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PRIME MINISTER

Further Action to Reduce the Size of the Civil Service
(C(79) 38)

BACKGROUND

Previous Cabinet discussions on this topic has been highly generalised. The time has now come to get down to specifics. The Lord President's preliminary contacts with Ministers have been, as he says, disappointing. Moreover, there has already been some adverse staffside reaction, and DHSS have reported the threat of possible industrial action. But this was foreseeable and the Cabinet will not wish to be deflected from its main course.

2. One difficulty of handling this exercise arises because, inevitably, it overlaps to some extent with that on Public Expenditure. There is no way of wholly avoiding this and it may well prove that, in practice, the overlap is not too severe or confusing. One possible solution which may be suggested would be to merge the Treasury bilaterals with Departments on public expenditure and Lord Soames' bilaterals on manpower. I doubt whether this would be satisfactory and the Chancellor may well jib. The suggestion that a Treasury Minister (Lord Cockfield) might provide the necessary liaison by taking part in Lord Soames' bilaterals is possibly the best that can be managed given the other preoccupations of the Chancellor and the Chief Secretary.

3. You will also wish to take into account the discussion you had with the Lord President on Tuesday. Operationally the most important question is whether his bilateral discussions with Departments should take the form of a MISC group involving other Ministers, or be truly bilateral. You inclined to the former when you spoke to the Lord President but the device, although used before, is not popular with Departmental Ministers who see it as some form of Star Chamber. You may find it useful to see how the discussion develops before going firm on a particular solution.

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HANDLING

4. You will ask the Lord President to introduce his paper, and you might then seek comments from the Chief Secretary, particularly on the question of the real objective: to save money, or to save staff. The Lord President suggests that saving staff, on certain conditions, is a desirable objective in itself, even if the net cash savings are small (though he insists - and this is surely right - that there must be a reasonable expectation of some monetary saving). A decision in principle here will set the tone for the whole exercise.

5. You might then seek comments from the 'big employers' - Defence, Social Services, Chancellor of the Exchequer. The paper demonstrates clearly that if these three cannot make their full contribution, there is no hope of getting anywhere near the Lord President's 10 per cent target let alone any higher figures which colleagues may have in mind.

6. You might also, at this stage, check whether there are any other general points not covered in the paper which colleagues want to raise. The sort of points here might be:-

- (a) The paper takes no real credit for the Rayner exercise. This is probably right: the Rayner studies are at too early a stage for really significant savings to be safely chalked up. Anything they yield is probably best regarded as a bonus.
- (b) How should redundancy payments be credited? They can be high in the initial phase of redundancy and if cash limits apply will inhibit Departments from going for all the staff savings open to them. Is there a case for excluding redundancy payments from cash limits? Or for some other form of special treatment?

7. You will then want to bring the Cabinet to some specific conclusions. The recommendations in paragraph 18 of the Lord President's paper provide a convenient checklist for this purpose and you might lead the Cabinet through them seriatim. The final conclusion about the manner of conducting the bilaterals will need to be adapted in the light of discussion.

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CONCLUSIONS

8. The simplest and most workable conclusion might be:-
To accept the recommendations in C(79) 38 subject to any
specific changes which may have been agreed in discussion
and to invite the Lord President to conduct the next stage of
the operation with a view to a report back to the Cabinet on
18th October.

JH
(John Hunt)

12th September 1979

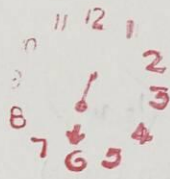


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