

SUBJECT

MANAGEMENT IN CONFIDENCE

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10 DOWNING STREET

*From the Principal Private Secretary*

SIR ROBERT ARMSTRONG

Early Retirement and Merit Pay in the Civil Service

At her meeting with you today, the Prime Minister emphasised the importance which she attaches to improving the incentives for people in the middle and upper ranks of the Civil Service at a time when the reduction of posts has diminished promotion opportunities. The Prime Minister asked you to give priority to bringing forward schemes for merit pay and for early retirement at the highest levels of the Civil Service.

You said that the MPO was working on both these schemes, and that you expected to bring forward a scheme for merit pay by September. But this could not only be applied to a small number of people at the top of the Civil Service. It would have to be a scheme of general application, which could be operated on the basis of objective criteria. As regards early retirement, an obstacle had been the Treasury's attitude towards the cost.

The Prime Minister commented that, in catering for the people she had primarily in mind, an early retirement scheme was perhaps an alternative to merit pay. The cost of such a scheme would be relatively small and she would be prepared to tell the Chancellor of the Exchequer of her view that it had to be met.

BE | The Prime Minister concluded by asking you to give priority to bringing forward proposals on these matters.

E. E. R. BUTLER

18 July 1983

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