

MANAGEMENT IN CONFIDENCE

PRIME MINISTER

PROMOTION BLOCKAGES IN THE CIVIL SERVICE

Lord Gowrie kindly sent me a copy of his minute dated 6 January.

In ICI we recognised some years ago the need for a scheme that would enable people to retire early with dignity and so allow good staff to be moved up through the organisation to ensure the good health of the Company. I therefore commend the principal of setting aside money to enable this to happen.

However, as a Director of ICI I should want to be sure that spending £6 million to secure 100 additional retirements would enable a substantial improvement to be achieved in the upward flow of good staff and in the quality of people in key positions. It is not clear from the papers whether this proposal will go a considerable way to solving the fundamental problem or whether it will affect (at high cost per vacancy created) only the tip of the iceberg; Lord Gowrie says "the numbers affected are comparatively small". Quite simply does it offer good value for money? In considering this I would also need to be assured that the right people would be promoted as a result.

How will individuals to be retired be chosen? Those who wish to go may not necessarily be the worst and some may be in departments which lack good people to promote. A tradition of evenhandedness within and across departments could make it difficult to be properly selective. I note that "individual cases would be submitted to the Cabinet Office (MPO)". But, quite apart from the risk of additional bureaucracy, I wonder if they can exert sufficient influence on what happens in a department after a retirement to ensure that a good return is obtained on the cost involved in an early retirement.

I suggest that you should seek assurances on the above points from the Head of the Civil Service and that it might be helpful if he reported back at the end of 1984/85 the results achieved by these proposals.

I believe the proposals draw attention yet again for the need to develop arrangements for merit pay - indeed, Lord Gowrie mentions this. I appreciate the importance of promotion as a motivating factor and also the need for any merit pay scheme to foster and not conflict with the concept of public service. However, the prospect of promotion will inevitably be a less powerful motivator in a civil service which is contracting and 100 additional retirements will not be sufficient to transform the situation. The suggested retirement scheme will not, for example, do much to help the good EO in a local office who often will have to wait many years before he or she has a chance of promotion.

I am copying this to Lord Gowrie, the Chancellor of the Exchequer and to Sir Robert Armstrong.

ROBIN IBBS
12 January 1984

12 JAN 1984

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COMMISSION



① cc NO
② Absent letter from
Lad Gowrie

Ref. A084/281

PRIME MINISTER

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Promotion Blockages and the Civil Service

In his minute of 12 January to you commenting on the Minister of State's proposals for a new special early retirement scheme for senior civil servants, Sir Robin Ibbs invited my comments on the points he had raised.

2. I am glad that Sir Robin supports the principle of what is proposed and confirms that we are seeking to mirror good private sector practice. As he says, ICI have found it worth their while to spend money to "enable people to retire early with dignity and so allow good staff to be moved up through the organisation to ensure the good health of a good company". Other major private sector employers, including I believe Marks and Spencer, have come to the same view.

3. Sir Robin asks whether we can be sure that we would be getting good value for money in spending £6 million to secure 100 additional retirements. As with other expenditures in the personnel field eg on merit pay, the benefits cannot be statistically forecast or assessed. Nevertheless there are facts which can be brought into the reckoning.

4. The £6 million this year would buy us 100 early retirements. That would buy us 500 or 600 promotions, as a result of the consequential movements through the hierarchy: 100 Principals would become Assistant Secretaries; 100 SEOs would become Principals; and so on. Part of the £6 million is simply an advance payment of sums which those concerned would in any case receive on retirement at 60. There are other offsetting savings. A newly promoted Principal, for example, is likely to receive several thousand pounds a year less than the man he replaces (because of the incremental scale) and so on down the line. The cost per promotion is much less than the cost per retirement.

5. I understand your feeling that the cost per individual retirement is high. But we are in the business of persuading people to retire, whom we have no good reason to force out. We cannot force people to leave early unless we are ready and able to prove before a Tribunal or in court that the dismissal was fair. The scheme we should be operating is, so far as its terms are concerned, identical with schemes now in operation. We can hardly offer something less generous if we want to persuade them to retire.

