years' service before usual retirement age, but less than a third benefited from discretionary arrangements to improve pensions.

6. In the non-financial sector, over 70 per cent of Board members and of senior executives were in schemes for which the retirement age was 65. In the financial sector there was a broadly equal division between retirement at 60 and retirement at 65 for both Board members and senior executives. Further details are in Table 3.

7. In addition to the details requested in the questionnaire respondents were asked for the number of years of reckonable service which were needed to qualify for a full pension. Complete coverage was not obtained. Accordingly, the figures in Table 4 should be treated with caution. Just under a half of Board members for whom information was obtained were in schemes which required between 35 and 40 years to qualify for a full pension. A further 25 per cent were in schemes requiring between 15 and 20 years' reckonable service. The figures for senior executives were similar, but slightly higher.

8. Table 5 shows a wide variety of bases for the pension of those in the non-financial sector. For Board members the three most common bases were "final pay or final year's pay" (33 per cent), "average of best 3 or 5 years' pay out of last 10 or 13 years" (28 per cent) and "average of final 3 years' pay" (13 per cent). For senior executives the corresponding figures were similar, namely, 30, 28 and 11 per cent respectively. In the financial sector the pensions of over 70 per cent of Board members and almost 60 per cent of senior executives were based on the final pay or final year's pay.

9. Hardly any of the members of pension schemes in the survey would automatically receive a lump sum on retirement in addition to their pension. Overall the majority of Board members, 85 per cent, were in schemes which gave a pension of two-thirds of pensionable pay for full pensionable service. It can be seen from Table 6 that in the financial sector and the larger companies in the non-financial sector the proportion was higher than this. The table also shows that the position for senior executives was similar.

10. Table 7 shows the pension provision in the event of early retirement through ill-health. Over 97 per cent of all main Board members were in schemes which gave a pension of some kind, with 42 per cent receiving a pension equal to that which had accrued at the time of retirement and 47 per cent receiving a pension greater than the accrued pension. As with some other pension benefits there was a tendency for the financial sector and the larger non-financial companies to be more generous in their pension provision. The

provision for senior executives was broadly similar but with relatively more senior executives being liable to receive less than their accrued pension in the event of early retirement through ill-health.

11. Tables 8 and 9 describe the benefits from the pension scheme in the event of the employee's death in service. Table 8 shows that most schemes give a lump sum or refund the member's contributions or both. The proportion of Board members covered in this way ranges from about 85 per cent in the financial sector to over 95 per cent in the larger non-financial sectors. A refund of contributions would usually only cover those made by the employee and the lump sum would usually depend on salary but not on length of service. The position for senior executives was similar. Table 9 gives details of the size of lump sum payable in the event of death in service. About three quarters of Board members in the non-financial sector were in schemes giving at least 2 but less than 5 times salary. In the financial sector this proportion was just over 40 per cent and a further 30 per cent were in schemes giving a lump sum related to salary and length of service. Just under two thirds of senior executives in the financial sector were in schemes which gave a lump sum of at least 2 but less than 5 times salary. For senior executives in the non-financial sector the position was similar to that of Board members in the sector.

12. Tables 10 and 11 give details of the widow's pension payable in the event of death in service and death after retirement respectively. Table 10 shows that about 12 per cent of Board members were in schemes which gave no widow's pension in the event of death in service. The most common provision was a widow's pension of half the employee's prospective pension on retirement. This was available to just over 40 per cent of Board members but there was a wide range of other levels of provision. For senior executives the position was similar. Table 11 shows that about 75 per cent of Board members, and also of senior executives, in either the financial or the non-financial sector, were in pension schemes which provided a pension of one half of the pension previously in payment in the event of death after retirement. For most of the remainder the provision was more generous than this.

13. Tables 12 and 13 provide information about increases in pension after retirement. Table 12, which contains details of provision made by schemes for pensions increases, shows that over 90 per cent of Board members and of senior executives were in schemes which either gave a firm commitment to increase pensions or had given ex gratia increases in the past. Table 13 shows that the average annual increase in the period 1975–80 was, at 6½ per cent, about the same for Board members and senior executives. The table also shows that in the larger non-financial companies and in the financial sector average increases in pensions were generally about 2 or 3 percentage points higher than this. During the same period the Retail Price Index increased by about 14 per cent per annum. The table also shows that about 2 per cent of Board members or senior executives were in schemes whose pensions had increased, on average, by more than this.

TABLE 1

Average percentage contributions to employer's pension scheme for level of post by sector

Sector	Members of main Board						Senior executives reporting to main Board				Other senior executives			
	Chief executives		Deputy chief executives		Other members of main Board		(A) Heads of function		(B) Not heads of function		Reporting to those in (A)		Reporting to those in (B)	
	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
	%	%	%	%	%	%	%	%	%	%	%	%	%	%
Non-financial														
Turnover (£m)														
800 and over	29·1	1·8	32·4	0·7	29·5	2·0	25·6	3·0	25·0	2·9	21·8	4·3	31·1	3·5
400 but under 800	28·0	2·8	34·0	4·4	30·9	3·2	26·4	3·9	24·6	4·9	23·7	4·2	12·1	5·4
200 but under 400	36·3	1·9	42·8	3·1	21·3	2·8	20·2	2·9	17·4	2·4				
100 but under 200	29·4	2·7	27·8	4·6	31·4	2·9	27·1	3·3	23·9	4·3				
50 but under 100	19·7	3·8	22·4	2·3	20·0	4·1	16·7	4·4	14·2	4·9	a	a	a	a
25 but under 50	18·0	3·4	33·2	4·8	15·9	3·4	13·3	3·9	15·7	4·0				
All non-financial	24·1	3·0	28·7	2·9	23·6	3·2	20·6	3·6	19·3	4·0	23·0	4·2	23·2	4·3
Financial	21·0	1·1	28·1	—	22·6	1·0	23·3	2·1	25·5	0·6	23·4	2·5	26·2	0·6
Total	24·0	3·0	28·7	2·8	23·6	3·1	20·6	3·6	19·3	4·0	23·0	4·1	23·3	4·2

This table includes only those posts for which pensions information was provided.
[a] Information about these posts was not sought from companies in this sector.

TABLE 2

Type of pension scheme

(i) Main Board members

		Sector																	
		Non-financial – turnover (£ million)												All non-financial		Financial		All companies	
		800 and over		400 but under 800		200 but under 400		100 but under 200		50 but under 100		25 but under 50							
		Companies	Posts	Companies	Posts	Companies	Posts	Companies	Posts	Companies	Posts	Companies	Posts	Companies	Posts	Companies	Posts	Companies	Posts
Total covered by questionnaire																			
Actually used	No.	18	142	19	129	18	100	22	126	16	82	24	105	117	684	20	56	137	740
Scaled up	No.	61	481	62	413	89	496	142	813	265	1,359	381	1,667	1,000	5,229	20	56	1,020	5,285
	%		100·0		100·0		100·0		100·0		100·0		100·0		100·0		100·0		100·0
Covered by individual arrangements (whether or not in addition to a senior staff or main company staff scheme)	No.	10	10	16	45	10	30	39	110	66	199	95	175	236	569	2	3	238	572
	%		2·1		10·9		6·0		13·5		14·6		10·5		10·9		5·4		10·8
of which – qualifying for a maximum pension plus lump sum benefits under Inland Revenue rules	No.	10	10	7	13	5	10	19	90	50	149	32	48	123	320	1	1	124	321
	%		2·1		3·1		2·0		11·1		11·0		2·9		6·1		1·8		6·1
Within a senior staff scheme (whether or not in addition to the main company staff scheme)	No.	41	312	39	272	54	283	97	484	132	812	111	572	474	2,735	2	9	476	2,744
	%		64·8		65·9		57·0		59·5		59·8		34·3		52·3		16·0		51·9
Within the main company staff scheme only	No.	20	156	16	86	40	184	39	219	132	348	286	889	533	1,882	13	43	546	1,925
	%		32·4		20·9		37·0		27·0		25·6		53·3		36·0		76·8		36·4
No pension cover provided by the employer	No.	3	3	10	10	—	—	—	—	—	—	32	32	45	45	1	1	46	46
	%		0·7		2·3		—		—		—		1·9		0·9		1·8		0·9
Late entrants with less than 20 years' service before usual retirement age	No.	24	37	36	83	15	30	65	123	116	215	159	238	415	726	3	3	418	729
	%		7·7		20·2		6·0		15·1		15·9		14·3		13·9		5·4		13·8
of which – benefiting from discretionary arrangements to enhance pensions	No.	24	34	23	61	10	20	45	77	66	149	111	191	279	532	1	1	280	533
	%		7·0		14·7		4·0		9·5		11·0		11·4		10·2		1·8		10·1
– not benefiting solely because of retained benefits from previous employment	No.	—	—	—	—	5	10	—	—	—	—	—	—	5	10	—	—	5	10
	%		—		—		2·0		—		—		—		0·2		—		0·2
– not benefiting for other reasons	No.	3	3	13	22	—	—	19	45	50	66	48	48	133	184	2	2	135	186
	%		0·7		5·4		—		5·6		4·9		2·9		3·5		3·6		3·5

All numbers are scaled up unless otherwise stated.
One company which gave pay information did not give pension details.

Continued

TABLE 2 *continued*

Type of pension scheme

(ii) Senior executives

			Sector																		
			Non financial – turnover (£ million)												All non-financial		Financial		All companies	
			800 and over		400 but under 800		200 but under 400		100 but under 200		50 but under 100		25 but under 50							
			Companies	Posts	Companies	Posts	Companies	Posts	Companies	Posts	Companies	Posts	Companies	Posts	Companies	Posts	Companies	Posts	Companies	Posts
Total covered by questionnaire	Actually used	No.	18	302	19	338	18	223	22	227	16	170	24	241	117	1,501	20	316	137	1,817
	Scaled up	No.	61	3,480	62	5,031	89	1,499	142	1,833	265	3,198	381	5,096	1,000	20,137	20	525	1,020	20,662
		%		100·0		100·0		100·0		100·0		100·0		100·0		100·0		100·0		100·0
Covered by individual arrangements (whether or not in addition to a senior staff or main company staff scheme)		No.	7	46	7	60	5	7	19	113	66	245	48	106	152	577	1	2	153	579
		%		1·3		1·2		0·4		6·2		7·6		2·1		2·9		0·3		2·8
of which – qualifying for maximum pension plus lump sum benefits under Inland Revenue rules		No.	3	23	7	45	—	—	13	89	33	169	16	21	72	347	—	—	72	347
		%		0·7		0·9		—		4·8		5·3		0·4		1·7		—		1·7
Within a senior staff scheme (whether or not in addition to the main company staff scheme)		No.	41	2,063	46	3,409	49	713	84	1,114	83	847	111	930	414	9,076	1	20	415	9,096
		%		59·3		67·8		47·5		60·8		26·5		18·3		45·1		3·8		44·0
Within the main company staff scheme only		No.	24	1,371	26	1,548	49	780	90	606	215	2,107	302	4,060	706	10,472	19	503	725	10,975
		%		39·4		30·8		52·0		33·0		65·9		79·7		52·0		95·9		53·1
No pension cover provided by the employer		No.	—	—	3	15	—	—	—	—	—	—	—	—	3	15	—	—	3	15
		%		—		0·3		—		—		—		—		0·1		—		0·1
Late entrants with less than 20 years' service before usual retirement age		No.	34	323	36	610	25	74	52	218	166	527	206	1,078	519	2,830	3	8	522	2,838
		%		9·3		12·1		4·9		11·9		16·5		21·2		14·1		1·6		13·7
of which – benefiting from discretionary arrangements to enhance pensions		No.	20	150	20	164	10	13	19	65	66	169	95	296	230	857	1	8	231	860
		%		4·3		3·3		0·9		3·5		5·3		5·8		4·3		0·6		4·2
– not benifiting solely because of retained benefits from previous employment		No.	3	35	—	—	—	—	—	—	33	38	48	106	84	179	1	2	85	181
		%		1·0		—		—		—		1·2		2·1		0·9		0·3		0·9
– not benefiting for other reasons		No.	17	138	26	447	20	60	45	153	116	320	95	677	319	1,795	2	3	321	1,798
		%		4·0		8·9		4·0		8·4		10·0		13·3		8·9		0·6		8·7

All numbers are scaled up unless otherwise stated.
One company which gave pay information did not give pension details.

