

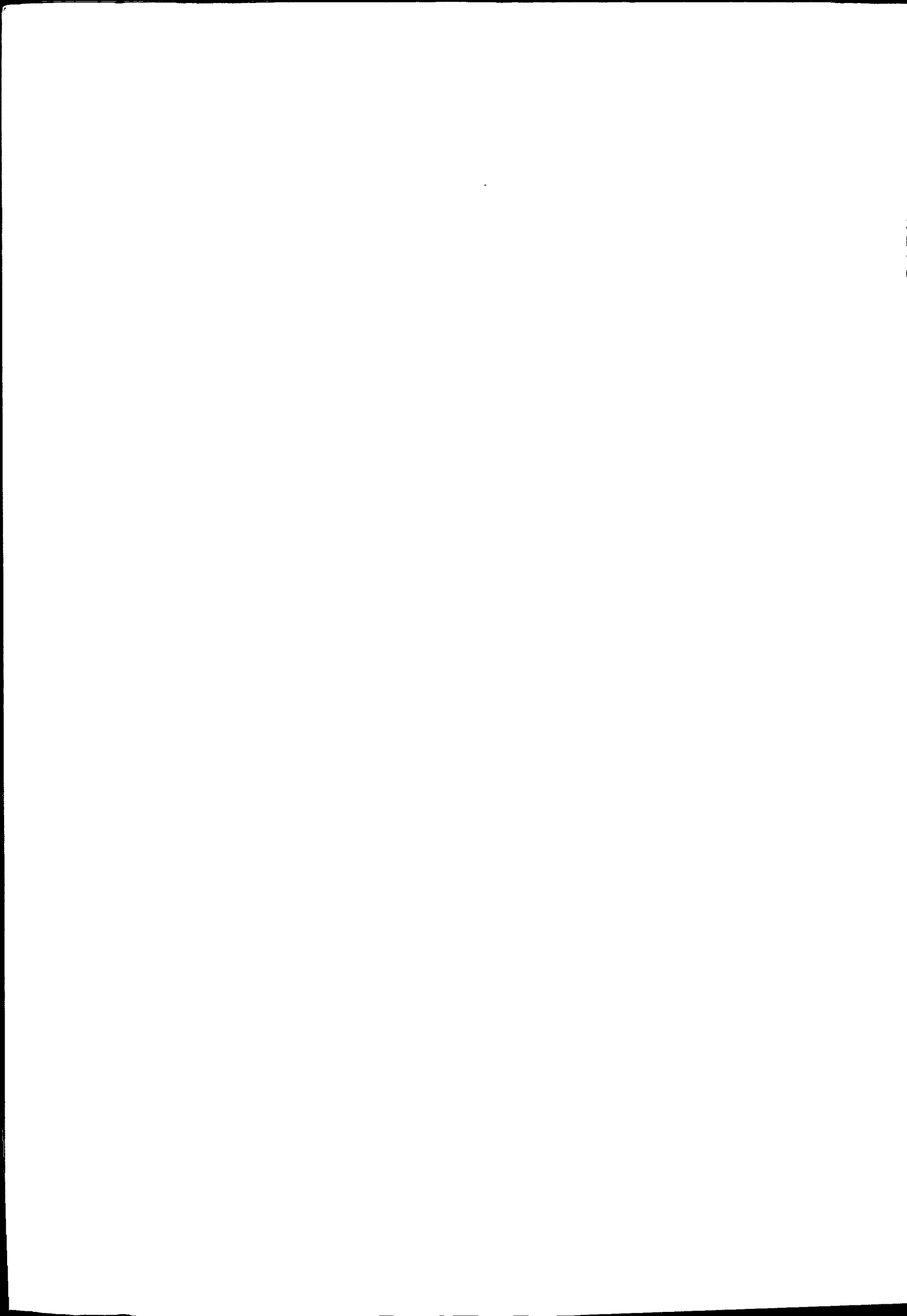


Review Body
on Top Salaries

REPORT No. 33

Fifteenth Report on Top Salaries

Chairman: Sir David Nickson, KBE, DL





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Presented to Parliament by the Prime Minister
by Command of Her Majesty
July 1992



Review Body on Top Salaries

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

The members of the Review Body are:

Sir David Nickson, KBE, DL, *Chairman*
Louise Botting
Ann Burdus
Sir Peter Cazalet
Sir Cecil Clothier, KCB, QC
Allan Gormly, CBE
Hugh Pigott
Jeremy Pope, OBE
Sir Anthony Wilson

The Secretariat is provided by the Office of Manpower Economics.

Sir Peter Cazalet is also Chairman of the Review Body on Armed Forces Pay. Sir Cecil Clothier, KCB, QC chaired the judicial sub-committee. Sir Terence Beckett, KBE, DL was also a member of the Review Body for part of the period of the review reported on here.



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Chapter 1

Summary

Our remit group

1. For this report we have undertaken a fundamental review of the pay of the posts within our remit groups. These currently comprise about 1,290 members of the judiciary, 660 senior civil servants and 190 senior officers in the armed forces, a total of some 2,140 individuals. The posts include the Lord Chief Justice of England, the Secretary of the Cabinet, and the Chief of the Defence Staff. Below these, the judicial posts are in six broad groups; the senior civil servants are the rest of those in the senior open structure; and the senior officers are those in the next top three ranks of the armed forces.

Timing of the fundamental review

2. We undertake fundamental reviews periodically when we believe that levels of pay have fallen seriously out of line due to the cumulative effect of external factors or changes within our remit groups. In 1985 we undertook such a review in which we recommended a major realignment of salaries for the posts within the remit groups. In addition, we recommended significant changes to the judicial salary structure, and the introduction of performance-related pay for Grades 2 and 3 in the civil service. We also looked comprehensively at salary levels in 1988. Between major reviews our practice is to adjust salaries and examine internal differentials and such other issues as may arise.

3. In our last two reports on top salaries we have expressed concern that the salaries of our remit groups were increasingly losing ground in relation to their private sector counterparts. In our 1991 report we commented that the salaries at the top of our remit groups were generally less than half the median earnings at analogous levels in the private sector. Whilst we have frequently said that there is no case for equivalent levels of remuneration, and explained why there should be a "discount" with the private sector, we emphasised that the discount had become excessive and that accordingly we had decided to carry out a fundamental review of pay levels appropriate to our remit groups.

4. We normally report in January each year, with recommendations on salary levels to be effective from the following 1 April. For this review, we considered that it might be against the public interest and also the interests of our remit groups to report in the sensitive period immediately prior to the General Election when objective consideration of senior public sector pay would be more difficult. Last September, therefore, we consulted with the Government who accepted our recommendation that we should defer the report on our fundamental review until after the election. The delay has brought with it the benefit that we are better able to take into account movements in salaries in the private sector up to 1 April 1992, the due date for increases for our remit groups. There is the disadvantage, though, that the payment of the increases has been delayed, so that they will need to be paid in arrears when implemented. The Government has indicated that those who retire after 1 April 1992 will have their pensions and lump sums uprated to take account of awards backdated to the period before their retirement.

Our approach this year

5. Our approach in determining our recommendations on salary levels is discussed more fully in the next chapter. That approach has been to begin by establishing the appropriate salary for the lowest level for each of our remit groups, since it is at these levels that there has been an acute problem of

compression of differentials. Most civil servants and all senior armed forces officers in our remit have been promoted from within their service. For all posts or ranks below our remit groups in those services the Government has accepted that pay is determined by reference to, or by direct comparison with, the private sector. Members of the judiciary are normally recruited from practising lawyers whose earnings are directly responsive to the market.

6. When we had reached conclusions on the appropriate level of salary for the lowest level of posts, we built a salary structure based on appropriate differentials at all levels within each remit group. Job weight (which was also a factor in determining the salary at the lowest level) was an important consideration, as was the pay of outside counterparts. Such comparisons, we concluded, were particularly important where candidates were being recruited from broadly analogous groups, for example in Next Steps agencies and in the judiciary with lawyers in private practice providing the best comparison. We also attached importance to the pay links at different levels between the remit groups.

7. We have commenced our study this year with the judiciary. The judiciary are not recruited from a closed career structure but for the most part from practitioners in private practice. The judiciary comprise 60 per cent of the total paybill of the remit groups and are therefore much the largest of our three groups. Since we continue to be persuaded by the Government evidence of the importance of the pay links across our remit groups, requirements for the judiciary have had some influence on our consideration of what the appropriate levels at the top of the civil service and the armed forces should be.

8. **Evidence.** We have received evidence, both written and oral, from individuals, representative organisations and Government departments; written and oral evidence was also received by our judicial sub-committee. A list of all those who gave oral evidence is at Appendix B. We are most grateful for their assistance.

9. **Remuneration Surveys.** The Office of Manpower Economics (OME) on our behalf conducted surveys of earnings at senior levels in the private sector, of Bar earnings, and of pre-appointment earnings of judicial appointees.

10. **Consultants.** We commissioned Price Waterhouse and Hay Management Consultants to conduct studies for us on levels of pay for private sector jobs assessed as similar to those of senior members of the civil service and of the armed forces. Price Waterhouse made these assessments by detailed matching of public and private sector jobs as part of a large scale survey; Hay's study used a measure of the overall job-evaluated points scores of public sector jobs which they linked into their database. These studies used quite different methods but reached similar conclusions. As Hay had undertaken work for our 1985 review they were able to advise on how the discount has changed since then. Hay also carried out a comparison of public and private sector pay in France and Germany. Further details of the surveys and studies undertaken by the OME and by the consultants are at Appendices C, D and E.

The main issues

11. The environment in which the review has been conducted is complex. There have been some very large and highly publicised salary increases in the private sector over the last year or so, particularly for chairmen and chief executives of newly privatised public utility companies. Elsewhere in the private sector, even when their companies have made significant losses, some chairmen and senior executives have received substantial pay increases (perhaps due to lags in the payment of performance-related bonuses from previous years). Although there is evidence of deceleration in the rate of increase of pay in the private sector and of reductions for some top people, pay for the most senior posts has continued to rise at well above the rate of average earnings and the absolute levels of pay at and near the top remain very high in relation to the public sector generally. Within the public sector itself, but outside our remit groups, there have recently been some notable increases, and there are a number of examples of salaries of over £100,000 being paid in public corporations and local government. There have been some

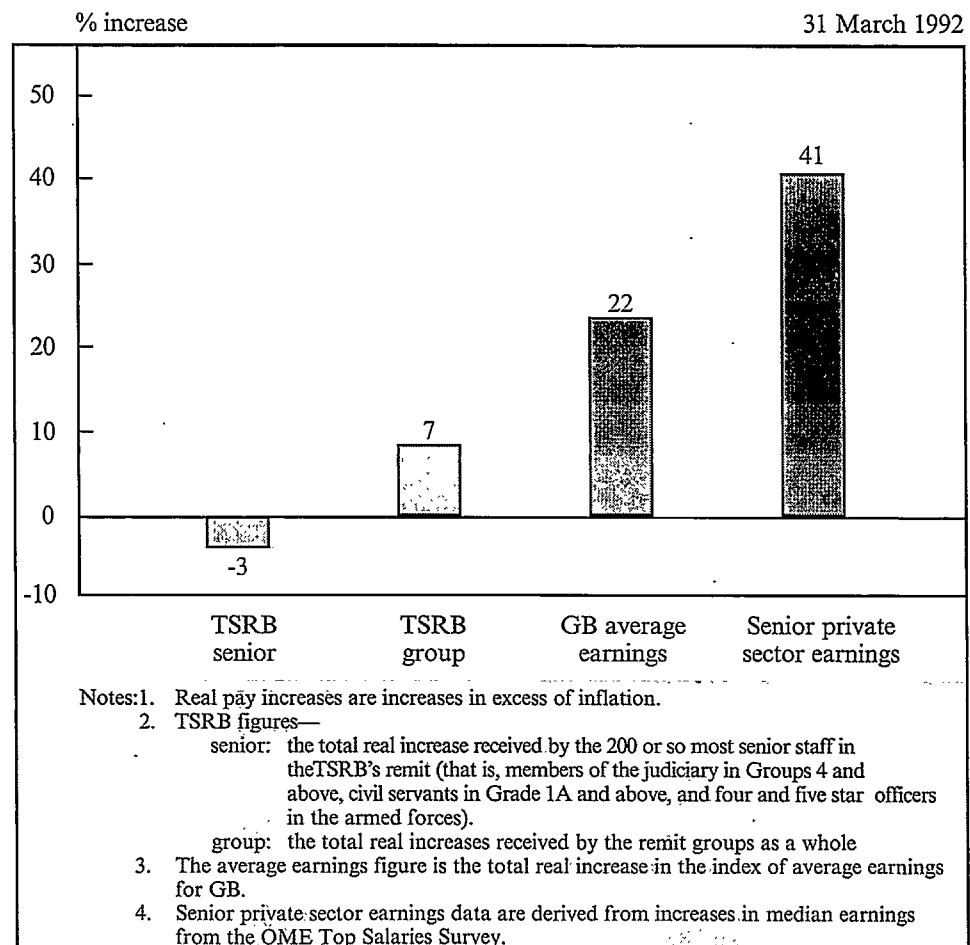
high starting salaries for chief executives of NHS hospital trusts, and also for posts for which there has been outside recruitment in Next Steps agencies and Government departments.

12. There has been widespread public disquiet about substantial increases for senior private sector posts, although this has often failed to distinguish the many cases where they were justified by the market or driven by the need to maintain a rational salary structure for an organisation. Moreover our study of overseas practice suggests that pay levels for top posts in the private sector in this country are in line with those found in broadly similar jobs in France and Germany. Nevertheless, in our view some of the larger increases have been excessive, and we have disregarded these when making our recommendations.

13. Our terms of reference are to advise the Prime Minister on the remuneration of our remit groups. We have always been extremely conscious of the sensitivity and public interest attaching to the pay of senior public servants. It is often stated that one of the reasons for inflation has been excessive pay increases and that those at the top should set an example by pay restraint. Over recent years senior public sector employees have certainly been required to set such an example, so much so that salaries at the very top of our remit groups have not even kept pace with inflation. But it is a lead that few seem to have followed.

14. Figure 1 shows real pay increases (that is, increases in excess of inflation) for our remit groups since April 1985 in comparison with real increases in average earnings for the economy as a whole and earnings for counterparts at senior levels in the private sector. It shows that whereas the real income of the remit groups taken as a whole has risen by a total of around 7 per cent over this period, real average earnings in the economy have risen by 22 per cent and the real earnings of the remit groups' counterparts in the private sector by over 40 per cent. The 200 or so most senior posts we cover have had the worst experience, with a real decrease in their income of 3 per cent. Data from studies and surveys, which are described more fully later in this report, provide a further perspective on these

Figure 1. TSRB total real pay increases since 1985 compared with real increases in average and senior private sector earnings



most senior posts. Permanent Secretaries, who were paid 74 per cent of their private sector counterparts' pay after our recommendations in 1985, received only 45 per cent of the equivalent in March 1992. The Cabinet Secretary, whose recommended salary in 1985 was 72 per cent of his counterparts' pay level, received only 39 per cent in March 1992. The gaps for senior officers in the armed forces, and for senior levels of the judiciary in relation to pre-appointment earnings, have similarly widened.

15. The Government, in its evidence to us over the years, has repeatedly argued that the criteria for pay increases should be the need to set salaries at levels required to retain and motivate existing staff and to recruit new staff; and always with the issue of affordability in mind. But there is another factor that must influence decisions over pay. That is the factor of fairness. Fairness is subjective. If, over a long period, those at the top of the public sector feel their levels of remuneration to be unfair, then in the long term the quality and motivation of senior public servants will suffer.

16. Performance pay has relieved some of the pressures in the lower grades of the civil service within our remit, but it does not cover the senior posts and is not applicable to the judiciary nor the armed forces. The performance pay budget is in any case modest, and it is not the function of performance pay to serve in the short term as an amelioration for unreasonably low salary levels. The recommendations we make in the report have little to do with the short-term and everything to do with the long-term quality and effectiveness of the public sector. The United Kingdom has had an enviable record of exceptionally able people at the most senior levels in the judiciary, the armed forces and the civil service. They are motivated by a sense of public duty and vocation, and sustained by the interest they take in their work and the prestige of their roles. But pay must play a part. If those at the top were to become less than fully motivated, and recruitment of those of the necessary calibre became difficult once again as we move out of recession, then it would take years to recover the position. At a time when the civil service, armed forces and judiciary are all undergoing great change it is essential not to undermine the commitment of those at the top of these services.

17. Strategies to control inflation are at the centre of the Government's economic policy, and we fully support them. But it must be wrong to use members of our remit groups indefinitely as a weapon in the battle against inflation, and also wrong to continue to trade on their sense of service and duty. Nor must the visibility of the posts in our remit groups be allowed to lead to a loss of perspective about their total cost as a proportion of Government expenditure on salaries. Following the implementation of our recommendations last year, the annual cost of the paybill of our remit groups was less than one quarter of one per cent of the total Government paybill. This year, our recommendations are concerned not with an annual adjustment of pay but with appropriate levels in new salary structures. We stress that they are long-term recommendations affecting the quality of our public service into the 21st century and we strongly recommend that they should be implemented in full from 1 April this year.

18. The fundamental review we have undertaken this year has been the most far-reaching since our 1985 review. We have endeavoured to restore adequate differentials with those below our remit and also within the remit groups themselves, taking account of appropriate links between them. At the same time our recommended salaries will reduce the gap between remit group salaries and those paid to job-holders with analogous posts in the private sector. Even so, the discount in the recommended salary for the most senior posts is greater than before our 1985 recommendations. We do not believe the salaries we recommend are excessive.

19. It is on the basis of the approach and the evidence summarised in this chapter that we have formulated a new salary structure and the recommendations detailed in our report. **The new salary structure which we recommend (*Recommendation 1*) is shown in Chapter 6.**

Chapter 2

General considerations and main findings

Introduction

20. In this chapter we discuss the main factors which are relevant to our judgment about the salary levels we recommend. They include our reasons for approaching the review by examining first the pay levels of the posts at the bottom of our remit groups, and then building up from there. We look closely at evidence from pay comparison studies and at changes in the environment of the remit groups. Both have important implications for the extent to which public sector pay should be discounted in relation to the pay of analogous groups in the private sector. Finally we consider London pay as it affects all the remit groups.

General assessment

21. There is no simple process by which we can make judgments about the appropriate levels of pay for the posts within our remit. In 1985 these levels were set at discounts to private sector pay which were often substantial. Since then this gap has widened further as salaries have failed to keep pace with increases for posts which are broadly their counterparts in the private sector (as illustrated in Chapter 1 of this report); nor have they kept pace with increases in average earnings. And the most senior posts, in all making up ten per cent of our remit groups, have not even kept pace with inflation. The reasons for the level of pay increases at the top of the private sector, which have been on average roughly double those of our remit groups, are not always easy to explain, and have often been at the centre of public controversy. The statutory incomes policies of the 1970s led to a compression of differentials which distorted salary structures and stifled the scope for rewarding high performance. The drawing out of pay differentials in the private sector continued throughout the 1980s. Few now would contest the need for this and, as our international study confirms, pay at the higher levels in the private sector in the UK is not generally out of line with that in comparable countries. However, some of the highest levels of remuneration are difficult to justify. Performance-related rewards and share options schemes can lead to dramatic windfall gains which cannot be replicated in the public sector. The structural arrangements for determining pay at top levels within companies have been the subject of review and increasingly a proper focus of attention by shareholders. There is a clear trend towards improving standards of corporate governance in general and, in the field of pay, towards delegating decisions to remuneration or compensation committees which consist exclusively of non-executive directors.

22. Criticisms of levels of pay at the top of the private sector do not, however, persuade us to defer our fundamental review further. We have never recommended pay levels which would match the salaries of analogous levels in the private sector. Nor is it our experience that the individuals holding such public sector posts expect such equality. There must however be a reasonable relationship between their pay and the pay of jobs of comparable weight elsewhere in the economy. Top jobs in the public sector are among the most sustainable in the country. As a matter of principle pay levels must be set so as to maintain in the long term an adequate supply of people of the highest quality to fill them, and must ensure that people already committed to the public service are fairly treated and motivated to continue in their posts.

23. In considering the size of the discount between the salaries of senior posts in the public sector and those of their private sector counterparts, we have taken account of a number of factors. Historically, the relative value of pensions and of

job security in the public sector have been seen as advantages which justified a significant level of discount but in recent years there have been great changes and this assumption can no longer be made. In our 1988 report we commented that an analysis by the Government Actuary showed that the value of public sector pensions had been reduced since 1985, and that of private sector schemes had been increased, particularly for executives. We added that the relative advantage offered by public sector schemes had diminished since 1985 and in some cases had disappeared. This trend has continued, and an evaluation carried out for us by Price Waterhouse, details of which are at Appendix E, shows that the civil service pension scheme is generally worth less to the recipient, as a percentage of salary, than the schemes provided in the private sector at comparable levels. This disadvantage is further compounded throughout the rest of life by the pay differential at the point of retirement. The low contributory rate and index-linking of the civil service scheme are no longer sufficient to outweigh other advantages of typical private sector schemes. Our pay comparison study revealed that 60 per cent of the private sector comparators to our civil service and armed forces remit groups were in pension schemes which had given increases fully in line with inflation in the last few years (which included a time when annual inflation exceeded 10 per cent); the remainder were in schemes where increases typically of 75 per cent of inflation had been awarded. The armed forces and judicial pension schemes have faster accrual rates than the civil service scheme, reflecting different career patterns, and were thus valued at a higher level. The values of pensions for each of our remit groups and their private sector counterparts were incorporated in the remuneration comparisons which guided our recommendations.

24. As to job security, the current recession has affected jobs at levels of seniority in the private sector which in the past had enjoyed a greater degree of immunity to economic cycles. However, this is substantially offset through the generous compensation packages and service contracts now commonly available. There have also been major changes in the public sector. For example, about half the civil service (though only about 8 per cent of the civil servants in our remit group) now work in Next Steps agencies, where most Chief Executives and some other senior staff have been recruited, often from outside, under special pay arrangements, with a larger proportion of their salary being performance-related than elsewhere in the civil service. Moreover, most Next Steps Chief Executives are on short-term contracts. In the armed forces, "Options for Change" will result in major reductions of some 20 per cent of personnel overall, including the senior officers in our remit group, with consequent curtailment of career expectations for many and enforced early retirement for others.

