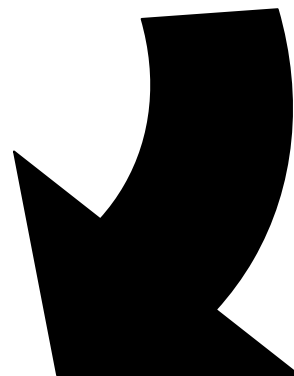
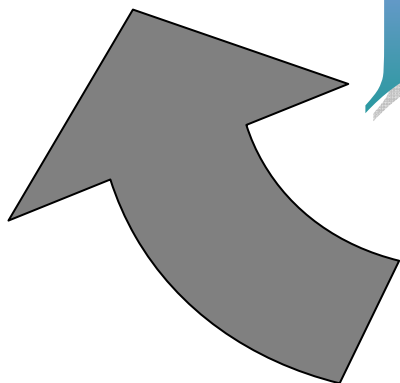


Savings have been abandoned
and every penny is needed to
survive and to stay out of debt.

SURVIVING rather
than saving for the
future does not
auger well for the
future.

1978

Note that the Chairman of the
AFPRB has been Knighted.
Notwithstanding Government
restrictions on pay, ARMED
FORCES pay is now of GREAT
CONCERN to all sailors,
soldiers and airmen. We are
hopelessly behind our civilian
counterparts in pay terms.



but lots of debts ..story of
your



life?

.....!

In the **BLACK** is nice, but fleeting
And all too quickly changes when meeting
The cost of our life style, married or single
With few coins left in our pockets to jingle.

Then the colour changes to **GREY** well known to mean 'uncertain' bets
That even the few coins we have are assets or debts
So we tighten our belts and look to our savings
Bemoaning our lot and our pay whilst retaining our cravings.

When the piggy-bank is empty but the needs are still there
We still go ashore with or without a care
And although now at **RED** when we should stop
We borrow a rubber, half a bar, to buy our pop.

Then it is pay day, what a relief
All debts are settled and there is a belief
That this month things will be different and debt free
How right you are matey because the ship is due for a month at sea.

{G. Dykes May 2005 – a budding Poet Laureate?}



REVIEW BODY
ON
ARMED FORCES PAY
SEVENTH REPORT
1978

Chairman:
SIR HAROLD ATCHERLEY

*Presented to Parliament by the Prime Minister
by Command of Her Majesty
April 1978*

LONDON
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REVIEW BODY ON ARMED FORCES PAY

The Review Body on Armed Forces Pay was appointed in September 1971 to advise the Prime Minister on the pay and allowances of members of Naval, Military and Air Forces of the Crown and of any women's service administered by the Defence Council.

The members of the Review Body are:

Sir Harold Atcherley (*Chairman*)¹

Admiral Sir Desmond Dreyer GCB CBE DSC JP

Dr Ewen M'Ewen CBE

Dame Rosemary Murray DBE JP

Sir John Read

C. A. Roberts CBE

J. R. Sargent

Sir Leslie Williams CBE

The Secretariat is provided by the Office of Manpower Economics.

¹Also a member of the Review Body on Top Salaries.

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CHAPTER 1

THE PROBLEMS

1. This is the seventh occasion since we were appointed in September 1971 on which we have put forward recommendations on the pay and allowances of the members of the armed forces within our terms of reference and on the charges for food and accommodation for the armed forces as a whole. On two occasions only—in 1972 in our First Report and in 1975 in our Fourth Report—have we been able to base our recommendations wholly on the principles and considerations that we regard as appropriate to recognise and reward the many and varied tasks carried out by the Services and on those principles and considerations alone. We have discussed them in earlier Reports¹: their objective is to relate Service pay to pay for jobs of comparable skill and responsibility in civil life established by objective standards, while at the same time preserving internal coherence in the complex rank and trade structures of the three Services; and to relate charges for food and accommodation to living costs in civil life in a way that is accepted as “fair” to servicemen and women, both by them and by the community which they serve. In 1973 and 1974 and in 1976 and 1977, however, we have carried out our reviews against a background of restraint measures which have been intended to apply to the community as a whole but which, in practice, have had much greater impact on some sections of it than on others. In these years we used the relevant outside pay comparisons to demonstrate that the maximum increases permitted under the counter-inflation measures of the day were fully justified. In 1975, we were able to recommend rates of pay that, for a brief period, restored the shortfall that had arisen during the period of the statutory restraint measures and, in our 1976 and 1977 Reports², we drew attention to the fact that armed forces’ pay generally had again fallen short of the levels that would have been justified by the evidence of outside earnings for jobs of comparable weight (we discuss this further in paragraphs 4 and 5). We quantified the amount of the shortfalls as evidence for a future review, but we took the view that it would have been wrong either to create expectations by indicating in our reports a single figure of shortfall in percentage terms which might have been interpreted as applying to everyone, or to single out the armed forces from the rest of the community by recommending that the Government should accept for them increases that were inconsistent with its declared policy³ for the community as a whole.

2. The concern that we expressed in our last two reports has been widely reflected throughout the armed forces themselves. We have been left in no doubt, in the course of our visits to Service units during the year and by the content of formal and informal evidence put to us by senior officers who have responsibility for management, that concern on this score is a major preoccupation within Service communities, not only of servicemen of all ranks themselves, but also of

¹Report of the Review Body on Armed Forces Pay 1972, Cmnd. 4954, Chapter 3; Third Report 1974, Cmnd. 5631, Chapters 1 and 2; Fourth Report 1975, Cmnd. 6063; Fifth Report 1976, Cmnd. 6470.

²Review Body on Armed Forces Pay, Fifth Report 1976, Cmnd. 6470, paragraph 8; and Sixth Report 1977, Cmnd. 6801, paragraph 4.

³The White Papers, The Attack on Inflation, Cmnd. 6151; The Attack on Inflation, The Second Year, Cmnd. 6507.

their wives. Moreover, a series of Parliamentary debates on pay and conditions in the armed forces, a steady flow of Parliamentary Questions and a considerable volume of press comment over the past year have all provided evidence of lively public interest and—unmistakably—of mounting public concern about the present state of pay and conditions in the Services, particularly bearing in mind the jobs that servicemen are called upon to take on in time of emergency, in addition to their normal military duties. The extent of the discussion and comment is welcome evidence of widespread interest in and sympathy for servicemen's problems and, in our view, it is indicative of a growing public determination to see a square deal for the armed forces in operation as a first priority in the period ahead. In order to provide a firm basis for consideration of an issue of real and widespread public concern, we see it as essential to identify in detail the extent to which the restraint measures that have been in operation since July 1975 have borne more harshly on the armed forces than on their recognised counterparts in civil life, by making known the rates of military salary and the consequent pay increases that the application of our normal criteria justifies at 1 April 1978, and to indicate the timescale within which we consider it essential for them to be put into effect in an up-to-date form. We do this in Chapters 3 and 4.

3. Because the pay and conditions of the armed forces are rightly a matter of great public concern, we think it important to dispel some of the more common misunderstandings that colour much of the comment on them both inside and outside the Services, so that public discussion can more readily concentrate on the very real problems that undoubtedly exist. We do this in Chapter 2 in describing our approach to the current review. The fact that misconceptions do exist within the Services underlines the importance of ensuring that adequate explanations are given at all levels within the Services both of the principles on which pay is based and of general restraint measures that affect them in common with other sections of society. Since Service "populations" change continuously, the process of explaining the system must be continuous.

4. The principal problem that faces us is, of course, the extent of the "shortfall" and the steps that are needed to eliminate it. The emergence of a shortfall as a result of restraint measures that were intended to apply outside as well as inside the armed forces has led to questioning of the way in which the "comparability" principle has been applied. Obviously, it is inherent in any system that relies in part at least on comparisons, that reviews of pay can only reflect the impact on total earnings of settlements that have already come into effect. The introduction of restraint measures which come into operation almost as soon as they are announced, as in 1975, interrupts the process and creates a gap which, sooner or later, has to be bridged. We last brought Service pay up-to-date on 1 April 1975 on the basis of outside pay for comparable jobs that reflected pay settlements reached before that date. Subsequent settlements outside, made before the introduction on 1 August 1975 of the restraint measures announced on 11 July 1975, would normally have been reflected in our 1976 recommendations but, because of the operation of the restraint measures, they have not, even now, been reflected in full in the military salary: this is the origin—but not the only cause—of the shortfall. By April 1976 when we next reviewed Service pay, the outside evidence disclosed significant shortfalls at most—but not all—ranks of

the Services which the payment of a standard supplement to those earning less than £8,500 a year did not remove. In theory, the general application of the restraint measures ought to imply that a shortfall of this kind would not change while they continued to be in force. But this does not happen in practice: even strict application of the measures does not alter the fact that earnings continue to increase beyond the limits imposed, whether from increased overtime or shift work, or from changing jobs: and these are options that are either not open at all to servicemen or, in the case of changing jobs, are not readily available. The Government has made known¹ that the “£6 policy, which represented an average increase in wage settlements of nearly 11 per cent, produced an increase in earnings for the year of about 14 per cent”. The increase in earnings in the Services was 9.6 per cent. The same pattern is bound to emerge from the second round measures, in which the increase in Service pay averaged 4.8 per cent: our evidence indicates a substantial increase in the shortfall. We discuss this further in Chapter 3.

5. Since pay increases outside come into effect on different annual dates throughout the year, a measure of timelag in relation to the reflection in armed forces' pay of some settlements outside is inevitable. This does not invalidate the system, or throw doubt on the role of job evaluation within it, but it underlines the urgent need for sufficient flexibility to enable the pay of the armed forces to be restored to a position that properly reflects both the rewards outside for jobs of comparable weight, and the unique contribution that they make—both in military terms (as in Northern Ireland) or in civil emergencies. Recently the restraints imposed on the system have prolonged the delay in reflecting developments outside; this is the real issue at the root of the present unease about pay and conditions in the Services. It is clear to us that, within the community as a whole, the armed forces are entitled to expect immediate recognition of what is due to them, and a firm commitment on the date when up-to-date rates of military salary will be given full effect, if confidence is to be restored in a system which is widely recognised as the most suitable, but whose operation has been frustrated in more years than not since its introduction in 1970. We have in mind that a commitment of this kind has recently been given to firemen employed by local authorities, and we can see no shadow of justification for treating the armed forces any less favourably in this matter.

6. The real problems at the root of the widespread malaise about pay and conditions of service in the armed forces have to be faced because they have serious implications for manning and, consequently, for the operational capability of the armed forces which is crucial to the security of the community. It is not for us to comment on decisions relating to levels of defence expenditure except to the extent that they directly affect the workload, the conditions and the attitudes of servicemen. In the view of senior officers, dissatisfaction with pay and conditions is an important contributory factor to the present and prospective increase in the outflow of officers and servicemen in certain key ranks and trades by premature voluntary release; by the exercise of options to leave the Services; and by failure to re-engage on completion of engagements. This trend has been

¹The White Paper, *The Attack on Inflation after 31st July 1977*, Cmnd. 6882, paragraph 9.

confirmed in the recent Defence White Paper¹. The situation is fluid, and comprehensive statistics are hard to come by: but we are in no doubt that, in some important areas, shortages of special skills have become serious and, unless corrective action is taken quickly, the Services will lose more and more of their best men, particularly in the technical branches where individuals have readily marketable skills even at a time of high unemployment generally. In our view, in the interests of the community as a whole as well as of justice for the armed forces, sensible action must be taken to reverse the present clear trend before it goes any further. It cannot be too strongly emphasised that the Services' strength lies in their stock of highly trained and experienced officers and men: it is obviously a shortsighted policy to allow the very significant investment in training to be wasted in the loss of those men that they most need and at the same time to incur further vast expenditure on training their replacements,² perhaps only to lose them too to better paid jobs outside. It is not a financial question alone. Training, particularly for the most highly skilled jobs, is a long-term process: experience can only be acquired over time. Losses now will inevitably take many years to make good.

