

P0 - CH / NL / 0113

PART A

CONFIDENTIAL

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Part A

MANAGEMENT IN CONFIDENCE

Begins: 6/2/87 -
Ends: 13/7/87.



PO -CH /NL/0113



PART A

Chancellor's (Lawson) Papers:

NEW EMPLOYMENT BILL AND
FURTHER MEASURES TO CUT
UNEMPLOYMENT

Disposal Directions: 25 Years

Phillips

16/8/95.

NL/0113

PO -CH

PART A

From: SIR PETER MIDDLETON

Date: 6 February 1987

CHANCELLOR

cc Sir T Burns
Mr Byatt
Miss Kelley

TAXATION AND THE SUPPLY OF LABOUR: PROFESSOR BROWN'S STUDY

... I attach two reports. The first, from Mr Byatt and Mr Smith, sets out the origin of the project and traces through its various stages until we received the final version. The second, from the Treasury's internal auditors, considers the adequacy of the present arrangements for dealing with the research budget.

2. There is no doubt that the project has proved to be a disappointment. There is a lot which with the benefit of hindsight would have been done differently. There was also an unfortunate leak in the final stages of the report, the origin of which we have not succeeded in tracking down.

3. The crucial element was the decision to commission the OPCS survey. It could not have been known with any certainty whether the subsequent analysis would justify the overhead involved in a survey of this sort on this scale. It was here, at a very early stage, that the main cost overrun occurred. Yet because this part of the cost was covered by the OPCS the project continued to look a reasonable buy for the Treasury - especially as it was breaking new ground.

4. The project was reported to the present Government when it took office and was quite clearly noted by the then Chancellor of the Exchequer.

5. The arrangements for monitoring the research budget have been made an integral part of the departmental planning and

reporting procedures. The system, which I set up, is described in the internal audit report. I accept that more attention needs to be paid to the cumulative cost of the various projects and programmes. But it would not have made much difference in this case given the way the project was viewed in its early stages.

6. It is most unlikely that we could have another overrun of this sort with the present budgetary arrangements; we should not be able to use a common service basis for a project. Nor should we wish to. So I hope that the conclusion is not that we should abandon this work on the analytical frontiers. We are enjoined by the Prime Minister on Treasury advice to evaluate and monitor the success of policy changes in achieving their objectives. And the PAC are taking an increasing interest in this in the tax field. We should however be more careful in the original formulation of research projects, be more diligent in monitoring them (along the lines of paragraph 10a of the internal audit report) and ensure that there is a regular presentation to Ministers.

you can have some of this!

7. I have discussed this minute with Sir T Burns who agrees.

spots & appropriate action taken? M.

This seems to me to raise some questions. 1. Sir G.H. was a friend of Mr. Brown's. 2. Shorty's approach in 1979-80, given in 31/7/79, was 216,000. The pay for the project was 256,000. It appears to be a massive overrun. 3. ... 4. ... 5. Prof Brown's approach was wholly unwholesome & virtually this was ...

PP P E MIDDLETON

THE FUTURE OF THE DTI

Post Rank to Margaret help the note. discuss with @ an [unclear] discuss with B. (v. [unclear])

FROM: MISS M O'MARA
DATE: 3 October 1985

CHANCELLOR

[Wh who (a) Computer 15 (b) No need others]

** who will need to [unclear] work!*

THE FUTURE OF THE DTI

Mrs Lomax told me that you would welcome any thoughts on the future role and structure of the DTI before you spoke with Mr Brittan. As always, it is much easier to describe the problem than to offer a constructive alternative!

MOM
→ CH/EX
3/10

Problem

2. (i) I have had very little direct contact with DTI officials for some time, except at the Private Office level. But I suspect that the department has never integrated fully its responsibilities for trade and industry. With joint Permanent Secretaries until comparatively recently, the two arms must have been encouraged to retain their separate identities and from what I can tell, the split has been perpetuated in the allocation of responsibilities to junior Ministers.

(ii) I believe that at times Mr Tebbit hope he had a larger Ministerial team than he could usefully occupy. This may well have led to some empire-building. We detected a few signs in the small firms area before the last reshuffle.

✓

(iii) This Government has policies for "trade" in the broadest sense; it has specifically eschewed an industrial policy. Yet the whole of the industry side of the department was founded on the premise that Ministers had policies towards individual industrial sectors and old habits die hard. Thus the DTI regards itself not only as the sponsor department for the shipbuilding industry where the Government still has a residual role but also as sponsoring machine tools, chemicals etc, as the attached organisation chart reveals.

(iv) The obverse of this coin is that DTI is not well geared to tackle wide-ranging issues which span a number of sectors. The organisation chart shows that there is just one Under Secretary covering "General Policy". I know that he is responsible for NEDC matters. Presumably he also has to cover the DTI's response on the industrial implications of the Fowler reviews, the reform of local government finance, NIC restructuring, changes in employment legislation, the Budget proposals, pay movements in the private sector etc as well as general briefing requests. This may explain why we do not seem to see much input from the department on some of these issues.

(v) The Government does have a policy towards industry insofar as it is endeavouring to improve the supply side of the economy. Supply side measures are not directed at individual sectors but they do impinge at the micro level. This must pose a dilemma for DTI as presently constituted. The structure of the department makes it difficult to analyse or, better still, devise measures which apply across the board. But once officials lose their contact with the grass roots, they are inclined to produce schemes which look fine in theory but which prove exceedingly difficult to implement - the very trap into which the Enterprise Unit has often fallen.

(vi) The DTI has now lost to DE one of the few areas - small firms - where Ministers had deliberately adopted a specific policy towards a section of industry.

An Alternative Approach

3. I am not convinced of the case for amalgamating trade and industry and the justification for an industry department is itself perhaps debatable. But we must presumably rule out change on either of these points and in any case, Mr Brittan would be scarcely likely to espouse such radical options in current circumstances. Nevertheless, I think some fairly substantial restructuring probably is required. The present structure of the department does not reflect the Government's industrial philosophy and this is almost certainly the last opportunity for major change during this Parliament.

4. But to attempt to change everything at once would court almost certain disaster. The allocation of responsibilities in the trade divisions looks sensible. It is important to have a single point of contact and co-ordination for European and international trade issues; the "Overseas Trade" divisions provide information on overseas markets which no doubt informs decisions on export credit projects as well as supplying and service to industry, (I do not think we could rely on the FCO to provide this information direct, particularly after manpower cuts); and this is not the time to reorganise the divisions dealing with financial

services etc, when the department is about to take legislation through the House. I would therefore focus on the industrial side, where the case for reform is greater, while retaining, say, those divisions processing applications under the Industry Act, the shipbuilding and Post Office divisions, where the department has a genuine sponsorship role, and the existing regional organisation.

5. I would then turn to what is now the "General Policy" division and see whether some of its functions could be split off and expanded to take the place of the present sponsor divisions. Instead of concentrating on individual industries in detail, the department would thus be looking at the way in which the wider world impinged on industry as a whole. It would then be better placed to react to changes proposed by other departments (eg the recent Wages Councils and Shops Acts reforms and some of the other issues mentioned under 2(iv) above) and to initiatives such as those designed to foster increased competition.

6. Of course, there would be problems associated with this approach:

(i) There is a risk that DTI would simply duplicate the work of other departments. In practice, as we saw in the case of SERPS, it is unlikely that others will be taking much account of the industrial dimension, so the field should be fairly clear for DTI. There may be a greater risk that the department will start to ape the Treasury's role in the analysis of distributional consequences etc but I doubt if this is a major problem either.

(ii) Civil servants are not, for the most part, very good at the kind of free-thinking that some of this restructuring implies. We are not talking here of a few high flyers who might otherwise end up in the Policy Unit or Enterprise Unit; large numbers of executive staff would have to be redeployed too. Our own experience in the industrial area in the Treasury does not provide a very encouraging precedent. But there is no point in perpetuating an irrelevant structure simply because civil servants find it easier to work within it.

(iii) DTI officials are quite likely to resist such changes. There are no doubt those who still hanker after an industrial policy or policies towards individual sectors; others may believe that a new Government would want to revert to something close to the existing structure.

(iv) There is the danger of losing touch with the grass roots, mentioned under 2(v) above. This is where I wonder whether the NEDC might have a role to play. It seems ludicrous that the Office duplicates much of the work of sponsor divisions, as far as

information gathering is concerned. We have always claimed that the NEDC is most effective at the micro level. Could the Government not exploit some of the Office's expertise? It might be argued that any evidence that the Office produced would be biased in order to encourage Government intervention but I doubt if it would be any more biased than the information the DTI now gets direct from the industry. More difficult to handle, perhaps, would be union opposition, if the TUC felt that the Office's independence was being undermined. But the Government would be asking NEDO to supply information equally available to the other parties. Officials would not always be able to specify the purpose for which information was sought and at times this might place some constraint on the kind of details which could be acquired. Again I doubt if this would be an insuperable problem, particularly if the Office had some data bank which DTI could tap, perhaps without reference back. It should be in the interest of the Office to exploit any interest the Government showed in its activities.

7. As you can see, I have not thought this through in any great detail and I have not tried to work out exactly what the new divisions would have to cover. It may well be that more of the existing divisions on the industrial side would have to be retained; there is plenty of room for a compromise to be struck. This approach would do little in itself to encourage the integration of trade with industry. But some of the proposed new divisions, like that set up to promote competition, should spread over into the trade field and amalgamation should now be easier under a single Permanent Secretary.

E(CP)

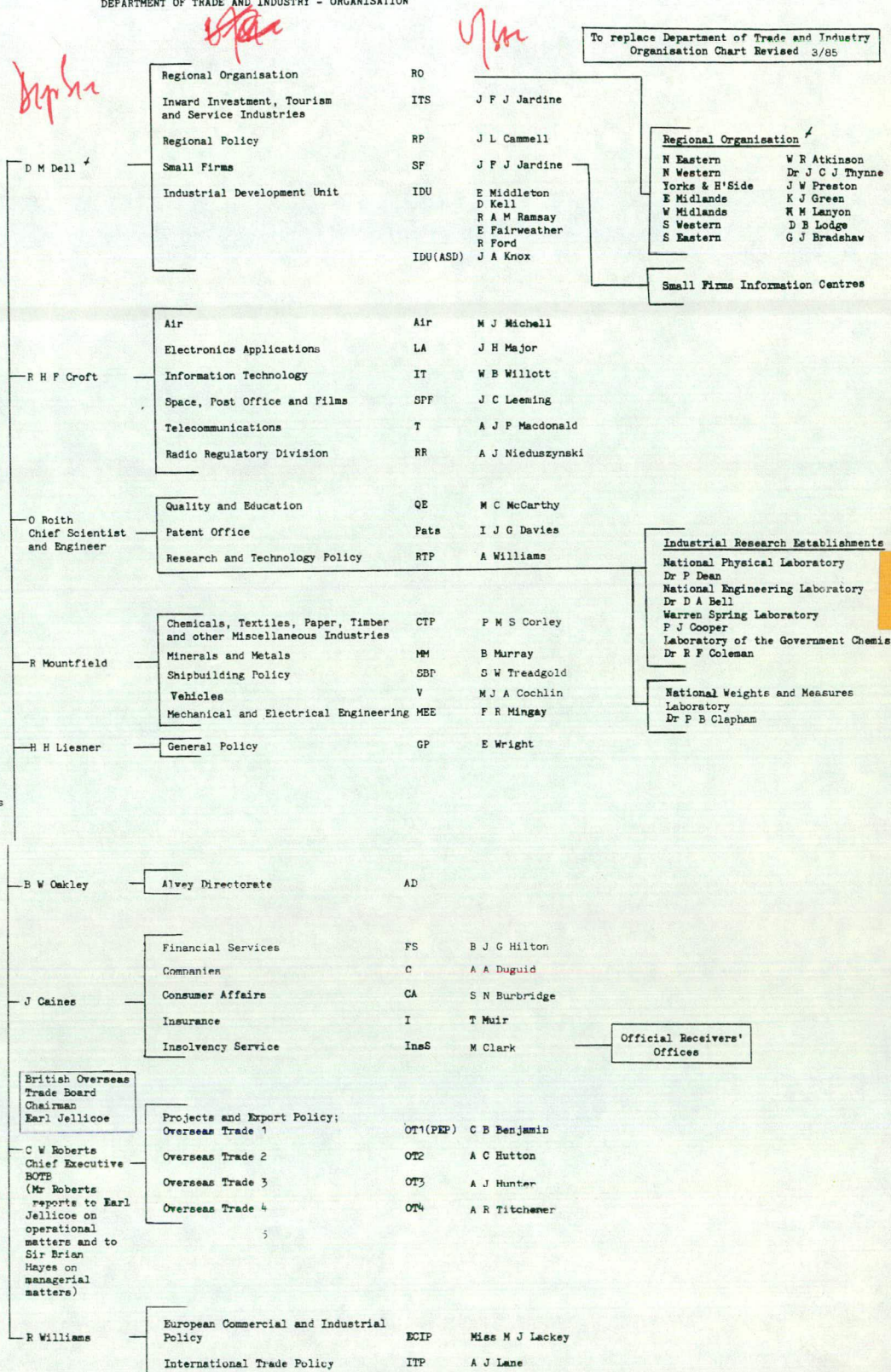
8. Finally, Mrs Lomax asked about the future of E(CP). As you know, the DTI input to the Committee has been very poor. It may be that Mr Howard, or whoever has inherited Mr Fletcher's responsibilities for competition in the DTI, will take a particular interest in this topic but I think he will still find it very difficult to make much progress under the present structure. Unless DTI takes a more active role, it does not seem to me to be worth prolonging the Committee's life, and I think the only way that DTI officials can be made to take its work seriously is if the promotion of competition is made a major task of an individual division.

MOM
MISS M O'MARA

DEPARTMENT OF TRADE AND INDUSTRY - ORGANISATION

To replace Department of Trade and Industry Organisation Chart Revised 3/85

This chart is not intended to show the relative status of posts



The Rt Hon Norman Tebbit MP Secretary of State

The Rt Hon Paul Channon MP Minister for Trade

Geoffrey Pattie MP Minister of State for Industry and Information Technology

Norman Lamont MP Minister of State for Industry

Alex Fletcher MP Parliamentary Under Secretary of State for Corporate and Consumer Affairs

John Butcher MP Parliamentary Under Secretary of State for Industry

David Trippier MP Parliamentary Under Secretary of State for Industry

Lord Lucas of Chilworth Parliamentary Under Secretary of State for Trade and Industry

Mr Dell has overall responsibility for the management of all Regional Offices. They report to him directly on industry matters, to the Department of Energy on energy matters and to Mr Roberts on export and BOTE matters.

12/6

Ch. Irving B.E. private time to sampling X -
Mr Baker is
- writing to you about this,
before doing anything

Don't show to
Robert Shanks
- return
ans
fine.
When L
has
read
in,
L sh
800 Mr.
M.

RE
W. Spiller

MR COLLEY

- keep the misceant
statistical personally this
afternoon.
See various figures - which
change the picture somewhat.

cc Mr R L Smith Mr Halsey
Mr Hillier Mr Stuart
Mr Spearing Mr Wakefield
Mrs Turp Mr Gaffin
Mr Marston Mr Horne
Mr Wilkinson
Mr Atkinson - Treasury
Miss O'Mara - Treasury

PARLIAMENTARY QUESTION ON INTERNATIONAL COMPARISONS OF UNIT COST
MR AUSTIN MITCHELL, 13 MAY (COLUMN 433)

1. I enclose a pursuant reply to this question which corrects a serious mistake made by Statistics Branch in the earlier reply by Mr Dunn. A letter of apology to the MP is also enclosed. The mistake occurred because we failed to adjust the figures for other countries for inflation despite the fact that the original answer said we had done so. I deeply regret that this mistake has occurred, and the resulting ramifications. I offer no excuses but will obviously take greater care and probably longer over such difficult questions in future. Mr Austin Mitchell has in fact tabled some 10 follow up questions on 10 June, and we will put in a holding reply on these.
2. The incorrect figures was used by the Chancellor in a speech to the house on 3 June, and have subsequently received extensive press coverage (Times 4 June, Guardian 6 June, Telegraph, TES 6 June). Mr Gaffin may wish to consider alerting the Journalists concerned once the revised answer has been cleared by Ministers. Treasury officials have asked for a copy of our revised answer to show to the Chancellor.
3. As you are aware the Secretary of State queried the figures himself, as a result of which we first spotted the error. As requested earlier we will seek comments, on the revised figures, and perhaps more up to date figures, from the embassies concerned.
4. It will be necessary for them to contact statistical offices in their own country, which will take some time. I will forward any results from this consultation in due course.

P Turnbull

P TURNBULL
Chief Statistician

3113/12

FROM: A G TYRIE
DATE: 10 FEBRUARY 1987

CHIEF SECRETARY

cc Chancellor ✓
Financial Secretary
Economic Secretary
Minister of State
Mr Cropper
Mr Ross Goobey

Went

LOCAL AUTHORITY JOB CREATION

1. The attached cutting looks useful for the PEWP debate.
2. John Prescott is launching Islington's job creation scheme tomorrow, following up his support for Southwark's scheme.
3. 4,167 jobs at a cost of £51 million gives a cost per job of £12,239. Therefore a million jobs created "Islington's way" would cost only £12.2 billion, cheaper than Southwark's hypothecation of their own scheme, of £20 billion over two years!
4. The SDP quotations on excess staff and debt are both useful.

AGT.

A G TYRIE

Council plans 4,167 jobs at cost of £51 million

THE CREATION of 4,167 jobs in Islington at an estimated cost of £51 million is to be launched tomorrow by the borough's Left-wing Labour council.

The jobs will be in council departments or supplier firms, the council said in a statement.

It would do everything possible for the borough's 18,000 unemployed, particularly "long-term jobless blacks, women, the disabled and other disadvantaged groups, the statement added.

The announcement brought furious protests from the council's SDP Opposition group. Its leaders said: "We will be reaching a situation where this council will have an employee for every member of the public. They cannot go on just taking on staff like this."

In its statement the council said that 3,220 jobs would be in council departments such as housing, construction, maintenance, recreation and leisure. The remaining 947 would be in businesses and contractors working for the council.

Government barrier

The cost of providing the jobs has been estimated in a full year to be £28,561,000 from revenue and £22,601,000 from capital resources, said the council.

Mrs Margaret Hodge, the council's leader and chairman of the Left-wing Association of London Authorities, said that

By A. J. McIlroy

the initiative could be completed fully only if "current Government restrictions" on what Islington could raise from rates and capital resources were lifted.

Tomorrow's job creation launch is being attended by Mr John Prescott, Labour's Shadow Minister for Employment. His acceptance of the invitation is seen by Islington council as confirmation of Labour party support.

Mrs Hodge said: "The Government's neglect of inner city problems and the loss of major private sector employees has led to a long and steady decline in the borough's economy and to a cycle of poverty and disadvantage in the labour market.

"Racial discrimination has reinforced this process in such a way that unemployment is 50 to 60 per cent of black young people in parts of Islington."

£1 billion debts

Mr David Hyams, Islington's SDP spokesman, said the burden on the ratepayers in this borough is already heavy and Islington's debts run to £1,000 million.

"The general debt is £670 million. There is a further deficit of £200 million through creative accountancy (outside borrowing to evade Government spending controls) and leasing and other debts push the total to the £1 billion mark.

"We shall be continuing to protest because it is the future of this borough and its people that is being mortgaged by these Left-wing councillors," added Mr Hyams.

Camden seeks lesbians

The London Borough of Camden, which has been told by its finance officials that it faces a £50 million gap between income and expenditure, is expanding its women's unit by 50 per cent.

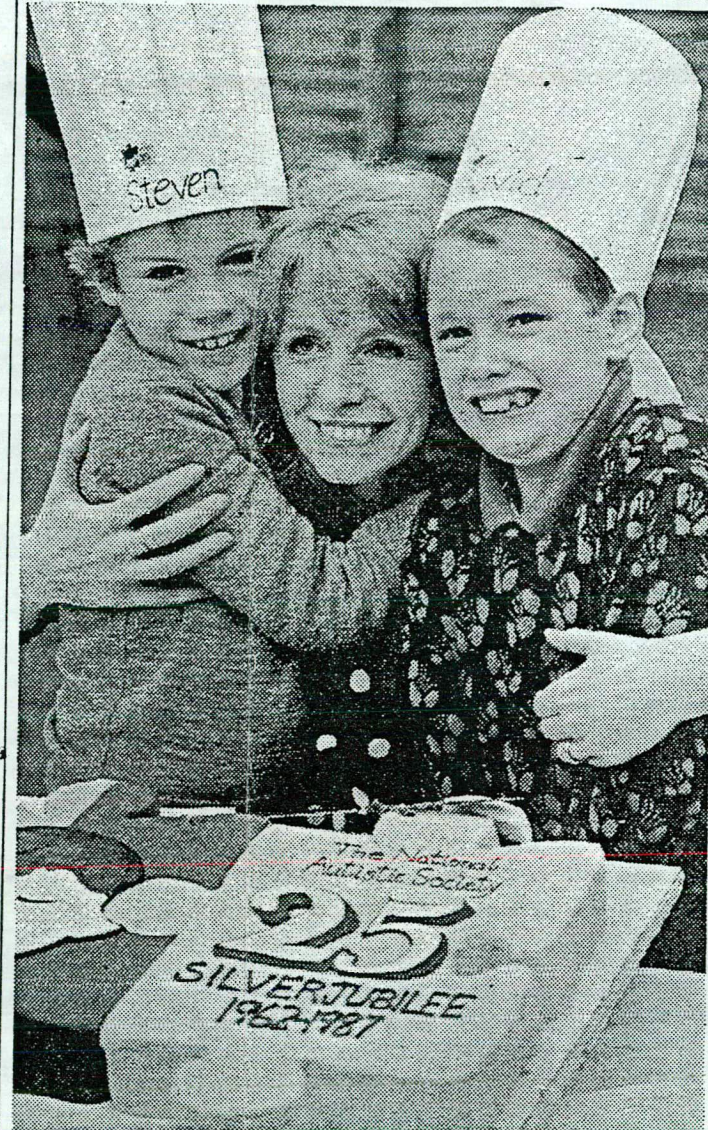
It is advertising three £16,000-a-year post for officers to "counter discrimination against women". The council says that it particularly welcomes applications from lesbians, women with disabilities, Asians and other ethnic minorities.