TABLE 3

Normal age of retirement

		Sector															
		Non-financial – turnover (£ million)															
		800 and over		400 but under 800		200 but under 400		100 but under 200		50 but under 100		25 but under 50		All non-financial		Financial		All companies	
		MBM	SE	MBM	SE	MBM	SE	MBM	SE	MBM	SE	MBM	SE	MBM	SE	MBM	SE	MBM	SE
Total covered by schemes																			
Actually used	No.	138	298	112	333	94	222	109	213	70	157	92	236	615	1,459	52	315	667	1,774
Scaled up	No.	467	3,434	359	4,957	466	1,492	703	1,720	1,160	2,953	1,461	4,990	4,616	19,546	52	523	4,668	20,069
	%	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0
Normal age of retirement:																			
Under 60 years	No.	—	—	—	—	10	27	—	—	—	—	—	—	10	27	3	—	13	27
	%	—	—	—	—	2·1	1·8	—	—	—	—	—	—	0·2	0·1	5·8	—	0·3	0·1
60 years	No.	227	1,417	48	402	69	175	110	81	—	—	—	—	454	2,075	26	246	480	2.321
	%	48·6	41·3	13·4	8·1	14·9	11·7	15·6	4·7	—	—	—	—	9·8	10·6	50·0	47·0	10·3	11·6
61 years	No.	—	—	—	—	—	222	—	—	—	—	—	—	—	222	—	—	—	222
	%	—	—	—	—	—	14·9	—	—	—	—	—	—	—	1·1	—	—	—	1·1
62 years	No.	34	230	112	1,637	55	67	123	242	182	245	79	42	585	2,463	1	18	586	2,481
	%	7·2	6·7	31·3	33·0	11·7	4·5	17·4	14·1	15·7	8·3	5·4	0·8	12·6	12·6	1·9	3·5	12·6	12·4
63 years	No.	64	311	26	193	30	—	26	194	—	—	—	—	146	698	—	—	146	698
	%	13·8	9·1	7·1	3·9	6·4	—	3·7	11·3	—	—	—	—	3·2	3·6	—	—	3·1	3·5
64 years	No.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
	%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
65 years	No.	142	1,475	118	2,724	303	1,002	439	1,203	978	2,709	1,381	4,948	3,361	14,061	22	259	3,383	14,320
	%	30·4	43·0	33·0	55·0	64·9	67·1	62·4	70·0	84·3	91·7	94·6	99·2	72·8	71·9	42·3	49·5	72·5	71·3
Over 65 years	No.	—	—	54	—	—	—	6	—	—	—	—	—	60	—	—	—	60	—
	%	—	—	15·2	—	—	—	0·9	—	—	—	—	—	1·3	—	—	—	1·3	—

All numbers are scaled up unless otherwise stated.
MBM = Main Board members.
SE = Senior executives.

TABLE 4

Years to full pension

		Sector																	
		Non-financial – turnover (£ million)												All non-financial		Financial		All companies	
		800 and over		400 but under 800		200 but under 400		100 but under 200		50 but under 100		25 but under 50							
		MBM	SE	MBM	SE	MBM	SE	MBM	SE	MBM	SE	MBM	SE	MBM	SE	MBM	SE	MBM	SE
Total covered by schemes																			
Actually used	No.	138	298	112	333	94	222	109	213	70	157	92	236	615	1,459	52	315	667	1,774
Scaled up	No.	467	3,434	359	4,957	466	1,492	703	1,720	1,160	2,953	1,461	4,990	4,616	19,546	52	523	4,668	20,069
	%	100·0	100·0	100·0	100·0	100 0	100·0	100 0	100·0	100·0	100·0	100 0	100·0	100·0	100·0	100·0	100·0	100·0	100·0
Years reckonable service to qualify for full pension																			
10 or less	No.	—	—	22	342	40	114	—	—	149	263	—	—	211	719	—	—	211	719
	%	—	—	6·2	6·9	8·5	7·7	—	—	12·9	8·9	—	—	4·6	3·7	—	—	4·5	3·6
Over 10 up to 15	No.	37	104	—	—	—	—	32	—	—	—	—	—	69	104	—	—	69	104
	%	8·0	3·0	—	—	—	—	4·6	—	—	—	—	—	1·5	0·5	—	—	1·5	0·5
Over 15 up to 20	No.	91	622	195	2,024	64	161	174	380	282	527	48	359	854	4,073	—	—	854	4,073
	%	19·6	18·1	54·5	40·8	13·8	10·8	24·8	22·1	24·3	17·8	3·3	7·2	18·5	20·8	—	—	18·3	20·3
Over 20 up to 25	No.	27	127	—	—	—	—	—	—	—	—	—	—	27	127	5	13	32	140
	%	5·8	3·7	—	—	—	—	—	—	—	—	—	—	0·6	0·6	9·6	2·5	0·7	0·7
Over 25 up to 30	No.	—	—	—	—	15	20	84	347	116	—	—	—	215	367	—	—	215	367
	%	—	—	—	—	3·2	1·4	11·9	20·2	10·0	—	—	—	4·7	1·9	—	—	4·6	1·8
Over 30 up to 35	No.	44	196	—	—	64	195	32	32	—	—	—	—	140	423	—	—	140	423
	%	9·4	5·7	—	—	13·8	13·1	4·6	1·9	—	—	—	—	3·0	2·2	—	—	3·0	2·1
Over 35 up to 40	No.	14	46	83	1,503	139	417	213	452	249	1,091	857	2,833	1,555	6,342	26	218	1,581	6,560
	%	2·9	1·3	23·2	30·3	29·8	27·9	30·3	26·3	21·4	36·9	58·7	56·8	33·7	32·4	50·0	41·6	33·9	32·7
Over 40	No.	—	—	—	—	30	67	—	—	50	94	—	—	80	161	—	—	80	161
	%	—	—	—	—	6·4	4·5	—	—	4·3	3·2	—	—	1·7	0·8	—	—	1·7	0·8
Not known	No.	254	2,339	58	1,087	114	518	168	509	315	978	556	1,797	1,465	7,228	21	292	1,486	7,520
	%	54·3	68·1	16·1	21·9	24·5	34·7	23·9	29·6	27·1	33·1	38·0	36·0	31·7	37·0	40·4	55·9	31·8	37·5

All numbers are scaled up unless otherwise stated.
MBM = Main Board members.
SE = Senior executives.

Basis of pension

		Sector																	
		Non-financial – turnover (£ million)												All non-financial		Financial		All companies	
		800 and over		400 but under 800		200 but under 400		100 but under 200		50 but under 100		25 but under 50							
		MBM	SE	MBM	SE	MBM	SE	MBM	SE	MBM	SE	MBM	SE	MBM	SE	MBM	SE	MBM	SE
Total covered by schemes																			
Actually used	No.	138	298	112	333	94	222	109	213	70	157	92	236	615	1,459	52	315	667	1,774
Scaled up	No.	467	3,434	359	4,957	466	1,492	703	1,720	1,160	2,953	1,461	4,990	4,616	19,546	52	523	4,668	20,069
	%	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	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	No.	—	—	19	342	20	74	71	178	66	282	270	930	446	1,806	8	98	454	1,904
	%	—	—	5·4	6·9	4·3	5·0	10·1	10·3	5·7	9·6	18·5	18·6	9·7	9·2	15·4	18·7	9·7	9·5
Pension based on pay at or near retirement but not updated to time of retirement:																			
Final pay or final year's pay	No.	200	1,521	125	1,786	124	161	206	291	431	1,035	413	1,142	1,499	5,936	38	301	1,537	6,237
	%	42·8	44·3	34·8	36·0	26·6	10·8	29·4	16·9	37·1	35·0	28·3	22·9	32·5	30·4	73·1	57·5	32·9	31·1
Best year's pay out of final 3 or 5 years' pay	No.	88	622	67	923	35	175	—	—	—	—	95	275	285	1,995	1	10	286	2,005
	%	18·8	18·1	18·8	18·6	7·4	11·7	—	—	—	—	6·5	5·5	6·2	10·2	1·9	1·9	6·1	10·0
Average of final 3 years' pay	No.	64	472	45	313	69	363	—	—	298	357	127	634	603	2,139	—	—	603	2,139
	%	13·8	13·8	12·5	6·3	14·9	24·3	—	—	25·7	12·1	8·7	12·7	13·1	10·9	—	—	12·9	10·7
Average of final 5 years' pay	No.	41	58	—	—	15	60	—	—	—	—	111	359	167	477	1	38	168	515
	%	8·7	1·7	—	—	3·2	4·1	—	—	—	—	7·6	7·2	3·6	2·4	1·9	7·3	3·6	2·6
Average of best 3 or 5 years' pay out of last 10 or 13 years	No.	41	311	74	1,295	124	350	329	856	365	1,279	349	1,311	1,282	5,402	4	43	1,286	5,445
	%	8·7	9·1	20·5	26·1	26·6	23·4	46·8	49·8	31·4	43·3	23·9	26·3	27·8	27·6	7·7	8·3	27·5	27·1
Choice of the most beneficial of two or more of the above bases	No.	—	—	—	—	40	148	58	250	—	—	—	—	98	398	—	—	98	398
	%	—	—	—	—	8·5	9·9	8·3	14·6	—	—	—	—	2·1	2·0	—	—	2·1	2·0
Other	No.	34	449	29	298	10	94	39	145	—	—	95	338	207	1,324	—	—	207	1,324
	%	7·2	13·1	8·0	6·0	2·1	6·3	5·5	8·5	—	—	6·5	6·8	4·5	6·8	—	—	4·4	6·6
Not specified	No.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
	%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Pension based on another method	No.	—	—	—	—	30	67	—	—	—	—	—	—	30	67	—	33	30	100
	%	—	—	—	—	6·4	4·5	—	—	—	—	—	—	0·6	0·3	—	6·3	0·6	0·5
Participation in upper tier of state scheme	No.	14	—	67	789	79	175	200	476	348	658	365	1,163	1,073	3,261	8	60	1,081	3,321
	%	2·9	—	18·8	15·9	17·0	11·7	28·4	27·7	30·0	22·3	25·0	23·3	23·2	16·7	15·4	11·4	23·2	16·5

All numbers are scaled up unless otherwise stated.
MBM = Main Board members.
SE = Senior executives.

TABLE 6

Pension as a proportion of pensionable pay and whether lump sum paid

		Sector																	
		Non-financial – turnover (£ million)												All non-financial		Financial		All companies	
		800 and over		400 but under 800		200 but under 400		100 but under 200		50 but under 100		25 but under 50							
		MBM	SE	MBM	SE	MBM	SE	MBM	SE	MBM	SE	MBM	SE	MBM	SE	MBM	SE	MBM	SE
Total covered by schemes																			
Actually used	No.	138	298	112	333	94	222	109	213	70[a]	157	92	236	615[a]	1,459	52	315	667[a]	1,774
Scaled up	No.	467	3,434	359	4,957	466	1,492	703	1,720	1,160	2,953	1,461	4,990	4,616	19,546	52	523	4,668	20,069
	%	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0
Proportion of pensionable pay received as pension (before allowing for commutation) assuming full pensionable service:																			
Under 50 per cent	No.	—	—	—	—	—	—	—	—	—	—	127	486	127	486	—	—	127	486
	%	—	—	—	—	—	—	—	—	—	—	8·7	9·7	2·8	2·5	—	—	2·7	2·4
50 per cent	No.	—	—	—	—	—	—	—	—	83	395	—	169	83	564	—	—	83	564
	%	—	—	—	—	—	—	—	—	7·1	13·4	—	3·4	1·8	2·9	—	—	1·8	2·8
Over 50 but under 66⅔ per cent	No.	—	—	—	—	30	67	32	121	33	132	111	507	206	827	—	—	206	827
	%	—	—	—	—	6·4	4·5	4·6	7·0	2·9	4·5	7·6	10·2	4·5	4·2	—	—	4·4	4·1
66⅔	No.	467	3,434	359	4,957	436	1,425	671	1,599	895	2,333	1,127	3,616	3,955	17,364	51	442	4,006	17,806
	%	100·0	100·0	100·0	100·0	93·6	95·5	95·4	93·0	77·1	79·0	77·2	72·5	85·7	88·8	98·1	84·4	85·8	88·7
Over 66⅔ per cent	No.	—	—	—	—	—	—	—	—	50	94	95	211	145	305	1	81	146	386
	%	—	—	—	—	—	—	—	—	4·3	3·2	6·5	4·2	3·1	1·6	1·9	15·6	3·1	1·9
Proportion of annual pensionable pay given as lump sum in addition to pension assuming full pensionable service:																			
Nil	No.	467	3,434	359	4,629	466	1,492	703	1,720	1,160	2,953	1,461	4,990	4,616	19,218	52	523	4,668	19,741
	%	100·0	100·0	100·0	93·4	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	98·3	100·0	100·0	100·0	98·4
Other	No.	—	—	—	327	—	—	—	—	—	—	—	—	—	327	—	—	—	327
	%	—	—	—	6·6	—	—	—	—	—	—	—	—	—	1·7	—	—	—	1·6

All numbers are scaled up unless otherwise stated.
MBM = Main Board members.
SE = Senior executives.
[a] Information was only provided for 64 out of 70 actual posts in companies with a turnover between £50 million and £100 million.