7. The deteriorating manpower position about which we have been told is, of course, additional to the planned reductions that resulted from the recent defence review: combined with the continuing demands in Northern Ireland and with other emergency operations (one example is the job done by the Services during the recent firemen's strike), it has created what has been described as "overstretch". In our judgment, the flexibility displayed by the armed forces in these circumstances would, in any other context, be held to justify the introduction of some form of recognition as 'productivity'. But, provided that comparison with total earnings in comparable jobs outside is the main yardstick both for assessing the levels of armed forces pay that are appropriate and for deciding those that are actually paid, it would not be right to introduce special rewards for productivity (even if it were possible to measure and distinguish between individual contributions), or for any other aspect of work that is already reflected in the levels of total earnings obtained through our surveys. When the evidence of these surveys is taken fully into account, productivity arrangements in outside employment, overtime payments which recognise long hours of work, and various bonuses are all reflected in armed forces pay in an averaged out way in the broad-banded pay structure that has, up to now, been regarded as appropriate to the circumstances of the armed forces. Their significance at the present time is of course that, in employment outside the Services, productivity arrangements can be introduced over and above general pay increases within the guidelines and are outside the scope of the 12 months rule. They will inevitably increase outside earnings in the coming year in ways that are not available to the armed forces and thus increase further the shortfall that already exists.

8. The X factor presents a further problem. It recognises the balance of disadvantage of Service life by comparison with civil life by, in general, a standard

¹Statement on the Defence Estimates 1978, Cmnd. 7099.

²In the Royal Air Force, for example, costs vary according to aircraft and role. The training of a 'fast jet' pilot is the most expensive. The estimated cost to the RAF to train such a pilot to full operational standard covering all elements of training from initial officer to operational training and including elements for fixed costs is of the order of £1 million at 1977-78 price levels.

addition of 10 per cent (men) and 5 per cent (women). It is a broad-brush approach which has been based on the assumption that, over a period, the experience of an individual will tend to be self-balancing. But a system of this kind is only satisfactory so long as the range of the demands made on individuals is not too wide over too long a period; it is not designed to cover, for example, cases of exceptionally long hours worked habitually for long periods. If this is the situation that is in practice emerging for particular groups—as it may be in Northern Ireland; or in trades which have been and are being most seriously affected by manning shortages; or in ships at sea—we may need to consider whether a broad-banded structure of fixed salaries incorporating a standard X factor is sufficiently responsive to the changing demands of the situation, or whether it may provide less than adequate rewards for some servicemen in recognition of the demands made on them. It will be necessary to inquire into this in greater depth.

9. The unsatisfactory pay position is made still less tolerable by minor irritations created by the relative deterioration in some other conditions of service. A simple example illustrates the point: baggage allowances for servicemen posted overseas on accompanied tours are effectively frozen in cash terms because to increase them would (we have been told) be interpreted as a non-wage benefit which would have to be offset against a pay increase. But the scales of provision of equipment in married quarters may not reflect individual standards and, if a Service family needs to transport a higher proportion of personal belongings as a result, it can only be done at the cost of an excess baggage charge. It is a further source of irritation that the scale of the allowance for the removal of personal effects is less generous than the scale available to the civilian employees of the Ministry of Defence, and it is small consolation in a situation of cash shortage that this stems from differences in pay and conditions of service in general which are designed for a very different purpose.

10. We believe that members of the armed forces accept that Government policies on pay must affect them *in the same way* as they affect other members of the community. In a system based on comparisons with outside earnings, the introduction of rigid restraint measures between pay reviews inevitably creates the kind of shortfall that we have described, but the armed forces find it increasingly difficult—and we do also—to accept a situation in which the shortfall continues to increase during the operation of restraint measures that are intended to apply equally to everyone, because means are provided that are not open to servicemen, by which earnings can be increased by more than the basic increases that the measures allow. This is still more difficult to accept when many members of the armed forces are themselves required to take on increased workloads with all that this implies for flexibility in working arrangements, but without the financial recognition that employees outside may have without violating the current guidelines.

CHAPTER 2

OUR APPROACH

11. We are concerned in this report with the pay of all ranks of the armed forces up to and including Brigadier, except medical and dental officers: we shall make our recommendations on medical and dental officers' pay in the light of the recommendations of the Review Body on Doctors' and Dentists' Remuneration for doctors and dentists in the National Health Service, also with effect from 1 April 1978. Last year, exceptionally, the nature of our recommendations enabled us to include the pay of medical and dental officers in our general recommendations, but we now revert to our normal practice and will put forward our recommendations separately, in a Supplement to this Report.

12. The common feature of the different forms of restraint measures that have been in operation in five out of the last seven years is that they have imposed limits on individual increases in pay—sometimes an upper limit only, and sometimes a lower limit also. There is, of course, a tendency for upper limits—whether expressed as a cash sum or as a percentage—to come to be regarded as the standard increase for everyone. But in the case of the armed forces, we have invariably taken the view that every pay increase has to be justified by the criteria that we have evolved to assist us in assessing the levels of pay that are appropriate and that we first described in our 1972 Report¹. The main criterion is comparison with earnings in jobs of equivalent skill and responsibility in civil life, judged by objective standards. To translate this criterion into practical terms, a system which provides internal consistency and coherence of evaluation throughout the complex rank and trade structures of the separate Services, and between the Services and outside employment, is essential. Other considerations are the rewards and incentives related to special features of Service life—for example, the broad balance of the advantages and disadvantages of a disciplined Service career compared with a career in civil life, which is reflected in the X factor, and the need to provide incentives to encourage prolongation of service, or commitment to a career, in the armed forces.

13. Job evaluation is the main technique used on our behalf to compare the relative values of jobs at key levels in the Services and of equivalent jobs outside. At present, three systems of job evaluation are in use: for Corporals, the results of which are reflected downwards to lower ranks; for senior NCOs and Warrant Officers; and for officers from Captain to Brigadier. In each, jobs are analysed in terms of factors related to the demands of the job—for example, skill and experience requirements, responsibility etc—weighted according to their importance. The allocation of points scores to each factor translates demands and qualities in like and unlike jobs into a common “currency” of points, and brings within the scope of the system of comparison Service jobs for which there are no counterparts in civil life. The detailed application and continuous review of the job evaluation process is carried out by specially trained and experienced members of the armed forces who make up the Joint Services Job Evaluation Team, under the guidance of independent consultants employed on our behalf: in this way, the Services themselves can be confident that all the demands of their own

¹Report of the Review Body on Armed Forces Pay 1972, April 1972, Cmnd. 4954.

jobs are properly understood, and we ourselves can be satisfied both that this is so, and that a check is kept on the consistency and objectivity of the standards of judgment.

14. For pay purposes, servicemen's jobs are grouped into broadly based pay bands according to their points scores. Thus, any one band may include wholly dissimilar jobs—for example, clerks, drivers, and infantry soldiers—which fall into the same broad range of points scores. For this reason, the type of comparison of pay in specific jobs in the Services and in civil life that is sometimes attempted is not a particularly reliable guide: it is important to see the job evaluation process in proper focus in relation to the range of jobs included in the outside comparisons. In the case of the Corporal, for example, the range of earnings in outside jobs of the same weight is wide. Even after taking account of all other considerations that enter into the process of assessing a particular military salary, it will not be unusual to find some examples of higher rates of pay in civil life, notwithstanding the X factor, for jobs carrying the same descriptive title. In short, it will always be possible to find particular individuals within a trade in civil life who are paid more than servicemen in the same trade, but the levels of military salaries in each pay band will reflect the earnings of all the outside jobs of equivalent weight. We review the evidence obtained on this basis in Chapter 3.

15. Comparisons of servicemen's pay with earnings in industry or in other public services are sometimes made in terms of "take home pay" without sufficient regard to the need to compare like with like. It is an unrealistic basis for comparison in any case, since "take home pay" normally means gross pay net of income tax and national insurance contributions, which reflect an individual's personal circumstances rather than the rewards of his job, which are measured by gross pay. It is not valid at all when, on the Services' side of the calculation, the figures quoted are also net of charges for housing and/or food. Men and women in civil life also have no choice in relation to the rising costs of food and housing, but they undoubtedly have greater freedom in relation to ways and means of increasing income or adjusting their expenditure in order to meet them.

16. The comparison criterion extends also to consideration of the charges for food and accommodation, where these are provided by the Services, in the parallel sense that they reflect the corresponding expenses which people in civil life have to bear and the pay that servicemen receive. We describe in Chapter 3 the methods by which this is done. We have expressed doubts in earlier reports¹ about the methods used since 1970 to assess accommodation charges, but neither we nor the Ministry of Defence have so far been able to find a suitable alternative that is fair both to the serviceman and to the taxpayer. Nevertheless, we well understand that servicemen find it difficult to accept that charges should continue to increase according to the established basis of calculation when the established basis for assessing pay has been virtually put into suspense, giving rise to short-falls in pay. So long as Service pay is competitive with earnings outside, the basis of assessing charges is inherently advantageous to servicemen because it is related to local authority rents and other costs that are up to one year out of date.

¹Report of the Review Body on Armed Forces Pay 1972, Cmnd. 4954; Second Report 1973, Cmnd. 5336; Fourth Report 1975, Cmnd. 6063.

But as the military salary falls increasingly out of line with earnings in jobs of comparable skill and responsibility outside, this advantage diminishes and before long disappears. The balance can be (and normally is) maintained fairly when reviews of pay and charges are not made subject to artificial restraint measures imposed extraneously and, within moderate limits, some imbalance is tolerable. But the imbalance in pay now disclosed by the evidence is no longer moderate and some modification of the application of the method may be justified. We consider this problem further in Chapters 3 and 4.

17. We have noted continuing public comment on the effect and implications of the armed forces' own rent and rates rebates system, which is associated with accommodation charges. The extent to which servicemen make use of this system is sometimes presented as evidence that the earnings of those servicemen are somehow below the "poverty line", and as a stigma. This is wrong. The system is intended to reflect the general arrangements in civil life to help families who occupy rented property, according to their family circumstances as well as to their means. At any particular income level, the size of family is the main deciding factor whether there is an entitlement to rebate. Short of abolition of the entire scheme, the only way in which entitlement could be avoided for everyone would be to introduce a minimum rate of pay for all servicemen, regardless of family circumstances, equal to the amount needed to disqualify the man with the largest family from entitlement to rebate. Whether or not this would be practicable, it would undoubtedly be in conflict with the general principle that servicemen's pay should reflect the rewards for work of comparable skill and responsibility outside. This brings us back again to the need to restore the military salary to the levels that properly reflect earnings outside and the special features of Service life. When this has been done, we are confident that the rent and rates rebate scheme will be seen in its proper social and financial perspective.

