

PREM19

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CIVIL SERVICE

(Manpower
freeze)

(Part 1)

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PREM 19/5

32/26

PART 1

MT

Confidential Filing

Freeze On Civil Service Manpower.
Action to reduce the size of Civil
Service and Staff Costs

CIVIL SERVICE

Pt 1:

May 1979

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
9-5-79		10-8-79					
10-5-79		14-8-79					
14-5-79.		16-8-79.					
18-5-79		28-8-79					
23-5-79		29-79.					
24-5-79							
3-5-79.		28.8.79					
4-6-79		endo	/				

PREM 19/5

PART 1 ends:-

Staff Side Chairman to m/s CSD

28.8.79

PART 2 begins:-

LPC to s/s Def. 7.9.79

Published Papers

The following published paper(s) enclosed on this file have been removed and destroyed. Copies may be found elsewhere in The National Archives.

Civil Service Commission Annual Report 1978 (ISBN 0903741
482)

Signed Wayland Date 22 October 2009

PREM Records Team

Civil Service

CIVIL SERVICE DEPARTMENT

RMS

Departmental Whitley Council - Staff Side

FROM THE STAFF SIDE CHAIRMAN

Paul Channon Esq MP
Minister of State
Civil Service Department

cc The Rt Hon Margaret Thatcher MP
The Rt Hon Lord Soames GCMB GVO CBE
Sir Ian Bancroft GCB
Mr K C Lawrance
Mr W L Kendall

Dear Minister of State

28 August 1979

ACTION TO REDUCE DEPARTMENTAL STAFF COSTS

As I am sure you will know, the Departmental Staff Side were presented on 14 August with the paper containing the 10%, 15% and 20% options for reducing departmental staff costs in the CSD. It is our understanding that the options have your approval and that of the Lord President.

Our reaction is one of disappointment and dismay. We understood it was the Government's intention to reduce central Government expenditure by studying the functions of central Government and eliminating those considered to be undesirable to the new policies or those desirable functions which could be abolished with least damage to the Public Service. Indeed it now seems to us that short-term economies will be achieved only at considerable expense to the tax-payer in the long-term.

Very little of the options relates to a reduction or elimination of functions, but even the 10% option amounts to an arbitrary scaling down of the activities of the CSD in much the same way as the arbitrary cut imposed on the Department, in common with the rest of the Civil Service, only a few years ago. In fact it could be said that the previous cut was more related to functions as on that occasion 2 specific functions of the CSD were in fact eliminated. We see this as amounting to a tacit acceptance that the CSD's functions are desirable and could not be dispensed with without disproportionate damage to the Public Service.

The scaling down in many cases relates to activities which are designed to make the Civil Service more efficient and cost effective. Indeed one option is specifically spelt out in terms of doing things in a less efficient manner.

Some of the reductions result from the transfer of costs from the CSD to other departments, thus leading to no real economy.

We are concerned at the giving up of some central controls which will lead to considerable difficulties, and undoubtedly extra costs, because of the lack of central guidance and a co-ordinated approach.

The paper would seem to need updating even at this stage because some savings which have already been made or agreed are not included, eg the abolition of the "public image" unit, the cancellation of dispersal and, most recently, the dissolution of the Communications Branch.

It seems quite clear to us that even the 10% option is in parts illogical and short-sighted and will lead to the converse of economies. We should therefore be grateful if you will allow us to discuss this with you before the exercise

progresses much further and perhaps you will be able to meet me and some of my Staff Side colleagues before the end of this month or during the first week of September.

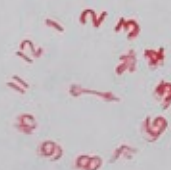
You will wish to know that I am sending copies of this letter to the Prime Minister (as Minister for the Civil Service), the Lord President, the Permanent Secretary, the Principal Establishment Officer and the Secretary-General of the Staff Side of the National Whitley Council.

Yours sincerely

Ian Cutler

Ian Cutler

28 AUG 1979





Civil Service

Civil Service Department
Whitehall London SW1A 2AZ
01-273 4400

20 August 1979

David Omand Esq
Private Secretary to the
Secretary of State for Defence
Main Building
Whitehall
LONDON SW1A 2HB

*p.o.
G.M.
20/8*

Dear David

FURTHER REDUCTIONS IN THE CIVIL SERVICE

Thank you for your letter of 14 August.

The Lord President has no objections to your going ahead with the studies, and informing staff and the Staff Side. But his views on the wider issues of the target reduction for the Ministry of Defence are of course contained in his letter to the Chancellor of the Exchequer of 9 August.

I am copying this letter to Tim Lankester and Martin Hall.

Yours sincerely

A handwritten signature in cursive script, appearing to read 'J. Buckley'.

pp. J BUCKLEY
Private Secretary



NBPM

TL to see
Ches, ✓
earlier papers
on 28/11.

WITH

THE COMPLIMENTS OF THE
PRIVATE SECRETARY

MAD
24/11

MINISTRY OF DEFENCE, WHITEHALL

LONDON, S.W.1A 2HB

CONFIDENTIAL



MINISTRY OF DEFENCE WHITEHALL LONDON SW1A 2HB

TELEPHONE 01-218 9000
DIRECT DIALLING 01-218 2111/3

CONFIDENTIAL

MO 2/2/6

17th August 1979

Dear Christopher,

Thank you for sending me a copy of your letter of 9th August to Geoffrey Howe.

I do not want to go back over the arguments again but there are three vital considerations we cannot balk:

- a. we are not a regulatory but an executive Department with the bulk of our staff (industrials, engineers, scientists etc) engaged on productive work;
- b. the Government is publicly committed to giving our defence effort a high priority. We are faced with the challenge of a growing threat and an expanding programme. I want the emphasis to be predominantly on hardware not personnel - whether uniformed or civilian - but we need the staff to do the job and we are currently under strength - both uniformed and civilian - even for our present tasks;
- c. the MOD and other Departments are not starting from the same baseline. The MOD has been very deliberately and successfully squeezing itself for years in a very large way. Targets have been met. The job has been thought through and effectively done. If the Government had set each Department the target of reducing its 1974 strength by 5% I would have accepted such a requirement. Such a target would have given the Government an overall 10% saving on the current Civil Service figure.

/ You ...

The Rt Hon The Lord Soames GCMG GCVO CBE

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You say that beyond the 3% I am offering no more than studies of three major areas which may take up to a year to complete. It is worth remembering that the 3% itself is some 7,500 staff, of which only a small proportion would be affected by the Truck Acts. We must also bear in mind the scale and complexity of the areas for further study which involve over 100,000 staff, many operating in areas of complex engineering and maintenance and high technology. We must get it right and we must be sure about costs. I do not see how I can set a "firm and substantial target" for these studies but I am certainly very willing to call for at least interim reports by March 1980 as well as to include in their terms of reference a firm requirement to identify the savings which might be achieved by 1 April 1982 even though completion of major changes may well take rather longer.

I hope that, on reflection, you will accept that I can go no further at this stage. Indeed to keep to the programme I have proposed will involve a great deal of urgent work to be started forthwith. Studies of the scale we have in mind cannot be kept quiet and my office has already sought your agreement now to announce to the staff and the Staff Side the setting up of the six studies mentioned in my earlier letter.

Copies go to the Prime Minister and to Geoffrey Howe.

John Lee

Francis

Francis Pym

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20 AUG 1979





MINISTRY OF DEFENCE WHITEHALL LONDON SW1A 2HB

TELEPHONE 01-218 9000
DIRECT DIALING 01-218 2111/3MANAGEMENT IN CONFIDENCE

MO 2/2/6

17th August 1979

Dear Paul,

Thank you for your letter of 3rd August in response to my suggestions for the more effective management and motivation of Civil Servants. I am pleased that we seem to be largely thinking along the same lines.

Your proposals for setting up a group of officials to work up a paper for E(EA) on Industrial pay machinery seem very sensible, and I would be happy for my officials to be involved. We have no preconceived ideas but I am sure that this is an area that we must review carefully: you may be interested to know that we lost 1,500 Industrials last month.

I agree too that our officials should follow up the individual points listed in the Annex to your letter. There are, however, two points I would like to comment on now.

In looking at our recruitment, pay and retirement conditions we must aim at maintaining as much flexibility as possible. We need for example to look more deeply at the existing rules and what they do or do not allow. Some of my suggestions were concerned with improving the movement between the Civil Service and outside employers. The position there is not as satisfactory as it might appear on the surface. The main outflow is from those categories of staff we can ill afford to lose: young recently trained specialists in craft trades, data processing and engineering. They leave young and tend not to return because our

/ procedures ...

Paul Channon Esq MP

MANAGEMENT IN CONFIDENCE

MANAGEMENT IN CONFIDENCE

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procedures are not well adapted to the sort of job mobility that outside industry offers. We do have a limited middle management intake, but this does not supply the skills we most need to import. I am far from satisfied that we have the right interplay between central Government, the public sector and private enterprise.

We also need to look at the boundaries of the Civil Service and the various headcounts we use for controlling Civil Service numbers. I have made the point in previous correspondence that the Ministry of Defence employs very large numbers of Industrial and Non-Industrial Civil Servants, only a very limited number of whom are engaged in administration or fit the conventional image of the Civil Servant. I have no desire to "cook the books" as the Annex to your letter puts it but I would not want us driven to the wrong conclusions through relying on superficial or misleading definitions. The Ministry of Defence Police are simply one example of a group of employees for which I have responsibility and which seem to me to be quite distinct: they cannot for example go on strike.

Finally, I am grateful for your remarks about the need to review Civil Service industrial relations. We have set up our own study into the managerial lessons of the ICPS dispute, and your officials are participating in it.

Copies of this letter go to the Prime Minister, the Chancellor of the Exchequer, the Secretary of State for Industry, Sir John Hunt and Sir Derek Rayner.

Francis Pym
Francis

Francis Pym

MANAGEMENT IN CONFIDENCE

MANAGEMENT IN CONFIDENCE

20 AUG 1979



Civil Service Department,
Whitehall,
London, SW1A 2AZ

*NBPM at
this stage*

MAD

With the Compliments
of the
Lord President of the Council

Civil Service



Civil Service Department
Whitehall London SW1A 2AZ
01-273 4400

16 August 1979

The Chancellor of the Exchequer
HM Treasury
Parliament Street
LONDON SW1P 3AG

Dear Geoffrey,

We are, as you say, in the business of slimming down the Service by cutting out functions. Our objective is to reduce or simplify the tasks of the Civil Service and so reduce its size and cost all round. But I don't see how we can have one law for departments concerned with raising money and a different one for those who disburse money. Certainly, we shall have some exemptions - especially law and order. But if we exempt all those with a revenue collection and enforcement role I shall come under further pressure to exempt those preventing fraud in DHSS and Employment, as well as yourselves.

Your departments account for getting on for a fifth of the Service. With you and Defence who together have over half the Civil Service falling well short of 10% we are in trouble. I would hope that your people could come up with even more ways of simplifying and rationalising procedures. I notice for instance that when the Labour Party were in power between 1974 and 1979 the number of permanent staff in the Inland Revenue rose from 69000 to 85000. We ought not to have set our hands to making substantial reductions in the bureaucracy if we are not prepared to look seriously at these things. And in view of our joint interest in controlling expenditure, I need your whole-hearted support most of all.

I was glad to hear you say that you made no promises to the Unions. I am deeply concerned about the increasingly irresponsible and reckless way the Civil Service plunge into potentially damaging industrial action on wholly inadequate pretexts. This is a development that I believe we must do all in our power to counter. In the meantime, I should much regret it if the outcome of the recent action by the Customs staff was that they were able to argue, however unfairly, that as a consequence they were being substantially shielded against further cuts.

I am sending copies of this letter to the Prime Minister and Francis Pym

Yours ever

Christopher



17 AUG 1979

MANAGEMENT IN CONFIDENCE

Civil Service ✓

MS



MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1
Telephone 01-~~XXXXXX~~ 218 2111/3

MANAGEMENT IN
CONFIDENCE

14th August 1979

MO 2/2/6

Dear Jim,

FURTHER REDUCTIONS IN THE CIVIL SERVICE

The Defence Secretary is away at present but will be considering the Lord President's letter of 9th August about further reductions in the Civil Service on his return to the office at the end of this week.

There is, however, one point on which we would be grateful for your early views. In his letter of 6th August Mr Pym referred to carrying out studies in six areas, including three major reviews which involved the work of over 100,000 of our staff. If these studies are to be completed in the timescales suggested in Mr Pym's letter, work on them needs to be set in hand soon. Studies of the scale he has in mind could not be kept quiet and will inevitably "leak". It would, therefore, be helpful to know that the Lord President would be content that we could in the next week or so inform the staff and the Staff Side of the six studies mentioned in Mr Pym's letter.

I am copying this letter to Tim Lankester at No 10 and to Martin Hall in the Chancellor of the Exchequer's office.

Yours ever,
David

(D B OMAND)

J Buckley Esq.,
Civil Service Department

MANAGEMENT IN CONFIDENCE

Civil Service ^{2.}

PRIME MINISTER

Cabinet is to discuss further reductions in the size of the Civil Service from 13 September.

There has been a fair amount of paper (coupled with leak and speculation) on this. We have not intended to trouble you with most of this until it is brought together for Cabinet discussion.

You should, however, be aware of Lord Soames concern (letter at Flag A) about the response of the Secretary of State for Defence (Flag B) and the Chancellor of the Exchequer (Flag C) to the request to consider options for reductions. Both these make suggestions in the area of 5%, far below the 10% target which Lord Soames has in mind.

MAD

PM has seen

MAD.

August
10 (July) 1979



1. MAP to SA
2. PA

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

9th August, 1979

Dear Christopher

FURTHER ACTION TO REDUCE THE SIZE OF
THE CIVIL SERVICE

As agreed by Cabinet on 31st May I am writing to let you know my proposals for reducing the size and activities of the major Departments for which I am responsible, namely the Inland Revenue, the Customs and Excise, Department for National Savings and the Treasury. I also refer to the treatment I propose for the minor Departments for which I am responsible.

.....
Attached to this letter are annexes setting out the options for each of the major Departments. Although, as you will see, I am not offering a range of options strictly on the basis approved by Cabinet, they represent the extremes of what I believe sensible taking account of the costs involved, and are the end result of a careful, thorough and comprehensive examination of the functions of each of my Departments. In view of the importance that I attach to the successful completion of this exercise, I have thought it right to include options that represent more of a reduction than I should actually wish to see. But to go further would be perverse, for the following reasons.

There is a common thread running through all four Departments. They are the Government's financial core, concerned with raising revenue, controlling expenditure and financing the deficit. Significantly to reduce their activities would be like curtailing a company's finance directorate when it was in cash flow difficulties. The efficient performance of these functions is central to the achievement of our objectives as a Government, and indeed the main functions of three of the four Departments are of the essence of any Government. It would plainly be unrealistic to suppose that any substantial part of them

/could be

The Rt. Hon. Lord Soames, GCMG, GCVO, CBE



could be abolished. I do not want to indulge in special pleading, but we cannot ignore the essential difference between reductions in the functions of my departments and reductions in those of others. My departments exist either to collect money, rather than spend it, or to check the spending of the majority of departments for whom expenditure is a major purpose. Reductions beyond those outlined in my options thus cost the Government money, by cutting out sources of taxation or reducing the effectiveness of tax collection or of financial administration. Costs of this nature would run counter to the underlying purpose of the current exercise. Moreover, the two Revenue Departments are charged with seeing that the law is obeyed, and though their role in law and order may not be of the most appealing kind - they do not act directly against muggers or murderers - it is none the less important to society - they act against frauds directed at the Government's revenues, and they help to keep out drugs, rabies and the like.

I recognise, of course, that despite this generalisation there are economies which can and should be found. As regards the main bulk of the expenditure for which I am responsible, i.e. that of the Revenue Departments, one approach is to look at the percentage cost of revenue collection. The figures need to be handled with some care, because they do not always carry the message which would appear from a cursory examination - for example, a lot depends on the rate of tax. Nevertheless, the current percentage costs of collection are higher than they were a decade ago. The steps I have already taken, together with the reduction in activities proposed in the annex to this letter, should ensure that they will decline. For example, the increase in the rate of VAT will mean that much more revenue can be collected by the same number of people, and because I have reduced the coverage of the investment income surcharge the Inland Revenue will be able to make useful staff savings.

I turn now to the proposals in the annexes. There are one or two points about each Department to which I should draw your attention.

Inland Revenue

The Inland Revenue is the largest department under my control, with over 80,000 staff and administrative expenditure in excess of £500m per annum. It collects tax and national insurance contributions amounting to some £40 billion in the current year from over 26 million people.

/Annex 1



Annex 1 sets out some fairly substantial options for saving staff which could be implemented at little revenue cost, or in some cases a small additional yield. They are in three groups. The first two items are changes where decisions have already been made and announced. The next group are administrative changes which in some cases involve a lower standard of service to the public, but do not involve any substantial revenue loss. The third group are more substantial changes in tax policy which I would find acceptable, and which again involve a small revenue cost (or gain). A number of them would remove from the tax system refinements the need for which has been reduced by our cuts in the top tax rates. If all three groups are implemented a saving of 7743 would be achieved, which is well on the way to the 12150 necessary to achieve a 10 per cent target.

The only way in which I could go further than this towards the full savings of 10, 15 and 20 per cent would be by removing large numbers of taxpayers from the system: for example, about 1,800 staff would be saved if the income tax thresholds were raised by 20 per cent, at a revenue loss of about £2,250 million. There would be attractions in large threshold increases, of course. But the changes could only be made in a Budgetary context, and I cannot tell at this stage how much money, if any, I will have available to finance tax cuts in my 1980 and 1981 Budgets; nor, obviously, could I commit myself in advance, even on a contingent basis, to specific Budgetary changes.

Of course, when the time for Budgetary decisions does come round, the desirability of measures which will reduce staff requirements is something that I shall bear very much in mind; and to the extent that changes here can be realised, it may be possible to do better by 1982 than shown in Annex 1. But I cannot go firm at this stage on any change of a Budgetary nature.

Annex 2 discusses how Revenue staff engaged on work for other Departments, mainly DHSS, should be dealt with. I think this can best be settled by asking your officials to get in touch with mine and with DHSS.

Customs and Excise

After the 3 per cent reductions, Customs and Excise will have a little under 28,000 permanent staff. The manpower and general administrative expenses total in excess of £165m a year at 1979 Survey prices and, since my Budget, the full year yield of the duties and taxes collected by the Department will be about £20 billion.

As regards the options set out in Annex 3, I must make three general points. First, to find savings equal to the full year cost of 1,000 staff (the effect of the

/3 per cent



3 per cent cut in the manpower cash limit this year), Customs and Excise are having to prune back their actual staff numbers by some 1,500, a larger proportional reduction than almost any other Department. Thus they are already making a contribution to the further cuts in functions we are seeking. Second, we should remember that it is our policy to shift the balance of taxation from direct to indirect taxes. It is thus an inappropriate time to consider relaxing measures taken to combat evasion of indirect taxes, particularly of VAT. Third, the Customs are concerned with "law and order" as well as with revenue. Over the years they have been given the job of enforcing many public health and safety controls which are, in terms of policy, the responsibility of other Departments: for example, the import of prohibited drugs, obscene films and literature - or rabies. There is little scope for further savings in Customs and Excise which would not cost more in lost revenue than they would save or would not impair the effectiveness of their law and order functions. Most of the options which I have identified in the annex fall into two main groups. The first group concerns changes in administrative procedures so as to reduce the staff engaged in collecting VAT and the liquor duties; the VAT changes would have the greatest impact on small businesses and farmers and would need to be considered carefully in the context of our general industrial and agricultural strategies. The second group concerns changes in the customs area, where the EEC already pay to the Exchequer considerably more than the actual cost of the service (it would be a pity to jeopardise this unusual blessing!), and where significant savings can be made only if the Department is released from its obligation to provide facilities almost wherever and whenever they are required. The option to charge the full cost of facilities provided at all but the largest ports and airports would provoke intense and widespread opposition from owners of the smaller ones, many of whom are public or municipal authorities. Of the remaining options, the most significant is that to reduce the effort on the production of trade statistics, which involves rather wider considerations.

