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PRIME MINISTER

Further Action to Reduce the Size of the Civil Service
(C(79) 57)

BACKGROUND

Last time Cabinet discussed this subject, (C(79) 19th Conclusions, Minute 8, on 1st November) the Lord President had taken credit for a good many savings which Departmental Ministers did not regard as firm. You asked him to produce a further paper, distinguishing between those savings which were absolutely secure, and those which were still subject to policy approval or raised other doubts.

2. Cabinet also discussed the best way of presenting the results of this exercise, and you asked the Lord President to circulate the text of his proposed statement. This paper discharges both remits.

3. I have set out as an Annex to this brief the figures we have been given by the CSD. The short point is that the Government has already cut about 21,000 posts, and that the firm offers now listed in Annex 1 amount to another 39,000. There are a possible further 19,000 in the pipeline, listed in Annex 2, subject to policy decisions, legislation, etc. Demographic and other factors (notably rising unemployment) could add something back to the resulting total; so could fresh decisions, e. g. on taxation of short-term benefits; good house-keeping measures could reduce it further.

4. All these are staff numbers. The corresponding gross expenditure are shown in the paper. The net cost is different: in some cases the cost of contracting work out to the private sector has to be netted off. The Treasury have been given the figures, and the year-by-year spread. The 1980-81 figure is consistent with the totals already published in the White Paper. The figures for later years will be incorporated in the second White Paper in due course.

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5. These figures fall a long way short of Cabinet's original ambitions. Cabinet considered last time whether it should postpone any announcement, or make an early announcement about the firm figures; there was a preference for an early announcement. It considered whether the announcement should promise further cuts to come, but inclined to the view that it should simply indicate in general terms that further economies would be sought.

6. The draft text now circulated by the Lord President is skilfully drafted. It does not draw a line under the present exercise; nor does it promise more than the Government can be sure of delivering in future. This wording probably minimises the risk of adverse reaction, both from Government supporters in Parliament and from the Civil Service unions. But there will be trouble on both flanks.

7. The Parliamentary tactics may not be too difficult. Paragraph 6 emphasises that the search for economies will continue. I doubt whether you will want to say more than this, at least until Cabinet has decided whether to reopen the public expenditure totals for later years.

8. Tactics towards the Staff Side will be more difficult. The Staff Associations have been campaigning for some weeks now against the expected cuts. There has been spasmodic local industrial action at a number of centres and E(CS) is co-ordinating the Government response. The Staff Side will probably be privately relieved that the cuts are not as bad as they feared. But in some Departments, notably Employment, they go very deep. There could well be trouble, either locally or nationally, following the announcement on 27th November. But it would be difficult for the Staff Side to get much public support for a major campaign.

HANDLING

9. I suggest you invite the Lord President to introduce the paper, and then seek general comments from the Chief Secretary, Treasury, and from the Secretary of State for Employment.

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10. The next stage would be to get confirmation that the savings in Annex 1 are all now firmly agreed. You could simply ask whether any one objects to his figures. It is not intended to announce the detailed reductions listed in Annex 1: the only public announcement will be the table attached to the draft Parliamentary statement at Annex 3. Not all the savings listed in Annex 1 can be implemented immediately. Some of them depend on legislation, for which there is no provision in this year's programme. We understand that the Lord President is in touch separately with the Leader of the House about the legislative requirements.

11. You might then turn to the list of potential further savings in Annex 2. Cabinet is not asked to take decisions on these today: all that is needed is to register any major difficulties which may be present. (For example, the Secretary of State for Defence may want to emphasise the difficulty of making further savings in civilian manpower, especially given the problems of recruitment for the armed forces in the next few years.) But you will not want Cabinet to go into detail at this stage. You might invite the Minister of State, CSD to pursue all these options energetically with the Ministers concerned, and to take up any unresolved problems in the appropriate Cabinet Committees.

12. You will then want to reinforce the injunction in paragraph 10 of the covering paper, about the personal involvement of all Ministers in keeping Civil Service numbers under control in 1980-81 (and of course in subsequent years). The instruction given by Cabinet last time, to establish monitoring systems of the kind used by Mr. Heseltine, should help. You might ask how many Ministers have so far taken action to follow up this decision. By no means all have done so. *(A note by Mr Heseltine, detailing his system, has been sent to all Ministers by in charge of Derts.) MA 21/81.*

13. Next you could turn to the draft announcement at Annex 3. If the Cabinet thinks that the general approach is right, I think two questions arise: does it go into sufficient detail? And is it firm enough in its promises of future cuts? On the first, it is proposed to supplement this statement with an agreed form of words describing the effect on each Department. These formulae

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are being agreed in separate correspondence with each Minister concerned. (Mr. Channon's letter of 19th November to the Home Secretary explains why.) On the second, in the absence of final agreements on the various extra options listed in Annex 2, I doubt if this statement can be any more forthcoming. You might note that the Minister of Transport proposes to announce, by Written Answer, the retention of VED on the same day.

14. Finally, you will want Cabinet to consider the likely response to the announcement. The Lord President and the Minister of State, CSD, will together see the National Staff Side and the Joint Consultative Committee (representing the industrial grades) immediately after the announcement. Thereafter, each Departmental Minister will either see his own Staff Side, or arrange for them to be seen and told what is involved. As noted above, there is a risk of local or national industrial action. Cabinet cannot very well decide in advance what to do. You should simply ask the Lord President / or any other Minister whom you temporarily put in charge of E(CS) in his absence - I am minuting you separately about this to make sure that the Government response is co-ordinated properly, and invite all Ministers in charge of Departments to keep the Lord President / Minister of State, CSD, informed immediately of all industrial action provoked by the cuts.

CONCLUSIONS

15. Subject to the course of discussion, the conclusions of this meeting might be:-

- (i) To note the firm savings which have already been agreed, listed in Annex 1 of C(79) 51.
- (ii) To note the possibilities for further cuts listed in Annex 2, and to invite the Lord President to pursue these with the Ministers concerned.
- (iii) To approve the terms of the announcement at Annex 3, and invite the Lord President to make it in Parliament next Tuesday / or whatever other date is agreed.

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- (iv) To invite all Ministers in charge of Departments to examine rigorously the estimates for 1980-81 to keep Civil Service numbers to a minimum in that year.
- (v) To invite the Lord President to arrange for E(CS) to co-ordinate the Government response to any industrial action which may follow the announcement of the cuts.

ReA

(Robert Armstrong)

21st November 1979

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ANNEX

Numbers in post 1.4.79	732,000
Last Government's Estimates provision for 1.4.79	740,000
Last Government's Estimates provision for 1.4.80	748,000
Mean for year (ie original baseline)	744,000
Less $2\frac{3}{4}$ % cut by present Government	(21,000)
New baseline for 1979-80 (mean)	<u>723,000</u>
Less cuts now proposed (Annex 1)	<u>39,000</u>
New baseline for later year	684,000
Less possible further cuts (Annex 2)	19,000
Plus offset for future growth	<u>?</u>
Eventual total	<u>684,000⁺ ?</u>
Numbers in post 1.10.79	712,000
Numbers now expected 1.4.80	710,000

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