18. It will be apparent that our reviews are concerned with an inter-related package of pay and charges, both administered by the employer. This is an unusual situation, but it is not unique—other employers provide accommodation and many provide some part of their employees' food—but the great majority of people in all walks of life are paid by their employer and buy their food and their accommodation in the open market. It is at this point, in relation to an inter-related package, that artificiality is introduced by measures of restraint which arbitrarily affect the individual components that go to make up the package. Specifically, since 1 August 1975, the cost of non-wage benefits has had to be offset against the total cost of the pay increase allowable within the guidelines in each year. We have referred before¹ to evidence presented to us on behalf of Government which indicates that a change in the basis of calculation that would result in a lower charge than would otherwise have been justified, or any abatement or standstill, would create such a non-wage benefit, the cost of which would have to be offset against the total amount of money available for a pay increase and would reduce the amount of the pay increase itself. We can well understand servicemen's resentment at what they see as inconsistency in the treatment of pay and charges and we have been watching the position with great

¹Review Body on Armed Forces Pay, Fifth Report 1976, Cmnd. 6470, paragraphs 15 and 16; and Sixth Report 1977, Cmnd. 6801, paragraph 15.

care. Some rough justice is inevitably involved in general measures at a time of economic crisis and in its wake and, in our 1976 and 1977 reviews, we were satisfied that what was happening to pay and charges in the Services broadly reflected what was happening in the community generally. But we recognised that problems were developing and, in our Sixth Report last year, we urged that the third stage of the Government's restraint measures should incorporate enough flexibility in a form that was directly relevant to the armed forces pay system to enable us to deal with these problems. Regrettably, this has not been done: indeed, the continuation in the current guidelines of the provision concerning non-wage benefits emphasises the differences between what is happening in the Services and in the community generally. Members of the armed forces cannot enhance their pay by working overtime, or shifts, or in the last resort, by switching jobs at short notice in the way that is open to outside employees. Equally, for those outside who live in rented accommodation, a standstill or a change in the basis on which their landlord—whether private or public—assesses their rent is not held to confer a 'non-wage benefit' which then has to be offset against the pay increase that their employers may agree. It seems inconceivable, for example, that a decision by a local authority to impose a standstill in rents would be transformed into a series of limitations on the pay increases that their tenants' employers could pay within Government guidelines.

19. Against this background, we have again collected the evidence that enables us to assess the levels of pay and charges that are appropriate now on the existing criteria. The present pattern of payment of military salary and supplements and of additional pay has become far removed from the structure that we recommended in 1975¹. This distortion is a direct consequence of the rigidity imposed by the 1976 and 1977 restraint measures with which the recommendations in our Fifth² and Sixth Reports³ complied. We have therefore seen it as essential to take stock of the situation, to measure the extent to which armed forces' pay is now out of line with outside pay, and to establish the structure and levels of pay that would be appropriate for the armed forces in 1978, if there were no obstacles to their introduction. Moreover, on this occasion, it is not enough that we should know the answer: we believe that Government should know it, that members of the armed forces themselves should know it, and that the general public should know it. Our intention to give details of the structure and levels of pay for the armed forces appropriate to 1 April 1978 has already been made known to the Prime Minister, and he has told us that, under the guidelines that are in operation at present, implementation of the new rates of pay may need to be phased. It will be obvious that, whether they are implemented in full with effect from 1 April 1978 or staged, the levels that we indicate will soon become out of date: if an increase were to be limited within the 10 per cent earnings guideline without regard to the provisions for self-financing productivity arrangements that are a feature of the current measures, it would allow only a limited reflection of the appropriate structure of pay, and partial removal only of the anomalies that undoubtedly exist.

¹Review Body on Armed Forces Pay, Fourth Report 1975, May 1975, Cmnd. 6063.

²Review Body on Armed Forces Pay, Fifth Report 1976, May 1976, Cmnd. 6470.

³Review Body on Armed Forces Pay, Sixth Report 1977, April 1977, Cmnd. 6801.

20. The evidence of what is happening to pay and to prices in the community generally is discussed in detail in Chapter 3. It comes from several sources. The primary sources include the job evaluation-based earnings surveys that provide first hand evidence of earnings in jobs outside that are of equivalent weight to jobs in the Services. We do not, however, consider these in isolation: as far as possible, their implications are tested against evidence from secondary sources that offer a useful check whether the primary evidence is in line with other observations. Among the "secondary" sources are the New Earnings Survey and the Index of Average Earnings, although (as we explain in paragraphs 33 and 34) at certain levels in the armed forces pay structure where job evaluation does not operate, these become primary sources themselves, and need to be tested against other evidence. Evidence on charges is also subjected to a cross-checking process: the primary evidence—on rents, on rates, on the costs of furnishing and equipping quarters and of maintaining them—is factual. But we also consider the broader spectrum of outside experience—for example, what people in civil life spend on food and accommodation in relation to their incomes; or whether—as in 1974—there is a standstill on local authority rents which may influence our view of the primary evidence. These secondary factors play an important part in helping us to make our judgments.

21. Apart from factual evidence on developments outside, we rely on the Ministry of Defence for evidence on other essential background issues, such as manning, and the implications of wastage and of recruiting trends. They also provide evidence on matters of principle: the objectives that they aim to achieve and their views on what is necessary to do so. But, perhaps of greater importance even than these, the senior officers of the armed forces who have special responsibility in these matters are able to distil the experience from their constant contact with officers and men wherever they may be, and to provide us with firm evidence of Service views and attitudes to pay and conditions of service from a broader base than the impressions that we obtain at first hand on our necessarily more limited visits to Service units.

22. All the evidence has limitations however: it does not, and cannot, provide "the answer" in terms of a unique set of pay rates, or of charges, for the armed forces. Even with the advantage of a system of job evaluation to facilitate the task of classifying and co-ordinating information on earnings, there is no single level of earnings appropriate to jobs that are judged to be of the same value. The wide range of earnings at each level (paragraph 14), even when allowance has been made for such obvious differences as hours worked, regional allowances and the like, illustrates the point. The reduction of evidence of this kind to rates of pay that take account of differences in other conditions of service; of what we believe to be a unique rank structure; and of the special features that have to be taken into account if sufficient men and women of the necessary qualities are to be recruited and—more important still—retained, is a matter of judgment.

23. We also have to consider the evidence that has been put to us on the application to armed forces' pay of the current guidelines¹ with which the Govern-

¹The White Paper, *The Attack on Inflation after 31st July 1977*, Cmnd. 6882.

ment has asked us to comply in making our recommendations. We have referred to their implications for the structure and levels of pay that are appropriate for the armed forces on 1 April 1978 (paragraph 19) and for the level of shortfall. The absence of a specific limit on individual pay increases provides a degree of flexibility within which a start can be made on correcting the worst anomalies that have arisen since 1975. We comment on this in greater detail in Chapter 3. We note in passing the effect that the very existence of artificial restraint measures has on the approach of the Services management to the priorities. In a situation of a substantial overall shortfall, an equal share of the available cake for everyone perforce becomes their first priority at the expense of the restoration of proper order to the pay structure. We are currently examining a number of forms of additional pay from the points of view of justification, structure and levels of payment, and are considering proposals on changes in structure as part of our longer term review: and the Ministry of Defence have urged us to recommend, in principle, that the levels of additional pay be restored to the relationships with the military salary that existed in earlier years. In the case of major forms of additional pay—for example, flying pay and submarine pay—we endorse the view expressed in 1970 by our predecessors¹ that for review purposes, additional pay ought to be considered with the military salary as total income, and that its value vis-a-vis the military salary ought broadly to be preserved. We therefore agree in principle with the Ministry of Defence view of this issue. But the Ministry of Defence have told us that, in a situation in which pay increases are restricted by the Government's restraint measures, they would not in general want any of the forms of additional pay to be increased at the expense of increases in the military salary. We have questioned the Services management about the basis of this view and they have confirmed that, in the context of an increase within the guidelines, they see no alternative to its application wholly to the military salary, although this would mean that part of the increase in the military salary would be made at the expense of additional pay. They see any other course as potentially divisive. We understand their concern that all members of the Services should receive the greatest possible benefit as individuals in circumstances of a pay increase within the Government's guidelines against the background of a substantial shortfall at all levels. But additional pay has not been increased since 1975 and we believe that, notwithstanding these representations, it is right to take this opportunity—the first since 1975—to make the initial move towards restoration of the levels that are appropriate now. The major items of additional pay can make a substantial contribution to total earnings of individuals and the rates can be increased substantially at a modest cost. We believe that the relatively few forms of additional pay that contribute substantially to earnings are as important as the military salary, and we explain our conclusions in Chapter 4.

24. Turning from the general issue to specific problems, the Ministry of Defence have made a number of proposals to which they would give priority in a situation that was free from restraint measures. We mention two of them in particular: a substantial increase in the rate of Northern Ireland pay, which was introduced with effect from 1 April 1974 at the rate of 50p a day, and has since remained unchanged; and an abatement of the rental element of married quarter

¹National Board for Prices and Incomes Report No 142, paragraphs 89 and 100.

charges on grounds that can conveniently be summarised as “social justice”. But they have told us in formal evidence and have confirmed in discussion with us that they would not want the increases in basic pay on 1 April 1978 to be reduced by the implementation of either of these two measures, whose cost according to the present interpretation of the Government’s guidelines would have to be found out of the total sum available for the pay increase. There is obvious conflict between what is desirable and what is expedient, and the right course can only be a matter of judgment. We discuss the problem further in Chapter 3 and our recommendations are in Chapter 4.

CHAPTER 3

THE EVIDENCE AND OUR CONCLUSIONS

25. We now consider the evidence on pay and on charges for food and for accommodation which provides the basis of our conclusions on the levels that are appropriate for introduction with effect from 1 April 1978.

Pay

26. We have obtained a wide range of evidence of outside earnings that relates to key points in the pay structure: to Privates; to Corporals; to Warrant Officers; to Second Lieutenants; and to officer ranks from Captain to Brigadier¹. In the case of Captains to Brigadiers and of Corporals, the evidence is based on comprehensive job evaluation studies (which we have described in Chapter 2). Job evaluation is also carried out for Warrant Officers and senior NCOs, although at present the comparison with civil life is rather more limited and we aim to expand it. We discuss each of these in turn and describe our conclusions.

Officers

27. We have explained in previous reports that, so long as the main criterion for assessing Service pay is comparison with earnings outside in jobs of comparable "weight" in terms of skill and responsibility, reliable methods are vital to enable those earnings to be related to job size, both in the Services and in the outside organisations from which the evidence on earnings comes. In the case of officers, the system of job evaluation that we use is used extensively in other organisations, and the process is monitored by consultants whom we have also employed to satisfy ourselves independently that the use of the system within the Services is consistent with the standards of other users. The advantage of this system is the ready access that it affords to evidence of pay practices in, at present, more than 260 organisations of many types which are fully representative in terms of numbers of employees—from organisations with less than 500 employees to those with more than 20,000.

28. This provides a means of comparing, from a common basis, the range of earnings in jobs that are comparable in size to the jobs held by officers from Captain to Brigadier; and, as a matter of practice, we take the median earnings indicated by the evidence as our guide. The calculation of earnings is based on the rewards for jobs of comparable size to those of officers at different ranks, adjusted to take account of differences in pension arrangements and of the incidence and the value of benefits derived from such items as bonus payments and profit sharing schemes, and from the private use of company cars, where these form part of outside remuneration. The pay of Lieutenants and Second Lieutenants needs to provide a sensible and competitive entry salary and early progression in relation to the starting salaries and early salary progressions of junior management recruits, and of recruits of parallel calibre and standards to other professions; it also needs to stand in a sensible relationship to the pay of

¹Here and elsewhere in this report, references to army ranks are intended to include equivalent ranks in the other Services where the context allows.

Captains, as the rank to which they will be promoted at the appropriate stage. A further and most important objective is to establish a satisfactory relationship with the pay of non-commissioned officers and other servicemen in the light of the evidence on pay differentials in outside employment.

