



Management and Personnel Office

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dcno

The Rt Hon Norman Fowler MP
Secretary of State for Social Services
Alexander Fleming House
Elephant and Castle
London SE1 6BY

20 April 1983

Dear Norman,

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INCENTIVES TO IMPROVE EFFICIENCY

Thank you for your letter of 28 March, with which you enclosed details of pilot schemes to be run in your social security local offices over the next two years. Your officials deserve the fullest commendation for devising these schemes so thoroughly and in such a relatively short time.

I certainly expect schemes of this kind to reinforce our drive for better management in the Service. Alongside the developments coming from the financial management initiative, we need to support greater delegation of responsibility, and its acceptance and exploitation by officials at all levels, by appropriate policies in the area of staffing management. I fully agree with you that these incentive schemes should make a real contribution by motivating staff and managers to seek better and more efficient ways of doing their jobs.

I understand that there are several other pilot schemes being worked up in departments. Some are on the point of being put forward to Ministers. These should complement your schemes, coming as they will from quite different organisational and functional areas.

There are bound to be difficulties and elements of rough justice inherent in each pilot scheme, and I do not under-estimate these. The advantage of pilot schemes however, is that they can avoid the best becoming the enemy of the good. If necessary they can be operated only in a very limited area or way, or for a limited time. We can seek refinements later, or if need be, reject a scheme altogether after practical experience with it. The important need is to foster experimentation rather than stifle it.

I would be grateful if other colleagues would let us know in the near future how they propose to proceed with pilot schemes in this field, with reference to my letter of

4 November last. I know my officials have been in close touch with yours during the development of your schemes, and they are of course very ready to discuss possible schemes with other departments.

I am copying this letter to Geoffrey Howe and all Cabinet colleagues. Copies also go to the Prime Minister and Sir Robert Armstrong.

Yours ever

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BARONESS YOUNG

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11 APR 1983





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DEPARTMENT OF HEALTH & SOCIAL SECURITY
Alexander Fleming House, Elephant & Castle, London SE1 6BY
Telephone 01-407 5522

From the Secretary of State for Social Services

The Rt Hon Baroness Young
Lord Privy Seal
Management and Personnel Office
Whitehall
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SW1

28 March 1983

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28/3

INCENTIVES TO IMPROVE EFFICIENCY

I wrote to you on 13 December 1982 in reply to your letter of 4 November about our proposals to develop an incentive scheme for social security local offices. I said that we were working hard on the details of our scheme with a view to introducing it from April and that my officials would be keeping your Department and Treasury informed of progress. Our scheme has now been finalised and will be introduced on time. I understand that your officials have been involved at all stages of its development. I attach, for information, a short paper about the scheme and need only highlight the following features.

There are in fact two schemes, which we shall be running over a two year experimental period. Each local office will operate one scheme one year and the other the next. One scheme is tied to performance throughout the year, measured against targets and objectives; the other offers a pay-back on savings produced by ideas put forward by local office staffs. If all the awards which can be obtained are in fact made at the end of each year, savings will of necessity be almost double the amounts paid out. The strings attaching to the use to which awards may be put have been kept to the absolute minimum. The costs of administration will be negligible. The Trade Unions have been informed of the schemes.

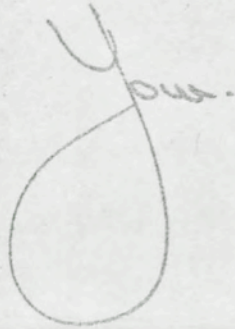
I have hopes that the schemes, which contain real incentives and are intended to see us through to the full implementation of the budgetary control system which we are developing (and which may give scope for schemes of a different nature), will capture the imagination of local office staff and will be very successful. We shall be monitoring and evaluating them carefully.

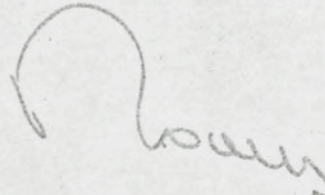
I believe that the schemes are an important part of our overall policy for placing responsibility at the lowest possible level in the social security

E.R.

organisation both for the sake of efficiency and in order to motivate staff.