Department for National Savings

The Department for National Savings has, mainly through mechanisation, dispersal and economic management, reduced its staff from over 15,000 in 1971 to around 10,600 now. Over the same period the number of accounts and holdings increased by nearly 10 per cent, from 51 million to 56 million, and the amount of savings administered is now £12 billion (or just over £1 million per head of staff). The department employs the bulk of its staff on administering existing balances under the terms on which the investment has been made. Apart from

/economies



economies from improved efficiency (mainly further economies accruing from mechanisation), the only way of making substantial staff reductions is to discontinue the acceptance of further investment and repay money when the end of a contract period makes this possible. One feature of these particular options is that only relatively small staff savings would be possible in the early years; but they would continue to accrue and increase over a long period of years as existing investment runs down. Another feature is that the public's reaction to national savings as a whole on the cessation of any particular savings service is unpredictable. It could result in a declining interest in the remaining services, if the Government were seen to be actively turning away money: or, if investment in a security like Premium Savings Bonds were curtailed, it could precipitate a flood of applications to withdraw from the scheme, which could be administratively unmanageable and completely counter-productive for the purposes of this exercise. These risks have been highlighted by recent press speculation about cuts in DNS services.

With these considerations in mind, I have reviewed the seven savings services, each of which serves a definite market, and have accepted that the sale of British Savings Bonds might be discontinued and existing investment repaid on maturity. This would result in the loss, over 5 years, of some £700m investment (little of which is likely to be directly re-invested in Government debt). However, the discontinuance of this service is likely to do the least damage to national savings' contribution to Government financing, and might well be regarded as a manageable response to our rightly rigorous search for civil service staff savings. The potential economies to be made on this option, plus the withdrawal of industrial group savings in NSB (ordinary account) and in Premium Savings Bonds (as a continuation of the abandonment of activities associated with the former National Savings Voluntary Movement) which I can also offer, are set out in Annex 4 attached. It is possible that the Department's Rayner studies (on correspondence treatment) will lead to increased economies but it is too early to be certain.

The Treasury

As regards the Treasury and its sub-departments, the scope for reductions in functions is small, as one might expect of a Department with very few executive functions. The complement totals 1170 and expenditure runs at some £8.5m per annum. The cost of each element in the Department is trivial in relation to what is at stake in the area of the economy with which it is concerned. Of the options which I have identified in Annex 5, the most significant is that on exchange control. Whilst the savings which can be found within the strict terms of the

/exercise



exercise amount only to some £165,000, very much larger savings would be generated in the Bank of England, who are the Treasury's executive arm in this respect and who are paid costs of some £14m per annum from a Treasury Vote. If we succeed in dismantling exchange controls, we shall have made a significant contribution to the reduction of the public sector at the point at which it impinges upon the private. Of the remaining options, those concerned with UKTSD and the Rating of Government Property Department are contingent on the outcome of studies to establish whether there are more efficient ways of performing these functions. I shall press on with these studies, under the general umbrella of the Rayner exercise, so that early decisions may be taken. Finally, although the scope for abolishing or reducing functions is small, there is within each function a natural ebb and flow of work reflecting the Government's economic priorities at any given point in time. I shall ensure that the Treasury remains responsive, in terms of the staff resources it uses, to those changes.

Minor Departments

Apart from these four Departments, there are a number of other Departments for which I am responsible, including the Royal Mint, the National Debt Office, and the Registry of Friendly Societies. As regards the last two, the staff numbers and expenditure involved are tiny but we have identified a number of possibilities for savings. I have not included them in this letter but I have asked my officials to contact yours about them, and also about points arising out of the main options set out in the annexes to this letter, including redundancy.

.....
The Royal Mint is in a rather different category, since it is in essence a commercial organisation recovering all its expenditure from sales revenue, plus a sufficient surplus to pay a dividend (most recently £2.8m) into the Consolidated Fund. I attach at Annex 6 a paper which shows that, for commercial reasons, savings in manpower of the order of 10 per cent are already under consideration. It looks as though further cuts in manpower could only be achieved by sacrificing profitable business, most of which is in the export markets. The Royal Mint will be reporting on the follow-up to their Corporate Plan (including the reviews referred to in the Annex) and will continue to seek manpower savings consistent with the overall aim of maximising the rate of return on assets.

Finally, on a wider point, my review has suggested some options which might have general application in Whitehall, if not in the form of abolition of activities

/then



then through the enhancement of efficiency, perhaps by creating centralised services of some sort. A small example is the proposal to abolish the Treasury's press cutting service. But no doubt your officials will be looking at the options sent forward by our colleagues partly with a view to identifying and pursuing such possibilities.

I am copying this letter to the Prime Minister and Sir John Hunt.

A handwritten signature in dark ink, appearing to read "Geoffrey Howe".

(GEOFFREY HOWE)

STAFF ENGAGED ON WORK FOR OTHER DEPARTMENTS
NOTE BY INLAND REVENUE

1. There are two ways of calculating the base line for staff reductions in the Inland Revenue: by including, or by excluding, staff costs repaid by other Departments. The staff costs in question here are mainly those for work in relation to the collection of National Insurance contributions: Inland Revenue staff engaged on this number some 3200. To include these costs raises the I.R. baseline by some £20m (from £378m to £400m), with consequent increases in the numbers of staff needing to be cut.
2. The bulk of the work is on the collection of Class 1 contributions, that is contributions paid by employed persons and their employers. This work is closely integrated with that of PAYE. There is also a substantial block of work on Class 4 contributions, that is the earnings-related element of the contribution paid by the self employed. (The flat rate element of the self employed contribution is collected direct by DHSS.)
3. There is limited scope for further improvements here from increased efficiency, given that the 3% cut in manpower costs for 1979/80 is being achieved by squeezing staff numbers. But the function changes required to be considered for the present exercise must in the first place be matters for DHSS, who have the policy responsibility for National Insurance questions.
4. Subject to this caveat, the possible function changes seem to be as follows -

Class 1 contributions

- (a) A higher NI contribution threshold.

While this would reduce the work, it is subject to the two objections that it would cut down the flow of payments into the NI fund, and would also affect individuals' rights to NI benefit, since these are dependent on payment of contributions.

(b) Recording of contributions.

At the end of each year, contributions shown as paid on the records received from employers are credited to the individual's record. Where the employer's document is defective in some way, it may need to be returned to Inland Revenue for correction, and this generates a significant amount of work. The "tolerance" limits for this kind of work might be further increased. (They have recently been put up by DHSS.)

Class 4 contributions

Contributions threshold.

The threshold for payment of the earnings related contribution is quite separate from (and higher than) the Class 1 threshold, and payment of these contributions gives no title to benefit, since that depends on payment of the flat rate contribution. An increase in the Class 4 threshold therefore seems worth consideration.

5. The best course would seem to be for the possibilities outlined above to be considered by officials of DHSS, CSD and I.R.

CUSTOMS AND EXCISE

OPTION	ESTIMATED SAVING		REMARKS
	POSTS	MONEY (£m)	
<u>I General Administration</u>			
1. Excess of savings over those required for the 3% cut and saving from review of Local Office network (Rayner Project)	425	2.1	
<u>II Administration of VAT</u>			
2. Abolish VAT monthly returns	15	0.2	Strong opposition from repayment traders, especially farmers and small firms.
3. VAT Tribunals	20	0.2	Merger of functions of VAT Trib and of Special Commissioners of Income Tax.
4. Compulsory deregistration of small VAT traders	400	2.0	Possibly saleable politically if associated with permitted increase in registration threshold. But strong opposition from a large number of small firms and farmer
<u>III Administration of Excise Duties</u>			
5. Convert duty on beer to a duty on end-product	45	0.2	A worthwhile change in its own right
6. Restructure excise control on spirits and wine	440	1.7	Need to guard against potential loss of revenue from fraudulent accounts

CONFIDENTIAL

OPTION	ESTIMATED SAVING		REMARKS
	POSTS	MONEY (£m)	
IV <u>Customs</u>			
7. Abolish exchange control checks	40	0.2	Contingent on policy decision on exchange control.
8. Reduce control of imports from EEC and facilities available to importers	235	1.0	Reduction of revenue control; withdrawal of facilities would be to the detriment of smooth flow of trade particularly for perishable goods.
9. Charge port and airport authorities for all attendance in unsocial hours	-	3.0	Gain in appropriations-in-aid. Strong opposition from port users who would object to being forced to pay for controls which they would regard as a hindrance rather than a benefit.
10. Produce only main trade statistics and reduce service to industry.	220	0.8	Reduces service to Government and industry.
11. Charge for all attendance at smaller ports and airports.	-	9.3	As at Option 9 but much stronger opposition from port users and port owners who would be put at a competitive disadvantage. Threat to smaller ports already in financial difficulties.

OPTIONS FOR REDUCTION

DEPARTMENT FOR NATIONAL SAVINGS

I Volume in 1979-80 (a) £m at 1979 survey prices £50.7m
 (b) Underlying manpower level, 10,600

II. <u>Potential Savings</u>	1980-81		1981-82		1982-83	
	Money £m	Staff	Money £m	Staff	Money £m	Staff
(a) <u>Improved Efficiency</u>						
1. Completion of NSB Mechanisation /	£1.24	304	£2.18	535	£2.46	603
	2.45%		4.30%		4.85%	
(b) <u>Balance</u>						
2. Discontinue British Savings Bonds /	£0.80	183	£1.05	227	£1.30	275
	1.58%		2.07%		2.56%	
3. Discontinue industrial group savings in NSB and Premium Bonds /	£0.60	140	£0.60	140	£0.60	140
	1.18%		1.18%		1.18%	
TOTALS	£2.64	627	£3.83	902	£4.36	1018
	5.21%		7.55%		8.59%	

/ cumulative

MANAGEMENT IN CONFIDENCE
OPTIONS FOR REDUCTIONS

ANNEX 5

DEPARTMENT: HM TREASURY, including Security Guard, UKTSD and
 Rating of Government Property Department

PESC MAIN PROGRAMME 13

I VOLUME IN 1979-80 (a) £8.5m at 1979 survey prices
 (b) Underlying manpower level: 1195 man years

II POTENTIAL SAVINGS	1980-81		1981-82		1982-83		Degree of Difficulty	Whether Legislation required
	£'000	Manpower	£'000	Manpower	£'000	Manpower		
<u>Options to secure 4½%</u>								
1 Reduction in work on pay policy	55	4	55	4	55	4	A	-
2 Wilson Committee work ends	67	6	67	6	67	6	A	-
3 CISCO takes over Whitehall Luncheon Club			17	-	17	-	A	-
4 Work of Crown Agents Tribunal ends			13	1	13	1	A	-
5 Information Division and circulation of press cuttings etc	19	4	19	4	19	4	A	-
6 Installation of automatic control of access at all entrances to GOGGS					38	8	A	-
7 Disbanding of exchange control (on the assumption that an appropriate financial climate is maintained)					165	19	A	Possibly primary and/or secondary
TOTAL OF 1 to 7	141	14	171	15	374	42		
<u>Options requiring further investigation to secure 1½%</u>								
8 Abolition of UKTSD					350	1*	} Subject to outcome of investigations:	-
9 Abolition of all but certain residual functions of RGPD					275	33		Primary ?
TOTAL OF 1 to 9	141	14	171	15	999	76*		

*plus 30 locally engaged staff

ACTION TO REDUCE THE SIZE OF THE CIVIL SERVICE - THE ROYAL MINT

General

Although a Government Department, the Royal Mint is essentially a trading organisation. Over the next 5 years the Royal Mint expects to produce a trading surplus of some £28 million (at current prices) of which 56% will arise from sales to overseas customers.

90% of the Royal Mint complement of 1432 is directly concerned either with obtaining and processing orders from customers, the manufacture of coins and medals in response to orders, or the fulfilment (packing and despatch) of orders. Little can be done therefore in making a reduction in numbers without reducing the manpower which is actively engaged in these activities which generate profits and thus the dividend paid into the Consolidated Fund. The need to remain competitive in order to capture new markets or retain existing ones is in itself a built-in discipline to keep complements under constant review and adjustment. New business, however, can give rise to the need to increase manpower and in simple terms the Royal Mint would not wish to decline a profitable overseas order for coin merely because existing capacity was fully loaded and there were constraints on manpower which prevented the recruitment of additional work people essential for the satisfactory completion of the order. Action as described below is already in hand to reduce unit costs in order to improve the price competitiveness of Royal Mint products. This will help to maintain in turn a full order book and ultimately the dividend paid into the Consolidated Fund.

3. Manpower Studies in Hand

Proposals have been put to the Unions to save some 60 posts without loss of output by manning machines more economically or by greater flexibility in working practices. The Unions have yet to discuss the matter with their area officials and they are unlikely to respond before the 1979 Pay Award for industrials has been settled. The Unions will undoubtedly expect to receive some benefit from their co-operation. However the current pay dispute with the IPCS which has cost the industrials dearly through loss of overtime pay and productivity bonus may well prejudice the Unions' willingness

to co-operate. The negotiations will be difficult and protracted.

4. The section of the Numismatic Bureau which processes mail orders from collectors is not achieving the productivity which Management considers possible. A solution might be to place this business with a private Fulfilment Bureau, and the possibility is being examined. Although the Civil Service Department has given the National Staff Side an assurance that there will be no artificial reductions in staff numbers by substituting agency staff for Civil Servants at the same or greater cost, any decision will depend upon the respective costs of internal (or external) fulfilment and would be taken on strictly commercial grounds. A decision to close down this section of the Numismatic Bureau would represent a saving of 20 posts.
5. The Royal Mint Corporate Plan (Para 31) includes a proposal to review the economics of producing and selling medals. At the present time no significant profit stems from these operations. If the review demonstrates that it is not practicable to obtain satisfactory returns on medal business, closure of the Medal shops will be considered.

6. Reductions in Functions

The Royal Mint does not have "functions" in the same ways as the majority of Government Departments do. The nearest analogy to "functions" is the grouping of the Royal Mint's products. These fall into four parts:

- (i) Circulating coin for the United Kingdom (including sovereigns).
Approximate complement involved 655
- (ii) Sales to foreign governments (circulating and proof coin)
Approximate complement involved 475
- (iii) Production of United Kingdom proof sets and direct sales to the public (including overseas) of UK and overseas proof coins for purchase as collectors items.
Approximate complement involved 130
- (iv) Medals and seals: these are mainly service medals and decorations produced for the Central Chancery of the Orders of Knighthood, the Home Office and Ministry of Defence and for certain overseas countries. Smaller quantities of

souvenir and prize medals are produced for the private sector.

Approximate complement involved 60

The balance of the staff of the Royal Mint are support posts covering mainly contracts, personnel and office services.

It is assumed that the function at (i) would not be shed as the prime purpose of the Royal Mint must be considered to be the production of the United Kingdom Coinage. Manpower savings of 10%, 15% or 20% could be achieved by a rundown of the business in (ii) and (iii) above. However, the loss in profits could not be forecast or controlled as, once the Royal Mint started to decline to quote for export business, other Mints would be left to exploit the situation leading to a further reduction in market share. A major part of the Royal Mint's profits come from the sale of proof coins. Profits fluctuate considerably from year to year, and in 1978/79 amounted to £3.99M, but it would be impossible to retain this aspect of the Mint's business at the expense of circulating coins since normally orders for both types of coin are linked. The function at (iv) is referred to in paragraph 5 above. Although the Deputy Master and Comptroller is also Her Majesty's Engraver of Seals, the work is insignificant and for the purpose of the study is ignored.



9 AUG 1978

CONFIDENTIAL



Civil Service Department
Whitehall London SW1A 2AZ
01-273 4400

9 August 1979

The Chancellor of the Exchequer

Dear Jeffrey,

FURTHER REDUCTIONS IN THE CIVIL SERVICE

Your letter of 9 August is the last of the major returns to reach me. I feel bound to let you know at once that I find your return and Francis Pym's very worrying.

It will of course take us some time to analyse all the replies which have been reaching us over the last few days. But the general pattern is tolerably clear. Our other colleagues offer varying prospects for reductions, but their first returns suggest that it should be possible, across the departments for which they are responsible, to achieve a saving in the region of 10%.

But the larger departments for which you are responsible (Inland Revenue, Customs & Excise and Department of National Savings), together with the Ministry of Defence, account for over half the Civil Service. If we fall far below 10% here, we cannot possibly make up the shortfall elsewhere, let alone go further.

Across your 3 big departments, you offer a saving of 6.2%, which you enlarge by another 2% by imposing charges at ports and airports. You put forward no possible candidates for higher savings. I must tell you frankly that I find this disappointing, and I greatly hope that you will find it possible to improve upon it. Despite the reports in the press, I find it very difficult to believe that you have given your Staff Sides, at this preliminary stage, any sort of undertaking not to do so.

For the Ministry of Defence, Francis Pym has made a firm offer of no more than 3%, part of which (paying all salaries and wages by bank transfers) would involve amending the Truck Acts. Beyond that he offers no more than studies of 3 major areas which may take up to a year to complete.

I do not underestimate the difficulties. But unless you can offer a larger range of possible savings and Francis can propose a firm and substantial target for savings from his further studies, I can see no prospect of even a barely respectable result for this operation.

Copies go to the Prime Minister and Francis Pym.

Yours ever
Christopher

SOAMES

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10 AUG

12 11 10 9 8 7 6 5 4 3 2 1
A B C D E F G H I J K L M N O P Q R S T U V W X Y Z



NBPM

MAP

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

10 August, 1979

Dear Christopher

FURTHER REDUCTIONS IN THE CIVIL SERVICE

I can understand your initial disappointment at my return (your letter of 9th August) because I totally agree about the importance of the exercise. ^{TPM}

It is in that spirit that I have taken a close personal interest in the attempt to identify functions - and that has been our purpose - which can possibly be discarded. For that reason I shall not wish, as I depart on holiday, to leave you under any illusion that there is any real prospect of my being able to do any better. (I cannot, of course, make any comment about Francis Pym's department.)

May I urge you to look again at the reasoning behind my conclusions? Or, for example, at the fact that Customs and Excise - where over 3,000 posts (out of a starting figure of nearly 30,000) would disappear - will nevertheless be collecting very nearly £4.5 billion extra revenue next year. But I will not attempt to go over all the ground again especially as this has been a difficult and complex exercise. I for one would want to know a great deal more about the response of colleagues generally before measuring my own against it.

This does not mean that I am satisfied that I have exhausted the possibilities of staff saving by higher efficiency, as opposed to elimination of functions. You will have seen that mechanisation has allowed the staff of the National Savings Department to be cut by almost a third in the last eight years. The same kind of result (though not on the same percentage scale), should follow

/computerisation

The Rt. Hon. Lord Soames, GCMG, GCVO, CBE



computerisation of PAYE in the 1980's. Projects of that kind are outside the scope of the present exercise.

But my main point remains. The departments you have mentioned collect money while others spend it; and, in the present very tight budgetary situation, it is certainly not easy or sensible for me to make huge bites in our capacity to raise money.

I have not, of course, given my Staff Sides any kind of undertaking that we shall not try to go further. But I confess that I did not find it easy to remain convincing about the feasibility even on some of the proposals that I have already submitted to you.

I am copying this to the Prime Minister and Francis Pym.

A handwritten signature in black ink, appearing to read "Geoffrey Howe", with a horizontal line underneath.

(GEOFFREY HOWE)

110 AUG 1979





1. M. A. Soames
2. NBPm-PA
MX

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

9 August 1979

Geoffrey Howe

BAN ON CIVIL SERVICE RECRUITMENT

I am writing to say that I am content with the approach which you have outlined in your letter of 26th July to the Home Secretary. It is clearly essential that recruitment should not be resumed on a scale which reduces our room for manoeuvre in the exercises which we have instituted to reduce the size of the Civil Service.

Of my own Departments, both Customs and Excise and Inland Revenue will not be able to resume recruitment for some time except to meet essential requirements, in order to achieve the money savings which are required for the 3 per cent cuts exercise. Nevertheless, the recruitment position both in those Departments and in my other Departments will be kept under close review, and I have commissioned quarterly reports starting with the position at end-September. The first report will in fact show mainly the effect of the initial 3 month ban, but this, and later reports, will I think be useful in following through the effects of our policies both on recruitment and in reducing Civil Service expenditure generally since the decision which we took in May.

