



Ref. A084/2823

PRIME MINISTER

---

Mr Butler's minute of 4 October records you as agreeing that, before you decide whether to refer the question of differential job weighted pay rates for Permanent Secretaries to the Top Salaries Review Body, I should be asked whether I feel able to recommend any changes in the present categorisation of Permanent Secretary posts for pay purposes without reference to the TSRB.

2. I have to say that I should very much prefer not to have to make recommendations to Ministers without reference to the TSRB, either as to whether there should be changes in the categorisation or, if so, as to what these changes should be.
3. On the first question - whether there should be changes - I should be readier to make a recommendation if I detected anything approaching a consensus on the subject among my fellow Permanent Secretaries. But I do not. Opinion is fairly evenly divided. It is interesting to note that those who are against change include the majority of those who would almost certainly be in the higher category. I think that some of them may be reluctant to declare support for a proposal which would give them more money than some of their colleagues; but there is also a genuine reluctance to break with the traditional "parity of esteem" - at any rate for salary purposes - among Permanent Secretaries.
4. I am myself among those who favour some categorisation, though I do not think that it should be very complicated. Other countries with similar systems do have a degree of categorisation among Permanent Secretaries, and it seems to work well enough. I find it difficult to resist the argument that the job of being, say, Permanent Secretary to the Ministry of Defence is in



every way weightier than the job of being, say, Permanent Secretary to the Welsh Office, and that this difference should logically be reflected in a remuneration differential. I do not think that the arguments of cohesiveness and collegiality on which the defenders of "no change" rely carry sufficient weight to affect this consideration. You may think that I ought to have the courage of my convictions and formally recommend accordingly; but in the circumstances I should find it invidious to have to do so. I think that it would actually be useful to put the proposition to the test of independent external assessment; the resulting conclusion will carry greater authority as well as independence than if it comes from me alone. The TSRB is better equipped than any other external source of advice to arrive at an informed judgment on the matter.

5. I should be even more reluctant to proffer single-handed recommendations on what the categorisation should be. Again, I have views both as to how many categories there should be and as to which Permanent Secretary posts should be in each category. But those views would not necessarily commend themselves to others, and particularly to those Permanent Secretaries who would think that I had categorised them below their deserts: if I said that Sir Arnold Robinson in Department X should be in Category A but Sir Humphrey Appleby in Department Y should be in Category B, my relations with Sir Humphrey would be likely to be damaged.

6. I have also to bear in mind that in certain circumstances my own and Sir Peter Middleton's rates of pay could be indirectly affected, if greater categorisation were introduced as a result of recommendations made by me and the TSRB then made salary recommendations which opened out the concertina of rates at these levels. I should prefer not to be in that position.



7. In short, I should prefer not to be asked to give you formal advice on this, and I hope that you will agree to refer to the TSRB:

1. whether there should be job-weighted categorisation of Grade 1 Permanent Secretaries in charge of Departments;
2. if so, what categories there should be and which Permanent Secretaries should be in which category;
3. what the salary rates should be.

8. I understand that the TSRB would be prepared to take delivery of such a reference and deal with it in the course of the 1985 review on which they are now embarking and on which they will report about next April.

--- 9. In the hope that it may be helpful, I attach a draft of the note which I have in mind to send to the TSRB, if you agree that they should receive the reference, setting out facts, considerations and option without seeking to make recommendations or suggest conclusions. In preparing the draft I have consulted Sir Peter Middleton, who is content with it.

10. I am sending copies of this minute to the Chancellor of the Exchequer and the Chancellor of the Duchy of Lancaster.

RA

ROBERT ARMSTRONG

1 November 1984

DRAFT OF 1 NOVEMBER 1984

JOB WEIGHTING FOR PERMANENT SECRETARIES

Note by the Secretary of the Cabinet and  
Head of the Civil Service

The Committee of Inquiry into Civil Service Pay under Mr Justice Megaw, reporting its conclusions on merit pay in the Civil Service, said that they did not believe it possible to devise a satisfactory merit pay scheme at the levels of Permanent Secretary and Deputy Secretary. They did, however, believe that a change should be made to introduce differences in the rewards of the Deputy Secretaries and Permanent Secretaries according to the weights of jobs.

2. The Government agrees that there is a case for considering whether there should be job-weighted pay distinctions in respect of Permanent Secretaries in charge of Departments, given the manifest disparities in the weight of responsibilities covered by the posts concerned. There are, however, arguments against job-weighted pay distinctions at this level. The Government has reached no conclusion on the subject, and would welcome the advice of the Top Salaries Review Body, as to:

(1) whether there should be job-weighted pay distinctions at Permanent Secretary level;

(2) if so, what should be the subdivisions within the grade, and which Permanent Secretaries should be in each subdivision; and

(3) what would be the appropriate salary rates for each subdivision.

