

Noh,

CONFIDENTIAL

2 pps

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The Prime Minister was able to discuss this with Lord Soames for only five minutes today. There was no substantive discussion, and it was agreed that Lord Soames



Prime Minister.

Are you ready to discuss this with Lord Soames on Tuesday?

Yes
19x.

PRIME MINISTER ~~cannot~~ ^{his paper to Cabinet reporting} ~~consider~~ ^{position his exercise has reached.}
Talk to Buckley. ~~19x.~~

FURTHER ACTION TO REDUCE THE SIZE OF THE CIVIL SERVICE

1. I am planning to report back on 1 November following Cabinet's decision on 13 September to aim for savings of at least 10% in Civil Service manpower expenditure. I propose to circulate the paper no later than Friday, 26 October.
2. I think you ought to know that I am deeply disappointed by what has so far emerged. Although there may be some very minor changes, overall we have firm offers for savings amounting only to some 5.6%, with a further 1.6% which depend on us taking some major controversial policy decisions. These savings take no account of the cost of putting some work outside the Service. Not all are achievable by the target date of 1982-83. Some need legislation. Some growth offsetting even these small reductions seems inevitable in certain Departments to provide for expected increases in unemployment, pensioners and in the prison services.
3. Cabinet concluded that the largest Departments must contribute their full share of this 10%. In spite of this, Francis Pym has offered me no more than 2.7% (which seems to me to contrast rather markedly with the result of the small Rayner exercise in Defence) and Geoffrey Howe 8.5%. Patrick Jenkin has offered me a larger total (17.6%) but most of this depends on major policy decisions yet to be taken - such as payment by employers of sick pay for the first 6 weeks of benefit, and introduction of Unified Housing Benefit.
4. Unless we can do better than this, I believe that the country, and in particular our supporters, will find the outcome most unsatisfactory.
5. I believe that at Cabinet we should insist that Francis Pym in particular, but also Geoffrey Howe, should increase their contributions to 10%. (That would bring the total to 8.1%). Also I believe that Peter Carrington, who has offered 2.7%, and Peter Walker (3.2%) should be pressed to go up significantly.
6. If this can be done, and if we decide to go ahead with the major policy changes referred to in paragraph 3, then we are in striking distance of 10%.
7. If all this is impossible, then I think we shall have to present the figures as excluding Defence and Law and Order. But even this would show a saving of only 7.8%. I think this is a pretty unattractive course - and I think you will too.
8. I would welcome the chance of talking to you about this when we meet on Tuesday afternoon, before I finalise the Cabinet paper.

See the Chancellor's letter below.

There is a great deal of public expectation of substantial cuts.

SOAMES
19 October 1979

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19 OCT 1979

