

PREM19

8

CIVIL SERVICE

(Stock
criticisms)

32/104

MT

Confidential Filing

Stock Criticisms Of The Civil Service:
The Quarry

CIVIL SERVICE

SB
830

December 1979

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
31.12.79							

PREM 19/8

Material used by
official Historian
DO NOT DESTROY

Carl Senior ✓ *MAP*

Mr Beastall

- cc Ms Thornton
- Mr Green
- Mr Laughrin
- Miss Badham
- All Deputy Secretaries
- All Under Secretaries
- Mr Bishop
- Mr Bradshaw
- Mr Coster
- Mr Davie
- Mr Good
- Mr Hart
- Mr Henstridge
- Mr Hopes
- Mr Lewis
- Mr Mackay
- Mr Marks
- Mr E J Morgan
- Mr G T Morgan
- Mr Spackman
- Mr Swales
- Mr E Walker
- Mr Wollen
- Mr E Brown
- Mr Court
- Mr Wellman
- Mrs Gardner
- Mrs Howard

STOCK CRITICISMS OF THE CIVIL SERVICE: "THE QUARRY"

Attached is a revision of "The Quarry", dated December 1979, and superseding all previous editions. Virtually all sections have been substantially amended this time.

"The Quarry" is intended to suggest lines of reply to the more frequent stock criticisms of the Civil Service generally. It can be drawn upon freely on informal occasions (eg seminars, university visits) although for more formal briefing the appropriate divisions should be consulted.

Any questions relating to "The Quarry" should be addressed to Mr K R McCormack (OAB 3354).

J.K.M.

J K Moore
Central Division

7(December 1979

THE QUARRY

CONTENTS

	Page No
WHAT THE CIVIL SERVICE IS	1
PAY	2
MANPOWER	3-4
- Main Points	3
- Facts and Figures	3-4
PENSIONS	5-7
- Main Points	5
- Facts and Figures	5-7
- Outside and Overseas Practice	7
RECRUITMENT	8-9
PERKS	10
HONOURS	10
JOB SECURITY	11
BUSINESS APPOINTMENTS	12

WHAT THE CIVIL SERVICE IS

Important to recognise what the Civil Service is and does

- is only a small part (10%) of the public sector work force
- not a mysterious mass of bureaucrats but real people doing real jobs because the country wants them done
- providing services to firms (export credit guarantees), to farmers (drainage engineers), above all to the public generally (social security benefits, finding new jobs for the unemployed)
- thankless but necessary jobs (tax collectors; prison officers; driving test examiners; Customs Officers; Immigration Officers)
- backroom boys sometimes (research scientists - eg on road safety; the weathermen)
- about a quarter blue collar workers (printers, carpenters, welders); the Royal Ordnance Factories export more than half their annual sales of around £300m.
- not "Head Office"; of non-industrial civil servants: 83% work outside Inner London, 73% outside head offices
- not a "bowler brigade": 46% of non-industrial civil servants are women and about one-third are younger than 30.

PAY

1. **Ministers not civil servants**, authorise Civil Service pay rates.
2. What essentially determines a particular rate is what is currently being paid **outside** the Civil Service for **broadly comparable work**.
3. The basic principle of fair comparison was recommended by the Priestley Royal Commission in 1956, and accepted by all Governments since, as the only principle which is both **fair to the taxpayer and fair to civil servants**.
4. Since then, detailed procedures have been developed to ensure that this **principle works in practice**. The facts are found by an **independent** body, the Pay Research Unit, which for each grade undertakes a survey of similar jobs outside. A wide range of outside organisations is studied, including smaller firms. The Civil Service rate is pitched at the median of the outside rates, taking account of fringe benefits, pension arrangements, hours, leave and all other conditions of service.
5. The independence of the Pay Research Unit is safeguarded by an **independent Board** which makes sure the Unit is impartial. The Board published its first annual report on the work of the Unit earlier this year. The Unit's staff who undertake the surveys include people recruited or seconded from the private sector.
6. The full pay research rates negotiated in the 1 April 1979 settlement will be implemented by 1 January 1980. Within the limits of the pay research rates increases of 9% (plus £1 a week for those on salaries below £4,795) and a further 5% have been paid from 1 April 1979 and 1 August 1979 respectively. Any balance of the pay research rates will be implemented from 1 January 1980.
7. Top salaries are based on rates recommended by the **independent Top Salaries Review Body** under Lord Boyle. TSRB take account of what is paid outside but do not try to match the highest private sector salaries.
8. In periods of pay restraint top salaries have often been held below the recommended TSRB rates. Last year the recommendations of TSRB Report No 10 were accepted, subject to staging: in 1978 10% was paid. This year the Government has accepted further recommendations for up-dating the 1979 stage of the TSRB 10 increases, but the **full rates recommended as appropriate to 1979 will not be paid until 1980**.
9. **Pay of industrial civil servants** is determined by different procedures, but on the same broad principles as the pay of non-industrial civil servants. This year a study was undertaken into rates of pay for comparable work outside the Civil Service, and a staged settlement based on the evidence provided was reached with the full pay research rates being implemented by 1 April 1980. The increases agreed for each stage are approximately 9% + £1 from 1 July 1979, a further 5% from 1 November 1979 and the balance of the agreed rates from 1 April 1980.

