

Economic Development and Transport Committee

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ECONOMIC INACTIVITY IN THE WELSH EMPLOYMENT MARKET

**A paper prepared for the Welsh Assembly Economic Development and Transport
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By

**Val Browning, Business Development Manager - Wales & South West,
Manpower UK Ltd**

And

Andrew Shellard, Group Business Manager – Wales, Manpower UK Ltd.

Context

1. Manpower

- Manpower is a multi national recruitment services company specializing in permanent and temporary recruitment, HR services, managed services, outsourcing and HR consultancy. This paper delivers our current observations and observations of the employment scene in Wales.
- Manpower has been established in the UK since 1956 and today works with organizations in both the public and private sectors. Our UK-wide network of 300 offices allows the company to meet the needs of local and national customers. These include numerous small and medium sized enterprises, as well as larger organizations such as Sony, BMW, BT, Heinz, Hertfordshire County Council, IBM and New Deal in South Wales.
- The primary focus of Manpower's work has shifted over the past two decades or so from the supply of short-term temporary staff to cover unexpected absences (although this is still an important element of our range of services). Nowadays,

however, our objective is better described as helping clients to raise productivity through improved quality, efficiency and cost-reduction in the field of human resources, enabling customers to concentrate on their core business.

- We have a highly skilled workforce of over 100,000 temporary employees who stay loyal to our company (and its customers) thanks to best in class employment benefits. These include a contract of employment, access to free e-based training and opportunities to diversify across a wide range of work opportunities. Manpower is not an employment agency - we are employers.
- Headquartered in Milwaukee, the company's major UK presence is supported by the branch network throughout Wales. However, our views and contribution to this Committee's work are effectively limited to South Wales. (It may say something of the perception of the Welsh labour market and economy by global players, that North Wales is seen as efficiently covered by our branches in Chester and Liverpool). In the South, the Heads of the Valleys, the Severn/Bristol Channel, and Milford Haven effectively bound operations.
- The organizational structure of the Manpower group in the UK follows the general business market, with the following activity areas:

Office (incl Contact Centres)
Industrial
Driving
Technical
National and local site contracts crosscutting
the above areas.

We also have specialist subsidiary or associate companies covering such specialist areas as:

Information Technology
Accounting
HR Consultancy.

2. New Deal and Manpower's Involvement

The declared thrust of the Welfare to Work strategy was 'Work for those who can, support for those who cannot'. New Deal was the programme launched to tackle long term unemployment. Firstly, New Deal for Young People was launched and then, in November '97, New Deal for 25+. Over the past 5 years, other specialist New Deals have been gradually introduced to target specific disadvantaged groups such as New Deal for Lone

Parents and New Deal for the Disabled.

The Government chose to contract out what was traditionally a public sector function delivered by Jobcentre Plus (formerly the Employment Service) to the private sector. Private sector companies were expected to bring new cost effective approaches to dealing with unemployment; being provided with one third of the funding provided to Jobcentre Plus to place someone into employment.

Ten districts were chosen across the U.K. where there was a mixture of problems such as high unemployment, diversity issues and deprived areas. The district chosen in South Wales was Bridgend and Rhondda Cynon Taff; an Objective One area with multiple problems including high unemployment in a declining industrial area. Manpower UK decided to bid for the South Wales district because of the strong network of branches throughout the Principality and also the challenge presented by the district's unemployment problems. The bid was successful and the contract was run for 4 years as a partnership with Jobcentre Plus.

In 2002, building on the experience gained, Manpower successfully won the bid to run a fully outsourced employment solution. During the first year of this contract, Manpower Led New Deal has helped and supported over 1300 long term unemployed (between the ages of 18 and 50) back into the workplace, with over 60% of those going into sustained employment.

3. Employment in Wales

Official statistics from Jobcentre Plus describe the Welsh labour market as made up of about 1.1 million people. Within that market, current unemployment levels (i.e. those claiming job Seekers Allowance) are 42,800 (32,600 male and 10,200 female), or about 4%.

These statistics do not include those people who are unemployed but not claiming JSA. Thus they by no means fully represent the total number of economically inactive people in the Principality, since there are many who are not engaged in or seeking paid employment.

Currently Manpower employs almost 2,000 people across Wales, split across a variety of skill sets and sectors. Annual turnover for 2002 was approximately £20million.

