

Prime Minister (2)



To note.

PRIME MINISTER

Mes 18/2

LABOUR MARKET INFORMATION AND ANALYSIS

1 I was asked to consider, in consultation with your Policy Unit, whether there should be more research into the labour market. I attach a report by officials prepared in consultation with Ferdinand Mount.

2 I have myself discussed the matter with Ferdinand and think we should accept all the recommendations in paragraph 19 of the report. A continuous labour force survey will provide much more timely information about important features of the labour market (eg self-employment, activity rates, the generation of new jobs particularly in the service sector) and fill other gaps in the information now available. The gross extra cost would be about £1.2 million. But as we are in any case likely to be faced with finding an extra £0.7 million for an annual survey to meet new EC requirements next year, the further additional costs of a continuous survey would be £0.5 million. My Department is saving £6 million on a statistical budget of £16 million and I think these additional costs can be fully justified. With an increased contribution from the EC itself, the possibility of further small savings in my statistical budget and likely contributions from other Departments for specific information they need, the net additional cost on my Department's Vote is likely to be no more than £0.75 million beginning in 1984/85. This will be dealt with in the PES later this year.

3 The recommendations (also in paragraph 19) on the conduct of labour market research by my Department will extend the range of the research somewhat and ensure the involvement of others concerned in Whitehall and the provision to them of a useful service of research and analytical surveys. The gross extra cost will be around £200,000, but some will be absorbed in my research budget and the net additional charge to my Department's



Vote is likely to be about £130,000 beginning in 1983-84, when I am confident that I can meet it from within existing provision.

4 I do not favour a high public profile for labour market research, and particularly not centring it on a new research Unit which in any case is operationally unnecessary to achieve our purpose. I propose, however, to arrange for my Department to convene regularly (say three or four times a year) an informal group of people interested in labour market problems (drawn from Whitehall, business and academic life) for discussion of and consultation on research in this area. I believe this could help to secure the benefits that Ferdinand Mount originally saw in an independent Unit - greater freshness of vision and width of perspective - without the overriding disadvantages.

5 I am sending copies of this minute and enclosure to the Home Secretary, the Chancellor, the Secretaries of State for Industry and for Social Services and to Mr Sparrow, Mr Mount and Sir Robert Armstrong.

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11 February 1983



INFORMATION AND ANALYSIS OF THE LABOUR MARKET

Note by Officials

The Secretary of State for Employment was asked to consider further, in consultation with No 10 Policy Unit, whether there should be more research into the labour market, in the light of a more precise definition of the matters to be studied and their cost.

2. This note considers the need for further information and analysis, the scope for undertaking it under existing arrangements and the alternative of setting up a special Unit for this purpose. It has been prepared in consultation with the No 10 Policy Unit, the Treasury, the Central Statistical Office, DI, DHSS, CPRS and the MSC.

NEED FOR FURTHER INFORMATION AND ANALYSIS

3. Surveys conducted by the Department of Employment have recently revealed - and for the moment helped to remedy - deficiencies in current statistics of the total labour force and its major components. There is clearly a case for conducting such surveys more frequently and the DE are considering an increase in the frequency of the (at present biennial) labour force survey which would meet this and other needs. The gross extra cost of a continuous survey would be about £1.2 million, but this would be nearly halved when account is taken of an increased EC contribution and further savings from DE and elsewhere.

4. There is no clear case for increasing the frequency of other statistical surveys of the labour market or for adding to their number. There are gaps in information about training but these are best filled on a local, rather than a national basis, and the MSC have well-advanced plans to do so. Additional requirements for national statistics which might be needed from time to time could be made good by adding questions to existing surveys, or by other means including special cross-sectional surveys.

5. Economic research into the labour market has been growing and the amount is now very large, emanating from a multiplicity of separate bodies. We refer below to the research conducted by the DE and by the MSC at an annual cost of around £1.2 million and we estimate that the SSRC also deploys some £300,000 of its annual budget on such inquiries.

