



*Prime Minister  
Civil Service  
To note*

PRIME MINISTER

*and R 2375*

## ADJUSTMENT OF CASH LIMITS FOR CIVIL SERVICE PAY SETTLEMENT

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

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

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



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

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

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

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23 May 1979

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