

Main corporate plan in wallet attached to file. PRIME MINISTER PA MS

The MSC Corporate Plan has been published today

MANPOWER SERVICES COMMISSION Here are a summary, the MSC

SUMMARY OF MSC's CORPORATE PLAN 1981-85 Press Notice and the document as submitted to Ministers, December 1980 itself. It gives a bleak outlook for unemployment through to 1985, and you might like to read the section between flags A and B. No doubt it will be quoted back at you in the New Year MS

1. The Manpower Services Commission agreed its Corporate Plan for 1981-85 on 16 December and submitted it to the Secretary of State for Employment and the Secretaries of State for Scotland and Wales on 19 December 1980.

2. The document begins by reviewing the plans published in its Manpower Review 1980 and a number of modifications which have been necessary during the last twelve months (Chapter 1). It then discusses (in Chapter 2) the rapid deterioration of the labour market in recent months and the poor outlook for the next few years, reporting the general consensus among economic forecasters that unemployment will continue rising all through 1981 and well into 1982 and sets out its own projections for school leaver unemployment and long term unemployment among adults. These projections show that without special programmes for young people there would be more than 600,000 school leavers unemployed in the summers of 1982 and 1983 and that the number of adults who have been out of work for 12 months or more is set to rise from 400,000 in 1981 to 600,000 by 1983.

3. The core of the plan is Chapter 3 - a discussion of the Commission's strategy. This Chapter deals with the Commission's basic problem over the next four years - how to cope with very high unemployment and maintain adequate training and placing services which can respond to and assist the economic recovery which should be underway before the end of the planning period, while its staffing is being run down and its expenditure subject to very tight constraints.

4. The document welcomes the Government's decision to expand the Youth Opportunities Programme, Community Industry and the Unified Vocational Preparation Schemes, and to launch a new Community Enterprise Programme (CEP) providing for twice as many adult unemployed as the STEP programme it replaces. The staffing and expenditure of these programmes will increase - by some 975 staff, and by £128M by 1982/83.

5. On the other hand the Government requires the Commission to reduce its staffing by 1710 posts and its expenditure by £20M in 1981/82, and £30M in the following years. These cuts, the latest in a series of cuts imposed since June 1979, fall almost exclusively on the employment and training services, given the growth in

special programmes and the limited cuts that can be made from the much smaller numbers of staff providing administrative support for the three operating divisions.

6. The Commission's approach to making the required cuts in the employment and training services was to minimise the effects on employers and jobseekers; to spread the cuts widely so as to maintain intact, albeit at undesirably low levels, the infrastructure of its programmes; and to avoid cutting any services which could not easily be restored so as to be ready for and assist in the emergence from recession.
7. Part of the expenditure reduction will come from the decision not to proceed with the experimental CAPITAL project, and to retain the Enfield Skillcentre rather than build a new centre at Camden. These will together contribute £5.1m by 1983/84 to the expenditure savings. Nevertheless substantial sums still have to be found from cuts in services which would otherwise have been left intact. The main item is a reduction of about 4,750 in the number of people trained under TOPS, mainly in college based courses.
8. Within these very rigid expenditure constraints the Commission could not exempt its support for apprentice places. But Commissioners regard such a cut as unacceptable and are asking the Secretary of State to allow a transfer to the support of apprenticeships, if necessary, of up to £1.1m from the amount allocated for the expansion of the Youth Opportunities Programme.
9. The staff cuts have also required major reductions in levels of service. The employment service will lose over 800 staff, mainly in the jobcentres but also in services for disabled people, and the training services will lose a similar number - half of them ancillary staff in Skillcentres.
10. The Corporate Plan then sets out, first for Great Britain as a whole (Chapter 4), and then for Scotland and Wales (Chapters 5 and 6), how the Commission's programmes will stand after the increases in special programmes and the cuts in its other services. The employment service will be under severe strain and the jobcentre service will be able to offer jobseekers very little beyond the self service display of vacancies and some employment offices might even have to be closed. The Commission is, at the request of the Secretary of State for Employment, to examine "voluntary registration" (ie a system whereby unemployed people wishing to claim unemployment benefit would no longer be required to register with the employment service.) The Commission is uncommitted on this matter and says that a change in this direction raises many difficult issues

and would require very careful study before adoption. While it would reduce the workload on the Commission there is, in the Commission's view, no prospect that it would make still further staff cuts possible - as it is, it is very difficult for the employment service to do an adequate job within the resource constraints imposed on it given much higher levels of unemployment.

11. The training services may also find it difficult to service industry's need for skilled manpower. Grants for industrial training will be reduced at a time when the Government has decided to withdraw exchequer support for the Industrial Training Boards, and the Commission's own training effort (in the Training Opportunities Scheme) will be reduced to about 56,000 completions a year, compared with 74,000 in 1979/80.
12. Programmes for unemployed young people however will be expanded - to serve 440,000 16 or 17 year olds a year, and the new Community Enterprise Programme for long term unemployed adults will serve twice as many people as the STEP programme it replaces. But even at 25,000 places the programme is being set alongside the 600,000 people the Commission forecasts as having been out of work for 12 months or more by 1983.
13. The Commission's scheme for meeting the Government's requirements to cut expenditure and staffing is set out in Annex A. Annexes B and C shows how the Commission plans to deploy its staffing and expenditure resources in the next four years.

Press Notice

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19 December 1980

FURTHER CUTS IN MSC RESOURCES WILL HAMPER ECONOMIC RECOVERY

The Manpower Services Commission has today emphasised the difficulties it faces in making further staff and expenditure cuts required by the Government at a time when the demand for its services is rising due to the present levels of unemployment which are expected to remain high for the next five years.

The Commission has informed the Secretary of State for Employment that in looking ahead to 1985 it has had to plan reductions in its employment and training services to levels which it believes are inadequate and not in the interests of the labour market from either the economic or a social point of view.

In submitting its Corporate Plan for 1981/85 the Commission says that the requirement to make staffing cuts of 1710 by April 1984 and expenditure cuts of £20m in 1980/81 and £30m in each of the following two years has created great difficulties for it. The Commission adds "We are exceedingly uneasy at having to reduce the employment and training services whose main job is to help unemployed people back to work and sustain an adequate skill base at a time when unemployment is rising sharply".

The Commission has told the Secretary of State for Employment that, while it welcomes his support for the expansion of its special programmes to help unemployed people, the reductions in staff and expenditure required by the Government meant a progressive decline in the employment and training services. Expenditure on these services will fall by around £94m between 1979-80 and 1984-85 or 18.5%. Between April 1979 and April 1984 the number of staff in the employment and training services will fall by about a fifth.

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Sir Richard O'Brien, MSC Chairman, said that the Commission had done its best to maintain the infrastructure of its services, to allow a quick response to economic recovery when it comes, and had tried to mitigate the effect of the cuts in some areas - for example skillcentre training and services to disabled people. It would continue to improve the efficiency of its services and within the limits of its resources promote a forward-looking manpower policy to meet the needs of the economy in the longer term.

Sir Richard added that the Commission was particularly concerned about apprentice training. It intends to try to avoid reductions in the level of support to such training in 1981/82 but if the present level of support for apprentice training is maintained the Commission fears this may not be sufficient to sustain apprentice intakes at an adequate level in future. The MSC intends to review the whole situation urgently early next year and may then return to the Secretary of State if additional resources are needed.

Among the changes and developments announced in the Commission's Corporate Plan are

- * a further reduction of 605 staff by 1984 in the employment service placing activities (bringing the total in April 1984 down to 6905 from 8205 in April 1979) involving smaller resources to deal with emergencies such as major redundancies, a cutback in the time devoted to self service and finding vacancies, and to help jobseekers seeking advice
- * a substantial reduction of 4750 in 1983/84 in the number of people trained, mainly in clerical and commercial skills under the Training Opportunities Scheme
- * a decision in principle, subject to consultation with the staff side, not to proceed with the proposed CAPITAL system of computer-assisted placing and end the pilot programme, but to set in hand an urgent study of a computerised vacancy job bank which, if successful, could also apply to other conurbations

contd.

* an examination by the Commission, at the request of the Secretary of State for Employment, of "voluntary registration" (ie a system whereby unemployed people wishing to claim unemployment benefit would no longer be required to register with the employment service). The Commission says that it remains uncommitted on this matter and that a change in this direction raises many difficult issues and would require very careful study before adoption. While it might reduce the workload on the Commission there is, in the Commission's view, no prospect that it would make still further staff cuts possible - as it is, it is very difficult for the employment service to do an adequate job within the resource constraints imposed on it. Should voluntary registration be impracticable or undesirable the Commission intends to reconsider the whole staff position and may well seek substantial restoration of cuts.

The Commission makes clear in its Corporate Plan that because of resource constraints and cuts, its plans are "not the plans we would wish to make against rapidly escalating unemployment and rapidly changing skill needs." Sir Richard O'Brien reaffirmed the Commission's vital role in meeting the needs of the labour market and its determination to fulfil that role in the difficult years ahead.

NOTES TO EDITORS:

A summary of the MSC Corporate Plan 1981-85 is attached.

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Not entirely clear
from press notice
that it was published
in full, tho' it
must have been.
Nice if it could go!

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MANPOWER SERVICES COMMISSION

CORPORATE PLAN 1981 - 1985

Manpower Services Commission
December 1980

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CHAPTER 1 : INTRODUCTION

1.1 Drawing up this year's Corporate Plan has faced the Commission with hard and painful decisions which we believe are not in the interests of the development of manpower policy in Britain. Last year we expressed the view that our response to the needs of the labour market would be inadequate. This year we have again had to reduce sharply the resources devoted to the employment and training services. The growth of the Commission's special programmes should not obscure the downward course of expenditure and staff on these services to the labour market. While coping with the worst problems of unemployment is important, the Commission believes it has a vital job to do in providing services to employers and workpeople and in making the labour market work more effectively. The level of resources now envisaged makes it extremely difficult for it to fulfil that role.

Developments since last year's Corporate Plan

1.2 The Commission's last Corporate Plan, submitted in December 1979, covered three of the four years now under consideration, but the plans for these three years had already undergone considerable modification by the time the Commission considered what it should propose in its 1980 Corporate Plan for the period 1981-85. Firstly, the Commission settled some issues which had not been resolved in the 1979 Corporate Plan on the future of PER, the rationalisation of the skillcentre network and the provision of occupational information to jobseekers and incorporated these decisions into the plans published in 'Manpower Review 1980'. Subsequently the Commission determined the allocation to its programmes of the further 2.8% cut in its staffing and amended its PES bid to provide a new base level for the staffing and expenditure of the Youth Opportunities Programme.

1.3 Also our previous plans, envisaged the continuation of Exchequer support, via MSC, for the operating costs of the Industrial Training Boards. The Secretary of State announced, however, on 26 November that this support would be phased out and would end in 1982/83, although he could consider the timing of this withdrawal in the light of an MSC review of training arrangements in each sector of industry. This decision requires us to adjust downwards by £11.4m in 1981/82, and £45.4m in 1982/83 and 1983/84 the basis of expenditure plans for those years.

Starting Point for the 1980 Corporate Plan

1.4 Table A therefore shows the Commission's projected expenditure, and Table B the Commission's projected staffing, for 1981-84, before taking account of the Secretary of State's announcement of an expansion of special employment measures, and his decision to make further reductions in the staffing and expenditure available for the Commission's employment and training services.

1.5 This level of resources would have suggested levels of service in our main programmes which could be summarised as follows:

Training Services

- (i) In 1982/83, and 1983/84, 50,200 adults a year completing TOPS skilled courses, 3,500 completing semi-skilled courses and 6,800 completing work preparation courses;
- (ii) In 1982/83 and 1983/84, courses for 39,000 people a year paid for by their employers under the Direct Training Services scheme;
- (iii) a phased withdrawal of support for ITB operating costs but only a marginal decline in grants for training in industry.
- (iv) 4,000 employed young people on programmes of Unified Vocational Preparation by the Summer of 1981.

Employment Services

- (i) A general placing service which could only maintain its contribution to placing unemployed people in work through making initial registration interviews very brief and through reducing significantly subsequent advice and support to unemployed people;
- (ii) a continuation of the modernisation of the service through maintaining the jobcentre programme and the use of computer technology;
- (iii) assistance with 7,000 moves a year under the Employment Transfer

- (iv) sheltered employment for 13,000 disabled people, employment rehabilitation courses for 15,000 people a year (the majority of them disabled) some integration of the resettlement services with the general placing service, but still maintaining considerable specialist support for disabled people.

Special Programmes

- (i) A YOP programme for 250,000 entrants a year (insufficient to enable the Commission to honour its undertakings to unemployed young people);
- (ii) Community Industry with 6,000 places (sufficient for 8,700 completions a year);
- (iii) A STEP programme with 12,000 places capable of serving 25,000 entrants a year, in Special Development Areas, Development Areas and designated Inner City Areas only.

Preparing the 1980 Corporate Plan

1.6 We set out in Chapter 2, the labour market conditions in which the Commission is now operating and is likely to be operating in 1981-85. Chapter 3 discusses the Commission's response to this scenario in the light of Ministers' decision to expand its special programmes and reduce the expenditure and staffing available for its employment and training services: an annex sets out the Commission's approach to these cuts and the effect on employers and jobseekers. Chapter 4 then presents a consolidated account of the Commission's plans for Great Britain as a whole taking into account these programme increases and reductions. Two final chapters summarise the Commission's plans as they affect Scotland (Chapter 5) and Wales (Chapter 6).

TABLE A: EXPENDITURE PROVISION
1980-1984

1980 Survey Prices
£ million

	Estimate	PES Bids *		
	80/81	81/82	82/83	83/84
<u>Employment Service</u>				
Local office services	112.5	114.4	116.5	112.2
PER (net)	3.9	2.8	2.7	2.7
Geographical Mobility allowances	4.0	4.1	4.1	4.1
Employment Rehabilitation	13.1	14.2	15.2	17.0
Sheltered Employment	49.7	48.7	49.4	48.2
Other Services	2.8	3.1	3.4	3.4
TOTAL	186.0	187.3	191.3	187.6
<u>Training Services</u>				
TOPs and Direct Training Services	213.1	194.5	193.0	189.4
Services to Industry Training Bodies *	99.1	88.1	53.7	53.7
Training Research Information Development and Advice	2.0	2.0	2.0	2.0
TOTAL	314.2	284.6	248.7	245.1
<u>Special Programmes</u>				
YOP	185.2	170.3	169.8	169.8
STEP	39.4	48.6	48.6	48.6
Community Industry	17.4	17.4	17.4	17.4
JCP (Residual)	0.3	-	-	-
TOTAL	242.3	236.3	235.8	235.8
<u>Support Services</u>				
Corporate Services Division	18.9	18.7	17.7	16.7
Manpower Intelligence and Planning Division	1.3	1.3	1.3	1.3
Regional Manpower Intelligence Units	3.0	3.0	3.0	3.0
Costs of Dispersal	9.5	5.9	2.9	-
TOTAL	32.7	28.9	24.9	21.0
TOTAL MSC	775.2	737.1	700.7	689.5

*Ministers have reduced provision in 1981/2 by £11.4m, and in 1982/83 and 1983/84 by £45.4m to reflect the Secretary of State's announcement on 26.11.1980 that the Government would cease to fund ITB operating expenses in 1982/83.

