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CABINET

CIVIL SERVICE NUMBERS AND COSTS

Memorandum by the Minister of State, Civil Service Department

POLICY

1. The Government's policy is clear. It is:
 - a. to reduce the functions of central Government and so to reduce the number of staff required;
 - b. to see that the remaining functions are performed as economically and efficiently as possible; and
 - c. as a result, to give the taxpayer value for the money spent on the Civil Service.

FACTS

2. First, some relevant figures about the size of the Civil Service:

1952 - 762,000
1961 - 640,000 (post-war low)
1976 - 746,000
1979 - 732,000
1980 - 705,000

Annex A spells out the history by Departments and takes account of machinery of government changes. From 1960 to 1980 there has been a total increase of 66,400 (nearly 10.5 per cent). The main changes upwards have been as follows:

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Department	Staff in post		Increase between	
	1960	1980	1960 and 1980	
Department of Health and Social Security	51,000	95,000	43,000	84%
Department of Employment	22,100	51,400	29,300	133%
Inland Revenue	55,600	79,000	23,400	42%
Department of the Environment/ Property Services Agency/Transport	34,200	62,800	28,600	84%
Home Office	15,200	33,700	18,500	122%
Customs and Excise	15,300	27,400	12,100	79%

During the same period there has of course been a great increase in the work (see Notes to Annex A). The largest decrease has been in Ministry of Defence/Royal Ordnance Factories which have come down from 322,000 to 241,700, a reduction of 80,300 or 25 per cent (though over the same period the Armed Forces have reduced from 526,000 to 312,000, a fall of 40 per cent).

COSTS

3. The revised Estimates provision for Civil Service pay costs in 1979-80 was about £3,700 million. In 1980-81 the provision will be about £4,600 million after allowing for the cost of this year's pay settlements. The full annual cost of employing an Assistant Secretary at 1 January 1980 is £24,600. Costs by grade are set out more fully in Annex B.

ACHIEVEMENT SO FAR

4. Our decisions to date have brought us down from 732,000 to 705,000. The April 1981 figure will not exceed 695,000. It would be a good deal less, but for additions of over 11,000 mainly to provide additional prison officers and to handle rising unemployment. New unemployment forecasts and other unavoidable demands for 1981-82 have led to claims for a further 7,000 staff from that year. More bids for extra staff must be expected. But if they are kept to a minimum the reductions still to come from the decisions we announced last December should reduce staff numbers to not much over 670,000 by the end of this Parliament - a net reduction of over 8 per cent from when we took office. All Ministers have worked very hard to achieve this result. It will be much the largest reduction since the 1950s. But is it enough?

5. I do not think that 8 per cent will satisfy my colleagues, our supporters or the public. We have all made big efforts already. But I believe that we must do more. I also believe that more is possible. During the next three years, wastage from the Civil Service (see Annex C) will be around 240,000. This will help enormously.

WHAT SHOULD BE OUR APPROACH?

6. We should make a plan now for the rest of this Parliament and stick to it. We have between three and four years. A planned approach will do more than a series of lurches. We ought to give Departments time to work out sensible changes and implement them in an orderly way.

7. We should continue to look for whole functions that can be dropped, or done more cheaply or efficiently in the private sector. But I believe that our main attack must be on simplifying work and doing it more efficiently, not least in the demand-led areas which otherwise exert an inexorable upward pressure on manpower. More than two-thirds of the Civil Service are employed in defence, taxation, social security and the prisons. Further savings in these and similar areas must mainly be achieved by carrying out essential functions more economically.

8. Parliament and the public generally are mainly interested in the numbers of staff and not in the wider costs of administration. That is inevitable. But we must not forget costs or do things which are plainly silly simply in order to reduce the head-count. We need a drive on costs as well as on manpower.

9. The main drive within each Department must come from the responsible Minister. We shall have to get down into the detail and make the necessary changes. Sir Derek Rayner has already pointed the way in which Ministers, no longer simply policy-makers but managers as well, should pull together the costs and take stock of the activities of their Departments. Styles will vary, and the great size of some Departments means that their Ministers will simply have to delegate. One way or another, however, each of us will have to tackle the job systematically and spend time on it. Sir Derek Rayner has given us some good ideas to build on.

