

CHAPTER 2

PAY AND PENSION

WE shall go on now to discuss for a while the general conditions under which civil servants are employed, the principles upon which they are remunerated and the sources from which they are recruited. In circles where prejudice, ignorance, or more commonly a disguised vested interest are the ruling motives, the civil servant is criticised because of his preference for security of tenure rather than the precarious hazards and occasional glittering prizes associated with employment in the industrial and business world. To the extent that this is true, it provides an illuminating commentary on the system which produces, side by side, two such different sets of conditions of employment and rewards for two sections of the workers, between whom no artificial distinctions should need to be made. Ramsay Muir in his book *How Britain is Governed* said, in reply to this type of critic, "they would like to substitute a method of pay and promotion which would stimulate ambition and create a *healthy* [my italics] insecurity of tenure—they would substitute the principle of 'get on or get out' which they hold to be essential if energy, enterprise and initiative are to be encouraged . . . but the business of Government officials is to administer the Law and they must therefore be above temptation of being influenced either by fear or the prospect of personal advantage. Whereas the fear of loss and the prospect of gain are the governing motives of business life." Precisely, and it is only necessary to add a footnote to the effect that in one country where the "state stooge" is the rule rather than the exception, the achievement of security against unemployment and poverty has at the same time been accompanied by an energy, enterprise and initiative which has startled the world. We shall see, however (pp. 126-8) that this could only happen because of a complete transformation of the function of the state and the role of the state

THE CIVIL SERVICE AND THE PEOPLE

employee. As to the much vaunted security of the civil servant, even that would need to be qualified in the case of the hundreds of thousands of "temporaries", the post-war position of whom is already giving grave concern to the Civil Service unions who have charge of their interests. So far as the established civil servant is concerned, we should do well to remember that it was only ten short years ago that it could have been said with entire accuracy that of 300,000 state employees, 35,000 were receiving less than £2 per week; 183,000 less than £4 per week, and 219,000 (over 70 per cent) less than £5 per week. The comparative poverty represented by these figures was supposed to be mitigated by the fact that it was at least "permanent" and therefore presumably more bearable. Actually, in 1933, a campaign for a general all-round improvement in Service remuneration included a claim for a minimum wage of £3 10s. 0d. a week. This claim, modest though its dimensions, was coldly received by a Royal Commission which argued that "its acceptance would result in payment of remuneration considerably in excess of that received by persons in comparable outside employment"—an argument which seemed to suggest that the healthy initiative and enterprise which, according to the critics of the Service, was supposed to rule outside, didn't seem to be getting its practitioners very far.

Another commentary on the wages system, as applied by monopoly capitalism, was furnished by the Tomlin Commission on the Civil Service, which, in seeking to lay down general principles for Service remuneration, rejected the theory of the state as a model employer, "as one which afforded no practical guidance in fixing wages or the responsibility of the state towards its employees" yet went on to contend with unintentional naïveté that "in public employment the test of profit or loss cannot normally be employed".

It is clear from this that the state as an employer has never sought to contract out of the capitalist system, and that in fixing its wage and salary scales it has been guided by the same law of supply and demand, by reference to which wages in industry have invariably been determined. This strict determination

PAY AND PENSION

not to get out of step with the private employer of labour was underlined time and again during the sittings of the Tomlin Commission, which from 1929 to 1931 sat in judgment on the Civil Service.

The Service unions, in their evidence, had insisted that in matters of wages and conditions the state should be like Caesar's wife and had urged that "the theory of the state as model employer was incompatible with the practice of relating Service rates to outside industry, particularly since the employment of civil servants was on a highly selective basis". The Treasury spokesmen, however, thought otherwise. Service rates, they contended, "should *not* be out of scale with those outside, but should be such as to ensure an efficient and healthy public service. If they were to exceed outside rates it would have the effect of elevating the Civil Service to a privileged class and so do an injustice to the community which would have to foot the bill." Six years before this, in 1923, a committee, presided over by Sir John Anderson, now the political head of the Civil Service, enunciated the principle that "the state should pay what is necessary to recruit and retain an efficient staff" and the line-up with the industrial employer was given additional emphasis by an official pronouncement during the hearing of an arbitration case in 1927, to the effect that "the broad principle should be the maintenance of fair *relativity* [my italics] between the wages of the civil servant and those obtaining in outside industry". To this general principle the Tomlin Commission itself gave assent, when, stripped of verbiage, it produced the formula which governs to this day the determination of wage and salary scales for the Civil Service. Reduced to a sentence, it recommended to the government that "Civil Service rates of pay should reflect the long-term trend in wage levels and the economic condition of the country".

