



Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

PRIME MINISTER

Prime Minister ²

To be aware, and
await comments.

DRS
25/7.

FUTURE OF THE TOP SALARIES REVIEW BODY

I agreed in January to arrange for a study to be carried out of the options for reforming the TSRB. I attach a paper prepared by an interdepartmental group of officials under Treasury chairmanship.

My own views remain as set out in my minute of 28 October 1985 and I therefore support Option D in the officials' paper. But since this attracted no support from colleagues at the time, I would not intend to press the case further now.

abolish TSRB, link senior Civil Service to the rest of the Civil Service; harmonising terms with APPRB etc.

However, we cannot leave things as they are. As this year's report again demonstrated, the TSRB - like other Review Bodies - remain wedded to "comparability" as the basis for their recommendations. We must try and change this. I doubt whether changing their terms of reference would do any good: the TSRB would simply ignore them and go on reporting in their usual way. A better bet would be to alter the current balance of membership. All the present members come from business or higher professional backgrounds, are themselves well paid, and many of them have served for some time and are now on the elderly side. We need a membership that reflects a broader cross section of society with people from a wider spread of occupational backgrounds. Such a Board would be more likely to take into account wider economic and social factors in making recommendations and to question some of the assumptions of the present comparability based approach to which all Review Boards seem wedded.

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I understand that there is at present an opportunity to make some changes to the membership. Sir David Orr wishes to resign, due to pressure of other commitments, while the appointments of Sir Harold Atcherley, Sir Robin Ibbs and Sir Thomas Skyrme expired at the end of the last Review. We should take this opportunity to introduce some fresh blood.

I think that we should renew Sir Robin Ibbs' membership. He was only appointed 2½ years ago and it is important that we should have at least one senior industrialist on the TSRB. But I would not advise you to renew the membership of Sir Harold Atcherley or Sir Thomas Skyrme. Sir Harold has been a member since the TSRB was first established in 1971 and I think the time has now come to replace him. Sir Thomas has been a member for 5 years and with the appointment of Mr Morrill we now have two distinguished lawyers on the TSRB. I think this unbalances the Board and I would propose taking the opportunity of the expiry of Sir Thomas Skyrme's period of office to appoint someone from a different occupational background.

This would leave three vacancies on the TSRB. We could change the balance even further by appointing additional members but I think that eight people are enough for this body and would not suggest expanding it. I would propose filling the three vacancies with people from different backgrounds than the current members. We might consider academics, people previously active in politics, churchmen, ex-trades union leaders and journalists. In an Annex to this minute are a few possibilities worth considering. Colleagues will have other ideas of suitable candidates. It might, for example, be worth considering someone with a small business background.

The names in the Annex are the product of a winnowing process from a significantly longer list. My own preference would be to take one name each from the first and fourth categories and a final name from one of the two middle categories, which overlap in potential

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contribution. The important characteristic which candidates should have is that they should be their own man or woman. In that context I would opt for Sir John Kingman, the Vice-Chancellor of Bristol, who came to that job, as you know, from a distinguished career as a mathematician and from being head of a Research Council, and very definitely for the Venerable Frank Harvey, Archdeacon of London, who is a very business-like and down to earth churchman. Of the two middle categories I would choose Lord Barnett for his personal qualities. Finally, there is no woman on the TSRB: you will have your own view of Miss Sheila Browne: I mention her in case we felt a need for a woman (in which case she would supersede Sir John): whatever view is taken of her, she is very much her own woman.

I am not particularly wedded to any of these names. The key is to appoint some new people with a wider spread of occupational backgrounds and experiences who would, I hope, consider the pay of the TSRB groups within a wider range of social and economic factors than the present members seem to do.

John Biffen has just asked the TSRB to conduct a review of the MP's secretarial allowance and certain Peers' secretarial allowances. We should therefore make any changes in membership that are decided upon fairly quickly before the existing body gets too deeply involved in this review.

I am copying this minute to Quintin Hailsham, John Biffen, Norman Tebbit, George Younger and Richard Luce and to Sir Robert Armstrong.

A handwritten signature in black ink, appearing to be 'N.L.' with a flourish underneath.

N.L

22 July 1986



ANNEX

ACADEMICS

✓ Miss Sheila Browne, Principal, Newnham College, Cambridge

Professor Sir John Kingman, Vice-Chancellor, Bristol

✓ Professor Patrick Minford, Liverpool University

RETIRED TRADE UNION LEADERS

Mr Tom Jackson

← ✓ Mr Jack Peel

SEMI-RETIRED POLITICIANS

Lord Barnett →

Lord Bruce-Gardyne →

B.B.C.