EFFICIENCY - DETAILED PROPOSALS

10. We shall need to look at i. the efficiency of the Service as a whole; and ii. the efficiency of specific operations. I put forward suggestions for particular studies and exercises, involving close collaboration between the Civil Service Department (CSD) and other Departments, at Annex D. In addition, the CSD should discuss with each Minister and his officials specific ways of simplifying and streamlining the main manpower-intensive activities of his Department.

11. I believe that we must make a particular effort to reduce senior grades. These have not yet started to come down in step with the rest - a reduction of no more than 12 (1.5 per cent) - over the last 12 months. They must do so if our policy is to look credible both inside the Service and more widely. In my limited experience, I have noticed examples of work which in our last period of office would be done by, say, an Assistant Secretary but which are now done at least a grade higher. I propose that each Department should reduce its posts at Under Secretary and above, taking the number on 1 April 1979 as the base-line, by at least 10 per cent by 1 April 1982. Retirements from these grades should run at about 8 per cent a year over the next three years, so this should not be too difficult.

CHANGING THE CONVENTIONS OF GOVERNMENT

12. We must encourage the Civil Service to think in a different way, to see it as a main aim to use small resources to the best advantage. I will report before the Summer Recess on pay, promotion and retirement policies and other relevant matters. I will also report later on the use of the grading structure - see Annex E.

SETTING A TARGET

13. When we embarked on the Lord President of the Council's exercise we rightly decided not to set a target. How could we know in advance what functions could be dropped? The outcome showed wide differences between Departments. But a further programme aimed mainly at improving efficiency is another matter. I believe that we must have something to aim at and that we should try to improve the efficiency of all the work that is being done. We should now set ourselves a common target. Then we must use the various measures set out in this paper to help us achieve it.

14. I propose that we should aim at a Civil Service which is smaller by the end of this Parliament than it has been since the war - a target figure of 630,000. This means a reduction of around 10 per cent from the present level, and of more than 100,000 since we came into office.

15. At first sight this may look like a tall order and it is not made easier by offsetting growth. But the decisions we have already taken put us on course for a total not much above 670,000 (see paragraph 4) and there is more to come from the further options and studies we have already decided to pursue.

16. We must make some allowance for factors outside the Government's control such as unavoidable growth. Circumstances are bound to change and complete stability is a pipedream. I suggest therefore that we should aim to provide a small contingency margin of about 10,000. The CSD would administer the use of this margin, giving priority to those claims which were forced upon us by rising unemployment or any other external factors. If, conversely, some of these changes led to possible reductions in staff the contingency margin would be increased.

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17. This means a cut of some 12 per cent on the present level of 705,000. All this can be achieved if each Minister will adopt as the target for the Departments under his control, in addition to the savings already firmly agreed, a progressive reduction in staff of at least $2\frac{1}{2}$ per cent in each of the years 1981-82, 1982-83 and 1983-84. That is what I propose. Each Minister should draw up with the CSD a plan for action in his own Department. Surely it is not impossible to find further reductions of this order in any Department through increased efficiency, simplification and other reductions in work, given three years in which to plan and carry it out? To help towards this aim Ministers would naturally be able to use the savings proposed in Annex 2 of the Lord President of the Council's paper (C(79) 57), as well as savings from the further studies, but not those already agreed and announced as firm savings on 6 December.

LONG-TERM ARRANGEMENTS

18. We should also make sure that the experience of individual Departments, and that resulting from Sir Derek Rayner's work, is effectively disseminated. The CSD should be given the task of working with each Department to ensure that each Minister can have full information about what is happening in his command (in a lasting form which will survive individual Ministerial moves); and so that we all can know the best practice being applied elsewhere. If the Cabinet agrees, I will take on this task and report progress to the Prime Minister and colleagues.

PRESENTING THE POLICY

19. Leaks and rumours have been rife. The National Staff Side have understandably demanded to know what is going on. I consider an early announcement essential. If these proposals are accepted, I suggest that I should announce the decision, and inform the Staff Side, on Tuesday 6 May. Delay will only cause us more trouble and will lower morale further.

