



CONFIDENTIAL

PRIME MINISTERCivil Service Numbers After 1984
(C(82) 40)

BACKGROUND

When it discussed the 1982 Public Expenditure Survey on 2nd November the Cabinet approved the targets for Civil Service numbers at 1st April 1984, but not for later years. The Chief Secretary, Treasury indicated that he would be making proposals for later years in due course (CC(82) 46th Conclusions, Minute 2).

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2. His proposals are contained in C(82) 40. The Chief Secretary notes that present plans include Civil Service numbers of 623,850 at 1st April 1985 and 621,150 at 1st April 1986. He suggests that, again on present plans, Civil Service numbers could be expected to decline to about 605,000 by the end of the decade (or about 585,000 if the Royal Ordnance Factories are hived off). These numbers would be affected by economic and other developments, especially changes in unemployment.

3. The Chief Secretary suggests that the Government should continue to set and announce specific targets for Civil Service numbers; and that the numbers set out in paragraph 2 above are insufficiently demanding. He proposes that new targets should be established for Civil Service numbers at 1st April each year from 1985 to 1988. So that Ministers can decide these targets in an informed way there should be a Service-wide exercise aimed at assessing:-

- (i) the lowest practicable total for Civil Service staff in post for each year from 1st April 1985 to 1st April 1988 inclusive on the basis of present policies;
- (ii) the manpower and expenditure implications of any new policies already envisaged but not yet incorporated into Departmental expenditure programmes; and



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- (iii) whether and how the figures at (i) could be reduced by 5 per cent or 10 per cent by further improvements in efficiency (necessarily involving a change of policy, since the figures at (i) will assume that the maximum improvement in efficiency under existing policies is achieved); by privatisation or contracting out (on which the Chancellor of the Exchequer has circulated a separate memorandum); or by new initiatives or policy decisions.

On the basis of this information the Chief Secretary would report to the Cabinet in May 1983 with quantified proposals.

4. The present manpower targets are regarded as having a validity independent of other plans and policies. This has had disadvantages: in particular, initiatives which would have been financially beneficial have been prevented because they would have increased staff numbers. The Chief Secretary therefore suggests that future policy should be more flexible, and that Ministers should, in effect, be willing to consider trade-offs between staff numbers, expenditure and revenue; this would be done in the context of the Government's general economic and financial strategy in the annual Public Expenditure Survey.

5. Although C(82) 40 says that the target of 630,000 by 1st April 1984 should be achieved, we understand that the most recent appraisal gives some grounds for concern, and that the target may be at risk; this is mainly, though not only, because higher unemployment assumptions indicate that more staff will be needed by the Department of Health and Social Security and the Department of Employment. Treasury Ministers may refer to this development at the meeting.

MAIN ISSUES

6. The main issues for the Cabinet are as follows:

- (i) Should there continue to be specific targets for Civil Service numbers?
- (ii) If so, what should be their nature?

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- (iii) Should the Chief Secretary, Treasury be invited to launch a Service-wide exercise on the lines which he proposes?
- (iv) Should there be an announcement of the Government's decisions?

Need for Separate Targets

7. It is unlikely that any member of the Cabinet will dispute the need for specific targets for Civil Service numbers. The arguments in paragraphs 5 and 6 of the note attached to C(82) 40 are strong. It is quite normal for large industrial and commercial firms to have a specific policy on the numbers they employ.

Nature of Targets

8. The Chief Secretary's proposal to operate the target system more flexibly is also likely to be generally welcomed. It will however be necessary to guard against going too far from present policy. The establishment of firm targets has undoubtedly been more effective in reducing numbers than a policy of arguing out every possible reduction 'on its merits'. This gain should not be sacrificed. The Cabinet may well feel that it is sufficient to establish it clearly that, if any relaxation in a particular Departmental target is proposed, the onus of proof lies on the proposer, who will have to show clear financial or other policy gains in justification.