OTHERS

Mr Christopher Everett, Headmaster, Tonbridge School

The Venerable Frank Harvey, Archdeacon of London

Mrs Sarah Hogg, Journalist

FUTURE OF THE TSRB

Introduction

1. Following correspondence in January Ministers asked officials to work up ideas for reforming the way the TSRB operates. A working group under Treasury chairmanship and including representatives from the Ministry of Defence, Department of Employment, Lord Chancellors Department, Management and Personnel Office and Cabinet Office was set up to undertake this task. This report sets out the group's conclusions.

Background

2. The TSRB was established in 1971 at the same time as the Review Bodies on doctors and dentists, and armed forces pay. It was given a remit to advise the Prime Minister on the remuneration of chairmen and boards of nationalised industries, judiciary, senior civil servants, senior armed forces officers and other groups which may be referred to it. Its establishment rationalised previous practices, which had included a standing committee to provide independent advice to the Government about higher civil service pay and largely piecemeal arrangements for maintaining horizontal relativities between the four groups. A note about the pre-1971 set-up is at Annex A.

3. The TSRB's terms of reference and current membership are set out at Annex B. Appointments in nationalised industries were removed from its remit in 1980. Under the "other groups" heading the TSRB has produced several reports on MPs and Ministers pay and allowances and has also advised on the pay of the Comptroller and Auditor General.

4. It was stated in Parliament when the Review Bodies were established that they would be independent, their recommendations would not be subject to reference to any other body, and that those recommendations would not be modified or rejected by the

Government unless there were, "clear and compelling" reasons for doing so. In fact the TSRB's recommendations have been staged or set aside more frequently than they have been accepted but, with implementation of the second stage of the 1985 recommendations from 1 March 1986, the rates in payment will be in line with those recommended by the TSRB.

TSRB Recommendations

5. Annex C sets out the TSRB's recommendations in recent years together with the actual increases paid and compares them with settlements and average earnings growth elsewhere in the economy. Annex D sets out the TSRB's recommendations for a selected number of occupations relative to both average earnings and pay levels in other high paid occupations since the TSRB's establishment in 1971. It also provides comparisons for the relativities between representative civil service and armed forces grades. The main conclusions that can be drawn from this information are as follows:

a. Since 1971 the pay of TSRB client groups has fallen relative to both average earnings and pay levels prevailing in other high paid occupations. [This is also the case for the rest of the civil service and, to a very considerably lesser degree, for some of the armed forces covered by the AFPRB.]

b. The decline compared with average earnings took place between 1971 and 1979. These were mostly years of incomes policies, some with flatrate pay norms, when there was a general narrowing of differentials. However, there was also a decline compared with pay in other high paid occupations, reflecting the stricter adherence to pay policies in the public services than in the rest of the economy.

c. Over the period 1979 to 1985 most of the TSRB client groups have at least marked time against average earnings and some have improved their relative position, although remaining a long way behind their relative

1971 levels. [The pay of the rest of the civil service, after some initial recovery, has continued to decline in relative terms. There was a big catching-up exercise for the AFPRB groups in 1979 and since then they have broadly maintained their relative position.]

d. Such "catching-up" as took place between 1979 and 1985 has not been a smooth process. Relative pay declined to an all time low in 1981 reflecting the Government's decision in 1980 not to implement previous TSRB recommendations and the TSRB's resultant decision to make no new recommendations in 1981. High recommendations in 1982 followed. The 1985 recommendations were also exceptionally high. Actual pay increases have been even more variable. Abatement of the 1979, 1980 and 1981 recommendations meant that, to make up lost ground increases were implemented in 1982 and 1983 that were well above average earnings growth.

e. Compared with people in other highly paid occupations the TSRB groups have either marked time since 1979 or lost further ground.

Previous reviews of TSRB

6. Since 1980, there have been four previous reviews of the operation of Review Bodies (including the TSRB):

a. 1980. Ministers decided against changing the terms of reference or suspension but the Prime Minister saw the Review Body chairmen and urged them to take full account of the economic and financial situation when framing their recommendations.

b. 1981. Ministers decided against any radical changes but agreed to consider ways of giving greater emphasis to recruitment and retention in determining armed forces pay.

c. 1982. It was decided that Government evidence to the AFPRB should in future concentrate more on affordability and market forces. But the option of announcing such a change in emphasis was rejected. [Also in 1982 the Government decided to establish the Nurses Pay Review Body.]

d. 1983. Ministers decided against changing the terms of reference but agreed that future Government evidence should place less weight on comparability and more weight on affordability and market factors.

7. Overlying all these reviews was the issue of whether the Government wished to take back all or part of the responsibility for fixing the pay of the client groups or whether it preferred to retain an independent buffer mechanism. This is still the basic issue and most of the options for change discussed below involve the Government taking on more of the responsibility for setting pay than it has at the moment. A general point to be borne in mind is that the TSRB is only one of four Review Bodies. Any changes to the TSRB could have implications for the others.

