

PRIME MINISTER

This minute from Lord Gowrie covers two separate issues: performance related pay, and the extension of unified grading.

Performance related pay

Cabinet agreed in July that a start had to be made with the introduction of performance related pay. Lord Gowrie is now ready to announce a 3-year experiment, limited to relatively senior staff. Operation will be largely at the discretion of Permanent Secretaries, but up to one in five staff in the grades between Principal and Grade 3 should be able to earn bonuses with a minimum value of £500. The cost is estimated at £4 million a year.

The unions will resent the narrow scope of the experiment, and Lord Gowrie therefore wants to allow as long a period of consultation as possible before the scheme is due to start on 1 April 1985.

Agree announcement next week, subject to Chancellor's views (not yet received, but expected to be generally favourable)?

Unified grading

Most colleagues have accepted, with more or less enthusiasm, the extension of unified grading to Principals. But Sir Keith Joseph remains opposed, because of the extra cost this change would impose on the research councils (estimated at £ million a year).

A further meeting between Lord Gowrie and the Education Secretary is planned for next week. I suggest you reserve your position until then.

Agree?

David Barclay
28 November 1984

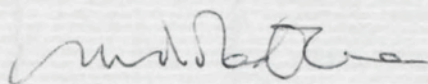
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PERFORMANCE-RELATED PAY

The only quibble I have with the draft Parliamentary Answer proposed by Grey Gowrie is that "good performance" might be linked, in the second paragraph, to the achievement of better value for money.



NICHOLAS OWEN