Copies of this letter go to Geoffrey Howe, John Nott, David Howell, and Norman Tebbit and - for information - to the Prime Minister and other Cabinet colleagues.

Yours




NORMAN FOWLER

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INCENTIVES TO IMPROVE EFFICIENCY

1. The pilot schemes set out below reflect the outcome of discussions within DHSS and with MPO. In 1983/84, half the Group Manager Commands in the Social Security Regional Organisation will operate Scheme A, with the remainder operating Scheme B. In 1984/85 positions will be reversed, thus affording each office the opportunity to participate in both schemes. The Regional Award scheme will operate across the whole local office network each year.

Scheme A

2. Offices may put forward for the approval of the Group Manager schemes for making savings to which they are not already committed in any area of office activity.

3. In exercising his judgement as to whether or not to approve a scheme or schemes, the Group Manager will want to ensure that standards of performance and of service to the public will not be adversely affected by what is proposed and that schemes can be properly monitored and savings satisfactorily quantified. Savings accruing only in the course of the year in question will count towards an award. Where a scheme is approved at Group Manager level an office may have returned to it as an award, 25% of any savings made, up to a maximum of £1,000. Subject to this limit on awards deriving from individual schemes, an office may put forward and a Group Manager may approve more than one scheme for achieving savings.

4. Schemes should be formulated and submitted for Group Manager approval as soon as possible after 1 April in each of the 2 experimental years. Whilst there is no bar on the submission of schemes after this time in the course of a year, proper evaluation of the experiment requires that only savings accruing in that particular year may count towards an award. Savings may start to count immediately after any scheme has been approved.

Scheme B

5. Under this scheme awards may be made for good overall performance. It will be for the Group Manager to exercise his judgement in deciding what criteria to use for assessing performance although he may well decide to discuss with his Managers at the start of the year what should be taken into account. In judging performance, it is suggested that the Group Manager should have in mind not only the regularly available statistical measures of performance, but any other special factors with which an office has had to contend in the course of a year. He should pay particular attention to how resources have been both utilised and controlled, how the regional organisation's priorities for the year in question have been met, how special exercises have been handled and whether they have been completed on time and the extent to which improvements in performance over previous years and over agreed targets for the current year have been achieved.

6. It will not be open to a Group Manager to divide the available money equally or on a straight pro rata basis between all the

offices in the group. The level of awards will take account of the numbers of staff in each office.

e.g. a group of 18 offices

The top third (six offices) - £500 minimum plus a share based on the number of staff in each office (and using in total two-thirds of available funds);
Next one third (six offices) - £250 minimum plus a share based on staff numbers etc.

7. Six offices would receive no award. It will be open to a Group Manager to make fewer but not more than the total number of awards at the different levels.

Regional Awards

8. In addition to any awards made under Schemes A and B, there will be available each year in each region, two additional awards of £250 each for the offices promoting the best schemes for improving service to the public and a single award of £500 for the office with the most praiseworthy performance in the region as a whole. These regional awards will be decided by Regional Controllers in consultation with their Regional Management Teams.

DISPOSING OF AWARDS

9. During the experimental period, awards will be made to local offices immediately after the end of each financial year. There will be no strings attached to the uses to which awards may be put other than they should not be used for political purposes. A Group Manager may withhold or withdraw any award which it is proposed should be used in a manner which he considers might be regarded as in any way political. In broad terms, awards should be used for purposes from which benefit will accrue to the office as a whole. It will be for the Manager of each office to decide by what means the wishes of the staff should be identified. Incentive Scheme Committees or Working Parties, broadly representative of all the staff of an office, might be formed either to develop schemes or to decide how awards should be spent.

ADMINISTRATION AND FUNDING

10. It is particularly important that schemes should not carry with them a heavy administrative cost and the schemes outlined above have been designed with an eye to easy administration. Group Manager involvement is crucial in this respect. As well as being a means of achieving administrative simplicity however, involvement of the Group Manager is intended to emphasize his place in line management and to give him an additional means of bringing about an overall improvement in the efficiency of his offices.

