

PREM 19/15H

PART 4

SECRET

Confidential Filing

Civil Service Manpower Squeeze.
Action to reduce the size of the
Civil Service and staff costs.
The 1980 Pay Settlement.
Early Retirement.

CIVIL SERVICE

Part 1 : May 1979

Part 4 : March 1980

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
7.3.80		2.5.80					
10.3.80		15.5.80					
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PREM 19/154

Material used by
official Historian
DO NOT DESTROY

PART 4 ends:-

M/CSD to Ch Ex 31-7-80

PART 5 begins:-

m/m/aff to m/CSO 1.8.80
~~SS Env to M/CSO 4-8-80.~~

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.

1. House of Commons Hansard, 14 March 1980, columns 748-749
"Written answers: Civil Service: pay and cash limits"
2. Civil Service Commission: Annual report, 1979
Published by HMSO [ISBN 0 0903741 56 3]

Signed Wayland Date 25 February 2010

PREM Records Team



Minister of State

Civil Service Department
Whitehall London SW1A 2AZ
Telephone 01-273 3000

31 July 1980

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
Treasury Chambers
Parliament Street
SW1P 3AG

Dear Geoffrey

MORE FLEXIBLE ARRANGEMENTS FOR THE EARLY RETIREMENT
OF CIVIL SERVANTS

Thank you for your letter of 24 July.

As you know, for some months now colleagues have attached considerable importance to the need for greater powers to retire prematurely civil servants who are no longer fully effective. We may not be able to achieve our objective of a more efficient and slimmer Civil Service, of only 630,000 by 1984, unless we have these additional powers. At the same time colleagues have emphasised to me that these necessary and desirable retirements must be arranged in such a way as to allow those concerned, many of whom have given most of their working lives to the Service, to depart with dignity and appropriate compensation. This can only be done by giving them the public interest terms which were negotiated with the trade unions in 1972 and so form part of the 'contract of service' of existing staff.

Whilst therefore I understand the public expenditure difficulties which there will be in 1981/82, I hope you will be able to agree that this is a matter of some priority and that we shall be able to make adequate provision to allow the scheme to proceed. I have been encouraged in this by your letter of 23 April in which you said that the cost to the taxpayer of compensating staff for early retirement is a factor which has to be kept in mind but that the efficient management of the Civil Service is a vital objective. My letter of 18 July asked colleagues to let me know urgently their likely use of these new arrangements so that we can estimate the cost. We shall, of course, do this as accurately as we can but it is a very difficult area given the number of variable factors. I shall be in touch with you again as soon as possible.

I am copying this letter as before.

Yours - *Paul*

PAUL CHANNON



Handwritten initials/signature in blue ink.

Caxton House Tothill Street London SW1H 9NA

Telephone Direct Line 01-213 6400
Switchboard 01-213 3000

Rt Hon Paul Channon MP
Minister of State
Civil Service Department
Whitehall
LONDON SW1A 2AZ

31 July 1980

Handwritten signature in blue ink.

MORE FLEXIBLE ARRANGEMENTS FOR THE EARLY RETIREMENT OF CIVIL SERVANTS

Thank you for sending me a copy of your letter to Keith Joseph of 18 July and the note on your proposals for premature retirement.

We have major staff cuts and redeployment to achieve within the DE Group over the next few years and more flexible and simple premature retirement arrangements would assist us to do this and should increase efficiency. I therefore strongly support your proposals and hope they can be implemented as soon as possible. There is just one point which I wish to add which is that we hope we could use the new arrangements in the case of older staff in offices in remote localities which may be closed as a result of our cuts and when there are no suitable opportunities for redeployment in the locality.

As you recognise, it is very difficult to give a precise indication at this stage of our likely use of these arrangements. A broad indication would be of the order of 200-300 individuals retiring each year under the new arrangements for the DE Group as a whole, but we hope we would not be held to this range if later calculations by the four employers in our Group produced rather different figures.

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

Handwritten signature in blue ink.

-1 AUG 1980





SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

JMA

CONFIDENTIAL

Rt Hon Paul Channon MP
Minister of State
Civil Service Department
Whitehall
LONDON
SW1A 2AZ

31 July 1980

MORE FLEXIBLE ARRANGEMENTS FOR THE EARLY RETIREMENT OF CIVIL SERVANTS

Thank you for sending me a copy of your letter of 18 July to Keith Joseph proposing more flexible early retirement arrangements.

I hope that the proposed changes outlined in the attachment to your letter can be formally introduced at an early date. I note that the criteria relaxation on "limited efficiency" still refers to specific performance markings. I take it that these are meant as indicative and that it will be left to Departments to determine performance criteria appropriate to the standard of annual report marking in particular cases. I particularly welcome the proposed easement on inter-departmental transfer requirements. The justification for this change applies with equal force in the context of the existing redundancy procedures.

My officials have already written to yours about the relatively small numbers of officers in the Scottish Office who fall in particular categories of "not fully effective". My officials will be reassessing the position in the light of the proposed new criteria and the response to our departmental Voluntary Early Retirement Scheme and will write to yours as soon as possible about our likely use of the new arrangements.

I am copying this letter to the recipients of yours.

GEORGE YOUNGER

31 JUL 1980





PA
/
M.V.

MINISTRY OF DEFENCE WHITEHALL LONDON SW1A 2HB

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

MO 20/17/6

30th July 1980

Dear Paul,

MORE FLEXIBLE ARRANGEMENTS FOR THE EARLY
RETIREMENT OF CIVIL SERVANTS

I welcome the proposals in the paper attached to your letter to Keith Joseph of 18th July. They are a helpful addition to the tools at our disposal. There are only two comments I would make:

- a. I fully understand why, for speed, you have gone for this approach, rather than a more radical scheme which would call for basic changes. But the fact remains that the "willing victim" element is a considerable limitation on managerial power;
- b. neither this scheme, now VER, nor reductions in retiring ages will enable us to thin out, on a selective basis, the middle managers we need to retire in the next few years. We still need in addition a premature retirement scheme. It will have to be selective both by areas of management and types and grades of staff, but within those parameters may number quite a few staff.

I hope you can let us have executive authority very soon to go ahead on the scheme you have now proposed.

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

Francis Pym

Francis Pym

Francis Pym

The Rt Hon Paul Channon MP



CONFIDENTIAL
DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB
TELEPHONE DIRECT LINE 01-212 3301
SWITCHBOARD 01-212 7676

Secretary of State for Industry

28 July 1980

Paul Channon Esq MP
Minister of State
Civil Service Department
Whitehall
London SW1A 2AZ

I can Paul.

Thank you for your letter of 18 July proposing more flexible arrangements for the early retirement of Civil Servants.

2 I welcome your proposals which, for my part, provide the flexibility which I and others have been seeking to retire officers prematurely to facilitate our manpower reductions and to improve efficiency. I endorse the emphasis you place on the responsibility of management in selecting officers who should be considered for early retirement and that within these arrangements we should be concerned only with "willing victims". To do otherwise would be to compromise the simplicity of the arrangements and the speed with which they might be applied, as well as leading to possible difficulties and delay with the Staff Side which, like you, I hope we might otherwise avoid.

3 As you recognise it is not easy to be precise about the numbers and timing of retirements or to make an accurate assessment of the costs involved. However, between now and the end of 1981/82 I estimate that between 50 and 100 staff in my Department might be selected for premature retirement under these new provisions.

4 I am sending copies of this letter to the Prime Minister, members of the Cabinet, Ministers in charge of Departments and Sir Robert Armstrong.

*Yours
Kevin*

CONFIDENTIAL

- 1 AUG 1980





Seen by PM + MAP

Civil Service

Treasury Chambers, Parliament Street, SW1P 3AG

01-233 3000

24 July 1980

The Rt. Hon. Paul Channon, MP.,
Minister of State,
Civil Service Department

MORE FLEXIBLE ARRANGEMENTS FOR THE EARLY RETIREMENT OF
CIVIL SERVANTS

Thank you for your sending me a copy of your letter to
Keith Joseph of 18 July.

I shall be replying to your letter when I have considered your proposals in more detail from the point of view of my responsibilities for the manpower in my Departments. But meanwhile, from the point of view of public expenditure control, I have to say that I do not think that I could in any case agree to what you suggest until we have a closer idea what costs are involved. As you and other colleagues will know, 1981-82 is likely to be a difficult year for public expenditure, and while I naturally have great sympathy for the objectives of the exercise, we must not overlook the cost. In any case it is in my view wrong in principle to agree to a policy without knowing and making provision for the expenditure it will involve.

In the fourth paragraph of your letter you invite colleagues to let you have an early indication of their likely use of the new arrangements. I would endorse that request (and will be replying to you shortly on my own score); when you have the information you will be able to put a figure, even if only approximate, on the cost of the exercise in the light of which final decisions whether or not to proceed can be taken.

I am copying this letter to those who had copies of yours.

GEOFFREY HOWE



25 JUL 1980



Minister of State

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

John Keith

Civil Service Department
 Whitehall London SW1A 2AZ
 Telephone 01-273 3000

Prime Minister

*This is Mr Channon's response to
 colleagues' measure for more
 flexible early retirement
 provisions. In his reply below,*

*18 July 1980 the Chancellor
 reserves
 judgement*

MORE FLEXIBLE ARRANGEMENTS FOR THE EARLY RETIREMENT OF CIVIL
 SERVANTS

You have several times, most recently in your letter of 26 June, emphasised the need for more flexible early retirement arrangements. Colleagues have supported this. I now attach proposals which I believe will meet all the requirements which colleagues have in mind. They extend the criteria governing eligibility for "premature retirement in the public interest" They do not, however, change the actual financial terms on which such retirement is effected. They have been endorsed in discussions at official level and if you and other colleagues are content I believe they could be introduced rapidly.

The proposals supplement the existing redundancy procedures and are separate from them. The redundancy procedures remain appropriate to the basic problem of staff surplus. Given the speed and scale of the rundown now under way, however, these additional selective managerial powers are proposed to ensure that the result is a balanced, efficient Civil Service.

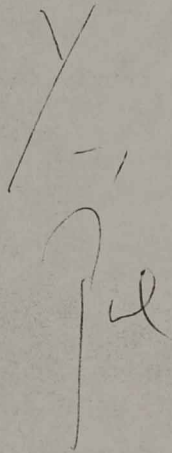
This is not a scheme for volunteers. The generous compensation terms are not appropriate for that. It is for management to select those whose departure would help resolve identified problems. For speed of introduction and simplicity of operation, however, the proposals are confined to cases where the individual concerned is a "willing victim".

There is no current PES provision for these proposals. They do not appear likely to be a special extra cost in 1980-81. For calculating PES provision for 1981-82 and onwards I need the earliest possible information from colleagues of their likely use of these arrangements, even if it can be no more than a broad indication. My department would monitor actual use.

The proposals offer greater flexibility, speed and simplicity within existing formal arrangements, rather than a radical approach which might require specific amendment of the Principal Civil Service Pension Scheme. Although the unions would have to be informed, their agreement would not be necessary. Given that the proposals would relate to "willing victims" I would not expect the unions to be particularly concerned.

I am copying this letter to the Prime Minister, members of the Cabinet including the Minister of Transport, Ministers in charge of Departments and Sir Robert Armstrong.

PAUL CHANNON

A handwritten signature in dark ink, appearing to be 'Paul Channon', written in a cursive style. The signature is positioned to the right of the typed name 'PAUL CHANNON'.

CONFIDENTIAL

DRAFT

PREMATURE RETIREMENT

It has been the practice to allocate potential cases of early retirement clearly to one of the three sub-categories (redundancy, structure, limited efficiency) within the general category of "premature retirement in the public interest". But these arrangements are too rigid and compartmentalised to fit the situation confronting the Service over the next few years, when a combination of rapid rundown with major restructuring in the interests of balance and efficiency will mean that large numbers of staff can be dispensed with for combinations of reasons which cut across the separate established categories.

2. To construct an entirely new category of premature retirement would be difficult and time-consuming. As a matter of policy, and without amending the Principal Civil Service Pension Scheme , we can however operate the existing arrangements more flexibly for "willing victims". (This does not imply self-selection. It does mean that an officer who refuses to co-operate with management on a premature retirement proposal could not be forced to go unless the existing procedures were fully applied. Otherwise a claim for unfair dismissal could be brought by the officer concerned with a strong chance of success.)

3. The proposals below are designed to make premature retirement much easier on grounds of both "structure" and "limited efficiency". The "structural" approach, in particular, will be much more readily available.

STRUCTURE

4. It is proposed that the circumstances which may justify premature retirements on structural grounds should be restated and expanded to cover for example:
 - i. an age imbalance and consequent turbulence likely to diminish departmental efficiency;
 - ii. problems of succession planning, whether on a large or individual scale;and
 - iii. a need to reshape the management of the department or of a part of it.

The last of these in particular would probably be linked with saving some posts.

5. Two other easements are proposed. The present obligation to clear each case with the Trade Union Side at national level would apply only if, in accordance with the existing arrangements, staff at Senior Principal level or above were being compulsorily retired on structural grounds. The second easement would be to diminish the present emphasis on ensuring that posts are not available elsewhere in the Service.

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6. It will still be necessary to control "structural" retirement thus relaxed. Departments seeking premature retirement for restructuring should seek CSD approval: this would apply at least during the first year of operation, after which it might be possible to set more precise guidelines for departments to apply. It might be necessary to set some form of quota (perhaps by department rather than Service-wide) as a control on costs.

LIMITED EFFICIENCY

7. The present criteria for "limited efficiency" retirement rely heavily on assessments in annual confidential reports. These criteria seem to disqualify otherwise deserving cases. Relaxation is proposed along the following lines (subject in all cases to management selection and to the individual affected being willing):
 - a. Any officer who has received ~~two~~ Box 4 markings ("Performs duties moderately well") on ^{five} consecutive annual reports, and for whom there is some other substantial factor to be taken into account, eg health or some serious difficulty in providing an alternative posting, may be considered for premature retirement. At Assistant Secretary levels and above a higher standard of performance might be required so that, for example, one Box 4 marking plus some other substantial factor or, in the Open Structure, one or two mediocre annual appraisals might be a reason for suggesting early retirement;

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b. The officer of "limited postability" may be considered for premature retirement ie when an individual's performance in his post is not inadequate but he has to be moved, and because of his previous experience he cannot be expected to give effective service in another post for his remaining years of service - or at least the department do not have the leeway to allow a "trial period". No minimum age limit for eligibility is suggested, but obviously in each case departments would have regard to the cost-effectiveness of early retirement as against retention.

8. The intention of these relaxations is to enable departments to ensure that the slimmed-down Civil Service which is our objective retains only the really good staff. There should no longer be room for the people who just "get by".

9. Open Structure cases would continue to be discussed with CSD. Below the Open Structure, CSD clearance would not be required. However, to allow the monitoring of costs, departments would report to CSD, on a quarterly basis at least during the first year of operation, details of numbers of cases, by age, grade, reckonable service and pension award.

CONFIDENTIAL

21 JUL 1980



A circular red stamp with numbers 1 through 12 arranged in a circle. A hand with a pointed tip is positioned at approximately the 10:10 mark. The stamp is oriented upside down relative to the date stamp below it.



✓
MAF

With the compliments of

Civil Service Department
Alencon Link, Basingstoke, Hants.
Telephone : Basingstoke 29222

Civil Service



Civil Service Department

WHITEHALL S.W.1. [REDACTED]

Please note embargo

NOT FOR PUBLICATION, BROADCAST OR
USE ON CLUB TAPES BEFORE
00.30 HOURS ON FRIDAY 18 JULY 1980

18 July 1980

RECRUITMENT TO THE CIVIL SERVICE IN 1979

The effects of the three-month ban on recruitment to the Civil Service last year are assessed in the annual report of the Civil Service Commission published today.

The ban, which lasted from May to August, had two purposes - to back up other Government measures to reduce expenditure on staff in the Civil Service, and to give Ministers an opportunity to take stock of manning levels in their Departments before deciding what economies to make in the longer term.

"The main effects of halting recruitment were felt in junior grades in the Administration Group," the report states. "Scientific and technological posts in several areas (notably in the Ministry of Defence) were excepted, but recruitment to them was nevertheless affected by the general assumption, among potential candidates, that all recruitment had been interrupted. In the autumn, the recruitment trend for specialists was still downwards; and it has become clear that the task of restoring confidence among candidates during 1980, especially but not exclusively in specialist grades will not be easy. There is keen competition among employers particularly in the engineering and computer fields".

It continued to be as difficult as ever to recruit accountants, especially in London, and mechanical and electrical engineers and surveyors of all kinds.

During the year a new upper age limit of 44 for the main Executive Officer competition was agreed and is now in operation.

The report contains the usual tables showing recruitment to most grades in the Civil Service and includes, for the second time, statistics about the academic background of candidates for Administration Trainee posts, as recommended by the Expenditure Committee of the House of Commons.

Press Office
Civil Service Department
Old Admiralty Building
WHITEHALL
London SW1A 2AZ

Tel: 01-273 4002 and 273 4274



✓
MP

Civil Service
ELIZABETH HOUSE,
YORK ROAD,
LONDON SE1 7PH
01-928 9222

FROM THE SECRETARY OF STATE

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

9 July 1980

Dear Lord President

EARLY RETIREMENT

I was interested to see Keith Joseph's letter to you of 26 June about the need for extended arrangements for early retirement in the Civil Service.

In view of the importance of this topic for the efficient running of the streamlined public services which we are seeking to achieve, I think I should repeat the point made in my letter of 2 April to Paul Channon. The considerations which Keith applies to the Civil Service apply with equal cogency and urgency to other public services, like education, which have superannuation schemes and existing premature retirement facilities closely comparable to those of the Civil Service, and where the management has to achieve contraction of the staff and yet maintain the calibre and efficiency of those that remain. I very much hope that consideration of these matters will not be limited to the Civil Service, although I recognise that it is appropriate to start there.

I am sending copies of this letter to the recipients of Keith Joseph's. (Our Cabinet colleagues, Norman Fowler, Michael Jopling, Sir Robert Armstrong, Sir Derek Rayner.)

Yours Sincerely

R Turp

MP MARK CARLISLE

(Approved by the Secretary of State and signed in his absence.)



9 JUL 1980





NBPM yet MAP
Civil Service
DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB

TELEPHONE DIRECT LINE 01-212 3301
SWITCHBOARD 01-212 7676

Secretary of State for Industry

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

26 June 1980

Dear Christopher.

EARLY RETIREMENT

I said in my recent letter about Civil Service efficiency and manpower that I would be writing to you separately about the need for extended arrangements for early retirement in the Civil Service.

The Civil Service Department is preparing proposals on early retirement for consideration in July, in conjunction with the Departmental proposals for achieving the overall target of 630,000 for the Civil Service at April 1984. I cannot stress too strongly how vital I believe a satisfactory early retirement scheme to be to the success of the objectives which we have set ourselves. There is no doubt that the great majority of the staff reductions can be achieved through natural wastage. But if the slimming down of the Civil Service is to be matched by improved efficiency, natural wastage alone will not be good enough, and nor will the existing arrangements for premature retirement. This is because the existing arrangements require either structural grounds (in which case Staff Side agreement is needed) or some evidence of inefficiency.

We are going to have - indeed we already have - staff who are not in themselves "inefficient" but who, as a result of the contracting activities of Departments, can no longer be efficiently employed.

We desperately need arrangements whereby such people can be retired early, at management discretion, on decent and honourable terms. I very much hope that your proposals in July will meet this objective.

I am copying this letter to our Cabinet colleagues, to Norman Fowler and Michael Jopling, and to Sir Robert Armstrong and Sir Derek Rayner.

Yours sincerely,
Norman K...
K...



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

27 JUN 1980



✓
14/5

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

Paul Channon Esq MP
Minister of State
Civil Service Department
Old Admiralty Building
Whitehall
London SW1

15 May 1980

Dear Paul,

EARLY RETIREMENT TO SECURE MANPOWER SAVINGS

Thank you for copy letters of 15 and 28 April to Keith Joseph.

My reaction, like those of most of my colleagues, is to give the proposals a cautious welcome as likely to provide a useful extra degree of management flexibility subject to two points. Firstly I accept that there should be flexibility about a later final date than 30 September, since the need for the scheme may be affected by the rate of natural wastage during the year. Secondly, I agree with Francis Pym that it is consistent with the objective of the scheme to maintain "an efficient staff structure" - and would still produce savings - if exceptionally some gaps flowing from VER are filled by promotion or recruitment. Those selected for VER will not necessarily be filling posts which can be given up, and sideways transfer will not always be the best management course.

I note that your letter leaves open the way for further work to be done on a scheme to promote retirements aimed at improving staff quality in the Civil Service. I would welcome such a scheme. My officials will be in touch with yours with examples of the staff to whom it would apply in DHSS.

Your
Patrol



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

16 MAY 1980



From the Minister

MINISTRY OF AGRICULTURE, FISHERIES AND FOOD,
WHITEHALL PLACE, LONDON SW1A 2HH

Civil
Service
VMP

Paul Channon Esq MP
Civil Service Department
Whitehall
London
SW1A 2AZ

2 May 1980

De Bant

Thank you for sending me a copy of your letter of 15 April to Keith Joseph proposing a scheme for Voluntary Early Retirement.

Like others who have commented I doubt whether your proposed scheme will be of much help to Departments in achieving the staff savings required in the current year, but I agree that it might be of some marginal value and I am content to see it introduced.

I was glad to see from your letter of 28 April that you recognise the need for a more effective scheme for selective premature retirement. I am sure such a scheme will be necessary if we are to achieve the smaller but higher quality Civil Service that we want to see.

I am copying this letter to members of the Cabinet and Ministers in charge of Departments.

Peter Walker

PETER WALKER

MINISTRY OF AGRICULTURE, FISHERIES AND FOOD
WRITING PAPER (LONDON) 1980



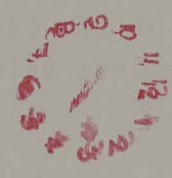
Post Office
Civil Service Department
1st Floor
London
EC 2 2LL

1980



For information a copy of your letter of 17 April 1980
has been forwarded to the relevant authorities for their consideration.

The relevant authorities have advised that your letter is
being dealt with as a matter of internal security and I agree that
it should be kept confidential.



2 MAY 1980

I will send you a copy of the letter of 20 April and you may
wish to refer to it in your letter to the relevant authorities.
I am sure that a reply will be necessary if we are
to continue to provide you with the highest quality Civil Service
writing paper.

I am copying this letter to members of the Board and the
Secretary of the Board.



1980

RESTRICTED



Govt Sec
2 MARSHAM STREET
LONDON SW1P 3EB

My ref:

Your ref:

1 May 1980

Dear Minister

EARLY RETIREMENTS

You wrote on 15 April to Keith Joseph, inviting comments on your proposal for a scheme for Voluntary Early Retirement (VER) to help in reducing staff numbers as a result of the function cuts.

This seems a sensible step to take at this stage of our programme for reductions in Civil Service manpower as a contribution (though not perhaps a great one) to the avoidance of compulsory redundancy. I am certainly willing to examine the scope of a VER programme to help with the reductions in my own Department. I would only comment that your deadline that the retirement must have taken effect by 30 September 1980 strikes me as being rather too soon, for there will be a good deal of work to be done in mounting the scheme, processing applications and satisfying ourselves that genuine reductions are being made.

I am sending copies of this letter to those who received copies of yours.

Yours sincerely

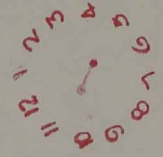
D. Joseph

f. h. MICHAEL HESELTINE

*Approved by the Secretary of State
and signed in his absence*

Paul Channon Esq MP
Minister of State, Civil Service Department

1 MAY 1980



DEPARTMENT OF TRANSPORT
2 MARSHAM STREET
SW1P 3EB



✓ M.A.P.

*With the Compliments of the
Minister of Transport*

RESTRICTED



DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

2 pgs

Paul Channon Esq MP
Minister of State
Civil Service Department
Whitehall
LONDON
SW1

- 1 MAY 1980

Dear Paul

EARLY RETIREMENT

In your letter of 15 April to Keith Joseph you ask for views on the introduction of a scheme for Voluntary Early Retirement (VER) to aid the staff reductions flowing from the function cuts.

I am sure that it is right to propose a VER scheme in current circumstances. Like you I am not hopeful that it will yield great results, for there will inevitably be expectations of a VER scheme to follow. But any reductions it produces will be worth having, and I shall obviously be considering a VPR programme in my Department to help with the rundown of the LVLOs.

I am sending copies of this letter to those who received yours.

*Yours
Norman Fowler*

NORMAN FOWLER

RESTRICTED

RESTRICTED

DEPARTMENT OF DEFENSE
WASHINGTON, D.C.



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

MAY 1980

Mr. Cannon
Minister of State
Civil Service Department
London

MAY 1980

[Handwritten signature]

EARLY RETIREMENT

In your letter of 15 April to Mr. Joseph you ask for views on the introduction of a scheme for voluntary early retirement (VER) to aid the staff reduction program from the function area.

I am sure that it is right to propose a VER scheme in current circumstances. Like you I am not hopeful that it will yield great results, but there will inevitably be expectations of a VER scheme to follow. But any reduction in production will be worth having, and I shall obviously be supporting a VER programme in my Department to help with the reduction of the staff.

I am sending copies of this letter to those who received yours.

[Handwritten signature]

ROBERT TONER

RESTRICTED



VMA

RESTRICTED

From the Secretary of State

Paul Channon Esq MP
Minister of State
Civil Service Department
Whitehall
SW1

30 April 1980

Dear Paul

Your letter of 15 April to Keith Joseph proposed the introduction of a scheme for Voluntary Early Retirement (with limited benefits) as a means of resolving short-term manpower problems.

I did not contribute to the last round of correspondence on this question though I was in full sympathy with the case originally set out by Keith Joseph that what we need is more scope for the exercise of management decision in retiring people early.

I am in agreement with the sentiment which David Howell has expressed in his letter of 23 April. VER will not help build a more efficient (smaller) civil service although there is no reason to deny it to those who seek it. We need to be able to ^{reduce} ~~need~~ some of the more senior ranks with a view to increasing the effectiveness of the remainder and this means a pretty selective operation. My impression has been that this was the general view of colleagues.

