



PRIME MINISTER

DEPARTMENT OF EMPLOYMENT GROUP - VALUE FOR MONEY SEMINAR ON 5 JUNE AT 4.00 PM

Background

Tom King will be accompanied by his Permanent Secretary, Sir Michael Quinlan and his Minister of State, Peter Morrison, who carries responsibility for the Manpower Services Commission.

2. A short background note on the Employment group is attached. It employs about 55,000 people in 4 agencies and spends £3,000 million a year. Current plans allow for expenditure to increase by at least a further 25% by 1987/88. The big spender is MSC (over £2,000 million a year) but Tom King is also responsible for the Health and Safety Commission the Unemployment Benefit Service, and the Conciliation Service (ACAS).

3. The main objective for the seminar will be to get Tom King to demonstrate that he has got a real grip on the Employment Group's activities and is putting his staff under pressure to improve value for money. He will have a good story to tell on improvements in internal productivity in the Unemployment Benefit Service and the Jobcentre network. This is all to the good and deserves praise. But they also need to be looking for ways to get better value from the more significant programme expenditure.

Key questions

4. The MSC has a steeply rising budget: £611m in 1979/80; £1814m in 1983/84; £3185m in 1987/88.

- What will this buy? How much does it cost for each person:
 - removed from the unemployment count;
 - placed in a reasonably long term job;
 - trained for the future.
- What targets are there for improving on these unit costs?
- Is it right to increase the spend on programmes which were designed for a smaller throughput? When do diminishing returns set in? Is there a need for new approaches?
- Can better value be obtained from the Community Programme by tailoring it more to the longer term needs of local communities, for example in places like Bradford?



5. The Health and Safety Commission spends £100m and its regulations can be heavy burdens on business, though many are necessary and wholly desirable.

- What plans are there for more firms to certify themselves as conforming to standards?
- What other proposals are there for reducing burdens?
- What targets are there for improving the use of Factory Inspectors' time?

6. In the Unemployment Benefit Service a major scrutiny was done 5 years ago leading to substantial savings; there has been a useful reduction in unit costs at a time of increased demand.

- Is there a need now to look again at the case for a single office for all payments to unemployed people - new technology must have increased the attractiveness of this.

7. Redundancy Fund - It is complex to administer and can be irritating to firms. What plans do DE have to improve the policy?

8. I am sending a copy of this to Sir Robert Armstrong.

ROBIN IBBS
3 June 1985



Department of Employment Group - Background Note

1. **The Department of Employment Group** comprises:
 - Department of Employment;
 - Manpower Services Commission;
 - Health and Safety Commission/Health and Safety Executive;
 - Advisory, Conciliation and Arbitration Service.

2. **The primary objectives of the group** are to:
 - make the labour market work better;
 - improve the job prospects of unemployed people;
 - safeguard the health and safety of workers;
 - administer the unemployment benefit service.

3. The work of the group has necessarily grown over the last few years because of the growth in unemployment and the need to reduce it. The group presently spends over £3bn a year and this is projected to increase by at least 25% by 1987/88. The bulk of this expenditure falls to the MSC for use on employment measures, such as the Community Programme, and the large training schemes. The group employs over 55,000 staff. This is expected to reduce to 52,000 by 1988.

4. **The key programmes** delivered by the group are as follows:
 - Labour Market Services:** £726m in 1985/86 primarily on the Community Programme which is concerned with providing temporary employment for long term unemployed. Expenditure in this area is projected to increase to about £1.2bn pa by 1986/87;
 - Employment Measures:** £242m in 1985/86 primarily for the Job Release Scheme. This is a declining programme with the number of recipients projected to fall from 72,000 to 45,000 during 1985/86;
 - MSC Employment and Rehabilitation services** (£305m in 1985/86). This is principally the Jobcentre based activities and involves about 10,500 staff.
 - MSC Training Services:** £1.2bn in 1985/86 principally for the Youth Training (£781m) and Adult Training Schemes (£262m). 9000 staff are involved including 3900 in the Skillcentre Training Agency which should be self-financing by 1986/87. The Youth Training Scheme is presently being extended to cover a second year and expenditure is projected to increase to £1.1bn by 1987/88;
 - Unemployment Benefit Service.** This costs £250m a year to run and employs 26,000 people. It is operated on an agency basis for DHSS who are responsible for benefit policy and the programme expenditure;
 - Health and safety at work** activities which cost nearly £100m a year and involve 3700 staff;
 - ACAS** industrial relations work involving just over 600 staff at a cost of nearly £14m pa.

3 June 1985