

2 PPS

① We must not accept

these suspiciously
flat figures (2,500)

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for 1981: 7 short term benefits &

PRIME MINISTER business company would
do it with the same staff.

CIVIL SERVICE MANPOWER

I believe we need to press yet more strongly for reductions in the size of the Civil Service, learning the lessons of the recent exercise which both Christopher Soames and I, and the whole of our Department, found disappointing.

Primitivist

Agree with Mr Channon's general approach - and in particular the point at x?

② We shall have to reconsider the 27/12
- not recruitment, not redundancy

the only way to reduce
the civil service cost

The first is that we must actually achieve the figures we announced. I am writing today to colleagues with proposals for securing them. Secondly, we must try to achieve as much as possible from the further policy issues which Cabinet agreed should be pursued: there are potential savings of up to 19,000 staff from the proposals in Annex 2 of the Lord President's paper.

Thirdly, when the reviews in the Ministry of Defence, Department of the Environment and Ministry of Agriculture, Fisheries and Food are complete, we must get the maximum savings from them. The Ministry of Defence is crucial in all this since it employs about 240,000 people - a third of the whole Civil Service.

What worries me most are the manpower levels next year. My officials have been scrutinising departments' manpower estimates very strictly to ensure that all savings that can be got in 1980-81, including of course the first tranche of the cuts announced on 6 December, are achieved. It is already clear that we will reduce the estimates submitted to us by around 4,000 staff. If that were the end of the story, it would produce a reasonably good figure for next year. But the additional bids already agreed by Cabinet are formidable and will come close to cancelling out all these reductions. So something more must be done.

X | I believe the most important new steps is to use the pay and cash limits system for a further squeeze.

We will have the chance of doing this next spring in the context of the 1980-81 pay settlement. The Pay Research evidence is not yet available. But current trends suggest that we must be prepared for a level above the general figure of 14% approved by Cabinet for pay and price increases. I believe we should pay the appropriate amount,

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since to do otherwise would involve our breaking the pay agreement unilaterally, but at the same time exert a further squeeze on Civil Service numbers to reduce the cost.

This year it was possible to squeeze by $2\frac{3}{4}\%$ which is why the staff figures have gone down by 20,000. I would have thought that a further reduction next year of between 2% and 3% should be practicable. But we cannot do this unless the big departments, and in particular the Ministry of Defence, find their full share. You will recall the depressing effect the poor response by the large departments had on the last exercise.

Whether it would be helpful to couple this with another ban on recruitment will depend in part on the size of the reduction we judge to be necessary when we see the Pay Research evidence. I propose to consider this nearer the time.

There is also the question of future growth in the longer term. I am not suggesting that we abandon all desirable new ventures just to reduce the size of the Civil Service. But I think we must be very selective. The taxation of short-term benefits, which I strongly support, will require over 2,500 additional staff. I believe that in all other cases we must take the manpower implications much more seriously than in the past before deciding on new policies.

In the search for efficiency, Sir Derek Rayner's projects will make a valuable contribution. But they depend on the co-operation of the staff and the emphasis must be on efficiency rather than on cutting staff numbers.

There are bound to be strains on Civil Service staff relations if we pursue these policies. But reactions - so far at least - have in the main been restrained and sensible.

If you feel able to support us in all these ways of trying to cut the size of the Civil Service, then it will of course be a tremendous help.

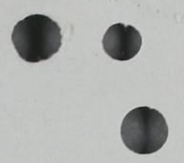
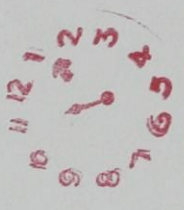
PAUL CHANNON

21 December 1979

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27 DEC 1979



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HMT Martin Hall



10 DOWNING STREET

From the Private Secretary

31 December 1979

The Prime Minister has considered your Minister's minute of 21 December on Civil Service manpower.

She has raised several points on this minute. First, she does not agree that we must necessarily be prepared to accept a Civil Service settlement in excess of the 14% figure approved by Cabinet for pay and price increases generally. Second, she cannot accept that we ought to plan on 2,500 additional staff if it is decided to tax short term benefits. In her view, we ought to find ways of economising, as no doubt a commercial company would do, so as to carry out this additional task without additional staff. Third, she feels that Ministers will need to consider very seriously the idea of nil recruitment again-- though she notes that Mr. Channon is himself proposing to consider this option. The Prime Minister's view is that this is the only sure way to reduce the Civil Service.

M. A. PATTISON

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

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