TABLE B: ESTIMATED STAFFING BY PROGRAMME 1980-1984

	ACTUAL SIP AT		Estimated SIP at			
	1.4.79	1.4.80	1.4.81	1.4.82	1.4.83	1.4.84
1. General Placing Service	8,205	8,167	7,869	7,685	7,413	7,406
2. Recruitment for TOPS	560	544	460	450	440	440
3. Recruitment for Sp Progs ≠	172	164	360	410	410	410
4. Occupational Information Service including COIC	450	449*	81	125	152	179
5. Geographical Mobility Service	231	162	160	150	150	150
6. DRO Service and Sheltered Employment	1,650	1,473	1,440	1,310	1,260	1,260
7. Meeting Rehabilitation Needs	984	997	960	920	910	930
8. PER	809	787	640	490	490	490
9. Other ESD ⁺	2,184	2,029	1,910	1,870	1,780	1,740
Total ESD	15,245	14,772	13,880	13,410	13,005	13,005
10. TOPS including DTS	8,469	8,228	8,038	7,725	7,322	7,322
11. Work with industry training bodies.	101	113	106	101	96	96
12. Training Research and Development (including TSD Secretariat)	83	84	81	77	72	72
Total TSD	8,653	8,425	8,225	7,903	7,490	7,490
13. Total SPD (YOP, STEP and CI)	1,044	1,290	1,225	1,200	1,182	1,182
14. Corporate Services Division	1,086	1,151	1,093	1,035	988	988
15. Manpower Intelligence & Planning Division.	67	67	67	67	64	64
16. Regional Manpower Intelligence Units	192	203	180	180	175	175
Total Support Services	1,345	1,421	1,340	1,282	1,227	1,227
TOTAL MSC	26,287	25,868	24,670	23,795	22,904	22,904

* Includes 402 staff in Occupational Guidance Service: which terminated in 1980/81

+ Includes Stats and LMI; Commonwealth Immigrants; Aliens; Redundancy Payments; UBO Liaison, and HO Staff not elsewhere attributed.

≠ Includes 36 posts to service the Job Release Scheme.

CHAPTER 2: THE LABOUR MARKET ENVIRONMENT

2.1 Much has changed since the first drafts of last year's Corporate Plan were prepared. There has been a very sharp deterioration of the labour market and prospects for the next two years look if anything worse; the Review of the Employment and Training Act has been completed; we have conducted a review of our services for the unemployed; and the pressures on the Commission have markedly increased, both to take urgent action to deal with the social consequences of very high levels of unemployment, and (in common with other parts of the public service) to reduce our expenditure and manpower.

A THE LABOUR MARKET IN 1980

(i) Employment

2.2 The slow growth of the employed labour force since 1976 ceased in autumn 1979 as loss of jobs in manufacturing industry accelerated and the expansion of the service sector first levelled off and then reversed. By September 1980 there were about 350,000 fewer employees in work than three months previously, following a drop of 400,000 in the previous twelve months. The number of employees in manufacturing industry, after a drop of 235,000 in the first half of 1980, fell by a further 225,000 in the next three months alone; and employment in the service sector dropped by some 160,000 over the same nine-month period, with even greater falls expected. The downturn in employment in the service industries had a major impact on female employment, which is heavily concentrated in this sector: by the end of 1979 growth in female employment came to an end. In the first half of 1980 it fell by about 130,000.

Within the manufacturing sector, the largest falls occurred in the textiles and engineering industries.

(ii) Labour Supply

2.3 The size of the male working population fell steadily between the middle of 1977 and 1979, due mainly to the effects of earlier retirement. This trend levelled off at the end of 1979 and there was only a small fall in the first six months of 1980. By contrast the female labour supply, which increased rapidly

during the 1970s, slowed down in 1979 and in the first half of 1980 actually fell by about 30,000 as poor employment prospects caused many women to leave the labour market altogether. The net result was that despite the continuing growth in the population of working age, the actual supply of labour started to fall in March 1979. Between March 1979 and March 1980 the total working population fell by 135,000; the rate of decline slowed down during the second quarter of 1980, with only a small fall of 9,000 between March and June.

(iii) Unemployment

2.4 Despite these falls in the supply of labour, the much larger fall in total employment brought with it a sharp increase in unemployment among both males and females. Between November 1979 and November 1980 registered male unemployment rose by nearly 530,000 and registered female unemployment by 190,000; more than half the increase was in the last four months. By November 1980 the overall unemployment rate in Great Britain was 8.2% and there were wide variations between the regions, the rate ranging from 5.7% in the South East to 11.4% in Wales. These figures exclude school leavers and are seasonally adjusted - the gross figures were considerably higher. Male unemployment rose by over 560,000, female unemployment by nearly 220,000 and the unadjusted unemployment rate for Great Britain was 8.8%. Unregistered unemployment cannot be measured in the same way, but evidence from Government surveys suggests that it is between 300,000 and 350,000.

2.5 At the local level the disparity of unemployment is much greater still; in October, for example, unemployment rose above 16% in places like Corby, Ebbw Vale, Consett and Irvine, while in parts of the South East the rate was still only 4 or 5%.

2.6 Unemployment has risen particularly quickly among the craft and other skilled manual occupations; in the twelve months to September 1980 the number unemployed in this group rose by more than 80% (compared with a rise in total unemployment of just over 40%), and their share of total unemployment had increased from 9 to 12%. Other noticeable effects were the large number of unemployed school leavers in July 1980 (280,000 compared with 200,000 in 1979) ^{in spite of success of TOP} and the worsening position of the ethnic minority groups, whose share of total unemployment tends to rise during times of recession; in August 1980 there were 80,000 unemployed among the ethnic minorities, that is 4.2% of all unemployed, compared with 54,000 in August 1979 (3.9% of the total). The number of long-term

(more than 1 year) unemployed began to rise in the third quarter of 1980 - a year after total unemployment started to climb - reflecting the poorer employment prospects of jobseekers, and the rise is expected to continue throughout 1981.

(iv) Redundancies

2.7 The fall in employment which started towards the end of 1979 was accompanied by a marked increase in the number of redundancies. In the first six months of 1980, 192,000 impending redundancies were notified to ESD, more than twice the number in the same period a year earlier. The biggest numbers were in the engineering and allied industries, but in terms of redundancies per 1,000 employees the highest redundancy rates were in metal manufacturing and the textiles industry, reflecting the high percentage loss of jobs in those industries. Generally speaking, redundancies have been much more widespread in those regions already suffering from high unemployment, particularly in Wales, the North West and Scotland.

A

B LABOUR MARKET PROSPECTS 1981-85

2.8 Developments in recent months summarised above have confirmed last year's judgement about Britain entering the most severe recession of the post-war era. At that time it was already clear that the combined effects of international trade dislocation and the changed domestic policy would raise unemployment sharply, perhaps to around 2 million by 1982. Since then, the deteriorating economic climate has moved the published projections well above the 2 million mark, this level having been reached earlier than expected. (Great Britain, excluding school leavers, seasonally adjusted).

2.9 The intensification of the oncoming recession largely relates to the same causes as were identified last year. Oil exporting countries have pursued further price increases, augmenting their payments surpluses and other countries' deficits, and have thus aggravated international trade disturbance. The main industrial countries, though experiencing rising unemployment, are still regarding inflation as their main problem and attempting to combat this by restrictive economic policies.

2.10 In Britain current domestic economic policy has maintained a restrictive stance in circumstances in which it may have a stronger contractionary effect on output and employment than was apparent a year ago. Inflation rose above a 20% annual rate during the past year, and despite some subsequent easing has so far remained above that in other major trading countries, causing a further loss in international trade competitiveness. This effect has been accentuated by a continuing high foreign exchange valuation of the pound, and exports have stagnated while imports are taking a rising share of shrinking domestic markets, with consequent loss of jobs in the industries concerned. Interest rates have remained high, despite some recent easing, detering industrial investment and provoking de-stocking, especially in conjunction with poor business prospects. This year's Budget and autumn mini-Budget have brought an extension of planned public expenditure cuts but no immediate prospect of compensating tax reductions, while the increased national insurance charges are expected to have some further contractionary effect.

2.11 The only influence working to offset the unemployment consequences has been a downward revision in projections of labour force growth. While the numbers of working age are still expected to continue rising because of new entries exceeding retirements of those born in the low birth years of the 1920's, it now seems clear that unemployment has already begun to promote earlier withdrawals. Labour force

participation rates among older men have already fallen, and it seems possible that the previously expected rise in women's participation, previously seen as the main growth element for the 1980's, may be reduced if job scarcity makes it harder for married women to return to the labour market. Labour force growth projections for the quinquennium have now been reduced significantly with some further reductions under consideration and corresponding moderation of the expected rise in registered unemployment, though this may simply mean more going into unregistered unemployment. It must be said, however, that future participation rates are very hard to predict, and that there must be a measure of uncertainty in these assumptions.

2.12 These factors have been taken into account in the published projections of the main forecasting organisations, which have generally revised upwards and extended forwards their expectations for unemployment. Despite the usual differences of detail, there is now an impressive consensus about the rise in unemployment continuing through 1981 and well into 1982. There is rather more divergence in expectations thereafter, partly reflecting differences in judgement about how quickly the depression and falling inflationary expectations will bring compensating movements in wages and prices, partly reflecting departures from the accepted convention of forecasting on a "present policy" basis. Notably, it is only where some policy change is assumed that any reversal of the rising trend is predicted even in 1983 by most of the forecasting organisations.

2.13 For end - 1982 the published forecasts lie mainly within a 2.2-2.7 million range, with even higher figures indicated by the organisations most doubtful about compensatory wage and price effects. The Government's own stated assumptions in November 1980 for unemployment benefit expenditure planning purposes are for financial year averages of 1.7 million in 1980/81 and 2.3 million in 1981/82. (All figures are GB, excluding school leavers, the gross UK figures being considerably higher.) The Chancellor also indicated in the November 1980 financial statement that the Government now expects GDP to fall by 3% 1979-80 and 1½% 1980-81.

2.14 The dependence of forecasts upon assumptions about unchanged policies and risks from unpredicted overseas events make it increasingly unrealistic to quote definite figures for the end of our planning period. Lower inflation would improve employment prospects, but even if this happens or a reduction of inflation allows some policy modification, unemployment could be expected to remain high throughout the planning period, partly because of the inherent time lags before fiscal and financial measures take effect on the labour

market, and partly because of the consequences of industrial change during the recession years. Closures of older industrial plants will have destroyed some employment possibilities that will not be automatically revived by raising aggregate demand, but which will need to be recreated by the emergence of new industries, probably involving lengthy capital investment and retraining and redeployment of labour, thus further slowing the employment response. Even by the mid-1980's unemployment seems likely to be still well above late 1970s levels.

2.15 The impact of unemployment seems certain to fall disproportionately on vulnerable groups within the labour market. Turnover will decline with reduced job opportunities, creating particular difficulty for new entrants to the labour market - notably school leavers, even though numbers leaving school will begin to decline in 1983. Those unable to find normal employment, and hence liable to be unemployed without MSC special programmes, may well exceed 500,000 during the autumn months following the peak school-leaving dates in 1982 and 1983. The subsequent employment experience of leavers from special programmes is likely to become much less favourable; unemployment among other young people may also rise sharply.

2.16 Workers already established in jobs will try to cling on to them more firmly but once dislodged will have greater difficulty in finding another, and unemployment durations will therefore lengthen. Numbers of the long-term unemployed (regarded as those registered for a year or more) tend to follow movements in total unemployment after a time lag. They are projected to rise steadily through some 400,000 next year, 500,000 in 1982 and over 600,000 in 1983, even if by that stage total unemployment has stabilised. The number would go still higher but for the tendency of many of the long-term unemployed to move off the register into sickness benefit or retirement: if more long-term unemployed did leave the labour force because of poor employment prospects this would represent a change in the balance between registered and unregistered unemployment rather than a diminution of the problem.

2.17 Particular difficulty is likely to be experienced by workers who are less competitive in the labour market - the elderly, the disabled and chronic sick, the ex-offenders, the semi-literate, and others already having poor employment records. Married women may also have additional difficulty in returning to the labour market, especially if continuing family commitments restrict their working hours or locations, and the number of those discouraged from seeking to return may well rise above present estimates. Similarly ethnic minorities are likely to continue to suffer disproportionate increases in unemployment levels.

2.18 While the possibility of Government policy changes means that any dispositions MSC makes now for 1985 need regular review and probable revision before that date, the time lags in the economic system seem to mean that the general course of unemployment up to 1982/83 must be regarded as very probable. We consider that we should base our plans on unemployment staying high throughout the period up to 1985.

2.19 However, the Commission's plans must take account of alternative economic scenarios. Even recovery starting in 1982 would have only a modest effect on unemployment during the rest of the planning period because of the long time lags involved. There would however be stronger growth in the new industrial sectors and the Commission's training services would need to respond quickly to such a situation so that the possibility of growth was not frustrated by skill shortages.

2.20 Whatever one's view of the unemployment scene, structural change in employment will continue. The projections of the Warwick University Manpower Research Group suggest substantial shifts in the occupational structure. They see total employment falling by some one million between 1978 and 1985, and within that continuing growth in non-manual occupations which would account for half of total employment in 1985. There will be a continuing increase in management, technical and professional occupations, and a decline in the proportions of craftsmen, semi-skilled and unskilled occupations. Indeed the last two categories are projected to decline by almost a million between 1978 and 1985.

2.21 These projections emphasise the continuing trend towards a greater demand for labour with education and more advanced skills, and the relatively poor prospects for conventional blue collar craft skills and for those with little training or education. They also underline the need for flexibility in the attainment of skill by young people and adults. If employment were to fall by less than the Warwick Group suggest, or were to increase as a result of economic recovery, we would not expect this broad picture to change, though there would be considerable danger of bottlenecks and mismatch unless the response in terms of training, deployment and utilisation of manpower was much more rapid than in the past.

2.22 The planning assumptions we have spelled out will have the following consequences:

- (i) unemployment will remain high throughout the planning period with those regions and localities already suffering high unemployment rates

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continuing to be hardest hit; and a continuing deterioration in the position of the West Midlands;

(ii) the flow onto ESD's unemployment register may rise, but the inflow of vacancies will remain low;

(iii) the flow off ESD's unemployment register will continue to fall, unemployed people will stay on the register longer, and numbers of long-term unemployed will rise;

(iv) numbers of placings will decline with slower labour market turnover, but numbers of submissions required per placing may rise;

(v) youth unemployment will rise disproportionately, requiring exceptional efforts to meet the YOP undertaking to school leavers within the enlarged programme;

(vi) other disadvantaged groups will also be disproportionately affected and are likely to be over-represented among the long-term unemployed;

(vii) while skilled workers generally may be less affected, unemployment could rise among craftsmen in cyclically sensitive engineering and construction industries;

(viii) skill shortages hitherto affecting these industries are already easing and are likely to ease further while unemployment rises. These would recur if the trend reversed, and, on the recovery scenario, could be accompanied by more pronounced shortages of the skills required in new technology fields and in the areas of employment growth.

(ix) structural change in employment will continue, with further movement towards occupations requiring education, advanced skill or technical training.

2.23 The next chapter considers how the Commission should react to the view of the labour market set out above, to the pressures on the Commission to maintain its services to the general labour market and to particular client groups, to increasing public concern about unemployment, and to likely demands for a new initiative in industrial training, while at the same reducing the staffing and expenditure of the employment service and the training services.

CHAPTER 3

THE COMMISSION'S STRATEGY

3.1 The Commission's consideration of its strategy has been dominated by several factors:

- (a) the severe unemployment prospect as set out in Chapter 2;
- (b) the need radically to improve the national training system;
- (c) the level and funding of special programmes;
- (d) the requirement to save 1710 more staff by April 1984 and to make expenditure savings of £20m, £30m and £30m in the next three years.