TABLE 7

Early retirement through ill health—pension provision

		Sector																	
		Non-financial – turnover (£ million)												All non-financial		Financial		All companies	
		800 and over		400 but under 800		200 but under 400		100 but under 200		50 but under 100		25 but under 50							
		MBM	SE	MBM	SE	MBM	SE	MBM	SE	MBM	SE	MBM	SE	MBM	SE	MBM	SE	MBM	SE
Total covered by schemes																			
Actually used	No.	138	298	112	333	94	222	109	213	70	157	92	236	615	1,459	52	315	667	1,774
Scaled up	No.	467	3,434	359	4,957	466	1,492	703	1,720	1,160	2,953	1,461	4,990	4,616	19,546	52	523	4,668	20,069
	%	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0
Pension provision on early retirement.																			
No pension	No.	27	127	—	—	20	188	—	—	—	—	64	507	111	822	—	—	111	822
	%	5·8	3·7	—	—	4·3	12·6	—	—	—	—	4·4	10·2	2·4	4·2	—	—	2·4	4·1
Pension less than	No.	—	—	35	387	—	—	—	—	17	282	365	1,670	417	2,339	—	—	417	2,339
accrued pension	%	—	—	9·8	7·8	—	—	—	—	1·5	9·5	25·0	33·5	9·0	12·0	—	—	8·9	11·7
Pension equal to	No.	98	795	77	1,280	149	383	323	961	547	1,486	730	1,797	1,924	6,702	17	171	1,941	6,873
accrued pension	%	21·0	23·2	21·4	25·8	31·9	25·7	45·9	55·9	47·2	50·3	50·0	36·0	41·7	34·3	32·7	32·7	41·6	34·2
Pension greater	No.	342	2,512	247	3,289	298	921	381	759	597	1,185	302	1,015	2,167	9,681	35	352	2,202	10,033
than accrued pension	%	73·2	73·2	68·8	66·4	63·9	61·7	54·1	44·1	51·5	40·1	20·7	20·3	46·9	49·5	67·3	67·3	47·2	50·0

All numbers are scaled up unless otherwise stated.
MBM = Main Board members.
SE = Senior executives.

TABLE 8

Death in service—provision of lump sum or refund of contributions

		Sector																	
		Non-financial–turnover (£ million)												All non-financial		Financial		All companies	
		800 and over		400 but under 800		200 but under 400		100 but under 200		50 but under 100		25 but under 50							
		MBM	SE	MBM	SE	MBM	SE	MBM	SE	MBM	SE	MBM	SE	MBM	SE	MBM	SE	MBM	SE
Total covered by schemes																			
Actually used	No.	138	298	112	333	94	222	109	213	70	157	92	236	615	1,459	52	315	667	1,774
Scaled up	No.	467	3,434	359	4,957	466	1,492	703	1,720	1,160	2,953	1,461	4,990	4,616	19,546	52	523	4,668	20,069
	%	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0
No lump sum or refund of contributions payable from	No.	51	173	—	—	25	94	—	—	—	—	—	—	76	267	7	18	83	285
the pension scheme	%	10·9	5·0	—	—	5·3	6·3	—	—	—	—	—	—	1·6	1·4	13·5	3·5	1·8	1·4
Refund of contributions only	No.	—	—	—	—	10	94	—	—	66	207	143	148	219	449	—	—	219	449
	%	—	—	—	—	2·1	6·3	—	—	5·7	7·0	9·8	3·0	4·7	2·3	—	—	4·7	2·2
Lump sum only payable	No.	193	1,613	150	1,786	179	585	303	670	331	658	318	719	1,474	6,031	41	395	1,515	6,426
	%	41·3	47·0	42·0	36·0	38·3	39·2	43·1	39·0	28·6	22·3	21·7	14·4	31·9	30·9	78·8	75·6	32·5	32·0
Refund of contributions	No.	224	1,648	208	3,170	253	719	400	1,050	762	2,088	1,000	4,123	2,847	12,798	4	110	2,851	12,908
and lump sum payable	%	47·8	48·0	58·0	64·0	54·3	48·2	56·9	61·0	65·7	70·7	68·5	82·6	61·7	65·5	7·7	21·0	61·1	64·3
Refund of contributions to scheme	No.	224	1,648	208	3,170	263	813	400	1,050	829	2,295	1,143	4,271	3,067	13,247	4	110	3,071	13,357
with or without lump sum	%	47·8	48·0	58·0	64·0	56·4	54·5	56·9	61·0	71·4	77·7	78·3	85·6	66·4	67·8	7·7	21·0	65·8	66·6
of which refunds of:																			
employee's contributions only	No.	224	1,648	208	3,170	263	813	400	1,050	829	2,295	1,032	3,658	2,956	12,634	4	110	2,960	12,744
	%	47·8	48·0	58·0	64·0	56·4	54·5	56·9	61·0	71·4	77·7	70·7	73·3	64·0	64·6	7·7	21·0	63·4	63·5
employer's contributions only	No.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
	%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
employee's and	No.	—	—	—	—	—	—	—	—	—	—	111	613	111	613	—	—	111	613
employer's contributions	%	—	—	—	—	—	—	—	—	—	—	7·6	12·3	2·4	3·1	—	—	2·4	3·1
Lump sum payable with or without	No.	417	3,261	359	4,957	432	1,304	703	1,720	1,094	2,747	1,318	4,842	4,323	18,831	45	505	4,368	19,336
refund of contributions	%	89·1	95·0	100·0	100·0	92·6	87·4	100·0	100·0	94·3	93·0	90·2	97·0	93·7	96·3	86·5	96·5	93·6	96·3
of which lump sum–																			
dependent on salary and	No.	—	—	—	—	—	—	32	73	116	169	127	381	275	623	17	63	292	686
length of service	%	—	—	—	—	—	—	4·6	4·2	10·0	5·7	8·7	7·6	6·0	3·2	32·7	12·1	6·3	3·4
dependent on salary only	No.	417	3,261	336	4,614	432	1,304	671	1,647	945	2,201	1,191	4,462	3,992	17,489	28	442	4,020	17,931
	%	89·1	95·0	93·8	93·1	92·6	87·4	95·4	95·8	81·4	74·5	81·5	89·4	86·5	89·5	53·8	84·4	86·1	89·3
other	No.	—	—	22	342	—	—	—	—	33	376	—	—	55	718	—	—	55	718
	%	—	—	6·2	6·9	—	—	—	—	2·9	12·7	—	—	1·2	3·7	—	—	1·2	3·6
Different if deceased leaves	No.	91	369	67	1,012	—	168	194	226	66	150	16	169	434	2,094	7	18	441	2,112
widow or other dependants	%	19·6	10·7	18·8	20·4	—	11·3	27·5	13·1	5·7	5·1	1·1	3·4	9·4	10·7	13·5	3·5	9·4	10·5

All numbers are scaled up unless otherwise stated.
MBM = Main Board members.
SE = Senior executives.

Death in service — size of lump sum provided

		Sector																			
		Non-financial – turnover (£ million)												All non-financial		Financial		All companies	
		800 and over		400 but under 800		200 but under 400		100 but under 200		50 but under 100		25 but under 50							
		MBM	SE	MBM	SE	MBM	SE	MBM	SE	MBM	SE	MBM	SE	MBM	SE	MBM	SE	MBM	SE
Total covered by schemes																			
Actually used	No.	138	298	112	333	94	222	109	213	70	157	92	236	615	1,459	52	315	667	1,774
Scaled up	No.	467	3,434	359	4,957	466	1,492	703	1,720	1,160	2,953	1,461	4,990	4,616	19,546	52	523	4,668	20,069
	%	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0
No lump sum payable	No.	51	173	—	—	35	188	—	—	66	207	143	148	295	716	7	18	302	734
	%	10·9	5·0	—	—	7·4	12·6	—	—	5·7	7·0	9·8	3·0	6·4	3·7	13·5	3·5	6·5	3·7
Lump sum dependent on salary and length of service	No.	—	—	—	—	—	—	32	73	116	169	127	381	275	623	17	63	292	686
	%	—	—	—	—	—	—	4·6	4·2	10·0	5·7	8·7	7·6	6·0	3·2	32·7	12·1	6·3	3·4
Lump sum dependent on salary only	No.	417	3,261	359	4,957	432	1,304	671	1,647	978	2,577	1,191	4,462	4,048	18,208	28	442	4,076	18,650
	%	89·1	95·0	100·0	100·0	92·6	87·4	95·4	95·8	84·3	87·3	81·5	89·4	87·7	93·2	53·8	84·4	87·3	92·9
of which lump sum payable as a percentage of annual salary:																			
Under 100 per cent	No.	—	—	—	—	—	—	—	—	—	—	64	63	64	63	—	—	64	63
	%	—	—	—	—	—	—	—	—	—	—	4·3	1·3	1·4	0·3	—	—	1·4	0·3
100–199 per cent	No.	14	46	—	—	74	195	—	40	66	150	127	888	281	1,319	5	113	286	1,432
	%	2·9	1·3	—	—	16·0	13·1	—	2·3	5·7	5·1	8·7	17·8	6·1	6·7	9·6	21·6	6·1	7·1
200–299 per cent	No.	37	784	112	1,712	149	383	123	404	282	602	238	486	941	4,371	1	118	942	4,489
	%	8·0	22·8	31·3	34·5	31·9	25·7	17·4	23·5	24·3	20·4	16·3	9·7	20·4	22·4	1·9	22·5	20·2	22·4
300–399 per cent	No.	85	507	83	1,146	35	148	129	250	116	658	349	1,882	797	4,591	7	110	804	4,701
	%	18·1	14·8	23·2	23·1	7·4	9·9	18·3	14·6	10·0	22·3	23·9	37·7	17·3	23·5	13·5	21·0	17·2	23·4
400–499 per cent	No.	224	1,590	118	1,414	174	578	387	945	331	527	413	1,142	1,647	6,196	15	101	1,662	6,297
	%	47·8	46·3	33·0	28·5	37·2	38·7	55·0	54·9	28·6	17·8	28·3	22·9	35·7	31·7	28·8	19·4	35·6	31·4
500–599 per cent	No.	41	173	—	—	—	—	32	8	149	263	—	—	222	444	—	—	222	444
	%	8·7	5·0	—	—	—	—	4·6	0·5	12·9	8·9	—	—	4·8	2·3	—	—	4·8	2·2
600–699 per cent	No.	17	161	22	342	—	—	—	—	—	—	—	—	39	503	—	—	39	503
	%	3·6	4·7	6·3	6·9	—	—	—	—	—	—	—	—	0·8	2·6	—	—	0·8	2·5
Other	No.	—	—	22	342	—	—	—	—	33	376	—	—	55	718	—	—	55	718
	%	—	—	6·3	6·9	—	—	—	—	2·9	12·7	—	—	1·2	3·7	—	—	1·2	3·6

All numbers are scaled up unless otherwise stated.
MBM = Main Board members.
SE = Senior executives.

