

long term reform
Rayner



PRIME MINISTER

PAY AND PERFORMANCE

I have seen Christopher Soames' minute to you of 28 October on this subject. TPm

As Christopher says in his paper, the scheme he is proposing for merit pay awards to Under Secretaries would represent "a major change in the pay and management philosophy of the Civil Service". I am sure that we should look afresh at some of the pay conventions which exist in the Civil Service, and we should be ready to learn from comparisons with practice in the private sector.

Rather than his own proposal, however, my own preference would be to encourage motivation and the rewarding of merit through greater scope for accelerated promotion of really able officers; this would mean cutting away all age barriers to promotion and also making headroom through improved early retirement schemes. There could also be value in introducing the flexibility to reward merit in a particular grade without promotion, where normal hierarchical progression would be inappropriate.

I should like to see this kind of fundamental change looked at in detail along with Christopher's proposal for Under Secretaries. I think it would then be appropriate for us to meet to discuss our objectives in relation to the Civil Service and the most effective way of achieving them.

I am sending copies of this minute to Cabinet colleagues, Norman Fowler, Sir Robert Armstrong and Sir Derek Rayner.

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6 November 1980

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