This then is how and where we fit into the Welsh labour market.

Table 1: Employment in Wales

	Total Employed	Manpower Employees*
Male	539,800	1,199
Female	555,100	611
Total	1,094,900	1,810

* Excludes Manpower's own management and recruitment staff and those employed under the New Deal programme.

Table 2: Manpower Employee Current Placements

Placements	Numbers	Percentages
Contact Centres	806	
Office & Administration	130	
Subtotal Office	936	52%
Assembly/Production	516	
Unskilled Industrial	89	
Warehouse (incl. Fork Lift)	62	
Other Manufacturing	51	
Subtotal Industrial	718	40%
HGV Drivers (Class 1 & 2)	103	
Other Drivers	21	
Subtotal Driving	124	7%
Technical/Skilled	28	
Miscellaneous	4	
Subtotal Other	32	1%
Total	1,810	100%

4. Economic Inactivity in Wales

Later sections of this paper will identify and analyze illustrative examples of perceived characteristics of the Welsh labour market and trends within it. These examples should be prefaced with a renewed statement of our pride in the staff we provide to meet the needs of Welsh business. Job seekers are overwhelmingly keen to work, provide good references, are ready to train or retrain, and effectively maintain our reputation with the quality of their performance.

Nevertheless, it appears from National Statistics Office data that the rate of economic inactivity within the Welsh labour market is about 20% - roughly equivalent to the total number claiming State benefits of one sort or another. A recent paper by Catherine Barham on Life stages of economic activity (National Statistical Office, Labour Market Trends Vol 111 No.10) identified some of them but pointed out the socio-economic difficulties of definition: "To improve the measurement of potential labour supply, better information is needed about economically inactive people's actual availability for work at different life stages. Reasons for inactivity often correlate to key life stages; students, people (mainly women) looking after family or home; temporary sick, long term sick, disabled and the retired".

Our approach must be more pragmatic, reporting and describing what we see in the course of our business, and we do not pretend or presume to offer political solutions.

It may nonetheless be helpful to note that we have noticed in our day to day work in this market that there are two basic types of inactivity in terms relevant to our success in attracting employees and meeting clients' human resource needs:

- Firstly, there is broadly "involuntary" inactivity; that is to say, people who want to work but who are unable to find it or to do it for a variety of reasons – short and long term unemployed people, those made redundant by employers, sick and/or disabled people, those with conflicting family responsibilities, and so on.
- Secondly, there is more or less "voluntary" inactivity, among people who do not want to work or who do not find it appropriate to do so – this is not necessarily a pejorative description, for it can include those of working age but still in full-time education, in retirement, or who perceive that their net incomes would decline if they came "off benefit" and took a job involving childcare or travel expenses.

These are not mutually exclusive categories: - involuntary and voluntary elements can affect the motives of potential employees who register with us for work. Thus we are not judgmental in reporting areas of inactivity and/or difficulty in the succeeding sections of this paper.

Outside Influences

1. Globalization

This is a fact of today's world economy. Offices, plants or subsidiaries in Wales often provide support or branch functions for multi-national firms, but they do not in volume or strategic terms represent the vital core business of these global companies. Location in Wales is not necessarily essential to their survival. While the attraction of inward investment is generally welcome, and it is comforting to have one's work underpinned by the strength of resources of a worldwide corporation, it must realistically be recognized that the loss of a Welsh presence for any reason would not normally bring a multinational company's worldwide operations to a halt.

Thus jobs can be lost in Wales because of strategic business decisions made elsewhere. Even high-tech inward investment can be affected, as was shown for instance by the decision of electronics giant LG to close their Newport plant last year.

2. The Changing UK Economy.

Globalization affects not only Wales, but also the whole of the U.K. What can happen to individual companies and their employees in the totality can be seen to affect the structure of industry, and the characteristics of the economy. The U.K. is perceived as becoming more dependent on service industries and construction, and less so upon extractive and manufacturing industry. Given the historically relatively high dependence upon mining and metals in Wales, these trends seem to be magnified here.

It is not only the primary jobs in the mines and in steel making (e.g. Corus) which can be lost as a result. Related and dependent industries are affected in a "domino" or "reverse multiplier" effect. In Wales, Calsonic, Ina Bearings, and Valeo are but a few of the organizations who have either downsized their operations in Wales or moved their complete production facilities elsewhere.

