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**REVIEW BODY
ON
ARMED FORCES PAY
TENTH REPORT
1981**

**Chairman:
SIR HAROLD ATCHERLEY**

*Presented to Parliament by the Prime Minister
by Command of Her Majesty
May 1981*

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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

Dr Ewen M'Ewen CBE

Leif Mills

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Sir John Read

J. R. Sargent

Baroness Sharples²

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The Secretariat is provided by the Office of Manpower Economics.

Sir Leslie Williams CBE retired from the Review Body in June 1980.

Leif Mills was appointed to the Review Body by the Prime Minister in December 1980.

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

²Baroness Sharples has been unable to take part in the later stages of this review.

CONTENTS

		<i>Paragraph</i>	<i>Page</i>
Chapter 1.	The background to our recommendations	1	1
Chapter 2.	Military salaries	8	4
Chapter 3.	Additional pay and allowances	52	19
Chapter 4.	Charges	83	27
Chapter 5.	Costs and conclusions	102	34
Appendix 1:	Evaluation of superannuation benefits: Report by the Government Actuary		36
Appendix 2:	Military salaries introduced with effect from 1 April 1980		62
Appendix 3:	Recommended rates of length of service increments		64
Appendix 4:	Recommended levels of military salary for certain special groups		65
Appendix 5:	Recommended rates of certain forms of additional pay		67
Supplement:	Detailed pay scales prepared by the Ministry of Defence		68

THE BACKGROUND TO OUR RECOMMENDATIONS

1. We put forward recommendations in this report against a background of constraints on public expenditure, including restricted provision for pay increases within the cash limit system, but also in the light of the Government's continued commitment to keep the pay of members of the armed forces at levels comparable with those of their civilian counterparts. In our last report¹ we made clear that we attached the greatest importance to this commitment because of its value in restoring and maintaining confidence in the armed forces as a career and, consequently, in helping to overcome the serious manning problems that had developed in earlier years.

2. Our belief that this renewed confidence could provide a basis for the improvement of recruitment and, above all, retention in the armed forces has been borne out in the last year. The latest manning information indicates that overall recruiting targets are being met. Furthermore, the number applying to leave the Services prematurely has continued to fall, and it is clear from our visits to Service units, both in the United Kingdom and in Germany, that the improvement in morale we noted in our last report has been maintained.

3. In the course of many discussions with Service personnel, however, we have been left in no doubt that their continued confidence depends crucially on our continuing to make independent recommendations in the light of all the factors we consider relevant, and on the Government's continued willingness to implement those recommendations. Moreover, the general improvement in recruitment and retention conceals difficulties in a number of key areas. There are still serious problems in attracting recruits into commissioned service in the numbers needed, and persistent difficulties of recruitment and retention in certain areas where technical skills are required—which, as we noted last year, may be indicative of a more general national problem. We share the concern of the Ministry of Defence that average length of service in a number of areas in the armed forces is still inadequate either to recoup the investment in training or to achieve desirable levels of experience. Finally, despite the general improvement in retention and a satisfactory overall rate of recruitment, the Services are still short of their total requirement, although this is in part a legacy of earlier periods when pay in the armed forces deteriorated in relative terms.

4. Our review this year has also taken place during a period of recession in the economy which has affected both earnings and security of employment in many areas, though with differing degrees of severity. We have taken these developments into account in framing our recommendations as part of our normal approach. The evidence that we obtain on earnings levels results from well-tried procedures of comparison based on job evaluation, and we are confident that they produce representative and reliable information on which to base our judgments. The information in the surveys that we use relates to levels of earnings a few months before the 1 April date for our recommendations and we update it to 1 April by using forecasts of movements in earnings and

¹Review Body on Armed Forces Pay, Ninth Report, 1980, Cmnd. 7899, May 1980 (paragraph 103).

estimates of trends in levels of settlements across the economy as a whole. This avoids placing undue emphasis on immediately current experience in particular areas of the economy where the effects of the recession may be especially severe. The system of annual review is thus underpinned by comprehensive pay surveys which are continually brought up to date and we consider it to be the most appropriate method for ensuring that, from year to year, general trends in earnings are reflected in military salaries.

5. Relative security of employment cannot in our view be quantified precisely. It is accordingly a matter that we take into account when assessing the level of the X factor. It is one of the current advantages of Service life to be weighed against the inherent disadvantages, such as the liability to danger, the degree of separation from family combined with the turbulence that the serviceman has to face, and the exceptional degree of commitment to a term of engagement. We regard it as desirable, however, that there should be some stability in the level of the X factor, and we have not sought to revise it in the past with each and every change in the relative advantage or disadvantage of individual elements. We examined it in detail in our last review and concluded that there was no case for an increase in its relative value, as had been proposed by the Ministry of Defence. The degree of job security recently (but by no means always) afforded to members of the armed forces as compared with civilians weighed heavily in our consideration on that occasion¹. We do not, however, judge it to be sufficiently different now to justify a change in the relative level of the X factor.

6. While the concept of the military salary, which is fundamental to our approach, involves comparisons with relevant earnings outside the armed forces, it also requires many other factors to be brought into the balance before we form our final judgments. We are concerned with total remuneration, which entails the need to strike a balance on such matters as the relative value of pension arrangements and of fringe benefits. The assessment of pension benefits this year has been made in the light of a specific evaluation carried out by the Government Actuary, as foreshadowed in our last report. The results of this assessment have had a marked impact on the salary levels that we consider to be appropriate for the armed forces this year, particularly for the more junior ranks. The Government Actuary's report is at Appendix 1, and we discuss it and the conclusions we have drawn from it in Chapter 2. The report demonstrates that armed forces pension arrangements provide a relatively greater benefit than we have previously allowed for, given that there are certain features of Service arrangements—in particular the provision for early retirement with an immediate pension—that are superior to those found elsewhere. We have hitherto relied mainly on the comparative evaluations carried out in relation to the non-industrial civil service, but it is right that the results of the specific evaluation should now be reflected in military salaries, and our recommendations have made due allowance for this.

7. All the factors we have mentioned provide essentially a guide to judgment, and not a mechanistic substitute for it. Broader considerations also enter into our judgments. We are concerned to provide rates of both pay and charges that

¹Review Body on Armed Forces Pay, Ninth Report, 1980, Cmnd. 7899, May 1980 (paragraph 16).

are founded on reliable methods of comparison; to provide effective inducements to recruitment and, in particular, retention; to relate total remuneration to the special features of a Service career; to match pay to the complex rank and trade arrangements in the armed forces structure; to further, where possible, the general aim of simplifying the pay structure; and, finally, to be fair to serviceman and taxpayer alike. It is with these considerations in mind that we put forward recommendations that we believe to be appropriate for the armed forces at 1 April 1981.

CHAPTER 2

MILITARY SALARIES

8. Before moving to our recommendations on military salaries, we wish to comment on a number of important aspects of the approach we have described generally in Chapter 1 and which we have followed in this review.

Earnings comparisons

9. Job evaluation is the main technique used to compare the relative size of jobs at key levels in the Services and jobs outside. Three systems are in use: for Corporals, for senior NCOs and Warrant Officers, and for officers from Captain to Brigadier¹. In each, a job is analysed by factors that relate to its demands—for example, the skill and training required and the degree of responsibility involved. The range of points available for each factor reflects its relative importance and the sum of the points judged appropriate to each factor for a particular job in the armed forces provides a total 'score'. This allows direct comparisons to be made with jobs in a wide range of outside employment evaluated on the same basis, and with the remuneration for those jobs.

10. The job evaluation studies are carried out by specially trained members of the armed forces who make up the Joint Services Job Evaluation Team. They operate under the guidance of management consultants who are employed on our behalf to monitor the process: in this way, the Services themselves can be confident that their own jobs are properly understood, and we can be assured of the consistency and objectivity of the standards and judgments applied. Care is taken to ensure that the information obtained from the earnings surveys, based on job evaluation, is both comprehensive and representative. At Corporal level, a sample of over 600 civilian jobs in 172 organisations of widely different size is used for comparison, to reflect as far as practicable the distribution of occupations within industries and within geographical regions that is indicated by the Department of Employment's New Earnings Survey. At officer level, the system of job evaluation employed is used extensively throughout industry and commerce. This system allows ready access to evidence on earnings levels in a sample of almost 400 organisations of many types and sizes.

11. For this review, we have extended the range of information we obtain on earnings to provide a further check on its reliability. A key point in the armed forces structure is at Warrant Officer 1 level where we seek to set an appropriate relationship between commissioned and non-commissioned officers' salaries. Previously, evidence on earnings levels for these two groups had come from separate surveys but, for this review, the system of evaluation which up to now has applied only to commissioned officers has also been extended on a trial basis to a limited number of Warrant Officer jobs, in order to provide a cross-check with the evidence obtained from the more traditional approach that applies at this level, based on a job evaluation survey (of some 275 jobs in 125 organisations) similar to that for Corporals. We have also developed further the method that we first used in 1978, in which outside organisations were asked to 'price' Service jobs at SNCO and Warrant Officer level in relation to their own internal structures

¹Throughout this report, references to Army ranks relate also to equivalent ranks in the other Services where the context allows.

and job evaluation systems: this survey, in itself, produced for this review 742 observations on pay levels from 54 organisations. Overall, the degree of consistency in the results obtained from the separate approaches has served to confirm the validity of general pay relationships in the armed forces and the reliability of the earnings data.

Pensions

12. The Government Actuary has now undertaken a comparative evaluation of armed forces pension arrangements and those in the areas where we draw pay comparisons, so that we may take into account in our comparison of total remuneration the relative worth of pension benefits. As we have indicated (paragraph 6) we have in the past relied on comparative evaluations carried out in the context of the non-industrial civil service as a guide to the appropriate adjustment for differences in superannuation benefits; but we took the view last year that a specific evaluation should be made for our purposes. The Government Actuary's report is at Appendix 1.