Options for Change

8. Officials have been asked to work up ideas for reform that were set out in Mr Tebbit's minute of 8 January. They would involve:

a. abandoning horizontal links between the three client groups (except where justified by a valid comparison of work) and looking separately at each group;

b. rejecting comparability;

c. establishing market related and practical tests of the ability to retain necessary staff;

d. establishing simple vertical relativities.

9. We have identified four possible approaches:
- a. Retain the TSRB but change its membership and terms of reference.
 - b. Retain the TSRB but ask it to do a different job.
 - c. Abolish the TSRB and put nothing in its place.
 - d. Abolish the TSRB and set up alternative, and separate machinery for determining the pay of the groups concerned.

A. RETAIN TSRB

10. The arguments for determining the pay of these groups together following advice from the TSRB are as follows:

a. Ministers can, to some degree, distance themselves from the process. The alternatives of negotiation or Ministerial determination would inevitably mean that some of the people advising Ministers would be influencing their own pay. (It is notable that pay at the top levels in many private sector organisations is determined in a way that allows senior people to distance themselves from the process. Salaries of executive directors and senior executives are often determined by committees of non-executive directors or after recommendations by outside consultants.)

b. The involvement of an independent body allows the public to be confident that pay for people in influential positions is determined in an "above board" manner and that the clients can be confident of fair treatment.

c. The existing arrangements with their horizontal links are probably cheaper than any alternative. If the salaries of judges, who are the largest group covered

by the TSRB, were determined separately they could be influenced very significantly by the substantial earnings of senior barristers. These affect recruitment. The present arrangements allow the additional factors of public standing, the crowning of a lawyer's career, shorter working hours, and a uniquely favourable pension scheme to be taken into account in the wider context of public sector employment. Linking the pay of senior military officers to the higher civil service rather than brigading them with the rest of the armed forces in the AFPRB probably keeps the lid on pay for the senior military. And, because the AFPRB takes account of vertical differentials between the TSRB grades and the rest of the military in framing its recommendation this constraining effect on senior officers pay probably constrains the pay of the rest of the forces as well. Furthermore there are good managerial reasons for some of the existing horizontal links. For example Under Secretaries and Major Generals often fill MOD posts interchangeably and paying them at different rates would lead to management problems.

11. These alleged advantages are debatable. In practice Ministers have not been able to distance themselves from the pay of these groups as the public reaction to the 1985 Report showed. It is also impossible to prove the cheapness of the present TSRB one way or the other: it all depends on what would take its place and it could be argued that the horizontal links pull some groups up rather than hold others down.

12. However, to the extent that Ministers accept that there are advantages in keeping the TSRB in something like its present form, are there any changes to its operation or membership that might produce some of the changes that Ministers are seeking?

Change Membership

13. One possibility is to change its membership. The current membership is set out at Annex B. Most have served for some time

and one (Sir Harold Atcherley) has been a member since 1971. Its current members all come from the higher reaches of business or the professions and are themselves well paid. The average age is 63. Lord Plowden is 79. Bringing in some younger members from a wider spread of occupational backgrounds might lead to a fresh appraisal by the TSRB of its traditional approach to its job, perhaps with rather less emphasis on comparability.

More Openness

14. Another possibility is to make the work of the TSRB more open, so as to increase public confidence in it and make the members more aware of the realities of the outside world. This could mean public hearings, taking a wider selection of evidence and publication of more background material.

15. This openness might be extended to the consideration of TSRB reports with publication of the reports as soon as they were received by the Government rather than after decisions have been reached on the recommendations. This would allow the Government to gauge public and Parliamentary reaction to the recommendations before reaching decisions. Adopting this course would raise the following questions:

i. Is it fair? All the public pressure would be to reduce the recommendations, regardless of the merits.

ii. Would immediate publication of the TSRB report mean the same for other Review Body reports where all the pressure would be for immediate implementation?

iii. Would it discourage people from entering these jobs; knowing that their pay would be set after a highly politicised public debate?

Amend Terms of Reference

16. The existing terms of reference give no guidance as to how the TSRB should do its work. The Government puts forward annual

evidence about the factors it believes the Review Body should take into account.

17. In recent years a great deal of effort has been put into the preparation of this evidence to ensure that Review Bodies know about the Government's views. The evidence has repeatedly stressed the importance of recruitment and retention and affordability, and has argued that - by itself - comparability has little relevance. In its reports the TSRB has repeatedly said that, while it does not believe in mechanical comparability, it must take into account salary levels in other broadly similar occupations. It has often commissioned studies by consultants into rewards in other high paid occupations but has not adopted any automatic links with outside salaries in framing recommendations.

18. It would be possible for the Government to amend the TSRB's terms of reference, and require it formally to frame its recommendations in the light of economic, recruitment and retention factors rather than comparability. Remuneration in other occupations is, of course, a factor which will affect recruitment and retention and to this extent "comparability" will be a relevant issue. However, it should not have an independent influence. Possible draft terms of reference are attached at Annex E.