29. The evidence based on job evaluation indicates that the median levels of salary in outside jobs that we use to establish salary scale mid-points are higher than the equivalent figures in 1975 by between about 36 per cent and about 44 per cent, both in terms of basic salaries and after the necessary adjustments, including the X factor, have been made (paragraph 28). We use 1975 as the base for comparison because it is the most recent year in which the evidence was used fully as the basis for our judgment. The increases among the organisations that make up the sample are, of course, in a much wider range than movements in median figures alone imply. In order to test the validity of this evidence, we have considered the implied salaries for each rank by applying the movement between April 1975 and April 1977 in the most appropriate New Earnings Survey percentile¹ to the April 1975 salary (less X factor) for that rank. Equivalent salaries at 1 April 1978 have been calculated from this base by the addition of 10 per cent, which seems to us to be a moderate assessment of the likely movement in earnings in the twelve months period from 1 April 1977 to 1 April 1978, bearing in mind the extent to which self-financing productivity arrangements have been introduced in the last eight months. On this basis, the 1978 levels (after the addition of the X factor) are between 35 per cent and 40 per cent higher than their 1975 equivalents—amounts that are entirely consistent with the evidence of current levels of remuneration in jobs of equivalent weight outside (between 36 per cent and 44 per cent, see above).

30. The basic evidence does not of course provide a blue-print for an appropriate structure of military salary for officers up to and including Brigadier. But, taken with the necessarily more limited evidence at the entry rank of Second Lieutenant, we are satisfied that the structure in Table 1 below, which reflects all the evidence and includes the X factor, would be entirely appropriate at 1 April 1978 and ought to be introduced with effect from that date. The levels in this structure are higher than the salary levels introduced with effect from 1 April 1975 by amounts that do no more than reflect the evidence; the range in percentage terms is from 35 per cent to 43 per cent. Since 1975, however, two pay supplements have been paid at salary levels up to the mid-point of the Colonel's scale² and, as a result, the increases over current pay levels are lower than the figures above: they range between 19.5 per cent at Second Lieutenant to over 30 per cent at the mid-point of the Major's scale and above, and represent shortfalls from the salaries justified by outside evidence that range from about 16 per cent to about 26 per cent. The cash amounts are, of course, the same whether they are described as increases or as shortfalls.³ In addition to the shortfall which existed on 1 August

¹We define the "most appropriate New Earnings Survey percentile" as the percentile which, in April 1975 had a level nearer to the mid-point of a salary scale (excluding X factor) for a given rank than the level of any other percentile available.

²In 1976, under the limits imposed by the White Paper, *The Attack on Inflation*, Cmnd. 6151, July 1975, those whose earnings would have exceeded £8,500 were not eligible for an increase.

³For example, £800 falls short of £1,000 by £200, or 20 per cent, but an increase of £200, or 25 per cent, is needed to increase £800 to £1,000.

1975, these figures reflect the extent to which the restraint measures of the last three years have borne more heavily on Service officers than on their outside counterparts. This does not imply widespread breaches of the restraint measures: it does no more than reflect the initial shortfall and the effect of drift over the three year period. It also includes recognition of the increase in the value to the individual of those quantifiable benefits in kind—for example, the private use of a company car—which were reflected by cash sums in the military salary in 1975 and again in this review, but which could not be taken into account in 1976 and 1977.

Table 1
Scales of military salary inclusive of X factor appropriate at
1 April 1978 for officers up to Brigadier based on the
evidence (annual rates^(a))

Rank	Military salary
	£
Brigadier	13,501
Colonel	12,498
	12,198
	11,899
	11,600
	11,300
Lieutenant Colonel	10,497
	10,249
	10,001
	9,753
	9,505
Major	8,702
	8,526
	8,351
	8,176
	8,001
	7,826
	7,650
	7,475
	7,300
Captain	6,720
	6,563
	6,406
	6,249
	6,092
	5,935
	5,778
Lieutenant	5,146
	5,022
	4,898
	4,774
	4,650
Second Lieutenant	3,749

(a) Annual salaries are derived from daily rates in whole pence and rounded to the nearest £.

Servicemen

31. Parallel information on job and pay comparisons for servicemen is less readily available. We know of no single system of job evaluation that is as widely used outside the Services as the one that we use for officers, and we rely on the co-operation of a large number of outside organisations which are willing to provide facilities for the evaluation of jobs and to supply the earnings data that are essential to our task. It is a major and continuing business each year to carry out the evaluation of a substantial sample of jobs, and to collect the associated information on earnings: it is carried out on our behalf by the Joint Services Job Evaluation Team of the Ministry of Defence, under the guidance of consultants in association with the Office of Manpower Economics, acting on our behalf. We acknowledge gratefully the major contribution of the organisations which provide the facilities and supporting data without which we could not carry out our remit.

32. A sample of just over 600 jobs in civil occupations has been built up to reflect job sizes that span the full range of Corporals' jobs in the Services; a major part of the sample is designed to reflect, as far as is practicable, the distribution of occupations within industry and within geographical regions indicated by the New Earnings Survey. But because Corporals are more often in jobs that carry some responsibility for supervision compared with the generality of outside jobs at this level, the sample has been deliberately adjusted to include more supervisory jobs than would be appropriate on the basis of the New Earnings Survey distribution alone. Each of these jobs has been evaluated by the same methods and criteria as have been used in the armed forces to evaluate jobs at Corporal level. The evaluation of the jobs within the outside sample is kept up-to-date each year, within a five year cycle, as is the evaluation of Corporals' jobs in the armed forces. The hours worked and the total earnings in each job have been ascertained for a reference week in November 1977 and, using regression analysis, the relationship between earnings and job size has been calculated from these data for jobs equivalent to the jobs of Corporals. The range of earnings in jobs that are evaluated at the same level is wide; it is our practice to take earnings at median points scores in the various Service points ranges as a guide.

33. This evidence on its own is not sufficiently comprehensive to provide a basis for the entire structure of pay which encompasses thirteen army ranks from recruit (Private IV) to Warrant Officer Class 1 and includes three bands at ranks up to and including Corporal and four bands at ranks above which differentiate between jobs at each of the thirteen levels according to relative job size. It is, however, the only evidence that is based on the job evaluation systems used in the armed forces. Other more general evidence complements it and provides satisfactory indicators on outside pay levels for jobs that are broadly equivalent to the jobs done by Privates and, at the top of the structure, to the responsibilities and skills of Warrant Officers. Because these come from a variety of sources, they do not necessarily all pull in the same direction as the evidence on earnings in jobs of equivalent weight to Corporals—there are, after all, few (if any) outside organisations which would base their pay structure on the requirement to pay separate and distinct salaries designed to provide significant incentives to promotion or advancement at eight separate and distinct levels below the equivalent of Corporal Class I.

34. To assist us in judging appropriate salary levels for the four classes of Private, we have hitherto taken the average earnings of full-time employees under the age of 21 as recorded in the New Earnings Survey as our main indicator: and we based this approach on evidence of the average ages of junior non-commissioned ranks provided by the Ministry of Defence. Their most recent analysis of the ages of serving soldiers, sailors and airmen shows that there has been an upward shift in these ages compared with previous years. For example, at Private IV (the lowest adult recruitment level) a significant proportion (some 21 per cent) are currently age 20 or over, although the minimum age of recruitment as an adult is age $17\frac{1}{2}$. We have therefore developed according to our best judgment a progressive pay structure from Private Class IV to Corporal Class I which is compatible with the pay levels for Corporals derived from the job-evaluation evidence and which, for Privates, on the basis of weighted averages, broadly reflects average earnings in the New Earnings Survey at equivalent ages to the age groups of Privates.

35. At the upper end of the structure, we have obtained some valuable information on current earnings levels in a small number of jobs that have been judged to be the equivalent of certain Warrant Officer jobs that combine a very high degree of technological skill and the highest level of responsibility in the non-commissioned ranks. This information confirms clear but more general evidence—and the experience of those of us who are directly connected with industry—that the rewards for technological skills of this quality have increased relatively to the rewards for junior management: translated into armed forces terms, it means that the military salaries of senior NCOs and Warrant Officers in these trades should be given a relative “lift up” vis-a-vis the military salaries of junior and middle rank officers. They already overlap, but we are satisfied that the extent of the overlap should be rather greater. We have discussed this aspect of the evidence with the Principal Personnel Officers of the Ministry of Defence and we have taken full account of the management considerations that arise. As a result, we have incorporated some movement in this direction in the structure that is appropriate at 1 April 1978. We are satisfied in the light of the evidence and indicators of developments outside that a reflection of this relative movement in the armed forces pay structure ought not to be delayed: we intend as the next step to undertake a detailed comparison of jobs and earnings at Warrant Officer and senior non-commissioned ranks, on a parallel basis to the regular comparison for Corporals. We do not yet know how long such a comparison will take: it will depend on the resources that can be made available. But we regard it as essential for a start to be made on it immediately.

36. The pay structure for servicemen that we regard as appropriate at 1 April 1978 has been strongly influenced by new evidence which justifies change both in the internal relativities that were appropriate in 1975 and in the relativity with the officers' structure. For this reason, direct comparison with the position in 1975 at the extremities of the structure cannot be made: the age groups appropriate to Privates in the 1977 New Earnings Survey are not the same as in 1975, and we had no parallel evidence at all in that year to the material that is now available to us at Warrant Officer level. Likewise, comparisons at Corporal level need to be approached with caution because, as we have said, the evidence at any one level only cannot be directly translated into the complex rank and band

structure in isolation: account has to be taken of the need to maintain sensible internal relativities and progressions. The evidence suggests that outside earnings levels in jobs evaluated and found equivalent to Corporals' jobs were between about 43 per cent and $44\frac{1}{2}$ per cent higher in November 1977 than they were in November 1974, the date of the corresponding survey on which the recommendations in our Fourth Report were based. By 1 April 1978, indicators suggest that they will be between about $51\frac{1}{2}$ per cent and 53 per cent higher than in November 1974. But, because we have been able to establish a new, and more reliable reference point for the top of the senior NCO and Warrant Officer structure, we have also been able to reflect the evidence on Corporals' pay more closely in the structure that we judge to be appropriate at 1 April 1978 than has been practicable on any previous occasion. In short, because the salaries at the bottom and—more particularly—at the top of the structure are higher relatively than they were, there is a bigger differential between them within which it has been possible to combine both the outside evidence and the need for a sensible salary progression on promotion. The reconciliation of conflicting items of evidence to provide a sensible progression of salaries within any structure calls for a measure of compromise, and it so happens that, on this occasion, the discrete items of evidence conflict less with each other than they have done in the past.

37. One piece of secondary evidence completes the picture on Corporals' pay. In the period between our surveys of November 1974 and November 1977, the index of average earnings of all workers increased from 199.0 to 300.2, that is, by almost 51 per cent—some 7 or 8 percentage points more than the increase in the levels of earnings disclosed by our surveys in the same period. This does not afford a direct comparison with our evidence because the index relates to all employees, whereas our own surveys relate to adult men only. A comparison with the average earnings of full-time manual men aged 21 or over whose pay was not affected by absence, as recorded by the New Earnings Survey, is more relevant. In April 1974 and April 1977 these figures, updated in each case by the movement in the index of average earnings to November in each year, show a movement of $44\frac{1}{4}$ per cent—within the range of 43 per cent to $44\frac{1}{2}$ per cent indicated by our own surveys.