Barnsley recruiting

A recruitment drive to fill scores of white-collar jobs in an area of 25 per cent male unemployment is being launched by Barnsley Council. "It is ironic considering our unemployment problems that we find ourselves in this position," said a council spokesman.

It has vacancies for engineering technicians, building control officers, environmental health inspectors, accountants, auditors, social workers, court clerks and valuers and believes people are put off by the town's "cloth-cap image".

Picture: ERIC ROBERTS



25th anniversary cake: Actress Jane Asher, patron of the National Autistic Society, enlisting the aid of Steven Webberley, 9, and David Toft, 8, to launch a silver jubilee campaign aimed at increasing public awareness of autism — a life-long mental handicap.

Belfast to be restored

By Our Belfast Staff

A PLAN to project Belfast into the 21st Century was launched yesterday. The first stage of a programme of economic and social development, spread over a generation, was announced by the province's Department of Environment.

It involves a £5 million development scheme for a zone including Royal Avenue, once Belfast's main thoroughfare but now reduced to a dilapidated short cut for pedestrians because of terrorist bombings.

The plan includes proposals for environmental improvements, roadworks, pedestrianisation schemes and sites for commercial development.

Further stages will be announced during the next few weeks. The results of an independent retail survey laying down future prospects for shopping up to the year 2000 will be made public.

Much admired

A conservation study to protect Belfast's Victorian and Edwardian buildings, much admired by the late Poet Laureate, Sir John Betjeman will also be produced.

No overall cost of the scheme, spread over a period of at least 15 years, can yet be estimated by the Government. Formal public inquiries, where objections to developments will have to be heard, will be held.

BF next PEM
material

FROM: I C R BYATT
DATE: 16 FEBRUARY 1987

- 1 SIR T BURNS
- 2 SIR P MIDDLETON

[Handwritten signature]
16/2/86

[Red circle around "BF next PEM material" with a checkmark]

Chancellor.

c Miss Kelley

TAXATION AND THE SUPPLY OF LABOUR: PROFESSOR BROWN'S STUDY

Mr Saunders' minute of 10 February asks for comments on the questions and points made in paragraphs 2 and 3 of Mr Allan's note of 9 February.

2. In August 1979, Sir Geoffrey Howe asked me to let him know how far the £150,000 for the main survey was already committed. I told him that it was carried on the OPCS budget, managed by the CSD and "subject to normal public expenditure pressures", i.e. subject to the same cutting as other departmental expenditure. I contrasted this with the commitment to Professor Brown - which enabled him to retain the existing team for the academic year beginning October 1979 - and to recruit another research worker. (I was writing less than two months before the Brown team were due to begin work.)

*FR 0
plus
answer*

3. To answer the question of whether the arrangements for informing Ministers of the full costs of projects, or increases in them, were haphazard, I want to go back to the budgeting arrangements which were then operating. These were set out in paragraph 9 of my note which Sir Douglas Wass sent to Sir Geoffrey Howe. Projects were commissioned by the official Treasury without necessarily being put to Ministers. For example, the original proposal for the tax and labour supply study was not put to Mr Healey.

4. To understand the escalation of the survey costs, I think we have to refer back to the public expenditure system the government was then operating. The £150,000 was a "volume" figure. Most of the 117% increase in the cost to £325,000 was a "price" effect (including relative price changes). The main reason for this was an increase in the cost of interviewers

following the consequences of the winter of discontent, Clegg, etc. The increase in volume - resulting from revised estimates of the amount of work needed - was only 18%. (Because there had been relative price changes, this was less than the real increase in cost shown by using a general price deflator (as in the table in paragraph 10 of Mr Smith's note).) Unfortunately, in the event, there was a further increase in cost of 12½%. This extra cost was, however, contained within the OPCS budget ceiling; the overrun would have squeezed resources out of other projects.

clean up
5. My report of August 1979 set out the annual, not the cumulative, cost of all the projects we were supporting. (This also applied to the National Institute, although a multi year programme was being discussed with Ministers.) The £16,000 expenditure on Professor Brown's project in 1979-80 was for research assistance in the six months from October 1979 to April 1980.

6. The cost of the Stirling work exceeded the original estimates as a result of two extensions (one primarily because of late delivery of data by OPCS) granted in October 1981 and December 1982. (The third extension, in January 1985, saved us money.) Neither of these extensions were reported to Ministers. They were contained within the overall research budget - which has been cash limited since 1976.

7. On the value of this research project, I have to say that the effect of tax on hours of work was a matter of general concern in 1979. For example, I was asked by Treasury Ministers to analyse the consequences for labour supply of the tax changes proposed in the 1979 Budget. While the research did not produce the robust econometric estimates that we required, I think it was of some value. The research team is still at work (not at our expense) and the data is available for others to work on.

23

FROM; G M WHITE
DATE; 18 FEBRUARY 1987

cc Chancellor 2
Sir P Middleton
Sir T Burns
Mr Butler
Mr Monck
Mr Culpin
Miss O'Mara
Mr P Gray
Mr Corry

CHIEF SECRETARY

FT ARTICLE ; JUGGLED FIGURES ON NEW JOBS

Today's FT carried an article reporting a study by the Trade Union Research Unit which argues that the claim of 1 million jobs created since 1983 is misleading because it counts "double-jobbers" twice and includes those benefitting from employment measures.

2. We have only the FT report to go on. So has the DE. They are preparing defensive briefing for their Ministers which will not be ready in time for this afternoon. However, we understand that their briefing will be along the lines attached.

Geoff White

G M WHITE

*
This: Sam's
won't do.
The brief
is much more
substantive. I have
made a submission
on this.

ch

This is v feeble

AA

FT ARTICLE : JUGGLED FIGURES ON NEW JOBS

Today's FT carries an article reporting a study by the Trade Union Research Unit which argues that the claim of 1 million jobs created since 1983 is misleading. It does so on the grounds that about 260 thousand of the new jobs were taken by people already in employment and that about 240 thousand represented by people on government employment schemes.

Line to Take

Positive

2. Even taking the report's figures at face value there are still 1.2 million new jobs since 1983 accounted for by self-employment.

No

3. The report does not deny that 1 million new jobs have been created; it simply recognises that this will not have a one-to-one effect on unemployment.

*Emp. growth in the same 1983 was slow
in use of BC taken together. has not had*

Defensive

4. Estimate of 260 thousand increase in "double-jobbers" is wrong; the figure is more likely to be of the order of 150 thousand.

Background Note

5. Not clear how report derives the figure of 240 thousand increase of employees in employment attributable to employment measures. If the report simply took the increase in those placed on employment measures, it will be a substantial over-estimate. DE don't have their own estimate and more work would be needed to challenge the report's figures.

:

G M WHITE



INLAND REVENUE
CENTRAL DIVISION
SOMERSET HOUSE

From: A J Walker

Date: 19 February 1987

Financial Secretary

TAX CONSULTATIVE COMMITTEE

I attach minutes of the meeting held on 3 February to discuss the Business Expansion Scheme, the use of secondary legislation, and the tax treatment of employment and self-employment.

I am sending copies to the outside members of the Committee.

9

A J WALKER

PS: make a starter for 1988. if sharp -> make use of 1987-88. New: sharp -> objection is dismissed.

cc PS/Chancellor
PS/Chief Secretary
PS/Economic Secretary
PS/Minister of State
Mr Cassell
Mr Cropper

Chairman
Mr Isaac
Mr Painter
Mr Pollard
Mr Beighton
Mr McGivern
Mr Lewis
Mr Johns
Mr Martin
Miss Rhodes
Mr Reed
PS/IR
in walker

Minutes of a meeting of the Tax Consultative Committee held on
3 February 1987

Present:

The Financial Secretary to the Treasury (in the Chair)

Mr Cohen	Mr Isaac
Mr Loup	Mr Painter
Mr Esam	Mr Pollard
Mr Ray	Mr Beighton
Mr Sutherland	Mr Reed
Mr Christopher	Mr Cassell
Mr Smith	Mr Cropper
	Mr Walker

1. The meeting had before it three papers:
 - i. a paper by the Inland Revenue on the Business Expansion Scheme;
 - ii. a paper by Mr Loup on delegated legislation;
 - iii. a note by the Inland Revenue on the tax treatment of employment and self-employment.

Business Expansion Scheme

2. The Financial Secretary introduced the subject by saying that, following the changes in 1986, there was a case for allowing the scheme to settle down. There were, however, a number of issues on which he would welcome the Committee's views, in particular:
 - end-year bunching
 - a possible investment ceiling
 - the growth of secured contracting

- the connected person rules.

In addition he would be interested to know how effectively they felt the Scheme was targetted.

3. A number of members felt that end-year bunching, was a problem more for BES funds rather than for individual investors. Mr Isaac said that, on normal tax planning principles investors would in any event want to keep to a minimum the time between investing and getting tax relief. Two possible solutions were offered. Mr Esam suggested giving relief only when the investment was made, but computing it then by reference to the date the investor put his money into the BES fund, which might have been some months previously. Mr Ray, however, suggested allowing the relief only from the date of investment in the target company, but providing for the relief to be apportioned between the previous and current years so that there was no advantage in waiting until near the end of the tax year. Mr Painter said that if a change were required, he could see advantages in the latter approach with, perhaps, the taxpayer having the option of a carry-back of part of the relief to the previous tax year. There would, of course, be a transitional Exchequer cost in the first year.
4. On the land and buildings test, there was general agreement that it was right to exclude property-based companies as far as possible in that they were inherently less risky and should be able to attract finance from other sources. The money available should be targetted on smaller businesses with, say, plant and machinery and an innovative idea, rather than on companies with property-backing. The restriction should, therefore, remain.
- X 5. | As for the question of an investment ceiling, the majority view was that an upper limit might be desirable: the scheme should be aimed at the lower end of the market. The implications for shipping were however noted.
6. Mr Sutherland and Mr Ray felt that the

connected persons rules, were too tightly drawn. Although there might be a case for excluding spouses, other relatives could be a valuable source of finance for emerging businesses and it was counter-productive to deny BES relief. The Financial Secretary wondered whether relatives would not invest in any event, with or without the relief. Mr Painter confirmed that the main consideration underlying the existing restriction was not abuse but additionality: bringing in parents and grandparents would add a considerable deadweight cost. Mr Isaac also questioned the rationale of a major tax subsidy that could amount - subject to the 5 year rotation period - to a more or less single passing of capital from father (or grandfather) to son.

7. There was some discussion of "round-tripping". Mr Sutherland thought that if employees were admitted, round-tripping was unlikely to be widespread because the company would have to have to pay an additional 20 per cent in National Insurance Contributions on top of any extra remuneration (although not on extra dividends). Mr Cohen said that there was a case for targeting relief on people setting up new enterprises rather than on investment by unconnected investors and one way of doing this would be to allow relief to managers investing in their own business. To avoid abuse, manager participants would have to be limited to, say, 30 per cent of the equity and should not be connected with the other investors: this should prevent undue manipulation to the disadvantage of the other investors. Mr Painter said that abuse would not be a problem so long as the managerial involvement was part-time and unpaid. The Financial Secretary noted the arguments.

8. The Financial Secretary raised the question of the targetting of the Scheme. He asked whether there were any measures, not open to abuse, which might target it more effectively on small companies and startup businesses.

9. From his experience in the North of England, Mr Loup felt that BES was not helping true startups. What was needed were syndicates investing money to revive small business activity. At present, this would happen only if the investors had charitable intent with no certainty of a return. An investment ceiling on BES might help force investment into this gap to some extent. Mr Beighton said that the local enterprise agency in St Helens was active in encouraging BES investment in smaller-scale local projects through syndicates: this was essentially different from the small firms investment company approach in that each member of the St Helens investment syndicate took an active and close management interest in the emerging enterprises. Although Pilkingtons provided considerable financial support to the enterprise agency it had no direct connection with the syndicates, so there was no obvious reason why the set-up should not be replicated elsewhere. Mr Painter thought that this argued for building up the non-tax side of BES (eg. in giving management advice and taking a closer interest in the running of the target company).
10. Mr Loup agreed that the St Helens example was worth following. He did not feel that institutional BES investment was worth encouraging because they would not be able to devote sufficient resources to monitor small investments (this partly explained why Electra had had a disastrous record): this was not an area in which additional funding by banks was necessarily desirable.
11. Mr Cohen's view was that the Scheme was not a particularly suitable vehicle for larger venture capital funds: it was fairly onerous for the relatively small sums involved, and fund managers were now moving away from BES towards institutional investment. This was not necessarily a bad thing: the Scheme had served a valuable purpose in popularising investment in small companies, and might continue to do so particularly by individual, rather than institutional investors. Although there had been a

12. Mr Ray said that the administrative cost of BES investment, eg. in assessing the suitability of target companies, was high for the sums involved; he wondered whether some Government assistance should be provided for those costs, though he emphasised that he was not advocating a general expenses deduction for investors. Mr Painter said that BES funds to some extent provided the solution already: in effect investors were paying some of their tax relief to the fund for the sort of service and advice they needed.
13. Mr Cassell raised the question of the exitroute from BES, and asked whether uncertainty about this might inhibit potential investors. Mr Loup felt that, with a rising equity market, investors would be unlikely to want to tie up their money in very small companies. It was generally thought that any problem here had not yet been perceived by investors and so few, if any, had been put off by it.
14. The Financial Secretary noted the Committee's views with interest.

Delegated Legislation

15. The Financial Secretary thanked Mr Loup for his paper, and agreed that the main use of secondary legislation should be for certain technical matters which primary legislation was less suited such as to apply general rules to specific cases, to provide procedural rules, and to allow flexibility within an overall framework clearly delineated by primary legislation. He did not regard the increase in the provision of delegated powers in the 1986 Finance Act as necessarily setting a trend for the future.
16. Mr Sutherland and others thought that the main problem was that statutory instruments could not be amended: Parliament should have a chance to say more than yes or no. Moreover, he did not consider a comparison with the amount of delegation in VAT legislation as relevant: if anything, VAT regulations should have been incorporated in primary legislation.

17. Mr Isaac said that it was not unknown for statutory instruments to be withdrawn and resubmitted where the House was unhappy. Secondary legislation did offer the advantage of additional scope for consultation: orders could be (and often were) published in draft. Mr Cropper added that where technical measures had had to be announced in a Budget without prior consultation, as had been the case with PEPs the previous year, the use of regulations gave the opportunity to fill in the details after further consideration.
18. Mr Isaac asked whether Mr Loup's concern about the exclusion of the Courts (page 9) was wellfounded. He wondered whether in practice any Government had been successful in excluding the Courts from any area of administration. Mr Loup said that his main concern was to ensure that Parliament had adequate opportunity to consider draft Orders and that was why he had recommended much more frequent use of the affirmative resolution procedure. The Financial Secretary said again that he thought that what had happened in 1986 would not necessarily be repeated.

Tax treatment of Schedule D and Schedule E

19. The Financial Secretary said that employment patterns were changing, and he recognised that the tax rules had to be in tune with contemporary practice. He noted, for example, that some employers now preferred to take on outworkers rather than in-house employees. In addition there had been pressure recently to allow individuals to decide for themselves between Schedule E and Schedule D tax treatment.
20. Some committee members (Mr Loup, Mr Ray) felt that, taking compliance costs as well as tax reliefs into account, there was a fair balance between the relative treatment of the employed and self-employed. Mr Ray pointed out, for example, that whereas the Schedule D expenses rules were more generous and the selfemployed were usually able to cash in on the capital value of their business, employees often had the advantage of tax-relieved share incentive

schemes. Others (Mr Christopher, Mr Cropper) regarded the overall treatment of the self-employed as considerably more generous than that of the employed. But while Mr Christopher thought that any move towards allowing self-classification would have serious consequences on the Inland Revenue because there would be large numbers wanting to reclassify as self-employed, Mr Cropper thought that there was a case for allowing self-classification: the Revenue were on thin ice in not allowing it. Mr Painter pointed out that the Revenue were applying the law as it stood.

21. Mr Sutherland thought it right to distinguish between employment and self-employment for tax purposes. But there was a grey area in the middle: some people who had previously been employees were now more akin to the selfemployed (eg. outworkers working from a VDU at home). If someone in this category gave up the protection of the employment legislation, it was surely right that he should be allowed Schedule D treatment. There might, of course, be a case for extending a type of tax deduction scheme like that for subcontractors.
22. Mr Esam's view was that part of the difficulty arose because the Schedule E expenses rules were not generous enough. For example the "wholly, exclusively and necessarily in the performance of the duties" test was not suitable for some employees. If the UK followed other countries in having more generous employee expenses rules, some of the pressure might be taken off the borderline. He also thought that the benefits rules were sometimes pressed too rigorously.
23. Mr Isaac said that it was, of course, for the individual to decide between employment and self-employment, but the tax treatment had to follow the facts. There were considerable benefits for Schedule D taxpayers. The cashflow advantage of the operation of the PY basis had been calculated at between £300 and £500 million some time previously when inflation had been higher; and there could be a benefit in income splitting with a spouse in order to make full use of the wife's

allowance. When people were properly in business on their own account it was right that they should have these advantages. But allowing Schedule D treatment for employees would do nothing to encourage genuine selfemployment. The argument that in equity there should be a free choice between the income tax Schedules had to be balanced against the economic advantages of encouraging genuine self-employment, with its risks and responsibilities.

24. The Financial Secretary agreed: the Government's concern was to encourage true self-employment rather than to allow additional tax reliefs without generating additional economic activity or benefit.

Recommendations for the Budget

25. The Financial Secretary asked Committee members whether there were any particular measures they wished to see in the Budget.

- Mr Esam wanted to see symmetrical interest on overdue tax and repaid tax. Mr Isaac said the issue had been addressed in a consultation document on the Keith proposals. For the great majority of taxpayers and tax revenue the asymmetry ran against the Exchequer. Reform depended on the introduction of a more modern collection system which would not be in place for a few years.
- Mr Ray said he would welcome a shorter Finance Bill.
- Mr Cohen suggested a higher threshold for low earners to remove the disincentive for those on benefits (who might well have undeclared part-time income) from taking up full-time jobs. Mr Isaac said the problem was mainly

with one-earner couples. The proposal for transferable allowances would help overcome this.

- Mr Christopher wanted an increase in thresholds to keep pace with the rise in earnings, in order not to bring more people into the tax net.

26. The Financial Secretary thanked Committee members for their comments.



A J WALKER



NOTE OF A MEETING IN ROOM 44/3 HM TREASURY ON THURSDAY 19 FEBRUARY
TO DISCUSS SELF-EMPLOYMENT

Those present: Peter Lilley MP
 Michael Lord MP
 David Heathcoat-Amory MP
 Michael Stern MP
 Barry Henderson MP

Alistair Ross Goobey
 Andrew Tyrie
 Peter Cropper

Leonard Beighton IR
 Robin Martin IR
 Martyn Haigh HMT

*1. But see
 purpose of no FST,
 after discussion with
 Mr Cropper, at the
 we know what he has
 conclusions reached on
 this.
 Mr.*

1. The Financial Secretary said that the main question he wanted to address was that of the classification and treatment for tax purposes of those who were self-employed.

The Government were taking steps to ensure that there was consistency between the Revenue and DHSS on the classification point, but he continued to receive complaints through MPs about 'reclassification' and the treatment of the self-employed although he suspected that in many cases these complaints were not well founded. Part of the problem in his view was that the nature of work was changing and people were increasingly working on a starter-term contractual basis. This was giving rise to some difficulties on the borderline between employment and self-employment.

He did not think, however, that the Government could accept the Michael Forsyth/IOD proposition that everyone should be able to choose whether they were employed or self-employed. The consequences of this were potentially too great - it could for instance theoretically enable civil servants to opt for self-employment.

The Financial Secretary then invited views on the subject from those present.

2. Mr Lord said that there seemed to him to be many occasions where the Revenue were over-zealous in their drive to classify

people as employees rather than self-employed. A person might go to great lengths to establish that they were self-employed and the Revenue would then try to prove the opposite.

3. The Financial Secretary said that the Revenue's duty was of course to operate the law as it stood and by drawing on the various criteria set out in the Revenue leaflet on self-employment it should be possible in most instances to agree on how a person should be classified.

4. Mr Lord wondered why, if a person got all his work from one source he had to be classified as an employee. Mr Martin said that the Courts, would normally take that view but not necessarily so in all cases. A person might, for instance, work for one firm (say as a management consultant) for a substantial length of time but remain self-employed.

5. Mr Lord concluded by saying that he was concerned to differentiate between self-employed white and blue collar workers. He was more concerned with the latter and said that he felt the Government should do everything they could to encourage and accommodate them. From a Revenue point of view the sole concern was surely to collect whatever tax was due, regardless of whether it came from someone who was self-employed or an employee.