20. Presentation to the staff will be especially important. I suggest that the main points should be three assurances:

- a. That, subject always to a crisis which we cannot now foresee, these proposals are our final instalment for the present Parliament. We ought to end uncertainty.
- b. That we are not seeking compulsory redundancy and will aim to keep it to the minimum (the existing terms are generous but I have put proposals separately to colleagues on easing the path for voluntary early retirement).
- c. That all Department will consult their Staff Sides to the fullest extent possible about the methods of reaching their target savings.

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21. All Departments should make a special effort to keep their managers informed of what is going on so that they can have the opportunity to contribute. They will have to do a great deal of the work, and should be kept fully in touch.

22. More generally, we must as far as possible avoid making the Civil Service feel that we are getting at them. There is too much attention to the size of the Service, its salaries and pensions; too little to its loyalty, integrity and dedication. We must pay serious regard to morale when we consider the future of the pay system. Meanwhile, I would ask colleagues to take every opportunity they can to show that we value the job the Service is doing for us and the country.

23. I invite my colleagues to agree:

- a. That we should make a plan for the next three years and stick to it, with the main emphasis on simplifying work and making it more efficient, and with an eye to cost as well as numbers.
- b. That a programme of work should be undertaken as set out in paragraph 10 and Annex D.
- c. That we should reduce the numbers of the most senior staff (Under Secretary and above) by 10 per cent by 1 April 1982.
- d. That we should aim at a Civil Service no larger than 630,000 by the end of this Parliament.
- e. That in order to reach this target, with a margin for contingencies and offsetting growth, each Department should aim to save $2\frac{1}{2}$ per cent in each of the years 1981-82, 1982-83 and 1983-84, in addition to the savings that have already been agreed.
- f. That the improvement of Departmental systems should be pursued as in paragraph 18.
- g. That I should announce our decision on Tuesday 6 May.
- h. That assurances should be given to the staff on the lines of paragraph 20.

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24. I also invite colleagues to note:

a. That I shall submit further papers on pay, promotion and retirement policies and on grading.

b. The importance of showing how much we appreciate the good work that the Civil Service is doing.

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Civil Service Department

24 April 1980

full time equivalents

	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
MOD ¹² OFFICE	322,000	326,300	326,100	329,900	284,900	279,400 ₃	276,000	275,100	275,200 ¹	267,400	261,300
TRADE/INDUSTRY	8,600	8,800	9,000	9,200	9,400	7,600 ₃	9,700	10,600	18,300 ¹	18,900	17,200 ₈
TECHNOLOGY	-	-	-	-	-	9,400 ₃	7,100	7,700	37,400 ¹	36,500	38,000 ₈
AVIATION/ AVIATION SUPPLY	45,600	36,900	38,200	37,500	38,400	38,800	38,400	37,200 ¹	-	-	-
DHSS	51,900	53,700	54,400	55,800	57,700	59,400	60,100	63,900	67,900	69,600	70,400
INLAND REVENUE	55,600	57,000	58,000	58,300	59,100	56,500	59,000	60,900	63,000	65,000	68,100
EMPLOYMENT GROUP	22,100	20,800	20,600	21,900	22,100	21,200	22,400	26,600	29,800 ¹⁵	30,300	31,200
DOE/PSA/TRANSPORT	34,200	33,800	33,000	32,800	71,600	71,300	69,900	69,700	72,100	72,100	70,800 ⁷
HOME OFFICE	15,200	15,500	16,400	17,400	18,700	19,100	19,700	21,000	22,400	23,500	24,700
CUSTOMS & EXCISE	15,300	15,500	15,700	15,700	15,800	15,900	16,600	17,300	17,900	17,800	17,900
MAFF	15,500	15,500	15,400	15,400	15,200	15,200	15,200	15,700	16,200	16,100	15,900
DEPT NAT SAVINGS	-	-	-	-	-	-	-	-	-	-	15,300
FCO/COL OFFICE	9,000	9,100	9,600 ²³	10,100	10,500	11,200 ²⁴	11,600	11,200	11,200	10,800	10,600
OVERSEAS DEV	-	-	1,300	1,400	1,600	2,100	2,200	2,400	2,400	2,400	2,500
LORD CHANCELLOR	5,300	5,700	6,300	6,700	6,900	7,000	7,100	7,300	7,400	7,400	7,400
SCOTTISH OFFICE	6,600	6,800	7,000	7,100	7,600	7,800	8,300	8,600	8,900	8,900	9,200
TREASURY AND CS COMMISSION	2,000	1,950	2,050	2,150	2,200	2,200	2,350	2,450	2,550	950 ²	1,050
CSD/CS COMMISSION	-	-	-	-	-	-	-	-	-	1,650 ²	2,100
WELSH OFFICE	400	400	400	400	400	400	600	700	700	700	800
SUB TOTAL	609,300	607,800	610,900	619,000	618,900	620,300	621,900	633,600	648,600	645,200	659,500
TOTAL	641,400	640,200	647,900	656,800	658,100	668,000	659,400	674,600	691,200	687,700	702,100