6. The No 10 Policy Unit sees a need for further work in two respects:

(a) for someone to gather together and analyse all the existing information and to draw out its implications for policy makers and

(b) for further work to be done on the interdependence of the labour market with other markets, particularly financial markets. They believe that



economists and other professionals from the City and industry could make a contribution to this.

The No 10 Policy Unit has proposed the setting up of an Employment Market Research Unit to undertake this work and the proposal is set out in fuller detail in the Annex.

7. We consider, first, the existing arrangements within Government for undertaking and analysing labour market research for policy purposes; and secondly, the case for establishing a new labour market research institution

EXISTING ARRANGEMENTS

8. The additional statistical information referred to in paragraphs 3-4 above can be handled under the existing arrangements in DE and MSC and no organisational changes would be needed.

9. Monitoring and analysis of labour market research is at present undertaken by the Economic and Social Division within DE. That Division

(a) monitors relevant outside research and produces critical summaries of relevant research on an ad hoc basis. These normally go to policy divisions within DE but occasionally get a wider circulation;

(b) undertakes research work using its own staff and manages a programme of external research (the content of which is subject to Ministerial approval) with a budget of about £500,000 a year. The content of the research programme is determined after extensive consideration of the DE policy needs for the research.

(c) arranges for the results of most of the internal research work and virtually all the externally commissioned work to be published in full. Summaries appear in the DE Employment Gazette.

10. The DE research is coordinated with a major research programme conducted by the MSC and costing about £700,000 a year. This includes research into unemployment, the future structure of the labour force, technology and its effect on employment, the problems of special groups in the labour force and training needs in particular industries/^{and} occupations. The results are fed directly into MSC policy and programme development and are also published and disseminated within Government.

11. These DE/MSc research activities are extensive but have a low profile. In particular the Economic and Social Division has not the same public recognition as achieved by the Department's Unit of Manpower Studies in the late 1960s. But there should be no difficulty in altering the arrangements in three ways to meet the stated requirements in paragraph 6 above if Ministers wished.



12. In the first place, the arrangements for inter-departmental consultation on the scope and content of the DE/MSO labour market research programme could be strengthened to provide better for the needs of policy makers outside the DE. At present the Treasury are sounded informally but the consultation could be widened to the No 10 Policy Unit, CPRS, DHSS, DES and DI, if they wish to participate in suggesting labour market matters to be researched.

13. Secondly, the output of research summaries for policy purposes could be substantially increased by addition of, say, two professionals (with clerical support) possibly recruited by secondment from outside the Government service. The cost would be around £100,000 a year. Brief surveys of research projects in progress or completed could be circulated interdepartmentally to those interested, and analytical conspectuses of work in particular fields could be supplied on request.

14. Thirdly, work on the interdependence of the labour market with other markets could be the subject of an external research project, managed by DE in consultation with other Departments and making use of a mixed team drawn from existing research centres. Some provision for collaborative work of this sort exists under the present DE/MSO contract with the Centre for Labour Economics, but additional financial provision for such a project might prove to be necessary - perhaps around £100,000 a year for, say, three years.

15. If a higher profile were thought to be required for the management of labour market research, the extra staff could be brought together with research staff within the Economic and Social Division (including the remnant of the Unit for Manpower Studies) and retitled the Employment Market Research Unit. There might be an extra staff cost (possibly £40,000) in the form of a Director of the Unit. A Steering Group under DE chairmanship and including the representatives of other interested Departments (and some outsiders) could be constituted.

THE ALTERNATIVE OF AN INDEPENDENT SPECIAL UNIT

16. An alternative proposal is for an employment market research unit established independently of the DE. A Unit operating independently of existing institutions with a staff of say, 5 well qualified professionals and provision for financing publications and commissioning external research might cost around £500,000 a year. This cost could be reduced by the part-time employment of teaching staff from existing academic institutions.