The Financial Secretary said that one had to be aware of the revenue consequences of a large scale movement of people to self-employed status. There were substantial tax and NIC advantages in being self-employed and one could not be indifferent to applying the rules as they stood now. There were many instances of people being presented as self-employed when they were not.

6. Mr Stern said that the Revenue's action in particular trades had sometimes caused bad relations between the trade and the Revenue but he accepted that the Revenue were justified in taking the action that they had. In many cases such as in the restaurant and hairdressing trades they were merely trying to rectify long-standing irregularities.

He thought, however, that the penalties to the taxpayer for making the wrong choice were too great. Self-employment offered considerable tax advantages such as being able to claim

travelling expenses as an allowable item, but on the other hand a Revenue investigation led to a virtually automatic bankruptcy if the wrong status had been chosen and people were unable to find the tax and NIC they had to pay. Could a rapid clearance procedure be established?

7. Mr Martin said that the Revenue had been working on something very much along these lines which would take effect from 6 April. It would involve having a single official in each local tax and DHSS office responsible for handling questions on employment status. When he gave a decision it would hold for both Departments.

Mr Stern welcomed this but was concerned about the possibility of delays in giving rulings. He wondered whether it would be possible to stipulate that if someone went to a local office for a ruling, his current status should continue to apply at least until the ruling had been given.

More fundamentally his view was that the Government needed to reduce the differential in treatment between the self-employed and employees.

The Financial Secretary said that he understood this opinion but said that any such move would be opposed by the self-employed themselves.

8. Mr Heathcoat-Amory felt that the way to equalise treatment was to move to a current year basis of taxation for the self-employed with self-assessment at the beginning of the year, similar to the system used in the USA. The problems the meeting had raised would remain unless we moved to this type of system, which was far more neutral between the two categories.

9. Mr Lilley said that, politically, the Government could not contemplate immediate neutrality of treatment.

10. In response to Mr Lord's enquiry the Financial Secretary said that the problems being discussed accounted for a very small proportion of cases but nevertheless provoked significant concern.

Mr Martin added that by negotiation with representative bodies such as the NFU and other employer organisations, problems within a number of particular sectors had largely been resolved.

11. Mr Stern, said however that, in his experience, cases were

continually emerging in new areas. It was becoming relatively common in the West Country for people to be made redundant one week and to reappear as "independent contractors" the next, while working for the same firm.

12. Mr Henderson said that he considered that it was important to recognise that there were distinct categories of self-employed people. There were some who were very prosperous and others at completely the opposite end of the scale who were earning very little. It would be very easy for many of these people to slip over the borderline into unemployment.

13. Mr Heathcoat-Amory said that in considering this area we needed to bear in mind not only the self-employed's relative advantage over those on PAYE, but also the problem of the black economy. He repeated his view that the answer to both was self-assessment and to make everyone submit a tax return. A precondition of this, however, was that taxes should be both low and simplified. Mr Tyrie felt that the ideal long-term solution might be equality of treatment but at the present time there was a need to encourage self-employment.

14. Mr Cropper commented that he agreed very much with the introduction of universal tax returns which would help to cut back the black economy and would create a more neutral system. There was a case for reversing the pressure on Revenue staff numbers to give them the ability to cope with the demands that this would impose. Would a better answer be to abandon the employment/self-employment distinction altogether and instead have two tax systems side by side leaving people free to move into whichever they wanted? They could either choose the attractions of the current tax and NIC treatment of self-employment or be deterred by the risks inherent in self-employment.

He also agreed that Mr Henderson's point was important. It was questionable whether a partner in a major accountancy firm was genuinely self-employed and should be able to enjoy all the tax benefits from it, but for the people at the other end of the spectrum, the tax and NIC advantages might mean the difference between self-employment and unemployment.

15. Mr Henderson added that the key was to get everyone to

declare their earnings. He felt that the Government should encourage entre-preneurial talent but not encourage people to become self-employed purely because of tax considerations.

16. Mr Tyrie thought that the commencement/cessation provisions were a very important factor, but, as Mr Beighton commented, they had been in place since the 1920s, although the opportunity to manipulate them for purely tax purposes had been removed in recent legislation. Nonetheless, they still represented an effective tax holiday of a year or two at the commencement of self-employment.

17. Mr Lord was very much in favour of retaining these features. Removal of this sort of provision would discourage people from taking the risk of becoming self-employed. The current tax advantages encouraged people to 'have a go'.

18. Mr Heathcoat-Amory still thought it odd, however, that the whole sytem of taxing the self-employed was specifically directed at the first year in business of a small self-employed person. If help was needed here it was surely far more effectively targetted by way of the Enterprise Allowance and similar measures than by a distortion of the tax system.

19. Summing up the discussion, the Financial Secretary thanked everyone for their views and commented that the general opinion seemed to be that whatever action the Government took in the shorter term would in effect only be acting at the margins. To overcome definitional problems entirely would involve a far more fundamental move towards a system of neutrality between the tax treatment of employment and self-employment, in effect removing the current advantage for the latter. This would undoubtedly provoke a very strong reaction and many would share the views expressed by Mr Lord that the maintenance of this advantage was a vital factor in encouraging people to enter self-employment and take risks.

The Financial Secretary referred finally to the Revenue initiative in encouraging enquiries to local offices and certain

ways of helping to promote this were suggested.

NIGEL WILLIAMS
23.2.87

cc PS/Chancellor
PS/Chief Secretary
PS/Economic Secretary
PS/Minister of State
Sir P Middleton
Mr Monck
Mr Scholar
Miss Sinclair
Miss Noble
Mr P Gray
Mr Haigh
Mr Cropper
Mr Ross Goobey
Mr Tyrie
Mr Beighton IR
Mr Martin IR
PS/IR



FROM: FINANCIAL SECRETARY
DATE: 5 March 1987

CHANCELLOR

cc Chief Secretary
 Economic Secretary
 Minister of State
 Sir P Middleton
 Mr Monck
 Mr Scholar
 Miss Sinclair
 Miss Noble
 Mr P Gray
 Mr Haigh
 Mr Cropper
 Mr Ross Goobey
 Mr Tyrie
 Mr Martin IR
 PS/IR

*I am unable with
 this - see No
 proposed in
 PJC*

SELF-EMPLOYMENT

1. You asked what conclusions I had reached following my meeting on this subject (Mr Kuczys' minute of 26 February).
2. I have to say that in my opinion nothing new came out of the meeting. Indeed the general feeling of those present was strongly in favour of ending the preferential treatment of the self-employed as indeed it also was at the recent meeting of the Tax Consultative Committee.
3. This is, of course, completely at loggerheads with the Michael Forsyth/IOD proposals but I think that other informed people are also now taking our view.
4. Separately from this, Judith Chaplin had written to me about a suggestion that the IOD should set up a working group on the issue of self-employment, which could involve representatives of Government Departments.

I think her suggestion was intended to be helpful but there is of course a risk that any involvement on our part in such a working group would be encouraging the IoD to pursue something which is not feasible - and indeed could be counterproductive - but the problem is how to persuade them that there are no easy answers here and that their proposals would certainly not lead to one.

6. I am clear that it would not be a good idea to suggest having civil servants on the working group, Peter Cropper, however, has suggested that he might participate on the basis that this was completely without commitment on our part and he would of course hold the Government line.

7. I also think it would be useful if a meeting could be arranged at which Judith Chaplin could talk over the issues with Peter Cropper and the Revenue.

8. Of course we must look for ways to ease any problems and be open to any new ideas put forward. But my conclusion is that our present position is right and defensible, and that the changes we have made on Inland Revenue and DHSS practice (as in your recent letter to David Young) should help.



NORMAN LAMONT



Inland Revenue

Policy Division
Somerset House

From: ANGELA RHODES
Date: 6 March 1987

- 1. MR ISAAC *6.3.*
- 2. FINANCIAL SECRETARY

As signed/answered.

*Mr X, what is
the latest position
is it to be
made in house
if it is
woman?
press release
so.
M.*

TAX RELIEF FOR TRAINING

1. We have prepared a draft Budget Day Press Release about this. A copy is attached.

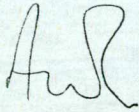
2. There are a number of points of detail which we will need to clear with you - we will be minuting you separately about these. In view of this, we have deliberately kept the press release brief and confined to the essentials of what is intended.

3. There is one detail, however, which we should draw to your attention - this concerns the start date of the relief. Although not specifically confirmed, we assume that date to be 6 April 1987. We have further assumed that you will want the relief to be available in respect of training course expenses incurred on or after that date. This then means that relief will be available for people who are already on training courses at 6 April - providing the qualifying conditions are satisfied. The alternative to that approach is to allow relief to run for courses that start on or after 6 April 1987 - but we think that would be criticised for being rather miserly.

- cc: Chancellor
 Chief Secretary
 Economic Secretary
 Minister of State
 Mr Cassell
 Mr Monck
 Mr Scholar
 Miss Sinclair
 Miss Evans
 Mr Cropper
 Mr Graham - Parliamentary Counsel

- Chairman
 Mr Isaac
 Mr Painter
 Mr Beighton
 Mr McGivern
 Mr Lewis
 Mr Northend
 Mr Allen
 Mr Elliott
 Miss Rhodes
 Mr Wilcox
 Mr Walker
 Mr Willmer
 Mr I Stewart
 PS/IR

4. We do not know as yet the precise terms in which this relief will be announced - this is another reason for keeping the Press Release brief. But as time for approving Press Releases is getting short we see an advantage in putting it to you now. We will of course check that what is said in the Release ties in with the proposed Statement as developments take place.



A M RHODES



INLAND REVENUE

Press Release

INLAND REVENUE PRESS OFFICE, SOMERSET HOUSE, STRAND, LONDON WC2R 1LB
PHONE: 01-438 6692 OR 6706

[3x]

17 March 1987

TAX RELIEF FOR WORK TRAINING PROVIDED BY AN EMPLOYER

support
which
employers
receive

1. The Chancellor proposes in his Budget to introduce tax relief to ~~encourage employers to provide~~ retraining in new work skills for employees who are leaving, or have left, to help them exploit new employment and business opportunities.

Outline of the proposals

2. The proposals are aimed at employees who are either about to leave their current jobs or who have already left. It is intended that

where

- the employee will no longer be taxed on the benefit of the expenses of a training course paid for or reimbursed by the employer, ~~providing~~ the course is concerned with retraining in new work skills or knowledge for use in a new job or business;

- the employer will (in those circumstances where he is not able to do so already) be able to deduct the cost of such training in calculating his taxable profits.

3. The provisions will apply to qualifying training course expenses incurred on or after 6 April 1987. The detailed provisions will be included in the Finance Bill.

Notes for Editors

X

1. This new exemption will complement the existing extra-statutory concessions which apply to training undertaken by an employee to acquire and improve skills needed for his present job. ~~These concessions on the one hand exempt from tax the benefit of certain training course expenses paid for by the employer, and on the other, allows the employee to claim a deduction for certain training course expenses he pays for himself.~~

2. Full details of these ^{is} two concessions were announced in an Inland Revenue press notice of 8 August 1986.

From: SIR PETER MIDDLETON

Date: 10 March 1987

MR BYATT

cc Chancellor
Sir T Burns
Mr C D Butler


THE TREASURY RESEARCH BUDGET

I am replying to your minute of 16 February and subsequent discussion about procedure. We are agreed that we must tighten up our controls and run no risk of a similar episode. Can we therefore proceed as follows.

- (a) Bring together all expenditure on outside research in the Planning Round. The proposed total for 1988-89 would be included in the budget bids which go to the Planning Board this autumn.
- (b) This will set out the annual cost and the cumulative cost of each project. It will also name the project manager responsible for each project.
- (c) We should aim to put the whole budget to the Minister of State after the Planning Board discussion. This would cover an account for the past year, work presently in progress and future plans.
- (d) Any new projects should be cleared with the Chancellor of the Exchequer after the views of the Minister of State have been sought.

Amphibol.

2. As background to this new procedure, I suggest that the Minister of State should be taken through the 1987-88 programme, financial provision for which was agreed last autumn.

A handwritten signature in black ink, appearing to be 'P E Middleton', written in a cursive style.

P E MIDDLETON

PPS m



Inland Revenue

Policy Division
Somerset House

From: ANGELA RHODES
Ext: 6303
Date: 13 March 1987

1. MR ISAAC *msj*
2. PS/CHANCELLOR

TAX RELIEF FOR TRAINING

1. I understand the Chancellor would like to write to Lord Young today about the proposed tax relief for training costs.
2. A draft letter is attached.

AR
A.M. RHODES

Ch
Letter to issue?

AK
13/3

OK m

- c:
- Chief Secretary
 - Financial Secretary
 - Economic Secretary
 - Minister of State
 - Mr Cassell
 - Mr Monck
 - Mr Scholar
 - Miss Sinclair
 - Miss Evans

- Chairman
- Mr Isaac
- Mr Painter
- Mr Beighton
- Mr Lewis
- Mr McGivern
- Mr Elliott
- Miss Rhodes
- Mr Wilcox
- PS/IR

~~DRAFT~~

Rt Hon Lord Young of Graffham
 Department of Employment
 Caxton House
 Tothill Street
 LONDON SW1H 9NF

A type for
 CH's sig

TAX RELIEF FOR TRAINING

I am writing ~~to you in advance of the Budget~~ ^{Budget} to let you know my proposals for a new relief to support training in new work skills which employers provide for employees who are leaving established jobs, to help them exploit new employment or business opportunities. ~~In~~ ^{in many ways} ~~essentials~~ ^{inspired by larger objective} It ~~is~~ one of your own Budget suggestions.

I propose that from 6 April employees ~~will~~ be exempt from tax on the benefit of the expenses of a training course paid for by the employer which is designed to equip the trainee with new work skills or knowledge for use in a new job or business. The exemption will be available to employees who are either about to leave or have already left their current job.

The employer will (in those circumstances where he is not able to do so already) be able to deduct the cost of such training in calculating his taxable profits.

This new relief will complement the ~~concessional~~ ^{extra-statutory} reliefs the tax system already provides for training in the skills required for the employee's current job. I

hope it will be possible ^{at a later stage} to give these reliefs
statutory backing ~~in due course~~.

12/13/56

NIGEL LAWSON

PERSONAL AND CONFIDENTIAL

*It is possible
to have
State
the
Nac
of the
should
can*

Paul
FROM: A R WILLIAMS
DATE: 19 March 1987

- 1. MR REVOLINA (agreed) M 20/3
- 2. CHIEF SECRETARY

cc Chancellor
Sir Peter Middleton
Mr Butler
Mr Monck
Mr Gilmore

*C/AU the papers are CMO
+ are with the CST who is
in the lead. We can
retrieve them if you wish*

NATIONAL DOCK LABOUR SCHEME

CR 2013

1. The Secretary of State for Transport sent a paper on the National Dock Labour Scheme to the Prime Minister, under cover of a minute of 19 February. He proposed that legislation to repeal the Scheme should be prepared, with a view to a Bill being ready for introduction at the start of the new Parliament. The Prime Minister has invited a small group of Ministers to discuss this proposal on 25 March.

2. The Paymaster General is unable to attend the meeting and has sent his views in a minute of 13 March to the Prime Minister. He considers that although the Scheme is objectionable, the benefits of abolishing it would be much less than the costs. Mr Moore has responded in a minute of 17 March.

3. The Chancellor has commented that he strongly supports Mr Moore's proposal.

Line to take

4. We recommend that you support work on the preparation of a Bill, in strict confidence, to abolish the Scheme but press for the decision on when to introduce it to be kept open. Although abolition of the Scheme is desirable, the gains from doing so are not sufficiently great to outweigh the disadvantages of a serious dock strike. Much therefore turns on the time, the way and the circumstances in which the issue is forced. This judgement can only be made in the light of circumstances at the time.

5. Work on the Bill should go forward now so that any problems can be sorted out while there are no acute time pressures.

6. We also recommend that you support the supplementary measures proposed by Mr Moore, namely the taking of powers to enable trust ports and local authority ports to turn themselves into companies with the power to raise equity, and the disengagement of the Government from the Port of London Authority (PLA) and the Mersey Docks and Harbour Company (MDHC), on condition that this can be done without a further injection of public funds.

Background

7. The National Dock Labour Scheme provides that dock work at ports in the Scheme (most major UK ports) may only be performed by dock workers registered with the National Dock Labour Board (NDLB). Dock workers cannot be taken off the register without the agreement of the NDLB. As the latter comprises equal numbers of employers and dock workers' representatives, it will not agree to remove a dock worker from the register without his agreement. Thus dock workers cannot be made compulsorily redundant. When their employer goes out of business, they are reallocated to other employers in the port, regardless of whether the extra labour is needed or not.

8. Mr Moore's paper identifies the following disadvantages to the Scheme:

(i) It imposes extra costs on ports. The paper says that these costs are "extraordinarily hard to quantify" but suggests a figure of £100m. We think that this is probably on the high side, a point also made by the Paymaster General.

(ii) It distorts competition and investment decisions.

(iii) It hinders management efforts to promote efficiency.

(iv) It will continue to be a cost to the taxpayer. The paper suggests a figure of £14m a year for 5 years, over and above the expenditure already committed (including a possible £9.4 million for Mersey Docks and Harbour Company, which awaits a decision by the European Commission on its legality). This figure is calculated by assuming 800 further voluntary redundancies a year (4,000 in total), at a cost of £35,000 each, of which the Government contributes 50%. The number of redundancies assumed is

likely to be a maximum (there are 11,000 registered dock workers in all); moreover the Government has only agreed to provide assistance with redundancy costs up to 31 March 1988, and only at a maximum of £25,000 a head (except for London and Liverpool). The Treasury would want to oppose any further public assistance for redundancies and the £14m is therefore entirely speculative at present.

(v) There will be a contingent liability for Scheme ports which get into difficulties, particularly London and Liverpool.

(vi) It inhibits plans for privatisation, by which is meant turning trust ports into companies and disengaging from the PLA and MDHC. Associated British Ports (ABP) was successfully privatised, despite all its component ports being within the Scheme, but the PLA Chairman has said that abolition is essential if the PLA is to operate successfully as a wholly private company.

9. These disadvantages amount to a solid case in principle for abolishing the Scheme but they should not be exaggerated. The ports industry has not been brought to its knees by the Scheme, a point made strongly by the Paymaster General. While non-Scheme ports (eg Felixstone and Dover) are generally more efficient and some Scheme ports have not flourished, many of them are operating successfully, including ABP taken as a whole. Most of the worst problems of surplus labour (including the PLA's after the recent voluntary redundancy offer) have been overcome. The only significant surpluses are now thought to be at Hull and Liverpool, and there is a good chance of getting the latter sorted out if the European Commission can be persuaded that the redundancy payments proposed do not contravene EC regulations. These points made, however, the Scheme remains a standing threat to competitiveness.

10. Ministers have on two recent occasions (Spring 1984 and July 1985) decided that the Scheme should be abolished but in each case implementation has been deferred because of the risk of an economically damaging dock strike. This remains the crucial consideration. The unions (chiefly the TGWU) representing the dock workers are pledged to meet abolition with a strike. If it were widespread and prolonged, and particularly if other groups of workers were brought in, it would be very damaging to the economy, disrupting output in other sectors, reducing exports, and undermining business confidence. There would also be public expenditure consequences if the military had to be brought

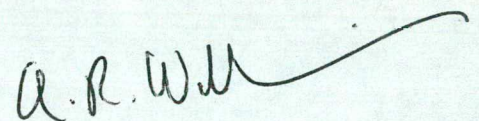
in or compensation paid. Mr Moore's paper tends to play down the risks, suggesting that the employers will remain solidly with the Government, that other workers (including dockers in non-Scheme ports) will be unwilling to join in a strike, and that registered dock workers themselves are half expecting the Scheme to go. By contrast, Mr Clarke rates the risk of a serious strike to be high. We are not in a good position to give an independent assessment of these arguments and, in any case, the extent of the risk will depend upon the condition of industrial relations generally at the time when the Government publicly announces action to abolish the Scheme.

11. The cost of abolishing the Scheme would be the repayment of the NDLB's outstanding bank loan of £8m and redundancy payments of £3-4m to NDLB employees (plus possibly pension payments to ex-employees, if not already provided for). Part of this could be met from disposal of the NDLB's net assets, valued at about £4m. The paper proposes that the rest should be met by a levy on port employers and so there would be no public expenditure cost under this option.

12. Mr Moore states firmly that there is no case for compensating registered dock workers for abolition of the Scheme. This could make it more difficult to achieve a quiet settlement, but is satisfactory to the Treasury. If compensation were envisaged (Mr Clarke suggests that it would be necessary) there is a danger that it could turn out to be more costly, at least in public expenditure terms, than continuing with the Scheme. If there is any move to reject Mr Moore's view on this question, therefore, we recommend that you seek to have it referred back to officials for detailed study before decisions are taken.

13. Department of Employment officials have suggested that a Bill to abolish the Scheme could be drafted very quickly, and that there is consequently no need to undertake any further work now. We are sceptical about this view. Experience suggests that the process of drafting will throw up unforeseen problems.

14. Of the supplementary measures proposed by Mr Moore, disengagement from the PLA and MDHC would mean that the Government ceased to appoint members to the two boards, ceased to provide overdraft guarantees and made it clear publicly that no other financial support would be forthcoming in future.



A R WILLIAMS

Andrew!
prop
FROM: J E B COLENUTT
DATE: 25 March 1987

MR ALLAN

Ch
I thought it might be worth checking this after your remarks to Jonathan Dumbleby.

cc: Miss O'Mara
Mr Pickford
Mr Hacche
Mr Pickering
Mr Dolphin

YOUTH UNEMPLOYMENT

1 & 2 are quite striking - but seem to reflect high UK base.
AA!

