



FROM: THE RT.HON. SIR KEITH JOSEPH, Bt. MP.

KJ/SMC

Rt.Hon. Mrs. Margaret Thatcher, MP.

14th August 1978

*Dear Margaret.*

There have been talks, over the last few months, between David Howell and me, and Kenneth Baker and me about reducing about the size and cost of the civil service. This note, which I am copying as below, summarises the suggestions that have emerged.

- (a) Kenneth believes that we can substantially reduce the civil service if we are decisive;
- (b) some decisions with substantial manpower savings will only be made by the Cabinet, such as vehicle licensing: the National Savings movement: taxation: sickness benefit;
- (c) cash limits can be very effective. We could use them, and the equivalent in connection with local authorities, to do much of our work for us provided there is strong Ministerial pressure to squeeze;
- (d) political and parliamentary pressure will be essential - through ~~the strength of~~ the Controller and Auditor-General: the new Select Committee proposals: more accounting officers;
- (e) it would be a help if civil servants could be given credit for cutting spending. Cost effectiveness is not even recorded in the civil service appraisal forms for individual performance. I attach a copy of a relevant note to Geoffrey and Jim from John MacGregor.

... It was stressed to me that it would be essential to be generous with redundancy - there ~~is~~ so many savings in premises and overheads to harvest, in addition to salaries.

Cont./.....

*Joseph m.p.*

*// →*

*x strengthening*

*Len*



Kenneth Baker has already sent me a note, which has been copied to Geoffrey and to Adam Ridley, about the technique which we shall have to use to tackle index-linked pensions by way of charging the appropriate contribution for them.

Derek Rayner has sent me a list of businessmen who might be candidates to stiffen up individual activities and, in particular, Defence Procurement. There may be very big savings on the civilian side of Defence.

Both our colleagues - David and Kenneth - stressed how essential it will be for you, if possible on Day 1, to emphasise the importance of this side of your policy and to ask for proposals to bring about an increase in productivity and a reduction in staff - to be given to you in, say, 3 months with, say, 6-monthly progress reports thereafter.

→  
L to the Head  
AR Civil Service

The work of Leslie Chapman has been most useful. To some extent what he recommends will probably result from the operation of cash limits, but his techniques and his drive would be invaluable if they could be widely used.

I am consulting David and Kenneth about possible ways in which he might be fitted in, and will write to you further on that.

Ken.

Kenneth

C.c. Rt. Hon. William Whitelaw, MP  
Rt. Hon. Sir Geoffrey Howe, QC, MP  
Rt. Hon. James Prior, MP  
Rt. Hon. Francis Pym, MP  
David Howell Esq., MP  
Kenneth Baker Esq., MP  
Adam Ridley Esq.

16th August 1978

In Mrs Thatcher's absence on holiday I am writing to acknowledge you two letters of 14th August, the first enclosing the memo from John MacGregor, and the second enclosing Irwin Bellow's paper. I shall certainly make sure that Mrs Thatcher sees them as soon as she returns.

Richard Ryder  
Private Office

The Rt Hon Sir Keith Joseph Bt MP

*I think I had better  
have a talk with  
Keith about this  
many things have  
written back*