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10 DOWNING STREET

From the Principal Private Secretary

SIR ROBERT ARMSTRONG

GRADES 2 & 3: DISCRETIONARY PAY AND ARRANGEMENTS FOR ASSESSMENT AND APPRAISAL

The Prime Minister saw over the weekend your minute of 21 March to which you attached a submission, agreed with Sir Peter Middleton, on this subject.

The Prime Minister has read the submission with interest, and would like to discuss it with the Chancellor of the Exchequer, Mr. Luce, Sir Peter Middleton, Sir Robin Ibbs and yourself. But before this discussion takes place, she would like those attending the meeting to have the benefit of Sir Robin Ibbs' views on the submission.

The Prime Minister's initial reaction on the submission is:

- (i) to wonder whether it would be impossible to withdraw a discretionary increment;
- (ii) to fear that range pay would just be used as a general increase in pay and would not turn out to be selective enough.

BF
I should be grateful if you would arrange for Sir Robin Ibbs' views to be sought on the submission and for the Prime Minister's first thoughts on it to be passed to the Treasury.

I am copying this minute to Paul Thomas (Office of the Minister of State, Privy Council Office).

N.L.W.

N. L. Wicks

24 March 1986

✓

PRIME MINISTER

GRADES 2 AND 3 DISCRETIONARY PAY AND ARRANGEMENTS FOR ASSESSMENTS AND APPRAISAL

On Robert Armstrong's submissions below, I suggest that:

- (i) you agree with his recommendation that Sir Robin Ibbs views should be sought on the submission.
- (ii) pending receipt of Sir Robin's views, you take no final decisions, but give now any "first thoughts" on the various courses and recommendations;
- (iii) you discuss the submission, when Sir Robin's views are available, with the Chancellor of the Exchequer, Mr Luce, ^{Sir Robert Armstrong} Sir Peter Middleton and Sir Robin Ibbs.

Yes

Agree?

N.L.W.

NLW

21 March 1986

① In practice it would be impossible to withdraw a discretionary increment

JALANT

② I know that range pay would just be used as a general increase in pay - would not be out to be selected enough

ML

Ref. A086/941

MR WICKS

Grades 2 and 3: Discretionary Pay and Arrangements for
Assessment and Appraisal

--- I attach a submission to the Prime Minister, which I have agreed with Sir Peter Middleton.

2. As I think the Prime Minister knows, I support the idea of performance-related pay at these levels; and I am glad to say that Sir Peter Middleton is now also of that view.

3. My own preference has been and still would be for a "range pay" rather than a "bonus" system, because I think that at these levels we are more concerned with sustained performance over a period of years than with measurable performance against stated objectives for a single year. I am therefore more inclined than Peter Middleton to favour the Review Body's recommendation. I do not believe that we are going to learn very much from the experimental bonus scheme about how a discretionary increment scheme might work. Against this, there are problems about the arrangements for selection at Grade 2 to which we have not yet worked out the solution (though I believe that they are soluble), and I do not think that we can be ready to move to a discretionary pay system from 1 April 1986.

4. There would in my judgment be much to be said for moving to a discretionary pay system as soon as we could do so; and therefore for the second of the three possible courses indicated in the joint submission: that is to say, preparing to set up a discretionary pay system with effect from 1 January 1987. But the Treasury will not be easily persuaded to abandon their preference for bonuses rather than range pay.

5. This is a subject on which Sir Robin Ibbs has strong views, since he believes that performance-related pay is an important tool of increased efficiency, and does not have confidence in the existing bonus scheme. The Prime Minister might think it worth while to send him a copy of the submission and to invite his comments on it.

RA

ROBERT ARMSTRONG

21 March 1986

Ref. A086/938

PRIME MINISTER

Grades 2 and 3: Discretionary Pay and Arrangements for
Assessment and Appraisal

You will remember that in its report last year the Top Salaries Review Body (TSRB) recommended inter alia the introduction of additional discretionary increments for Grades 2 and 3 (Deputy and Under Secretaries) from 1 April 1986. You announced no decision on this, and said that the Government would be considering the recommendation.