6. Sir Robin Ibbs also asks, very properly, whether the present proposals are simply dealing with the tip of an iceberg. They are certainly small in relation to the problem we face. Changes in the age structure of the Service flowing from heavy recruitment in the 70s and sharp contraction in the 80s - a contraction which fell disproportionately heavily on the senior grades - mean that promotion prospects at most levels, but particularly in middle to senior grades are now poor, and getting worse. On present trends, a quarter of our high flying graduate recruits - intended eventually to fill posts at Assistant Secretary level and above - would be unlikely to progress beyond Principal. The same position is in prospect at lower levels. We shall be coming forward to you, I hope in the spring, with a more comprehensive approach to the problems. Nonetheless, the present scheme, small though it may be in terms of the overall problem, represents a useful contribution to tackling the immediate situation. We currently have some 700 staff at Under Secretary level and above, and another 3,600 at Assistant Secretary level. In the normal course of events 350-400 of these would retire in the coming year. Measured against that expectation, 100 extra retirements is a substantial increase. It will also be good for morale, in the sense that it will be seen as demonstrating that we are not only aware of the problem but also determined to do something about it.

7. Sir Robin Ibbs asks whether "the right people" will be promoted to fill the vacancies created. At the most senior levels we can control this at the centre. For the rest we are in the hands of Departments and must rely on them. It is in their interests to promote the best available. I propose to stress to my fellow Permanent Secretaries that, if the scheme is to fulfil

its purpose, they should use it to promote the best available, not just for "Buggins' turn"; and I shall make it clear that we shall be asking them in due course for reports on the way in which the scheme has been used and an assessment of its value.

8. Finally, Sir Robin Ibbs draws particular attention to the EO and equivalent grades. He is right to do this because they represent our biggest potential problem, and the scheme we are proposing will only provide promotion opportunities for about a hundred of them. We employ some 70,000 of them, mainly in the DHSS, the Department of Employment and the Revenue Departments. All newly recruited EOs have at least 2 'A' levels and over half of present day recruits are graduates. They are not highly paid. They reach the maximum pay of the grade in their mid-20s, and outside London that maximum is £160 a week gross. In the past they joined in the expectation of a career which would take the best of them to middle and senior levels. That prospect is now seriously diminished. Unless we can do something for them, we can expect one of two things to happen. Either they will go sour, to the detriment of the efficiency of the offices in which they work and the service to the public they provide, or they will leave just as soon as the recovery of the economy allows them to do so. Merit pay may provide a partial solution by allowing some - and hence the ones we would most like to keep - to earn a bit more. Encouraging early retirement at middle rank levels could offer another route to a solution. These are possibilities which we are considering in the wider review to which I have already referred, and on which we shall be reporting to you when the work now in hand is completed in a few months' time.

9. I am sending copies of this minute to the Chancellor of the Exchequer, the Minister of State, Privy Council Office, and Sir Robin Ibbs.



ROBERT ARMSTRONG

25 January 1984



10 DOWNING STREET

From the Private Secretary

16 January 1984

Promotion Blockages in the Civil Service

The Prime Minister was grateful for Lord Gowrie's two minutes of 6 January about promotion blockages in the Civil Service, and also to Sir Robin Ibbes for his comments dated 12 January.

The Prime Minister agrees that the proposed efficiency scrutiny of the means used to identify and develop internal talent should go ahead. She has asked that Sir Robin Ibbes should be associated with this work.

The Prime Minister continues to attach importance to removing ineffective civil servants and to improving career prospects for talented younger staff. She does, however, have some doubts about the efficacy of the proposed early retirement scheme for senior staff. In particular she agrees with Sir Robin Ibbes that its cost effectiveness is not proven. Although the numbers involved are small (and this in itself is a significant limitation) the estimated cost of £6 million is substantial. The cost for individual retirement is thus very high. The Prime Minister considers that figures of this order can only be justified provided that they lead to the right result in terms of improved Civil Service performance.

Before reaching a final view, the Prime Minister would be grateful if Lord Gowrie could consider these points, together with those made by Sir Robin Ibbes. She would also be glad to see:

- (i) a more detailed description of the morale problem which the proposed early retirement scheme is intended to alleviate;
- (ii) what evidence there is that reduced career prospects for younger staff are actually affecting, or can be expected to affect, Civil Service performance.

I am sending copies of this letter to Margaret O'Mara (HM Treasury), Richard Hatfield (Cabinet Office) and to Sir Robin Ibbes. I should be grateful if its circulation could be kept to a minimum.

MR. D. BARCLAY

Paul Cann, Esq.,
Office of the Minister for the Arts.