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HOUSE OF COMMONS

Fifth Report from the

TREASURY AND CIVIL SERVICE COMMITTEE

1979-80

PROVISION FOR CIVIL SERVICE PAY INCREASES  
IN THE 1980-81 ESTIMATES

Together with the Proceedings of the  
Committee.

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Ordered by the House of Commons to be  
printed 22nd July 1980

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The Treasury and Civil Service Committee is appointed under S.O. No. 86A to examine the expenditure, administration and policy of the Treasury, the Civil Service Department, the Board of Inland Revenue, and the Board of Customs and Excise and associated public bodies, and similar matters within the responsibilities of the Secretary of State for Northern Ireland.

The Committee consists of a maximum of eleven members, of whom the quorum is three. Unless the House otherwise orders, all Members nominated to the Committee continue to be members of the Committee for the remainder of the Parliament.

The Committee has power:

- (a) to send for persons, papers and records, to sit notwithstanding any adjournment of the House, to adjourn from place to place, and to report from time to time;
- (b) to appoint persons with technical knowledge either to supply information which is not readily available or to elucidate matters of complexity within the Committee's order of reference.

The Committee has power to appoint one sub-committee and to report from time to time the minutes of evidence taken before it. The sub-committee has power to send for persons, papers and records, to sit notwithstanding any adjournment of the House, and to adjourn from place to place. It has a quorum of three.

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MONDAY 26TH NOVEMBER 1979

The following were nominated as members of the Treasury and Civil Service Committee:

Mr Kenneth Baker	Mr Terence Higgins
Mr Anthony Beaumont-Dark	Mr Robert Sheldon
Dr Jeremy Bray	Mr Richard Shepherd
Mr Edward du Cann	Mr Richard Wainwright
Mr Timothy Eggar	Mr Ken Woolmer
Mr Michael English	

Mr Edward du Cann was elected Chairman on 29 November 1979.

The Treasury and Civil Service Committee have agreed to the following report:

Provision for Civil Service Pay Increases in the 1980/81 Supply Estimates

1. In its First Report<sup>1</sup> the Treasury and Civil Service Committee expressed the view that the Government's proposals for the Civil Service Estimates did not provide a sufficiently effective means of Parliamentary control over increases in pay. Events since the publication of that report reinforce the Committee's view. The situation now causes concern.

2. The Committee therefore draws attention to four particular problems and makes various recommendations to help solve them:

a) The present splitting of provision for increases in civil service pay between the main departmental Estimates and the so-called "global" Estimate for pay increases causes confusion and obscure the true position.

b) The costs of high percentage increases in civil service pay are said by the Government to have been kept within the cash limits by either staging the award between years or by delaying the date in the year of award from which the increases are paid. These are dangerous devices for reasons explained below.

c) The cost of high percentage increases in civil service pay are also said to have been kept within considerably lower cash limits on pay because of reduction in numbers. When the Government is committed to reducing the size of the civil service anyway there is an obvious danger of double counting.

d) The present procedural arrangements for debating the Estimates on the floor of the House of Commons, including controversial Estimates such as those covering civil service pay which Members are now being asked to approve, are completely inadequate.

We now consider each of these four points in more detail:

a) Splitting provision between two Estimates

3. This year, provision for increases in civil service pay was in two parts. First, the main departmental Estimates covered those increases that had been agreed by the time the Estimates were prepared in February. Secondly a new "global" Estimate provided for further increases, the detailed distribution of which was to be determined following the annual pay negotiations. The Government has not yet decided whether to continue these arrangements next year but the confusion that is inherent in having two sets of Estimates for the same expenditure is exacerbated by the fact that increases in the total pay bill include both increases promised, or partially implemented, in previous years, and increases which flow from this year's pay negotiations.

<sup>1</sup> Provision for Civil Service Pay Increases in the 1980-81 Estimates, HC (1979-80)371

4. In our First Report we made specific criticism of the Government's proposals and made it clear we did not regard them as an adequate procedure for future years. There are problems related to the timing of the pay negotiations and the timing of Parliamentary presentation and consideration of the Estimates. It is still for consideration whether having all pay increases included in the departmental Estimates or all of them in a single 'global' Estimate which is subsequently divided between departments is preferable. Later this year we intend investigating the present unsatisfactory form of the Estimates. This Estimate for civil service pay increases is an illustration of the unsatisfactory form in which the Estimates are currently presented to Parliament. Splitting the pay increases in any one year between the departmental Estimates and the 'global' Estimate obscures the true position and thus undermines effective control.

b) Staging and delaying of awards

5. The full extent of the danger of staging awards did not become evident until we took evidence from the Chancellor of the Exchequer.<sup>1</sup> It then emerged clearly that, while the 'global' pay increase Estimate was 14% the actual increase in central government pay this year was expected to be 25%.<sup>2</sup>

6.. We were told that this was due to a substantial extent to "Clegg-type" staged increases. But this is not the whole story. At present it is possible for any pay increase to be negotiated within the year's cash limit with (or by) a promise of a further staged increase the following year and even the year after. The following year the cost of this commitment appears in the departmental Estimate not in the 'global' Estimate covering increases following from that year's pay negotiations.

