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Prime Minister

6th November, 1980

Pay and Performance

1. The Lord President's minute of 28th October enclosed a paper proposing that officials should urgently prepare a scheme of performance related pay for members of the Open Structure of the Civil Service, to be introduced from next April.
  
2. I must express considerable misgivings of a scheme of this kind. I certainly share the desire to see the efficiency of the Civil Service improved, but I do not believe that a scheme of this kind will achieve that. Implicit in the scheme is the assumption that senior members of the Civil Service are principally or at least significantly motivated by the prospect of financial reward. I doubt this strongly. Work in the higher levels in Whitehall certainly has its rewards - the interest of the job, the security and the pension, but people who are determined to make a fortune do not enter the Civil Service. What concerns me most, however, is that the operation of a scheme of this kind would place the Permanent Secretary in a most invidious position. I am concerned lest the resentment which could be caused on the part of those who find that they are receiving less than the average rate is potentially far more damaging than any additional motivation which the scheme might offer. It is beyond doubt that the scheme would also consume a good deal of the time of our Permanent Secretaries, who have many more important matters to deal with. The friction which would be caused would in my view outweigh the advantages, even if, which I am not convinced is the case, objective criteria as distinct from subjective assessments were a practical option.
  
3. I am sending copies of this minute to Cabinet colleagues, the Minister of Transport, Sir Robert Armstrong and Sir Derek Rayner.

H: of S: M.