19. If this approach was to be adopted four questions would arise as to its effectiveness.

i. Would the TSRB behave any differently? This would probably depend upon how specific the terms of reference were. Much would also depend upon how much the TSRB then made comparisons with outside remuneration when examining the recruitment and retention position. Those at Annex E are fairly detailed and may have the desired effect but it is impossible to be certain. Detailed terms of reference may make it difficult to find high quality people willing to serve on the TSRB.

ii. Could the Government still reject or phase the TSRB's recommendations? It has been possible to do so in the past by citing reasons of over-riding national policy. Doing so once the items to be taken into account in framing the recommendations had been specified in the formal terms of reference would involve a direct criticism of the TSRB's judgement.

iii. Would changing the TSRB's terms of reference also mean changing those of the other Review Bodies? As affordability is much more important for the other Review Bodies than the TSRB it would seem odd to change just the TSRB terms of reference to reflect affordability. There is also a case for looking again at the AFPRB's terms of reference in the light of the emphasis that it gives to comparability if the TSRB terms of reference are altered. Such a change would lead to unease within the Armed Forces, which has faith in the AFPRB and the Government's handling of it.

iv. Would changing the terms of reference lead to a loss of confidence in the TSRB's independence? The TSRB's clients would certainly be concerned, but public confidence in the system might increase.

Change Timing

20. The TSRB normally reports to the Prime Minister in April. Moving the settlement date to the end of the pay round ie July/August may reduce the difficulty of dealing with its recommendations. By then the civil service and armed forces awards will be known and the Review Body could take them into account in making recommendations for senior people. (This would also help it establish simple vertical relativities with the rest). Publication of the TSRB awards might then also have a less damaging effect on other pay settlements.

B. ASK TSRB TO DO A DIFFERENT JOB

21. A more direct way of achieving Ministers objectives would be to give the TSRB a different job to do or dispense with it temporarily. This would give the Government more control over the pay determination process. The changes discussed above could be combined with any of the approaches discussed here for altering its job.

Report on Request

22. It would be possible to withdraw the TSRB's standing remit to advise about the pay of its three client groups, which it has interpreted as requiring annual reviews, and have them report on request. This might be used to break the habit of annual pay rises. Alternatively the Government could impose its own pay awards in those years it did not seek advice from the TSRB.

23. Irregular reviews could mean occasional embarrassingly large increases if they mean the client groups "fall behind" between reviews. This effect might be mitigated if the terms of reference were also altered as at Annex E. There may also be difficulty in getting high quality people to serve on the TSRB on this basis.

Suspension

24. The TSRB could be put "on ice" for a year or two, perhaps as a prelude to giving it new terms of reference and revising the membership. The argument would be that the TSRB had set the "right" pay levels for its clients in 1985, which the Government had accepted, and had uprated in 1986. A fundamental review of the pay of the clients would not be necessary for some years and the Government would be giving consideration to the arrangements for this. In the meantime all that would be necessary would be care and maintenance of the existing pay levels and the Government would deal with this itself for the interim period.

25. The major issue would be the arrangements in the interim period, to maintain adequate staffing in the client groups. There

are a number of possibilities but as they would only be intended to tide the groups over until the next TSRB review (on whatever basis) the simplest course would be to freeze the existing relativities within and between the client groups and apply a uniform percentage increase to all of them. This could either be set in relation to prevailing inflation or, in order to preserve existing vertical relativities in the civil service, be linked to increases in the pay of civil service Grade 5s.

26. Freezing vertical relativities would eventually lead to strains in the pay structures of the groups concerned and the emergence of recruitment and retention difficulties. In particular the MOD would be concerned if this process together with AFPRB increases for Brigadiers led to an appreciable narrowing of the differential at the Brigadier/Major-General point. However, these would take some time to come through and the process should be sustainable for a year or two without serious difficulties.

Ranges

27. The TSRB could be asked to advise on a range of pay rather than a rate of pay for its clients. The 1985 TSRB report included a recommendation for a 3 point scale for Grade 3 (Under Secretary) and a 2 point scale for Grade 2 (Deputy Secretary) with automatic progression based on period of service in the grade. It also recommended the introduction of discretionary pay for Grades 2 and 3. This recommendation has now been accepted by the Government and methods of implementing it are under consideration.

28. It might be possible to build upon these developments, at least for the civil service. The TSRB could recommend pay ranges appropriate to each grade but leave it to management to assign individuals to particular pay rates. These would depend upon performance.

29. There would remain the question of the pay of the remainder where discretionary pay based upon formal assessment of performance has not been suggested by the TSRB and would not seem appropriate. The Government could not escape the responsibility for deciding upon their pay rates within the range. This would inevitably involve extra controversy.

