



10 DOWNING STREET

*From the Private Secretary*

Mr. Hatfield

MORALE IN THE CIVIL SERVICE

The Prime Minister held a meeting today to discuss morale in the Civil Service. Present were Lord President, Chancellor of the Exchequer, Foreign Secretary, Chancellor of the Duchy of Lancaster, Minister of State Treasury, and Sir Robert Armstrong. The discussion took place against the background of the Government's announcement of its decisions on the TSRB report.

It was argued that the prospect of higher, more performance-related rewards at the top of the Civil Service would not necessarily improve morale lower down the Service where the feeling was that promotion opportunities were deteriorating and the prospects for reaching those higher posts looked dim. To obtain full benefit from having accepted the TSRB recommendations, the Government must take action to improve promotion prospects. Ministers had already considered the problem of promotion blockages and schemes for personal promotion and additional payments for sustained high performance, and for an expansion of the early retirement provisions, were now being worked upon.

Discussion then turned to the role of the TSRB. It was argued that the horizontal division of salary groups was unhelpful to the Government as any larger than average awards would immediately create feelings of resentment. Following the introduction of a new structure of salaries, the time was right to wind up the TSRB. The salaries of senior officers in the armed forces could be considered by the AFPRB; salaries of senior Civil Servants could be considered as part of the post-Megaw arrangements for the Civil Service generally; and the judiciary could be considered separately. It was agreed that the Chancellor should put forward a paper setting out how such a vertical arrangement might be operated.

The meeting then considered ways in which more flexible salary structures could respond to difficulties of recruitment and retention. The Chancellor gave figures (see the attached table) setting out the resignations of Assistant Secretaries and Principals. He felt these figures could not yet be taken as conclusive of a rising trend. Difficulties in recruiting or retaining certain specialist groups were identified, eg, linguists, tax inspectors and geologists. It was suggested that where efficiency savings



could be attributed to the work of a particular group of Civil Servants, part of the savings could be dedicated to performance bonuses, eg, where better procurement was achieved. It was agreed that Civil Service pay must do more to reflect market demand for different skills.

A number of other suggestions for improving morale were put forward. At relatively small cost, the Government could improve the working environment, which for many Civil Servants was still very shabby. It was important also that Ministers in their statements and speeches made it clear that they valued the Civil Service and esteemed the people who worked in it.

Summing up the discussion, the Prime Minister said that a number of proposals had been identified and she invited Lord Gowrie and the Treasury to follow them up vigorously.

I am copying this minute to Miss MacNaughton (Lord President's Office), Mrs. Lomax (HM Treasury), Mr. Ricketts (Foreign and Commonwealth Office), Paul Thomas (Lord Gowrie's Office) and Mr. Norgrove (Mr. Hayhoe's Office).

AT

(ANDREW TURNBULL)

23 July 1985