2. The TSRB, who set great store by this recommendation, have asked to be told, before they complete the report on their current 1986 review, where the Government stands on this recommendation.

--- 3. I attach a joint submission by Sir Peter Middleton and me, making proposals as to how we should reply.

4. Sir Peter Middleton is simultaneously submitting this to the Chancellor of the Exchequer; and I am sending a copy to the Minister of State, Privy Council Office.

RA

ROBERT ARMSTRONG

21 March 1986

GRADES 2 AND 3 - DISCRETIONARY PAY AND ARRANGEMENTS FOR
ASSESSMENT AND APPRAISAL

Note by the Head of the Home Civil Service and the Permanent
Secretary to the Treasury

Introduction

In their 1985 Report the Top Salaries Review Body (TSRB) recommended the introduction of a more flexible pay system for the Senior Civil Service, embodying not only annual increments for Grades 2 and 3 (Deputy and Under Secretaries) which the Government has accepted, but also a limited number of additional salary points for these two grades, to be used selectively at management's discretion within rigorously defined criteria. In announcing the Government's decision on the TSRB recommendations the Prime Minister said "We shall give further consideration to this proposal, and to the arrangements for assessment, appraisal and review, on which this system will depend, if it is realistically and fairly to reward high performance and to take account of cases in which high performance is not sustained, and I shall make a further statement on this aspect of the Review Body's recommendations in due course".

2. We have considered a number of options and have discussed them with Permanent Secretaries of other Departments. This note discusses possible ways forward. The TSRB are pressing for an indication of the Government's intention. They have made it clear that they attach great importance to their recommendations; and they would like to know soon about the Government's intentions, in case they might affect their recommendations on their 1986 review.

Arrangements for Assessment, Appraisal and Review

3. There is a strong case for introducing more structured and formalised methods of appraising performance at Grades 2 and 3, whether or not these are used to support a system of

discretionary awards of pay. This will help fulfil the principle set in successive White Papers on the Financial Management Initiative - "that managers at all levels should have a clear view of their objectives and means to assess and wherever possible measure outputs and performance in relation to those objectives". Appraisal methods have recently been made more searching in terms of performance in meeting agreed objectives and also more open, for Grades 5 and below.

4. Setting objectives or appraising fairly the performance of people at the most senior levels is not, of course, always easy. They may, for example, be concerned with advising on policy or managing programmes which may be affected by factors outside their immediate control, and which develop over a very long timescale. The arrangements will also need to be acceptable to the staff concerned as fair. These points must be taken into account in the design of any system. But the difficulties are not insuperable.

5. The Cabinet Office (MPO) will therefore introduce an improved appraisal scheme this summer. It will be worked up taking account of experience gained from the scheme in operation for other Civil Service grades and from other public and private sector organisations. Because it is desirable in its own right, it does not pre-empt future decisions on any performance related pay scheme. But equally it would provide a better foundation for a performance-related pay scheme to build upon in later years.

Performance-Related Pay

6. The Government has accepted the principle of performance-related reward, and we are just coming to the end of the first year of the three-year experimental annual performance bonus scheme for Grades 3 to 7 (Under Secretary to Principal, and equivalents). The intention has been to consider in the light of that scheme whether to continue with

performance-related reward and extend it more widely in the Civil Service; and, if so, whether the annual bonus or some other form of scheme (or indeed different kinds of schemes at different levels) should be adopted.

7. The Review Body's proposals are for a scheme of discretionary increments for Grades 2 and 3. These could hardly co-exist with performance bonuses for Grade 3; adoption of the Review Body's proposals would therefore mean taking Grade 3 out of the experimental performance bonus scheme: not impossible, but it would diminish the value of the scheme as an experiment. It would also mean extending the principle of performance-related reward to Grade 2.

8. The arguments for performance-related pay for Grades 2 and 3 in the Civil Service are twofold:

a. that they would provide motivation for good performance and thus some additional incentive, particularly desirable when promotion opportunities are fewer;

b. that they would provide a new and valuable tool of discipline for management, in that they would oblige management to be more systematic both in defining performance objectives for staff and in appraising the success of staff in meeting those objectives.

