

CCNO

Prime Minister (2)

To see the Chancellor's comments. A meeting has been arranged for 16 March.



Treasury Chambers, Parliament Street, SW1P 3AG  
01-233 3000

B/H for meeting please.

D  
12/3

PRIME MINISTER

MERIT PAY

Grey Gowrie sent me a copy of his minute to you of 2 March and his draft Cabinet paper. I understand that you are planning to hold a meeting about it.

2. I myself am agnostic about the value of merit or performance-related pay schemes. They almost certainly imply some additional cost, in the initial stages at least. But I am not opposed to them in principle, and would not want to stand in the way of some limited experiment.

3. However, I do have doubts about Grey's specific proposal. I see little attraction in limiting the initial scheme to Permanent Secretaries, while the detailed arrangements for Under Secretaries do not strike me as a true merit pay scheme at all. I also think we should find it difficult to contain the costs in the longer run, since it would be difficult in practice to withdraw merit increments once awarded, and I suspect we should find the scheme itself difficult to stop, if we wanted to abandon it after an experimental period.

4. Copies of this minute go to Grey Gowrie, Sir Robin Ibbs and Sir Robert Armstrong.

A handwritten signature in blue ink, appearing to be 'N.L.'.

N.L.

9 March 1984



Parliament Chambers, Parliament Street, SW1P 3BQ  
01 238 3000

9 MAR 1984





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cc 10

Prime Minister

To note Lord Gowrie's reply  
to the Chancellor's letter at  
tag C in this folder.

CABINET OFFICE

From the Minister of State

Lord Gowrie

MANAGEMENT AND PERSONNEL OFFICE

Great George Street

London SW1P 3AL

Telephone 01-233 8610

DMS  
15/3

The Rt Hon Nigel Lawson MP  
Chancellor of the Exchequer  
HM Treasury  
Parliament Street

14 March 1984

Dear Nigel,

MERIT PAY

Thank you for sending me a copy of your minute of 9 March to the Prime Minister commenting on mine of 2 March. I am glad that you are not opposed in principle to the idea of merit, or performance related, pay schemes and that you would not want to stand in the way of a limited experiment. That is all I am seeking.

I was a little puzzled by your comment about Permanent Secretaries. Far from wishing to limit the initial scheme to them my view, reflecting the recommendations of the Megaw Committee, is that merit pay is not appropriate at these levels. All I am suggesting for them is that we pick up a specific Megaw recommendation that there should be greater differentiation of pay at the most senior levels reflecting the significant variations in job weights which exist and which are not adequately catered for in the present arrangements.

The nub of my proposal relates to Under Secretaries who all currently receive a single, flat, rate of pay throughout their careers in that grade. This is in marked contrast to the private sector where differentiation of pay on an individual basis at these levels, is very widespread indeed; and where we have a specific Megaw recommendation that we introduce merit pay. It is also very relevant that Sir Robin Ibbs has not only advised that we should aim to introduce some form or forms of merit pay throughout the Service as a means of fostering efficiency and effectiveness but has strongly represented that the Under Secretary grade is the right one at which to begin the process.

I am copying this letter to the Prime Minister, Sir Robin Ibbs and Sir Robert Armstrong.

LORD GOWRIE