TABLE 10

Death in service — widow's pension

		Sector																	
		Non-financial – turnover (£ million)												All non-financial		Financial		All companies	
		800 and over		400 but under 800		200 but under 400		100 but under 200		50 but under 100		25 but under 50							
		MBM	SE	MBM	SE	MBM	SE	MBM	SE	MBM	SE	MBM	SE	MBM	SE	MBM	SE	MBM	SE
Total covered by schemes																			
Actually used	No.	138	298	112	333	94	222	109	213	70	157	92	236	615	1,459	52	315	667	1,774
Scaled up	No.	467	3,434	359	4,957	466	1,492	703	1,720	1,160	2,953	1,461	4,990	4,616	19,546	52	523	4,668	20,069
	%	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100 0	100·0	100·0	100·0	100·0	100·0
Widow's pension on death in service																			
None payable	No.	81	588	—	—	—	—	97	40	215	470	175	740	568	1,838	1	10	569	1,848
	%	17·4	17·1	—	—	—	—	13·8	2·3	18·6	15·9	12·0	14·8	12·3	9·4	1·9	1·9	12·2	9·2
Based on proportion of accrued pension:																			
Under 50 per cent	No.	—	—	—	—	—	—	32	8	—	—	32	148	64	156	—	—	64	156
	%	—	—	—	—	—	—	4·6	0·5	—	—	2·2	3·0	1·4	0·8	—	—	1·4	0·8
50 per cent	No.	—	—	16	104	79	195	6	178	232	790	286	846	619	2,113	3	7	622	2,120
	%	—	—	4·5	2·1	17·0	13·1	0·9	10·3	20·0	26·8	19·6	16·9	13·4	10·8	5·8	1·3	13·3	10·6
Over 50 but under $66\frac{2}{3}$ per cent	No.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
	%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
$66\frac{2}{3}$ per cent	No.	—	—	—	—	—	—	—	—	116	56	—	—	116	56	—	—	116	56
	%	—	—	—	—	—	—	—	—	10·0	1·9	—	—	2·5	0·3	—	—	2·5	0·3
Over $66\frac{2}{3}$ per cent	No.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
	%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Based on proportion of prospective pension on retirement:																			
Under 50 per cent	No.	37	104	—	—	—	—	—	—	—	132	64	507	101	743	—	—	101	743
	%	8·0	3·0	—	—	—	—	—	—	—	4·5	4·3	10·2	2·2	3·8	—	—	2·2	3·7
50 per cent	No.	200	1,728	150	2,248	288	948	361	759	348	771	556	1,586	1,903	8,040	35	341	1,938	8,381
	%	42·8	50·3	42·0	45·3	61·8	63·5	51·4	44·1	30·0	26·1	38·0	31·8	41·2	41·1	67·3	65·1	41·5	41·8
Over 50 but under $66\frac{2}{3}$ per cent	No.	—	—	54	595	—	—	—	—	—	—	—	—	54	595	—	—	54	595
	%	—	—	15·2	12·0	—	—	—	—	—	—	—	—	1·2	3·0	—	—	1·2	3·0
$66\frac{2}{3}$ per cent	No.	149	1,014	19	179	99	350	19	40	99	339	111	656	496	2,578	9	73	505	2,651
	%	31·9	29·5	5·4	3·6	21·3	23·4	2·8	2·3	8·6	11·5	7·6	13·1	10·7	13·2	17·3	14·0	10·8	13·2
Over $66\frac{2}{3}$ per cent	No.	—	—	—	—	—	—	—	—	—	—	95	127	95	127	—	—	95	127
	%	—	—	—	—	—	—	—	—	—	—	6·5	2·5	2·1	0·6	—	—	2·0	0·6
Proportion of Guaranteed	No.	—	—	22	342	—	—	—	16	50	—	—	—	72	358	—	50	72	408
Minimum Pension	%	—	—	6·3	6·9	—	—	—	0·9	4·3	—	—	—	1·6	1·8	—	9·5	1·5	2·0
Proportion of accrued pension plus allowance for	No.	—	—	26	625	—	—	26	194	—	395	—	—	52	1,214	4	43	56	1,257
prospective service	%	—	—	7·1	12·6	—	—	3·7	11·3	—	13·4	—	—	1·1	6·2	7·7	8·3	1·2	6·3
Proportion of salary or	No.	—	—	29	208	—	—	97	331	—	—	143	381	269	920	—	—	269	920
earnings	%	—	—	8·0	4·2	—	—	13·8	19·2	—	—	9·8	7·6	5·8	4·7	—	—	5·8	4·6
Other basis for pension	No.	—	—	42	655	—	—	65	153	99	—	—	—	206	808	—	—	206	808
	%	—	—	11·6	13·2	—	—	9·2	8·9	8·6	—	—	—	4·5	4·1	—	—	4·4	4·0

All numbers are scaled up unless otherwise stated.
MBM = Main Board members.
SE = Senior executives.

TABLE 11

Death after retirement — widow's pension

		Sector																	
		Non-financial – turnover (£ million)												All non-financial		Financial		All companies	
		800 and over		400 but under 800		200 but under 400		100 but under 200		50 but under 100		25 but under 50							
		MBM	SE	MBM	SE	MBM	SE	MBM	SE	MBM	SE	MBM	SE	MBM	SE	MBM	SE	MBM	SE
Total covered by schemes																			
Actually used	No.	138	298	112	333	94	222	109	213	70	157	92	236	615	1,459	52	315	667	1,774
Scaled up	No.	467	3,434	359	4,957	466	1,492	703	1,720	1,160	2,953	1,461	4,990	4,616	19,546	52	523	4,668	20,069
	%	100 0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100 0	100·0	100·0	100·0	100·0	100·0	100·0
Widow's pension on death after retirement																			
None payable	No.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
	%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
As a percentage of pensioner's pension																			
Under 50 per cent	No.	—	—	35	491	—	—	—	—	—	—	48	359	83	850	—	—	83	850
	%	—	—	9·8	9·9	—	—	—	—	—	—	3·3	7·2	1·8	4·3	—	—	1·8	4·2
50 per cent	No.	257	2,063	195	3,289	402	1,318	658	1,680	945	2,558	1,143	3,447	3,600	14,355	40	394	3,640	14,749
	%	55·1	60·1	54·5	66·4	86·2	88·3	93·6	97·7	81·4	86·6	78·3	69·1	78·0	73·4	76·9	75·3	78·0	73·5
Over 50 but under $66\frac{2}{3}$ per cent	No.	24	254	54	595	—	—	—	—	—	—	—	—	78	849	3	7	81	856
	%	5·1	7·4	15·2	12·0	—	—	—	—	—	—	—	—	1·7	4·3	5·8	1·3	1·7	4·3
$66\frac{2}{3}$ per cent	No.	186	1,118	74	580	64	175	45	40	215	395	159	825	743	3,133	9	123	752	3,256
	%	39·9	32·6	20·5	11·7	13·8	11·7	6·4	2·3	18·6	13·4	10·9	16·5	16·1	16·0	17·3	23·5	16·1	16·2
Over $66\frac{2}{3}$ per cent	No.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
	%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Other basis for pension	No.	—	—	—	—	—	—	—	—	—	—	111	359	111	359	—	—	111	359
	%	—	—	—	—	—	—	—	—	—	—	7·6	7·2	2·4	1·8	—	—	2·4	1·8

All numbers are scaled up unless otherwise stated.
MBM = Main Board members.
SE = Senior executives.

TABLE 12

Increases in pension after retirement — basis of increase

		Sector																	
		Non-financial – turnover (£ million)												All non-financial		Financial		All companies	
		800 and over		400 but under 800		200 but under 400		100 but under 200		50 but under 100		25 but under 50							
		MBM	SE	MBM	SE	MBM	SE	MBM	SE	MBM	SE	MBM	SE	MBM	SE	MBM	SE	MBM	SE
Total covered by schemes																			
Actually used	No.	138	298	112	333	94	222	109	213	70	157	92	236	615	1,459	52	315	667	1,774
Scaled up	No.	467	3,434	359	4,957	466	1,492	703	1,720	1,160	2,953	1,461	4,990	4,616	19,546	52	523	4,668	20,069
	%	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0
Pension increased after retirement	No.	467	3,434	359	4,957	466	1,492	665	1,663	1,110	2,916	1,191	3,679	4,258	18,141	52	523	4,310	18,664
	%	100·0	100·0	100·0	100·0	100·0	100·0	94·6	96·7	95·7	98·7	81·5	73·7	92·2	92·8	100·0	100·0	92·3	93·0
Basis of increase for those with pension increase																			
Firm commitment to increase pensions																			
By reflecting movements in the Retail Price Index:																			
(i) in full	No.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
	%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
In part, with a limit																			
(ii) up to 3 per cent	No.	—	—	—	—	—	—	—	— [a]	—	—	—	—	—	—	—	—	—	—
	%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
(iii) over 3 and up to 5 per cent	No.	14	—	19	342	—	—	—	—	—	—	—	—	33	342	2	40	35	382
	%	2·9	—	5·4	6·9	—	—	—	—	—	—	—	—	0·7	1·7	3·8	7·6	0·7	1·9
(iv) over 5 per cent	No.	—	—	26	134	—	—	45	73	—	—	111	359	182	566	—	—	182	566
	%	—	—	7·1	2·7	—	—	6·4	4·2	—	—	7·6	7·2	3·9	2·9	—	—	3·9	2·8
By a fixed percentage of:																			
(i) over 2 and up to 3 per cent	No.	14	519	10	179	50	67	103 [a]	412 [b]	99 [b]	132	175	571	451	1,880	—	—	451	1,880
	%	2·9	15·1	2·7	3·6	10·6	4·5	14·7	23·9	8·6	4·5	12·0	11·4	9·8	9·6	—	—	9·7	9·4
(ii) over 3 and up to 4 per cent	No.	17	—	42	536	—	—	—	—	—	—	111	381	170	917	—	—	170	917
	%	3·6	—	11·6	10·8	—	—	—	—	—	—	7·6	7·6	3·7	4·7	—	—	3·6	4·6
(iii) over 4 and up to 5 per cent	No.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
	%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
On another basis	No.	—	—	—	—	15	20	—	—	—	—	—	—	15	20	—	—	15	20
	%	—	—	—	—	3·2	1·4	—	—	—	—	—	—	0·3	0·1	—	—	0·3	0·1

All numbers are scaled up unless otherwise stated.
MBM = Main Board members.
SE = Senior executives.
[a] Excludes 1 (actual) company covering 3 (actual) posts for which the limit to the increase was not specified.
[b] Excludes 2 (actual) companies covering 22 (actual) posts for which the fixed percentage was not known.

Continued

TABLE 12 *continued*

Increases in pension after retirement — basis of increase

		Sector																	
		Non-financial – turnover (£ million)												All non-financial		Financial		All companies	
		800 and over		400 but under 800		200 but under 400		100 but under 200		50 but under 100		25 but under 50							
		MBM	SE	MBM	SE	MBM	SE	MBM	SE	MBM	SE	MBM	SE	MBM	SE	MBM	SE	MBM	SE
Total covered by schemes																			
Actually used	No.	138	298	112	333	94	222	109	213	70	157	92	236	615	1,459	52	315	667	1,774
Scaled up	No.	467	3,434	359	4,957	466	1,492	703	1,720	1,160	2,953	1,461	4,990	4,616	19,546	52	523	4,668	20,069
	%	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0
Ex gratia increases in pensions which have resulted in pension increases in the past:																			
Reflecting movements in the Retail Price Index																			
(i) in full	No.	—	—	—	—	—	—	—	—	—	—	95	338	95	338	—	32	95	370
	%	—	—	—	—	—	—	—	—	—	—	6·5	6·8	2·1	1·7	—	6·0	2·0	1·8
(ii) not in full but at least 75 per cent of RPI	No.	—	—	74	997	55	101	—	—	—	—	—	—	129	1,098	—	50	129	1,148
	%	—	—	20·5	20·1	11·7	6·8	—	—	—	—	—	—	2·8	5·6	—	9·5	2·8	5·7
(iii) at least 50 but less than 75 per cent of RPI	No.	27	173	—	—	—	—	65	40	—	—	111	63	203	276	1	30	204	306
	%	5·8	5·0	—	—	—	—	9·2	2·3	—	—	7·6	1·3	4·4	1·4	1·9	5·7	4·4	1·5
(iv) at least 25 but less than 50 per cent of RPI	No.	—	—	29	208	—	—	—	—	—	—	79	211	108	419	—	—	108	419
	%	—	—	8·0	4·2	—	—	—	—	—	—	5·4	4·2	2·3	2·1	—	—	2·3	2·1
(v) less than 25 per cent of RPI	No.	—	—	—	—	40	134	—	—	—	—	—	—	40	134	—	—	40	134
	%	—	—	—	—	8·5	9·0	—	—	—	—	—	—	0·9	0·7	—	—	0·9	0·7
(vi) proportion of RPI not stated	No.	135	565	19	208	15	60	—	—	—	—	—	—	169	833	—	—	169	833
	%	29·0	16·5	5·4	4·2	3·2	4·1	—	—	—	—	—	—	3·7	4·3	—	—	3·6	4·2
(vii) No regular limit	No.	17	161	32	625	30	40	—	—	116	169	16	233	211	1,228	8	78	219	1,306
	%	3·6	4·7	8·9	12·6	6·4	2·7	—	—	10·0	5·7	1·1	4·7	4·6	6·3	15·4	14·9	4·7	6·5
(viii) Other	No.	—	—	22	342	—	—	—	—	—	—	—	—	22	342	—	—	22	342
	%	—	—	6·2	6·9	—	—	—	—	—	—	—	—	0·5	1·7	—	—	0·5	1·7
Reflecting other factors	No.	142	1,164	16	402	169	874	155	404	398	1,524	492	1,522	1,372	5,890	23	204	1,395	6,094
	%	30·4	33·9	4·5	8·1	36·2	58·6	22·0	23·5	34·3	51·6	33·7	30·5	29·7	30·1	44·2	39·0	29·9	30·4
Mixture of firm commitment and ex gratia payments	No.	102	853	70	982	94	195	245	533	381	1,091	—	—	892	3,654	18	90	910	3,744
	%	21·7	24·8	19·6	19·8	20·2	13·1	34·9	31·0	32·9	36·9	—	—	19·3	18·7	34·6	17·1	19·5	18·7

All numbers are scaled up unless otherwise stated.
MBM = Main Board members.
SE = Senior executives.