30. It is also not clear that such a system would produce lower pay rates than the present one. The 1985 TSRB report published ranges of pay received in "comparable" outside occupations based on research by consultants. However, the TSRB stated in its report that it did not accept that these ranges necessarily the pay that the TSRB groups should receive and applied a "public service discount" to them before addressing the issue of pay rates. If the TSRB was asked to advise about pay ranges rather than rates it might recommend a range based on a survey of outside pay rates without any downward adjustment. The pressure would be on the Government to agree to at least the median and this would mean higher rates than are currently in payment.

Pay Movements

31. The TSRB might be asked to recommend pay increases rather than pay rates. Furthermore, the size of its recommendations could be constrained in advance. The Government's long term pay proposals to the Civil Service unions might serve as a model ie average increase constrained by the interquartile range of outside pay movements but individual increases could vary for different groups. Also on the model of the Civil Service proposals, there could be provision for level surveys at the specific request of the Government but with the implementation of any "catching-up" award deemed to be justified constrained by the other parameters of the agreement. In practice this would mean longer staging of any "catching-up" increases that might be agreed. This would keep some control over the size of annual awards while preserving some scope for adjusting relativities within the groups covered by the TSRB.

32. The difficulties would be getting the TSRB to operate such an arrangement and the client groups to accept it. The TSRB may object to the constraints on their freedom, and the clients may lose confidence in the TSRB's independence. All but two of the main Civil Service unions rejected proposals along these lines for the lower grades.

Division of a Specific Amount of Money

33. The TSRB would be told in advance how much money the Government had set aside for pay increases for the TSRB group and be asked to allocate it between the client groups. In effect, the Government would decide in advance how much it could afford to pay and leave the TSRB to deal with relativities, perhaps on the basis of revised terms of reference.

34. The problems of this approach would be difficulty in getting high quality people to sit on the TSRB, loss of confidence by the client groups, and loss of the advantage claimed for the TSRB of distancing the Government from determining the pay of those groups. It would also look like a new pay assumption.

C. ABOLITION: GOVERNMENT FIAT

35. If none of the options for changing the TSRB's working methods commend themselves to Ministers the choice is between abolition and doing nothing. Indeed it could be argued that the options identified under Approach B above involve such restrictions on the TSRB's independence that it would be better for the Government to abolish it and take on the responsibility itself. If the TSRB is abolished some alternative way of determining the pay of its clients would have to be found. The choice is between doing this by Government fiat or setting up alternative machinery.

36. Setting pay by fiat would allow the Government complete flexibility in dealing with these groups. It need not preclude the possibility of independent advice. Bodies could be set ad hoc as needed or some lower level advisory body, without the status or authority of a Review Body, could be established.

37. Since the chairmen and board members of nationalised industries were removed from the TSRB's terms of reference in 1981 their pay has been set by Ministers, without independent advice. This system has enabled Ministers to introduce more flexibility and to tailor salaries more precisely to individual

circumstances. For example last year average increases of 8.8 per cent encompassed individual increases ranging from 0 per cent to 26 per cent. The range reflects the market test that exists for this group as people are constantly recruited from private industry to fill posts. The Nationalised Industry Chairmans Group has recently made representations to the Government that pay levels are well below market rates and have called for a review by independent consultants. The Government has refused this and told the NICG that pay will continue to be determined in a flexible manner, reflecting recruitment and retention in the individual industries.

38. The main problem of setting pay by fiat for the other groups is that they are unlikely to have much confidence in the arrangements. They may cite the NICG's present concerns as an indication of what would happen. There would be pressure for collective bargaining, which would be inappropriate for these groups and probably expensive, especially for the judiciary. Such an approach would also mean that the Government could not distance itself at all from the pay determination process for these groups. This would be a particularly difficult solution for the judiciary, in view of their constitutional independence from the executive.

39. Finally, there would be the question of what to do about MPs and Ministers. MPs pay is fixed by Resolution of the House until 31 December 1987 and thereafter is set to be linked to 89 per cent of the maximum point of Grade 6 staff on national rates. A few issues concerning Parliamentary allowances will require resolution from time to time but these issues could be referred to independent consultants for advice, ad hoc, as they arise.

40. Ministers pay is set until 31 December 1987 but will need to be reviewed before then. The assumption has been that the matter would be referred to the TSRB. It is inconceivable that Ministers would wish to set their own pay without the benefit of independent advice and so some alternative to the TSRB would have to be found. One possibility would be to ask whatever independent panel was established to review the matter to recommend

some automatic external links for determining Ministers pay in the same way as will operate for MPs from 1988.

