

CHAPTER II : BACKGROUND

2.1 This chapter sets out the background to the dispute which has led to the appointment of our Committee.

Government Pay Policy

2.2 The Government's policy towards civil service pay was first expressed in a 1968 statement which was accepted by the Staff Side of the Senior Civil Service Council. According to this statement the Government accepted "a duty and responsibility to maintain a civil service recognised as efficient and staffed by members whose conditions of service are regarded as fair both by themselves and by the public which they serve". This objective was to be achieved by adherence to the principle of fair comparison with the pay of private sector staff employed on broadly comparable work taking account of differences in other conditions of service.

The Pay Trend Survey System

2.3 In 1974, after the failure of an attempt to give effect to the principle of comparability with the private

sector by pay surveys on an occupational basis, the pay trend survey system was introduced. Under this system a survey of pay trends in the private sector is conducted annually and the results, the pay trend indicators, used as the basis for determining annual pay adjustments for the civil service.

2.4 In conducting pay trend surveys the civil service is divided into three salary bands and changes in pay and certain cash benefits enjoyed by employees within similar salary bands in selected private companies are assessed. While information on all elements contributing to pay increases is collected, the pay trend indicators only take account of increases relating to cost of living, general prosperity and company performance and general increases in market rates : increases arising from in-scale increments, merit payments, promotion, transfer and internal and external relativities are excluded. (The existing definitions of these elements are in Annex 2.) The methodology for conducting pay trend surveys was initially agreed with the Staff Side although for a number of years they have registered reservations about certain defects they perceive in the system.

2.5 Civil service annual pay adjustments have closely followed the pay trend indicators in most years since the pay trend survey system was introduced. In 1975 no pay adjustment was made because of the economic situation but the pay trend indicator for that year was taken into account, together with those for 1976, in determining the level of the 1976 award. In 1983, again for economic reasons, the pay adjustment was some 2.5% to 2.75% below the pay trend indicators. This was not made up in the 1984 pay award.

The Standing Commission

2.6 In 1979, the Standing Commission on Civil Service Salaries and Conditions of Service was appointed as an independent body to advise on pay and conditions of service. In its first report it re-affirmed the principle of fair comparison with the private sector, while stating that this should not be the only factor in determining civil service pay. Between 1979 and 1980 it also carried out an overall review of the civil service which established a new pay structure. It is this pay structure, together with the annual adjustments deriving from the pay trend survey, which forms the basis of civil service pay practice today.

2.7 The pay trend survey system has regard only to movements in pay and cash benefits. In 1982, however, the Standing Commission recommended that future arrangements for determining the general levels of civil service pay should take into account the total package of pay and fringe benefits in both the civil service and the private sector. Subsequently the Commission urged the Government to accept this proposal and to consult staff on how it should be implemented. The Government accepted the "total package" concept as proposed by the Commission but little progress has been made towards its implementation. In 1982 the Standing Commission also assumed responsibility for the Pay Survey and Research Unit, the unit responsible for conducting the annual pay trend surveys.

Directorate Pay Adjustment

2.8 In mid-1985 the Standing Committee on Directorate Salaries and Conditions of Service (the Ross Committee) conducted an overall review of salaries and conditions of service of directorate staff (Government's senior management staff). As part of this review, they arranged for an independent survey of comparable pay levels in the private sector. This revealed that top level salaries had fallen considerably behind private

sector rates and, as a result, the Ross Committee recommended that directorate salaries be increased by from 6.4% at the lowest level to 13.8% at the maximum with effect from 1 August 1985.

2.9 The implementation of the pay award for the directorate led to widespread pressure from the rest of the civil service for similar salary increases. In September 1985, the Staff Sides of the three central Consultative Councils asked for a pay award of 6.4% (equivalent to the lowest directorate salary adjustment) backdated to 1 August 1985 for all non-directorate civil servants. They renewed their claim for the "shortfall" in the 1983 pay adjustment to be made up (see paragraph 2.5 above) and expressed the view that the pay of the non-directorate, like the directorate, was lagging behind the private sector.

2.10 In the light of staff requests the Government asked the Standing Commission to arrange a pay level survey of both pay and benefits for the civil service generally and, since this would take time, to advise on whether there should be an interim award. On the basis of a cumulative comparison of the pay trend indicators and actual pay awards during the period 1979/80 to 1984/85,

and after some negotiation, the non-directorate staff were offered a pay increase of 2.7% on the understanding that a full pay level survey would be conducted as soon as possible. Although this offer was not accepted by all the major staff associations, pay was increased accordingly with effect from the 1 January 1986.

Pay Level Survey

2.11 In May 1986 Hay Management Consultants were commissioned to carry out a pay level survey, for both non-directorate and directorate officers, using methodology agreed by the Standing Commission. The aim of the survey was to assess whether the present remuneration of the civil service, including both salaries and fringe benefits, was broadly in line with that of employees in the private sector doing comparable work. The non-directorate survey was commissioned and monitored by the Standing Commission and the directorate survey was monitored by the Ross Committee.

Findings of the Pay Level Survey

2.12 The results of the survey showed that, with the exception of Model Scale I Staff (a class of lower paid

staff) and senior directorate officers, civil servants on local terms of service were better off than their private sector counterparts when the total package of pay and fringe benefits was taken into account. These findings were rejected by the Staff Sides of both the SCSC and the Police Force Council.

1987-88 Pay Trend Survey

2.13 While discussions were taking place between the Administration and staff on the results of the pay level survey, work had gone ahead with the 1987-88 Pay Trend Survey. This survey was conducted against the background of a buoyant economy, practically full employment, a Government surplus of \$11 billion and reports of double digit pay increases in the private sector. In the event, the pay trend indicators resulting from the survey were :

Pay Trend Indicators

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|-----------------|--------|
| Upper Pay Band | +6.54% |
| Middle Pay Band | +7.28% |
| Lower Pay Band | +8.50% |

2.14 As a basis for the 1988 civil service pay adjustment these pay trend indicators were considered by all three central consultative councils as unacceptably low. The Staff Side of the SCSC therefore submitted a claim for a pay increase of 12.5% based on the growth in GDP for the year. This was rejected by the Administration who offered a pay increase based closely on the pay trend indicators. The Staff Side then submitted a revised claim for a pay increase of between 10.66% and 10.1%, depending on salary band, which was based on the pay trend indicators but with the element for merit pay, which had been excluded, added back in, and with a small adjustment in respect of the lower salary band to bring the increase into line with that for the middle salary band. This was again rejected by the Administration who continued to offer a pay award based on the pay trend indicators.

2.15 At this point, in accordance with the 1968 agreement between the Government and the staff associations represented on the Senior Civil Service Council (as revised in 1982), the Staff Side declared that they were in dispute with the Official Side, both as regards the findings of the 1986 Pay Level Survey and the 1987-88 Pay Trend Survey, and sought the appointment of a

Committee of Inquiry. The Staff Side's request was met and we were appointed accordingly.