rounded to nearest 100

*part-timers counted as half units

STAFF IN POST IN MAJOR DEPARTMENTS AT 1 JANUARY 1970-80

full time equivalents*

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
MOD ¹²	261,300	255,700 ⁸	279,300 ⁴	270,200	267,900 ⁵	266,500	268,200	261,200	253,500	248,500	241,700
TRADE/INDUSTRY	17,200 ⁸	26,600	26,300 ⁴	18,800 ⁹	18,700	17,900 ³	18,300	18,000	16,900	17,100	16,400
TECHNOLOGY	38,000	-	-	-	-	-	-	-	-	-	-
AVIATION/ AVIATION SUPPLY	-	28,300 ⁴	-	-	-	-	-	-	-	-	-
ENERGY	-	-	-	-	-	1,200 ³	1,400	1,300	1,300	1,300	1,300
DHSS	70,400	71,800	74,500	76,500	80,900	86,700	91,600	94,500	96,900	97,600 ¹³	95,400
INLAND REVENUE	68,100	69,600	72,900	70,800	69,400	73,500	79,100	82,500	85,000 ¹⁴	85,000	79,000
EMPLOYMENT GROUP	31,200	32,100	33,100	34,400	33,800	37,000 ⁶	45,500	51,900 ¹⁶	53,000	53,700 ¹⁷	51,400
DOE/PSA TRANSPORT	70,800 ⁷	71,800	70,200	69,900	69,300	69,700	73,100 ¹⁸	71,400	69,200	66,500	62,800 ¹⁹
HOME OFFICE	24,700	25,700	27,300	28,500	28,300	30,300	32,500	32,300	33,000	33,500	33,700
CUSTOMS & EXCISE	17,900	17,900	18,300	22,600	24,800	27,100	29,300	29,400 ²⁰	28,800	23,900	27,400
MAFF	15,900	16,000	15,700	15,400	15,000	15,200	15,600	15,300	14,800	14,000	13,600
DEPT NAT SAVINGS	15,300	15,300	14,800	13,900	13,400	13,600	13,700	12,500	11,200	10,800	10,300 ²¹
FCO/COL OFFICE	10,600	10,600	10,500	10,300	10,200	10,300	10,200	10,000	9,800	9,800	9,500
OVERSEAS DEV	2,500	2,500	2,400	2,300	2,200	2,300	2,400	2,400	2,300	2,300	2,100
LORD CHANCELLOR	7,400	7,700	8,900 ¹⁰	9,300	9,300	9,600	10,000 ²²	9,900	10,100	10,200	9,900
SCOTTISH OFFICE	9,200	9,500	9,500	9,600	9,700	9,900	10,700	10,500	10,300	10,900	10,700
TREASURY AND CS COMMISSION	1,050	1,050	1,100	1,050	1,000	1,050	1,150	1,150	1,050	1,050	1,050
CSD/CS COMMISSION	2,100	2,400	2,350	3,250 ¹¹	3,250	3,500	3,700	3,400	3,150	3,250	3,250
WELSH OFFICE	800	900	900	1,000	1,100	1,300	1,500	1,600	1,500	2,600	2,500
SUB TOTAL	659,500	660,500	663,300	653,200	653,900	672,100	703,200	704,500	697,200	692,400	667,800
TOTAL	702,100	702,900	701,900	692,700	694,400	712,500 ⁶	745,100	746,200	738,000	733,200	707,800