TABLE 13

Increases in pension after retirement — ranges of average annual percentage increase, 1975–80

(i) Main Board members

	Sector																	
	Non-financial – turnover (£ million)												All non-financial		Financial		All companies	
	800 and over		400 but under 800		200 but under 400		100 but under 200		50 but under 100		25 but under 50							
	Number	Per cent	Number	Per cent	Number	Per cent	Number	Per cent	Number	Per cent	Number	Per cent	Number	Per cent	Number	Per cent	Number	Per cent
Total covered by schemes																		
Actually used	138		112		94		109		70		92		615		52		667	
Scaled up	467	100·0	359	100·0	466	100·0	703	100·0	1,160	100·0	1,461	100·0	4,616	100·0	52	100·0	4,668	100·0
No increase payable	—	—	—	—	—	—	39	5·5	50	4·3	270	18·5	359	7·8	—	—	359	7·7
Increases payable but not stated for each year in the period	37	8·0	—	—	35	7·4	84	11·9	232	20·0	79	5·4	467	10·1	8	15·4	475	10·2
Range of average annual percentage increases in the period 1975–80																		
Less than 2·4	7	1·4	—	—	30	6·4	26	3·7	50	4·3	95	6·5	208	4·5	—	—	208	4·5
2·5–2·9	14	2·9	45	12·5	—	—	65	9·2	—	—	111	7·6	235	5·1	—	—	235	5·0
3·0–3·9	17	3·6	51	14·3	20	4·3	129	18·3	99	8·6	619	42·4	935	20·3	—	—	935	20.0
4·0–4·9	—	—	45	12·5	30	6·4	32	4·6	33	2·9	—	—	140	3·0	3	5·8	143	3·1
5·0–7·4	—	—	48	13·4	30	6·4	19	2·8	331	28·6	64	4·3	492	10·7	4	7·7	496	10·6
7·5–9·9	234	50·0	67	18·8	109	23·4	245	34·9	298	25·7	95	6·5	1,048	22·7	7	13·5	1,055	22·6
10·0–12·4	85	18·1	32	8·9	69	14·9	65	9·2	—	—	111	7·6	362	7·8	30	57·7	392	8·4
12·5–14·9	75	15·9	70	19·6	89	19·1	—	—	66	5·7	—	—	300	6·5	—	—	300	6·4
15·0–17·4	—	—	—	—	55	11·7	—	—	—	—	16	1·1	71	1·5	—	—	71	1·5
17·5 and over	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Average annual percentage increase for those providing information		9·8[a]		7·1		10·2[b]		6·9[c]		6·4[d]		3·7[b]		6·4[e]		9·6[f]		6·4[g]

All numbers are scaled up unless stated.
[a]Based on 127 actual posts.
[b]Based on 87 actual posts.
[c]Based on 96 actual posts.
[d]Based on 56 actual posts.
[e]Based on 565 actual posts.
[f]Based on 44 actual posts.
[g]Based on 609 actual posts.

Continued

Increases in pension after retirement — ranges of average annual percentage increase, 1975–80

(ii) Senior executives

	Sector																	
	Non-financial – turnover (£ million)												All non-financial		Financial		All companies	
	800 and over		400 but under 800		200 but under 400		100 but under 200		50 but under 100		25 but under 50							
	Number	Per cent	Number	Per cent	Number	Per cent	Number	Per cent	Number	Per cent	Number	Per cent	Number	Per cent	Number	Per cent	Number	Per cent
Total covered by schemes																		
Actually used	298		333		222		213		157		236		1,459		315		1,774	
Scaled up	3,434	100·0	4,957	100·0	1,492	100·0	1,720	100·0	2,953	100·0	4,990	100·0	19,546	100·0	523	100·0	20,069	100·0
No increase payable	—	—	—	—	—	—	57	3·3	38	1·3	1,311	26·3	1,406	7·2	—	—	1,406	7·0
Increases payable but not stated for each year in the period	104	3·0	—	—	108	7·2	218	12·7	489	16·6	127	2·5	1,046	5·4	13	2·5	1,059	5·3
Range of average annual percentage increases in the period 1975–80																		
Less than 2·4	184	5·4	—	—	54	3·6	210	12·2	94	3·2	359	7·2	901	4·6	—	—	901	4·5
2·5–2·9	300	8·7	313	6·3	—	—	170	9·9	132	4·5	592	11·9	1,507	7·7	—	—	1,507	7·5
3.0–3.9	334	9·7	640	12·9	13	0·9	355	20·7	169	5·7	1,353	27·1	2,864	14·7	—	—	2,864	14·3
4.0–4.9	—	—	551	11·1	40	2·7	40	2·3	132	4·5	—	—	763	3·9	7	1·3	770	3·8
5·0–7·4	—	—	967	19·5	67	4·5	113	6·6	677	22·9	233	4·7	2,057	10·5	43	8·3	2,100	10·5
7·5–9·9	1,118	32·6	1,176	23·7	410	27·5	347	20·2	865	29·3	254	5·1	4,170	21·3	120	22·9	4,290	21·4
10·0–12·4	611	17·8	298	6·0	356	23·9	210	12·2	263	8·9	529	10·6	2,267	11·6	309	59·0	2,576	12·8
12·5–14·9	784	22·8	1,012	20·4	343	23·0	—	—	94	3·2	—	—	2,233	11·4	32	6·0	2,265	11·3
15·0–17·4	—	—	—	—	101	6·8	—	—	—	—	233	4·7	334	1·7	—	—	334	1·7
17·5 and over	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Average annual percentage increase for those providing information		8·9[a]		7·4		11·0[b]		5·9[c]		6·7[d]		3·7[e]		6·8[f]		10·0[g]		6·8[h]

All numbers are scaled up unless otherwise stated.
[a] Based on 289 actual posts.
[b] Based on 206 actual posts.
[c] Based on 186 actual posts.
[d] Based on 131 actual posts.
[e] Based on 221 actual posts.
[f] Based on 1,366 actual posts.
[g] Based on 307 actual posts.
[h] Based on 1,673 actual posts.

APPENDIX F

EVALUATION OF SUPERANNUATION BENEFITS

Report by the Government Actuary

1. Introduction

1.1 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 (1982) review of top salaries in the public sector. Earlier assessments have been made by my Department in January 1972 (brought up to date in September 1973) and in April 1978: this last assessment provided the basis for Appendix C to the Review Body's Report No. 10 in 1978. Consideration has again been given to the higher civil service, the armed forces, the judiciary and, for comparison, the private sector. (The nationalised industries have been removed from the Review Body's remit since the 1978 assessment.)

1.2 An assessment of the benefits of different superannuation schemes can only be made on the basis of the expected value of superannuation benefits to an average scheme member. An appropriate way to measure these benefits is to express the value of benefits over a whole career as the 'normal' contribution rate (expressed as a level percentage of salary); this is the rate that, if paid into a fund and accumulated throughout the career of the average member, would just suffice to provide his benefits if the assumptions made as to interest, inflation, mortality, salary scales etc. were exactly realised. This was the approach adopted, for example, in connection with the adjustment for differences in superannuation benefits for civil service pay research.

1.3 I have been asked to make the comparison between these assessments for public and private sector posts both on the basis of current public service salary scales and on a variety of private sector career salary scales. There is no direct job-to-job comparison between the public service and specific private sector posts as has been made by the Pay Research Unit in relation to civil service salaries in general.

1.4 The results of the main assessment are followed by some comment on each of the three top-salaries groups and on the comparable private sector groups, and in the case of the judiciary, comparison is also made with the position of the 'self-employed' barrister. Some information is given about direct contributions to the schemes made by the members by deduction from their earnings. Next, as requested, an indication is given of the effect of taking different assumptions as to the rates of increase in prices and earnings, together with a range of assumptions for discounting future pensions and remuneration which might be applicable when considering the operation of a pension fund, and similar to the ranges of assumptions suggested by the Scott Inquiry[1].

[1] Inquiry into the Value of Pensions: Report Cmnd. 8147.

Finally, an attempt is made to assess the value of the pension rights accruing at different times during a career, this being relevant for those employees who when moving to a different employer take only their accrued pension rights based on their salary at leaving.

2. The schemes and average careers

2.1 Pension arrangements for the higher civil service are the same as those for the rest of the non-industrial civil service. These arrangements are such that those retiring from senior positions at age 60 generally obtain a pension of 1/80th of their final salary for each year of service, often therefore approaching half pay, and in addition a lump sum of three years' pension and a contingent widow's pension of half the member's pension. Members of the armed forces whose service amounts to over thirty years generally receive a pension at retirement of nearly half their final pay, together with a lump sum of three years' pension and a widow's pension of one-half the member's pension. (If service is from the 22nd birthday to the 55th birthday the proportion is 47.4 per cent.) Members of the judiciary generally receive a pension of one half of their final salary after a 15 or 20-year career, together with a lump sum (equal to two years' pension payments) and widow's benefits. Further details about these three schemes are given in Annex 1.

2.2 Information has beeen provided by the Office of Manpower Economics from its 1980 survey of private sector remuneration about the superannuation benefits of some 2,500 anonymous individuals holding office as chief executive, deputy chief executive, other main Board member and two levels of senior executive in 138 unnamed companies, which have been divided into seven groups. Two levels of senior executive are distinguished in the larger companies: level 1 — those who report direct to a main Board member — and level 2 — those who report to executives in level 1. Summaries of the main benefits and the employee contributions for each company scheme were given either in the form of a copy of the scheme rule book or in a questionnaire summarising the main provisions of the scheme. The information provided was adequate for the purpose except in so far as it related to deputy chief executives of companies, where the numbers in the posts involved were too small to provide reliable assessments: this also applies to other main Board members in the financial companies. An analysis of the superannuation arrangements of these schemes is given in Annex 2. Generally the pension and the lump sum (which is obtained by commutation) represent about the same proportions of final salary as for a full career in the civil service — even, in some cases, despite the fact that the members of company schemes will not have joined the company until their forties. There are two important differences however; first, the normal pension age is 65 in most of the company schemes and, second, the pensions are rarely fully protected against inflation.

2.3 Details were also provided by OME of the weighting factors which have been applied to each scheme when deriving the weighted average value of company pension schemes for each subdivision of the companies by size and category of employee.

Pensionable salaries

2.4 Aggregate data on salaries have been given to me by OME for each of the posts in each group of companies. This indicated that average pensionable salaries probably ranged in 1981 from about £15,000 p.a. for senior executives in the smallest size group of companies to about £75,000 for chief executives in the largest size group.

2.5 Adequate information on the careers and remuneration of the higher civil service, the armed forces and the judiciary was already available to me, mostly from published sources which, for instance, gives the ages at which promotion to different grades has occurred in recent years in the civil service. Details of the salary scales assumed on the basis of this information are given in Annex 3, Table A3.4. No information is available of the salary careers of those reaching top positions in the private sector and it has been assumed that entry is at the same average age as for civil servants (the 24th birthday) and that the salaries are identical for the first five or ten years, starting at £6,400 in the first year, and that no further promotion takes place after age 55. Assumptions made about the *final* salaries attained in different posts are given in Annex 3, Table A3.3. Examples of the assumed average salaries at different ages are given in Annex 3, Table A3.4 for both public and private sector careers.

2.6 It must be emphasised that the assessments given in this report are highly dependent on the steepness of the assumed salary scales between about age 30 and age 60, and that the assumption is made implicitly that the steepness of these scales will not change much in the future. If the Review Body wished to make other assumptions these assessments would have to be amended.