1 SD EC, not an New basis in 2.1. cont.
2 whole of country, was X.

You asked Mr Hacche to check the veracity of a recent remark by the Chancellor that "youth unemployment is falling faster in the UK than in any other major industrialised country". *? I'm pretty sure it was EC*

2. This statement can not, unfortunately, be substantiated.

3. Up to date youth unemployment rates are not available due to a lack of information about the size of the youth labour force. The latest figures are estimates for 1985. It is not possible, therefore, to use the usual method of measuring changes in unemployment by looking at the difference between percentage unemployment rates. In the attached table I have provided figures, instead, for the absolute change in the number of youth unemployed and the rate of growth of youth unemployment.

4. The latest data for the G7 show that youth unemployment is falling faster in Germany and that the number of youths unemployed has fallen by more in the US than in the UK.

5. There are alternative positive points that could be made:

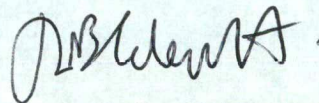
X

1) youth unemployment has fallen by more in the UK than in any other EEC country

Y

2) youth unemployment has fallen by more in the UK than in the rest of EEC combined.

6. There is no data available on Portuguese youth unemployment. As total adult unemployment rose 5 per cent over the year to January it seems most unlikely that their performance on youth unemployment would be better than that of the UK.



J E B COLENUTT

Youth Unemployment
(on national definitions)

	Latest change on a year earlier ⁽¹⁾	
	in '000s	in per cent
UK	-80	-6½
US	-85	-2½
Japan	+49	+13½
Germany	-53	-9½
France	-37	-4
Italy	+163	+10½
Canada	-30	-6½
Belgium	-9	-5½
Denmark	-4	-8
Greece	0	-2
Spain	+57	+4½
Ireland	+3	+6½
Luxembourg	0	-10½
Netherlands	-25	-13
Portugal	na	na
EC10 (i.e. excl. Portugal and UK)	+95	+2

(1) For US, Japan and Canada: year to 1986Q3; for rest: year to January 1987

Source: Eurostat, OECD and Department of Employment.

Cathy (0/5)

CONFIDENTIAL



CH/EXCHEQUER	
REC.	10 APR 1987 ✓ 10/4
ACTION	CST
COPIES TO	

*What had some
discussed some
months ago
no health of that
report. What
was no
outline?*

THE PRIME MINISTER

10/4/87

*Janet - see try
to find her
myself*

You will recall that in August 1985 Tom King commissioned Professor Blaug of the Employment Research Centre at the University of Buckingham to carry out a study into the feasibility of introducing a Workfare programme in this country. This study is now complete and the Employment Research Centre are planning to publish the report on 23 April. The report will appear under their aegis and they will make it clear that it is an independent study, albeit financed by my department. Because they are financing publication of the report the timing is their decision.

The report (which I have seen in draft) contains some interesting and valuable material. In particular it describes very clearly the decline of the work test in this country and contrasts our unemployment benefit regime with that of other countries. Much of this analysis has now been overtaken by events (particularly the new procedure for testing availability for work, the development of claimant advisers and Restart) but I welcome the report's clear exposure of the extent to which checks on benefit claimants had been allowed to decline. As you know I believe there is much more we need to do in the next Parliament to tighten up benefit procedures, to strengthen our programmes for testing availability and to improve incentives for people to move from benefit back into work. The report will provide useful support for this.



However, the main recommendation of the report - a new public works programme for one million of the long term unemployed costing at least an additional £850m a year - is wholly impractical and, given the current downward trend in unemployment, quite unnecessary. I propose to say so straightaway. I attach the text of a press release I propose to issue on the day of publication. I also attach a summary of the main issues covered by the report.

No doubt the Opposition will try to use the report to revive speculation about further changes in benefit entitlement. I propose to answer this, as on the previous occasion, by saying that society cannot be expected to pay benefit indefinitely to people who refuse jobs or training without any reason but that this is a quite separate issue from a massive Workfare programme of the kind proposed in the report.

I am sending copies of this minute to the Lord President, the Chancellor of the Exchequer, the Secretary of State for Social Services and the Chancellor of the Duchy of Lancaster.

Ref

DY

10 April 1987

PUBLICATION OF BLAUG REPORT ON WORKFARE**DRAFT PRESS RELEASE**

This is an interesting and valuable report. It gives a clear account of how programmes for the long term unemployed have developed in this country and contrasts them with the experience of other countries: much of this needed saying and the report says it well.

However, the report was commissioned two years ago and its main recommendation has been largely overtaken by recent developments. We have seen a substantial increase in the level of help we now offer unemployed people. Additionally unemployment - particularly long term unemployment - is falling sharply. We need to build on our existing programmes to help the unemployed to take advantage of the expanding job opportunities which are now becoming available. Restart is the gateway to a wide range of positive programmes to retrain and remotivate the long term unemployed and help them to find jobs. It offers individual help and advice to everyone who has been out of work for more than 6 months. I believe that providing training, updating people's skills and offering practical work experience with employers is preferable to the sort of make-work schemes we would see with Workfare. I am therefore more than ever convinced that we are going in the right direction, and I can see no case for embarking on a massive Workfare Programme.

BLAUG REPORT: POINTS WHICH MAY BE RAISED

AVAILABILITY TESTING & BENEFIT/PLACEMENT ADMINISTRATION

1. The report is critical of the erosion of the test of availability for work, particularly since the separation of jobcentres and benefit offices and the abolition of compulsory registration at jobcentres.

Comment

- the report's argument rests on the system before the introduction of Restart and tighter availability testing, which largely answer its criticisms;
- we recognise the need for closer liaison between the benefit and placement functions and have already improved this in a number of ways, including Restart, re-siting of UROs as Claimant Advisors in DE benefit offices;
- many of the details of the system in the report are inaccurate or out of date.

REDUCING UNEMPLOYMENT

2. The report argues that workfare reduces unemployment in an additional way compared with other employment measures - by putting downward pressure on wages.

Comment

- the report does not sufficiently recognise that existing measures may also act in this way eg in particular the New Workers Scheme.

COSTS

3. The report cites Howell's & Ashton's views that workfare could produce large exchequer savings or at least be introduced at very low costs.

Comment

- the report says these are "very optimistic" or "relatively optimistic" costing and that a "cautious estimate of £850 million is a preferable approach - and that even this could greatly underestimate the actual costs.
- the report acknowledges that any exchequer cost of workfare would mean that in the longer run jobs would be lost elsewhere, because of increased tax or reduced spending to pay for workfare.

FEASIBILITY

4. The report suggests that a million people could be taken off the register by finding sufficient jobs in the public sector, mainly by MSC expanding existing programmes.

Comment

- the report acknowledges that a large-scale public works-type programme such as advocated by the Select Committee is completely out of the question because of cost (and other difficulties).
- it acknowledges that difficulties in expanding existing programmes are not easily overcome and gives little advice about how such an expansion could be tackled in practice.
- it does not resolve the difficulty of opposition from vested interests.
- its suggestion that local authorities should be required by statute to provide work is fraught with further problems.

CONCLUSIONS

5. The report says that workfare is in principle a feasible means of tackling the problem of long term unemployment and "there is much to be said for taking 1 million people out of long term unemployment, of enhancing their subsequent employability, and for doing something to re-establish the work ethic". (p. 65).

Comment

- the report also says "no dogmatic conclusions should be drawn about the overall advisability of instituting a workfare system in the UK" (p. 53) and "whether or not the system should be adopted is a value judgement". (p. 65).

- while the report says workfare is feasible "in principle", it says little to resolve the acknowledged problems of introducing it "in practice".

WOULD "WORKFARE" WORK? - THE BLAUG REPORT

SUMMARY

WORK REQUIREMENT AND BENEFIT/PLACEMENT ADMINISTRATION

1. The report describes the history of the benefit system including the separation of benefit administration from jobs/schemes placement, and introduction of voluntary registration at the jobcentre. It contrasts the UK system with systems in the US, Sweden and Switzerland and concludes that to some extent their benefit systems are more rigorous in encouraging people to find jobs, particularly (Sweden and Switzerland) for young people - Sweden having effectively a youth workfare system. It concludes (p. 31) that there are inherent weaknesses in the UK system, exacerbated by the changes in its administration making it less effective than desirable particularly over the last 10 years, although recent changes in policy and procedures (Restart and availability questionnaires) may have reversed this, as yet to an unknown extent.

EVALUATION OF WORKFARE

2. The report quotes the origin of workfare as in the Beveridge plan (p.34) but fails to include his qualification that "this proposal is impracticable if it has to be applied to men by the million or the hundred thousand".

Reducing unemployment

3. It evaluates the case for workfare by economic analysis and concluded that

- the extent to which unemployment would be reduced cannot be estimated as it depends on a number of assumptions (p.40).
- workfare reduces unemployment by an additional means to most employment measures in that it exerts downward pressure on wages thus increasing demand for labour (p. 43).
- the effect on unemployment of current Employment Measures is offset in the longer term because their exchequer cost results in loss of jobs elsewhere in the economy, and this is true of workfare if it results in additional net public expenditure. (p. 44).

Enhancing employability

4. The report briefly outlines some patchy evidence that workfare could enhance employability - like other employment measures - by increasing morale, training and employer preference.

Costs

5. The report examines three cost calculations - "very optimistic" (p. 47 - Ralph Howells estimate of a saving of about £8 billion; "Relatively optimistic" (p. 48 - Professor Ashton's estimate tht 1¼ million LTU could be taken off the register at nil or low cost) and "Cautious" (p. 49 based on CP costings and Laynard & Nickell assumptions - a Scheme for 1 million LTU might cost approximately £850 million net. It concludes that the cautious estimate is advisable (p. 49) and that even this could be an underestimate if it resulted in increased labour supply or placements were more expensive than CP (eg building programmes) (p. 51).

6. The report's conclusions on this section (p. 53 - 54) are

(i) "no dogmatic conclusions should be drawn about the overall advisability of instituting a workfare system in the UK"

(ii) workfare is agruably superior to other employment measures in that it creates an extra channel for reducing unemployment by putting downward pressure on wages

- (iii) suggestions to massive exchequer savings are likely to be over optimistic, but there could be some savings - even around £1 billion
- (iv) a more cautious appraisal is preferable, on which basis a Scheme for 1 million LTU might cost £850 million; even this could be over optimistic
- (v) any exchequer cost would reduce jobs elsewhere in the longer term.

DIFFICULTIES OF IMPLEMENTATION

Social acceptability

7. The report found greater acceptability of the idea of workfare than might have been expected, but it was not overwhelmingly popular. Greatest acceptability was amongst CP participants, least amongst MSC officials (though it might rise once the system had been instituted) (p. 57).

Would there be enough work?

8. The report contrasts (p. 57) two possible means of providing workfare jobs - "Division of Operations" - large scale public infrastructure work and "Status Quo" - expansion

of existing programmes and loss of benefit if places are refused. It concludes that the first method would be enormously expensive (quoting Davies & Metcalf (p. 59 -60) costs of removing one person from the register of £26,000 (infrastructure), £32,700 (roads) or even £52,000 (health installation); and that deadweight, substitution and displacement would be very high, leading to strong political opposition. The "Status Quo" model does not have these problems, although the report recognises the difficulties of expanding programmes quickly and the possibility that some have reached saturation. It suggests further experimentation in the 'UK 2000' - type projects, adult retraining, community work and information technology. It suggests that large scale construction could be used if sponsored by the private sector.

Vested Interest Groups

9. The report (p. 61) states that opposition from trade unions and others would be particularly strong with public-works oriented schemes because of substitution etc but 'Status Quo' schemes would also meet opposition because of

- generation of low paid jobs by means of downwards pressure on wages;
- harming of private interests through substitution etc
- ideological reasons.

It concludes there is no simple solution, although if insufficient placements were provided a statutory requirements on local authorities to provide places would have to be considered (p. 62).

Geographical Concentration of LTU

10. The report suggests (p. 62) that the problem of "pools" of workfare in areas of high unemployment, with little else on offer (mentioned as a problem in Sweden - p. 24) could be reduced by introducing mobility allowances and increased use of the Enterprise Allowance Scheme.

Phased Introduction

11. To reduce the danger of low quality placements, workfare could be phased in either over a period of say 5 years (as envisaged in the US) or initially for those unemployed for 2 years, with a gradual reduction of qualifying period (p. 63). The report considers the first system would be preferable as it would be more flexible.

Role of Voluntary Organisations

12. The report recommends (p. 64) that the main avenue for placement generation should be the public sector - including local authorities, nationalised industries and Government

departments - to avoid "swamping" voluntary bodies and transforming them into quasi-public sector.

Monitoring

13. The report recommends that in addition to the usual internal monitoring, external economic auditing studies of workfare projects should be used.

SUMMARY & RECOMMENDATIONS

14. The report summarises conclusions and recommendations on pages 64 - 67. The main points are

- "LTU is widely thought to be the most socially serious type of unemployment" and is increasing; it is too early to say whether Restart etc will significantly change this;
- Workfare is feasible in principle: in practice the problem is cost - a cautious estimate would be £850 million leading to increased unemployment elsewhere in the economy;
- Whether workfare should be adopted is a value judgement but "there is much to be said" for taking a million people out of long term unemployment, enhancing their

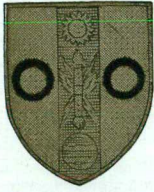
employability and helping to re-establish the work ethnic.

15. The requirements of a workfare scheme would include

- reintegration of benefit and employment services and compulsory registration for work.
- guaranteed job/training offer accompanied by loss of benefit if refused.
- average payment set at benefit level with some variation for special skills/managers.
- widescale public works schemes completely ruled out on grounds of cost, but some such schemes could be included if privately sponsored.

16. The report concludes (p. 67) that the adoption of a workfare Scheme in the UK is unlikely to be a total solution to LTU and is certainly not painless or costless; but it could substantially reduce the problem at a cost which is not large in comparison with many spending programmes.

THE INSTITUTION OF CIVIL ENGINEERS



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From the President
D Gwilym M Roberts
CBE FEng FICE

shall I acknowledge?

*D
3/6*

1 June 1987

Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
Treasury
Parliament Street
London SW1P 3AG

*(cost per job looks higher than
some estimates I have seen:*

*£20,400 gross
£12,870 net)*

Dear Mr Lawson,

** [Red scribbles and signatures]*

Costs of Job Creation in the Construction Industry

There is enclosed a report which we are publishing and which will be of interest to you. It is an analysis of the costs of job creation in the Public Sector of the Construction Industry. The report is especially relevant at this time. Copies are being sent to various organisations as well as to Departments and other bodies connected with or forming part of the construction industry and to the press.

I thought it proper to advise you quickly of the report in view of its sensitivity and topicality.

*Yours sincerely
D Gwilym M Roberts*

President

**AN ANALYSIS
OF THE COSTS OF
JOB CREATION
BY
THE PUBLIC SECTOR
IN
THE CONSTRUCTION INDUSTRY**

**A REPORT BY
THE INSTITUTION OF CIVIL ENGINEERS**

MAY 1987

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This report on job creation in the public sector of the construction industry has been prepared for the Institution of Civil Engineers by:-

Brian Oldridge FICE (Chairman)	Director of Transportation Cambridgeshire County Council
Neville Soper FICE	Assistant Managing Director Tarmac Construction Limited
Professor Alan Budd	London Business School

Creation of Jobs by Public Sector Investment

1. The Infrastructure Policy Group, a committee of the Institution of Civil Engineers keeps under review the adequacy and extent of the built infrastructure in the United Kingdom and assesses the need for renewal and for new provision.

The Group has previously assessed job creation in the public sector and this is the second report on the subject. The report quantifies the cost of the creation of jobs in the public sector excluding council housing.

2. 'Publicly owned infrastructure' is a term often used loosely by the media. It is defined as the fixed assets owned and used by Government, Local Government, Universities, and Public Corporations. In simple terms this report assesses the number of jobs created by money invested in roads, railways, water mains and sewers, hospitals, prisons, schools etc.

3. Over the last two years many reports have been produced concerning the levels of infrastructure investment. They include:-

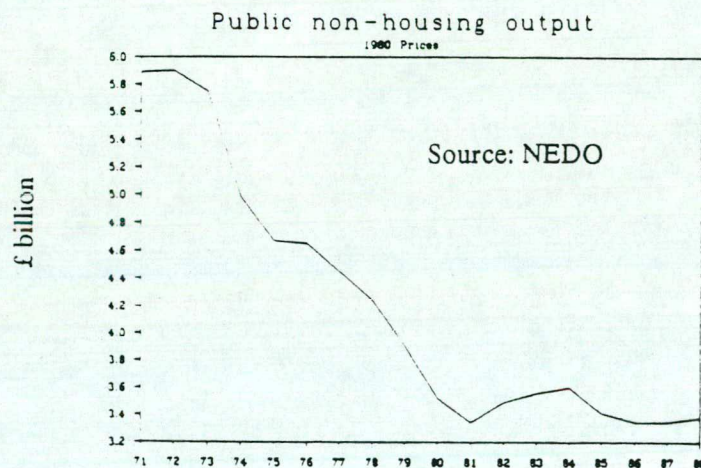
- (a) Investment in the Public Sector Built Infrastructure, NEDO January 1985
- (b) Second Report of the Infrastructure Policy Group, ICE April 1986
- (c) The Fabric of the Nation: Building a Better Britain, CBI October 1986

All give overwhelming and detailed evidence that publicly owned infrastructure is in need of greater investment than the present levels allowed for in Government spending targets.

4. The Institution continues to be concerned with the identification of infrastructure investment where there is a proven need. However, this report does not address itself to such need but seeks to give sound and factual information on:

- (a) jobs created in the industry for a given level of gross investment.
- (b) the level of government money needed to sustain the investment (the nett effect).
- (c) the turnover within the UK and level of imports generated.

5. Public Sector investment is controlled by the Treasury, Local Authorities and Public Corporations. The trend of investment (shown in Fig. 1 in 1980 prices) has been sharply downwards from a peak in the early 1970's. It is forecast by NEDO to rise marginally in the next two years.



6. There have been many pronouncements over the last two years on the number of jobs created by construction work in the public sector. Comment often reflects the popularly held view that the industry is not labour intensive because it uses plant and machinery extensively, plus a high proportion of expenditure on materials. This ignores the obvious point that plant, machinery and materials have to be manufactured or dug out of the ground and delivered. This survey therefore includes all 'knock on' effects of major construction. Accurate survey data of jobs created by public sector capital works has hitherto been unobtainable. All previous surveys have been too broadly based and include both public and private sectors. This survey is unique in that it has surveyed individual contracts which have recently been completed and therefore is the most up to date and accurate data available on job creation. Contracts totalling £175M have been studied, a figure which represents 5% of the sector's annual spend, and the results are reliable to over 90% accuracy.
7. The survey has been carried out in close co-operation with the Federation of Civil Engineering Contractors and the London Business School, it is unique in its content and is offered by the Institution of Civil Engineers as reliable data on which future programming of national investment can be carried out with confidence both by the industry itself and by Government.

Gross and Nett Costs

8. The survey information shown in Appendix 1 gives the 'gross' investment needed to create one man-year of work. In other words the amount of money that has to be paid (per job) by the client for the total value of the works. This figure includes all design costs, overheads, profit etc, of contractors, suppliers of materials and plant manufacturers used on the works, and is therefore all embracing.
9. It does not however give a true representation of the 'nett' sum of money which government would need to borrow or raise in taxation to service the costs of the works when the credits for taxation, unemployment pay etc are taken into account. Therefore an analysis has been carried out to assess the nett costs to the Treasury of job creation per man year in the industry. This analysis is shown in Appendix 2.

Survey Results

10. £20,400 (at 1986 prices) is required as gross investment by clients in the public sector to create one man-year of work in the construction industry. The figure represents the full cost of creating a job including all overheads such as National Insurance, sickness and holiday pay, rates, telephones etc. Detailed information on the sectors surveyed is shown in Appendix 1. The average cost of wages and salaries within this gross cost was £10,400 and therefore non-labour costs represent 49% of the gross figure.
11. The industry is highly competitive and as a result is one of the most efficient industries in the UK. Virtually all work is gained by competitive tender. Contractors and suppliers do not retain staff or labour which are not directly linked to their firm order books. Therefore a nett figure has been calculated assuming that additional personnel will be taken ultimately from the unemployed register.
12. £12,870 per man-year job (at 1986 prices) is the 'nett' figure for the cost of investment by government either by increased borrowing or taxation. This figure has been arrived at by reducing the average wages element (£10,400) within the gross figure by computing the taxation benefits to the economy of the 'average man'. Details of the methodology are explained in Appendix 2.
13. 93% of the total cost incurred by the construction industry is indigenous within the United Kingdom and the remainder relates to the importation of materials, plant and equipment. The job value quoted in paragraph 10 has taken account of the imports and is therefore the figure to be used for conversion of total infrastructure investment to jobs in the UK. This high level of UK indigenous cost within the construction industry compares very favourably with other sectors of UK industry.

Conclusions Drawn

14. For example, an extra £1 billion gross investment (at 1986 prices) would directly create an additional 49,000 man-years work within the UK over a whole range of skills in building and civil engineering, product and plant manufacture, and allied trades. The additional nett investment needed by government would however be only £630 million (at 1986 prices).
15. It is emphasised that the rate of expansion of activity must be controlled to avoid overheating the construction industry with the resultant inflationary effects which occurred in the 1970's. The rate of increase would of course be related to the total output in both the public and private sectors including repair and maintenance, as well as new construction. An increase of 7 to 10% per annum would appear to be manageable without causing inflation.