I am copying this letter to the Prime Minister, other Cabinet colleagues, the Minister of Transport and Sir John Hunt.

Geoffrey Howe
(GEOFFREY HOWE)

The Rt. Hon. Lord Soames, GCMG, GCVO, CBE

159 AUG 1979





Foreign and Commonwealth Office *VM*

London SW1A 2AH

9 August 1979

2 BR
Dear David,

INDUSTRIAL ACTION IN THE CIVIL SERVICE

The Lord Privy Seal has seen your Secretary of State's letter of 6 August to Lord Soames, and very much agrees with Mr Pym's conclusions. I am copying this letter to the recipients of his letter.

Your Sincerely,
M A Wickstead

M A Wickstead
Assistant Private Secretary
to the Lord Privy Seal

D B Omand Esq
Assistant Private Secretary
to the Rt Hon Francis Pym MP
Secretary of State for Defence
Ministry of Defence
Main Building
Whitehall
London SW1

110 AUG 1979



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MANAGEMENT IN CONFIDENCE



1. MR PATTERSON

to see

2. PA

MS

MINISTRY OF DEFENCE WHITEHALL LONDON SW1A 2HB

TELEPHONE 01-218 9000 2111/3
DIRECT DIALING 01-218

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6th August 1979

MO 2/2/6

Dear Christopher,

I have carried out a comprehensive but inevitably very hurried study of options to produce reductions in Ministry of Defence civilian staffs of 10%, 15% and 20% by 1st April 1982. The details have been passed to the Civil Service Department in the form requested. I must add the caveat that at this stage I cannot properly vouch for either the practicality or validity of most of the individual elements.

Obviously whatever changes are made must be consistent with our defence policy and take account of what has happened to defence and to defence staffs over the last 15 years or so. We cannot take measures which fly in the face of:

- a. the priority for defence to which the Government is pledged;
- b. our international objectives which we have constantly reiterated;
- c. the additional resources for defence to which the Government is publicly committed at

/ home ...

The Lord Soames GCMG, GCVO, CBE

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home and with the North Atlantic Treaty Organisation.

We must also take into account the extent to which the Ministry of Defence has made staff reductions at all levels, including the top structure. This is in stark contrast to the position in the Civil Service as a whole which, if you exclude the reductions in defence, has continued to grow even over the last five years. I must emphasise that:

- a. defence civilian numbers have gone down since 1964 by 150,000 - not always associated with reductions in tasks. As a result our civilian staff, like our military, are suffering from considerable overstretch;
- b. there has been, and I am insisting on, a consistently positive attitude towards staff economies because it has been recognised for years that savings in manpower release money for equipment. This whole attitude has, however, been weakened recently because of arbitrary pay norms coupled with an over-rigid and over-centralised pay policy;
- c. all-volunteer forces inevitably require large numbers of civilians. There is little scope for adjustments other than at the margins;
- d. the morale of our civilian staff is very important to our defence effort. It has been damaged by arbitrary cuts and by industrial strife. I regard it as one of my major priorities to restore morale.

If we are to contribute properly to our own defence, we must provide the Services with improved equipment at the

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earliest possible date, given that the quality of the Soviet threat is improving all the time. Our civilian staff play a direct and vital role in the development, production and maintenance of this equipment, as indeed they do more generally in support activities thus releasing Service personnel for military duties. As I have mentioned before, the Ministry of Defence is very different from other Government Departments. It is a very large business which has to look after a very large number of people and to direct and manage the whole life span of advanced equipments from research, development and production to operational use, repair and storage. This is why, of course, we have so many industrial, scientific and engineering staffs. The roles of our civilians in producing equipment and in direct support of the Services are well illustrated by the statistical breakdowns in the two Annexes to this letter which show the kinds of civilians we employ and where they are distributed with the fighting Services. The number of "bowler hats", the reduction of which is what the Government's manpower exercise is about, forms a very small proportion.

In logic there is an unassailable case for a period of stability, improved recruitment to cope with the real expansion in volume terms which is Government policy, and the re-building of confidence and morale. Clearly, however, it would be impossible to exclude a Ministry which employs a third of the Civil Service and I would not for a moment wish to suggest that this should be done. Indeed, as I have made clear since our first days in government in May, I will do all I can to be as helpful and constructive as possible. I must, however, stress that there are no easy pickings left. I have reviewed what more we can offer on top of this year's 3% reduction which, after the 35,000 cut in MOD civilian staff in the last four years, creates great difficulties in managing the defence effort, especially as this year's Estimate provision is several thousand below the number needed by the programme. For example, we need to improve our recruitment rate of professional engineers very

/ substantially ...

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substantially. We also face a worrying run-out of our experienced staff over the next few years: for instance, 50% of our experienced contracts staff (SEOs and above) will retire during the next five years. It will require a major management effort to sustain the momentum of the 3% reduction itself so as to place it on a firm and permanent footing by April 1982.

I believe that in certain areas, if the implications of the proposed changes are acceptable, we could go further and produce an additional 3% reduction by 1982. The main contributions to the second 3% could come from such measures as:

- a. changing to contract cleaning world-wide and contract catering where possible (5,000 plus staff involved);
- b. paying all salaries and wages by bank transfers, and a lower level of checking of bids and claims before payment (200-400 staff saved but could greatly improve efficiency and relations with industry which is a primary Government aim);
- c. further changes in quality assurance (already reduced from 15,000 to 7,000) to rely more on industry.

Some changes will need special CSD authority and would affect agreements between CSD and the National Staff Side. I would hope that studies to validate the assumed savings in manpower, although not of course in money, could be completed in about three months.

In order to see whether there is any managerially efficient way of finding the relatively huge cuts asked for, I propose to launch extensive studies into three major areas of MOD activity. They all make big demands on staff and

/ money ...

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money and have complex interfaces with the public and private sectors. These are:

- a. the Research and Development activities of the MOD. These are concentrated in 12 establishments carrying out a wide range of tasks for MOD and some for the Department of Industry. They currently employ 28,700 people;
- b. the supply arrangements for the Armed Forces with particular reference to food, clothing, accommodation, stores and spares (staff numbers not yet quantifiable). This represents a considerable extension of a study already in hand under the Rayner exercise;
- c. the role, organisation and structure of the Royal Dockyards in the United Kingdom, with reference to the future requirements of the Fleet and the nature of the capacity in British industry.

Each of these areas is, I must stress, the equivalent of a major industrial undertaking. All are of fundamental importance to our defence effort. They must be carefully studied - which will take from three to twelve months - and value for money must be a major element. I cannot forecast what manpower savings we shall be able to achieve but I propose to make a start forthwith. We shall, of course, consider at the appropriate moment informing the Staff Side and Trades Unions that we are undertaking these studies. Pending our discussions with them it is important that strict confidentiality is maintained.

I am assuming in all this that I will be able to take credit for the financial consequences of any manpower savings in living within the Defence budget totals agreed by the Cabinet for 1980/81. This is consistent with operating a block budget for the defence programme.

/ I am ...

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I am copying this letter to the members of OD, to the Secretaries of State for Industry and for Employment, and to Sir John Hunt.

James Lee
John A's

Francis Pym

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CIVILIAN WORKFORCE

ANNEX A TO

MO-2/2/6

DATED: 6 8 79

The MOD UK based civilian workforce is recruited from a wide spectrum of skills and carries out a large range of tasks. In round numbers at 1 April 1979 they fall into the following main classes:

	MOD (Excl ROFs)	ROFs	TOTAL
Non craft Industrials	75000	12300	87300
Craft grade Industrials	28100	3800	31900
Clerical grades	30000	1400	31400
Technology Group	23600	2500	26100
Admin and Executive grades (including 1500 on ADP work)	11000	500	11500
Science group	10400	200	10600
Apprentices	6800	1000	7800
Typing and Secretarial	6400	100	6500
Radio, Telecommunication and Telephonists	6200		6200
Stores Supervisory and Process and General Supervisory grades	4100	600	4700
Instructors, lecturers, teachers	4600		4600
MOD Police	3600	300	3900
Drawing Office grades	2000	100	2100
RFAS and RMAS	2100		2100
Office Service and Duplicating grades	1900		1900
Retired Officers	1900		1900
Data Processing	1700	100	1800
Photoprinters and photographers	1400		1400
Medical, Dental, Nursing	900	100	1000
Security and Fire Service grades	800		800
Miscellaneous	2200		2200
	224700	23000	247700

The civilians are deployed in the functional areas shown below which demonstrates that the great majority is employed in non-HQ establishments such as the dockyards, ordnance depots and so on

	<u>UKNI</u>	<u>UKI</u>	<u>LEC</u>	<u>TOTAL</u>
<u>Navy</u>				
CED	9200	25400	1200	35800
DGST	6400	9900	600	16900
Hydrographer	1000	100	NIL	1100
Fleet Establishments	3000	6600	200	9800
RFA's	1300	1200	500	3000
Other Navy	1400	3800	200	5400
<u>Army</u>				
RAOC	5600	7800	5000	18400
REME	3000	6700	4400	14100
HQ Estabs & Regimental Units	7100	9000	16800	32900
Other Army	10100	8100	5600	23800
<u>RAF</u>				
Strike Command	2100	4600	NIL	6700
Support Command	5900	7600	NIL	13500
Met Office	3000	200	NIL	3200
Other Air Force	2600	300	3200	6100
<u>PE</u>				
R&D Establishments	14800	13900	NIL	28700
Other PE	10100	4100	NIL	14200
<u>Headquarters</u>				
Centre	6400	NIL	NIL	6400
Navy	700	NIL	NIL	700
Army	700	NIL	NIL	700
Air Force	900	NIL	NIL	900
PE	4800	NIL	NIL	4800
<u>Centre</u>				
Unified Establishments	15100	600	500	16200
TOTAL MOD	115200	109900	38200	263300
ROF's	6000	17400	NIL	23400

Based on 1.4.79 Estimated Provision



- 6 AUG 1979

Civil Service

Minister of State

Civil Service Department
Whitehall London SW1A 2AZ
Telephone 01-273 30001. ~~MR PATRICKSON~~ to see

2. PA

MS

The Rt Hon Francis Pym MC MP
Secretary of State
Ministry of Defence
Main Building
Whitehall
LONDON SW1A 2HB

3 August 1979

Francis Pym

CIVIL SERVICE: REDUCTIONS AND EFFICIENCY

You wrote to Christopher Soames on 11 June with suggestions for the more effective management and motivation of civil servants. Christopher has asked me to write to you again now that our officials have had some discussions. A further meeting of officials from our two Departments at senior level now seems to be called for. As the next step, however, I thought you might like to see reactions to the points which you made in your letter. These are set out in the enclosed Annex.

You will see that we have a great deal of sympathy with some of your points. They are all being reassessed. Some of them would be expensive and naturally this causes some problems.

In the context of the exercise to reduce staff expenditure in the Civil Service we want to preserve CSD's capacity to contribute to the Government's broad strategy. Priority must be given to work which contributes directly to greater efficiency.

We are also already thinking about the future of the Service's industrial relations regime. In particular, we are taking initiatives to review the Whitley system of negotiation and consultation, to revamp management's communication channels, and to reassess the arrangements for allowing union representatives paid time off from work (the Facilities Agreement). And we shall need to re-think some personnel management policies after we have decided on the level of reductions in the staff costs of the Civil Service.

In particular, you will recall several discussions in E(EA) about the pay of the industrial Civil Service. Although I am sure that CSD must retain its present central position in management, I believe we ought now to ask officials to make a study of how far the negotiation of industrials' pay could be devolved to employing

F 6 AUG 1979



MANAGEMENT IN CONFIDENCE

departments, possibly with MOD exercising a co-ordinating role. There are some difficult problems here, particularly at the interface with the non-industrial Civil Service. Officials, however, could start by exploring and assessing the options. The study might usefully involve Ministry of Defence, Property Services Agency, Treasury and Department of Employment in the first instance. We would propose to ask the group of officials to produce a draft of the paper that E(EA) asked me to put to colleagues after the Recess. I hope you will agree to this course.

I am copying this letter to the Prime Minister, the Chancellor of the Exchequer, Secretary of State for Industry (with a copy of your letter of 11 June), Sir John Hunt and Sir Derek Rayner.

PAUL CHANNON

V
-
Paul

Comments on Proposals put forward by Secretary of State for Defence1. Decentralise more recruitment

A great deal of recruitment of MOD specialists is already decentralised - for example, some 98% of recruitment of scientists. We would be happy to discuss proposals for further decentralisation for professional and technology grades if this will help MOD.

2. Adjust starting pay to the needs of the market

We have moved a long way towards the maximum flexibility which can be contained within the present basic principles of pay research. In many general service and MOD departmental grades, we can now offer outstanding recruits a salary as high as the maximum of the scale for their grade. We are willing to consider this greater flexibility for other grades where it does not yet apply.

3. Reward people directly for securing in-Service qualifications and for doing a good job;4. Get away from automatic increments

Both these topics are already being studied in CSD. A comprehensive look at outside practice on linking pay and performance is about to begin; and a similar but separate study is in hand for the senior levels covered by the Top Salaries Review Body. The TSRB hope to take account of the latter in framing their 1980 recommendations.

5. A more flexible system of retirement;6. Consider 40 years' service as the normal point of retirement

An urgent study of the rules and practice on retirement and redundancy was set in hand shortly after the Government took office. The subject taken as a whole is complex, but its importance and urgency is self-evident.

7. Easier movement in and out of Government service, particularly at middle and upper levels

So far as movement out is concerned, there are no pensions problems here; and a civil servant who wishes to leave is constrained only by the necessary minimum of rules on business appointments. Movement in on a permanent basis is tackled regularly by recruitment competitions, but Departments, including MOD, are disappointingly reluctant to take entrants when they are available.

8. More use of limited contracts rather than lifetime careers

Departments have a good deal of freedom to use limited contracts - we use them in CSD to staff some Civil Service College posts - and we are not clear what new initiatives MOD wishes to take here that are inhibited by CSD rules - though of course we recognise the restrictions imposed by the statutory protection available to all employees after 6 months service.

9. Treat industrial civil servants properly, not least in terms of conditions of service

Pay matters more than anything else here. We hope to get this, together with some leave improvements, right in the present pay round, and will be looking for support from MOD as a major employer.

But we quite accept that this is not the whole story and we with employing departments need to maintain our efforts in this area. Any specific proposals will of course be welcome.

10. Dispersal
The results of the Government's review of this were announced on 26 July 1979.
11. Pay all industrials and non-industrials by bank transfer;
12. Pay all non-industrials (and in due course industrials) monthly
We are already looking for worthwhile savings by a possible move to monthly pay; and general use of bank transfers would bring consequential though smaller savings. It may be difficult to move without union acquiescence; we have already invited Sir Derek Rayner to look at the general monthly pay question.
13. Increase financial delegation to Departments in such areas as industrial pay, productivity and special allowances, computer procurement, travel allowance and subsistence claims
More specific proposals from MOD would be welcome in this area. In any case, we shall shortly be discussing with MOD delegation for computer projects after repayment comes into operation next April.
14. Exclude 1750 overseas teachers from the manpower count
There is nothing between us on the principle that these teachers should be excluded. They should never have been included in the first place. The only difficulty is that to exclude them now will be misinterpreted as "cooking the books," and I would rather concentrate on genuine reductions than on paper savings.
15. Exclude MOD Police and others from the manpower count
I fear that most Departments can produce examples of people who are not apparently civil servants; and I do not believe that it would be worthwhile to undertake a fresh study of the hundreds of these unusual grades for the same reason as in the case of MOD overseas teachers.



NBPM

Civil Service

MJD
31/VII

DEPARTMENT OF EDUCATION AND SCIENCE

ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH

TELEPHONE 01-928 9222

FROM THE SECRETARY OF STATE

The Rt Hon Lord Soames PC GCMG GCVO CBE
 Lord President of the Council
 Civil Service Department
 Whitehall
 SW1A 2AZ

30.7.79

Dear Christopher,

FURTHER ACTION TO REDUCE THE SIZE OF THE CIVIL SERVICE

... In response to your letter of 5 June 1979 I attach a list in the required form of the measures which would be necessary in DES to make savings in Civil Service staff costs of 10, 15 and 20%. The options are the outcome of a thorough review of all DES activities, carried out in the spirit of your letter by selecting those that would do least damage.

I have decided not to offer reductions in HM Inspectorate and their support staff. Since we took office I have become increasingly convinced of how right we were to commit ourselves in the Queen's Speech to the maintenance and improvement of standards in education, and to recognise in the manifesto the essential role which the Inspectorate plays in that process. As the public expenditure cuts begin to bite and the controls over local government are reduced, HMI's role will become more and more important. I have considered whether the rest of the Department could find compensating savings, in addition to the options affecting them and, for reasons that I develop below, I do not believe that this is possible.

DES is a small policy department, that took a proportionately greater cut (from 3,000 to 2,700) under the last Government than almost any other department. A recent Management Review has confirmed that it is tightly complemented. It has very few executive functions that could be given up and, indeed its work is that of an enlarged secretariat rather than an executive ministry. Even without compensating for the exemption of HMI, the cuts would do very serious damage:-

10%: There would be real difficulties and a serious reduction in the services the Department provides. The Government's ability to mitigate the effects of the expenditure cuts on standards of education would be seriously weakened, and we would have no scope for desirable new initiatives. Responses to Parliament and to the public would have to be curtailed: we would have to take a much stronger (and publicly avowed) line in declining to answer queries, including PQs, on matters which are the responsibility of local authorities and other outside bodies. Some legislation would be needed.

15%: This would cut dangerously into the vital core of the Department. There would be a serious reduction in our effectiveness: valuable services would have to be abandoned and efficiency would be drastically reduced. Difficult and contentious political decisions would be involved.

20% DES would be below the critical size at which it could function properly. The Government's influence and control over the education system would be gravely impaired, with serious dangers of waste and diseconomy.

In the spirit of the exercise, we have assumed that the central departments, DOE, Exchequer and Audit and the PAC would not only refrain from increasing their demands on us but also moderate them. We have made no allowance for extra work resulting from the new Select Committee structure; in a department of this size the effect will be significant. If the expenditure cuts result in large-scale teacher unemployment, this too would create a need for additional staff, especially for the Pensions work at Darlington.

You will see that we have been able to identify only small savings under the heading of "improved efficiency and less waste", so our main savings would have to come from cutting functions. These would involve a reasonable distribution of staff by grades, although - perhaps inevitably in a small policy-oriented department - the higher grades tend to suffer less than others. In the administrative, executive and clerical grades the savings required could probably be achieved through natural wastage, at the cost of grave disruption of our manpower structure. Even a 10% cut would involve redundancies among professional staff.

I have consulted my Staff Side openly and fully on the options, and it has been an interesting exercise. The CPSA refused to join the rest of the Staff Side in commenting. The other unions (with a measured addition from FDA) made the following main points:-

- a. They are opposed to the cuts
- b. they consider the procedures for consultation unsatisfactory, both as regards the time allowed and because they were not asked for views on whether there should be cuts at all

- c. they believe that the measures contemplated, especially at the 10 and 15% levels, would have even more serious consequences than have been indicated. They have said that "the existing staff complement already represents the minimum - pared to the bone - to carry out the functions of the Department"
- d. despite two invitations to do so, they decline to suggest any specific alternative measures to those listed (though FDA make a rather vague suggestion for a bolder abolition of tasks). The unions say they "are not in the business of making proposals leading to the destruction of the Department as they know it. The odium for such retrograde action must rest completely and solely where it belongs - on Ministers."
- e. they feel that the measures provide for a disproportionate cut in common services, and they are sceptical of the desirability of certain measures involving transfers of functions to other parts of the system (in the latter instance we have, as far as possible, ensured that the savings shown are net of possible small increases elsewhere)
- f. they dislike the fact that the cuts are likely to be somewhat higher among junior staff, and they have asked for an "unqualified assurance" that there will be no redundancies. This, of course, I have not given.