D. ABOLITION: ALTERNATIVE MACHINERY

41. Abolition of the TSRB and replacement with alternative machinery is the fourth approach. It could include the provision of independent advice to the Government about at least some of the groups but with each group considered in relation to the wider pay groups which they were part of and not in relation to each other. Existing and arguably obsolete or unjustified "horizontal" links between the client groups could be abandoned and simple "vertical" relativities established with the appropriate people in wider pay groups.

One possible model would be as follows:

a. Senior Civil Service. Their pay could be more closely related to the rest of the Civil Service. Pay rates for the grades currently covered by the TSRB could be established after the general settlement for the non-industrial Civil Service had been concluded. The senior grades could either receive the average award or the same as the top of Grade 5 (Assistant Secretary) by automatic formula. The Government could exercise discretion instead but without independent advice the confidence of the groups concerned and of the public in the arrangements would be jeopardised. There could be pressure for collective bargaining. It would also involve senior civil servants advising on their own pay.

b. Senior Armed Forces. The remit of the AFPRB could be revised to include them. At the same time the AFPRB's terms of reference might be revised formally to discourage emphasis on comparability and to increase that on economic and market factors. There was correspondence about this issue last year between the Chancellor and the then Secretary of State for Defence.

Decoupling pay arrangements for senior officers and the senior Civil Service would probably mean that the pay of Under Secretaries and Major-Generals (and their equivalents), which has been linked in the past, would differ in future. The likelihood is that, unless its terms of reference are significantly changed, the AFPRB would recommend higher rates for senior officers than would the TSRB. Furthermore there is some evidence that the rates established for Major-Generals/Under Secretaries by the TSRB exert some downward pressure on the AFPRB's recommendations for Brigadiers. So abolishing the TSRB and putting senior officers in with the AFPRB could result in upward pressure on Armed Forces pay generally, where a 1 per cent increase costs around £35 million.

c. Judiciary. The special constitutional position of the judiciary requires the Lord Chancellor to have advice on salary levels which is wholly independent of both the executive and of the judiciary themselves. Determination by the Lord Chancellor or collective bargaining would inevitably generate more public controversy than was ever generated by the TSRB. An independent advisory body on judicial pay would be needed. There would be problems over its membership. The judiciary would expect to be strongly represented on a new Review Body, thus jeopardising its independence. However, without such representation the judiciary may not have confidence in it. Moreover in the absence of any benchmarks to guide the Review Body, such as the horizontal relativities established by the TSRB, the general pay levels in the profession may dominate the recommendations and lead to much higher levels of judicial remuneration than obtain at present.

d. MPs/Ministers. Provided the existing Resolution of the House of Commons is not overturned there should be no problem as far as MPs pay is concerned. MPs and Lords allowance matters could be referred to

independent consultants as necessary. Some mechanism for obtaining alternative advice about the pay of Ministers after 1987 would be necessary at some stage. One possibility would be to refer this issue to the TSRB as its final task before abolition.

Issues for Ministers

42. The key issues are:

i. Do Ministers accept the arguments for continuing to obtain independent advice on pay for the TSRB client groups together [paragraph 10]?

ii. If so, could changes to its membership (paragraph 13), greater openness in the conduct of its business (paragraphs 14-15), amended terms of reference (paragraphs 16-19), or altering the timing of its reports (paragraph 20), bring about desirable changes in the way it operates?

iii. If not, should the TSRB be asked to do a different job? Are any of the options of reports on request (paragraphs 22-23), suspension (paragraphs 24-26), range pay (paragraphs 27-30), recommending pay movements (paragraphs 31-32) or division of a specific amount of money (paragraphs 33-34) worth considering?

iv. If Ministers do not accept the case for keeping the TSRB what arrangements should replace it? Should pay be set by Ministerial fiat without regular arrangements for obtaining advice (paragraphs 35-40)?

v. Or should alternative machinery, involving the provision of independent advice, but providing for separate determination of each groups pay - perhaps along the lines of paragraph 41 - be established?

Pre-TSRB Arrangements(a) Higher Civil Service

The first comprehensive study and recommendations concerning higher civil service pay was made by the Asquith Committee in 1920. Salaries were adjusted after reviews by the Tomlin Commission (1939), Chorley Committee (1949) and the Priestley Committee (1955). The Priestley Committee also recommended that a Standing Advisory Committee should be appointed to exercise a general oversight of the remuneration of the higher civil service. It was established in February 1957 and submitted 10 reports, the last in 1969. It made its own inquiries and carried out its own surveys of outside pay levels, independently of the Pay Research Unit.

(b) Senior Armed Forces Officers

In the period 1966 to 1970 determined on the basis of advice from the National Board for Prices and Incomes as part of its standing reference to consider armed forces pay. 1958-60 biennial reviews conducted within Government, often following reports by the Standing Advisory Committee on Higher Civil Service Pay. Principle was broad comparability with higher civil service pay. Before 1958 ad hoc Ministerial consideration.

