



10 DOWNING STREET

File 16

CO3AHF

*From the Principal Private Secretary*

SIR ROBERT ARMSTRONG

The Prime Minister held a meeting yesterday at which Mr. John Chilcot and Mr. Peter Ewins made a presentation on the problem of promotion blockages in the Civil Service, which was the subject of your minute of 12 July (A085/1893).

The Chancellor of the Duchy of Lancaster, the Minister of State, Treasury (Mr. Hayhoe), you and Mr. Kemp (Treasury) were present.

The Prime Minister said at the conclusion of the presentation and a short discussion that she was content for the MPO to work up with the Treasury proposals for a personal promotion scheme and additional payments for sustained high performance. She agreed that Departments should be required to fund personal promotions within existing provisions, but she hoped that they would not be bound too rigidly by a ration which would be likely to have the effect that the ration was taken up in each Department without reflecting relative merit. The Prime Minister also said that she believed that there was scope for the application to Central Government of methods like those applied by the Audit Commission to Local Government in comparing the cost of activities across Departments. She was prepared to see more flexibility in pay and promotion arrangements, but believed that more attention should be paid to controlling running costs and at the very least ensuring that they did not rise faster than inflation.

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MANAGEMENT IN CONFIDENCE

- 2 -

I am copying this minute to Mrs. Lomax (H.M. Treasury), Mr. Thomas (Office of the Chancellor of the Duchy of Lancaster), Mr. Norgrove (Mr. Hayhoe's Office) and to Sir Robin Ibbs.

*FEBS*

16 July 1985



**with compliments**

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PROMOTION BLOCKAGES - MEASURES

Firstly, it is worth emphasising the need to develop a package of measures capable of flexible application to meet the varying needs of management as well as individuals. We need to be mindful that, even if left unchecked, promotion blockages (at Principal level) will affect different people to different degrees. Some will experience only relatively short delays - say, up to 5 years; others will be delayed by as much as 20 years; some could spend as much as 30 years in the grade and never get promoted. We therefore need an ascending range of measures. We also need to recognise that whatever we do in the future on manpower planning, including greater use of period appointments, promotion blockages will be with us into the next century.

EARLY RETIREMENT

Mr Chilcot has already shown that large-scale early retirement is not a viable solution to the problem, but its selective use can be very effective. Examples are the creation of earlier promotion opportunities for high flyers who are temporarily blocked and might otherwise resign, or to iron out particularly bad years and remove the worst blockages. But it must be remembered that any early retirement scheme only 'brings forward' promotions and does not create new ones.

SLIDE 1 We have already made a good start.

1984 - describe - 99 senior staff retirements; 400 consequential promotions at a cost of £4.3m

1985/86 - describe - 30 additional retirements; a further 100-120 promotions at a cost of about £1.5m

In the longer term, following the Early Retirement Review, responsibility will be delegated to departments so that they can make selective use in ways which fit best within their overall cash limits.

## AMELIORATIVE MEASURES

However, we need to look at other measures which can ameliorate the effect of short delays. We already have a range of measures which can help to motivate people delayed for, say, up to 5 years. (Typically, this might be a Principal who would have reached Grade 5 (Assistant Secretary) at 35 and now has to wait until he/she is 40.)

In summary, these measures are:

- (a) more delegation of authority and responsibility (especially under FMI), leading to greater challenge and job satisfaction;
- (b) merit pay awards (the experiment is already under way);
- (c) wider range of challenging postings - eg sending young Principals to run local offices or on secondment to the private sector (it is worth noting that outward movements are on the increase).

But, for longer delays in the grade, these measures alone are inadequate and we need other, perhaps more radical, measures if we are to avoid staleness in our more able individuals.

## PERSONAL PROMOTION

One way in which this can be achieved is through personal promotion - something already done in my own area, the Science Group (and I believe favoured by Lord Rayner)

SLIDE 2 Illustrate how it could work, using Principal as example.

(Note especially that posts are not increased)

133 in SG  
(about 25 annually)

### Advantages

- recognises change in role of Principal jobs;
- less expense than payments to all Principals;
- would help to retain good quality staff.

### Disadvantages

- might weaken grading standards, but control of promotion criteria and emphasising the distinction between the post and the individual will avoid the problems;
- could be divisive, but problem is worst at Principal level, and scheme could be extended to HEO level when shortage of good quality SEO posts causes a bottleneck in promotions.

The personal promotions scheme would be on the following lines:

(i) The scheme is introduced as an experiment.

(ii) During this experimental period the scheme should be subject to close control and monitoring by the central departments.

(iii) The criteria for success of the experiment are that it should help alleviate promotion blockages and maintain motivation in the middle ranks of the Service without demotivating those not selected or weakening grading standards. Measurement of this success will be partly through recruitment and retention figures; partly through analysis of departmental reports.

(iv) Central control of the scheme will be effected by controlling numbers participating by means of quotas fixed by MPO.

(v) Criteria for the inclusion of an individual should be laid down by the centre from the outset. These might include:

- (a) A box 1 (or 2) for performance in the most recent annual report.
- (b) Three successive "fitted" or "well fitted" markings for promotion.
- (c) Continued long term potential to rise one or two grades not in doubt.

(vi) Retention of the personal rank would depend on sustained good performance.

(vii) Departments should fund the scheme within existing provision.

*would be 500 people*

HEO 13144 - 4345  
SEO 17489

Grade 6 21834 - ~~505~~  
Pri. 17489 4,345

## PAY

For the longer term we need to seize the present opportunity offered by your government's desire to see more radical pay reform, introducing greater flexibility for rewards other than promotion. But in the short term we need to introduce one or two immediate measures to motivate and maintain a high level of performance in those whose promotion is likely to be blocked for a very long time or even permanently.

4390 - 37 resignations

The problem is particularly acute at Principal level: need for commitment and initiative; skills are marketable; many remain at Principal for remainder of career.

Performance bonus - already introduced on an experimental basis - could be used. But, exclusive use for promotion blockages would distort the aims of the scheme. It would also reduce the value of the experiment which is designed to provide performance incentives across the grades, and not to deal with the more permanent effects of promotion blockages.

### SLIDE 3

Our suggested solution is therefore the award of a special payment of say £1000 to sustained high performance, to those at Principal level who have been on the maximum of their pay scales for several years. This is likely to be paid to about 500 people, although the number might increase as blockages become more and more acute.

(up to  $\frac{3}{4}$  M annually)



## FINANCE

Emphasise that costs would be absorbed by departments. Take up of scheme would be voluntary, subject to certain criteria such as control of overall numbers and standards.

Once early retirement costs pass to departments in April 1986, they will be able to make a choice of a combination of measures which, on their judgement, gives best value for money.

SUMMARY - SLIDE 4

## PUBLICATION

Finally, if you agree that a package should be introduced, it would be most beneficial to make it widely known for two main reasons [both of which would boost morale]. First, rumours have exaggerated the fall in promotion prospects and we could put the record straight. Second, we would be seen to have a range of measures available to attack the worst problems as and when they arise.