MANPOWER

Main Points

1. The size of the Civil Service depends principally on the tasks it is asked to perform. The Government are looking for a slimmer civil service, and are considering ways of achieving significant savings in the medium term. These can however only be secured through a commensurate reduction in functions.
2. Some "fat" is an inevitable characteristic of all large organisations, including the Civil Service. The Government will continue to devote effort to identifying and eliminating waste and inefficiency.
3. Reduction in tasks means acceptance by the community of less Government involvement in social, industrial or economic activity. Conversely, if the community wishes central government to undertake new activities, additional civil servants will be required to do the work.
4. Civil Service numbers have fallen significantly in the past year. By October 1979, there had been a net decrease of 19,300 compared with October 1978; since April 1979 the decrease has been 20,000. This was partly due to high wastage rates and slow recruitment, and partly to planned reductions in Civil Service manpower. In May 1979, the Government reduced the Civil Service pay component of the 1979-80 cash limits by 3 per cent, before adjustment to allow for the non-industrial and industrial pay settlements. The Government also introduced a temporary ban on recruitment as a complementary measure. This ran for 3 months from May 1979. These savings amount to about £100m (equivalent to about 20,000 posts). They are being carried forward to subsequent years.
5. On 6 December 1979 the Government announced further reductions in the size and cost of the Civil Service over the next few years. These savings amount to £212 million a year (equivalent to about 40,000 posts) and represent savings which it has been possible to identify reasonably quickly. Policy studies and reviews of activities are under way in some departments. These should be completed in 1980, and yield further savings.
6. Ministers and CSD officials subject all proposals requiring additional staff to the closest scrutiny and normally require priorities to be reviewed in order to accommodate them within existing numbers; and departments are constantly on the look-out for more efficient and economical ways of conducting their business.
7. There is a well developed system of staff inspection within the Civil Service which regularly examines the number and grading of individual non-industrial posts. This aims to cover the non-industrial civil service as a whole about every three years. Departmental staff inspection units are supplemented by CSD's central staff inspection resources. Similarly, each large department has its own management services unit and CSD collaborates with other departments in their studies and provides a service to those who do not have MS units of their own. All these staff engage in a wide range of studies designed to improve the efficiency and effectiveness with which civil servants manage their business and resources. To this end, a good deal of effort is being put into improving management accounting and information systems within the Service.

Facts and Figures

STAFF IN POST at	1 October 1979	712,300
	Non-industrials	552,000
	Industrials	160,000
REDUCTION during the period 1 10 78-1 10 79		19,300
MAJOR DEPARTMENTS (STAFF IN POST AT 1 OCTOBER 1979)		
Agriculture		13,646
CSD		5,067
Customs		27,750
Defence (including ROFs)		242,603

Education and Science	2,602
Employment Group	51,631
Energy	1,280
Environment (including PSA)	50,285
Foreign and Commonwealth Office	9,692
Health and Social Security	95,932
Home Office	33,492
Industry	9,330
Inland Revenue	80,592
Land Registry	5,626
Lord Chancellor	9,904
National Savings	10,215
Northern Ireland Office	205
Scottish Office	10,673
Stationery Office	6,431
Trade	7,327
Transport	13,443
Treasury	1,028
Welsh Office	2,533