13. The Government Actuary has pointed to a special problem in evaluating armed forces pension benefits. This arises from the fact that an average career in the armed forces is relatively short: very few complete a full career in the accepted sense and this is reflected in the pension arrangements. Officers with at least sixteen years' reckonable service and servicemen with at least twenty-two years' reckonable service qualify for an immediate pension and in some cases, therefore, it is possible to leave with a pension in the early forties or even late thirties. Pension schemes do not generally provide for such early payment of pension except in very limited circumstances, such as serious illness. The Government Actuary has not been able, therefore, to undertake his evaluation as he would normally on the basis of having pension schemes designed for a full working life on both sides of the comparison, thus enabling him to compare like with like. Instead, he has taken into account the superannuation benefits accruing over the whole working life of members of the armed forces including that part of it which may be spent in civilian employment: he considers this to be an appropriate and equitable way to allow for the benefits associated with the Armed Forces Pension Scheme. The comparison undertaken by the Government Actuary is, therefore, between:

- (a) the value of the pension benefits accruing during a career in the armed forces (including the provisions for inflation-proofing of pensions) together with—in the case of those retiring from the Services with an immediate pension other than invaliding pension—the value of superannuation benefits which might accrue from subsequent civilian employment; and
- (b) the value of the pension benefits accruing over a whole career under the terms of comparator schemes (including the age of retirement prescribed under the schemes).

14. On this basis, and after converting the assessed difference in the value of superannuation benefits to a pay deduction in his established manner, the Government Actuary has suggested potential adjustments to recognise the better benefits provided by the Armed Forces Pension Scheme, in the range 7·1 per cent to 17·6 per cent (for officers) and 9·6 per cent to 14·0 per cent (for other ranks).

These ranges, which incorporate the average superannuation contribution made by employees subject to the comparator schemes and embody the Government Actuary's preferred economic assumptions (which are more stringent than those he has applied previously to evaluations of this nature), arise from two different but interdependent assumptions about (i) the extent to which early pensionability in the armed forces might be regarded as a benefit or as compensation for career disruption; and (ii) the extent to which subsequent civilian employment should be taken into account for the purposes of comparative evaluation. The resultant range is wider for officers than for other ranks because of the significantly greater proportion of officers who retire with an immediate pension. However, the lowest point of the range for other ranks is above that for officers because the pension benefits available to servicemen are relatively better when compared with benefits at equivalent levels among comparators than in the case of officers and their comparators.

15. So far as early pensionability is concerned, we consider that the arrangements in the armed forces might reasonably be deemed to confer a benefit on those who have qualified to leave with an immediate pension and who volunteer to do so. Conversely, others are required to leave with an immediate pension and, for them, the arrangements can be seen more as a compensation. Distinguishing between the two is not entirely straightforward, but the Ministry of Defence have provided us with statistics from which we have been able to form a judgment about the numbers falling into each category. The extent to which subsequent civilian (superannuable) employment should be taken into account raises even more difficult issues. We have reservations about the extent to which it is right in principle to have regard to such employment in assessing the adjustment to be made, and we wish to examine this question more fully before reaching a firm conclusion. There is also a practical difficulty in that, so far as we can establish, there is no reliable information on the numbers of ex-servicemen who do in fact take up further employment, and the conditions (including the pension arrangements) under which they do so.

16. Insofar as these two factors are concerned, therefore, the pensions adjustments we have made for the purposes of this review primarily reflects, within the ranges suggested by the Government Actuary, the extent to which we judge the provision in armed forces pension arrangements for early retirement with an immediate pension (and eventual inflation-proofing) to confer a benefit. Taking account of information on the numbers of officers and other ranks who volunteer to leave the armed forces on such terms, we consider that it is appropriate to deduct 11 per cent from comparator earnings, in relation to both officers and servicemen, as part of the process of total remuneration comparison which assists us in judging the appropriate levels for military salaries. Our recommendations reflect this.

17. An adjustment of this order is significantly higher than previous adjustments and has had a marked impact on salary levels this year, particularly for the more junior ranks. This is because a general entitlement to pension benefits is a recent innovation for these ranks and the benefit conferred now needs to be taken into account. It is true that a number of those in junior ranks do not complete five years' service, and therefore do not qualify for a deferred pension; but in their case there is still a benefit because when they leave the armed forces

a transfer value is paid into a new employer's pension scheme (if it is approved for the purpose) or the serviceman is bought back into the upper tier of the State scheme by the Ministry of Defence. This aspect has been taken into account in the evaluation as it has a bearing on the assessment of the benefits available under the armed forces scheme. In contrast, an adjustment to comparator pay of 11 per cent does not have such a marked impact for officers because the adjustment made previously has been higher than that used for servicemen. However, this is the first occasion on which we have undertaken a specific comparison of the pension benefits in the armed forces and of those with whom remuneration comparisons are drawn, and in the light of the results we consider the adjustment to be a reasonable reflection in salary for this year of all the benefits available to members of the armed forces under the Armed Forces Pension Scheme in terms of early pensionability; eligibility for an immediate pension; the general benefits of inflation-proofing either from age 55 (for those who have retired with an immediate pension) or from age 60 (for those who have qualified for a deferred pension); and the arrangements for those who do not qualify for deferred or immediate pension rights.

18. There are, nevertheless, a number of issues arising from the Government Actuary's report that we wish to examine in more detail with both the Government Actuary and the Ministry of Defence. We also await the results of the Government's considerations of the report of the Scott Inquiry¹ into the valuation of public service pensions. We shall need to return to the question of pensions in the future.

Fringe benefits

19. In comparing total remuneration we also need to weigh, so far as is practicable, the value of any fringe benefits available to members of the armed forces against those available in the areas where pay comparisons are drawn so that, as with superannuation benefits, any balance of advantage or disadvantage may be reflected when assessing military salaries.

20. We have carried out a detailed examination of the range of benefits available to members of the armed forces and to those in comparable civilian employment. This has confirmed that the private use of a company car remains the most significant benefit found among comparators, particularly at levels equivalent to officers in the armed forces. We have taken a fresh look this year at the level of provision of company cars that should be assumed for the purposes of comparison and at how the benefit should be assessed. We have decided to continue to rely on the information on car provision contained in existing surveys of benefits among the organisations that provide pay comparators at officer level (and at senior NCO level). This suggests very extensive provision at levels equivalent to the more senior officers within our terms of reference, but a lower (although still substantial) incidence at levels equivalent to the more junior officers and senior NCOs.

21. For the purpose of evaluation we have concluded that the most appropriate approach is to attempt to assess the value of the benefit as it might be seen by a potential recipient. Accordingly, we have estimated the private

¹Inquiry into the Value of Pensions, Cmnd. 8147, February 1981.

motoring costs saved by the provision of a company car, on the basis of information on the private motoring expenditure of people who buy and run their own cars (as shown by the Automobile Association's continuous survey of motoring costs) and who are at similar income levels to officers in the armed forces. We have offset the expenditure that individuals incur on a company car—for example, in paying for petrol and oil for private mileage—and have made an allowance for the perceived benefit of the newer, more expensive and generally more powerful cars provided by employers. Finally, we have made appropriate adjustments for tax and pensionability. We consider this to be a more realistic basis for evaluating the benefit of a company car for our purposes than the former method which sought to estimate the pre-tax income required to buy and run the cars provided by companies.

22. We have made no adjustment this year for any balance of advantage deriving from comparison of other benefits. Many of them present difficulties of assessment and quantification that will need to be examined further before reaching a final judgment on where any balance of advantage might lie. For example, the provision of a uniform in the armed forces, although intrinsic to the nature of Service life, does confer some benefit in reducing the individual serviceman's outlay on clothing. In certain circumstances, assistance with some of the costs of home to work travel also results in the serviceman saving on personal expenditure. On the other hand, some of the employees in the earnings surveys that we use also receive clothing or a clothing allowance and others are given assistance with travel.

Incentives to retention

23. In forming our recommendations we take into account the need to ensure that, within the general framework of the military salary and the rank structure, there are sufficient incentives to encourage prolongation of service or commitment to a career in the armed forces. Length of service increments (LSI) and committal pay are the established means to this end.

24. We began a fundamental examination of retention incentives in the armed forces last year, when we considered Ministry of Defence proposals that committal pay and length of service increments should be increased. We concluded that the levels of LSI should be increased by 50 per cent, and the recommendations in our Ninth Report¹ reflected this. However, we reserved judgment on the proposals for committal pay because we were not satisfied either that any increase was necessary at the time, given the improvements in manning then occurring, or that the concept of committal pay could be reconciled with the general liberalisation of exit arrangements that had taken place in the Services in recent years. This reservation applied particularly to the proposals put forward by the RAF—and, to a lesser extent, the Army—which were based on the concept of payment for service promised rather than completed. We wanted to examine several other points with senior management in the Services and to look at the issues involved in the wider context of providing incentives to retention for officers and servicewomen as well as for servicemen.

¹Review Body on Armed Forces Pay, Ninth Report, 1980, Cmnd. 7899, May 1980 (paragraph 25).

25. We have now received further evidence from the Ministry of Defence. They have yet to complete their examination of the arrangements for service-women and officers and have told us that, because of the continued improvement in recruitment and retention over the past year, they do not wish to propose any enhancement of the value of committal pay for servicemen at a time when there are more pressing demands on defence expenditure. Although they are content for the time being to rely on the current improvement in retention (paragraph 2) to bring about gradually the desired increase in average length of service, the Ministry of Defence still see an improvement in retention incentives as being essential in the longer term and have put forward proposals which we are asked to endorse in principle now, with a view to their implementation later.

