

PRIME MINISTER

PROMOTION BLOCKAGES IN THE CIVIL SERVICE

Attached at Flag A is a submission from Lord Gowrie about promotion blockages in the Civil Service. He seeks your agreement to two specific proposals:

(i) A special early retirement scheme for senior staff.

(ii) An efficiency scrutiny of the way in which departments identify and develop internal talent.

You will also wish to consider comments from Sir Robin Ibbs at Flag B, and from the Policy Unit at Flag C.

Both Sir Robin Ibbs and the Policy Unit see the same flaw in the proposed early retirement scheme - there is no proven link between the cost and the return (which must be assumed to come from an improvement in the performance of the Civil Service as a whole).

It may be that the return is by its nature unquantifiable. The costs, however, will be obvious. Quite substantial sums will be paid out in individual cases - for example £106,000 for an Under Secretary aged 56 retiring after 32 years service. The average cost is put at £60,000 per retirement. There are of course significant off-sets against these figures, in the form of salary payments that would have been made, and lump-sum superannuation payments otherwise due at age 60. But large payments are bound to attract criticism, however well justified.

Agree a response along the following lines:

(i) You are content for the efficiency scrutiny on the use of internal talent to go ahead, and you would like Sir Robin Ibbs to be associated with it.

(ii) You are keen to see progress in removing ineffective civil servants and improving career prospects for talented younger staff, but you have some doubts about the efficacy of the proposed early retirement scheme.

(iii) In particular -

(a) Its cost-effectiveness, in terms of improved civil service performance, is unproven.

(b) The numbers involved are small.

(c) The cost per individual is ^{very} high.

No. (iv) Nevertheless, because of the severity of the underlying problem, you are prepared for the scheme to go ahead on the basis proposed (i.e. one year only, at a cost not exceeding £6 million). But you would like the results to be very carefully evaluated, in terms of

(a) Who goes.

(b) Who is promoted.

(c) Is there a measurable return on the investment.

And you would like a full report on the scheme in due course.

13 January 1984

Sub Before proceeding to (iv) I should like Lord to consider the points made by Robin that the cost is a lot of money unless we get the right results etc

PRIME MINISTERPOLICY UNIT
13 January 1984PROMOTION BLOCKAGES IN THE CIVIL SERVICE

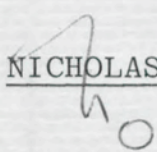
Our advice is that before agreeing to Lord Gowrie's proposal to implement the special early retirement scheme you should ask for rather more evidence that it is a cost-effective way of improving Civil Service performance.

There is a tendency to over-react to the consequences of reducing Civil Service numbers. The point should not be lost sight of that the Civil Service is not there to provide satisfying career prospects for its members but to perform the tasks which the Government considers important. Civil Service numbers have been reduced in the belief that many functions hitherto performed by civil servants are unnecessary, and in some cases, counterproductive. This implies that some civil servants, current and potential, could do work outside which would be of greater value. In my own judgement, a number of able officials would be more useful working in industry than "sponsoring" it, often at considerable cost to the taxpayer and consumer.

The costs of the scheme are high: £60,000 a post. Part of this is accounted for by bringing forward the lump sum payments by five years. Disregarding this purely timing point, the scheme involves an increase in salary costs of 100% in the first year, 50% in the subsequent four years, in order to replace older by younger staff. These are high premia: are they worth it? In terms of getting better people into senior posts, this must be doubtful. The scheme can only justify itself in terms of "improved morale". The paper gives no evidence of a morale problem - an overworked phrase in a number of situations where Government has imposed changes or added stringency. Resignations at Principal level and above are low as a proportion of the staff in those grades, and are falling (178 in 1979, to 108 in 1982). Evidence suggests that it is those with the most marketable skills which are more likely to leave - tax inspectors, medical officers and Treasury Principals. This last group worries the MPO because nine of the best Treasury Principals left in the last eighteen months, probably helped by their link with the buoyant financial sector. But it is not clear that the scheme would address this question since it would not make a special point of promoting those with marketable skills.

Morale is bound to be adversely affected by promotion blockages but any employer would have to ask: has morale actually affected performance? The paper is silent on this point. Unless there is some evidence, even of an indirect kind, that Ministers are failing to secure the commitment they need, for morale reasons, it is difficult to see that the early retirement scheme is cost-effective in management terms.

We recommend that Lord Gowrie be invited to consider these points.


NICHOLAS OWEN



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.