17. Possible advantages of a Unit independent of Government are that

- (a) because of its separation from Departmental thinking, it might be more likely to cast fresh light on existing problems and draw the attention of policy-makers to new solutions.



- (b) it might study problems over a longer time-span than that of a single government whose requirements and research interests are likely to change quite frequently, according to immediate political requirements.
18. On the other hand, there are problems with a Unit independent of Government:
- (a) there is no guarantee that it would do the work on policy matters that the Government requires and in the time required. So DE/MSC research programmes would have to continue for operational purposes.
- (b) the presentation, timing and publication of the results of the Unit's research would be entirely outside Government control. Research in this area can be politically sensitive since labour market policies tend to be contentious. Potential embarrassments have arisen with the programme under DE control and the Government would just have to put up with them if the Unit were independent. The fact that it is financed by Government would of course add a cachet to the views that it propounds.

RECOMMENDED ACTION

19. Subject to the availability of resources of money and manpower, we recommend that:
- (a) the DE should mount a continuous labour force survey to remedy the present deficiencies in statistical information at a gross extra cost of about £1.2 million and a net cost of nearly half that figure (paragraph 3);
- (b) existing arrangements should be adapted so as to provide for
- (i) consultation with other departments on research into, and concerning, the labour market (paragraph 12);
- (ii) the production of research surveys and analytical conspectuses for the use of policy-makers throughout Government (paragraph 13);
- (iii) the preparation of research proposals concerning the interaction of the labour market with other markets with a view to incorporating an approved project within the DE/MSC research programme (paragraph 14).

The gross extra costs of these proposals would be around £200,000 and the net cost nearer £130,000.

20. On the question of establishing a special research Unit we consider that the advantages of a separate and independent Unit are outweighed by its disadvantages. The above recommendations should meet the substance of the No 10 Policy Unit proposals without requiring the formation of a separate Unit. But if Ministers attach importance to having a publicly visible and identifiable Unit, we recommend that such a Unit should be created within DE under the arrangements and with the

PROPOSAL TO SET UP AN EMPLOYMENT MARKET RESEARCH UNIT

INTRODUCTION

1 The No 10 Policy Unit has proposed the setting up of an employment market research unit. This note describes the functions and objectives envisaged for the unit and discusses alternative ways in which it might be set up.

FUNCTIONS AND OBJECTIVES

2 The unit would aim to:

- (a) draw together and analyse available information about the labour market, including research results produced inside and outside government;
- (b) concern itself in particular with the interdependences between the labour market and other markets, including financial markets;
- (c) commission outside research work where appropriate;
- (d) draw out the policy and other implications of its analyses;
- (e) publish its findings; publish substantial conspectuses of information on particular aspects of the labour market; systemise the publication of other research results in the field; and
- (f) by these and other means, establish itself as an authoritative and influential source of information and advice on labour market matters.

RELATIONS WITH GOVERNMENT

3 The possibilities range from a unit which is seen to be firmly under Ministerial control and supervision to one whose constitution guarantees total freedom from Ministerial influence. An example of an intermediate option is the Home Office Research Unit which, though responsible to the Home Secretary, is generally regarded as having a measure of independence from Ministerial influence.

RELATIONS WITH OTHER INSTITUTIONS AND WITH THE PUBLIC

4 If the unit were Government-funded but outside Government, it might aim either to compete with or complement SSRC-funded and other bodies, such as NIESR and the CLE. The size of its external research and publicity budgets would affect the extent to which it could sponsor and promote the work of other bodies. A range of choices would be available concerning the extent to which the unit should aim to influence academic thinking, policy-formation, and public opinion.

SIZE AND COMPOSITION

5 The unit is envisaged as having a small but highly respected and qualified staff including economists and statisticians from within DE together with business and labour economists from outside. Its full composition would, however, depend upon the balance of the activities which it would be expected to undertake. It would be set up in the first place for a period of 5 years.