

PRIME MINISTER

DISCRETIONARY INCREMENTS FOR GRADES 2 AND 3 IN THE CIVIL SERVICE

Mr. Lawson has now minuted to register his objection to the ideas in Sir Robert Armstrong's submission for discretionary increments for Grades 2 and 3 in the Civil Service.

You said that you wanted to discuss this further with him on his return from the USA. Shall I therefore arrange the meeting you agreed to have with him, Mr. Luce, Sir Peter Middleton, Sir Robin Ibbs and Sir Robert Armstrong? A prior meeting with the Chancellor alone does not look necessary.

Yes no

N.L.W.

N L WICKS

8 April 1986

MANAGEMENT IN CONFIDENCE

SLH/83

RW Noygrove

pa

*let us put this on ice
for the big + council with
TSRB report*

N L W

10-44

PRIME MINISTER

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

Sir Robin Ibbs has now, as expected, minuted (below) with strong support for a system of range pay for Grades 2 and 3, as discussed in Sir Robert Armstrong's submission of 21 March. Sir Robin is inclined to discount your fears that it would be impossible to withdraw discretionary increments and that range pay would just be used as a general increase in pay.

I suggest that the next step is for you to have a discussion with the Chancellor of the Exchequer, Mr. Luce, Sir Peter Middleton, Sir Robin Ibbs and Sir Robert Armstrong.

Agree to a meeting?

N.L.W.

N L WICKS

7 April 1986

The Chancellor is very much against it. May discuss it further with him on his return from the U.S.
mb

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PRIME MINISTER

Sir Robert Armstrong tells me that you would like my views and comments, as your Efficiency Adviser, on the joint submission which he and Peter Middleton recently put to Ministers on discretionary increments for grades 2 and 3 in the Civil Service. *at-Hay*

I see four key issues :-

1. Is range pay necessary for grades 2 and 3?

The Top Salaries Review Body thought so and as a member of that body I was wholeheartedly in support of the recommendation. An ability to reward sustained high performance by means of such increments is increasingly a feature of reward systems for jobs of comparable weight in the private sector. Fortunately it is not necessary to match the absolute payment levels of the private sector but some comparability in the form of the salary structure is very desirable and there is a need to provide some acknowledgement for the best performers. It is far more economic to do this selectively with increments than to raise the level for all in the grade in an attempt to avoid having the best people severely under-rewarded. The recommendation was therefore put forward as the economic way of providing what is needed but it does not rest merely on arguments of comparability. As the submission points out (paragraph 8) well-appraised performance pay provides a valuable tool and discipline for management as well as giving motivation for good performance. The approach to management inherent in defining objectives and appraising performance needs to pervade the whole Civil Service from the top down if the improved overall performance you are seeking is to be achieved. The introduction of increments for grades 2 and 3 would be an important step in this. Furthermore, with this wider advantage, and benefits in terms of recruiting, retaining and motivating people of high quality, range pay for grades 2 and 3 when properly established should provide good value for money.

.../...



2. Would bonus payments be equally effective?

I do not think they would be. For very senior people where inevitably the amount of supervision is extremely limited, it is the ability to provide self-starting sustained high performance in good times and bad that is so valuable. Such ability needs to be demonstrated over a period, probably at least two years, before it is acknowledged financially. It should not normally come and go by the year but be a more durable quality - hence increments rather than bonus payments. But this does not mean increments should inevitably be permanent.

3. Can range pay increments be made withdrawable in practice?

I am sure the answer is yes. This is a matter of having a sound scheme and controlling it properly. There is no reason why all increments should not be subject to formal annual review. This is entirely a matter of discipline. With limits on numbers in each increment, the need to create vacancies for new high performers should ensure that instances of failing performance are identified and dealt with.

4. Is reliable appraisal possible for grade 2?

I believe it is but the submission (paragraph 18) is very tentative about the selection at grade 2. Obviously proper thought needs to be given to this, but workable appraisal for salary purposes is achieved in other walks of life for extremely complex senior jobs, including many where no profit related measure is possible. The question has now been around in Whitehall for more than six months and what seems to be missing is the will to get on and devise a mechanism.

.../...



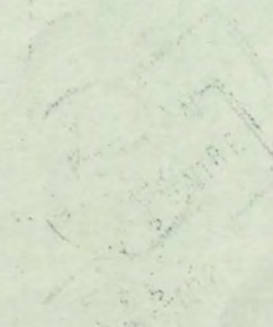
5. Can range pay be made properly selective and not become a general increase in pay?

There is plenty of private sector experience that range pay can be properly selective and need not have the effect of generally increasing pay. Again it is a matter of discipline. Strict limits on the numbers in each increment and a proper appraisal system, plus firm control from the top, is what is needed.

Since I see clear answers to these questions I do not support the recommendation in the submission to defer fundamental decision on the issue. I believe there is a further positive reason for going ahead with range pay for grades 2 and 3. Quite simply it would maintain the momentum of progressive reform and improvement of management in the Civil Service, whereas a complex and somewhat half hearted fudge would indicate weakening determination.

I am copying this to the Chancellor of the Exchequer, the Minister of State, Privy Council Office, Sir Robert Armstrong and Sir Peter Middleton.

ROBIN IBBS
4.4.86.





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PRIME MINISTER

DISCRETIONARY INCREMENTS FOR GRADES 2 AND 3 IN THE CIVIL SERVICE

I have seen the submission which Robert Armstrong and Peter Middleton have put to you as to the way forward in this matter, and I have also seen Robin Ibbs' comments in his note to you of 4 April. WITH NEW?

I have to say that I am against any move at all in this area. Of the two ways forward now on the table, I think that set out in the submission by Robert Armstrong and Peter Middleton is less bad than the TSRB proposal but I am against doing either. To give more money to these already well paid grades (up to £8,000 pa more on the TSRB's ideas) seems to me quite wrong politically, not just in relation to the rest of the Civil Service where there is already a good deal of unhappiness over pay, but more widely - none of us are going to forget last summer's TSRB row in a hurry. Moreover there is a good chance the money would simply be wasted.

Too late - report arrived

The TSRB are presumably now finalising their recommendations for 1986. I think they should be told that it is not the Government's intention to make any move in the direction of discretionary pay for their grades (beyond the existing involvement of Grade 3 in the experimental bonus scheme) and that they should frame their overall proposals accordingly. If it is decided to go further than this, I am sure that our Cabinet colleagues would need to be consulted more widely.

I am copying this to the Minister of State, Privy Council Office, Robert Armstrong, Peter Middleton and Robin Ibbs.

N.L.

8 April 1986

CIVIL SERVICE
LONG TERM
PT 18