NOTES ON ANNEX A

1. In 1967 the functions of the Ministry of Aviation were transferred to the Ministry of Technology and the Board of Trade.
2. In November 1968 the new Civil Service Department took over part of the functions of the Treasury and those of the Civil Service Commission.
3. The functions of the Department of Scientific and Industrial Research were transferred in 1965 to the Ministries of Technology, Transport and DES. The Department of Energy was created in 1974 and took over certain functions of the Department of Trade and Industry.
4. In May 1971 the functions of the Ministry of Aviation Supply were transferred to the Ministry of Defence and the Department of Trade and Industry.
5. On 1 April 1973 responsibility for the Atomic Weapons Research Establishment (5,400 staff) was transferred from the United Kingdom Atomic Energy Authority to the Ministry of Defence.
6. Including the 18,600 staff of the Manpower Services Commission, which at 1 January 1975 were not classed as civil servants, and not therefore included in published civil service numbers in that year.
7. Prior to October 1970, the Ministry of Housing and Local Government, the Ministry of Public Buildings and Works and the Ministry of Transport.
8. In October 1970 the functions of the Ministry of Technology were transferred to the Ministry of Aviation Supply and the new Department of Trade and Industry (previously the Board of Trade).
9. On 1 April 1972 responsibility for civil aviation was transferred to the Civil Aviation Authority whose staff are not civil servants.
10. On 1 January 1972 the Crown Courts were created from Quarter Sessions and the Assizes (previously staffed by local government) and, together with the County Courts Service and the Supreme Court of Judicature, became the Lord Chancellor's Department.
11. Formation of Central Computer Agency (now Central Computer and Telecommunications Agency), 460 additional staff, and take-over of Chessington Computer Centre (340 staff) on 1 April 1972.
12. Throughout most of the period 1965-80 there have been reductions in MOD arising from Defence Reviews and rationalisation of tasks. The size of the Armed Forces has also declined over the period:

1960	526,000
1980	312,000

TOTAL 702,100 702,900 701,900 692,700 694,400 712,500 745,100 746,200 738,000 733,200 707,500

13. Steady increase in size of DHSS to 1979 due to increased number and greater complexity of benefits.

	<u>Number of types of benefit</u>	<u>Number of recipients</u>
1960	23	13.6 million
1978	33	23.5 million

14. Increase in size of Inland Revenue over period 1960-78 due to increased number of taxpayers (caused particularly by inflation and less than full revalorisation of tax thresholds) increasing complexity of work and new legislation.

Number of income tax payers in 1960-61:	21.0 million
" " " " " " 1979-80:	26.0 million
(earning wives counted separately)	

15. Increase in Ministry of Labour staff numbers between 1966 and 1978 due to:

(i) increase in numbers of unemployed (from about 300,000 in 1966 to nearly 600,000 in 1968):
see also Note 17

(ii) introduction of Earnings Related Supplement.

16. Creation of Manpower Services Commission was accompanied by expansion of work to provide improved training and employment services. This led to rapid staff increases between 1975 and 1977. (The Training Services Division of Manpower Services Commission achieved 94,200 Training Opportunities Scheme completions in 1977 as against 15,500 achieved by the Department of Employment in 1971.)

17. The level of unemployment has increased markedly over the period:

1960 average:	360,000
1979 average:	1,390,000

18. Build up of centralised driver and vehicle licensing.

Vehicles with licences current in 1960:	9,440,000
" " " " " 1978:	17,817,000

19. Increase in size of Home Office mainly due to increase in prison service, reflecting larger prison population and changing staffing standards.

Average daily prison population in 1965:	30,421
" " " " " 1979:	42,220

(England and Wales only; includes borstals and detention centres)

- ber 20. Increase in Customs and Excise staff between 1973 and 1977 due to introduction of VAT and effects of joining EEC. Under former purchase tax scheme some 2,000 staff dealt with 75,000 registered traders; under VAT some 10,000 staff deal with 1,300,000 registered traders at the present time.
- 21. Decrease in Department for National Savings staff reflects decline in number of transactions (107 million in 1970; 84 million in 1979) and increased mechanisation.
- ing 22. Increase in number and duration of cases in Crown Courts. The County Courts gained jurisdiction for divorce, causing an increase in workload, in 1972.
- 23. In July 1961 the Department of Technical Co-operation was set up - staff came mainly from Foreign Office, Commonwealth Relations Office, Colonial Office and Ministry of Labour.
- 1 196 24. In October 1974 Ministry of Overseas Development set up to assume functions of Department of Technical Co-operation. Additional staff came from Foreign Office, Commonwealth Relations Office and Colonial Office.