3. The Government considers that the case for considering job-weighted salary differentials at Deputy Secretary and Second Permanent Secretary levels is less clearly established. There is (as a rule) only one Permanent Secretary in charge of any one Department, however large or small; differences between one Department in the load carried at Second Permanent Secretary and Deputy Secretary level are broadly reflected in the numbers of posts at those levels.

4. The remainder of this note is concerned with the possibility of job-weighted salary differentials among Permanent Secretaries in charge of Departments.

facts

5. There are at present three grades of Permanent Secretary:

Grade 0 (£51,250)  
Total in Grade 2  
(plus PUS, FCO)

Secretary of the Cabinet  
Permanent Secretary, Treasury

Grade 1 (£45,500)  
Total in Grade 21  
(plus C and AG,  
PCA)

Permanent Secretaries in charge of  
Departments:

Agriculture  
Customs and Excise  
Defence  
Director of Public  
Prosecutions  
Education and Science  
Employment  
Energy  
Environment  
Health and Social Security  
Home Office  
Inland Revenue  
Lord Chancellor's Department  
Parliamentary Counsel  
Scottish Office  
Trade and Industry (2)  
Transport  
Treasury Solicitor  
Welsh Office

Others in:

Cabinet Office (1)  
Defence (1)

Grade 1A (£42,000)  
Total in Grade 14

Second Permanent Secretaries in  
the following Departments:

Cabinet Office (2)  
Defence (3)  
Education and Science (1)  
Environment (2)  
Health and Social  
Security (2)  
Overseas Development  
Administration (1)  
Treasury (3)

6. Until 1956, the only Permanent Secretary to be paid above the standard rate was the Permanent Secretary to the Treasury as *ex officio* Head of the Civil Service. The Secretary of the Cabinet became a separate post again in 1963, and the holder was paid at the higher rate. While the Civil Service Department was in existence its Permanent Secretary was *ex officio* Head of the Civil Service and was paid at the higher rate, with the Permanent Secretary to the Treasury and the Secretary of the Cabinet.

Case for further Subdivision

7. All Permanent Secretaries in charge of Departments have responsibilities for leading their Departments both in formulating policy advice and executing policy decisions and in managing the staff and organisation of the Department. There are wide differences in the extent and importance of the responsibilities of Permanent Secretaries in charge of Departments. Size of Department is one criterion but only one. Breadth of responsibility, intellectual requirements, managerial control, weight of experience, and the scale of demands are among the others. Most of these factors are impossible to quantify; but the differences are none the less real. To illustrate the case from its extremes, one can quote Sir Frank Cooper, writing to the Chairman of the Top Salaries Review Body on the date of his retirement from the public service:

"It surely must be nonsensical that my level of pay over the last ten years has been the same whether in the Northern Ireland Office or the Ministry of Defence ..... I must tell from my own personal experience that there are vast differences between jobs. I was Permanent Secretary in Northern Ireland from the early part of 1973 to the early part of 1976. It was a very active and demanding time politically and in security and economic terms. It involved very very long hours and much travelling within the United Kingdom. Yet in terms of the demands made on me here in the Ministry of Defence and the responsibilities carried there is no real comparison. Here they have been vastly greater: the range of work is much larger; its nature more disparate and geographically widely dispersed; and, above all, there are large number of senior managers - both civilian and service - with whom one has to deal and over a wide range of issues."

In these circumstances there would be practical management value in having a pay structure which acknowledges some of these differences and provides scope for further promotion for some Permanent Secretaries.

Case against further Subdivision

8. The case against further subdivision essentially relates to the advantages of a relatively broad-banded grading system at senior levels. The fact that the grading and salary structure is (broadly speaking) common to all Departments at these levels facilitates the transaction of business between them, and the cross-posting of individuals between one Department and another within grades in the open structure. Further subdivision at Permanent Secretary level could put these advantages to some extent at risk. There is no reason to suppose that any one would work harder or more efficiently as a result; and at a time when

Unified grading is being extended down as far as Grade 7 (Principal), a grading subdivision within Grade 1 might look illogical. It would be difficult to introduce subdivisions within Grade 1 which allowed for significant salary differentials without being at risk of "opening out the concertina of salary rates" and thus increasing the overall cost of remuneration at these levels. Moreover subdivisions within Grade 1 could make more explicit the fact that there is a pecking order among Departments: the extension of explicit "class distinctions" among Departments could create resentments, could affect freedom of manoeuvre in making cross-postings of civil servants from one Department to another (not just at Permanent Secretary level), and could even inhibit the decisions of the Prime Minister in making Ministerial appointments.

9. If there is to be further subdivision in Grade 1, it should not be too complicated or sophisticated: there should be no more than two, or at most three, sub-grades.