26. These proposals involve two radically different approaches. The Army and the RAF want to retain the existing committal pay approach, but with the current differentials between scales increased to provide a greater degree of incentive for a longer initial commitment. The case for placing a premium on commitment at the outset of service is that experience suggests that those so committed generally serve to the end of their engagements. It would also be the intention to increase rates of charges for premature voluntary retirement (PVR) in line with any increases in committal pay, to ensure that payment was in effect made only to those who completed the commitment. The arrangements proposed for the Royal Navy are quite different, and are designed to complement the introduction of a new engagement structure which would offer all ratings a career with minimum formal commitment. Ratings would join the Navy on a notional 22 year engagement but with a minimum service requirement of four years from age 18 (against three now), with the option of giving 18 months' notice to leave at any time after the first 2½ years. For artificer apprentices, minimum service would be 8 years because of the length of training required, but they would be able to ask at age 33 for a guarantee of service to age 55. Those currently serving would convert to this structure. The Navy have proposed a new system of retention incentives aligned to the new engagement plan to replace committal pay. They propose that this should take the form of periodic lump sum bonuses, to be earned by service completed. Its main aim would be to secure service beyond the point at which notice might first be given and, to this end, ratings completing 4½ years' adult service without giving notice (and thereby effectively committing themselves to serve for at least 6 years because of the 18 months' notice period) would receive a bonus—currently, 35-40 per cent of non-technical ratings leave the Royal Navy with between 4½ and 6 years' service. A second bonus would be given at 7½ years on the same basis. Under the proposed scheme all naval ratings would be paid on the job-evaluated Scale B rate, and the bonuses offered at 4½ and 7½ years would be based on the inter-scale differentials of committal pay in the other two Services, taking account of the deferred nature of the payment.

27. The proposals put forward by the RAF and the Army seem to us to retain many of the drawbacks inherent in the existing committal pay arrangements. They lead to a complex pay structure under which men with the same experience are paid different rates of pay for doing the same job. Furthermore, the underlying case for an increase in the relative value of committal pay rests on the assumption that such an increase would offer an inducement to long service that cannot be provided by the existing 'comparable' rates of pay together with the X factor,

the financial flexibility inherent in the rank and pay banding structure and the attraction of the trade training offered. Finally, we see a fundamental objection to payments for service offered rather than rendered (although the proposals involve an increase in PVR charges).

28. The proposals put forward by the Royal Navy would overcome many of these drawbacks. They would involve uniform rates of pay for all naval ratings and thereby simplify the pay structure; would offer payments for service rendered rather than promised; and would be based on a realistic assessment of the practical limits of formal commitment to specific periods of service in the present day. In view of these *prima facie* attractions we have asked the Ministry of Defence to examine whether the Navy's proposals might provide a basis for all three Services over the longer term. We wish to defer our conclusions until this examination has been completed, and accordingly refrain for the moment from endorsing any particular scheme.

29. The Navy attaches particular importance, however, to the early introduction of the new engagement structure. We have been asked to consider a modified bonus scheme that might come into operation later this year, and which would provide bonuses linked to the savings generated by the phasing out of existing inter-scale differentials. This approach would apply only to new entrants to the Royal Navy (not to all ratings, as under the approach described in paragraph 26) and would produce paybill savings over the next four financial years because, at the moment, the majority of naval ratings join on Scale C terms of service whereas under the new arrangements they would be paid only Scale B rates. We understand that the Navy would prefer to go ahead with this interim scheme, even in the absence of any guarantee that the full scheme would eventually be accepted. Nonetheless, it remains our view that it would not be right to endorse their proposals at present. We need to examine several features in more detail, including the tax treatment of the proposed bonuses, their application to the Royal Marines and members of the women's services and to the naval reserve services, and the relationship between the guarantee of service envisaged under the proposals and the inter-scale differentials that apply in the other two Services. We note, for example, that the proposed 4½ year bonus guarantees only 6 years' total service in the Royal Navy but is based on an inter-scale differential that, in theory at least, is payable in the other two Services to those who are committed to or have served for nine years or more. Given reservations of this nature, we would be reluctant to endorse proposals which would, effectively, settle the pattern of retention incentives in the Navy for the foreseeable future. Moreover, we see no urgent manning needs to justify the immediate changes that have been proposed. We conclude, therefore, that the existing arrangements for committal pay and the rates in payment should be retained for the present.

30. As we have said, the value of length of service increments was increased broadly by 50 per cent in the last review. The Ministry of Defence have proposed that the value of these increments should not again be allowed to deteriorate but should be updated in relation to increases in the military salary. As length of service increments are effectively a reward for service rendered rather than service promised, we recommend accordingly that the rates set out in Appendix 3 should be introduced with effect from 1 April 1981.

Military salaries

31. We turn now to our recommendations for the levels of military salary we consider appropriate for 1 April 1981.

Officers

32. The system of job evaluation used provides a means of comparing, from a common base, the range of earnings in jobs that are equivalent in size to the jobs held by officers in the armed forces from Captain to Brigadier. It is our practice to take as a guide the earnings levels for jobs of the same weight as those that fall at the median of the points score range for all officer jobs evaluated within each rank. On this basis, the range of increases in earnings levels suggested by the survey evidence for officers (over the 12 months to January 1981) is from about 17¼ per cent to about 18½ per cent.

33. This evidence provides a major guide to judgment, but there are a number of other factors that we have to take into account in forming our recommendations. For example, under the normal job evaluation process a significant number of armed forces jobs are re-evaluated each year, in order to keep the comparisons up to date, and any consequent changes in their points scores can affect the median score for a rank. When this happens it has an effect on the level of 'outside' earnings indicated for that rank. We noted last year¹ that there had been changes in the median points scores at certain ranks but we did not take account of those indicated at Colonel and Brigadier level, as we were not certain whether the Navy's appointment policy at this level was creating distortions. The Ministry of Defence, together with the management consultants who monitor on our behalf the job evaluation process at officer level, have now both extended the sample of jobs at Brigadier and Colonel level and excluded those naval jobs that might have had a distorting effect. This further examination has confirmed increases in median points scores for both Brigadier and Colonel and the levels of 'outside' earnings indicated for these ranks are higher, particularly in the case of Brigadiers (where the increase in the median score was greater). We have taken these changes into account in our recommendations, as it would be wrong to ignore them when we are satisfied they are soundly based.

34. We also have regard to appropriate pay relationships between ranks, including relativities with the ranks above Brigadier (which fall within the terms of reference of the Review Body on Top Salaries) and the general pay relationship between junior officers and senior NCOs, which is of particular importance. Evidence on earnings from sources other than the job evaluation process is also taken into account, particularly in relation to the more junior officers, below the rank of Captain, where we look at information on the starting salaries and early salary progression of management recruits in other areas of employment. We commented last year² that the different approaches within the Services to the employment and early career development of graduates made it difficult to determine appropriate rates of pay, and that we had asked the Services to examine the scope for rationalising their practice. In the meantime,

¹Review Body on Armed Forces Pay, Ninth Report, 1980, Cmnd. 7899, May 1980 (paragraph 29).

²*ibid* (paragraph 30).

we endorsed certain proposals for changes in the Army arrangements that would bring their general policy more into line with that applying in the other two Services. The Ministry of Defence have looked again at this problem. They do not consider it would be right to force each Service into the same mould, given the differing manning and training arrangements as well as the different rank structures. They have suggested that the prime concern should be to ensure equity in the treatment of graduate and non-graduate officers within each Service, as long as graduate earnings are broadly the same in all three Services over the first few years of service.

35. The Ministry of Defence have, however, put forward certain limited proposals for change in the treatment of graduates. First, they propose a minor rationalisation, which we endorse, in the system for giving antedates of seniority to entrants to the RAF who have academic and professional qualifications. They also propose that, for the Army and RAF, cash bonuses ranging from £433 to £1,300 according to the qualification held, should be offered as an incentive to the more academically able to join the Services. We do not consider that such payments should be introduced. We are not convinced that the offer of cash bonuses of this sort would be likely to have a significant influence on career choice: the attractions of a military career should rest on broader grounds and a longer term view of prospects. Moreover, we consider that the salary levels we recommend (Table 1) for the more junior officers—whether graduates or non-graduates—will place the Services in a competitive position in the recruitment market and ensure an appropriate salary progression: to this end, our recommendations involve some relative improvement in the pay of Officer Cadets (and certain other junior officers below Second Lieutenant).

36. We are satisfied that the structure of military salaries, which includes the X factor, that we recommend in Table 1 adequately reflects all the evidence and considerations we take into account, including updating, the evaluation of relative pension and fringe benefits, and the various structural and other factors we have described. The resultant military salaries for 1 April 1981 are higher than the equivalent 1 April 1980 rates (Appendix 2) by between 12.5 per cent and 14.9 per cent.

Warrant Officers and senior non-commissioned officers

37. Our information indicates that 'outside' earnings at these levels increased, over the year to October 1980, by around 20 per cent. Again, this information has to be updated and adjusted to take account of the comparative value of pensions and of other elements within the remuneration package. Our recommendations also take structural considerations into account: in particular, we have sought in this review to improve further the differential over junior ranks, since the promotion step between Corporal and Sergeant is a significant one in career terms and one to which Service management continues to attach great importance.

38. The (Scale B) military salaries that we recommend in Table 2 for Warrant Officers and senior non-commissioned officers, for implementation from 1 April 1981, are between about 10 per cent and 13½ per cent higher than the equivalent 1 April 1980 salaries.

Table 1
Recommended scales of military salary inclusive of the X factor for Officers up to Brigadier
(annual rates ^(a))

Rank							Military salary
							£
Brigadier	..	..	..	..	..	..	20,900
Colonel	..	..	..	..	..	after 8 years	19,319
						6	18,860
						4	18,400
						2	17,940
						on appointment	17,480
Lieutenant Colonel	..	..	..	..	..	after 8 years	16,589
						6	16,195
						4	15,801
						2	15,407
						on appointment	15,012
Major	..	..	..	..	..	after 8 years	13,494
						7	13,220
						6	12,947
						5	12,673
						4	12,399
						3	12,125
						2	11,852
						1	11,578
						on appointment	11,304
Captain	..	..	..	..	..	after 6 years	10,424
						5	10,184
						4	9,943
						3	9,702
						2	9,461
						1	9,220
						on appointment	8,979
Lieutenant	..	..	..	..	..	after 4 years	7,979
						3	7,789
						2	7,599
						1	7,410
						on appointment	7,220
Second Lieutenant	..	..	..	..	..	..	5,950
Officer Cadet ^(b)	..	..	..	..	..	..	4,201

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

^(b)Committal pay at the appropriate rate is also payable.

