

From the Office of the Minister



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Mr Mitchel McLaughlin MLA
Chairperson
Committee for Finance and Personnel
Room 419
Parliament Buildings
Stormont

Our ref: COR 1018/09

20 January 2009

Dear Mitchel

SENIOR CIVIL SERVICE BONUSES

Thank you for your letter of 10 December in which you recorded the concerns of the Committee for Finance and Personnel in respect of Senior Civil Service (SCS) pay arrangements, in particular the bonus arrangements, and recommended that I should commission an external, independent review of the SCS pay system.

I am grateful to the Committee for its examination of what is undoubtedly a complex area. Obviously there are strengths and weaknesses in any pay and reward strategy, and the arrangements for the SCS do not differ from any other in that regard. I am quite sure that there are areas where improvements could be made.

Before dealing with your recommendation specifically, I believe it is worth commenting on a number of the important issues raised in your letter. A strength of the existing arrangements for determining SCS pay is that it has a strong element of independence. The Senior Salaries Review Body has been established for many years and operates independently from Government, conducting its own analysis and making recommendations on the pay of a number of groups within the public sector, including the SCS. Whilst circumstances in Northern Ireland will inevitably differ from other parts of the United Kingdom in some respects, there is no question that the essential role of staff in the SCS in supporting Ministers in policy and delivery is broadly similar across the United Kingdom. This is reflected in a common grading structure, a common competency framework, a largely common performance management system and a common learning and development framework, all of which have been developed and refined over some time with considerable investment of time and effort. I believe we would therefore need to think very carefully about stepping outside the framework provided by the Senior Salaries Review Body, which offers an important frame of reference for determining the nature and quantum of SCS pay awards based on independent and expert assessment. The devolved administrations in Scotland and Wales also apply the SSRB recommendations in determining pay and bonus arrangements for their senior staff. There is therefore no readily available alternative source of such expertise on senior public sector pay, and creating bespoke arrangements for Northern Ireland would bring with it additional costs.

Turning to your comments about the appropriateness of applying UK wide arrangements to Northern Ireland, it is worth noting that this is the case for a much larger group of public sector employees in Northern Ireland than the approximately 200 staff in the SCS. Pay arrangements for large numbers of public sector staff, including those at senior levels, in the health, education and local government sectors are linked with national pay arrangements, and if it were to be comprehensive and meaningful any review examining the application in Northern Ireland of UK-wide arrangements should arguably go beyond the relatively small numbers in the SCS. This of course would be a very significant exercise with potential industrial relations implications.

On a point of detail, the comparisons which you have quoted with private sector pay include the pay of senior staff across the wider public sector in Northern Ireland and not the SCS specifically. The Department of Finance and Personnel's own analysis would suggest that at senior levels, SCS pay is falling behind a number of other public sector areas in Northern Ireland. Care also needs to be taken in such comparisons as the composition of the relevant Standard Occupational Classification cohort in the private sector in Northern Ireland is likely to be significantly different from that in Great Britain.

Turning to your specific recommendation for an independent review, I acknowledge the importance of continually revisiting pay arrangements to ensure that they remain effective and appropriate. You will therefore be interested to note that a fundamental review of the direction of SCS pay and reward has been carried out by a team in Whitehall led by Sir David Normington, Permanent Secretary at the Home Office over recent months. The aim of the review is to make recommendations for consideration by the Cabinet Office and to inform the deliberations of the Senior Salaries Review Body. I understand that the review has been concluded within the past few days and my officials will be obtaining a copy of the report. Given the common frameworks which apply to SCS staff across the United Kingdom in terms of grading structure, competencies and performance management, I believe it makes sense to analyse the outcome of that review and to consider its findings and applicability to Northern Ireland rather than incurring the expense of commissioning a local review simultaneously to cover what might essentially be similar ground.

Therefore it would be sensible to analyse the outcome of the Normington review, along with the Cabinet Office's response to it, and to consider then whether any changes should be made to SCS pay arrangements in Northern Ireland and, if so, how they should be progressed.



Nigel Daulton

Source:DFP: 2008-09 Northern Ireland Public Sector Pay and Workforce Technical Annex
WEEKLY EARNING COMPARISONS (2007) BY GRADE

Summary: The more junior grades (around three quarters of the total) do not enjoy a significant pay premium compared to their private sector equivalents unlike the rest of the public sector.

Table 4: Administrative Occupations (SOC 41) Equivalent to EO's, AO's and AA's

	NI	NE	Scotland	Wales	GB	UK
Private	327.9	338.2	358.5	310	377.5	376.3
Public	331.6	348.4	376.9	350.8	384.2	381.7
Differential	1.1%	3.02%	5.18%	13.2%	1.8%	1.4%

This Occupation group also includes accounts and wages clerks as well as general office assistants.

Table 5: Business and Public Service Associate Professionals (SOC 35) Equivalent to SO's and DP's

	NI	NE	Scotland	Wales	GB	UK
Private	524.2	511.0	571.7	452.9	615.8	614.2
Public	541.6	539.4	554.6	534.0	558.8	558.1
Differential	3.3%	5.6%	-3.0%	17.9%	-9.3%	-9.1%

This Occupation group also includes insurance underwriters and financial & accounting technicians.

Table 6: Business and Public Service Professionals (SOC 24) Equivalent to Grades 6 and 7

	NI	NE	Scotland	Wales	GB	UK
Private	580.9	629.7	714.1	740.8	836.4	831.3
Public	634.1	611.2	604.4	597.9	648.8	647.7
Differential	9.2%	-2.9%	-15.4%	-19.3%	-22.4%	-22.1%

The group also includes management consultants, architects and legal professionals

Table 7: Corporate Managers (SOC11) Equivalent to Senior Civil Service

	NI	NE	Scotland	Wales	GB	UK
Private	654.8	715.1	825.9	622.6	882.7	878.4
Public	800.3	791.8	774.7	715.9	815.4	815.0
differential	22.2%	10.7%	-6.2%	15.0%	-7.6%	-7.2%

This Occupation group also includes Chief Executives of major organisations.