38. All servicemen and women have received two pay supplements since 1975—the first of £6 a week in 1976 and the second of 5 per cent of earnings with limits of £2.50 and £4 a week in 1977. The disparity between current earnings levels and the levels that we judge appropriate at 1 April 1978 in the light of all the evidence is therefore lower (between 30 per cent and $37\frac{1}{2}$ per cent). The up-to-date rates of pay which would be appropriate at 1 April 1978 and which ought to be introduced with effect from that date are in Table 2 (senior NCOs and Warrant Officers) and Table 3 (Corporals and below): they consolidate the 1976 and 1977 supplements into salary but, unlike the consolidation of supplements into basic rates in some other employments, this has no implications for total earnings because no premium rates, for example, for overtime or shift-work, are derived from them. The two tables illustrate Scale B salaries for men in the army only, in accordance with our usual practice, in order to facilitate the working out of equivalent salaries for the other Services. In practice, many senior NCOs and most Warrant Officers are paid on Scale C, which is appropriate for those who have served for 9 years or more, and would also qualify for long service incre-

ments. Taken together, these could increase the salaries shown by between £255 and £475 a year, according to length of service.

Table 2
Scales of military salary inclusive of X factor appropriate at 1 April 1978
for senior NCOs and Warrant Officers based on the evidence
(annual^(a) and weekly rates)

Scale B (men committed to 6 years or more but less than 9 years' service) ^(b)	Band							
	4		5		6		7	
	Annual	Weekly	Annual	Weekly	Annual	Weekly	Annual	Weekly
	£	£	£	£	£	£	£	£
Warrant Officer 1 ...	5,497	105.42	5,858	112.35	6,245	119.77	6,661	127.75
Warrant Officer 2 ...	5,238	100.45	5,599	107.38	5,986	114.80	6,402	122.78
Staff Sergeant ...	4,986	95.62	5,347	102.55	5,734	109.97	6,150	117.95
Sergeant ...	4,749	91.07	5,110	98.00	5,497	105.42	—	—

Table 3
Scales of military salary inclusive of X factor appropriate at 1 April 1978
for adult servicemen of the rank of Corporal and below based on the evidence
(annual^(a) and weekly rates)

Scale B (men committed to 6 years or more but less than 9 years' service) ^(b)	Band					
	1		2		3	
	Annual	Weekly	Annual	Weekly	Annual	Weekly
	£	£	£	£	£	£
Corporal I ...	4,438	85.12	4,774	91.56	5,136	98.49
Corporal II ...	4,187	80.29	4,522	86.73	—	—
Lance Corporal I ...	3,949	75.74	4,285	82.18	4,646	89.11
Lance Corporal II ...	3,727	71.47	4,062	77.91	—	—
Lance Corporal III ...	3,515	67.41	3,851	73.85	—	—
Private I ...	3,515	67.41	3,851	73.85	4,212	80.78
Private II ...	3,318	63.63	3,654	70.07	—	—
Private III ...	3,128	59.99	3,464	66.43	—	—
Private IV ...	2,953	56.63	—	—	—	—

(a) Rounded to the nearest £.

(b) Scale A (men committed to less than 6 years' service)—deduct £2.10 a week from the above rates.

Scale C (men committed to, or who have completed, more than 9 years' service)—add £3.15 a week to the above rates.

39. Tables 1, 2 and 3 set out in terms of the army, the structures and levels of salaries for officers and servicemen that are, in our view, appropriate at 1 April 1978. Salaries in the Royal Navy and the Royal Air Force, and in the women's and nursing Services will need to be calculated from this base. We make one reservation on this structure: it is clearly necessary to preserve a sensible progression from Brigadier to Major General but, because of the timing of our recommendations, we have had to reach a conclusion on the military salary appropriate for the Brigadier without knowing the up-to-date salary[†] of the Major General. The current Major General's salary was introduced on 1 January 1975

on the recommendation of the Review Body on Top Salaries in its Report No 61. It is now £12,208, including a supplement of £208 a year introduced in 1977, and it is currently under review. We are satisfied that the up-to-date salary for the Brigadier is appropriate in the light of the other evidence, but until the result of the current review of the Major General's salary is known, we regard it as provisional.

The X factor

40. The salaries in Tables 1-3 incorporate an X factor of 10 per cent tapered above the rank of Lieutenant Colonel to reflect the extent to which the aspects of Service life which are recognised in it bear less heavily at these higher ranks. The Review Body on Top Salaries took this into account in its 1974 recommendations² for Major Generals and above, when it concluded that these aspects were still less relevant, and that the concept of the X factor was not valid at those levels.

41. The Ministry of Defence have proposed to us that the amount of the X factor should be increased because, in their view, the balance of disadvantage over advantage of Service life by comparison with civil life has increased since it was last reviewed in 1974 (paragraph 8). In support of this view, they have put forward evidence and argument about the elements that they see as relevant to the make-up of the X factor, to show where the Service position has changed relative to the position outside. A precise assessment of the balance is not practicable on this basis but, on the other hand, we recognise that the X factor poses difficult problems. In our view, a broad-brush treatment of the kind inherent in an overall X factor applicable to everyone within a large group can only work satisfactorily where the range of individual experience that it recognises is fairly limited, and where there is a reasonable assurance that—taking the rough with the smooth—the experience of all individuals evens out over time. We are not satisfied that this happens now: the planned reductions in Service strengths in combination with the unplanned wastage—which now shows a disturbing increase in key areas—are creating what the Services call “overstretch”, particularly when additional tasks in emergencies are added to their primary military tasks. But we understand that the impact of manpower shortages is uneven, and it will not therefore be remedied by an arrangement which treats everyone alike. The recognition of differences in individual circumstances and conditions is, however, a complex matter and raises some difficult issues. We intend to examine these in more detail with the Ministry of Defence, and until this examination has been completed we cannot recommend a change in the level of X factor.

Special pay scales

42. We have already referred to the position of Service doctors and dentists who form the largest group within the Services that is effectively a profession within a profession, whose members carry out broadly the same duties in a military context and community (including dependents) as different categories of National Health Service doctors and dentists perform in the community generally. Their primary function within the armed forces is to carry out the medical (or dental) duties for which they have been trained and, in assessing their military

¹Review Body on Top Salaries, Report No 6, Cmnd. 5846, December 1974.

²*ibid.*, paragraphs 50 and 61.

salary, account has to be taken both of career rewards in the National Health Service and of an appropriate career pattern within the general rank structure for combatant officers. At present, special scales exist also for veterinary officers, for chaplains, for legal officers, and for young entrants to the Services (including apprentices): in the case of legal officers and veterinary officers, the scales incorporate a small lead over combatant rates of pay, and in the case of chaplains they are lower rank for rank than combatant salaries. In the case of young entrants, account is taken of what young people at the same point in a career can expect to earn. Relationships between these scales and the military salaries of officers and servicemen were last considered in 1975. We are satisfied that, with one exception, those relationships should be maintained with the military salary structure and levels that we have indicated are appropriate at 1 April 1978. In the case of legal officers in the army and in the RAF, we are examining the basis of the present lead over combatant salaries, but we have not yet been provided with all the evidence necessary either to confirm the present arrangements or to justify changes in them. Until the Ministry of Defence have completed their examination of the work and organisation of the legal branches of the two Services concerned, and until we have been able to consider their conclusions, we consider it appropriate for the present lead over combatant military salaries to be maintained in cash terms.

Additional pay

43. Our review of all forms of additional pay has continued and, although we have not yet reached final conclusions on all aspects of the future structure or on the levels of every item, we have made progress, particularly on the major items that constitute a significant proportion of the total earnings of those who qualify for them. We are generally convinced about the justification for flying pay, submarine pay, and parachute (and parachute jumping instructors') pay, as we were of the justification for diving pay (including dip money) and hydrographic pay when we reviewed them. Our view that the value of the major forms of additional pay in relation to the military salary ought to be broadly preserved (paragraph 23) is intended to apply to each of these items of additional pay at the present time. They have not been increased since 1975, and we conclude that they should, in principle, be brought up to levels at 1 April 1978 that restore the relationships with the military salary that existed on 1 April 1975. In broad terms, this involves increasing the rates by some 50 per cent. We also accept in principle the case which the Ministry of Defence has made for an increase in Northern Ireland pay from 50p a day (the rate at which it was introduced in April 1974) to £1 a day, although the increase is more than would be required simply to maintain its value in real terms. We shall make further recommendations in future reports on all the forms of additional pay that we currently have under review, as our examination of each item is completed. Allowances in the nature of pay, such as education allowance and separation allowance, also fall within our field of review. Arrangements now exist for the regular adjustment of the level of education allowance in relation to costs and these appear to be working satisfactorily. Separation allowance was reviewed in 1974¹. It is analogous to additional pay only in the sense that it is subject to income tax: it relates to personal circum-

¹Review Body on Armed Forces Pay, Second Supplement to Third Report 1974, Cmnd. 5853, January 1975.

stances, not to the requirements of the job as such, and the relationship with the military salary that we believe to be right for additional pay is not appropriate. Nevertheless, we believe that, in principle, the value of separation allowance should be broadly maintained, and we shall consider it further in a future review.

Charges

Food charges

44. The basis of the food charge continues to be the formula, based on the retail value of the daily ration, which was used prior to the introduction of the military salary in April 1970 to calculate the amount of ration allowance paid to servicemen who were not on the ration strength of their unit and did not therefore receive free food. It does not cover the cost of preparing, cooking and serving the meals, but it covers the cost of raw materials and makes some contribution to overheads. The gross sum calculated by this formula is abated by 10 per cent to take account of absences of less than 48 hours, and the net sum is paid on a continuous (daily) basis by single servicemen and servicewomen who are on the ration strength of their units, whether or not they eat the meals, except that it is not levied when they live out, are on leave for 48 hours or more, or are serving at sea or in the field for two nights or more. It is this last arrangement which was recently invoked by the Secretary of State for Defence in extending field conditions, which already applied to all those on emergency tours in Northern Ireland, to officers and servicemen serving in the Northern Ireland garrison. The Ministry of Defence have examined alternative methods of payment, but have found them to be administratively impracticable and we see no alternative to the continuation of the present system.

45. The gross sum calculated as the appropriate charge with effect from 1 April 1978 is £1.24½ a day. After the 10 per cent abatement, this becomes £1.12 a day (£7.84 a week)—an increase of 19p a day (£1.33 a week) over the current charge of 93p a day (£6.51 a week). In percentage terms, this is an increase of 20.4 per cent (fractionally smaller than last year). As far as we are able to judge, the subsidy element in the cost of food provided is in line with the subsidies provided by many outside employers who supply meals to their employees. In our view, the charge is reasonable and the food that it purchases is very good value for money.

Accommodation charges

46. The present basis for the calculation of the accommodation charge was recommended by the National Board for Prices and Incomes as part of the military salary system, and was intended to match the expenses of servicemen to the corresponding expenses of people in civil life, whose pay, in general, provided the basis of comparison for the military salary, in order to provide an assurance to servicemen that their standard of living in the armed forces would be broadly equivalent to the standard that they could reasonably have expected to achieve if they had been employed outside. Implementation of the new levels of charges was staged, and those recommended in 1973 and 1974 were moderated from the level justified by strict application of the NBPI formula—in 1973, by treating the rent increase provisions of the Housing Finance Act 1972 as if they applied to Service houses and, in 1974, by reflecting a standstill in local authority

rent increases. Pay and, for the first time, charges were brought up-to-date in 1975. Since then, the effect of the Government's restraint measures has been to prevent pay from being brought up-to-date and increases in charges from being moderated.