25. In assessing all these factors, we have endeavoured to take account of the need both for fairness to the members of our remit groups and for reasonable restraint. This has led us to look with particular care at the bottom of our remit groups, where posts are exposed to market and to organisational pressures in a way not found in the more senior posts. For example, most civil servants entering the senior open structure are promoted from Grades 4 and 5 (and the small but growing number of those who are recruited direct are appointed at market rates which are often above the current pay ranges for the grade). Furthermore, the pay of Grades 4 and 5 depends upon negotiations between the Government and the trade unions which for the last few years have been based on surveys of pay outside the civil service. Pay settlements have been required by agreements between the Government and the trade unions to be in the interquartile range (that is, the middle half) of pay movements in the private sector. In the armed forces the pressures are even more direct in that all senior officers have been promoted internally, and the pay of the ranks up to Brigadier is determined by the Armed Forces Pay Review Body (AFPRB) on a system of direct comparability. The AFPRB bases its recommendations on a system of comparing the pay of jobs in the armed forces with that of a wide representative sample of jobs of equal size and weight in both the public and private sectors. Judicial appointments are most frequently made from barristers (advocates in Scotland) or solicitors in private practice.

26. This exposure to market and organisational pressures makes it essential that the salaries of the posts at the bottom of our remit groups should be established as firmly as possible, and accordingly our approach to this question has been the starting point for this whole fundamental review. There are several aspects to the salaries of these posts which we have taken into account, at the centre of which is the need for adequate differentials. These have now become too narrow. In the armed forces, the differential between the top rank covered by the AFPRB and the bottom rank of our remit group was only 6 per cent on 31 March this year. From 1 April it fell to less than one per cent following the implementation of the recommendations made by the AFPRB and the delay in our review. In the civil service, Grade 3s may be paid less than Grade 4s or 5s at the top of their ranges, particularly if the latter are lawyers or tax inspectors. Although they are not subordinate to them, Grade 4 or 5 lawyers may receive more than Group 7 of the judiciary.

27. The compression of differentials can have damaging effects, problems often becoming most extreme when people are paid less than the staff they supervise if both are doing a broadly similar type of work. Without adequate differentials, one major incentive for gaining promotion is removed, and there will be a similar disincentive where there is direct recruitment. For those already in the higher posts, the differential is a recognition of and a reward for increased responsibilities. An inadequate differential is easily felt to be a devaluation of the worth of the post and of the individual, with a consequent potential loss of motivation.

28. In determining the pay of the posts at the bottom of our remit groups there are some broader considerations to be taken into account. In career services, when it is often unrealistic to expect that staff in their 40s or 50s can change career, we believe that there must be a sense of fairness about pay if morale is to be maintained. As we comment earlier, senior staff in the public sector do not expect to be paid at levels similar to their direct outside counterparts, but levels must be in a reasonable relationship.

29. In all its considerations about pay, the Government attaches importance to recruitment and retention, and we have looked carefully at the evidence on this issue. In the civil service, there are currently no shortages of fast-stream staff either in our remit group or in the grades below, and in the armed forces there are similarly no immediate shortages of younger officers with the ability to reach the most senior ranks. In the judiciary, recruitment problems are less pressing than in recent years. We accept that it is possible to argue that on these grounds little more is required this year than some relatively minor adjustments to differentials in addition to some modest annual increase. However, our concern in this review is essentially with the longer term. If it appears evident that the pay of the posts in our remit groups has been fundamentally realigned downwards in relation to the outside counterparts, then the attitudes of those in the posts and likely to fill them in future would be affected in a number of ways. Morale would be weakened and, as economic recovery is achieved, those with the most marketable skills could be expected to contemplate again the prospect of outside employment. This in turn would undermine long-term succession planning, especially if top salaries were the most constrained. Younger people considering careers in the civil service and armed forces, who may not be strongly influenced by salaries at the highest levels, would be aware that some of the best staff were leaving from the middle grades and ranks to which they might hope to aspire within 10 to 15 years, and themselves look for careers elsewhere. Lasting damage could ensue, as it would if judicial pay fell so low as to jeopardise the status and desirability of judicial office. It would take many years to recover from such an adverse position.

**Differentials and links
between remit groups**

30. We have looked closely at internal differentials for all our remit groups. The judicial sub-committee in its review of the judicial salary structure examined evidence from our consultants on the job weight of representative posts and also received written and oral evidence from the Lord Chancellor's Department and

from individual post-holders on changes in their responsibilities. This informed their conclusions about changes which were needed in the structure. Evidence about the job weight of posts in the civil service and the armed forces was also important to us in reaching conclusions about appropriate differentials, as was evidence about good practice in the private sector.

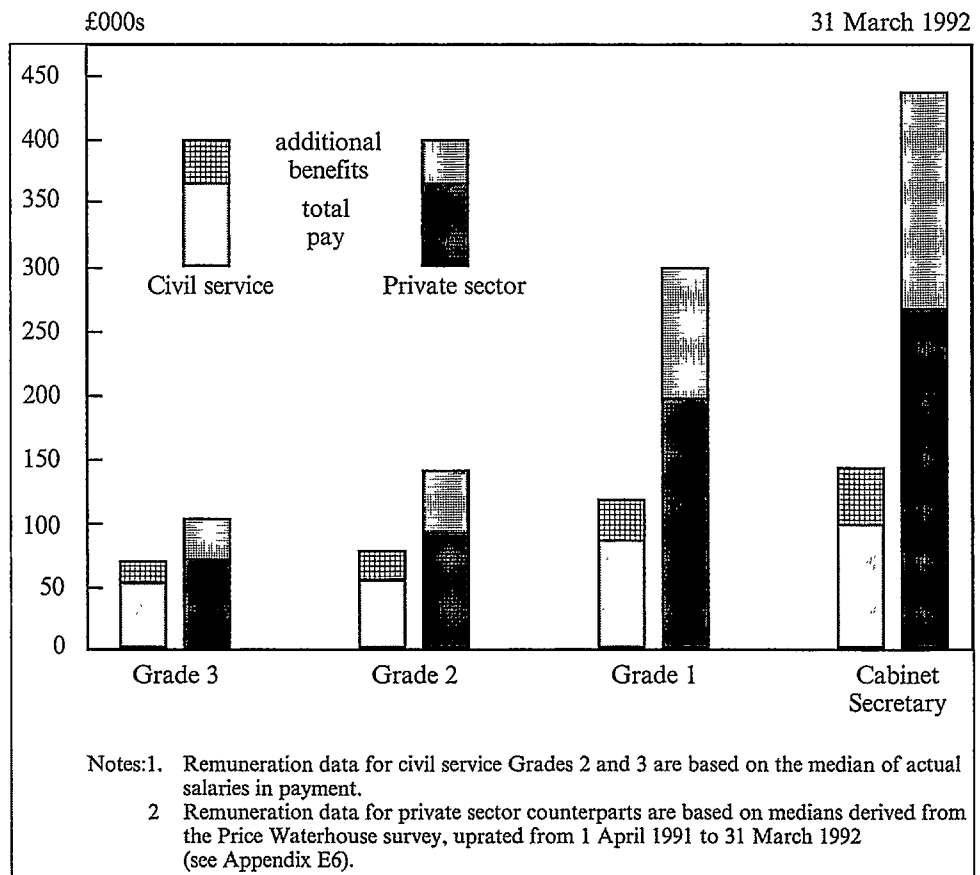
31. We also received evidence from the Government on the horizontal links between the remit groups, which concluded that there were strong grounds for retaining them. The links are generally understood and accepted and we see no reason to disturb those which have been established since 1985 between the three most senior posts in our remit and those between High Court Judges, Permanent Secretaries and four star officers in the armed forces. We also see great value in the cross-links between two and three star officers and Grades 3 and 2 civil servants, and our recommendations reflect this.

Pay comparison studies

32. **Public and private sector pay in April 1992.** In Chapter 1 we noted that, in addition to the annual OME survey of top salaries in the private sector, we had commissioned consultants to undertake a number of studies aimed at providing us with pay comparisons and related data to inform this fundamental review. Details of these studies are given in Appendix E and the results of the OME survey are in Appendix C.

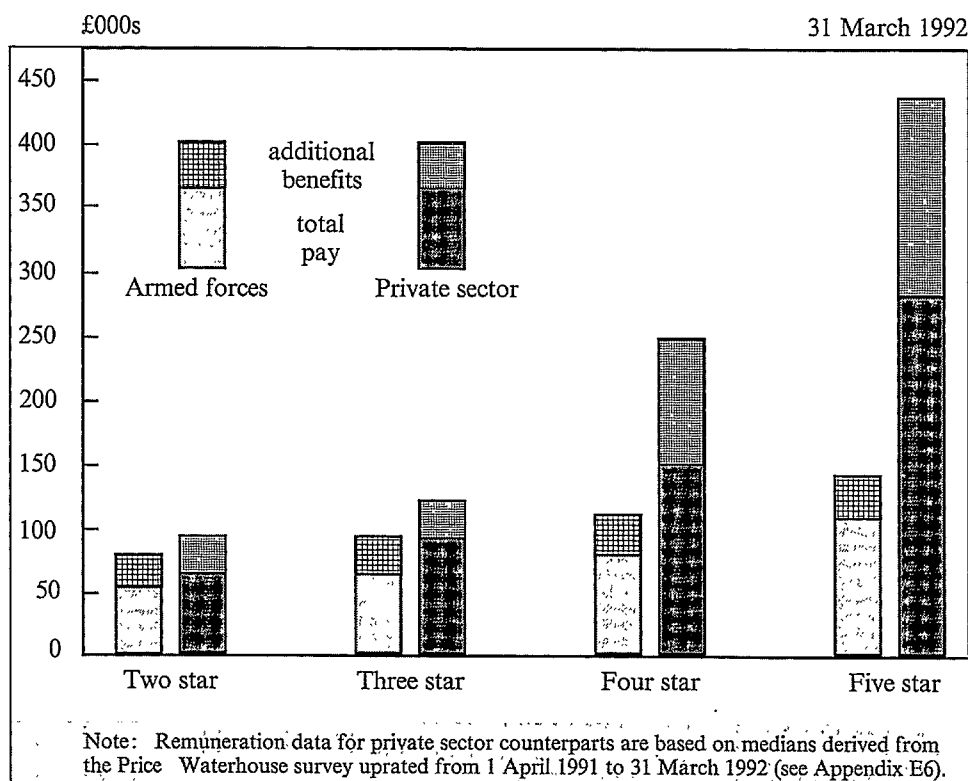
33. The studies concentrated on a detailed independent analysis of the jobs of senior civil servants and members of the armed forces to find precise comparisons of job weight and function in the private sector so that an assessment could be made of the relationship of public and private pay at this level. Such pay comparisons are not appropriate for the judiciary as no directly comparable jobs exist in the private sector. The OME did however conduct surveys of lawyers' earnings and of the pre-appointment earnings of newly appointed members of the judiciary. Results of these surveys are detailed in Appendix D.

Figure 2. Total pay and total remuneration for civil service and private sector counterparts



34. Figure 2 compares total pay and remuneration for the civil service grades in our remit with that of comparable private sector posts in March 1992. Total pay is basic pay plus any cash bonuses and allowances. Total remuneration is total pay plus the value of major benefits (pensions in the public sector; pensions, company cars and share options in the private sector). The figure illustrates how far civil service pay is behind that of their counterparts especially at the most senior levels. For example, jobs assessed as comparable with that of a Permanent Secretary (Grade 1) were receiving median total pay of £189,000, over £100,000 more than the current Grade 1 pay, with the result that Grade 1s receive only 45 per cent of their private sector counterparts' pay level. The difference is even more marked when the values of the total remuneration packages are compared. The differential is then widened to over £180,000, which reduces the figure of 45 per cent to only 38 per cent. Figure 3 shows similar information for the armed forces ranks in the remit group and comparable private sector posts.

Figure 3. Total pay and total remuneration for armed forces officers and private sector counterparts



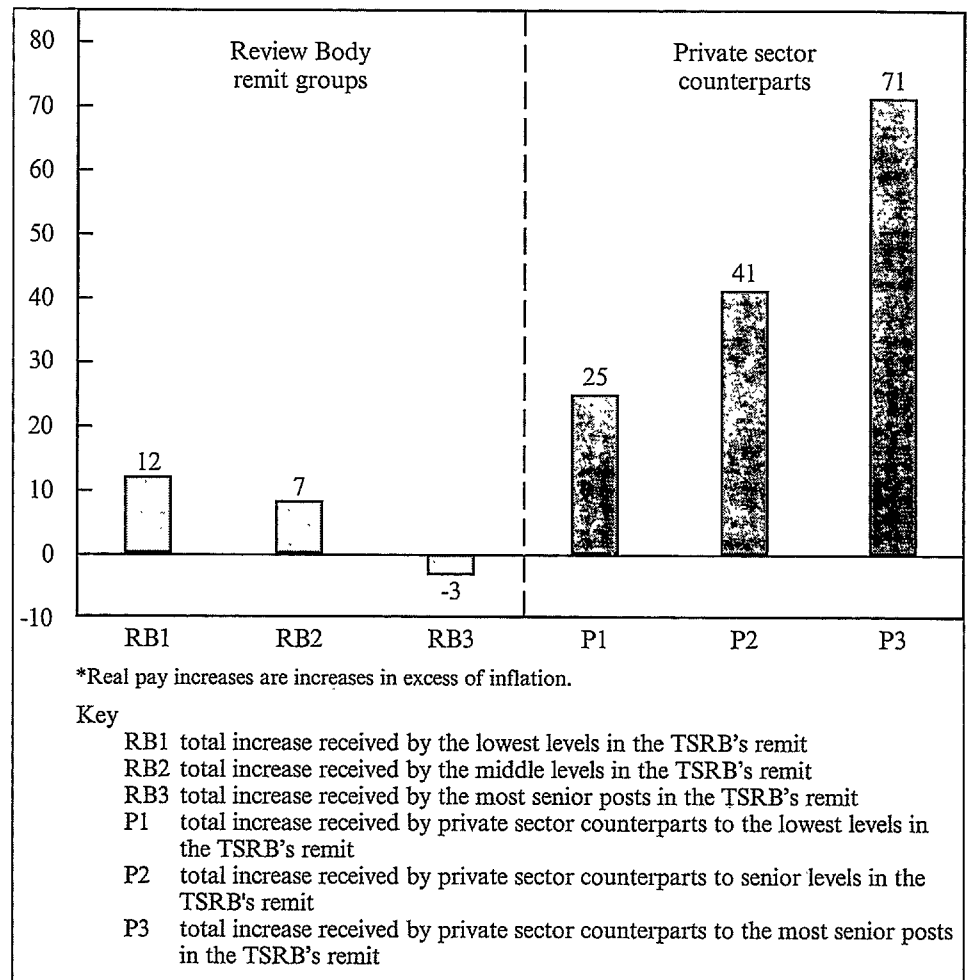
35. The judiciary are the closest of our remit groups to a jobs market, being recruited directly from the legal profession. A loss of income on judicial appointment is usual. For example, appointment to the High Court typically halves income, although the judicial pension scheme narrows the gap and we took this into account in determining our recommendations.

36. **Changes in public and private sector pay since the 1985 TSRB recommendations.** Figure 1 in Chapter 1 illustrates how pay for the remit group as a whole had fared since the 1985 recommendations following our last fundamental review. Some groups and levels within our remit have received somewhat different increases over the years as we responded to particular pressures within the salary structures. Similarly, pay increases in the private sector have not been uniform over the intervening years. Figure 4 shows the increase or decrease in real income (that is, in relation to inflation) since the 1985 review for the groups at the lower end of our remit, for those posts in the middle range and for the most senior posts. It also shows the increase for private sector jobs directly comparable to various levels within the remit groups.

Figure 4. Total real pay increases* for TSRB groups since 1985 compared with real increases for private sector counterparts

% increase

31 March 1992



37. Figure 4 reinforces the contrast between experience in the public and private sectors at these levels. Differentials have widened sharply in the private sector; jobs assessed as equivalent to that of the Cabinet Secretary have, on average, received total real increases over the period of above 70 per cent, but their public sector counterpart has not even kept pace with inflation. Within our remit groups the larger increases have gone to those at the lower end where the pressure from below has been evident. So not only have the salary levels of the groups within our remit failed to keep pace with the increase in average earnings over the economy as a whole but constraints have caused differentials for our remit groups to narrow whilst those in the private sector have widened.

38. We commissioned a study of private and public sector pay at senior levels in France and Germany and more details of the study are given in Appendix E. There are problems in undertaking such comparisons, particularly for the public sector. It is difficult to determine what are appropriate comparisons between jobs in the three countries and how to make valid comparisons between their remuneration. But the study established that in France and Germany there is also a significant discount between public and private sector pay at senior levels.

London pay

39. Posts at the bottom level in each of our remit groups - Group 7 in the judiciary, Grade 3s in the civil service and two star officers in the armed forces - are all eligible for different forms of London pay. In the case of the armed forces, this reflects special terms and conditions of service, and is paid on a different basis from the other two remit groups. However, as regards the judiciary and the senior civil service, we conclude that common arrangements should be adopted and make recommendations accordingly. We will look again at the London pay arrangements for each of our remit groups in our next review.

Chapter 3

The judiciary

Introduction

40. We asked our judicial sub-committee, under the chairmanship of Sir Cecil Clothier (the other members being Hugh Pigott and Jeremy Pope) to consider the consultants' study of internal differentials within the judicial salary structure, to take evidence from the Lord Chancellor's Department, the Scottish Courts Administration and the Northern Ireland Court Service, and to consider any representations from particular judicial post-holders. The sub-committee received a large volume of evidence from Government departments, individual post-holders and representative organisations for the judiciary. It also heard oral evidence from witnesses in London and Edinburgh including the Lord Chancellor, the Lord Chief Justice (Northern Ireland) and the Lord President of the Court of Session. A list of those who gave oral evidence to the sub-committee is at Appendix B. In addition we heard oral evidence ourselves from the Lord Chancellor and the present Lord Chief Justice of England (then Lord Chief Justice designate) accompanied by Lord Justice Leggatt.

41. The judiciary are the largest of our remit groups and comprise about 1,290 individual post-holders in some 60 individual posts or categories of posts in the courts and tribunals of England and Wales, Scotland and Northern Ireland, ranging through seven main salary levels from the Lord Chief Justice of England to District Judges and Stipendiary Magistrates.

42. Internally, the judicial salary structure has remained basically the same since our 1985 report. Of the few changes which have been made since then the two most significant are the advancement of the London Official Referees from Group 5 to the new Group 4a, and of the Inner House Judges of the Court of Session from Group 4 to Group 3, both in 1988.

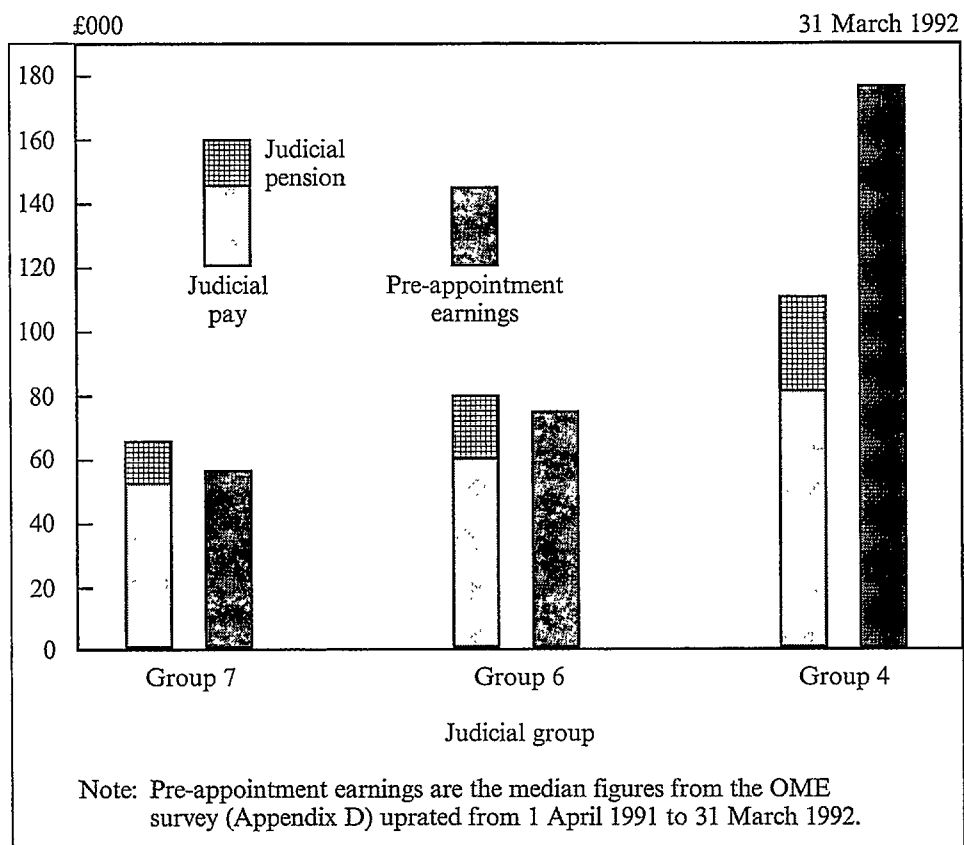
Recruitment

43. The evidence that we received showed that there were relatively few recruitment problems at present. The Circuit Bench, to which there have been serious recruitment difficulties over the last few years, has fewer unfilled posts. The Lord Chancellor's Department in its evidence reported that difficulties had been experienced in recruiting to some Group 7 categories in London and the South East, but despite this the number of vacancies had been reduced. We were told that some candidates for the High Court Bench had asked for a deferment because of their current financial commitments but that as yet there have been no refusals of a formal offer of appointment. However, we view the improvement in recruitment in the context of the current economic recession, and our concern in this review is to consider the long-term salary levels which are required to attract sufficient candidates of the right quality over time.

44. We have pointed out that market forces apply directly to judicial appointments, since at all levels up to High Court Judge the judiciary are generally recruited directly from practising lawyers. The salary offered therefore has an immediate bearing on recruitment and retention, and as candidates are recruited from a pool of persons already established in a profession where earnings are determined by the market, salary levels must bear a reasonable relationship to such earnings if sufficient numbers of individuals of the right quality are to be attracted to judicial office.

45. The majority of judicial appointees suffer a reduction in income. Median pre-appointment earnings of those appointed to the High Court in recent years were about twice the judicial salary; in the case of Circuit Judges, pre-appointment earnings were about one quarter more and for posts in Group 7 about one sixth more than the salary. The judicial pension scheme is an additional benefit upon appointment which may mitigate a loss of earnings. Figure 5 compares pre-appointment earnings, uprated to March 1992, with judicial salaries for Groups 4, 6 and 7, and also shows the value of the judicial pension scheme to post-holders. The principle of a discount below their previous level of earnings is accepted by candidates in the light of the status and security of judicial office, with its prospect of continuing in paid, rewarding and pensionable employment to a later age than is possible in most walks of life. The discount however has now become too great.

Figure 5. Pre-appointment earnings of new entrants to the judiciary compared with judicial salaries.



46. Judicial salaries are at a discount not only to pre-appointment earnings but to other salary levels which they might reasonably have been expected to exceed. We note that in London Grade 4 and 5 civil service lawyers can earn about £3,000 more than the Group 7 salary of £50,500 plus London Weighting. Some justices' clerks with responsibility allowances can be paid up to £52,400, while the Stipendiary Magistrates they serve have salaries of £50,500. Many post-holders in Group 7 and some in Group 6 are appointed in their 40s and in such cases acceptance of judicial office is a career move which needs to be adequately rewarded to attract the best candidates. There is a competitive market for those well-qualified lawyers who are potential candidates for Group 7 posts, so that a lead over pre-appointment remuneration would be justified.