3.2 This last factor has overshadowed our discussions. We are exceedingly uneasy at having to accept major reductions in the employment and training services whose main job is to help unemployed people back to work, and sustain an adequate skill base at a time when unemployment is rising sharply. We must make it clear what these reductions mean.

- (a) Resource reductions on this scale cannot come simply from 'improved efficiency'. Overheads have already been disproportionately cut, and will be reduced further, but this does not nearly meet the requirement.
- (b) Expenditure reductions will be gained from the saving of staff salaries of the 1710 posts which are to go, but beyond this we see no practicable alternative but to make major expenditure savings by cutting resources available for training and rehabilitation. This of course means fewer people trained or rehabilitated.
- (c) Staff savings will hit the employment service disproportionately: this will mean a seriously reduced capacity to aid the operation of the labour market and assist unemployed people.

- (d) While the Commission welcomes the Government's approval of the expansion of its special programmes for unemployed people, the reductions in its employment and training services mean that the emphasis of its services to the labour market is now being altered substantially.

3.3 We have chosen a pattern of achieving the required reductions which spreads them over our services, and allows us to retain the infrastructure of most of our activities in some kind of working order. But resources are thinly stretched in many areas, and the level of service to employers and jobseekers is below what we consider necessary. We see great difficulties ahead for our staff in providing unemployed people with a reasonably effective service and at the same time achieving the required rundown.

3.4 In the remainder of this chapter we deal with the Commission's aims, and with the major strategic decisions on policies and resources which we have had to take. We set out in a detailed annex the staff and expenditure reductions required of us, and the next chapter contains details of our overall plans, including smaller programmes in areas where no major policy choice was involved.

AIMS AND OBJECTIVES

3.5 The Commission's aims were first set out in 1977 when unemployment was around 1.3 million, and though unemployment is now projected to remain at over 2 million throughout the 1981-85 planning period, we think they still present the right balance. They assert the long term wider role of manpower policy in enhancing employment and improving the functioning of the national manpower system, and emphasise that manpower policy is concerned with employment just as much as with unemployment.

3.6 The Commission's existing underlying aims thus continue to be valid and appropriate. This view of the Commission's responsibilities was reflected in the three priority objectives listed in the 1979 Plan. These should broadly stand but the commitment to help vulnerable groups should be raised to the same status in the light of the unemployment situation. We would now state our priority objectives as follows:

- (1) to safeguard the provision of skilled manpower for industry's present and future needs;

- (2) to ensure that all unemployed 16 and 17 year olds have access to programmes of training and work experience, as part of efforts to improve access to training and vocational preparation for all young people;
- (3) to provide an efficient and cost-effective employment service to meet employers' and jobseekers' needs;
- (4) to do all that is practicable to place in permanent employment, in training or in temporary employment those unemployed jobseekers who most need help in returning to work.

These objectives are of equal importance and to a considerable extent interdependent.

SAFEGUARDING SKILLS FOR THE FUTURE

3.7 The Commission published in July the Report of the Review Body set up to assess the strengths and weaknesses of the present arrangements for promoting training in industry. The Report "Outlook on Training: A Review of the Employment and Training Act 1973" suggested a number of priority objectives, both for the Commission and for training organisations generally, and made recommendations for institutional and other changes affecting, in particular, relationships between the Commission itself and Industrial Training Boards. The Commission invited interested bodies to comment on the recommendations in the Report; and some 400 individuals or organisations did so. In the light of these responses, and of its own appreciation of training priorities for the next decade, the Commission has submitted its views to the Secretary of State for Employment. In brief, the Commission:

- (i) endorsed the priority objectives for the national training effort identified in "Outlook on Training". These are:
 - (a) to ensure that there is an effective training contribution to the profitable exploitation of new technology, increased productivity and fast economic growth;

- (b) to extend vocational preparation for young people;
 - (c) to increase opportunities for adults to enter skilled occupations, or to up-date or up-grade their skills through re-training;
- (ii) favoured the continuation of an industry-based structure for the promotion of industrial training;
 - (iii) decided to carry out a review, sector by sector, of arrangements for promoting training, both where there are ITBs established and where there are not. The review would, among other things, pay regard to the problems of small firms;
 - (iv) accepted the main role and responsibility assigned to the Commission itself in promoting industrial training. In particular, the Commission agreed that it must give particular attention to securing training for unemployed people in vulnerable groups; to training in cross-sector occupations; to meeting key training needs in particular localities; and to reforming training systems to meet contemporary needs. In pursuing these aims the Commission will need to secure the provision of reliable and consistent manpower intelligence and to undertake or commission research into, and development of, new training methods.

3.8 "Outlook on Training" made important recommendations about the funding of ITB operating costs, and about limits on the powers of Boards to raise levy. In view of a wide divergence of opinion, the Commission did not feel able to convey any view to Government on these recommendations.

Whilst the Commission agreed that the present funding arrangements did not adequately reconcile the requirements of public accountability with the accountability of Boards to their industries, employers were in general opposed to the recommendation that Exchequer support for ITB operating costs should be withdrawn on the grounds that this would be harmful to the maintenance of industrial training. The TUC, for their part, stressed that it was logical to expect industries to pay for the cost of training bodies that were doing valuable work in promoting training for their industries.

3.9 The Government has now endorsed the broad principles set out in "Outlook on Training", and agreed that there should be a sector by sector review. It is the Government's intention to phase out the Exchequer contribution to Boards' operating costs by 1982/83, though this timing will depend on the review. The Commission regrets that the Government's present intention is to implement this decision in full by April 1982 while the economy is still in deep recession. Implementing this major change so quickly will create problems of adjustment and may further depress training levels at a time when they should be sustained to prepare for the upturn.

3.10 Looking beyond the specific recommendations in "Outlook on Training" the Commission is in no doubt that there are a number of important weaknesses in training arrangements and attitudes to training. Far too little attention is paid to vocational preparation of young people who enter employment below craft or technician level straight from school. Disappointing progress has been made in the reform of apprenticeship systems and in developing opportunities for adults generally. These weaknesses, if left unremedied, will have increasingly serious consequences as the restructuring of employment, as between industries and occupations, takes effect. Over the next few years, we must seek to give a new impetus to changes in our approach to training both for young people and for adults. The Commission is developing proposals as a basis for discussion with the Government and with industrial and educational organisations. It hopes that this will lead to an agreed framework for the reform of industrial training over the coming decade.

3.11 Our specific proposals for promoting and providing training have been affected both by the prospect of continuing high unemployment, and by the reductions required in the Commission's staff and expenditure.

(i) Training for Skills: Programme for Action

3.12 The Commission will continue to support industry's efforts, under its Training for Skills Programme for Action (TSPA), to sustain the level of investment in industrial training in accordance with industry's future needs. This support will be operated mainly through industry training boards and other industry bodies. The Commission expects to be able to support, under the TSPA programme, the training of between 22-24,000 first year apprentices; and intends to increase the emphasis placed on training provision for certain key skills, and on the reform of training methods and standards.

3.13 In the current year, 1980/81, the Commission decided that in view of the substantial and unexpected reduction in apprenticeship opportunities, it should supplement its grants by a further 1,500 grants or awards for first-year apprenticeship training. Industry bodies could not have been expected to anticipate and plan for the sudden drop in apprentice recruitment which became evident only during the Summer of 1980; and the Commission therefore felt it essential to find resources to fund these additional grants or awards. Whilst it will not be possible for the Commission to increase its level of support for apprentice recruitment in 1981/82 over the current year, we think it essential at least to maintain that level of support during what will be an exceptionally difficult year for industry (and for a large number of school leavers entering employment). If this objective cannot be achieved within the reduced financial provision available to TSD, we will seek the Government's approval to transfer to the support of apprenticeships a sum of up to £1½ million from the amount presently allocated for the expansion of the Youth Opportunities Programme. Table A in the annex to this chapter could not, of course, anticipate this approval and therefore the necessary savings are shown under the reduction of grants to be made by Industry Directorate.

3.14 We acknowledge that there is some risk that industry may not be able to provide continued training and subsequent employment for additional first-year apprentices whose training is financed by MSC grants. There is also the danger that MSC financial support will simply substitute investment that industry itself would otherwise have been ready and able to make. We shall wish, therefore, to re-examine in 1981 the prospects of ensuring adequate training opportunities for young people. And we shall, in particular, review the impact and efficacy of the Commission's measures in that respect. If we conclude that any significant change in our approach is needed, or if it becomes apparent that we face a continuing serious problem of declining training opportunities we may need to approach the Government with proposals for different or more substantial measures for sustaining an adequate investment in key skill areas.

(ii) Training Opportunities Scheme

3.15 The Commission's general principle is that TOPS should relate the occupational training it offers to the skills in local demand by industry and commerce, and that the scale of TOPS training should therefore be sensitive to labour market needs. Nevertheless, changes to the TOPS programme must also take into account the training needs of the unemployed individuals and the needs of employers for trained manpower in the longer term, and the appropriate infrastructure of training arrangements must therefore be maintained. Once courses are withdrawn or skillcentres are closed, they cannot be restored quickly or easily to help provide the skills which are likely to be needed in an economic recovery. It will also continue to be right to make relatively generous provision in areas hardest hit by unemployment, even if the placing results achieved are less good.

3.16 On this basis the Commission had hoped to avoid further cuts in TOPS occupational training, but the depth of the recession and - more significant - the need for expenditure reductions leaves no option but to reduce completions further. The Annex sets out the reduction in TOPS completions. In summary our proposals are:

- (a) Not going ahead with the proposed Camden skillcentre, this will save capital expenditure (and in later years running expenditure). This decision also reflects the fact that even in the current period of recession, classes in London skillcentres remain somewhat under-occupied and recruitment of suitable instructors is still difficult. Enfield skillcentre, which was likely to be closed when Camden was completed, will be kept open and the proposed development of an 'access unit', in London dockland will go ahead.
- (b) Withdrawal of 65 skillcentre classes which are performing poorly, saving some £1.1 million by 1983/84 and 75 staff. This would probably be justified on management grounds in the light of the labour market circumstances envisaged.
- (c) Reduction of non-skillcentre training by 4,750 completions with savings rising to £12m in 1983/84.

Taken together these measures will reduce TOPS completions to something over 56,000 in 1983/84 compared with a planned level of some 60,000 for that year, and some 75,000 in 1979/80.

3.17 The reduction in non-skillcentre training, which accounts for the majority of TOPS completions to be lost over the next three years has been found through reductions in a number of categories, including computer training and HGV driver training but the bulk is from clerical and commercial training. This is essential, if the Commission is to make the expenditure savings required, but it does represent a considerable erosion of TOPS in the broad area of service sector training, which remains an area of continuing employment opportunities. Even in present circumstances, there is a substantial demand by employers (including smaller employers who lack the capacity to provide effective training in this area) for the output of TOPS courses. Further, the reductions will necessarily affect courses most used by disabled people seeking training and courses where most of the trainees are women. The Commission does not believe that these reductions are in the best interests of the unemployed, but given the savings required, we cannot see any realistic alternative consistent with our overall aims.

3.18 The demand for Direct Training Services has fallen, partly because of charging, but these services, which aim to cover their costs, will continue to be developed as demand warrants, with particular emphasis on sponsored training and mobile instructors.

3.19 The Commission is also considering whether, in the light of falling placement rates in skillcentres, it would be practicable and desirable to undertake much more upgrading and refresher training for unemployed craftsmen. Short courses to do this would improve their flexibility and readiness for employment, and might well represent a more effective use of skillcentre resources.

(iii) Unified Vocational Preparation

3.20 This experimental programme has justified the resources committed to it by the Education Departments, the Commission itself, ITBs and the education service, and the employers and trainees who have participated. We consider that the programme should be expanded, continuing and widening UVP schemes sponsored by ITBs and Colleges of Further Education. In 1981/82 the Commission aims to support, in collaboration with the Education Departments, an increase in the number on UVP schemes from the present 3,500 to at least 6,500, at a cost of about £4m. The Government has approved further growth in the programme in the two following years. The programme now has a budget for 1982/83 and 1983/84 of £7m and £12m, and an expected throughput in these two years of about 12,000 and 20,500 respectively. On this basis, about 10% of the population of young employees who receive little or no formal systematic training will have been brought within the scope of UVP-type schemes by 1983/84.

THE EMPLOYMENT SERVICE

3.21 The employment service employed 14,772 people (over 55 per cent of the Commission's staff) at 1 April 1980. It is already scheduled to reduce its staff by 1,770 by April 1983 and the most recent requirement will necessitate further reductions. Some appear to believe that this does not matter, either because a public employment service is an unnecessary luxury or because, in a situation of high unemployment, the service becomes ineffective and may as well be run down.

3.22 The Commission profoundly disagrees with these views. It attaches great importance to the provision of an efficient and cost-effective employment service, playing an essential part in making the labour market work better. The needs of both employers and job-seekers can best be met through the development of the service. We may quote two paragraphs from 'The Employment Service in the 1980s' (the report of a review of the aims and objectives of the employment service, approved by the Commission in 1979), which express its operational objectives and statutory responsibilities.

3.23 The report stated: "The reasons why an efficient public employment service is required may be summarised as follows:

(1) recruitment of workers and looking for work are both costly, and an efficient public service, with its economies of scale and its ability to handle large numbers of registrants and vacancies, can substantially cut the waste entailed in abortive search;

(2) while employers might be willing to meet the extra expense of using other means of filling their vacancies, the needs of many job-seekers would not be well served. Services paid for by employers would be oriented to meeting employers' needs. It would not be reasonable to expect individual job-seekers to pay fees to obtain information about jobs, opportunities for training, career openings, their own potential and help with mobility;

(3) it enables vacancies to be filled more quickly than other mechanisms, and by doing so increases national output and reduces unemployment and the associated costs;

(4) there has to be a ready means of access for the public, employed or unemployed, to other manpower services and notably to opportunities to train or re-train for new jobs;

(5) it can provide the extra help which some job-seekers need in order to get jobs or overcome discrimination against them, although it is recognised that where there is high unemployment, this extra help may be partly at the expense of other job-seekers.

(6) it can give special attention to vacancies of particular importance from a national point of view, for such reasons as that the jobs concerned affect production for export or may lead to other workers being employed also.

In addition, the existence of a public employment service enables a check to be kept on the willingness to work of those in receipt of State benefits. It also provides a source of important information for economic planning purposes, notably data about unemployment and vacancies.

3.24 The extensive monitoring of the employment service's performance provides evidence of its success in serving employers, job-seekers and the economy by attracting vacancies and placing more people more quickly. In view of the employment prospects and the need to reduce further the staff of the Commission by 1710 between April 1980 and April 1984 we must nevertheless assess again the development of the employment service. Two questions arise:

(a) should the modernisation programme continue as planned?

(b) how can the employment service best contribute to the required staff reductions without unacceptable damage?

(i) Modernisation

3.25 We must continue to improve the efficiency of the employment service by replacing old and uneconomic offices by jobcentres, and by investment in new technological aids. If modernisation were now halted, by 1984 the service would be placing some 170-200,000 fewer people in work annually than it would otherwise do and some 90% of these would be unemployed people for whom the Employment Service offers the best prospect of finding a job. Moreover some areas would remain inadequately served. The desirability of continuing improvements has been greatly increased by the imposition of staff cuts; the fewer staff there are the more important it is that they should have efficient tools with which to do the job.