INVOLVEMENT OF TRADE UNIONS

11. The Departmental Trade Union Side have been notified about the schemes which it is proposed to introduce experimentally and regional and local offices will be keeping the Trade Union Sides

at their respective levels abreast of developments. No formal negotiations by Group Managers or Regional Controllers as part of the award-making process are however envisaged. The extent to which local Trade Union Sides should be involved in the development of schemes or in decisions about how awards should be spent will be for local offices to decide.

Carl Meach, A-13
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Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

13 April 1983

The Rt. Hon. Norman Fowler MP
Secretary of State for Social Services

A handwritten signature in dark ink, appearing to read 'Norman'.

INCENTIVES TO IMPROVE EFFICIENCY

I was very interested to see the proposals for the pilot schemes which you put forward in your letter of 28 March to Janet Young.

As you know, I am much in favour of providing a genuine incentive to managers to improve the efficiency and effectiveness of their operations, and to cut out waste and overmanning. So I welcome these experiments. Scheme A appears more directly aimed at the objective. Although I thoroughly approve of the principle of rewarding good overall performance, I suspect that scheme B may be less easy to operate; much will depend on the judgement of Group Managers. But the proposed switch between the two schemes after a year's trial should produce useful evidence of their relative impact. Further development of performance indicators eg in relation to quality of service and cost centre budgeting, will clearly be helpful in refining scheme B and giving it a more objective basis.

I look forward to following the development and achievements of these incentive schemes and in particular to seeing how they will operate either in this or in some modified form under your budgetary control system.

I am sending copies of this letter to the Prime Minister, Janet Young and other Cabinet colleagues.

GEOFFREY HOWE

A handwritten signature in dark ink, appearing to read 'Geoffrey Howe'.

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2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref: K/PSO/12323/83

Your ref:

12 May 1983

Dear Janet,

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INCENTIVES TO IMPROVE EFFICIENCY

Your letter to Norman Fowler dated 20 April reminded colleagues that your letter of 4 November 1982 invited proposals for pilot incentive schemes. PSA have examined a number of possibilities and have recommended pilot schemes in two areas in PSA Supplies:-

- (a) an award to the field sales force section which records the best annual financial performance against agreed yardsticks;
- (b) an award for the purchasing team which most reduces overdue orders.

I support the recommendation for these pilot schemes. As you know PSA Supplies operate on a trading fund basis, and improvements in efficiency should not only be capable of quantification but will be of direct benefit to the business. I have no particular preferences for either (a) or (b) and am quite content for my officials to work up detailed schemes in each of the recommended areas in consultation with your people.

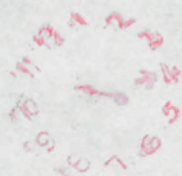
When you wrote to George Young on 22 December 1982 about the Draper study of District Works Offices you suggested that a selection of such offices might be suitable for inclusion in a pilot scheme within PSA. The Agency have been considering a number of alternatives but are not yet ready to present proposals.

Copies of this letter go to the Prime Minister and Cabinet colleagues.

TOM KING

The Rt Hon Baroness Young

17 MAY 1957





Secretary of State for Industry

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4 May 1983

The Rt Hon The Baroness Young
Lord Privy Seal
Management and Personnel Office
Whitehall
London SW1

Dear Janet,

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INCENTIVES TO IMPROVE EFFICIENCY

Your letter of 20 April to Norman Fowler invited colleagues to advise you of their thinking on pilot schemes for incentives to improve efficiency.

2 As you say, the differences between Departments in respect of organisations and functions mean that each of us will have to consider our circumstances individually. To this effect, we are here in the midst of a comprehensive consultative exercise with line management and the Trade Unions to explore the potential for some kind of scheme which will provide the desired incentive, while not absolving us from the normal obligations expected of good employers. It is too early to say what my conclusions will be, but my officials will keep yours in touch with developments.

3 Copies of this letter go to the recipients of yours.

You are
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