47. We have long had doubts about the NBPI formula¹, and the Ministry of Defence have examined the problem almost continuously since we undertook our first review, but have not found a practicable alternative. However, we now have evidence of our own which indicates that the benefits provided to the serviceman in return for the rental element in the charges do not match the facilities provided by an increasing number of local authorities for their tenants, on whose average rents the rental element in the charge is based. This clearly undermines the objective of ensuring that the serviceman has an equivalent standard of living to his comparators. We have referred before to differences in security of tenure and to the need for servicemen to find their own accommodation when they leave the Services relatively late in life. We have been told of the difficulties that some experience at this point in obtaining rented accommodation or, because of the nature of their career in the Services, of qualifying to be put on a local authority's waiting list. Meanwhile, rising house prices make house purchase less easy, particularly if an extended mortgage is needed. But there are other differences which are to the advantage of local authority tenants: some of them have an opportunity to buy their homes and, in general, they have longer, more secure and more stable tenancies which enable them to take advantage of their greater freedom to improve the properties. In contrast, the frequent moves inherent in Service life would make it difficult for most servicemen to enjoy the full benefit of similar improvements. Moreover, many local authority tenants have greater freedom and greater security in other ways: they are able to take in lodgers; several members of the family may contribute to the total income of the household, which must rarely be possible for a Service family, partly because it is a relatively 'young' career and partly because of the amount of turbulence; and much greater security is provided for dependents should the householder die—the family will not be dispossessed in these circumstances. These are examples only, and we do not suggest either that the list is exhaustive or that all local authority tenants enjoy these advantages: indeed, we note that a Bill to provide a "council tenants' charter"² has been introduced in Parliament with the aim, *inter alia*, of improving their status, providing for their security of tenure, removing certain restrictions and granting freedom in the alteration and decoration of the interior and exterior of their dwellings. The fact that the cash amount of rent paid by servicemen approximates to the average paid by local authority tenants one year earlier is an advantage in an inflationary situation which to some extent weighs against our doubt about the calculation of the rent element in the charge, but it does not remove it. The point is that to an increasing extent local authority tenants and Service tenants do not receive the same return for their rent, except in the narrow sense of four walls and a roof and the landlord's fixtures. We have observed on our visits to Service units, the serviceman's lack of choice in essential equipment. This has been particularly noticeable in the forms of heating supplied: we have seen examples of expensive and inefficient heating in inade-

¹Report of the Review Body on Armed Forces Pay 1972, Cmnd. 4954, paragraph 79; Second Report 1973, Cmnd. 5336, paragraph 15; Fourth Report 1975, Cmnd. 6063, paragraph 86.

²Hansard Volume 945 No 70, Wednesday 1 March 1978, Columns 462-4.

quately insulated quarters which many servicemen cannot afford to use but, because of their relatively short tenancies—in many cases averaging little more than twelve months—cannot afford to change as they might if long tenancies were normal and they were allowed to do so. We understand that a programme of improvements to the thermal insulation of Service houses has been announced but, even if this results in a substantial improvement, the serviceman's lack of choice and scope for do-it-yourself improvement in this respect as in others may have further implications for accommodation charges.

48. Against this background, the Ministry of Defence put proposals to us for a reduction in the rental element of married quarter charges by “at least 15 per cent” to take account of factors which they summarised as “social justice”. We do not discuss these proposals in detail here since they have told us in later evidence that they do not in any case want them to be implemented with effect from 1 April 1978 because, under the present interpretation of the Government guidelines, the cost of doing so would have to be found out of the total sum of money available for a pay increase. We would not want to imply that, but for this objection at the present juncture, we would accept the whole of the case and proposed solution put forward by the Ministry of Defence, and indeed we want to consider whether it is possible to establish an objective method of assessing the differences in benefits derived from Service and local authority tenancies and the consequences for the rental element in the charge, and whether a more radical revision of the basis of the charge is required.

49. However, any comparison of the conditions of Service tenants and of local authority tenants that aims to reflect differences in tenancy in the rents charged still requires equivalent rents to be calculated on a standard basis in order to provide a stable starting point. Under the present system, charges for all types of Service accommodation are derived from the charges assessed for servicemen's married quarters. These charges have four elements: unfurnished rent, rates, furniture hire and additional maintenance. Rent is based on local authority rents weighted according to the ages, types and locations of Service quarters: for officers' quarters up to Type III, rents are calculated proportionately to the rents for servicemen's quarters according to floor area. The rates element is the average payment on account of rates and water rate for each type of quarter paid to the local authorities by the Ministry of Defence. The furniture hire charge is the annual sum that would be required to repay the cost of furnishing and equipping each type of quarter (on the assumption that the contents are, on average, ten years old) on an annuity basis over a twenty year period; the additional maintenance charge covers maintenance work not normally undertaken by local authorities and is based on actual costs for each type of quarter. We have worked out the comprehensive charges on the present method of calculation, before taking into account in our recommendations our doubts about the continued use of average rents in isolation as the standard for the rental element in charges.

50. On the basis of the present method and from the most recent evidence available, the charges for standard married quarters from 1 April 1978 would be as shown in Table 4. The charges for standard single quarters derived from them are set out in Table 5. Our recommendations (paragraph 66) take full account of our doubts.

Table 4
Charges for standard married quarters based on the evidence
under the present system

Type of quarter	Annual charge	
	Existing	Based on the evidence
	£	£
Other ranks		
A	328.50	357.70
B	430.70	467.20
C	500.05	532.90
D/WO	573.05	624.15
Officers		
V	686.20	744.60
IV	817.60	883.30
III	923.45	996.45
II	1,043.90	1,127.85
I	1,164.35	1,259.25

Table 5
Charges for single quarters based on the evidence under
the present system

Rank	Annual charge			
	Standard quarters		Officers occupying single rooms	
	Existing	Based on the evidence	Existing	Based on the evidence
	£	£	£	£
Young servicemen receiving less than the minimum adult (ie Private IV) rate	109.50	120.45	Not applicable	
Corporal and below	146.00	156.95	Not applicable	
Warrant Officer and senior NCO	277.40	299.30	Not applicable	
Captain and below	390.55	423.40	Not applicable	
Major	478.15	518.30	401.50	434.35
Lieutenant Colonel and above	532.90	576.70	427.05	459.90

The charge for a garage would be £54.75 a year on the same basis.

51. The charges for sub-standard quarters (married and single) on a parallel basis would be derived from the charges for standard quarters by the same method as hitherto.

Manning

52. Before we consider our conclusions on pay and charges in the context of the current guidelines (Chapter 4), we take stock of the manning position in the Services, to which we have referred (paragraphs 6-7), as it is an important indicator of the adequacy and competitiveness of pay to recruit and to retain the men and women of the quality and skills required. The recent Defence White Paper¹ and the Ministry of Defence's most recent figures on recruitment indi-

¹Statement on the Defence Estimates 1978, Cmnd. 7099.

cate that, in general, recruitment itself is reasonably satisfactory, although there are difficult areas—in particular, officers in the Royal Navy and Royal Marines, with marked shortfalls of engineers; and in the Royal Air Force, where the shortage of engineer recruits is accompanied by sometimes substantial shortfalls of officers required for General Duties—aircrew, aircraft controllers and fighter controllers. In the army, too few officers are being recruited to maintain the officer strength at the level required. Likewise, the recruitment of servicemen is said to be satisfactory in terms of total numbers, but difficulty is being experienced in relation to potential Royal Navy artificers, to the Royal Marines and in several supporting trades in the RAF.

53. The most significant feature of the manning situation in all three Services is, however, the present and prospective level of wastage of highly trained officers and men and, in particular, those with the greatest skills and experience. In many key areas, the rate of applications for premature voluntary release has risen dramatically in the last year and, although the rates are not as high in absolute terms as in some recent years, superimposed as they are on the planned reductions in manpower following the Defence Review, they will inevitably add to the “overstretch” to which we have referred. There is no shadow of doubt that, even in a time of high unemployment, the quality of technical skills that the armed forces produce in some essential areas is very readily marketable in civil life, and the Services can ill afford to lose the men who have them. The loss of trained and highly skilled officers and servicemen is a serious matter: it adds to the future recruiting targets simply to maintain the same relative manning position that now exists and to the already very high costs in training replacements. But even if the numerical targets increased in this way could be met, the restoration of the proper balance of fully trained strength and experience can only be achieved over a long period—in the case of the most highly skilled trades and professions, of several years—during which “overstretch” can be expected to continue and, unless corrective action is taken, may well worsen. The process is in any case wasteful and enormously expensive (paragraph 6): it involves the diversion of scarce resources from other areas of defence expenditure which are already severely squeezed. It is clearly both wrong and inefficient to have to man the Services in this way, instead of providing conditions of employment (including pay) that are sufficient to attract a higher proportion of those whom the Services have trained to a high pitch to continue to serve for a full career.

54. Senior officers have told us that, in their view, increasing dissatisfaction among officers and servicemen with their pay and conditions of service has made these the dominant factor affecting decisions to leave the armed forces prematurely, and that many officers and servicemen are waiting to see the outcome of this pay review before making a decision. They see this review as crucial to the position of the armed forces in the immediate future and have impressed upon us the urgency of the need for action now.

The Government's current guidelines on pay increases

55. The Government's guidelines for pay increases in the twelve months from 1 August 1977 aim to contain inflation by keeping the overall rate of increase in earnings in the community in general within 10 per cent: they also provide for the introduction of self-financing productivity arrangements in addition which

allow earnings to increase by more than 10 per cent but do not affect unit costs. They continue to require the cost of non-wage benefits to be offset against the cost of pay increases and the cost of operating incremental scales to be self-balancing. The two important developments that provide a measure of flexibility are the absence of any limit on pay increases for individuals within the overall 10 per cent increase in earnings guideline, and the provision for the introduction of self-financing productivity schemes outside the overall 10 per cent increase in earnings guideline and outside the requirements of the '12 months rule'. While we welcome the additional flexibility afforded by the absence of an individual limit, we cannot but be dismayed by the absence of further flexibility in a form that is directly relevant to the armed forces pay system. We focused attention on the need for this in our Sixth Report¹.

56. The fact of the matter is that productivity schemes, whether self-financing or not, have no place in the armed forces pay structure at present, and both the main functions of the Services and the circumstances in which they carry them out make it highly unlikely that such a scheme could be devised for general application. In principle, it is difficult to see how such a scheme could be operated fairly against the background of the regular changes of role and location which is a normal feature of Service life for many servicemen, even if the seemingly insuperable problems of measurement could be overcome. Indeed, the introduction of a scheme or schemes on these lines, were it possible at all, would require a drastic revision of the present comparison of Service remuneration with outside earnings for comparable jobs. We are, however, in no doubt that, in almost any other working environment, the reduction in Service manpower consequent on the Defence Review and the working flexibility inherent in the Services' capacity to take on civil emergency tasks in addition to their military role would provide the basis for a productivity agreement that would have to be paid for directly in increased earnings.

57. We have already drawn attention to the earnings drift of 3 percentage points or so that occurred in the first twelve months of the current series of restraint measures—from August 1975 to August 1976 (paragraph 4): during the 12 months from August 1976, the increase in earnings, as measured by the movement in the index of average earnings on the same basis, was 8 per cent² compared with the Government's estimate³ that the effect of the restraint measures would be to increase earnings by 4½ per cent. The great majority of settlements both for these two periods and for the period from 1 August 1977 have been within the respective guidelines. Nevertheless, compared with the 10 per cent overall guideline for the current round, the Bank of England Quarterly Bulletin⁴ of March 1978 states that "allowing for the changing composition of the labour force, productivity schemes, job mobility and other 'wage drift', earnings seem likely to rise by 13 per cent or more during the current wage round": the increase in the "new series" index of average earnings (which is not yet seasonally adjusted) from August 1977 to January 1978 is 4·8 per cent, or 12 per cent at an an-

¹ Cmnd. 6801, paragraph 23.