3.26 An important part of modernisation is the jobcentre programme. Newly opened jobcentres in attractive situations sometimes attract criticism on grounds of cost at a time of severe restraint on public spending. Each decision to open a new jobcentre must be justified on merits, and a careful assessment is made of each project, whether it be a conversion or a new site. For both types, the expenditure incurred must be fully justified in terms of improved performance and reduced unit costs. As a contribution to reducing the Commission's expenditure, the programme of new building and conversion has been trimmed by £1.5m in 1981/82, and £1.5m in 1982/83, but this does not represent a change of policy

3.27 The Commission has reviewed the future of the London CAPITAL project. The project is a fine technological achievement and the Commission's commitment to computer support for the Employment Service is undiminished. However, the environment in which CAPITAL operates has been changing. First, unemployment has been rising and is expected to remain high; this reduces the economic return on CAPITAL which rests and self service provides 70 per cent of placings in the pilot area. largely on the volume and speed of placings, /Secondly, cuts required of the Employment Service, coupled with the staff savings which are integral to CAPITAL, will produce a situation which will severely constrain the use of CAPITAL, as designed, as a computer-aided matching system. Moreover in spite of considerable efforts over the three years of the pilot, experience has shown limitations in the contribution CAPITAL can make to the matching of people and jobs. It has proved valuable enabling a rapid search to be made for vacancies matching individual jobseekers; this is particularly effective when the jobseeker is present and the Commission favours an approach which encourages greater jobseeker involvement in the selection of job opportunities. On the other hand very few placings have resulted from the facility which CAPITAL offers to search the registrant file for jobseekers matching particular vacancies.

3.28 The Commission has come to the conclusion that against this background the CAPITAL project can no longer be justified and with great reluctance has decided, subject to consultation with Staff Side, that it should be set in hand for the introduction throughout London of an on-line Job Bank.

(ii) Staff Reductions

3.29 How should the employment service contribute to the staff reductions required of the Commission? A major part of the employment service's share of the cuts must come from the general placing service. This had 8,167 staff in April 1980 and is already due fall to 7,406 in April 1984. The further reduction now in prospect (including the 150 posts not now to be saved by CAPITAL) is 605. What are the implications of this for the service to employers and jobseekers?

3.30 When unemployment is high and rising, the balance of work obviously changes. Skill shortages ease, and there is increased concern about the needs of those job-seekers who are unable to find work for themselves. But it is still true that unless employers are willing to do business with the employment service and notify vacancies to it, the employment service cannot help job-seekers. It has never been the aim of the employment service to meet employers' needs only, as its record in helping job-seekers shows, but the employment service must retain the confidence of employers.

3.31 Even when unemployment is high, a considerable volume of engagements continues to take place - some 7 million in the current year. However, when unemployment is high employers may expect a plentiful supply of applicants for jobs, often coming forward in response to news of vacancies picked up on the grapevine. This favours the best situated job-seekers but works against others who place a greater reliance on outside help such as the public employment service. Thus it is in the interests of those more likely to have difficulty in finding jobs that the employment service should so far as possible maintain its share of vacancies. Moreover many employers may prefer to take advantage of the choice of candidates which the Employment Service can provide. In September 1980 although the stock of vacancies held by the employment service was only 46% of what it was a year earlier, the inflow of vacancies had gone down by much less - some 29 per cent - and the numbers placed in jobs had decreased by only 20 per cent. The maintenance of this level of activity represents a major effort by the employment service and it has undoubtedly worked in the interests of unemployed job-seekers. We believe the employment service must continue to keep up the flow of vacancies.

3.32 The difficulties the Commission faces in reducing staffing in the general placing service can be seen if one considers the main activities of the general placing service. These are obtaining vacancies; registering the unemployed; making submissions by self service and by matching in Tier II; providing advice to jobseekers and interviewing people on the register. Which of these should be reduced?

3.33 We consider it essential to maintain marketing for vacancies. Self-service is the most cost efficient method of meeting the needs of employers and jobseekers alike; it is not staff intensive; and it offers equal facilities to all jobseekers however long they have been unemployed. However not all jobseekers can visit the Job-centre daily and some employers require a greater degree of selection. Matching is therefore of continuing importance to provide an adequate service to employers and to jobseekers. Without such a service employers' use of the service could diminish significantly with adverse consequences in the number of vacancies handled and jobseekers placed in work. In addition the jobcentres have an important role in providing information and advice to jobseekers; in conditions of high unemployment large numbers of callers seek such help. It follows that the bulk of staff savings in the general placing service must come from elimination of review work for those already on the register; by a general overall reduction in levels of service which will already be undesirably low; or by a change in the registration requirement.

3.34 The staff time allocated to review work is already small and would disappear completely if this area of work had to bear the major share of staff cuts in the general placing service. Some might argue that this does not matter, since the employment service is wasting time in reviewing the position of registrants who have little real prospect of a job - for example, unskilled men who have been unemployed for over a year in an area of very high unemployment where there are very few unskilled vacancies. We consider that this line of argument can be pressed too hard. The Special Employment Needs experiment showed that, although costly in staff terms, it is possible to help a proportion of job-seekers with particular difficulties. Moreover, we think it important that the employment

service should demonstrate its concern to help unemployed people and those who patently need help, provided that there is some realistic hope of success, by experimenting with different ways of providing help.

3.35 To meet the staff reduction through a reduction in the level of service with current procedures is likely to involve the following consequences:

(a) no review work at all would be done, except in relation to specific vacancies;

(b) inadequate time to deal with callers' requests for information or advice;

(c) lack of flexibility to resource emergencies such as major redundancies;

(d) skeleton registration interviews, which might affect submissions and placings as well as customer satisfaction: most jobseekers find registration interviews useful;

(e) a cutback on time devoted to self service and finding vacancies;

(f) the possible closure of some Jobcentres/Employment Offices.

The service would be very slender in relation to the number of employers and jobseekers, and would bring the Commission into disrepute with its clients and with public opinion. The much improved share of vacancies and placings, and therefore the enhanced contribution to the labour market, which the Employment Service has achieved in the last few years, would be set into reverse.

3.36 The alternative is to devote less time to registrants who may not need service, by changing the registration requirement, either by deferring the obligation until after, say, 4 weeks of unemployment, or by dispensing with it altogether. Both of these options have some attractions, but also present certain difficulties.

(iii) Deferred Registration

3.37 Deferred registration would remove the requirement to register for those who are likely to leave the register within a few weeks without assistance, (although they would still be free to use, and could be encouraged to use, self service provision in jobcentres, and register if they so wish, but there would be operational problems:

(a) The confidence of employers might be jeopardised if it became apparent that many recently unemployed (and therefore to many employers the most attractive) jobseekers were not registering with the employment service.

(b) Somewhat fewer people would be placed by the employment service since many submissions and placings are at present made at the time of initial registration.

(c) There would be problems of liaison with the Unemployment Benefits Service and in the generation of reliable unemployment statistics, though these statistics are due to be converted to a benefit based count in 1982 and this difficulty would then not arise.

(d) The mixture of a voluntary period and a subsequent mandatory period of registration would be less clear cut than the present situation and would be more difficult to administer.

(e) Special arrangements might be necessary in some circumstances, for example, major redundancies.

The 16-18 year olds should still be obliged to register and this would limit staff savings.

3.38 The numbers of staff saved through deferring registration can be estimated roughly, as follows:

(a) in the high unemployment of the next few years about 25 per cent of people might leave the unemployment register within four weeks;

(b) of this 25 per cent, a proportion will still choose to register;

(c) if 75 per cent chose to register the saving would be about 340 staff and if 50 per cent did so the saving would be about 700 staff.

(iv) Voluntary Registration

3.39 If the compulsory requirement to register were dispensed with entirely, some of the difficulties outlined above would again apply. There are two further problems. First, the more active job-seekers would be likely to register, and the employment service might lose contact with those clients who stand in greater need of help. It might thus be seen as a step in quite the wrong direction when public concern about the plight of unemployed people is at its most acute. Secondly, if it were no longer compulsory for job-seekers in receipt of social security benefits to register with the employment service, then other means would have to be found of ensuring that unemployed people drawing benefits are available to take work. The undertaking of the task of benefit control by the Unemployment Benefit Service and the Unemployment Review Officers might, unless practicable and satisfactory arrangements could be made with the Employment Service, lead to their acting as a kind of second public employment service because of the need to submit clients to jobs to test their availability and motivation.

3.40 At the same time completely voluntary registration does have advantages.

(a) the employment service would predominantly be dealing with those who really wanted its help (an advantage in terms of cost-effectiveness and because employers would know that MSC's jobseekers were all volunteers);

(b) it would avoid the administrative problems of deferred registration, and be much simpler to operate;

(c) it would save perhaps twice as many staff as deferred registration depending on the proportion of people who chose to register or to use self service. We estimate that this might save in the region of twice as many staff as we think (see paragraph 3.38(c)) might be saved from deferred registration.

3.41 However staff savings are made in the general placing service, the Commission faces difficulties. If posts are cut without reducing the workload in some way, the level of service to unemployed jobseekers will fall to an unacceptable level and the achievements of modernisation will be put in jeopardy. If the registration requirement is changed, there are many operational and practical problems to be solved, and we do not at the moment know exactly how this would be done. Staff reductions in the general placing service cannot be avoided, but before taking firm decisions the Commission wish to consider in more detail the implications of severe cuts at a time when the need of unemployed people for support is increasing, and the complex issues raised by changing the registration requirement.

(v) Disabled People

3.42 One difficult and emotive issue is the application of cuts to programmes for disabled people, including an adjustment in the form of provision of employment rehabilitation, trimming the capacity of the network of employment rehabilitation centres, possibly including the closure of an additional centre and further integration of disablement resettlement officers with the general placing service. The Secretary of State asked us to consider carefully whether it was appropriate to reduce the help the Commission gives to disabled people.

But for the reasons set out below we believe that given the constraints on the Commission we cannot avoid adjustments to the resources we devote to these jobseekers.

3.43 If we were to maintain staffing on these programmes, the effect would be to reduce staffing in the general placing service by a further 400. This would reduce once again the level of service to the generality of jobseekers, and would mean that the proportion of ESD staff devoted to disabled people would rise from one sixth today to one fifth by 1984. We do not believe that this degress of protection could be justified, especially as a lowering in the performance of the general employment service itself makes more difficult the work of helping disabled people, but we have limited the effects on Services for disabled people to a minimum. Disabled people will still receive significantly more help than other jobseekers. We shall be giving further consideration to ways in which we can effectively help disabled people, bearing in mind the impact of high unemployment and of resource constraints.

SPECIAL PROGRAMMES FOR UNEMPLOYED PEOPLE

3.44 The Commission will shortly be releasing its Review of Services for the Unemployed, which will set out a number of possible approaches to helping unemployed people. The Secretary of State has recently approved an expansion of our special programmes for the unemployed but the requirement to reduce expenditure and staff has made it impossible for the Commission to contemplate further initiatives at present.

(i) Youth Opportunities Programme

3.45 We welcome the Government's agreement to provide staffing and expenditure resources to expand the Youth Opportunities programme to allow for 440,000 entrants is based on the Commission's projections of young people's unemployment in 1981/82 and the Secretary of State has said that the Government is prepared to see the programme maintained at that level in the following years if that should prove necessary. We think it will be necessary: on present forecasts for 1982-85 the programme may well have to be expanded further to cope with a still deteriorating labour market, and we shall consider this in our annual review of the programme.

3.46 The Commission welcomes particularly the Government's recognition of the contribution that an expanded and improved YOP programme will make to the establishment of a comprehensive system of vocational preparation for 16 and 17 year olds. Together with the proposal to extend the Unified Vocational Preparation programme to 10% of the population of young people in employment who receive little or not formal systematic training, we see this development as a significant step towards establishing the improvement/ of vocational preparation for all 16 and 17 year olds who are not in full time further education.

3.47 We welcome too the Government's decision to allow an expansion of the Community Industry Scheme, which will provide 7,000 filled places in 1981/83, compared with 6,000 places in 1980/81. The Secretary of State has suggested that the aim should be that net wage levels for Community Industry trainees should be brought into line with the YOP allowance, but has decided that both allowances should be kept at the present levels for the time being.

(ii) Community Enterprise Programme (CEP)

3.48 The Secretary of State has asked the Commission to replace its current programme of temporary employment for adults (the Special Temporary Employment Programme) with a new 'Community Enterprise Programme', to provide 25,000 filled places by April 1982. Like STEP it would give priority to the long term unemployed adults, but it would be open to 18 year olds and would be nationwide. The new programme would place greater emphasis on projects of environmental improvement, on encouraging greater participation of the private sector in projects which have both public and private advantage, on partnerships involving private sector, voluntary and public bodies in the creation of new enterprises, and on projects arranged by voluntary agencies. Priority in the new CEP would be given to areas of high unemployment.

3.49 The Commission welcomes the Secretary of State's decision to fund an expansion of work opportunities for the adult unemployed, and agrees that this would best be done by a programme resting on a wider base of community enterprise. The development of STEP has been hampered by the exclusion of projects which would lead to private as well as public gain and by its recent limitation to the very worst hit areas of high unemployment. The whole-hearted commitment of Government, together with that of employers and trade unions will enable the Commission to mount an effective programme across the whole country and during the next twelve months to double the number of long term unemployed adults being helped.

3.50 Clearly 25,000 filled places will still be a very small provision in relation to the numbers of the long term unemployed, which are likely to grow rapidly over the next two or three years. Unless the programme is expanded even more quickly than present funding allows, a long term unemployed person in the areas presently served by STEP will actually have less chance of a place on the new CEP programme than on the present STEP programme, partly because of this increased long term unemployment, but also because the extension of the programme beyond the present 'special areas' and to 18 year olds will spread the opportunities more widely.

3.51 We are however well aware of the current practical limits on the expansion of the new Community Enterprise Programme. It must not be used to provide cheap labour or to displace permanent jobs; but even taking account of this the Commission feels that we must urgently devise practical ways of increasing temporary employment opportunities for adults beyond the levels proposed in this plan. We shall put studies in hand in the course of next year.

CONCLUSION

3.52 We have discussed in this chapter how the Commission can best respond to two pressing needs of the early 1980's - to improve the national training effort and mitigate the effects of continuing very high unemployment. It must try to maintain a balance between its basic service to a still very active labour market and special efforts for jobseekers who would without its help remain unemployed for some considerable time; and must also make further cuts in its staffing and expenditure. We have not found it possible within these constraints to do justice to the needs of the labour market (except in the case of assistance to unemployed school leavers). We have had to cut training volumes below the level we would otherwise have considered appropriate, heavy cuts and make/ in the jobcentre staffing and specialist employment services at a time when demands on them are growing rapidly.

THE COMMISSION'S APPROACH TO THE CUTS

1. The Commission's plans have been fundamentally affected by recently announced requirements of Government policy. There are two broad requirements. Firstly, the Commission's special programmes have been substantially expanded and its proposal to increase spending on the programme of unified vocational preparation for young people has been supported. Secondly, the Commission has been required significantly to reduce its staff and expenditure levels by 1984. Clearly, whilst the increased resources available for special programmes are valuable, the Commission's ability adequately to meet all its objectives within the constraints of staff and expenditure cuts is limited. This annex summarises the Commission's detailed response to the cuts.