INSTITUTION OF CIVIL ENGINEERS & FEDERATION OF CIVIL ENGINEERING CONTRACTORS - JOINT SURVEY ON JOB CREATION IN THE CIVIL ENGINEERING SECTOR

SURVEY DETAILS -----												NATIONAL EFFECT	
Project Values -----			Job Creation -----									1986 Annual Spend ¹ £M	Jobs Created
Contract £M	Ex- Contract £M	Total	Primary Man-Yrs	Cost/Job £000	Secondary Man-Yrs	Cost/Job £000	Tertiary Man-Yrs	Cost/Job £000	Total Man-Yrs	Cost/Job £000			
SECTORS SURVEYED													
Gas & Electricity	25.0	5.1	30.1	1,162.8	25.9	163.4	184.4	311.3	96.8	1,637.5	18.4	270	14,674
Railways	13.8	1.8	15.6	401.6	38.8	135.8	114.8	127.5	122.3	665.0	23.5	189	8,043
Factories	2.7	0.3	2.9	58.6	49.7	38.5	75.6	19.2	151.3	116.3	25.0	230	9,200
Roads	84.5	13.4	97.9	2,204.3	44.4	871.5	112.3	721.8	135.6	3,797.7	25.8	760	29,457
Water	1.9	0.2	2.1	57.0	37.1	21.7	97.2	15.9	132.6	94.7	22.3	107	4,798
Sewerage	0.2	0.0	0.2	6.8	30.1	3.6	57.5	4.5	46.0	14.8	13.8	238	17,246
Health	17.5	n/a	17.5	728.9	24.0	86.9	201.2	128.3	136.2	944.1	18.5	453	24,486
Other	30.0	3.4	33.4	1,244.0	26.8	288.5	115.7	237.1	140.8	1,769.6	18.9	652	34,497
TOTAL												2,899	142,401
SECTORS NOT SURVEYED													
Education												292	
Offices												349	
Harbour												92	
TOTAL												733	36,005
NATIONAL TOTAL												3,632	178,406

National Expenditure $\frac{£3,632,000,000}{178,406}$ = £20,358 Gross Expenditure Per Job
Jobs Created

1. 1986 Provisional figures: Source NEDO.

Appendix 1

The Survey of Contracts

- 1.1 The survey analysed 23 contracts with final account values totalling £175M. The contracts ranged over the whole spectrum of public sector infrastructure projects. Contract values varied from under £0.5M to over £30M.
- 1.2 The information obtained includes details of:-
 - (a) on-site and off-site work by main and sub-contractors in all trades (primary):
 - (b) materials used, broken down into the major components, and the jobs created by their manufacture and delivery (secondary);*
 - (c) the value of all plant used on site and the jobs created in its manufacture (tertiary);*
 - (d) work carried out by the client's organization, consulting engineer and legal services plus public utilities.

* the proportion of plant and materials manufactured in UK has been obtained.
- 1.3 It is stated in Appendix 2 that the average gross cost of labour and staff is £10,400 p.a. When deducted from the overall cost of one man year of work in the public sector of £20,400, a figure of £10,000 is arrived at. This represents the 'overhead' or 'non-labour' element of cost and comprises National Insurance, sickness and holiday pay, rates, telephones etc.
- 1.4 The raw data from each contract has been individually validated by two civil engineers, one with long experience in the contracting field and the other in the client and engineering design field. The purpose of this validation was to ensure uniformity in the interpretation of the questions and hence consistency of results.

The Nett Cost of Job Creation

Introduction

- 2.1 This report shows that the average gross cost of employing an extra person in the construction industry for a year is £20,400. Of this total, approximately £10,400 consists of gross wages or salaries paid to employees and the remainder is the non-labour elements or 'overheads'.
- 2.2 This appendix considers the nett costs of employment to the Exchequer when the additional expenditure is financed by the public sector. The nett cost will depend:-
- (a) on whether the additional employees are taken from the register of unemployed or are diverted from other employment;
 - (b) on the nature of these 'overheads'.

Unemployment and job creation

- 2.3 If a person is unemployed, the Government not only provides support in the form of unemployment pay and social security benefits, it also loses potential tax revenue from employment income. (It may also lose indirect tax revenue, eg VAT, if a person spends less when unemployed than when he/she is employed).
- 2.4 It follows that if additional public spending on construction projects produces a fall in unemployment and a rise in employment, the nett cost of job creation is smaller than the gross cost.
- 2.5 The relationship between the nett and gross cost, in cases when unemployment falls, will depend on the benefit regime. The Institute of Fiscal Studies uses a detailed model to calculate the nett costs. Examples from their calculations are as follows. In each case the gross salary cost is assumed to be £10,400 and it is assumed that the new job is taken by a previously unemployed male.

Nett cost to the public sector of employment

	£
Single Man	4015
Married man with no children living in a council house	3000
Married man with 1 child	2781
Married man with 2 children	2199
Married man with 3 children	1455

- 2.6 It can be seen that the nett direct cost of wages and salaries to the public sector can be as low as £1455. An 'Average' figure based on a representative member of the workforce is £3600. Thus the average nett cost to the Exchequer of employing a male worker is £3600 if the man was previously unemployed.

2.7 One cannot immediately deduce from that that the nett cost of job creation in the construction industry is £3600 since the report suggests that there are 'overheads' of £10,000 which must be taken into account.

Overheads

2.8 Appendix 1 of the report states that 'overheads' or 'non-labour' elements of cost comprise such items as National Insurance, sickness and holiday pay, rates and telephones etc.

2.9 Part of the overhead consists of employers' national insurance contributions. Since these accrue to the government they should be deducted from the total cost of employment if the employee was previously unemployed. Employers' national insurance contributions are approximately 7% of gross salaries. There is therefore an average £9,270 of other 'overheads'.

'Multiplier' and other effects

2.10 The calculations in these reports make no allowance for 'multiplier' effects. Multiplier effects can occur in the following way. If jobs are created in the construction industry and thereby raise total incomes, the result is likely to be an increase in expenditure (particularly consumer spending) and consequential effects on employment and incomes in other industries, for example retailing. Some calculations of the nett costs of job creation take these multiplier effects into account and thereby produce very low figures. This report does not take such effects into account, nor does it include the effects on government revenue of additional VAT, excise duties etc.

Summary

2.11 To summarise, the detailed studies in this report show that a gross investment of £20,400 is required to generate one man-year of work in public sector investment. If the job is taken by an unemployed worker, the nett cost of job creation must be adjusted to take account of savings from social security payments and increases in tax and national insurance payments.

2.12 On average a gross wage of £10,400 paid to a formerly unemployed male worker has a net cost of £3,600. Total overheads are estimated to be £10,000 of which approximately £730 will be paid back to the government in the form of employers' national insurance contributions. Thus a possible calculation of the nett cost of creating a job is as follows:

	£
Net Salary Costs	3,600
Overheads (less NIC)	<u>9,270</u>
	<u>12,870</u>

2.13 That calculation assumes that none of the overheads payments reduce unemployment. If payment of overheads reduces unemployment, the nett cost of job creation will be less than £12,870.

FROM: J W STEVENS

DATE: 9 June 1987

1. MR WALLER *AW/9/6*
2. CHANCELLOR

cc. Chief Secretary
Mr F E R Butler
Mr Monck
Mr Burgner
Mr Culpin
Mr Riley
Mr G White
Mr Bredenkamp

COST OF JOB CREATION IN THE CONSTRUCTION INDUSTRY

1. You asked for an urgent note on the paper attached to Mr D Gwillymm Roberts' letter of 1 June which sets out the Institution of Civil Engineers' calculation of the cost of creating jobs through public sector investment in non-housing construction projects.

2. You will recall that there were a number of discussions of this issue in the Building and Civil Engineering EDCs in 1985, following a reference by the Prime Minister to the high costs associated with this form of job creation. The conclusion drawn from those discussions was that there was no single correct estimate of "cost per job" and that figures anywhere in the range of £5,000 to £40,000 could be promulgated, depending on the assumptions made, for example, about displacement, the second round effects of increasing public expenditure (e.g. on inflation, interest rates etc.) and the timescale over which the cost is calculated. There was general agreement following these discussions that there was little point in pursuing the matter further.

3. The current report by the ICE is based on a survey of actual costs in 23 public sector infrastructure contracts ranging in size from £0.5m to £30m with a total value of £175m. The main features to report are:

- (i) For the contracts monitored the cost of each man year of work was £20,400. This includes both direct and indirect costs (i.e. labour, materials and overheads) and the wages and salary element amounts to £10,400, some 51% of the total.

(ii) The "gross" cost to the Exchequer at (i) above is reduced to £12,870 if account is taken of a notional calculation of the benefit to the PSBR in terms of tax revenue gained/employment benefit saved of having someone in employment rather than unemployed.

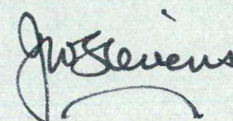
(iii) That some additional 49,000 man years of work within the civil engineering industry could be created by additional investment in public sector infrastructure projects of £1 billion, with an associated net cost of £630m.

(iv) But in order to avoid overheating in the construction industry the increase in public sector investment would have to be restricted to 7-10% per annum on current plans (which on the figures in the report would create about 12,500 jobs a year).

4. The figures in the report are based on an extremely simplistic analysis. It assumes that there is zero displacement and that all of the jobs created are for people who would otherwise be unemployed (despite the fact that many of the areas of work identified are skilled). The report also makes no allowance for second round effects and to the extent that it acknowledges these exist (very briefly in annex 2) it focusses only on the multiplier effect of the additional income. You might be interested to know that in contrast to the figures quoted in this report the average cost of job creation under the new RDG scheme in 1986-87 is estimated to be on average a little over £3,000.

Conclusion

5. The report by the ICE is interesting as far as it goes. However, it has to be recognised that it is a partial analysis that excludes a number of important factors which should properly be addressed if it was to be regarded as a serious attempt to demonstrate the cost effectiveness of creating jobs by investment in public sector infrastructure projects. The report has been sent to DoE and we are attempting to discover whether it is sent to other departments as well. We will let you have a draft reply in due course, but in the meantime you may find this initial assessment helpful.



J W STEVENS

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*Thanks.
I suspect Mr F
may not have
seen full answer
(when he spoke to
me) of the
manifesto
commitments*

FROM: N MONCK

DATE: 19 June 1987

CHANCELLOR OF THE EXCHEQUER

cc Sir P Middleton
Mr Burgner
Mr P Gray

MSC

My understanding of the proposed handling of the MSC is somewhat different from the impression you received when you saw Mr Fowler this morning. There is enthusiasm for abolishing the tripartite MSC and giving the training function to a National Training Agency. But, as I understand it, there is no change in the proposed procedure, which is effectively constrained by the manifesto commitments. The next step is still likely to be a letter from Mr Fowler to the MSC (which is likely to be circulated to colleagues in draft towards the end of the next week). Only if the TUC representatives respond to the letter by walking out will there be a switch to the option of abolition.

2. The letter to the MSC will be sent on the same day as Mr Fowler speaks in the Debate on the Address. Although this is not yet settled, it may well be Wednesday, 1 July, ie the same day as the short NEDC meeting.

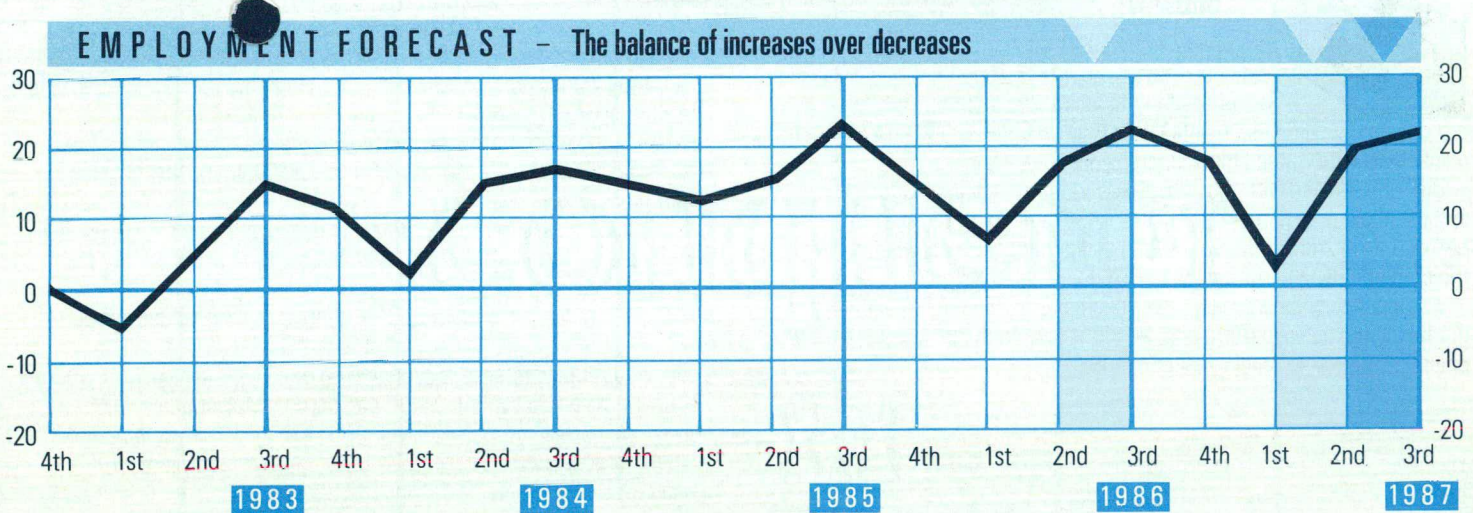
N MONCK

raw

Survey

QUARTERLY SURVEY OF EMPLOYMENT PROSPECTS 3rd QUARTER 1987

THE QUESTION	THE ANSWER	THIS TIME LAST YEAR	LAST QUARTER	THIS COMING QUARTER
Do you expect an increase, decrease or no change situation in the staffing levels at your location in the next three months to end September, 1987?	INCREASE (%)	30	30	28
	DECREASE (%)	8	10	7
	NO CHANGE (%)	60	58	63
	Balance 'increases' over 'decreases'	+22	+20	+21



After the notable upswing in employment prospects last quarter the outlook for the next three months is more balanced. Slightly fewer employers forecast that they will be taking on workers compared with last quarter but this is offset by a corresponding drop in those expecting to shed staff.

The implications are that with order books at healthy levels, employers appear to be holding onto the workforces they have without expanding them at the rates recently noted in some industry sectors.

The General Election impending when this survey was being carried out can also be expected to have been a factor influencing a 'wait and see' attitude.

The overall employment picture has extended to

NATIONAL FORECAST

The third quarter trend in job increases and decreases is more balanced. Employment prospects in manufacturing remain level but there are indications of a pause in both the public and services sectors.

the public sector where the outlook is slightly less positive than in most other recent quarters. There are also signs of a pause in some parts of the services sector. Outstanding exceptions are retailing and especially banking, where job prospects are improved even on this time a year ago when staff requirements were

expanding ahead of the City's Big Bang.

Regionally there are continuing better signs in some of the depressed areas but others reflect the same static trend.

These forecasts follow the latest survey of employers' intentions by Manpower plc in May 1987 among 1473 employers in England, Scotland and Wales representing more than three million workers.



▶ 1. THE NATIONAL PICTURE IN DETAIL

Well over one in four employers (28%) predict that they will be increasing staff in 3rd Qtr 1987. This is closely in line with last quarter and the same period a year ago (30% in each case).

Reductions in their workforce, expected by 7% of employers in the next three months, are fewer compared with both last quarter (10%) and this time last year (8%).

The pause in the recent rising trend is reflected in the 'balance' or difference between the proportion of employers expecting staff increases and those preparing for cuts. At +21 the balance is in line with both 2nd Qtr 1987 (+20) and the same time a year ago (+22).

In the regions the employment outlook is patchy. For the first time in some months, for example, there is an apparent renewal of optimism among employers in East Anglia where nearly one-third (30%) anticipate taking on more workers. This is four points ahead of 2nd Qtr 1987 (26%) and in line with this time last year (31%). The trend is matched by a significant reduction in expected job losses, down 9% quarter on quarter and 6% year on year.

Employment prospects in Yorkshire & Humberside, the West Midlands and Scotland also continue on their recent modest upward trend, the last two named recording the lowest percentages of expected job losses (4% and 3% respectively), the figure for Scotland thus the lowest for any region. These bright spots are, however, offset by a downward drift elsewhere.

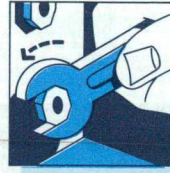


▼ 2. PUBLIC SECTOR PROSPECTS LESS BUOYANT

Employers in the public sector continue to mirror the national average, 26% predicting that they will take on workers in the next three months. This figure is four points lower than last quarter (30%) and three points below the same time 12 months previously (29%).

But, again in line with the national trend, there has been a further fall in those expecting to make staff cuts. At 9% the figure is four points better than in 2nd Qtr this year (13%) and a marginal improvement over the corresponding period last year (10%).

The balance of job increases over decreases in the public sector bears out the 'same again' pattern and, at +17, is level with last quarter but two points off the same time a year ago (+19).



▶ 3. MANUFACTURING SECTOR KEEPS LEVEL

At 26%, the number of manufacturing employers forecasting staff increases in the next three months is 2% fewer both quarter on quarter and year on year (28%).

But this, too, is offset by a continuing drop in the number of firms expecting staff cuts, down three points from 11% to 8% quarter on quarter and a marginal one point improvement year on year (9%).

Exceptions to the trend are seen in the vehicle, textile, food and drink and chemical industries where employers anticipate increasing their workforces over the coming three months.

The majority of manufacturing sector employers measured anticipate fewer job losses in the coming quarter and textile employers predict none. Exceptions are private building, heavy engineering and clothing manufacture.

The effects of this are seen in the balance of job increases over decreases. The proportion of manufacturing employers now expecting to expand their workforce stands at +18. This is a marginal one point lead over last quarter (+17) and a one point slippage on a year ago (+19).



▲ 4. SERVICE INDUSTRIES MAINLY BRIGHT

The demand for financial services continues to characterise this overall sector in which the number of employers (33%) anticipating staff increases holds steady quarter on quarter (33%) and year on year (34%).

However, almost half (48%) of all banking employers surveyed predict an increase in jobs during the coming three months. This is a leap of 15% on last quarter (33%) and is 6% ahead of this time a year ago (42%).

At 36%, job prospects in insurance over the next three months are also ahead by a marginal 1% on a year ago but down on last quarter (40%).

Elsewhere in services 37% of retailing employers plan to expand their workforces — an increase of 7% over last quarter (30%) but four points down on a year ago (41%). The prospects for job increases in the distributive trades hold steady at 24% quarter on quarter and year on year.

Some loss of confidence is seen among employers in transport where 7% fewer expect to add more staff compared with last quarter (24%) and a more marked drop of 13% versus a year ago. This is compounded by more forecast job losses, up 10% on last quarter (5%) and up 13% compared with this time a year ago (2%).

Hotels and catering establishments also predict fewer job opportunities in the coming quarter — 37% versus 48% in 2nd Qtr 1987 but ahead of this time 12 months ago (35%).

These factors produce a balance in service sector job increases over decreases in the next three months of +28, slightly ahead of last quarter (+26) and holding steady with a year ago (+29).

DEFINITIONS OF SECTORS

Public Building

Building contractors currently undertaking the greater part of their work in the public sector ie highways, amenities, hospitals, schools, etc.

Local Government

All local government departments.

Public Utilities

Gas, water, electricity.

Electronics

Electronic, computer etc. manufacturers.

Private Building

Building contractors currently undertaking the greater part of their work in the private sector ie offices, factories, commercial premises, private housing, etc.

Light Engineering

Mechanical engineering - machinery manufacturers, light metal goods manufacturers, tool manufacturers, etc. instrument engineering - scientific/industrial equipment.

Heavy Engineering

Metal manufacture - foundries, steelworks, rolling mills.

Electrical Engineering

Radio, television, battery, lamps, signalling, fittings, domestic appliance, etc. manufacturers.

Vehicle Manufacturing

Car and transport vehicle, motor cycle, etc. manufacturers.

Textiles Manufacturing

Weaving, spinning etc. of household textiles, rope, carpets, manmade fibres, etc.

Clothing Manufacturing

Clothing, footwear and accessories manufacturers.

Drink, Food Manufacturing

Processed and raw materials in food, drinks, brewing, tobacco, dairy products manufacture.

Chemical Manufacturing

Chemicals, pharmaceuticals, cosmetics, paint, plastics, etc. manufacturers.

Distributive Trades

All companies principally concerned with the distribution of previously manufactured goods. Wholesalers, Cash and carries, trade merchants etc. with the exception of retail stores principally serving the public at point of sale.

Road Transport

Road haulage contractors.

Retailing

Retail stores principally serving the public at point of sale.

Hotels, Catering

Hotels and other residential premises, restaurants, large cafes, snackbar chains, etc.

Banking

Banking and other major financial institutions.

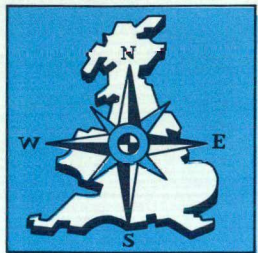
Insurance

Private and commercial insurance companies of all kinds.