9. It is still too early in the existing experimental scheme to judge the motivational effect of the performance bonuses at these levels. The scheme was, by and large, not welcomed; people have (at any rate in advance) seen the bonuses as divisive at a level where they think that the emphasis should be on "collegiality". There are some indications that the hostility may be diminishing; and one or two indications that a system of discretionary increments would be seen as less objectionable. But it is too early to judge, and it may never

be possible to be certain, whether the bonuses are having an incentive effect, or how any effect they may be having compares with the traditional incentives of competition for promotion, the interest value of the work, and the natural desire to put in the best possible performance.

10. The management advantages are clearer. Even officials in Grade 3 who did not want their grade to be eligible for performance bonuses have recognised that the need to decide upon the allocation of bonuses to staff under their command has sharpened up both the definition and setting of performance objectives and the appraisal of performance: nothing concentrates the mind like having to decide which of your Principals should be recommended for an award.

11. The Review Body's arguments in support of their recommendation for a system of discretionary increments for Grades 2 and 3 were set out in paragraphs 10 to 23 (copies --- attached) in their report No 22. They saw the proposed increments as "building improved incentives into the system" and "reinforcing the managerial changes in the Civil Service"; and as a less expensive and more discriminating form of reward than a general increase.

12. We are both inclined to favour, at least in principle, the extension of performance-related pay to Grade 2. But we do not think that it is yet possible to decide to do so, or to decide what form of performance-related pay should be adopted at these levels.

Possible Approaches to a New Scheme

13. Whatever the decision in principle, there are broadly two approaches to the form of scheme. The first is to go for a range pay machinery, of the kind proposed by the TSRB, though not necessarily with the amounts or steps they suggest; the second is to go for an extension of the bonus scheme which is

being experimented with in Grades 3 to 7, though again not necessarily (at least long-term) in exactly this form.

14. Range pay involves an extended incremental scale with the highest points awarded on a discretionary basis. It is most suited to the reward of sustained high performance over a period of years. Bonuses are one-off payments, usually in lump-sum form, most suited to the reward of short-term endeavours, although they can of course be repeated each year if the high performance is sustained. Thus range pay and bonuses reflect different concepts of performance appraisal and staff management.

15. A critical point is withdrawability. This presents no problem with an annual bonus scheme: the bonus is paid in respect of a single year, and there is no presumption that it will be repeated in a subsequent year. With a discretionary increment the presumption is the other way round: there would have to be a positive decision to withdraw it in the event of a falling-off of performance. Nonetheless, both of us are clear that, if the decision were to go for a scheme on the lines suggested by the Review Body, it would have to be clearly established that the increments were withdrawable and arrangements would have to be such that new increments could be awarded only when room was made for them, either by withdrawal of existing increments or by awardholders passing out of the grade on promotion or retirement. By the same token we are both clear that discretionary increments, like performance bonuses, would have not to qualify for superannuation calculations: otherwise the penalty of withdrawal would be too great.

16. With either scheme, however (and indeed with the present structure) further discrimination between performance could be introduced by making the present scale increases at Grades 2 and 3 - now virtually automatic - subject to satisfactory performance, so that each increment would be earned only after a

fully satisfactory level of performance over the preceding year; and at the extreme withdrawable.

17. A decision would be needed as to the amount to be devoted to any scheme. The present bonus scheme is based on one per cent of the relevant pay bill; the TSRB scheme implicitly costs about three per cent (about £³/₄ million per annum). Within reason any scheme could be tailored to any cost. Departments would be expected to meet costs out of existing running costs limits.

18. It has been possible to set up a satisfactory machinery for selecting Grade 3s for performance bonuses, and this would provide a model for selecting for discretionary increments at that level. A machinery for selecting at Grade 2 would present more difficulty. We doubt whether the selection could be on a departmental basis, partly because some small Departments have only one or two Grade 2s, and partly because the selection would have to be made by the Permanent Secretary on his own. It looks as if the selection at Grade 2 level would have to be made on a service-wide basis, and by a group of Permanent Secretaries. We are not yet convinced that even so we could produce a system which would provide the necessary degree of consistency of assessment to command the confidence of those concerned. This needs more thought, and will in any case depend in part upon the development of a more systematic system of staff appraisal at these levels.