Proposed Exercise

9. So far as we know, no Minister is likely to disagree in principle with the exercise proposed by the Chief Secretary. But the following points of reservation or qualification may be raised;

(a) Timetable

The proposed timetable (launch in January; replies from Departments in the first half of March; bilateral discussions thereafter leading up to a report to the Cabinet at the end of May) may be



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criticised as unnecessarily stringent. It will impose a heavy burden on central financial and establishment staff in Departments, who will have to cope with the new exercise at the same time as finalising the 1983-84 Supply Estimates, the initial stages of the 1983 Public Expenditure Survey, and the financial management initiative. It may be suggested that it would be enough if the Chief Secretary reported to the Cabinet in July. We understand that Treasury Ministers take the view that this would lead to an excessive burden on Ministers in June and July because that is when the Public Expenditure Survey Report is finalised and considered by Ministers; but in fact the main burden does not usually fall on Ministers until about September, when the Chief Secretary holds bilateral discussions with spending Ministers in the light of the Cabinet's initial discussion of public expenditure in July.

(b) The 5 and 10 per cent cuts

The Chief Secretary proposes that Departments should indicate whether and how they could reduce the figures resulting from efficient conduct of existing policies by 5 per cent or 10 per cent through policy changes. Some Ministers will be apprehensive that reductions put forward on this basis will be incorporated into new targets; that, in the event, the policy changes which they require will not be made; but that they will still be expected to make the reductions.

(c) Management Aspects

Although there has been wide recognition in the Civil Service that reductions in manning were necessary, some Departments, at least, are beginning to 'feel the pinch'. Some of your colleagues are likely to argue that morale will suffer if the outlook is



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solely for continuing reductions in numbers without any incentives or recognition of the additional workload and other management consequences. They may well emphasise the need to get ahead with the type of measure described in paragraph 23 of the note attached to C(82) 40, and indeed suggest that progress here will be a necessary condition for continued satisfactory progress in reducing staff numbers.

Announcements

10. There is continuing interest in Civil Service numbers; and an exercise on the lines suggested by the Chief Secretary, which is bound to involve many staff in all Departments, is certain to leak. The Civil Service trade unions, in particular, are sure to learn of it. There is therefore much to be said for:

- (a) formally telling the trade unions of what is afoot; and
- (b) a public announcement - this should probably be in fairly low key, since no radical new policy is proposed.

I understand that Treasury Ministers are considering these aspects. You may wish to invite them to circulate any texts in draft to the Cabinet. Other members of the Cabinet, especially those in charge of large Departments, may wish to make arrangements for informing their own Departmental staff sides. Steps of this nature should be co-ordinated by the Treasury.

HANDLING

11. You will wish to ask the Chief Secretary, Treasury to introduce the discussion. All Cabinet Ministers have an interest: those responsible for the largest numbers of staff are the Home Secretary, the Chancellor of the Exchequer, and the Secretaries of State for Defence, the Environment, Social Services and Employment. The Lord Privy Seal will have comments from the points of view of management and morale.

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CONCLUSIONS

12. You will wish the Cabinet to reach conclusions on:

- (i) the recommendations in paragraph 6 of C(82) 40;
- (ii) whether the fact that a new manpower exercise has been put in hand should be made public; and if so, how?

Robert Armstrong

14th December 1982

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CC No
2
Prime Minister

MUS 13/5

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

PRIME MINISTER

CIVIL SERVICE NUMBERS

You may like to know the latest position on Civil Service
staff numbers.

2. Departmental staff-in-post figures at 1 April 1983 show a total of 648,700. The reduction of 3,800 achieved in the last quarter is made up of 2,000 non-industrials and 1,800 industrials. Gross savings totalled 4,600, the largest contributors being Defence (1280), Environment (1150), my own Departments (970) and DHSS (590). There were off-setting increases of just over 800. Just over 350 of these were in the Department of Employment, reflecting recruitment in the Unemployment Benefit Service, and 170 in the FCO, the majority of which were transferred from PSA to deal with the Diplomatic Estate. We remain on course to achieve the target of 630,000 by April 1984.

