

CONFIDENTIAL

Qa 05170

To: MR PATTISON

From: J R IBBS

Pay and Performance

1. I have seen the Lord President's minute dated 28 October. My own experience of performance-related pay in the private sector is that a good scheme that is well managed thoroughly justifies the time and additional payments involved, and that the latter need not be particularly high for the scheme to be effective. I do not see the concept of public service as invalidating this experience; in the private sector there can be great dedication among management to a company.
2. One useful aspect of performance-related schemes which perhaps is not brought out in the Lord President's paper is that they also improve the quality of management in the level above those whose performance is being assessed. Annual assessments take on a new significance if the outcome has to be expressed financially and explained to those who are judged. As a result the manager tends to manage his staff more positively, throughout the year not just around the time of the assessment, than some choose to do with flat pay scales.
3. It follows that for a scheme to succeed it is most important to ensure that it is introduced with the understanding and support of those who have to run it.
4. I am sending a copy of this minute to Sir Robert Armstrong.

JR

31 October 1980

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