The Way Forward Now

19. One possible course is to reject the Review Body's proposals outright. Neither of us wishes to recommend that, for the following reasons:

- a. The Government is committed to the principle of performance-related pay, at least to the extent of testing its application in the Civil Service with the experimental

scheme, and has not excluded from that the senior levels in the Service.

b. Outright rejection would be seen as unfair and cause considerable resentment among Grade 2s and 3s who see the proposals as part of "their share" of the TSRB's recommendations which they have yet to receive.

20. A second possible course is to accept the Review Body's proposals in principle (though not in detail) and undertake to work out a detailed scheme to come into operation not later than, say, 1 January 1987. That would mean taking Grade 3 out of the experimental bonus scheme from 1 April 1986. Neither of us would wish to recommend that at this stage. We think that it would be desirable to get more experience of the working of the existing experimental bonus scheme before taking a definitive decision between the range pay and the bonus approach (cf paragraphs 13 and 14 above); and we do not yet see our way through the problems of selection (cf paragraph 18).

21. A third possible course would be neither to accept nor to reject the Review Body's proposals, but, given that we are one year into a three-year experimental bonus scheme, say that we propose to let that run its course and reconsider the Review Body's proposals when we review the experimental scheme. If that were the course decided upon, we should not propose leaving the position precisely as it is now: we are agreed that there should be some shift in the direction of discretion, on a basis which would leave the way as clear as possible for decisions to be taken following the end of the performance bonus experiment.

22. If we take this course, we should need to consider whether to extend the experimental performance bonus scheme to Grade 2, on the same sort of scale as it applied to Grade 3 (one per cent of the pay bill for the grade, distributed in awards to not more than one in five). We suggest that the Review Body should be

told that we are considering this possibility, but in view of the problems of selection we do not expect to extend the scheme to Grade 2 before 1 April 1987. This is all they need to know on this point for the purposes of their 1986 review. If we can work out a satisfactory system of selection, we shall then ask Ministers to consider whether to extend the experimental bonus scheme to Grade 2 for the last year of the experiment (1987-88), so as to gain experience of the application of appraisal and the machinery for selection at this level; or whether to defer consideration of the extension of performance-related pay to Grade 2 until 1988, when we consider whether to go for performance-related pay as a permanent feature of remuneration at these levels, and if so on the basis of which kind of scheme, range pay or bonus.

23. The immediate shifts in the direction of discretion which we recommend, and of which we should propose that the TSRB should be informed, are as follows:

- a. Departments should be given discretion (within centrally prescribed guidelines) to make bigger bonus payments (up to £3,000) for Grade 3, coming nearer the sort of reward which the Review Body had in mind.
- b. There are already discretionary pay points within the pay scale known as "unified intermediate pay point (lower)" (UIPP(L)) and "unified intermediate pay point (higher)" (UIPP(H)). These sit at the arithmetical mid-point between the top of the Grade 3 scale and the bottom of the Grade 2 scale, and the top of the Grade 2 scale and the Grade 1A rate respectively. At the moment these pay rates tend to go with posts, rather than attaching to individuals. We propose that the same pay rates, renamed for this purpose "personal pay points" (PPP), could at departmental discretion be used in exceptional cases where a combination

of personal merit, promotion prospects and other unusual circumstances justified it. Each such award would be subject to central approval.

c. Pointing in another direction, we should make the present virtually automatic scales subject to satisfactory performance (see Paragraph 11 above). The presumption would continue to be that on achieving the appropriate seniority the pay increase would be given. But a conscious decision would have to be taken at each point by the Head of the Department in question. The position of the existing population would need examination, in so far as any entitlement may already have been created for them.

d. Separately, we would introduce simultaneously with these changes the improved "personal promotion scheme" which the Cabinet Office (MPO) have in hand and on which a presentation to the Prime Minister was made last year. This scheme, the preparation of which is well advanced, would be worthwhile in itself, and would have the advantage of benefiting grades below TSRB grades so as to emphasise that it was not only the senior grades for whom we regard these sorts of measures as appropriate.