Examples of Categories, Groups and Classes (All Departments)

Some examples of the distribution of staff at 1 10 79 are:

Under Secretary and above:	986
Administration Group: (including 1202 Assistant Secretaries, 744 Senior Principals, 466 Principals)	245,200
Local Officers:	47,100
Typing and Secretarial Group:	28,300
Office Keepers and Messengers:	8,400
Science Category	18,000
Professional and Technology Category (including draughtsmen):	42,200
Accountants (Professional):	370 ^o
Legal Category:	860
Statistician Class:	550
Economist Group:	390
Medical Officers:	590

^oIn addition about 600 other qualified accountants are employed on various aspects of accounting work in posts in the Administration Group and in Departmental Classes in District Audit, Exchequer and Audit Department, Inland Revenue and in the Insolvency Service in the Department of Trade.

PENSIONS

Main Points

1. **Civil Servants pay for their pensions.** In pay research, civil service salaries are reduced to take account of the differences in pension contributions between civil servants and those outside; and further adjustment is made on professional actuarial advice, for the difference in benefits, including inflation-proofing, between the Civil Service and outside schemes. Men also pay direct contributions of 1½% of salary for family benefits.
2. **Civil Service pensions are not high.** The average Civil Service pension (including those paid to widows and dependants) is less than £25 per week. Pensions were increased by 16% on 12 November 1979. The average increase was just over £3.00 per week.
3. **Inflation-proofing is not unique to the Civil Service:**
 - a. almost the entire public sector has inflation-proofing: civil servants represent 14% of those public sector employees who belong to pension schemes with full inflation-proofing;
 - b. inflation-proofing to some degree is very common in the private sector;
 - c. the State retirement pension will in future be increased in line with prices;
 - d. the new State Pension Scheme now gives all those in employment the chance to gain an earnings-related, index-lined pension, and Civil Service pensions will in future be increased by the same percentage and at the same time as these pensions.
4. Nearly all OECD countries index public service pensions. Some like the UK, index to prices, and others go further and link them to salary.
5. The Pensions (Increase) Act 1971 was passed with the **positive support of all Parties.**
6. Pensions are inherently a **long term business.** Policies should not necessarily be changed in response to short term fluctuations in wage and price indices. Over long periods pay has consistently risen faster than prices.

Facts and Figures

Levels

Before 12 November 1979, the average pension in payment to former civil servants; widows and dependants; and both categories combined was £1308 per annum (£25.15 a week); £479 per annum (£9.22 a week); and £1123 (£21.60 a week) respectively. The increase on 12 November 1979 of 16% brought these to about £29, £10.50 and £25 respectively. Before this increase about two-thirds of Civil Service pensioners received pensions of less than £1000 per annum and 85% below £2000 per annum.

Cost

In a full year, the 12 November 1979 increase for the Civil Service will cost £61.4 million (total public services £288.2m). The continuing annual cost, including the November increase, for the Civil Service will be £477.4m (total public services £2,288.2m).

Coverage

The Pensions (Increase) Act 1971

covers directly

- Civil Service
- Teachers
- Local Government employees
- National Health Service employees
- Policemen
- Firemen
- Judges
- Members of Parliament and Ministers

and there follow by analogy:

- Armed Forces
- Universities
- Fringe Bodies

Equivalent increases:

The National Industries and Public Corporations generally have given increases equivalent to those under the 1971 Act, eg British Rail, British Steel, Post Office, British Broadcasting Corporation.

Numbers

The figures following have been derived from a variety of sources using various base rates and include estimates. They should therefore be used with care but can be taken to show relationships and orders of magnitude.

Group	Numbers Employed	In pension Scheme	Retired Public Servants	Dependants	Total Pensions
Armed Forces	254,000	251,000	228,000	37,000	266,000
Civil Service	732,000	732,000	279,000	92,000	371,000
Teachers	620,000	595,000	169,000	6,000	175,000
NHS	* 833,000	659,000	158,000	31,000	189,000
Police and Fire	161,000	161,000	67,000	32,000	99,000
Local Government	1,863,000	998,000	258,000	65,000	323,000
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	4,463,000	3,396,000	1,159,000	263,000	1,423,000

* Includes the full time equivalent of part time staff.