This Staff Side response has not led me to adjust the options I now submit, but there is much in what they say about the dangers of heavy cuts. My own view at this stage is that something like 5% (in addition to the 3% we have achieved through the recruitment ban) is about all DES could take if it is to remain viable in the new governmental system we are creating. This would be an impressive and worthwhile reduction, and one that could only be achieved with difficulty.

I am copying this letter to the Prime Minister and to Sir Derek Rayner.

*Yours ever
Mark*

MARK CARLISLE

MANAGEMENT IN CONFIDENCE

OPTIONS FOR REDUCTIONS

DEPARTMENT: DES

PESC MAIN PROGRAMME: 10

I VOLUME IN 1979-80

(a) £12.9m

(b) underlying manpower level = 2097

II POTENTIAL SAVINGS

(a) Improved efficiency and less waste	1980-81		1981-82		1982-83		Degree of difficulty	Whether legislation required (PL = primary SL = secondary)
	Money (£m)	Numbers of staff	Money	Numbers	Money	Numbers		
A.1 Savings in HFE 1 Statistics and Teachers Branches	.086	14	.055	9	-	-	A	-
(b) Balance to secure 10%								
A.2 Less intervention in secondary reorganisation; reduced work on boarding education, European schools, milk subsidies, statistics of handicapped; stop control of LEA use of independent places.	.080	13	-	-	-	-	B	PL
A.3 Reduction of controls: simplified building controls for schools and universities; removal of FE equipment controls.	.197	32	-	-	-	-	B	PL
A.4 Less effective presence in FE: reduced assessorships and other outside work; remove control of agricultural courses; run-down UVP experiment; leave capital grants for youth service to LEAs; change work methods on teachers' misconduct.	.074	12	-	-	.006	1	B	-

MANAGEMENT IN CONFIDENCE

ANNEX B (Contd)

	1980-81		1981-82		1982-83		Degree of difficulty	Whether legislation required
	Money	Numbers	Money	Numbers	Money	Numbers		
A.5 Transfer to UGC funding of extra-mural departments and direct grant institutions to produce net staff savings. Transfer postgraduate studentships including selection to universities.	.018	3	.086	14	-	-	B	SL
A.6 Provide less advice and service on building development, fire, health and safety, catering and educational technology.	.055	9	.012	2	-	-	B	-
A.7 Lower level of participation in Council of Europe, OECD and social sciences support.	.025	4	-	-	-	-	A	-
A.8 Reduced level of service in finance, pensions, planning and statistics.	.154	25	.068	11	-	-	B	-
A.9 Reduction in common services, messengers, typing, Library, publicity. Partly matching other cuts, but some loss of efficiency.	.215	35	.148	24	-	-	B	-
A.10 More Ministerial correspondence to be treated officially, including letters from backbenchers.	.018	3	-	-	-	-	B	-
Total	.922	150	.369	60	.006	1		

MANAGEMENT IN CONFIDENCE

ANNEX B (Contd)

	1980-81		1981-82		1982-83		Degree of difficulty	Whether legislation required
	Money	Numbers	Money	Numbers	Money	Numbers		
<u>Balance to secure 15%</u>								
B.1 Further reductions in schools work:less intervention in secondary reorganisation, choice of schools, inner cities, research and curricular matters,including 16 plus examinations.	.098	16	-	-	-	-	B	-
B.2 Simpler controls on HFE building, reduced work on college government;further lessening of controls on university building; abolition of FE Curriculum Unit.	.012	2	.215	35	-	-	B	-
B.3 Lower standards of teacher records and statistics.	.080	13	-	-	-	-	B	-
B.4 Reduced service on legal work, planning, health and safety, and overseas relations.	.049	8	.012	2	-	-	B	-
B.5 Further reduction in quality of common services, including messengers, registries, publications.	.037	6	.141	23	-	-	B	-
Cumulative total	1.198	195	.737	120	.006	1		

MANAGEMENT IN CONFIDENCE

ANNEX B (Contd)

	1980-81		1981-82		1982-83		Degree of difficulty	Whether legislation required		
	Money	Numbers	Money	Numbers	Money	Numbers				
<u>Balance to secure 20%</u>										
C.1	Serious loss of services in schools and HFE:reduced work on nursery education;transfer selection of adult education bursaries to institutes; stop FE Information Service; give up control of long teacher training courses; abolish Computer Board.		.037	6	.074	12	.055	9	C	SL
C.2	Stop answering teachers' queries on pensions; further cuts in teacher statistics, less efficient use of computer. Real dangers of inefficiency and resentment.		.086	14	.043	7	-	-	C	-
C.3	Very serious reductions in A and B services and controls over value for money.		-	-	.049	8	-	-	C	-
C.4	Reduce work on controlling fringe bodies,checking pensions payments,other financial,legal and planning work.Serious impairment of Department's forward planning capability and control over the education system.		.055	9	.025	4	-	-	C	-

MANAGEMENT IN CONFIDENCE

ANNEX B (Contd)

	1980-81		1981-82		1982-83		Degree of difficulty	Whether legislation required
	Money	Numbers	Money	Numbers	Money	Numbers		
C.5 Accept very poor level of common services; abandon welfare work for museums; reduced efficiency of switchboard, Library and many other common service functions.	.025	4	.258	42	-	-	C	-
C.6 Secretariat: cut Political Adviser's secretary and distribution of parliamentary papers.	.012	2	-	-	-	-	B	-
C.7 Reduce Schools Branches to two.	-	-	.012	2	-	-	B	-
Cumulative total	1.413	230	1.198	195	.061	10		

MANAGEMENT IN CONFIDENCE

610

69 L 8
12 1 2 3 4 5 6 7 8 9 10 11 12

31 JUL 1979

69 L 8
12 1 2 3 4 5 6 7 8 9 10 11 12



PRIME MINISTER

NBPM

- overtaken by our

letter of 30 July 79

I have seen Christopher Soames' minute of 25 July to you about the timetable for the Ministerial discussions on the options for further reductions in the Civil Service.

We need to take all the decisions affecting public expenditure in time to make a comprehensive announcement in the autumn. So I endorse Christopher's suggestion that we should aim at reaching decisions on the Civil Service exercise on the same timetable as the remaining decisions on the public expenditure Survey. With this objective, I support his suggestion that we should discuss the main issues raised by the Civil Service exercise at the Cabinet meeting on 13 September, when I will be bringing forward my paper on the expenditure plans for 1981-82 and subsequent years.

Christopher Soames envisages that a Treasury Minister should take part in discussions with the Ministers concerned about the detail of the Civil Service cuts after the Cabinet discussions on 13 September. We will be willing to help in any way we can, but Nigel Lawson and I are likely to be involved in discussions about my own proposals for changes in the plans for the later years at the same time. But we can leave these questions of mechanics open for the time being.

I am copying this minute to Christopher Soames and Sir John Hunt.

WJB

JOHN BIFFEN
30 July 1979



CONFIDENTIAL



TSF
Civil Service

10 DOWNING STREET

From the Private Secretary

30 July 1979

Further Reductions in the
Civil Service

The Prime Minister has seen the Lord President's minute of 25 July, proposing that he should make an interim report to Cabinet on 13 September, which could be followed by discussions with the other Ministers chiefly concerned in order to prepare proposals for Cabinet decision.

The Prime Minister is content that the Lord President should proceed in this way.

I am copying this letter to Tony Battishill (H.M. Treasury) and Martin Vile (Cabinet Office).

N. J. SANDERS

Jim Buckley, Esq.,
Lord President's Office.

CONFIDENTIAL

JS

Civil Service

Hansard Extract

27 July 1979

Recruitment Ban

Mr. Michael Brown asked the Minister for the Civil Service what proposals he has for the future of the Civil Service recruitment ban.

Mr. Channon: The general ban on Civil Service recruitment will not be renewed at the end of the initial three-month period on 22 August, but Government Departments will continue to restrict recruitment to the extent necessary to achieve as a minimum the reductions required by the revised cash limits announced on 26 June. In addition, as I announced in answer to a question from my hon. Friend the Member for Totnes (Mr. Mawby) on 11 June, the Government are conducting a radical review with the object of making further savings in the size and cost of the Civil Service over the next few years and this will affect future recruitment levels.



Civil Service Department
Whitehall London SW1A 2AZ
01-273 4400

2
PRIME MINISTER

To see Mrs

26 July 1979

The Rt Hon William Whitelaw CH MC MP
Secretary of State for the Home Department
50 Queen Anne's Gate
LONDON SW1

Dear Willie,

BAN ON CIVIL SERVICE RECRUITMENT

Although we decided earlier today that the recruitment ban should be lifted from mid-August, it is imperative that each of us should continue to restrict recruitment to the extent necessary both to achieve at least the reductions which we have set ourselves in this year's cash limits and to ensure that no more staff are taken on than is absolutely necessary. We must also keep in mind the further and bigger reductions we will be making in the longer term. We shall reap the benefits of these the sooner the more we keep down the present size and cost of the civil service.

I hope therefore that all of my colleagues will continue to hold a very firm grip on recruitment within their departments and, as I am doing, they may wish to commission regular reports from their officials to ensure that we remain on course.

I am copying this letter to the Prime Minister, other Cabinet colleagues, the Minister of Transport and Sir John Hunt.

Yours ever
Christy

SOAMES



Civil Service
1. *Mr. Carrington* *27/7*
2. *P.C.*
R.
26/7

LORD PRESIDENT


FURTHER ACTION TO REDUCE THE SIZE OF THE CIVIL SERVICE

As agreed by the Cabinet on (cc(79)4th meeting) I am writing to you on further action to reduce the size of the Civil Service.

Reductions in the size and functions of Northern Ireland Departments will depend to some extent on action proposed by analogous GB departments. It has therefore been agreed between our officials that I shall write to the Chief Secretary about Northern Ireland Departments' staff costs in the second half of next month when account can be taken of options proposed by GB Departments. Meanwhile my officials are keeping closely in touch with their GB counterparts. This letter is therefore concerned with the Northern Ireland Office only.

The Staff costs of the Northern Ireland Office in 1979/80 (after the 3% reduction and including general administrative expenses) amount to £122 million; but £111½ million of this is accounted for by "hard-core" law and order programmes - stringently defined as agreed with the CSD and Treasury in the context of the 1979/80 staff cuts:- the Police (£79m), the Prisons (£28m), the Probation Service (£1m) and other staffs which are an integral part of the NI law and order programmes (£4m). We have recognised, in the context among others of the 3% cut in staff costs in 1979/80, that law and order programmes should be exempted from arbitrary percentage and quantitative cuts. Nevertheless every effort should be made to reduce waste in these services. I have therefore exempted my "hard-core" law and order programmes from the 10/15/20% options exercise; but I have already identified staff savings within these programmes amounting to £600,000 by 1980/81 and I intend to continue searching to improve efficiency and eliminate waste. There must however be severe limitations to the extent to which I can find savings in these programmes particularly as I am planning to increase expenditure on them in the fight against terrorism.

Nearly all of the rest of the NIO's staff costs are closely related to security and law and order: the Police Authority Headquarters (£0.8m); the Police Complaints Board (£0.1m); the Civilian Search Unit (£3.4m) which carries out searches of members of the public especially in Londonderry and Belfast; the administration of law and order programmes (£3.4m); and the small policy divisions which co-ordinate and advise me on the closely woven strands of security policy, political and constitutional development, and social and economic affairs (£2.8m). However I have not sought to exempt these staff costs (£10½m) from the full rigours of the review agreed by the Cabinet.



There is not much scope in these programmes for good house-keeping cuts: in order to direct resources to areas directly related to combatting terrorism, administrative costs have been under close scrutiny for some years and wherever possible severely pruned. To illustrate this, an underspending of 10% in these programmes in 1976/77 was reduced to less than 0.4% in 1978/79. Savings of the order of 10% could not therefore be found by trimming off unwanted surpluses, but only by reducing functions.

I believe that I could save up to 10% of the staff costs set out in paragraph 4 above by the following measures:-


- reducing the Civilian Search Unit by a fifth principally by withdrawing it from Londonderry where its operation is not cost-effective;
- imposing an arbitrary cut on the Police Authority headquarters and the Police Complaints Board;
- a combination of functional reductions and good housekeeping measures in the administration of the law and order programmes and in the NIO policy staffs.

To achieve a 15% and 20% cut I would have to take the sort of action set out in the Annex to this minute. My officials can discuss details with yours if you wish. I think that you will agree that while some of these savings might be achievable by a continuing search for economies - which I intend to pursue - it would make no sense at all in the current situation in Northern Ireland to attempt to make 15% or 20% savings by these or similar means. My difficulties lie mainly in the fact that the NIO is a small policy making department whose functions and staffing are finely-gearred to Government policy. It contains no large executive functions which can be abolished without significant effect on the Government's security, political and social and economic policies in Northern Ireland. It is particularly concerned with security policy, even outside the "hard-core" law and order field. If we attempted to make savings of this order the RUC and other law and order forces would inevitably be forced in many cases to take over the functions given up, at the expense of forces on the ground.

I am copying this minute to the Prime Minister, the Chief Secretary to the Treasury and Sir John Hunt.

H.A.

H A
26 July 1979


ANNEX TO THE SECRETARY OF STATE'S
MINUTE TO THE LORD PRESIDENT

NORTHERN IRELAND OFFICE

1. 15% reduction options

The following functions would have to be abolished:

(a) Police Authority headquarters and Police Complaints Board (1)

- internal audit
- publicity and information
- preparation of RUC regulations
- compensation claims against the police
- establishment other than civilian staff pay
- maintenance of inventories at Radio and Transport workshops.

(b) Administration of the Law and Order Programmes

- audit
- statistics
- prison education staff

(c) Policy divisions

- London public relations staff (reduction by half)
- reduction to very small cadre of the London policy division dealing with international affairs and security liaison.

2. 20% reduction options

The following functions would have to be abolished:-

(a) Police Authority headquarters and Police Complaints Board (2)

- maintenance of RUC personnel records and crimes statistics
- checking and authorisation of RUC travel and subsistence claims
- provision of supplies and accommodation services to the RUC
- printing of RUC codes, manuals, force orders and Police Authority papers.



(b) Administration of the Law and Order Programme

- welfare and training officers
- penal planning
- one treatment of offenders branch
- prison industries branch

(c) Policy divisions

- London division dealing with resource allocation policy and the co-ordination of social and economic affairs as NI Departmental policy.

Footnote (1): The RUC would have to resume at least some of the responsibilities in 1a and 2a above and legislation would be needed to effect the transfers.

Footnote (2): Full account is taken in the above options for consequent savings in administrative support functions.

25 JUL 1979



CONFIDENTIAL



Prime Minister
Cabinet Office say
this is fine.

Content ?

PRIME MINISTER

Agreed mb

R
27/7

FURTHER REDUCTIONS IN THE CIVIL SERVICE

You will remember that we have planned to discuss this in September. I understand however that present plans only envisage a Cabinet meeting on 13 September and perhaps none after that until after the Party Conference.

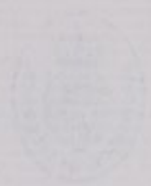
2. Our colleagues' contributions to the Civil Service reductions exercise are not due until the end of this month, and I understand that 2 or 3 of them will be at least a few days late. There will then be a massive job to do in analysing them and presenting possible ways of achieving the cuts we are seeking. No way could that be completed by 13 September.

3. On the other hand, it is important that we should begin the process of Ministerial discussion as early as possible. I understand that the Chancellor hopes to discuss public expenditure in the years after 1980/81 on 13 September, and there are obvious advantages in bringing these two operations into alignment. I propose therefore that I should produce an interim report for 13 September which will identify the main issues for decision, ie the big choices we should have to make in order to achieve the cuts. On that basis, the Cabinet might then invite me, with help from a Treasury colleague, to hold discussions with the other Ministers chiefly concerned in order to sift through the choices in detail and prepare proposals for Cabinet decision.

4. I am sending copies of this minute to the Chancellor of the Exchequer and Sir John Hunt.

S.

SOAMES
25 July 1979



225 JUL 1979



CONFIDENTIAL

Ref. A051

PRIME MINISTER

Cabinet: The Ban on Civil Service Recruitment

BACKGROUND

At the first Cabinet meeting of this Government, a decision was taken to impose an immediate freeze on Civil Service recruitment (CC(79) 1st Conclusions, Minute 1). This decision was supplemented by one at the second meeting (CC(79) 2nd Conclusions, Minute 6), that the ban should be applied for three months, and reviewed. Departmental Ministers were given discretion on their own authority to grant exemptions to the ban on a case-by-case basis. The temporary ban was seen as the first step towards securing economies of at least "3 per cent in Government expenditure on wage-related items".

Flag A ✓ 2. The Lord President's minute of 17th July suggested that, given the new cash limit controls, the recruitment ban had now served its purpose and that the ending of the ban should be announced by a Written Answer before the Recess. His proposal was subsequently supported by the Secretaries of State for Trade, Industry and Defence, and by the Home Secretary. Your Private Secretary recorded your approval of the Lord President's proposal in a letter of 24th July.

Flag B ✓
Flag C ✓ 3. However the Secretary of State for the Environment has now argued in his minute of 24th July (written no doubt before he had seen your Private Secretary's letter of the same date) that the ban should be retained, primarily for presentational reasons. He feels that announcing the end of the ban would appear to show a weakening in Government resolve, and would make it more difficult to press local authorities to continue their ban. He suggests that the present arrangements, which give Ministers discretion, have the merit of involving Ministers personally in decisions about recruitment in their Departments and should be retained. Against that it can be argued that the Government and local authority situations are not directly analogous, since the Government has a firm control of its own staffing policies through cash limits, and so no longer needs the blunt instrument of a recruitment ban to ensure results. Moreover a recruitment

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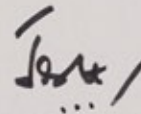
ban inevitably creates anomalies, with Ministers forced increasingly to use their discretion to permit exceptions - a process which could damage the public credibility of the ban, as posts are seen to be advertised. Certainly on the evidence of the response by your colleagues to the Lord President's suggestion most of them would welcome the added flexibility which ending the ban would give.

HANDLING

4. You might start by saying that there had been widespread support from colleagues for the Lord President's proposal to end the ban and rely on the new cash limits to contain staff costs; you had agreed to that course. However in view of the Secretary of State for the Environment's representations you agreed that he could raise the issue at Cabinet. You could add that the issue is one of presentation of policy, rather than of the ends to be achieved: either way a decision will have to be announced. You might then call on the Lord President to make his case followed by the Secretary of State for the Environment.

CONCLUSION

5. The choices are:-
- (a) To support the Lord President's proposal that the recruitment ban should be dispensed with from mid-August and that an announcement to this effect should be made before the Recess.
 - (b) To maintain the ban: in which case an explanatory statement will have to be made, the terms of which would need to be agreed between colleagues (but which presumably could be made during the Recess).



JOHN HUNT

25th July, 1979



CONFIDENTIAL

PRIME MINISTER

THE BAN ON CIVIL SERVICE RECRUITMENT

I had the opportunity of discussing with you earlier today the proposal by the Lord President to lift the overall ban on civil service recruitment. You agreed that I might raise my worries orally at Cabinet on Thursday and asked me in the meanwhile to circulate a minute.

I would urge that at this stage we should not lift the ban, for the following reasons:

- i. this would be seen as a first weakening of the Government's resolution in the critical field of restraining public service manpower;
- ii. it would be extremely difficult for me to continue to ask local authorities to retain a ban - which I believe is necessary - if in central Government the restriction had been lifted;
- iii. as the Lord President reminds us, we shall be discussing future, and bigger, reductions in manpower in September. Until this exercise is complete I believe that the ban should remain as it underlines the Government's determination and, at the same time, will make easier the achievement of reductions. Until that review is complete we simply do not know how credible our stance on manpower reductions will be;
- iv. the achievement of arbitrary percentage reductions is a significant step. But it is not a substitute for Ministers taking day to day decisions about the details of their own Departments - a process which is made necessary by the recruitment ban.