Recognition of administrative responsibilities

47. Some posts have administrative responsibilities in addition to the judicial duties shared with others in the same group, for example the President and Vice-Presidents of the Immigration Appeal Tribunal, the Deputy Chief Immigration Adjudicator and the Immigration Adjudicators, and the Vice-President (Scotland) and Chairmen of the Value Added Tax (VAT) Tribunals. As the judicial salary structure is based mainly on different levels of judicial responsibility, we do not

generally favour the recognition of the additional administrative weight of such posts by placing them in a higher group. However we acknowledge that it is important to recognise extra administrative responsibilities and we consider that normally this is best done by the payment of a salary lead to the post-holders over their colleagues in the same group. We return to this point in our consideration of individual posts of this type.

Group 7 posts

48. Group 7 of the judiciary comprises a wide variety of posts including District Judges, Stipendiary Magistrates, High Court Masters and Registrars and Chairmen of Industrial Tribunals. We received a large volume of evidence both written and oral concerning the categories at this level. Much of the evidence reported general experience of an increasing workload and in most cases a broadening of jurisdiction.

49. The Association of District Judges and the District Judges of the Principal Registry of the Family Division argued that they should be advanced to a higher group on the grounds of their increased jurisdiction including, for the Family Division, the changes introduced by the Children Act 1991, and their heavy workload. They also emphasised the stressful nature of some of their work, particularly mortgage repossessions and matrimonial and child custody proceedings. We heard from the Taxing Masters of the Supreme Court of their breadth of jurisdiction and the magnitude of the sums they taxed. The Chief Metropolitan Magistrate, the Society of Provincial Stipendiary Magistrates and the Northern Ireland Resident Magistrates' Association gave evidence of the width of Stipendiary Magistrates' responsibilities and argued that a reduced differential with Group 6 was justified by this together with recruitment and retention difficulties; an increase in London Weighting for Metropolitan Magistrates was also sought. The Chief Immigration Adjudicator reported a heavy increase in the caseload of Immigration Adjudicators. We received evidence from the President of the VAT Tribunals and Presiding Special Commissioner of Income Tax, and from a Lord Justice of Appeal, of the depth of specialised knowledge required of Chairmen of VAT Tribunals and Special Commissioners of Income Tax. We heard that it is difficult to recruit to these posts because the few suitable people are well paid and there is currently no shortage of work for the specialist Tax Bar.

50. The Lord Chancellor's Department in its evidence reported that some difficulties had been experienced in recruiting Metropolitan Magistrates, High Court Masters and Registrars, and District Judges in London and the South East. The figures however indicate some progress in filling vacancies: as at April 1992 there were 243 District Judges in England and Wales out of a recruitment ceiling of 270 as compared with 220 out of a recruitment ceiling of 260 in January 1991; there were 4 vacancies for Metropolitan Magistrates within the recruitment ceiling of 54, and 4 for Provincial Stipendiary Magistrates within the recruitment ceiling of 30 (4 vacancies having been filled during 1991). The number of Northern Ireland Resident Magistrates is up to its statutory ceiling. It is difficult to assess the severity of any recruitment problems for Chairmen of VAT Tribunals and Special Commissioners of Income Tax as there are only 4 full-time appointments in these categories; our latest information was that these were all filled. We were informed that all future recruitment would be to posts combining these two categories, but that this was not expected to increase any recruitment difficulties.

51. The Chairmen of Industrial Tribunals both in England and Wales and in Scotland emphasised the difficulties of recruiting full-time Chairmen, as did their respective Presidents (supported by the Chairman of the Employment Appeal Tribunal (Scotland)). In Scotland, prospective candidates were often more attracted by shrieval office. Recruitment generally is from a small pool of specialists who have no shortage of work in the current economic climate of recession leading to workforce reductions. We heard that whilst practitioners were prepared to serve as part-time Chairmen, few were ready to accept full-time appointment because of the loss of salary this would entail. However the evidence from the Lord Chancellor's Department and figures from the Central Office of the

Industrial Tribunals indicate good progress in filling vacancies in England and Wales, with 55 posts filled at 30 April 1992 out of a recruitment ceiling of 65, a net increase of 6 since 1 October 1991.

52. There was evidence that the posts of Industrial Tribunal Chairmen call for broad legal knowledge, especially of European directives and European Community case law. Many of the cases are in areas of public concern (racial and sex discrimination, unfair dismissal etc) and are widely reported; judgments are not infrequently appealed against, even to the House of Lords. There are also burdens created by unrepresented litigants and the requirement for written judgments.

53. Whilst we accept that the job weight of many posts in Group 7 may have increased, this has occurred to an even greater extent in Groups 4, 5 and 6. We do not believe therefore that the case has been made on the grounds of job weight for the advancement of any of these posts to a higher group, or for a reduction in the differential with Group 6. Group 7 in 1988 and - in common with Groups 5 and 6 - 1990 received salary increases higher than the basic award for the remit group as a whole. We look to the salary level we are now recommending to recognise any greater job weight and, with London pay, to overcome any remaining recruitment problems for Group 7. Claims of an excessive workload are primarily a management question and may be resolved by increasing the number of appointments.

54. Two posts within Group 7 have greater administrative responsibilities than other posts within the same group with similar judicial duties: the Vice-President (Scotland) of the VAT Tribunals and the Deputy Chief Immigration Adjudicator. It is appropriate that these additional responsibilities should be recognised.

55. Recommendation 2. We recommend that the posts of Vice-President (Scotland) of the Value Added Tax Tribunals and the Deputy Chief Immigration Adjudicator should receive a salary lead of £3,500 over their Group 7 colleagues.

Groups 4a, 5 and 6

56. The Circuit Judges in Group 6, together with their counterparts in Scotland and Northern Ireland, the Sheriffs and County Court Judges, are the largest category of the judiciary, comprising some 560 posts. We consider these posts in the following paragraphs.

57. Sheriffs exercise a wider criminal and civil jurisdiction than Circuit Judges. There is some evidence that the Shrieval Bench, hitherto comprising twice as many former advocates as solicitors, has recently become less attractive to the Scottish Bar, as 70 per cent of recent appointments have been from among solicitors. Although there have been no problems in making appointments to the Shrieval Bench, concern has been expressed in evidence to us about the shift away from the Bar in the balance of appointees.

58. In our last two reports on top salaries we expressed the view that factors other than pay, and particularly career progression, influence recruitment to the Circuit Bench; and that an expansion of the upper tier of Circuit Judges would have a significant effect upon the morale of the Circuit Bench as a whole with consequent benefits to recruitment. Currently there is evidence that the recruitment problems to the Circuit Bench have eased, with 24 vacancies in April 1992 out of a recruitment ceiling of 495, including Senior Circuit Judges and London Official Referees, as compared with 43 at the beginning of 1991 out of a recruitment ceiling of 475. Several factors have contributed towards lessening the problem: the staged additional 10 per cent for Groups 5 to 7 over and above the general increase for the remit groups which we recommended in our 1990 report and which the Government implemented; a sustained recruitment drive by the Lord Chancellor's Department; and an increase in the pool of lawyers eligible for appointment to the Circuit Bench.

59. Following the Civil Justice Review, there have been major changes in the allocation of work between High Court Judges and the Circuit Bench: in particular, much of the less demanding work formerly done by the High Court has been transferred to the Circuit Bench. This has resulted in a significant increase in the judicial weight and importance of the work undertaken by the Circuit Bench, to which evidence from several sources bore consistent witness. This increase is particularly evident in the case of those judges who regularly try the more important and sensitive criminal, family and civil cases, and those who are called on to sit in the High Court. The current structure makes no distinction in salary between these judges and their newly appointed colleagues who are mostly engaged in trying less important crime and routine civil actions.

60. To fulfil our terms of reference satisfactorily, we need to consider each category of post and where appropriate the distribution of work within it. There is consistent evidence that a number of Circuit Judges in Group 6 are regularly doing higher grade work than the remainder. In Northern Ireland the County Court Judges are paid the salary for Group 5 for so long as they are required to carry out significantly different work from their counterparts elsewhere in the United Kingdom: the Circuit Judges in England and Wales and Sheriffs in Scotland. Similarly, we believe that those Circuit Judges in England and Wales who regularly try the most difficult and sensitive cases should have their work recognised by being advanced to the Senior Circuit Bench.

61. We accordingly discussed with the Lord Chancellor's Department a suggestion that those judges authorised to try the most serious criminal cases and those family and civil cases which, before the Civil Justice Review, would have been heard in the High Court, should be advanced to Group 5. However, in the Department's view there were objections to this approach. The most serious crimes (for example murder and rape) are not necessarily more difficult to try than some less grievous but still serious crimes such as major fraud, particularly where the facts are complex. Flexibility in the use of Circuit Judges might be diminished. Moreover, there appear to be no central records readily available of which judges are authorised to try the most serious cases, nor of how much of their time is spent on them.

62. Nevertheless, the Department has accepted in principle the case for appointing more Senior Circuit Judges and we shall be continuing discussions about how best to enlarge the Senior Circuit Bench to recognise the greater judicial weight borne by those Circuit Judges currently in Group 6 who regularly try the most difficult and sensitive cases. Our purpose in this is to reward appropriately those Circuit Judges who can be identified as having the greatest job weight. The immediate problem is thus one of identification. An enlargement of the Senior Circuit Bench would incidentally improve the prospects of career progression for Circuit Judges, which are currently restricted to such vacancies as may arise among the 14 Senior Circuit Judge posts and on the High Court Bench. Six out of 36 appointments to the High Court in the last 4 years have been from the Circuit Bench. We hope to hear of plans to make such an enlargement in time for our next report.

63. Whilst Sheriffs Principal are broadly the Scottish equivalent of Senior Circuit Judges, the distinction between their responsibilities and those of Sheriffs is different from that between Senior Circuit Judges and Circuit Judges. They exercise an appellate jurisdiction as well as hearing major first instance criminal and civil cases and holding fatal accident inquiries. There is evidence that Sheriff Principal posts, previously filled mostly by direct recruitment, are ceasing to be attractive to the senior Scottish Bar, as all 6 posts have been filled in the past few years by internal promotions or transfers.

64. The Senior Circuit Judges and certain other equivalent posts in Group 5 have dealt with markedly higher grade work since the Civil Justice Review and we believe that it is appropriate to recognise this by advancing them to the same level as the London Official Referees currently designated Group 4a, whose job weight has not changed significantly since this group was created in 1988.

65. *Recommendation 3.* We recommend that Senior Circuit Judges (including the Recorders of Liverpool and Manchester and the Vice-Chancellor of the County Palatine of Lancaster), the Recorder of Belfast, the Sheriffs Principal and the Chairman of the Criminal Injuries Compensation Board should be raised in the salary structure to the same level as the London Official Referees in Group 4a. This combined group should then be designated Group 5.

66. The job weight of the remaining posts in Group 5 does not justify advancing them to the level of Group 4a. Instead we recommend that these posts should be grouped with the existing Group 6, but with an appropriate salary lead.

67. *Recommendation 4.* We recommend that the other posts in Group 5 (the Presidents of the Industrial Tribunals, the President of the Social Security Appeal Tribunals and Medical Appeal Tribunals (England, Wales and Scotland), the Presidents of Lands Tribunals, the Chief Social Security Commissioners and the Judge Advocate General) should be reclassified as Group 6 but with a salary lead of £3,500 in recognition of their administrative responsibilities. Existing incumbents of these posts should be paid the new Group 5 rate while they continue to hold these offices; the recommended change should apply only to new appointments.

68. *Recommendation 5.* We recommend that the President of the Immigration Appeal Tribunal be paid a salary lead of £3,500 over the Vice-Presidents in Group 6.

69. *Recommendation 6.* We recommend that each of the two combined posts of the President of the Value Added Tax Tribunals and Presiding Special Commissioner of Income Tax, and the President of the Lands Tribunal (Scotland) and Chairman, Scottish Land Court, should continue to be paid the Group 5 salary when held by one person.

Posts in Group 4 and above

70. High Court Judges, together with their counterparts elsewhere in the United Kingdom, the Outer House Judges in Scotland and the Puisne Judges in Northern Ireland, are key appointments in the judicial salary structure. We have considered carefully the changes to their workload following the Civil Justice Review, which has left the High Court Bench with the most difficult cases. However we take the view that it would not be appropriate to reflect these changes by an increase in the salary of High Court Judges relative to the groups below as the essential function of the High Court has always been to try the most difficult and sensitive cases at first instance. We consider that the Group 4 salary we recommend takes account of these responsibilities.

71. We agree with the evidence presented to us that the difficulties and pressures of the work of Lords Justices of Appeal as compared with High Court Judges are such that they are not adequately reflected by a differential of 10 per cent over a High Court Judge's salary. Accordingly our recommendations include an increase in this differential which would also apply to other Group 3 posts.

72. In 1989 we recommended a salary lead for the Lord Justice Clerk of £1,000 over other Group 3 appointments in the light of his responsibilities in relation to the Inner House. We consider that this salary lead should be increased to £3,500 as for posts elsewhere in the salary structure with additional administrative duties.

73. *Recommendation 7.* We recommend that the salary lead of the Lord Justice Clerk over his Group 3 colleagues in the Inner House of the Court of Session should be increased to £3,500.

London Pay

74. We previously considered this question in our 1988 report when we came to the view that, although London Weighting had been withdrawn in 1985 from Grade 3 civil servants who are largely London based, it remained appropriate for

the judicial appointments concerned which were less than one third of all Group 7 post-holders. The current position is that Group 7 judicial appointments in London continue to receive London Weighting at civil service rates which since 1988 have remained at £1,750 in Inner London, £1,000 in the Intermediate Zone and £725 in Outer London. However, since 1990 civil servants between Grades 4 and 7 in receipt of these rates have also been eligible for London enhancements to their salary which are not available to the judiciary. Since 1989, Grade 3 civil servants in the London area on our recommendation have received a £2,000 London Allowance and a salary enhancement, currently £1,300. We have now looked at the whole question taking particular account of the recruitment position.

75. We refer earlier to the evidence received from the Lord Chancellor's Department of recruitment difficulties for Metropolitan Magistrates (confirmed by the Chief Metropolitan Magistrate), High Court Masters and Registrars, and District Judges in London and the South East. Evidence received from or on behalf of members of certain Group 7 judicial categories based in London (the Metropolitan Magistrates, the District Judges of the Principal Registry of the Family Division, and the Supreme Court Taxing Masters) was also consistent in the view that the level of pay in London was too low. As we note in the following chapter, this is supported by comparisons with the private sector. Of our remit groups, the judiciary are the most exposed to the market and we are of the view that the recruitment problems in the London area are best resolved through an increase in London pay resulting directly from our recommendations rather than being determined by collective bargaining for the civil service below the level of our remit.

76. We also considered whether zoning should be retained for London pay. The evidence from our pay studies is that in the private sector at this level of seniority, it is common practice to have a single zone, rather than several zones as in the civil service below the remit group. Following our recommendation in 1989, Grade 3 civil servants in the whole London area have received a uniform addition to pay. We have consulted the Lord Chancellor's Department which has not told us of any strong arguments in support of the current arrangements. Accordingly, we believe that it would also be appropriate for Group 7 post-holders in the London area to receive London pay on the same basis as Grade 3s, particularly as three-quarters of these judicial post-holders are in the present Inner London Weighting zone.

77. We believe there is a strong case on recruitment grounds for additional pay for the Group 7 judiciary in the London area, and that this should be the same as the London pay we recommend for Grade 3 civil servants in the following chapter.

78. Recommendation 8. We recommend that the Group 7 judiciary should receive London pay on the same basis and at the same rate as Grade 3 civil servants.

Judicial pensions

79. In our last report on top salaries we welcomed the review of judicial pension arrangements initiated by the Lord Chancellor. We responded to the consultative document issued by the Lord Chancellor's Department and secured the Government's acceptance of a significant principle, namely that existing post-holders should be able to defer until their retirement the decision to choose either the old or the new pension scheme. This will preserve the benefits of the present scheme for those existing members of the judiciary who so wish without prejudice to any improvements which may be made to the new scheme. Subject to the detailed comments we gave to the Lord Chancellor's Department, we welcome the new scheme for which legislation has now been introduced. We shall be interested to follow the operation of the new scheme once it is implemented and may wish subsequently to suggest further improvements.

Revised salary structure 80. Our revised salary structure is as follows. The order in which posts are listed within each group, here and in the existing salary structure listed at Appendix H, is not intended as an indication of relative importance or standing within the group. Our recommendations on salary rates are in Chapter 6.

Group 1

Lord Chief Justice of England

Group 2

Lords of Appeal in Ordinary

Master of the Rolls

Lord President of the Court of Session

Lord Chief Justice (Northern Ireland)

Group 3

Lord Justice Clerk¹

Lords Justices of Appeal

Inner House Judges of the Court of Session

Lords Justices of Appeal (Northern Ireland)

President of the Family Division

Vice-Chancellor

Group 4

High Court Judges

Outer House Judges of the Court of Session

Puisne Judges (Northern Ireland)

Group 5

London Official Referees

Sheriffs Principal

Vice-Chancellor of the County Palatine of Lancaster

Senior Circuit Judges

Recorder of Liverpool

Recorder of Manchester

Recorder of Belfast

Chairman, Criminal Injuries Compensation Board

President, Value Added Tax Tribunals and Presiding Special Commissioner of Income Tax²

President of the Lands Tribunal (Scotland) and Chairman, Scottish Land Court²

Group 6

Circuit Judges

Sheriffs

County Court Judges (Northern Ireland)³

Social Security Commissioners (England, Wales and Scotland; and Northern Ireland)

Registrar of Criminal Appeals

Registrar of Civil Appeals

Chief Metropolitan Magistrate

Chief Registrar and Senior and Chief Masters

Senior District Judge

Master, Court of Protection

Chairman, Foreign Compensation Commission

Chief Social Security Commissioners (England, Wales and Scotland; and Northern Ireland)⁴

Presidents, Industrial Tribunals (England and Wales, Scotland and Northern Ireland)⁴

Judge Advocate General⁴
President, Social Security Appeal Tribunals and Medical Appeal Tribunals
(England, Wales and Scotland)⁴
Presidents, Lands Tribunals (England and Wales, and Northern Ireland)¹
Regional Chairmen, Industrial Tribunals (England and Wales, and Scotland)
Judge Advocate of the Fleet
Vice-Judge Advocate General
President, Immigration Appeal Tribunal⁴
Vice-Presidents, Immigration Appeal Tribunal
Chief Immigration Adjudicator
President, Social Security Appeal Tribunals and Medical Appeal Tribunals
(Northern Ireland)
Regional Chairmen, Social Security Appeal Tribunals and Medical Appeal
Tribunals
Members, Lands Tribunals (England and Wales, Scotland and Northern Ireland)

Group 7

Chairmen, Industrial Tribunals (England and Wales, Scotland and Northern
Ireland)
Metropolitan Magistrates
Provincial Stipendiary Magistrates
Resident Magistrates (Northern Ireland)
Masters and Registrars of the Supreme Court
Masters of the Supreme Court (Northern Ireland)
District Judges
District Judges (Northern Ireland) (formerly Circuit Registrars)
President, Pensions Appeal Tribunals
Vice-President (Scotland) of the Value Added Tax Tribunals⁵
Chairmen, Value Added Tax Tribunals
Special Commissioners of Income Tax
Chairmen, Social Security Appeal Tribunals and Medical Appeal Tribunals
Deputy Chief Immigration Adjudicator⁵
Immigration Adjudicators

¹ To be paid a salary lead of £3,500 over the salary for Group 3.

² Paid the salary for Group 5 when the combined post is held by the same person.

³ Paid the salary for Group 5 for as long as they are required to carry out significantly different work from their counterparts elsewhere in the United Kingdom: Circuit Judges in England and Wales and Sheriffs in Scotland.

⁴ To be paid a salary lead of £3,500 over the salary for Group 6.

⁵ To be paid a salary lead of £3,500 over the salary for Group 7.

Chapter 4

The civil service

Introduction

81. In this chapter we consider specific questions which we have taken into account when considering salary levels in the senior open structure in the civil service. They include recruitment and retention; performance-related pay; the position of Chief Executives in Next Steps agencies and of other special appointments made at market pay rates; and pay differentials within the senior open structure and between the lowest grade in our remit group and those immediately below.

82. The last point is of particular significance as pay settlements for Grade 5 are negotiated between the Government and the trade unions on the basis of outside pay and awards for Grade 4 generally follow those for Grade 5. Whilst we retain a substantial discount in our recommendations for salary levels for the most senior posts, we must take account of the need to restore adequate differentials between the lowest grade in our remit and the grades below where pay is determined on the basis of comparability. Establishing the appropriate salary level for Grade 3 has been the starting point from which we construct our recommendations for the more senior civil service grades.

Recruitment and retention

83. We received evidence from the Government and the Civil Service Commissioners that the basic fast-stream graduate recruitment scheme and the specialist equivalents, and most direct entrant Grade 7 schemes, have been buoyant with some 95 per cent of vacancies filled in 1990-91. The evidence recognised that recruitment through those sources, which have historically provided half of those who subsequently progress to the senior open structure, has been helped by the present weak employment market. Applications were 60 per cent more in 1991 than the previous year, with the proportion of higher quality candidates more than double in the fast-stream Grade 7 and Science and Engineering Management Trainee schemes. In the Government's view the increase could be attributed to movements in the labour market generally, where many private sector firms have been scaling down their graduate recruitment programmes.

84. The evidence also showed that in Grades 4 to 7, the four grades immediately below the senior open structure, the resignation rate in the financial year 1990-91 had fallen to around one per cent compared with 1.6 per cent in the previous year. For staff in these grades who originally joined at or passed through the grades of Administration Trainee (AT), Higher Executive Officer (Development) (HEO(D)) or their equivalents, the resignation rate fell from 2.7 per cent to 1.5 per cent. Resignation rates also fell for specialist disciplines such as economists and lawyers, as well as for administrators.

85. In the senior open structure, resignations have remained infrequent whilst direct recruitment has continued to increase, mainly as a result of open competitions for Chief Executive and other key posts in Next Steps agencies. Although the proportion of all existing staff in the senior open structure who have been recruited direct remains small, evidence received for the period from September 1989 to December 1991 shows that 24 out of 39 appointments at Grade 3 and above made following open competition were filled from outside the civil service.

