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PRIME MINISTER

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

BACKGROUND

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

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

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

HANDLING

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

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

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

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

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

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

CONCLUSIONS

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

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


John Hunt

30th May 1979