I accept that we should now adopt a more flexible regime. Ministers in Departments should have discretion but the reporting procedures should, I believe, be agreed by the Lord President. One refinement we could adopt has been tried successfully by some of our colleagues in local government. This involves a percentage replacement policy - eg for every ten people leaving, a finite number - perhaps eight - can be recruited. I fully realise too, that the maintenance of a



CONFIDENTIAL

2.

continuing restraint policy means that more attention has to be paid to redeploying manpower within the civil service. But this is the essence of what must be involved in our policies if we are to avoid redundancies on the one hand, while recruiting on the other.

Finally, any announcement that is made on the continuation of restraint, if that is what is agreed, could make clear that the ban is not total: for example, specific reference could be made to recruitment which might be needed to maintain health and safety.

I am copying this to Cabinet colleagues, the Minister of Transport and to Sir John Hunt.

W. H. H.

MH

24 July 1979

BRITISH
POST
OFFICE

24 JUL 1979

CONFIDENTIAL



10 DOWNING STREET

From the Private Secretary

cc (LPO) SO
 CO *Ch. Whip.*
 DTrans DEnv
 PGO MAFF
 Ch Sec ECO
 DES DEm
 DEngy MOD
 DTde DI
 CDL HMT
 DHSS ECO
 NIO LCO
 WO 24 July 1979

TRP
File
Civil Service

30
B/F 26.7.79
and hang for
Hansard

THE BAN ON CIVIL SERVICE RECRUITMENT

The Prime Minister has considered the Lord President's minute of 17 July, and also the Chief Secretary's minute of 20 July on the above subject.

The Prime Minister has agreed that the ban on Civil Service recruitment should be lifted from mid-August, and that this should be announced by means of a Written Answer before the House rises. However, the Prime Minister has emphasised that this should not imply that there can be any letting up on the drive to find staff economies.

I am sending copies of this letter to Private Secretaries to Members of the Cabinet, the Minister of Transport and Sir John Hunt.

J. P. LANKESTER

Jim Buckley, Esq.,
Lord President's Office.

CONFIDENTIAL

TRP

CONFIDENTIAL



PRIME MINISTER ✓

R

MBM

24/7

Civil
Service

THE BAN ON CIVIL SERVICE RECRUITMENT

I have seen a copy of the minute dated 17 July from the Lord President about the future of the three months recruitment freeze. As far as my Department is concerned I agree with his analysis. I believe that we should proceed as he proposes and that this should make it easier for us to make more substantial manpower reductions in the medium term in relation to functions.

I am copying this minute to Cabinet colleagues, the Minister of Transport and Sir John Hunt.

KJ

K J

23 July 1979

Department of Industry
Ashdown House

24 JUL 1979





PRIME MINISTER

MBM
R 24/7

THE BAN ON CIVIL SERVICE RECRUITMENT

I have seen a copy of the minute dated 17 July from the Lord President about the future of the three months recruitment freeze. Whilst I can see advantages in extending it for a further period I think it might prove an obstacle to the more substantial manpower reductions in the medium term which are related to functions. So long as the functions exercise is in no way diminished in its urgency and importance I tend to agree with the Lord President.

I am copying this minute to Cabinet colleagues, the Minister of Transport and Sir John Hunt.

JN

Department of Trade
1 Victoria Street
SW1

J.N.

23 July 1979

24 JUL 1979



CONFIDENTIAL



MINISTRY OF DEFENCE WHITEHALL LONDON SW1A 2HB

TELEPHONE 01-218 9000

DIRECT DIALLING 01-218 2111/3

CONFIDENTIAL

MO 2/2/6

PRIME MINISTER

BAN ON CIVIL SERVICE RECRUITMENT

I have seen a copy of the Lord President's minute to you dated 17th July about the continuation of the ban on Civil Service recruitment.

2. I endorse what he says about the indiscriminate effects of the ban which are producing serious consequences for some areas of defence operations. I have been able thus far to avoid essential support to operational tasks deteriorating to an unacceptable level by authorising limited exceptions to the ban in specially difficult cases, but these are short-term expedients and there is increasing concern about the longer-term effects. We have already missed the best part of the peak recruiting season for staff we need urgently and we are experiencing high rates of wastage in some areas - particularly with skilled people.

3. The total ban has, undoubtedly, been of value in setting the tone. But it is, inevitably, a crude instrument, not well adapted to policies and needs. My own preference would be to lift the general ban but to continue with a period of restraint within which there would be departmental flexibility to recruit the groups of staff which are most urgently needed. As far as the Ministry of Defence is concerned, I do not think this would prejudice either our 3% cut in staff costs this year or our ability to achieve whatever long-term reduction target we decide upon in September.

4. I have copied this as the Lord President's minute.

Handwritten signature

23rd July 1979

CONFIDENTIAL

CONFIDENTIAL

23 JUL 1979



UNITED STATES AIR FORCE AIR MAIL SERVICE

UNITED STATES AIR FORCE AIR MAIL SERVICE

UNITED STATES AIR FORCE AIR MAIL SERVICE



PRIME MINISTER

THE BAN ON CIVIL SERVICE RECRUITMENT

I have seen the Lord President's minute to you of July 17. in its efforts.

You were reluctant to agree the lifting of the ban on civil service recruitment (Flag A). Do you wish to reconsider in the light of this minute? The key points are -

- i) Depts. will have to live within this year's cash limits
- ii) next year's cash limits won't be set until we have agreed the volume figures - and maybe not until the new year
- iii) The recruitment ban is pretty indiscriminate

As long as Ministers accept responsibility for achieving the manpower economies and managing expenditure within the cash limits, I would support his proposal that the recruitment ban need not be retained.

DL
20/7

I am copying this to other members of the Cabinet, the Minister of Transport and Sir John Hunt.

I still think that the ban is

W J B

a) a valuable way of keeping within the cash limits

b) an excellent way of saving

that Ministers know what is going on in their own departments.

After all, they have in urgent cases.

pub

JOHN BIFFEN
20 July 1979

CONFIDENTIAL

PM subsequently agreed with Lord Soames and John Hunt that the ban should be lifted; but this should not imply any letting up on the drive to find staff unrecruited

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19 JUL 1979

[Faint, illegible handwritten text, possibly bleed-through from the reverse side of the page]



Prime Minister

ABM
R 24/7

THE BAN ON CIVIL SERVICE RECRUITMENT

I strongly support the Lord President's proposal, in his minute to you of 17 July, that we should announce before the Recess the lifting from mid-August of the general ban on recruitment. As he says, the reduction in the cash limit is a relatively refined instrument of control, and we do not need beside it another, blunter, instrument that has already served its original purpose.

If the ban were to continue I believe the efficient discharge of existing functions will be put in danger. For my part, I should be bound to consider enlarging the field of exemptions.

Moreover, we run a real risk of militant action by the staff if, having established the cut in cash limits, we continue the recruitment ban as well. I have, for example, heard that the Staff Side in the Immigration Service, which is under heavy and mounting pressure but has nonetheless refrained from encouraging its members to follow the union instructions to refuse to work overtime or cover the work of other people or of unfilled vacancies, have made it clear that if this ban is continued a campaign of militant action would be started. In that case, it would stem to a very large extent from the genuine commitment of the staff to the operational efficiency of their service.

I am sending copies of this minute to other Cabinet Ministers, the Minister of Transport and Sir John Hunt.

hslw

20 July 1979



23 JUL 1973



Prime Minister



This seems reasonable.
Are you content with X?

PRIME MINISTER

THE BAN ON CIVIL SERVICE RECRUITMENT

I am very reluctant to lift it. At this stage, particularly as we have not fixed cash limits 17/7

When we took office we imposed a 3 month freeze on recruitment to the Civil Service as an initial measure in our plans to curb public expenditure. As I reported to you on 29 June, we have since agreed on adjusted cash limits to provide for a 2 3/4% overall savings in Civil Service staff costs this year, after allowing for some essential exemptions. And we shall be discussing plans for reductions in the longer term in September.

2. Information from departments shows that we are now well on course to achieving the required saving in staff costs. The ban has served its intended purpose of exerting an immediate pressure on numbers but now that we have established the new cash limits I do not think we need retain it.

Have not been fixed

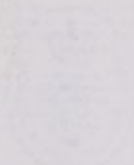
3. The cash limits will compel continuing restraint in recruitment by departments but continuation of the general ban, with its present largely indiscriminate effects, would cause unnecessary strains and make more difficult the resumption of recruitment particularly of some good quality people. The financial discipline of the cash limit is now our constraint and we can leave it to colleagues to permit such recruitment as they consider necessary. This will provide a more flexible approach, enable recruitment to be adjusted more closely to operational needs and provide a more sensible run-in to the bigger reductions we shall be discussing in September. I therefore propose that we announce the lifting of the general ban from mid-August by means of a Written Answer before the recess.

X

4. I am copying to Cabinet colleagues, the Minister of Transport and Sir John Hunt.

Cash limits have not been fixed for next year

CONFIDENTIAL



CONFIDENTIAL

CONFIDENTIAL



17 JUL 1979



Civil Service

Civil Service Department
Whitehall London SW1A 2AZ
01-273 4400

17 July 1979

The Rt Hon William Whitelaw CH MC
Secretary of State for the Home Department
Home Office
50 Queen Anne's Gate
LONDON SW1H 9AT

Dear Willie,

R

PARLIAMENTARY BOUNDARY COMMISSIONS

Thank you for your letter of 22 June about the exclusion of the Boundary Commissions from staff cuts.

2. The functions of these bodies fall to be looked at as part of the review of "quangos" and they are accordingly not within the scope of the exercise we are now engaged upon to reduce the size and cost of the Civil Service.

3. The number of staff involved is, in any case, minute - less than 15 in all - and I agree entirely with you (and with George Younger who wrote to me on 29 June about the Scottish Commission) that these bodies ought to remain at full strength in order to complete their work in good time.

4. I am copying this letter to the recipients of yours.

Yours ever

Christopher

SOAMES

18 JUL 1979





Civil Service 2
Prime Minister
To note.

Treasury Chambers, Parliament Street, SW1P 3AG

16 July 1979

12
17/7

Tim Lankester Esq
Private Secretary to the
Prime Minister
10 Downing Street
LONDON

Dear Tim,

I understand that during last Thursday's reception at No 10, the Financial Secretary undertook to let the Prime Minister have figures on the number of Civil Servants employed in the Ministry of Defence. I attach a note showing that the numbers of Civil Servants employed by the MoD exceeds the number employed by any other Department, even the DHSS, by more than a factor of two; you will see that these figures leave aside the armed services.

I am copying this letter to Martin Hall in the Chancellor's Office and Geoffrey Green in Paul Channon's office.

Yours,

Paul

P C DIGGLE
Private Secretary

Civil Service numbers: MoD and others

Ministry of Defence

Civil - industrial	127,000
non-industrial	121,000
	<hr/>
Total (including Royal Ordnance Factories)	248,000

121,000

Locally engaged staff overseas	38,000
Services - army	161,000
navy & marines	74,000
air force	87,000
	<hr/>
	322,000

121,000

Other departments

Department of Health and Social Security	98,000
Inland Revenue	85,000
Department of Employment (including Manpower Services Commission)	54,000
Department of Environment (including Property Services Agency)	52,000

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17 JUL 1979

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With the Compliments

of the

Secretary of State

*Scottish Office,
New St. Andrew's House,
Edinburgh EH1 3SX.*

A handwritten mark, possibly a signature or initials, consisting of a vertical line on the left and a wavy, horizontal line on the right.

Civil Service



NEW ST. ANDREWS HOUSE
ST. JAMES CENTRE
EDINBURGH EH1 3SX

The Rt Hon Lord Soames GCMG, GCVO, CBE
Lord President of the Council
Privy Council Office
Whitehall
LONDON
SW1A 2AT

R

29 June 1979

31)

PARLIAMENTARY BOUNDARY COMMISSIONS

I fully agree with the Home Secretary's view - about which he minuted on 22 June - about the need to exempt the staff of these Commissions from staff cuts. The Scottish Commission is serviced by officers of the Scottish Home and Health Department (representing a full-time equivalent of $1\frac{1}{3}$ staff).

I am copying this letter to the Prime Minister, the Secretaries of State for Wales and Northern Ireland, the Paymaster General and the Chief Whip.

3 JUL 1979



CONFIDENTIAL



10 DOWNING STREET

File
cc HMT
DOT
CO
SW Derek Rayner.

From the Private Secretary

28 June 1979

The Prime Minister read the letter of 11 June from the Secretary of State for Defence to the Lord President on "The Civil Service - reductions and efficiency". I understand from the Lord President's reply of 25 June that your officials and MOD officials will be examining the ideas put forward by Mr. Pym, and then Lord Soames and Mr. Pym will review the position.

The Prime Minister was interested in the ideas set out in Mr. Pym's letter, and would like an opportunity to consider officials' and Ministers' conclusions before any decisions are taken.

I am sending copies of this letter to Martin Hall (HM Treasury), Andrew Duguid (Department of Industry), Martin Vile and Sir Derek Rayner (Cabinet Office)

T. P. LANKESTER

Jim Buckley Esq
Lord President's Office

CONFIDENTIAL

[Handwritten signature]



Treasury Chambers, Parliament Street, SW1P 3AG

01-233 3000

26 June, 1979

R
2/16

De Chintre

In your minute of 7th June you draw attention to the magnitude of the staff additions needed if we are to tax short term benefits and secure more equal tax treatment of men and women.

So far as the taxation of short term benefits is concerned, the figure of 10,000 additional staff you mention relates to proposals which were under consideration many years ago, and which form no part of our own thinking. It has therefore no relevance to the present situation.

Our own plans drawn up before the Election envisaged that in the case of sickness benefit responsibility for the first six or preferably eight weeks should be transferred to the employer. If this is done, the additional staff cost for the Inland Revenue would be minimal. I imagine that Patrick, who was directly involved in the work done on this matter before the Election, is proceeding on these lines. This would mean that longer term sickness benefit would go untaxed until some alternative avenues of taxing this benefit could be found. But there is a situation which I believe could be defended.

So far as unemployment benefit is concerned, it is true that a figure of 4000 additional staff has been quoted. The procedures involved and the staff needed will require very careful investigation. This will now be put in hand. I agree that a final decision can only be taken in the light of what emerges. But as you will know, the taxation of short term benefits was a specific Manifesto commitment and in relation to

/the very

The Rt. Hon. Lord Soames, GCMG, GCVO, CBE

CONFIDENTIAL



the very serious problem of the "why work" syndrome, the taxation of unemployment benefit is of crucial importance.

If there were to be a permanent situation where some benefits were taxed but not others, I would agree that this would present problems. But if there is a programme under which the taxation of these benefits is dealt with in successive stages, I do not think this would give rise to any great difficulty in terms of public acceptability.

So far as the taxation of the family - and more specifically of married women - is concerned, this is not a Manifesto commitment but you will be aware of the quite strong Party feeling on this point which led to the appointment of the Roberts Committee. I myself have also made a number of speeches on the subject. We shall need to do something but it may of necessity be spread over a period of years. Certainly we would keep staffing implications very much in mind in deciding what action to take.

I am copying this letter to the Prime Minister, Jim Prior, Patrick Jenkin, Sir John Hunt and Sir Derek Rayner.

A handwritten signature in dark ink, appearing to read "Geoffrey Howe", with a horizontal line underneath.

(GEOFFREY HOWE)

CONFIDENTIAL

26 JUN 1979



FROM: THE RT HON MICHAEL JOPLING MP



Government Chief Whip
12 Downing Street, London SW1

h ~~Sachs~~
NBPM ? NBPM
MS
R
WLL

26 June 1979

Paul Willis

Thank you for sending me a copy of your minute of 22 June to the Lord President about the Parliamentary Boundary Commission for England.

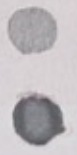
It is crucial to expedite the Boundary Commission's work if we possibly can. The proposed reduction in staff as a result of the current options exercise is clearly very unsatisfactory and I strongly support your suggestion that we should exclude this small group and the staff of the Boundary Commissions for Scotland, Wales and Northern Ireland.

I am copying this letter to the recipients of yours.

James Evans
Michael

The Rt Hon William Whitelaw CH MC DL MP
Secretary of State for the Home Department
Home Office
50 Queen Anne's Gate
SW1H 9AT

27 JUN 1979



Civil Service Department,
Whitehall,
London, SW1A 2AZ

*With the Compliments
of the
Lord President of the Council*

Civil Service



Civil Service Department
 Whitehall London SW1A 2AZ
 01-273 4400

25 June 1979

The Rt Hon Francis Pym MC MP
 Ministry of Defence
 Whitehall
 LONDON SW1

Dear Francis,

R
 28/6

THE CIVIL SERVICE: REDUCTIONS AND EFFICIENCY

Many thanks for your letter of 11 June. I know that Keith Joseph has been thinking about some of these things too.

I welcome your approach. It will be vital in the coming months to motivate civil servants - along with all other workers - to produce of their best. And we shall not succeed with outdated and entrenched management structures, no more than we shall with inflexible and restrictive union attitudes. I am told that some of the changes you would like to see have been looked at in the fairly recent past; several are being studied at the moment; and there are others which Sir Derek Rayner may want to pursue in the course of his project. But I will ensure that the views of you and your advisers, together with Keith's, are included in these re-examinations. Our officials will be getting together on this; we can then review progress. I shall be looking for some fresh thinking.

Copies of this letter go to the Prime Minister, the Chancellor of the Exchequer, the Secretary of State for Industry (together with a copy of your letter) Sir John Hunt and Sir Derek Rayner.

Yours ever

Christopher

SOAMES



26 JUN 1978



8 ST. JAMES'S SQUARE LONDON SW1Y 4JB

Telephone Direct Line 01-214 6025

Switchboard 01-214 6000

Rt Hon Sir Geoffrey Howe MP
Chancellor of the Exchequer
HM Treasury
Parliament Street
London SW1

R-256
25 June 1979

John G. King
CIVIL SERVICE STAFFING

In his letter of 7 June, Christopher Soames drew to your attention the staffing implications of two issues - taxing short-term benefits and taxing the family. My concern is primarily with unemployment benefits, which my Department administers on behalf of DHSS.

I recognise that the staffing requirements for taxing all of the main short-term benefits before they are computerised is high. The computerisation of payments to the unemployed is well advanced, however, and I think a start could be made in this area in advance of other benefits.

We would need about 800 staff in this Department to bring benefits paid to the unemployed within the tax system, at current levels of unemployment, and with full computerisation of benefit payments - for which our target date is 1982. This assumes that the level of unemployment does not rise to the point where the computers cannot cope with the extra processing load of taxation as well as payment. We shall have to weigh the staff cost here and in other Departments against the need to fulfil our Manifesto commitment and to improve work incentives.

No doubt you will be initiating a substantive consideration of this question. There is no time to be lost if we are to make a start in 1982. I understand that the analysis, programming and systems trials for taxation of unemployment benefits through the computer system would take two years, and that there are some important issues still to be settled - notably the treatment of supplementary benefit. This is paid to over half the unemployed on top of or instead of the national insurance

25 JUN 1979





benefit, and both types of benefit for the unemployed will have to be brought within the taxation system if there are not to be intolerable anomalies.

I am copying this letter to the recipients of Christopher Soames'.

*Yours
T*



LORD PRESIDENT

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28/1

PARLIAMENTARY BOUNDARY COMMISSION

I understand that the Parliamentary Boundary Commission for England are faced with the prospect of staff cuts as a result of their having been included by the Office of Population, Censuses and Surveys (O.P.C.S.) in the current options exercise. The staff concerned number only ten. A recent report in the Daily Telegraph suggests that the Commission's work may be delayed because of this.

I am sure we should exclude this small group - and the staff of the Boundary Commissions for Scotland and Wales and Northern Ireland - from the current exercise. The Commission are required by statute to complete their review of constituencies by April 1984. But we want them to report by 1982 in good time before the next General Election. We cannot expect them to do this if at the same time we deprive them of staff.

I am copying this minute to the Prime Minister, the Secretaries of State for Scotland, Wales and Northern Ireland, the Paymaster General, the Chief Whip and the Registrar General in his capacity of Director of the O.P.C.S.

22 June, 1979

25 JUN 1979



Prime Minister

Would you like to proceed as at X?

MANAGEMENT IN CONFIDENCE

PRIME MINISTER

CSD say they want to study the MOD proposals at official level. Han told them that PM will want to see their conclusions. Han also told Hunt.