86. The overall position in the short term appears to be broadly satisfactory. However, economic circumstances are clearly a major influence. As the recession ends and the labour market tightens, the difficulties which have continued to be felt can be expected to intensify, leading in such areas as fast-stream recruitment to a movement back towards the recruitment patterns of the last decade when often a considerable proportion of vacancies was unfilled. It is also significant that when vacancies in the senior open structure have been advertised and thus tested against the market, rates of pay above the normal range have been agreed in one half of appointments from outside: of the 24 such appointments referred to in the previous paragraph, 12 were at salaries higher than the standard rates or were at standard salaries but with bonuses of up to 15 per cent payable.

87. For a career service like the civil service, long-term considerations require that salaries must be kept competitive. Many graduates are particularly concerned about what their earnings are likely to be after 10 to 15 years in their career but there is also a connection, though unquantifiable, between pay at the top and perceptions of the general attractiveness of the civil service to more able graduates who are considering applying for posts as an AT or HEO(D), or who are already in those grades.

Performance-related pay

88. Following the recommendations in our 1985 fundamental review, performance-related pay was introduced for Grades 2 and 3 in 1987. Appendix F contains details of this scheme and of the scheme which, on our recommendation, replaced it last year.

89. In its evidence on the new scheme, the Government commented that it would be appropriate to allow the arrangements to settle down, and be assessed, before further changes were considered. As to the first round of awards under the new scheme made in April 1991, the Government drew a number of conclusions from an analysis of the outcome. In particular, the performance budget of 2 per cent was used to provide above-standard increases to three-quarters of Grade 2s and two-thirds of Grade 3s; performance awards were made on the basis of job weight as well as performance marking. Departments had taken the opportunity of the awards to raise many of their Grade 3 and Grade 2 staff above the scale minima, whereas the previous scheme allowed only a minority to receive relatively substantial discretionary increments. From April 1991, only one in eight of Grade 2s and one in four of Grade 3s remained on the scale minima. Job weights and performance marking standards might vary between departments but because awards did not automatically follow performance markings, this did not necessarily mean that there were inconsistencies between departments in such awards, which were monitored centrally. The Government also continued to see value in the existence of a range maximum but did not consider some overlap between the Grade 3 and Grade 2 ranges would be a problem because the availability of performance pay enabled Grade 2s to move higher up their range.

90. Evidence from the Council of Civil Service Unions (CCSU) discussed a number of issues. As general principles, the CCSU suggested that the TSRB should monitor the current staff appraisal arrangements to ensure that they remained objective; that the 2 per cent performance budget should not be subtracted from the basic increase available to fully satisfactory performers; that there should be central monitoring to ensure that departments and agencies were allocating performance pay according to openness and equity; and that the pay system should retain a comparability link with counterparts in the private sector. It also argued that the system would have the undesirable effect of promoting competition rather than team working. As to rewards for fully satisfactory performers, the CCSU was concerned that such people promoted within the last three or four years were scarcely better off than those promoted more recently.

91. We share the Government's view that it is too early to consider changes to the new scheme. There is no evidence to indicate that any serious problems are arising, but we remain convinced that, as with any other performance-related pay scheme, success will require skilful management and adequate funding.

Accordingly, our recommendations for salary levels this year do not affect the structure of the scheme or the relative position and movement of individuals within the range. They do have the effect of significantly increasing both the minima and the maxima of the pay ranges for Grades 2 and 3, although for each grade by differing percentages.

92. Recommendation 9. We recommend that fully satisfactory performers at Grades 2 and 3 should receive no less than the percentage increases in the mid-points of the recommended salary ranges.

93. We make the following observations arising from the view we take of the great importance of performance-related pay in both improving the performance of the individual and generally raising standards of management and accountability throughout the civil service.

94. At 2 per cent, the level of funding is low by the standards of the private sector. We continue to attach importance to the principle that box 3 (fully satisfactory) performers should be able to expect to progress over time to, say, the mid-point of the salary scale and the level of funding is closely linked to such expectations. We shall return to this issue in future reviews. One of the factors we shall wish to examine is the effect of the wide discretionary powers of Permanent Secretaries, which could lead to a divergence of standards among departments in the award of performance-related pay, in the absence of clear guidelines on the subject. Any such divergences could undermine the credibility of the scheme in the eyes of staff and demotivate them.

95. We therefore attach importance to regular and objective monitoring by the Cabinet Office of the performance-related pay scheme introduced on our recommendation, and on the feedback of information to us from such monitoring. For our next report, when we shall be reviewing the first two years of the scheme's operation, we shall wish to analyse data on the progression of box 3 performers within departments and on interdepartmental comparisons of pay awards and correlations with box markings. Openness and equity are features which we would expect to see demonstrated in all aspects of the scheme, and we shall look to see what systems are in place to this end; we note too the concern about equal opportunities expressed to us by the CCSU, and we shall ask for evidence on this question.

96. No evaluation has been undertaken since the performance-related pay scheme first recommended by the Review Body became operative in 1987. There are grounds for this, in particular that the arrangements have been substantially modified during a relatively short period of time. Such schemes should however be subjected to analysis. There is no single method of evaluation which is entirely objective, but different approaches can give useful results. Broadly, some options available are to undertake surveys of the attitudes of the staff covered by the scheme; to seek the views of top management (in this case it would involve Permanent Secretaries); and to undertake statistical analyses of data relating to awards, or a combination of the three. We considered whether it would be desirable to recommend that an evaluation of the scheme should be conducted in the immediate future, but concluded that the balance of advantage lay in waiting until the third round of awards had been completed in April 1993.

97. Recommendation 10. We recommend that the performance-related pay scheme for Grades 2 and 3 should be evaluated (whether by the Government or an external agency) as soon as practicable after awards have been made in 1993.

**Agency Chief Executives
and other special
appointments**

98. We refer earlier in the report to the Next Steps initiative, and the concept of the Agency Chief Executive. In its evidence, the Government stresses the importance which it attaches to this development, with the Chief Executive operating "in a clear framework of delegated responsibilities against clear performance targets for his or her agency and who is held directly accountable for the performance of that agency against those targets". This leads to an approach to performance pay different from the scheme for Grades 2 and 3, with a strong link between Chief Executive pay and the performance of the agency against both

annual and longer term targets. Accordingly Chief Executives are generally eligible for substantial cash bonuses tied to the performance of their agency measured against targets. The bonuses are not consolidated into basic pay, and have to be earned afresh each year; performance against longer term objectives can be linked to terminal bonuses payable at the end of the Chief Executive's appointment. For internal civil service candidates, the choice is available between these special terms and normal civil service rates.

99. As a matter of policy, the Government has decided that most Agency Chief Executive posts should be put to open competition, as with other posts where the skills and experience required may not be available within the civil service. In these cases, the Government's policy is to be guided by civil service arrangements but to pay more if necessary to secure the right person with the required skills and experience. The pay of many special appointments therefore reflects the market rate, determined in open competition, for the skills and experience involved, although it is probable that some successful applicants have accepted posts at pay levels below the market rate or their pre-appointment earnings where they have sought a career change into the public service for other than financial reasons. This has led to diverse pay outcomes for this group of varied posts, mostly involving fixed-term contracts, but which remain within our remit for the purpose of determining the annual increase in their pay.

100. The Government has now raised with us the question of continuing this year with its normal practice of increasing the pay for special appointments in accordance with our recommendations for the grades concerned. In evidence on this question, it has said that its objective is to ensure that recommendations on increases which reflect our views on the general positioning of senior open structure pay in relation to external comparators should not be applied automatically to those on fixed-term contracts and special rates of pay, determined primarily by what was required to recruit them directly into the senior open structure.

101. This question applies immediately to only a small number of appointments which are on rates of pay above the maximum for the grade (currently 20, and excluding those at special pay rates because they are unusually heavily loaded). However, the number has increased in recent years and may continue to do so as open competition is considered as a matter of course for all Chief Executive appointments. Because of the diversity of the posts, it would not be appropriate for us to consider them individually. We accept however that it would not be satisfactory to continue with the practice hitherto adopted by automatically applying to these appointments the percentage increases implied by the salary levels we recommend for particular grades; nor would it necessarily be satisfactory, where special pay rates have been agreed, for the salaries we now recommend to be adopted. This is not to say that where appropriate, and after due consideration of the individual circumstances, our recommendations should not apply, only that this should not be automatic.

102. **Recommendation 11.** We recommend that the salaries in our new salary structure, or percentage increases derived from them, should not apply automatically to special appointments recruited on market-related pay rates.

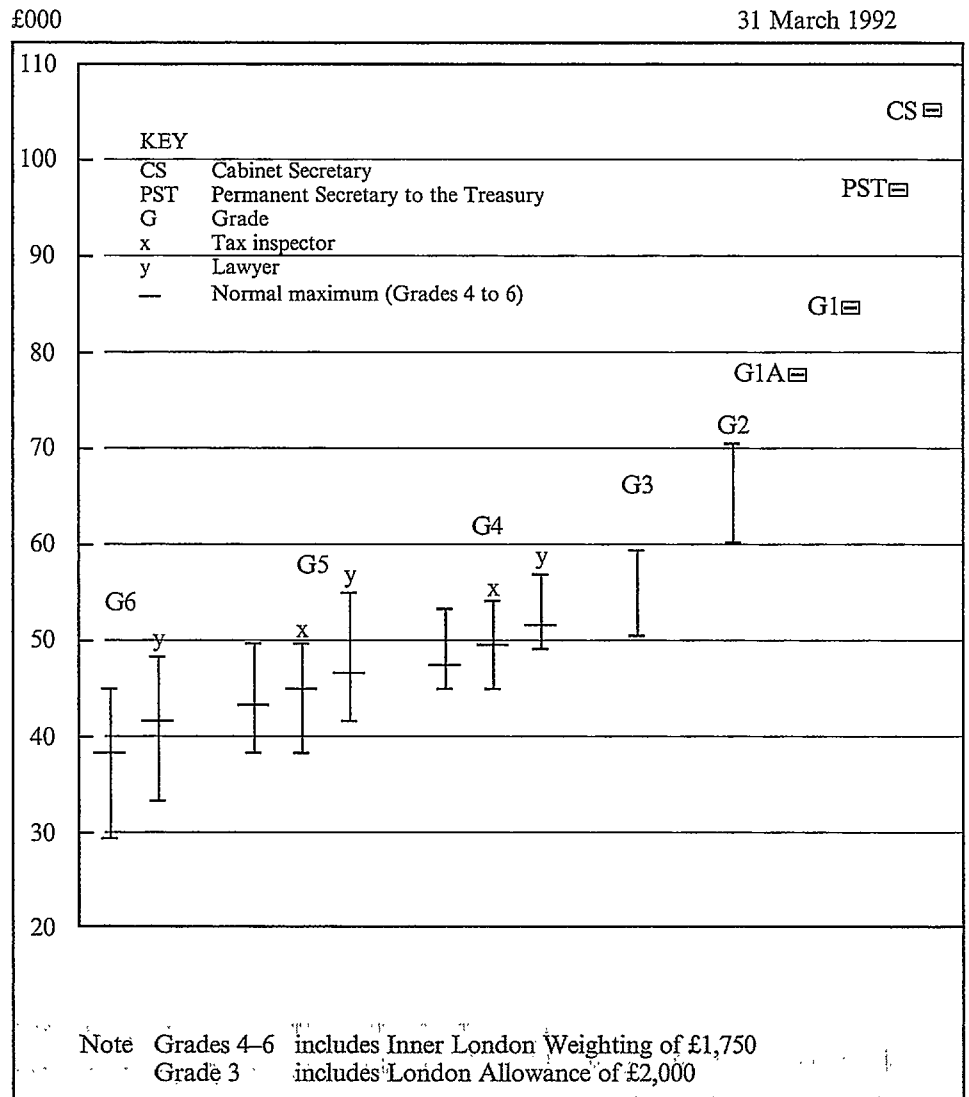
103. We are also aware that the salaries of many staff outside our remit group are derived from our recommendations for the civil service. It is a matter for their employers (in some cases the Government) and them how our recommendations are applied to determine their salaries.

Pay differentials

104. In our 1991 report we discussed the compression of differentials arising from the Government's decisions on pay for the grades immediately below our remit group. The implementation of our recommendations on pay levels for Grade 3s, along with a lower increase awarded to Grades 4 to 7 outside London, mitigated some of the worst aspects of this compression. From 1 August 1991, Grades 4 to 7 received an across the board increase of 6.5 per cent, whilst the range minimum and maximum for Grade 3s were set a few months earlier at a time of higher inflation, and were increased by 7.5 per cent from 1 April 1991, with a further 2 per cent on 1 December 1991.

105. Figure 6 shows the current position in Inner London, where about three-quarters of Grade 3s work. The maximum for Grade 5 administrators is £1,629 below the Grade 3 minimum, but the maximum for Grade 4 administrators is £240 above the Grade 3 minimum. The greatest problems of overlap occur with Grade 4 and 5 lawyers and Grade 4 tax inspectors. For the former group, the maximum exceeds the Grade 3 minimum by £4,190. For tax inspectors, the overlap is £2,181.

Figure 6. Civil service salaries in London: Grade 6 and above



106. In its evidence, the Government has commented that the number of staff in Grades 4 and 5 who are on pay points above the Grade 3 minimum is small; but that in some departments with a substantial number of Grade 4s, the proportion may be significant. For example in the Inland Revenue it amounts to over 40 per cent (mainly the tax inspectors referred to above). The Government believes some degree of overlap is acceptable, but the CCSU in its evidence commented that whilst it is unlikely that staff in Grade 4 or 5 would turn down promotion because of inverted differentials, it is a demotivating factor for recently promoted Grade 3s to manage staff earning more than themselves. Moreover, a newly promoted Grade 3 can earn more than a colleague promoted earlier simply as a result of retaining his or her salary in the lower grade on a mark-time basis. To overcome these problems, the CCSU proposed that a differential at least as great as that between the range maximum of Grade 3 and the minimum of Grade 2 (£4,400 outside London) should be established between the maximum of the Grades 4 to 7 pay spine and the minimum of Grade 3.

107. Our strongly held view is that adequate differentials between levels of management are essential to recognise additional responsibilities, and to provide the incentive for staff to seek promotion. Particular considerations apply to Grade 3s. We have drawn attention in previous reports to the erosion of their differentials with Grades 4 and 5, by subsequent pay awards to the grades below our remit group effective from 1 August. We discuss the alignment of the dates below.

108. Following the suggestion in our 1990 report, the Government has introduced a discretionary additional pay increase on promotion of up to 5 per cent of salary to deal with cases where promotion would involve an increase of less than that or even a pay reduction, and has explained its acceptance of an overlap between the Grades 4 and 5 pay scales and Grade 3 by the availability of performance pay to move Grade 3s higher up the range. We do not believe that these expedients are a satisfactory solution to the problem. Our recommended salary levels provide differentials of 16 per cent between the maximum of Grade 4 administrators and the minimum of Grade 3 (which will stand to be reduced from 1 August this year when the Grade 4 increases are due).

109. We are also aware of the concern about the relative salaries of Grade 3s and one star officers. In MOD, where there is a degree of interchangeability between Grade 3s and two star officers in certain posts, it is possible for Grade 3s to be supervising one star officers who are paid more than they are. Direct comparisons are difficult as the total package of remuneration, conditions of service and commitments varies between civilians and the armed forces. But, so far as basic salaries are concerned, those we recommend for Grade 3s will provide a differential over one star officers of 6 per cent, which we consider adequate in these circumstances.

Pay review dates

110. In our last report on top salaries we recommended that the Government should realign the annual pay review date for the civil service grades immediately below those in our remit to 1 April. The purpose of this recommendation, which was accepted in principle by the Government, was to help maintain adequate pay differentials as the current review date for the grades immediately below our remit group is 1 August. Under the present arrangement, differentials we aim to establish at 1 April are changed after four months following the outcome of the pay negotiations between the Government and the trade unions. We look forward to the Government taking early steps to implement our recommendation.

London pay

111. At the Government's request we reviewed, for our 1989 report, the question of whether some form of London pay should be reintroduced for Grade 3 civil servants. We concluded that a London Allowance of £2,000 should be paid from 1 April 1989 and our recommendation was accepted by the Government. Our 1990 report recommended that the Grade 3 salary range in London should in addition have a lead of £1,200 over the range for staff outside London, and this was also accepted (the lead was increased to £1,300 in 1991). The total addition to the pay of London Grade 3s of £3,300 a year is a lead of about 6-7 per cent over the pay of Grade 3s outside London. As part of our review of the arrangements for London pay and allowances for all our remit groups, we have looked at these arrangements and at practice elsewhere in the civil service and in the private sector.

112. The pattern of London pay for civil servants below our remit group has some similarity with the present arrangements for Grade 3s but is more complex. There are three levels of London Weighting, depending on zone, which are flat rates common to all eligible grades. The highest one, for Inner London, is £1,750 a year. No increases in the rates have been agreed since 1988. For Grades 4 to 7 and some specialists, an extra point, or points, on their pay spine were agreed for staff in the London area in 1989 and 1990 to meet acute recruitment and retention problems. As a result, most Grade 4 and 5 civil servants in London get around 8-9 per cent more in total pay than those outside London; in cash terms up to about £3,500 more. For some specialists the amount is much greater and at its most is

about 16-18 per cent for Grade 4 and 5 lawyers; in cash terms up to some £7,500. In the private sector the lead of London pay over pay elsewhere for jobs of comparable weight and function at the Grade 3 salary level is typically of the order of 25 per cent.

113. We intend to look further at the arrangements for London pay for each of our remit groups in our next review. In the meantime we need to ensure that our recommended rates for Grade 3s provide adequate differentials over Grades 4 and 5 both in London and elsewhere and must take into account therefore the total amounts of pay to staff in those grades on both geographical bases. For this report we limit ourselves to recommending an increase in the lead of the Grade 3 salary range in London from £1,300 to £2,000, with the separate London Allowance also remaining in payment at its existing rate.

114. *Recommendation 12.* We recommend that the lead of the Grade 3 salary range in London over the Grade 3 range outside London be increased to £2,000, with the separate London Allowance also remaining in payment at its present rate of £2,000.

Chapter 5

The armed forces

Introduction

115. Our general approach when considering the salaries for senior officers in the armed forces is similar in a number of respects to that for the higher civil service. We look at trends in recruitment and retention; we are concerned about motivation, particularly in times of unusually large reductions in the size and shape of the armed forces such as those following Options for Change; and we look to see whether internal differentials and horizontal links across our entire remit groups are satisfactory.

116. As background to our considerations, we are aware of the profound consequences of Options for Change on many aspects of Service life. The reductions in manpower which are starting to be felt are inherent in the largest restructuring of the armed forces since the 1950s as a response to strategic change across the world. The senior officers in our remit group share the uncertainties experienced generally throughout the armed forces about changing career expectations, while a high degree of turbulence remains a common experience arising from the demands and constraints of Service life. The unique degree of personal responsibility of these senior officers for the daily lives of personnel, both on and off duty, continues to make requirements which can be met only by staff of the highest quality. Levels of pay must be set accordingly.

117. In our reports over the past years we have referred to the issue of the differential between one and two star officers. Evidence from senior management has been that the differential should be at least 15 per cent. Several factors have influenced our approach to the matter, including the link between two star officers and Grade 3 civil servants, and the need to evaluate the new civil service performance-related pay scheme. This year we are conscious of the possible danger that too great a discount on private sector counterparts in the pay of two star officers may be unfairly constraining recommendations by the Armed Forces Pay Review Body (AFPRB) about the pay levels of one star officers. The AFPRB's recommendations are based on full comparability, with the addition of an "X factor" element to reflect the balance of disadvantage of Service over civilian life. Our consideration of the issue and the recommendations we make take all these questions fully into account.

Recruitment, retention and manning

118. We note from the Government evidence that over the past 5 years some senior officers in the ranks within our remit have left prematurely, the number ranging from four to seven a year in a group of about 190 officers. Because there is no direct recruitment to the senior ranks in the armed forces the quality of the senior officer structure depends on the ability of the Services to recruit and retain sufficient young officers of the calibre required to rise to two star rank and above. The MOD has told us that there are currently no manning difficulties within this group of personnel. However, senior officers in the Services have expressed concern to us at the number of very able younger officers who are electing to leave rather than continue their career in the Services with an expectation of promotion to the highest ranks.

119. **Options for Change.** The Government has told us that the Services currently face a period of fundamental reorganisation and reductions in manpower greater than any experienced since the end of conscription. Last year planned reductions in Service manpower as a result of Options for Change were announced by the

Secretary of State for Defence and reductions in strength of some 11 per cent for the Royal Navy, 15 per cent for the Royal Air Force and 25 per cent for the Army were confirmed, in total a reduction of some 67,000 personnel by mid-1995. Where possible, reductions will be achieved through natural wastage but redundancies, some of them compulsory, are proving necessary below two star rank, especially in the Army, where over 10,000 personnel are expected to be made redundant over the next 3 years.

120. The Government has now provided further information about reductions in the numbers of two, three and four star posts within the Services, including national command chains, in MOD and in NATO. We are told that these senior posts will be reduced at a rate and scale which is consistent with the wider changes now underway in the three Services, that is at an overall rate of about 20 per cent. We have also been told that these reductions will result in the severe curtailment of career expectations for many senior staff, and early enforced retirement for others. This means that there will be fewer promotions to and within TSRB ranks, and in most cases officers will be allowed to serve one tour only in each of these ranks, to be followed by promotion or retirement.

Career patterns in the armed forces

121. In the light of planned developments under Options for Change, we have examined this year the career expectations of senior armed forces officers. As far as possible we have made a comparison both with their equivalents in the civil service and with more junior officers, who fall within the remit of the AFPRB.

122. Most officers below one star rank know what their Service retirement age is likely to be. The same applies to most career civil servants, although the retirement ages themselves are different. The "normal" retirement age for most one star officers is described in Service regulations as age 55. However the current practice for these officers, especially in the Army, is somewhat different in that Brigadiers are appointed to specific appointments and the majority lose any guarantee of service to age 55. The position is less severe in the RAF and the RN, although an increasing number of RN Captains are being required to leave before they are 55 if they have served for nine years as Captains and will not be promoted. In most cases promotion to two star rank and beyond is to specific appointments for tours normally of two to three years in length. At these ranks, there is no career expectation to age 55 or beyond, and officers are required to take their chance for further appointments, according to suitability and available posts. We understand that career opportunities will decline further as the number of starred posts is reduced under Options for Change.

123. We looked at the length of time that Service officers spend in two and three star ranks and made a comparison with their civil service equivalents. Generally two and three star officers are promoted to these ranks at a later age than their civil service equivalents, and retire earlier. We note that about 80 per cent of two star officers are promoted or retired within five years and that most Grade 3 civil servants remain for between 10 and 15 years in the grade, with about two-thirds retiring in the grade. Senior armed forces officers will thus, on average, receive a total level of remuneration during that stage in their career which is substantially less than that of their civilian counterparts. On the other hand, senior officers have moved more swiftly through the senior rank structure and become eligible to receive a full pension earlier than their civil service colleagues. The Government evidence stated that two star officers were more likely to gain promotion to three star appointments than were their Grade 3 civil servant colleagues to Grade 2, and in the MOD specifically a two star officer was nearly three times more likely to be promoted than a Grade 3.