24. These measures would have a relatively small cost. Each and every one of them would be at the discretion of Permanent Secretaries, and would represent a maximum of what they could do, not an entitlement. Costs would be additional to the £4 million a year allocation for the existing performance bonus experiment, but would have to be absorbed within running cost limits.

25. We think that this way forward represents a step in the desirable direction of flexibility and discretion within the Civil Service pay structure, while taking account of existing circumstances and not compromising decisions which might follow

the performance bonus experiment. So far as TSRB pay rates for Grades 2 and 3 go, TSRB had not expected any discretionary pay (beyond the existing performance bonus scheme for Grade 3) before 1 April 1986, and provided that they can be told in good time before they finalise their recommendations for 1986 then they will be able to take these decisions into account in their recommendations; no Grade 2 or 3 could thus claim he had been adversely affected because the Government had not responded to the recommendations on discretionary pay in the TSRB's 22nd report.

Conclusion

26. We recommend accordingly that the Review Body should be told that:

a. The Government remains in principle in favour of performance-related pay at Grades 2 and 3, but is not yet ready to take a decision on the Review Body's recommendations, and would wish to have more experience of the experimental bonus scheme before doing so.

b. The difficulty of resolving the problem of selection at Grade 2 level means that performance-related pay will not be extended to that level before 1 April 1987. If a solution to the problem can be worked out by then, the Government will consider extending the experimental bonus scheme to Grade 2 from 1 April 1987.

c. In the meantime, the Government proposes to make certain changes to be financed within existing running cost limits in the general direction of greater flexibility and discretion on the lines of paragraphs 23 a. to d. above.

27. We further recommend that staff interests should be consulted as necessary about the proposals, and an announcement made in due course (perhaps to coincide with an announcement on the Government's decisions on the TSRB's recommendations in its 1986 review).

21 March 1986

17. We conclude, therefore, that a more flexible pay system should be introduced for the senior civil service which will allow some distinctions to be drawn between individuals in salary terms on the basis of defined criteria. This will build improved incentives into the system and give some scope for pitching salaries for the most able in the senior civil service at a more competitive level. We believe this to be necessary to reinforce the managerial changes occurring in the senior civil service, and to bring pay opportunities somewhat closer to the rewards potentially available to talented individuals in other occupations, which is vital for the long term health of the service. In the following paragraphs we outline the approach that we believe to be necessary, but we must make one important point at the outset. We do not envisage that the radically new arrangements that we recommend can take full effect from 1 April 1985, and for that date make proposals which involve only a limited degree of change. For the more far-reaching aspects of our recommendations, civil service management itself will need to have time to make the necessary adjustments, and undertake the necessary consultations, to put the new system into place. We envisage, however, that full implementation should be achieved with effect from 1 April 1986. We discuss now the detailed arrangements that we have in mind, first for the grades of Under Secretary and Deputy Secretary, and then for Permanent Secretaries.

Deputy and Under Secretaries

18. We recommend the abandonment of the present single salary points for the Deputy and Under Secretary grades and, in order to provide greater flexibility, their replacement by a salary range for each grade, with specified salary points within each range. In the initial period of service in the grade, progress through the range should ordinarily be by way of annual increments related to service, up to a point which should be regarded as the normally attainable maximum for the grade; this part of the range will in effect be a short length of service scale covering the initial period of transition as proficiency develops in the new grade. Beyond that, we propose a limited number of additional salary points within the range to be used selectively at management discretion within rigorously defined criteria.

