



Chancellor of the Duchy of Lancaster

PRIME MINISTER

MEGAW: THE PAYMENT OF PERMANENT AND DEPUTY SECRETARIES

When the Megaw Committee considered the introduction of merit pay in the Civil Service, they concluded that it was not possible to devise a satisfactory merit pay scheme at Permanent and Deputy Secretary level, but thought that further differentiation should be introduced into the pay of Permanent and Deputy Secretaries related to the weight of the jobs they perform. Having taken decisions in Cabinet on merit pay we should now consider what, if anything, we should do about this recommendation.

A case can be made for introducing some further differentiation of pay between Permanent Secretaries in charge of Departments. The argument is that, while size of Department is by no means the only valid criterion, there are a small number of Permanent Secretaries whose responsibilities are clearly heavier than those of the generality and that this should properly be reflected in differential pay rates. I believe that, if such a change were to be introduced, it should be kept simple: the obvious options are either to add one or two Permanent Secretaries to the present "super" category (which at present consists of the Secretary of the Cabinet, the Permanent Secretary at the Treasury, and the Permanent Under Secretary of State, Foreign and Commonwealth Office) or to introduce a new intermediate category between the "super" category and the main grade. The case for seeking to differentiate the pay of different Deputy Secretaries (Grade 2) and Second Permanent Secretaries (Grade 1A) is less clear: it could be argued that rough equality of job weight is assured by the varying numbers employed in different departments.

There are arguments both for and against change, and I do not offer any conclusion at this stage. On the other hand the Megaw recommendation exists and we ought to come to a view on it. I believe that the best course would be to refer the issue to the Top Salaries Review Body for consideration in the context of their forthcoming review of top salaries; we can then decide the matter in the light of their advice. If we are to do this, we should do so soon, before the TSRB get too far into the preparations for their next report. I envisage that official evidence would be confined to factual material and to statements of the arguments for and against: we should not offer a Government view.

If you and colleagues agree in principle I will let you have a draft letter to send to Lord Plowden, inviting the TSRB to consider this matter in their forthcoming review.

Copies go to Cabinet colleagues and to Sir Robert Armstrong.

GOWRIE
12 September 1984

Civil Service - Pay & Pension Pt 14.

PRIME MINISTER

PAY OF PERMANENT SECRETARIES

You were inclined to accept Lord Gowrie's recommendation, supported by Sir Robin Ibbs, that the question of job weighting for Permanent Secretaries should be referred to the TSRB.

The Chancellor has doubts because, he says, Ministers should decide these things for themselves. He would be inclined to make no changes in the present arrangements.

I am not sure that this is a terribly convincing reason for not referring the issue to the TSRB. Of course Ministers will take final decisions, but that is no reason for not seeking the best objective advice, as is the practice with all other top salary questions. Indeed, an outside opinion may be particularly important in this case, given the in-fighting which is bound to develop when some Ministers realise that their Departments are not going to be in the top category.

Clearly the Chancellor has no enthusiasm for job weighting, and would prefer to kill off the concept now. But the Government is not bound by TSRB, and he could argue for rejection at a later stage.

Content to maintain your support for the recommendation of Lord Gowrie and Sir Robin Ibbs?

ans
Yes

27 September 1984

1. MR BUTLER ^{FERB}
2. PRIME MINISTER

Pay of Permanent and Deputy Secretaries

The attached minutes from Lord Gowrie and Sir Robin Ibbs pick up the Megaw recommendation on job weighting for Permanent and Deputy Secretaries.

Lord Gowrie and Sir Robin agree:

- i) That there is not much of an argument for job weighting at Second Permanent Secretary or Deputy Secretary level, since the varying number of posts in these grades tend to compensate for variations in work loads between Departments.
- ii) That there may well be a case, on the other hand, for differential pay levels at Head of Department level.
- iii) That the question of job weighting should be referred to the TSRB. Sir Robin Ibbs thinks the reference should be limited to Permanent Secretary pay only, in view of the doubts about the value of job weighting at lower levels.

Sir Robin also suggests that there is a case for a further payment to the Head of the Civil Service, in recognition of the breadth of his responsibilities and his leadership role. The TSRB's view on this can be expected to emerge naturally from any comprehensive review of Permanent Secretaries salary.

Content for the question of job weighting for Permanent Secretaries to be referred to TSRB, for consideration in their forthcoming Review of Top Salaries?

JMS

[Handwritten signature]

25 September 1984



MANAGEMENT IN CONFIDENCE

CCND

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

25 September 1984

Dear Andrew

MEGAW: THE PAYMENT OF PERMANENT AND DEPUTY SECRETARIES

My Secretary of State saw Lord Gowrie's minute of 12 September to the Prime Minister proposing that the Top Salaries Review Body should be asked to advise on whether or not more differentiation should be introduced into the pay of permanent and Deputy Secretaries. He has also seen subsequently Judith Simpson's letter of 19 September recording the Chancellor's comments.

My Secretary of State has asked me to let you know that he agrees with the Chancellor on this issue. Accordingly he too would propose that things be left as they are.

Copies of this letter go to the Private Secretaries to other Members of the Cabinet and to Richard Hatfield in Sir Robert Armstrong's office.