I am copying this letter to the recipients of yours and to Sir Robert Armstrong.

Yours ever
John

JOHN NOTT

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1 MAY 1980



10 DOWNING STREET

From the Private Secretary

1 May 1980

*Dear Geoffrey*EARLY RETIREMENT TO SECURE MANPOWER SAVINGS

The Prime Minister has seen a copy of Mr. Channon's letter of 15 April to the Secretary of State for Industry.

The Prime Minister has noted from the ensuing correspondence that Ministers in charge of Departments would find such a scheme useful, although a number consider that additional arrangements will still be required.

The Prime Minister is, therefore, content for Mr. Channon to introduce this scheme, within the financial limit proposed in the Chancellor of the Exchequer's letter of 30 April. No doubt your Minister of State will consider what further arrangements can be made to meet the need for additional early retirement facilities for several years to come.

I am sending copies of this letter to Martin Hall (HM Treasury) and David Wright (Cabinet Office).

Yours ever
Mike Pattison

G.E.T. Green, Esq.,
Civil Service Department.

CONFIDENTIAL



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

30 April 1980

P. Channon Esq., MP.
Civil Service Department
Whitehall
SW1A 2AZ

Jim Paul

EARLY RETIREMENT TO SECURE MANPOWER SAVINGS

You sent me a copy of your letter of 15 April to Keith Joseph.

The four principal departments for which I have responsibility do not expect to rely on the scheme described in the Annex to your letter for significant help in meeting their manpower targets. As you say yourself, staff might well expect the VPR terms available under a redundancy scheme, and they might prefer to wait in the hope - right or wrong - of getting VPR; their staff associations would probably advise them to. It seems unlikely therefore that the scheme would find more than a few takers, though even a small contribution to the reduction in numbers would be useful.

Your letter says nothing about the cost of the scheme. If people take terms - whether VPR or VER - departmental cash limits are helped, as you suggest, but there is an additional charge comprising pension and other retirement compensation which falls against Programme 14. On a precise like for like basis VER costs the Exchequer less than VPR. But the basis is not precisely like for like. We expect to find additional people going, and going earlier, by virtue of VER. There is no specific provision in Programme 14 for VPR. So the cost of VER for 1980-81 must fall on the Contingency Reserve.

/Treasury officials

CONFIDENTIAL

CONFIDENTIAL



Treasury officials have discussed with yours how much it might be. I recognise that it is difficult to make an estimate, but I understand that you feel that this cost might be of the order of £8 million.

We must exercise stringent restraint in the use of the Reserve, but in this case I would be prepared to sanction spending an amount up to this sum on this scheme, provided that you and our Cabinet colleagues are content.

I think that £8 million should be regarded as a limit, and that the CSD should make arrangements to monitor the cost of the scheme, not only so that we can judge its effectiveness, but so that we can look at it again if and when it approaches this limit on the cost, and either halt the schemes or take a deliberate decision to extend the limit. I must of course reserve my position on the latter option.

I am copying this letter to Cabinet colleagues, Ministers in charge of Departments, and Sir Robert Armstrong.

GEOFFREY HOWE

A handwritten signature in dark ink, appearing to read "Geoffrey Howe", with a horizontal line above and below the signature.

CONFIDENTIAL



1 MAY 1980



✓MAR.

SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

Paul Channon Esq MP
Minister of State
Civil Service Department
Old Admiralty Building
Whitehall
London
SW1A 2AZ

29 April 1980

Dear Paul,

EARLY RETIREMENT TO SECURE MANPOWER SAVINGS

Thank you for sending me a copy of your letter of ~~15~~ April to Keith Joseph in which you ask whether colleagues would be content to introduce a Voluntary Early Retirement Scheme along the lines described in your letter and its attachment.

My officials have already submitted to yours for consideration detailed proposals for a Voluntary Premature Retirement (VPR) scheme to cope with predicted staff surpluses in 1980-81 and 1981-82 in the Administration Group, for whom there appeared to be no other feasible alternative but inter-departmental transfer. I hope that the case can be considered on its merits without delay. If we had to wait first for a VER scheme to prove itself, we would certainly lose time needed to deal with a problem facing us now and incur additional avoidable salary costs.

Moreover in our circumstances VER is bound to attract little or no support: indeed it will engender considerable opposition, if it means, for example, that into the posts from which some Principals were retired we could not promote any SEOs, of whom we have a superfluity. The Scottish Office branch of the SCPS is well aware of the existing surpluses, and they have already made it plain that they will react very adversely to a VER scheme in the circumstances. Moreover the VER terms are additionally unattractive to staff now that there is to be a substantial pay rise from 7 May. From the staff's point of view they compare much less favourably than VPR with the private sector's treatment of staff who are retired early; and the same applies from the management point of view - it is not my impression that private employers think the shareholders' interests are best protected by restricting VER to those who will not be replaced by promotion or recruitment.

Since we know that the unions will advise their members against VER, the scheme must be sufficiently attractive to persuade staff to defy the union advice and apply: the offer of VER terms must be cast sufficiently widely to attract staff on the scale necessary to alleviate the problems we face; and we must in my view make some effort to overcome or lessen union resistance by using VER to remove the worst promotion blockages. In short, I share David Howell's views.

I am copying this letter to recipients of yours.

Yours ever,
George.



MINISTRY OF DEFENCE WHITEHALL LONDON SW1A 2HB

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

MO 2/2/6

28th April 1980

*Dear Paul,*EARLY RETIREMENT TO ACHIEVE MANPOWER SAVINGS

You sent me a copy of your letter to Keith Joseph of 15th April about a proposed scheme for voluntary early retirement (VER). I agree that measures which might result in immediate staff economies are worth trying, but I have major doubts whether VER will result in a rapid efflux from the MOD of large numbers of staff. Geoffrey Howe's figures - in his letter of 23rd April - support my doubts.

While I would be willing, therefore, to introduce a scheme on the broad lines suggested, I regard it as only one, and that not the major of the steps we will need to take. As to the scheme itself, I have a number of reservations and two main changes to suggest. My first reservation is that the scheme will undoubtedly receive a hostile reception from the Staff Side who will undoubtedly see it - and report it to their members - as a penny-pinching measure. And we can hardly conceal the fact that VPR or compulsory redundancy, attracting "public interest" terms, might be just around the corner. A second reservation is that I regard the scheme as no more than a short-term device to achieve cash savings during the current financial year. The introduction of an added power of retirement in the public interest about which I wrote to you on 17th March is an entirely separate, and to me a much more necessary, measure.

You have referred to the need to avoid public criticism and the consequential strictness in applying the scheme but it does not necessarily follow that promotion and recruitment to fill gaps should automatically be forbidden. The immediate aim of VER is to release people. It cannot be related to specific posts. Once

Paul Channon Esq MP



reduced manpower complements have been decided upon to achieve the overall staff reductions in my department - and this will take time - we shall need to review and authorize promotion and recruitment so long as numbers remain within the new ceilings.

The two changes I propose concern the intended cut-off date of 30th September 1980 and the requirement to seek CSD authorization for each grade found to be in surplus. The date chosen would be unduly restrictive as it gives very little time either to Departments or individuals. The date could usefully be set much later in the year and still both achieve welcome cash savings and contribute to the reductions needed in subsequent years. I should prefer it to be slipped to at least 31st December. The requirement to submit proposals to CSD on individual grades would be time-consuming and seems unnecessarily centralizing. I should like to see departments given freedom to authorize VER schemes departmentally, to the ground rules laid down, keeping CSD informed of progress.

As soon as the ground rules have been agreed, my officials will have to institute urgently a number of preparatory measures. After consultation with the Departmental Staff Side, we would propose to invite very early applications from staff on a "without prejudice" basis so that when the precise numbers of grades in surplus are known staff can be selected quickly and formally offered VER terms. I would welcome an early go-ahead.

You say in your letter that it seems likely that the bulk of any remaining redundancy will be able to be dealt with by VPR. Although this may be true in some departments, the prospects in MOD are much more gloomy. I am in little doubt that we are heading for substantial redundancy among the Specialist grades in some areas, even after we have taken all the permitted pre-redundancy measures, such as the unpalatable one to retire compulsorily significant numbers of the over 60 group in advance of the ages at which they would normally expect to go. While the problem may not be so serious in the Administration Group or among the Industrial grades, even in these areas pockets of redundancy are quite likely to arise, for example from special studies such as those on the introduction of contract cleaning and catering.



In my earlier letter I stressed the importance of an additional category of premature retirement in the public interest, but at the instigation of departments. We are likely to have substantial numbers of relatively senior members of staff for disposal in the next few months, particularly among the Specialists, and VER would be only of limited help. If compulsory redundancy is to be avoided in some areas and minimized in others, it is important that the introduction of this VPR category should not be deferred because of the adoption of VER in the way you suggest.

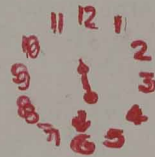
I am copying this letter to Keith Joseph and to the other recipient of yours; a copy also goes to Sir Robert Armstrong.

James Lee

Francis Pym

Francis Pym

30 APR 1960



Original - G/R
cf. to memo



Civil Service
C. C. S.
Conc.

10 DOWNING STREET

THE PRIME MINISTER

28 April 1980

Dear Mr. Morgan,

Thank you for your letter of 10 April enclosing one, which I now return, from your constituent Mr. C. E. Bowman of 7 The Broadway, Abergele, Clwyd about Civil Service pay.

The Civil Service pay settlement is in line with Government policy as outlined in the Election Manifesto. We said that the Government would reconcile Civil Service pay research with the cash limits used to control expenditure.

As Paul Channon announced in Parliament on 14 March, the cash limit on Civil Service pay is 14 per cent. To keep the settlement, which involves increases averaging 18½ per cent, within the 14 per cent cash limit certain steps had to be taken. We have imposed a reduction of about 2½ per cent in manpower costs and required the settlement to be staged.

The new pay levels are based on fair comparisons with the remuneration of outside staff engaged on comparable work. But the important point is that the total cost of all the increases will not exceed the 14 per cent cash limit for 1980-81.

Yours sincerely,

(sgd) M T

Geraint Morgan, Esq., Q.C., M.P.

cup

✓
MAPCivil Service Department
Whitehall London SW1A 2AZ
Telephone 01-273 3000

Minister of State

The Rt Hon Sir Keith Joseph Bt MP
Secretary of State
Department of Industry
Ashdown House
123 Victoria Street
LONDON SW1E 6RB

28 April 1980

Dear Keith

EARLY RETIREMENT TO SECURE MANPOWER SAVINGS

Thank you for your letter of 24 April. I am replying immediately to clarify that the proposed scheme of Voluntary Early Retirement (VER), designed to help get staff numbers down quickly, does not prejudice future action on a more flexible arrangement for selective premature retirement, designed to deal with problems of staff quality.

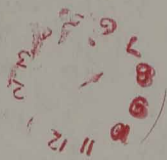
The Voluntary Early Retirement Scheme about which I wrote to you on 15 April is designed as a quick, limited operation related entirely to the need which departments have told us they foresee to get large numbers of staff off their payrolls very quickly if they are to meet their cash limits for 1980-81. It is intended to help departments in retiring staff early before they have had time to go through the fairly lengthy redundancy procedures. I am glad to see that those colleagues who have already replied generally think this proposal might be of some help.

Apart from the immediately pressing problems of staff numbers, I recognise, as you and colleagues have suggested, that difficulties can arise through staff who are no longer fully effective. My letter of 22 February to you asked colleagues for information about the kind of case which cannot be dealt with under the existing criteria, but which still justifies the substantial compensation, at the taxpayers' expense, which premature retirement entails. My officials have yet to receive the sort of factual information which would assist them in working out a new "public interest" criteria to meet this need. It would be most helpful if they could receive that information as soon as possible. But that need not prejudice the modest scheme I have in mind at this stage.

I am sending copies of this letter to members of the Cabinet and Ministers in charge of departments.

Y
74

PAUL CHANNON



28 AT

Civil Service 2.

Secretary of State for Industry

DEPARTMENT OF INDUSTRY
 ASHDOWN HOUSE
 123 VICTORIA STREET
 LONDON SW1E 6RB
 TELEPHONE DIRECT LINE 01-212 3301
 SWITCHBOARD 01-212 7676

24 April 1980

Paul Channon Esq
 Minister of State
 Civil Service Department
 Whitehall
 London
 SW1A 2AZ

PRIME MINISTER

*A number of colleagues find
 Mr Channon's Voluntary Early
 Retirement proposals quite
 inadequate as a tool for current
 circumstances. Sir Keith spells out
 the arguments here. MAP 25/4*

Dear Paul,

Thank you for your letter of 15 April proposing the introduction of a Voluntary Retirement (VER) scheme to facilitate the cuts in Civil Service manpower and to assist Departments in keeping within their pay and manpower cash limits for 1980/81.

I appreciate the object of your proposed scheme, but I have to say that it does not tackle the problem to which I drew attention in my letter of 6 March and which, judging by the subsequent correspondence, is faced by many of our colleagues.

The main problems associated with achieving the reductions in manpower costs in my Department are not those associated simply with getting the numbers down, since the general level of natural wastage is more than adequate to do this. The more difficult problems are to lose the staff where we want to lose them, to get reductions in the number of senior grades, where wastage is much lower, as well as in junior grades, and to maintain and improve the efficiency and morale of the Department in this process. To tackle these problems we shall need, as I know you recognise, something more than a scheme of voluntary early retirement. We need a scheme which will enable management selectively to retire early, on decent and honourable terms, staff who are no longer up to the standard we want, because they no longer have the necessary energy, adaptability, determination or skills.

I would not wish to stand in the way of any of our colleagues who would find a VER scheme helpful. For my part, however, I revert to my letter of 6 March and I hope it can be agreed that a scheme embodying the features I suggested can be worked out.

/I ...



I am copying this letter to Cabinet colleagues and Ministers in charge of Departments.

Kevin

Kevin

25 APR 1980

10 11 12 1
9 8 7 6 5 4 3

Civil Service

Y SWYDDFA GYMREIG
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-233 3000 (Switsfwrdd)
01-233 6106 (Llinell Union)



WELSH OFFICE
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-233 3000 (Switchboard)
01-233 6106 (Direct Line)

Oddi wrth Ysgrifennydd Gwladol Cymru

The Rt Hon Nicholas Edwards MP

From The Secretary of State for Wales

RESTRICTED

Seen by MAP

23 April 1980

De Paul

EARLY RETIREMENT TO SECURE MANPOWER SAVINGS

Thank you for sending me a copy of your letter of 15 April to Keith Joseph.

I have no objection to the introduction of a VER scheme along the lines you propose, although I doubt whether there would be many takers. It is probable that those who consider themselves under threat would hope to get full VPR terms in due course.

/ Copies of this go to the recipients of your letter.

John

Nick

Paul Channon Esq MP
Minister of State
Civil Service Department
Whitehall
LONDON SW1

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24
24 APR 1980



Lord Advocate's Chambers
Fielden House
10 Great College Street
London SW1P 3SL

Telephone Direct Line 01 212 0515
Switchboard 0100

Paul Channon Esq., MP.,
Minister of State,
Civil Service Department,
Whitehall,
London SW1A 2AZ.

23 April 1980

Dear Paul,

EARLY RETIREMENT TO SECURE MANPOWER SAVINGS

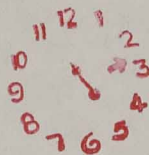
Thank you for sending me a copy of your letter of 15th April on the above matter.

Subject to any views which other colleagues with perhaps a more major involvement in such a VER Scheme as you propose might express, I am for my part content that you should proceed on the lines described.

Yours ever,

James

24 APR 1980





JMA

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

Paul Channon Esq MP
Minister of State
Civil Service Department

29 April 1980

Paul

CIVIL SERVICE RETIREMENT POLICY

You sent me a copy of your letter of 22 February to Keith Joseph about early retirement of civil servants.

I agree that the existing procedures for the premature retirement of individuals who do not fall within the definitions of inefficiency or limited efficiency, but for whom early retirement would be desirable in the public interest, are cumbersome. I have, since receiving your letter, asked for figures about the various grounds on which people have been retired prematurely from my four Departments (which between them employ rather over 117,000 people). For the three years 1977-79 the total figures (excluding those on medical grounds) are as follows:-

Retirement on structural grounds	17
Voluntary premature retirement	36
Voluntary early retirement	6
Limited efficiency	6
Inefficiency	63
Redundancy	<u>323</u>
	<u>451*</u>

* Four out of five from National Savings, where a mechanisation programme has been taking place.

There are also some cases where individuals resign following poor annual reports rather than waiting for compulsory early retirement.

/It would be



It would be helpful to management to have more flexibility, and I have accordingly asked my officials to refer any appropriate cases to your Department for consideration in due course.

As you say, the cost to the taxpayer of compensating staff for early retirement is a factor which has to be kept in mind, but efficient management of the Civil Service is a vital objective and all the factors must be taken into account in determining the appropriate level of compensation.

I am sending a copy of this letter to the recipients of yours.

GEOFFREY HOWE

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

22 APR 1980



MA

Civil Service

CIVIL SERVICE PAY

- 1 The non-industrial Civil Service pay award for 1980/81 is not 25%. It is 18 $\frac{3}{4}$ %.
- 2 The much-quoted 25% is the year-on-year increase for central government pay costs. About one-third of it results from delayed 'catching up' awards inherited from the last Government.
- 3 Moreover, the 18 $\frac{3}{4}$ % Civil Service award for 1980/81 has to be contained within cash limits allowing for only 14% increased pay costs. The difference of 4 $\frac{3}{4}$ % will be covered by staff reductions and postponement of the starting date.
- 4 So far from the Government having set a 25% 'going rate' for pay claims in this round, it is in fact enforcing a limit of 14% increase in pay costs - and making manpower economies to achieve it.
- 5 Private sector and other unions, please copy!

Paymaster General's Office
 Privy Council Office
 68 Whitehall
 London SW1

23 April 1980



✓ MAP

SECRETARY OF STATE FOR ENERGY
THAMES HOUSE SOUTH
MILLBANK LONDON SW1P 4QJ 211 6402

Paul Channon MP
Minister of State
Civil Service Department
Old Admiralty Buildings
Whitehall
London SW1

23 April 1980

De Paul

EARLY RETIREMENT TO SECURE MANPOWER SAVINGS

Thank you for sending me a copy of your letter of 15 April to Keith Joseph, to which you attached a draft scheme for Voluntary Early Retirement.

If the scheme you now propose is designed to meet the request for more flexibility in offering premature retirement, as expressed in Keith Joseph's letter of 6 March and almost unanimously supported by other Secretaries of State and Ministers in charge of the Departments, then I am bound to say that I think it will do very little to help some of us solve our problems. VER is likely to be attractive only to those officers in the last few years of their service who have already accrued 40 years of reckonable service for pension purposes. One guess is that there will be very few volunteers and not necessarily the people we could most easily spare.

It is our aim to produce a smaller and more efficient civil service. In my view VER will do little to meet the first aim and nothing to provide the second. What we need is a procedure which will allow us to offer quick and painless retirement to officers who are no longer fully effective in their present jobs and who cannot usefully be deployed elsewhere. That I believe can best be done by an extension of the provisions for VPR. The immediate cost would be greater but in the middle and long term would almost certainly be more cost effective. But of course I would not object to VER being made available on a truly voluntary basis to those Departments whom it might help.

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

Howell
De Paul

D A R Howell

22 APR 1980

0 1 2 3 4 5 6 7 8 9

RESTRICTED

MR. LANKESTER

BF 28/4
~~CONFIDENTIAL~~ MAP

Early Retirement to Secure Manpower Savings

You asked for advice on Mr. Channon's letter of 15th April to Sir Keith Joseph about the possibility of introducing a new and faster scheme for Civil Service redundancy (Voluntary Early Retirement - VER). Mr. Channon has asked colleagues for comments by 30th April and there is no reason for the Prime Minister to weigh in at the present stage. There are however two points about the proposed scheme of which you should be aware. These are:-

- (a) Present accounting practices mean that, while the cost of wages is borne on Departmental Public Expenditure allocations, the cost of pensions and associated lump sums is financed from the provision for common services. Thus, VER would enable Departments to keep within their individual cash limits at the expense of greater costs - perhaps in the first year exceeding wage costs - on public expenditure as a whole. The Chancellor will be dealing with this point in his response to Mr. Channon: it would of course apply to existing plans of redundancy as well.
- (b) As Mr. Channon says, VER is less generous to staff than the existing arrangements for Voluntary Premature Retirement (VPR). The qualifying circumstances for each will differ and staff, otherwise attracted by the prospect of early retirement, can be expected to opt for VPR whenever this possibility is open to them. In practice, staff will have to gamble on the certainty of VER when offered to them against the possibility of VPR if they refuse. This makes it very difficult to know in advance how effective VER would prove to be if adopted as policy - though it could prove very attractive to older staff (the closer they are to retirement the less the gap between VER and VPR).

D. J. Wright
(D. J. Wright) (cong)

22nd April 1980

RESTRICTED



Civil Service

PRIME MINISTER

For information

MP
17/4

mf.

PRIME MINISTER

SENIOR POSTS IN THE CIVIL SERVICE

Flag A

Thank you for sending me a copy of your Personal Minute of 31 March.

2. My officials have been conducting an examination of the role and structure of the Northern Ireland Office and expect to be able to recommend the abolition of one Permanent Secretary (NICS) post during the present financial year. The removal of this post, which equates to a Deputy Secretary in the UKCS, will represent a saving of 7% of senior staff. And we recently suppressed the post of Clerk to the Assembly, which was occupied by the equivalent of a Permanent Secretary (NICS).

3. I shall be examining critically all levels of my Office, even including those directly concerned with Law and Order or other reserved and excepted matters, as work on the establishment of a devolved Administration progresses: the size and shape of the Northern Ireland Office will depend critically on this.

4. I shall, of course, be examining the application of the criteria in your minute to Northern Ireland Departments, although savings in the relatively small number of senior posts - about 30 - may not be easy to find.

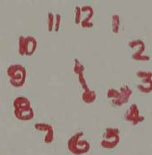
5. I am copying this minute to the recipients of yours.

H.A.

HA

17 April 1980

17 APR 1960



PRIME MINISTER

Following Cabinet discussion about the 1980/81 Civil Service manpower squeeze, a number of Ministers have pressed for greater flexibility on voluntary redundancy. Mr. Channon is now inviting colleagues to agree a scheme for voluntary early retirement, allowing staff over 55 to draw full pension entitlement and associated benefits if they retire by 30 September 1980. The scheme would be introduced within particular grades or specialisations in surplus in a Department at a particular location, and would only be introduced when it was clear that other measures would not generate the necessary savings.

Mr. Channon also reports that some formal redundancy still seems inevitable to meet the 1980/81 savings, and that the proposed scheme will not completely avoid this. But, by adding this scheme to the existing arrangements, Mr. Channon hopes to limit compulsory redundancy to one or two small pockets of surplus in geographical and specialist areas.

Subject to colleagues' views, content that Mr. Channon should proceed on this basis?

MIP
16/4

Yes PJT.
—

Spoke GSD 18/4
MIP.

RESTRICTED



Minister of State

Civil Service Department
Whitehall London SW1A 2AZ
Telephone 01-273 3000

ms
15 April 1980

The Rt Hon Sir Keith Joseph MP
Secretary of State for Industry
Ashdown House
123 Victoria Street
LONDON SW1E 6RB

Dear Keith,

EARLY RETIREMENT TO SECURE MANPOWER SAVINGS

At C(80)9th Meeting, Cabinet agreed that only as a last resort should compulsory redundancies be adopted as a means of achieving manpower cuts and they invited me to consider, in consultation with other Ministers, the possibility of improved terms for premature retirement from the Civil Service. I have taken this to mean that Cabinet was seeking ways of speeding the procedures rather than increasing the financial benefits.

The present premature retirement arrangements in the Civil Service include a category for redundancy and the Model Redundancy Agreement (MRA) provides for voluntary redundancy (VPR) as one of the measures to be taken to deal with a surplus of staff before compulsory redundancy. Both categories of redundancy carry full entitlement to compensation on terms which are certainly not ungenerous. If, however, the requirement is for large numbers of staff very rapidly to leave the payroll, the main option for consideration seems to be to introduce a special scheme of Voluntary Early Retirement (VER) before the scale of redundancy is established.

... I attach a draft of such a scheme. If adopted, this could produce results quite quickly and it would certainly be cheaper than the existing redundancy arrangements. This is because there would be no compensation element (other than that involved in the immediate payment of the earned pension) as the staff would in effect be choosing to retire early before a formal redundancy was declared. But in order to justify this to the public, eg against the charge that we were extending the duration of inflation-proofed pensions, I am sure that we must be quite strict in applying the scheme to ensure that it is operated only where there is an immediate staff surplus and that it results in genuine staff reductions. We could not allow promotions or recruitment to fill gaps caused by those who leave on early retirement terms. To avoid the risk of incurring potentially heavy costs of transferring staff between locations, offers of VER should be confined to staff in the geographical location of the surplus.

RESTRICTED¹

RESTRICTED

We may run into difficulties with the National Staff Side, who have warned us several times that they are not in the business of agreeing to VER, which they see as defrauding their members of the greater benefits of full VPR. I think we should press ahead with the scheme, even at the risk of some temporary worsening of relations with the Staff Side. (Indeed, if they find their members welcome it their own attitude may well change.) It will of course be very important in promulgating the scheme to make it absolutely clear to staff that if they choose to apply they will be forfeiting the chance - but not the certainty, so that is the judgment they have to make for themselves - of being able to get full VPR terms later. Departments must not be open to any charges of having misled staff about the options before them.

There is a further point to which I should draw colleagues' attention. It may be necessary to offer VER not only to the more senior grades but also to some recruitment grades. This is because there are some grades which are both recruitment and retirement grades and some of them deal with a disparate range of work. It is possible, therefore, for example in the P and TO II grade, that there will be a need to dispense with some of the surplus elderly staff by means of early retirement and at the same time to be recruiting younger people (quite possibly in smaller numbers) to the same grade and in the same department. In most cases these will be for entirely different work for which those who are being retired would not be suitable. I believe this is entirely defensible and I draw it specifically to your attention only because of the risk of public criticism.