7. We have also been told that substantial increases in civil service pay have been brought within the 1980-81 cash limits by delaying the date from which the increases were to be paid. This is a most dangerous device. Like staging from year to year it has particular implications for the control of government expenditure in the subsequent year since it raises the base for future pay negotiations. To take a simple example, the situation next year is very different if an individual group is given an increase of 14% this year paid from the due date as against say a 500% increase (on an annualised basis well within the cash limit for 1980-81) on the last day of the pay year.

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1 Second Report (1979-80) HC 584

2 See footnote to table in paragraph 10

8. This places further obstacles in the way of effective Parliamentary control and enables the government of the day to buy peace in the immediate future at the cost of creating greater problems later on. We therefore recommend that the Treasury should immediately examine ways in which this major loop hole can best be closed. As a first step the Government should avoid any further staged pay settlements in the public service sector. Cash limits must be both realistic and effective. At the time they were introduced it was not possible to foresee all eventualities and in fact they have no effect in controlling the succeeding year's Estimates. A more sophisticated system is needed for the future.

(c) Civil Service Pay Increases and Numbers

(i) Reduction in Numbers

9. In our First Report we recognised that the proposed 'global' pay increase estimate gave the Treasury and the Civil Service Department too much scope for making adjustments in cash limits between individual departments after the results of the central pay negotiations were known and we therefore asked for detailed departmental allocations to be published with the Estimates showing the extent of pay increases broken down by main categories. We have now been given some but not all of this information. In particular, the extent of offsetting staff reductions in each department has not been given in the Revised Estimates or elsewhere. We cannot therefore judge how far cash limits have resulted in staff cuts in any one Departments. This illustrates the need for this and for the other Estimates to show changes both in price and volume terms, another point we are now considering in relation to the form of the Estimates.

10. Moreover, the estimates now presented to the House of Commons give no idea what the actual increases in pay are for particular groups. We have been given some information we think it right to bring to the attention of the House.

<u>Group</u>	<u>Approx. Staff Numbers</u>	<u>Average increase of rates of pay in 1980-81 over final stage of 1979-80 pay award<sup>1</sup></u>
Administration Group (up to and including Principal) and consequentials	365,000	18.3%
Professional and Technology Group and consequentials (amounts determined by the Government)	54,000	18.4%
Inland Revenue Tax and Valuation Grades	49,000	18.0%
Secretaries and Typists	27,000	20.1%
Messengers and Paper-Keepers	11,000	20.9%
Data Processing Grades	9,000	20.5%

<sup>1</sup> The overall average level of increase, based on pay research, was 18.75% for non-industrials. This was held within the cash limit of 14% as follows:

Average increase in pay rates :	18.75%
Reduced by delay in payment of award to 7 May 1980 to :	17.00%
Cost further reduced by manpower squeeze, including effect of employer's national insurance contribution, not being a fixed proportion of pay, to :	14.00%

The impact for the first time for a full year of the staged increases in civil service pay awarded in 1979-80, together with comparable rises in other parts of the Central Government sector, took the rise in the total pay bill for Central Government to 25%, the figure quoted in paragraph 5 above.

ii) Double Counting

11. There is the further danger of double counting during the present period when large scale reductions in civil service manpower are being made in any case and hence it must be doubtful whether credit ought to be taken for any particular cuts to justify any given pay settlement. Looked at another way the reduction in the size of the civil service made by the Government does not mean that the consequent saving in civil service pay should then be given to the remaining civil servants. In normal times it may be right that cuts in numbers should provide the offset to high pay, but in present circumstances we do not believe it is legitimate to claim that increases in pay will be within cash limits because numbers have been reduced.

d) Procedure

i) Debate on the 1980-81 Revised Estimate for Civil Service Increase in Remuneration

12. At present there is no effective Parliamentary procedure whereby backbench Members of the House of Commons (including Select Committees) can ensure a debate on controversial Estimates. Yet the matter is of vital importance for the whole of government economic policy. Public service pay is equivalent to some 50% of the expenditure covered by cash limits. If it is not effectively controlled the PSBR and control of the money supply and of inflation are jeopardized. We recommend that the government should, with the appropriate replacement of Opposition time, ensure the House of Commons has an opportunity to debate the Civil Service Pay Estimates on an appropriate supply day.

