

March 2019

Civil Service Pay

Background

Since 2010, as part of the government's public sector pay policy, civil service pay rates have been subject to a two-year freeze followed by a cap on annual increases of 1%.

Against increases in the cost of living (as measured by the Retail Price Index), this has equated to falls in the real value of civil service salaries of 15% or more.

At the 2017 Autumn Budget, the Government confirmed the "end of the 1% pay policy".

Each government department, agency or non-departmental public body (NDPB) is responsible for its own pay awards, however for the vast majority of civil servants these have to be within the envelope set by the Civil Service Pay Remit Guidance.

The Remit Guidance published in June 2018 was the first since the end of the 1% pay cap. It limited departments and agencies to offering pay rises within the range of 1-1.5% for around 340,000 civil servants and around 50,000 employees of NDPBs. These were the lowest pay rises across the public sector.

Judicial Review

The 2018 Remit Guidance was released without any formal negotiations with trade unions. In response, civil service trade unions Prospect, PCS and the FDA jointly called for it to be withdrawn pending those negotiations. The government apologised for lack of consultation but refused to withdraw the guidance.

The government's refusal to withdraw the guidance led to the unions launching a joint judicial review of the guidance in July 2018 and the grounds of inadequate consultation. The government argued that they had never intended to consult unions about the pay guidance and the court found in favour of the government.

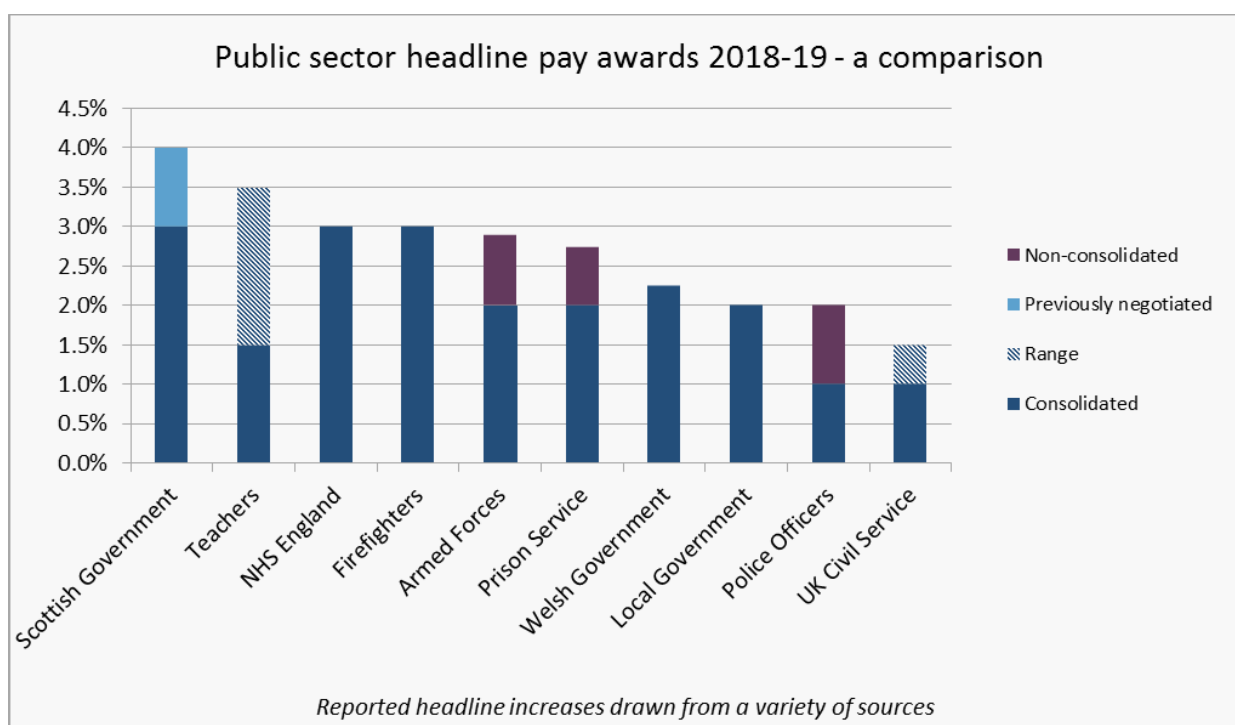
Despite the defeat, the judicial review brought to light a number of interesting pieces of information.

- Ministers were initially willing to offer a range of 1-2% but were persuaded by departmental leaders to reduce the range to 1-1.5%

- Ministers had already signed off the pay figure before meeting with unions, but implied in those meetings that the figure was not yet decided
- The Cabinet Office accept that the 1-1.5% range is “well below all other public sector workforces” (their emphasis in advice to the minister) and that the “civil service is behind the (wider public and private sector) market at most grades”.

The ‘poor relation’ of the public sector

The 1%-1.5% range set for civil service pay awards is, by a significant margin, the lowest in the public sector. All other major groups have been offered awards of at least 2%, with many awarded 3% or more.

