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PRIME MINISTER

PAY AND PERFORMANCE

I refer to the Lord President's minute to you of 28th October about performance related pay for Under Secretaries in the civil service.

I am one hundred per cent in favour of measures which will help to sustain the performance of civil servants, at all levels. I hope that the work on the incremental structure will continue and that there can also be a reform of the present protracted and tortuous procedures for compelling the retirement or down-grading of those of limited efficiency.

But I am most unhappy about picking out Under Secretaries and taking a quick decision to plunge them all into a free for all scheme of personal rates of pay. If a practicable scheme for performance related pay can be devised, there is a much better case for applying it lower down the line.

Under Secretaries work very closely with Ministers. We depend enormously on the impartiality and courage of their advice. We must not take any step which might be a move towards the politicization of the senior civil service. Even if the Departmental Minister had no formal part in fixing the individual pay rates for the Under Secretaries in his Department, can we convincingly insulate him, when he is in daily contact with the Permanent Secretary who fixes the pay levels? There could also be a problem where a Minister has views about the allocation of Under Secretaries to particular posts. We need to bear in mind how any future Government might operate the scheme.

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It seems to me that there might also be a special problem over pensions. There would be great temptation to push up the pay level of someone approaching retirement. Even if the scheme was self-financing in terms of pay, the pension bill might be increased.

Would it not be wise to take a little more time and look at the question of performance related pay for the civil service as a whole, together with other measures connected with performance and retirement?

I am copying this minute to those who received copies of the Lord President's minute.

W. W.
2 November.
October, 1980.

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