Yours sincerely

John Ballard
JOHN BALLARD
Private Secretary

Andrew Turnbull Esq

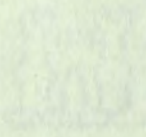
Civil Service PT 14

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25 SEP 1984



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MANAGEMENT IN CONFIDENCE

PRIME MINISTER

MEGAW: THE PAYMENT OF PERMANENT AND DEPUTY SECRETARIES

You sought my advice on Lord Gowrie's proposals (dated 12th September) for considering further differentiation in the pay of Permanent Secretaries and Deputy Secretaries. My views are as follows:

1. I believe there are wide differences in the extent and importance of the responsibilities of Permanent Secretaries in charge of Departments. I agree that size of Department is by no means the only criteria.
2. I also believe that in these circumstances there is practical management value in having a pay structure which acknowledges some of these differences and provides scope for further promotion for some Permanent Secretaries.
3. I agree that if differential pay rates are introduced the scale needs to be simple, with at most only three levels and possibly, as now, only two but in that event with a few additional Permanent Secretaries in the top level.
4. I believe that in addition to the scale based on Departmental responsibilities, the Head of the Civil Service should receive a further payment above his Departmental rate. I regard this as an important way of emphasising his responsibility, in addition to his Departmental duties, for leading the Civil Service and for improving management in the widest sense. For this task he should have obvious and widely acknowledged top status.
5. So far as possible, some factual basis is needed for judging the differences in responsibilities. Only then will it be sensible to decide finally whether any change is justified, how many categories would be appropriate and what the differentials in pay should be. I would advise against Ministers trying to solve the problem only on the basis of intuition.
6. I agree that the TSRB should be asked to advise on this question of different levels of responsibility and possibly differentials. It is inevitable that any view will be to a considerable extent judgemental, and I



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believe that they should be encouraged to take a fairly bold view of the problem, to concentrate on broad differences and to avoid, for example, very detailed investigation of the work of all Permanent Secretaries.

7. From my knowledge of Departments I see no case for differentiating at this stage between second Permanent Secretaries or between Deputy Secretaries. As Lord Gowrie suggests, differences are in practice much reduced by the variation in numbers and organisation within Departments. Furthermore I would not favour putting this possibility to the TSRB this year as they will be fully stretched anyhow if they take on a review of Permanent Secretaries in charge of Departments.
8. I am sending a copy of this minute to Lord Gowrie.

ROBIN IBBS
24th September, 1984

CIVIL SERVICE: Pay Pt 14



Lord Gortie suggests, differences are in practice much

25 SEP 1984

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cc/no

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

19 September 1984

Andrew Turnbull Esq
Private Secretary
No 10 Downing Street
LONDON SW1

*Await
Sir R Ibbotson*

*D
w/j*

Dear Andrew,

MEGAW: THE PAYMENT OF PERMANENT AND DEPUTY SECRETARIES

The Chancellor of the Exchequer saw before he left for Toronto Lord Gowrie's minute of 12 September to the Prime Minister proposing that the Top Salaries Review Body should be asked to advise on whether or not more differentiation should be introduced into the pay of Permanent and Deputy Secretaries.

The Chancellor has said that he is dubious about any advantage likely to arise from asking the TSRB for their advice on the principle of introducing greater pay differentiation for these grades. He feels that this is a matter which Ministers should decide themselves. In that context, his preference would be to leave things as they are.

Copies of this go to the private secretaries of other members of the Cabinet and to Richard Hatfield in Sir Robert Armstrong's office.

Yours ever,

J.C.S.

MISS J C SIMPSON
Private Secretary

Civil Service Pt 14

Pay

20 SEP 1984

GOVERNMENT

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10 DOWNING STREET

From the Private Secretary

28 September, 1984

Dear Paul,

MEGAW: THE PAYMENT OF PERMANENT AND DEPUTY SECRETARIES

The Prime Minister has seen the Chancellor of the Duchy's minute of 12 September and the comments of the Chancellor of the Exchequer, the Secretary of State for the Environment and Sir Robin Ibbs. She considers that it would be helpful for job weighting for Permanent Secretaries, but not second Permanent Secretaries or Deputy Secretaries, to be referred to the TSRB.

I am sending a copy of this letter to the Private Secretaries to members of Cabinet and to Richard Hatfield (Cabinet Office) and Sir Robin Ibbs.

*Yours sincerely
A. Turnbull*

(A. Turnbull)

P. Thomas, Esq.,
Chancellor of the Duchy of Lancaster's Office.

From: THE PRIVATE SECRETARY



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AT 28/5
CENO

NORTHERN IRELAND OFFICE
WHITEHALL
LONDON SW1A 2AZ

Andrew Turnbull Esq
Private Secretary
No 10 Downing Street
LONDON SW1

27th September 1984

Dear Andrew,

MEGAW: THE PAYMENT OF PERMANENT AND DEPUTY SECRETARIES

The Secretary of State has seen Lord Gowrie's minute of 12 September to the Prime Minister proposing that the Megaw recommendation regarding salaries of Permanent Secretaries and Deputy Secretaries should be referred to the TSRB to consider in their forthcoming review of top salaries. He has also seen the letters recording the views of the Chancellor of the Exchequer and the Secretary of State for the Environment.

Mr Hurd would be opposed to referring this issue to the TSRB, unless Ministers had considered a statement of the advantages and disadvantages of the Megaw recommendation, such as Lord Gowrie intends should be sent to TSRB, and were broadly neutral or in favour of change.

I am copying this letter to the Private Secretaries of other members of the Cabinet and to Richard Hatfield in Sir Robert Armstrong's office.

Yours Sincerely
Neil Ward.

N D WARD

From: The Postal Director
Current Source PT14

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POST OFFICE
NORFOLK ISLAND

28 SEP 1984

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10 DOWNING STREET

From the Private Secretary

SIR ROBIN IBBS

MEGAW: THE PAYMENT OF PERMANENT AND
DEPUTY SECRETARIES

I understand that you may not yet have seen the attached minute to the Prime Minister from Lord Gowrie about the pay of Permanent and Deputy Secretaries.

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I know that the Prime Minister would value your advice on this subject, and I have mentioned to Lord Gowrie's office that I am seeking your views.

(DAVID BARCLAY)
17 September 1984

TMB.