3. The figures show that there has been a reduction of 83,600 (or 11.4 per cent) in the number of civil servants since we came to office and that we now have the smallest Civil Service for twenty years.

4. The April figure will be announced by means of a Written Answer today.

(G.H.)
12 May 1983



Mr Plesher 2

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

10 February 1983

Michael Scholar Esq
10 Downing Street
LONDON SW1

MS

Rue Muntz

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11/2

Dear Michael,

CIVIL SERVICE NUMBERS

In the Chancellor's absence in Washington, I am writing to let you know the latest position on Civil Service numbers.

Departmental staff-in-post figures at 1 January 1983 show a total of 652,500. The reduction of 2,500 achieved in the last quarter is made up of 800 non-industrials and 1,700 industrials. Gross savings totalled 3,500, the largest contributors being Defence (1,800) Environment (360) and the Chancellor's own departments (400). But there were offsetting increases of just under 1,000. Over 300 of these were in the Home Office, reflecting increased recruitment of Prison Officers, and 350 in DHSS, reflecting recruitment for special hospitals and local offices. Although net reductions are considerably less than the last quarter, the Government remains on course to achieve the target of 630,000 by April 1984.

The figures show that there has been a reduction of 79,800 (or 10.9 per cent) in the number of civil servants since the Government came to office.

The January figures will be announced by means of a Written Answer tomorrow.

*Yours sincerely,
Margaret O'Mara*

MISS M O'MARA



cf/v 2

Prime Minister:

This is an agenda for Cabinet on 16 December

7 December 1982

MS 7/12

Treasury Chambers, Parliament Street, SW1P 3AG

T J Flesher Esq
Private Secretary
Home Affairs
10 Downing Street
London SW1

Dear Tim

The Chief Secretary was grateful for the Prime Minister's comments on this draft paper.

... I now enclose the covering note to which the paper will be annexed, and a revised version of paragraph 18.

You will see that the new version includes the test figures of 5% and 10%. It had been our intention to incorporate these test figures in the launching letter to departments, but the Chief Secretary agrees that they can perfectly well be included in the paper. He has however presented them in a slightly different way: the test figures come on top of present plans. The Ministry of Defence, for example, is already planning the hiving-off of the ROFs, which would score 10% straightaway.

Copies of this letter and enclosures go to the recipients of yours.

Yours sincerely

J. Gieve

JOHN GIEVE
Private Secretary

7 JUL 1882

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THE SECRETARY OF STATE FOR THE COLONIES

10, WHITE HALL PLACE, LONDON, E.C. 4

Dear Sir,

I have the honor to acknowledge the receipt of your letter of the 2nd inst.

in relation to the application for a grant of a patent for an invention

in the colony of the Cape of Good Hope.

The application has been referred to the appropriate authorities for their consideration.

I am, Sir, very respectfully,
Your obedient servant,
J. S. [Name]

DRAFT

18. It is therefore proposed that the Treasury should conduct a service-wide exercise early in 1983 to establish a basis for quantifying reductions up to April 1988. The Chief Secretary would write to his colleagues early in January asking for written reports early in March which would assess for each of their departments:-

(i) Taking the manpower figures to 1 April 1986 shown in the Public Expenditure Survey as the starting point, and taking full account of the scope for further improvements in efficiency, what would be the lowest practicable limit for civil service staff in post for each year from 1 April 1985 to 1 April 1988 inclusive on the basis of present policies (projected beyond the end of the PES cycle);

(ii) What would be the manpower and expenditure implications of any new policies or initiatives which are already envisaged but are not yet incorporated into departments' PES programmes;

(iii) Whether and how they could reduce the figures proposed at (i) above by 5% or 10% by a combination of

(a) further improvements in efficiency involving a change in policy;

(b) further privatisation or contracting-out (the Chancellor's paper (reference) sets out his proposals for contracting out);

(c) other new initiatives or policy decisions to reduce civil service tasks and the manpower they require.