(c) Judiciary

Ad hoc upratings by Government. No formal guidelines but increases were more or less in conjunction with salary movements in the higher civil service in the postwar period. 1851-1954: salaries were constant.

(d) Chairmen and Boards of Nationalised Industries

Ministerial determination. Reference to National Board for Prices and Incomes in 1969.

Overall Conclusion

Interdependence between the salaries of these groups was a postwar phenomenon. Horizontal relativities in the postwar period arose from expediency and convenience rather than logical design.

Reference

Appendix G. TSRB Report No 6 (1974).

REVIEW BODY ON TOP SALARIES

The Review Body on Top Salaries was appointed in May 1971 with terms of reference to advise the Prime Minister on the remuneration of the Chairmen and members of the Boards of nationalised industries; the higher judiciary and certain other judicial appointments; senior civil servants; senior officers of the armed forces; and other groups which may be referred to it. The appointments in the nationalised industries were removed from the Review Body's remit in August 1980.

The members of the Review Body are:

Lord Plowden, KCB, KBE. *Chairman*

Sir Harold Atcherley

Lord Chorley

Sir Robin Ibbs

Sir Peter Matthews, AO¹

Andrew Morritt, QC

Sir David Orr, MC

Sir Thomas Skyrme, KCVO, CB, CBE, TD

The Secretariat is provided by the Office of Manpower Economics.

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

FSRB AWARDS 1975-86 (per cent)

Group	Senior Civil Service	Armed Forces	Judiciary	Whole Economy	
				Average (1) Settlements	Increase (2) in average earnings
<u>1979</u>					
Award	11.3	11.3	10.3		
Carryover	10.7	10.7	11.4		
Increase due	23.2	23.2	22.9	13½	16
Actual increase	13.5	13.5	12.5		
<u>1980</u>					
Award	27.2	27.2	24.3		
Carryover	8.6	8.6	9.2		
Increase due	38.1	38.1	35.0	17	21½
Actual increase	12.3	12.3	12.1		
<u>1981</u>					
Award	(3)	(3)	(3)		
Carryover	23.0	23.0	20.4		
Increase due	23.0	23.0	20.4	8½	10½
Actual increase	7.0	7.0	7.0		
<u>1982</u>					
Award	19.4	19.4	24.3		
Carryover	(3)	(3)	(3)		
Increase due	19.4	19.4	24.3	7	9
Actual increase	14.3	14.3	18.6		
<u>1983</u>					
Award	6.8	6.8	6.9		
Carryover	4.6	4.6	4.8		
Increase due	11.7	11.7	12.0	5½	7
Actual Increase (1st Year)	5.8	5.8	5.9		
(Full Year)	11.7	11.7	12.0		
<u>1984</u>					
Award	6.5	6.5	6.5		
Actual increase (1st Year)	4.46	4.46	4.46		
(Full Year)	6.5	6.5	6.5	5½	7½
<u>1985</u>					
Award	12.2	17.6	16.3		
Actual Increase (1st Year)	5.1	7.3	7.1		
(Full Year)	12.2	17.6	16.3	5½	7½
<u>1986</u>					
Award	6.5	6.4	6.7		
Actual Increase (1st Year)	2.9	2.9	3.1		
(Full Year)	3.9	3.8	4.1	6(4)	7½(4)

(1) Pay rounds ending July 1979 to ending July 1985

(2) Year to Q3

(3) Because rates recommended for 1980 were not implemented in full, no new recommendations were made for 1981

(4) Estimates

TOP SALARIES REVIEW BODY

RECOMMENDED SALARY LEVELS, WITH RATIOS TO AVERAGE EARNINGS AND THE 95th PERCENTILE POINT

YEAR ¹	HIGH COURT JUDGE			CIRCUIT JUDGE		
	Salary (£)	Ratio x 100		Salary (£)	Ratio x 100	
		Average Earnings ¹	95th Percentile ²		Average Earnings ¹	95th Percentile ²
1971 ⁵	14000	818	361	8300	485	214
1972	15750	825	365	9750	510	226
1973	16000	734	332	10000	459	207
1974	16350	659	308	10350	417	195
1975	21000	664	328	13000	411	203
1976 ⁶	-	-	-	-	-	-
1977 ⁶	-	-	-	-	-	-
1978	26000	561	279	17500	377	188
1979	28500	540	275	19500	370	188
1980	35000	541	260	24000	371	178
1981	35000	479	227	24000	329	155
1982	45000	560	263	29000	361	170
1983	48000	551	259	31000	356	167
1984	51250	551	255	33000	355	164
1985	60000	600	279	40000	400	186
1986	63500	n/a	n/a	42500	n/a	n/a