Corporals and below

39. The evidence based on job evaluation at Corporal level, relating to a reference week in November 1980, indicates that, over the sample as a whole, outside earnings at that level were then some 18½ per cent higher than in November 1979. For Privates and equivalent, there is no direct job evaluation based evidence, and we take account of earnings levels in the New Earnings Survey (which we bring up to date) at ages equivalent to those of Privates; we also have regard to the Services' ability to attract sufficient recruits of the right calibre.

40. Quite apart from the more marked effects of the adjustments necessary for pension purposes at these levels (paragraph 17), there has been some evidence from the pay surveys of a reduction in working hours in civilian employment which has affected the average level of civilian earnings indicated in our annual survey. The increases arising from the rates of military salary (Scale B) recommended for Corporals and below in Table 3 range from just over 8 per cent to just over 10½ per cent.

Table 2
Recommended scales of military salary inclusive of the X factor for 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 ..	8,380	160.72	8,946	171.57	9,600	184.10	10,348	198.45
Warrant Officer 2 ..	7,888	151.27	8,453	162.12	9,107	174.65	9,855	189.00
Staff Sergeant ..	7,424	142.38	7,990	153.23	8,643	165.76	9,391	180.11
Sergeant ..	6,986	133.98	7,552	144.83	8,205	157.36	—	—

Table 3
Recommended scales of military salary inclusive of the X factor for adult servicemen of the rank of Corporal and below
(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	6,439	123.48	6,961	133.49	7,563	145.04
Corporal II	6,033	115.71	6,555	125.72	—	—
Lance Corporal I ..	5,650	108.36	6,172	118.37	6,774	129.92
Lance Corporal II ..	5,292	101.50	5,814	111.51	—	—
Lance Corporal III ..	4,960	95.13	5,482	105.14	—	—
Private I	4,960	95.13	5,482	105.14	6,085	116.69
Private II	4,646	89.11	5,168	99.12	—	—
Private III	4,351	83.44	4,873	93.45	—	—
Private IV	4,084	78.33	—	—	—	—

^(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.

41. Tables 1-3 set out, in Army terms, military salaries that in our view are appropriate for the generality of male officers and servicemen at 1 April 1981. Salaries in the Royal Navy and Royal Air Force, and in the women's and nursing services are calculated from this base. The arrangements that apply to servicemen in the Royal Navy and Royal Marines differ from those in the other Services as they do not make use of all the available pay bands within the military structure. Under the 'all of one company' principle only one pay band is applied at levels equivalent to Corporal and below (Band 2): above Corporal equivalent only three pay bands are used (broadly Bands 5-7) of the four that are available at these levels, and allocation to a band is determined not by job evaluation but by the trade and specialisation involved. In the past these arrangements have been considered necessary to reflect special conditions on board ship: we intend to examine the continued appropriateness of the 'all of one company' principle in the course of the next review.

The X factor

42. The military salaries that we have recommended incorporate an X factor of 10 per cent. A lower rate (5 per cent) is applied to women. We shall examine in the next review whether a differential between servicemen and servicewomen is appropriate.

Hours of work

43. We indicated in our last report¹ our concern that information from a survey of the hours worked by servicemen had demonstrated that, in the short period covered, a minority were working hours that were well beyond the normal range of experience. We are examining with the Ministry of Defence the extent to which such hours are being worked on a regular and systematic basis, and intend to look at this issue in detail during the next review. We have also pointed to some evidence of a reduction in average hours worked in civilian employment at levels equivalent to Corporal (paragraph 40). We shall keep trends in both civilian and armed forces hours of work under review.

Special scales and rates of pay

44. There are special pay arrangements for certain groups within our terms of reference. They include medical and dental officers (and medical and dental cadets) on whose salaries we shall make recommendations, as usual, in a supplement to this report when the 1 April 1981 recommendations of the Review Body on Doctors' and Dentists' Remuneration are known. Our recommendations, for implementation from 1 April 1981, for veterinary officers in the Royal Army Veterinary Corps, Service chaplains and university cadets are in Appendix 4: they preserve existing relationships.

The pay of the permanent cadre of the Ulster Defence Regiment

45. The current pay arrangements for members of the permanent cadre of the Ulster Defence Regiment (UDR) differ from those applying generally to the regular Army. At Corporal level and below, the UDR structure of rank and pay is less complex, with just four classes—two of Private and one each of Corporal and Lance Corporal. This compares with nine in the main Army structure (as Table 3 shows). The lower of the two classes of Private provides an age-related pay scale introduced in 1974 following recommendations in our Third Report². Its main purpose is to provide higher rates of pay for recruits to the permanent cadre of the UDR who are generally somewhat older than their counterparts in the regular Army. The whole structure below Corporal provides pay rates for the UDR that exceed those for similar ranks in the regular Army. Corporals in the UDR receive the same rate of pay as Band 1 Corporals in the regular Army. UDR officers and senior NCOs, on the other hand, are paid 95 per cent of the pay of, respectively, regular officers and NCOs in Band 5. The differential at officer and senior NCO levels is intended to recognise certain differences in conditions of service between the regular Army and the UDR, particularly the facts that UDR personnel do not suffer separation from their families to the same degree as their counterparts and that they do not have to

¹Review Body on Armed Forces Pay, Ninth Report, 1980, Cmnd. 7899, May 1980 (paragraph 19).

²Review Body on Armed Forces Pay, Third Report, 1974, Cmnd. 5631, May 1974 (paragraphs 64–65).

make the same minimum commitment to the armed forces, as they can leave on a month's notice without financial penalty. Another consequence of this reduced commitment is that members of the UDR are paid on Scale A rates of pay from the outset, although those who attain more than six or nine years of reckonable service move at those points to higher rates of pay (Scale B or C, respectively).

46. The role of the UDR has changed considerably in recent years. The Regiment now constitutes an active and essential element in the security operation and its soldiers undertake broadly the same duties as regular infantrymen in Northern Ireland. Against this background, the Ministry of Defence have proposed certain changes in the pay and rank structure of full-time members of the Regiment with a view to bringing current arrangements more into line with those applying in the Army as a whole. A range of jobs in the UDR has now been evaluated on the same basis as applies elsewhere in the Army and it has been proposed that, in future, members of the UDR should be paid in the pay band indicated by job evaluation. We agree with this change: the effect will be to place UDR Corporals and Warrant Officers 2 one pay band higher than at present (in Bands 2 and 6, respectively).

47. It has also been put to us that the full regular Army rank structure should be applied to the UDR, to replace the separate arrangements below Corporal. The two main arguments that have been advanced are that the extension of the UDR's role now requires its soldiers to train to the same standard as the regular infantryman and that the additional classes of the full structure are needed to provide an incentive for UDR soldiers to progress through the different levels of training qualifications; and that the justification for the separate age-related structure has lessened because the average age of UDR recruits has fallen. Along with this change, the Ministry of Defence have also proposed that all members of the permanent cadre of the UDR should receive 97½ per cent of regular Army rates of pay to reflect differences in conditions of service.

48. We have examined these proposals carefully and discussed them in detail with Services management. We do not consider it right to change the present UDR rank structure below Corporal. There is no evidence to suggest that members of the UDR are failing to meet their training objectives and recruits to the UDR remain significantly older than their regular Army counterparts. The marked depression of earnings for new entrants that would result from the changes proposed (particularly the abandonment of the age-related entry scale) could have serious manning implications for the UDR over the longer term. More generally, we remain sceptical of the need in the Army as a whole for such a complex rank structure below Corporal, which is not found to the same degree at equivalent levels in civil life. On these grounds, too, we would be reluctant to see such a structure in the UDR. We consider that only a minor change is necessary in the present structure and recommend that the pay of UDR recruits aged 19 or below should be linked to that of a Private IV in the regular Army—the normal recruit rate of pay—not to the (higher paid) Private III, as at present: both groups are likely to be of broadly the same age and experience and we see no case for perpetuating the present distinction. We recognise that the effect of this change will be to produce for this year a relatively small increase for all ranks below Corporal in the UDR. However, we understand that, under

present arrangements, recruits to the UDR can expect on average (and irrespective of age) to reach the rank of Private A within 9 months of enlistment and it may be that a useful training incentive could be introduced if the qualifying conditions for reaching the rank of Private A were made more rigorous to match those required to reach the equivalent rank (Private I) in the regular Army.

49. We turn now to the overall pay relationship between members of the UDR and of the regular Army. The Ministry of Defence have proposed that all ranks in the UDR should receive 97½ per cent of the equivalent regular Army rate, including X factor, because of differences in conditions of service. We have already touched on these differences. The argument is that members of the UDR are not subject in the same degree as their regular Army counterparts to certain of the disadvantages of Service life (particularly as regards commitment to the Services and in the degree of separation and 'turbulence') that we take into account when assessing the X factor.

50. We accept that members of the UDR do not suffer from some of the disadvantages of Service life to the same extent, but we do not agree that this is sufficient to justify lower military salaries for the UDR. Given the widely differing impact of conditions of service on individuals across the armed forces as a whole, we would not wish to distinguish between particular groups in the way proposed. It must also be borne in mind that members of the UDR do not enjoy some of the advantages of Service life to the same extent as their colleagues in the regular Army. Moreover, some of the disadvantages (in particular, the exposure to danger) are present to a greater degree. We consider, therefore, that all members of the permanent cadre of the UDR should receive full military salaries, incorporating the full X factor. The rates for male officers in the UDR that we recommend for implementation with effect from 1 April 1981 are therefore as set out in Table 1 for officers in the regular army. For other ranks the rates that we recommend for implementation from 1 April 1981 are in Table 4 below. These rates incorporate the structural change for UDR recruits aged 19 and below recommended in paragraph 48 and the change in pay band for UDR Corporals and Warrant Officers 2 (paragraph 46).