I have warned Lord Soames' private secretary informally that you may wish to intervene.

The Civil Service - Reductions and Efficiency

R 14/6

Fraser

You will have seen a copy of the Secretary of State for Defence's letter of 11th June to the Lord President under this title. It raises a number of detailed points, mainly about the management of the Civil Service, which are for the CSD to answer. It also raises, by implication, an important point about the future organisation of central government.

2. The detailed points, 15 in all, amount to a plea for autonomy by the Ministry of Defence. MOD alone accounts for almost a quarter of the non-industrial Civil Service, and a bigger proportion still if industrials are taken into account. Obviously its views carry great weight. The CSD will no doubt deploy the counter-arguments. There are some very good ones in particular cases. But the over-riding point is that (as Mr. Pym recognises) the Civil Service unions negotiate centrally, and the Government has to organise a co-ordinated response. There is always a danger that if Departments break ranks, the unions will exploit their differences. The result is 'leapfrogging'. The risk may be exaggerated, but it is there. It must be weighed separately against each of the proposals Mr. Pym makes.

3. However, the CSD tends to overplay its hand. My guess is that if he accepts departmental advice, Lord Soames' reply will be too defensive. To guard against this, you may like to deal with Mr. Pym's letter yourself - as indeed you are entitled to do, in your capacity as Minister for the Civil Service. The way to do this, without causing unnecessary offence, is to ask Lord Soames to let you see Sir Ian Bancroft's advice before he replies to Mr. Pym. You could offer to discuss with them both first: and I could have a chance to comment to you.

X

4. This leads me to the second, and wider, issue raised by Mr. Pym's letter. It concerns the machinery of central government. You rightly decided at the beginning of this Administration not to make any changes at the

MANAGEMENT - IN CONFIDENCE

centre, at least for the time being. At some stage you may want to review this decision. The views expressed in Mr. Pym's letter are not only those of his own advisers (though his own Permanent Secretary, who himself served in the CSD for some years, is a vocal critic of present Civil Service management). I believe they are quite widely shared among other Permanent Secretaries. It is perhaps too soon for incoming Ministers to have formed their own views. But there has been an undercurrent of criticism among politicians of both Parties for some time. It found expression in the Expenditure Committee's report in 1976. (The 'English Committee' report, HC 535 of 1976-77.) The Select Committee recommended that "responsibility for efficiency and control of expenditure should be vested in a single, central Department". (Paragraph 81).

Flag B

5. In fact there are several options. In my own evidence to the Select Committee I listed three: "The first option was 'to put the Treasury public expenditure divisions into the CSD / in a Department of Expenditure and manpower control... leaving the Treasury as Ministry of Finance'. The second option was 'to put the CSD management services back into the Treasury, to brigade these with the people on the public expenditure side concerned with efficiency', leaving the CSD responsible for personnel, appointments and recruitment. Thirdly, there was 'the status quo, but to make it work better'. (Paragraph 72). Circumstances have changed since the English Report (which was in any case misconceived in some respects), but I still believe that some changes are needed. I should very much welcome the chance to submit some thoughts to you in due course.

xx

On xx, I will say - if you agree -
but you would be glad to have
John Hunt's views?

John

John Hunt

You please etc.

14th June 1979

MANAGEMENT IN CONFIDENCE



Civil Service Department
Whitehall London SW1A 2AZ
01-273 4400

12 June 1979

Andrew Duguid Esq
Private Secretary to
Secretary of State for Industry
Ashdown House
123 Victoria Street
LONDON SW1E 0RB

MSM
R 12/6

Dear Andrew,

CONSULTATION OVER CIVIL SERVICE REDUCTIONS

Cabinet agreed that the CSD should open discussions with the National Staff Side about the operation to identify staff savings of 10%, 15% and 20% before Ministers consulted their own departmental staff sides.

2. Yesterday CSD officials met, separately, the National Staff Side and the Joint Consultative Committee for the industrial unions. Both meetings went off quietly. The Staff Side were mainly concerned to elucidate the exact nature of the exercise, eg the base-line from which the reductions were to be made, the coverage and the timetable, to press for maximum consultation on the specific reductions in each department, and to register their concern over possible large-scale redundancy. The JCC's main points were that their unions would react against cuts which imposed extra duties or overtime on their members; and that they understood defence to be a priority for the Government.

3. The way is now clear for your Secretary of State and other Ministers in charge of departments to open discussions with departmental staff sides and industrial unions. The Lord President leaves it to each Minister to decide, bearing in mind the probability of leaks, how far staff representatives should be told about the precise nature of the possible measures being considered. On particularly sensitive measures the Lord President would not want discussions to take place with the staff before decision; but where Ministers think it right to consult their staff sides over any changes which involve issues of national policy, it should be made clear to the staff side that they are being consulted about the consequences of the change for the staff, and not about the merits of the change itself. It would also be as well to make clear at this stage that anything and everything may be considered and it by no means follows that because any given reduction is being considered the Government will necessarily adopt it.

4. A letter is being circulated to Establishment Officers giving a fuller account of the meeting with the Staff Side and covering some particular points which I need not trouble you with at this stage.

5. Copies of this letter go to the Private Secretaries of all Ministers in charge of departments and Sir John Hunt.

Yours sincerely,
Jim Buckley.

J Buckley
Private Secretary

M 2 JUN 1979





MINISTRY OF DEFENCE WHITEHALL LONDON SW1A 2HB

TELEPHONE 01-218 8000
DIRECT DIALLING 01-218 2111/3

MANAGEMENT IN
CONFIDENCE

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11th June 1979
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Mod look useful.

Dear Christopher,

R 12/6 R 12/6

THE CIVIL SERVICE - REDUCTIONS AND
EFFICIENCY

I have minuted the Prime Minister separately (with a copy to you) about the cutbacks which the Ministry of Defence has already achieved. In an organisation of this size there is always room for some trimming but further significant changes mean we must either reduce departmental functions or cut them out entirely if we are to make substantial inroads into numbers.

It has been put to me strongly by both my civilian and Service advisers that if we are to manage ourselves effectively we need more flexibility in our manpower policies, our hierarchies, and our conditions of service, together with a greater degree of decentralisation. Departments and their needs differ enormously, so why do we have to treat them all the same? The Ministry of Defence is essentially an executive department which is in many ways similar to a very large conglomerate business. It rarely legislates, it is not regulatory, it is not concerned with collecting cash (though its receipts total about £1 billion a year) or transferring it from one group of people to another. We have a large industrial section and we deploy a very large number of skills. Yet we do not approach the direction and management of the Ministry

MANAGEMENT IN CONFIDENCE

/ of ...

The Lord Soames GCMG, GCVO, CBE



MANAGEMENT IN
CONFIDENCE

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of Defence as an unique entity, but as just one of a number of departments.

If we are to do our job to best effect, it would help if, for example, we could:

- a. decentralise more recruitment;
- b. adjust starting pay to the needs of the market;
- c. reward people directly for securing in service qualifications and for doing a good job;
- d. get away from automatic increments;
- e. have a more flexible system of retirement (stretching from the early 50s onwards - if there are short term costs there are longer term savings); we could persuade a number of senior staff to go without replacement - and supporting staff would drop too;
- f. allow and if necessary require people to retire as of right after 40 years' service;
- g. make it easier for people to move in and out of Government service, particularly at the middle and upper levels. Attitudes and pension problems are not helpful;
- h. make more use of limited contracts rather than lifetime careers;
- j. treat industrial civil servants properly, not least in terms of conditions of service.

/ These ...



These are some of the practices and policies which encumber the whole Civil Service and which, if changed, could produce more efficient management and worthwhile savings in the Ministry of Defence. Most of them would require Staff Side and Trades Union agreement. There are some other changes which would help the Ministry of Defence:

- a. arrangements are in hand to look at dispersal. Briefly, apart from the capital and practical costs, the Ministry of Defence's dispersal to Cardiff and Glasgow could require some 900 extra civil servants at the peak and at least 500 extra long term;
- b. pay all industrials and non-industrials by bank transfer;
- c. pay all our non-industrials (and in the longer term industrials) monthly;
- d. increase financial delegation to Departments in such areas as industrial pay, productivity and special allowances, computer procurement, travel allowance and subsistence claims etc.

There are also certain steps which we might legitimately take which would have presentational advantages. On Defence there are two obvious ones:

- a. exclude teachers serving overseas from our count. We hire some 1,750 for British schools overseas for Service and civilian children. They are not civil servants in any meaningful way;
- b. exclude the Ministry of Defence's distinctive forces such as the Ministry of Defence Police from our count. They similarly are not 'civil servants'.

/ No ...

MANAGEMENT IN
CONFIDENCE



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No doubt you are looking at some of these issues already. We should be glad to expand on the points I have made or to help.

I am sending a copy of this letter to the Prime Minister, the Chancellor of the Exchequer, Sir John Hunt and Sir Derek Rayner.

Yours ever

Francis Pym

Francis Pym

MANAGEMENT IN CONFIDENCE

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M-1 JUN 1979



Civil Service Department

Whitehall SW1

Please note embargo

NBPM
MAP

EMBARGO: Not for publication before
00.30 Hrs Saturday 9 June 1979

8 June 1979

1978 A PROBLEM YEAR FOR RECRUITING SPECIALIST STAFF -
REPORT OF THE CIVIL SERVICE COMMISSION

The Civil Service Commission's annual report for 1978, the 112th, is published today (Saturday). It reports increased difficulties in recruiting specialist staff such as accountants and engineers during 1978. Outside London, numbers recruited for general administrative duties were generally satisfactory.

The Commission were asked to fill many more specialist vacancies in 1978 than in the previous year but the report records that they fell a long way short of meeting some of these demands - particularly in disciplines where there is now a national shortage of qualified staff and competition between employers is very keen.

The demand for technologists, for example, rose sharply during the year and the number of vacancies more than doubled to 1,700; but the Commission were able to fill only about 800 of them. Surveyors and mechanical and electrical engineers were in particularly short supply. Vacancies for mechanical and electrical engineers rose from 110 in 1977 to nearly 500 in 1978, and for civil engineers from 29 in 1977 to 147 in 1978. However, the Commission report more success in recruiting graduate trainees.

The report expresses continuing concern about the difficulty of attracting doctors to the Civil Service and says the shortage of recruits for veterinary officer posts is serious. On a brighter note, the number of scientists recruited almost doubled in 1978 (509) compared with 1977 (260).

The report notes the appointment of Miss Pat Downs, Director of Personnel at Woolworths, as a part-time Commissioner - the first to be appointed from outside the Civil Service following a recommendation in the Eleventh Report from the Expenditure Committee of the House of Commons. Also in the report, in response to another of the Expenditure Committee's recommendations, is the first batch of statistics about the academic background of candidates for Administration Trainee posts.

Press Office
Civil Service Department
WHITEHALL
London SW1A 2AZ
01-273 4078 and 273 4002



Civil Service

DEPARTMENT OF HEALTH & SOCIAL SECURITY

Alexander Fleming House, Elephant & Castle, London SE1 6BY

Telephone 01-407 5522

From the Secretary of State for Social Services

The Rt Hon The Lord Soames GCMG GCVO CBE
Lord President of the Council
Civil Service Department
Whitehall
London SW1

8 June 1979

Dear Christopher,

1576

FURTHER ACTION TO REDUCE THE SIZE OF THE CIVIL SERVICE

I have seen your letter of 5 June to Keith Joseph. We shall, as you know, be launching, through our local office staffs, the major task of achieving substantial public expenditure savings by cutting benefit costs. I am now writing to say that we, in this Department, will also be doing everything we can to identify the maximum possible savings in expenditure on staffing. I have already set this action in train, though I am in no doubt that the task will be far from easy.

My main effort has got to be devoted to reducing numbers at DHSS Headquarters. I have already set a four per cent target for 1979/80, but to achieve the further purpose which you have set, it is clear that we shall have to cut out functions and tasks altogether wherever we can; we shall have to change radically the Department's approach to the NHS, to local authorities and to other external bodies; and in making decisions we shall have to distinguish much more carefully between those which will be labour intensive and those which will not. As well as cutting out activities, we shall be able to identify some at present done at Departmental level, which could be better done by the Health Authorities or by some organisation outside central Government, perhaps in the voluntary sector.

On the social security side, the overriding need is to reduce the complexity of the system. Again, so far as Headquarters staffs are concerned it will not be easy to cut social security staffs, while we are making major policy changes, but I have decided that we must give higher priority to find ways of minimising staffing implications.

E. R.

So far as the administration of social security benefits is concerned, significant savings of staff will only be achieved by major changes of policy, and by the extension of computerisation. With the best will in the world this will take time and will require legislation.

Nevertheless, I am in no doubt that, despite the great sensitivity of the policy area for which I carry responsibility, this Department can make a considerable contribution to the reduction in public expenditure and in staff costs for which the Cabinet has called.

Copies of this letter go to all Cabinet colleagues and Sir John Hunt.

Yours ever
Patel



11 JUN 1967



NEW ST. ANDREWS HOUSE
ST. JAMES CENTRE
EDINBURGH EH1 3SX

The Rt Hon Angus Maude TD MP
Paymaster General
Privy Council Office
68 Whitehall
LONDON
SW1

8 June 1979

STAFFING OF INFORMATION DEPARTMENTS

Thank you for your letter of 16 May. I have also seen the reply from Christopher Soames of 30 May.

Within the Scottish Office some modest staff changes have been proposed in the Scottish Information Office as part of the current year's staff costs exercise; but they are not of a size to affect the review you are undertaking. I shall certainly keep you informed of any material changes which may be proposed as a result of the more searching examination in which we are all now engaged.

May I take the opportunity, however, of recording, in relation to your examination of the possibility of greater use being made of the Central Office of Information, that the Scottish Office undertakes some services which had previously been undertaken by COI. The amount of money and staff involved in comparison with UK Departments is comparatively small but the dividend we have received since the transfer of functions took place has been good. To the extent that it proves possible within the cash limits I would like to retain the present arrangement: if you had any disposition to alter it, I should like to be brought in personally at an early stage.

I am sending copies of this letter to those who had letters from you.



11 JUN 1979





Civil Service Department

Whitehall London SW1A 2AZ

01-273 4400

7 June 1979

The Rt Hon Sir Geoffrey Howe MP
Chancellor of the Exchequer
HM Treasury
Parliament Street
London SW1

Dear Geoffrey,

CIVIL SERVICE STAFFING

Now that we have agreed to programmes for reductions in Civil Service staff costs in both the current year and the longer term, it will be essential to maintain the impetus of our approach and to avoid measures which lead to increased staff costs, unless they are absolutely necessary. Otherwise we shall see the prospect of overall staff savings slipping away. I am writing to you about this because I think there are at least two issues in your own field which may arise early on and which would involve quite large increases in staff.

One is taxation of short term benefits. This was one of our Manifesto items, and I have seen the Answer which you gave to Frank Field recently on this subject. Very sizeable staff costs are involved here even though there would be revenue gains. Latest estimates are that a comprehensive scheme to tax the main short term benefits, including Supplementary Benefit, would require 10,000 extra staff in Inland Revenue, Department of Employment and DHSS. To tax unemployment benefit alone would mean nearly 4,000 extra staff, but it could prove almost impossible to single out one benefit in this way. The costs would probably be some 15-25% less once the Pay-As-You-Earn system has been computerised in the mid 1980s, but they would still be considerable.

The second is the taxation of the family. As you know, the Equal Opportunities Commission and a number of other interest groups have been pressing for some time for more equal treatment of men and women in the tax system and our predecessors announced last summer that they were commissioning some work on the subject. Here again there could be heavy staff costs. A scheme for full disaggregation of husband's and wife's tax affairs could require up to 4,000 additional staff in Inland Revenue, although cheaper options might also be considered. The costs would be reduced, but only partially, once Pay-As-You-Earn has been completed.

CONFIDENTIAL

It is not for me to prejudge these matters but I want to make sure that you are aware of the magnitude of the staffing implications.

I am sending copies of this letter to the Prime Minister, Jim Prior, Patrick Jenkin, Sir John Hunt and to Sir Derek Rayner.

Yours ever

SOAMES

Christoph

c

JUN 8 1979





MINISTRY OF DEFENCE WHITEHALL LONDON SW1A 2HB

TELEPHONE 01-218 9000
DIRECT DIALING 01-218 2111/3MANAGEMENT IN CONFIDENCE

MO 2/2/6

6th June 1979

Dear Christopher,

R

6/6

BAN ON CIVIL SERVICE RECRUITMENT

Thank you for your letter of 30th May about the 3% cut in Civil Service staff costs this year.

I fully accept the need to meet the 3% target. As for recruiting exceptions, it is important to keep the numbers in perspective. Of our 225,000 civilians (the Royal Ordnance Factories are, as a trading fund, in a special position) the vast majority are unskilled and semi-skilled industrials, non-professional technical staff and clerical and executive staff. No exceptions are being contemplated here, except for special skills such as data processing staff. My Department has already sent the Civil Service Department and the Civil Service Commission a list of those cases for which I have approved exceptions. They all concern special skills in short demand, essential if we are to maintain the defence effort and the impetus of the defence equipment programme.

You raised in your letter the question of scientists. They are in fact a good illustration of our problem. It is certainly correct that 500 have been declared successful in recent competitions but on normal form we could not expect as many as 100 of these actually to join us (the rest will take up offers from other employers). More than this number are

/needed ...

The Rt Hon The Lord Soames GCMG GCVO CBE

MANAGEMENT IN CONFIDENCE

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needed for our defence programme which is already seriously constrained by shortage of specialist staff. Though I shall not expect to secure further large numbers during the next three months, those that can be recruited will be invaluable.

I hope, therefore, that you will be content to leave it to me to continue to decide on any exceptions that may be needed. My Department is fully aware of the tight criteria on which I will need to be satisfied but in a Department of this size and complexity we must be able to make minor adjustments to meet essential requirements.

I am sending copies of this to our Cabinet colleagues, the Minister of Transport and to Sir John Hunt.

Francis Pym

Francis Pym

MANAGEMENT IN CONFIDENCE

MANAGEMENT IN CONFIDENCE

-6 JUN 1979





Civil Service Department
Whitehall London SW1A 2AZ
01-273 4400

5 June 1979

Rt Hon Sir Keith Joseph Bt MP
Secretary of State for Industry
Ashdown House
123 Victoria Street
London SW1

Prime Minister

To note.

Dear Secretary of State,

*12/64
7/6*

FURTHER ACTION TO REDUCE THE SIZE OF THE CIVIL SERVICE

You will remember that we agreed in Cabinet on 31 May to launch the operation to identify possible further savings of 10%, 15% and 20% in Civil Service staff costs. My officials have now written to all departments (Wilding's letter to Establishment Officers of 4 June) about the technical details.

The purpose of this letter is to ask you and all our other colleagues in charge of departments to take a close personal interest in this operation. I know very well that it will not be at all easy to put forward proposals which will be large enough to make a major reduction in the size of departments; too much Government over too many years has created the habit of mind that regards every activity as essential and the expectation, among the public no less than among civil servants, that it will continue. As I see it the only way we can create the change in atmosphere which is essential to the success of this operation is by departmental ministers insisting that they want real options up to the maximum level and will throw back any that are paraded only to demonstrate their impossibility.

I do hope you agree, and if so will feel able to keep up the momentum necessary to achieve our objective.

Copies of this letter go to all Cabinet colleagues and Sir John Hunt.

Yours sincerely,
SOAMES

[Handwritten signature]

SOAMES
(approved by the Lord President and signed in his absence)

15 JUN 1979





8 ST. JAMES'S SQUARE LONDON SW1Y 4JB

Telephone Direct Line 01-214 6025

Switchboard 01-214 6000

MBM

R. G. S/C

The Rt Hon Lord Soames GCMG GCVO CBE
Lord President of the Council
Civil Service Department
Whitehall
LONDON SW1A 2AZ

5 June 1979

Dear Christopher

I have seen your letter of 30 May to the Secretary of State for Defence which contains comments about exemptions from the recruitment ban which I plan to authorise in the DE Group.