Lengths of careers

2.7 For a senior civil servant recruitment at age 24 and retirement at age 60 has been assumed, reflecting current averages. For the armed forces retirement at the age of 55 after a career of 33 years has been assumed although currently many senior officers do not retire until about age 57 or 58. For the judiciary typical appointments lasting nearly 20 years starting at about age 50 have been considered, taking into account that on average Magistrates are at present appointed about a year before that age and Judges a year or so after it. In the private sector the normal retirement age in the rules of each scheme (usually 60 or 65) has been taken as the average retirement age. In all schemes however it has been assumed that there is in addition some early retirement due to ill-health. Further details of this and of the probabilities of death in service and after retirement are given in Annex 3, Tables A3.1 and A3.2. As virtually no information is available on the relative experience of the different groups, apart from the armed forces the same assumptions have been used for all. For the armed forces the same rates of mortality, and ill-health retirement during service, have been used as were used for officers in my report for the Review Body on Armed Forces Pay and details of which were appended to the published report[1].

[1] Review Body on Armed Forces Pay Tenth Report 1981.

2.8 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.

2.9 The data provided for the private sector show that under 15 per cent of the individuals covered were late entrants with under 20 years of service possible by normal retiring age. Of these, the majority of the main Board members, but only a minority of the senior executives, were described as benefiting from some degree of enhancement of pension rights. In addition, it is possible 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. It is, however, difficult to quantify the value of these enhancements with any precision. I have therefore in the main part of this report assessed the value of superannuation benefits in the private sector on the assumption that in most cases maximum pension is obtained by the normal retirement age. However, in paragraphs 6.2 to 6.4 I give some consideration to the comparison of costs for shorter careers, and to the liabilities which a funded scheme incurs in each year of service of the employees.

Women

2.10 The calculations have been made for men: for women the value of the personal pension is considerably higher on account of their longevity. However, in the public sector, and often in the private sector, the lack of widower's benefits means that the total value of the superannuation benefits is lower for women than for men.

3. Discounting of future payments

3.1 As the results of the calculations are intended to be applicable to all persons now earning top salaries in the public sector it is necessary not just to look at the immediate future but also far ahead. For this purpose the experience of the immediate past cannot be regarded as a reliable guide. In the first place I have discounted salary-related amounts by assuming that, over the long-term, the yields on investments (including capital appreciation as well as interest) will on average exceed increases in the general level of earnings by 1 per cent per annum, and secondly, that they will exceed increases in prices by $2\frac{1}{2}$ per cent per annum. (Separate allowance is made for career increases in earnings with increasing age and responsibility.) I have also assumed that the rate of increase in prices will average 7 per cent per annum. Taken together, these assumptions imply that the yield on investments will be a little below 10 per cent per annum and that there will be an annual increase in the general level of earnings of about 8½ per cent per annum. They also imply an increase in real earnings of about 1½ per cent a year. Assumptions as regards prices are required to allow for the fact that although benefits payable on retirement to the public servants are likely to be fairly closely related to increases in the general level of earnings of all employees *until* that time, yet their pensions are adjusted thereafter only for price increases.

Pensions increases

3.2 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 very few schemes are granting this level of increases. Almost all schemes grant some increases, a few at a very modest level such as 3 per cent a year, with the majority of schemes granting an average increase of between 5 and 11 per cent in recent years. From the data provided by the Office of Manpower Economics for the years 1975–80 it is not possible to determine the exact proportion of cost of living increases which is covered by pensions increases since the data is not complete for all the years and the level of inflation has been so variable. However a summary of the data relating to schemes to which retired Board members and senior executives belong is given in Annex 2, Table A2.3.

3.3 The years 1975–80 have been years of very high inflation: the increases in pension that have been given reflect the achievements of schemes at a time of great difficulty and it would perhaps be reasonable to expect a higher degree of price protection in easier times. The majority of company schemes are contracted out of the State pension scheme; for such schemes full price protection for an appropriate part of the company pension (the guaranteed minimum pension, or GMP) will be provided by the State scheme. I have therefore assumed that the occupational schemes themselves will not provide any increase on this part of the pension. However, because of the relatively low ceiling of the State scheme this GMP will usually form only a small part of the pension for those earning top salaries.

3.4 Taking all these considerations into account, the following assumptions were made as regards the pension in excess of the GMP (and for the whole pension in schemes that are not contracted out):—

(i) where fixed-rate increases (usually 3 per cent a year) are provided increases at that rate will continue;

(ii) where increases are discretionary only, the scheme will continue to give increases that represent the same proportion of full cost of living protection as in the recent past, subject to a limit of 95 per cent;

(iii) where both fixed-rate and discretionary increases are provided, the scheme will in future provide the fixed-rate increase, plus discretionary increases that represent the same proportion of the excess of increases in the cost of living over the fixed-rate as has applied in the recent past, subject to a limit of 95 per cent;

(iv) for the few schemes where it is known that discretionary increases are given, but the actual amounts given in the past are not known, and also where no information has been provided on pensions increase, an increase a little below the average for all schemes giving discretionary increases will be provided.

3.5 If these assumptions are realised, then schemes will in future, as in the past, provide a considerable degree of protection. With price increases of 7 per cent a year, protection against 57 per cent of price increases would on average be given on pensions in excess of the GMP, i.e. the pensions would be increased by 4 per cent per annum. However, as Table A3.5 shows, the average figure varies considerably according to the size of company.

4. Results of valuation

4.1 The results of a valuation on this basis are shown in Tables 1 and 2 in the form of contribution rates, which are the percentages of the discounted values of the total career pensionable remuneration that are equal to the discounted value of the various benefits. Reference is made in section 5 of this Report to the effect on these contribution rates of using different assumptions. These contribution rates have not been reduced on account of any contribution payable by the member nor by any income tax on the pension payments.

TABLE 1

Value of superannuation benefits as a percentage of salary throughout career for public service careers, and private sector employees with the same salary as civil servants

Per cent of salary

	Career leading to retirement in grade stated:		
	Permanent Secretary	Deputy Secretary	Under Secretary
Civil Service	29½	26½	25½
Average private sector member, same salary progression as civil servant	23	21	20
	General	Lieutenant General	Major General
Armed Forces	45	42	39
	High Court Judge	Circuit Judge	Metropolitan Magistrate
Judiciary	38	38	32

TABLE 2

Value of superannuation benefits as a percentage of salary throughout a career in the private sector

Per cent of salary

Sector	Chief executive	Other main Board member[a]	Senior executive Level 1	Senior executive Level 2
Non-financial				
Turnover (£ million)				
800 and over	38	31	25	25
400 but under 800	31	28	23	22
200 but under 400	31	26	21	b
100 but under 200	26	23	19	b
50 but under 100	22	19	15	b
25 but under 50	17	15	13	b
Financial	30	c	25	23

[a]Excluding deputy chief executives.
[b]Survey information not collected.
[c]Insufficient information.

4.2 In Table 1 the percentages for the armed forces are higher than for civil servants because their retirement ages are assumed to be five years earlier. For the judiciary the effect of the older age at retirement is offset, as compared with the other groups, by the much shorter careers assumed. A further feature shown in Tables 1 and 2 (taken in conjunction with Tables A3.3 and A3.4) is that the steeper the salary progression during the career the greater the value of the benefits in relation to the career earnings. However the second line of Table 1 indicates that, largely on account of the later average retirement age and the generally lower level of post-retirement increases in the private sector as compared with the public sector, the values of the civil servant's benefits are greater than the values for the average private sector scheme member with the same salary progression as the corresponding civil servant.

4.3 Table 2 covers only the top posts in the private sector. These percentages of salary allow for the combined effect of superannuation benefit structure (including the normal retirement age) and the average salary pattern appropriate to the particular post and the size group of the company. The figures for the posts shown in Table 2 are directly comparable to those for the three careers in each of the civil service, the armed forces and the judiciary in Table 1, in that they are based on appropriate salary careers.

4.4 The contribution rates in Table 1 are all higher than the comparable figures in Table A of Annex 1 of my previous report[1]. This is mainly because of the lower real rates of interest which have been assumed on this occasion (in accord with assessments I have made recently for other reviews of public sector superannuation). Except for the judiciary the increase has been to some extent offset by the lower level of benefits which is a consequence of the shorter careers assumed on this occasion. The fact that judicial careers do not begin until about age 50 makes their contribution rates less dependent on the interest rate assumptions.

[1] Review Body on Top Salaries Report No. 10 1978.

4.5 The figures in Table 2 are not directly comparable with those in the 1978 assessment because the size grouping is now based on company turnover in £ million, rather than on assets. However, where the steepness of the salary scale is comparable the contributions appear to have risen, because of the change in the interest assumptions, by about the same proportion as have the public sector contribution rates.

4.6 For some purposes it may be appropriate to take into account the contributions (either before or after allowing for income tax relief) payable by members to schemes. For civil servants the contribution rate is 1½ per cent for men, for the judiciary the contribution rate is 3 or 4 per cent and the armed forces scheme is non-contributory. Contributions in private sector schemes range from nil to about 6 per cent as shown in Table 3.

TABLE 3

Members' contributions in company schemes as a percentage of earnings

	Number of companies	Percentage of companies
	No.	%
Contribution percentage		
nil	36	26
0–1.9	2	1½
2.0–2.9	15	11
4.0–5.9	54	39½
6.0 and over	30	22
Total	137	100

Comparisons — civil service and armed forces

4.7 My 1980 review of the adjustment of differences in superannuation benefits[1] valued non-industrial civil servants' benefits on a somewhat similar basis to that of the present review, except, of course, for the salary progressions which are now appropriate for higher civil servants. Paragraph 7.1 of the Pay Research Report gave the value of the benefits of the Civil Service Pension Scheme to the average non-industrial civil servants as 16.8 per cent of salary, on the interest basis then adopted. On the basis adopted in this report the value is 19.2 per cent. The higher values now obtained for Under Secretaries and above are due to the greater steepness of their salary scale and, to a smaller extent, to the assumption that in the higher civil service all retire by age 60.

4.8 The basis used in the present review for senior officers of the armed forces is the same as was adopted in my report for the Review Body on Armed Forces Pay, except as regards the retirement pattern and the actual level of retired pay. The value of the benefits to a Major General given in Table 1 (39 per cent of salary) can be compared with the value of 34.1 per cent given in

[1] Civil Service Pay Research. The 1980 Review of the Adjustment for Differences in Superannuation Benefits: Report by the Government Actuary HMSO 1980.

paragraph 5.1 of the Armed Forces Review Body report for all officers of lower rank. Any comparison is however complicated by the fact that junior officers are much more likely to engage in a second career on retirement from the armed services.

Comparison of judiciary with barristers

4.9 In the 1980 Budget several measures were introduced to extend the arrangements which make available through insurance companies personal pension schemes (with premiums allowed from pre-taxed income and tax-free investment income on the funds) similar to schemes operated by employers. The maximum that the self-employed can now contribute in premiums is normally 17.5 per cent of net relevant earnings, compared with 15 per cent previously with a £3,000 limit, and unused tax relief from the previous seven years can now also be taken into account. The most popular arrangement is the with-profits or unit-linked pension contract (with a quarter tax-free retirement cash option). However a few companies now offer single premium contracts based on the index-linked government stocks first issued in 1981. These provide benefits which are inflation-proofed up to retirement in 15 or more years hence (though not, as yet, after retirement, owing to the limited date-range of these stocks) and thus are the closest to the benefits available to employees through occupational schemes. Such a scheme might for a single premium of $17\frac{1}{2}$ per cent of earnings, at say age 55, provide at retirement at age 70 a lump sum of about 20 per cent of the retirement earnings (if earnings increased just in line with the cost of living). This represents a real return in excess of price increases of about 1 per cent per annum after allowing for the company's expenses. By comparison a member of the judiciary is through his occupational scheme obtaining a benefit worth say 35 per cent of his (possibly lower) earnings and he obtains the equivalent of a lump sum of 50 per cent of his earnings at retirement, assuming that his earnings have just kept pace with the cost of living. Thus a barrister with earnings equal to those of a Judge can even with the 1980 concessions still only save through pension arrangements about half the retirement benefits that the Judge obtains. A further point is that even if the two pensions were equal in capital value at retirement the barrister's benefit would probably fall in real terms in the subsequent years as compared with the Judge's pension, which would start lower but retain its real value by means of cost of living increases.