124. Uncertainties for the future about career opportunities and posts are essentially issues for management, but we have asked MOD to keep us informed of developments. In the present economic circumstances we believe there are some new disadvantages affecting the career expectations of senior officers when they leave the Services. They are for example increasingly having to compete in the

civilian job market with managers who have taken early retirement from their previous employer but are looking for further work. This comes at a time when there are major cutbacks in the defence industry which has traditionally recruited a number of senior officers. We are aware that MOD is now providing wide-ranging assistance with the resettlement of all ranks, but there is a risk that some of the best officers will leave earlier in their careers in order to secure civilian employment when they believe their prospects are at their most favourable.

Pay differentials and links

125. For successive years MOD has stressed to us the importance of retaining adequate differentials both among the ranks within our remit and particularly between one and two star officers, where the differential is now very compressed. The Government told us of concern within the Services that these differentials are inadequate and of the importance it attaches to ensuring that promotion to two star, with the increased responsibility that goes with it, is adequately rewarded. The one and two star differential at 31 March 1991 was some 6 per cent and, because of the delay to our review, it is currently less than one per cent. The position on the differential is worse where one star officers (some 15 to 20 per cent of the total number) receive additional pay, such as flying pay, which can add up to 5 per cent to their basic pay, and which is terminated on promotion to two star rank. The evidence from senior management has consistently referred to the need for a differential of some 15 per cent and we said in our 1991 report that we believed it was important to maintain a differential in double figures. A history of the differential is at Appendix G. We have thus sought this year to establish a pay level for two star officers which, taking account of good private sector practice on differentials at such a level, as well as the above mentioned factors, meets the needs of the Services by giving a differential of 19 per cent; this figure is however significantly reduced when the additional pay of some one star officers is taken into account. We believe that an adequate differential is essential to retain the best personnel and to encourage those officers who are required to remain for a full career in the Services, even at a time of severe manpower reductions.

126. The Government further commented in its evidence to us that members of the armed forces must operate within a disciplined and hierarchical structure and that it is important that promotion and increased responsibility are adequately rewarded. The Government continued to take the view that it is highly desirable to maintain a link between the pay of senior civil servants and that of senior officers of the armed forces. This link recognises the similarity and in some instances interchangeability in the responsibilities of these civil servants and military officers as well as maintaining coherence in pay at senior levels across the public service.

127. We agree with this approach. We also accept the Government's view that for the time being performance-related pay is not appropriate for senior officers in the armed forces. However this continues to give rise to some difficulties in establishing the exact linkage, especially as it is the Government's stated view that it is wrong in principle to link pay which has no performance element with salaries which are now increased only in relation to performance. Our task is made more complex in that we are not yet able to evaluate the operation of the new performance-related pay scheme for Grades 2 and 3, which has been in operation for only one year.

128. We accept however the Government's view that the linkage should be as simple and as readily understandable as possible, and also that the need for appropriate differentials in the military pay structure should be maintained. In reaching conclusions on the pay levels of two star officers and above, we took general note of the earnings of Grades 3 and 2 civil servants inclusive of performance pay as well as the relative job weights of senior armed forces officers and civil servants. We also decided to retain the direct link between the pay of four star officers and Grade 1 civil servants and similarly between the pay of the Chief of the Defence Staff and the Cabinet Secretary.

London pay 129. We have looked this year in some detail at London pay across all our remit groups. Two star officers are the only armed forces officers within our remit currently in receipt of London pay. We are aware that nearly half of all two star officers are working in Inner London, but that this position is expected to change as more posts are devolved to the major Service Commands and other MOD sites outside London.

130. London pay for the armed forces consists of two rates (the basic rate and a higher owner-occupier rate) for each of Inner and Outer London. These are flat rates common to all Service personnel. For all personnel within the remit of the AFPRB they are fixed on the recommendation of that body, which has uprated them annually since 1988 by reference to the retail prices index. Our practice has been to follow them in this and have the same rates apply for two star officers.

131. London pay in the armed forces is designed to ensure that Service personnel working in London are not financially disadvantaged when compared with Service personnel in other locations. London is regarded as a tour of duty in the same way as a posting to anywhere else in the world and the total Service package of remuneration is constructed accordingly. In particular the majority of Service officers are living in Service-provided accommodation where they pay the same rent and other charges as they would in accommodation of comparable standards anywhere else in the UK. There are also a number of compensatory allowances, such as for travel expenses, which may be claimed. Thus MOD regards London pay as a compensatory allowance, rather than an incentive for London service, because Service personnel have no choice over their postings. It follows too that comparisons with rates of London allowances for most civilian employees would be misleading as Service officers in London are not generally exposed to higher housing and travel costs in the same way as are most civilian workers in London.

132. In Chapters 3 and 4 we make recommendations on London pay for the judiciary and for the civil service. We believe that London pay in its current form for two star officers should continue this year, but we shall ask the Government for its views on the future of this form of additional pay for such officers in time for our 1993 report.

Chapter 6

Recommendations

133. *Recommendation 1.* We recommend the following salary structure and rates as appropriate at 1 April 1992, and that they be implemented from that date:

<i>Members of the judiciary^a</i>	Salary £	<i>Senior civil servants</i>	Salary £	<i>Senior officers of the armed forces</i>	Salary £
Group 1 Lord Chief Justice of England	130,000	Secretary of the Cabinet and Head of the Home Civil Service ^s	130,000	Admiral of the Fleet Field Marshal Marshal of the Royal Air Force	130,000
Group 2	120,000	Permanent Secretary to the Treasury Secretary of the Cabinet ^h	120,000		
Group 3 ^b	115,000				
Group 4	100,000	Grade 1	100,000	Admiral General Air Chief Marshal	100,000
		Grade 1A	93,000		
Group 5 ^c	83,000	Grade 2 ⁱ range maximum	85,000	Vice-Admiral	74,000
Group 6 ^d	74,000	range minimum	72,000	Lieutenant General Air Marshal	
Group 7 London ^e	62,000	Grade 3 London ^j range maximum range minimum	68,000 58,000		
Group 7 Outside London ^f	60,000	Grade 3 Outside London ^k range maximum range minimum	66,000 56,000	Rear Admiral Major General Air Vice-Marshal	63,000 ^l

Notes:

- a The recommended revised composition of each group is given in paragraph 80, and the current composition in Appendix H.
- b The Lord Justice Clerk to be paid a salary lead of £3,500.
- c See Recommendations 3 and 4.
- d The posts specified in Recommendations 4 and 5 to be paid a salary lead of £3,500.
- e In addition, a London Allowance of £2,000 to be paid to the Group 7 judiciary in London. The Deputy Chief Immigration Adjudicator to be paid a salary lead of £3,500.
- f The Vice-President (Scotland) of the Value Added Tax Tribunals to be paid a salary lead of £3,500.
- g At present a combined post.
- h Paid at this level if not post Head of the Home Civil Service (see footnote g).
- i Fully satisfactory performers should receive an increase of at least 20.3 per cent in accordance with Recommendation 9.
- j London Allowance of £2,000 to continue in payment to Grade 3s in London. Fully satisfactory performers should receive an increase of at least 18.5 per cent of their salary excluding London Allowance in accordance with Recommendation 9.
- k Fully satisfactory performers should receive an increase of at least 17.6 per cent in accordance with Recommendation 9.
- l Two star officers in London to continue to receive London pay on the same basis as hitherto.

134. Our recommendations on other matters, which affect two of our three remit groups, are as follows:

Members of the judiciary

Recommendation 2

We recommend that the posts of Vice-President (Scotland) of the Value Added Tax Tribunals and the Deputy Chief Immigration Adjudicator should receive a salary lead of £3,500 over their Group 7 colleagues (paragraph 55).

Recommendation 3

We recommend that Senior Circuit Judges (including the Recorders of Liverpool and Manchester and the Vice-Chancellor of the County Palatine of Lancaster), the Recorder of Belfast, the Sheriffs Principal and the Chairman of the Criminal Injuries Compensation Board should be raised in the salary structure to the same level as the London Official Referees in Group 4a. This combined group should then be designated Group 5 (paragraph 65).

Recommendation 4

We recommend that the other posts in Group 5 (the Presidents of the Industrial Tribunals, the President of the Social Security Appeal Tribunals and Medical Appeal Tribunals (England, Wales and Scotland), the Presidents of Lands Tribunals, the Chief Social Security Commissioners and the Judge Advocate General) should be reclassified as Group 6 but with a salary lead of £3,500 in recognition of their administrative responsibilities. Existing incumbents of these posts should be paid the new Group 5 rate while they continue to hold these offices; the recommended change should apply only to new appointments (paragraph 67).

Recommendation 5

We recommend that the President of the Immigration Appeal Tribunal be paid a salary lead of £3,500 over the Vice-Presidents in Group 6 (paragraph 68).

Recommendation 6

We recommend that each of the two combined posts of the President of the Value Added Tax Tribunals and Presiding Special Commissioner of Income Tax, and the President of the Lands Tribunal (Scotland) and Chairman, Scottish Land Court, should continue to be paid the Group 5 salary when held by one person (paragraph 69).

Recommendation 7

We recommend that the salary lead of the Lord Justice Clerk over his Group 3 colleagues in the Inner House of the Court of Session should be increased to £3,500 (paragraph 73).

Recommendation 8

We recommend that the Group 7 judiciary should receive London pay on the same basis and at the same rate as Grade 3 civil servants (paragraph 78).

Senior civil servants

Recommendation 9

We recommend that fully satisfactory performers at Grades 2 and 3 should receive no less than the percentage increases in the mid-points of the recommended salary ranges (paragraph 92).

Recommendation 10

We recommend that the performance-related pay scheme for Grades 2 and 3 should be evaluated (whether by the Government or an external agency) as soon as practicable after awards have been made in 1993 (paragraph 97).

Recommendation 11

We recommend that the salaries in our new salary structure, or percentage increases derived from them, should not apply automatically to special appointments recruited on market-related pay rates (paragraph 102).

Recommendation 12

We recommend that the lead of the Grade 3 salary range in London over the Grade 3 range outside London be increased to £2,000, with the separate London Allowance remaining in payment at its present rate of £2,000 (paragraph 114).

135. We estimate the total cost of our recommendations as £17.5 million for the judiciary, £7.7 million for the senior civil service and £2.4 million for the senior officers of the armed forces, adding in total £27.6 million or 19.7 per cent to the existing paybill for the remit groups.

DAVID NICKSON
LOUISE BOTTING
ANN BURDUS
PETER CAZALET
CECIL CLOTHIER
ALLAN GORMLY
HUGH PIGOTT
JEREMY POPE
ANTHONY WILSON

OFFICE OF MANPOWER ECONOMICS

26 June 1992

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.
- No. 18 : Fifth Report on Top Salaries - Cmnd. 8552, May 1982.
- No. 19 : Sixth Report on Top Salaries - Cmnd. 8879, May 1983.
- No. 21 : Seventh Report on Top Salaries - Cmnd. 9254, June 1984.
- No. 22 : Eighth Report on Top Salaries - Cmnd. 9525, July 1985.
- No. 23 : Ninth Report on Top Salaries - Cmnd. 9785, May 1986.
- No. 25 : Tenth Report on Top Salaries - Cm 128, April 1987.
- No. 27 : Eleventh Report on Top Salaries - Cm 359, April 1988.
- No. 28 : Twelfth Report on Top Salaries - Cm 581, February 1989.
- No. 29 : Thirteenth Report on Top Salaries - Cm 938, February 1990.
- No. 30 : Fourteenth Report on Top Salaries - Cm 1413, January 1991.

Appendix B

Lists of those who gave oral evidence

- To the Review Body**
- Mr W H Brett - General Secretary, Institution of Professionals, Managers and Specialists
 - Sir Terence Burns - Permanent Secretary, HM Treasury
 - Sir Robin Butler, GCB, CVO - Secretary of the Cabinet and Head of the Home Civil Service
 - Mrs A F Case - Under Secretary, HM Treasury
 - Mr G L Dennis - Civil Service Commissioner
 - Mr J N Ellis - Secretary designate (now Secretary), Council of Civil Service Unions
 - Mr M D Geddes - Civil Service Commissioner and Chief Executive, Recruitment and Assessment Services Agency
 - Mr J L Heritage, CB - then Under Secretary, Lord Chancellor's Department
 - Mr J H Holroyd - First Civil Service Commissioner
 - Mr P D Jones - then Secretary, Council of Civil Service Unions
 - Sir Peter Kemp, KCB - Second Permanent Secretary, Office of Public Service and Science
 - Ms F Kilvington - Assistant Secretary, Council of Civil Service Unions
 - Mr T S Legg, CB, QC - Permanent Secretary, Lord Chancellor's Department
 - The Rt Hon Lord Justice Leggatt - Lord Justice of Appeal
 - The Rt Hon the Lord MacKay of Clashfern - Lord Chancellor
 - Mr G H Phillips, CB - Deputy Secretary, HM Treasury (now Permanent Secretary, Department of National Heritage)
 - Sir Michael Quinlan, GCB - then Permanent Under Secretary of State, Ministry of Defence
 - Mr S F Smith - Lord Chancellor's Department
 - Ms E C Symons - General Secretary, Association of First Division Civil Servants
 - The Rt Hon Lord Justice Taylor - Lord Chief Justice designate (now The Rt Hon the Lord Taylor of Gosforth, Lord Chief Justice of England)
 - Field Marshal Sir Richard Vincent, GBE, KCB, DSO - Chief of the Defence Staff
- To the judicial sub-committee**
- Sheriff J D Allan - Sheriffs' Association (in Edinburgh)
 - Senior District Judge G B N A Angel - Principal Registry of the Family Division
 - His Honour Judge Bowsher, QC - London Official Referee
 - Mr A M Coventry - Council of Chairmen of Industrial Tribunals (England and Wales)
 - The Hon Lord Cowie - Outer House Judge of the Court of Session (in Edinburgh)
 - Sheriff G L Cox - Sheriffs' Association (in Edinburgh)
 - Mr D R Crome - Council of Chairmen of Industrial Tribunals (England and Wales)
 - His Honour Judge Dyer - Council of HM Circuit Judges
 - The Hon Lord Elliott, MC - President, Lands Tribunal (Scotland) and Chairman, Scottish Land Court (in Edinburgh)
 - Mr C Goodchild - Council of Chairmen of Industrial Tribunals (England and Wales)
 - Mr J L Heritage, CB - then Under Secretary, Lord Chancellor's Department
 - Mr R E K Holmes - Under Secretary, Lord Chancellor's Department
 - The Rt Hon Lord Hope - Lord President of the Court of Session and Lord Justice General (in Edinburgh)
 - Sir David Hopkin - Chief Metropolitan Magistrate
 - Master P T Hurst - Supreme Court Taxing Office

The Rt Hon Sir Brian Hutton - Lord Chief Justice (Northern Ireland)
District Judge S Kendrick - Association of District Judges
Mr I R Kirkwood - Chairman of Industrial Tribunals (Scotland) (in Edinburgh)
District Judge T J Law - Association of District Judges
His Honour Judge Lawrence - President of the Industrial Tribunals (England and Wales)
Mr T S Legg, CB, QC - Permanent Secretary, Lord Chancellor's Department
Mr W Leslie, WS - Chairman of Industrial Tribunals (Scotland) (in Edinburgh)
Mrs D Littlejohn - President of the Industrial Tribunals (Scotland)
Mr F D L Loy - Society of Provincial Stipendiary Magistrates
The Rt Hon the Lord MacKay of Clashfern - Lord Chancellor
Sheriff Principal N D MacLeod, QC (in Edinburgh)
His Honour Judge Medd, OBE, QC - then President of the Value Added Tax Tribunals and Presiding Special Commissioner of Income Tax
Sheriff J P Murphy - Sheriffs' Association (in Edinburgh)
Mr G Murray - Director, Scottish Courts Administration (in Edinburgh)
His Honour Judge Newey, QC - London Official Referee
Sheriff Principal G C B Nicholson, QC (in Edinburgh)
His Honour Judge Pitchers - Council of HM Circuit Judges
District Judge J R Platt (now His Honour Judge Platt) - Association of District Judges
Mr M Rich - Regional Chairman of Industrial Tribunals
The Rt Hon Lord Ross - Lord Justice Clerk (in Edinburgh)
District Judge R B Rowe - Principal Registry of the Family Division
Mr S F Smith - Lord Chancellor's Department
His Honour Judge Tucker, QC - Council of HM Circuit Judges
Mr J S Tweed - Northern Ireland Resident Magistrates' Association

Appendix C

Survey of top salaries in the private sector, 1990-1991¹

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

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Note: Because of rounding, rows or columns may not add exactly to the totals shown, percentages may not add to 100 and percentage changes may differ slightly from those which could be derived from the figures shown.

¹ This survey was the seventeenth such inquiry. Details of previous surveys are given in the reports listed in Appendix A.

DESCRIPTION OF THE SURVEY

1. On behalf of the Review Body on Top Salaries, the Office of Manpower Economics carried out in 1991 a further survey of salaries and other direct remuneration (such as bonuses, commission, and profit-sharing) of board members and senior executives in the private sector. The Review Body is grateful for the co-operation of those who contributed to the survey.

Selection of the sample

2. **Non-financial companies.** As in previous surveys, companies in the non-financial sector were selected from the 'Times 1000' list of the largest companies in the United Kingdom, using turnover as the basis for stratification. To allow for inflation, and to maintain comparability with earlier surveys, the turnover boundaries for the size bands are redrawn so that each stratum contains approximately the same number of companies each year. As in 1990, 200 non-financial companies were approached.

3. **Financial companies.** A wide range of financial institutions was represented by a selection of 50 companies.

The questionnaire

4. All companies selected for the survey were asked to provide data for both 1990 and 1991 on salaries and bonus, including commission and profit-sharing, for full-time members of the main board and for senior executives who reported to a main board member. Questions were included on whether earnings were dependent, either wholly or partly, on individuals' own performance. In addition, companies in the top two size bands of the non-financial sector (those with a turnover of at least £1,200 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. Companies with numerous senior posts below board level could, if they wished, return details of a representative selection of such posts but were asked to report the total number of posts at each level to enable their returns to be scaled up in the manner described in paragraph 6. 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 July 1991. Holding companies were asked to report pay of their own main boards and senior executives.

Response

5. The overall response rate was 82 per cent, as it was in 1990, and, for the first time in recent years, all the returns could be used. Replies were received from fewer than usual of the non-financial companies in the second and fifth strata, but this fall was counter-balanced by higher response from companies in the lowest stratum. Table A shows the number of companies and the response rate in each stratum.

Table A Organisations' response to the salary survey

Sector	Number in 'Times 1000'	Number selected	Providing replies	
			Number	As a percentage of number selected
	No.	No.	No.	%
Non-financial				
Turnover (£million)				
2,500 and over	62	26	23	88
1,200-2,499	60	23	17	74
625-1,199	87	28	24	86
315-624	14	22	20	91
145-314	291	48	35	73
81-144	<u>366</u>	<u>53</u>	<u>39</u>	<u>74</u>
All non-financial	1,000	200	158	79
Financial	..	<u>50</u>	<u>44</u>	<u>88</u>
All	..	250	202	81

Scaling the replies

6. To produce overall estimates for the whole non-financial sector for each level of post, the survey data for each size band have been weighted to allow for the population of companies of that size in the 'Times 1000' list. In addition, the data for all companies have been scaled up to allow for the sampling of posts below board level (referred to in paragraph 4 above). The numbers of posts for which earnings were fully reported appear in Table 4, while the weights used to produce overall estimates for each level of post in non-financial companies and, from these, the estimates for all posts are given in Table 5.

SUMMARY OF RESULTS

7. Detailed results are given in Tables 1 to 3. The main points are described in the following paragraphs.

Levels of pay 8. Table 1 shows the extent to which salary plus bonus rises with company size and the wide range of pay between the smallest and the largest companies covered by the 'Times 1000' list. For example, median pay of board members in companies with a turnover exceeding £2,500 million was about twice that in companies with a turnover of £145-314 million. Upper quartile pay at all levels in smaller companies was below the *lower* quartile for the largest companies. Median salary plus bonus in the financial sector was higher than in the larger non-financial companies, with the exception of board members in companies with turnovers above £1,200 million.

9. Table 2 gives the means of the salaries with and without bonuses and the increases between 1990 and 1991. Bonuses fell to an average of about 10 per cent of basic salaries at board level in non-financial companies in 1991, but remained about 10 per cent for senior executives. Of the posts reported in this survey, 50 per cent had been paid a bonus in both 1990 and 1991, 14 per cent in 1990 only and 8 per cent in 1991 only. The numbers of posts eligible for bonuses are not known.

Movements in pay 10. Mean basic salary showed a 9.6 per cent increase, averaged across all posts in non-financial companies in the survey, between July 1990 and July 1991 and there was an increase of 6.3 per cent in salary plus bonus (Table B). In financial companies, mean basic salary rose over 6 per cent, while salary plus bonus, which had risen more sharply than basic salary in each of the previous 5 years, fell by 3 per cent. Excluding the 22 per cent of posts where a bonus was paid in only one year, 1990 or 1991, the increase in average salary alone in non-financial companies was 10 per cent and salary plus bonus rose 8 per cent.

Table B Annual percentage increases ^a in mean pay

		Non-financial companies		Financial companies	
		Basic salary	Salary plus bonus	Basic salary	Salary plus bonus
September	1980-81	12.9	11.3	12.3	12.0
	1981-82	10.4	11.3	10.8	11.0
Sept 1982- October	Oct 1983	9.5	10.8	6.8	5.7
	1983-84	10.0	11.6	8.0	8.3
July	1984-85	9.5	9.2	9.1	9.1
	1985-86	9.6	11.6	10.8	12.1
	1986-87	10.6	11.6	13.7	21.3
	1987-88	13.0	13.6	13.1	13.4
July	1988-89	13.0	15.2	12.1	15.9
	1989-90	12.0	10.8	12.4	17.0
	1990-91	9.6	6.3	6.0	-3.1

^a Based on comparisons with the same posts a year earlier

Date of last increase in salary 11. Table 3 gives details of the timing of the last increase in salary for the different levels of post in the survey. In 15 per cent of cases no increase had been given since July 1990. For the rest, two-thirds of salary reviews occurred in the calendar months January, April, July and October.

