

Ref. A084/2712

PRIME MINISTER



FORB

to see

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Pine Martin

N 12/10

The Secretary of State for Defence mentioned in Cabinet the other day his concern about the implications for the efficiency of the public service of the fact that the level of pay increases for management staff in the private sector has recently greatly exceeded the level of pay increases for the "comparable" people in the public service, so that the Civil Service is seen to have fallen even further behind the private sector than before.

2. The Ministry of Defence lost three of their best young Principals in August and September. You may like to see the attached copies of two letters which they have sent to explain their decisions to leave the public service: the deterioration of promotion prospects, the earnings disparities, and the loss of esteem of the Civil Service in the public eye all feature in these letters.

3. The wastage is not confined to bright young administrators and scarcity groups like computer programmers. The Ministry of Defence are also losing an alarming number of scientists.

4. If these trends continue unchecked, the implications for the efficiency and morale of the Civil Service in ten years' time could be extremely serious.

5. As you know, we are doing something to encourage early retirement and to introduce merit pay on an experimental basis. These measures may slightly improve promotion prospects and motivation, but I fear that, because the measures themselves are relatively modest (and in the case of merit pay experimental) their effects will not be very great. The problem of the earnings gap is something which will have to be thought about in connection with next year's pay settlement and Top Salaries Review Body review. I hope that we may be able to persuade Ministers to use whatever opportunities are open to them publicly to commend the work of the Civil Service and the management changes which are in train: that would do much to reassure



feeling in the Civil Service, though it would no doubt be difficult to persuade the media that there was much general news value in such speeches.

6. I am sending copies of this minute and of the two letters to the Chancellor of the Exchequer and the Chancellor of the Duchy of Lancaster.

REA

ROBERT ARMSTRONG

11 October 1984

prospects, and to be able to take greater public pride in my work, I would have to leave. Lazards have offered me a job which - assuming I make the grade - will satisfy these criteria. I should add that initially my pay at Lazards will be only marginally more than my current salary - I am not therefore being seduced by a fast buck - but I feel that Lazards offers career and pay prospects which far exceed those I could possibly hope for in the MOD however efficient my performance.

I hope you will find this a useful explanation of my reason for leaving. I would like to hope that the problems could be rectified so that fast streamers would not be so tempted to leave, but I see little or no prospect of this, and I regret, for the sake of the Civil Service, that more will reach the same inexorable conclusions that I have reached.

I have already mentioned that no date has yet been fixed for my arrival at Lazards. Clearly, though, I would like to press on as fast as possible, and I imagine you would wish to appoint someone to this key job in DS12 fairly soon. I should like to aim to join Lazards at the beginning of November - but perhaps we could discuss timings in detail when you have considered the 'staff plot' implication: I am of course anxious that the least possible disruption takes place within DS12, and I believe my successor should be in post a good month before the early December Ministerials in Brussels - hence the proposal for the beginning of November. I understand from CM(Conduct) that no special permission is required to take up an appointment with Lazards, as they are not in any contractual relationship with the MOD.

Would you please regard this letter as the formal notification of my intended transfer?

Yours sincerely
Jonathan Dawson
J D S DAWSON



MINISTER OF STATE FOR
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10 August 1984

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Dear Mr Hasho-Smith

MH-L 10/8

When we met yesterday, I informed you that I had decided to accept an offer of employment with the Orion Royal Bank and to resign from the Civil Service. You asked me to confirm this in writing and I am now doing so.

As I said yesterday, I have had an immensely varied and interesting career in the Civil Service - first as an Administration Trainee in the ROF organisation, DS8 and IP2; then as a HEO(A) on loan to the FCO, based for part of the time in Geneva and New York as a member of the UK Disarmament Delegation to the United Nations; and more recently as a Principal in DS17, ESW(Army), DS11 and, for the past year, as the Private Secretary to Minister(AF). I could not have hoped for a better start to my career; and I can say without hesitation that I have the greatest admiration for my colleagues and that I have been enormously impressed with the quality of their work.

Much as I have enjoyed my career in the Ministry of Defence, however, I have over the past two years increasingly felt that my future does not lie in the Civil Service. The experience of the past year in particular has contributed to this process but it has not been the main cause. (I do not deny that it has placed a very considerable strain on my wife and our young family.) More important factors, as I told you yesterday, have been the steady erosion of the position of the Civil Service in the earnings league; the low regard in which I find the Civil Service is held by many of my private sector contemporaries; and, with the squeeze on Civil Service numbers, the increasingly difficult promotion prospects.

I do not see any significant improvement in the future. I admire many of the achievements of this Government and I am personally in sympathy with many of its objectives. But there is a world of difference between its performance as a Government and its record as an employer. As a line manager, I have found it increasingly difficult to justify its actions to my staff. And as an employee, I am not surprised that so many should feel demoralised and disenchanted.

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my own case, however, these are not the principal reasons for resignation. In general, I regard myself as having been extraordinarily fortunate in the positions I have occupied and I shall always be grateful for the way in which my own career has been planned and managed. In my own case, the apprehension I feel for a future career in the Civil Service has come at a time when I have become increasingly interested in the operation of the international economy and in the role of the key financial institutions (this was also a particular interest in my Economics degree). I have become increasingly interested in pursuing a career in the City and the offer of employment I have received from the Orion Royal Bank will allow me to work in this field. After careful thought, I have decided to accept their offer.

When we spoke yesterday, you suggested that I might inform Minister(AF) of this decision on his return from overseas in mid-September with a view to leaving my post in mid-October. On reflection, I believe it would be in the interests of all concerned if I informed Mr Stanley as soon as possible, with a view to leaving the Civil Service at the end of September. I would not want him to learn of my resignation from a third party: not only would this be greatly discourteous on my part but it could well put you and my colleagues in a most difficult position. He has also just told me of his intention to come into the office for part of the week commencing 27 August. I therefore propose to inform him in writing early next week and to explain my decision to him in more detail when I see him at the end of August.

Finally, may I take this opportunity to thank you for all you personally have done to make my career in the MOD such an interesting and demanding one and for the interest you have shown in my progress.

Yours ever
P M W Francis

P M W FRANCIS
Private Secretary

R M Hastie-Smith Esq CB