5. Effect of changes in assumptions

5.1 As any assessment relating to the very long term future is subject to a good deal of uncertainty, the Review Body is given in this section values on alternative bases which are consistent with the range of assumptions suggested by the Scott Inquiry and explained in paragraph 128 of their Report. The two extreme sets of assumptions used are shown as (i) and (ii) in the following table:—

	Basis (i)	Basis (ii)
Yield on investments to exceed increases:		
in the general level of earnings by	+1½%	−1½%
in prices by	3%	0%
Rate of increase in prices	6%	7%
Pensions increases as a percentage of the cost of living increase	67%	47%

The resulting assumed yields on investment are (i) 9.2%, (ii) 7% and the actual average pensions increases assumed for the private sector are 4 per cent and 3.3 per cent respectively. Broadly speaking basis (i) is rather more optimistic on the possibility of positive real returns on investments, and on the protection against inflation that private schemes will give pensions in payment, than has so far been assumed in this report. Basis (ii) is a very pessimistic one, particularly in view of the fact that the government index-linked stocks for pension funds introduced since the Scott Inquiry now stand at market prices which yield about 3 per cent in excess of future price increases. Although the point is still controversial attention should now be directed more towards the optimistic end of the range rather than the pessimistic. This should be borne in mind when considering the ranges of the results given in Tables 4 and 5, where the first figure of each pair is on basis (i) and the second on basis (ii).

TABLE 4

Value of superannuation benefits as a percentage of salary throughout public service careers on a range of interest assumptions

Per cent of salary

	Career leading to retirement in grade stated:		
	Permanent Secretary	Deputy Secretary	Under Secretary
Civil Service	27–52	24–48	23–46
Average private sector member, with same salary as civil servant	22½–38	20½–36	19½–34
	General	Lieutenant General	Major General
Armed Forces	40–80	37–75	35–71
	High Court Judge	Circuit Judge	Metropolitan Magistrate
Judiciary	36–62	36–62	31–53

TABLE 5

Value of superannuation benefits as a percentage of salary throughout private sector careers on a range of interest assumptions

Per cent of salary

Sector	Chief executive	Other main Board member[a]	Senior executive	
			Level 1	Level 2
Non-financial				
Turnover (£ million)				
800 and over	38–60	30–50	24–42	24–42
400 but under 800	31–49	28–46	23–39	21–38
200 but under 400	30–51	26–44	20–36	[b]
100 but under 200	26–43	23–35	18–32	[b]
50 but under 100	22–37	18–32	14–26	[b]
25 but under 50	17–28	15–27	13–23	[b]
Financial	30–49	[c]	24–42	23–40

[a]Excluding deputy chief executives.
[b]Survey information not collected.
[c]Insufficient information.

5.2 In evidence to the Scott Inquiry, Brealey and Hodges suggested that the uncertainty of the inflation proofing in private sector schemes as compared with the public sector increases under the Pensions (Increases) Acts might be reflected by a difference in the valuation rate of discount (of the order of one-half per cent) to be applied in addition to making a reduction in the private sector for the *expected* level of inflation proofing. This subject has been discussed at a sessional meeting of the Institute of Actuaries but different views on the desirability of proceeding in this manner continue to exist amongst actuaries and I must leave the Review Body to decide how much weight to put on this factor. However, the effect of a half per cent per annum less discounting on the public servants' benefits (other than on the guaranteed minimum pension) is to raise their value by about one-twentieth, i.e. of the order of a contribution of $1\frac{1}{2}$ to 2 per cent of salaries.

6. Shorter careers

6.1 Although it is somewhat unusual for higher posts in the civil service to be filled from the private sector it is quite common for senior posts in the private sector to be filled from outside the company. Depending on the final salary ultimately reached the pension rights derived from the earlier employment will often be of relatively small value as they will usually only be related to the salary before promotion to the senior post and often will not allow for inflation. In extreme cases the employee will retain no pension rights from his previous employment, but in private sector schemes an employee joining a company at about age 40 will often nevertheless qualify for the maximum two-thirds pension allowed by the Inland Revenue. In this case it is clear that the benefits are being built up over a relatively short period and hence it might be appropriate to consider the equivalent contribution rate as higher in consequence.

Costs varying with age

6.2 There are other reasons why pension costs can be said to vary. The figures given so far in this report are averages covering the whole range of ages in a career, although promotion to high level normally occurs at the older ages, where pension costs are greater because pension age is nearer. Also there is no allowance for the possibility that, say, a budding Deputy Secretary will never reach that rank because he leaves the civil service for another employment. Now the actual costs of the benefits for different members of a pension scheme will vary widely. Consider for instance three specimen cases; a member who serves his whole career in the scheme and ultimately reaches high rank, another who does not progress beyond an average grade, and a third who leaves the scheme on a change of job. The first of these will reap substantial benefits from the scheme, as the benefit in respect of the whole of his career will be calculated on the salary of his final, senior post, the second will reap less substantial benefits as his final pay is more modest, and the third probably very little benefit. If it was known in advance what the outcome of each individual's career would be, an appropriate contribution could be paid for each member of the scheme from the outset. The contributions illustrated in Tables 1 and 2 are those which would be appropriate from outset for officers who ultimately reach high rank given this foreknowledge. Thus they are reasonable contributions to use when considering the pension value to be attached to senior posts. If however it is desired to consider the pension cost of promoting individuals to senior posts in their forties and fifties, further analysis is required, which can be complex, as promotion could take place at many different ages. The results can only be of an illustrative nature as they will not correspond to the finances of an actual pension scheme, nor of any actual individual.

6.3 One approach is to assume that 'basic contributions' are always charged on the assumption that there will be no further salary increases between the present age and retirement age except in line with increases in the cost of living, and that when salary increases in excess of this occur the increase in the benefits arising from the increased salary will be charged as an additional contribution in the twelve months immediately following. If this was done for all those retiring as Deputy Secretaries the resulting total contributions would, in lieu of the 26½ per cent throughout the career, rise from 10 per cent at age 24 to 40 per cent at age 50 where most of the final promotions take place, with perhaps a slight fall in the last few years before retirement where there are few promotions. The lower figures in the earlier years are most likely to be in accord with transfer values paid on changing employment in middle age and so this analysis assists with the problem of evaluating pensions benefits from broken careers.

6.4 For the private sector member with a similar salary progression to a Deputy Secretary but with average private sector benefits and retirement age the benefits are worth about a fifth less at each age than the Deputy Secretary's. However if comparison is made with a Board member retiring with a salary of £45,000 the contribution would be about 8 per cent at age 24—still one fifth less than the civil servant, but because the salary increases in later years are larger the value of the benefits at age 50 might rise to about 40 per cent of earnings, the same figure as for the Deputy Secretary.

TABLE 6

Value of superannuation benefits accruing in various years of age as a percentage of earnings in that year

Per cent of salary

Year of age	Civil Servant retiring as Deputy Secretary	Other main Board member	
		on Deputy Secretary's salary	on £45,000 at retirement
43rd	26	21	27
48th	31	25	32
53rd	40	32	41
58th	32	26	26
63rd	NA	25	25

NA = Not appropriate.

7. Conclusions

7.1 This memorandum has attempted to provide information which will allow the value of the pension arrangements in top salary posts to be compared, particularly in terms of percentages of remuneration. The actual figures are demonstrated to be highly dependent on the interest assumptions made, and indeed, the small increases in most of the contributions assessed as compared with the 1978 assessment arise mainly from taking a more stringent view of the prospects of investment income on funds in relation to increases in prices and earnings. I would say, however, that whilst the superannuation benefits of senior civil servants are still worth about 5 per cent more of their earnings than of private sector senior executives with the *same* level of pay who are not members of the company's main Board just before retirement it appears to be still the case that the Board members of the larger companies, because of the steep salary progression during their careers, obtain benefits worth a higher proportion of their career earnings than do civil servants. The benefits of the senior officers of the armed forces and of the judiciary are, because of their shorter service and the special nature of their schemes, of greater value as percentages of remuneration than those of civil servants. Although barristers can make larger contributions for retirement annuities than formerly, these are still, unless their earnings are much higher than Judges' salaries, not sufficient to allow them to obtain comparable benefits.

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3 March 1982

ANNEX 1

DETAILS OF PUBLIC SECTOR SCHEMES

A. The Principal Civil Service Pension Scheme

1. This Scheme is operated by means of Rules laid down under Section 1 and 2 of the Superannuation Act 1972. The present Rules are set out in the Principal Civil Service Pension Scheme 1974, as amended (mainly by the Principal Civil Service Pension Scheme (Amendment) Scheme 1978 which enabled members to be contracted-out under the Social Security Pensions Act 1975). The scheme is very complicated but the main provisions, as they affect benefits accruing for current service as a civil servant, are set out below.

2. *Membership and Service.* Almost all civil servants working over 18 hours a week are members, and all service as a member reckons for benefit, including part-years of service, subject to a limit of 40 years' reckonable service before age 60 and 45 years' total service.

3. *Benefits on retirement at or over age 60.* A pension of one-eightieth of final pay times the length of reckonable service in years plus a lump sum of three times the pension. Final pay is pay (defined as basic pay plus permanent emoluments only) in the best year of the last three years of service.

4. *Benefits on ill-health retirement after at least 5 years' service.* Immediate benefits calculated as for age retirement but with service enhanced as follows:

(i) if it is less than 10 years, to double its length

(ii) if it is 10 years or more, to the better of
 (a) 20 years
 (b) actual service plus 6 2/3rds years.

However, enhanced service under (i) or (ii)(a) may not exceed potential service to age 65, and under (ii)(b) may not exceed potential service to age 60.

5. *Benefits on withdrawal.* If service is under 2 years, no benefit. If service is between 2 and 5 years, a gratuity of 3/80ths of pay times the length of reckonable service (or a larger gratuity if withdrawal is on grounds of ill-health). If service is over 5 years, a preserved pension and lump sum calculated as in paragraph 3 above and coming into payment at age 60. In all cases, a transfer value may be paid under the public sector transfer arrangements to the new employer's scheme (whether that scheme is a public sector or a private sector one).

6. *Benefits on death in service.* A lump sum of the greater of one year's pay or the lump sum that would have been payable on ill-health retirement — see paragraph 4 above.

7. *Family benefits and contributions.* Male civil servants pay family contributions of $1\frac{1}{2}$ per cent of pay. A widow's benefit is payable at the rate of one-half

of the husband's pension, if he dies after retirement, or one-half of the pension he would have received on ill-health retirement if he dies in service. A deduction of $1\frac{1}{2}$/80ths of pay is made from the lump sum benefits of married men for each year of service for which family contributions have not been paid — this is mainly the enhancement of service mentioned in paragraph 4 — and contributions are returned on the retirement or death of a bachelor. A widow's benefit is at a higher rate for the first three months of payment (and this short-term pension is also paid in the event of the husband's death in service with less than 5 years' service) and there are additions of one-half of the widow's pension in respect of each dependent child (for up to two children). Widows' pensions cease on remarriage before age 60.

8. There are other provisions of the scheme for premature retirement in certain circumstances and injury benefits. There is also optionally available to the member, at no cost to the scheme, allocation of pension in favour of a spouse or dependant and purchase at full cost of added years of service.

9. Pensions under the scheme are protected against price inflation after retirement under the Pensions (Increase) Acts.

B. The Armed Forces Pension Scheme (Officers)

1. The Scheme is operated by means of Prerogative Instruments which set out the rates of benefit payable and the conditions of award. The Scheme is non-contributory and members of the Scheme are contracted-out under the Social Security Pensions Act 1975. The Scheme is very complicated but the main provisions as they affect benefits accruing for current service as a member of the armed forces, are set out below.

2. *Membership and Service.* All members of the regular forces, both male and female, are members of the Scheme except for officers on short-service gratuity-earning commissions. All service from age 21 reckons for benefit subject normally to a limit of 34 years' reckonable service.

3. *Pensionable pay.* Pensionable pay is based on the length of service and the rank attained rather than on actual pay received by the individual. Representative pay rates (based on the current appropriate combatant rate for the rank in the case of officers) therefore form the basis for calculating pension entitlement.

4. *Benefits on retirement other than on grounds of invaliding.* Officers with at least 16 years' reckonable service are entitled to retire with an immediate pension. The pension is 28.5 per cent of representative pay after 16 years' reckonable service increasing uniformly until it is 48.5 per cent of representative pay after 34 years' reckonable service. The level of pension may be reduced by up to 10 per cent in cases of voluntary retirement. In all cases a lump sum of three times the pension is payable.