I should be glad to know whether colleagues would be content for me to proceed with the introduction of a VER scheme along the lines I have described. If it is to be introduced and be effective in contributing to the savings needed for 1980/81, we shall need to move very quickly and I should be grateful for comments by 30 April. I should perhaps add that some preliminary discussions between my officials and departmental Establishment Officers have indicated that some formal redundancy seems inevitable and that it is unlikely to be completely avoided by a VER scheme. On present evidence, however, it seems likely that the bulk of the remaining redundancy will be able to be dealt with on the basis of volunteers taking their full VPR terms. I hope that, with the possible exception of small pockets of surplus in geographical and specialist areas, we shall not have to have recourse to compulsory redundancy.

I am copying this letter to Cabinet colleagues and Ministers in charge of Departments.

PAUL CHANNON

RESTRICTED

MANAGEMENT IN CONFIDENCE

DRAFT SCHEME

VOLUNTARY EARLY RETIREMENT

This scheme is designed to assist in reducing departmental staff surpluses arising in 1980-81. Subject to the conditions set out below, departments may declare a programme of Voluntary Early Retirement in the Public Interest (VER) under which eligible staff may then apply to be considered for retirement before the retiring age with immediate payment of accrued pension and associated lump sums benefits. Such retirements must be effective by 30 September 1980.

2. The provisions of this scheme are designed to assist departments to keep within their Pay and Manpower cash limits for the financial year 1980-81. Any proposal to apply the scheme for other or later surplus situations or to extend the concept for other reasons will be considered ab initio in the broad context of retirement/superannuation policy.

PRELIMINARY MEASURES

3. Before proposing a scheme of VER, a department will be expected in discussion with its Departmental Staff Side to have reviewed a number of preliminary steps, including for example curtailment of recruitment and local transfers within a department and between departments. If such measures appear to be insufficient to achieve the necessary saving, proposals for a VER programme may be put to the Civil Service Department.

MANAGEMENT IN CONFIDENCE

POLICY

4. Having regard to the provisions of paragraph 3 above, departments may apply to the Civil Service Department for authorisation to declare a programme of VER. Authorisation may be given in the following circumstances:

a. when a department envisages difficulty in keeping within its Pay and Manpower cash limits for 1980-81 and retaining an efficient staff structure, even after taking the preliminary measures prescribed above;

or

b. in exceptional cases a department may cooperate with other departments in a given location in an extended VER scheme under which posts in one department can be made available to absorb surplus staff from another.

5. A VER programme will normally apply to a defined grade or specialisation in surplus in the department in a particular location (subject to paragraph 4 b. above).

ELIGIBILITY OF STAFF

6. Once a department declares a programme of VER, it will invite applications to retire early from staff in the defined grades and locations who are covered by the PCSPS and who are aged 55 or over, or who will reach age 55 by 30 September 1980.

MANAGEMENT IN CONFIDENCE

7. Departments have discretion to refuse an application for VER if there is an overriding requirement to retain the officer in the public interest. Applications from eligible staff must be processed in time for the retirement to take effect by 30 September 1980.

TERMS

8. An officer retired under a VER programme will receive a pension and lump sum benefit, calculated as provided in rule 3.1 of the Principal Civil Service Pension Scheme on his pensionable pay and reckonable service at the date of actual retirement. Reckonable service will not be enhanced and there will be no compensation payments but, notwithstanding rule 3.11 of the Scheme both benefits will be paid immediately.

9. Officers whose application for VER is approved will be required formally to give their employing department one month's notice of their retirement if monthly paid (one week if weekly paid), but an earlier or later release date may be decided by mutual agreement confirmed in writing. Departments should bear in mind, however, that pension awarding departments normally need to receive an application for an award of pension one month before the date of retirement (vide Code paragraph 9391) and officers should be warned that their superannuation benefits may not be immediately available on the day after retirement if the agreed release date allows insufficient time for the

MANAGEMENT IN CONFIDENCE

award to be made. No interest will be paid on pensions and lump sums that are delayed for these reasons. Departments should, if asked in relation to entitlement to unemployment benefit, explain that the officer concerned retired under the VER scheme, and should make it clear that he or she did not voluntarily resign.

MANAGEMENT IN CONFIDENCE

16 APR 1980
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vb

Civil Service

15 April 1980

The Prime Minister was grateful for Mr. Channon's report on staging of the Civil Service pay settlement, in his minute of 14 April.

I am sending a copy of this letter to David Wright (Cabinet Office).

M A PATTISON

G.E.T. Green, Esq.,
Civil Service Department.

KRG

PRIME MINISTER

PRIME MINISTER

MAD 14/4

CIVIL SERVICE PAY SETTLEMENT: STAGING

After discussion with the unions on possible staging arrangements for the Civil Service pay settlement, I have decided that the best course is to implement the new pay rates from 7 May. No increases will be paid from 1 April but the full rates will count for pension purposes from that date.

As expected, we are having to impose staging on the unions. They objected most strongly to this breach of the Pay Agreement. They could not agree on which staging arrangements would be least objectionable to them. Several unions, including the CPSA (the largest) found the single stage from 7 May the least objectionable. Others favoured different patterns.

A single stage from 7 May for all grades is the best choice for two main reasons. First, it will resolve the problem at the earliest date. Secondly, it is much the simplest option to administer. Other solutions could have caused serious anomalies and involved much extra work in departments.

As I mentioned in my minute of 2 April, the SCPS and CPSA need to consult their members about the new pay rates offered. Provided that there is no hitch over that, most civil servants should receive the increases with their May salaries. I do not expect to know the outcome of any of the remaining negotiations (mostly Science and P&T grades) before the end of this month. I will report on these as soon as possible.

I am sending copies of this minute to all members of the Cabinet, and to Sir Robert Armstrong.

P.C. ant.

PAUL CHANNON

14 April 1980

174 APR 1980



Am Gurnie



SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

Paul Channon Esq MP
Minister of State
Civil Service Department
Whitehall
LONDON SW1

12

3 April 1980

CONFIDENTIAL

94

CIVIL SERVICE PAY AND CASH LIMITS

You wrote to me on 7 March about the application of the 2½% reduction in 1980/81 to the wages and salaries costs of my Departments and other public bodies listed in an Annex to your letter.

You say that the reduction will be applied to the Scottish Office with the exception of prison outstation staff. I assume that this exception will apply (as it has done in relation to other reductions) to the staff of the State Hospital also. Exactly the same arguments apply to the State hospital staff as to prison staff.

In the case of the grant to the Legal Aid (Scotland) Fund, I am assuming that the 2½% reduction applies only to the salaries element of the grant. In 1980/81 the salaries are estimated to account for £1,108,000 of the total grant of £2,070,000. It would be consistent with your overall approach and the Parliamentary announcement of 14 March to apply the reduction only to what can be regarded as the cost of salaries. I hope that you can accept these two points.

Approved by the Secretary of State
and signed in his absence

GODFREY ROBSON
Private Secretary

8 APR 1960



cc Mr. Lushan
Mr. Dyson

Prime Minister 2

CONFIDENTIAL

T6 note -
the 18 3/4 % is
at the top end of
settlements this
pay round: a strong
case for redesigning

pub.

PRIME MINISTER

CIVIL SERVICE PAY

I am glad to tell you that agreement has now been reached on the PAU 1980-81 pay rates for most of the Civil Service grades.

Three uncertainties, however, remain. First, the two largest Unions (the SCPS and CPSA) need to obtain the approval of their members though their Executives are recommending acceptance. Secondly, the Unions' agreement is subject to the outcome of discussions on staging. Thirdly, settlements have yet to be negotiated for some grades (mainly Science and Professional and Technology (P&T) grades), whose pay research surveys were received late from the Pay Research Unit. Making allowances for the grades whose pay has not yet been settled, the average increase in a full year is 18.75%. This is in line with what Cabinet authorised. You will recall that there is to be a manpower squeeze, and the settlement is to be contained overall within the 14% Cash Limit.

T6

The formal position of the Unions is that they cannot accept staging (which is a breach of the Pay Agreement but is necessary to reconcile the cost in 1980-81 with the 14% Cash Limit). Discussions are now taking place. We shall almost certainly have to impose this on them. We cannot rule out the possibility of some industrial action over staging. But I am reasonably optimistic. (We shall make it clear to the Unions that the new pay rates will not be implemented if industrial action is taking place over staging.)

There may be some trouble later with the Institution of Professional Civil Servants (Science and P&T grades) when their negotiations are further advanced. You will remember our difficulties last year.

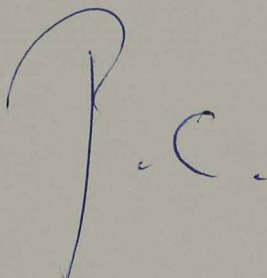
CONFIDENTIAL

CONFIDENTIAL

not
much
warning! ||
R.

There is a Parliamentary Question down for answer tomorrow which should be a convenient way of announcing this. I will report again as soon as possible on the outcome of the staging discussions.

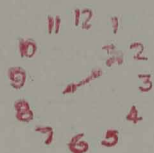
Copies of this minute go to all members of Cabinet and to Sir Robert Armstrong.



PAUL CHANNON
2 April 1980

CONFIDENTIAL

2 - APR 1980



Civil Service



ELIZABETH HOUSE,
YORK ROAD,
LONDON SE1 7PH
01-928 9222

FROM THE SECRETARY OF STATE

Paul Channon Esq MP
Civil Service Department
Whitehall
LONDON SW1A 2AZ

*U
MS*

2 April 1980

Dear Paul,

You wrote on 22 February about early retirement for Civil Servants.

Although my Department has managed reasonably well so far with the existing provisions, we find them time-consuming and of limited application. Given the staffing situation into which we are moving, I agree with other colleagues that we need a management process which will give greater flexibility and will absorb less time and energy.

The same considerations apply, and with equal cogency and urgency, in other public services (like education) where the Government is concerned on the one hand to run down staff numbers quickly yet, on the other, to maintain or improve the overall quality of the force remaining in service. It seems to me important that this should be followed up energetically, with application across the whole of the public service and especially where our policies require contraction.

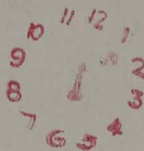
I am copying this letter to the recipients of yours.

Yours ever

Mark

MARK CARLISLE

2 - APR 1980



COPIES:

~~XXXXXXXXXX~~
Lord Chancellor
Foreign Office
Chancellor of the Exchequer
Industry
Defence
Lord President
Employment
Lord Privy Seal
MAFF
Environment
Scotland
Wales
Northern Ireland
DHSS
Chancellor of the Duchy
Trade
Energy
Education and Science
Chief Secretary, Treasury
Paymaster General

Transport
M/S, CSD
CO
CSD

Subject



10 DOWNING STREET

THE PRIME MINISTER

Personal Minute

No. M8/80

HOME SECRETARY

Senior Posts in the Civil Service

It is important that the reductions in Civil Service staffing should apply in equal proportions to the senior ranks in the Civil Service as well as to the junior. It would be wrong, and open us to public criticism, if senior ranks were to be left untouched while junior ranks are being substantially reduced.

So far, this necessary reduction has not happened. Staff at Under Secretary level and above have only been reduced by 4 (0.5%) since April 1979, while the Service as a whole has come down by 24,000 (around 3%). We must improve on this.

Ministers must of course be properly supported. We have had, and shall continue to have, a crowded programme of our own making. I realise that external forces, including the new Departmental Select Committees, are increasing the pressures on Ministers and their senior officials still further. Nevertheless, we must be as rigorous about staffing at senior levels as everywhere else. The Minister of State, Civil Service Department, has, with my support, instructed his officials from now on to adopt a very stringent line, and to challenge any posts about which there are doubts. All proposals for new posts at this level will be turned down unless the case is both urgent and established up to the hilt.

/ I ask my colleagues

A handwritten signature in the bottom right corner of the page.

MANAGEMENT IN CONFIDENCE

- 2 -

I ask my colleagues to adopt the same attitude, to comb out all senior posts which are not essential and not to seek to create new ones unless they are both urgent and essential.

Copies of this minute go to all Cabinet colleagues, the Minister of Transport, the Minister of State, Civil Service Department, Sir Robert Armstrong and Sir Ian Bancroft.

Raymond Indles

31 March 1980

SWYDDFA GYMREIG
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-233 3000 (Switsfwrdd)
01-233 6106 (Llinell Union)



WELSH OFFICE
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-233 3000 (Switchboard)
01-233 6106 (Direct Line)

Oddi wrth Ysgrifennydd Gwladol Cymru

The Rt Hon Nicholas Edwards MP

From The Secretary of State for Wales

31 March 1980

MANAGEMENT IN CONFIDENCE

VMS

Deu Peir

Thank you for sending me a copy of your letter of 22 February to Keith Joseph.

I should like to support the suggestion which he has made in his reply to you of 6 March that Departments should be able to suggest retirement on public interest terms to officers in the last few years of their service where this makes sense on management grounds and where the individual concerned is willing to go. As I told you recently such arrangement could be a considerable help in enabling us to achieve the staff reductions to which we are committed without running into all the problems associated with the declaration of formal redundancies.

I am copying this letter to other Ministers in charge of Departments.

John
Nich

Paul Channon Esq MP
Minister of State
Civil Service Department
Whitehall
LONDON
SW1A 2AZ

15 APR 1980

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



CONFIDENTIAL

FCS/80/64

MINISTER OF STATE, CSD

Civil Service Pay and Cash
Limits: Manpower Reductions

MSM

R.

27/7

1. I have looked carefully at your proposals on how the Diplomatic Service and its Communications Division might absorb the effects of the 2½% regime. I have also considered your proposals for staffing the Passport Office in line with the increase in demand for passports.
2. Let me say straightaway that I do not accept the implications of paragraph 2 of the Chancellor's minute of 20 March for the conduct of our foreign policy. That issue can be argued separately. As far as the immediate problem is concerned, I am ready to go along with the proposals set out in your minutes of 14 March.
3. I am minuting separately about the British Council.
4. I am copying this minute to the Prime Minister, the Chancellor of the Exchequer and to Sir Robert Armstrong.

C
/
(CARRINGTON)

Foreign and Commonwealth Office

27 March 1980

CONFIDENTIAL

27 MAY 1960

10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31

MANAGEMENT IN CONFIDENCE



Civil Service Department
Whitehall London SW1A 2AZ
Telephone 01-273 3000

Minister of State

The Rt Hon Humphrey Atkins MP
Secretary of State
Northern Ireland Office
Great George Street
LONDON SW1P 3AJ

NBPM.

Jul 26 iii

26 March 1980

CIVIL SERVICE PAY AND CASH LIMITS: MANPOWER REDUCTIONS

Thank you for your letter of 18 March in which you list the areas you would like to see exempted from the 2 $\frac{1}{2}$ % reduction in manpower costs.

The treatment given to the Police is a matter for the Treasury. For the rest, in view of the difficulties you face, and the very small cost of exemptions (over and above prison service out-station staff which I have already proposed to exempt) I am content not to press you for a firm commitment to make the 2 $\frac{1}{2}$ % savings. I am glad to note, however, that you will nevertheless look for savings of up to 2 $\frac{1}{2}$ % in these areas.

Copies of this letter go to the Prime Minister, the Chief Secretary, and to Sir Robert Armstrong.

PAUL CHANNON

MANAGEMENT IN CONFIDENCE



with compliments

MINISTER OF STATE

CIVIL SERVICE DEPARTMENT
Whitehall, London SW1A 2AZ
Tel 01-~~839-7733~~ Ext

MS

seen by
MS

EVENING STANDARD
24 MAR 1980

9 was Slada

Up—or down?

THE Evening Standard [March 20] said I did not know what I was talking about when I stated that by December the civil service numbers would be near the lowest for 10 years. I hate to have to say it, but it is the Evening Standard, not I, which does not know what it is talking about.

Last April, before the General Election, the civil service was 732,000. This January the numbers were 708,000. Next year they will

be substantially lower. What my Department said in evidence to the Select Committee was that owing to the need to provide more prison officers and to pay more social security benefits, there will be some increase in these areas. But the total number will still continue to go down.

The Labour Party planned for a civil service in April 1980 of 748,000. By April 1981 the numbers will, in fact, be at least 50,000 below this. This has been achieved through hard work by Ministers to cut out waste, to increase efficiency and reduce the functions of government. It is very disheartening when the Evening Standard, instead of helping, criticises unfairly.

I repeat that the civil service is still on the way down and will this year drop below 700,000. The direction is firmly down, not up, and the Government intends to keep it that way.—Paul Channon, Minister of State, Civil Service Department, Whitehall.

© The evidence of any steady downward trend in civil service numbers is highly questionable. By the end of this month, staff numbers are expected to have risen from 708,000 to 712,000, and the Civil Service Department has projected a further increase of 3000 in the course of this financial year.

© The evidence of any steady downward trend in civil service numbers is highly questionable. By the end of this month, staff numbers are expected to have risen from 708,000 to 712,000, and the Civil Service Department has projected a further increase of 3000 in the course of this financial year.

26 MAR 1960



1

5



Civil Service

2 MARSHAM STREET
LONDON SW1P 3EB

MANAGEMENT IN CONFIDENCE

My ref:

Your ref:

24 March 1980

*Wipe - 25/3/80
perhaps you
should consult
his correspondence*

De Paul

12413

EARLY RETIREMENT

Thank you for sending me a copy of your letter of 22 February to Keith Joseph about early retirement.

I share your objectives but would like to offer some comments. Premature retirement is unlikely to help more than marginally in our current campaign to reduce the size of the Civil Service. For a start I doubt if more than a handful of reporting officers have been prepared to give the kind of marking in annual reports on which a case for compulsory limited efficiency retirement can be based. So combined with the requirements in the Civil Service Conditions of Service Code for warnings, time for improvement, notice and so on, it is clear that the scope for early action is limited. Furthermore, few people are willing understandably to offer themselves for retirement on grounds of "limited efficiency" however attractive the terms.

I believe, therefore, that if early results are to be achieved some new arrangements are needed whereby management can initiate and decide upon staff for retirement "in the public interest" basically because they are not up to the job. In particular, those staff who can "get by" in their present posts, or even do quite well in posts of limited scope. But we must recognise the personal pride of the people concerned and as far as possible get rid of concepts like "limited efficiency" or "in the public interest". There are jobs that need younger people or that much more energy, and where early retirement is a kinder and more reasonable option than moving someone to a sinecure or a lower grade job. Management must be able to invite such people to depart with dignity. My officials will be in touch with yours about people in this category.

I am sending a copy of this letter to all Ministers in charge of Departments.

yes
[Signature]

MICHAEL HESELTINE

Paul Channon Esq MP



25
11 12 13 14 15 16 17 18 19 20 21 22 23 24 25

With Compliments of the

✓
MS

Secretary of State

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



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

Civil Service

Paul Channon Esq MP
Minister of State
Civil Service Department
Whitehall
LONDON
SW1A 2AZ

21 March 1980

EARLY RETIREMENT

Thank you for sending me a copy of your letter to Keith Joseph of 22 February ^{attached} about early retirement. I have since seen copies of his reply of 6 March and those from Norman Fowler and David Howell. ^{will request if required}

I would strongly endorse the view that there should be some form of premature retirement on public interest grounds, operated selectively on the invitation of management. An arrangement of this kind could be used much more flexibly than anything available at present, because even the most rigorous possible application of the existing compulsory retirement procedures is only likely to make a very limited contribution to achieving manpower economies and greater departmental efficiency.

As you say in your letter, premature retirement involves substantial compensation costs. These costs arise mainly in the first year, but they should be more than offset by savings in subsequent years, particularly if the retirements can be matched with manpower savings. I hope therefore that greater and more flexible use of premature retirement will not be ruled out on a narrow consideration of first year costs.

My officials will be in touch with yours about officers who should be retired but for whom the existing compulsory retirement procedures are not appropriate.

I have copied this letter to other Ministers in charge of Departments.

George Younger

24 MAR 1978



Civil Service



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

21 March, 1980

MBM

D

2/3

The Rt. Hon. Sir Keith Joseph, MP.,
Secretary of State for Industry,
Department of Industry,
Ashdown House,
123, Victoria Street,
LONDON,
SW1E 6RB

Dear Keith

REDUCTION IN THE SIZE OF THE CIVIL SERVICE

See last para

John Biffen has passed me Paul Channon's letter to you of 28th February.

Since Paul does not propose legislation before next session, we have a little time in hand, which we might use to look at some more fundamental questions. Paul implies that existing control arrangements are satisfactory. My understanding is that, so far as nationalised industry board members are concerned, this is far from true: many remain in staff schemes after elevation to the Board, and we have, since 1972, had no effective control over such schemes. Some examples of the results this has produced in individual cases in recent years are annexed. Ought we not to look first at the more fundamental question of whether we ought either to reimpose full control or, more radically, abolish control entirely, rather than perpetuate the present muddled compromise?

So far as Paul's actual proposals are concerned, I would wish to see the proposed CSD guidance before reaching any decision. Pensions policy and practice is not static: there are always pressures for improvement. I would want to see how it is proposed to accommodate changes in the future, and to maintain a broad consistency. Otherwise there must be risks of an expensive 'bidding up' process.

In all this we must not overlook the relationship that Paul Channon's proposal might be thought to have with our wider stance on inflation-linked pensions, and the independent

/enquiry



enquiry which we have decided to set up. Obviously the two matters are separable, but many people will see them as linked. If we were to proceed in the way I suggest, this work would run in parallel with the independent enquiry. And so far as legislation goes, I think we might well be wise not to commit ourselves to introducing a Bill in this general area ext Session until we know how the independent enquiry is going, if only to make sure that we saw no difficulty, in the wider context, of exposing this whole question to debate in the context of a Government Bill.

I would not wish to prejudice potential staff savings without very good reason, but we have time in hand. Indeed, it is possible that further consideration could lead to greater savings in other departments. I would therefore suggest, if colleagues share my views, that officials might be instructed to prepare a more fundamental paper on control options for us to consider before we decide on the present proposal.

I am sending copies of this letter to the recipients of Paul's, and additionally, with a copy of Paul's letter, to the Prime Minister.

*not enclosed
will request
if required.*

A handwritten signature, possibly "J. H.", with a large scribble above it and a horizontal line below it.

GEOFFREY HOWE

ds

B/K 25.3.80 file
to get copy of article
as printed.

Civil Service
cc Press Office

21 March 1980

This is to confirm that the Prime Minister is content that Mr. Channon should write to the Evening Standard today about their article yesterday on Civil Service numbers, but she would like him to delete the last paragraph of the draft which he sent with his minute of 20 March.

T P LANKESTER

Geoffrey Green, Esq.,
Civil Service Department.



CONFIDENTIAL



1. *As Attached*
2. *Prime Minister* 2

*No need for you to
reply. The ball is
now in FCO's court.*

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

*12
2573*

PRIME MINISTER

CIVIL SERVICE VOTE: CASH LIMITS: FCO, PASSPORT OFFICE
AND THE BRITISH COUNCIL

I have seen the recent correspondence on these subjects starting with Peter Carrington's two minutes of 12th March to you, and his further minute of 26th February to Paul Channon.

2. I am sure Paul is right in arguing that neither the FCO nor the Passport Office should be exempted from the 2½ per cent reduction in manpower costs. We must keep exemptions to the barest minimum. If we accepted Peter's arguments other colleagues would promptly advance equally good cases. I do not go along with his thesis that an expansion of diplomatic effort and activity is more fitting for a country in our present position than the converse. Surely that effort and activity must be commensurate and compatible with our economic performance - and must not over-reach the resources at our disposal? And the first essential must be for us to be seen to be getting the economy right.

3. It is my firm belief that the FCO, like other departments, can find these savings without damage to our essential interests. Some of these savings will accrue as integration of the FCO and ODA "wings" of the department gets under way - particularly through getting rid of duplication and overlap.

4. On the separate issue of the Passport Office, I will say at the moment only that I agree with Paul Channon that to provide a given number of extra staff to meet a given

CONFIDENTIAL



increase in demand would tend to ossify present procedures, and inhibit economies of scale; and that the 2½ per cent rule should apply, to whatever staffing level is necessary, as a means of improving productivity. I am considering the points you made about the accounting arrangements and will write again later about this.

5. As to the British Council, I see no case for special treatment. Our decision to reduce the Council's budget by £3.9 million, staged over 3 years, was a compromise. (I personally remain convinced that a further £4 million could be saved by selective cuts, particularly in Council activities in Western Europe and the English-Speaking world.) Moreover, we agreed that the Council's staffing standards and structure must be reviewed. Many of us believe that their establishment has been somewhat lavish. The reduction of over 500 posts in 1980-81 (to which Peter Carrington refers) will be met almost entirely from vacant posts which had been included in the Council's estimates.

6. I am sure that the Council can find a saving of £0.8 million, out of a total budget of £41 million, without the dire consequences which they predict. I note Michael Jopling's assessment of the possible consequences if the Council Board were to resign. We must guard against such extreme reactions by putting the squeeze in perspective to their total Council budget, and explaining that they are being treated on all fours with the rest of the public service.

7. I am copying this to Peter Carrington, Paul Channon, and Sir Robert Armstrong.

A handwritten signature in blue ink, appearing to be 'G.H.' with a flourish.

(G.H.)

20 March, 1980

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20 MAR 1990

mi

Prime Minister

1

Would you like Mr Channon to
reply to the Standard? If so, I
would take out the final para.

PRIME MINISTER

There is a wholly misleading and unfair leading article in the
Evening Standard to night. I would like your permission to reply
to what is a very damaging charge. If you agree, I enclose the
text of a letter I would like to send - but this could easily be
altered if you do not like the style.

12

27/3

P.C.

PAUL CHANNON

20 March 1980

Please delete the last
para. Good to mention but
not advisable!
ps.

DRAFT:

Last night the Evening Standard said I did not know what I was talking about when I stated that by December the Civil Service numbers would be near the lowest for 10 years. I hate to have to say it but it is the Evening Standard, not I, which does not know what it is talking about.

Last April, before the General Election, the Civil Service was 732,000. This January the numbers were 708,000. Next year they will be substantially lower. What my Department said in evidence to the Select Committee was that owing to the need to provide more Prison Officers and to pay more social security benefits, there will be some increase in these areas. But the total number will still continue to go down.