Now today no one with the most rudimentary acquaintance with economics supposes that the economic condition of the country can be determined in existing circumstances except by those who control its productive processes. All that this formula amounts to therefore is an assertion that whatever

THE CIVIL SERVICE AND THE PEOPLE

fluctuations in outside wage standards are brought about by the alternate boom and slump of uncontrolled capitalism will, in the long run, be faithfully reflected in the standards adopted by the state itself in its treatment of its own employees. Moreover, although as we shall see later the civil servant is required "to accept a code of conduct and conditions of employment which together constitute a vocational way of life as distinct and definite as that laid down for soldiers, clergymen and doctors",¹ we already see quite clearly that so far as the *conditions* are concerned they are more or less fixed in the common labour market. But, says the critic, what about all the other advantages attaching to employment by the state? What, for instance, of the superannuation rights which place the civil servant in a privileged position above his fellows and to secure which he appears to make no tangible contribution? The short answer to that is that the rights do not exist, and that in a concealed form the contributions do. That may sound a little obscure but the fact is that there is nothing whatever in the Superannuation Acts which gives to the civil servant the slightest claim upon the state in the matter of pension. The act of 1834 made it clear that retiring allowances were entirely *ex gratia* and carried no statutory right to continuance. The allowance can be given or withheld at the discretion of the Treasury, and its amount can be varied in the light of changed circumstances. In actual practice this seldom occurs; but the power is there and undoubtedly would be exercised, particularly in cases of dismissal on political or other grounds before the retiring age had been reached.

The position with regard to the civil servant's contribution towards his own pension has never been clearly defined. Different conclusions have been reached at different points in time. After the passing of the 1834 act there seemed to be a general understanding that deductions were made and paid into a separate fund, but the archives produce very little evidence of this. An attempt by the staff to get superannuation defined as deferred pay was defeated in 1898, and so was a further attempt to put it on a straightforward contributory basis. The Treasury argued that "superannuation, as then

¹ Wm. A. Robson, *The British Civil Service*.

PAY AND PENSION

conceived, was an inducement to remain in the service of the state and as such it was a powerful aid to discipline".

The issue was again tested in 1906, when a case was taken to the courts under the Workmen's Compensation Act of 1906. An established civil servant had suffered permanent disablement during the course of his official duties and it was argued on his behalf that the superannuation allowance payable to him should not be taken into account in determining the amount of the compensation to be awarded. The argument was based on the contention that superannuation rights had been one of the factors in determining the salary of the grade to which he had been appointed, and that in effect, therefore, he had contributed for the full term of his employment towards the allowance he was now receiving from the state. Lord Buckmaster ruled however that the allowance was non-contributory, and that there was no evidence that salary had been fixed by reference to superannuation. The appeal was therefore rejected and there the matter rested until it became necessary to review the position in the light of the Civil Service implications of the Beveridge Report. To the general principles of Beveridge the Service has given complete assent. Through the staff side of the National Whitley Council, it has proclaimed its desire to enjoy its benefits and to pay for them in common with the rest of the community. There can be little doubt, however, that over and above these benefits the Service will insist not only upon the retention of existing superannuation rights, but the acceptance of full contractual obligation by the state and the payment of direct contribution. Within the sphere of local government, the public utilities, the banks, insurance companies and monopolies, contributory pension schemes are an established institution. Their aim and purpose in the context of private enterprise is in no sense influenced by considerations of social responsibility. As the Treasury argued in the case of the Civil Service they are rather "a powerful aid to discipline" but in another social context that will not be so, and meanwhile the civil servant's right to pension should be recognized, and then extended to cover every class of worker.

In one respect the Service spokesmen have joined issue with

THE CIVIL SERVICE AND THE PEOPLE

Beveridge. The normal age of retirement for civil servants is 60. Beveridge, with an eye to population trends and a post-war community in which the higher age groups become increasingly disproportionate to the rest, puts this up to 65. At the same time, however, he has expressed the view that it would be a good thing if civil servants could leave the Service for other fields of endeavour at 50 or even earlier without sacrificing the whole of their pension. This and other aspects of the retirement problem are the subject of contentious debate in Service circles today. There is a fairly acute awareness of the difficulty of deciding an issue of this kind without some foreknowledge of the social and economic background of the immediate post-war world. There will be circumstances in which the Civil Service would leave itself free to fight for the principles of the earliest possible voluntary retirement with proportionate pension. In others, it might just as readily consent to go on working for just so long as it was necessary to reconstruct the social and economic life of the country on lines which would furnish ultimate compensations for earlier sacrifice. In just the same way, employees of the state will be prepared to contract in to the unemployment provisions of Beveridge, in the full knowledge that the majority of them would not in normal circumstances require to make claims under the section. The Civil Service, in short, is no longer anxious to preserve its existence as a privileged class. Its fate, as it well knows, is bound up with that of the general body of workers and it will ask no special conditions which it would not desire to concede to the rest.

In one respect civil servants can claim a very special interest in Beveridge. When the time comes to implement not only Beveridge but all the other reports still under Parliamentary consideration, it will become a job for the trained administrator and his assistants. Later in this book we shall reveal the extent to which they are already preparing themselves for that task.¹

¹ The foregoing was written before the publication of the government's White Paper on social insurance. It can be taken that the service view on Beveridge will be equally relevant to the government scheme, or that part which applies specifically to the payment of pensions.