19. The keynote in operating the discretionary part of the range should be flexibility to give additional reward above the normal maximum where it is clearly justified in relation to an individual's performance. Progress to these higher points on the range should be at the discretion of senior management at the levels above each of the grades concerned. It will be important to have clear guidelines governing the exercise of that discretion. We see the drawing up of such guidelines as a task for civil service management over the coming months and we acknowledge that this will take time and effort. We believe, however, that this will be a worthwhile investment for the health of the service both in the immediate future and over the longer term. We emphasise that the criteria governing progress to a discretionary pay point must be rigorously defined to ensure that it occurs only where individuals can sustain a high level of performance well above the norm. Differences in job weight would normally be dealt with by appropriate grading, but in a broad-banded grading system such as applies in the civil service, there will inevitably continue to be wide differences of job weight within a given grade, particularly at the most senior levels. We accept, therefore, that management should have some freedom to take account

of this factor, as well as of differences in performance, in making use of the discretionary pay ranges. In practice, we would expect to find some degree of interaction between the factors of performance and job weight. It would be surprising if it were not the case that the most able individuals tended to be assigned to the more demanding jobs. We also think it right that management should be free to make full use of the range to meet a manning need, for example where it can offer some additional flexibility to recruit an individual from outside who cannot be accommodated at the normal starting salary for the grade. It is essential, however, that the primary purpose of the discretionary part of the pay range be seen clearly as a means of recognising performance.

20. As we have said, the drawing up of detailed guidelines must be a matter for civil service management, with the necessary consultations. Some of the groundwork for this will already have been done. Departments are already having to devise means of distinguishing between individuals at Under Secretary level insofar as performance is concerned as part of the experimental bonus arrangements that have been announced, and it is possible that the procedures being evolved could be applied without too much adaptation to the system of range pay which we are now recommending. We propose that, so far as Under Secretaries are concerned and once the details have been settled, the discretionary part of the range should replace the bonuses available for sustained high performance under the experimental bonus scheme. The scheme which we recommend seems to us an altogether more effective way of recognising sustained high performance but we are aware that special bonuses are also available under the experimental bonus arrangements to recognise exceptional performance in a particularly demanding task or situation. There is an important distinction between a sustained high level of performance, which range pay is intended to reward, and exceptional performance in a particular task, best rewarded by a one-off bonus. We see no reason why such special bonuses should not still be available to Under Secretaries once the new merit pay arrangements are in place. So far as differences in job weight are concerned, there are well-developed methods of assessment and posts in the senior open structure have already been, and continue to be, under examination from this point of view, particularly since the Wardale Report¹. We believe that in the longer term the development of systematic job evaluation within the civil service is desirable not only for pay but for wider management purposes.

21. The Megaw Committee² recommended that pay ranges related to merit should extend only to Under Secretary level. We consider, however, that the system of range pay we have proposed should cover also the Deputy Secretary grade. It is usual in schemes based on the appraisal of performance that two levels of management above the grade concerned should be involved in the appraisal, but this is not feasible in the case of all Deputy Secretaries. However, in the great majority of cases at this level, it should be possible for an adequate appraisal to be made by the Permanent Secretary or Permanent Secretaries concerned, based in many instances on knowledge of an individual over many years. There are, we understand, already in existence central arrangements to keep Deputy Secretaries under review for promotion purposes, and it may be

¹Chain of Command Review: the Open Structure. Report of a team led by Sir Geoffrey Wardale, KCB.

²*ibid.* (paragraph 14).

possible to adapt these arrangements to play some part in the operation of a discretionary pay system at this level. As part of the detailed management planning for the introduction of the new system, consideration will need to be given to the treatment of that small proportion of Deputy Secretary and Under Secretary posts which do not report in the normal way to an official at Permanent Secretary level.

22. The question may arise of what should happen in the case of an individual who has been placed within the discretionary pay range for the grade but whose performance declines to a marked extent, or who moves to a post of significantly less weight. So far as performance is concerned, we would expect placement within the discretionary range only to occur where management is confident of the individual's ability to sustain the requisite high level of performance. In cases where that expectation was not met, and where the possibility of early retirement did not arise, we would see it in the first place as a management responsibility to endeavour to retrieve the level of performance which the individual had proved capable of attaining rather than to reduce the level of pay. Nevertheless, we recognise that, in some circumstances, it might not be appropriate for an individual to retain a discretionary rate of pay. This is a matter for detailed consideration by civil service management. We would not think it right, however, that the pay of an individual while serving within a particular grade should fluctuate with variations in job weight so long as the ability to sustain a high level of performance is maintained.