The Labour Party planned for a Civil Service in April 1980 of 748,000. By April 1981 the numbers will in fact be at least 50,000 below this. This has been achieved through hard work by Ministers to cut out waste, to increase efficiency and reduce the functions of Government. It is very disheartening when the Evening Standard instead of helping, just criticises unfairly.

The proof of the pudding will be in the eating. I repeat that the Civil Service is still on the way down and will this year be below 700,000.

In fact I am prepared to bet the Evening Standard that on 1st April 1981 it will be 698,000 or lower, ie 35,000 lower than when we won the Election and 50,000 lower than the Labour Party planned for. I will give £10 for every thousand we are above this figure to any charity the Evening Standard cares to name, if you will give £10 to a Civil Service charity for every thousand we are below it. Will you take me on?

PAUL CHANNON

March 20 1980

Another 3000

THE Civil Service is a hydra-headed monster. For every head the Government cuts off, it sprouts half-a-dozen new ones. Less than a week ago, Mr Paul Channon the Civil Service Minister announced that as a result of Government policies which have cut 26,000 Civil Service jobs since the Tories came to power, by December they would be near the lowest Civil Service numbers for 10 years. He didn't know what he was talking about.

His own department, in evidence given to a House of Commons sub-committee, has now admitted that Civil Service staff numbers in the coming financial year are actually going to rise by 3000, from 712,000 to 715,000. In other words, the net result of Mr Channon's bold statement that the government has gone as far as it can in cutting manpower in one year is an *increase* in Civil Service salaries in current money terms of £16 million a year.

Sub-committee

The sub-committee of MPS professed themselves "extremely concerned" at these figures. So they should be. At one stroke, the anonymous cohorts of bureaucrats in Whitehall have made the Government look foolish and undermined the very foundations of its campaign to cut public expenditure by cutting back the surfeit of bureaucratic place-men.

Whatever excuses the Civil Service Department comes up with for these increases, neither Parliament nor the public is going to sympathise with it. The fact is that the Civil Service from top to bottom seems more interested in their own jobs than in providing an efficient service, and are prepared to resort to any subterfuge to protect them. They succeed because senior civil servants systematically deny access to any outsider scrutinising their work, and make life very difficult for any Minister who wants to interfere.

Two decades

They have been doing this, at taxpayers' expense (Civil Service wages, excluding pensions, account for 10 per cent of public spending) for the last two decades. They doctored the findings of Programme Analysis and Review, Mr Heath's cuts mechanism, and eventually killed it. They are now quietly fighting the recommendations of Sir Derek Rayner's review programme.

If the Tory Government cannot control Whitehall, it cannot control anything. These latest figures show that its attempts to make permanent inroads in the central bureaucracy have so far been a miserable failure. It is pointless to keep announcing across-the-board cuts, 40,000 here, 20,000 there, if the Civil Service simply creates new jobs to replace them. In the past, strong Ministers have been able to impose their will on their own departments. This is an opportunity for Ministers to crack down hard on their senior staff and demand a proper accountability from them.

SIR DEREK RAYNER

CIVIL SERVICE NUMBERS AND COST: A MANPOWER POLICY

Thank you very much for your minute of 13 March.

If the Prime Minister is content, I would be quite happy to put forward the main paper on manpower policy for discussion at the proposed special Cabinet meeting. I do, however, think it would be useful for us to have a talk before then and our offices are in touch to arrange an April meeting. I shall let you have a paper which could perhaps serve as the basis for our discussion.

I notice that in paragraph 12 of your minute of 13 March, you mention that in your visits to local offices you found a number of things of which less could be done. On occasions like this I know it is difficult to be specific but if you could let me have any details I will follow them up with the Departments concerned. We must not let any opportunity slip!

I am copying this minute to the Prime Minister, Chancellor of the Exchequer, Sir Ian Bancroft and Sir Robert Armstrong.

PAUL CHANNON

20 March 1980

P.C.

R
" 207

20 MAR 1930

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4 3 2



NORTHERN IRELAND OFFICE
GREAT GEORGE STREET,
LONDON SW1P 3AJ

SECRETARY OF STATE
FOR
NORTHERN IRELAND

Paul Channon Esq MP
Minister of State
Civil Service Department
Whitehall
LONDON SW1A 2AZ

B
173
18 March 1980

Sec Paul.

CIVIL SERVICE PAY & CASH LIMITS: MANPOWER REDUCTIONS

Thank you for your letter of 7 March.

My officials tell me that, in addition to Prison Officers, the Police will be exempted from the 21½% reductions in manpower costs. This is of course absolutely sensible. You will also recall that last year we and the Treasury agreed, as I recorded in my minute to the Lord President of 25 July 1979, that my "hard core" law and order programmes, rigorously defined to include only my Liaison Staff, Director of Public Prosecutions' Office, Crown Solicitor's Office, Probation Service and Forensic Science Laboratory, had to be exempted from arbitrary staff cuts if the fight against terrorism was to continue. I propose therefore that these areas should continue to be exempted from arbitrary cuts and to seek savings in them by promoting efficiency and eliminating waste, getting as near to the 21½% saving as we can.

I did not seek last year, and do not wish now, to exempt my other Headquarters' staff, including those concerned with Security Policy and the administration of the Police and the Prisons, and I am very ready to achieve the 21½% reductions in manpower costs in respect of all these areas of the NIO.

I am copying this letter to the Prime Minister and to Sir Robert Armstrong.

Yours ever

William Whitely

18 MAR 1980



B/F 26.3.80 3



10 DOWNING STREET

Prime Minister.

You agreed this in days
earlier today. See M/S CSD to PM
of 17.3.80. M

fax

17 iii

~~Next, Thursday~~
Out

think it would
be better to mention
it in Cabinet.
M

Prime Minister.

There was no opportunity for you
to mention this to Cabinet today. Do you
want to see it for next Thursday? Or
send the minute round?

M 20 iii



MINISTRY OF DEFENCE WHITEHALL LONDON SW1A 2HB

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

MO 20/17/6

17th March 1980

Dear Paul,

R 1073

CIVIL SERVICE RETIREMENT POLICY

PC 3
You sent me a copy of your letter to Keith Joseph of 22nd February about early retirement in the public interest; your main concern was for the weeding out of inefficient staff by use of the "limited efficiency" procedures. The Ministry of Defence use these in all appropriate cases but the definitions are strictly drawn and the process is a lengthy one. I am glad, therefore, that you accept that there remains a category of staff who should be retired but for whom these arrangements are not suitable. The Cabinet has, of course, since endorsed the need for quicker and easier premature retirement arrangements.

Partly in order to achieve the planned expenditure savings but more importantly in the context of cash limits I am faced with the need during 1980 to reduce my industrial and non-industrial staff numbers drastically - and I mean drastically. My officials have been looking into ways of achieving these savings smoothly and quickly. For the most part I should expect the existing machinery (described in the Model Redundancy Agreement) to be effective. But there are some more senior staff, in both the Administrative and Specialist groups, for whom these arrangements would not be wholly appropriate.

The current procedures to be followed in a run-down are both time-consuming and expensive of resources and over

Paul Channon Esq MP

MANAGEMENT IN CONFIDENCE



the past few months it has become increasingly obvious that the policy for the retirement of staff should be more flexible if it is to be sufficiently responsive to the changing size and shape of the Civil Service. Your own officials have, I understand, for some time recognised the need for an additional, more flexible power of retirement "in the public interest" which at present can only be justified on the grounds of redundancy, limited efficiency or structure. The problem was discussed by the Departmental Establishment Officers last September when a new category of early retirement of individuals, on "public interest" terms but at the instigation of the employing Department, was considered. It was left to the Civil Service Department to study whether the relevant sections of the Principal Civil Service Pension Scheme could be modified to give effect to such a change.

With the increasing pressure on Departments to streamline by slimming down their numbers, I attach much importance to the early introduction of the new category which would enable individual members of senior staff to be retired simply, amicably, and without the usual bureaucratic delay. Although premature retirement payments may seem to be expensive it is cheaper in the end to release staff when their usefulness has diminished. I therefore hope that you will instruct your officials to get ahead with preparing a scheme for our early consideration.

The problem does not stop with those staff who are under age sixty. There is, I am advised, some legal doubt about the discretion of Departments to retire staff compulsorily when they have passed the minimum age for retirement which has still to be resolved. For the present, many of our specialist staff have an expectation to continue in service beyond age sixty and the terms of the PCSPS, which do not provide for the payment of any compensation to staff in this category, are of no assistance in persuading them to retire. It would be helpful if some modification to the scheme could also be made in this area.

I am sending copies of this letter to Keith Joseph and to the other recipients of yours. I am writing separately to



convey the points made to me by me Departmental Staff and Trade Union Sides when I saw them on 14th March and today respectively in the light of your Parliamentary Answer on 14th March about the new cuts.

John Lee

Francis

Francis Pym



19 MAR 1980

CONFIDENTIAL



DS
Amel Senie

10 DOWNING STREET

From the Private Secretary

17 March 1980

The Prime Minister has seen the Foreign and Commonwealth Secretary's minute of 12 March 1980 (PM/80/18) about the Civil Service vote cash limit. She has also seen Mr. Channon's minute of 14 March on this subject.

She has noted that Mr. Channon offers some prospect of flexibility in the way in which the necessary savings are achieved within the FCO. She has also commented that the Rayner project on the FCO/ODA merger does indicate areas in which economies should be achieved. She hopes, therefore, that the Foreign and Commonwealth Secretary will be able to make an appropriate contribution to the manpower squeeze, and she would be content for officials to pursue ways and means, as proposed by Mr. Channon.

I am sending copies of this letter to Martin Hall (HM Treasury), Geoffrey Green (Civil Service Department) and David Wright (Cabinet Office).

M. A. PATTISON

George Walden, Esq.,
Foreign and Commonwealth Office.

CONFIDENTIAL

DS

CONFIDENTIAL



10 DOWNING STREET

From the Private Secretary

17 March 1980

Dear George

The Prime Minister has seen the Foreign and Commonwealth Secretary's minute of 12 March, about Passport Office manpower. She has also seen Mr. Channon's minute of 14 March on the same subject.

She hopes that the approach proposed by Mr. Channon will permit the Passport Office to meet the 2½% manpower cut target, whilst making allowance for its considerably increased volume of business.

She would also be content for the accounting arrangements for the Passport Office to be revised on the lines proposed by the Foreign and Commonwealth Secretary, subject to the agreement of the Chancellor of the Exchequer.

I am sending copies of this letter to Martin Hall (HM Treasury), Geoffrey Green (Civil Service Department) and David Wright (Cabinet Office).

Yours ever

Mike Pattison

George Walden, Esq.,
Foreign and Commonwealth Office.

CONFIDENTIAL

File

ds

Civil Service

17 March 1980

The Prime Minister was grateful for Mr. Channon's minute of 14 March, reporting his discussion with the National Staff Side on that day. She looks forward to hearing further from Mr. Channon when there are developments to report on the pay negotiations.

M A PATTISON

Geoffrey Green, Esq.,
Civil Service Department.

GT

010

Spoke to the (min) Minister
about X/ when. The open
to make a report
17/11/80

1
PRIME MINISTER

This is one of the key tests
for the difference between cutting
out fat and cutting out functions
for good. Content to send a minute
on these lines? MJS

MANAGEMENT IN CONFIDENCE
✓ May I have a word
about X. out.

PRIME MINISTER

SENIOR POSTS IN THE CIVIL SERVICE

I believe it is very important that the reductions in Civil Service staffing should apply to the senior ranks as well as to the junior and, so far as possible, in equal proportions. Sir Derek Rayner made the same point in his note to you of 26 February. It will be extremely damaging if all the manpower cuts are in the junior grades, while senior ranks are left untouched.

So far, the necessary reduction is not happening. Under the last Government, I am told that the Open Structure (Under Secretary level and above) came down from 872 in April 1976 to 838 in April 1979 - a reduction of nearly 4%. So far, we are doing a good deal worse. The figure at 1 March 1980 was 834 - a further reduction of only 0.5%, whereas since April 1979, as you know, the Civil Service as a whole has come down by over 3%. Nor are the future prospects promising. The cuts announced on 6 December contained relatively very little (some 13 posts out of nearly 40,000) at these senior levels. The Select Committee on the Treasury and Civil Service has already started to ask questions about this. In my view, we cannot continue on present lines.

X

I believe therefore that we should adopt a very rigorous attitude to posts in the Open Structure. If you agree, I propose to instruct CSD officials to challenge existing posts on which we have doubts. Certainly no new ones should be authorised unless there is an urgent case proved up to the hilt.

This course will be very unpopular with some of our colleagues. It is fair to say that they have, quite rightly, put very heavy demands on their senior staff since last May, and that external events, not least the new Select Committees, have notably increased the pressure. There will be some sharp battles. It will be particularly helpful to know if we have your support on this point.

MANAGEMENT IN CONFIDENCE

... If you thought it right to send a note to Cabinet colleagues about this, it would of course be very helpful. I attach the draft of a possible minute.

Copies of this minute go to Sir Derek Rayner, Sir Ian Bancroft and Sir Robert Armstrong.

P.C.

PAUL CHANNON
14 March 1980

MANAGEMENT IN CONFIDENCE

G.R.
Re type from the
Min. Minis.
fu

DRAFT MINUTE TO THE HOME SECRETARY:

SENIOR POSTS IN THE CIVIL SERVICE

It is important that the reductions in Civil Service staffing should apply in equal proportions to the senior ranks in the Civil Service as well as to the junior. It would be wrong, and open us to public criticism, if senior ranks were to be left untouched while junior ranks are being substantially reduced.

So far, this necessary reduction has not happened. Staff at Under Secretary level and above have only been reduced by 4 (0.5%) since April 1979, while the Service as a whole has come down by 24,000 (around 3%). We must improve on this.

Ministers must of course be properly supported. We have had, and shall continue to have, a crowded programme of our own making. I realise that external forces, including the new Departmental Select Committees, are increasing the pressures on Ministers and their senior officials still further. Nevertheless, we must be as rigorous about staffing at senior levels as everywhere else. The Minister of State, Civil Service Department, has, with my support, instructed his officials from now on to adopt a very stringent line,

MANAGEMENT IN CONFIDENCE

MANAGEMENT IN CONFIDENCE

and to challenge any posts about which there are doubts. All proposals for new posts at this level will be turned down unless the case is both urgent and established up to the hilt.

I ask my colleagues to adopt the same attitude, to comb out all senior posts which are not essential and not to seek to create new ones unless they are both urgent and essential.

Copies of this minute go to all Cabinet colleagues, the Minister of Transport, the Minister of State, Civil Service Department, Sir Robert Armstrong and Sir Ian Bancroft.



114 NUMBER 10000

CONFIDENTIAL

Prime Minister

This seems a reasonable way forward.

Agree?

Yes
out.

12

19/3

PRIME MINISTER

Page 4

The Foreign and Commonwealth Secretary has minuted you on the special problems of the Passport Office in the context of the manpower cuts.

2. As with the rest of the Diplomatic Service, about which I have minuted you separately, I do not think that the Passport Office should be exempted from the 2½% regime. There are other departments - like the Land Registry - who provide an important social service and are self-financing.

3. I do not suggest, however, that we can keep Passport Office manpower at existing levels if, as the Foreign Secretary suggests, demand for passports increases this year by 50%. The 2½% reduction should, I think apply to whatever higher staffing level is necessary to meet demand (in accordance with the normal staffing formula for the Passport Office agreed between FCO and CSD officials). It would then, in effect, become a "productivity" improvement of 2½%.

4. If this is acceptable in principle, I suggest that CSD and FCO officials should together sort out the mechanics of this. It will also be necessary to seek Geoffrey Howe's agreement to a change in the curious accounting arrangements referred to by Peter Carrington in his minute. (Otherwise increases in Passport Office staff will become a claim on the contingency reserve despite the fact that their costs are more than recovered in extra receipts.) Perhaps CSD, Treasury and FCO officials could discuss this too and consider a more suitable financial structure for the Passport Office in the longer term.

5. I am copying this minute to the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer and Sir Robert Armstrong.

P.C.

PAUL CHANNON

14 March 1980

CONFIDENTIAL

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14-10-1930

CONFIDENTIAL

2

Amidst

Mr Channon is offering

For some flexibility.

Agree but - CSD and FCO.

Officials should discuss?

Yes - perhaps
P.C. can see
Mark Rogers's
comments

R.

14/3

PRIME MINISTER

CIVIL SERVICE VOTE: FCO

Play A

The Foreign and Commonwealth Secretary's minute of 12 March seeks exemption for the Diplomatic Service and Communications Division from the 2½% reduction in manpower costs. (I am minuting you separately on the Passport Office.)

Naturally I would like to help, but I do not think we can exempt the Diplomatic Service, and Communications Division of the Foreign and Commonwealth Office from the 2½% regime. Other colleagues would be bound to seek similar treatment. Defence, for example, is another area where there have already been substantial cuts in civilian manpower, since 1964, as Francis Pym frequently points out to us.

All departments will be allowed some flexibility, however, in the way they achieve their savings within the totality of staff and staff-related expenditure in the departmental cash limit. In the special circumstances of the FCO, I think it should be possible by this means for the Foreign and Commonwealth Secretary to find some savings which would contribute towards the required reduction in the wages and salary bill for the Diplomatic Service and Communications Division. I suggest that my officials discuss the mechanics of this with his. Complete exemption for the FCO would, I am sure, be unacceptable to colleagues, but I think that a way through this can be found in the way I have described.

I am copying this to the Foreign and Commonwealth Secretary, Chancellor of the Exchequer and Sir Robert Armstrong.

P.C.

PAUL CHANNON

14 March 1980

CONFIDENTIAL

PRIME MINISTER

The expected reaction

MS

MS.

PRIME MINISTER

CIVIL SERVICE PAY AND CASH LIMITS

The National Staff Side came to see me urgently today at their request following this morning's announcement on Civil Service pay and cash limits. Speaking politely but very forcefully they urged the Government to reconsider its decisions.

2. The Staff Side had relatively little to say on the question of manpower cuts. They concentrated on the pay issue. Their main point was that, in their view, our decisions ran contrary to the Government's stated policy of creating a more ordered climate of industrial relations in the economy generally. Depending on the size of the amounts due under pay research the Government would be dishonouring the Pay Agreement by not paying the full amounts on the due date. To deny arbitration on the operative date of the pay increases would be a breach of the Arbitration Agreement. Finally, they warned me about the cumulative effect of constant interference in the pay system. Even if the gap to be bridged by staging was small, this Government would be joining its predecessors in failing to honour agreements. This repeated breaching of the Pay Agreement by one side could only lead to anarchy in Civil Service pay bargaining and industrial relations generally.

3. I told them that there was no likelihood of the Government changing its decisions, but that I would report their views.

4. At the end of the meeting, the Staff Side said that each union would be consulting its executive committee urgently. They would be meeting collectively early next week to consider what to do next. They made no threats of industrial action but what happens will depend very much on how their members and Executive Committees react over the next few days.

5. The CSD will now be making offers based on the pay research evidence for most of the main grades, and will press on rapidly to settle the amounts due. I will keep you in touch with developments.

P.C.

PAUL CHANNON

14 March 1980

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1 1 1

14 MAR 1980



with compliments

✓
MAD

MINISTER OF STATE

CIVIL SERVICE DEPARTMENT
Whitehall London SW1A 2AZ

Telephone 01-273 5563/4086

SECRET
SECRET

Civil Service 34



Civil Service Department
Whitehall London SW1A 2AZ
Telephone 01-273 3000

Minister of State

The Rt Hon Peter Walker MBE MP
Minister of Agriculture, Fisheries
and Food
Ministry of Agriculture, Fisheries
and Food
Whitehall Place
LONDON SW1A 2HH

14 March 1980

Dear Peter

CIVIL SERVICE PAY AND CASH LIMITS: MANPOWER REDUCTIONS

Thank you for your letter of 12 March about manpower reductions for MAFF and IBAP.

I am grateful for your agreement to a 2½% reduction for MAFF. I should certainly like to help you with IBAP, but I am afraid it is not possible.

We do of course understand the particular difficulties under which IBAP operates, because of their EEC obligation, and we have consequently always dealt sympathetically with their manpower problems. Naturally, we shall continue to do so.

I notice, however, that, at 1 January 1980, IBAP staff vacancies amounted to about 6½% of their authorised staffing level for next year. Also, the Financial Information System returns, which cover also agency payments to the HGCA and MLC, forecast at the end of January that they would be well within their cash limit at the end of 1979-80.

In these circumstances, I am afraid I cannot agree to exempt IBAP. If I were to start exempting Departments in their position, it could have a serious effect on the outcome of the exercise as a whole.

I am copying this letter to the copy addressees of yours.

Y,
Pal

PAUL CHANNON

PS: A 2½% cut in your manpower costs would still enable you to recruit above your 1 January 1980 level.

SECRET
SECRET

SECRET

17 MAR 1960



SECRET

✓ MP
Civil Service

01 211 6402

Mr Paul Channon MP
Minister of State
Civil Service Department
Whitehall
LONDON SW1

14 March 1980

Dear Minister of State,

CIVIL SERVICE PAY AND CASH LIMITS: MANPOWER REDUCTIONS

Thank you for your letter of 12 March responding to mine of 11 March. I can appreciate why you are not able to give an immediate and full exemption against the "size" factor I mentioned, but it is nevertheless a real point, that, as was pointed out in Cabinet, the small Departments, which are predominantly concerned with policy, do not have the scope to adjust at the same pace as the larger Departments.

I must therefore, reserve the right to discuss the issue with you further and I will ask my office to get in touch with yours towards the end of next week.

I am sending a copy of this letter to the Prime Minister and to Sir Robert Armstrong.

Yours sincerely

W. J. Burroughs
(Private Secretary)

for D A R. HOWELL
(Agreed by the Secretary of State
and signed in his absence)

17 MAR 1980





SECRET

2
Copy No 1 33

2 MARSHAM STREET
LONDON SW1P 3EB

My ref: ✓

Your ref:

13 March 1980

MS
PRIME MINISTER

Don Stinch

*A helpful additional
contribution from
Mr Heseltine. MAF 1363*

CIVIL SERVICE PAY AND CASH LIMITS: MANPOWER
REDUCTIONS

Thank you for your letter of ✓ March, following
up the Prime Minister's minute of 5 March
about the cash limit for the Civil Service
Vote.

I will accept the 3% cut you request.

I am copying this to the Prime Minister, the
Chief Secretary, and to Sir Robert Armstrong.

*You see
OK*

M MICHAEL HESELTINE
(approved by the Secretary
of State and signed in
his absence)

Paul Channon Esq MP

113 1980

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HM TREASURY
OFFICE NOTICE

EO 3/06
EO 322/148/01

ON(80)24
14 March 1980

CIVIL SERVICE PAY AND CASH LIMITS

The Government has now taken its decision on this year's cash limits for civil service pay awards. A copy of the statement made to Parliament is attached.

WHAT THE DECISION MEANS

The Government has said that it would set the cash limit before the pay negotiations are concluded but after the pay research evidence is available. The 14% cash limit provision and the manpower cost reductions generally averaging a little under 2½% will now provide a framework for this year's pay negotiations. The decision does not mean that individual pay increases will necessarily be restricted to 14%. It does mean that the total cost of the pay settlements must be contained within the cash limit plus the additional margin provided by the manpower reductions.

WHAT HAPPENS NEXT

1. Pay Negotiations

The Government has decided that the non-industrial's settlement should be concluded on the basis of the pay research evidence. Pay negotiations to achieve this are now being undertaken. Discussions are also being opened with the National Staff Side about how best to keep the cost of the pay settlements, adjusted for the reduction in manpower, within the cash limit. Staff will be kept informed of further developments.

2. Consultation With Departmental Staff Sides

Departments will consult Departmental Staff Sides about the implementation of the manpower reductions. These will be achieved to the maximum extent by natural wastage. Departmental managements will be reviewing the need to fill existing vacancies, and considering the scope for reducing and streamlining tasks. There will be no service-wide ban on recruitment, but restrictions on recruitment will be unavoidable.

C W F

QUESTION

TO ASK THE MINISTER FOR THE CIVIL SERVICE IF HE WILL MAKE A STATEMENT ABOUT CIVIL SERVICE PAY AND CASH LIMITS

ANSWER

The Government will be presenting in 1980-81 Main Estimates a single Vote covering pay increases for civil servants and for related staff in certain other bodies, as proposed to the Public Accounts Committee and the Select Committee on the Treasury and Civil Service. The arrangement for subsequent years will be considered in the light of the Committee's comments, on which the Government's observations will be presented shortly.

In accordance with the announcement about cash limits made today by my Rt Hon Friend the Chief Secretary, Treasury, this Vote will provide for a 14% increase in the total pay bill from due settlement dates as a result of new pay awards. To help reconcile pay research and other pay bargaining arrangements with the cash limit, the Government has decided to make a further reduction in 1980-81 in the civil service manpower costs to which the Vote relates. Over most departments this reduction will be an average of 2½%, but prison staff and a few other very limited areas will be excepted. This decision is in line with the Government's general determination to reduce the size of the public service.

In the case of the non-industrial civil service, negotiations will now be undertaken to conclude a settlement on the basis of the pay research evidence consistently with the cash limit provision. The cash limit and the manpower squeeze will also have to be taken into account in the later negotiations with the industrial grades.

CONFIDENTIAL

4 pps



Minister of State

1. ✓ Mr Gaffin
2. Mr Whitmore to see O/R.
JW 14/3
3. na MAD
14/3.

Civil Service Department

Whitehall London SW1A 2AZ

Telephone 01-273 3000

13 March 1980

M Pattison Esq
 Private Secretary to the Prime Minister
 10 Downing Street
 LONDON SW1

Dear Madam

CIVIL SERVICE PAY AND CASH LIMITS: MANPOWER REDUCTIONS

We spoke on the telephone yesterday and today about the Minister of State's minute of 11 March to the Prime Minister. I have now seen your letter, of today's date, conveying the Prime Minister's approval of the arrangements which Mr Channon proposed.

I now attach the final version of the Parliamentary answer which the Minister of State will give tomorrow, and of a letter which will be sent (also tomorrow) to the Treasury and Civil Service Select Committee. The PQ will be answered at 10.30 tomorrow, so it should be regarded as confidential until then.