THE FORECAST FOR EACH INDUSTRY

	INCREASE (%)			DECREASE (%)			NO CHANGE (%)			Balance 'increases' over 'decreases'		
	3rd QUARTER 1986	2nd QUARTER 1987	3rd QUARTER 1987	3rd QUARTER 1986	2nd QUARTER 1987	3rd QUARTER 1987	3rd QUARTER 1986	2nd QUARTER 1987	3rd QUARTER 1987	3rd QUARTER 1986	2nd QUARTER 1987	3rd QUARTER 1987
NATIONAL AVERAGE	30	30	28	8	10	7	60	58	63	+22	+20	+21
PUBLIC SECTOR AVERAGE	29	30	26	10	13	9	61	55	63	+19	+17	+17
MANUFACT. SECTOR AV.	28	28	26	9	11	8	61	58	65	+19	+17	+18
SERVICE SECTOR AVERAGE	34	33	33	5	7	5	59	58	58	+29	+26	+28
PUBLIC BUILDING	33	39	33	9	4	9	58	55	55	+24	+35	+24
LOCAL GOVERNMENT	38	36	31	10	11	6	51	53	61	+28	+25	+25
PUBLIC UTILITIES	16	15	13	10	24	11	74	58	74	+6	-9	+2
ELECTRONICS	37	41	29	7	12	7	56	44	61	+30	+29	+22
PRIVATE BUILDING	35	38	35	2	3	6	59	59	56	+33	+35	+29
LIGHT ENGINEERING	29	28	28	7	9	4	62	64	67	+22	+19	+24
HEAVY ENGINEERING	22	18	17	9	16	11	67	63	72	+13	+2	+6
ELECTRICAL ENGINEERING	37	28	22	11	13	7	50	55	70	+26	+15	+15
VEHICLE MANUFACT.	24	23	26	22	15	15	50	59	59	+2	+8	+11
TEXTILE MANUFACT.	30	35	38	6	7	0	64	58	62	+24	+28	+38
CLOTHING MANUFACT.	34	31	24	2	10	9	57	54	67	+32	+21	+15
DRINK & FOOD MANUFACT.	17	25	28	10	15	10	71	53	60	+7	+10	+18
CHEMICAL MANUFACT.	15	15	17	14	8	6	71	76	77	+1	+7	+11
DISTRIBUTIVE TRADES	24	24	24	9	15	9	67	60	67	+15	+9	+15
TRANSPORT	30	24	17	2	5	15	64	65	64	+28	+19	+2
RETAILING	41	30	37	8	7	1	49	61	59	+33	+23	+36
HOTELS & CATERING	35	48	37	4	7	1	60	43	60	+31	+41	+36
BANKING	42	33	48	5	3	3	52	63	48	+37	+30	+45
INSURANCE	35	40	36	2	4	4	63	56	53	+33	+36	+32



THE FORECAST FOR EACH REGION

	INCREASE (%)			DECREASE (%)			NO CHANGE (%)			Balance 'increases' over 'decreases'		
	3rd QUARTER 1986	2nd QUARTER 1987	3rd QUARTER 1987	3rd QUARTER 1986	2nd QUARTER 1987	3rd QUARTER 1987	3rd QUARTER 1986	2nd QUARTER 1987	3rd QUARTER 1987	3rd QUARTER 1986	2nd QUARTER 1987	3rd QUARTER 1987
AVERAGE OVERALL	30	30	28	8	10	7	60	58	63	+22	+20	+21
SCOTLAND	24	25	28	15	13	3	60	62	69	+9	+12	+25
NORTH WEST	27	22	23	11	17	10	62	61	66	+16	+5	+13
NORTH EAST	31	27	16	9	4	11	55	60	70	+22	+23	+5
LONDON	27	27	29	8	10	7	65	61	62	+19	+17	+22
HOME COUNTIES	38	28	26	6	9	6	54	59	65	+32	+19	+20
SOUTH	29	34	34	6	7	5	64	57	60	+23	+27	+29
YORKS & HUMBERSIDE	23	38	34	6	9	9	70	52	53	+17	+29	+25
EAST MIDLANDS	36	38	35	7	8	5	55	51	58	+29	+30	+30
EAST ANGLIA	31	26	30	13	16	7	54	58	58	+18	+10	+23
WEST MIDLANDS	31	26	29	7	9	4	60	63	65	+24	+17	+25
SOUTH WALES	29	37	32	5	10	9	60	52	58	+24	+27	+23
THE WEST	30	33	27	2	6	6	68	56	66	+28	+29	+21

N.B. All figures have been rounded up or down for simplicity of presentation. As "Don't Know" returns are not listed above, percentages may not always total 100.

HOW THE SURVEY IS CARRIED OUT

The sample

Personal contact was made by telephone with senior executives in 1473 British organisations, selected by Manpower's over 140 UK offices as the largest local employers in their industrial category. They included 80 of Britain's Top 100 companies. The sample in a typical recent survey comprised 86% board directors, 12% general managers or equivalent, 2% company secretaries or other.

The period

The information was gathered during the five weeks prior to May 1, 1987. The forecasts in each case refer to the three months ending September 30, 1987.

The Survey's accuracy

De Zoete & Bevan, now part of Barclays de Zoete Wedd, the financial services group, recently commented that "the Survey is not only a guide to short-term trends in the labour market, but is also a useful indicator of the economy as a whole".

In an independent assessment of the Manpower plc survey carried out recently by the Manpower Services Commission, an "82% correlation" was found between the Manpower plc forecasts and the actual level of adult vacancies later notified to Job Centres for the quarter in question.

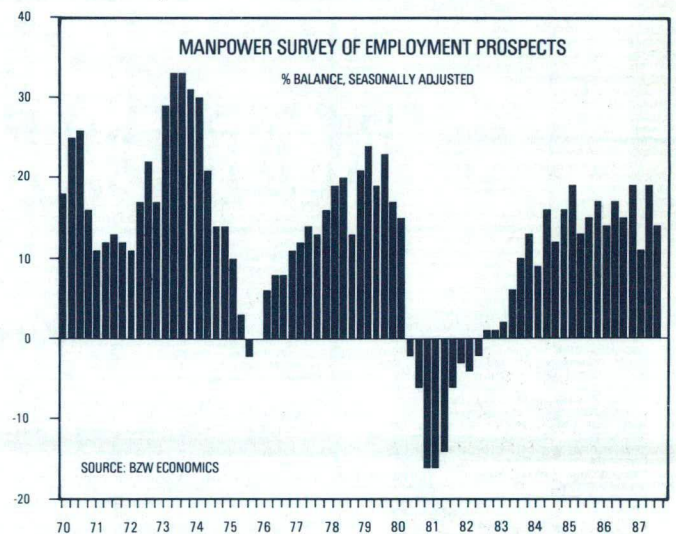
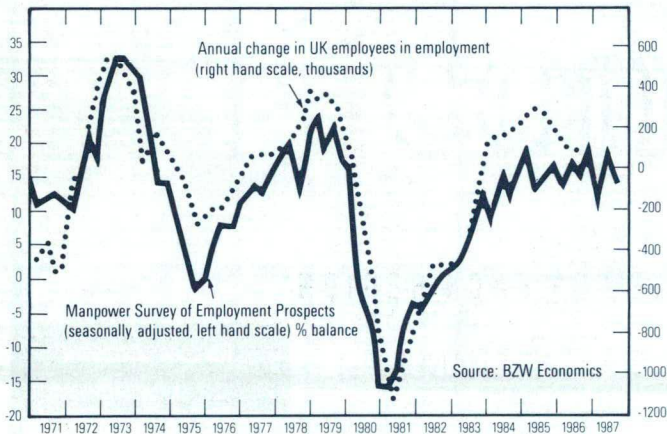
The survey

This quarterly survey is produced as a service to industry and commerce here and in many of the 33 countries in which Manpower operates. It is now in its 19th year of publication.

Manpower plc

Manpower was established in the USA in 1948 and in Britain in 1956. There are some 1000 offices in 33 countries with over 140 offices in the UK and Ireland. Around 15,000 organisations use Manpower in Britain in every year, including The Times Top 1,000. As a specialist organisation operating exclusively in the temporary help area, Manpower has been able to identify some of the key differences of this type of work. Through its research and development programme, it has created a technology that allows it to meet the temporary work needs of a wide range of client companies. Its own staff fulfilling these needs cover office work of all kinds as well as technical, skilled and industrial tasks.

The work covers both planned and unplanned requirements including overloads, staff shortages and relief cover, one-off projects and emergencies.



TEMPORARY STAFF SPECIALISTS



XPS
C/see x (over page)
Mr Fowler is closing in
the Debate on Tuesday

Caxton House Tothill Street London SW1H 9NF

6460

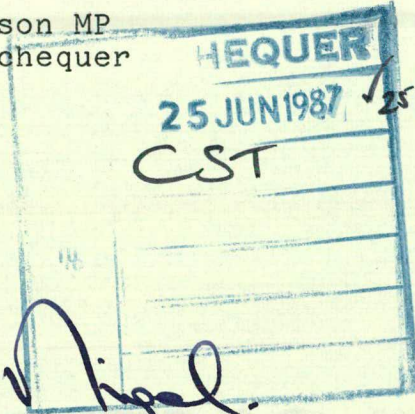
Telephone Direct Line 01-213.....

Switchboard 01-213 3000 GTN Code 213

Facsimile 01-213 5465 Telex 915564

✓
CR 25/6

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
HM Treasury
Great George Street
LONDON SW1



25 June 1987

Nigel

DEVELOPMENT OF EMPLOYMENT AND TRAINING PROGRAMMES AND ORGANISATIONS

- minutes CMO + CST has only copy

X The Prime Minister chaired a meeting on 28 April to discuss my predecessor's proposals for the development of employment and training programmes and organisations in the new Parliament. That meeting concluded that we should give immediate guarantees of a place on the Youth Training Scheme (YTS) to 16 and 17 year old school leavers, of a place on the Job Training Scheme (JTS) to 18-24 year olds who have been unemployed more than 6 months and of a Restart interview at six monthly intervals for everyone who has been unemployed for more than six months. It was agreed that we should aim over the next five years to get to the position where we offer a place in JTS, the Enterprise Allowance Scheme (EAS), the Community Programme (CP) or a Jobclub to people aged 18 to 50 who have been unemployed for two years or more. It was also agreed that Jobcentres should be brought back within the Department of Employment, that CP should be changed to a 'benefit plus' scheme and that legislation should be introduced to increase employer representation on the Manpower Services Commission. All these issues were subsequently set out in our Manifesto.

Plus that much?

I propose to take matters forward by explaining my strategy more fully during the Debate on the Address. Simultaneously I need to write to the Manpower Services Commission formally to seek the Commission's views on the transfer of the Jobcentres as I am required to do under section 2(4) of the Employment and Training Act 1973. I attach a copy of the letter I propose to send which is based on our Manifesto commitments.



The letter also informs the Commission of my decision to change the eligibility conditions for the Community Programme so as to exclude those who have been unemployed for less than 12 months. This change is essential if we are to meet our commitments to the long term unemployed. The needs of the 6-12 month unemployed will be better met by the JTS.

A number of these proposals will be controversial. In particular the TUC will take strong exception to the proposal to increase employer representation. There is therefore much to be said for announcing all the changes at once and putting them in the context of our positive proposals for helping unemployed people. I therefore propose to release my letter to the Commission and to the press early next week when I speak in the Debate on the Address.

I am sending copies of this letter to the Prime Minister, the Secretary of State for Trade and Industry, the Secretary of State for Education and Science, the Secretary of State for Health and Social Services, the Secretaries of State for Scotland and Wales and Sir Robert Armstrong.

John, even
A large, stylized handwritten signature in blue ink, consisting of a large loop on the left and a series of horizontal strokes on the right.
NORMAN FOWLER

DRAFT LETTER TO MSC CHAIRMANMANIFESTO COMMITMENTS ON EMPLOYMENT AND TRAINING

1. As you will have seen from our General Election Manifesto published on 19 May, the Government are committed to making a number of major changes in employment and training programmes and organisation. The purpose of these changes is to enhance our ability to help unemployed people - and particularly the long-term unemployed - to find jobs and at the same time to build up the skills the economy needs.

2. At the centre of our Manifesto commitments are three guarantees - for 16-18 year olds, a guarantee of a YTS place for all those school leavers under 18 who do not go into jobs; for 18-25 year olds who have been unemployed for between 6 and 12 months, a guarantee of a place on the Job Training Scheme or on the Enterprise Allowance Scheme or in a Jobclub; and for all those who have been unemployed for more than 6 months, the guarantee of a Restart interview at 6-monthly intervals. Furthermore, over the next five years we shall aim, through the Restart interviews, to offer everyone who is under 50 and who has been unemployed for more than two years a place in the Job Training Scheme or in the new Community Programme, in a Jobclub or in the Enterprise Allowance Scheme.

3. I am writing to you to explain the changes we have decided to make in programmes which the Commission

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operates; to consult the Commission (as I am required to do by S.3(4) of the Employment and Training Act) about the proposed transfer of some functions from the Commission to the Department of Employment; and to inform the Commission of certain changes we intend to make in the composition of the Commission.

Changes in Programmes operated by the MSC

(i) The Community Programme

4. I turn now to the programme changes which must be made in order to achieve the guarantees set out in our Manifesto.
5. In the first place I have decided that from 1 October all entrants to the Community programme must be people who have been continuously unemployed for at least 12 months and that priority should be given to those under 50 who have been unemployed for more than two years. The change in eligibility will open up many more places on the Programme for long-term unemployed people, with those aged under 25 who have been unemployed for 6-12 months going into the Job Training Scheme which has been designed primarily with their needs in mind.
6. Secondly, I have decided that (as foreshadowed in the Manifesto the Community Programme should move as quickly as possible to a position where it provides full-time work and all participants are paid a premium of £15 over their previous benefit entitlement. This will make the programme much more attractive financially to unemployed people with family commitments who will be paid more than is possible under the present arrangements and who will also have the opportunity in future of full-time

work on the Programme. These new arrangements will apply to all new entrants to the programme as soon as the necessary legislation becomes law. Our officials will need to begin work immediately on the necessary transitional arrangements and I shall be grateful for the Commission's early advice on how these arrangements can be implemented rapidly and efficiently. Finally, I propose to enhance significantly the training content of the Community Programme. I should be grateful if the Commission would consider how this could be achieved within the Commission's existing provision and let me have proposals in the near future.

(ii) Training Programmes

7. Turning to training programmes, it was announced in the Queen's Speech on 25 June that legislation will be introduced in this Parliamentary session to enable benefit to be withheld from young people under 18 who deliberately refuse a place in YTS. Arrangements will be made to protect those, such as disabled young people, who cannot benefit from the programme. The YTS budget will be increased from 1988 to help cope with the larger number of young people who are likely to come into the programme now that there is a guarantee of a place for every unemployed school leaver under 18. Our officials will need to begin immediate discussions about the consequences of these changes.

8. On adult training programmes, the Government wishes to see a continuing high priority given to building up the new Job Training Scheme rapidly as a quality training programme so that we can offer the guarantee to unemployed 18-25 year olds as soon as possible. We

welcome the emphasis the Commission's training programmes have put on the use of employers and other external training providers. This is very cost-effective and it ensures that training is concentrated in the sectors and occupations for which there is the greatest demand.

(iii) Jobcentres and Allied Programmes

9. I turn now to the proposal to transfer the Jobcentres and related programmes from the Commission to the Department of Employment on which I am required to consult the Commission. As foreshadowed in the Manifesto, we propose to establish an improved and integrated Employment Service, bringing together the MSC's Jobcentre Services and the Department's Unemployment Benefit Service. This new organisation, which would be directly operated by my Department, would provide a full range of services for unemployed people including the payment of benefit, help and advice to job-seekers and job placement. It would be the gateway to the whole range of programmes we are developing for unemployed people (including the Community Programme and the Job Training Scheme), particularly through the Restart interviews.

10. This reorganisation would follow naturally on recent developments, particularly Restart, which have brought the Jobcentres and Benefit Offices much more closely together. These developments have convinced us that we can help unemployed people back into work much more effectively if all the relevant services are operated within a single organisation. I am grateful for all the Commission's efforts in launching Restart. I am sure that a unified and comprehensive Employment Service would enable us to build on the very considerable achievements of the last 12 months and provide an even better and more convenient service for unemployed people.

11. This would mean the Jobcentres and their staff returning to the Department of Employment, together with the closely related activities of Restart. Restart courses, Jobclubs, Professional and Executive Recruitment, EAS, sheltered employment and services for the disabled (other than Employment Rehabilitation Programme), along with the appropriate support staff and resources. The Community Programme, Voluntary Projects Programme and Community Industry would continue to be run by the Commission, as would all the training programmes, such as YTS and the new JTS. The Commission would then be responsible for all the programmes designed to train people, provide them with work experience or rehabilitation services to help them into jobs. The development of these programmes will be crucial to the guarantees we are aiming to provide for young people and the long-term unemployed.
12. I propose that the transfer of the Jobcentres and related programmes should take place in October this year. I must emphasise that everything possible would be done to ensure that these organisational changes were made with minimum disruption to the services we provide and to the staff concerned.
13. I must ask for the Commission's views on the proposals I have described in paragraphs 9-12 above by the end of July.

The Commission

14. As indicated in the Manifesto, the Government will introduce legislation early in the present Parliamentary session to increase employer representation on the Commission in recognition of the increased focus on training within the Commission's responsibilities and

the crucial part employers must play in ensuring that we have a properly trained workforce. The legislation will amend the Employment and Training Act 1973 to enable me to appoint an additional six members so that there is employer representation of major sectors of employment which are not currently represented on the Commission including the new technology industries, tourism and leisure services, retailing and distribution, banking, insurance and financial services and the small firms sector. It will also provide for enhanced employer representation on all the Industrial Training Boards. In addition, and in line with our specific Manifesto commitment, I am asking you to let me have proposals for establishing a similar degree of employer representation on the Area Manpower Boards and the Commission's other advisory bodies.

15. I must ask the Commission to revise the draft Corporate Plan submitted to my predecessor in May so as to take account of the proposals and changes I have outlined in this letter.

16. In conclusion, I would like to record the Government's warm appreciation for all work the Commission has done through the last two Parliaments and to emphasise the importance we attach to the continuing efforts of the Commission in developing our manpower programmes in this Parliament.

FROM: J STEVENS
DATE: 26 June 1987

- 1. MR WALLER *AW/29/86*
- 2. CHANCELLOR

cc Chief Secretary
 Mr F E R Butler
 Mr Monck
 Mr Burgner
 Mr Culpin
 Mr Riley
 Mr G White
 Mr Bredenkamp

COST OF JOB CREATION IN THE CONSTRUCTION INDUSTRY

My minute of 9 June commented on the ICE letter of 1 June covering a report they have prepared on the cost of creating jobs through public sector investment in non housing construction projects.

2. The report was in fact sent to three departments, DOE, DTI and the Treasury and we have prepared with DOE the attached draft letter which, if you are content, the Environment Secretary will issue on behalf of all three departments.

C/content for SOFS for Environment to send attached letter.

J Stevens

CR 2916

J W STEVENS

OK

9/2/87

DRAFT LETTER FROM THE SECRETARY OF STATE FOR THE ENVIRONMENT TO:

D Gwilym Roberts

COST OF JOB CREATION IN THE CONSTRUCTION INDUSTRY

Thank you for your letter of 1 June. This reply is on behalf of my other colleagues in Government to whom you also wrote.

2. I was interested to see details of your work and your estimate of the impact of job creation on public sector investment in infrastructure projects. As the work undertaken by the Building and Civil Engineering EDCs in 1985 underlined, there is no single correct method of calculating costs per job in the construction sector and your analysis makes no allowance for the wider impact of increasing public expenditure.

3. Regardless of how attractive or unattractive the cost per job ratio may appear, it is not the Government's policy to invest in infrastructure solely to create additional jobs. Rather, our priorities are to invest in projects which provide the best value for money; where there is clear evidence of need which only the public sector can meet; and to the extent that the investment can be accommodated within our broad economic objectives and priorities.

4. Much has been done in recent years to improve the nation's infrastructure. For example, the recent roads White Paper announced the addition of 82 new motorway and trunk road schemes at a cost of nearly £700 million whilst investment in water infrastructure is set to rise from £922 million in 1986/87 to £1135 million in 1989/90. It has been growth in the economy that has allowed us to increase the levels of investment, while still adhering to our other economic priorities.

CHIEF SECRETARY

REC.	29 JUN 1987
	Mr MacAuslane
10	EX FST PMG EST
	Mr Butler Mr Airo
	Mr Kemp Mr Moore
	Mr Burgess Mr Gilmore
	Miss Peirson Mr Turnbull

From the Private Secretary

10 DOWNING STREET
LONDON SW1A 2AA



Mr Gray Mr Tyrrie

29 June 1987

Papers Pse
1 agree with the CST
Phoned through

Dear Sir,

INCOME SUPPORT FOR 16-18 YEAR OLDS

The Prime Minister has seen your Secretary of State's letter of 25 June to the Secretary of State for Social Services about income support for 16-18 year olds.

The Prime Minister understands the reasons which have led your Secretary of State to propose a Waiting Allowance. However, she believes that it would be desirable ideally to leave open in tomorrow's debate the form of any support which may be given to those people who would receive the Allowance. There is a risk that the introduction of the Allowance would help to encourage the attitude that children leaving school should have an immediate entitlement to state support. An alternative proposal may be to continue paying child benefit to the parents until the child gained a job or a training place, though those winning a place on YTS who were unable to take up a position until December might then claim to have been unfairly treated through no fault of their own. But, in any event, there may be other options worth considering.