Table 4
Recommended rates of military salary inclusive of X factor for servicemen in the
Ulster Defence Regiment
(annual^(a) and weekly Scale A rates)

Rank	Annual	Weekly
	£	£
Warrant Officer 2	8,997	172.55
Staff Sergeant	7,880	151.13
Sergeant	7,442	142.73
Corporal	6,851	131.39
Lance Corporal	5,782	110.88
Private A	5,260	100.87
Private B	4,774	91.56
	(aged 21 and over)	91.56
	(aged 20)	83.93
	(aged 19 and below)	76.23

^(a) Rounded to the nearest £.

Training bounties for members of the Reserve Forces

51. We have considered proposals for an increase in some of the training bounties payable to members of the reserve forces. These bounties were substantially increased in 1979 as part of a general restructuring. The general objective of the new proposals is to ensure that the favourable manning trends which followed these changes are maintained, but with an emphasis on improving retention in the early years of service in the reserve forces. We are not satisfied, however, that there is a case for increasing the levels of training bounties at present, in the absence of particular manning difficulties (although we do appreciate that, as training bounties are paid retrospectively for the previous year's training, it is relatively difficult to apply a financial remedy rapidly if unfavourable trends begin to develop). We should make clear that members of the reserve forces receive military salary rates of pay for days spent in training or on operations and that this, in itself, ensures that the value of income from reserve service is broadly maintained. We intend to examine training bounties further next year.

CHAPTER 3

ADDITIONAL PAY AND ALLOWANCES

52. In addition to the military salary, there are various forms of supplementary payments to which members of the armed forces may be entitled. They fall under the general description of 'additional pay' although differing considerably in character and importance. We keep these under general review to ensure that each continues to be justified and that its structure and level remains appropriate.

53. Items of additional pay fall into two broad categories. Some are paid continuously and constitute a significant proportion of the total income of those who get them. These items provide an incentive to recruitment and retention in certain areas of employment in the armed forces where the military salary alone does not provide sufficient inducement—areas, for example, where exceptional skills are scarce, or where experience has shown that there are perceived disincentives. We have consistently taken the view that their value in relation to the military salary should be preserved, so that they might continue to provide an effective incentive. Flying pay, parachute pay, submarine pay, diving pay and hydrographic pay are the items we have previously identified as falling into this category and for these (in addition to the specific recommendations in the following paragraphs for those items we have reviewed in detail this year) we recommend that the current rates of payment should be increased with effect from 1 April 1981 broadly to maintain their value with reference to the overall movement in military salaries, as should the rates of those minor forms of additional pay closely associated with them.

54. There are certain other items of additional pay that also fall into the category of continuous career payments, although relatively few individuals are likely to be eligible for them at any one time. So far as they are concerned, we consider that the value of additional pay for the Special Air Service Regiment and the Special Boat Squadron of the Royal Marines, and of Gurkha Service pay, should also be maintained broadly by reference to the overall movement in military salaries and recommend that the rates be increased accordingly with effect from 1 April 1981. The additional pay of the Academy Sergeant Major at Sandhurst should also be adjusted on the same basis with effect from 1 April 1981 (by use of the formula we established last year of a link to the differential between Bands 6 and 7 at the rank of Warrant Officer 1). We have also examined a Ministry of Defence proposal for a new form of additional pay in this category, for members of the Royal Marines Mountain and Arctic Warfare Cadre (paragraphs 70-72).

55. The second main category of additional pay comprises items that are of less importance, in that they are not paid continuously or the amounts involved are small in relation to the military salary or, in most cases, both. We have undertaken a systematic examination of the justification for each of these minor items over recent years, and have considered during this review evidence from the Ministry of Defence on the approach that should be adopted to maintaining the value of those that remain in payment. We discuss this matter in more detail in paragraph 80.

56. Certain allowances that are in the nature of pay also fall within our field of review, and we have looked this year at a question relating to separation allowance (paragraphs 81-82).

Parachute pay

57. Parachute pay is paid continuously at a flat rate (currently £1·30 a day) to some 2,500 members of the armed forces, the great majority in the Parachute Regiment of the Army. It has been put to us that the payment continues to be necessary both to attract high quality recruits and to compensate for the risks involved. We agree that there is a strong case for its retention on manning grounds as the Parachute Regiment is currently well below strength. Although recruit allocation to the Regiment has been increased it will take some time for the position to improve, particularly as the high standards required mean that a considerable number of recruits fail to complete basic parachute training. On the other hand, we do not see parachute pay as offering a direct compensation for risk. There are other areas of military life where a similar degree of risk occurs and where no financial compensation is offered and, in such cases, we take the view that the risks should be recognised by the application of rigorous safety standards and by ensuring that proper arrangements exist for compensation in the event of accident. We do not regard the risk factor as justifying additional pay except, indirectly, to the extent that such considerations might affect the willingness of individuals to undertake particular types of service.

58. We have considered whether there is a case for a relative improvement in the value of parachute pay, given the present manning difficulties. The evidence suggests, however, that these difficulties are attributable in large measure to training wastage rather than to an inability to attract sufficient recruits or volunteers in the first instance. We consider, therefore, that the present relative level of payment is adequate, and we recommend that the rate of parachute pay be increased with effect from 1 April 1981 broadly to preserve its present value with reference to the overall movement in military salaries.

Parachute Jumping Instructors' pay

59. Although the great majority of parachutists are in the Army's Parachute Regiment, responsibility for instruction has rested historically with the RAF. Parachute jumping instructors are drawn from among the RAF's physical training specialists: when qualified they receive additional pay (currently £1·48 a day), in recognition of their training responsibilities, which is slightly higher than parachute pay.

60. In general, we see no need for special payments to compensate individuals for instructing: this should devolve upon those of more senior rank in the armed forces, as in civil life, without specific compensation. However, a case for continuing to make an exception for parachute jumping instructors has been advanced, first on grounds of precedent and, second, because of the need to recruit and retain more instructors to meet an increased training requirement. Precedent alone does not offer a sufficient justification for continuing the present arrangements, but we are concerned that the Ministry of Defence appears to be facing considerable difficulties in recruiting the required number of instructors. To some extent, the restricted field of recruitment must contribute to the

recruitment problem, and it seems to us that consideration might be given to the possibility of extending the field to include other sources within the Services as a whole, where considerable expertise already lies and where volunteers may well be found. Given the manning difficulties, however, we accept that the slight lead of parachute jumping instructors' pay over parachute pay should be retained for the time being, and we recommend that its value should be maintained broadly with reference to the overall movement in military salaries with effect from 1 April 1981.

Payment for members of the Subsunk Parachute Assistance Group

61. The subsunk parachute assistance group is composed of specialists in submarine escape and rescue techniques. Its members are drawn exclusively from the submarine escape tank training (SETT) staff at HMS Dolphin and are held available, as part of their normal duties, to lend rapid assistance in the event of submarine mishaps. To carry out this role, members of the group are trained to parachute into the sea.

62. Under present arrangements, they qualify for parachute pay only on the days on which they undertake a parachute descent (unless they already qualify for continuous payment from a previous Service appointment). It has now been proposed that, as the group is trained and constantly liable for parachute service, its members should be eligible for parachute pay on a continuous basis to put them on a par with others who have similar liabilities. However, because of their limited parachuting role (they are trained for descent into water only) it has been suggested that they should receive payment at only half the normal rate.

63. We have concluded that as there is no case on manning grounds for the change proposed—membership of the subsunk parachute assistance group is a direct, and for officers inevitable, consequence of volunteering for duty at the SETT—the present arrangements should remain for now. However, in view of the direct link between service at the SETT (which attracts a special form of diving pay) and membership of the subsunk parachute assistance group, we shall look at this again as part of a re-examination of diving pay that we propose to undertake during our next review.

Submarine pay

64. Submarine pay is payable to all naval officers in the rank of Captain and below, and to all ratings, in the submarine service. Current annual rates are:

Lieutenant and above, and all SD List officers	£1,489
Acting Sub Lieutenant, Sub Lieutenant (except SD List), Fleet Chief Petty Officer and Chief Petty Officer	£1,380
Petty Officer	£1,146
Midshipman, Leading Ratings and below	£1,040

65. Submarine pay is intended to provide an inducement to join and remain in the submarine service. It has been suggested to us that it continues to be justifiable on these grounds and also as providing a degree of recognition of both

the special environmental conditions attaching to service in submarines and the higher level of responsibility, rank for rank, borne by submariners as against their equivalents in surface ships.

66. As well as examining these arguments, we had an opportunity to meet members of the submarine service in the course of our visits last year. There are very special conditions attaching to service in submarines—for example, the need to spend long periods in confined spaces, in artificial light and often breathing recycled air, and with few of the opportunities for relaxation and recreation that most servicemen would consider normal. We do not underestimate these factors but neither do we accept that it would be right to use submarine pay to compensate directly for them, particularly as submarine pay remains in continuous payment even when sea-going submarine duties are not involved. Furthermore, job evaluation evidence does not suggest that jobs in the submarine service are exceptionally demanding in terms either of overall job size or of the particular elements that determine it.

67. The case for submarine pay rests on manning grounds and the manning statistics reflect the inherently unattractive nature of the service. Although the majority of officers are volunteers, in recent years well under half the ratings entering the submarine service joined voluntarily. This is not a sufficient proportion. The Ministry of Defence have emphasised the further problem of retaining men in the submarine service. Because of the exceptional environmental conditions, both volunteers and those who are posted into the service have an option to return to general service after five years. Training courses for submariners are among the longest in the Navy and, to get the best return for this costly training, management regards it as important that as many personnel as possible should remain for the first five years and then volunteer to serve on.