3. Export of Jobs

There has been much recent publicity given to the loss of even service industry jobs to low-wage economies. For instance, National Rail Enquiries, HSBC, Lloyds TSB and BT have all moved at least part of their Welsh operations to India. Other companies, however, such as Nationwide, have reportedly identified downside impacts, which can outweigh the immediate reductions in labour costs, such as difficulties of long-range management and quality control, and customer service perceptions.

Nonetheless, jobs which were being done in Wales, and which a couple of decades ago had to be performed at least within the UK for communication technology and cost reasons, are now being performed for lower wages overseas.

4. Import of Labour

The active recruitment of hardworking immigrants, often from relatively low wage economies, for work in food processing for instance, has been reported on television. Since Manpower has not done this, we cannot comment upon it of our own knowledge. Television programmes have suggested that the work for which these immigrants are contracted can be at wages and under conditions which British employees would not find attractive.

The recruitment of nurses and doctors from overseas appears to be an accepted necessity to meet NHS staff needs.

5. Perception

It is probably fair to say that Welsh employers must accept this situation. While reported unemployment in Wales is lower than at times in the past, and there are undoubted skill shortages, the employment market place does seem to be perceived as becoming more volatile – or flexible, depending upon one's viewpoint.

Attitudes to Work & the "Work Ethic"

1. Volatility and Commitment

By outsourcing their labour needs to Manpower, employers gain not only the ability to concentrate upon their core business, but also the flexibility to match human resources to seasonal or other variations in production cycles and cash flow; passing on financial responsibilities such as redundancy, paid holidays, maternity benefits and so on, to us. Employees may perceive such flexibility for employers as a lack of commitment.

These attitudes, however, can go both ways. We sometimes find that employees for whom we find assignments after referencing will work for one or two days, and then fail to report for the job. Generally speaking, in our experience female employees tend to be less short term volatile in this way.

2. Social Influences

Due to social changes (including single parent families) some potential male as well as female employees cannot manage shift patterns due to school hours/terms, or are reluctant

to work due to the resultant need to find childcare. Where part-time work is available (primarily contact centers) there is often a need for full-time training that itself puts many jobs out of the reach of working mothers and men who have responsibility for child-care.

Sometimes the unemployed tell us that they have to balance their State benefits against (often minimum wage) net income, to decide if work is financially worthwhile.

3. **Perception**

We make no moral judgements here on Society's attitudes or characteristics, or benefit levels. We do recognize that people are ready to register to be employed by us for work assignments from the quasi-permanent to the short-term temporary. We do not know with certainty why some employees (or even some self-employed people) seem unreliable, or reluctant to work.

In this paper we can only record what we see and suggest that perceived or stated reasons for these attitudes be further investigated.

Specific Skill Shortages: Examples

1. **HGV Drivers.**

Traditionally, haulage firms and transport divisions of larger firms trained their own drivers in a career progression from the warehouse/yard. The cost of training a C+E driver (Class 1 articulated vehicle driver) nowadays is approximately £1000, beyond the reach of many jobseekers. But as labour flexibility has increased, firms have appeared to become reluctant to train, only to lose their qualified drivers to firms who save on training and pay higher wages. Furthermore, they often want experienced not novice drivers to meet insurance requirements. There are few "drivers and mates" to be seen on motorways today, so "cadets" must become immediate "captains" with no opportunity for on-the-job experience as "first officers".

As a result, experienced HGV drivers can currently be hard to find, and command a premium in pay. Economic theory tells us that market forces will bring demand and supply into equilibrium, but in the short-term the market is distorted.

Manpower trains drivers to upgrade their skills and licence class but does not invest in initial training for those very reasons. Furthermore, our clients are reluctant to pay a higher premium to cover the cost of this training.

2. **Construction Skills.**

In the past, companies invested in apprenticeships and training for these skills. Today, LCT (lowest cost tendering) processes, and pressures to complete contracts to increasingly tight time scales, has meant that training budgets in the construction industry appear to have been reduced. Companies lack the luxury of time to train, so potential employees are not gaining access to relevant "on the job" training.

It is sometimes suggested that high-profile construction projects outside Wales, like the construction of the 5th Terminal at Heathrow, have also drained experienced resources out of Wales.

