

PRIME MINISTER

Civil Service ²

This letter to Mr. Maude is a sample of what Mr. Channon has written to all Cabinet colleagues about the coming manpower squeeze. The only exclusion he has specified is for the prison officers. In his letters to the Home Secretary and the Secretary of State for the Environment he has seized on their offers to find 3 per cent savings (in Mr. Whitelaw's case only outside the prison service).

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T. Brown
Duty Clerk.

7 March 1980

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Cabinet Office,
Whitehall,
London, SW1.

PS(80) 3

7th March, 1980

Dear Private Secretary,

Pay Research and Cash Limits

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It has been agreed that we should in certain respects enlarge upon the conclusions recorded on this subject in CC(80) 8th Conclusions, Minute 4.

As recorded, the Cabinet agreed upon the basis on which the Minister of State, Civil Service Department should conduct negotiations with the National Staff Side on the Civil Service pay settlement due from 1 April 1980. They also agreed upon a cash limit for the Estimate for the Civil Service pay vote for 1980-81.

The Cabinet further agreed that, in so far as the cost of the outcome of the negotiations on the amount and timing of payment of the pay increases exceeded what would be provided for in the Estimate, the savings required should be achieved by further manpower reductions. It was thought that reductions totalling 2½ per cent should be manageable. Ministers in charge of Departments were invited to give immediate consideration to the means of reducing the costs of manpower in their Departments by 2 to 2½ per cent in 1980-81. The Cabinet recognised that some Departments would find savings of this order easier to achieve than others, and that the savings need not be uniformly distributed among Departments; but, if some Departments were to reduce by less than the average, others would need to reduce by more. The Cabinet invited the Minister of State, Civil Service Department, to discuss with his colleagues in charge of Departments how to achieve the necessary reductions, and to circulate proposals in due course.

I am sending copies of this letter to the Private Secretaries of all members of the Cabinet.

Yours sincerely,

(Signed) D.J. WRIGHT

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Civil Service Department
Whitehall London SW1A 2AZ
Telephone 01-273 3000

Minister of State

7 March 1980

The Rt Hon Angus Maude, TD, MP
Paymaster General
Privy Council-Office
68 Whitehall
LONDON SW1A 2AT

Dear Angus,

CIVIL SERVICE PAY AND CASH LIMITS: MANPOWER REDUCTIONS

The Prime Minister's minute of 5 March to the Home Secretary makes it clear that, subject to certain strictly limited exceptions, every Department must make a reduction of at least 2½% in the cost of its manpower in 1980-81. This is to make good the likely shortfall between the cash limit we have agreed, and the amount required to finance settlements. Exceptions will have to be confined to Prison Officers and a few very small Departments such as the Parliamentary Commissioner for Administration and Health Service Commissioners and the Exchequer and Audit Department. The Prime Minister has asked me to confirm with colleagues the reductions to be made, and report back to Cabinet.

Reductions of 2½% or more are required in every case save the very limited exceptions already envisaged. In accordance with the Prime Minister's minute, the 2½% reduction will be applied to your Department. The reduction will be applied to the gross wages and salaries bill for which provision is being made in departmental Estimates for 1980-81 and which are covered by the central Vote.

In June, by which time non-industrial Civil Service pay should have been settled, the central pay Vote will be distributed to departmental Votes. These allocations will as necessary include an allowance for industrial staff, using whatever assumptions then seem most appropriate. My officials will be writing to yours shortly, setting out further details about the mechanics, including guidance relating to the position of trading funds.

I realise that in order to achieve this saving you will want to put work in hand as quickly as possible, including, no doubt, early consultation with your Staff Side and the other parties concerned. I must ask you, however, to have no consultations, or to do anything which might cause these decisions to become public, for the time being. But I naturally understand the urgency. I will be in touch with you again within the next week or so.

I am copying this letter to the Prime Minister and to Sir Robert Armstrong.

PAUL CHANNON

*Yours,
Paul*

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7 MAR 1980

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