68. The main difficulty in retention at present arises from the number who leave the Navy altogether without completing the first five years of submarine service (this is possible by transferring to the Navy's notice scheme which gives a statutory right to free discharge after 18 months' notice, subject to completion of at least three years' service before discharge). It has been argued, therefore, that a solution to the problem must lie in measures to improve incentives to retention in the Navy as a whole, which we discussed in paragraphs 25-30. An improvement in overall retention might well have a beneficial effect on the submarine service, but it is also necessary to examine whether the structure of submarine pay needs changing to provide specific encouragement for more submariners to volunteer for longer service. We do not consider that the present rank-related structure meets this objective and believe there is a strong case for linking the rewards within submarine pay to length of service. An enhanced rate, payable after 5 years in the submarine service, could have a dual effect: it might help to dissuade men from leaving the Navy altogether during the early years of submarine service and might also increase the number prepared to stay beyond the five year point. We intend to look at this possibility in more detail with the Ministry of Defence before reaching conclusions.

69. In the meantime, we have considered a proposal for a slight modification to the existing structure. The Ministry of Defence have proposed that Leading

Ratings (equivalent to Corporals) should now receive the same rate of submarine pay as Petty Officers. They argue that this would encourage Leading Ratings to volunteer for submarine service and might also encourage more junior ratings to achieve promotion within the service. Although a marginal improvement in the rate of submarine pay is unlikely to have a significant effect on either recruitment or retention, we endorse the proposal as a step in the right direction. We intend to return to the structure of submarine pay in our next review: for the present we consider that the existing structure should continue, subject to the minor change for Leading Ratings, and recommend that the rates in payment should be increased with effect from 1 April 1981 broadly to maintain their value with reference to the overall movement in military salaries.

The Mountain and Arctic Warfare Cadre

70. The Ministry of Defence have proposed a new form of additional pay for members of the Mountain and Arctic Warfare Cadre of the Royal Marines. The role of the Cadre is to train Royal Marine commandos in the techniques of mountain and arctic warfare: it is staffed entirely by Royal Marine volunteers, almost all at NCO rank, qualified as Mountain Leaders. Reliance on volunteers is considered necessary because of the nature of the work; the environment in which it is performed; the personal and physical qualities required; and the degree of separation involved. We understand there are increasing difficulties in attracting and retaining sufficient men of the required calibre to meet training commitments and that the cadre hopes to attract some 56 additional volunteers for training as Mountain Leaders this year.

71. The case for the new form of additional pay rests essentially on manning grounds. The proposal is for two rates of payment, linked to degree of qualification, which would subsume the parachute pay for which Mountain Leaders currently qualify. We note the present shortage of Mountain Leaders and recognise the demanding nature and operational importance of the role. Nonetheless, we cannot endorse the proposals at present. It would in our view be premature to introduce this new form of additional payment before the review of the Navy's 'all of one company' principle, and its application to the Royal Marines, has been completed (paragraph 41). One effect of this principle in the Royal Marines is that, whatever the nature of their employment, NCOs in the General Duties Branch are paid broadly Bank 5 or Band 6 rates of pay (depending on rank): none is paid in the highest band (Band 7) used where appropriate for equivalent ranks in the Army and RAF. As part of the review, we intend to examine how far the depression of pay rates that the 'all of one company' principle can produce is relevant to the problems confronting the Mountain and Arctic Warfare Cadre.

72. We doubt also whether the new form of additional pay would significantly affect the numbers of volunteers coming forward to train as Mountain Leaders. We understand that volunteers are drawn only from those Royal Marines who have qualified for promotion to Corporal, or who already hold that rank, and who do not already have a specialist qualification. At present, just over 200 men fall into this category and it must be open to doubt whether the additional number now required can be extracted from this limited field, taking into account the necessarily high wastage rate in training and the fact that some may already

have been unsuccessful in attempts to join the Cadre. We suggest that, as part of a more detailed re-examination of the case for additional pay for members of the Cadre, the Ministry of Defence should look at the possibility of meeting its manning objectives, at least in part, by extending the field of recruitment.

Flying pay

73. We have already recommended (paragraph 53) that the existing rates of flying pay (and its associated forms) should be increased with effect from 1 April 1981 broadly to maintain their value in relation to the overall movement in military salaries. Following a detailed examination of flying pay last year, however, we indicated in our Ninth Report that there were certain issues we proposed to pursue¹. They are discussed in the following paragraphs.

Differentials

74. Although the revised structure we recommended last year broadly maintained the relationship between rates of flying pay for officers and NCOs, we were not convinced that this distinction should continue. We have now received further evidence on this point from the Ministry of Defence, who consider that the general differences in flying pay between officers and NCOs should be retained but that, exceptionally, NCO pilots should receive the same rate of flying pay as officers. They argue that because of the nature of their training, responsibilities and skills, NCO pilots (together with officer aircrew) are more attractive to potential civilian employers than other categories of NCO aircrew, and that there is, therefore, a case for paying them relatively more flying pay as an aid to retention.

75. We have now obtained detailed information on manning levels, recruitment and wastage rates in the various aircrew ranks and categories and we agree that it does not support the case for any general change at the present time. However, this conclusion applies equally to NCO pilots, most of whom are in the Army Air Corps (AAC)² where they comprise about 40 per cent of the pilot strength. About one third of the NCO pilots in the AAC are seconded for a tour of flying duty from elsewhere within the Army. We appreciate from our discussions with senior management in the Services that the present distinctions between officer and NCO pilot rates of flying pay are a cause of concern: and when we visited the AAC last year many of the pilots we met—particularly officers—told us they thought the present distinctions to be unfair. Nonetheless, we do not accept that it would be right to introduce the parity of flying pay proposed. Recruitment of NCO pilots to the AAC is satisfactory: indeed, we understand that recruiting targets were exceeded in the last training year. The only manning problem is with the retention of seconded personnel in the Army on completion of a tour of duty with the AAC. It seems to us that this problem may be a direct result of the policy of secondment, in that seconded NCOs—who have acquired very marketable skills—may leave the Army altogether rather than return to their parent units at the end of a tour, because of the significant drop in income that would result from the loss of flying pay.

¹Review Body on Armed Forces Pay, Ninth Report, 1980, Cmnd. 7899, May 1980 (paragraphs 50–67).

²There are less than 40 NCO pilots in the RN, RM and the RAF, compared with some 160 in the Army.

76. The fact that the AAC relies to a significant extent on seconded personnel also has the consequence that the Army cannot require as long a return of service from its pilots as do the other two Services: provision has to be made for return to a parent arm or corps within a reasonable time scale to avoid an unacceptable disruption to career development. The Army has reviewed the situation since we referred to this problem in our last report¹, and the minimum term of service required on completion of flying training is being increased from three to four years. However, this change will not necessarily increase productive flying service—the prime concern—as it will ensure only that seconded personnel who do not transfer to the permanent cadre of the AAC, or extend their tour, serve at least one further year in their parent unit. The average productive return from flying training in the AAC is likely to remain below that in the other two Services.

77. We have examined with the Ministry of Defence whether it would be appropriate for the AAC to change to a policy of full permanent cadre manning. They remain of the view that the partial reliance on a policy of secondment is desirable, as the flow of pilots into and out of the AAC ensures that the Corps as a whole does not lose touch with battlefield needs. We are not in a position to gauge these management arguments but we note that, at present, the policy appears to be working unsatisfactorily, as few seconded NCO pilots return to their parent unit: most seek to transfer to the AAC permanent cadre; to extend their initial flying tour in the hope of eventual transfer; or leave the Army altogether (for the reasons we have outlined). None of this improves the case for increasing the rate of flying pay for NCO pilots: indeed, to do so would be likely to exacerbate the retention problem, as the drop in income at the end of a period of secondment to the AAC would be greater. We take the view that the Ministry of Defence should examine whether it might be appropriate to introduce some form of mark-time or tapering arrangement for flying pay, to operate over a limited period at the end of a tour of seconded duty in the AAC, so that an abrupt drop in income may be avoided. This might help to improve the flow between the AAC and other units in the Army and thereby to meet management's general objectives. Such arrangements would need to be confined to those who remained committed to a career in the armed forces.

Rates of flying pay for NCOs in the Royal Marines and Royal Navy

78. We expressed concern in our Ninth Report² about the complex arrangements governing rates of flying pay for NCO aircrew in the Royal Navy and Royal Marines. We explained that in many aircrew categories, the rates were higher than those applying in the Army or RAF because of the need, in certain instances, to balance the depression of military salary caused by the 'all of one company' principle. Our concern on this point remains and, until our review of the principle has been completed (paragraph 41), we recommend that the rates of flying pay for NCOs in the Royal Navy and Royal Marines should continue to be set at levels that broadly maintain parity of total earnings at each rank with equivalent NCO aircrew in the RAF and the AAC, respectively:

¹Review Body on Armed Forces Pay, Ninth Report, 1980, Cmnd. 7899, May 1980 (paragraph 59).

²*ibid* (paragraph 61).

the rates we recommend for implementation with effect from 1 April 1981 are in Appendix 5.

Specialist aircrew

79. As foreshadowed in our last report¹ we have now examined in detail the arrangements for the payment of specialist aircrew in the RAF. We have concluded that they are satisfactory, and recommend that they should be retained.

Minor forms of additional pay

80. We identified in our Fourth² and Ninth³ Reports various minor items of additional pay which we considered to be justified and for which we recommended appropriate rates of payment. The Ministry of Defence have proposed that we should review these items triennially, their value being maintained in the intervening years by reference to movements in the military salary. We endorse the proposal for a basic review once every three years, and intend to look at these minor items again in detail during the 1982-83 review. We do not agree, however, that there should be automatic interim increases, but intend to keep the level of payments under review between the triennial examinations. We set out in Appendix 5 the rates of payment that we consider to be appropriate, and that we recommend should apply with effect from 1 April 1981.