3. Perception

In Manpower we work closely with accredited training companies to deliver NVQ programmes to many of our employees. We also make available our Global Learning Centre, an e-based learning tool that gives access to over 1,000 training courses in a diverse range of subjects. Thus our workforce can keep up to date with the changing working environment.

However, as demonstrated by the examples outlined above, there does appear to be a concern in the market-place about the availability of a trained and skilled workforce. Whilst in Wales there is a wealth of training available through accredited training organizations, there is also a perception that this training is not easily accessed and organizations might be unaware of what assistance is available.

Disability and Incapacity

1. Employment Potential

Wales appears to have a disproportionately high number of people claiming sickness benefit and disability allowances. According to statistics supplied by Jobcentre Plus, some parts of Wales there are 11 times more people claiming benefit than are claiming Job Seekers Allowance. However, whilst Manpower has been recognized by the Department of Employment as an employer which demonstrates best practice, and has been awarded with the disability symbol of "Two Ticks" (Positive about Disabled People), we appear to have some difficulty in attracting disabled people to register for work. Currently the percentage of disabled people we employ in Wales is only 0.5%.

2. Perception

We are not in a position to positively identify the fundamental reasons for this, but it is sometimes suggested that it is not always financially viable for people to come off

benefits to take up temporary employment. In the permanent market, potential employers might also perceive that they will have to make costly adjustments to allow for the employment of disabled people without fully understanding the financial assistance that might be available.

Public Sector Employment

1. A Positive Example

We have identified that the Public sector appears to represent attractive employment. We believe this is primarily due to the perceived stability of employment even though the NHS, local authorities, and even the Assembly appear ready nowadays to outsource at least some of their human resource needs. One particular job which one might imagine is difficult to fill due to its relatively low rate of pay, need for outdoor work in all weathers, and inherently apparently unpleasant nature, is that of refuse collection. It does not (broadly and relatively) demand a high level of technical skill although safe driving, machinery operation, and teamwork are necessary attributes. Yet this is an area in which we have no difficulty in recruiting and retaining employees. We cite this example to try to identify the characteristics which make the job attractive, whereas we have sometimes have problems in finding employees to work consistently in other areas.

2. Perception

An almost unique feature of this role is that it is "job and finish". That is to say, a certain amount of work is defined as to be the reasonable content of one shift – a certain number of streets to clear of bin bags or wheelie-bins, and the load to be delivered to the "civic amenity" site. On some days there is more refuse than on others, but the shift content is defined by area (rather than by output as in a factory piecework environment). Thus, the day-to-day organization and discipline of the performance of the job is more or less controlled (subject to inspection) by the employees, working as a team. We see teams working fast, working hard and efficiently, self-supervised; and when they have finished the work on their shift they go home. We cannot always translate these characteristics to other areas of economic activity; but we can report that in our experience in this example, it works.

Conclusions

1. Summary

- The main findings of this paper as to the possible determinants of economic inactivity in the Welsh labor market as we see them in our daily work, may be summarized as:

- Outside influences such as globalization, and the wider UK economy
- Attitudes to employment that may, or may not relate to the above
- Shortage of skills
- Perceived lack of training/re-training and knowledge of what support is available
- Lack of knowledge on support available to integrate disabled people into the workplace

2. **Potential**

Finally, on a positive note, we should note that each quarter, Manpower publishes its Employment Outlook Survey to measure employers' hiring intentions for the forthcoming quarter. Unique in its predictive nature, the survey is widely used by Government and industry, including the Bank of England's Monetary Policy Committee, as evidence of labour market activity. The survey has been running for many years and is based on 2,500 interviews with public and private employers in the UK and 35,000 interviews collectively across 18 countries worldwide. The most recent publication in December 2003 (covering the period January – March 2003) shows that businesses in Wales are the most optimistic in the UK, but most companies surveyed had concerns about the availability of skilled workers. This paper has perforce echoed some of those concerns. It has examined only employment and related areas, in which we at Manpower have professional competence. Some answers may well lie in other fields, such as investment, infrastructure provision, and marketing.

However, it is hoped that it has given Committee members some information on current problems in the marketplace. It does not purport to provide solutions. Manpower is an active supporter of business in Wales and is pleased to contribute to this debate. If any Member or Officer has further questions relating to the above document or Manpower's activity in Wales, they should feel free to contact us.