10. As to the criteria for distributing particular Departments within the sub-grades, there must inevitably be a considerable element of subjective judgment. As there can be presumed to be some connection between size of Department and burden of management responsibility, there is attached at Annex A a list of Departments in size order. A rough indicator of policy responsibility could be the number of open structure posts; there is attached at Annex B a list of Departments in order of numbers of open structure posts.

11. Putting these two together, and taking account of other factors which can only be the matters of subjective judgment, a possible subdivision of Grade 1 into the sub-grades might be:

Permanent Secretary to:

Grade 1.1

Ministry of Defence  
 Department of the Environment  
 Department of Health and Social Security  
 Home Office  
 Scottish Office  
 Department of Trade and Industry

Grade 1.2

Ministry of Agriculture  
 Customs and Excise  
 Department of Education and Science  
 Department of Employment  
 Department of Energy  
 Inland Revenue  
 Lord Chancellor's Department  
 Northern Ireland Office  
 Department of Transport  
 Treasury Solicitor  
 Welsh Office

2. An alternative subdivision into three sub-grades might be:

Permanent Secretary to:

Grade 1.1

Ministry of Defence  
Department of the Environment  
Department of Health and  
Social Security  
Department of Trade and Industry\*

Grade 1.2

Ministry of Agriculture  
Customs and Excise  
Home Office  
Inland Revenue  
Scottish Office  
Department of Transport

Grade 1.3

Department of Education and  
Science  
Department of Employment  
Department of Energy  
Lord Chancellor's Department  
Northern Ireland Office  
Treasury Solicitor  
Welsh Office

\* Assuming that the Department of Trade and Industry reverts to a single Permanent Secretary. So long as it has two joint Permanent Secretaries, they should both be in Grade 1.2.

13. Clearly, however, there is an element of arbitrariness both about the choice of number of sub-grades and about the distribution of Departments within any given subdivision, and the structures indicated in paragraphs 11 and 12 are not the only viable or defensible possibilities.

Head of the Civil Service

14. Since it is possible that at some future date the Prime Minister might decide to appoint some one else than the Secretary of the Cabinet or the Permanent Secretary to the Treasury as Head of the Civil Service, it might be convenient to establish a convention that the Head of the Civil Service should always be in Grade 0, even if he is Permanent Secretary of some other Department than the Cabinet Office or the Treasury.



ANNEX A

	<u>Total Staff in Post</u>
1. Ministry of Defence	197,630
2. Department of Health and Social Security	90,065
3. Inland Revenue	68,966
4. Home Office	36,634
5. Department of the Environment (including PSA and the Crown Suppliers)	33,522
6. Department of Employment (excluding MSC, HSC/HSE)	29,609
7. Customs and Excise	25,175
8. Department of Transport	14,215
9. Department of Trade and Industry	12,449
10. Ministry of Agriculture, Fisheries and Food	11,382
11. Lord Chancellor's Department (including Public Trustee Office)	10,017
12. Scottish Office	9,702
13. Department of Education and Science	2,386
14. Welsh Office	2,192
15. Department of Energy	1,086
16. Treasury Solicitor's Department	446
17. Northern Ireland Office	179

## ANNEX B

## OPEN STRUCTURE POSTS (as at October 1984)

	<u>0</u>	<u>1</u>	<u>1A</u>	<u>2</u>	<u>3</u>	<u>Total</u>
1. Ministry of Defence (excluding ROFs)		2	3	18	69	92
2. Department of Health and Social Security		1	2	12	50	65
3. Department of Trade and Industry		2		11	46	59
4. Department of the Environment		1	2	9	43	55
5. Scottish Office		1		9	27	37
6. Ministry of Agriculture, Fisheries and Food		1		5	25	31
7. Home Office		1		6	21	28
8. Inland Reveune		1		6	19	26
9. Department of Transport		1		5	18	24
10. Department of Education and Science		1	1	4	13	19
11. Department of Energy		1		2	12	15
12. Lord Chancellor's Dept		1		2	12	15
13. Welsh Office		1		2	10	13
14. Customs and Excise		1		3	8	12
15. Department of Employment		1		3	8	12 (exc MSC and HSE)
16. Treasury Solicitor's Dept		1		1	7	9
17. Northern Ireland Office		1		2	4	7

<u>I</u>	<u>II</u>	<u>III</u>	<u>IV</u>
MOD 92	Environment 55	Transport 24	Customs and Excise
	Health and Social Security 65	Home Office 28	Education and Science
	Trade and Industry 59	Inland Revenue 26	Employment
		Scottish Office 37	Energy ODA
		MAFF 31	Northern Ireland Office
			Welsh Office Lord Chancellor's Department
			Treasury Solicitor's Department