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FROM SIR LEO PLIATZKY

MR PATTISON

Non-Departmental Public Bodies

The Manpower Services Commission (MSC)

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1. In my discussions within Whitehall about the Manpower Services Commission the view has emerged that I ought to let the Prime Minister see my findings on this body in advance of my report as a whole. May I therefore let you have the enclosed appraisal, which is intended to appear as an Annex to the published report.

2. This follows a series of discussions with the Department of Employment, DHSS, the Treasury, Sir Derek Rayner's office, the MSC, the CBI and the TUC. It is largely factual (and I hope that this fairly brief digest of a great deal of material will be useful) and is an agreed document vis-à-vis the other Departments; which I have now discussed with Mr Prior, but of course it has not been seen outside Whitehall. It does also express some judgments but it stops short of a policy recommendation on the future of the MSC. May I in this minute add some further comments not designed for publication.

3. The point which stands out, of course, is that the MSC has in the past had too much money in the sense that it did not have to make hard choices about priorities; it did not have to put economy first; and even then it could not spend its full expenditure allocation. It not only got all the money it asked for but had funds pressed upon it. The previous Conservative Government sowed the seeds of this expansion, but it blossomed under the last Labour Government.

4. It is rather difficult to abstract from that situation and form a judgment whether, given the tasks and the funds allotted to it by the Government of the day, the MSC has been a well-managed organisation. Having gone into the matter quite carefully, I consider it a better managed organisation than I had expected to find, and one which, even in those special circumstances, has satisfied the public service criteria for propriety and accountability in the use of public funds.

5. The era of largesse in the MSC's affairs is now being remedied by the cuts in public expenditure and in manpower. I have not been able to anticipate how far the public expenditure exercise by itself would go beyond cutting away all planned growth (and that it will certainly do) but the manpower

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cuts, which apply to the MSC because its staff have retained Civil Service status, can be expected to produce an absolute reduction in staff numbers and, as a consequence, in total expenditure.

6. Because the staff are civil servants, and mostly engaged on work previously done by the Civil Service, it would be technically possible to go beyond this and legislate to bring the organisation back into the Department of Employment, as a "Departmental agency", with little if any physical disruption. The principal effect would be the disappearance of the Commission itself as the body of people in charge of the organisation, and an end to the direct involvement of both sides of industry in its policies and management.

7. This course would have to be seriously considered if either the organisation were incapable of adjusting to the new and more stringent regime or if the industrial members of the Commission were not prepared to make it work. But the MSC staff are competent people - a view in which I think Sir Derek Rayner concurs - and I judge that the capability and systems are there for deciding on priorities and managing within a predetermined budget. The CBI attach importance to retaining a direct industrial input into the organisation, while the TUC attach importance to maintaining the involvement of government and both sides of industry in all three Department of Employment bodies, ie the MSC, the Health and Safety Commission and ACAS.

8. I have been told specifically that the TUC's commitment to the Manpower Services Commission is not undermined purely by the fact of cuts in public expenditure and manpower. Some of them would prefer the MSC to be exempt from the staff cuts, but that is of course not negotiable, and I think that a person such as Len Murray accepts this. This does not mean that the Trade Unions would go along with anything and everything - the jobcentre programme, for instance, could be a sticking point - but in practice, though there are issues still under discussion between the Department of Employment and the MSC about the incidence of the cuts, there does not appear to be any issue at present so intractable as to require the TUC to withdraw or to give the Government any reasonable grounds for disengaging.

9. Of course there are a number of further issues to be resolved in this field, and a good deal of further work to be done, but this would be the case irrespective of whether the organisation remains outside the Department or is brought back into it. There is, for instance, the question of the Industrial Training Boards which the MSC inherited and which they are now reviewing; there is no alternative but to let this review take its course, but what I have written on that

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subject is designed to encourage a critical approach to the questions involved. There is the question of the work of what are now called Skillcentres, formerly Government Training Centres, which Mr Prior is seeking to reorientate more towards meeting strictly industrial rather than commercial needs; while Sir Derek Rayner is looking into the question of training allowances.

10. There is one thing, however, which is crucial to the future of the MSC. This is continued acceptance not simply of the principle of a public employment service (I imagine that this is not seriously in question though, if it were, evidence could be brought to show that it would cost more to abolish it than to keep it) but also of the policy of separating the placement service from the unemployment benefit service. This separation has been seen as central to an employment service in line with generally accepted standards in a modern industrial society, and its abandonment would involve a great upheaval in every sense.