ii) Debate on Estimates generally

13. At present it is possible for a backbench Member to table a Notice of Objection to ensure a separate vote on a given Class of Estimates<sup>1</sup> but this will not enable the Member to get a debate on the Estimate to which he objects although he can draw attention to it in his Notice of Objection. The Estimates are usually taken 'on the nod' without any debate at all because they nearly always come under a guillotine<sup>2</sup> or a motion requiring the votes upon them to be taken immediately. Where individual Estimates are put down they are usually used as a vehicle for the Opposition to debate the general policies of the Department concerned rather than to scrutinise the actual amount of money involved<sup>3</sup>. A motion by a Member concerning an Estimate will not be debated unless the Estimate is put down for consideration by the Government at the request of the Opposition - a very rare occurrence.

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1 Standing Order 18(10)

2 Standing Order 18(11)

3 For example, 3 August 1976; 2 May 1977

14. Since a Procedure Committee, although promised, has still not been established in this Session of Parliament and the general question of Estimates is our concern we believe it right that this Committee should meanwhile make a recommendation. In addition to our specific recommendations that the present pay increase Estimate should be debated we therefore recommend that in future the House should, again without prejudice to the Opposition's entitlement to Supply Days, always have adequate opportunity to debate the Estimates as a whole. If, as has been the case, Defence Estimates can be debated, Civil Estimates should also be debated.



PROCEEDINGS OF THE COMMITTEE RELATING TO THE  
CONSIDERATION OF THE REPORT

TUESDAY 22nd JULY 1980

Members present:

Mr. Edward du Cann, in the Chair

Mr. Kenneth Baker

Mr. Robert Sheldon

Dr. Jeremy Bray

Mr. Richard Shepherd

Mr. Michael English

Mr. Richard Wainwright

Draft Report, proposed by the Chairman, brought up and read.

Ordered, That the Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 8 read and agreed to.

Paragraphs 9, 10 and 11 read, amended, and agreed to.

Paragraphs 12 and 14 read and agreed to.

Ordered, That this be the Fifth Report of the Committee to the House.

Ordered, That the Chairman do make the Report to the House.

This should lead 10% TO BE ON TARGET for 620,000 = more to come. To TMS Swiss 1.4.80

Department	1 4 79	1 4 80	Net savings/growth under current plans (as from 1 4 80)	New savings proposed	as % of S I P 1 4 80	%	as % of S I P 1 4 80
Defence (incl ROFs)	247,660	239,780	12,800	17,200	7.2	12.5	7.2
FCO & ODA	12,078	11,564	278	400	3.5	5.9	3.5
Agriculture	13,956	13,758	604	150	1.1	5.5	1.1
Industry	9,514	9,143	1,223	330	3.6	17.0	3.6
Energy	1,267	1,263	103	Under Review	-	8.2 (+)	-
Trade/ECGD/OFT	7,308	7,198	238	560	5.9	9.2	5.9
Employment	23,300	20,689	3,001	1,650	8.0	(+16.0)	8.0
MSC	25,332	25,142	2,205	Under Review	-	11.9 (+)	-
Transport	13,908	13,633	935	Under Review	-	16.2 (+)	-
Environment	12,358	11,654	935	3,850	8.1	16.1	8.1
PSA	40,095	36,626	2,951	1,723 (+5.1)	0.4	(+4.7)	0.4
Home Office	33,490	34,095	2,951	590 (+5.9)	3.5	(+2.4)	3.5
LCD	10,211	10,011	143	100	1.2	16.1	1.2
Land Registry	5,531	5,898	143	100	9.1 -	3.6	9.1 -
DHSS	98,369	96,209	3,933 (+4.1)	8,700	6.0	3.6	6.0
Chancellor's departments	126,869	118,568	4,074	7,000	3.9	10.7	3.9
DES	3,749	2,596	177	100	NIL	1.8	NIL
OAL	(	1,150	21	NIL	8.0 excl. CISCO	16.3	8.0 excl. CISCO
CSD	5,043	5,083	299	260	7.5	13.4	7.5
COI	1,182	1,210	106	88	7.5	6.4 (+)	7.5
HMSO	6,689	6,236	371	469	-	7.7 (+)	-
Scottish Office	11,119	10,950	700	Under Review	1.1	9.0	1.1
Welsh Office	2,607	2,481	163	30	7.7	3.8	7.7
North/Ireland Office	216	220	3	17	3.8	3.8	3.8
Paymaster General	873	924	-	35			
Other	20,000	19,000	700	200			
GRAND TOTAL	732,000	705,000	500	40,000 (approx)	5.9	8.8	5.9

-20,000