Separation allowance

81. Last year, we recommended an increase in the rates of separation allowance in order to maintain their value, and a change in the conditions attaching to payment of the allowance, to provide greater flexibility. We also said we would look again at whether duration of separation, rather than distance as under the present arrangements, might provide a better criterion for distinguishing between the higher and lower rates of the allowance.

82. The Ministry of Defence have argued for retention of the present arrangements, primarily on the grounds that there are tangible extra costs arising from separation over long distances. Although we consider that neither distance nor duration alone provides a wholly satisfactory criterion, we agree that the present arrangements should be retained for the time being so that the changes introduced in our last review can have a chance to settle down. We recommend that current rates of payment should be increased with effect from 1 April 1981 to the levels set out in Appendix 5.

¹Review Body on Armed Forces Pay, Ninth Report, 1980, Cmnd. 7899, May 1980 (paragraph 67).

²Review Body on Armed Forces Pay, Fourth Report, 1975, Cmnd. 6063, May 1975 (paragraph 70).

³Review Body on Armed Forces Pay, Ninth Report, 1980, Cmnd. 7899, May 1980 (paragraphs 68-82).

CHAPTER 4

CHARGES

83. Each year we make recommendations on the level of charges for food and accommodation provided to members of the armed forces. On this occasion, our recommendations involve significant increases which are, nonetheless, in our judgment a reasonable reflection of increases in costs borne by the population at large. The principles of the military salary require that members of the armed forces should be paid appropriately in relation to levels of pay outside and should be charged a realistic price for food and accommodation. The two aspects are inseparable: it would be wrong to set charges at an artificially low level when pay is kept up to date or, equally, to exact fully appropriate charges if pay were to be held below up-to-date levels. One other general point should be borne in mind. The information upon which we base our recommendations on charges relates, of necessity, to levels of costs up to one year earlier than the date from which the new charges are applied. In practice, this provides members of the armed forces with an advantage that should not be overlooked: they are asked to meet a fixed level of charges for the next 12 months that civilians have already had to bear.

Food charge

84. We said in our last report¹ that it was time to take a fresh look at the method of assessing the Service food charge, as the present system was based on the concept of the ration allowance that had become obsolete with the introduction of the military salary in 1970. The Ministry of Defence have now completed a detailed examination of the current arrangement and take the view that it has two particular drawbacks: firstly, it is based on an outmoded concept that is difficult to explain to servicemen and, secondly, the value of some of the items that it comprehends is difficult to update from readily available data.

85. The Ministry of Defence have examined various alternative approaches. They do not consider that the serviceman should meet the full retail cost of his food because, owing to the demands of Service life, above average nutritional standards are a management requirement (indeed, the concern to maintain those standards has remained the principal objection to introducing 'pay as you dine' arrangements in the armed forces). Instead, they have suggested that the most acceptable basis for the food charge would be to set it at a level comparable to the costs borne by civilians, as shown by the Department of Employment's annual Family Expenditure Survey (FES).

86. Several advantages are seen in this approach. It would be consistent with the principles of the military salary, and would be based on published information which could readily relate Service food costs to those borne by civilians; analyses in the FES of expenditure by income range within type of household make it possible to identify the expenditure of those in the survey who most closely correspond to the single serviceman; and the base data can be updated by reference to movements in the food elements of the Retail Price Index (RPI).

¹Review Body on Armed Forces Pay, Ninth Report, 1980, Cmnd. 7899, May 1980 (paragraph 90).

87. The proposals include two other main points. The Ministry of Defence have suggested that the element within the food charge that recognises the costs, other than labour costs, of preparing meals—the Meals Service Element—should be retained. This element covers, essentially, the cost of fuel, and the Ministry of Defence have confirmed (with the Gas and Electricity Councils) that it provides a reasonable reflection of the fuel costs that civilians bear in preparing food, and also that it can be updated readily by reference to the fuel elements in the RPI. They also propose that the food charge should continue to be reduced by 10 per cent to take account of average weekend absences by members of the armed forces (food charges are remitted for authorised leave exceeding 48 hours but not for weekend absences of a shorter period, because of the problem of collating and recording information on the incidence of such absences). The Ministry of Defence consider that it remains reasonable to assume that servicemen will, on average, be away from their unit for one weekend in three on this basis—approximately two days in twenty—and that a 10 per cent abatement in the food charge is the most convenient way to ensure that, in general, servicemen do not have to pay for meals that they are not there to eat.

88. We have adopted this new approach. It is easy to understand and to explain; is based on readily accessible information; and can be updated annually to keep pace with the increase in food prices and in fuel costs. It is fully in keeping with the principles of the military salary and, in our view, produces an equitable charge. On this basis we recommend a food charge with effect from 1 April 1981 of £1.67 a day (£11.69 a week). This represents an increase of nearly 26 per cent. If the existing method had been retained, the charge would have been £10.71 a week. We do not consider the difference sufficient to justify any 'staging' arrangements, bearing in mind that the charge we recommend reflects costs that civilians in similar circumstances have already had to meet.

89. The Ministry of Defence have also reviewed the regulations governing the payment of the food charge, in particular the waiver for married men who are living voluntarily on an unaccompanied basis in a mess or barracks. This concession is linked historically to the qualifying conditions for payment of the ration allowance, and we know from our visits to Service establishments that it causes considerable resentment amongst single personnel who believe that they are 'subsidising' the married unaccompanied man's meals. This is not so, nor will it be so under the new system we have now adopted where the charge is related to costs borne by civilians. Nevertheless, we recognise the strong feelings that the matter raises. The Ministry of Defence take the view that, under the new arrangements they have proposed, the free food concession for those who are voluntarily separated from their families should cease. They believe that the existence of the concession encourages unaccompanied service, contrary to the Services' general aim of keeping families together: they also consider that it ignores the savings in household expenditure in these circumstances. However, the Ministry of Defence accept that the increasing tendency to opt for voluntary married unaccompanied terms of service is also an inevitable consequence of the increase in the number of home owners in the armed forces and of the difficulty that married men face in uprooting wives and families if posted some distance away from home. They have suggested, therefore, that abolition of the current concession should not take effect until measures to assist home owners to move

with their families have been introduced as part of the intended assisted house purchase arrangements (paragraph 101): and that, because of the significant impact on individuals, the change should be phased in over a period of years following the introduction of these measures.

90. We see the argument that, once appropriate measures have been introduced to assist house owners in the armed forces to move with their families, it would be inappropriate to perpetuate the present free food concession for married unaccompanied men. However, there are certain aspects of the proposals we wish to consider further. There are significant differences in conditions of service generally between married and single personnel, and we do not think it would be right to endorse detailed change in just one aspect without examining the full range of differences more closely. We intend to undertake such an examination during the next review. We are in any case not entirely convinced that it would be appropriate to levy the full food charge on the married unaccompanied man. The food charge is related to civilian expenditure on food, but because it is applied to single servicemen the comparison drawn is with the expenditure of the single-person household in civilian life. It is possible to argue that, in circumstances where a married serviceman is charged for food, the charge should be related to at least a two-person household: the food costs as shown by the FES for such households are less per individual than for a single person. The notion of 'home savings' might accordingly suggest a lower level of food charge. Other points of detail that we want to examine include the interim arrangements that should be applied, and what need there might be for exceptions—for example, for those awaiting allocation of a quarter before being joined by their families, or for very short postings.

Accommodation charges

91. The military salary concept requires that Service accommodation charges should be broadly in line with the amounts paid by civilians in similar circumstances. This is achieved by relating the charges for married quarters to the average rents charged by local authorities for houses of similar size; the average rates payable for each type of quarter; and a charge for the cost of maintenance and decoration that exceeds local authority practice. There is also a hire charge for furniture and household equipment provided by the Services.

92. The two principal constituent elements of accommodation charges are those covering rents and rates. We undertook a detailed examination of both last year and provided new bases of assessment¹. We have determined these elements of the charges in the same way this year.

93. The effect of last year's change in the method of assessment of the rent element was to abate it to reflect only that part of local authority rents which related to the direct cost of occupancy—the running costs in terms of supervision and management and expenditure on repairs—rather than capital costs. This recognised the fact that those in Service quarters do not enjoy the same degree of security of long term tenure as do local authority tenants. In the light of the latest analyses of local authority housing expenditure, published by the

¹Review Body on Armed Forces Pay, Ninth Report, 1980, Cmnd. 7899, May 1980 (paragraphs 91–95).

Chartered Institute of Public Finance and Accountancy (CIPFA), we see no need for a change in the level of abatement of the rent element. The increases in the rent element of the charges that are incorporated in our recommendations this year therefore reflect, directly, significant increases in local authority rent levels. This underlines the point that we made last year, that the relatively low order of increase was likely to be a once and for all effect resulting from the change in the basis of assessment.

94. There is, however, a further point that has a potential effect on the level of abatement. As we have explained, the rent element of the Service accommodation charge is now related to that proportion of local authority rents that might reasonably be deemed to represent the contribution local authority tenants make to cover the day-to-day running costs of the housing stock. It is appropriate under the military salary concept to provide a link with local authority costs rather than with the costs actually incurred by the Property Services Agency (PSA) in running, managing and maintaining Service accommodation. The implicit assumption is that the basic standards of management and maintenance of Service accommodation are broadly comparable to those applying in local authorities, but there is some evidence from our visits to Service units of a decline in basic maintenance standards as a result of recent cutbacks in the PSA's budget. The Ministry of Defence have also expressed concern to us about a decline in standards of accommodation (including maintenance standards) because of financial pressures, but the information we have does not justify further reduction in the rent element of accommodation charges at present. Any recent reductions in maintenance expenditure will not have affected standards during the period that is relevant to this year's assessment of the rent element of the charges, given that the most recent firm information that we have relates to local authority rent levels in April 1980, before the cutbacks in PSA expenditure occurred. Moreover, before any reduction on these grounds could be considered, it would be necessary to demonstrate that there had been a relative decline in the standard of maintenance for Service accommodation compared with that applying in local authorities. As yet, we have no information on this but note that general financial pressures are also affecting local authority expenditure. We shall look at these points next year against the later information that will then be available.