The other item referred to in paragraph 3 of Mr Channon's minute was the PQ to be answered yesterday by a Treasury Minister. That was sent to the Prime Minister yesterday by the Chief Secretary to the Treasury.

I am copying this letter, for information, to the Private Secretaries of members of the Cabinet, and of the Minister of Transport, and Sir Robert Armstrong.

Yours sincerely

G E T Green

G E T GREEN
 Private Secretary

CONFIDENTIAL

CC Mr. Coffin
The Williams Co. N.Y.
1000

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CONFIDENTIAL

QUESTION

TO ASK THE MINISTER FOR THE CIVIL SERVICE IF HE WILL MAKE A STATEMENT ABOUT CIVIL SERVICE PAY AND CASH LIMITS

ANSWER

The Government will be presenting in 1980-81 Main Estimates a single Vote covering pay increases for civil servants and for related staff in certain other bodies, as proposed to the Public Accounts Committee and the Select Committee on the Treasury and Civil Service. The arrangement for subsequent years will be considered in the light of the Committee's comments, on which the Government's observations will be presented shortly.

In accordance with the announcement about cash limits made today by my Rt Hon Friend the Chief Secretary, Treasury, this Vote will provide for a 14% increase in the total pay bill from due settlement dates as a result of new pay awards. To help reconcile pay research and other pay bargaining arrangements with the cash limit, the Government has decided to make a further reduction in 1980-81 in the civil service manpower costs to which the Vote relates. Over most departments this reduction will be an average of 2½%, but prison staff and a few other very limited areas will be excepted. This decision is in line with the Government's general determination to reduce the size of the public service.

In the case of the non-industrial civil service, negotiations will now be undertaken to conclude a settlement on the basis of the pay research evidence consistently with the cash limit provision. The cash limit and the manpower squeeze will also have to be taken into account in the later negotiations with the industrial grades.

The other bodies referred to are as follows:-

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Northern Ireland Court Service
Forestry Commission
British Council
Agricultural Colleges, Scotland
Agricultural Research Institutes, Scotland
Meat and Livestock Commission
Home Grown Cereals Authority
National Institute of Agricultural Botany
Housing Corporation
Housing Corporation Office for Wales
British Library
National Library of Scotland
Agricultural Research Council
Medical Research Council
Natural Environment Research Council
Science Research Council
Social Science Research Council
British Museum (Natural History)
British Museum
Imperial War Museum
National Gallery
National Maritime Museum
National Portrait Gallery
Tate Gallery
Wallace Collection
National Galleries of Scotland
National Museum of Antiquities, Scotland
National Economic Development Council
The Royal Trustees
Legal Aid Fund
Legal Aid Scotland Fund

CONFIDENTIAL

PROVISION FOR CIVIL SERVICE PAY INCREASES
IN THE 1980-81 ESTIMATES

I am writing to let you know that the Minister of State, Civil Service Department, will today be announcing in reply to a Written Question the Government's decision that cash limits covering civil service pay in 1980-81 will be set to allow for an increase of 14% in the total pay bill from due settlement dates as a result of new pay awards. These increases will be provided for initially by means of a cash limited global sum, on the basis described in the Treasury and CSD memorandum on the provision for civil service pay increases in the 1980-81 Estimates, and subsequently discussed with the Committee.

2. The Government has decided to make further reductions in the volume of civil service manpower expenditure amounting to 2½% in 1980-81, except that on prison staff and in a very few other limited areas. The cost of the pay settlements will be contained within the limit of 14% but the reduction in manpower costs will enable a higher pay settlement to be made than would otherwise be possible. The best way of bringing the pay settlement within the cash limit after account is taken of the reduction in manpower costs will be discussed with the civil service unions in the course of the pay negotiations.

3. A copy of the text of the Parliamentary Answer is attached at Annex A.

4. The global cash limit will be presented to Parliament as Class XIII, Vote 31, in the Main Estimates for 1980-81. It is to cover pay increases for UK civil servants included in the Departmental Estimates. Certain staff in other public service organisations also have pay links with the civil service. In those cases where the pay element is the major part of the total expenditure of the organisation, provision for pay increases for such staff is also included in the global sum.

CONFIDENTIAL

CONFIDENTIAL

5. In paragraph 5(ii) of their First Report,⁽¹⁾ the Committee asked for full information to be published at the time the global Estimate was submitted, showing how the proposed cash limit had been calculated, in particular the assumptions taken about pay increases and about numbers of the main civil service grades.

6. The net amount for which Parliamentary authority will be sought is £537.4 million and is to cover increases in pay, related allowances, London Weighting and consequential additions to employers' national insurance contributions, after allowing for increases in receipts to be credited to Appropriation-in-Aid subheads. It is calculated from the provision for staff costs to be included in the departmental Main Estimates for 1980-81, amounting to £4327.2 million, and allows for an increase of 14% in new pay rates from due settlement dates. The sum of £4327.2 million, which already takes account of the carrying forward of the 3% savings made in 1979-80 and that part of the savings announced by the Lord President on 6 December 1979 which is to be implemented in 1980-81, will be the base from which the reductions in manpower costs will be made. The increased rates of pay will then be applied to this reduced amount.

7. The total number of civil servants provided for at 1 April 1980 in the 1980-81 departmental Estimates to which the global Vote relates is about 680,000 (the major exception is some 33,000 staff in Trading Funds which are not cash-limited); and the number of staff in other public organisations is about 25,000.

8. Annex B shows the numbers of civil servants in the main non-industrial groups and grades in post at 1 January 1980, the latest date for which a breakdown is available.

(1) First Report from the Treasury and Civil Service Committee 1979-80 (HC 371).

QUESTION

TO ASK THE MINISTER FOR THE CIVIL SERVICE IF HE WILL MAKE A STATEMENT ABOUT CIVIL SERVICE PAY AND CASH LIMITS

ANSWER

The Government will be presenting in 1980-81 Main Estimates a single Vote covering pay increases for civil servants and for related staff in certain other bodies, as proposed to the Public Accounts Committee and the Select Committee on the Treasury and Civil Service. The arrangement for subsequent years will be considered in the light of the Committee's comments, on which the Government's observations will be presented shortly.

In accordance with the announcement about cash limits made today by my Rt Hon Friend the Chief Secretary, Treasury, this Vote will provide for a 14% increase in the total pay bill from due settlement dates as a result of new pay awards. To help reconcile pay research and other pay bargaining arrangements with the cash limit, the Government has decided to make a further reduction in 1980-81 in the civil service manpower costs to which the Vote relates. Over most departments this reduction will be an average of $2\frac{1}{2}\%$, but prison staff and a few other very limited areas will be excepted. This decision is in line with the Government's general determination to reduce the size of the public service.

In the case of the non-industrial civil service, negotiations will now be undertaken to conclude a settlement on the basis of the pay research evidence consistently with the cash limit provision. The cash limit and the manpower squeeze will also have to be taken into account in the later negotiations with the industrial grades.

The other bodies referred to are as follows:-

CONFIDENTIAL

Northern Ireland Court Service
Forestry Commission
British Council
Agricultural Colleges, Scotland
Agricultural Research Institutes, Scotland
Meat and Livestock Commission
Home Grown Cereals Authority
National Institute of Agricultural Botany
Housing Corporation
Housing Corporation Office for Wales
British Library
National Library of Scotland
Agricultural Research Council
Medical Research Council
Natural Environment Research Council
Science Research Council
Social Science Research Council
British Museum (Natural History)
British Museum
Imperial War Museum
National Gallery
National Maritime Museum
National Portrait Gallery
Tate Gallery
Wallace Collection
National Galleries of Scotland
National Museum of Antiquities, Scotland
National Economic Development Council
The Royal Trustees
Legal Aid Fund
Legal Aid Scotland Fund

CONFIDENTIAL

NON-INDUSTRIAL HOME CIVIL SERVICE
STAFF IN POST IN MAIN GROUPS,
CLASSES AND GRADES AT 1 JANUARY 1980

<u>Group, Class or Grade</u>	Staff in post at 1 January 1980 (full time equivalents)
<u>Open Structure</u>	
Permanent Secretary	36
Deputy Secretary	154
Under Secretary	593
<u>Administration Group</u>	
Assistant Secretary	1140
Senior Principal	719
Principal	4474
Senior Executive Officer	8080
Higher Executive Officer (A)	387
Higher Executive Officer	22760
Administration Trainee	403
Executive Officer	46668
Clerical Officer	84608
Clerical Assistant	70142
<u>Secretarial Category Group</u>	27557
<u>Science Category/Group</u>	
Principal Scientific Officer	2458
Senior Scientific Officer	3579
Higher Scientific Officer	4236
Scientific Officer	2867
Assistant Scientific Officer	3110
<u>Professional & Technology Category</u>	
Principal P&T Officer	2512
P&T Officer I	5733
P&T Officer II	8597
P&T Officer III	11753
P&T Officer IV	11011
<u>Social Security Category/Group</u>	
Local Officer I	14872
Local Officer II	31608
<u>General Service Classes</u>	
(Messengers, Office Keepers, Paperkeepers, Telephonists, Cleaners etc)	31898

CONFIDENTIAL

Departmental Classes

Home Office:

Prison governors and Prison Officers 15608

Immigration Service 1371

Inland Revenue grades: 49408

CONFIDENTIAL



Copy to BC file
 Top on ~~the~~ manpower

32A

Subject:

Copy to Foreign Policy:
 Review of British Council
 August 1979.

✓ MAB

Foreign and Commonwealth Office
 London SW1

13 March 1980

Mr Geoffrey

*will request if
 required*

BRITISH COUNCIL: PAY AND CASH LIMITS

In his letter of 7 March Paul Channon suggested that Peter Carrington should pursue with you the question of exempting the British Council from the pay cash limit squeeze which Cabinet decided on 6 March should be 2 1/2 % of manpower costs for 1980/81.

The case for exempting the Council was set out in Peter Carrington's minute of 26 February to Paul Channon which was copied to you. Soundings since that date have served to emphasise that serious political consequences could follow the imposition of further cuts. The Board is finding it difficult enough to accept reductions on the scale necessitated by our decision in the light of the Interdepartmental Review to reduce the Council's budget by £3.9 million on top of the cut already applied for 1980/81. It is becoming increasingly evident that an additional reduction in manpower through a cash limit squeeze, as well as having major implications for the future of the Council, would probably lead to the resignation of all or part of the Board. This would mean a major row in Parliament. My judgement is endorsed by Michael Jopling in his letter of 4 March, which was also copied to you.

/Cabinet

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

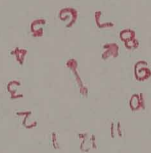
SECRET

Cabinet also decided that the 2 1/2 % cash limits squeeze should not be applied to certain small Departments where its impact would be particularly hard. I am convinced the Council should be regarded as being in this category and that we should exempt it from the squeeze. I hope you can agree.

I am sending a copy of this letter to the Prime Minister (with copies of Peter Carrington's minute of 26 February to Paul Channon and of Michael Jopling's letter of 4 March to Peter Carrington) in view of the Parliamentary repercussions inherent in a decision not to exempt the Council. A copy also goes to Michael Jopling and to Paul Channon.

yes ✓
lan

SECRET



14 MAR 1980

X/A100/106

RECEIVED IN REGISTRY NO. 21

DESK OFFICER	REGISTRY
PA	NOTICE TAKEN

(23)

FROM: THE RT HON MICHAEL JOPLING MP



Government Chief Whip
12 Downing Street, London SW1

4 March 1980

CRD
CC: PS
PS/LPS
PS/Mr Hunt
PS/Mr Blaker
PS/PUS
Chief Clerk
Mr Foy
Lord Gordon-Lindsay
Mr Straker
[Signature]

[Handwritten initials]
1073

(17)

Thank you for sending me a copy of your minute of 26 February to Paul Channon about the British Council and Pay and Cash Limits.

Peter Morrison has already spoken to Peter Blaker about this, and warned him that there would be a major row in the House if further cuts were pushed through, and the British Council were to resign as a result.

I agree entirely with Peter Morrison especially in view of Early Day Motion No 188 which has attracted 92 signatories, of which 17 are Government supporters. In my view the key factor will be whether the Members of the Board resign or not.

I am copying this to Paul Channon and Geoffrey Howe.

[Handwritten signature: Michael]

Rt Hon Lord Carrington PC KCMG MC
Secretary of State for Foreign and Commonwealth Affairs
Foreign and Commonwealth Office
Downing Street
SW1A 2AL

Copy sent to Mr. Matthews, Tsy.
10/3



FCS/80/44

MINISTER OF STATE, CIVIL SERVICE DEPARTMENT

Finance Dept
PS
PS/LES
PS/Mr. How
PS/Mr. Blal
PS/PDS
Mr. Figg
Mr. Hinson
CRD
PPD

PA
27/2

Also on
X4700/9

British Council: Pay and Cash Limits

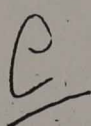
1. I have been examining the effect on the British Council of a pay cash limit squeeze of 5% mentioned in your letter of 24 January to Willie Whitelaw and other Departmental Ministers. It is evident that coming on top of the cuts already imposed such a course would have very serious consequences.
2. Cabinet decided last year that Council expenditure should take a cut of £5.2 million in 1980/81 (£3 million from FCO; £2.2 million from ODA). The level of expenditure from 1981/82 to 1983/84 was subsequently considered by means of an Interdepartmental Review which identified three options. You will recall discussing these with Geoffrey Howe and other colleagues on 29 January when we decided that the Council's budget should be reduced by a further £3.9 million (option 'B') which would be achieved by three successive annual reductions. You will also recall that Neil Marten and I entered a further caveat that pressure on the Aid Programme was likely to cause additional reductions in the ODA funding element, possibly by as much as £2 million a year.
3. The real impact of all this on the Council's expenditure and in consequence on the scale of its activities is set out in Parts I and II of the attached table. The cuts already agreed (Part I) produce a reduction of 11.2% in 1980/81 rising to 19.5% in 1983/84. The extent of the further reduction in ODA fundings (Part II) is still being worked out by my officials but the probable outcome is that by 1983/84 we shall have imposed a total percentage cut of almost 24%.
4. The Council is planning to meet the 1980/81 cut by reducing its staff establishment by about 360 UK-based posts and 175 locally-engaged staff abroad. Part III of the table shows what would happen if in addition they were required to bear a cash limits squeeze of 5% in that year. Such a squeeze would amount to £.8 million or another 98 posts. But the rub is that because the offsetting factors of normal wastage and halting recruitment would have been exhausted in meeting the known 1980/81 cuts, the further 98 staff /savings



savings could be achieved only by enforced redundancies which the Council estimate would cost them an additional £1.1 million. The Council would thus be hit twice over. Effectively it would have to face a total reduction of £7.1 million (15.23%) in 1980/81. This course, compounded by option 'B' in the subsequent years and the probable additional reduction in ODA fundings, would damage the Council irreversibly.

5. At the meeting on 29 January I argued against any further cuts in the Council's spending levels. But in view of the inescapable need to reduce public expenditure, I went along with the choice of option 'B'. This represented, in my view, the absolute maximum cut the Council could bear and still remain an effective instrument of our foreign policy. The possibility that a cash limit squeeze might also be imposed on the Council was not discussed. Had it been, I would have resisted it strongly. However, having learned that Treasury have not yet allocated any provision for next year's pay award (presumably because the Council is linked to the Civil Service for pay matters) I think it right to establish that the Council will be exempted from a further reduction in manpower through a cash limit squeeze. Unless this is done I believe we shall be faced with resignations from the Board, who have already expressed grave concern about the likely effect of the recent decisions taken; and with an outcry from the Council's supporters in Parliament and elsewhere who are by no means reconciled with what has been done so far. Our judgement is that there could be a major Parliamentary row from which the Government might not emerge victorious. Your letter acknowledged that special treatment might be required for small Departments on which further cuts would bear especially hard. I trust therefore that you and Geoffrey Howe, to whom I am copying this minute, will agree that the Council should be so exempted.

6. I am also sending a copy of this minute to Michael Jopling in view of the Parliamentary interest.


(CARRINGTON)

Foreign and Commonwealth Office

26 February 1980

ALL FIGURES AT 1979 SURVEY PRICES£ MILLION

	<u>1980-81</u>	<u>1981-82</u>	<u>1982-83</u>	<u>1983-84</u>
<u>PESC POSITION (PRE CUTS)</u>				
F.C.O.	26.2	26.2	26.2	26.2
O.D.A. contribution to core budget	14.5	14.5	14.5	14.5
O.D.A. Aid Admin.	5.9	5.9	5.9	5.9
	46.6	46.6	46.6	46.6
	'A'	'B'	'C'	'D'
<u>FIRM CUTS</u>				
F.C.O.	3.0	(1.0) (3.0)	(1.6) (3.0)	2.2 3.0
O.D.A	2.2	(0.6) (2.2)	(1.3) (2.2)	1.7 2.2
	5.2	6.8	8.1	9.1
	'A'	'B'	'C'	'D'

'A' : 11.2% Reduction
 'B' : 14.6% Reduction
 'C' : 17.4% Reduction
 'D' : 19.5% Reduction

II. If the probable further reduction in "Aid Administration" began to be applied in 1981/82 and rose progressively to a maximum of £2 million in 1983/84, the total percentage cut for that year would amount to 23.8%

III. If a 5% cash limit squeeze were to be applied in 1980/81 the effect would be to reduce the provision for manpower related costs by some £.8 million. But in order to divest themselves of the necessary 98 staff in the year, the Council estimate they would have to pay under the terms of the Redundancy Agreement an additional £1.1 million by way of redundancy pay and notice. The total effect would be a further reduction in money available for activities in 1980/81 amounting to some £1.9 million; making the effective cut for that year:-

	£5.2 m
plus	1.9 m
	<hr/> £7.1 m

or a percentage cut of 15.23% in 1980/81

MANAGEMENT IN CONFIDENCE

MP
Civil Service

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB



Paul Channon Esq MP
Minister of State
Civil Service Department
Whitehall
LONDON
SW1

12 March 1980

John Paul

EARLY RETIREMENT

Thank you for sending me a copy of your letter to Keith Joseph of 22 February about early retirement.

pt 3

I entirely agree that we must do all we can to weed out less efficient staff, and to use to the full the provisions for premature retirement on grounds of limited efficiency. I fear, however, that this is unlikely to be of much help in our current campaign to reduce the size of the Civil Service.

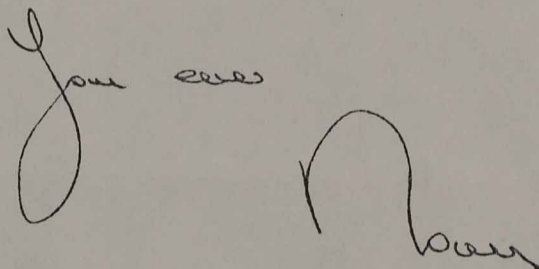
As you know, the Civil Service Conditions of Service Code requires specific warnings, time for improvement, sustained seriously low markings in annual reports and due notice before anyone can be retired compulsorily on grounds of limited efficiency. There are not enough such cases ripe in my Department's files to make a dent in the task of reducing numbers. Even if there were, the procedure enables appeals to be made - as they often are - and this takes time too.

MANAGEMENT IN CONFIDENCE

MANAGEMENT IN CONFIDENCE

I believe, therefore, that if early results are to be achieved (as is desirable) some new arrangements are needed whereby management could select staff for retirement "in the public interest" basically because, while not meeting the limited efficiency criterion, they depress the level of Departmental performance. The archetypal case, which we are likely to meet frequently in coming months, is the person who can "get by" in his present post, or even do quite well in a post of limited scope tailored to his abilities, but who either through age or lack of ability will not be able to hold down a new post, if his existing job goes or is needed for someone younger and of higher ability whose job has been given up. We need a way of getting these people out at management's invitation and so allowing them to depart with dignity. My officials will be in touch with yours about people in this category whose presence would block our way both to tighter manning and to better performance.

I am sending a copy of this letter to the recipients of yours.

A handwritten signature in cursive script, appearing to read "Norman Fowler". The signature is written in dark ink on a light-colored paper.

NORMAN FOWLER

MANAGEMENT IN CONFIDENCE

14 MAR 1980



SECRET
SECRET

✓MAP

32



Civil Service Department
Whitehall London SW1A 2AZ
Telephone 01-273 3000

Minister of State

The Rt Hon Lord MacKay of Clashfern QC
Lord Advocate
Lord Advocate's Chambers
Fielden House
10 Great George Street
LONDON SW1P 3SL

13 March 1980

John Jones

CIVIL SERVICE PAY AND CASH LIMITS: MANPOWER REDUCTIONS

As is being announced on Friday, 14 March, it has been decided to make provision in 1980-81 cash limits for an increase of 14% in Civil Service pay. However it seems likely that the actual cost of the pay settlements this year will somewhat exceed this figure. In order to make good the probable shortfall between the cash limit and the amount required to finance the pay settlements, it has been decided that there will be a general reduction in Civil Service manpower of 2½%. Exceptions to this reduction will be very limited but in view of the pressure of work in the Courts and the very small size of your departments, both the Lord Advocate's Department and the Crown Office/Procurator Fiscal Service will be exempt. My officials are letting yours have a note suggesting how these decisions might be explained to your Staff Side following the announcement.

In June, by which time non-industrial Civil Service pay should have been settled, the central pay Vote will be distributed to departmental Votes. These allocations will as necessary include an allowance for industrial staff using whatever assumptions then seem most appropriate. My officials will be writing to yours shortly, setting out further details about the mechanics.

I am copying this letter to the Prime Minister and to Sir Robert Armstrong.

*Yours
Paul*

PAUL CHANNON

SECRET
SECRET

SECRET

13 MAR 1980



SECRET

SECRET
SECRET

✓ MAF
31



Civil Service Department
Whitehall London SW1A 2AZ
Telephone 01-273 3000

Minister of State

The Rt Hon Sir Michael Havers QC MP
Attorney General
Royal Courts of Justice
Strand
LONDON WC2A 2LL

13 March 1980

Dear Michael.

CIVIL SERVICE PAY AND CASH LIMITS: MANPOWER REDUCTIONS

As is being announced on Friday, 14 March, it has been decided to make provision in 1980-81 cash limits for an increase of 14% in Civil Service pay. However it seems likely that the actual cost of the pay settlements this year will somewhat exceed this figure. In order to make good the probable shortfall between the cash limit and the amount required to finance the pay settlements, it has been decided that there will be a general reduction in Civil Service manpower of 2½%. Exceptions to this reduction will be very limited but in view of the pressure of work in the Courts and the very small size of your departments, both the Law Officers Department and the Director of Public Prosecutions will be exempt. My officials are letting yours have a note suggesting how these decisions might be explained to your Staff Side following the announcement.

In June, by which time non-industrial Civil Service pay should have been settled, the central pay Vote will be distributed to departmental Votes. These allocations will as necessary include an allowance for industrial staff using whatever assumptions then seem most appropriate. My officials will be writing to yours shortly, setting out further details about the mechanics.

I am copying this letter to the Prime Minister and to Sir Robert Armstrong.

Y/
Paul

PAUL CHANNON

SECRET

SECRET

SECRET

13 MAR 1980
12 11 10 9 8 7 6 5 4 3 2 1

SECRET



with compliments

MINISTER OF STATE

CIVIL SERVICE DEPARTMENT
Whitehall London SW1A 2AZ

Telephone 01-273 5563/4086



with compliments

MINISTER OF STATE

CIVIL SERVICE DEPARTMENT
Whitehall London SW1A 2AZ

Telephone 01-273 5563/4086



Minister of State

Civil Service Department
Whitehall London SW1A 2AZ
Telephone 01-273 3000

13 March 1980

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

CITIZENS BAND RADIO

Thank you for your letter of 8 March about the question of legalising the introduction of citizens' band (CB) radio into this country. I have also just received your letter of 12 March, in reply to mine of 7 March, about Civil Service pay and cash limits.

I am pleased that you have been able to confirm that in 1980-81 you will be able to make a 2½% reduction in the cost of your Department's staff, other than prison outstations staff. I am also most grateful to you for saying that you could manage a small increase in this reduction, amounting to perhaps 60 posts, if this would be helpful.

I should very much like to help you on citizens' band radio, and it would be very churlish of me not to do so in view of your offer on manpower reductions! I note from your letter of 8 March that you have examined the possibility of exempting CB equipment from licensing, and have considered the options for raising revenue by other means, but that you consider a system of renewable licences to be essential to control. This would, of course, offer little control over unlicensed users, who are, perhaps, likely to form the bulk of offenders. Similar licences for other radio facilities were criticised in the Rayner project on the Home Office Radio Regulatory Department. In addition to this, a licensing system will, as you say, generate increasing demands for staff as use of the CB facility grows. For these reasons I would ask you to consider very carefully whether such a system will make the best use of limited manpower resources.

Subject to this, however, I should be entirely content for you to employ up to 20 staff on CB, provided their cost (and any Post Office administration charges) was covered in 1980-81 by part of the reductions over and above the 2½% manpower squeeze on non-prison outstations staff which you offered in your letter of 12 March. I should also have to ask you to ensure that any future growth in CB staff demands would, similarly, be absorbed.

I hope that, on the basis of this letter, you will now feel able to take the policy issue to H Committee, after any discussion of the details with my officials that is necessary. Of course, if you wish us to meet as you proposed, I should be very happy to do so.

I am copying this letter to the Prime Minister and Sir Robert Armstrong as they have seen the earlier correspondence about Civil Service Pay and Cash Limits.

PAUL CHANNON

Yours,

Paul

SECRET



SECRET

SECRET



29 ✓ MJD

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

Paul Channon Esq MP
Minister of State
Civil Service Department
Old Admiralty Building
Whitehall
London SW1

13 March 1980

Dear Paul,

MANPOWER EFFECT OF SOCIAL SECURITY PUBLIC EXPENDITURE CHANGES

Thank you for your letter of 21 February about the manpower effect of these social security changes. Subject, as you say, to confirmation between officials of the staffing requirements, I am content that we should proceed as you suggest. You probably know that there has been some modification of the public expenditure changes. In turn this will require a revision of the staffing estimate which was based on the original assumptions.