2. Leaving aside the special programmes increases, the Commission is required to reduce the number of its staff by 1710 by April 1984 and its expenditure by £20m in 1981/82 and £30m in each of the following two years. By itself these are substantial savings to have to make; they are all the more difficult coming as they do on top of a series of expenditure and staffing cuts beginning in June 1979. Moreover they fall predominantly on the Commission's employment and training services. The effect of the restrictions of the last year and a half on the level and balance of the Commission's activities is shown in the graph at the end of the annex.

THE BROAD APPROACH

3. The Commission has been very reluctant to make any cuts in its staffing and expenditure, especially in current circumstances, since they are bound to reduce levels of service at a time when labour market conditions and prospects require more effort from manpower programmes, not less. But the Commission must do the best it can within the staffing and expenditure provision which Government policy allows. It therefore seeks

- (a) to administer its programmes as efficiently as possible, maintaining as far as possible its services to the labour market with fewer staff and at lower unit costs;

- (b) to protect the programmes which serve its four priority areas - meeting skill needs, providing training and work experience for unemployed young people, maintaining an effective and responsive employment service and making special efforts for those with particular employment difficulties;
- (c) to maintain a balanced service and range of programmes in order to meet current needs and put itself in a position to respond quickly and flexibly to new situations and demands.

The previous savings exercises have cut deeply into supporting staff and administrative expenditure but could not avoid reducing the volume of TOPS training, the level of service in jobcentres and employment offices, and the scale of the STEP programme; ending the Occupational Guidance Service and the Special Employment Needs experiment; and making radical changes in PER. The new cuts, however they might be apportioned among programmes, are bound to reduce the scale and quality of the Commission's services to jobseekers and employers.

4. In practice, the Commission's options have been very limited for two principal reasons. First, we have been required to reduce staffing and expenditure simultaneously and by different amounts. The Commission's programmes absorb staff and expenditure in widely varying proportions and this means that programme cuts which might achieve substantial savings in expenditure (such as cutting the TOPS programme) produce relatively small staff savings and vice-versa (for example, the placing service of job centres, which is staff intensive). This has restricted the Commission's ability to base the cuts on its general strategy, its present objectives, and its appreciation of market needs. The second reason is that the Commission has needed to maintain present levels of special programmes as a springboard for further expansion. This has had the corollary that virtually all the staff savings have had to be made within the employment and training services.

5. How did the Commission in these circumstances go about making the cuts? There were three main steps in our approach. The initial step was to assess the expenditure savings which would flow automatically from reducing staffing levels by 1710 and the savings which would accrue anyway from changes in our

plans prompted by reappraisal of their operational need. This left us with the base line from which the real and detailed cuts had to be made. We then reappraised the main elements of the programmes designed to meet our broad objectives and considered whether we should make broad strategic changes. Finally, we looked at each of our programmes and pared them so as to meet the savings requirements and, so far as possible, minimise the damage to the service as a whole. As will become clear there was little room for manoeuvre in this exercise. The three steps are explained more fully below.

(i) Savings from Operational Reappraisal of Plans

6. Given that 1710 staff would be cut a certain amount of salaries and other direct staff costs would be saved, whatever programmes the staff were working on. In a full year this would amount to £8.1m but since the run down of staffing would have to be phased over the three years April 1981 - April 1984 (430 during 1981/82, a further 430 in 1982/83 and the balance of 850 in 1983/84) the financial savings would be only £1.2m in the first year, £3.7m in the second year and £7.2m in the third year. This left non-staff expenditure savings of £18.8m in 1981/82, £26.3m in 1982/83 and £22.8m in 1983/84, to be found in ways which would reduce staffing levels by 1710.

7. Some of the savings accrued from decisions prompted by operational considerations not primarily related to the need to make cuts. These have been referred to in Chapter 3. The major expenditure saving in this area would subject to confirmation of the Commission's decision come from replacing the experimental CAPITAL project (item 19 in Table A attached) with the Job Bank (which we envisage being introduced in London in 1983/84). This however, would involve sacrificing a saving of 150 staff which we had identified as flowing from the proposal to extend CAPITAL to the whole of London. Another saving in this category flowed from the decision not to proceed with a new skillcentre at Camden.

8. These savings left us with 1,860 staff to cut in ways which would produce expenditure savings of £10.3 m in 1981/82, £16.9 m in 1982/83 and £17.7 m in 1983/84.

(ii) Strategic Reappraisal

9. Faced with the requirement to make major savings there is an argument that rather than reducing all or many of its programmes, the Commission should cut out entirely one or more of them. However, each of

the Commission's programmes has been evolved to meet clearly identified and often acute needs. The expertise devoted to them has been carefully built up and if lost is not easily or cheaply replaced. The Commission needs to be able to respond quickly and effectively to the changing needs of the labour market and would only wish to curtail a whole programme if such action seemed warranted after careful review of its merits. In the current exercise the Commission did look at the broad strategic options which are sometimes advanced for saving resources. For example, we considered:

- whether we should continue or substantially amend our job centre programme. The conclusion was that the vital aims outlined in our review 'The Employment Service in the 1980s' could not be adequately met if the job centre programme were cut back. The job centre network is necessary if a basic and efficient job finding and filling service is to be provided in the long-term, if job seekers are to be given access to information about the full range of employment, training and other services of the MSC, and if employers' manpower needs are to be satisfied.
- whether the PER service should be curtailed. The Commission reviewed this service before the last Corporate Plan and operational changes resulted which are to be assessed shortly. We decided ^{that} ~~it would be~~ ^{not} right to pre-empt this assessment. Moreover, to curtail PER would not save major sums or staff numbers since there would be a corresponding increase in the demands on the general placing service if PER were wound up.
- whether the number of Employment Rehabilitation Centres should be substantially reduced. The Commission is currently undertaking a Review of employment rehabilitation and, whilst there may be advantages in giving a non-institutional focus to rehabilitation it would have been wrong to prejudge the outcome of the review in this important area. We do however propose to close the Long Eaton ERC for operational reasons (paragraph (2b)).
- whether the rate of allowances for TOPS courses, on which £ 76 m was spent in 1980/81, should be cut. The allowances will be marginally reduced next year as a result of recent decisions of the Commission but to make any substantial cut in order to achieve appreciable savings would eliminate the benefit/allowances differential and thereby make it more difficult to attract trainees and keep courses filled.

(iii) Detailed Programme Review

10. We therefore turned our attention to the savings which might be made whilst leaving the basic network of our programmes intact (though in some cases seriously reduced in level). The effect of this detailed review on the level of the principal individual programmes is outlined below and summarised in Table A.

Training Services Division

11. Given the decision that special programmes are to be substantially expanded, TSD has had to bear the brunt of the expenditure cuts because compared with ESD, its activities are relatively expenditure-intensive. There will naturally be major adverse effects on the services it offers:

(a) TOPS Skillcentre classes (item 3 in Table A)

There will be a reduction of some 65 classes where placing has been poor and occupancy over the longer term difficult. Training completions will be reduced by about 750, but the Commission retains its commitment in Wales to the needs arising particularly from the critical situation in the steel industry. This will save 75 staff and over £2.5m up to 1984.

(b) Non-skillcentre completions (item 6)

Completions will be reduced by some 4,750, saving 85 staff and sums rising to £12m in 1983/84. Taking (a) and (b) together the total effect will be the loss of some 5,500 TOPS completions a year mainly in HGV driver training, (where placing prospects have been deteriorating) and in clerical and commercial training. The cuts will further diminish the number and proportion of training opportunities available to women though the existing position of ethnic minorities will largely be protected, and steps are being taken to ensure that particular consideration is given to applications by disabled people.

(c) Reduction in Industry Directorate Grants (item 8)

The need to make cuts here rising to £4m in 1982/83 and 1983/84 means

20,000
be reduced, allowing the Commission to support not much more than/
apprentice places in 1982/83 and subsequent years. But we intend to
maintain our support for apprentice training in 1980/81 (see
paragraph 3.12) and will review the whole situation urgently in the
New Year.

(d) Decision not to proceed with Camden Skillcentre (item 5)

This decision, taken for operational reasons, will together with
other minor capital savings save £3.8m in 1981/82 and £1.6m in 1982/83.
It will have no serious effect on the labour market in Inner and
NE London since we shall now keep open the Enfield Skillcentre which
together with present spare capacity in North London should be able
to meet local needs.

(e) Skillcentre ancillary staff (item 1)

We propose to reduce (by 395) staffing levels among ancillary staff
in skillcentres by putting catering in skillcentres out to contract.
In addition 50 ancillary staff will be saved in the ERC canteens.

Employment Service

12. In practice the worst effects of the cuts will be felt in the general
placing service from which the bulk of the staff reductions had to be found,
and the result will be to depress further the level of services to jobseekers
and employers. Looking at this and other important areas of savings in the
employment service the picture is as follows:

(a) General placing service (item 21)

This will have to take cuts of 605 staff. The principal result
will be that with very few exceptions it will be impossible to
match vacancies and jobseekers. Employers will be sent only those
jobseekers who are in the jobcentre when a vacancy is posted on the
self service display board and jobseekers will only have the
vacancies that are in stock at the time they call into the jobcentre.
The Commission will be examining the only alternative to this
unacceptably low level of service to the labour market - a reduction
in the workload of registering the unemployed either by deferring or
dispensing altogether with the requirement to register.

(b) Disabled People (items 12-17 and 21)

For reasons explained in Chapter 3 we considered that services for disabled people could not be exempted from the latest cuts, and we decided that staff employed in the specialist placing source should be reduced by 120 (items 12 and 13). This means less specialist help in the placement and referral for training of disabled people since they will increasingly be served by the general jobcentre service. The other significant saving in this area flows from and trimming the capacity of a number of other centres and contracting out most of the canteen services at ERC's. These further savings amount to 120 staff.

Special Programmes Division and Support Services

13. The cuts in these divisions will not have any direct effect on the level of our services to jobseekers and employers. But the cuts in MIPD and RMIU's, together with cuts in the Directorate of Training and in ESD staff working on statistics, though totalling only 60 are large in proportion to the number of MSC staff involved in this work and will reduce to some extent the scope and quality of our manpower intelligence and research work. The cut of 90 in Corporate Services Division, affecting personnel, finance and common services, is a severe one and will not be easily achieved.

PROPOSALS FOR STAFF AND MONEY SAVINGS

		1981/82	1982/83	1983/4
	STAFF	MONEY	£m 1980 Survey Prices)	
(A) TSD				
(i) TOPS				
1. Skillcentre ancillary staff	395			
2. Computerisation of skillcentre payments	70			
3. Withdraw 65 skillcentre classes (40 in 1981/82, 25 in 1982/83)	75	0.4	1.0	1.1
4. TSD Regional and District Office Staff	50			
5. Abandon proposed skillcentre at Camden (and minor capital savings)		3.8	1.6	
6. Cut approximately 4750 non-skillcentre completions (TSD staff only)	85	5.0	8.3	12.0
(ii) OTHER TSD				
7. Staff in Industry Directorate - Directorate of Training	20			
8. Reduce Industry Directorate grants		2.5*	4.0	4.0
TSD TOTAL	695	11.7	14.9	17.1
(B) ESD				
9. Area and District Office Staff	50			
10. ESD Statistics	30			
11. PER	10			
12. DRO Service (including blind)	70			
13. Change Quota arrangements	50			
14- Trim ERC capacity and staff, savings on 16. capital programme (possibly include closure of one ERC).	120	0.4	2.1	0.6
17. Minor savings on DP programmes		0.5		
18. Jobcentre capital programme		1.5	1.5	
19. Replace CAPITAL with Job Bank	[150]	4.7	7.8	5.1
20. Staff saved on TOPS recruitment as consequence of Item 6	30			
21. Reduce staff in General Placing Service	605			
	815	7.1	11.4	5.7
(C) SPD				
22. Streamline systems and paperwork	100			
(D) SUPPORT SERVICES				
23. Corporate Services Division	90			
24. MIPD	5			
25. RMIUs	5			
MSC TOTAL	1710			
Salaries and other direct costs of 1710 staff assuming 430 saved in 1981/82, another 430 in 1982/83 and the remaining 850 in 1983/84		1.2	3.7	7.2
		20.0	30.0	30.0

*This includes £1.5m for supporting apprentice places - a saving we are seeking to avoid by transferring resources from YOP (see para.3.13).

THE COMMISSION'S EXPENDITURE

1976 - 1985

in
1980
Survey
Prices



Special Employment Measures (JCP, WEP, CI, STEP/CEP, YOP).



Balance of Provision
(Employment, Training
and Support Services)

PLANS

OUTTURN

900

800

700

600

500

400

300

200

100

76/77

77/78

78/79

79/80

80/81

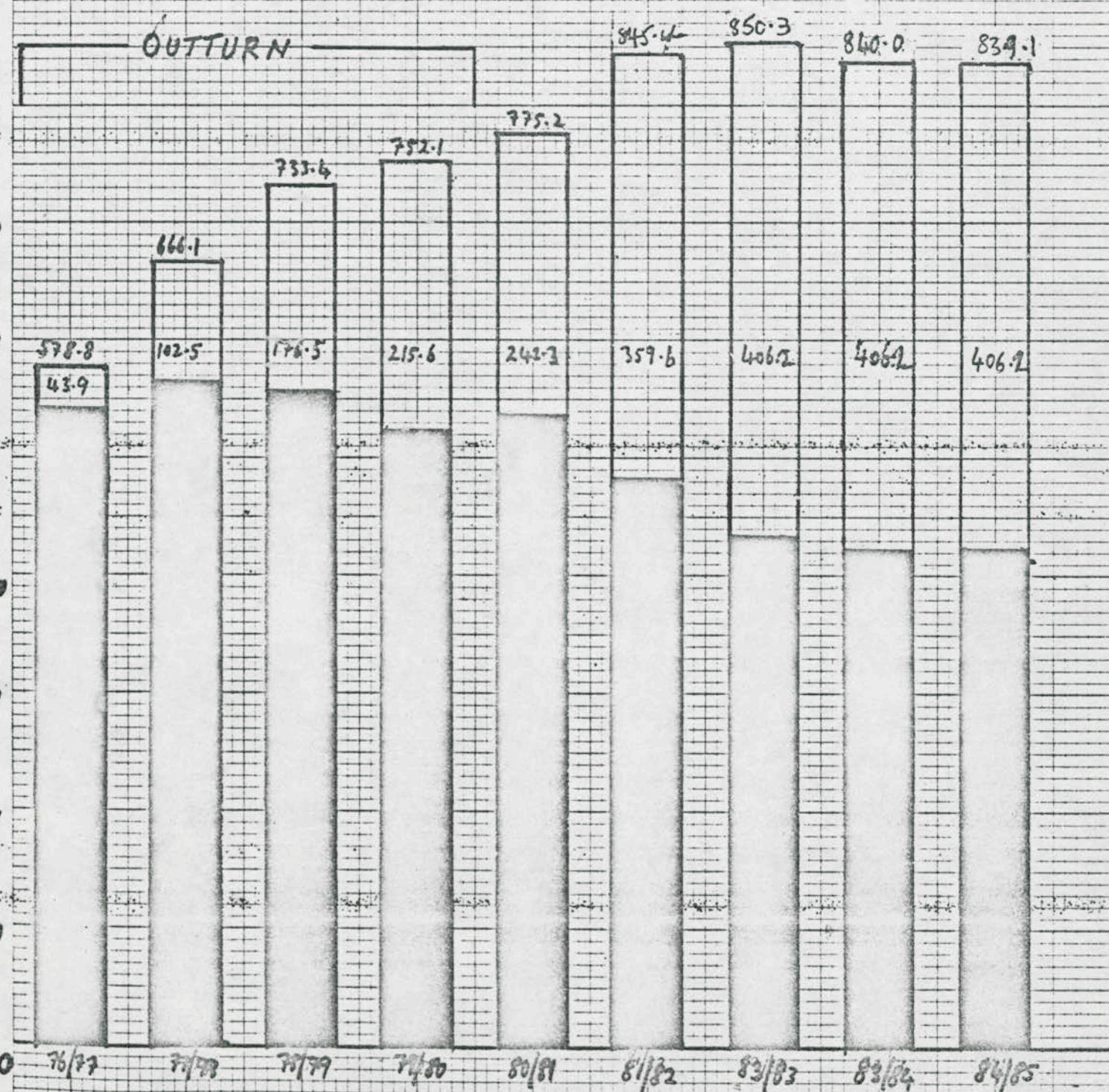
81/82

82/83

83/84

84/85

E.R.



