

SECRET



Prime Minister A/2

I think Lord Soames is right.

Bigger cuts than 2 3/4%. This year are not on. 12

PRIME MINISTER

PAY INCREASES AND PUBLIC EXPENDITURE

Flag

In Keith Joseph's minute to you of 11 July, he suggested, among other things, that we should consider reopening the decision that this year's pay component of Civil Service cash limits should be reduced by 3%, and see whether a significantly larger reduction could be obtained in particular areas to offset the cost of particular settlements, for example, the industrial civil service. 17h

2. As you will remember, we would have liked to have made a bigger reduction but, following discussions in Cabinet, we concluded that 3% represented the maximum overall saving which could be achieved in the present financial year. This figure was announced by Paul Channon in a written Answer on 22 May. In the event, because of certain exemptions, we ended up with 2 3/4% overall and the cash limits have now been adjusted by the required amounts.

3. In view of the difficulty we had in achieving 2 3/4%, I doubt whether any of our colleagues will now feel able to offer further savings to make possible a significantly larger reduction. As I explained in my minute earlier today, we need to consider very soon what to do about the pay of industrial civil servants. I shall bring forward proposals as soon as possible and that will be the time for those, such as Defence, who employ large numbers of industrials to consider how much of the settlement could be absorbed within existing cash limits.

4. I am copying this minute to members of E Committee and Sir John Hunt.

S. [Signature]

SOAMES
17 July 1979



17 JUL 1979

12 1 2
11 12 1
10 11 12
9 10 11
8 9 10
7 8 9
6 7 8
5 6 7



[Faint, illegible handwritten notes in the top left corner.]

[Faint, illegible typed text, likely the beginning of a letter or report.]

[Faint, illegible typed text, continuing the document's content.]

[Faint, illegible typed text, continuing the document's content.]

[Faint, illegible typed text, continuing the document's content.]

[Faint, illegible typed text, continuing the document's content.]

[Faint, illegible typed text, continuing the document's content.]

[Faint, illegible typed text at the bottom of the page.]