The proposals on housing cost schemes to which you refer, and which may enable savings to emerge sooner (from November 1981 instead of November 1982) are likely to be based on a reform of the present rebate schemes, and may not produce as much staff saving as has been potentially attributed to this item in Christopher Soames' review - which assumed a complete rationalisation of housing benefits. The proposals have yet to be submitted to me so I can do no more than put up this marker now, but if I and colleagues approve then, they should, I understand, go a long way to securing the manpower required in 1981/82 to meet the additional benefit claims arising as a result of the public expenditure changes. There remains just the possibility that, if other savings cannot be found, the staff costs in that year will not be able to be met fully in the way you suggest.

I am copying this reply to the Prime Minister and the Chief Secretary, Treasury.

Yours
Patel

SECRET

AM

13 MAR 1980



Civil Service

CONFIDENTIAL

DSG

B/F 13.3.80



Free

10 DOWNING STREET

From the Private Secretary

13 March 1980

Dear Geoffrey

The Prime Minister has seen Mr. Channon's minute of 11 March about cash limits, civil service pay and the manpower squeeze.

She is content with the form and timetable for relevant announcements set out in paragraph 3 of his minute. I would be grateful if you could let us have a copy of the drafts by the end of today.

I am sending copies of this letter to the Private Secretaries to members of Cabinet, including the Minister of Transport, and to David Wright (Cabinet Office).

Yours ever
Mike Pattison

G. E. T. Green, Esq.,
Civil Service Department.

CONFIDENTIAL

DSG

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET
SW1P 3EB



*With the Compliments of the
Minister of Transport*

SECRET

28^B



DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

Paul Channon Esq MP
Minister of State
Civil Service Department
Whitehall
LONDON
SW1

13 March 1980

CIVIL SERVICE PAY AND CASH LIMITS: MANPOWER REDUCTIONS

Thank you for your letter of 7 March following up the Prime Minister's minute of 5 March about the cash limit for the Civil Service Vote.

As you will see from my minute of 12 March to the Prime Minister I accept the need to make a further reduction of 2½% in 1980/81 in my Department's manpower. I cannot, however, undertake to do more than this on top of all the other cuts I am making as part of the package announced last December and having regard to the nature of much of the work of the Department, which is on services which people are required to use and for which they are required to pay.

I am sending a copy of this letter to the Prime Minister and to Sir Robert Armstrong.

NORMAN FOWLER

SECRET

588

1113 MAR 1980



Postmaster: Mr. W. J. ...
Minister of State
Civil Service Department
Parliamentary Buildings
London
W1P 3AP

MAR 1980

[Handwritten signature]

CIVIL SERVICE PAY AND CASH LIMIT - FAVORABLE REVISIONS

Thank you for your letter of 12 March following the Prime Minister's announcement of a 2% increase in the cash limit for the Civil Service.

As you will see from the details of the March 1980 Civil Service Pay Report, the need to make a further reduction of 2% in 1980, as my department's responsibility, is a necessary consequence of the Government's overall budgetary strategy. I am aware that this will be a disappointment to you and to other people who are dependent on the Civil Service for their services. I am sure that you will understand the need for this reduction.

I am enclosing a copy of the Civil Service Pay Report for your information.

[Handwritten signature]

WILLIAM POWELL

*Min -
J. G. M.
17th*

*Give
C. Priestley asked - before
despatching this - for
confirmation that paras 2+3
would not conflict with
what PM had in mind.
I told him this was fine.*

MANAGEMENT - IN CONFIDENCE

MINISTER OF STATE, CSD

CIVIL SERVICE NUMBERS AND COST: A MANPOWER POLICY

MAD 17/3

1. I have seen Mr Whitmore's letters of 6 and 10 March to your and Mr Heseltine's private secretaries. I am just off to Canada on M & S' business until the end of the month, so I should let you have some parting thoughts on these matters.
2. If the Prime Minister approves, I think it would be appropriate for the main document on manpower policy to come from yourself, embodying or annexing the suggestions made in my minute to her of 26 February and those others set out below and taking account of such further thoughts on them as we may exchange or develop in discussion. (Incidentally, if we are to meet in April, may I suggest that our offices get in touch at once to sort out a date.)
3. I would then, again subject to the Prime Minister's approval, concentrate my main effort on a separate but related paper on "conventions".
4. Returning now to the question of a long-term manpower policy for a reforming Administration, I would see it comprising two objects, namely these:
 - a. The reduction of activities, department by department, under Ministerial direction, but conforming to a general plan co-ordinated from the centre. This plan might take as a starting point a percentage reduction of the activities for which Assistant Secretaries are responsible, on the assumptions (for the purpose of this minute) that the Assistant Secretary command is the basic building block in the Civil Service and that time is needed for a deliberate exercise, carefully planned and thoughtfully carried out.
 - b. The reduction of the length of the hierarchy by at least three grades. Prima facie candidates are those of Second Secretary, Deputy Secretary, Under Secretary, Senior Principal and Senior Executive Officer, but others will be able to advise better than I on which six (or so) grades might be examined in this way.
5. I am strongly of the view that a formal policy of this kind is necessary. The history of "cuts" tends to be one in

which agonised parings of the Civil Service are followed by expansions of work, so that the automatic response to each new "cut" is a cynical expectation that what has been taken away with one hand will soon be replaced with the other. I understand that the present Government has reduced the size of the Civil Service from 732,000 to 708,000 (c 3.3%).

6. This is very creditable, but glancing at Civil Service Statistics 1979 I have a clear impression of ebb and flow around a sea of about 691,000 staff in 1968. I see that Mr Heath's Administration had a rather uneven ride, 702,000 in 1970 and 694,000 in 1974. On the return of the MSC to the Civil Service manpower count in 1976, the total surged to 746,000 in 1977. Even with the creditable reduction achieved by this Administration, the total is still some 20,000 higher than the total for 1969 (687,000).

7. In management terms, we must assume that those who have the political responsibility have the responsibility for increases and decreases in the size of the quantum and that they cannot hope to achieve a radical reduction in it unless they are willing to spend time testing the activities on which staff resources are expended. I do not know how the Lord President's exercise was conducted last year, but my impression is that it consisted of a series of skirmishes on the frontiers of most departments and that the heartland within was rarely penetrated. If that impression is correct, I do not see all that much mileage in repeating that sort of exercise; if Ministers want both to reduce the size of their payroll and to make the best possible use of the talent they employ, I see no ready alternative to their slogging their way through their departments, getting answers to searching questions.

8. Such an exercise would have to be designed at the centre and carried out by (or for) departments on a common basis. I do not want to speculate on exactly how it should be done - we can talk about that - but I should offer these two propositions:

a. Timing:

Because the exercise is radical, controversial and worrying for staff, I would envisage a period of two months to design the exercise and clear it with Ministers; a period of one month to get the views

of the National Staff Side; a period of six months in which to do the work; and a period of three months in which to co-ordinate the results and bring forward a plan of action to Ministers for decision. If the Government went ahead on this line, it should be in a position to take decisions in May 1981.

b. An independent view:

The exercise is not only radical, but difficult. I think it would benefit from importing an independent view - not that of a committee of outsiders! - but perhaps by involving capable people with relevant qualifications and experience in the work of design, conduct and evaluation. Above the working level, you might think it valuable, as I do, to have available independent advice at the crucial points when Cabinet takes decisions, especially at the end of the exercise as a whole. This is not a hint that it should come from me, although I would of course do what I could to assist.

Some other thoughts

9. It may be helpful for you to have some subsidiary thoughts, which are based on my business experience and my earlier period in Whitehall. They are as follows:

10. First, I think that departments should be tasked by their Minister to cut out functions each year. Their performance should be reviewed (and comparisons should be made) annually. The emphasis should be on activities, rather than on numbers of staff.

11. Secondly, however, senior officials should be directed to pursue energetically the curtailment of activities which are manpower intensive. Two comments based on my recent experience may help here. As I think you know, I am doing a piece of work, using two of my staff at Baker Street, on the amount of paper which the Government demands from the private sector. I know that the Secretary of State for Trade had an exercise on forms last year and that DHSS are simplifying their leaflets for the public. Is anyone else examining paperwork with the object of reducing it? If not, the answer must (I think) be to give officials specific objectives to pursue in this line rather than expect them to be happy to make do with fewer staff.

12. The other comment is this. I have visited a handful of local offices on the "Rayner projects" and scrutinies not, so to speak, to make a State visit but to follow the work done there through (eg on PAYE Movements Form P45 and the Annual Deduction Card). I am no expert in such work and so would not

expect to have much effect on it, but even I have been able to find things on which less could be done. This leaves me wondering whether senior officials do go out, see what actually happens and do something about it where necessary.

13. Thirdly, I do not think that any Minister should be able to suggest cuts in the services provided by his department, ^{related} without also proposing cuts in the administrative expenditure to them.

14. Fourthly, I hope that the scrutiny programme this year will throw light on the question whether the regional, area and local layering that seems so common in Government is actually necessary. My own view is that, apart from HQ, two layers should be enough to administer any field organisation. One element in a radical manpower policy might be a decision to do without one of the tiers above the local level where there are more than one.

15. Fifthly, may I offer two comments on the provision and management of accomodation? I am a great believer in the efficacy of controlling office and other space; I would never accept anyone's claims for more without a stringent analysis.

16. The other point is that there may be a good deal of scope for amalgamating offices which deal with adjacent areas, districts and localities. Last week I visited the Tax Office for Bermondsey. This was in the same (wretched) building as the Tax Office for Walworth. My feeling was that both offices should be rolled up into one (and housed in a more business-like location).

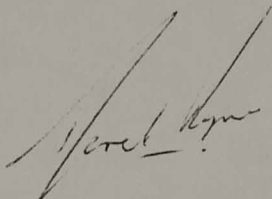
17. Finally, I am very much against swanning about, in the UK or abroad. One of the very best of the "Rayner project" officials will be doing a 3-week tour of Canada in May (not at the expense of his department except in terms of salary). This may be a "Good Thing" in some ways, but I would have thought he would get much more benefit by going to a specific place for a specific purpose. Representation on conferences and so on must add up to a lot of expenditure. I would take a very mean attitude to this.

Conclusion

18. I think a formal manpower policy of a radical kind is needed, as briefly outlined above. I shall be glad to exchange thoughts on this with you when you are ready.

19. The points made in paras 9-17 are subsidiary to a radical policy. They are, obviously, not comprehensive, but indicative of an approval to manpower management.

20. I am copying this to the Prime Minister, Chancellor
of the Exchequer, Sir Ian Bancroft and Sir Robert Armstrong.

A handwritten signature in dark ink, appearing to read 'Derek Rayner', written in a cursive style.

DEREK RAYNER

13 March 1980

510

NBPM
Z8A MAF

SECRET

Prime Minister

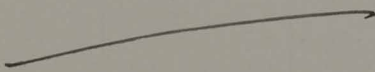
CIVIL SERVICE VOTE: CASH LIMIT

I shall play my full part in implementing the decision to make a further reduction of 2½% in 1980/81 to which your minute of 5 March refers.

I have considered whether if any of my colleagues cannot make a saving of as much as 2½% in 1980/81, I could do more. But a large proportion of the staff of my Department are engaged in providing a service which people are required by law to use (for example driver testing and various forms of vehicle licensing) and for which they have to pay a fee which covers my costs. Because of the political sensitivity of the accumulated waiting list for driving tests I am already having to authorise further recruitment and to offset the increase elsewhere in order to achieve my targets for reductions.

In spite of this special situation I am seeking as you know to reduce my total departmental manpower by no less than 18% over the next two years or so. Furthermore, in 1979/80 I shall achieve one of 4%.

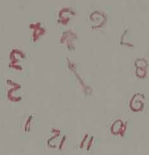
I am copying this minute to Paul Channon and to Sir Robert Armstrong.



NORMAN FOWLER

12 March 1980

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13 MAR 1980

Ref: A01672

SECRET

MR. LANKESTER

PRIME MINISTER 28
You agreed Mr Channon's
proposals (below) subject to
colleagues' views. I will
wait until after Cabinet to
write confirming this.

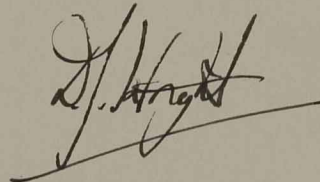
MA 12/3

Cash Limits, Civil Service Pay and the Manpower Squeeze

We know of no reason why the proposals about public announcements set out in Mr. Channon's minute of 11th March to the Prime Minister should not be acceptable. The only point to be made perhaps is that other Ministers, especially the big employers, may seek to use the circulation of these proposals as an occasion to re-open the impact of the manpower squeeze on them. If any such attempt is made in Cabinet tomorrow, the Prime Minister will no doubt wish to resist it on the grounds that the basic decisions have been taken by Cabinet and must stand.

2. Ministers may well want Mr. Channon's announcement to stress that the 2½ per cent squeeze is an overall average, which does not necessarily mean that the squeeze will be 2½ per cent in every Department: room should be left both for Mr. Jenkin's wish to be let off with less (in order to protect the benefit-paying operations) and Mr. Heseltine's readiness to volunteer more.

3. Finally it is important to stress that the 2½ per cent is a squeeze on costs of manpower in 1980-81, not on numbers: there will probably need to be a larger squeeze than 2½ per cent on numbers over the year in order to realise the 2½ per cent savings on costs.



(D. J. Wright)

12th March 1980

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CONFIDENTIAL

CONFIDENTIAL

The following information is being furnished to you for your information and guidance. It is classified as Confidential because its disclosure could result in the identification of sources and methods of the Central Intelligence Agency and thus be injurious to the national defense.

This information is being furnished to you on a "need-to-know" basis. It is not to be disseminated to other personnel unless you determine that it is necessary for their official duties. If you determine that it is necessary to disseminate this information to other personnel, you should ensure that they are also on a "need-to-know" basis and that the information is properly classified.

If you have any questions regarding this information, please contact the appropriate office. Your cooperation in maintaining the confidentiality of this information is appreciated.

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1. TL to see R. 177

2. na

MAD 13/3

27A.

PRIME MINISTER

Copy No. 1 of 25 copies

CASH LIMITS, CIVIL SERVICE PAY AND THE MANPOWER SQUEEZE

I have seen Paul Channon's minute to you of March 11.

I am content with the arrangements he proposes and I attach, for information, the PQ I shall be answering on March 14 giving the factors used in setting the 1980-81 cash limits generally, including civil service pay.

I am copying this letter to other members of the Cabinet, to the Minister of Transport, to Paul Channon and to Sir Robert Armstrong.

WJB

JOHN BIFFEN

12 March 1980

SECRET

S E C R E T

To ask Mr Chancellor of the Exchequer, what provision will be made for cost increases between 1979-80 and 1980-81 in the 1980-81 cash limits on central government and local authority expenditure.

The provision for cost increases between 1979-80 and 1980-81 in the Rate Support Grant cash limit was set out in the Rate Support Grant Main Order (HC280). Other cash limits will provide on current expenditure for 14% increase in prices between the average levels of 1979-80 and 1980-81 and in pay from due settlement dates as a consequence of new pay awards. It has now been decided that this latter provision will also apply to the central Vote for civil service pay increases. For central government and local authority capital expenditure the provision for price increases between 1979-80 and 1980-81 will be:

Construction	
- public sector housing	15.8%
- roads	16.4%
- other	15.5%
Land transactions	15.0%
Other capital expenditure	15.9%

Main Estimates and other cash limits will be published on Budget Day.

S E C R E T

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13 MAR 1980

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LONDON

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10 DOWNING STREET

Prime Minister

CIVIL SERVICE MANPOWER REDUCTIONS

You should see these papers
before Cabinet tomorrow morning.

Mr. Channon warns that some
Ministers may raise last-minute
objections to the application of the
squeeze to their Departments.

Cabinet Office briefing on
Mr Channon's proposed announcement
is also enclosed.

ABJ
Duty Clerk
12 March

PRIME MINISTER

I attach two minutes from the Foreign and Commonwealth Secretary. The first pleads for exemption for the Diplomatic Service and its communications division from the 2½% manpower squeeze. The second asks that the Passport Office should in future be handled as a trade fund, given that additional staff will handle additional business, and much more than pay for themselves.

You need to be aware of these before tomorrow's Cabinet, where some Ministers may try to appeal against application of the manpower squeeze to them. Lord Carrington has an arguable case on both points: the extent to which Mr. Channon can meet him will depend very much on how the major employer Ministers take the 2½% cut.

You should therefore withhold a response to Lord Carrington until the wider pattern of reactions becomes clear.

MA

12 March 1980

A 27

PRIME MINISTERPM/80/18Civil Service Vote: Cash Limit

1. I have seen your minute of 5 March to the Home Secretary and Paul Channon's subsequent letter of 7 March. You will recall that I argued strongly in Cabinet for exemption for the Diplomatic Service and its Communications Division. I must continue to press this case. I am minuting separately about the Passport Office.

2. Diplomatic Service costs are virtually wholly manpower-related. Over the last ten years or so there have been the following reductions in that manpower (including the Communications Division):

- | | | |
|------------------------------|-------|--|
| a) 1969/70 to 1979/80 | 9.32% | (largely through the DS Inspectorate) |
| b) 1979/80 | 3.4% | (through last year's 3% squeeze on salary costs) |

We are committed to additional savings as follows:

- | | | |
|-----------------------------------|-------|-----------------------------|
| c) 1980/81 to 1 April 1982 | 4.26% | (Lord President's exercise) |
|-----------------------------------|-------|-----------------------------|

If we now have to cut by 2½% our 1980/81 bid, the total effect by 1 April 1982 will be a cut in DS manpower of 18.5% and this in a period when the demands on our overseas representation have actually increased.

3. A shortage of staff in the basic grades, which would be the first to suffer because a ban on recruitment is cheaper and quicker than redundancies, will have a severe and immediate effect not only on our clerical and secretarial services but also on a number of other operations: for example, our worldwide communications, the security of our missions overseas (including protection from technical intelligence attack) and consular, visa and immigration services. You will also recall my Secret minute of 8 February to Paul Channon. We simply will not get the service we now expect from the Diplomatic Service if we decide to prune it



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further in this way.

4. More fundamentally, a further reduction in Diplomatic Service manpower, both of basic grades and of more senior posts, is, I believe, incompatible with our foreign policy objectives. In an increasingly interdependent world an expansion of diplomatic effort is more apposite for a country in our position than a contraction. Moreover, this government believes that, if we are to defend our overseas interests, we must pursue an active foreign policy. These days we have to seek to persuade others to act in concert with us: we can no longer order them about. We have to cover a multitude of international negotiations. We cannot give a lead to Europe, eg over Afghanistan, and not dispose of the diplomatic resources to sustain it. We need to strengthen, not weaken, our ability to conduct diplomacy. We must also invest a considerable effort in our export promotion services, since we largely live by trade. We shall be unable to do any of these things properly if we have constantly to cut the Diplomatic Service and the Communications Division. Moreover, I do not think that it makes sense to increase our defence effort and at the same time seek to reduce the only other available instrument to protect and promote our national interests overseas. Diplomatic Service staff at home and overseas total just under 7,000.

5. I therefore believe the case for exemption for the Diplomatic Service and the Communications Division remains very strong indeed. I trust you can agree.

6. I am copying this minute to Geoffrey Howe, Paul Channon and to Sir R Armstrong.

C/

(CARRINGTON)

Foreign and Commonwealth Office

12 March 1980

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12 MAR 1980





PRIME MINISTER

PM/80/17

Passport Office

1. I have minuted to you separately about the continuing need to exempt the Diplomatic Service and its Communications Division from a further 2½% cut in its salary costs. There are different but very strong reasons for exempting the Passport Office also from this 2½% cut. The Passport Office's revenue in 1979/80 was over £23 million a year compared with staff costs of over £4 million. Demand for passports has been rising steadily since 1977 and we have seen an explosion in demand this winter. In 1979 we issued 1.8 million passports. If the rate for the first two months of this year continues, it will mean the issue of 2.5 million in 1980. Staffing in the Passport Office has been increased to meet some, but not all, of this demand. At the end of the month, the number of staff will be 120 over our basic 1980/81 provision. This increase follows a standing agreement with the CSD to add 30 staff to deal with every extra 100,000 passports above a 1.7 million baseline. If the figure for passport issues in 1980 is as high as 2.5 million this would require a further increase in staff of 120. The cost of every 30 additional staff (about £120,000) is tiny against the additional revenue earned (£1.1 million). But because of a Government accounting rule, we are prevented from using the additional receipts to pay for extra salary costs.

2. I am not prepared to staff the Passport Office to cope with increasing demand at the expense of the manpower in the Diplomatic Service and Communications Division. It is essential therefore that we take the Passport Office out of this exercise and treat it as analogous to a trading fund, staffing it according to demand. The only alternative will be a complete breakdown in the passport issuing system and a consequent disruption to the holiday plans of thousands of British tourists through our inability to provide essential travel documents on time, not to speak of the needs of businessmen travelling abroad. We could offer no reasonable

/explanation



explanation; and I think our position would be indefensible in Parliament and to the public. At a cost of £11 a passport, the public have a right to expect a reasonable service.

3. I conclude therefore that it should be urgently agreed that the Passport Office be handled as though it were a trading fund. This raises a technical government accounting problem which needs to be sorted out very quickly. I shall have to decide what action I should take in relation to the estimates for 1980/81 to cover the additional costs of Passport Office staff which I need. I seek your agreement that the Passport Office should be treated in this way.

4. I am sending copies of this minute to Geoffrey Howe, Paul Channon, and to Sir Robert Armstrong.

C

(CARRINGTON)

Foreign and Commonwealth Office

12 March 1980



12 MAR 1980

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PRIME MINISTER

[A] Civil Service manpower is not down for discussion at Thursday's Cabinet. But it is possible that one or more Ministers may raise a last-minute protest against the application of the 2½% manpower squeeze to their Departments. I know that the Secretary of State for Social Services in particular is unhappy about it, though what you said at Cabinet last week was entirely clear.

You will remember the Chancellor of the Exchequer's insistence that he could only hold the line in his own Departments if there were no exceptions beyond the prisons and certain very small departments. Any concession to DHSS would certainly re-open the whole question of the size of the cut in the Inland Revenue and Customs. We should then have lost the game.

[B] You will also have seen the Secretary of State for Energy's claim for remission on the grounds that his is a small department. This too could not be admitted without opening the flood-gates. I am only letting off those small Departments in a special position vis a vis Parliament (Exchequer and Audit and the Parliamentary Commissioner) and those with such tiny numbers that they may in fact have no wastage at all within the year. Energy is nowhere near being in that position.

[C] PS: I have just received the Foreign Secretary's two minutes about the Foreign Office and the Passport Office. I will minute you in more detail about this tomorrow. You will recall, however, how strongly the Chancellor felt that the Foreign Office should not be exempted from the manpower squeeze if the Inland Revenue and Customs were included. I would strongly recommend at this stage that we stand firm on all these requests as otherwise the squeeze will be much reduced.

PAUL CHANNON
12 March 1980

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P.C.

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2



Minister of State

Civil Service Department
Whitehall London SW1A 2AZ
Telephone 01-273 3000

Prime Minister

To see.

C A Whitmore Esq
10 Downing Street
LONDON SW1

Following what you said to
Mr Haskel when you were at the
Desk last Friday, we have written
to his office asking him to put a
paper to his meeting too.

12 March 1980

See Clive

AKH
12 iii

CIVIL SERVICE NUMBERS AND COSTS

Many thanks for your letter of 6 March.

The Minister of State is very pleased with the idea of a special Cabinet meeting, at which the whole subject of Civil Service numbers and costs can be thoroughly explored and an effective longer-term policy developed. He also agrees that it would be sensible to get the present pay negotiations and the accompanying manpower cuts tied up first. A meeting in late April or early May would do very well. In view of the difficulties that may arise shortly, perhaps it would be better for it to be in May rather than April.

Mr Channon will develop some ideas in consultation with Sir Derek Rayner, and will be ready to present a paper accordingly.

Copies of this letter go to John Wiggins, Sir Derek Rayner and Sir Robert Armstrong.

Baroness

Green

[Handwritten signature]

G E T GREEN
Private Secretary

CONFIDENTIAL



12 MAR 1980

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25



Civil Service Department
Whitehall London SW1A 2AZ
Telephone 01-273 3000

Minister of State

The Rt Hon David Howell MP
Secretary of State
Department of Energy
Thames House South
Millbank
LONDON SW1P 4QJ

(2 March 1980

Dear David

CIVIL SERVICE PAY AND CASH LIMITS: MANPOWER REDUCTIONS

Thank you for your letter of 11 March, claiming exemption from the manpower reductions. Naturally I would like to be able to help you. But it is not possible.

The reference in my letter to small Departments was to very small Departments indeed. It would be out of the question to exempt the Department of Energy on these grounds. There are in fact about 30 Departments smaller than yours. The staff in post in your Department on 1 January 1980 was 1,267, and I believe that even with a cut of 2½% (in staff numbers) on your 1980-81 manpower estimates, this will still leave you with slightly more staff than you had then!

If I start exempting Departments in this position, we will really make no savings at all. Therefore I must regretfully but firmly decline to do so.

I am sending a copy of this letter to the Prime Minister and to Sir Robert Armstrong.

Yours
Paul

PAUL CHANNON

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12 MAR 1980



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MAF

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MINISTRY OF AGRICULTURE, FISHERIES AND FOOD
WHITEHALL PLACE, LONDON SW1A 2HH

From the Minister

Paul Channon Esq MP
Minister of State
Civil Service Department
Whitehall
London SW1A 2AZ

12 March 1980

Paul Channon

CIVIL SERVICE PAY AND CASH LIMITS: MANPOWER REDUCTIONS

Thank you for your letter of 7 March. I have of course to accept the Cabinet's decision of a general cut of 2½% in manpower costs in 1980/81 in so far as it relates to MAFF and I am considering how to achieve this. As you recognise, it is important that we go public on our decisions as soon as possible; the start of the financial year is almost upon us.

I must, however, remind you of the reference to the Intervention Board for Agricultural Produce in my reply of 12 February to your first warning of the problem over the application of the cash limit for Civil Service pay. Not only is IBAP a very small Department (fewer than 590 staff) but it is also unique in that its work stems directly from EEC obligations and its workload is not therefore under my control. Any failure on the Board's part, as a result of cutting staff numbers, to comply with the detailed recording and checking procedures that Brussels insists on would risk the loss through disallowance by the Community auditors of far greater sums than would be saved on the cash limit. There is thus an overwhelming case for exempting the Board from the 2½ per cent reduction and extending this exemption to the Board's payments to the Home Grown Cereals Authority and the Meat and Livestock Commission for agency work on its behalf.