CHAPTER 4 - THE COMMISSIONS PLANS 1981 - 85

4.1 In this chapter we present the Commission's plans for its services in 1981-85 in the light of our general aims and priority objectives in a deteriorating labour market and with reduced resources. We also give an account of the programmes through which these objectives will be pursued together with a provisional allocation of its resources to these programmes.

AIMS AND OBJECTIVES

4.2 The Commission's aims were first set out in 1977, and in our view they continue to be valid and appropriate for the 1981-85 planning period. These aims are:

- (i) to contribute to efforts to raise employment and reduce unemployment;
- (ii) to help assist manpower resources to be developed, and contribute fully to economic well-being;
- (iii) to help secure for each worker the opportunities and services he or she needs in order to lead a more satisfying working life;
- (iv) to improve the quality of decisions affecting manpower;
- (v) to improve the efficiency and effectiveness of the Commission.

4.3 The Commission's priority objectives are as follows:

- (i) to safeguard the provision of skilled manpower for industry's present and future needs;

- (ii) to ensure that all unemployed 16 and 17 year olds have access to programmes of training and work experience, as part of efforts to improve access to training and vocational preparation for all young people;
- (iii) to provide an efficient and cost-effective employment service to meet employers' and jobseekers' needs;
- (iv) to do all that is practicable to place in permanent employment, in training or in temporary employment those unemployed jobseekers who most need help in returning to work.

These objectives are of equal importance and are to a considerable extent interdependent.

PROGRAMME PLANS

4.4 We now set out what we are able to do, given our resource constraints, in pursuit of these objectives in 1981-85. As we have made clear these are not the plans we would wish to make against rapidly escalating unemployment and rapidly changing skill needs.

(i) Meeting Skill Needs

4.5 The Commission will continue to support industry's own training efforts, by providing grants for apprentice and other training. Ministers have decided to end Exchequer support for the operating costs of Industrial Training Boards by 1982/83 and are considering whether many of the Boards should not be wound up. The Commission for its part is urgently reviewing the need for such statutory institutions in each sector of industry. Whatever the machinery however, the Commission intends to support training in industry through grants totalling some £50m a year. Such a funding should support ^{20,000-22,000} first year apprentice places and provide a substantial investment in training in cross-sector skills.

4.6 This provision will be supplemented by the training facilities offered to employers under the Commission's Direct Training Services. Training is provided in four main categories: functional training in specific skills, provided either in skillcentres or by mobile instructors on employers' premises; procedural training in, for example, the operation of health and safety regulations on export procedures; training in instructional techniques, carried out either in employers' premises or at the Commission's Instructor Training Colleges; and training in supervisory and management responsibilities carried out either at convenient local venues or on employers' premises. This provision is designed to supplement the training offered by other providers and employers are charged a fee for these services. The number of people expected to be trained in each of the main categories of training during 1981/82 are as follows:

Functional	12,380
Procedural	4,130
Instructional techniques	7,770
Supervisory/management	6,910
TOTAL	<u>31,190</u>

4.7 The Training Opportunities Scheme will continue to be an important provider of skilled and semi skilled training. TOPS will stabilise at a new level of 56,000 adult completions as from 1983/84. At this stage it is not possible to say how these completions will be distributed among skill groups.

4.8 The Commission will continue to carry out work in its Directorate of Training to improve the quality, effectiveness and efficiency of training, by research projects, instructional material and participation in a large number of advisory bodies involved in the management of the national training system. It will in particular be exploring means by which 'open' or 'distance' learning can be developed to help widen opportunities for adults to up-date and improve their skills and knowledge.

4.9 On a wider front, the Commission is considering what new impetus it can give to the reform of industrial training following its report 'Outlook on Training : A Review of the Employment and Training Act 1973'. The Commission plans to develop proposals in particular for expanding traineeship opportunities for 16 and 17 year old entrants to the labour market; for widening and reforming apprenticeship arrangements; and for increasing opportunities for adults to train and re-train. It hopes that following discussion with Government, these proposals may form the basis of a consultative document seeking the views of industry and the education service.

(ii) Training and Work Experience for Young People

The Youth Opportunities Programme

4.10 In response to current and prospective levels of unemployment among 16 and 17 year olds, the Youth Opportunities Programme will be expanded to provide 440,000 opportunities in 1981-82. Our staffing and expenditure projections set out in tables at the end of this chapter assume the continuation of a programme of this size. In practice the size of the programme is reviewed annually as part of the Government's general review of special employment measures. On present indications the YOP programme would need to be expanded still further in later years.

4.11 The resources devoted to expansion (an additional 785 staff and £96m. a year) should enable the Commission to provide opportunities for the increasing numbers of unemployed young people and to make very substantial progress towards the new objectives requested by the Secretary of State. Nonetheless, such an expansion will be difficult to achieve. It will not be easy to generate the opportunities in which young people can be placed, nor to maintain placement rates after participation, in the face of the employment trends outlined in Chapter 2.

4.12 The Commission has been asked to improve the undertakings to young people. It will therefore continue to give priority to unemployed school leavers and seek to offer as many of them as possible a place in the Programme by Christmas 1981 rather than the following Easter. Additionally, it will move towards the ultimate target of making an offer of a suitable YOP opportunity

within 3 months to all 16 and 17 year olds who have been registered as unemployed for more than three months. These commitments will constitute a substantial improvement over the previous undertakings.

4.13 Subject to the availability of places not required by 16 and 17 year olds, young people aged 18 and over will be able to join the Programme. The upper age limit will be raised to 24 to enable discretion to be exercised for particularly hard cases. (In practice, entry of those over 20 will be exceptional.)

4.14 In moving towards the Government's longer term objective of providing a comprehensive system of vocational preparation for 16 and 17 year olds, action will be taken to relate the content of the expanded programme to serious vocational preparation. All elements of the Programme will be expanded, but, in particular, good quality work experience schemes, work preparation courses and training workshops will be developed.

Community Industry

4.15 Community Industry will be expanded to provide 7,000 filled places in 1981/82 (or for 10,000 entrants a year) compared with present plans for 6,000 filled places (and 7,900 entrants a year). The cost of the expanded programme will be 19.3 million a year (£10.0m net exchequer costs), £1.9 millions more than in the present PBS Bid. There will be no addition to MSC staff.

The Last Years at School

4.16 We believe that the labour market environment we describe in Chapter 2 means that it will, more than ever, be of the greatest importance to encourage the introduction into the last years at school of activities designed the better to prepare people to enter the world of work and cope with the difficulties they will encounter, and to enable them to acquire basic life and social skills. We believe that the experience we have gained in operating the Youth Opportunities Programmes could be of value to those who might be responsible for designing and introducing such developments. Accordingly, we recommend that the Government should make available to the Schools Council and to the equivalent to that Council in Scotland, a sum of money which would be used to stimulate such developments through the design of useful models and the funding of projects in schools. The MSC, for its part, has no wish to dictate the design of the curriculum in any way but would be happy to provide help and advice drawn from its experience with both YOP and UVP if this were sought by the Education Service.

Unified Vocational Preparation

4.17 For young people already in employment but not receiving any formal training, the Commission will, in association with the Education Departments, expand its schemes of Unified Vocational Preparation so that the number of young people served will rise from 3,500 in 1980/81 to 6,500 in 1981/82; 12,000 in 1982/83, and 20,500 in 1983/84, by which time it will be serving at least 10% of the young people concerned. This expansion will involve additional expenditure of £1m in 1981/82, £2.2m in 1982/83 and £4.5m in 1983/84.

(iii) An efficient and cost effective employment service

4.18 The employment service will continue to aim to attract as many employers' vacancies as possible and to fill them as quickly as possible with the jobseekers who register with it. The conversion of old style employment offices into modern jobcentres will be substantially completed by 1985 and modern well-sited premises, equipped with computer technology, will offer employers a first class service and reinforce their confidence that the Commission can fill their vacancies more quickly and more effectively than any other formal recruitment mechanism. The Commission will also continue to provide its specialist Professional and Executive Recruitment service, giving employers access through its new 'Executive Post' weekly broadsheet to a wide range of qualified jobseekers.

4.19 Jobseekers will not receive the level of service in 1981-85 that they have enjoyed in earlier years. While the recession persists neither the general placing service nor PER will have the vacancies to offer, the number of TOPS places will decline and there will be little growth in places on other MSC schemes. A sharp reduction in the staffing of employment offices will also ~~reduce or even~~ eliminate the already small amount of staff time available for matching and review interviews. The Commission is considering whether more staff time could be made available to help the longer term unemployed jobseekers in this way by changes in existing arrangements for registering the unemployed.

4.20 Despite these acute staffing difficulties the employment service will maintain its service of occupational information to jobseekers, in jobcentres, using the publications of the Careers and Occupational Information Centre (and in due course the computer system DOORS (Data On Occupation Retrieval System) now under development), and in a small network of Job libraries in main centres of population.

4.21 The Employment Transfer Scheme will continue to help unemployed jobseekers in areas of very high unemployment to move to jobs in areas with unfilled vacancies, provided that there are no suitable vacancies in the jobseekers' home area and no suitable candidates in the area where the vacancy has been notified. The Commission expects to be assisting some 7,000 moves a year in the period 1981-85.

(iv) Vulnerable Groups

4.22 The Commission will continue to make special efforts for those besides young people who are at a special disadvantage in the labour market - these groups include the disabled, ethnic minorities, the long term unemployed and those re-entering the labour market after bringing up a family, prolonged illness or other reasons. As far as possible the Commission seeks to serve all jobseekers without differentiation by sex, physique, ethnic origin or duration of unemployment. The jobcentres for example will continue to submit to employers jobseekers in all categories - those already employed, and seeking to change their jobs, those recently made unemployed and those who have been out of work for considerable periods, and TOPS operates on a similar basis. Nevertheless the Commission does provide special assistance to three groups who do not enjoy the same access to the labour market as the rest of the working community - disabled people, adult entrants or re-entrants to the labour market and the long term unemployed.

(a) Disabled People

4.23 The Commission will continue to make grants to local authorities, Remploy and other voluntary organisations to provide sheltered employment for 13,000 disabled people. These grants will continue at around £50m a year.

4.24 The Commission will continue to provide Employment Rehabilitation courses, primarily in its own Centres, for some 14,500 people a year.

4.25 Disabled people will be served as far as possible by the general jobcentre placing services, alongside able bodied jobseekers but specialist disablement Resettlement Officers will still be available for those with the most severe employment disabilities.

(b) Adult entrants or re-entrants to the labour market

4.26 TOPS will continue to provide language training for recent immigrants who are joining the labour force, and reorientation courses for women taking up employment again after bringing up a family.

(c) The Long Term Unemployed

The Community Enterprise Programme

4.27 The Commission sought from the Secretary of State funding for the provision of 25,000-30,000 STEP places by March 1982 (compared with 11,000 places occupied in October 1980). The Commission also wished to operate the STEP programme nationwide and to admit 18 year olds to the programme.

4.28 In response, the Secretary of State has provided an additional 190 staff and increases of £28m in 1981/82 and £57m in the following two years to enable the Commission to have 25,000 filled places by March 1982 (the lower end of the Commission's bid) and has asked the Commission to replace STEP with a new Community Enterprise Programme (CEP). This programme will continue for at least 3 years and its scale will be subject to annual review. The new programme will emphasise work of environmental improvement, encourage greater participation by the private sector in projects that have both public and private advantage and offer greater scope for projects arranged by voluntary agencies. It includes funds for partnerships involving the private sector and voluntary and public bodies in the creation of new enterprises, where that can be arranged consistently with the existing Government programmes for this purpose. It will be a nationwide programme but priority is to be given to projects in areas of high unemployment.

4.29 Like STEP, the new CEP programme is primarily for the long term unemployed - those in the 18 - 21 age group who have been out of work for over 6 months and those over 25 who have been unemployed for over 12 months and existing STEP opportunities will be transferred to the new programme.

4.30 While CEP will be, like STEP, essentially an employment rather than a training programme, the Commission will fund the costs of any formal training which will significantly improve his or her future employability.

4.31 The Commission has been asked to bring forward proposals for funding CEP schemes which are intended to provide, after a period of MSC funding, new jobs in the normal employment market. MSC officials are currently considering a number of options. It is anticipated that these activities will form only a

4.32 Bearing in mind public attitudes to the plight of the long term unemployed as well as the pressures on the Commission to meet the new YOP undertakings, 25,000 filled places by March 82 will be a testing but attainable target. The public commitment of Government for the next three years will be of considerable help, but sponsors will still need persuasion to enter a Programme for the long term unemployed in view of the STEP experience. The Programme will need to be launched with considerable publicity to give it the impetus it needs.

4.33 Even at this increased scale CEP still represents a very limited response to the problem of unprecedented levels of long term unemployment. If progress with the new Programme warrants it, the Commission will wish to return to the Secretary of State with proposals for a larger and more comprehensive programme.

EFFICIENCY AND EFFECTIVENESS

4.34 The continuing cuts in the Commission's resources, particularly the staff cuts, will put even greater pressure on management to search for ways of streamlining administration and less staff intensive ways of delivering its services. Staffing at Head Office, and Regional and District Offices will be reduced in order to keep to an absolute minimum the reduction in services to employers and jobseekers. The Commission's Corporate Services Division is particularly charged with ensuring the efficient use of staff and controlling the Commission's expenditure. The introduction of computer technology in the Commission's administration as well as in jobcentre operations is one means by which increased efficiency will be achieved. Another is the physical concentration of Head Office units under a single roof when the move to the Commission's new Moorfoot building in Sheffield is completed.

4.35 The effectiveness of the Commission's programmes is constantly reappraised, through its strategic and operational planning systems, its monitoring of the subsequent experience of TOPS and YOP trainees and its regular reviews of its major programmes. The Manpower Intelligence and Planning Division will continue to provide labour market appraisals, policy analysis, programme evaluations and planning procedures by which this continued attention to effective manpower policies and programmes is maintained. Like the Regional Manpower Intelligence Units, which play a similar role in serving our regional management boards, the Manpower Intelligence and Planning Division will see its staff reduced over the next few years.

4.36 Cuts in these support services will of course make it more difficult to manage the rundown in staffing and expenditure and will impair the ability of the operating divisions to deliver their services to employers and jobseekers in the most cost effective way.

RESOURCES

4.37 Taking into account the increases in staffing and expenditure to be made available for the increases in special programmes and UVP, and the cumulative effect of the cuts in staffing and expenditure which have been announced since June 1979, the Commission is left with expenditure in 1981/82 of £845.4m, reducing to £839.1m in 1984/85 and a staff of 24,670 at 1.4.81 reducing to 22,169 by 1.4.84. We have assumed the continuation of these resource levels for the final year of the planning period. A provisional allocation of these resources to the Commission's programmes is shown in Tables A and B.