The Prime Minister would wish your Secretary of State to keep open all the options as far as possible in tomorrow's debate. However, she recognises that he will need discretion on this, subject to the agreement of colleagues, and in particular the Treasury, on what he proposes to say.

I am copying this letter to Jill Rutter (Chief Secretary's Office), Robert Gordon (Scottish Office), Jon Shortridge (Welsh Office) and Rob Smith (Department of Education and Science).

Yours,
David

DAVID NORGROVE

John Turner, Esq.,
Department of Employment



File
(20)
cc 159

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

29 June 1987

Dear John,

DEVELOPMENT OF EMPLOYMENT AND TRAINING PROGRAMMES AND ORGANISATIONS

The Prime Minister has seen your Secretary of State's letter of 25 June to the Chancellor of the Exchequer to which was attached a draft letter to the Manpower Services Commission. The draft letter proposes major improvements in the training content of the Community Programme. The Prime Minister believes it would also be useful to emphasise the need to upgrade the job placement services offered to Community Programme participants. It would also be helpful if it could place more emphasis on the need to ensure that area manpower boards have a stronger representation of small firms, rather than representatives of industry sectors. The Prime Minister is otherwise content, subject to the views of colleagues.

I am copying this letter to Jill Rutter (Chief Secretary's Office), Robert Gordon (Scottish Office), Jon Shortridge (Welsh Office) and Rob Smith (Department of Education and Science).

CH/EXCHEQUER	
REC.	29 JUN 1987 ✓
ACTION	CST
COPIES TO	

John
David

DAVID NORGROVE

John Turner, Esq.,
 Department of Employment



FROM: J J HEYWOOD
DATE: 30 June 1987

Ms D HAY - IR

cc PS/Chancellor
PS/Chief Secretary
Sir P Middleton
Mr Burgner
Miss Peirson
Miss Boys
Mr Haigh
Mr Rogers IR
PS/IR

TAXATION OF UNEMPLOYMENT BENEFITS: SCRUTINY

You discussed with the Financial Secretary yesterday some of the salient issues arising out of your Scrutiny on this subject.

2. The Financial Secretary congratulated you on your efforts and looks forward to seeing the Action Plan in the last week of July.

A handwritten signature in black ink, appearing to be "J. Heywood".

JEREMY HEYWOOD
Private Secretary



RD

Pages
Pie

CHIEF SECRETARY
10 DOWNING STREET
LONDON SW1A 2AA

REC. - 5 JUL 1987

From the Principal Private Secretary

Mr MacAuslan

TO CX FST PMG EST

6 July 1987

S. Peter Middleton

Mr Butler Mr Mouch

Mr Pearson Mr Turnbull

Mr Burgess Mr Edmunds

Mr Gray Mr Cropper Mr Tyne

LOCATION OF UNEMPLOYMENT BENEFIT OFFICES

Your Secretary of State's letter of 25 June to the Chancellor enclosed a draft of his letter to the Chairman of the MSC fulfilling the commitment in the election manifesto to consult the MSC about proposals for transferring job centres to your Department. This reflects decisions that were taken at the Prime Minister's meeting on 28 April.

Related to this, but not specifically considered at the April meeting, is the question of the future of Department of Employment and DHSS local office networks. This was the subject of a joint report by the two Departments in April 1986 and the Prime Minister discussed the options with the Ministers concerned last December. But, as David Norgrove's letter of 3 December indicates, no decision between the options was made.

The current proposals undoubtedly affect the choice between the options and, in parallel with the consultation with MSC about job centres, the Prime Minister would be grateful if your Secretary of State and the Secretary of State for Social Services would review the options, taking into account in particular the implications of the present job centre proposals and the implications for computerisation plans. It would be helpful if the conclusions of this review could be reported at the same time as the outcome of the consultation about job centres.

I am copying this letter to Geoffrey Podger (Department of Health and Social Security) Jill Rutter (Chief Secretary's Office), Sir Robin Ibbs and Trevor Woolley (Cabinet Office).

N. L. WICKS

John Turner, Esq.,
Department of Employment

COVERING PERSONAL AND CONFIDENTIAL



cc Miss O'Mara.

Caxton House Tothill Street London SW1H 9NF

6460

Telephone Direct Line 01-213.....

Switchboard 01-213 3000 GTN Code 213

Facsimile 01-213 5465 Telex 915564

pmj

Handwritten red scribbles and signatures

David Norgrove
Private Secretary
10 Downing Street
London
SW1A 2AA

13^R July 1987

Dear David,

LABOUR MARKET STATISTICS

I am enclosing our standard brief on the labour market statistics which are to be **issued on Thursday**. The brief is of course personal and confidential until 11.30 on 16 July and confidential thereafter.

I am copying this to Allex Allen (Treasury), Sir Peter Middleton (Treasury), Mr Hibbert (CSO), Mr Footman (Bank of England), Trevor Wooley (Cabinet Office), Timothy Walker (DTI), Sir Brian Hayes (DTI), Robert Gordon (Scottish Office), Sir William Fraser (Scottish Office), Colin Williams (Welsh Office), David Watkins (Northern Ireland Office), Sir Robert K Andrew (Northern Ireland Office) and Norman Blackwell (No 10 Policy Unit).

yours sincerely

Peto Baldwin

for Caroline Slocock
Private Secretary

COVERING PERSONAL AND CONFIDENTIAL UNTIL 11.30 AM ON 16.7.87. THEREAFTER CONFIDENTIAL
LABOUR MARKET STATISTICS: NOTES FOR PRIME MINISTER

A. SUMMARY

B. DRAFT PRESS NOTICE

C. DETAILED ANALYSIS AND BACKGROUND INFORMATION

1. KEY FACTS BRIEF

2. GRAPHS: 2a UNEMPLOYMENT

2b VACANCIES

3. UNEMPLOYMENT: EFFECT OF EMPLOYMENT MEASURES

4. UNEMPLOYMENT: INTERNATIONAL COMPARISONS

5. LONG TERM UNEMPLOYMENT AND UNEMPLOYMENT BY AGE

6. UNEMPLOYMENT: ADDITIONAL DATA BY REGION AND SEX

D. ADDITIONAL INFORMATION

1. Unemployment: comparisons with 1930s

2. Unemployment: coverage of the count: comparison with Labour
Force Survey estimates

3. Unemployment: changes in coverage of the count

4. Unemployment: coverage of the count: summary of possible
additions and exclusions.

5. Labour Market: job changes and flows.

6. Demographic and labour force background

7. Employment: methodology

8. Employment: double jobbing and special measures

9. Employment: international comparisons

10. Employment: additional data

11. Earnings.

Labour Market Statistics

Summary

The latest indicators present a consistent picture of a buoyant labour market. In particular, unemployment (seasonally adjusted) has fallen for the 12th consecutive month and the level in June was nearly $\frac{1}{3}$ million below that of a year earlier. Also, the latest employment figures, for the first quarter 1987, show that the employed labour force has increased strongly, continuing the upward trend which began in Spring 1983.

Unemployment

UK unemployment (seasonally adjusted, excluding school leavers) fell again, by 27,000 between May and June to 2.925 million (10.5 per cent). It has now fallen for 12 months running and is 287,000 lower than in June 1986. This is the largest fall on record for a 12 month period. (See Key Facts for details of other records and comparisons.)

The latest fall of 27,000 would have been a little larger - possibly by around 5,000 - but for the effects of the Civil Service dispute. This delayed the termination of some claims which were therefore included in the June figure. (There was a similar effect in April but not in May.)

Aside from the industrial dispute, other factors are influencing the monthly count. The change in the numbers of people affected by traditional employment measures (principally Community Programme and EAS) is now very small. However availability testing and Restart are continuing to have a downward impact on the change in the count, with some further downward contribution from the recently appointed claimant advisers and from the new Job Training Scheme.

Trend

Because of the uncertainty surrounding the above factors it is difficult to assess with precision what is happening to the trend. Our estimate is that

the current trend is probably close to the six-monthly average of 32,000. Within this, the impact of the economy may well have been strengthening since the beginning of the year and could now account for about 10,000 or so of the current monthly trend decline. This is a marked reversal of the situation experienced in the three years to mid-1986 when economic factors tended to contribute up to some 15,000 per month to the rising trend in the count.

Regional comparisons

Unemployment fell in all regions in June. Similarly, over the past year unemployment has fallen throughout the UK, though only slightly in Northern Ireland. Over this period, the unemployment rate fell fastest in Wales followed by the West Midlands, the North West and South West.

Headline total

The headline claimant total (unadjusted, including school leavers) fell by 81,000 in June to 2,905 million, 10.5 per cent of the working population. This was 324,000 lower than a year ago, once again the largest 12 month fall since similar records began in 1948.

In June there was a fall of nearly 76,000 among adults and nearly 6,000 among school leavers. The claimant school leaver total, at 69,000, was 38,000 lower than a year ago but around 15,000 of this fall is attributable to technical factors*. There were a further 104,000 non-claimant school leavers separately registered as unemployed at Careers Offices, some 3,000 more than a year ago. Taking the claimant and non-claimant school leaver figures together, there appears to have been a significant improvement since last year in school leaver unemployment. This could not be attributed to demographic factors: two year YTS must be at least partially responsible.

* The comparison is affected by a recent change in regulations reversing the effect of a ruling in 1985 by Social Security Commissioners concerning the eligibility for supplementary benefit of certain Easter school leavers who return to school in the summer only to take exams (see additional briefing D3d).

July total

Seasonal influences on the headline total for July will be upward, of the order of 50,000. Unless there is an acceleration in the current downward trend, the headline total is likely to rise slightly.

Employment

The employed labour force (employees in employment, the self employed and HM Forces) is estimated to have increased by 105,000 in the first quarter of 1987. This continues the upward trend which started in March 1983, since when the employed labour force is estimated to have increased by 1,224,000. The employed labour force has now increased each quarter for four years: between March 1983 and March 1984 there was an increase of 402,000 followed in the succeeding three years by 403,000 then 162,000 and 257,000. The rate of increase appears to have been strengthening since March 1986 having slowed in the preceding quarters. (However, it should be remembered that the estimated increases for the last three quarters each include an assumed growth of 25,600 in self employment compared with the estimated average increase of 4,250 a quarter between June 1985 and June 1986.)

The March quarter's increase of 105,000 in the employed labour force is the result of an assumed increase of 25,600 in the self employed and an estimated increase of some 79,000 employees in employment. The number of employees employed in services increased again, by 106,000, in the December quarter while the numbers in manufacturing and energy and water supply industries decreased by 31,000 and 14,000 respectively and the number in other industries (agriculture and construction) increased by 18,000.

The number of employees in employment in manufacturing industries increased by an estimated 2,000 in February. The monthly estimates can fluctuate erratically and a clearer picture may be given by considering three month averages which suggest that manufacturing employment remains on a downward trend. The average decrease of 5,000 a month in the three months ending May compares with average decreases of 10,000 a month in the three months ending February and 15,000 a month in the three months ending May 1986.

Overtime working by operatives in manufacturing industries was 12.34 million hours a week in May and the average over the three months ending February was 12.43 million hours a week. After fluctuating around 11½ to 12 million hours a week through 1986, overtime working has in recent months returned to the peak level of slightly above 12 million hours a week which was reached in much of 1985.

Vacancies

The stock of vacancies at jobcentres (seasonally adjusted and excluding Community Programme) increased by 2,000 in June to over 233,000, again the highest level since the current series began in 1980 and 27% higher than a year ago. However, over the past few months, there have been reductions in both inflows of notified vacancies and in placings, which are now back to around the same level as a year ago. These movements and the resulting increase in stocks may have little economic significance as they are likely to have been influenced by the priorities given to Restart by jobcentre staff.

Earnings

The underlying increase in average weekly earnings in the year to May was 7¾ per cent, similar to the increase in the year to April. For service industries, the May increase was also 7¾ per cent, similar to the April increase which has been revised up by ¼ per cent. The service figure has risen over the last few months, the rise reflecting the effect of the recent teachers settlement which is higher than last year's settlement together with higher payments resulting from the level of activity in the economy.

Next labour market figures

The next labour market briefing will be issued on Monday 10 August in advance of the press release on Thursday 13 August. It will contain unemployment figures for 9 July, manufacturing employment and average earnings data for June and vacancies for 3 July.

LABOUR MARKET STATISTICS

JULY 16 1987

SUMMARY STATISTICS

Thousands

			Level	Change on previous period	Change on previous year	
<u>Unemployment (UK)</u>						
Total (not seasonally adjusted)	June	11	2,905	- 81	- 324	
Total (excluding school leavers)	June	11	2,925	- 27	- 287	
<u>Employed Labour Force</u>	March;	Q1	1987	24,221	+ 105	+ 257
<u>Employees in employment</u>						
Services	March	Q1	1987	14,384	+ 106	+ 341
Manufacturing	March	Q4	1987	5,075	- 5	- 130
Manufacturing employment	May	1987	5,066	+ 2	- 99	
<u>Vacancies (UK at jobcentres)</u>	June	5	233	+ 2	+ 49	

Percentage change on previous year (underlying increase)

Index of Average Earnings

Whole Economy	May	7 $\frac{3}{4}$
Services	May	7 $\frac{3}{4}$
Manufacturing	May	8

Notes

1. All figures seasonally adjusted GB except where otherwise stated.
2. The employed labour force comprise employees in employment; the self-employed and HM Forces.

The latest figures available on developments in the labour market are summarised below.

Summary

Unemployment (UK seasonally adjusted excluding school leavers) fell by 27,000 in the month to June. Male unemployment decreased by 17,400 and female unemployment decreased, by 9,600. Over the past six months there has been a fall of 32,400 on average compared with a fall of 15,500 per month over the previous six months to December 1986.

The unadjusted unemployment total, decreased in June by 81,128 to 905,325. This includes 69,397 school leavers aged under 18. In June, total unemployment was 324,047 lower than a year ago.

The employed labour force in Great Britain has risen in every quarter since March 1983. The latest available estimate, for the first quarter of 1987, shows an increase of 105,000 which contributes to overall increases of 257,000 in the year ending March 1987 and of 1,224,000 since March 1983.

The latest estimate show that the number of employees in manufacturing industry increased by 2,000 in May 1987. The average decrease of 5,000 a month over the three months ending May 1987 compares with average decreases of 10,000 per month in the three months ending February 1987 and of 15,000 per month in the three months ending May 1986.

The stock of vacancies (UK seasonally adjusted excluding Community Programme) increased by 2,100 in June to 233,300. Over the past six months there has been an increase of 3,900 per month on average.

The underlying increase in average earnings in the year to May was 7½ per cent, similar to the increase in the year to March.

Additional and more detailed information on unemployment, employment, vacancies, average earnings, unit wage costs, hours of work, productivity and industrial disputes is to be found in subsequent sections of the press notice.

LABOUR MARKET STATISTICS

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per unit of output	page 13
Hours of work	page 14
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UNEMPLOYMENT

The seasonally adjusted level of unemployment in the UK (excluding school leavers) decreased by 27,000 to 2.925 million in June, 10.5 per cent of the working population*.

Over the past six months on average unemployment has fallen by 32,400 per month.

The recorded total of unemployed claimants, including school leavers, decreased by 81,128 between May and June to 2,905,325 giving an unemployment rate of 10.5 per cent of the working population. Unemployment is 324,047 less than a year ago. The total included 69,397 school leavers, 37,897 lower than a year ago.

Recent figures are shown in tables 1, 2 and 3.

TABLE 1: UNEMPLOYMENT - UNITED KINGDOM

THOUSAND

TABLE 1: UNEMPLOYMENT - SEASONALLY ADJUSTED excl. school leavers - UNITED KINGDOM

	Male	Female	Number	Change since previous month	Unemployment rate: Percentage of working population*	Average change over 6 months ended	Average change over 3 months ended
1986 Jun	2209.3	1003.2	3212.5	11.9	11.6	11.6	1.9
Jul	2206.3	1006.1	3212.4	-0.1	11.6	9.5	5.2
Aug	2200.9	1008.3	3209.2	-3.2	11.6	7.5	2.9
Sep	2186.9	996.3	3183.2	-26.0	11.5	-3.9	-9.8
Oct	2171.8	987.8	3159.6	-23.6	11.4	-6.2	-17.6
Nov	2166.3	977.1	3143.4	-16.2	11.3	-9.5	-21.9
Dec	2152.8	966.6	3119.4	-24.0	11.2	-15.5	-21.3
1987 Jan	2146.9	967.4	3114.3	-5.1	11.2	-16.4	-15.1
Feb	2122.8	943.0	3065.8	-48.5	11.0	-23.9	-25.9
Mar	2107.9	931.8	3039.7	-26.1	10.9	-23.9	-26.6
Apr	2092.7	925.4	3018.1	-21.6	10.9	-23.6	-32.1
May(r)	2053.6	898.7	2952.3	-65.8	10.6	-31.9	-37.8
Jun(p)	2036.2	889.1	2925.3	-27.0	10.5 **	-32.4	-38.1

** The separate rate for males was 12.4 per cent, and for females 7.8 per cent.

* See note A5

(p) Provisional and subject to revision (see note A6)

(r) Revised

TABLE 2: UNEMPLOYMENT - UNADJUSTED incl. school leavers - UNITED KINGDOM

		Male	Female	Number	Unemployment rate:percentage of working population*	School leavers	
						Claimants	Non Claimants**
1986	Jun	2,217,482	1,011,890	3,229,372	11.6	107,294	100,802
	Jul	2,231,473	1,048,121	3,279,594	11.8	101,632	125,107
	Aug	2,221,986	1,058,120	3,280,106	11.8	92,342	113,828
	Sep	2,251,294	1,081,603	3,332,897	12.0	140,731	. .
	Oct	2,199,803	1,037,351	3,237,154	11.7	117,481	. .
	Nov	2,200,167	1,016,600	3,216,767	11.6	98,169	. .
	Dec	2,221,545	1,007,622	3,229,167	11.6	88,980	. .
1987	Jan	2,272,426	1,024,810	3,297,236	11.9	89,190	. .
	Feb	2,233,932	991,877	3,225,809	11.6	79,936	. .
	Mar	2,181,037	962,333	3,143,370	11.3	72,281	. .
	Apr	2,158,222	948,906	3,107,128	11.2	66,572	. .
	May	2,080,369	906,084	2,986,453	10.8	74,930	. .
	Jun	2,022,964	882,361	2,905,325	10.5+	69,397	103,552

+ The separate rate for males was 12.3 per cent, and for females 7.8 per cent.

** Not included in totals, see note A4

*See note A5.

TABLE 3: UNEMPLOYMENT - REGIONS June 11 1987

THOUSAND

	SEASONALLY ADJUSTED (P) (EXCLUDING SCHOOL LEAVERS)				UNADJUSTED (INCLUDING SCHOOL LEAVERS)			
	Total	Change since previous month	Unemployment rate percent- age of working population*	Change since previous month	Total	Change since previous month	Unemployment rate percent- age of working population*	School leavers
South East	682.1	-11.2	7.5	-0.1	669.4	-21.5	7.4	8.9
(Greater London)	(363.4)	(-5.3)	(8.5)	(-0.1)	(361.4)	(-7.5)	(8.4)	(4.9)
East Anglia	73.0	-1.1	7.9	-0.1	71.3	-3.7	7.7	1.1
South West	179.3	-1.2	8.7	-0.1	169.7	-8.8	8.2	2.5
West Midlands	302.5	-3.4	11.7	-0.1	303.3	-7.3	11.7	8.0
East Midlands	183.0	-1.6	9.6	-0.1	181.6	-5.5	9.5	4.0
Yorks and Humberside	282.0	-0.1	11.9	0.0	282.9	-6.9	12.0	9.7
North West	399.7	-1.6	13.3	-0.1	398.9	-9.0	13.3	10.1
North	210.6	-1.7	14.6	-0.1	210.8	-5.8	14.6	5.7
Wales	154.1	-1.2	12.8	-0.1	151.5	-6.3	12.6	4.1
Scotland	333.6	-3.1	13.5	-0.1	340.3	-5.8	13.7	13.4
GREAT BRITAIN	2,799.7	-26.5	10.3	-0.1	2,779.8	-80.6	10.3	67.5
Northern Ireland	125.6	-0.5	18.3	-0.1	125.6	-0.6	18.3	1.9
UNITED KINGDOM	2,925.3	-27.0	10.5	-0.1	2,905.3	-81.1	10.5	69.4

* See note A5

(P) Provisional see note A6

TABLE 4: UNEMPLOYMENT FLOWS - STANDARDISED, UNADJUSTED - UNITED KINGDOM THOUSANDS

		INFLOW				OUTFLOW			
Month ending		Total including school leavers		Total excluding school leavers	Change since previous year	Total including school leavers		Total excluding school leavers	Change since previous year
		School leavers				School leavers			
1986	Jun	364.6	21.0	343.6	+ 24.0	400.6	18.1	382.5	+ 3.5
	Jul	476.1	22.5	453.6	+ 25.9	421.6	22.6	399.0	+ 28.9
	Aug	406.3	15.1	391.2	+ 2.3	405.8	17.2	388.7	+ 3.9
	Sep	528.9	85.9	443.0	+ 17.4	471.7	28.9	442.8	+ 57.6
	Oct	459.5	24.7	434.8	+ 7.0	563.2	41.8	521.4	+ 35.8
	Nov	415.2	12.3	402.9	+ 14.2	432.9	22.8	410.1	+ 16.2
	Dec	356.6	8.7	347.9	- 9.1	343.2	13.3	329.9	- 6.8
1987	Jan	368.7	13.3	355.4	- 8.3	294.9	8.1	286.9	+ 61.4
	Feb	398.8	11.6	387.2	+ 11.8	460.8	14.5	446.3	+ 44.1
	Mar	342.1	8.5	333.7	- 23.7	431.4	11.5	419.9	+ 50.3
	Apr	357.1	7.0	350.1	- 3.8	396.4	8.4	388.0	+ 6.6
	May	320.8	21.9	298.9	- 38.2	425.4	10.7	414.7	+ 14.2
	Jun	315.5	10.2	305.3	- 38.3	403.4	11.7	391.8	+ 9.3

CONFIDENTIAL UNTIL 11.30am ON 16 JULY 1987

EMPLOYMENT

Whole economy estimates for the first quarter of 1987 are available for the first time this month.