11. Functional separation does not necessarily entail free-standing jobcentres, still less High Street jobcentres. There are still many employment offices in the same physical complex as unemployment benefit offices. But the MSC has produced a good deal of material to show that jobcentres are the more cost effective means of getting people off the unemployment register. This material has been looked at by the Treasury, who accept it, and by an Economic Adviser in Sir Derek Rayner's office, whom I interpret also as accepting the economic case in principle for a jobcentre programme, as distinct from the size of the programme and particular aspects of it. It is worth noting that the MSC (unlike the Health and Safety Commission or, to take another example, the Water Authorities) gets good marks for consciously addressing itself to the question of costs and benefits and publishing material on this aspect of its work.

12. Sir Derek Rayner among others has been critical of the cost of High Street locations for jobcentres, especially when they do not open on Saturdays - which, incidentally, is because the MSC have not so far been able to negotiate Saturday opening with the Staff Side. More economy in the choice of sites is perfectly compatible with a continued jobcentre programme; it is something which Mr Prior is pressing on the MSC and I think that they have got the message. My view is that, within their new expenditure and manpower constraints, there should be a place for a jobcentre programme at a level to be worked out between the Department of Employment and the MSC, with whatever further input Sir Derek Rayner's exercise can contribute.

13. This is not to deny that the separation of the placement service from the unemployment benefit service, as operated at present, has drawbacks from the point of view of checking whether people are taking up jobs genuinely on offer but, as reported in the enclosed note, there is now a working party (chaired by a Department of Employment Minister) to look at ways of improving liaison between the two services. In the longer run some of us feel that there may be greater dividends to be secured from the embryonic work now being started on the interface between the DHSS and the unemployment benefit service.

14. As regards the MSC's subordinate bodies, my note reports a planned reduction from 125 to 88 in the number of District Manpower Committees. This should save the better part of £100,000 a year. I hope that further consultation will lead to the merger with these bodies of 200 Disablement Advisory Committees, with a further saving of over £80,000 a year.

an estimated £40,000

15. The front page of the enclosed text links the MSC with the other two Department of Employment bodies, the HSC and ACAS; a short note on ACAS, provided by the Department itself, has been added to the set of papers. I am not yet sufficiently advanced on the health and safety front to offer a considered appraisal, and also I have to take account of the separate CPRS exercise on this. But I am already clear that the issues as regards the Health and Safety Commission and Executive are in some ways more complex than those relating to the MSC, and the set-up there is probably in some ways more unsatisfactory. I am exploring whether there are any administrative improvements which could be effected within the existing legislation.

16. There is no doubt that the hiving off of all these bodies has greatly reduced the capability of the Department of Employment itself. This is more noticeable on the HSC front, where the Department seems to me to be in a weak position to monitor the HSC's activities, than on the MSC front where there is still the capability for a dialogue. In the main part of my report, a general inference which I propose to draw from these and other case studies is that, while there is still room for selective use of non-Departmental instruments, in general we should not go further down the road indicated by the Fulton Committee's Report on the Civil Service in 1968, which said that the possibility of a considerable extension of "hiving off" should be considered.

17. As regards the MSC itself, it will be implicit in the presentation which is envisaged for the report as a whole rather than an explicit statement of intent, that - since the MSC is not to be listed among the bodies to be wound up - it is to continue but on a reduced budget, and subject to further review of a number of aspects, such as the future of the Industrial Training Boards and liaison between the

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placement service and the unemployment benefit service; meanwhile the report would take credit for a reduction in the number of MSC subordinate bodies. It will be for Departmental Ministers, in this case Mr Prior, to answer questions on the decisions about individual bodies. As I said at the outset, the purpose of this minute is to report in advance that, subject to any decision to the contrary, this is the way in which this important aspect of the exercise is moving.

18. I am sending copies of this to Sir Ian Bancroft and Sir Derek Rayner. I am not sending a copy to Mr Prior's office (nor to Mr Patrick Jenkin's, though he too has an interest) but Mr Prior knows that I am submitting my personal comments in this way; whether he should have a sight of them is, I think, a matter for the Prime Minister.

h.f.

LEO PLIATZKY

1 November 1979

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