TABLE A

ESTIMATED¹ EXPENDITURE BY PROGRAMMES 1981-85

£M 1980 Survey Prices

	80/81	81/82	82/83	83/84	84/85
<u>Employment Service</u>					
Local Office service	112.5	107.7	107.0	106.9	106.9
PER (net)	3.9	2.8	2.7	2.7	2.7
Geographical Mobility allowances	4.0	4.1	4.1	4.1	4.1
Employment Rehabilitation	13.1	13.8	13.1	16.4	16.4
Sheltered Employment	49.7	48.7	49.4	48.2	48.2
Other Services	2.8	3.1	3.4	3.4	3.4
TOTAL	186.0	180.2	179.7	181.7	181.7
<u>Training Services</u>					
TOPS and Direct Training Services	213.1	187.0	184.0	178.2	178.2
Services to Industry Training Bodies	99.1	87.5	55.6	56.5	56.5
Training Research Information Development and Advice	2.0	2.0	2.0	2.0	2.0
TOTAL	314.2	276.5	241.6	236.7	236.7
<u>Special Programmes</u>					
YOP	185.2	263.7	281.3	281.3	281.3
STEP/CEP	39.4	76.6	105.6	105.6	105.6
Community Industry	17.4	19.3	19.3	19.3	19.3
JCP (residual)	0.3	-	-	-	-
TOTAL	242.3	359.6	406.2	406.2	406.2
<u>Support Services</u>					
Corporate Services Division	18.9	20.1	19.3	18.3	18.3
Manpower Intelligence and Planning Division	1.3	1.3	1.3	1.3	1.3
Regional Manpower Intelligence Units	3.0	3.0	3.0	3.0	3.0
Costs of Dispersal	9.5	5.9	2.9	-	-
TOTAL	32.7	30.3	26.5	22.6	22.6
TOTAL MSC	775.2	846.6	854.0	847.2	847.2
Provisional assessment of staff saving		1.2	3.7	7.2	8.1
Net		845.4	850.3	840.0	839.1

1. This allocation of expenditure is tentative at this stage and is subject to considerable revision.

TABLE B

1
ESTIMATED STAFFING BY PROGRAMMES 1981 - 85

	Actual SIP	Projected Allocations				
	1.4.80	1.4.81	1.4.82	1.4.83	1.4.84	1.4.85
1. General Placing Service	8,167	7,869	7,457	7,090	6,905	6,905
2. Recruitment for TOPS	544	460	440	430	410	410
3. Recruitment for SP Progs ²	164	360	355	355	355	355
4. Occupational Information Service including COIC	449 ³	81	125	150	180	180
5. Geographical Mobility Service	162	160	150	150	150	150
6. DRO Service and Sheltered Employment	1,473	1,440	1,310	1,220	1,120	1,120
7. Meeting Rehabilitation Needs	997	960	900	840	830	830
8. PER	787	640	480	480	480	480
9. Other ESD ⁴	2,029	1,910	1,850	1,740	1,700	1,700
Total ESD	14,772	13,880	13,067	12,455	12,130	12,130
10. TOPS including DTS	8,228	8,038	7,857	7,261	6,947	6,947
11. Work with industry training bodies	113	106	98	90	83	83
12. Training Research and Development (including TSD Secretariat)	84	81	75	68	65	65
Total TSD	8,425	8,225	8,030	7,419	7,095	7,095
13. Total SPD (YOP, STEP/CEP, and CI)	1,250	1,225	1,940	1,922	1,772	1,772
14. Corporate Services Division	1,151	1,093	1,058	989	943	943
15. Manpower Intelligence and Planning Division	67	67	66	62	59	59
16. Regional Manpower Intelligence Units	203	180	179	172	170	170
Total Support Services	1,421	1,340	1,303	1,223	1,172	1,172
Total MSC	25,868	24,670	24,340	23,019	22,169	22,169

Notes: 1. This allocation of staff is tentative at this stage and is subject to further revision.
 2. Includes 36 posts to service the Job Release Scheme.
 3. Includes 402 staff in Occupational Guidance Service which terminated in 1980/81.

CHAPTER 5 THE COMMISSION'S PLANS FOR SCOTLAND

5.1 The Commission's strategic priorities outlined in Chapter 3 apply to its operations in Scotland no less than in other parts of Great Britain and the difficulties of responding adequately to the increasing needs of the labour market (and particularly the needs of the unemployed) while making cuts in MSC's staffing and expenditure require a careful analysis of Scotland's manpower needs and the most effective application of the Commission's programmes. In this Chapter we outline the distinctive features of the labour market in Scotland and describe our plans for operating our services (both those administered on a Great Britain basis and those which are fully decentralised, in the latter case showing the allocation of staffing and expenditure).

THE LABOUR MARKET IN 1980

5.2 Industrial output in Scotland declined by less than in Great Britain as a whole during the 1973-1976 recession but Scotland did not share in the partial recovery of 1976-1979. The present recession dating from the summer of 1979 has left Scotland with its lowest level of output since the early 1970s. Since 1974, when total employment was just under 2.1 million, there has been a reduction of 57,000 (2.7%) but the decline in manufacturing employment has been greater at 121,000 (18%). Sectors in which there have been particularly severe reductions in employment include engineering (58,000 or 20%) and metal manufacture (11,000 or 25%). The decline in manufacturing employment has been partly offset by the expanding service sector in which employment has increased by 74,000 (6.4%) since 1974. The main growth areas have been financial, professional and miscellaneous services (86,000 or 14%) and public administration and defence (12,000 or 8.5%).

5.3 Notified redundancies in Scotland have increased sharply during 1980; the total for the first 9 months of 1980 was 42,000 compared with 24,000 and 34,000 for the whole of 1978 and 1979 respectively. Redundancies in the engineering industry rose from 5,000 in 1978 to over 19,000 in the first three quarters of 1980 with large increases recorded in mechanical engineering, electrical engineering, shipbuilding and vehicles. Strathclyde Region, in particular, has been severely affected by the recession and has experienced two-thirds of all notified redundancies in Scotland in the past 2 years, although the region accounts for less than half of total employment.

LABOUR SUPPLY

5.4 There was a substantial increase in the population of working age in the second half of the 1970s. Nearly three-quarters of this increase was accounted for by the rise in the numbers in the 15-24 age group, reflecting the high birth rates of the late 1950's and early 1960s. There has been, as in the rest of Great Britain, a slow decline in the activity rates for men (reflecting particularly an increase in early retirement) and a rapid increase in activity rates for women (especially of married women). The number of males in the labour force therefore has remained fairly stable throughout the 1970s with some signs of a fall in the past year or two in spite of the increase in the population of working age. In contrast, the female labour force rose steadily and in 1979, was approximately 150,000 larger than in 1971.

Unemployment

5.5 The increase in labour supply has not been matched by an equivalent expansion in employment and the result has been a large rise in the level of registered unemployment in recent years. Apart from 2 periods (1972-74 and 1978-79) the general trend in unemployment has been upwards and by the autumn of 1980 the total was double the level of 1971. Male and female unemployment both increased by about 50,000 over the period but, the proportionate rise in unemployment has been much greater for female - an increase of more than three times, compared with one of just over half for males.

5.6 The increase in total unemployment has produced some important changes in the composition of the unemployment register. The numbers experiencing prolonged periods of unemployment have increased substantially. More than 90,000 people had been unemployed for more than 6 months in July 1980 compared with 37,000 in 1975 and the numbers on the register for over a year more than doubled to 49,000 over the same period.

5.7 Young people have been particularly affected by the rise in unemployment. The numbers of unemployed under 20 increased $2\frac{1}{2}$ times between July 1971 and July 1980. Again, females accounted for much of the increase - their numbers increased almost four times. School leaver unemployment grew by more than the average for young people, reflecting the increasing problems faced by first-time job-seekers and the larger numbers entering the labour market.

5.8 The recent sharp rise in unemployment has had a varying impact on different regions in Scotland with the industrialised regions of the central belt tending to show the largest increases between 1979 and 1980. The rise in the unemployment rate - from 9.7 per cent to 12.1 per cent - was particularly severe in Strathclyde but in Grampian and Shetland, the 2 areas most affected by oil developments, unemployment remained well below the Scottish and GB rates.

LABOUR MARKET OUTLOOK

Labour Demand

5.9 As Chapter 2 has shown, economic forecasters are almost completely united in projecting that the fall in output experienced since the summer of 1979 will continue at least into 1981. The more pessimistic forecasts predict that this decline will continue well into the 1980s but others expect an upturn in output beginning in late 1981 or 1982. The forecasts also indicate a decline in employment over the next few years. The Manpower Research Group at Warwick University suggests a fall in total employment in Scotland of just over 3 per cent between 1978 and 1985.

Labour Supply

5.10 The expected decline in employment will take place against a background of further growth in the labour force. The population of working age in Scotland will continue to rise in the next few years but the rate of growth will be slower than in the 1970s - an increase of about 80,000 in the 8 years to 1986 compared with one of over 100,000 in the years 1971-79. This slower rate of growth is largely due to the decline in the number of young people in Scotland reaching school-leaving age and reflects the downward trend in birth-rates which began in the middle of the 1960s.

5.11 The latest assessments suggest that the total labour force is likely to increase by about 70,000 between 1979 and 1986 - about half the rate of growth experienced in the 1970s. The main factors affecting the size of the labour force will be the increase in the population of working age, a decline in male activity rates (particularly among older age groups) and a continued expansion in economic activity among females although rising unemployment and diminished job prospects may slow down the upward trend in activity rates. Females are again likely to account for the majority of the increase in labour supply.

Unemployment

5.12 These forecasts of declining, or at best, static employment levels and increasing labour supply together imply further increases in unemployment. The continued rise in unemployment is likely to reinforce the trends in the composition of the unemployed register in recent years. Unemployment will continue to rise more steeply among females than among males; long-term unemployment will increase sharply; and the problems faced by young job-seekers will remain acute. However, some problems in recruitment can still be expected in expanding sectors of industry and will call for measures to ensure the supply of skilled manpower.

5.13 We now set out a brief account of the Commission's programmes as they will operate in Scotland in 1981-1984. As we have said in Chapter 3 with respect to Great Britain as a whole, these plans are constrained by decisions already announced by Ministers on the future of special programmes, and by the requirement to make further cuts, beyond those already required of us, in the Commission's expenditure and staffing. Except in the case of unemployed young people we do not believe that these plans represent an adequate response to the needs of the labour market. We summarise staffing and expenditure resources to be allocated to the fully decentralised services in Scotland in Tables A and B at the end of this Chapter.

Special Programmes

5.14 Scotland will share in the expansion of the Youth Opportunities Programme. Provisional plans for 1981/82 allow for 67,000 young people entering the programme, about 15% of the GB total. The pattern of opportunities will continue to be designed to meet the particular needs of the school leavers and other unemployed young people in each area but with emphasis on extending and strengthening the vocational preparation aspect of the Programme. In Scotland as in the rest of Great Britain the Commission will aim to improve its present undertakings, with the ultimate aim of providing 'traineeship' for all 16 or 17 year olds not already receiving formal training in industry or full time education, and lasting as necessary up to their 18th birthday.

5.15 Community Industry already has about 1400 places in Scotland, over 20% of those currently provided in Great Britain as a whole. There is a particular concentration of the Scheme in Strathclyde region including 300 to 400 places in Glasgow. Trainees stay in the programme for an average of 36 weeks so that the number of young people currently served by this programme in Scotland is some 2,150 a year. The programme will be increased to provide another 750

places nationwide, over Great Britain as a whole, but it is not yet clear what proportion of these additional places will be allocated to Scotland.

5.16 The new Community Enterprise Programme will operate in Scotland with some 4,760 places compared with 2,800 places under the current STEP programme which it replaces. This allocation reflects the need to transfer existing STEP places to the new scheme, with the additional 12,500 places allocated through Great Britain according to the distribution of the long term unemployed. 18 year olds will be able to choose to enter CEP instead of YOP and the wage rates paid in CEP should mitigate any unfavourable effect arising from the lack of an increase in the YOP allowance.

Training Services

5.17 Training grants to industry, including support for apprentice places, and training research and development work will continue to be administered on a Great Britain basis and it is not possible to provide separate figures for Scotland.

5.18 In 1979/80, nearly 9,300 people completed TOPS courses and in 1980/81. It is expected that something over 8,400 people will complete training under TOPS. This figure would have fallen below 8,000 in 1982/83 as the continued consequence of earlier rounds of cuts (the figure provided for in the Scottish Plans 1981/82 was 8,000). As a consequence of the present cuts, completions will be reduced still further over the period to 1983/84 and will probably be in the region of 7,750 in 1981/82 and something above 7,000 by the time the cuts are completed. As part of these reductions there will be further skillcentre class closures, concentrating on classes of particularly poor performance and therefore necessarily affecting Scotland as a whole and the West of Scotland particularly, rather more than some other regions. The cut is likely to amount up to 10 skillcentre classes in all over the period 1981/82 to 1982/83. At the end of this period, the effect will be to reduce completions by something over 100 in a full year. The balance of the cuts will fall on training outside the skillcentres. On the non-skillcentre side there will also be a further loss of completions over the next three years, amounting to perhaps 700-800 in total.

5.19 In view of the rise in the level of unemployment in Scotland, ESD will be in a position of dealing with high business volumes at a time of reducing staff resources. In this situation, ESD will be seeking to change the emphasis of its operations by minimising the amount of time spent on jobseekers least in need of our help in order to provide some selective assistance to longer term unemployed jobseekers. Nevertheless, ESD will continue to give priority to finding vacancies and to filling them quickly with suitable jobseekers as this represents the best way of helping the largest number of unemployed people. In particular, ESD will continue its successful exploitation of those opportunities presented by the expanding North Sea Oil industry centred on Aberdeen and the developing industrial and petro-chemical complexes at Torness and Moss Morran.

5.20 The Jobcentre programme remains the key component in the modernisation of the employment service in Scotland. By March 1981, 82 Jobcentres should be in operation leaving a further 29 to be opened by 1983/84. The provision of self help information is being increased by the use of jobseeker guidance leaflets and the expansion of joblibraries, which are now in operation in Edinburgh and Aberdeen. One in Dundee is planned to open in early 1981. Computerised vacancy circulation will be extended in Glasgow and the West of Scotland and will replace the present system of facsimile transmission in Edinburgh towards the end of 1981. Thereafter it will be introduced to other centres of population in Central Scotland.

5.21. The encouragement of geographical mobility is particularly important in Scotland in view of the industrial expansion which is taking place in the East and the relative decline in the West. Priority will be given to ensuring that skilled vacancies that occur in North East Scotland are widely circulated throughout the whole of Scotland so that geographical imbalances in supply and demand are minimised.

5.22 Co-operation with TSD will continue in order to maintain a balanced provision of training opportunities and improvements are taking place in selection techniques designed to help jobseekers choose suitable courses. Particular emphasis will be laid on assisting trainees to obtain suitable employment. The expansion of the Youth Opportunities Programme and the new Community Enterprise Programme will be met by providing counselling and advice to jobseekers who may benefit from the increased range of opportunities.

RESOURCES

5.23 We show in Tables A and B a provisional allocation of the Commission's expenditure and staffing to its decentralised services in Scotland. This does not reflect the totality of the Commission's expenditure on its services in Scotland a major part of which is administered on a Great Britain basis.

