

PRIME MINISTER 122 1.

SECRET

Yes ok

Subject to any comment
from colleagues, agree
form and timetable of
announcements as in
para 3?

MPD 11/3

PRIME MINISTER

CASH LIMITS, CIVIL SERVICE PAY AND THE MANPOWER SQUEEZE

Following your minute of 5 March, I have now written to colleagues informing them of the reductions in manpower costs which need to be made to help bridge the gap between the 14% cash limit and the cost of this year's Civil Service pay settlements.

2. Now that we have taken the decision to reduce Civil Service manpower costs, we ought to announce it as soon as possible. It would clear the way for pay negotiations to proceed with the non-industrial trade unions and would avoid the risk of a premature leak. Geoffrey Howe is also ready to announce that cash limits generally (including the central Vote for Civil Service pay increases) will provide for a 14% increase in current expenditure costs.

3. I propose that we should draw all this together by making announcements on Friday, 14 March. The programme which my officials have discussed with the Treasury includes the following:

a. PQ answered by a Treasury Minister announcing the factors used to calculate the 1980-81 cash limits, including Civil Service pay;

b. PQ answered by myself announcing that the Government is proceeding with the presentation of a single Vote for Civil Service pay increases (as we agreed after receiving the reports of the PAC, and Treasury and Civil Service Select Committee); announcing that there will be a Civil Service manpower squeeze of 2½% with certain limited exceptions; and saying that the Government will be considering with the unions how best to bring the cost of the Civil Service pay settlements within the cash limit, after taking account of the manpower squeeze; and

c. a note to the Treasury and Civil Service Select Committee, dealing as far as possible with their request

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for full information on how the central Vote is being calculated.

4. If you agree, we will proceed accordingly. I will arrange for my officials to see Principal Establishment Officers of all major departments on the afternoon of Thursday, 13 March to tell them what is planned and to provide them with the text of a statement which can be passed the following day to departmental Staff Sides. My officials will also meet the general secretaries of the Civil Service unions on 14 March to inform them of the Government's decisions.

5. I am copying this to all members of Cabinet, to the Minister of Transport and to Sir Robert Armstrong.

P.C.

PAUL CHANNON
11 March 1980