² The "new series" index of average earnings, which has a wider coverage, rose by 7.3 per cent.

³ The White Paper, *The Attack on Inflation, The Second Year*, Cmnd. 6507.

⁴ Volume 18 No 1, March 1978.

nual rate¹. Other estimates² of the increase in average earnings during the current round are pitched at or around 15 per cent.

The implications of these considerations for our recommendations

58. We have set out the structure and levels of military salary and of additional pay which we are satisfied are fully justified with effect from 1 April 1978 on the basis of what is currently paid outside for jobs of comparable skills and responsibilities, and taking into account those features of a career in the Services that are reflected in the X factor. We have also set out the levels of charges for food and accommodation that would be justified from the same date by the standards that have been regarded as appropriate since 1970: we have again indicated our reservations about the basis of the charges for accommodation. The introduction of these levels of military salary and of additional pay with effect from 1 April 1978 would restore pay in the armed forces to a proper relationship with current outside earnings on the basis that we have described. To the extent that pay and conditions of service can undoubtedly exert an influence on manning levels, the introduction of these rates of pay now could be expected to halt the present disturbing trend in wastage of trained and experienced men. We do not, however, suggest that wastage is always a reliable indicator of the adequacy or inadequacy of rates of pay: there can be other reasons for it and its validity as a test must, for example, be affected by outside demand for particular skills. Nor do we want to infer, in principle, that where there is little or no wastage, rates of pay are necessarily "right", or that where there is a high degree of wastage they are necessarily "wrong". But we are in no doubt at all that the present deterioration in the Services' manning position in some areas, and the recent substantial increase in the rates of application for premature voluntary release by fully trained officers and men, are in part at least attributable to the progressive deterioration in their pay and conditions relative to their opposite numbers in civil life. Nevertheless, in putting forward our recommendations, we have to consider the implications of the current guidelines, after taking full account of all the circumstances and demands of Service life which cannot be recognised by forms of payment that would be normal outside. The armed forces are entitled to be treated no less favourably than the rest of the community but, in practice, they have been given less favourable treatment than their outside comparators in the last two years. In these circumstances, application of the letter of the current guidelines without regard to the additional provisions that are permissible can only intensify the disparity and the sense of frustration and resentment that it generates in the Services.

59. The extent of the "overstretch", the extent to which the armed forces are used to take on additional responsibility in an emergency, and the extent to which many servicemen are called on to work very long hours without addi-

¹The "older series" index of average earnings, on a seasonally adjusted basis, shows a larger increase—6 per cent over the period or 15 per cent at an annual rate (these are less than the increase in the unadjusted index). In both series, because of delays in reaching settlements, the annual rate of increase implied by the actual increase from August 1977 to January 1978 may be less than the increase over the full year.

²National Institute of Economic and Social Research—National Institute Economic Review, Number 83, February 1978; The London Business School Centre for Economic Forecasting—Economic Outlook 1977-1981, Volume 2, Number 5, February 1978; Phillips and Drew—Economic Forecasts, March 1978.

tional financial reward, combine to make an overwhelming case to reflect a substantial part of the earnings from self-financing productivity arrangements elsewhere which have been and are being introduced within the provisions of the guidelines as a whole, and to do so now. The cumulative effect of earnings drift in outside employment during the past two rounds of restraint measures, which is not yet reflected in earnings in the Services, and the prospect of still further drift by the end of the current round combine to provide a formidable argument for ensuring that military salaries do not fall *relatively* further behind earnings for comparable jobs, even if implementation of fully up-to-date rates has to be staged. We discuss the implications of staging in Chapter 4 but it is important to emphasise that, in the case of pay increases that are lower than those implied by the fully up-to-date pay structure outlined in Tables 1, 2 and 3, a flat percentage increase to every salary would not be appropriate. We would want to apply the sum available in a way that as far as possible reflects the up-to-date structure, while providing the safeguard of minimum increases for individuals: only in this way can a start be made on the correction of anomalies that have arisen in recent years and on progress towards the appropriate structure.

CHAPTER 4

OUR RECOMMENDATIONS

Pay

60. In indicating the detailed structure and levels of pay appropriate at 1 April 1978, we are carrying out an intention that was made known to the Prime Minister in July 1977. Our recommendation cannot be other than that these levels should be brought into effect at the earliest possible date. The Prime Minister has drawn our attention to the Government's expectation that increases which exceeded the guidelines would need to be staged. The increases implied by the introduction of the fully up-to-date structure at 1 April 1978 clearly exceed the current guidelines and, in these circumstances, bearing in mind the Prime Minister's caveat, we have considered the implications of staging.

61. The provision in the Government's guidelines for self-financing productivity arrangements, and experience of past earnings drift, point to the likelihood—indeed the inevitability—of an overall increase in national earnings of more than 10 per cent during the year's currency of the pay increase for the armed forces that is implemented with effect from 1 April 1978. This conclusion is shared by the National Institute of Economic and Social Research, by the London Business School Centre for Economic Forecasting and by Phillips and Drew. In these circumstances, the introduction on 1 April 1978 of military salaries scaled down from the appropriate level to comply strictly with a 10 per cent guideline would undoubtedly result in a further decline in Service pay relative to outside earnings in jobs of equivalent weight during the subsequent twelve months. If the implementation of the fully up-to-date rates of pay is to be staged, we strongly urge that the first stage should take into account the importance of preventing further relative deterioration in a continually moving situation. We do so against the background of the existing high level of shortfall which, after an increase strictly within the guidelines, would still require an increase of some 20 per cent overall to extinguish it. We have also taken account of the present trend of wastage of skilled and experienced officers and servicemen, the high cost of training their replacements and the cumulative effect of manpower shortages on the efforts required from the Services as a whole, all of which have implications for morale, for the defence capability of the country and for its ability to meet its international obligations. There are clear indications that, not least because of manpower shortages, conditions of work for some servicemen have already worsened. The fact that servicemen cannot leave the Services at short notice in normal circumstances may well mask a potentially more serious trend in the months ahead. This is a gloomy picture, but we see ways in which it is possible to retrieve the position. First, a clear and firm Government commitment to bring Services' pay fully up-to-date within the timescale that we indicate is essential. Second, action should be taken now to recognise the Services' own productivity in the form of increased workloads stemming from planned and unplanned reductions in manpower; the introduction of new technology; and the working flexibility of the Services, for example, in carrying out a variety of duties in civil emergencies in addition to their primary military tasks. This would, of course, be unnecessary if, on 1 April 1978, they were to be paid the salaries that we are satisfied do no more than reflect what their counterparts outside have

already had. Failing this, measures to prevent a further relative worsening of the position on the lines that we suggest below would in our view be justified. Implementation of fully up-to-date salaries in due course would automatically reflect productivity payments outside and would restore the normal basis for deciding armed forces' pay which has been accepted in principle by successive Governments.

62. In our view, it is essential and equitable to ensure that servicemen are no less favourably treated in the current cycle of pay restraint measures than other members of the community. At the very least, this requires an assurance that their pay will not fall further behind during the coming twelve months. We know that this view is shared by senior officers who provide the management of the armed forces, we believe that it will be shared by the community at large and we urge the Government to adopt it. This means, in the first place, providing with effect from 1 April 1978 an increase in Service pay which will give no less than the latest available estimate of the increase in average earnings in percentage terms that has arisen from settlements under the current guidelines since 1 August 1977, expressed as an annual rate. This would be the first stage in the implementation of the pay structure in paragraphs 30 and 38, appropriately brought up-to-date.

63. We now turn to the question of the timescale within which we believe that the revised structure should be fully implemented in an up-to-date form. We are, of course, aware of the undertakings which have been given in connection with the future implementation of a settlement for firemen employed by local authorities; and of an undertaking to implement the outcome of a special review of the pay of policemen. We cannot conceive that the Government would be prepared to do less for the armed forces—for whom the object is to do no more than restore pay to levels established on a basis that has long been accepted as equitable to the serviceman and fair to the taxpayer. We consider that the balance required to bring pay fully up-to-date ought to be paid as soon as possible and, in any event, not later than 1 April 1980. Implementation of pay levels that are justified now at a date so far ahead of course implies the need to bring the levels fully up-to-date again on each occasion when a stage is implemented. It would in our view also be essential to make substantial progress towards fully up-to-date scales at the then current levels in 1979 and, if there were still an outstanding balance, to bring pay fully up-to-date at the then current levels in 1980.

Additional pay

64. We have considered the Ministry of Defence's proposal (Chapter 2) that, in circumstances in which an increase in Service pay is restricted by Government restraint measures, any increase within the guidelines should be applied wholly to the military salary. However, the major forms of additional pay—flying pay, submarine pay, parachute pay and parachute jumping instructors' pay, diving pay and hydrographic pay—are drawn continuously and are a substantial element of the annual and career earnings of those who qualify for them, and they are part of the remuneration for the jobs concerned. We take the view that there is no equitable alternative to the recognition of those items as an integral part of the earnings of those eligible to receive them, and that increases in pay should relate to the sum of the military salary and these major forms of addi-

tional pay. The Ministry of Defence have also said that they would not want the total sum available within the guidelines to increase the military salary to be reduced in order to increase Northern Ireland pay (paragraph 24) by the amount that they have proposed and that we have accepted in principle. Indeed, they would prefer Northern Ireland pay to remain unchanged, in common with all forms of additional pay. We understand their approach: an increase in the rate of Northern Ireland pay to £1 a day would reduce the total sum available within the guidelines by some £3 million, equivalent to a 17·5 per cent increase in the whole of additional pay, and would reduce the rates of military salary for everyone—including of course, those serving in Northern Ireland. We consider, however, that the case for some increase in Northern Ireland pay and in the five major forms of additional pay that we have identified is so strong that we cannot recommend that they should be left unchanged. We recommend that they should be increased in the same proportion as the military salary is increased with effect from 1 April 1978, and that they should be brought to fully up-to-date levels in exactly the same way as the military salary is brought up-to-date. We recognise that the cash increase in Northern Ireland pay on this basis will inevitably be regarded by some as very small, but we consider it essential to start the process of bringing it to a more appropriate level now, rather than wait until it is possible to do so in one step.

Special scales of pay

65. We have explained our general approach to the treatment of special scales of pay (paragraph 42) and their relationship to the normal scales and rates of military salary. We consider that the same approach should be followed in the event of the introduction, with effect from 1 April 1978, of a scaled down military salary structure based on the structure that we regard as appropriate on that date. This means that the scales for legal officers should incorporate the current cash lead and that all other special salary scales should maintain the same proportionate relationship as now to the up-to-date military salary. The form of flying pay paid to specialist aircrew is not the standard form of flying pay: it is designed to fulfil the role of a special scale of pay, and should therefore be adjusted to achieve the same effect in a scaled down structure as it has in the up-to-date structure. We recommend that the pay of university cadets, which is intended to provide an incentive to take up a university cadetship, should be increased by the same average percentage as the military salary with effect from 1 April 1978.