Table 1 Median, quartile and decile salary plus bonus^a at 1 July 1991, by level of post and size of company

Level of post	Non-financial						All	Financial	
	Turnover (£million)								
	2,500 and over	1,200 - 2,499	625 - 1,199	315 - 624	145 - 314	81 - 144			
Main board members									
1. Chief executives									
Highest decile	£000	*	*	300.0	*	160.0	152.6	255.0	337.5
Upper quartile	£000	*	*	248.8	*	150.5	136.4	173.8	250.0
Median	£000	362.4	250.4	172.5	173.8	122.0	114.2	135.0	193.0
Lower quartile	£000	*	*	143.0	*	107.5	86.3	105.0	137.2
Lowest decile	£000	*	*	115.0	*	83.2	75.5	84.3	112.0
Mean	£000	378.9	247.7	210.9	185.4	125.9	114.4	156.8	212.3
2. Deputy chief executives									
Highest decile	£000	*	*	*	*	*	*	226.8	*
Upper quartile	£000	*	*	*	*	*	*	150.0	*
Median	£000	*	*	*	*	106.0	*	100.0	183.0
Lower quartile	£000	*	*	*	*	*	*	85.5	*
Lowest decile	£000	*	*	*	*	*	*	75.0	*
Mean	£000	308.4	*	100.4	204.5	107.8	88.9	129.5	195.5
3. Other main board members									
Highest decile	£000	283.4	186.0	152.6	168.1	110.1	103.5	152.6	241.9
Upper quartile	£000	206.0	155.2	140.0	125.0	92.1	82.3	115.0	171.0
Median	£000	156.0	138.8	113.7	109.0	77.3	71.2	84.0	127.0
Lower quartile	£000	120.8	121.0	82.3	89.6	63.0	61.7	68.2	95.0
Lowest decile	£000	101.8	105.0	63.3	72.5	54.0	53.3	55.0	79.5
Mean	£000	177.0	141.3	116.3	113.3	79.8	74.9	97.8	144.6
Senior executives									
4. Heads of function reporting to main board members									
Highest decile	£000	125.8	102.7	95.2	97.2	70.6	59.0	88.7	144.0
Upper quartile	£000	103.0	85.5	78.8	75.0	56.0	50.2	68.0	107.0
Median	£000	85.2	70.0	62.0	58.8	48.0	40.2	51.0	87.0
Lower quartile	£000	69.8	57.0	52.5	49.0	42.3	36.1	40.4	68.4
Lowest decile	£000	58.3	49.2	44.0	38.0	37.5	29.9	35.0	56.0
Mean	£000	88.0	72.8	68.0	63.4	51.0	43.5	57.4	95.1
5. Others reporting to main board members									
Highest decile	£000	112.1	100.8	74.6	116.2	56.0	56.8	76.2	120.0
Upper quartile	£000	85.6	70.0	55.0	65.5	53.9	49.6	59.0	110.0
Median	£000	76.2	59.2	46.3	51.3	50.0	43.0	50.0	79.9
Lower quartile	£000	64.8	58.0	42.6	43.1	43.6	37.5	42.0	59.5
Lowest decile	£000	45.5	51.8	28.3	35.9	32.5	27.5	34.0	48.0
Mean	£000	77.1	67.6	49.5	59.1	47.6	42.8	53.1	84.7
6. Executives reporting to heads of function at 4 above									
Highest decile	£000	76.0	78.2					77.0	130.0
Upper quartile	£000	64.3	65.5					64.3	77.1
Median	£000	56.3	53.0					56.3	64.7
Lower quartile	£000	48.1	47.0					47.5	50.5
Lowest decile	£000	47.2	43.2					47.0	41.1
Mean	£000	59.5	58.8					59.4	71.1
7. Executives reporting to those at 5 above									
Highest decile	£000	71.8	*					71.8	99.7
Upper quartile	£000	60.2	*					65.2	69.6
Median	£000	49.1	59.0					59.0	65.0
Lower quartile	£000	39.3	*					39.3	60.6
Lowest decile	£000	38.5	*					38.5	38.0
Mean	£000	53.6	64.9					56.3	65.0

For numbers of posts reported see Table 4.

^a Including commission and profit-sharing.

^b Information about these posts was not sought from non-financial companies whose turnover was under £1,200 million.

* Too few posts reported to provide reliable figures.

Table 2 Mean salary and salary plus bonus^a, by level of post and size of company, at 1 July 1990 and 1 July 1991

Level of post and sector	Mean salary			Mean salary plus bonus, etc		
	1990	1991	Percentage increase	1990	1991	Percentage increase
	£000	£000	%	£000	£000	%
Main board members						
1. Chief executives on main board						
Non-financial						
Turnover (£m)						
2,500 and over	315.0	345.3	9.6	374.3	378.9	1.2
1,200-2,499	208.5	234.6	12.5	233.4	247.7	6.1
625-1,199	173.8	192.1	10.5	198.0	210.9	6.5
315-624	160.1	173.4	8.3	182.5	185.4	1.6
145-314	107.3	115.7	7.9	118.0	125.9	6.7
81-144	<u>93.0</u>	<u>100.8</u>	<u>8.4</u>	<u>111.9</u>	<u>114.4</u>	<u>2.2</u>
All non-financial	130.9	142.8	9.1	151.1	156.8	3.8
Financial	168.1	181.2	7.8	229.8	212.3	-7.6
2. Deputy chief executives on main board						
Non-financial						
Turnover (£m)						
2,500 and over	272.2	308.4	13.3	332.9	308.4	-7.4
1,200-2,499	125.0	150.0	20.0	135.0	162.5	20.4
625-1,199	79.9	88.0	10.1	91.4	100.4	9.8
315-624	163.3	176.7	8.2	186.3	204.5	9.7
145-314	89.8	98.3	9.5	99.8	107.8	8.0
81-144	<u>73.8</u>	<u>79.0</u>	<u>7.1</u>	<u>84.1</u>	<u>88.9</u>	<u>5.7</u>
All non-financial	107.6	118.3	9.9	123.0	129.5	5.3
Financial	138.0	147.5	6.9	250.2	195.5	-21.8
3. Other main board members						
Non-financial						
Turnover (£m)						
2,500 and over	146.6	162.1	10.6	175.0	177.0	1.2
1,200-2,499	123.8	134.1	8.3	137.7	141.3	2.6
625-1,199	94.2	107.5	14.2	104.9	116.3	10.8
315-624	92.7	102.2	10.2	108.5	113.3	4.4
145-314	67.5	73.5	8.8	75.8	79.8	5.3
81-144	<u>61.5</u>	<u>66.1</u>	<u>7.6</u>	<u>70.5</u>	<u>74.9</u>	<u>6.3</u>
All non-financial	81.3	89.0	9.4	93.1	97.8	5.1
Financial	116.3	122.9	5.7	163.0	144.6	-11.3
Senior executives						
4. Heads of function reporting to main board members						
Non-financial						
Turnover (£m)						
2,500 and over	75.9	82.8	9.0	86.3	88.0	2.0
1,200-2,499	61.6	67.5	9.7	65.1	72.8	11.8
625-1,199	55.6	62.7	12.9	61.7	68.0	10.2
315-624	53.8	58.8	9.2	59.7	63.4	6.1
145-314	42.6	47.2	10.9	46.3	51.0	10.2
81-144	<u>36.6</u>	<u>39.3</u>	<u>7.3</u>	<u>41.9</u>	<u>43.5</u>	<u>3.8</u>
All non-financial	48.3	53.0	9.6	53.9	57.4	6.6
Financial	82.3	86.7	5.3	96.4	95.1	-1.3
5. Others reporting to main board members						
Non-financial						
Turnover (£m)						
2,500 and over	65.9	71.8	9.0	72.6	77.1	6.2
1,200-2,499	55.1	60.8	10.3	61.4	67.6	10.1
625-1,199	43.7	48.6	11.3	46.1	49.5	7.4
315-624	48.0	53.5	11.4	54.9	59.1	7.7
145-314	40.2	43.9	9.1	44.7	47.6	6.7
81-144	<u>36.3</u>	<u>39.7</u>	<u>9.6</u>	<u>39.5</u>	<u>42.8</u>	<u>8.3</u>
All non-financial	44.6	49.1	10.1	49.2	53.1	7.9
Financial	75.2	80.1	6.5	86.4	84.7	-2.0

Table 2 continued Mean salary and salary plus bonus^a, by level of post and size of company, at 1 July 1990 and 1 July 1991

Level of post and sector	Mean salary			Mean salary plus bonus, etc		
	1990 £000	1991 £000	Percentage increase %	1990 £000	1991 £000	Percentage increase %
6. Senior executives reporting to those at 4 above						
Non-financial						
Turnover (£m)						
2,500 and over	52.3	57.5	10.0	56.0	59.5	6.3
1,200-2,499	<u>50.1</u>	<u>53.1</u>	<u>5.9</u>	<u>58.1</u>	<u>58.8</u>	<u>1.1</u>
1,200 and over ^b	51.9	56.8	9.4	56.4	59.4	5.4
Financial	64.6	68.6	6.2	69.8	71.1	1.8
7. Senior executives reporting to those at 5 above						
Non-financial						
Turnover (£m)						
2,500 and over	45.5	51.0	12.0	48.6	53.6	10.3
1,200-2,499	<u>52.6</u>	<u>58.9</u>	<u>12.1</u>	<u>57.0</u>	<u>64.9</u>	<u>14.0</u>
1,200 and over ^b	47.2	52.9	12.1	50.6	56.3	11.3
Financial	55.9	60.3	7.7	63.5	65.0	2.4
8. Others ^c						
Non-financial	89.3	97.9	9.7	98.6	109.3	10.8
Financial	130.6	137.4	5.3	148.8	143.2	-3.7
All posts						
Non-financial	59.3	65.0	9.6	66.4	70.5	6.3
Financial	80.0	84.9	6.0	95.7	92.7	-3.1

For numbers of posts reported see Table 4.

^a Including commission and profit-sharing.

^b Information about these posts was not sought from non-financial companies whose turnover was under £1,200 million.

^c See note a to Table 4.

Table 3 Date of last increase in salary for each level of post

Level of post	Percentage of posts with salary increase in														Total
	July 1991	June 1991	May 1991	April 1991	March 1991	Feb 1991	Jan 1991	Dec 1990	Nov 1990	Oct 1990	Sept 1990	Aug 1990	July 1990	June 1990 or earlier	
Main board members															
1. Chief executives	6.3	1.7	4.0	15.0	2.1	2.3	30.6	1.4	2.9	8.3	2.8	2.1	2.3	17.9	100.0
2. Deputy chief executive	14.2	-	1.0	12.2	0.5	-	25.0	-	8.2	10.6	5.1	4.1	-	19.0	100.0
3. Other main board members	5.9	1.4	4.5	10.9	1.2	1.7	37.7	1.9	2.7	9.6	2.5	2.6	1.3	15.9	100.0
Senior executives															
4. Heads of function reporting to main board members	7.4	1.3	5.2	17.1	2.3	1.7	29.9	1.2	5.5	7.1	1.6	4.2	2.4	13.1	100.0
5. Others reporting to main board members	13.8	0.9	5.2	16.9	3.0	6.4	29.5	0.3	5.4	4.9	1.2	2.7	3.7	6.2	100.0
6. Executives reporting to heads of function at 4 above ^a	22.4	1.6	7.1	30.5	0.0	0.7	15.3	0.3	0.4	3.2	-	0.3	1.3	16.7	100.0
7. Executives reporting to those at 5 above ^a	45.4	1.6	21.8	2.1	-	0.4	16.3	-	8.9	2.4	-	-	-	1.1	100.0
8. Other posts ^b	4.6	18.0	3.3	21.8	1.5	1.9	34.7	-	3.0	6.0	-	-	0.7	4.5	100.0
All posts	11.8	1.8	5.9	17.3	1.8	2.2	28.6	0.9	4.3	6.5	1.4	2.8	2.1	12.4	100.0

For numbers of posts reported see Table 4

^a Information about these posts was not sought from non-financial companies whose turnover was under £1,200 million.

^b See note a to Table 4.

Table 4 Response and coverage of survey

	Non-financial						All	Financial	Total	
	Turnover (£million)									
	2,500 and over	1,200- 2,499	625- 1,199	315- 624	145- 314	81- 144				
Number of organisations in 'Times 1000'	62	60	87	134	291	366	1,000	
Questionnaires despatched	26	23	28	22	48	53	200	50	250	
Replies received	23	17	24	20	35	39	158	44	202	
Replies used	23	17	24	20	35	39	158	44	202	
Number of posts reported										
Main board members										
1. Chief executives	17	13	24	17	28	38	137	41	178	
2. Deputy chief executives	5	1	5	3	11	4	29	17	46	
3. Other main board members	100	56	75	51	90	124	496	158	654	
Senior executives										
4. Heads of function reporting to main board members	163	82	154	90	144	197	830	257	1,087	
5. Others reporting to main board members	33	33	32	45	40	74	257	65	322	
6. Executives reporting to heads of function at 4 above	88	24	}	b			}	112	180	292
7. Executives reporting to those at 5 above	22	13						35	16	51
8. Others ^a	53	8	10	25	10	16	122	25	147	
Total	481	230	300	231	323	453	2,018	759	2,777	

^a 'Others' contain any of the following posts not included elsewhere: chairmen and deputy chairmen who are not chief or deputy executives; chief and deputy chief executives not on main board; full-time members of boards of subsidiaries.

^b Information about these posts was not sought from non-financial companies whose turnover was under £1,200 million.

Table 5 Weighting of results from non-financial companies

Level of post and over	Annual turnover (£ million)						All sizes
	2,500 2,499	1,200- 1,199	625- 624	315- 314	145- 144	81-	
Main board members							
1. Chief executives	25	25	47	61	125	192	475
2. Deputy chief executives	7	2	10	11	49	20	99
3. Other main board members	145	106	146	184	403	627	1,611
Senior executives							
4. Heads of function reporting to main board members	507	243	496	494	1,115	1,459	4,314
5. Others reporting to main board members	120	211	199	278	282	522	1,612
6. Reporting to heads of function at 4 above ^a	939	196	}				1,135
7. Reporting to those at 5 above ^a	325	101					
8. Others	77	15	20	90	45	81	426
All levels of post	2,145	899	918	1,118	2,019	2,901	10,000

^a Information about these posts was not sought from non-financial companies whose turnover was under £1,200 million.

Note: Financial companies' results are combined without weighting.

Appendix D

Surveys of lawyers' earnings

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

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- Introduction**
1. On behalf of the Review Body on Top Salaries, the Office of Manpower Economics carried out two surveys of the receipts and expenses of lawyers. The larger was a survey of barristers and advocates in full-time practice, similar to those conducted in 1980, 1984, 1987 and 1989. The annual survey of pre-appointment earnings of recently appointed judges was updated and, for the first time, extended to include appointments to Group 7 in England, Wales and Northern Ireland. The co-operation of those who completed questionnaires and of the professional bodies which gave support is most gratefully acknowledged.
 2. As in previous surveys, respondents were asked to provide figures (excluding VAT) of receipts from practice, receipts from other professional activities, and expenses deductible for tax purposes. Because of the time lag between execution of work and payment for it, receipts in a given year do not closely reflect work done in that year; also, particularly at the Bar, annual earnings may fluctuate considerably. Therefore, these surveys collect the latest three years' data which the individual respondent can provide: almost all returns covered either 1987/88 to 1989/90 or 1988/89 to 1990/91.
 3. All data from the surveys have been brought to a common date of April 1991 by using the movements in average earnings (salary plus bonus, etc) shown by the OME survey of top salaries (see Appendix C). Analysis of data from successive surveys has strongly suggested that earnings at the Bar have increased over the years at similar rates to those at senior levels in the corporate sector.

Part A - Earnings of barristers and advocates in private practice

- Scope of the Survey**
4. As in 1987 and 1989 this survey covered the field for possible appointment to the Bench. A sample of 1 in 4 was selected from those barristers in England and Wales listed in the "Solicitors' and Barristers' Directory and Diary" as within 20 to 35 years of call and in private practice. In addition, to take account of younger appointments to the Bench, samples of 1 in 20 of Junior Counsel and 1 in 4 of Queen's Counsel were selected from those with seniority of 15 years but less than 20 years. On the advice of the Faculty of Advocates that seniority of 10 to 35 years is an appropriate criterion in Scotland, all those in this range who were practising at the Scottish Bar were taken to be in the field for the survey. In Northern Ireland all Queen's Counsel and a small number of Junior Counsel were, with the advice of the Bar Council of Northern Ireland, included in the survey.
5. However, in 1991 those barristers selected for the 1989 survey formed the core of the samples in England and Wales and Scotland. They were supplemented to cover barristers who had subsequently attained seniority of 15 or 20 years and those juniors who had taken silk in the period since sample selection for the 1989 survey. Conversely, barristers who were beyond 35 years of call were excluded. In 1989 about half the barristers approached had not responded and they were excluded from the 1991 survey.
6. The numbers selected and the numbers of replies received are shown in Table A. While 87 fewer barristers in England and Wales were asked to provide information in 1991 than in 1989, the number of usable replies increased by 21. In Scotland and Northern Ireland more barristers were approached than in 1989, and replies rose proportionately. As in previous surveys, although broad conclusions can be reached, there must be reservations about the detailed results.

Table A Barristers' response

		Number approached	Providing replies		Number used ^a
			Number	Percentage response	
England and Wales					
20-35 years of call:	Queen's Counsel	67	60	90	59
	Junior Counsel	122	81	66	77
15-19 years of call:	Queen's Counsel	16	13	81	13
	Junior Counsel	40	23	58	21
Scotland		106	51	48	40
Northern Ireland		41	15	37	15
All		392	243	62	225

^a The returns which were not used were from barristers and advocates who reported that they had not been in full-time private practice.

- Scaling the returns**
7. Where data from more than one group of barristers have been combined, the returns from each group have first been scaled up to reflect the response rates and, for Junior Counsel in England and Wales, the different sampling fractions.

- Results**
8. Table 1 gives figures of mean gross receipts, professional expenses, pension premiums paid, and receipts net of expenses: Table 2 shows median and quartile net receipts. Since barristers' pensions are self-financed, the most appropriate measure of total remuneration is net receipts before deducting pension premiums. In the case of Northern Ireland, because there were few returns only the mean figures for Queen's Counsel are shown.

9. Comparison with the 1989 survey figures (which were standardised to April 1989) shows mean net receipts of Junior Counsel rose relatively more than those of Queen's Counsel between 1989 and 1991, whereas Queen's Counsel had enjoyed the relatively larger increase in the previous two-year period. Receipts in Scotland rose relatively less than in England and Wales from 1989 to 1991, having risen more sharply between 1987 and 1989.

Part B - Pre-appointment earnings of judges

Scope of the survey

10. Information on pre-appointment earnings has been collected annually for several years from recently appointed High Court and Circuit Judges and equivalent members of the judiciary in Scotland and Northern Ireland. As there are relatively few appointments, results are combined: the latest survey produced usable returns from one High Court Judge and 17 Circuit Judges (or equivalents) raising the totals for analysis to, respectively, 54 and 149. Response from the High Court has been consistently high over the years. While some Circuit Judges are excluded because they previously held other salaried judicial appointments, the effective response of about 60 per cent means that results may not be fully representative of appointments at that level.

11. In 1991, the survey was extended to Group 7 of the judiciary. Forms were sent to 56 Magistrates, Masters, Registrars and District Judges appointed in England, Wales and Northern Ireland since January 1989. Information on pre-appointment earnings was extracted and analysed from 32 returns.

Results

12. The average annual net receipts, brought to a common date of April 1991, are summarised in Tables 3(a) and 3(b): there are too few appointments in Scotland and Northern Ireland for separate analysis.

Table 1 Mean net receipts and pension premiums of barristers and advocates
(standardised to April 1991)

	Queen's Counsel				Junior Counsel		
	England and Wales	Scotland	Northern Ireland	United Kingdom	England and Wales	Scotland	United Kingdom
	£	£	£	£	£	£	£
Gross receipts: practice	232,900	149,600	179,200	218,600	116,200	88,800	115,200
other professional activities	5,300	10,800	1,000	5,600	1,600	2,300	1,700
Expenses	<u>54,700</u>	<u>31,700</u>	<u>24,800</u>	<u>49,500</u>	<u>30,100</u>	<u>20,900</u>	<u>29,700</u>
Net receipts	<u>183,500</u>	<u>128,700</u>	<u>155,400</u>	<u>174,700</u>	<u>87,700</u>	<u>70,200</u>	<u>87,200</u>
Personal pension premiums	21,200	11,200	20,200	19,900	7,800	5,800	7,800

Table 2 Median and quartile net receipts of barristers and advocates
(standardised to April 1991)

	Queen's Counsel			Junior Counsel		
	England and Wales	Scotland	United Kingdom	England and Wales	Scotland	United Kingdom
	£	£	£	£	£	£
Net receipts						
Upper quartile	217,400	181,000	213,500	103,600	71,500	103,500
Median	153,500	124,100	139,600	67,100	56,600	67,100
Lower quartile	109,700	84,500	106,400	44,000	41,600	44,000
Mean	183,500	128,700	174,700	87,700	70,200	87,200

Table 3(a) **Judges appointed to the High Court and Circuit Benches (or equivalents) in United Kingdom, 1984/85-1990/91**

Net receipts^a prior to appointment (standardised to April 1991)

	High Court Judges	Circuit Judges, previously:			All Circuit Judges
		Queen's Counsel	Junior Counsel	Solicitors	
Number of returns	54	41	86	22	149
	£	£	£	£	£
Upper quartile	287,400	137,800	78,200	89,800	91,700
Median	166,200	107,000	62,600	75,000	71,000
Lower quartile	125,800	76,400	52,800	60,300	58,100
Mean	227,300	113,900	66,600	78,100	81,300

^a Professional receipts net of expenses deductible for tax purposes: pensions contributions not deducted.

Table 3(b) **Appointments to Group 7 of the judiciary^a, January 1989 to mid-1991**
Net receipts^b prior to appointment (standardised to April 1991)

	Previously		All Group 7
	Barristers	Solicitors	
Number of returns	12	20	32
	£	£	£
Upper quartile	55,800	83,600	67,400
Median	46,000	61,800	53,800
Lower quartile	44,800	49,900	45,700
Mean	48,700	68,900	61,300

a Magistrates, Masters, Registrars and District Judges appointed in England, Wales and Northern Ireland.

b Professional receipts net of expenses deductible for tax purposes: pensions contributions not deducted.

Appendix E

PAY COMPARISON STUDIES

E.1 Introduction

To inform this fundamental review the Review Body commissioned studies of pay comparability at senior levels, both within the United Kingdom and internationally. The outcome of these studies is reported in this appendix as follows:

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E.2 Pay comparison survey

Introduction

1. The major study commissioned by the Office of Manpower Economics (OME), on behalf of the Review Body, was a survey designed to seek comparative pay and remuneration data for individuals who worked in private sector companies, in jobs with comparable demands to those of the various levels of civil servants and armed forces officers within the TSRB remit. The study did not include the judiciary as no directly comparable occupations exist. Appendix D gives the results from OME surveys of Bar earnings and of the pre-appointment earnings of members of the judiciary.

2. After a competitive tendering process, Price Waterhouse Management Consultants were commissioned to undertake the main pay comparison survey. The survey consisted of 4 phases:

- the establishment of a benchmark sample of senior civil service and armed forces posts and the collection of a detailed job description from each job in the sample;
- the derivation of a process for matching jobs in the public and private sectors;
- a survey of private sector companies to identify posts which matched the public sector benchmarks;
- collection and analysis of pay and remuneration data for the matched posts.