I am copying this letter to the Prime Minister, Chief Secretary to the Treasury and to Sir Robert Armstrong.

Peter Walker

PETER WALKER

18
18 MAR 1920

18 MAR 1920



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✓ *MHP* 23
QUEEN ANNE'S GATE LONDON SW1H 9AT

12 March 1980

Dear Paul

CIVIL SERVICE PAY AND CASH LIMITS: MANPOWER REDUCTIONS

Thank you for your letter of 7 March. I confirm that the reduction to be made in the Home Office in 1980/81 will be 2½% of the cost of the Department's staff, other than prison outstations staff. This will mean a reduction of around £2m, representing the cost of some 300 staff. I can also confirm that, if it would be helpful to you, I could manage a small increase in this reduction, of £400,000, or some 60 posts; the details would need to be discussed between our officials.

I am sending copies to the Prime Minister and Sir Robert Armstrong.

*John
Lillis*

Paul Channon Esq MP

SECRET



12 MAR 1980

PRIME MINISTER 122 1.

SECRET

Yes ok

Subject to any comment
from colleagues, agree
form and timetable of
announcements as in
para 3?

MPD 11/3

PRIME MINISTER

CASH LIMITS, CIVIL SERVICE PAY AND THE MANPOWER SQUEEZE

Following your minute of 5 March, I have now written to colleagues informing them of the reductions in manpower costs which need to be made to help bridge the gap between the 14% cash limit and the cost of this year's Civil Service pay settlements.

2. Now that we have taken the decision to reduce Civil Service manpower costs, we ought to announce it as soon as possible. It would clear the way for pay negotiations to proceed with the non-industrial trade unions and would avoid the risk of a premature leak. Geoffrey Howe is also ready to announce that cash limits generally (including the central Vote for Civil Service pay increases) will provide for a 14% increase in current expenditure costs.

3. I propose that we should draw all this together by making announcements on Friday, 14 March. The programme which my officials have discussed with the Treasury includes the following:

a. PQ answered by a Treasury Minister announcing the factors used to calculate the 1980-81 cash limits, including Civil Service pay;

b. PQ answered by myself announcing that the Government is proceeding with the presentation of a single Vote for Civil Service pay increases (as we agreed after receiving the reports of the PAC, and Treasury and Civil Service Select Committee); announcing that there will be a Civil Service manpower squeeze of 2½% with certain limited exceptions; and saying that the Government will be considering with the unions how best to bring the cost of the Civil Service pay settlements within the cash limit, after taking account of the manpower squeeze; and

c. a note to the Treasury and Civil Service Select Committee, dealing as far as possible with their request

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for full information on how the central Vote is being calculated.

4. If you agree, we will proceed accordingly. I will arrange for my officials to see Principal Establishment Officers of all major departments on the afternoon of Thursday, 13 March to tell them what is planned and to provide them with the text of a statement which can be passed the following day to departmental Staff Sides. My officials will also meet the general secretaries of the Civil Service unions on 14 March to inform them of the Government's decisions.

5. I am copying this to all members of Cabinet, to the Minister of Transport and to Sir Robert Armstrong.

P.C.

PAUL CHANNON
11 March 1980

PRIME MINISTER

Energy is not what you and
Mr Channon had in mind
as a 'very small Department'

01 211 6402

MAP 11/3

Mr P Channon MP
Minister of State
Civil Service Department

11 March 1980

Dear Paul

CIVIL SERVICE PAY AND CASH LIMITS: MANPOWER REDUCTIONS

Thank you for your letter of 7 March. I have set further reviews in hand but I think it relevant to make two points straight away:

- (i) Energy is a "very small" Department in staff terms;
- (ii) the firm savings already offered in respect of D/Energy - 10% - exceed considerably the average savings of other Departments.

I should, therefore, like to have a discussion with you when the further work has been completed and will wish to claim a "very small Department" exemption.

I am sending a copy of this letter to the Prime Minister and to Sir Robert Armstrong.

Handwritten signature/initials

D A R HOWELL

100

PRIME MINISTER

Handwritten notes in the top left corner, including the words "PRIME MINISTER" and "Department of External Affairs".

177 MAR 1960

Handwritten initials or signature.



PRIME MINISTER

Civil Service ²

This letter to Mr. Maude is a sample of what Mr. Channon has written to all Cabinet colleagues about the coming manpower squeeze. The only exclusion he has specified is for the prison officers. In his letters to the Home Secretary and the Secretary of State for the Environment he has seized on their offers to find 3 per cent savings (in Mr. Whitelaw's case only outside the prison service).

pp MAP
T. Brown
Duty Clerk.



7 March 1980

MAP has seen
TL has seen
AW to see
MA
MAP 10/3

Cabinet Office,
Whitehall,
London, SW1.

PS(80) 3

7th March, 1980

Dear Private Secretary,

Pay Research and Cash Limits

Pr 3

It has been agreed that we should in certain respects enlarge upon the conclusions recorded on this subject in CC(80) 8th Conclusions, Minute 4.

As recorded, the Cabinet agreed upon the basis on which the Minister of State, Civil Service Department should conduct negotiations with the National Staff Side on the Civil Service pay settlement due from 1 April 1980. They also agreed upon a cash limit for the Estimate for the Civil Service pay vote for 1980-81.

The Cabinet further agreed that, in so far as the cost of the outcome of the negotiations on the amount and timing of payment of the pay increases exceeded what would be provided for in the Estimate, the savings required should be achieved by further manpower reductions. It was thought that reductions totalling $2\frac{1}{2}$ per cent should be manageable. Ministers in charge of Departments were invited to give immediate consideration to the means of reducing the costs of manpower in their Departments by 2 to $2\frac{1}{2}$ per cent in 1980-81. The Cabinet recognised that some Departments would find savings of this order easier to achieve than others, and that the savings need not be uniformly distributed among Departments; but, if some Departments were to reduce by less than the average, others would need to reduce by more. The Cabinet invited the Minister of State, Civil Service Department, to discuss with his colleagues in charge of Departments how to achieve the necessary reductions, and to circulate proposals in due course.

I am sending copies of this letter to the Private Secretaries of all members of the Cabinet.

Yours sincerely,

(Signed) D.J. WRIGHT

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~~SECRET~~

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Civil Service Department
Whitehall London SW1A 2AZ
Telephone 01-273 3000

Minister of State

7 March 1980

The Rt Hon Angus Maude, TD, MP
Paymaster General
Privy Council-Office
68 Whitehall
LONDON SW1A 2AT

Dear Angus,

CIVIL SERVICE PAY AND CASH LIMITS: MANPOWER REDUCTIONS

The Prime Minister's minute of 5 March to the Home Secretary makes it clear that, subject to certain strictly limited exceptions, every Department must make a reduction of at least 2½% in the cost of its manpower in 1980-81. This is to make good the likely shortfall between the cash limit we have agreed, and the amount required to finance settlements. Exceptions will have to be confined to Prison Officers and a few very small Departments such as the Parliamentary Commissioner for Administration and Health Service Commissioners and the Exchequer and Audit Department. The Prime Minister has asked me to confirm with colleagues the reductions to be made, and report back to Cabinet.

Reductions of 2½% or more are required in every case save the very limited exceptions already envisaged. In accordance with the Prime Minister's minute, the 2½% reduction will be applied to your Department. The reduction will be applied to the gross wages and salaries bill for which provision is being made in departmental Estimates for 1980-81 and which are covered by the central Vote.

In June, by which time non-industrial Civil Service pay should have been settled, the central pay Vote will be distributed to departmental Votes. These allocations will as necessary include an allowance for industrial staff, using whatever assumptions then seem most appropriate. My officials will be writing to yours shortly, setting out further details about the mechanics, including guidance relating to the position of trading funds.

I realise that in order to achieve this saving you will want to put work in hand as quickly as possible, including, no doubt, early consultation with your Staff Side and the other parties concerned. I must ask you, however, to have no consultations, or to do anything which might cause these decisions to become public, for the time being. But I naturally understand the urgency. I will be in touch with you again within the next week or so.

I am copying this letter to the Prime Minister and to Sir Robert Armstrong.

PAUL CHANNON

Yours, Paul

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7 MAR 1980

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19



Civil Service Department
Whitehall London SW1A 2AZ
Telephone 01-273 3000

Minister of State

The Rt Hon The Lord Hailsham
of St Marylebone CH FRS DCL
Lord Chancellor
Lord Chancellor's Department
House of Lords
LONDON SW1A 0PW

7 March 1980

Dear Quentin,

CIVIL SERVICE PAY AND CASH LIMITS: MANPOWER REDUCTIONS

The Prime Minister's minute of 5 March to the Home Secretary makes it clear that, subject to certain strictly limited exceptions, every Department must make a reduction of at least 2½% in the cost of its manpower in 1980-81. This is to make good the likely short-fall between the cash limit we have agreed, and the amount required to finance settlements. Exceptions will have to be confined to Prison Officers and a few very small Departments such as the Parliamentary Commissioner for Administration and Health Service Commissioners and the Exchequer and Audit Department. The Prime Minister has asked me to confirm with colleagues the reductions to be made, and report back to Cabinet.

Reductions of 2½% or more are required in every case save the very limited exceptions already envisaged. In accordance with the Prime Minister's minute, the 2½% reduction will be applied to your Departments with the exception of the Northern Ireland Court Service, which will be exempted, and other public service organisations for which you are responsible and for which provision is being made in the central Civil Service pay Vote (see list at Annex). The reduction will be applied to the gross wages and salaries bill for which provision is being made in departmental Estimates for 1980-81 and which are covered by the central Vote.

You wrote to me on 5 February on the general subject of Civil Service pay and cash limits, and, as you know, your preferred general alternative of making savings through manpower reductions to compensate for a pay research based settlement is being followed, although some staging of the pay awards will have to be imposed. I am afraid, however, that I cannot agree that it would be inappropriate to make staff reductions in cases where fees could be put up to match salary increases: we cannot allow fee-earning activities to take advantage of their monopoly position to pass on the full costs of the new pay settlement to their clients any more than we can allow the full costs in other areas to be passed on to the taxpayer.

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In June, by which time non-industrial Civil Service pay should have been settled, the central pay Vote will be distributed to departmental Votes. These allocations will as necessary include an allowance for industrial staff, using whatever assumptions then seem most appropriate. My officials will be writing to yours shortly, setting out further details about the mechanics, including guidance relating to the position of trading funds.

I realise that in order to achieve this saving you will want to put work in hand as quickly as possible, including, no doubt, early consultation with your Staff Side and the other parties concerned. I must ask you, however, to have no consultations, or to do anything which might cause these decisions to become public, for the time being. But I naturally understand the urgency. I will be in touch with you again within the next week or so.

I am copying this letter to the Prime Minister, Chief Secretary to the Treasury and to Sir Robert Armstrong.

Yours,

Paul

PAUL CHANNON

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Other Public Bodies included in the Central Vote

Grant to Legal Aid Fund to meet
administrative expenses

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18



Civil Service Department
Whitehall London SW1A 2AZ
Telephone 01-273 3000

Minister of State

7 March 1980

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

Dear Francis,

CIVIL SERVICE PAY AND CASH LIMITS: MANPOWER REDUCTIONS

The Prime Minister's minute of 5 March to the Home Secretary makes it clear that, subject to certain strictly limited exceptions, every Department must make a reduction of at least 2½% in the cost of its manpower in 1980-81. This is to make good the likely shortfall between the cash limit we have agreed, and the amount required to finance settlements. Exceptions will have to be confined to Prison Officers and a few very small Departments such as the Parliamentary Commissioner for Administration and Health Service Commissioners and the Exchequer and Audit Department. The Prime Minister has asked me to confirm with colleagues the reductions to be made, and report back to Cabinet.

Reductions of 2½% or more are required in every case save the very limited exceptions already envisaged. In accordance with the Prime Minister's minute, the 2½% reduction will be applied to your Department. The reduction will be applied to the gross wages and salaries bill for which provision is being made in departmental Estimates for 1980-81 and which are covered by the central Vote.

In June, by which time non-industrial Civil Service pay should have been settled, the central pay Vote will be distributed to departmental Votes. These allocations will as necessary include an allowance for industrial staff, using whatever assumptions then seem most appropriate. My officials will be writing to yours shortly, setting out further details about the mechanics, including guidance relating to the position of trading funds.

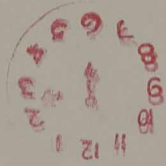
I realise that in order to achieve this saving you will want to put work in hand as quickly as possible, including, no doubt, early consultation with your Staff Side and the other parties concerned. I must ask you, however, to have no consultations, or to do anything which might cause these decisions to become public, for the time being. But I naturally understand the urgency. I will be in touch with you again within the next week or so.

I am copying this letter to the Prime Minister and to Sir Robert Armstrong.

PAUL CHANNON

Yms, Jcd
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17



Civil Service Department
Whitehall London SW1A 2AZ
Telephone 01-273 3000

Minister of State

The Rt Hon George Younger MP
Secretary of State for Scotland
Scottish Office
Dover House
Whitehall
LONDON SW1A 2AU

7 March 1980

John George

CIVIL SERVICE PAY AND CASH LIMITS: MANPOWER REDUCTIONS

The Prime Minister's minute of 5 March to the Home Secretary makes it clear that, subject to certain strictly limited exceptions, every Department must make a reduction of at least 2½% in the cost of its manpower in 1980-81. This is to make good the likely shortfall between the cash limit we have agreed, and the amount required to finance settlements. Exceptions will have to be confined to Prison Officers and a few very small Departments such as the Parliamentary Commissioner for Administration and Health Service Commissioners and the Exchequer and Audit Department. The Prime Minister has asked me to confirm with colleagues the reductions to be made, and report back to Cabinet.

Reductions of 2½% or more are required in every case save the very limited exceptions already envisaged. In accordance with the Prime Minister's minute, the 2½% reduction will be applied to the Scottish Office with the exception of prison outstation staff, which will be exempt, and to your other Departments with the exception of the Scottish Courts Administration, which will also be exempt. It will also apply to other public service organisations for which you are responsible and for which provision is being made in the central Civil Service pay Vote (see list at Annex). The reduction will be applied to the gross wages and salaries bill for which provision is being made in departmental Estimates for 1980-81 and which are covered by the central Vote.

In June, by which time non-industrial Civil Service pay should have been settled, the central pay Vote will be distributed to departmental Votes. These allocations will as necessary include an allowance for industrial staff, using whatever assumptions then seem most appropriate. My officials will be writing to yours shortly, setting out further details about the mechanics, including guidance relating to the position of trading funds.

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I realise that in order to achieve this saving you will want to put work in hand as quickly as possible, including, no doubt, early consultation with your Staff Side and the other parties concerned. I must ask you, however, to have no consultations, or to do anything which might cause these decisions to become public, for the time being. But I naturally understand the urgency. I will be in touch with you again within the next week or so.

I am copying this letter to the Prime Minister, Chief Secretary to the Treasury and to Sir Robert Armstrong.

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PAUL CHANNON

Paul

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Other Public Bodies included in Central Vote

Forestry Commission (non-industrial staff only)

Agricultural Colleges, Scotland

Agricultural Research Institutes, Scotland

National Library of Scotland

National Galleries of Scotland

National Museum of Antiquities of Scotland

Grant to Legal Aid Scotland Fund to meet administrative expenses

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16



Civil Service Department
Whitehall London SW1A 2AZ
Telephone 01-273 3000

Minister of State

The Rt Hon Nicholas Edwards MP
Secretary of State for Wales
Welsh Office
Gwydyr House
Whitehall
LONDON SW1A 2ER

7 March 1980

Jean Nick

CIVIL SERVICE PAY AND CASH LIMITS: MANPOWER REDUCTIONS

The Prime Minister's minute of 5 March to the Home Secretary makes it clear that, subject to certain strictly limited exceptions, every Department must make a reduction of at least 2½% in the cost of its manpower in 1980-81. This is to make good the likely shortfall between the cash limit we have agreed, and the amount required to finance settlements. Exceptions will have to be confined to Prison Officers and a few very small Departments such as the Parliamentary Commissioner for Administration and Health Service Commissioners and the Exchequer and Audit Department. The Prime Minister has asked me to confirm with colleagues the reductions to be made, and report back to Cabinet.

Reductions of 2½% or more are required in every case save the very limited exceptions already envisaged. In accordance with the Prime Minister's minute, the 2½% reduction will be applied to your Department and other public service organisations for which you are responsible and for which provision is being made in the central Civil Service pay Vote (see list at Annex). The reduction will be applied to the gross wages and salaries bill for which provision is being made in Departmental Estimates for 1980-81 and which are covered by the central Vote.

In June, by which time non-industrial Civil Service pay should have been settled, the central pay Vote will be distributed to departmental Votes. These allocations will as necessary include an allowance for industrial staff, using whatever assumptions then seem most appropriate. My officials will be writing to yours shortly, setting out further details about the mechanics, including guidance relating to the position of trading funds.

I realise that in order to achieve this saving you will want to put work in hand as quickly as possible, including, no doubt,

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early consultation with your Staff Side and the other parties concerned. I must ask you, however, to have no consultations, or to do anything which might cause these decisions to become public, for the time being. But I naturally understand the urgency. I will be in touch with you again within the next week or so.

I am copying this letter to the Prime Minister, Chief Secretary to the Treasury and Sir Robert Armstrong.

PAUL CHANNON

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Paul

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Other Public Bodies included in Central Vote
Housing Corporation Office for Wales

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15



Minister of State

Civil Service Department
Whitehall London SW1A 2AZ
Telephone 01-273 3000

7 March 1980

The Rt Hon Norman St John-Stevas MP
Chancellor of the Duchy of Lancaster
Privy Council Office
68 Whitehall
LONDON SW1A 2AT

Dear Norman,

CIVIL SERVICE PAY AND CASH LIMITS: MANPOWER REDUCTIONS

The Prime Minister's minute of 5 March to the Home Secretary makes it clear that, subject to certain strictly limited exceptions, every Department must make a reduction of at least 2½% in the cost of its manpower in 1980-81. This is to make good the likely shortfall between the cash limit we have agreed, and the amount required to finance settlements. Exceptions will have to be confined to Prison Officers and a few very small Departments such as the Parliamentary Commissioner for Administration and Health Service Commissioners and the Exchequer and Audit Department. The Prime Minister has asked me to confirm with colleagues the reductions to be made, and report back to Cabinet.

Reductions of 2½% or more are required in every case save the very limited exceptions already envisaged. I am afraid, therefore, that despite your letter of 22 February, in accordance with the Prime Minister's minute, the 2½% reduction will be applied to your Department and other public service organisations for which you are responsible and for which provision is being made in the central Civil Service pay Vote (see list at Annex). The reduction will be applied to the gross wages and salaries bill for which provision is being made in departmental Estimates for 1980-81 and which are covered by the central Vote.

In June, by which time non-industrial Civil Service pay should have been settled, the central pay Vote will be distributed to departmental Votes. These allocations will as necessary include an allowance for industrial staff, using whatever assumptions then seem most appropriate. My officials will be writing to yours shortly, setting out further details about the mechanics, including guidance relating to the position of trading funds.

I realise that in order to achieve this saving you will want to put work in hand as quickly as possible, including, no doubt, early consultation with your Staff Side and the other parties concerned. I must ask you, however, to have no consultations, or to do anything which might cause these decisions to become public, for the time being. But I naturally understand the urgency. I will be in touch with you again within the next week or so.

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I am copying this letter to the Prime Minister, Chief Secretary to the Treasury and to Sir Robert Armstrong.

PAUL CHANNON

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Paul

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Other Public Bodies included in Central Vote

British Library

British Museum

Imperial War Museum

National Gallery

National Maritime Museum

National Portrait Gallery

Tate Gallery

Wallace Collection

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- 7 MAR 1980

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14



Civil Service Department
Whitehall London SW1A 2AZ
Telephone 01-273 3000

Minister of State

The Rt Hon Peter Walker MBE MP
Minister of Agriculture, Fisheries
and Food
Ministry of Agriculture, Fisheries
and Food
Whitehall
LONDON SW1A 2HH

7 March 1980

Dear Peter,

CIVIL SERVICE PAY AND CASH LIMITS: MANPOWER REDUCTIONS

The Prime Minister's minute of 5 March to the Home Secretary makes it clear that, subject to certain strictly limited exceptions, every Department must make a reduction of at least $2\frac{1}{2}\%$ in the cost of its manpower in 1980-81. This is to make good the likely shortfall between the cash limit we have agreed, and the amount required to finance settlements. Exceptions will have to be confined to Prison Officers and a few very small Departments such as the Parliamentary Commissioner for Administration and Health Service Commissioners and the Exchequer and Audit Department. The Prime Minister has asked me to confirm with colleagues the reductions to be made, and report back to Cabinet.

Reductions of $2\frac{1}{2}\%$ or more are required in every case save the very limited exceptions already envisaged. In accordance with the Prime Minister's minute, the $2\frac{1}{2}\%$ reduction will be applied to your Departments and other public service organisations for which you are responsible and for which provision is being made in the central Civil Service pay Vote (see list at Annex). The reduction will be applied to the gross wages and salaries bill for which provision is being made in departmental Estimates for 1980-81 and which are covered by the central Vote.

In June, by which time non-industrial Civil Service pay should have been settled, the central pay Vote will be distributed to departmental Votes. These allocations will as necessary include an allowance for industrial staff, using whatever assumptions then seem most appropriate. My officials will be writing to yours shortly, setting out further details about the mechanics, including guidance relating to the position of trading funds.

I realise that in order to achieve this saving you will want to put work in hand as quickly as possible, including, no doubt,

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early consultation with your Staff Side and the other parties concerned. I must ask you, however, to have no consultations, or to do anything which might cause these decisions to become public, for the time being. But I naturally understand the urgency. I will be in touch with you again within the next week or so.

I am copying this letter to the Prime Minister, Chief Secretary to the Treasury and to Sir Robert Armstrong.

Y
Paul

PAUL CHANNON

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Other Public Bodies included in Central Vote

Home Grown Cereals Authority

Meat and Livestock Commission

National Institute of Agricultural Botany*

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with compliments

MINISTER OF STATE

CIVIL SERVICE DEPARTMENT
Whitehall London SW1A 2AZ

Telephone 01-273 5563/4086

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13



Minister of State

Civil Service Department
Whitehall London SW1A 2AZ
Telephone 01-273 3000

7 March 1980

The Rt Hon The Lord Carrington, KCMG, MC
Secretary of State for Foreign and Commonwealth
Affairs
Foreign and Commonwealth Office
Downing Street
LONDON SW1A 2AL

Dear Peter,

CIVIL SERVICE PAY AND CASH LIMITS: MANPOWER REDUCTIONS

The Prime Minister's minute of 5 March to the Home Secretary makes it clear that, subject to certain strictly limited exceptions, every Department must make a reduction of at least $2\frac{1}{2}\%$ in the cost of its manpower in 1980-81. This is to make good the likely shortfall between the cash limit we have agreed, and the amount required to finance settlements. Exceptions will have to be confined to Prison Officers and a few very small Departments such as the Parliamentary Commissioner for Administration and Health Service Commissioners and the Exchequer and Audit Department. The Prime Minister has asked me to confirm with colleagues the reductions to be made, and report back to Cabinet.

Reductions of $2\frac{1}{2}\%$ or more are required in every case save the very limited exceptions already envisaged. In accordance with the Prime Minister's minute, the $2\frac{1}{2}\%$ reduction will be applied to your Department - including the Overseas Development Administration. (I am writing to you separately about the British Council.) The reduction will be applied to the gross wages and salary bill for which provision is being made in departmental Estimates for 1980-81 and which are covered by the central Vote.

In June, by which time non-industrial Civil Service pay should have been settled, the central pay Vote will be distributed to departmental Votes. These allocations will as necessary include an allowance for industrial staff, using whatever assumptions then seem most appropriate. My officials will be writing to yours shortly, setting out further details about the mechanics, including guidance relating to the position of trading funds.

I realise that in order to achieve this saving you will want to put work in hand as quickly as possible, including, no doubt, early consultation with your Staff Side and the other parties concerned. I must ask you, however, to have no consultations, or to do anything which might cause these decisions to become public, for the time being. But I naturally understand the urgency. I will be in touch with you again within the next week or so.

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I am copying this letter to the Prime Minister and to
Sir Robert Armstrong.

PAUL CHANNON

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12



Civil Service Department
Whitehall London SW1A 2AZ
Telephone 01-273 3000

Minister of State

The Rt Hon Humphrey Atkins MP
Secretary of State
Northern Ireland Office
Government Offices
Great George Street
LONDON SW1T 3AJ

7 March 1980

Humphrey Atkins

CIVIL SERVICE PAY AND CASH LIMITS: MANPOWER REDUCTIONS

The Prime Minister's minute of 5 March to the Home Secretary makes it clear that, subject to certain strictly limited exceptions, every Department must make a reduction of at least 2½% in the cost of its manpower in 1980-81. This is to make good the likely shortfall between the cash limit we have agreed, and the amount required to finance settlements. Exceptions will have to be confined to Prison Officers and a few very small Departments such as the Parliamentary Commissioner for Administration and Health Service Commissioners and the Exchequer and Audit Department. The Prime Minister has asked me to confirm with colleagues the reductions to be made, and report back to Cabinet.

Reductions of 2½% or more are required in every case save the very limited exceptions already envisaged. In accordance with the Prime Minister's minute, the 2½% reduction will apply to the Northern Ireland Office, including Northern Ireland Civil Service staff on reserved functions (but with the exception of prison service outstation staff, which are exempt). The reduction will be applied to the gross wages and salaries bill for which provision is being made in departmental Estimates for 1980-81 and which are covered by the central Vote.

In June, by which time non-industrial Civil Service pay should have been settled, the central pay Vote will be distributed to departmental Votes. These allocations will as necessary include an allowance for industrial staff, using whatever assumptions then seem most appropriate. My officials will be writing to yours shortly, setting out further details about the mechanics, including guidance relating to the position of trading funds.

