

CONFIDENTIAL

MR. WHITMORE


Pay and Performance TPM

I have seen the Lord President's proposals for a scheme for performance-related pay for the Under-Secretary grade.

2. Opinion among Permanent Secretaries - and other civil servants - is divided on the application of performance-related pay in the Civil Service. There are those who see it as out of keeping for a public service, inconsistent with the traditions of the Civil Service, and liable to introduce considerations of competitiveness to a degree which could affect the dispassionateness and even integrity with which the duty of advising Ministers on policy is discharged. Others - of whom I am one - think that it will be a good thing to have a performance-related pay scheme in the Civil Service - there is no reason in principle why it should not introduce a healthy element of incentive, beyond that provided by promotion; and, if it is properly controlled, it should quickly become apparent that attempts to qualify for merit pay by unmeritorious means do not pay.

3. I think it is a pity that we have to begin with the Under-Secretary grade. This sort of scheme has, I believe, more to offer a little lower down the hierarchy than at this level; and, as the gap between the Under-Secretary rate - which will presumably be the average - and the Assistant Secretary maximum is relatively narrow, there will not be room for large incentives. But I am afraid that, if we want to make an early start, this has to be the grade with which to do it: the practical and legal complications of the incremental system rule out starting lower than this.

4. I recommend that the Prime Minister should agree with the proposals at the end of the Lord President's paper.



Robert Armstrong

3rd November 1980

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