



Ref. A03982

PRIME MINISTER

Pay and Performance

(C(81) 2)

BACKGROUND

The Lord President sent you with his minute of 28th October 1980 a paper proposing the introduction by April 1981 of performance-related pay for Under Secretaries. A number of Ministers expressed serious doubts over the wisdom of rushing into such a scheme, and of starting with Under Secretaries rather than with more junior grades. In the light of this reaction the Lord President recommended, in his minute of 28th November, dropping the idea of a scheme for Under Secretaries in 1981 and drawing up proposals for a scheme for Assistant Secretaries and Principals for introduction in 1982.

2. You decided that there should be collective discussion of the subject before further work is remitted to officials and you asked the Lord President to prepare a short paper as a basis for discussion in Cabinet after Christmas - Mr. Pattison's letter of 8th December to the Lord President's office.

3. In C(81) 2 the Lord President proposes that he should report back to Cabinet in the summer in the light of further work by the CSD, in consultation with other Departments, on a scheme for implementation from April 1982 and covering the grades of Principal, Senior Principal and Assistant Secretary and the equivalent specialist grades. In response to a suggestion by the Chancellor of the Exchequer he proposes to look at the practices in other countries. Such a scheme would have to take account of the treatment to be accorded to incremental pay scales; decisions will have to await the outcome of the Lord President's further study.

4. I understand that the Lord President has not yet decided when he would consult the Civil Service unions. As a first step his officials would want to do a good deal more work on the details and the options. It might be that the Lord President will wish to consult Cabinet again before going out to the unions.



HANDLING

5. After the Lord President has introduced his paper, you will wish to ask other members of the Cabinet whether they wish to register any points which the Lord President should take on board at this stage. As was clear from the earlier correspondence not all Ministers - and the Lord Chancellor in particular - are convinced by the case for such a scheme. There are major problems to be overcome if it is to be introduced, and it may be difficult to introduce wide differentials at a time of firm constraints on pay increases. Unless, however, the Cabinet were to decide now that the possibility should be ruled out, the best course would seem to be to accept the Lord President's recommendations for further work on the understanding that no decisions will be taken until fully-fledged proposals are available.

CONCLUSIONS

6. In the light of the discussion you will wish to record conclusions:-
- (i) On whether the Lord President should arrange for further work, as recommended in paragraph 8 of C(81) 2, and report back to Cabinet in the summer.
 - (ii) Noting any particular points which the Cabinet wishes him to take on board in this review.

REA

ROBERT ARMSTRONG

13th January, 1981