23. Our detailed recommendations on salary ranges for the Deputy and Under Secretary grades appear at the end of the next chapter, in which we consider what salary levels should be inserted into the new framework we propose. At this point we only wish to add that it is our aim to keep the non-discretionary part of the range in each case, that is the initial part of the range through which progression will be related simply to length of service, to no more than three salary points, while providing a discretionary range which offers a worthwhile incentive and sufficient flexibility to cope thereafter with the important factors we have mentioned. We recognise that cases may still arise where, for market reasons, it may be necessary to go to a level beyond the limit of the ranges we recommend, but we would expect such cases to be justified on exceptional grounds.

Permanent Secretaries

24. We have concluded that it is not possible to introduce pay ranges related to performance for Permanent Secretaries. As they are at the apex of the permanent machinery of government, their performance could not be assessed for pay purposes except with the involvement of Ministers, and that would raise profound constitutional issues touching on the essential relationship between the permanent civil service and the political administration of the day. We have, however, as explained, been asked by the Government to look into the possibility of greater differentiation in the pay of Permanent Secretaries on grounds of job weight, and it is this question to which we now turn.

25. At present, the generality of Permanent Secretaries are paid at one level of salary (£45,500). The Head of the Civil Service who is also the Secretary of

the Cabinet, and the Permanent Secretary of the Treasury, receive a pay lead (the salary for these posts is at present £51,250). There is also a number of Second Permanent Secretary posts which carry a lower salary (£42,000) than that for Permanent Secretaries generally. The question we have to consider is whether the number of salary points should be increased from the present three to take account of variations in job weight, and if so what the salary levels should be.

26. We were aware from the outset that this reference raised issues of considerable difficulty and sensitivity, which required thorough examination. We concluded that it was essential to gain a full appreciation of the nature of the work of Permanent Secretaries and to give them an opportunity to comment on the proposition we had been asked to consider. Accordingly, we invited Permanent Secretaries in charge of departments, and the Second Permanent Secretaries reporting to them, to provide comprehensive written evidence. We are grateful for the time and effort that those approached devoted to this task. We also took evidence from former Heads of the Civil Service and other former senior members of the service.

27. We also took the view that any assessment of differences in the weight of jobs should be made on as objective a basis as was practicable, and we commissioned consultants to assist us in an examination of whether techniques of job evaluation, which are widely used elsewhere for determining internal differentials, might be applied for the same purpose in considering the jobs of Permanent Secretaries. We decided that if such techniques were to be of any assistance, it would be essential to develop a basis for evaluation which specifically reflected the characteristics of the work of Permanent Secretaries rather than relying on evaluation criteria developed for use elsewhere. We sought advice from Permanent Secretaries on the range of factors which it might be appropriate to take into account when evaluating jobs, and what weight should be given to them. The consultants subsequently developed an approach to the analysis of differences in job weight on the basis of factors which, in terms of each job, sought to measure the size of its management task; the complexity and diversity of the policy and management issues faced; its political sensitivity and exposure; the extent of its wider influence beyond the department; and the nature and extent of the financial accountability involved. This approach sought to define the essential features of the job of a Permanent Secretary: it could not reflect the relative difficulty of the job as seen by the incumbent, whose day-to-day work may be heavily influenced by the nature of relationships with Ministers and others, or the immediate pressures of events. The consultants' main conclusion was that in job weight terms, the jobs of the first Permanent Secretaries of the Ministry of Defence and the Department of Health and Social Security were clearly larger than the typical Permanent Secretary job. Leaving aside these jobs, the drawing of boundaries was more difficult, though some advice on the relative weight of individual jobs was offered: in particular, the consultants' analysis gave support to our intuitive view of the heavy demands, in terms of its political sensitivity and the importance of the issues it covers, of the job of Permanent Secretary of the Home Office.

28. We found this study helpful in clarifying the relative weight of the wide variety of posts at Permanent Secretary level we have had to examine, but we believe that there are certain inherent limitations in such an exercise which it is