DRAFT CABINET PAPER

CIVIL SERVICE NUMBERS AFTER 1984

Note by the Chief Secretary

It is time to consider our policy for Civil Service numbers after April 1984. We are on course to achieve the target of 630,000 by that date. We need to settle what is to follow in time for our decisions on the 1983 Public Expenditure Survey.

2. The annex to this paper considers what form our policy after 1984 should take.

3. The policy adopted in 1980 has been successful. We shall have removed 102,000 posts (14%) in our first term of office. For the reasons set out in the annex, I believe that we should maintain this policy in our second term, but can improve on the way in which it has worked so far.

4. In brief, I propose that:-

(a) we should again settle manpower targets for a date several years ahead: I suggest 1 April, 1988;

(b) the overall target should be constructed on the basis of the targets for each department (not, as in 1980, the other way round);

(c) once targets have been established, they should be reviewed as necessary alongside expenditure plans in each successive Survey.

5. We are not yet in a position to settle the target figures. Present plans, as shown in the 1982 Survey, show some continuing reductions between April 1984 and April 1986. But we need to improve on these, and to establish the maximum scope for further

reductions over the two years following. I therefore propose the exercise set out in paragraphs 18-21 of the Annex. This would include the civil service component of the operation on contracting-out proposed in the Chancellor of the Exchequer's paper C(82).

6. I invite colleagues to agree that:-

(a) there should be a review early in 1983 to identify and quantify the scope for reducing Civil Service manpower between 1984 and 1988;

(b) I should write to Ministers early in January about the detail of the assessments they are asked to make for each of their departments;

(c) replies should be sent to me in the first half of March;

(d) after any bilateral discussions that seem necessary, I should report back to Cabinet in May with proposals for new Civil Service manpower targets up to 1988;

(e) starting with the 1983 Public Expenditure Survey, manpower and expenditure plans should then be reviewed in parallel each year.

FILE 80



10 DOWNING STREET

From the Private Secretary

8 December, 1982

Thank you for your letter of 7 December, enclosing the final version of the Chief Secretary's Cabinet paper on Civil Service Numbers after 1984 and the revised version of paragraph 18. This is just to record that the Prime Minister has seen and noted your letter.

TIMOTHY FLESHER

John Gieve, Esq.,
Chief Secretary's Office, Treasury

Handwritten initials, possibly 'JG', in the bottom right corner of the page.



File

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10 DOWNING STREET

From the Private Secretary

2 December, 1982

BF

Policy on Civil Service Numbers AfterApril 1984

The Prime Minister was very grateful for the Chief Secretary's minute of 29 November and for the draft Cabinet paper.

Mrs Thatcher agrees that the paper should be circulated for Cabinet discussion on 9 December, but would be grateful if the Chief Secretary would consider two points, both arising from paragraph 18 of the draft.

First, the Prime Minister thinks that in order to forestall or reduce possible Ministerial criticism of the amount of "efficiency" and related work now in train, it would be helpful to explain what is meant by "a major but rapid interdepartmental exercise" (for example, is it intended that the exercise should be conducted on paper only?) and when "early in the New Year" it would be conducted.

Secondly, the Prime Minister suggests that the basis of the proposed exercise might be strengthened by conflating 18i and 18iv, perhaps on these lines, introducing the idea of a test percentage reduction:

- "i. Whether and how they could reduce their staff numbers by 5% and 10% by 1 April 1988 by reference to
- present policies (projected beyond the end of the PES cycle)
 - the maximum scope for improvements in efficiency.
 - what extra initiatives or policy decisions would have to be considered in order to produce a further substantial reduction in manpower."

I am copying this letter to John Kerr (HM Treasury), Mary Brown (MPO), Richard Hatfield (Cabinet Office) and Christopher Joubert (Rayner Unit).

J. Gieve, Esq.,
H.M. Treasury,

(Timothy Flesher)

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