Manpower Intelligence in Scotland

5.24 The Commission's Manpower Intelligence Unit in Scotland will continue to seek and introduce ways of making better use of labour market information and of providing manpower intelligence for MSC's management and other bodies in Scotland concerned with manpower planning. Assistance will continue to be given to Local Authority, University, STUC, CBI and independent researchers. The MIU staff work closely with the Scottish Economic Planning Department, and the Scottish Development Agency by providing manpower data and advice to prospective new employers. The importance of this service will grow as the need to encourage enterprise and attract new industry to Scotland becomes more and more crucial to the solution of Scotland's unemployment problems.

Advisory Committees & Boards

5.25 The Scottish Committee, under its new Chairman, will continue to represent to the Commission the particular problems of Scotland. The programme of the Manpower Research Branch of the MSC Office for Scotland over the next year will include work on skilled manpower shortages and training needs, the utilisation of spare training capacity and the labour market for young people. In its examination of local manpower issues and the effectiveness of the MSC's services the Committee will work closely with the District Manpower Committees and the Special Programmes Area Boards.

5.26 Following a review of the role of Disablement Advisory Committees, it has been decided that they should be replaced by new bodies styled Committees for Employment of Disabled People. There will be 15 of the new Committees which will cover the same geographical areas as District Manpower Committees. Their work will be reviewed at the end of 1982 with a view to deciding whether they might be merged with District Manpower Committees.

TABLE A

ESTIMATED EXPENDITURE OF MSC IN SCOTLAND 1981-85

£m 1980 Survey Prices

	80/81	81/82	82/83	83/84	84/85
Employment Services	12.6	12.6	12.1	11.8	11.8
Employment Rehabilitation Centres	1.7	1.6	1.6	2.3	2.3
TOTAL	14.3	14.2	13.7	14.1	14.1
Training Services (TOPS)	21.4	21.4	21.3	20.4	20.4
Special Programmes	30.1	40.6	43.8	43.8	43.8
Office for Scotland	0.3	0.3	0.3	0.3	0.3
TOTAL	66.1	76.5	79.1	78.6	78.6

TABLE B

ESTIMATED STAFFING OF MSC IN SCOTLAND 1981-85

	Actual SIP at	Estimated SIP at				
	1.4.80	1.4.81	1.4.82	1.4.83	1.4.84	1.4.85
1. General Planning Service	926	856	842	819	829	829
2. Recruitment for TOPS	61	65	64	63	63	63
3. Recruitment for SP Progs ¹	26	64	68	68	68	68
4. Occupational Information Service	33 ²	4	7	7	8	8
5. Geographical Mobility Service	38	34	33	33	33	33
6. DRO Service and Sheltered Employment	166	156	147	143	143	143
7. Meeting Rehabilitation Needs	121	126	125	124	124	124
8. Other ESD ³	233	223	220	213	213	213
TOTAL ESD	1604	1530	1506	1470	1481	1481
Training Services (TOPS)	916	866	838	826	826	826
Special Programmes	200	258	371	369	363	363
Office for Scotland	38	34	34	33	33	33
TOTAL	2,758	2,688	2,749	2,698	2,703	2,703

1. Includes 4 staff to service the Job Release Scheme

2. 1.4.80 figures relate to the Occupational Guidance Service which terminated 1980/81

3. Includes stats, and LMI, Commonwealth Immigrants, Aliens, Redundancy payments, UBO liaison

CHAPTER 6

THE COMMISSION'S PLANS FOR WALES

6.1 Wales suffers the general manpower problems described in Chapter 2, but these are exacerbated by the precipitous decline of industries which have hitherto formed the basis of its economy. This chapter draws attention to the effect of these problems on the Welsh labour market, discusses future prospects and sets out the main implications for MSC in Wales. The final section summarises the more important programmes planned by the Commission in Wales.

LABOUR MARKET PROSPECTS

6.2 The major structural changes occurring in the basic industries in Wales over the past few decades broadened into a major shift in the composition of employment during the seventies. Falling male employment in the production industries was partly offset by increasing female employment, principally in the services sector. But during the last quarter of 1979, women's employment also started to fall. By June 1980, there were 22,000 fewer males and 10,000 fewer females in employment than twelve months earlier.

6.3 Notified redundancies in Wales totalled over 56,000 during the first ten months of 1980, almost three times as many as in the same period in 1979 and proportionally, by far the highest level of job loss experienced by any region in Great Britain. In the year ending October 1980, around 22,000 jobs were lost in the steelmaking industry alone. Lay-offs and short-time working are affecting other manufacturing sectors with job losses featuring significantly in the textiles and motor components industries. Large scale redundancies are taking place in construction as major projects are completed in North and West Wales, and private and public authority building work declines.

6.4 The increase in the labour force has continued as a result of greater female participation and growing numbers of young people entering the labour market, but the service sector is no longer a source of employment growth, and the effects of structural change and the general recession in manufacturing have meant a marked reduction in the number of available jobs. The position in Wales is now one of an increased supply of labour facing rapidly falling demand. Unemployment is worsening in absolute terms and relative to Great Britain. By November 1980, seasonally adjusted unemployment, excluding school leavers, had reached a total of 123,900, compared with 78,600 in November 1979. The seasonally adjusted unemployment rate had risen to 11.4%, the highest of all regions in Great Britain.

6.5 The number of people out of work for more than a year has increased more rapidly than total unemployment, with a substantial impact on middle/^{aged} and young people. About 25% of the unemployed in Wales are aged 19 or under, and of the long term unemployed, some 35% are aged between 25 and 44 years. Unemployment amongst females has been rising more quickly than amongst males and this trend may persist.

6.6 Efforts to attract new industry to Wales are continuing to meet with some success. During the year ending March 1980, the Welsh Development Agency let almost one and a quarter million square feet of factory space to employers. Latest estimates indicate that about 14,000 new manufacturing jobs could be provided over the next 3 or 4 years by firms allocated factory space and/or offered Selective Financial Assistance under the Industry Act. The location of the Inmos micro-chip production plant in South Wales may boost the number of potential new jobs by 2,000.

6.7 The lower Swansea Valley has been designated as an 'enterprise zone' to attract new industry. The completion of the M4 motorway in South Wales and the improvement of the A55 in North Wales will ease access to South East England and the Midlands, which should make Wales more attractive to industrialists. Better communications will also assist the tourist industry which plays an important part in maintaining levels of employment and income, particularly in North and West Wales where the Welsh Tourist Board is doing much to improve facilities for visitors.

6.8 But although the prospect of new firms coming into the Principality gives some cause for optimism, the number of new jobs expected has declined and falls far short of what is needed to offset the persistent decline in manufacturing employment. Moreover, the CBI's forecast of a fall of 10% in private manufacturing investment in 1981 implies a weakening of existing industry's ability to maintain employment levels and a reduction in the number of new firms seeking locations in the Principality.

6.9 The overall picture in Wales over the next year or two is one of rapidly increasing unemployment as the fall in employment opportunities continues, particularly for the unskilled or those whose skills do not satisfy the needs of technological change in industry.

IMPLICATIONS FOR MSC IN WALES

6.10 From the review of labour market prospects summarised in the previous paragraphs, the following particular areas of concern to the Commission's activities in Wales have been identified:

- (a) a continual and rapid rise in unemployment;
- (b) an increasing proportion of unemployed females;

- (c) falling numbers of vacancies, particularly from manufacturing industry, notified to jobcentres;
- (d) increasing problems for special groups like young people, the disabled, and long-term unemployed;
- (e) a growing need for new technological skills;
- (f) continued rigidities in the labour market and the training system.

PLANS FOR WALES

(i) Special Programmes

6.11 At the outline planning stage for 1981/82 Wales is expected to have between 42,000-43,000 to the Youth Opportunities Programme, more than 9% of the Great Britain total. YOP is designed to meet the particular needs of the young unemployed and its targets have been established with this in mind. The level of resources allocated to the programme in Wales recognises the substantial effort required to provide sufficient opportunities for young people.

6.12 The new Community Enterprise Programme which replaces STEP on 1 April 1981 will be nationwide. The proposed target of 25,000 filled places by March 1982 is twice the size of the existing Special Temporary Employment Programme and Regional Directors are being asked to agree their share. Wales will be asked to achieve some 2,170 filled places against a present allocation of 1300 places. This will permit existing schemes in Development Areas to continue, and additional places will be allocated according to the distribution of the long-term unemployed.

6.13 Community Industry (CI) has a relatively strong presence in Wales, where 6 area units are currently providing 700 places of a national total of 6,200. The average length of stay on CI is approximately 36 weeks, so that annual throughput in Wales can be estimated at nearly 1,000 young people. The announcement of the expansion of Special Programmes included provision for an extra 1,000 places for CI, to bring the national complement to 7,000 places. As the scheme has been running at a level above the nominal 6,000 places, the effect of the expansion will be to increase the current complement by some 750 places. The allocation of these places to Wales is not yet known.

(ii) Training Services

6.14 In 1979/80 4,300 people completed courses in Wales. Completions planned for 1980/81 will be at the same level, for special assistance amounting to £500,000, has been made available in response to particular difficulties. This extra training complements the additional training effort made in Wales also by the British Steel Corporation and the ECSC. The requirement for the Commission to make further cuts in its programmes in Great Britain as a whole, and the ending (during 1981/82) of special assistance for training in stall closure areas will lead to a fall in completions in the period up to 1983/84.

6.15 Wales has a proportionately large share of the skillcentre network, but at the same time, a placing performance which is very much below average. Therefore, a cut in skillcentre classes will, at some stage, have to take place resulting in the loss of some 120 completions by 1983/84 over and above those involved. The timing and location of cuts will be carefully watched in relation to the particular situation arising from major redundancies, notably steel redundancies. Moreover completion in establishments other than skillcentres will fall by about 250.

6.16 It is particularly difficult to foresee what level of completions will result in 1983/84, or to compare any figure for that year with the current position, because of the high level of special assistance that is currently being given and extended into 1981/82 to help with critical difficulties associated with redundancies in the steel industry. In 1981/82 it is expected that an extra 500 completions will result from this special assistance. Until this special need has been met we cannot be certain of the future level of TOPS completions in Wales. Assuming however, that such assistance is not continued into 1983/84 the Commission's planned resources would lead to a fall in completions as shown above.

(iii) Employment Services

6.17 In common with the rest of the country the ESD in Wales will have fewer staff to deal with higher business volumes resulting from the increase in unemployment. Whilst maintaining a policy of active marketing and filling employment opportunities ESD will be seeking to change the emphasis of its operations by trying to provide selective assistance to longer term unemployed jobseekers by reducing the amount of time spent by staff on behalf of those jobseekers least in need of ESD's help. To this end, greater emphasis will also be placed on the provision of self help information by making

TABLE A

ESTIMATED EXPENDITURE OF MSC IN WALES - 1981 - 1985£m. 1980 Survey Prices

	80/81	81/82	82/83	83/84	84/85
Employment Services	6.4	6.6	6.2	5.9	5.9
Employment Rehabilitation Centres	0.7	0.7	1.2	1.3	1.3
TOTAL	7.1	7.3	7.4	7.2	7.2
Training Services (TOPS)	11.9	11.9	10.9	10.5	10.5
Special Programmes	16.6	23.9	25.8	25.8	25.8
Office for Wales	0.2	0.2	0.2	0.2	0.2
TOTAL	35.8	43.3	44.3	43.7	43.7

available jobseeker guidance leaflets. The joblibraries at Wrexham and Cardiff, which contain careers and occupational information, will have an important role to play in this.

6.18 The jobcentre programme will continue and it is planned to have 80 jobcentres in operation in Wales by March 1981 serving 80% of the employed population and to complete the programme by the mid 1980s. A computerised vacancy circulation system will be introduced throughout Wales in the next 18 months enabling jobcentres to provide a fast, cost efficient information service.

6.19 Particular attention is being given to the needs of redundant workers affected by the steel rundown. The Employment Transfer Scheme (ETS) rules have been relaxed to give greater assistance to those unemployed workers living within daily travelling distance of Llanwern and Port Talbot, who wish to seek jobs elsewhere and a further £1,000, in addition to normal allowances, may be payable to redundant steel workers who live in those areas. This scheme will run until August 1981.

6.20 Improved counselling and selection techniques will help people who wish to find employment or to take up courses under the Training Opportunities Programme. Particular efforts will be made to find jobs for ex-trainees, and to provide openings under YOP for young jobseekers and for long term adults under CEP.

Resources

6.21 We show in Tables A and B a provisional allocation of the Commission's expenditure and staffing to its decentralised services in Wales. Much of the employment service, the work of Industry Directorate and the Directorate of Training, and of the Commission's Corporate Services and Manpower Intelligence and Planning Divisions is administered on a national basis and the corresponding resources are not included in these tables.

Manpower Intelligence in Wales

6.22 MSC's MI unit in Wales will continue to seek and introduce ways of making better use of labour market information and of providing manpower intelligence for MSC's management and other bodies in Wales concerned with manpower planning. Research projects conducted or monitored by the unit will examine the needs of local labour markets and the effectiveness of the MSC's programmes in meeting those needs. Assistance will continue to be given to Local Authority,

University, TUC and independent researchers. The MIU staff work closely with the Industry Department of the Welsh Office, the Development Corporation for Wales and the Welsh Development Agency by providing manpower data and advice to prospective new employers. The importance of this service will grow as the need to encourage enterprise and attract new industry to Wales becomes more and more crucial to the solution of the principality's unemployment problems.

Advisory Committees & Boards

6.23 The Wales Committee under its new Chairman, Sir Melvyn Rosser, will continue to represent the particular problems of Wales to the Commission. Over the next year, the Wales Committee intend to examine the employment opportunities and skilled manpower needs of certain industrial sectors in Wales. In its examination of local manpower issues and the effectiveness of the MSC's services the Committee will work closely with the District Manpower Committees and the Special Programmes Area Boards.

6.24 Following a review of the role of Disablement Advisory Committees, it has been decided that they should be replaced by new bodies styled Committees for the Employment of Disabled People. There will be eight of the new Committees which will cover the same geographical areas as District Manpower Committees. Their work will be reviewed at the end of 1982 with a view to deciding whether they might be merged with District Manpower Committees.

TABLE B

ESTIMATED STAFFING OF MSC IN WALES 1981/1985

	Actual SIP at 1.4.80	Estimated SIP at				
		1.4.81	1.4.82	1.4.83	1.4.84	1.4.85
1. General Placing Service ¹	428	405	397	386	392	392
2. Recruitment for TOPS	36	33	33	33	33	33
3. Recruitment for Special Programmes	10	21	23	23	23	23
4. Occupational Information ² Service	22	3	3	5	5	5
5. Geographical Mobility Service	10	9	9	9	9	9
6. DRO Service and Sheltered Employment	98	97	91	89	89	89
7. Meeting Rehabilitation Needs	60	61	59	59	59	59
8. Other ESD ³	120	114	112	108	108	108
TOTAL ESD	784	743	727	712	718	718
Training Services (TOPS)	676	634	616	537	537	537
Special Programmes	107	136	198	197	192	192
Office for Wales	26	22	21	20	20	20
TOTAL	1,593	1,535	1,562	1,466	1,467	1,467

1. Includes 2 staff to service the Job Release Scheme

2. 1.4.80 figures relate to the Occupational Guidance Service which terminated 1980/81.

3. Includes Stats. and LMI, Commonwealth immigrants, Aliens, Redundancy payments, UBO liaison.