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 are shown in all cases based on national rates of pay. In Inner and Outer London are higher.
 defined in the Salary Schedule for staff duties and levels following:
 Average salary
 12% per year progression
 Employees' National Insurance
 Allowance for stationary, telephones, postage, small office machines
 Accommodation costs

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FULL COSTS* OF PARTICULAR GRADES

GRADE	STAFF IN POST 1.1.80	BASIC STAFF COST PLUS ACCOMMODATION*	TOTAL COST 1.1.80
		£ per head a year	£ million a year
Chief Secretary	593	25,611	15.2
Assistant Secretary	1,140	24,593	28.0
Senior Principal	719	21,834	15.7
Principal	4,474	17,390	77.8
Senior Executive Officer	8,080	14,174	114.5
Higher Executive Officer	22,760	11,535	262.5
Executive Officer	46,668	8,770	409.3
Senior Officer	84,608	6,531	552.6
Senior Assistant	70,142	4,750	333.2
Administrative Assistants	21,400	4,414	94.5
Messengers	11,162	4,590	51.2
Principal Scientific Officer	2,458	17,090	41.9
Higher Scientific Officer	4,236	20,521	44.6
Scientific Officer	2,867	8,325	23.9
Statistician	302	16,501	5.0
Photoprinter	2,667	4,815	12.8
Reprographic Operator	1,040	4,483	4.7

Notes

Figures shown are in all cases based on national rates of pay. Costs in Inner and Outer London are higher.

* As defined in the Ready Reckoner for staff costs, and covers the following:

- Average salary
- 19% for superannuation
- Employers' national insurance
- Allowance for stationery, telephones, postage, small office machines
- Accommodation costs

RUN-OUT FROM THE CIVIL SERVICE OVER THE NEXT THREE YEARS
(1980-81 to 1982-83)

The two main components of wastage from the Civil Service are:

- (a) normal age retirements
- (b) voluntary resignations

Normal Age Retirements

About 70,000 non-industrial civil servants now in post will be 60 or over in the next 3 years. On current retirement patterns about 50,000 of these will retire in the period. This represents about 9% of the present number of non-industrial staff.

In some senior grades, retirements will reach a peak during the period. The following table shows the extent of estimated retirements from the Administration Group:

ESTIMATES (NORMAL AGE) RETIREMENTS 1980-81 to 1982-83

<u>Grade</u>	<u>Number</u>	<u>As percentage of current staff</u>
AS	320	25
SP	340	45
Prin	940	20
SEO	1580	20
HEO	2840	12
EO	4630	7

Voluntary Resignations

About 48,000 non-industrial staff resigned in both 1978 and 1979. There may be some fall in this number in future years because the slow-down in recruitment will tend to reduce the numbers of young junior staff who are normally more likely to resign. Changes in the economic climate will also be a factor and the best guess that can be made is that voluntary wastage of non-industrial staff will average about 40,000 a year, ie a total of 120,000 over the 3 year period.

Industrial civil servants

There is no centrally held data about the wastage of industrial civil servants but assuming loss rates similar to those for the junior grade of non-industrial civil servants, the estimated loss each year is put at about 23,000, a total of about 70,000 over the period.

Total losses

Including losses from other causes, amounting to about 2,000 a year, estimated losses in each of the years are put at about 80,000 giving a total loss of about 240,000 over the 3 year period (some 34% of the present size of the civil service).

Grade	Number	As percentage of current staff
2A	150	25
2B	340	45
2C	240	30
2D	150	20
2E	150	20
2F	150	20
2G	150	20
2H	150	20

Industrial wastage

about 23,000 non-industrial staff remains in both 1978 and 1979. There may be some fall in this number in future years because the downward trend in recruitment will tend to reduce the number of young entry staff who are normally more likely to resign. Changes in the economic climate will also be a factor and the past years has seen a fall in that voluntary wastage of non-industrial staff will amount to about 20,000 a year, a total of 70,000 over the 3 year period.