YEAR ¹	MAJOR GENERAL			UNDER SECRETARY ⁴		
	Salary (£)	Ratio x 100		Salary (£)	Ratio x 100	
		Average Earnings ¹	95th Percentile ²		Average Earnings ¹	95th Percentile ²
1971 ⁵	7245	423	187	6750	395	174
1972	8750	458	203	8250	432	191
1973	9000	413	187	8500	390	176
1974	9350	377	176	9000	363	169
1975	12000	380	188	12000	380	188
1976 ⁶	-	-	-	-	-	-
1977 ⁶	-	-	-	-	-	-
1978	16000	345	172	16000	345	172
1979	18000	341	174	18000	341	174
1980	23500	363	175	23500	363	175
1981	23500	322	152	23500	322	152
1982	26000	324	152	26000	324	152
1983	27750	319	150	27750	319	150
1984	29500	317	147	29500	317	147
1985	34000	340	158	31-34000 ⁸	310-340	144-158
1986	36250	n/a	n/a	33250- 36250 ⁸	n/a	n/a

Footnotes

- 1 NES Average gross weekly earnings, all males, pay unaffected by absence.
- 2 NES data for non manual males only.
- 3 Recommendations in 1972, 1974 and 1975 applied from 1 January to all except High Court Judges, whose review date was 1 July between 1971 and 1975. Recommendations have been attributed to April of the year in which they applied for the ratio comparison in every case.
- 4 Major Generals' and Under Secretaries' pay has been linked since 1975.
- 5 Pre-TSRB salary levels as at April 1971.
- 6 No TSRB reports during 1976 and 1977 owing to operation of Government pay policy.
- 7 By 1981 increases of about 12 per cent overall would have been needed to bring TSRB salaries up to the level recommended for 1980. TSRB concluded that no useful purpose would be served by recommending new salary levels and it instead urged the Government to implement the 1980 recommendations in full as soon as possible.
- 8 Normally attainable maximum (excluding discretionary pay points).

SALARY LEVELS FOR SELECTED CIVIL SERVICE AND ARMED FORCES GRADES AND RANKS AND RATIO WITH AVERAGE EARNINGS

YEAR	CLERICAL OFFICER (max)		EXECUTIVE OFFICER (max)		HIGHER EXECUTIVE OFFICER (max)	
	Salary (£)	Ratio to Average Earnings	Salary (£)	Ratio to Average Earnings	Salary (£)	Ratio to Average Earnings
1971	1385	81	2000	117	2625	153
1972	1489	78	2150	113	2809	147
1973	1760	81	2600	119	3350	154
1974	1883	76	2782	112	3585	145
1975	2409	76	3670	116	4700	149
1976	2722	73	3983	107	5013	134
1977	2858	70	4182	102	5263	129
1978	3280	71	4579	99	5718	123
1979	4000	76	5272	100	6519	124
1980	4740	73	6745	104	7250	112
1981	5102	70	7247	99	9184	126
1982	5421	67	7700	96	9758	121
1983	5708	66	8088	94	10218	118
1984	5993	64	8492	91	10729	115
1985	6293	63	8917	89	11263	113
1986	6671	n/a	9452	n/a	11941	n/a

YEAR	WARRANT OFFICER II (Band 7)		CAPTAIN (max)		MAJOR (max)	
	Salary (£)	Ratio to Average Earnings	Salary (£)	Ratio to Average Earnings	Salary (£)	Ratio to Average Earnings
1971 ¹	2258	132	2734	160	3555	208
1972	2501	131	3000	157	3949	207
1973	2675	123	3489	160	4168	191
1974	3106	125	3895	157	4683	189
1975	4135	131	4778	151	6098	193
1976 ²	4447	119	5090	136	6410	172
1977 ²	4655	114	5298	130	6618	162
1978	5355	116	5917	128	7457	161
1979	7481	142	7799	149	10054	191
1980	8734	135	9163	141	11994	185
1981	9855	135	10424	143	13494	185
1982	10530	131	11129	139	14498	180
1983	11467	133	12144	141	15830	183
1984	12293	132	13169	142	17115	184
1985	13202	132	14188	142	18509	188
1986	14257	n/a	15279	n/a	20049	n/a

Footnotes

- 1 Salaries as from 1 August 1971.
- 2 1976 and 1977 recommendations were in line with Government pay policies.
- 3 NES Average gross weekly earnings, all males, pay unaffected by absence.

DRAFT REVISION FOR TSRB TERMS OF REFERENCE

The Review Body on Top Salaries has been appointed 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 any other groups which may be referred to it. In presenting its advice the Review Body should give full weight to recruitment and retention, conditions of service, affordability, and the likely effects of its recommendations on the economy generally. The government will from time to time present evidence to the Review Body about the current position on these questions. Remuneration in other occupations is only relevant to the remuneration of these groups insofar as it effects the recruitment and retention position and should not be taken into account as an independent factor by the Review Body in framing its recommendations.