First, let me make it clear that, subject only to a proviso on unemployment levels which I make below, I shall deliver a 3% cut in staff costs (or equivalent if authorised) during the current financial year. But the vast majority of the 55,000 staff in the DE Group are employed in nearly 2,000 relatively small offices providing services direct to the public and the staffing levels are pretty tightly controlled to provide enough staff and no more than are necessary to deliver these services. The extent to which services currently authorised by the previous Administration will continue is for later consideration by Cabinet but in the meantime they have to be provided.

Offices in the Unemployment Benefit Service are staffed according to the number of claimants for benefit with whom they have to deal and as these are substantially more during the summer months than in the rest of the year it would not make sense to staff offices throughout the year at a constant level high enough to enable the summer peak to be absorbed. Therefore short term staff are specially recruited to deal with this summer peak and discharged again when it is over. This short term (or casual) recruitment arises from an approach to the efficient use of staff on which the Cabinet have placed emphasis and which wholeheartedly I endorse. If I am unable to proceed with this casual recruitment we shall face a breakdown of services in the Benefit Offices during the summer with consequent complaints and adverse publicity. It will in no way prejudice the achievement of a 3% cut.



I have, however, since approving in principle the recruitment of casual staff in the Benefit Service also been considering functions which might be cut administratively. As a result of this I expect the number of casual staff required in Benefit Offices during the summer peak to be reduced from a maximum of 3,000 to a maximum of 2,500 because I am stopping the 1979 Census of Employment. Furthermore I am requiring officials to operate with extreme rigour within this overall total so that the numbers actually recruited reflect the minimum requirements as closely as possible.

You mention the proposed recruitment of executive, clerical and messengerial staff in the London Area. Wastage here has been running at a very high level (some 30% per annum) and a ban on recruitment in the London Area for 3 months would leave us some 7½% below strength at the end of it. This is overkill in a situation in which we are aiming for a reduction of 3% in the current financial year and again in some offices in London failure to replace wastage would result in a complete breakdown of service. Here too, however, my officials will operate the exemption rigorously and only authorise recruitment where it is demonstrably needed to prevent maintain the minimum acceptable level of service to the public.

The proviso about unemployment levels which I mentioned above arises from the fact that the staffing provision for the Benefit Service in the Supply Estimates reflects the forecast of unemployment throughout the financial year. I could be in serious difficulties if unemployment were to rise significantly more than the assumptions on which this year's staffing levels are based, because compensating savings on non-staff expenditure could only be achieved by further reducing special measures for the unemployed which would of itself generate still further claims to unemployment benefit. Accordingly I think it right to put my colleagues on notice that in this event I should need to come back to Cabinet for some other means of financing the staff necessary to service the higher level of unemployment benefit claims.

I am sending copies of this letter to all Cabinet colleagues and to Sir John Hunt.

5 JUN 1979



MANAGEMENT IN CONFIDENCE

Civil Service



MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1
Telephone 01992XXXX 218 2111/3

MANAGEMENT IN CONFIDENCE

4th June 1979

MO 20/17

R 4/6

Dear Jim,

I understand that the Lord President is due to see the National Staff Side in the next few days to tell them about the study of further cuts in the size of the Civil Service, which were discussed in Cabinet on 31st May. I should be grateful if you could confirm that it is also his intention to see the Trades Unions. As you will know, the Ministry of Defence employs a great majority of the industrial Civil Service, and it is important that they should not gain the impression that they are being treated less well or being less fully informed than their Staff Side colleagues.

We are arranging for our own Ministers to see the MOD Staff Side and Trades Unions as soon as possible after the Lord President's meeting. I should therefore be grateful if you could let me know in good time when the Lord President's meeting will be, and what he will be saying, so that the Defence Secretary can make parallel arrangements with our Departmental Staff and Trades Union Sides.

I am copying this letter to Tim Lankester (10 Downing Street), Ian Fair (Department of Employment) and Martin Vile (Cabinet Office).

Yours sincerely,
Roger Fairer
(R L L FACER)

J Buckley Esq

MANAGEMENT IN CONFIDENCE

MANAGEMENT IN CONFIDENCE



-4 JUN 1979

010
CONFIDENTIAL



MINISTRY OF DEFENCE WHITEHALL LONDON SW1A 2HB

TELEPHONE 01-218 9000

DIRECT DIALLING 01-218 2111/3

CONFIDENTIAL

30th May 1979

MO 2/2/6

Dear Prime Minister,

I have given directions on the application of the freeze on Civil Service recruitment in the Ministry of Defence. I intend to look positively at the scope for further savings in the light of the Cabinet's discussion of the Lord President's proposals, and I have no doubt that I shall find some. I ought, however, to emphasize that in defence - unlike other Departments - this exercise comes on top of efforts that have already been made to cut back on Civil Service manpower. Since 1st April 1974 MOD numbers have been cut by 35,500 and PSA staff on defence account by 5,800. These are real cuts in numbers, and not cuts in planned growth. It would be interesting to know what has happened elsewhere.

These cuts exceed the target of 40,000 set by our predecessors even though certain commitments (eg Cyprus, Northern Ireland) which were assumed to end have not. These extra commitments account for 4,800 staff. We have had to compensate for these extra posts by undermanning, and the defence programme is at risk.

Headquarters staffs have been cut by 14%; Senior posts (Under-Secretary and above) have been cut by 9% and the current target is not less than 19% by 1982. It would be interesting to know the figures overall over the last 5, 10 and 15 years.

/ 130,000 ...

The Rt Hon Margaret Thatcher MP

CONFIDENTIAL
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CONFIDENTIAL



CONFIDENTIAL

2.

130,000 of my civilians are the industrial workforce manning the dockyards, factories, ordnance depots etc on which the Services depend and with a thriving and highly profitable export trade covering both the public and private sectors. They are not bureaucrats.

I am sending copies of this letter to Geoffrey Howe and Christopher Soames.

Yours ever

Francis

Francis Pym

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CONFIDENTIAL



30 MAY 1978
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PRIME MINISTER

Further Action to Reduce the Size of the Civil Service
(C(79) 12)

BACKGROUND

The Cabinet has already taken four decisions which bear on the Lord President's paper:-

- (a) A ban on Civil Service recruitment: CC(79) 1st Conclusions, Minute 1f, confirmed by CC(79) 2nd Conclusions,, Minute 6.
- (b) An instruction to the Lord President to produce further proposals for reduction in Civil Service Manpower (CC(79) 2nd Conclusions, Minute 6) which is the immediate origin of the present paper.
- (c) A request to all Cabinet Ministers to produce first thoughts on 'waste' as a contribution to the Rayner exercise - CC(79) 1st Conclusions, Minute 1j.
- (d) Last week's discussion on the Public Expenditure Guidelines - CC(79) 3rd Conclusions, Minute 5.

More generally, the Cabinet is committed to large cuts in Civil Service manpower both this year, in the immediate Budget context, and in the longer-term. Some of the longer-term savings can be found by reducing waste, and this is in any case a continuing process. Others will require changes in functions, some of which may need legislation. These take time, and meanwhile the temporary ban on recruitment holds the position.

HANDLING

2. You will want to ask the Lord President to introduce his paper, and the Chief Secretary might then comment. Thereafter, there are five points which will I think arise:-

- (a) Timetable. It is a pity that the timetable is different from that for the Public Expenditure exercise (on which you have asked for report-back by the end of June). The two march closely together. However, the CSD argue that, to do a thorough job, Departmental

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Ministers need more than a month if they are to identify real options for long term savings. The snag is that, in taking Public Expenditure decisions in July, Ministers run the risk of closing off options for manpower savings later. (For example, tightening up on certain kinds of social security fraud, saves money but costs staff). The Lord President will have to be very careful to warn his colleagues about cases like this in July. There is a further timetable problem if you want to announce Public Expenditure cuts at the Party Conference. This means getting decisions during September, when the Cabinet is not likely to be meeting regularly.

- (b) Legislation. The Lord President says (paragraph 2) that some of the changes likely to be proposed by Departmental Ministers will need legislation. There is of course no provision in the legislative programme at present, because the need cannot be foreseen in detail. Given the present state of programme, it would be difficult to squeeze anything else in during the remainder of the first Session of the new Parliament. The CSD believes that this does not matter: they are engaged in a 3-year programme, and legislation in 1980-81 or 1981-82 would be sufficient.
- (c) Waste. The Paper refers to the initial returns which you have asked ~~for~~ for by 7th June, on which Sir Derick Rayner's exercise will be partly based. But I think you need to make the point that the Rayner exercise is not a one-off affair designed simply to produce economies in the context of the present exercise: it is a continuing effort and it will be important not to lose momentum after the autumn.
- (d) Consultation. There is a real risk of muddle if individual Departmental Ministers consult their own Departmental Staff-Sides independently. Any inconsistencies will be rapidly exploited by the unions. There will be a rough ride for these proposals at the TUC in September anyway. You might ask that all Departmental Ministers keep the Lord President and his Department closely

CONFIDENTIAL


informed about consultations with Staff-Sides, so that action can be concerted as necessary. It is not clear whether consultation is to precede or to follow Ministerial decisions. If the latter, the timetable becomes even more difficult.

- (e) Resettlement. What is proposed is likely to be at least as drastic as any of the previous cut-backs in the armed forces. In those cases, where people in mid-career were made redundant, special efforts were made to resettle them in civilian life. The problem with the Civil Service will be less acute: natural wastage will solve much of the problem, and there are fairly generous redundancy terms available already. It might be worth considering, however, the case for putting some Government support into resettlement and even into retraining, to help with the shake out, encourage people to take redundancy terms, and minimise union opposition. You might ask the Lord President whether he has thought along these lines yet.

CONCLUSIONS

3. Subject to the course of discussion, you should be able to guide the Cabinet to agree to the three specific proposals in paragraph 7 of the Lord President's paper:-

- (a) To set 1st April 1982 as the target date.
- (b) For Departmental Ministers to submit proposals for reductions in their areas by the end of July.
- (c) To authorise appropriate consultation with National and Departmental Staff-Sides- subject in this case to careful co-ordination by the CSD.


John Hunt

30th May 1979

Civil Service Department,
Whitehall,
London, SW1A 2AZ

*With the Compliments
of the
Lord President of the Council*



Civil Service Department
Whitehall London SW1A 2AZ
01-273 4400

*D. Pym MP
The Lord P*

30 May 1979

MBM

The Rt Hon Francis Pym MP
Secretary of State for Defence
Main Building
Whitehall
LONDON SW1A 2HB

R

2/5

Dear Secretary of State,

You will have seen my letter of today to Willie Whitelaw about the 3% cut in civil service staff costs this year. I am also worried about the implementation of the 3-month ban on recruitment.

For example, I understand that you have approved exceptions for 13 different grades, including scientists for R and D, of which I believe you already have some 500 declared successful in competitions completed before the ban was introduced. Similarly I gather that there are plans in Jim Prior's employment field to recruit executive, clerical and messenger staff for benefit offices in London, together with up to 3000 casual staff to cope with the summer peak of school-leavers etc. I am concerned that these and similar plans in other Departments may amount in aggregate to a great deal more by way of exceptions than we envisaged in Cabinet.

What we agreed was a ban under which it would be open to Departmental Ministers to make exceptions on a case by case basis on their own personal authority where this was essential in the interests of efficiency. I am sure that we must keep the exceptions minimal if we are not to break the spirit, if not the letter, of our decision, and I should be grateful if you and other colleagues could look at this again.

I am sending copies of this letter to all Cabinet colleagues, including the Minister of Transport and Sir John Hunt.

Yours sincerely,
for *Soames*

SOAMES
(approved by the Lord President and signed in his absence)



30 MAY 1979



Civil Service Department
Whitehall London SW1A 2AZ
01-273 4400

30 May 1979

The Rt Hon William Whitelaw CH, MC, MP
Secretary of State
Home Department
Queen Anne's Gate
LONDON SW1

Dear Willie,

R 275

CIVIL SERVICE STAFF COSTS IN 1979/80

Thank you for your minute of 21 May about exemption for prison service establishments. I have also received Humphrey Atkins' letter of 23 May about "law and order" staff in Northern Ireland.

There is clearly a powerful case for exemptions on these lines, and for finding compensating savings elsewhere in your respective expenditure programmes. I understand however that other claims for exemption are also on the way, and feel sure that we must review the aggregate of all such claims before we reach final decisions. If the aggregate is so large as to make nonsense of the 3% figure we have publicly announced, I shall have to ask colleagues to think again. We have told Parliament that exceptions will be strictly limited and so it should be.

I have asked my officials to examine all claims with the departments concerned as quickly as possible in order to establish their exact size and justification. Since the new cash limits should be announced at the time of the Budget, we have very little time, and I should be grateful if any further exceptional claims which any colleagues feel that they cannot avoid putting forward could reach my department by 5 June.

I am sending copies of this letter to all Cabinet colleagues and to Sir John Hunt.

Yours ever

Christopher

30 MAY 1975





Civil Service Department

Whitehall London SW1A 2AZ

01-273 4400

30 May 1979

The Rt Hon Angus Maude TD MP
Paymaster General
Privy Council Office
68 Whitehall
LONDON SW1

Dear Angus,

R305

STAFFING OF INFORMATION SERVICES

Thank you for your letter of 16 May.

We have of course now agreed in Cabinet on measures to reduce Civil Service staffing levels in 1979/80. Each Department will be responsible for implementing those measures in relation to its own staff including, where relevant, staff engaged on information services. This will apply equally to the Central Office of Information (COI) for which I will not be giving any exceptions.

Looking beyond the immediate position, we shall need to consider how to achieve further savings for the longer term and you will by now have seen my Cabinet paper on this. We shall then need to consider how particular functions could be carried out more efficiently and economically. In some cases it may be necessary to examine functions which spread across departmental boundaries, of which information is an example. It is too early to see exactly how this should be arranged but I certainly take the point that we shall need to see how the proposals for savings which individual Ministers will make can best be co-ordinated so as to produce a sensible result in such cases.

I am sending copies of this letter to the other recipients of yours.

*Yours
Christopher*

30 MAY 1979





*Prime Minister
To note
Civil Service 2.*

PRIME MINISTER

and R 2375

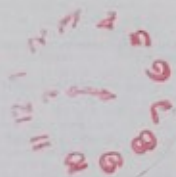
ADJUSTMENT OF CASH LIMITS FOR CIVIL SERVICE PAY SETTLEMENT

I undertook to report to colleagues on the National Staff Side's reaction to our decision to cut Civil Service staff costs by 3% in this financial year and to impose a ban on recruitment which would last for 3 months in the first instance.

2. I met the National Staff Side (apart from the General Secretaries of the Inland Revenue Staff Federation and Prison Officers' Association who were away at their unions' conferences) on 21 May. On the whole, the meeting went quite well, and the union leaders showed a responsible attitude. In particular, they showed no inclination to challenge the right of the Government to decide what work it wants done, and what work it does not want done, by the Civil Service. While they made it clear that we must expect them to oppose the programme of reductions we shall introduce for the longer term, I think that we can also expect, on this showing, a readiness on their part to discuss our proposals on their merits provided that we give them plenty of warning and the opportunity to comment before decisions are taken. I thought it right to assure them that we should aim for full consultation on those lines.

3. The union leaders were predictably more worried about the immediate steps we propose to take in this financial year. They thought that a cut across the board, and especially the ban on recruitment, would be ill-received by their members and would be likely to sour the atmosphere for the future discussions of longer-term reductions. In particular, they referred to the manpower cuts imposed by the last Administration, which they said had left very little scope for additional effort and no willingness to undertake it; their fears for the effect of cash limits on future pay negotiations and the need, as they saw it, to rearrange the timing of pay negotiations so that cash limits could take account of their results; the haphazard effect of a recruitment ban on offices with an exceptionally high turnover of staff; and the risk of losing the temporary recruiting advantage of a reasonably good pay settlement. They were somewhat mollified by the arrangements we have agreed for flexibility in the application of the ban and for finding compensating savings in other expenditure in those exceptional cases where a full 3% saving in staff costs proves impossible; indeed, we shall have to take care, at the departmental as well as the national level, to avoid any impression that these flexibilities can be widely exploited.

22 MAY 1978



CONFIDENTIAL

But they ended by saying that we must expect their Executive Committees to react pretty strongly, and that there might well be trouble in particular departments where for one reason or another the ready-made shoes of 3% and the ban on recruitment pinched most tightly. This seemed to me an honest attempt at a fair assessment of the wider reaction.

4. My general impression is that the union leaders are well aware of the dangers from their point of view of confrontation with the Government on the political issue of the size of the Civil Service, and will try to keep the reactions of their wilder activists within bounds. In this connection, it will certainly be helpful if we can show genuine consultation over the preparation of the longer-term reductions, and if the early results of the recruitment ban justify us in lifting or modifying it at the end of the 3 month period.

5. I am sending copies of this minute to all members of the Cabinet, the Minister of Transport and to Sir John Hunt.

S.

SOAMES
23 May 1979

CONFIDENTIAL



Mr Wilson
Mr Pyde

Civil Service

Civil Service Department

~~PRIVY COUNCIL OFFICE~~

WHITEHALL, LONDON SW1A 2AT

Prime Minister

18 May 1979

Tim Lancaster
10 Downing Street

To note.

Dear Tim,

R
14/5

CIVIL SERVICE STAFF COSTS: RECRUITMENT ADVERTISING

At yesterday's Cabinet it was noted that, despite the previous week's Cabinet decision, advertisements for civil service staff continue to appear in the press. I am not sure whether any of the advertisements were placed by the Civil Service Commission or by departments directly but the Prime Minister might like to know the situation in CSD.

Some advertisements from the Civil Service Commission would have continued to appear last week for two reasons. First, many are set up some time in advance and blocks cut ready for publication. And, second, to withdraw advertisements would have immediately made overt the recruitment ban before any discussion with the Civil Service unions.

The Civil Service Commission has since stopped placing advertisements and cancelled all existing arrangements. This applies equally to local recruitment for this department and the other departments which are our responsibility. Nevertheless, some advertisements will still appear this Sunday since the Observer had, because of the heavy demand for job advertising in the absence of the Sunday Times, already printed those pages containing recruitment advertising earlier in the week. Over one million copies already printed would have to be destroyed to remove the advertisements.

A small number of advertisements will, of course, continue to appear during the recruitment ban as a result of the discretion allowed to individual Ministers as agreed at Cabinet.

Yours sincerely,
Jim Buckley.

Markson

J BUCKLEY
Private Secretary

at

WILSON JOURNAL

18 MAY 1979



Original filed
Gov. Pol. May '79

SECRET

Ref. A09570

PRIME MINISTER

Public Expenditure 1979-80: Cash Limits 1979-80 and
Civil Service Manpower

The two Treasury papers - Public Expenditure: Scope for Cuts (C(79) 4) and Cash Limits (C(79) 5) - and the CSD paper on Civil Service Manpower (C(79) 7) represent essential building blocks for the Chancellor's Budget. For good order you will need to take them separately (and I am letting you have a brief on each) but they hang together and in some respects overlap. I do not know how far the Chancellor will be willing (or indeed at this stage able) to expose the broad arithmetic of his Budget. But it would no doubt help him, and focus the minds of Cabinet, if you felt able to give them a collective scene-setting introduction. This might take the following form:-

- (a) We have a dreadful inheritance. The previous Government budgeted for a 2 per cent increase in public expenditure this year in real terms and grossly underestimated, in their public expenditure plans, the prices they would have to pay for goods and the pay they would have to allow their employees. The built-in assumption for the price of goods was of an increase of $8\frac{1}{2}$ per cent over last year - the RPI is already over 10 per cent up on a year ago and rising. Similarly they assumed that the earnings of their own employees would increase some 7 per cent over the year. The outcome is likely to be two or three times as much as this.
- (b) Moreover the last Government gave a good deal of currency to a public sector borrowing requirement this year of around $\pounds 8\frac{1}{2}$ billion. Without action to increase the net yield of taxes and/or to cut public expenditure the outturn is likely to be a good deal higher than this. Thus the Chancellor will need to make up a good deal of ground simply to return to the previous Government's PSBR target on which confidence depends. The scope for cutting direct taxation therefore turns critically on making

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bigger savings in public expenditure or bigger increases in indirect taxation than those needed to restore the last Government's PSBR objective, let alone to improve on it.

