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Civil  
Service

PRIME MINISTER

PAY AND PERFORMANCE

I have seen the Lord President's minute to you of ~~28~~ October enclosing a paper proposing the introduction of performance-related pay for Under Secretaries from 1 April 1981. I have also seen your Private Secretary's letter of 7 November reporting your wish that the matter should be discussed in Cabinet on the basis of a paper to be prepared by officials.

2 I welcome the Lord President's proposals for a more flexible system for rewarding civil servants and I hope that officials will prepare their paper as quickly as possible. I have long supported the idea of removing the automaticity of increments in civil servants' pay; I wrote on the subject to the Lord President as long ago as 18 May last year. A more flexible system for rewarding civil servants should enable us to give effective officers more than one increment in a single year to reward effective performance and those who succeed in reducing public spending and staff numbers. These positive aspects are important and we should not be sidetracked by the difficulties which would arise from withholding increments for one or more years from less effective officers; the withholding of increments would bring remuneration arrangements in the civil service more into line with the private sector.

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3 I agree, however, with some of the criticisms which have been made of the Lord President's proposals; it is important to devise a system which will be effective in encouraging better performance and in achieving a more efficient use of resources, whilst being fair to all concerned and commanding general, if not universal, support with the service. I do not consider that Under Secretaries should be considered in isolation; the issue has much wider implications and is probably more relevant at grades below Under Secretary. I think also that other options, including those proposed earlier in the year by Sir Derek Rayner, should be examined.

4 I am copying this minute to Cabinet colleagues, to the Minister of Transport, the Chief Whip, Sir Robert Armstrong and Sir Derek Rayner.

KJ

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18 November 1980

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