

B / F for Ridley E(A)

PRIME MINISTER

12 December 1985

FEE-EARNING BUSINESSES IN GOVERNMENT

The Ridley proposal relates only to fee-earning businesses. Manpower increases must be fully off-set by the increased revenue generated. There are four main issues:

1. Does this mean Government control of these businesses is lost? No, individual departments will still directly control their own satellite businesses, Treasury control will, of course, be lost.
2. Will this result in more regulation? No, the regulatory bodies concerned are carrying out a pre-determined inspection (such as driving test or patent application) for a fixed fee. More manpower merely reduces the waiting list, extra regulation could only result if the inspection criteria were expanded.
3. Will it allow the abuse of monopoly position? No, provided charges are not allowed to increase faster than inflation and proper unit cost targets are introduced. Indeed, abuse of monopoly is more likely if managers of these businesses have responsibility for regulation, but not the means (ie the manpower) to deliver it.
4. Will manpower targets be broken? Yes, unless off-setting manpower cuts are required elsewhere. But reductions in manpower do not equate to efficiency unless improved service is also delivered. Manpower cuts are, in any event, electorally something of a double-edged sword.

We support the Ridley proposal, it should help deliver the service and efficiency for which this Government stands.

Peter Warry  
PETER WARRY

PRIME MINISTER

PERFORMANCE BONUS EXPERIMENT

At your last meeting with Sir Robin Ibbs, he told you that he was disappointed about progress in implementing the performance bonus experiment. I therefore asked Robert Armstrong for a report.

At Flag A, Robert reports that:

too early to draw general conclusions about the scheme but the first survey shows much doubt about its value among those concerned and more work needed to be done by Departments and MPO towards making it a success, especially in communicating criteria for the bonus and bringing out relationship between the scheme and other initiatives to improve managerial performance.  
So,  
a further report is promised for the Spring.

At Flag B Robin Ibbs says

an excellent opportunity for improving Civil Service performance is in danger of being wasted and a clear lead from the top of each Department is essential.

At Flag C Mr. Luce says

he is anxious to do all he can to make the experiment a success and he will review the inclusion of any Private Office staff left out.

At Flag D there is a brief Policy Unit analysis of progress.

I suggest that:

- I write, as Robin Ibbs proposes, to Private Secretaries of Cabinet Ministers asking Cabinet Members to make it clear to their Permanent Secretaries that without becoming in any way involved himself, the Cabinet Minister should stress his wish that

the experiment be made a success and that he look to his  
Permanent Secretary to ensure that it would be so;

- tell Robert Armstrong that you certainly agree that more work needs to be done by Departments and the MPO towards making the experiment a success and that you look to him to ensure that this work is done and
- he should make a further report in the Spring after the first distribution of business bonuses.

Proceed in this way?

Yes - we must make  
it a success.  
mb

N.L.W.

(N. L. WICKS)

13 December 1985

SRW (46)

Some 1070  
respondents  
from  
MPO

All five departments tend to feel the objectives of the scheme are clear but that the criteria for making awards are not. There are mixed views about the clarity of the procedures for making awards but many people feel they are unfair. However there is a very clear difference in view between people at different grade levels. The higher the grade the more people feel that it is clear to them how the scheme will work and the greater the tendency to think procedures are fair. Lower grades are much less clear and tend to think procedures will be unfair. Those in professional/specialist posts are less clear than non-specialists about the scheme.

Customs  
DoE  
Dept Eng  
MoD

Generally the view is that the bonus scheme will have no significant impact on the way people work and the lower the grade, the more likely are people to feel this; but where the scheme does influence people it will tend to demotivate them.

In general people say they are in favour of relating pay to performance although Principals are less sure. People think the current scheme is a bad one and the lower the grade the worse they think it is.

Performance Management

Managers agree that there is room for improvement in the performance of their staff. But they do not feel that the performance bonus scheme will help them to manage performance - and the lower grade the more strongly people feel this. Managers also feel that performance will not improve as a result of the bonus scheme - again the lower the grade the stronger the feeling.

Setting Objectives

Managers believe strongly that setting clear objectives is important in managing the performance of staff. However as a group they do not feel that the bonus scheme will help to set objectives focussing on end results.

Competition

On the whole managers tend to feel the scheme will not encourage competition between subordinates and all the managers in the survey tended to feel that competition between subordinates is a bad thing.

Morale

Raising morale is clearly felt to be an important part of a line manager's job, and managers feel the bonus scheme will tend to damage morale. Some senior managers feel this strongly. As a group, managers are uncertain about the likely effects of the bonus scheme on staff movements - higher grades tend to feel it will not encourage movement, lower grades feel that it might.

In some departments people are unsure about the extent of co-operation, while in others people clearly feel that different parts of their organisation do not co-operate well with one another. There is a general tendency across all five departments to feel communications are poor (mean scores are all below the mid point), and in some departments the lower the grade level, the poorer the view of communications.

In all five departments people feel that on the whole managers are expected to operate at high levels of performance and that managers have demanding objectives. Overall people are uncertain about managers responsiveness to change.

People feel that there is little relationship between an individual's performance and their level of reward and in most departments people have mixed views about the clarity of performance measures.

Most people feel managers are held accountable for the results of their work.

In most departments people feel managers do not have freedom to act, and in all five departments they feel that managers are not encouraged to take risks. The strongest feelings come from those at Principal level.

All five departments agree there are few promotion opportunities, but that on the whole there are adequate opportunities for individual development. People clearly feel that the best use is not currently made of available talent.

Some 1070 respondents from MPO

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