- (c) But our economic strategy depends critically on making a significant start in the reduction of direct taxation in this Budget. The Chancellor will therefore require all the help he can get from his colleagues in making immediate cuts in public expenditure. To the extent that these cuts are not forthcoming either indirect taxes will have to be increased further - with consequent upward pressure on the RPI - or the Government's ambitions for cuts in direct taxation will have to be restrained and our new strategy will be hamstrung before it starts.

2. If you felt like opening the discussion on these lines you could then invite the Chancellor to add any general comments. Thereafter you might take your colleagues successively through the three papers in the order: 1 public expenditure; 2 cash limits; 3 Civil Service manpower.

(John Hunt)

16th May, 1979

CONFIDENTIAL

PRIME MINISTER

Civil Service Manpower
(C(79) 7)

BACKGROUND

Cabinet decided last week to impose a freeze on Civil Service manpower until the Lord President circulated proposals for more long lasting cuts in Civil Service manpower. You were not happy with the first draft of his paper and (in Mr. Lankester's letter of 14th May) made a number of points which have been incorporated in the latest draft. The paper is closely related to the Chief Secretary's parallel paper on Cash Limits (C(79) 5) which I have suggested might be discussed immediately ahead of this one.

HANDLING

2. You might care to introduce the item yourself by saying that the need for cuts in Civil Service manpower is common ground. It stems partly from the need to eliminate waste but much more importantly, from the whole approach of the new Government which is to reduce its involvement in the day to day life of the community and to shift the balance from State to private decision-making. Of course it will be argued that, waste apart, cutting Civil Service numbers should follow, not precede, cuts in the functions the Service is asked to perform. But this is not enough. Unless Departments (and be it said, Ministers) are faced with stark questions of priority in the allocation of scarce resources, progress will be slow and the desired momentum will neither be generated nor sustained. It will also be argued that cash limits alone should do the trick. Again, this is doubtful. Obviously cash limits are very important. But action on staff numbers will reinforce the pressure by imposing a separate, distinct and unavoidable form of discipline. Against this background the Cabinet has to come to grips with a series of questions:-

- (a) What reductions are achievable this year?
- (b) Can a target be set for future years?
- (c) What are the best means available for achieving the desired results?

CONFIDENTIAL

- (d) In this connection how do the Cabinet rank reduction in numbers against reduced expenditure - bearing in mind that some of the techniques for reducing staff (redundancy and early retirement) may cost more in the short run than they save?
- (e) What steps can be taken to preserve the integrity and efficiency of the public service during what will be, by any reckoning, an unprecedented period of contraction?

3. You might then ask the Lord President to introduce his paper and the Chief Secretary to comment, particularly on the cash limit aspects. Departmental Ministers, especially those with large staffs - e. g. DHSS, the Revenue and Defence, will also wish to contribute.

4. Among the points you may expect to hear advanced are:-

- (a) A freeze on recruitment, if prolonged for any significant period, can impose substantial penalties both in terms of creating severe shortages of staff in particular disciplines (computer programmers are bound to be mentioned) and in the longer term through distorting the age structure of the Service as a whole.
- (b) A freeze on recruitment bears very hard on the many thousands of youngsters leaving schools or university who would normally expect to make their career in the Civil Service. In fact the ban need not catch this year's intake of graduates and A-Level school-leavers most of whom have already been offered places, conditional on their examination results. It will however hit recruitment of clerical and typing staff particularly hard.
- (c) An across the board reduction in staff numbers will hit some Departments more severely than others and may even, it will be said, jeopardise the carrying out of statutory functions (a point likely to come from the Department of Social Security).

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- (d) It will also be argued that the Civil Service unions will compare the cuts being imposed on them with those operating on local government and draw the conclusion that they are being heavily discriminated against. Whether this point is valid will depend on the decisions Cabinet takes about the reduction in Rate Support Grant. A reduction of £200 million in RSG implies, so I understand, a $2\frac{1}{2}$ per cent reduction in the cash limits of local authorities though they of course have cash balances and other sources of revenue which would enable them, in the short run at least, to avoid the manpower implications of tighter money. You may feel that the answer lies not in reducing the squeeze on the Civil Service but in increasing that on the local authorities.
- (e) Many Ministers are likely to argue for flexibility in the operation of the new policy in order to meet their particular problems. The problem is of course that the exception quickly becomes the rule.

5. All of these arguments have some validity but you will not want them to build up into a case against action. Equally you may feel that the Lord President's paper, by concentrating on percentage across the board options - and thus opening itself to detailed objection - is not particularly helpful. On the other hand it is to be doubted whether the Cabinet will produce a viable alternative arrangement in the course of a hurried discussion at the end of a long meeting. Nevertheless, however, you will not wish the Cabinet to be totally inconclusive on this important matter.

6. Might I suggest that the minimum immediate decisions you need are:-

- (a) That the absolute ban on recruitment should be maintained for a short period - say to the end of July - while longer term policies are being worked out. The only exception would be for the honouring of existing commitments to individuals who have not yet actually taken up post.

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- (b) That, subject to confirmation at a further Cabinet discussion in a week or two's time, the Cabinet might decide on two quite separate across the board control numbers for this year. The first would be a target for staff reductions - say 4 or 5 per cent. The second would be a more generous reduction in cash limits - say 2 or 3 per cent - which if strictly applied would lead to smaller staff savings. The margin of flexibility would enable Departments, at their discretion, to decide whether to proceed by lower recruitment or redundancy as their own circumstances dictate. They would of course have to meet both targets, but provided the net targets were met would have management discretion to operate their own recruitment/redundancy policies as they saw fit.
- (c) Prior to final decisions being taken the Treasury, CSD and individual Departments should give more thought to the actual number to be adopted and the case for any unavoidable exceptions. (The Lord President's paper was circulated very late).
- (d) Ministers would also be asked to provide urgently notes on the implications for their Departments, and their policies, of a reduction in, say, 10 or 15 per cent of staff numbers to be achieved over a period of 3 years. These replies too could be looked at at the same Cabinet meeting as the short-term targets in order to provide a longer term setting for them. A long term strategy for manpower would however have to be evolved in parallel with this summer's long term public expenditure review.

CONCLUSIONS

7. These must be very much dependent on the course of discussion but if you agree, you might aim for an endorsement of something like the proposals in my preceding paragraph.

16th May 1979

-4-


for John Hunt



File JS
CIVIL
SERVICE

10 DOWNING STREET

From the Private Secretary

14 May 1979

Dear Jim,

FREEZE ON CIVIL SERVICE MANPOWER

The Prime Minister has considered the draft paper for Cabinet which you sent with your letter of 11 May on the above subject.

The Prime Minister considers that the analysis in this draft is too sketchy, and she disagrees with several of its conclusions. On the analysis, she has raised the following points:

- (i) It is not clear why the work currently being done by 566,000 non-industrial civil servants could not be done equally well by 500,000. If this could be achieved, the extra provision supposedly required following the Civil Service pay settlement would not be needed. The Prime Minister does not accept the apparent premise that virtually no cuts in manpower can be made unless services are to be reduced. She would like to see some evidence of this. The Prime Minister believes that in some parts of the public services, particularly the less skilled parts, there is substantial overmanning.
- (ii) It is not clear what effect the proposed three-month ban on recruitment would have on the current staff in post figure, and what manpower and cash savings would be achieved.
- (iii) Paragraph 5 of the draft says that "Departments would find staff shortages of a particularly severe kind in London and other large cities where wastage of staff is high. It would also cause disruption in certain areas of work (such as computer installations) where shortages of staff are already a matter of concern". The Prime Minister would like the paper to say why the Departments would encounter staff shortages in these particular locations, and she would like to see more information on computer

/installations

installations - for example, how many staff work on such installations, what are they and where are they located?

On the recommendations in the paper, the Prime Minister has made the following points:

Told CSD
to substitute
"dealt with by
Departmental
Ministers".

(i) She suggests that there should be a temporary ban on recruitment for six months subject to specific exemptions which would need to be put forward by Ministers and for which specific reasons would have to be advanced. In other words, she does not go along with the proposal that departmental Ministers should have discretion to recruit up to 5 per cent of their normal requirements and that the Civil Service Commission should be allowed to recruit a small number of specialist and potentially high-grade staff.

T
15/5

(ii) The Prime Minister considers that the temporary ban on recruitment should be accompanied by a target reduction in staff costs of at least 5 per cent - rather than the 3 per cent proposed. She accepts that there may need to be certain very limited derogations, for example in the prison service, but it follows from the 5 per cent target which she has proposed that the cash limit adjustment would be higher than 2½ per cent.

Finally, the Prime Minister very much agrees that in the longer term it will be necessary to make much greater staff economies than can be envisaged for the current financial year.

The Prime Minister would be grateful if the Lord President would reconsider the draft in the light of her comments, and circulate a revised draft to Cabinet.

I am sending a copy of this letter to Tony Battishill (HM Treasury) and Martin Vile (Cabinet Office).

Now ev.

T. L. L.

J. Buckley, Esq.,
Lord President's Office.



Civil Service Department
Whitehall London
SW1A 2AZ

11 May 1979

Mr K Stowe
10 Downing Street

Prime Minister.

Are you content for
the Lord Pres. to circulate his
paper?
See also my
marginal comments.

Dear Ken,

FREEZE ON CIVIL SERVICE MANPOWER

As the Lord President promised in ^{his} minute of
9 May, I attach a draft of the paper on
Civil Service manpower which the Lord
President would like to put to next week's
Cabinet.

KRS
11/12

I am sending a copy of this to the Private
Secretaries to the Chancellor and Sir John
Hunt.

Yours sincerely,
Jim Buckley.

J BUCKLEY
Private Secretary

① This paper is
much too sketchy
and cannot possibly
be circulated.

② ~~by~~ What we are
doing with 506,000 that
can be done with 500,000
is an initial ~~large~~ P.No.

③ suggest temporary

ban on recruitment for

6 months subject to

specific exceptions which

must be dealt

with individually

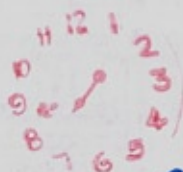
by a Division

and for which

specific reasons

must be advanced

11 MAY 1979



④ Please consider further

and all more evidence

Do not accept the present stat.

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made

no inter bank
unless further
are reduced

CONFIDENTIAL

DRAFT PAPER FOR CABINET

THE ADJUSTMENT OF CASH LIMITS TO TAKE ACCOUNT OF CIVIL
SERVICE PAY SETTLEMENTS

NOTE BY THE LORD PRESIDENT OF THE COUNCIL

INTRODUCTION

In the course of the meeting of members of the Cabinet on 8 May, reference was made to the increase in public service staff costs arising from the present round of pay settlements and to their effect on cash limits and the matter was further discussed in Cabinet on 10 May. This note examines the action which should be taken to secure early savings in Civil Service staff costs.

BACKGROUND

2. The total staff of the Civil Service now numbers about 733,000, divided between 566,000 non-industrials and 167,000 industrials. The Civil Service wages and salaries bill provided for in the 1979-80 Estimates accounts for £3,744m*, which allows for pay increases averaging about 5½% from the due settlement dates (1 April for non-industrial staff and 1 July for industrial staff).

*This is pay of staff employed by central government departments as shown in Table 5 of the Chief Secretary's Memorandum (Cmnd 7524). It includes national insurance, the pay of locally engaged staff overseas, London Weighting and the cost of fee paid staff. It excludes the 25,000 staff of the Trading Funds, for whom no provision is made in the Estimates.

3. This provision made in the Estimates for wages and salaries has proved to be substantially below the cost of this year's Civil Service pay settlements. The settlement for the non-industrial Civil Service, payable in stages from 1 April, is likely to amount to around 16% for the current financial year, ie some 10% or about £270m above the provisions made in the Estimates. On top of that there will be the settlement for the industrial staff, the cost of which may be in the region of £60m this financial year. Therefore the excess for all Civil Service pay over the provision made in the Estimates is estimated at about £330m, equivalent to the full year cost of about 65,000 staff.

A TEMPORARY BAN ON RECRUITMENT

4. Clearly it would be wrong for the Government to accept this situation by just altering the cash limits. I suggest that in the short term we act by imposing a temporary ban on recruitment to the Civil Service for 3 months. ??

5. I have considered the question of a longer ban on recruitment - say to the end of the year. But a total ban for this length of time would have consequences which would be counter-productive. Departments would find staff shortages of a particularly severe kind in London and other large cities where wastage of staff is high. It would also cause disruption in certain areas of work (such as computer installations) where shortages of staff are already a matter of concern.

We ought to know what effect this wd. have on the current staff in post figures; and how this compares with the ceiling.

} why?

How many work on computer installations? what would be the effect?

No

6. So there will need to be some minor exceptions to the ban in some limited areas where we badly need a few highly skilled and scarce people. To allow for this, I propose that departmental Ministers might have discretion to recruit up to 5% of their normal requirements and that, in addition, the Civil Service Commission should be allowed to recruit a small number of specialist and potentially high grade staff (about 400 over the 3 months) of whom the Civil Service as a whole is in serious need.

A FIXED SAVING IN STAFF COSTS

7. A temporary ban on recruitment should be reinforced by a minimum figure by which departments should reduce their staff costs in this financial year. The previous Administration had in mind that they might achieve a target reduction of at least 2%. I consider that we should do better than this and I propose that we should aim at savings of 3%. But there may be need for certain very limited derogations (in the Prison Service for example), so it may be wise, if we are to ensure that the new Cash Limits hold and do not have to be adjusted again towards the end of the year, to make $2\frac{1}{2}\%$ the figure for the Cash Limit adjustment. To achieve this it will be imperative that such exemptions should be kept to a minimum and collectively agreed, and that no major areas of staff costs should be excluded from the scope of the 3% reduction.

Too small
5-7%
agreed

Too small

I take it that
3% applies
to staff
costs, not
necessarily the
same as the
cash limit, where
the target is $2\frac{1}{2}\%$.

FURTHER ACTION

8. In the longer term we shall need to make much greater economies. While there may be some scope for manpower savings by discharging present responsibilities in a different way, it will be essential to determine which functions of Government should be reduced. The period of the moratorium would provide Ministers with a breathing space in which to review the functions of their departments. I will bring forward proposals shortly as to how this review for the longer term should be carried out.

THE REACTION OF CIVIL SERVICE TRADE UNIONS

9. There would need to be early discussions with the Civil Service trade unions about both the temporary ban on recruitment and the planned saving in staff costs. They have already indicated their opposition to any arbitrary cuts and have said that they would strenuously resist any cuts in staff numbers without a corresponding reduction in the work to be done. It will not therefore be an easy matter to gain their acquiescence and I cannot rule out the possibility of a further outbreak of industrial action. It would, however, help if they could be assured that measures of a broadly similar nature were being taken in other areas of the public service and that we are not singling out the Civil Service to bear the brunt of our search for economies.

See Mr. Heseltine's remarks below which is helpful on this point.

See Frank Chaplin's comments on our message in the lesser-studied parts of the public sector.

mt

CONCLUSION

10. Cabinet is invited to:

- i. agree that the temporary ban on Civil Service recruitment should last for 3 months, on the lines indicated in paragraphs 4 and 6;
- ii. agree that we should seek to reduce Civil Service staff costs in the present financial year by 3% but that cash limits should be adjusted on the basis of the figure of $2\frac{1}{2}\%$;
- iii. agree to seek feasible ways for the application of corresponding measures in other parts of the public service; and
- iv. note that the measures suggested may provoke resistance from the Civil Service trade unions.

Original on: Local Govt: Manpower.

Primi Minister

to Mr. Walker.
Mr. Pyke



To note. (on x,
Lord Soames is
expected to complete
a paper next week)

PRIME MINISTER

PL
"15"

MANPOWER

We shall be discussing shortly in Cabinet the Lord President's proposals for reductions in civil service manpower.

I believe it desirable to encourage the same restraint in local government. We have not the powers to enforce a rigid freeze on local government recruitment; but I am sure we must be prepared to give local authorities clear guidance about what we expect of them and particularly warn them of the constraints under which they will be operating in the future.

X | I hope we can have a word together in Cabinet about this when we next discuss civil service manpower and in the meantime I have asked my officials to discuss and report to me before then on the implications of such guidance with officials in other Departments likely to be concerned.

I am sending copies of this to our Cabinet colleagues, the Minister of Transport and Sir John Hunt.

hgh

MH

11 May 1979

Extract CC(79) (87 Concs 10 May 1979 at 10.30 am.

f. Freeze on Civil Service manpower. There would be an immediate freeze on recruitment to the Civil Service for a period. The Cabinet recognised that there would have to be certain exceptions from the freeze in specific areas, with the approval of the Departmental Ministers concerned. During this period, Ministers would undertake an urgent examination of functions to secure reductions in Civil Service manpower. The Lord President of the Council would bring forward to the Cabinet urgently proposals to this end.

(1) Freeze on → ? needed
for the recruitment
down

(2) Recruitment to be
approved by Departmental
Ministers

(3) 3% larger →
costs

(4) →

Response



~~PRIME MINISTER'S OFFICE~~
WHITEHALL, LONDON SW1A 2AT

PRIME MINISTER

FREEZE ON MANPOWER

I have seen a copy of Mr Stowe's note of 8 May to Sir Ian Bancroft about the proposals for Civil Service manpower which we discussed at our informal meeting yesterday.

2. The drafting of this paper is already in hand. The issues involved will affect all departments and, if you agree, it would therefore seem necessary that they should be considered by Cabinet. I understand that Treasury Ministers will be putting a paper to next week's Cabinet which will deal with the whole range of problems arising from the impact of public sector pay settlements on cash limits, and you may think it desirable for the two papers to be considered together.

3. I am aiming to let you see a draft of my paper by the end of the week.

4. I am copying this minute to Sir Ian Bancroft and Sir John Hunt.

[Signature]

SOAMES
9 May 1979

[Signature]

CONFIDENTIAL



10 DOWNING STREET

From the Principal Private Secretary

SIR IAN BANCROFT

A Freeze on Manpower

The Prime Minister told me that she and her colleagues had had a discussion during their informal meeting this afternoon about putting a freeze on public service manpower, with particular reference to local authority manpower and Civil Service manpower. As regards the Civil Service, the view was taken that the right course would be to institute immediately a freeze on recruitment, for a period, recognising, however, that there would necessarily have to be certain exceptions from the freeze in specific areas. These exceptions would, however, need to be approved by the Departmental Ministers concerned. The freeze for this period would be coupled with an urgent examination to secure reductions in functions which would result in a manpower requirement within the limits imposed by the freeze, and ultimately much lower.

The Prime Minister told me of this after the meeting and said that she had asked the Lord President, as Minister in charge of the Civil Service, to talk to you and arrange for a paper setting out proposals on these lines to be prepared urgently as a basis for Ministerial decision. The Prime Minister asked me to inform you myself of this requirement. She hopes that a paper by the Lord President could be prepared speedily for consideration and decision by the Prime Minister and those colleagues with a critical interest in Civil Service manpower and its cost.

I am copying this minute to Sir John Hunt and I am sending a copy, for his information, to the Lord President's Private Secretary.

K.R.S.

8 May 1979

CONFIDENTIAL

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Extract from the informal Cabinet Meeting at 2.30pm 8 May 1979

- 3 -

(e) Freeze on Civil Service Manpower - Ministers agreed that it was essential to institute immediately a freeze on the recruitment to the Civil Service for a period; they recognised, however, that there would necessarily have to be certain exceptions from the freeze in specific areas but these exceptions could only be made with the approval of the Departmental Ministers concerned. During this period of freeze, Ministers would undertake an urgent examination of functions to secure reductions in the Civil Service manpower requirement so that it was brought within the limits imposed by the freeze and ultimately much lower. The Lord President, as Minister in charge of the Civil Service on behalf of the Prime Minister, was asked to consult the Head of the Civil Service urgently and to prepare a paper setting out a policy on these lines for Ministerial decision.

The Lord
President has
not mentioned
you suggesting
that the
paper comes
to Cabinet
- see flag DE.

Top copy - Blue - Pass - May 79

END

Filmed at the National
Archives (TNA) in London

February 2010