Costs

Group	Cost of 1978 PI (in full year) £m	Annual Cost (with 1978 PI) £m
Overseas pensioners	12.5	84
Armed Forces	41.5	346
Civil Service	61.4	416
Teachers	56.2	385
NHS	32.5	187
Police and Fire	22.7	152
Local Government	61.4	430
	<hr/> 288.2	<hr/> 2000

Outside and Overseas Practice

Viewed overall, the pension arrangements for civil servants are on the level of those provided by good employers in the private sector. The range of benefits is below the maximum permitted by Inland Revenue. The Civil Service makes no distinction between grades when providing pensions, in contrast to many private sector schemes which often provide senior people with the maximum benefits permitted with, for example, full pensions (two-thirds of final pay) after only 10 years' service. Furthermore, full inflation-proofing on a 1/80th pension (the public service pattern) costs no more than three-quarters inflation-proofing on a 1/60th pension which is the private sector pattern (though often commuted). Outside schemes may also have pre-award dynamism, increasing their salaries by the Retail Price Index before award, under Inland Revenue Practice Note 6.14. In most other OECD countries it is the practice to increase public sector pensions by at least price indexation, and in some countries salary indexation is used. The details are:

COUNTRY	METHOD OF INCREASE
Austria	Public Service salaries, ie parity
Canada	Prices
Denmark	Prices
France	Parity
West Germany	Parity
Greece	Parity
Iceland	General earnings
Ireland	Parity
Italy	Prices
Japan	Parity
Luxembourg	Prices or parity
Netherlands	Parity
Norway	Prices or general earnings
Portugal	None
Spain	Parity
Sweden	Prices
Switzerland	Prices
Turkey	Prices
USA	Prices

We have no evidence of any ceilings applying to these increases, but many public servants abroad do not receive any State pension in addition to their public service pension.

RECRUITMENT

Criticism of AT Recruitment

1. **Accusations of Bias.** Almost all the criticism of Civil Service recruitment is directed at CSSB/FSB. It is related, therefore, to an intake of 150-200 out of a total of well over 75,000 recruits a year.

a. **Procedure is biased in favour of arts graduates.** This bias, if it exists, is very slight and probably reflects the fact that arts candidates have marginally better degrees than candidates from other disciplines. The 1978 statistics show that in all subject areas those with better degrees do better than those with less good degrees.

b. **Procedure gives advantage to Oxbridge graduates.** Graduates of Oxford and Cambridge certainly do better in AT selection but this better performance is primarily at the initial Qualifying Test stage where the papers are marked by outside examiners and the candidates are anonymous. Within this stage Oxbridge candidates do even better in the objectively marked tests where no exercise of judgement of the markers is possible. The 1978 statistics also suggest that Oxbridge candidates are better qualified academically.

c. **Procedure favours candidates from independent schools.** More detailed examination shows that this statistical bias is more apparent than real. Ex-independent school candidates do better because more of them go on to Oxford or Cambridge so the statistical bias is largely a manifestation of the Oxbridge bias. The only statistically significant bias identified in the 1978 statistics is at the QT stage between former direct-grant and former maintained school pupils.

d. **Procedure favours the "sons of privilege".** The process is designed to select on merit irrespective of social background.

e. **We tend to pick people "in our own image".** There is no rational answer to the charge because it has no rational basis. The Civil Service uses outsiders in its selection work on a large scale, and one unparalleled by other organisations.

In response to the recommendations of the Expenditure Committee (11th Report) the Commissioners now publish in their Annual Reports, beginning with the 1978 Report, statistics on applicants for and recruits to AT according to the school and university attended and the class and subject area of their degree. Sub-paragraphs a, b and c above reflect the conclusions to be drawn from these more detailed statistics of AT candidates in 1978. The Government also undertook to appoint 2 part-time Commissioners from outside the Civil Service. The first of these, Miss M P Downs, was appointed in October 1978, and the second, Mrs E Sunderland, in October 1979.