These phases of the survey are described below briefly, before a summary of the results is given.

Benchmark sample

3. A sample of 50 posts was selected to represent the range of posts in the Review Body's civil service and armed forces remit groups. Comments on an initial sample list were invited from the Ministry of Defence, the Cabinet Office and civil service unions. The benchmark sample was made up as follows:

*Civil service**Armed forces*

Head of the Home Civil Service (and Secretary to the Cabinet)	- 1 post	Chief of the Defence Staff	- 1 post
Permanent Secretary to the Treasury	- 1 post		
Grade 1	- 4 posts	Four star officers	- 3 posts
Grade 1A	- 2 posts		
Grade 2	- 8 posts	Three star officers	- 5 posts
Grade 3	- 16 posts	Two star officers	- 9 posts

4. Each post-holder in the benchmark sample was interviewed by a Price Waterhouse consultant to obtain detailed job descriptions. Each member of the sample subsequently approved his or her job description.

Job matching

5. Each of the benchmark job descriptions was analysed against eleven job characteristics:

- knowledge, skills and experience;
- comprehension;
- evaluation and judgement;
- flexible and creative thinking;
- oral communication;
- written communication;
- representation;
- major decisions made;
- effect of decisions;
- responsibility for resources;
- responsibility for staff.

For each of these characteristics a hierarchy of levels was developed reflecting increasing demands in relation to that characteristic. Each of the benchmark jobs was then assigned a level under each of the eleven characteristics. From this analysis it was clear that five of the eleven characteristics were good discriminators between the different ranks and grades of the civil service and armed forces benchmark posts. These five "key" characteristics (knowledge, skills and experience; comprehension; representation; major decisions made; and effect of decisions) were used in matching jobs with the private sector.

6. The matching process aimed first at identifying individuals within the participating companies who were working in broadly the same area and discipline as each benchmark job and who might therefore qualify as a match. Matches were accepted or rejected depending on how closely the benchmark job profile (that is, its level under each of the five key characteristics) matched the profile of the private sector post. Clear rules on how similar the profiles were required to be for jobs to be matched were established.

Private sector survey

7. A sample of 100 private sector companies (taken from the "Times 1000") were approached. The comparisons were drawn equally from five industry sectors:

- banking, insurance, finance;
- agriculture, oil, chemicals, basic materials, energy;
- transport, distribution, communication, telecommunications, construction;
- engineering, manufacturing, pharmaceuticals;
- food, drink, tobacco, hotels, leisure, retailing.

Detailed job matching interviews were conducted in the 76 companies who agreed to participate.

Pay and remuneration data

8. Where jobs had been matched, companies were asked to complete a questionnaire giving detailed information on the pay and benefits of the matched job-holders, as at 1 April 1991. Adequate information for analysis was received from 69 companies.

9. Information was collected on all aspects of remuneration, including salary, bonuses, allowances and a wide range of benefits including pensions, share option schemes, company cars, medical insurance etc. As part of the analysis, values were assigned to the major benefits provided to matching job-holders, and to the public sector benchmark posts, so that comparisons of the value of the total remuneration packages could be made. In addition companies were questioned on aspects of their pay and employment policies, including terms of employment contracts.

Results

10. Table 1 summarises the major findings of the survey by comparing the total pay and total remuneration for benchmark posts and their private sector counterparts at 1 April 1991 (civil service figures are those recommended for April but not fully paid until December 1991). The data from Table 1 is used, in Table 2, to illustrate the size of the discount between public and private sector pay and remuneration. For convenience public sector pay is expressed as a percentage of that for the private sector counterparts. Thus, at April 1991 rates the Grade 1 civil servant was receiving 48 per cent of the median total pay of his private sector equivalents (or 40 per cent if the comparison is of total remuneration). The discount to the private sector rates that the public sector figures represent can easily be calculated by subtracting the figures in Table 2 from 100 - for example the discount for Grade 1 civil servants is 52 per cent (or 60 per cent if based on total remuneration).

11. Table 3 shows the percentages of private sector counterparts at different levels who were eligible for various benefits. In addition all counterparts were in a company pension scheme - details of pensions' valuation is given in section E.4 of this appendix.

Table 1 Comparison of total pay and total remuneration (1): civil service and armed forces and private sector counterparts

April 1991

Grade/Rank (2)	Total pay (3)		Total remuneration (4)	
	Public £000	Private £000	Public £000	Private £000
Cab Sec/Five star(2)	105	255	140	401
<i>Civil service</i>				
P Sec: Treasury	98	222	126	369
Grade 1	84	175	107	268
Grade 1A	78	128	98	193
Grade 2	62	92	81	134
Grade 3	52	69	65	98
<i>Armed forces</i>				
Four star officers	84	150	115	226
Three star officers	61	91	90	115
Two star officers	53	60	69	85

- Notes:
1. Based on data collected by Price Waterhouse's survey for April 1991; civil service pay figures are those recommended from 1 April 1991 but not fully in payment until 1 December 1991.
 2. Salary figures for Grade 2 and 3 civil servants are the median of actual salaries in payment at 1 December 1991 rates.
 3. Total pay includes salary and all cash bonuses, regional allowances etc.
 4. Total remuneration comprises total pay plus the value of major benefits. For the public sector the only addition is the value of the pension scheme. For the private sector the bulk of the addition comes from pensions, company cars and share option schemes. For both sectors the value of certain relatively minor benefits (for example chauffeur-driven cars for business use, club membership, sports and social events) has been ignored.
 5. Counterpart data for the Cabinet Secretary and the Chief of the Defence Staff have been combined to give adequate numbers for reliable analysis.

Source: Price Waterhouse/OME

Table 2: The public service discount (*) based on comparisons of total pay and total remuneration: civil service and armed forces and private sector counterparts

April 1991

Grade/Rank	Public sector pay as a percentage of private sector	
	<i>Total pay</i>	<i>Total remuneration</i>
Cab. Sec/Five star	41	35
<i>Civil service</i>		
P. Sec: Treasury	44	34
Grade 1	48	40
Grade 1A	61	51
Grade 2	67	60
Grade 3	75	66
<i>Armed forces</i>		
Four star officers	56	51
Three star officers	67	78
Two star officers	88	81

Note: 1. The measure of the discount given here is the median public sector pay (and remuneration) as a percentage of the private sector figures.

Source: Price Waterhouse/OME

Table 3: Prevalence of selected benefits for senior private sector employees

April 1991

Private sector posts equivalent to:	Percentage of private sector posts eligible for:				
	Private medical insurance	Executive share option scheme	Company car	Second company car	Mortgage assistance
Cab Sec/Five star	88	79	94	21	6
<i>Civil service</i>					
P Sec: Treasury	100	73	91	18	91
Grade 1	86	75	100	11	25
Grade 1A	89	79	100	5	11
Grade 2	86	78	100	4	39
Grade 3	90	63	100	3	28
<i>Armed forces</i>					
Four star officers	90	81	100	2	23
Three star officers	83	75	100	13	8
Two star officers	92	62	98	6	26

Source: Price Waterhouse

E.3 Pay database study

1. In order to provide a check on the data collected as part of the pay comparison survey, Hay Management Consultants were asked to carry out a database pay comparison. Hay were provided with the job descriptions of the same 50 civil service and armed forces benchmark posts used for the survey. These they evaluated using the Hay Guide Chart-Profile method, a points-based job evaluation scheme.
2. Table 4 gives the points scores for the ranks or grades in the remit group together with the median total pay figure for jobs at those levels in the (predominantly private-sector) Hay database in April 1991.
3. The pay data in Table 4 are based on all jobs, at the appropriate level, in the Hay database. No attempt was made to match benchmark jobs with specific functional groups in the database. The total pay data are broadly similar to those provided by the Price Waterhouse survey.
4. One further advantage of asking Hay to undertake this analysis was that it allowed a direct comparison with the similar study they undertook to inform the TSRB 1985 major review. Table 5 compares the public service discount in April 1991 with that based on pay levels before the 1985 review and also incorporating its 1985 recommendations. For the lower ranks or grades in the TSRB's remit the discount in April 1991 was similar to that before the 1985 review. For the senior posts however the discount was greater than in 1985 - Grade 1 civil servants (Permanent Secretaries) for example were receiving 49 per cent of their private sector counterparts' total pay in April 1991 compared with 55 per cent before the 1985 recommendations.

Table 4: Hay points scores for civil service grades and armed forces ranks and median total pay for jobs at those levels from the Hay database.

	Points scores	April 1991 Median total pay from the database £
<i>Civil service</i>		
Cabinet Secretary	6,976	293,500
P Sec: Treasury	5,824	249,400
Grade 1	4,316	173,300
Grade 1A	3,720	160,300
Grade 2	2,556	109,600
Grade 3	1,628	69,300
<i>Armed forces</i>		
Chief of the Defence Staff	6,144	262,000
Four star officers	3,976	160,300
Three star officers	2,806	109,600
Two star officers	1,788	69,300

Source: Hay

Table 5: The public sector discount (1) in 1985 and 1991 for TSRB grades

Grade/Rank	Public sector pay as a percentage of private sector counterparts		1991
	1985 before increase	1985 after increase (2)	
Cab.Sec/Five star	51	72	38
<i>Civil service</i>			
Grade 1	55	74	49
Grade 1A	59	77	48
Grade 2 (3)	65	75	60
Grade 3 (3)	77	87	75
<i>Armed forces</i>			
Four star officers	55	72	48
Three star officers	65	75	55
Two star officers	77	87	76

- Notes: 1. All figures are based on Hay data for total pay in order to get comparable figures across the years; the 1991 figures differ slightly from those in Table 2 which are based on Price Waterhouse figures. The data are presented as the public sector pay as a percentage of private sector counterparts pay.
2. These figures assume that the full award was paid with effect from 1 April 1985
3. Grades 2 and 3 figures are based on the maximum non-discretionary point for 1985 and the medians of actual salaries in payment for 1991.

Source: Hay/OME

E.4 Public and private sector pension schemes

Introduction

1. The respective values to their recipients of the public and private sector pension schemes were incorporated in the comparison of total remuneration given earlier. This section of Appendix E provides some further detail on the evaluation of pensions, covering also the judicial pension scheme where no direct pay comparison was made with the private sector.

2. The evaluation of private sector pension schemes was undertaken by the Pensions Advisory Services section of Price Waterhouse. It used detailed information on pension provision at senior levels collected from the comparator companies in the pay comparison survey. Price Waterhouse also evaluated the civil service, armed forces and judicial pension schemes on a consistent basis.

Valuation of pension schemes

3. Price Waterhouse used the standard Entry Age Method of evaluating pensions (the same approach as that used in previous evaluations for the TSRB by the Government Actuary's Department). This method calculates the contributions that would have to be paid to provide the pension benefits and expresses them as a level percentage of pensionable pay over the job-holder's working lifetime. After deductions of any employee's contribution, the results are given as the annual cost to the employer (and thus benefit to the employee) of the pension benefits.

4. The value, or benefit, of a pension scheme to an employee is thus measured by an assessment of the cost to the employer. This measure, known as the employer's standard cost, is the percentage of pensionable pay that would have to be paid by the employer throughout the job-holder's working career in order to provide the promised scheme benefits.

5. Differences in employee contribution rates are taken into account in the valuation because, in remuneration terms, the value (or benefit) of a scheme to an employee is determined by the employer's contribution and not the total value of the pension scheme. Around a third of the private sector counterparts in the remuneration comparison were in non-contributory schemes, another third had contribution rates between 3 per cent and 5 per cent and approximately 15 per cent paid more than 5 per cent. Employee contributions in the public sector are 1½ per cent in the civil service (towards dependants' benefits), nil in the armed forces and 4 per cent for married members of the judiciary (3 per cent for Stipendiary Magistrates).

6. The valuation of pension schemes requires a number of assumptions to be made about investment return, inflation, salary increases, mortality etc. The use of different assumptions for these factors would produce different assessments of the value of the pension schemes, none of which could claim to be the single 'right' valuation. Price Waterhouse incorporated what they felt to be appropriate assumptions in their valuations and, as the assumptions were common to both public and private sector schemes, these allowed valid comparison.

Private sector pension schemes: index-linking

7. All three public services under the TSRB's remit have pension schemes where increases in the pension after retirement are linked to the rate of inflation. This has traditionally been seen as a great benefit of the public sector. Table 6 shows what pension increase policy and practice was in the pension schemes of the private sector counterparts to senior civil servants and armed forces officers. The table shows, for example, that 33 per cent of counterparts to Grade 1 civil servants were in pension schemes where no pension increases were guaranteed, and only 7 per cent were in schemes which were index linked. In the four years to 1991 however pension increases awarded by these private sector schemes had been considerably more generous than the minimum guaranteed. During that period (which included a time when annual inflation exceeded 10 per cent) 61 per cent of Grade 1 counterparts' pension schemes gave pension increases in line with inflation. Only 3 per cent were in schemes which gave no increases and the remainder were in schemes where increases were around 75 per cent of the increase in the retail prices index (RPI).

Comparative value of public and private sector pension schemes

8. Table 7 shows the comparative values of the public and private sector pension schemes for the three groups in the TSRB's remit (although there are no private sector comparators to the judiciary). The values are given both as percentages of pensionable pay and in cash terms.

9. The table shows that with the exception of Grade 1A, civil service pension benefits were valued as a lower percentage of pay than those of their private sector counterparts. On top of that the higher salaries paid to the latter meant that their pension benefit was worth very much more in cash terms than that of the civil servants. The armed forces pension scheme was valued more highly than that of the civil service and, in percentage terms, than that of the private sector counterparts because of its faster accrual rate. The judicial pension scheme also has a fast accrual rate but is valued less highly than the armed forces scheme because of the later retirement age of the judiciary. These figures were incorporated in the comparisons of total remuneration made earlier in this appendix.

10. The valuations given in Table 7 show a similar picture to that in Appendix H of the 1988 TSRB report based on valuations made by the Government Actuary. The 1991 figures are generally slightly lower than those of 1988 due to different assumptions on investment return, increases in earnings and inflation. Both the 1988 and 1991 data however show that, whilst the level of pensions increases in the private sector does not match the index linking of the public sector schemes, it is sufficiently high, at these senior levels, for the difference not to be a major element in the valuation. The most significant factor in the comparison of pension values was the higher salary (pensionable pay) levels in the private sector.

Table 6: Private sector senior pensions - pension increases: guarantees and practice

Percentage of schemes

Private sector posts equivalent to:	Guaranteed pension increases			Pension increases in practice (4 years, to 1991)	
	No guarantee	Fixed rate (1)	Index-Linked	None	Index-Linked (2)
Cabinet Sec/Five star	18	68	15	3	71
<i>Civil service</i>					
P Sec: Treasury	36	55	9	0	73
Grade 1	33	61	7	3	61
Grade 1A	21	63	16	5	63
Grade 2	28	57	11	0	60
Grade 3	19	71	8	1	66
<i>Armed forces</i>					
Four star officers	19	69	10	1	51
Three star officers	38	54	4	0	46
Two star officers	19	67	13	0	70

- Notes: 1. Guaranteed fixed rate increases were typically of 5 per cent.
 2. Pension schemes where increases had been less than if index-lined gave a median increase of just under 75 per cent of the RPI increase over the period.

Source: Price Waterhouse

Table 7: Comparative value of public and private sector pension schemes

Public sector gradelrank	Cost to employer of pension benefits			
	Public sector		Private sector comparators	
	percentage of pensionable salary	£ per annum	percentage of pensionable salary (average)	£ per annum (average)
<i>Civil service</i>				
Cabinet Secretary	28.5	29,900	31.6	82,300
P sec: Treasury	28.5	27,900	35.0	72,800
Grade 1	27.0	22,700	28.4	53,500
Grade 1A	27.0	20,900	26.6	31,000
Grade 2	24.5	16,000	27.0	26,400
Grade 3	22.5	11,800	24.9	17,200
<i>Armed forces</i>				
Five star	39.5	41,400	30.6	124,300
Four star	37.0	31,200	26.5	39,700
Three star	33.5	20,300	22.9	17,800
Two star	31.0	16,400	22.6	13,200
<i>Judiciary</i>				
High Court Judge	30.0	25,300		
Circuit Judge	30.0	18,000		
Stipendiary Magistrate	26.5	13,000		
			No external comparators	

Source: Price Waterhouse

E.5 International pay comparisons

Introduction 1. Hay Management Consultants were commissioned to look at senior pay in the public and private sectors in France and Germany. This work was partly intended to see if a pay discount for public service existed outside the United Kingdom. The many difficulties of making valid international comparisons were accepted when the work was commissioned - the restriction of the work to only two countries was itself intended to try and limit some of these difficulties. It was not anticipated that comparative data capable of precise interpretation would be produced - a broad indication of the position of senior public sector pay in these countries was the most anticipated.

Method 2. Hay Consultants maintain remuneration databases, similar to that in the UK, in both France and Germany. All these databases rely on the same Hay job evaluation system so comparisons of private sector jobs of similar weight were fairly straightforward. Hay's database in Germany was influenced, at senior levels, by a large number of jobs from multinational organisations. Hay noted that in the view of their German office the lower quartile pay data better reflected local German pay practice than the median and this was therefore used in comparison with median pay from the UK and French databases.

3. In order to match public sector jobs in the UK with their equivalents in France and Germany, Hay Consultants visited the appropriate Government departments in those countries to discuss the employment structure at senior levels. In some cases the Hay team found what they felt to be appropriate counterparts to specific UK ranks or grades. So that some comparisons could be made even where no direct counterparts were available, the Hay team assigned points scores to a range of senior public sector jobs in France and Germany. The assignment of these points scores did not follow the usual rigorous job-evaluation normally applied by Hay - it was based on a broad feel for the job weight of the posts by experienced Hay consultants. The allocation of points scores to public sector jobs in the three countries was designed to allow a comparison of public with private sector pay from the three national databases.

Private sector pay 4. Table 8 shows private sector pay in the three countries for jobs with a range of Hay points scores between 1,800 and 6,100. This covers most of the jobs in the TSRB's remit which range from just over 1,600 points to just under 7,000. Median base pay is compared on two bases - first, converted on current exchange rates and second, after deduction of taxation and social security (national insurance) payments and adjustment, via purchasing power parities, for the different price levels in the three countries. The latter basis can be interpreted as providing a comparison of the buying power of take-home pay.

5. On the exchange rate conversion basis, the table shows private sector pay in the UK to be behind that in Germany at all levels, and behind French pay at the lower end of the TSRB range but ahead at the top. Conversion for tax, purchasing power etc leaves the UK behind Germany at all levels but only marginally so in parts of the range; pay in the UK and France is similar at the lower end of the range but the UK is higher at the top end.

Public sector pay 6. For those jobs where the Hay consultants considered it was appropriate to match directly between the countries, it is possible to make comparisons of pay levels. Comparison across military ranks was considered straightforward as rank structures are closely aligned in the three countries. It is unlikely that similarly ranked jobs are precisely similar between the countries, but the degree of confidence in such matching must be higher than for comparisons between levels in the civil service and in the judiciary. Comparisons across the last group are particularly difficult as the judicial structure in the UK is quite unlike those of the other two countries.

7. Table 9 compares pay (and pay plus the value of the pension scheme) for those posts where direct comparisons were thought appropriate. Hay reported that public sector pension schemes in France and Germany provide for a maximum pension of 75 per cent of final salary compared with the UK schemes which allow for a maximum of around 50 per cent of final salary plus a lump sum of three times pension (actuarially assessed together as equivalent to 60-65 per cent of final salary). The assessment of pension values for France and Germany in the table is not based on a full evaluation of the public sector pension schemes in those countries - instead the extra value that would accrue to the UK schemes from a 75 per cent of final salary rule was used to estimate their additional pension values. The table shows that incorporating this difference in pension scheme arrangements makes a noticeable change in the apparent position of the UK public sector in relation to its French and German counterparts. UK remuneration for these levels is ahead of its French and German counterparts at the most senior levels, and lies between French and German rates further down.

8. It is essential to treat these comparisons with caution - they relate to a very selective number of (mainly military) posts and do not take into account differences in conditions of service and other benefits except for the higher final pension available in France and Germany.

Public sector discount

9. A major aim of the international comparisons study was to identify whether a remuneration discount for the public service existed outside the United Kingdom. A crude comparison of Tables 8 and 9 suggests that a substantial discount probably does exist in France and Germany. The German figures are the most striking: private sector pay is consistently above that in the UK (Table 8) yet public sector pay (Table 9) is broadly equivalent to the UK and possibly lower for the most senior posts. However this is before taking account of the additional value of the public sector pension schemes in France and Germany over those in the UK. To make a valid assessment of the size of the discount in these two countries would require a valuation of their private sector pension arrangements. We understand from Hay that most private sector pensions in France and Germany do not provide benefits equivalent to 75 per cent of final salary, but adequate data were not readily available to allow a full evaluation. It would also be necessary to look further at other differences in benefits and conditions of employment in both the public and private sectors of the three countries before attempting to assess the size of the discounts with any confidence.

10. However the evidence available does suggest strongly that substantial remuneration discounts for public service exist in France and Germany as well as in the United Kingdom.

Table 8: Private sector pay in France, Germany and the UK for selected Hay points scores

April 1991

Points score ⁽³⁾	£000					
	Income (gross) ⁽¹⁾			Income (net) ⁽²⁾		
	UK	France	Germany	UK	France	Germany
6,100	225	183	415	140	91	170
5,500	221	170	350	137	84	143
4,000	141	130	220	89	68	91
3,400	130	124	202	78	65	87
2,800	95	109	171	57	58	73
2,100	78	90	129	49	48	60
1,800	61	82	114	38	45	54

- Notes:
1. Income (gross) is median base pay (that is salary excluding bonuses, allowances etc) converted at current exchange ranges. Data for UK and France is median pay (Germany are lower quartile) from Hay database.
 2. Income (net) allows for taxation, social security payments and purchasing power. It can be looked at as broadly representing the buying power of take-home pay.
 3. Points scores based on Hay job evaluation system.

Source: Hay

Table 9: Public sector pay in France, Germany and the UK: median salary, and median salary plus pension benefit ^{1,2}

April 1991

UK post	UK		France		Germany	
	salary	salary plus pension	salary	salary plus pension	salary	salary plus pension
Armed forces						
Five star officers	105	146	62	94	-	-
Armed forces						
Four star officers	84	115	62	92	71	105
Civil service						
P. Sec 1A	78	99	-	-	77	103
Armed forces						
Three star officers	60	80	48	69	61	87
Civil service						
Grade 3	52	64	44	57	-	-
Armed forces						
Two star officers	53	69	38	53	54	76

- Notes
1. Salary and salary plus pension value data are converted at current exchange rates. An adjustment to take account of taxation, social security and purchasing power would be complex because of the incorporation of pension values. It would be unlikely to change significantly the relativities between the UK and French figures; the German figures would probably fall slightly relative to the other countries.
 2. The value of the pension schemes in France and Germany is taken as the value of the UK schemes with a 75 per cent of final salary rule.

