

TOP SALARIES REVIEW BODY

Having honoured the last TSRB award, top salaries are now at realistic levels. With the offer of Megaw to the rest of the Civil Service this is the right moment to reintegrate senior officials and so end the political embarrassment of treating top salaries as a special case. Visibly equal treatment will also help public sector pay negotiators. The Annex shows how the new system could work.

Reintegrating the Generals and Admirals into Armed Forces Pay Review Body would parallel the proposed treatment of Senior Officials. This need not mean higher wage rises: whilst the 1979 Manifesto did promise higher wages and full comparability, the 1983 wording is "we have honoured our promise to give our regular and reserve forces proper pay and conditions". This is a statement of historic fact, not a promise, and certainly not a promise to persist with comparability. By encouraging the AFPRB to give large "comparability" wage rises, the MoD merely exacerbates its own internal comparability problems with officials, and reduces the proportion of the defence budget actually spent on defence.

But it would in fact - there can be no doubt about that.

Doing nothing to the TSRB because (as Sir Robert is confidently able to assert) the next increase will be moderate, does not cure the problem. For so long as there is a system ensuring top salaries move at a different pace to other salaries then embarrassment will recur. Whilst just changing the TSRB's name will merely look ridiculous.

Nigel Lawson plans a continuing review process for the judiciary and has satisfactorily disposed of the problem of MP's allowances. We recommend you endorse his proposal to abolish the TSRB. His officials could be asked to develop detailed proposals along the lines of our Annex.

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ANNEX

SENIOR CIVIL SERVICE PAY POST-TSRB

The simple way to settle top civil servants' pay is for them always to receive the average increase given to the rest of the Service. Such a publicly declared system would be seen to be free of favouritism or arbitrary interference and should provide reassurance to senior and junior civil servants, as well as to the public at large.

There would be no need to have a special body to protect their interests or for the mandarins to negotiate their own pay rises. The First Division Association may seek such rights and it may be sensible to agree extending the FDA's coverage to Under Secretaries.

Such a system would ensure that senior officials maintained their relative position within the Civil Service. External comparability is not properly a consideration, but this will be maintained for mandarins to the same extent that it is for the rest of the Service (except in so far as top management rises continue to outstrip those for junior staff).

Since being established in 1971, the TSRB has led to pay rises for the Head of the Home Civil Service of 490% and for Under Secretaries of 422%; junior ranks have had lower rises ranging from 353% for Assistant Secretaries to 402% for Clerical Officers. Over the same period, the RPI has risen by 416%. No datum is ever wholly satisfactory, but these figures suggest there would be no injustice to senior officials if relativities were fixed where they now stand.

The new system is not dissimilar to the private sector approach where senior management tend to be awarded the same general pay rise as junior staff. Where it differs is merit

pay (downwards as well as upwards). If senior officials were given personal employment contracts, merit would be easier to accommodate (as well as giving more flexibility to adjust salary levels as whole for senior grades). However, if such merit was determined by Ministers, then there would be (unwarranted) criticism of politicisation.

Abolition of the TSRB provides the opportunity to consider other changes which may also be presentationally helpful. The Civil Service is too inbred: not enough people have 'real life' experience, too few outsiders are brought into its ranks. The Terry Burns and Peter Levenes perform an important role but more outsiders are needed at lower levels: people who will help inculcate the 'can do' rather than 'too difficult' approach, industry's higher flyers who will gain from spending a couple of years seeing how Government works.

But more of the bright Principals should go out into industry (not just the City) with a view to being recruited back in five or ten years' time as Under Secretaries. This is not unfair on their colleagues who remain: everybody has free choice, there should be no special loyalty bonus for the person who stays within the safe, narrow confines of the Civil Service, rather than testing his merit in the market place.

To make this happen, open entry to the Civil Service at all levels must be actively encouraged. This would initially need to be through fixed-term contracts so as to comply with Civil Service rules and as a sensible precaution against selecting unsuitable candidates. The comparative insecurity would warrant a salary premium.