Charges

Accommodation charges

66. We have discussed (Chapter 2) the disturbance of the balance between pay and accommodation charges, in particular because of the extent of the shortfall in pay. It is no longer possible to justify a recommendation of levels of charges determined on the existing standard basis (Chapter 3), which assumes that what is happening to armed forces tenants reflects what is happening to the community generally, as we now have evidence that this is not so. A lasting solution cannot be found in circumstances in which restraint measures impinge on every course of action open. We therefore recommend that, on this occasion, if the increases in pay involved in the implementation of the fully up-to-date salary structure are to be staged, then the increases in accommodation charges for married and

single members of the armed forces that would follow the implementation of the up-to-date levels (Chapter 3) should be staged in exactly the same way. As we have said (paragraphs 47-48), we intend to examine further how far rents for local authority houses continue to provide an appropriate standard by which to judge the rental element within the charges, in the light of developments outside. The doubt on this account adds weight to the already strong case for phasing the increase in charges justified on the existing basis.

Food charges

67. We recommend the introduction of a charge of £1.12 a day (£7.84 a week) with effect from 1 April 1978.

Costs

68. The estimated additional cost of the fully up-to-date structure and levels of pay for the three Services and the women's services based on the outline for men in the army (Tables 1, 2 and 3) in a full year is:

	£ million	
<i>Military salary (all Services)</i>		
Officers		59.8
Officers promoted from the ranks		6.3
Servicemen and servicewomen		299.2
Young entrants and apprentices		7.3
		372.7
	£ million	
<i>Additional pay (all Services)</i>	6.3	
<i>Northern Ireland pay (all Services)</i>	3.2	9.5
		382.2
Total cost of increases in pay		382.2
<i>Charges (all Services)</i>		
Increased yields: Food	6.6	
Accommodation ¹	6.4	13.0
		369.2
<i>Net cost of fully up-to-date structure of pay and charges</i>		369.2

The total additional cost of the increases in pay represents an average increase over the current paybill of 32 per cent. The cost of a scaled down increase within a staged implementation would be proportionately lower, and would depend in 1978-79 on the size of the stage introduced on 1 April 1978 and, after that, on our further consideration of the rental element in accommodation charges as well.

Conclusion

69. We have indicated the structure and levels of pay that, on the basis of the evidence of earnings in civil life, we are satisfied ought to be introduced on 1 April 1978 if the position is to be fully restored. An illustrative pay structure

¹On the basis of the evidence: see paragraph 49.

(Appendix 2) shows revised salaries within an overall cost of 10 per cent. Within this constraint, the structure shown is the one that we would regard as the most suitable. But it will be seen that these salaries fall very substantially below those that we consider to be appropriate at 1 April 1978 (Tables 1-3), and we are of the opinion that this structure would not be equitable in the circumstances described in our report; it would, moreover, leave even larger amounts to be staged over a period of not more than two years when earnings in the community generally would be continuing to rise. We have concluded that the minimum increase required must at least be capable of preventing further relative deterioration, and that this could well be done within the Government's policy if some account were taken of what, in another working environment, would be regarded as productivity that could be paid for outside the overall "10 per cent guideline". For these reasons, we propose the provision with effect from 1 April 1978 of an overall increase in Service pay to give no less than the latest available estimate of the increase in average earnings in percentage terms that has arisen from settlements under the current guidelines since 1 August 1977 expressed as an annual rate (paragraph 62). We recommend accordingly. We are ready to advise on appropriate scales and rates (and their costs) if this course is adopted. We also recommend that the Government should give a firm commitment that fully up-to-date rates of pay will be implemented by 1 April 1980 at the latest.

HAROLD ATCHERLEY (*Chairman*)

D P DREYER

EWEN M'EWEN

ROSEMARY MURRAY

JOHN READ

C A ROBERTS

J R SARGENT

LESLIE WILLIAMS

OFFICE OF MANPOWER ECONOMICS

31 March 1978

APPENDIX 1

1 APRIL 1975 MILITARY SALARIES FOR MEN¹ (IN ARMY TERMS)

Table 1.1

Officers: annual rates (a)

Rank	Normal rate
	£
Brigadier	10,001
Colonel	after 8 years
	6
	4
	2
	on appointment
	9,030
	8,815
	8,599
	8,384
	8,169
Lieutenant Colonel	after 8 years
	6
	4
	2
	on appointment
	7,457
	7,278
	7,099
	6,920
	6,742
Major	after 8 years
	7
	6
	5
	4
	3
	2
	1
	on appointment
	6,096
	5,971
	5,847
	5,723
	5,599
	5,475
	5,351
	5,227
	5,103
Captain	after 6 years
	5
	4
	3
	2
	1
	on appointment
	4,778
	4,668
	4,559
	4,449
	4,340
	4,230
	4,121
Lieutenant	after 4 years
	3
	2
	1
	on appointment
	3,676
	3,588
	3,500
	3,413
	3,325
Second Lieutenant	2,675

(a) Rounded to the nearest £.

¹A supplement of £6 a week was introduced with effect from 1 April 1976 for all members of the armed forces whose earnings would not as a result be increased beyond £8,500 a year. A further supplement of 5 per cent of earnings between limits of £2.50 and £4.00 a week was introduced with effect from 1 April 1977.

Table 1.2
Warrant Officers and senior NCOs: annual^(a) and weekly rates

Scale B (men committed to 6 years or more but less than 9 years' service) ^(b)	Band							
	4		5		6		7	
	Annual	Weekly	Annual	Weekly	Annual	Weekly	Annual	Weekly
	£	£	£	£	£	£	£	£
Warrant Officer 1 ...	3,599	69.02	3,818	73.22	4,059	77.84	4,322	82.88
Warrant Officer 2 ...	3,413	65.45	3,632	69.65	3,873	74.27	4,135	79.31
Staff Sergeant ...	3,234	62.02	3,453	66.22	3,694	70.84	3,957	75.88
Sergeant ...	3,066	58.80	3,285	63.00	3,526	67.62	—	—

(a) Rounded to the nearest £.

(b) Scale A (men committed to less than 6 years' service)—deduct £2.10 a week from the above rates.

Scale C (men committed to, or who have completed more than 9 years' service)—add £3.15 a week to the above rates.

Table 1.3
Corporals and below (a): annual^(b) and weekly rates

Scale B (men committed to 6 years or more but less than 9 years' service) ^(c)	Band					
	1		2		3	
	Annual	Weekly	Annual	Weekly	Annual	Weekly
	£	£	£	£	£	£
Corporal I ...	2,840	54.46	3,040	58.31	3,263	62.58
Corporal II ...	2,654	50.89	2,854	54.74	—	—
Lance Corporal I ...	2,478	47.53	2,679	51.38	2,902	55.65
Lance Corporal II ...	2,336	44.80	2,537	48.65	—	—
Lance Corporal III ...	2,205	42.28	2,405	46.13	—	—
Private I ...	2,205	42.28	2,405	46.13	2,628	50.40
Private II ...	2,081	39.90	2,281	43.75	—	—
Private III ...	1,964	37.66	2,164	41.51	—	—
Private IV ...	1,818	34.86	—	—	—	—

(a) Adult servicemen.

(b) Rounded to the nearest £.

(c) Scale A (men committed to less than 6 years' service)—deduct £2.10 a week from the above rates.

Scale C (men committed to, or who have completed more than 9 years' service)—add £3.15 a week to the above rates.

APPENDIX 2

I. SCALED DOWN PAY STRUCTURE FOR MEN (IN ARMY TERMS)¹ TO
ILLUSTRATE AN OVERALL INCREASE OF 10 PER CENT

Table 2.1

Officers: annual rates (a)

Rank	Normal rate
	£
Brigadier	11,249
Colonel after 8 years	10,267
6	10,027
4	9,782
2	9,621
on appointment	9,512
Lieutenant Colonel after 8 years	8,771
6	8,570
4	8,369
2	8,169
on appointment	7,972
Major after 8 years	7,274
7	7,132
6	6,993
5	6,855
4	6,712
3	6,574
2	6,431
1	6,293
on appointment	6,154
Captain after 6 years	5,796
5	5,676
4	5,555
3	5,435
2	5,318
1	5,198
on appointment	5,077
Lieutenant after 4 years	4,573
3	4,471
2	4,373
1	4,270
on appointment	4,172
Second Lieutenant	3,420

(a) Rounded to the nearest £.

¹See Chapter 4, paragraph 69.

Table 2.2

Warrant Officers and senior NCOs: annual^(a) and weekly rates

Scale B (men committed to 6 years or more but less than 9 years' service) ^(b)	Band							
	4		5		6		7	
	Annual	Weekly	Annual	Weekly	Annual	Weekly	Annual	Weekly
	£	£	£	£	£	£	£	£
Warrant Officer 1 ...	4,544	87·15	4,814	92·33	5,110	98·00	5,420	103·95
Warrant Officer 2 ...	4,325	82·95	4,595	88·13	4,891	93·80	5,201	99·75
Staff Sergeant ...	4,121	79·03	4,391	84·21	4,687	89·88	4,997	95·83
Sergeant ...	3,924	75·25	4,194	80·43	4,490	86·10	—	—

(a) Rounded to the nearest £.

(b) Scale A (men committed to less than 6 years' service)—deduct £2·10 a week from the above rates.

Scale C (men committed to, or who have completed more than 9 years' service)—add £3·15 a week to the above rates.

Table 2.3

Corporals and below^(a): annual^(b) and weekly rates

Scale B (men committed to 6 years or more but less than 9 years' service) ^(c)	Band					
	1		2		3	
	Annual	Weekly	Annual	Weekly	Annual	Weekly
	£	£	£	£	£	£
Corporal I ...	3,661	70·21	3,913	75·04	4,187	80·29
Corporal II ...	3,449	66·15	3,701	70·98	—	—
Lance Corporal I ...	3,248	62·30	3,500	67·13	3,774	72·38
Lance Corporal II ...	3,073	58·94	3,325	63·77	—	—
Lance Corporal III	2,913	55·86	3,165	60·69	—	—
Private I ...	2,913	55·86	3,165	60·69	3,438	65·94
Private II ...	2,770	53·13	3,022	57·96	—	—
Private III ...	2,632	50·47	2,884	55·30	—	—
Private IV ...	2,475	47·46	—	—	—	—

(a) Adult servicemen.

(b) Rounded to the nearest £.

(c) Scale A (men committed to less than 6 years' service)—deduct £2·10 a week from the above rates.

Scale C (men committed to, or who have completed more than 9 years' service)—add £3·15 a week to the above rates.

The additional cost of this structure is £117.9 million, or 9.99 per cent of the pay-bill for the military salary and those items that are not being increased on this occasion. The cost of an increase in the main items of additional pay and in Northern Ireland pay on the same basis is £1.6 million.

II. SCALED DOWN STANDARD ACCOMMODATION CHARGES IN LINE WITH THE SCALED DOWN PAY STRUCTURE IN I

Table 2.4
Charges for standard married quarters

Type of quarter						Annual charge
						£
Other ranks						
A	...	...	...	...	...	339.45
B	...	...	...	...	...	441.65
C	...	...	...	...	...	511.00
D/WO	...	...	...	...	...	587.65
Officers						
V	...	...	...	...	...	704.45
IV	...	...	...	...	...	839.50
III	...	...	...	...	...	945.35
II	...	...	...	...	...	1,069.45
I	...	...	...	...	...	1,193.55

Table 2.5
Charges for standard single quarters

Rank	Annual charge	
	Standard quarters	Officers occupying single rooms
	£	£
Young servicemen receiving less than the minimum adult (ie Private IV) rate ...	113.15	Not applicable
Corporal and below ...	149.65	Not applicable
Warrant Officer and senior NCO ...	284.70	Not applicable
Captain and below ...	401.50	Not applicable
Major ...	489.10	412.45
Lieutenant Colonel and above ...	547.50	438.00

OFFICE OF MANPOWER ECONOMICS

31 March 1978