I realise that in order to achieve this saving you will want to put work in hand as quickly as possible, including, no doubt, early consultation with your Staff Side and the other parties

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concerned. I must ask you, however, to have no consultations, or to do anything which might cause these decisions to become public, for the time being. But I naturally understand the urgency. I will be in touch with you again within the next week or so.

I am copying this letter to the Prime Minister and to Sir Robert Armstrong.

Jan
Paul

PAUL CHANNON

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11



Civil Service Department
Whitehall London SW1A 2AZ
Telephone 01-273 3000

Minister of State

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

7 March 1980

Dear Geoffrey,

CIVIL SERVICE PAY AND CASH LIMITS: MANPOWER REDUCTIONS

The Prime Minister's minute of 5 March to the Home Secretary makes it clear that, subject to certain strictly limited exceptions, every Department must make a reduction of at least 2½% in the cost of its manpower in 1980-81. This is to make good the likely shortfall between the cash limit we have agreed, and the amount required to finance settlements. Exceptions will have to be confined to Prison Officers and a few very small Departments such as the Parliamentary Commissioner for Administration and Health Service Commissioners and the Exchequer and Audit Department. The Prime Minister has asked me to confirm with colleagues the reductions to be made, and report back to Cabinet.

Reductions of 2½% or more are required in every case save the very limited exceptions already envisaged. In accordance with the Prime Minister's minute, the 2½% reduction will be applied to your Departments and other public service organisations for which you are responsible and for which provision is being made in the central Civil Service pay Vote (see list at Annex). The reduction will be applied to the gross wages and salaries bill for which provision is being made in departmental Estimates for 1980-81 and which are covered by the central Vote.

In June, by which time non-industrial Civil Service pay should have been settled, the central pay Vote will be distributed to departmental Votes. These allocations will as necessary include an allowance for industrial staff, using whatever assumptions then seem most appropriate. My officials will be writing to yours shortly, setting out further details about the mechanics, including guidance relating to the position of trading funds.

I realise that in order to achieve this saving you will want to put work in hand as quickly as possible, including, no doubt, early consultation with your Staff Side and the other parties

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concerned. I must ask you, however, to have no consultations, or to do anything which might cause these decisions to become public, for the time being. But I naturally understand the urgency. I will be in touch with you again within the next week or so.

I am copying this letter to the Prime Minister and to Sir Robert Armstrong.

Y
h
Paul

PAUL CHANNON

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Other Public Bodies included in Central Vote

National Economic Development Council

Grant to the Royal Trustees to meet salary cost of Royal Household staff

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10



Civil Service Department
Whitehall London SW1A 2AZ
Telephone 01-273 3000

Minister of State

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

7 March 1980

Dear Willie

CIVIL SERVICE PAY AND CASH LIMITS: MANPOWER REDUCTIONS

The Prime Minister's minute to you of 5 March makes it clear that, subject to certain strictly limited exceptions, every Department must make a reduction of at least 2½% in the cost of its manpower in 1980-81. This is to make good the likely shortfall between the cash limit we have agreed, and the amount required to finance settlements. Exceptions will have to be confined to Prison Officers and a few very small Departments such as the Parliamentary Commissioner for Administration and Health Service Commissioners and the Exchequer and Audit Department. The Prime Minister has asked me to confirm with colleagues the reductions to be made, and report back to Cabinet.

Your prison outstations staff will, of course, be exempted but the 2½% reduction will apply to the rest of your Department (and to the Charity Commission). You were kind enough to say to me that, if necessary, you might be able to do as much as 3% for the non-prison staff, and I was very grateful for that offer. May I bear that suggestion in mind? It might be very helpful if I need to offset the cost of some small exemptions. On the other hand, I would not wish to press you to go as far as this if, on reflection, you thought it impractical. The reduction will be applied to the gross wages and salaries bill for which provision is being made in Departmental Estimates for 1980-81 and which are covered by the central Vote.

In June, by which time non-industrial Civil Service pay should have been settled, the central pay Vote will be distributed to departmental Votes. These allocations will as necessary include an allowance for industrial staff, using whatever assumptions then seem most appropriate. My officials will be writing to yours shortly, setting out further details about the mechanics, including guidance relating to the position of trading funds.

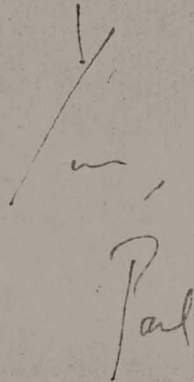
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I realise that in order to achieve this saving you will want to put work in hand as quickly as possible, including, no doubt, early consultation with your Staff Side and the other parties concerned. I must ask you, however, to have no consultations, or to do anything which might cause these decisions to become public, for the time being. But I naturally understand the urgency. I will be in touch with you again within the next week or so.

I am copying this letter to the Prime Minister and to Sir Robert Armstrong.

A handwritten signature in dark ink, appearing to read 'Paul', with a large, sweeping flourish above it.

PAUL CHANNON

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9



Minister of State

Civil Service Department
Whitehall London SW1A 2AZ
Telephone 01-273 3000

The Rt Hon John Nott MP
Secretary of State
Department of Trade
1 Victoria Street
LONDON SW1H 0ET

7 March 1980

Dear John,

CIVIL SERVICE PAY AND CASH LIMITS: MANPOWER REDUCTIONS

The Prime Minister's minute of 5 March to the Home Secretary makes it clear that, subject to certain strictly limited exceptions, every Department must make a reduction of at least 2½% in the cost of its manpower in 1980-81. This is to make good the likely shortfall between the cash limit we have agreed, and the amount required to finance settlements. Exceptions will have to be confined to Prison Officers and a few very small Departments such as the Parliamentary Commissioner for Administration and Health Service Commissioners and the Exchequer and Audit Department. The Prime Minister has asked me to confirm with colleagues the reductions to be made, and report back to Cabinet.

Reductions of 2½% or more are required in every case save the very limited exceptions already envisaged. In accordance with the Prime Minister's minute, the 2½% reduction will be applied to your Departments. The reduction will be applied to the gross wages and salaries bill for which provision is being made in departmental Estimates for 1980-81 and which are covered by the central Vote.

In June, by which time non-industrial Civil Service pay should have been settled, the central pay Vote will be distributed to departmental Votes. These allocations will as necessary include an allowance for industrial staff, using whatever assumptions then seem most appropriate. My officials will be writing to yours shortly, setting out further details about the mechanics, including guidance relating to the position of trading funds.

I realise that in order to achieve this saving you will want to put work in hand as quickly as possible, including, no doubt, early consultation with your Staff Side and the other parties

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concerned. I must ask you, however, to have no consultations, or to do anything which might cause these decisions to become public, for the time being. But I naturally understand the urgency. I will be in touch with you again within the next week or so.

I am copying this letter to the Prime Minister and to Sir Robert Armstrong.

Yours,

PAUL CHANNON

Paul

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8



Minister of State

Civil Service Department
Whitehall London SW1A 2AZ
Telephone 01-273-3000

7 March 1980

The Rt Hon James Prior MP
Secretary of State for Employment
Department of Employment
Caxton House
Tothill Street
LONDON SW1H 9NA

Dear Jim

CIVIL SERVICE PAY AND CASH LIMITS: MANPOWER REDUCTIONS

The Prime Minister's minute of 5 March to the Home Secretary makes it clear that, subject to certain strictly limited exceptions, every Department must make a reduction of at least $2\frac{1}{2}\%$ in the cost of its manpower in 1980-81. This is to make good the likely shortfall between the cash limit we have agreed, and the amount required to finance settlements. Exceptions will have to be confined to Prison Officers and a few very small Departments such as the Parliamentary Commissioner for Administration and Health Service Commissioners and the Exchequer and Audit Department. The Prime Minister has asked me to confirm with colleagues the reductions to be made, and report back to Cabinet.

Reductions of $2\frac{1}{2}\%$ or more are required in every case save the very limited exceptions already envisaged. In accordance with the Prime Minister's minute, the $2\frac{1}{2}\%$ reduction will be applied to your Department (including the Manpower Services Commission, the Health and Safety Executive and the Advisory, Conciliation and Arbitration Service). The reduction will be applied to the gross wages and salaries bill for which provision is being made in departmental Estimates for 1980-81 and which are covered by the central Vote.

In June, by which time non-industrial Civil Service pay should have been settled, the central pay Vote will be distributed to departmental Votes. These allocations will as necessary include an allowance for industrial staff, using whatever assumptions then seem most appropriate. My officials will be writing to yours shortly, setting out further details about the mechanics, including guidance relating to the position of trading funds.

I realise that in order to achieve this saving you will want to put work in hand as quickly as possible, including, no doubt, early consultation with your Staff Side and the other parties concerned. I must ask you, however, to have no consultations, or to do anything which might cause these decisions to become public, for the time being. But I naturally understand the urgency. I will be in touch with you again within the next week or so.

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I am copying this letter to the Prime Minister and to
Sir Robert Armstrong.

Yours,

Paul

PAUL CHANNON

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7



Minister of State

Civil Service Department
Whitehall London SW1A 2AZ
Telephone 01-273 3000

The Rt Hon Patrick Jenkin MP
Secretary of State
Department of Health & Social Security
Alexander Fleming House
Elephant and Castle
LONDON SE1 6BY

7 March 1980

Dear Patrick

CIVIL SERVICE PAY AND CASH LIMITS: MANPOWER REDUCTIONS

The Prime Minister's minute of 5 March to the Home Secretary makes it clear that, subject to certain strictly limited exceptions, every Department must make a reduction of at least 2½% in the cost of its manpower in 1980-81. This is to make good the likely shortfall between the cash limit we have agreed, and the amount required to finance settlements. Exceptions will have to be confined to Prison Officers and a few very small Departments such as the Parliamentary Commissioner for Administration and Health Service Commissioners and the Exchequer and Audit Department. The Prime Minister has asked me to confirm with colleagues the reductions to be made, and report back to Cabinet.

Reductions of 2½% or more are required in every case save the very limited exceptions already envisaged. In accordance with the Prime Minister's minute, the 2½% reduction will be applied to your Departments. The reduction will be applied to the gross wages and salaries bill for which provision is being made in departmental Estimates for 1980-81 and which are covered by the central Vote.

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I am copying this letter to the Prime Minister and to Sir Robert Armstrong.

V
ms

Paul

PAUL CHANNON

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6



Minister of State

Civil Service Department
Whitehall London SW1A 2AZ
Telephone 01-273 3000

7 March 1980

The Rt Hon Sir Keith Joseph Bt MP
Secretary of State for Industry
Department of Industry
Ashdown House
123 Victoria Street
LONDON SW1E 6RB

Dear Keith,

CIVIL SERVICE PAY AND CASH LIMITS: MANPOWER REDUCTIONS

The Prime Minister's minute of 5 March to the Home Secretary makes it clear that, subject to certain strictly limited exceptions, every Department must make a reduction of at least 2½% in the cost of its manpower in 1980-81. This is to make good the likely shortfall between the cash limit we have agreed, and the amount required to finance settlements. Exceptions will have to be confined to Prison Officers and a few very small Departments such as the Parliamentary Commissioner for Administration and Health Service Commissioners and the Exchequer and Audit Department. The Prime Minister has asked me to confirm with colleagues the reductions to be made, and report back to Cabinet.

Reductions of 2½% or more are required in every case save the very limited exceptions already envisaged. In accordance with the Prime Minister's minute, the 2½% reduction will be applied to your Department. The reduction will be applied to the gross wages and salaries bill for which provision is being made in departmental Estimates for 1980-81 and which are covered by the central Vote.

In June, by which time non-industrial Civil Service pay should have been settled, the central pay Vote will be distributed to departmental Votes. These allocations will as necessary include an allowance for industrial staff, using whatever assumptions then seem most appropriate. My officials will be writing to yours shortly, setting out further details about the mechanics, including guidance relating to the position of trading funds.

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I am copying this letter to the Prime Minister and to
Sir Robert Armstrong.

PAUL CHANNON

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5



Minister of State

Civil Service Department
Whitehall London SW1A 2AZ
Telephone 01-273 3000

7 March 1980

The Rt Hon Norman Fowler MP
Minister of Transport
Department of Transport
2 Marsham Street
LONDON SW1P 3EB

Jean Norman

CIVIL SERVICE PAY AND CASH LIMITS: MANPOWER REDUCTIONS

The Prime Minister's minute of 5 March to the Home Secretary makes it clear that, subject to certain strictly limited exceptions, every Department must make a reduction of at least 2½% in the cost of its manpower in 1980-81. This is to make good the likely shortfall between the cash limit we have agreed, and the amount required to finance settlements. Exceptions will have to be confined to Prison Officers and a few very small Departments such as the Parliamentary Commissioner for Administration and Health Service Commissioners and the Exchequer and Audit Department. The Prime Minister has asked me to confirm with colleagues the reductions to be made, and report back to Cabinet.

Reductions of 2½% or more are required in every case save the very limited exceptions already envisaged. In accordance with the Prime Minister's minute, the 2½% reduction will be applied to your Department. The reduction will be applied to the gross wages and salaries bill for which provision is being made in departmental Estimates for 1980-81 and which are covered by the central Vote.

In June, by which time non-industrial Civil Service pay should have been settled, the central pay Vote will be distributed to departmental Votes. These allocations will as necessary include an allowance for industrial staff, using whatever assumptions then seem most appropriate. My officials will be writing to yours shortly, setting out further details about the mechanics, including guidance relating to the position of trading funds.

I realise that in order to achieve this saving you will want to put work in hand as quickly as possible, including, no doubt, early consultation with your Staff Side and the other parties concerned. I must ask you, however, to have no consultations, or to do anything which might cause these decisions to become public, for the time being. But I naturally understand the urgency. I will be in touch with you again within the next week or so.

I am copying this letter to the Prime Minister and to Sir Robert Armstrong.

PAUL CHANNON

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Paul
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4



Minister of State

Civil Service Department
Whitehall London SW1A 2AZ
Telephone 01-273 3000

7 March 1980

The Rt Hon David Howell, MP
Secretary of State for Energy
Department of Energy
Thames House South
Millbank
LONDON SW1P 4QJ

Jan David

CIVIL SERVICE PAY AND CASH LIMITS: MANPOWER REDUCTIONS

The Prime Minister's minute of 5 March to the Home Secretary makes it clear that, subject to certain strictly limited exceptions, every Department must make a reduction of at least 2½% in the cost of its manpower in 1980-81. This is to make good the likely shortfall between the cash limit we have agreed, and the amount required to finance settlements. Exceptions will have to be confined to Prison Officers and a few very small Departments such as the Parliamentary Commissioner for Administration and Health Service Commissioners and the Exchequer and Audit Department. The Prime Minister has asked me to confirm with colleagues the reductions to be made, and report back to Cabinet.

Reductions of 2½% or more are required in every case save the very limited exceptions already envisaged. In accordance with the Prime Minister's minute, the 2½% reduction will be applied to your Department. The reduction will be applied to the gross wages and salaries bill for which provision is being made in departmental Estimates for 1980-81 and which are covered by the central Vote.

In June, by which time non-industrial Civil Service pay should have been settled, the central pay Vote will be distributed to departmental Votes. These allocations will as necessary include an allowance for industrial staff, using whatever assumptions then seem most appropriate. My officials will be writing to yours shortly, setting out further details about the mechanics, including guidance relating to the position of trading funds.

I realise that in order to achieve this saving you will want to put work in hand as quickly as possible, including, no doubt, early consultation with your Staff Side and the other parties concerned. I must ask you, however, to have no consultations, or to do anything which might cause these decisions to become public, for the time being. But I naturally understand the urgency. I will be in touch with you again within the next week or so.

I am copying this letter to the Prime Minister and to Sir Robert Armstrong.

Yours,
Paul

PAUL CHANNON

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3



Civil Service Department
Whitehall London SW1A 2AZ
Telephone 01-273 3000

Minister of State

The Rt Hon Michael Heseltine MP
Secretary of State
Department of the Environment
2 Marsham Street
LONDON SW1P 3EB

7 March 1980

Jean Michael

CIVIL SERVICE PAY AND CASH LIMITS: MANPOWER REDUCTIONS

The Prime Minister's minute of 5 March to the Home Secretary makes it clear that, subject to certain strictly limited exceptions, every Department must make a reduction of at least 2½% in the cost of its manpower in 1980-81. This is to make good the likely shortfall between the cash limit we have agreed, and the amount required to finance settlements. Exceptions will have to be confined to Prison Officers and a few very small Departments such as the Parliamentary Commissioner for Administration and Health Service Commissioners and the Exchequer and Audit Department. The Prime Minister has asked me to confirm with colleagues the reductions to be made, and report back to Cabinet.

Reductions of 2½% or more are required in every case save the very limited exceptions already envisaged. In accordance with the Prime Minister's minute, the 2½% reduction will be applied to your Departments and other public service organisations for which you are responsible and for which provision is being made in the central Civil Service pay Vote (see list at Annex). You mentioned at Cabinet last week, however, that you thought that you would be able to reduce your manpower costs in the Department of the Environment (including I assume the Property Services Agency) by as much as 3%. If this is possible, it would be a most helpful contribution. Could you let me know whether I can count on that? There is obviously some urgency, so I should be grateful to hear from you by Wednesday evening, 12 March. The reduction will be applied to the gross wages and salaries bill for which provision is being made in departmental Estimates for 1980-81 and which are covered by the central Vote.

In June, by which time non-industrial Civil Service pay should have been settled, the central pay Vote will be distributed to departmental Votes. These allocations will as necessary include an allowance for industrial staff, using whatever assumptions then seem most appropriate. My officials will be writing to yours shortly, setting out further details about the mechanics, including guidance relating to the position of trading funds.

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Imam copying this letter to the Prime Minister, Chief Secretary to the Treasury and to Sir Robert Armstrong.

Y.

Paul

PAUL CHANNON

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7 March 1980

The Prime Minister was grateful for Mr. Channon's minute of 6 March, in which he reported the state of play on a number of matters discussed during her visit to the CSD in January.

MAP

G.E.T. Green, Esq.,
Civil Service Department.

TGR

SECRET

2



Minister of State

Civil Service Department
Whitehall London SW1A 2AZ
Telephone 01-273 3000

The Rt Hon Mark Carlisle QC MP
Secretary of State
Department of Education and Science
Elizabeth House
York Road
LONDON SE1 7PH

7 March 1980

Jan Mark,

CIVIL SERVICE PAY AND CASH LIMITS: MANPOWER REDUCTIONS

The Prime Minister's minute of 5 March to the Home Secretary makes it clear that, subject to certain strictly limited exceptions, every Department must make a reduction of at least 2½% in the cost of its manpower in 1980-81. This is to make good the likely shortfall between the cash limit we have agreed, and the amount required to finance settlements. Exceptions will have to be confined to Prison Officers and a few very small Departments such as the Parliamentary Commissioner for Administration and Health Service Commissioners and the Exchequer and Audit Department. The Prime Minister has asked me to confirm with colleagues the reductions to be made, and report back to Cabinet.

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I am copying this letter to the Prime Minister, Chief Secretary to the Treasury and Sir Robert Armstrong.

PAUL CHANNON

*Y
/m,
Paul*

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Other Public Bodies included in Central Vote

Agricultural Research Council

Medical Research Council

Natural Environment Research Council .

Science Research Council

Social Science Research Council

British Museum (Natural History)

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CONFIDENTIAL

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File

Civil Service

10 DOWNING STREET

From the Principal Private Secretary

6 March 1980

BF 13.3.80
for Channon + Rayner
comments.

Channon replied?
see M/SCSD in PM 11.3.80
③

Dear Geoffrey,

CIVIL SERVICE NUMBERS AND COSTS

The Prime Minister has now been able to give further thought, in the light of last week's discussion in Cabinet on Civil Service pay, to Derek Rayner's minute of 26 February and Mr. Channon's minute of 27 February on Civil Service numbers and costs.

The Prime Minister believes that another meeting of the Cabinet with Derek Rayner present will be needed if we are to make progress on these issues. She has commented that the ideas contained in his minute and the proposals which he has already put to Ministers are just not being followed through, as every discussion in Cabinet on staffing shows. She does not think that it will be enough simply to put another paper to Cabinet which is taken as a routine item on a routine agenda. Rather, the Prime Minister has in mind a special meeting of the Cabinet, possibly at Chequers, which would be devoted wholly to the subject of Civil Service numbers and costs.

Subject to the views of your Minister of State, I doubt whether it would be wise to have the Cabinet meeting which the Prime Minister envisages until the current pay negotiations are out of the way and the manpower cuts which will accompany the pay settlement have been completely tied up with Departmental Ministers. This seems to point to the Cabinet discussion taking place in late April or early May, but I should like to know whether Mr. Channon agrees with this.

For such a meeting the Prime Minister would welcome a paper from Derek Rayner which developed, as necessary, the ideas set out in his minute of 26 February, and, if he thought that this was sensible, embraced the major conclusions of his conventions study. The Prime Minister would welcome a companion paper from Mr. Channon.

I should be glad to know whether Mr. Channon is content to proceed in this way. I should similarly welcome Derek Rayner's comments.

I am sending copies of this letter to John Wiggins (HM Treasury), Derek Rayner, Ian Bancroft and Robert Armstrong.

Yours ever,
Hwi Whitmore

G.E.T. Green, Esq.,
Civil Service Department.

CONFIDENTIAL

239

PRIME MINISTER

2.

A sit rep on CSD effs.
Mr Channon does not
want a "blockage
meeting" at present.

PRIME MINISTER

ms

MAP
6/3

When you visited the CSD in January, you said you would be ready to hold meetings from time to time to review any blockages which were obstructing our manpower and management tasks.

Some time has elapsed since your visit, so I thought I should report. At this moment, there is nothing I want to bring to your attention immediately, though there are a number of topics that are coming to the boil on which I may have to consult you later.

We have discussed already immediate problems relating to pay, industrial relations and a manpower squeeze in the Civil Service. This, therefore, is a progress report on other issues.

Efficiency studies and Rayner Projects

Sir Derek Rayner has been pushing ahead with the preparation of proposed action documents, and he will be reporting to you soon. I do not think there is any need to trouble you (at this stage). Sir Derek agrees. You are of course already aware of the position on the important DHSS project.

As you requested, I will be sending you a full report before the end of the month on the scope for applying lessons from the Rayner projects more widely. I would like, meanwhile, to mention one or two initiatives of this kind which I have already put in hand.

I have discussed with Arthur Cockfield and Sir Derek Rayner the lessons from the Customs and Excise Rayner Project. A programme for spreading the lessons throughout the country from what has been learned from the London Collections has been agreed. A further joint study between CSD and Customs and Excise into ways of improving performance measures and productivity of local VAT offices is now being arranged.

Work is going on to achieve significant staff savings in Unemployment Benefit Offices. The Rayner Project identified savings - and this coincided with the compilation of work by CSD and Department of Employment to tighten the staffing formula. As a result of the latter effort, the Secretary of State for Employment hopes to achieve savings of up to 900 posts. This is a good first step, but I hope that there should be scope for more. I have agreed with the Secretary of State that early next year there should be a further review of the formula.

The Welsh Office projects have identified significant savings by eliminating time spent in unnecessarily supervising local authorities. I am proposing to press colleagues responsible for big blocks of work in this field - eg planning - to see what can be cut out.

I may well get into difficulties on all these fronts, but if I do, will report to you again.

CSD-led studies

There is also a great deal of work going on in CSD for general savings across the Civil Service. I mentioned to you recently that studies of messengerial services had been completed in several Departments. Savings of between 30% and 50% have been found. There are about 8000 messengers in the Service. If this is typical everywhere, there might be total savings in expenditure of up to £10m.

I will now be studying typing services, telephone costs and extending existing work on transport. I believe there can be significant savings from economies in all these fields. We will soon launch a new cost-consciousness campaign, designed to get Departments to offer simple hints to civil servants at all levels on how to economise in these services. I am told that when this was last done, Departments reported that economies in the areas concerned amounted to £5m per annum. I have asked for a further report later this year on what has been achieved this time.

Future action

We are of course studying Sir Derek Rayner's very interesting note about Civil Service numbers and costs.

I will report again on all these fronts.

P.C.

PAUL CHANNON

6 March 1980

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Cabinet / Cabinet Committee Document

The following document, which was enclosed on this file, has been removed and destroyed. Such documents are the responsibility of the Cabinet Office. When released they are available in the appropriate CAB (CABINET OFFICE) CLASSES.

Reference: Limited Circulation Annex to
CC (80) 9th Conclusions, Minute 5

Date: 6 March 1980

Signed Wayland Date 25 February 2010

PREM Records Team

SUBJECT



Civil Service 1

10 DOWNING STREET

THE PRIME MINISTER

Personal Minute

No. M5/80

THE HOME SECRETARYCivil Service Vote: Cash Limit

At Cabinet last week we agreed upon a cash limit for the Civil Service Vote; and we agreed that, in so far as the amount so provided fell short of what would be needed to finance the pay settlement to be negotiated by the Minister of State, Civil Service Department, the balance should be achieved by further reductions of Civil Service manpower. We agreed that we should all need to look for reductions which brought the costs of manpower in Departments down by something of the order of 2½%, if (after allowing for necessary exceptions such as prison officers) we were to achieve an average saving of at least 2% over the Civil Service as a whole.

The preliminary soundings that have now been taken confirm that what was agreed at Cabinet is the very least that we must achieve, if the Cabinet's decisions on the pay settlement and on the cash limit are to be met. I am in no doubt whatever that we have to look for an overall reduction as near to 2½% net as we can get; that means that we must look for a reduction of at least 2½%, from every Department; and that the exceptions must be very limited indeed. We are agreed that an exception should be made for prison officers, and there may need to be exceptions in a few very small Departments which are simply unable to accommodate a cut of as much as 2½%. Otherwise it will be possible to contemplate exceptions only to the extent that they can be offset by some Departments achieving reductions of more than 2½%.

/ The Minister

The Minister of State, Civil Service Department, will now be getting in touch with you and other colleagues with a view to confirming the necessary reductions as a basis of a further report to the Cabinet.

I am sending copies of this minute to all members of the Cabinet, the Minister of Transport, to the Minister of State, Civil Service Department, and to Sir Robert Armstrong.

MARGARET THATCHER

5 March 1980

PART 3 ends:-

MAP to PM 5.3.80

PART 4 begins:-

PM to Home Secy 5.3.80