95. There is a related issue. We have mentioned the separate additional maintenance element in accommodation charges that is intended to cover the cost of certain types of maintenance work undertaken by the PSA which go beyond the basic range normally undertaken in local authorities. It covers repairs to electrical and gas appliances, minor plumbing repairs and some of the costs of internal decoration (other than those arising from the frequent changes of occupancy) that, in local authority practice, would be the responsibility of the tenant. In our Ninth Report¹, we indicated that we had asked the Ministry of Defence to undertake, in conjunction with the PSA, a fundamental review of the underlying assumptions made and the attribution of costs that flowed from them. This review has now been completed and, although there are still some technical matters that we need to examine further, we agree with the general conclusion that the PSA continues to provide a maintenance service that exceeds

¹Review Body on Armed Forces Pay, Ninth Report, 1980, Cmnd. 7899, May 1980 (paragraph 96).

normal local authority provision. We consider that the present attribution of costs—a fixed percentage (around 14 per cent) of total maintenance costs incurred by the PSA on the various types of quarter—remains the most appropriate way of determining the level of this element of the accommodation charge. However, the potential impact of expenditure cutbacks on the PSA's ability to undertake such maintenance will need to be kept in mind. As with basic maintenance, the charge appropriate under this heading for 1 April 1981 is based on PSA maintenance costs in a period before there was a general cut-back in expenditure.

96. There are two other items arising from our Ninth Report that need to be mentioned. We urged Service management last year¹ to consider whether members of the armed forces should be given a greater choice of furnished, partially-furnished or unfurnished quarters. At present, there is little choice, as virtually all quarters are offered on a furnished basis: we thought this unnecessarily restrictive. We have been told by the Ministry of Defence that consideration is being given to the scope for a more liberal policy. Several studies of the issues involved have been commissioned (including an attitude survey of members of the armed forces). We understand that such a change might have financial implications that would be unacceptable in current circumstances but we hope, nonetheless, that the Ministry of Defence will be able to make some progress, as we are sure that the change we have advocated would have much to commend it.

97. The second item concerns the classification of Service accommodation. We endorsed in principle in our last report² proposals for the reclassification of married and single accommodation. They were aimed at putting the designation of sub-standard accommodation in each Service onto a consistent basis taking environment and amenity considerations into account, and with more flexibility than hitherto. We said that the Ministry of Defence and the Civil Service Department should consider the range of features that were relevant and that we would then consider the level of charges for the standards of quarter identified. We have now been told that, because of the potential budgetary impact, the Ministry of Defence do not feel able to proceed with this proposal for the time being. We have therefore this year assessed the charges for sub-standard accommodation on the established basis. We understand, however, that until such time as a more flexible system can be introduced, the Ministry of Defence intend to apply the existing criteria for determining what is sub-standard accommodation in a more consistent fashion, to remove certain anomalies which have developed between the Services in interpreting the existing rules. We regard this as a step in the right direction but it does not remove the need for a more flexible approach less dependent on size or space criteria.

98. We recommend that the charges in Tables 5 and 6 should be introduced for married and single accommodation, respectively, from 1 April 1981. We also provide in Table 7 a breakdown of the total annual charges for standard married quarters into their four constituent elements.

¹Review Body on Armed Forces Pay, Ninth Report, 1980, Cmnd. 7899, May 1980 (paragraph 97).

²*ibid* (paragraph 98).

Table 5
Married Quarters

Type of quarter	Annual charge			
	Standard quarters		Sub-standard quarters	
	Existing	Recommended	Existing	Recommended
	£	£	£	£
Other ranks				
A	332.15	386.90	222.65	259.15
B	448.95	554.80	299.30	368.65
C	518.30	642.40	346.75	427.05
D/WO	594.95	740.95	397.85	492.75
Officers				
V	722.70	897.90	481.80	598.60
IV	828.55	1,029.30	551.15	686.20
III	938.05	1,171.65	627.80	781.10
II	1,073.10	1,332.25	—	—
I	1,197.20	1,485.55	—	—

Table 6
Single Quarters

Rank	Annual charge					
	Standard quarters		Officers occupying single rooms		Sub-standard quarters	
	Existing	Recommended	Existing	Recommended	Existing	Recommended
	£	£	£	£	£	£
Young serviceman receiving less than the minimum adult (ie Private IV) rate	116.80	146.00	—	—	76.65	98.55
Corporal and below	153.30	193.45	—	—	102.20	127.75
Warrant Officer and Senior NCO	292.00	365.00	—	—	193.45	244.55
Captain and below	412.45	518.30	Not applicable		273.75	343.10
Major	489.10	616.85	423.40	529.25	324.85	412.45
Lieutenant Colonel and above	547.50	689.85	448.95	554.80	365.00	459.90

99. We further recommend that the garage charge should be increased to £76.65 a year from 1 April 1981.

Table 7
Married Quarters
Breakdown of total annual charge (standard quarters)

Type of quarter	Basic (unfurnished) rent	Rates	Furniture hire	Additional maintenance	Recommended charge ^(a)
	£	£	£	£	£
Other ranks					
A	182.74	102.42	55.83	47.20	386.90
B	252.97	178.42	73.61	49.67	554.80
C	283.16	221.42	84.38	52.28	642.40
D/WO	333.01	258.42	95.11	54.75	740.95
Officers					
V	353.17	330.42	119.25	95.41	897.90
IV	420.07	369.42	135.49	103.57	1,029.30
III	477.95	429.42	151.30	111.73	1,171.65

^(a)The recommended charge is not the exact sum of the elements because it has been adjusted in order to provide a daily rate in whole pence.

Assisted house purchase

100. Our concern is to set appropriate levels of charges for accommodation provided by the Services; but we know from our visits to Service units, and from discussions with management, of the problems which arise from the increasing tendency of servicemen to become home owners as soon as they are able. We first drew attention to this problem in 1972.¹ The natural desire of the serviceman to gain a foothold in the property market is difficult to reconcile with the demands of Service life, with its frequent changes of location and understandable management preference for servicemen to live near their place of duty. The result has been an increase in family separation and larger numbers of vacant married quarters. This is unsatisfactory for both the individual and the Services: it reduces efficiency, and produces welfare and morale problems.

101. Against this background, we were pleased to note the announcement last year by the then Secretary of State for Defence² that the Government intends to introduce, as soon as the financial situation permits, an improved assisted house purchase scheme for the Army and RAF, modelled on the arrangements already applying in the Royal Navy. This would provide a six months advance of pay, within certain limits, at age 30 or over, to all personnel (married or single) who remain committed to the armed forces. We understand the arrangements would also include provisions to make it easier for home owners in the armed forces to move house with their families when they are posted. We believe that these proposals would go some way towards easing the difficulties to which we have referred, by making it easier for the younger serviceman or servicewoman to accept, in the interests of the Service, a delay in entering the property market. They would also improve the prospects of keeping families together in the turbulent environment of Service life. We hope that the measures proposed will be implemented as soon as possible.

¹Report of the Review Body on Armed Forces Pay, 1972, Cmnd. 4954, April 1972 (paragraph 79).

²Hansard, Volume 990, No 230, 8 August 1980, Columns 479-480.

CHAPTER 5

COSTS AND CONCLUSIONS

102. We estimate that the costs¹ of our recommendations in the year beginning 1 April 1981 are as follows:

<i>Military salary (all Services)</i>	<i>£ million</i>
Officers	47·6
Officers promoted from the ranks	6·2
Servicemen and servicewomen	160·1
Young entrants and apprentices	4·1
Reserve forces	5·4
	223·3
 <i>Additional pay and allowances in the nature of pay (all Services)</i>	 <i>4·9</i>
	228·2
Total cost of increases in pay	<i>£ million</i>
<i>Charges (all Services)</i>	
Increased yields: Food	12·0
Accommodation	19·2
	31·2
 <i>Net cost of recommendations</i>	 <i>197·0</i>

103. The total cost of the increases in pay arising from our recommendations represents an increase of 10·3 per cent over the estimated pay bill for 1981-82 at current rates. The net cost of our recommendations, taking account of increases in food and accommodation charges, represents an increase of 9·4 per cent. We are conscious that our recommendations will produce, for some ranks, a relatively small net increase. This is partly a consequence of the fact that changes in the levels of both remuneration and charges take effect from a common date (1 April) and charges are deducted before pay is received. It is also partly because our recommendations reflect a significant increase this year in the adjustment we have made, when comparing remuneration, for the relative benefits associated with armed forces pensions provisions (essentially early pensionability and inflation-proofing). Nonetheless, we consider that our recommendations are consistent with the overriding principle of the military salary that both the income received and the costs borne by the serviceman should be broadly on a par with those that apply at equivalent levels in civilian life.

104. We shall need to return to the question of pensions and have also identified several other major issues that we intend to look at further—the provision of retention incentives; the effects of the Royal Navy's 'all of one company' principle; the treatment of women under the X factor; the differences in the conditions of service of married and single personnel; and, as part of a continuing review, certain items of additional pay.

¹Based on the manpower strengths of the armed forces in 1981-82 as forecast by the Ministry of Defence for budgetary purposes. To the extent that strengths differ in practice the costs of implementing the recommendations will also differ. Totals may not equal the sum of the components as figures have been rounded.

105. We make our recommendations this year in a difficult period for the economy as a whole, and against the background of restricted provision for paybill increases within the cash limit system that applies to public expenditure. However, we continue to regard it as our prime function to exercise independent judgment, and we are satisfied that the levels of military salary and charges that we have recommended in this report are appropriate for implementation now, in the light of all the evidence we have received and of the approach to our task that we have developed over the years.

HAROLD ATCHERLEY (*Chairman*)

EWEN M'EWEN

LEIF MILLS

ROSEMARY MURRAY

JOHN READ

J R SARGENT

RUTHVEN WADE

OFFICE OF MANPOWER ECONOMICS

15 April 1981