5. *Benefits on retirement on grounds of invaliding.* If reckonable service is less than 5 years, the member may be awarded a gratuity and will be bought

back into the State scheme unless a transfer value is paid. If reckonable service exceeds 5 years there is an immediate pension plus a lump sum of three times the pension. The level of pension is based on the full career pension for that rank i.e. that awarded after 34 years' reckonable service. For officers the invaliding pension is 30 per cent of the full career pension after 5 years' reckonable service increasing uniformly to 100 per cent after 31 years.

6. *Benefits on withdrawal.* If reckonable service is less than 5 years, the member will be bought back into the State scheme unless a transfer value is paid. If service exceeds 5 years but the member is ineligible for an immediate pension, preserved pension is payable from age 60 together with a lump sum of three times the pension, also payable at age 60. For officers the preserved pension is 3 per cent of full career pension for each year of reckonable service. Alternatively a transfer value may be paid under the public sector transfer arrangements to the new employer's pension scheme.

7. *Benefits on death in service.* A lump sum is payable equal to the greater of one year's salary at the representative pay rate (approximately) or the lump sum that would have been payable on retirement on invaliding grounds.

8. *Family benefits.* A widow's pension is payable at the rate of one-half of the husband's pension, if he dies after retirement, or one-half of the pension he would have received on retirement on invaliding grounds if he dies in service. A higher rate of pension based on the husband's pension or the husband's pay at the date of his death is payable for the first three months of widowhood. There are additions of one-half of the widow's pension in respect of each dependent child (for up to two children). Widows' pensions cease on remarriage.

9. Other provisions of the Scheme permit a higher level of invaliding pension or widow's pension where the invaliding or death is attributable to service in the forces. Also available to the member, at no cost to the Scheme, is an option to commute part of his pension for a lump sum; a facility to purchase added years of service, at full cost, has recently been introduced.

10. Although the Pensions (Increase) Acts do not apply to the Armed Forces Pension Scheme, pensions increases on similar lines are provided for by means of the Prerogative Instruments. Thus pensions under the Scheme are protected against price inflation after retirement except that no increases are actually put into payment until age 55 (except where it is an invaliding or widow's pension).

C. Judicial Pensions

1. The superannuation arrangements for members of the judiciary within the scope of this report are covered by around twenty separate statutes. For instance, the Courts Acts (Section 19) provides for the granting of a pension to Circuit Judges but the Administration of Justice (Pensions) Act 1950 (SS.2–9 and 11) as amended by the Administration of Justice Act 1973 (S.10) provides for the payment of a lump sum and widows' and children's pensions generally. The following is a brief summary of these provisions.

2. *Pensions—Higher Judiciary.* After 15 years' service or after attaining age 70 years—one half of last annual salary. After less than 15 years—if the period of service is less than 6 years, one quarter of last annual salary, but if the period is 6 years or more, one quarter of that salary plus 1/40th of that salary for each completed year of service exceeding 5.

3. *Pensions—Circuit Judge.* After 15 years' service and after attaining age 65, one half of last annual salary. After less than 15 years—if the period of service is less than 5 years, 6/40ths of last annual salary, but if the period is 5 years or more, one quarter of salary plus 1/40th for each completed year of service exceeding 5.

4. *Pensions—Stipendiary Magistrate.* After 20 years service and attaining age 65, one half of last annual salary. After less than 20 years but no less than 10, one quarter of that salary plus 2/80ths for each completed year of service after the first 10 years. After less than 10 years but not less than 5, 15/80ths of last annual salary plus 1/80th for each completed year of service exceeding 5.

5. *Lump sum on retirement.* A lump sum is paid on retirement equal to twice the annual amount of pension.

6. *Family benefits and contributions.* Contributions for family benefits are generally payable at the rate of 4 per cent of salary, but at the rate of 3 per cent of salary for Stipendiary Magistrates (whose pensions accrue over 20 years rather than 15). A widow's pension is payable of one half of the personal pension, and there are additions of one half of the widow's pension in respect of each dependent child (for up to two children). A deduction is made from the lump sum benefits of married men for each year of service for which family contributions have not been paid.

7. Pensions are protected against price inflation after retirement under the Pensions (Increase) Acts.

ANNEX 2

DETAILS OF PRIVATE SECTOR SCHEMES

Note: In the following three tables companies making different provisions for two different groups—usually Board members and others—are counted as one half in each of the appropriate categories.

TABLE A2.1

Retirement age in rules

Age	Number of companies	Percentage of companies
	No.	%
55	1	1
60	29	21
61–64	21½	16
65	85½	62
Total	137	100

The average age was 63¼ for Board members and 63½ for senior executives. The average also varied from 62½ for the largest companies to nearly 65 for the smallest.

TABLE A2.2

Years of service required for a pension of two-thirds final salary, on retirement at the normal pension age

Years	Number of companies	Percentage of companies
	No.	%
Up to 20	29	21
Over 20, but less than 40	11	8
40 years	37	27
Not attainable[a]	7	5
Precise data not available	53	39
Total	137	100

[a]Pension accrues at less than 1/60th of final salary for each year of service.

TABLE A2.3

Average annual pensions increases granted 1976–80

Annual increase	Number of companies	Percentage of companies
	No.	%
Less than 3%	14	10
3% but less than 6%	34	26
6% but less than 9%	29	22
9% but less than 12%	42	32
12% or more	13	10
Not known	5	—
Total	137	100

The average annual rate of increase in prices in 1975–80 was about 14 per cent.

ANNEX 3

ASSUMPTIONS ABOUT MORTALITY RATES, CAREERS AND PENSIONS INCREASE

TABLE A3.1

Life expectancy of pensioners

Age at retirement	Normal retirement Life expectancy	Early retirement Life expectancy[a]
	years	years
30	—	27·8
35	—	24·6
40	—	21·3
45	—	18·0
50	—	14·9
55	21·7	12·3
60	17·1	10·1
65	13·7	8·3
70	10·7	—

[a]About one year longer for the armed forces.

TABLE A3.2

Probability of death in service or of early retirement in the year following the age stated

Age at beginning of year	Death in service	Early retirement
27	0·0007	0·0004
32	0·0009	0·0006
37	0·0012	0·0008
42	0·0021	0·0012
47	0·0038	0·0019
52	0·0076	0·0047
57	0·0129	0·0111
62	0·0177	0·0283
67	0·0285	0·0570

Probabilities of early retirement are assumed on average to be about three times higher than shown above for officers in the armed forces, and their probabilities of death in service somewhat smaller than for other groups.

TABLE A3.3

Private sector: assumed salaries at retirement (based on salary scales estimated as applicable in 1981)

Sector	Chief executive	Other main Board member[a]	Senior executive Level 1	Senior executive Level 2
	£	£	£	£
Non-financial				
Turnover (£ million)				
800 and over	75,000	45,000	30,000	25,000
400 but under 800	65,000	40,000	25,000	20,000
200 but under 400	50,000	35,000	20,000	b
100 but under 200	45,000	30,000	20,000	b
50 but under 100	40,000	25,000	15,000	b
25 but under 50	30,000	20,000	15,000	b
Financial	50,000	c	30,000	25,000

[a]Excluding deputy chief executives.
[b]Survey information not collected.
[c]Insufficient information.

TABLE A3.4

Average pensionable salaries estimated as applicable in 1981

	Civil servants retiring as:			Private sector careers (examples) retiring as:			
Age group	Permanent Secretary	Deputy Secretary	Under Secretary	Chief executive[a]	Other Board member[a]	Senior executive[a]	Senior executive[b]
	£	£	£	£	£	£	£
24–29	8,400	8,400	8,400	8,400	8,400	8,400	8,400
30–34	12,700	12,500	12,200	12,700	12,700	12,700	11,200
35–39	17,000	16,100	15,000	20,000	18,000	17,000	12,200
40–44	21,700	19,400	17,600	33,000	25,000	21,000	13,100
45–49	25,800	21,900	19,600	48,000	32,000	24,000	13,800
50–54	30,400	24,500	21,700	65,000	40,000	28,000	14,600
55–59	33,200	26,200	23,000	75,000	45,000	30,000	15,000
60–64	NA	NA	NA	75,000	45,000	30,000	15,000

[a]Companies with a turnover of £800 million and over.
[b]Companies with a turnover of at least £50 million but under £100 million.

Continued

TABLE A3.4 *continued*

Average pensionable salaries estimated as applicable in 1981

	Members of the Judiciary			Officers in Armed Forces retiring as:		
Age group	High Court Judge	Circuit Judge	Metropolitan Magistrate	General	Lieutenant General	Major General
	£	£	£	£	£	£
22–24	NA	NA	NA	6,700	6,700	6,700
25–29				8,600	8,600	8,600
30–34				12,300	11,400	10,900
35–39				18,300	15,600	14,100
40–44				24,200	19,900	17,300
45–49				30,200	24,100	20,400
50–54	35,000	23,250	20,750	33,200	26,200	23,000
60–64	35,000	23,250	20,750	NA	NA	NA
65–69	35,000	23,250	20,750			

Average salary whilst age 24 assumed to be £6,400, except in the armed forces where it is assumed that this level is reached on the 23rd birthday. Civil servants' salaries up to Under Secretary include London weighting. For the armed forces the figures relate to the actual level of pay received, including allowances, for typical careers, with the bottom line also representing the final pensionable pay.

For private sector careers the full range of retiring salaries assumed and the full designation of the posts 'Chief executive' etc. are given in Table A3.3.

NA = Not appropriate.

TABLE A3.5

Private sector pensions increases assumed when the cost of living increases at 7 per cent per annum, expressed as a percentage of that cost of living increase

Sector	Number of companies with percentages:				Average percentage	Total number of companies
	0–39	40–59	60–79	80–95		
	No.	No.	No.	No.	%	No.
Non-financial						
Turnover (£ million)						
800 and over	—	6	9	3	67	18
400 but under 800	2	6	5	6	64	19
200 but under 400	—	4	9	5	71	18
100 but under 200	5	9	4	4	54	22
50 but under 100	4	8	2	2	51	16
25 but under 50	11	9	2	2	33	24
Financial	1	2	12	5	69	20
All companies	23	44	43	27	57	137

APPENDIX G

RELATIVITIES WITHIN THE JUDICIAL STRUCTURE: RECOMMENDATIONS OF A SUB-COMMITTEE UNDER SIR GEORGE COLDSTREAM'S CHAIRMANSHIP

(The Report of the Sub-Committee was published in full in Appendix D of Report No. 16.)

The Sub-Committee recommended the following structure to the Review Body as a basis for consideration of salary levels.

THE JUDICIAL SALARY STRUCTURE: RELATIVITIES SHOWN ON THE BASIS OF MASTERS AND REGISTRARS OF THE SUPREME COURT = 100

Lord Chief Justice	222
Master of the Rolls Lord of Appeal Lord President of the Court of Session (Scotland)	204
Lord Chief Justice (Northern Ireland) President of the Family Division	196
Vice-Chancellor Lord Justice of Appeal Lord Justice Clerk (Scotland) Lord Justice of Appeal (Northern Ireland)	191
High Court Judge Judge of the Court of Session (Scotland) Puisne Judge (Northern Ireland)	178
President, Lands Tribunal (England and Wales) President, Transport Tribunal Chief Social Security Commissioner (England and Wales and Scotland) President, Industrial Tribunals (England and Wales)	122

President, Industrial Tribunals (Scotland) Sheriff Principal (Scotland) Chairman, Scottish Land Court President, Lands Tribunal (Scotland) 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) President of the Lands Tribunal (Northern Ireland) Chief Social Security Commissioner (Northern Ireland)	118
Circuit Judge Chief Metropolitan Magistrate Member, Lands Tribunal (England and Wales and Scotland) Social Security Commissioner (England and Wales and Scotland) Judge Advocate General Sheriff (Scotland) County Court Judge (Northern Ireland) Master of the Court of Protection Registrar of Criminal Appeals Senior and Chief Masters and Registrars of the Supreme Court President, Industrial Tribunals (Northern Ireland) Member, Lands Tribunal (Northern Ireland) Social Security Commissioner (Northern Ireland)	111
Regional Chairmen, Industrial Tribunals (England and Wales and Scotland) Chairman, Foreign Compensation Commission Vice-Judge Advocate General	107
Masters and Registrars of the Supreme Court Metropolitan Magistrate Chairmen, Industrial Tribunals (England and Wales and Scotland) Provincial Stipendiary Magistrate Resident Magistrate (Northern Ireland) Chairman, Industrial Tribunal (Northern Ireland) Master, Supreme Court (Northern Ireland)	100
County Court Registrars and District Registrars of the High Court	98

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