Source: Hay/OME

E.6 Updating pay comparison data from April 1991 to April 1992

1. The pay comparison studies detailed in this appendix were all undertaken in 1991 and collected information current at 1 April 1991. The deferment of the Review Body's reporting date has allowed an accurate assessment of changes in comparator pay from 1 April 1991 to 1 April 1992, the due date for the Review Body's recommendations to take effect.

2. Hay Management Consultants have provided details from their database of the increases in basic salary and total pay, over the year to April 1992, for jobs at the levels of the TSRB posts. These increases are shown in Table 10. The table shows that with one exception (private sector posts with a similar job weight to the Permanent Secretary to the Treasury) total pay increases are consistently below basic pay increases. This reflects a general reduction in bonus levels, presumably due to the effects of the recession on company profits. However in all cases the increases in basic pay have been sufficient to offset any fall in bonuses and give a total pay increase of not less than 5 per cent.

Table 10: Increases in basic pay and total pay for private sector jobs equivalent to TSRB posts

<i>Private sector posts equivalent to:</i>	1 April 1991 - 1 April 1992	
	<i>Basic pay</i>	<i>Percentages</i> <i>Total pay</i>
<i>Cabinet Secretary/</i>		
Five star officer	16.3	9.9
<i>Civil service</i>		
P. Sec : Treasury	11.3	14.2
Grade 1	14.0	8.0
Grade 1A	11.1	5.3
Grade 2	10.0	5.0
Grade 3	12.0	5.5
<i>Armed forces</i>		
Four star officers	11.1	5.3
Three star officers	10.0	5.0
Two star officers	12.0	5.5

Source: Hay

Appendix F

Performance-related pay in the senior open structure of the civil service

1. Performance-related pay was introduced in 1987 following the recommendations made by the TSRB in the 1985 comprehensive review. This was seen as a means of encouraging good performance, and as part of wider changes which had the aim of developing greater managerial skills and accountability within the civil service. The arrangements for performance-related pay have evolved from original arrangements under which the single spot salaries for Grades 2 and 3 were replaced by a pay range. At the bottom of the range, increments were payable to all fully satisfactory performers up to a normally attainable maximum; beyond this point, there were discretionary increments which could be awarded on the basis of performance to up to a total of 25 per cent of the staff in each grade. This arrangement had the shortcoming that three-quarters of Grades 2 and 3 could not earn a discretionary award, however good their performance. As an interim measure, it was recommended by the TSRB in its 1989 report that the 25 per cent 'quota' on the numbers of staff who could be in receipt of one or more discretionary increments at any one time should be increased to 35 per cent. This change was implemented in October 1989.
2. In its 1990 report, the TSRB recommended a new scheme to replace these arrangements. The aims of this scheme, which was introduced in April last year, are to encourage and reward good performance by making all pay increases for these grades performance-related; to provide opportunities for the best performers to receive additional pay in recognition of their high performance, while at the same time ensuring that this does not result in the pay of fully satisfactory performers being depressed; and to avoid the problems which can arise with limitations on the number of performance awards while still maintaining control over the total paybills.
3. Under the new scheme, incremental scales and discretionary increments have been replaced by a pay range for each grade, with set minimum and maximum points. The normal expectation is that individuals enter at the minimum of the range, and movement up it depends on performance. Individuals performing fully satisfactorily (broadly equivalent to box 3 of the five-box marking system for staff appraisal) or better are awarded at least a 'standard' increase at each annual review but there is managerial discretion within the available budget of 2 per cent to award larger increases where these are considered to be justified. Where an increase would take an individual beyond the range maximum for the grade, the amount above the range maximum is paid as a one-off, non-pensionable bonus. If individuals perform below a satisfactory level, they may be awarded less than the 'standard' increase, or nothing at all. Each year the report now recommends the new minimum and maximum for each grade; the 'standard' pay increase for fully satisfactory performers in each grade; and (if it is considered that the budget, currently at 2 per cent, should be changed) the provision necessary in the paybill for larger performance-related increases.
4. As to the level of funding, analysis of the first round of awards indicates that a performance budget of 2 per cent has enabled departments to make some progress in recognising the achievements of staff who were fully satisfactory as well as making significant awards to exceptional performers. However, a study by Hay Management Consultants was commissioned by the TSRB into various aspects of performance-related pay with particular regard to practice in the private sector, and this showed that a performance budget of 2 per cent is low by the standards of the private sector, where such budgets are more commonly set in the range of 2½ to 3½ per cent.
5. In the first round, awards above the general percentage increase were made to the majority of box 3 performers at Grade 2, and to just under half at Grade 3. However, it is not possible to say in the light of only one year's awards whether box 3 performers could expect to progress over time to, say, the mid-point of the

salary scale. Also, no conclusions can be drawn on the basis of a single year's awards as to whether there is any significant divergence among departments of the pay of individuals with the same performance assessments.

6. Performance-related pay awards under the new scheme are not linked automatically to box markings: the appraisal system has wider aims. As far as possible, decisions are delegated to departments, and each department has a cash budget for above-standard increases, allocated in proportion to the number of staff it has at Grades 2 and 3. It is understood that the scheme does not affect the system of awarding personal pay points which are used in particular to meet manning needs such as those where a department has to recruit from outside the civil service an individual who cannot be accommodated at the normal starting salary for the grade.

Appendix G

Salary differential between one star officers and two star officers in the armed forces

The pay of one star officers is recommended by the Review Body on Armed Forces Pay (AFPRB); the pay of two star officers is recommended by the Review Body on Top Salaries (TSRB). Since 1979 the differential between one and two star officers has varied as follows:

Date	Differential %	Remarks
April 1979	9.6	
April 1980	12.3	
April 1981	5.0	
April 1982	9.9	
April 1983	nil	AFPRB award but no TSRB award
August 1983	7.0	TSRB interim award
January 1984	11.0	TSRB second stage
April 1984	11.0	TSRB and AFPRB first stage
November 1984	8.9	TSRB and AFPRB second stage
April 1985	0.3	AFPRB award but no TSRB award
July 1985	8.0	TSRB first stage
March 1986	15.6	TSRB second stage
July 1986	9.9	TSRB and AFPRB deferred awards
April 1987	8.1	AFPRB full award and TSRB first stage
October 1987	8.5	TSRB second stage
April 1988	5.5	AFPRB full award and TSRB first stage
October 1988	6.7	TSRB second stage
April 1989	11.2	
April 1990	10.2	TSRB and AFPRB first stage
January 1991	11.7	TSRB and AFPRB second stage
April 1991	4.2	AFPRB full award and TSRB first stage
December 1991	6.0	TSRB second stage
April 1992	0.4	AFPRB full award; TSRB pending

Note: Some one star officers also receive additional pay which further reduces the differential as it is lost on promotion to two star rank.

Appendix H

Existing judicial salary structure

The order in which posts are listed within each group is not intended as an indication of relative importance or standing within the group.

- Group 1** Lord Chief Justice of England
- Group 2** Lords of Appeal in Ordinary
Master of the Rolls
Lord President of the Court of Session
Lord Chief Justice (Northern Ireland)
- Group 3** Lord Justice Clerk¹
Lords Justices of Appeal
Inner House Judges of the Court of Session
Lords Justices of Appeal (Northern Ireland)
President of the Family Division
Vice-Chancellor
- Group 4** High Court Judges
Outer House Judges of the Court of Session
Puisne Judges (Northern Ireland)
- Group 4a** London Official Referees
- Group 5** Sheriffs Principal
Vice-Chancellor of the County Palatine of Lancaster
Senior Circuit Judges
Recorder of Liverpool
Recorder of Manchester
Recorder of Belfast
Chief Social Security Commissioners (England, Wales and Scotland; and Northern Ireland)
Presidents, Industrial Tribunals (England and Wales, Scotland and Northern Ireland)
Judge Advocate General
President, Social Security Appeal Tribunals and Medical Appeal Tribunals (England, Wales and Scotland)
Chairman, Criminal Injuries Compensation Board
Presidents, Lands Tribunals (England and Wales, Scotland and Northern Ireland)
President, Value Added Tax Tribunals and Presiding Special Commissioner of Income Tax
- Group 6** Circuit Judges
Sheriffs
County Court Judges (Northern Ireland)²
Social Security Commissioners (England, Wales and Scotland; and Northern Ireland)
Chairman, Scottish Land Court³
Registrar of Criminal Appeals
Registrar of Civil Appeals
Chief Metropolitan Magistrate
Chief Registrar and Senior and Chief Masters
Senior District Judge
Master, Court of Protection
Chairman, Foreign Compensation Commission
Regional Chairmen, Industrial Tribunals (England and Wales, and Scotland)

Judge Advocate of the Fleet
Vice-Judge Advocate General
President, Immigration Appeal Tribunal
Vice-Presidents, Immigration Appeal Tribunal
Chief Immigration Adjudicator
President, Social Security Appeal Tribunals and Medical Appeal Tribunals
(Northern Ireland)
Regional Chairmen, Social Security Appeal Tribunals and Medical Appeal
Tribunals
Members, Lands Tribunals (England and Wales, Scotland and Northern Ireland)

Group 7 Chairmen, Industrial Tribunals (England and Wales, Scotland and Northern
Ireland)
Metropolitan Magistrates
Provincial Stipendiary Magistrates
Resident Magistrates (Northern Ireland)
Masters and Registrars of the Supreme Court
Masters of the Supreme Court (Northern Ireland)
District Judges
District Judges (Northern Ireland) (formerly Circuit Registrars)
President, Pensions Appeal Tribunals
Vice-President (Scotland) and Chairmen, Value Added Tax Tribunals
Chairmen, Social Security Appeal Tribunals and Medical Appeal Tribunals
Special Commissioners of Income Tax
Deputy Chief Immigration Adjudicator
Immigration Adjudicators

¹ Paid a salary lead of £1,000 over the salary for Group 3.

² Paid the salary for Group 5 for as long as they are required to carry out significantly different work from their counterparts elsewhere in the United Kingdom: Circuit Judges in England and Wales and Sheriffs in Scotland.

³ Paid as in Group 5 when the post is combined with that of President, Lands Tribunal (Scotland).

Appendix I

Salaries currently in payment and numbers in post at the latest available date

	Salaries currently in payment £	Numbers in post at 31 March 1992 ^a
Senior civil servants		
Grade 3		481
Outside London		
range minimum	48,000	
range maximum	55,700	
London ^b		
range minimum	49,300	
range maximum	57,000	
Grade 2		140
range minimum	60,100	
range maximum	70,400	
Grade 1A	77,500	11
Grade 1	84,250	23
Permanent Secretary to the Treasury		
Secretary of the Cabinet ^c	98,000	1
Secretary of the Cabinet and Head of the Home Civil Service ^d	104,750	1
Senior officers of the armed forces		
Rear Admiral		
Major General		
Air-Vice Marshal	53,000	139
Vice-Admiral		
Lieutenant General		
Air Marshal	60,600	34
Admiral		
General		
Air Chief Marshal	84,250	21
Admiral of the Fleet		
Field Marshal		
Marshal of the Royal Air Force	104,750	1
Members of the judiciary^e		
Group 7	50,500	478
6	61,600	616
5	68,400	26
4a	73,250	7
4	84,250	107
3	93,000 ^f	39
2	97,000	13
1	104,750	1

^a Numbers in post exclude the Northern Ireland Civil Service.

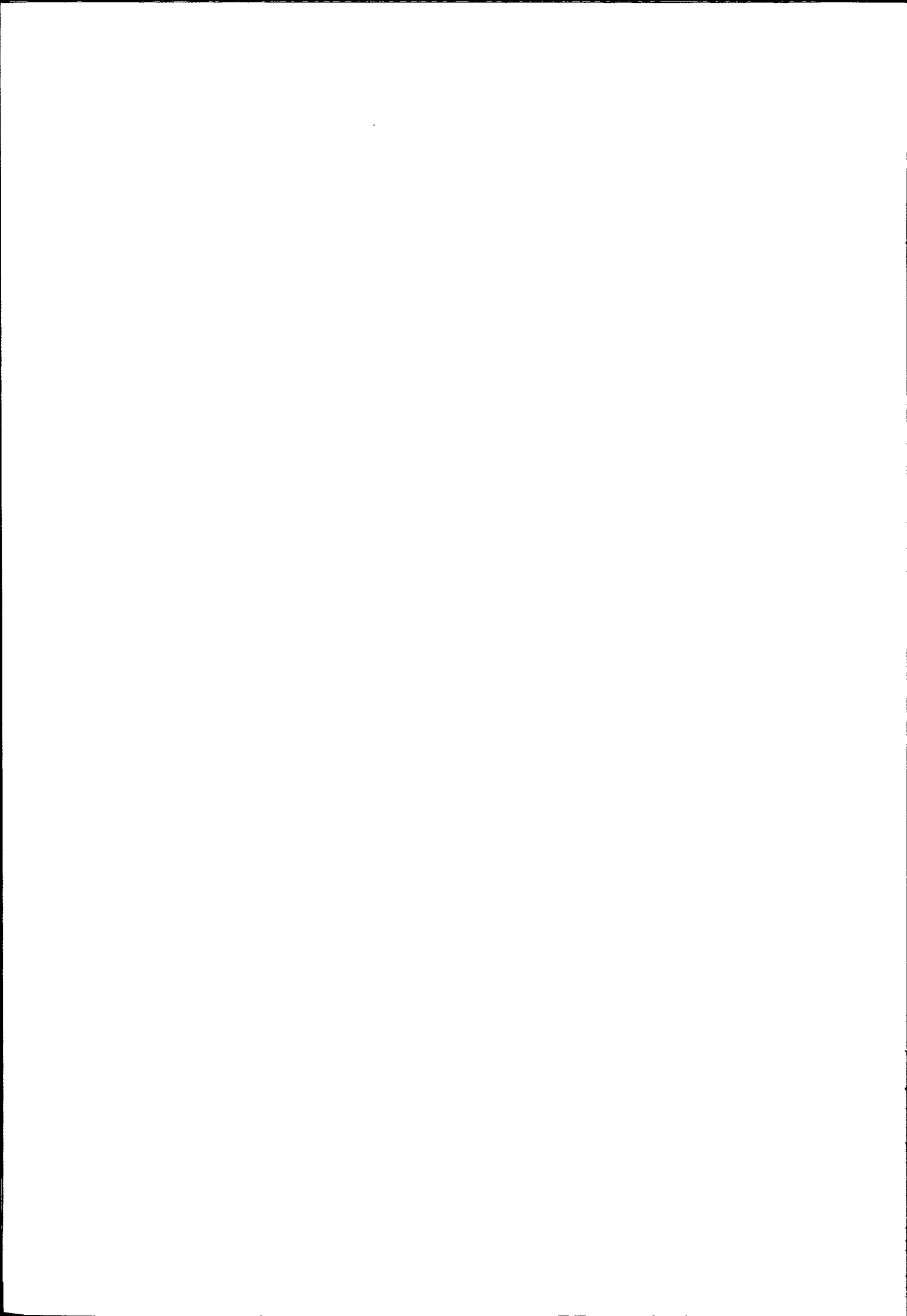
^b Excludes London Allowance of £2,000 (two star officers in the armed forces receive London pay and Group 7 of the judicial salary structure receive London Weighting).

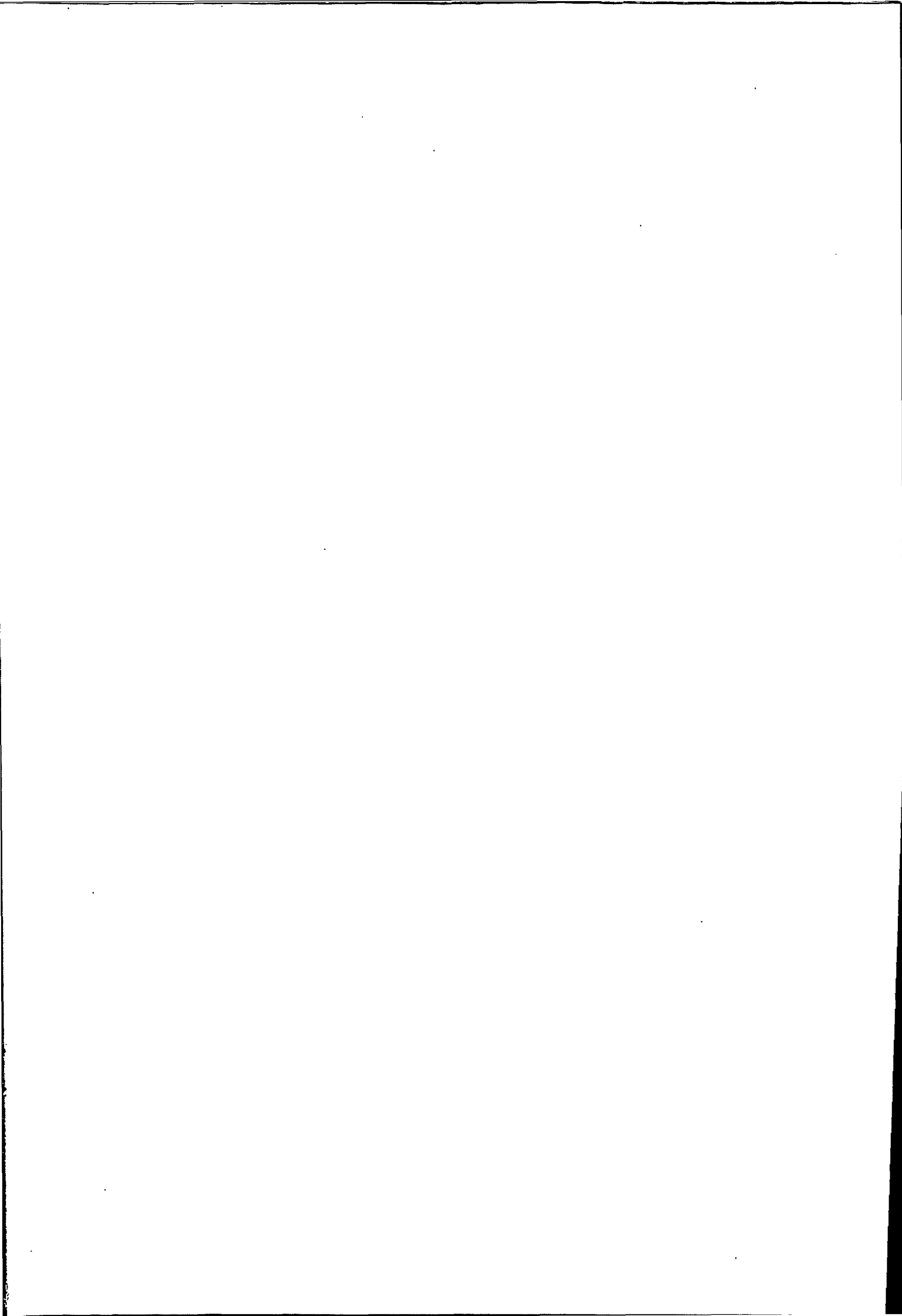
^c Paid at this level if not also Head of the Home Civil Service (see footnote d).

^d At present a combined post.

^e The composition of each group is given in Appendix H.

^f The Lord Justice Clerk is paid a salary lead of £1,000.

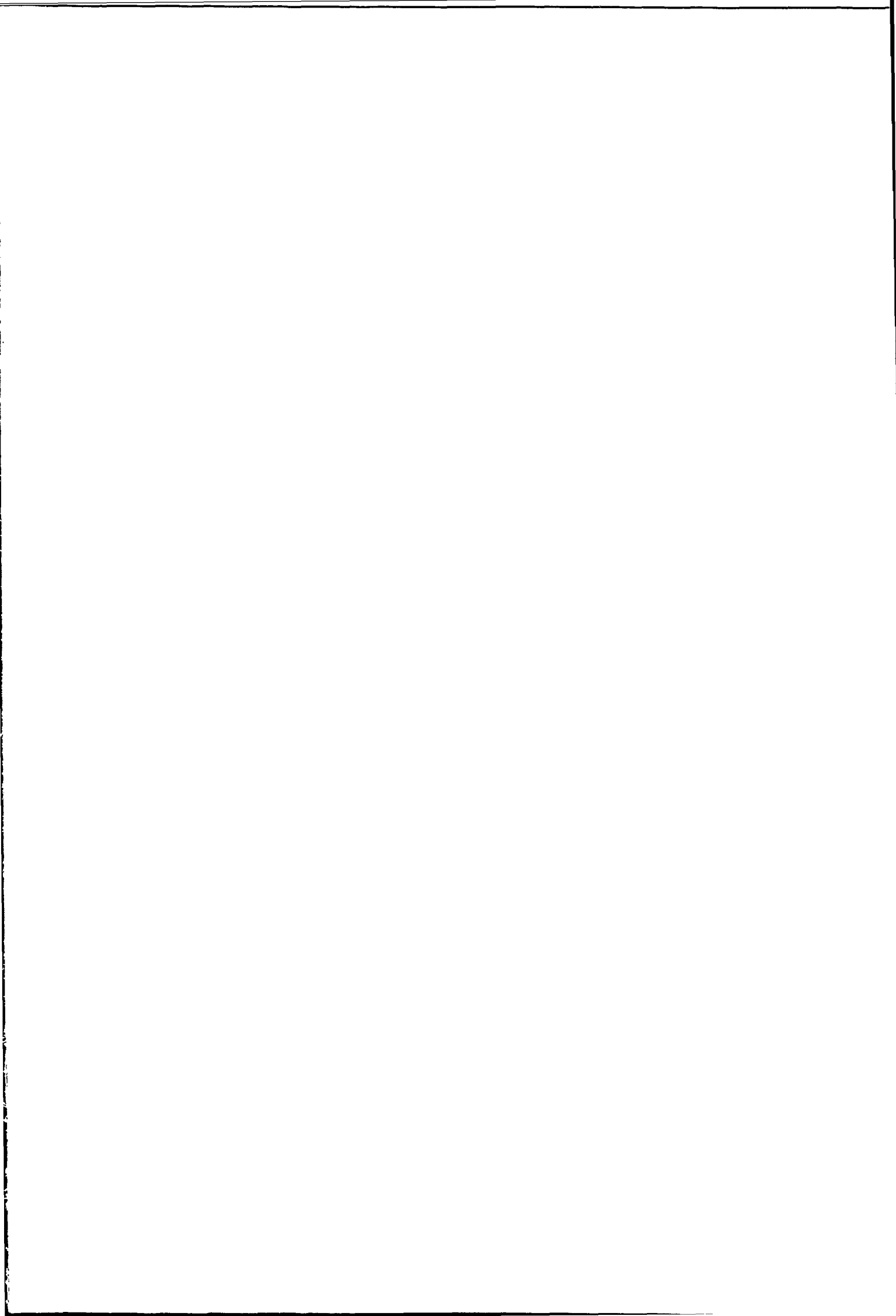




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