PROPOSED PROGRAMME OF WORK

(i) Staff Inspection

1. Staff Inspectors examine whether the work is essential and whether it is correctly graded and manned. There is a central cadre of 40 in the CSD and some 600 in departments. In recent years, the direction, methods and standards of staff inspection have been much improved. The implementation of inspectors' recommendations in the two years 1977 and 1978 saved 3560 posts (£17-£18m a year).

2. We feel sure, however, that more can be done. The savings quoted above represent little over 50% of the recommendations. While we do not expect 100%, since the Inspectors will not always get it exactly right, a higher rate must be achieved. A new study of staff inspection in departments is in hand, and measures for its improvement will shortly be submitted to Ministers.

(ii) Cutting the cost of Service-wide activities

3. We should expand and speed up the work led by CSD in areas where central expertise can most fruitfully be brought to bear, and especially improving the efficiency and economy of the supporting services common to all departments. Examples are messengerial and typing services, transport, post, telecommunications, reprographics. Good results have been obtained from past studies in some of these fields; a current study of messengers has identified potential savings of between 30% and 50% of complement in the departments looked at so far, which if repeated across all departments would produce savings of £7-8m annually.

4. Hitherto, this programme has been undertaken on a small scale with modest resources, and each study has been prolonged while departments have been looked at in sequence. We believe that it should be possible to make a larger and faster impact:

(a) by increasing the resources devoted to this task so that more studies can be mounted simultaneously; and

(b) beginning with the messengerial study, by preparing guidelines on the basis of studies in three or four departments which other departments would then be asked to implement.

It should then be possible to complete studies and promulgate new standards in all the supporting services.

5. There is also scope for economy in other Service-wide activities. We are already looking at statistics. Training, advertising and information are possible candidates for later studies.

(iii) Mechanisation

6. There is also scope for the improvement of efficiency by the further computerisation of manual functions and, in particular, by the introduction of word processors and other small electronic machines. The attitude of the staff is very important here, since recent publicity about new technology has aroused fears of redundancy. We hope that current discussions with the unions will produce a greater spirit of co-operation, but we shall in any case have to press forward on this front, taking unilateral action where it is necessary and right to do so.

(iv) Specific questions

7. We should certainly continue to build on the results of Sir Derek Rayner's scrutiny programme and other initiatives by

seeing how its lessons can be applied more widely. Here too there is scope for the central role of my department in disseminating experience and ensuring a reasonable consistency of approach.

Examples are:-

(a) Supervision of local government activity. Some 5000 staff are involved. We need to generalise the good work already started in some departments, and I shall be proposing to the Ministers concerned that we should aim at a reduction of one-third across the board.

(b) Industrial sponsorship. I propose that we should follow up the Secretary of State for Trade's recent initiative with a general review, and will put forward specific proposals shortly.

(c) Networks of Regional and Local Offices. Several useful studies have been set in hand. We should press ahead to conclusions and consider the scope for further work.

THE USE OF THE GRADING STRUCTURE

1. Apart from the specific reduction in senior grades proposed in para 11, we must look at the use of the grading structure. Sir Derek Rayner has proposed the reduction of the length of the hierarchy by at least three grades. His preferred method is to abolish whole grades, eg Second Permanent Secretary, Deputy Secretary, Under Secretary, Senior Principal, Senior Executive Officer. I am not sure that the abolition of specific grades is the best answer. But I will consider it, and report to colleagues in the later paper I have promised.

2. The real problem is the way in which, in any specific case, the grading structure is used. Too many levels are commonly involved in the handling of a particular job, and work gets bogged down in the hierarchy, wasting both money and time. The answer should be sought by a combination of (i) taking grading levels out of particular working structures; and (ii) channelling the flow of work so that successive levels are skipped wherever possible, reserving their use for when it is necessary.

3. I propose that, as a first step, CSD should undertake a small number of initial studies of representative areas of work. The objective would be to draw up criteria and guidelines for the more economical use of grading levels which can then be applied generally. When this had been done, departments would be required to apply these criteria and guidelines, possibly with CSD help, and to report the outcome with target dates for implementation.