2. **CSSB "depends more on interviews than on written examinations".** The English Committee alone has made this a point of criticism. In fact, only about 15% of the candidate's time in the 3-stage process (Qualifying Test/CSSB/FSB) is spent at interviews. The CSSB procedure blends these interviews with written work of different kinds. The whole AT system of selection has been the subject of a review by the Civil Service Commissioners, including the first of the newly-appointed outside Commissioners, and assisted by 2 further outside members, one an academic and the other an occupational psychologist and consultant in selection. Their report is expected to be published late in 1979.

Criticisms other than of AT recruitment

3. **The Civil Service absorbs a disproportionate number of the nation's best graduates who could be more productively employed.** There is no way to define whether the figures are "disproportionate" or not. In 1978 4% of university first degree graduates entering permanent employment in the UK joined the Civil and Diplomatic Services compared with 57% entering industry and commerce. In 1971, 6% entered the Service and again 57% commerce and industry. Of those obtaining a first class honours degree in 1978, 5% entered the Civil and Diplomatic

compared with almost 75% going into industry and commerce (the corresponding proportions in 1971 were 9% and 63%). Of those obtaining higher degrees in 1978, under 7% entered the Civil and Diplomatic Services compared with 40% for industry and commerce.

4. **The Commissioners are unfair to the disabled and to those who have suffered recent or severe mental illness.** In requiring all those appointed to permanent posts to be capable of giving a regular and effective service for at least 5 years, the Commissioners maintain as fairly as possible a balance between the demands of the public service and the possibility of rehabilitation in the case of those about whom there are health doubts, physical or mental. In the last year the rate of rejection on health grounds was 0.14%. For the registered disabled, concessions are allowed in some competitions to make it easier for them to compete.

5. **Age Limits.** Upper limits in particular are criticised for preventing people who are otherwise qualified from joining the Civil Service and (in an Industrial Tribunal case) specifically for discriminating against women. Rigid age limits are used in only a minority of competitions; and upper limits are often expressed in the form of a preference rather than an absolute requirement. We are currently reviewing our use of upper age limits generally. In accordance with the Industrial Tribunal's decision, management and the National Staff Side have agreed that the new upper age limit for EO recruitment should be raised, from 1 January 1980, to "under 45", by which age it is considered that women can be expected to be as available as men for full-time employment.

6. **Special Advisers and the relaxation of the "5 year Rule".** The Commissioners have not abandoned the "5 year Rule" that no person can hold an appointment in the Civil Service for more than 5 years without their Certificate of Qualification. In fact, as announced by the then Minister of State in the House on 1 August 1978, a new Order-in-Council which came into effect on 1 December 1978 extended the Commissioners' powers so that they are now required to certificate all appointments (apart from a few specific exceptions including Special Advisers - see below) instead of only permanent, (ie lasting more than 5 years) appointments. The Commissioners have also made General Regulations, effective from 1 December 1978 stating the conditions on which the Commissioners will issue their Certificate of Qualification and also the circumstances in which, and the conditions on which, the Commissioners will authorise an appointment before certification.

Special Advisers are specifically excluded from the purview of the CSC because their appointments are made directly by a Minister of the Crown and are limited to the duration of the current administration. It clearly would be inappropriate for them to be recruited by open competition and the Commissioners could not therefore certificate them for employment in the Civil Service.

PERKS

1. There are virtually no perks in the Civil Service - people's rewards are the **published and taxed salaries**. **Civil servants pay for their pensions**.
2. **Allowances** or facilities are available only when essential for work purposes, and their use is governed by detailed regulations.
3. The payment of **boarding school fees** for children of diplomats, the armed forces and other civil servants posted abroad simply reflects the fact that boarding school education which is entailed by the absence on duty of their parents is not normally available in the state system. The rates allowed are strictly controlled.
4. There is no equivalent in the Civil Service of "**the company car**". No civil servant has a car provided for private or domestic use. The use of government pool cars for official purposes is strictly controlled.
5. There is no equivalent in the Civil Service of "**expense account living**". The occasions on which hospitality is possible at official expense, and the levels of that entertainment, are strictly controlled.

HONOURS

Civil Servants get too many honours. It is true that civil servants receive a large share of the honours, because honours have always been designed to give special recognition to servants of the Crown (whose achievements must otherwise be, for the most part, anonymous). It is fair enough to suggest that the system should be changed, but that is a different matter from criticising civil servants for receiving honours. Honours are, after all, simply public recognition, in a form involving virtually no cost to the taxpayer.