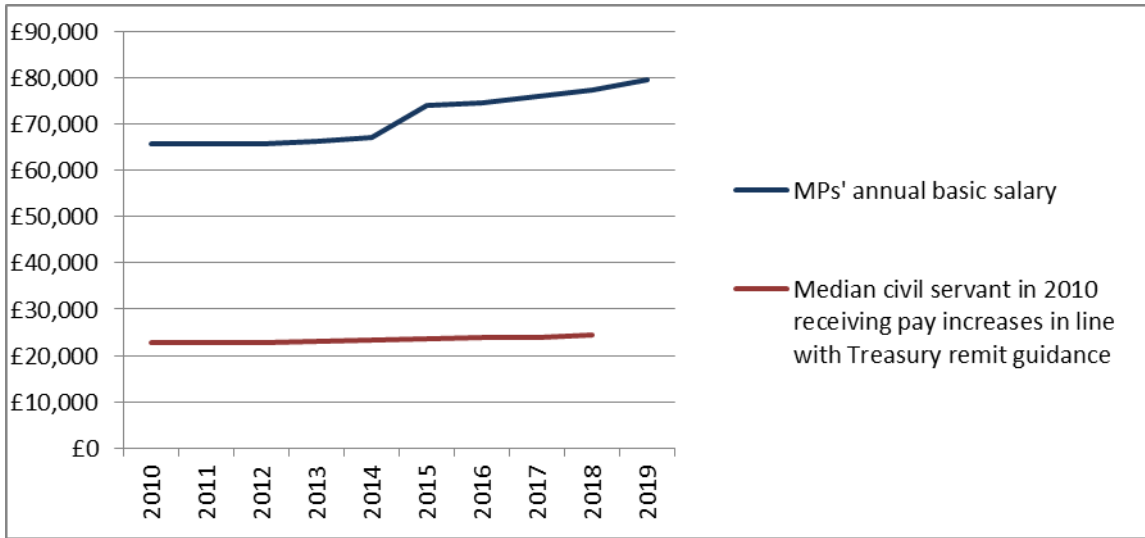


The cost of an additional 1% pay increase for civil servants can be estimated at between £150m and £200m. The cost of last year’s offer for NHS staff was £4.2 billion over three years.

Comparison with Members of Parliament

It was recently announced that Members of Parliament would receive a 2.7% consolidated pay rise in 2019, in line with the ONS-reported increase in average earnings across the public sector. Once implemented, it will mean that since 2010 MPs’ annual basic salary has increased by £13,730, or 21%.

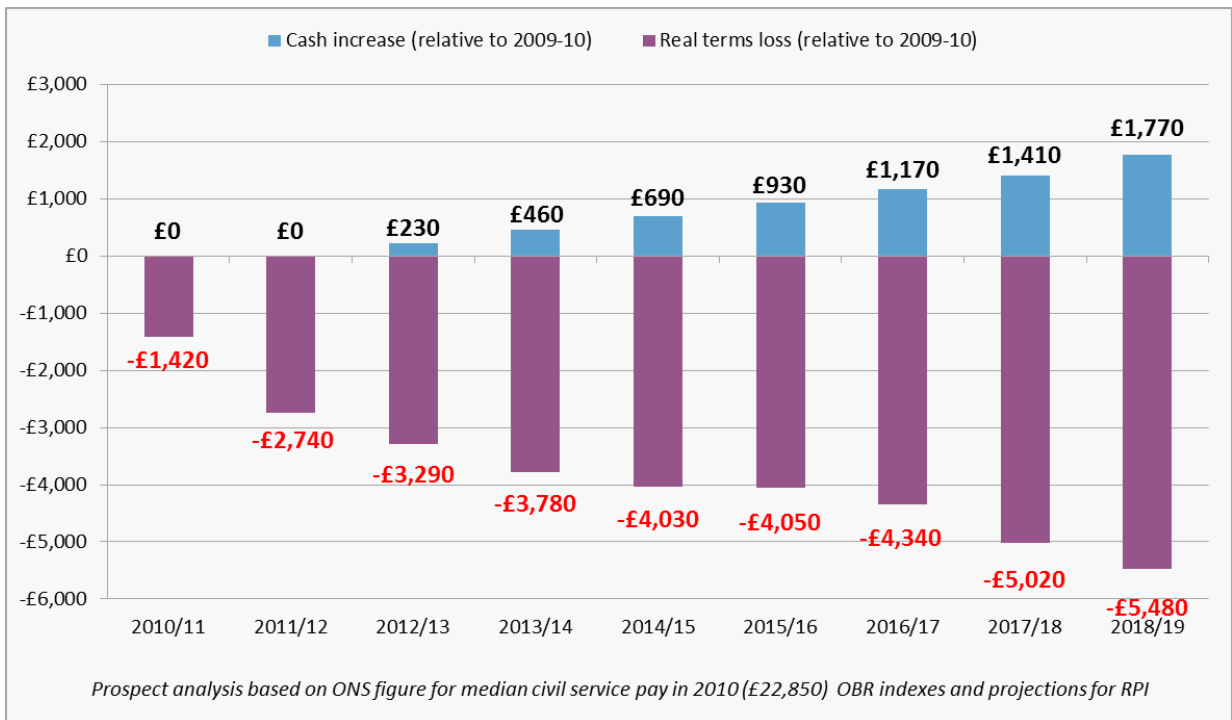
Since 2010, civil service salaries have increased by just 6.7%. For the median civil servant earning £22,850 in 2010, that amounts to an increase of £1,526. Another 1.5% increase in 2019 would bring this to £1,891, or 8.3%.



