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CABINET

MINISTERIAL COMMITTEE ON ECONOMIC STRATEGY

TAXATION OF BENEFITS PAID TO THE UNEMPLOYED

Note by the Minister of State, Civil Service Department

Manpower savings in the Civil Service of £212 million a year were announced on 6 December. Cabinet has already decided to provide for growth in some areas which will largely offset the tranche of savings for 1980-81, and these additions will continue in the subsequent years unless there is a significant change in the underlying assumptions, particularly on unemployment. Therefore I believe we must absorb within existing allocations for staff costs any further proposals which entail additional manpower. Otherwise we shall simply not be able to make good our claim that the general trend in the size of the civil service will from now on be downwards.

2. Cabinet has agreed that any exceptional cases where a net increase in staff is sought must be approved by CSD Ministers. The Chancellor's paper estimates the staff costs of Method B (the recommended option) as 2,860, which may be reduced following further discussion with the consultants to around 2,000. Further reductions may be possible in the longer term.

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3. The Chancellor acknowledges these costs to be heavy and examines in his paper an alternative system under which benefits would be reduced by a flat amount. He concludes that this is not an acceptable long-term alternative and, if the Committee agree with this conclusion, the only way of avoiding a net increase in civil service manpower is for the staff costs of the preferred option to be absorbed by the departments concerned.

4. I recognise that the prospect of finding the required off-setting savings - which may involve not simply a further tightening of the belt but a deliberate decision to drop or curtail other functions in addition to those already agreed - will be unwelcome to my colleagues. Nevertheless, we are going to be faced with many further demands for additional staff resources in the future. This is only the first. If we are genuinely determined in our policy to containing the size of the civil service we must set out as we mean to go on.

5. Therefore I ask my colleagues to agree that the planned Public Expenditure Survey provisions for the departments concerned should make no allowance for the additional staff costs of these proposals.

Civil Service Department

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