Moreover the main criticisms of Civil Service honours are misconceived:

Only a small proportion of honours go to civil servants. Their proportion of honours has deliberately been reduced from over 35% in the late 1950s and early 1960s to about 20% in the last few years eg the number of civil servants holding knighthoods has declined between 1950 and 1979. In 1950, 115 Home Civil Servants and 63 members of the Diplomatic Service held knighthoods.

Only a small proportion of civil servants receive honours. The proportion of civil servants who receive these honours is tiny. For example 150 out of some 720,000 home civil servants were so honoured in the 1979 Queen's Birthday Honours List.

The small proportion honoured get their honours on merit, not automatically. While a very few civil servants - about 200 in the highest 2 ranks in the Civil Service - are almost bound to receive honours, there is nothing automatic about reaching this level in the Service, and the honours - like the posts - go to those who have proved their ability in the Civil Service.

JOB SECURITY

1. In times of recession Civil Service jobs are no doubt more secure, by and large, than those in the private sector. But that is not the full story.
2. In times of full employment it is doubtful if there is much practical difference in security between jobs in the Civil Service and the great mass of jobs outside.
3. Where services cease to be required and those providing them cannot be redeployed, civil servants are as liable to redundancy as private sector people in the same position. But many civil servants are required to do whatever job they are given and to go wherever sent; and in recession the demand for their work increases (social security payments, unemployment benefits, finding new jobs, assistance to industry). These are the plain facts which make most civil servants less subject to redundancy - just as they make others secure from redundancy where they apply.
4. Civil servants are not protected from dismissal for serious misconduct: standards of conduct are certainly as high as (and in some ways higher than) those in the private sector.
5. There is a separate question of weeding out inefficiency. The Civil Service has procedures for doing this, which are also designed to protect employees against unfair dismissal, as others have.
6. A major effort is put into avoiding problems in the first place ie recruitment standards and strict probation for one or two years before appointment is confirmed.
7. The Government intend to make major savings in the size and cost of the Civil Service over the next few years by improved efficiency and curtailment or elimination of functions. This will obviously have a particular bearing on current civil service job security.
8. In short, dismissals of various sorts are comparable with those of other organisations where similar circumstances apply. Indeed, if they were significantly higher we should want to know where our recruitment, probation, training and staff management were going wrong.
9. The minimum age at which most civil servants may retire is 60, but there is no common age at which it is customary for civil servants to retire. Civil servants may be retained beyond 60 at the discretion of the Head of their Department, provided they are fit and efficient and there are posts available. Those with short service have special claims to retention in order to earn a pension. Those who cannot be retained may be re-employed in a lower grade after retirement. Generally speaking, the higher the grade the lower the retiring age within the 60-65 age span. For example, staff in the Open Structure, ie those at Under Secretary level and above, are expected to retire at 60 unless there are strong management reasons to the contrary. With effect from 1 May 1977 all civil servants are required to retire not later than age 65 unless the overriding needs of the Service require their retention.

BUSINESS APPOINTMENTS

The Fulton Committee recognised that it is in the public interest that civil servants with experience of public administration should be able to move into business and industry.

Nevertheless it is proper to try and avoid the risk that a particular business appointment may shake public confidence in the integrity of the Civil Service. Consequently, there is a rule that whenever a more senior civil servant proposes to go within 2 years of leaving the Service to a firm with which he has had official dealings, or to a firm with a special relationship or extensive contractual dealings with the Government, he has to get permission. Cases are looked at to ensure propriety and fairness between competing companies.

The purpose of the business appointments rules is distinct from that of the Prevention of Corruption Acts. The law exists to deal with corruption. The business appointments rules exist to avoid public suspicion, however unjustified this may be, to the effect that firms could benefit improperly or unfairly by employing ex-civil servants. It is important to avoid the possibility that such suspicion might unduly interfere with the appointment in industry of able people from the public sector.

An Advisory Committee, chaired by Lord Diamond, advises the Prime Minister on business appointments of former Permanent Secretaries and Heads of Department.

Since 1973 about one-tenth of those leaving the Civil Service at Under Secretary level and above, including professional scientists and technologists, have applied to take up business appointments.

END

Filmed at the National
Archives (TNA) in London

February 2010