Financial burden for civil servants

Against increases in the cost of living (as measured by RPI), the government’s pay policy equates to a real terms reduction in the value of a civil service salary of more than 15 per cent.

In March 2010 median pay in the civil service was £22,850.¹ Under the Government’s pay policy this salary would have risen by around £1,410 between 2010-11 and 2017-18, and a further £360 if the full 1.5% award in 2018-19. But against RPI inflation its value would fall by £5,480 between 2010-11 and 2018-19 – a loss of £34,160 across the nine-year period.



¹ ONS Civil Service statistics.

For skilled and specialist staff on higher grades the average real terms losses would be correspondingly greater. For Senior or Higher Executive Officers (team leaders and managers, or specialist professionals such as Data Scientists, Policy Advisors or Chartered Surveyors), whose median earnings were £32,300 in 2010, the average real loss would be £7,750 by 2018-19, or £38,280 over the nine-year period.

Research into the state of the civil service conducted for the cross-party Public Administration and Constitutional Affairs Committee reported in 2017 that:

“[while] many Civil Servants report their sense of public service is at its highest, their morale is not. Additionally, remuneration is increasingly seen as a concern with many Civil Servants lower in the hierarchy struggling to realise a satisfactory life style.”²

Recruitment and retention

The fall in the real value of civil service salaries has had a significant impact on their competitiveness and contributed to staffing and skills gaps.

In 2015 the Hay Group (now Korn Ferry) reported that

“Civil service salaries lag behind the private sector at all levels... At higher executive officer (HEO) level, the typical offer from a government department or agency falls about 10% behind the median total remuneration level in the wider market. By senior manager and expert professional level, Grades 7 and 6, the civil service package is worth only about two thirds of that available elsewhere.”³

Recent work commissioned by government shows that these gaps continue to widen.

The latest official staff survey run by the Civil Service itself confirms that around three quarters of staff do not believe their pay is reasonable compared to people doing similar jobs in other organisations, and a quarter say they want to leave the civil service either immediately or in the next year.⁴

There is mounting evidence of negative impacts on organisational resilience and service delivery. For example:

- the **Science and Technology Facilities Council** (which employs around 2,000 scientists, technicians and other staff at some of the UK’s most important research centres) reported last year that “We continue to have difficulty recruiting and retaining staff in Scientific, Engineering and Technology (SET) roles”⁵
- The National Audit Office reported in December 2017 that the **Department for the Environment, Food and Rural Affairs** is “under significant strain and recruitment will become increasingly challenging... Recruitment is expected to become more

² <https://publications.parliament.uk/pa/cm201617/cmselect/cmpubadm/253/25308.htm>

³ <https://www.civilserviceworld.com/articles/opinion/why-competitive-civil-service-needs-make-pay-priority>

⁴ <https://www.gov.uk/government/publications/civil-service-people-survey-2018-results>

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https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/725154/stfc-annual-report-accounts-2017-18-web.pdf

challenging as competition for skilled staff increases across government and the private sector.”⁶

- The **Foreign Office** reported in July 2018 that “the situation is becoming unsustainable” with “over 70% of those leaving cite poor pay as the main reason for doing so”.⁷ **FCO Services**, which plays a critical role in supporting the UK’s diplomatic, economic and security interests abroad, has also reported that recruitment and retention is a “significant challenge” as “continuing civil service pay constraint erodes our market position relative to many other employers”.⁸
- The Defence Safety Authority has warned that “wage restraints” at the **Ministry of Defence** are contributing to a “perfect storm” for areas of operation “already struggling with SQEP (“Suitably Qualified and Experienced Personnel”) provision”.⁹ The MoD has also admitted that the Defence Infrastructure Organisation has “skills shortages in its specialist areas” with “contributory factors” including “public sector pay restraint” and “pay in the wider market.”¹⁰

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⁶ <https://www.nao.org.uk/wp-content/uploads/2017/12/Implementing-the-UKs-exit-from-the-European-Union-the-Department-for-Environment-Food-Rural-Affairs.pdf>

⁷ <http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/foreign-affairs-committee/global-britain-fco-skills/written/86253.pdf>

⁸ <https://www.gov.uk/government/publications/fco-services-annual-report-and-accounts-2016-to-2017--2>

⁹

[https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/654737/DSA_AAR_16-17 - RT.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/654737/DSA_AAR_16-17_-_RT.pdf)

¹⁰ <https://www.parliament.uk/documents/commons-committees/public-accounts/Correspondence/2017-19/Correspondence-MOD-Follow-up-Delivering-Defence-Estate-301117.pdf>

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