The employed labour force Great Britain is estimated to have increased by 105,000 in the first quarter of 1987, including an assumed growth of 26,000 in self-employment. The increase for the December quarter of 1986 has been revised to 75,000 and the increase in the previous March quarter was 92,000. Over the year ending March 1987 the total increase is estimated at 257,000.

The increase of 105,000 in the March quarter is the net result of an increase of 25,600 in the self-employed and an estimated 79,000 employees in employment.

Employees in Employment

In the March quarter the number of employees in service industries rose by an estimated 106,000 and the "other industries" category (which comprises construction, agriculture, forestry and fishing) showed an increase of 18,000. These gains were partially off-set by decreases of 31,000 in manufacturing industries and 14,000 in energy and water supply industries. The resultant net increase in the number of employees in employment during the March quarter was 79,000.

Over the year ending March 1987 the total number of employees in employment is estimated to have increased by 178,000 compared with an increase of 125,000 in the year ending March 1986.

The number of employees in employment in manufacturing industries in Great Britain is estimated to have increased by 2,000 in May 1987. Together with estimates for March and April, this gives an average decrease of 5,000 over the three months ending May 1987 which compares with average decreases of 10,000 per month in the three months ending February 1987 and 15,000 per month in the three months ending May 1986.

Recent figures are set out in Table 5. These figures for specific groups of industries have been revised to incorporate a more appropriate allocation between industries of the Labour Force Survey based adjustment for under-estimation included in the series. This revision does not affect the whole economy total; revised figures for more detailed industries will be included in the August edition of the Employment Gazette.

TABLE 5
THE EMPLOYED LABOUR FORCE IN GREAT BRITAIN

Thousand: seasonally adjusted

Employees in employment												Employed labour Force including self-employed and HM Forces)			
		Manufacturing Industries			Energy & Water Supply Industries			Service Industries		Other Industries		All Industries and Services			
		Levels	Changes		Levels	Changes		Levels	Changes	Levels	Changes	Levels	Changes	Levels	Changes
			Mon-thly	Three* monthly	Quar-terly		Mon-thly	Quar-terly							
		R	R	R	R	R	R	R	R	R	R	R	R	R	R
1985	October	5,260	- 5R	- 0		566	- 2R								
	November	5,246	-14R	- 3		562	- 4R								
	December	Q4 5,244	- 2	- 7	- 21	557	- 5	- 11	13,968	+ 74	1,300	-10R	21,069	+ 32	23,951 + 34
1986	January	5,236	- 8R	- 8		547	-10								
	February	5,211	-25R	-12		545	- 2								
	March	Q1 5,205	- 6	-13	- 39	540	- 5	-17	14,043	+ 75	1,291	- 9R	21,079	+ 10	23,964 + 13
	April	5,195	-10R	-14		540	0R								
	May	5,165	-30R	-15		537	- 3R								
	June	Q2 5,151	-14R	-18	- 54	534	- 3	- 6R	14,126	+ 83	1,288	- 3R	21,099	+ 20	23,987R + 23R
	July	5,131	-20R	-21		530	- 4								
	August	5,118	-13R	-16		522	- 8								
	September	Q3 5,113	- 5	-13	- 38	520	- 2	-14	14,212	+ 86	1,281	- 7	21,126	+ 27	24,041 + 54R
	October	5,108	- 5R	- 8		517	- 3R								
	November	5,109	+ 1R	- 3		512	- 5								
	December	Q4 5,106	- 3R	- 2	- 7	510	- 2	-10R	14,278	+ 66	1,284	+ 3R	21,178	+ 52R	24,116R + 75R
1987	January	5,081	-25R	- 9		503	- 7								
	February	5,080	- 1R	-10		501	- 2								
	March	Q1 5,075	- 5	-10	- 31	496	- 5R	-14R	14,384	+106	1,302	+18	21,257	+ 79	24,221 +105
	April	5,064	-11R	- 6		489	- 7								
	May	5,066	+ 2	- 5		488	- 1								

* = Average monthly change over last three months

R = Revised to incorporate late data now available and the revised allocation between industries of the Labour Force Survey based bias adjustment in the employees series.

VACANCIES

The stock of unfilled vacancies at jobcentres (seasonally adjusted and excluding Community Programme vacancies) increased by 2,100 in the month to June to reach 233,300. Over the past three months to June, seasonally adjusted vacancies have increased on average by 7,600 per month.

Unadjusted, there was an increase of 10,382 unfilled vacancies in the month to 275,809. There was an increase of 1,996 Community Programme vacancies.

The inflow of notified vacancies decreased on average by 1,200 per month in the three months ending June 1987, the outflow decreased by 900 per month, and placings decreased by 2,400 per month.

Recent figures are shown in tables 6, 7 and 8.

TABLE 6: UNFILLED VACANCIES - UNITED KINGDOM

THOUSAND

		VACANCIES AT JOBCENTRES+*					VACANCIES AT CAREERS OFFICES	
		UNADJUSTED		SEASONALLY ADJUSTED EXCLUDING COMMUNITY PROGRAMME			UNADJUSTED	
		Total	Community Programme Vacancies	Total excluding Community Programme	Number	Change since previous month	Average change over 3 months ended	
1986	Jun	229.7	31.2	198.6	184.4	12.3	5.0	18.3
	Jul	235.0	33.7	201.4	193.2	8.8	7.7	17.9
	Aug	236.5	33.5	203.0	201.1	7.9	9.7	16.5
	Sep	253.2	35.3	218.0	206.4	5.3	7.3	15.9
	Oct	261.1	34.9	226.2	212.8	6.4	6.5	14.7
	Nov	248.2	32.2	216.0	215.2	2.4	4.7	13.5
	Dec	223.3	29.0	194.3	210.0	-5.2	1.2	12.5
1987	Jan	218.1	30.1	188.1	210.3	0.3	-0.8	11.9
	Feb	216.0	27.9	188.1	207.1	-3.2	-2.7	13.8
	Mar	226.1	25.4	200.7	210.6	3.5	0.2	13.9
	Apr	240.0	24.5	215.5	213.9	3.3	1.2	15.9
	May	265.4	26.0	239.5	231.2	17.4	8.0	19.0
	Jun	275.8	28.0	247.9	233.3	2.1	7.6	23.5

* See note C1.

+ Vacancies at jobcentres are only about a third of all vacancies in the economy. See note C3.

TABLE 7: VACANCY FLOWS AT JOBCENTRES-SEASONALLY ADJUSTED** (EXCLUDING COMMUNITY PROGRAMME)

		UNITED KINGDOM				THOUSAND	
		INFLOW		OUTFLOW		of which: PLACINGS	
		Level	Average change 3 Months ended	Level	Average change 3 months ended	Level	Average change 3 months ended
1986	Jun	208.5	1.3	198.0	-1.2	149.9	-2.0
	Jul	215.3	3.0	205.4	0.1	154.5	-0.5
	Aug	218.1	3.4	209.8	1.2	156.8	0.2
	Sep	224.4	5.3	215.0	5.7	160.5	3.5
	Oct	226.6	3.8	220.7	5.1	164.5	3.3
	Nov	227.8	3.2	224.0	4.7	167.3	3.5
	Dec	222.1	-0.8	227.9	4.3	168.4	2.6
1987	Jan	213.5	-4.4	213.6	-2.4	158.6	-2.0
	Feb	209.2	-6.2	211.9	-4.0	158.2	-3.0
	Mar	233.7	3.9	229.6	0.6	170.5	0.7
	Apr	219.5	2.0	211.0	-0.6	153.2	-1.6
	May	221.0	4.0	212.1	0.1	153.3	-1.7
	Jun	230.1	-1.2	227.0	-0.9	163.2	-2.4

TABLE 8: *UNFILLED VACANCIES - REGIONS - 5 June 1987 THOUSAND

	VACANCIES AT JOBCENTRES UNADJUSTED*			SEASONALLY ADJUSTED (EXCLUDING COMMUNITY PROG VACANCIES)		VACANCIES AT CAREERS OFFICES
	TOTAL	Community Programme Vacancies	Total excluding Community Programme	Number	Change since previous month	UNADJUSTED
South East (Greater London)	97.2 (39.9)	4.1 (2.1)	93.1 (37.8)	86.8 (35.2)	0.3 (-0.1)	14.4 (9.0)
East Anglia	9.1	0.6	8.5	7.9	0.0	0.5
South West	25.7	2.8	22.9	20.8	-0.9	1.2
West Midlands	24.7	3.4	21.3	20.8	0.4	1.9
East Midlands	14.6	1.4	13.2	12.7	0.0	1.0
Yorks and Humberside	19.2	2.8	16.4	15.8	-0.1	1.1
North West	29.2	3.1	26.1	24.6	0.4	1.2
North	15.8	3.5	12.3	12.0	0.5	0.6
Wales	15.1	2.5	12.5	11.7	1.4	0.4
Scotland	23.1	3.3	19.7	18.3	0.2	0.4
GREAT BRITAIN	273.6	27.5	246.1	231.3	2.1	22.6
Northern Ireland	2.2	0.5	1.7	2.0	0.0	0.9
UNITED KINGDOM	275.8	28.0	247.9	233.3	2.1	23.5

* The proportion of total vacancies at Jobcentres varies by region. See note C3.

** See note C1.

AVERAGE EARNINGS

8 326/386

The underlying increase in average weekly earnings in the year to May was about 7½ per cent, similar to the increase in the year to April.

The actual increase in the year to May, 8.7 per cent, was above the underlying increase because back pay in May this year was mainly higher for teachers than in the same month last year.

TABLE 9: INDEX OF AVERAGE EARNINGS OF EMPLOYEES IN GREAT BRITAIN: WHOLE ECONOMY

	Index January 1980 = 100	Seasonally adjusted		
		Index	Percentage increase over previous 12 months	Underlying percentage increase over previous 12 months
1986				
March	182.4	182.6	8.5	7½
April	184.0	185.3	8.6	7½
May	182.3	182.6	7.6	7½
June	185.7	183.9	8.0	7½
July	187.9	186.3	8.2	7½
August	187.2	187.0	8.0	7½
September	186.8	187.1	6.1	7½
October	188.3	188.7	8.3	7½
November	191.2	190.2	8.1	7¾
December	193.4	191.3	7.4	7¾
1987				
January	190.4	192.8	7.6	7½
February	191.2	193.4	7.4	7½
March	194.5	194.8	6.7	7½
April	195.9	197.2	6.4	7¾
May*	198.1	198.4	8.7	7¾

* Provisional

In production industries, the underlying increase in average weekly earnings in the year to May was about 8 per cent, similar to the increase in the year to April. Within this sector, in manufacturing industries, the underlying increase in average weekly earnings in the year to May was about 8 per cent, similar to the increase in the year to April. These figures reflect the effect of higher overtime working in recent months.

The actual increases for production industries and manufacturing industries in the year to May were 8.1 per cent and 8.2 per cent respectively.

In service industries, the underlying increase in average weekly earnings in the year to May was about 7½ per cent, similar to the increase in the year to April. The rise in the underlying increase over the last few months includes the effects of the teachers settlement which is higher than last years settlement and also reflects the level of activity in the economy. The actual increase, 9.3 per cent, was inflated by the higher level of back pay in May this year than in the same month a year ago.

TABLE 10: INDEX OF AVERAGE EARNINGS OF EMPLOYEES IN GREAT BRITAIN

MAIN SECTORS

Seasonally adjusted

	Production industries*			Manufacturing Industries**			Service Industries***		
	Index 1980=100	Percentage increases over January previous 12 months		Index 1980=100	Percentage increases over January previous 12 months		Index 1980=100	Percentage increases over January previous 12 months	
	seas adj		underlying	seas adj		underlying	seas adj		underlying
1986									
March	186.0	8.8	8¼	186.9	7.5	8	183.0	8.5	7
April	189.9	8.2	8¼	191.1	7.6	7¾	185.7	9.2	7¼
May	186.6	7.7	8¼	187.1	7.3	7¾	182.2	7.4	7¼
June	188.8	7.5	8	189.8	7.7	7¾	184.8	8.6	7¼
July	189.9	6.8	8	190.5	6.8	7¾	186.0	9.3	7¼
August	192.1	8.0	7¾	191.9	7.7	7¾	187.3	8.3	7¼
September	193.9	6.7	7¾	194.0	6.9	7¾	186.0	5.7	7¼
October	195.2	8.0	7¾	195.2	7.9	7¾	187.4	8.7	7¼
November	196.6	7.8	8	197.1	7.8	7¾	190.5	8.5	7½
December	199.6	8.4	8	200.0	8.3	8	189.2	6.7	7½
1987									
January	199.9	7.8	7¾	200.0	7.8	7¾	190.3	7.7	7½
February	200.6	7.9	8	201.0	8.1	8	189.7	7.2	7¼
March	199.8	7.4	8	201.1	7.6	8	193.8	5.9	7¼
April	203.6	7.2	8	204.4	7.0	8	196.1	5.6	7¾ R
May (prov)	201.7	8.1	8	202.5	8.2	8	199.1	9.3	7¾

* DIVISIONS 1-4 of SIC 1980 covering Energy and water-supply and manufacturing.

** DIVISIONS 2-4 of SIC 1980. Included in production industries.

*** DIVISIONS 6-9 of SIC 1980 covering Distribution, hotels and catering, repairs; Transport and communication; Banking, finance, insurance, business services and leasing; Other Services (including public administration, education, medical and other health services, etc).

R Revised

UNIT WAGE AND SALARY COSTS

THIS PAGE WILL BE REVISED PRIOR TO PUBLICATION TO TAKE ACCOUNT OF UPDATED AND REVISED UNIT WAGE COST ESTIMATES WHICH WILL THEN BE AVAILABLE.

In the three months ending April 1987, wages and salaries per unit of output in manufacturing industries were 0.9 per cent above the corresponding period a year earlier. This increase was below the rise in average earnings in manufacturing (see Table 10) as there was a rise of 6½ per cent in productivity over this period (see Table 13).

In the fourth quarter of 1986, wages and salaries per unit of output in the whole economy were 5.2 per cent above the corresponding period of 1985. The increase was below the rise in average earnings in the whole economy (see Table 9) as there was a rise of nearly 3 per cent in productivity over this period (see Table 13).

Recent figures are:-

TABLE 11: WAGES AND SALARIES PER UNIT OF OUTPUT

		Manufacturing		Whole Economy	
		Index	Percentage increase	Index	Percentage increase
		1980 = 100	on a year earlier	1980 = 100	on a year earlier
1985	Q2	122.8	5.5	131.4	5.0
	Q3	126.1	6.6	134.0	6.2
	Q4	128.2	5.9	135.6	4.5
1986	Q1	131.2	7.8	137.7	6.0
	Q2	131.2	6.8	139.4	6.1
	Q3	130.2	3.3	139.7	4.3
	Q4	130.8	2.0	142.6	5.2
1987	Q1	132.8	1.2	..	..
1987	January	134.1	2.0	..	..
	February	131.9	0.9	..	..
	March	132.4	0.7	..	..
	April	133.7	1.0	..	..
<u>3 months ending</u>					
1987	January	132.2	2.0
	February	132.7	1.8
	March	132.8	1.2
	April	132.7	0.9

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HOURS WORKED IN MANUFACTURING INDUSTRIES

Overtime working by operatives in manufacturing industries was 12.3 million hours a week in May 1987 and the average over the three months ending May was 12.4 million hours a week. After fluctuating around 11.5 to 12 million hours a week through 1986, overtime working has in recent months returned to the peak level of slightly above 12 million hours a week which was reached in much of 1985.

Short-time working resulted in the loss of 0.44 million hours a week in manufacturing industries in May 1987 which made an average of 0.42 million hours per week lost for the three months ending May 1987. This compares with 0.50 million hours per week lost in the previous three months (ending February) and 0.54 million hours per week lost in the three months ending May 1986.

The index of average weekly hours worked by operatives in manufacturing industries (which takes account of hours of overtime and short-time as well as normal basic hours) was estimated at 103.2 in May 1987 which gave an average of 103.3 for the three months ending May. This compares with 102.8 for the previous three months ending February and 103.0 for the three months ending May 1986.

Recent figures are set out in Table 12.

TABLE 12: WORKING HOURS OF OPERATIVES IN MANUFACTURING INDUSTRIES

Great Britain, seasonally adjusted

	Hours of overtime worked	Hours lost through short-time working (stood off for whole or part of week)	Index of average weekly hours (average 1980 = 100)
	Millions per week	Millions per week	
1986 Mar	11.87	0.49	103.2
Apr	11.63	0.62	103.0
May	11.48	0.50	102.8
Jun	11.40	0.42	102.7
Jul	11.61	0.40	102.8
Aug	11.71	0.41	102.8
Sep	11.68	0.39	102.8
Oct	11.73	0.81	102.8
Nov	12.08	0.52	103.0
Dec	11.74	0.49	102.9
1987 Jan	11.18	0.61	102.2
Feb	12.11	0.41	103.2
Mar	12.43	0.35	103.4
Apr	12.53	0.48	103.4
May	12.34	0.44	103.2

PRODUCTIVITY

THIS PAGE WILL BE REVISED PRIOR TO PUBLICATION TO TAKE ACCOUNT OF UPDATED AND REVISED PRODUCTIVITY ESTIMATES WHICH WILL THEN BE AVAILABLE.

Manufacturing output per head in the three months to April was 1.2 per cent higher than in the three months ending January and 6.7 per cent higher than in the same period a year earlier.

Output per head in the whole economy in the fourth quarter of 1986 was 0.3 per cent above the previous quarter and 2.9 per cent higher than in the fourth quarter of 1985.

Recent figures are:

TABLE 13: OUTPUT PER HEAD

seasonally adjusted, U.K.

	Manufacturing		Whole Economy	
	Index 1980 = 100	Percentage Increase on a year earlier	Index 1980 = 100	Percentage increase on a year earlier
1985 Q2	131.2	4.3	114.1	2.6
Q3	130.2	2.5	113.8	2.1
Q4	130.4	2.4	114.4	2.2
1986 Q1	129.8	0.2	114.9	1.7
Q2	132.1	0.7	116.0	1.7
Q3	135.0	3.7	117.4	3.2
Q4	138.1	5.9	117.7	2.9
1987 Q1	138.3	6.5	..	..
1987 January	136.5	5.7	..	..
February	139.4	7.1	..	..
March	139.0	6.8	..	..
April	140.0	6.1	..	..
<u>3 months ending</u>				
1987 January	137.8	5.8
February	138.2	6.2
March	138.3	6.5
April	139.5	6.7

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Industrial stoppages

In May 1987, it is provisionally estimated that 203,000 working days were lost in the United Kingdom through stoppages of work due to industrial disputes. This compares with a provisional estimate of 307,000 in April 1987, 288,000 in May last year and an average of 649,000 for May during the ten year period 1977 to 1986.

During the twelve months to May 1987 a total of 1,051 stoppages have been provisionally recorded as being in progress, involving a total of 952,000 workers and resulting in a loss of 3,417,000 working days. The comparable figures for the twelve month period to May 1986 were 941 stoppages, 668,000 workers and 2,470,000 working days lost.

Table 14. Industrial stoppages in progress in the United Kingdom.

	<u>Working days lost (thousand)</u>	<u>Number of Stoppages</u>	<u>Workers involved (thousand)</u>
1986			
May	288	99	49
Jun	170	116	64
Jul	67	100	22
Aug	67	92	28
Sep	154	100	67
Oct	167	148	48
Nov	117	107	98
Dec	97	91	50
1987			
Jan	891	106	170
Feb(p)	924	122	149
Mar(p)	252	112	219
Apr(p)	307	89	137
May(p)	203	49	112
<u>Cumulative totals</u>			
12 months to May 1986	2,470	941	668
12 months to May 1987(p)	3,417	1,051	952

NOTES TO EDITORS

GENERAL SYMBOLS

The following symbols are used throughout: .. not available, - nil or negligible, p provisional, r revised. Occasionally, totals may differ from the sum of components because of rounding or separate seasonal adjustments of components.

UNEMPLOYMENT (Tables 1-4)

A1. The unemployment figures are derived from records of claimants of benefit held at Unemployment Benefit Offices. The term "claimants" in the unemployment count is used to include those who claim unemployment benefit", supplementary benefits or national insurance credits. The figures include the severely disabled but exclude students seeking vacation work and the temporarily stopped (see below). A full description of the system of compiling the figures appeared in the September 1982 *Employment Gazette*.

A2. The unemployment figures exclude students who are claiming unemployment benefit during a vacation but who intend to return to full-time education when the new term begins. From November 1986 most students have only been eligible for benefits in the summer vacation. On 11 June 1987 these numbered 8,642 in Great Britain and 11,082 in the United Kingdom.

A3. The figures exclude temporarily stopped workers, that is, those who had a job on the day of the count but were temporarily suspended from work on that day and were claiming benefits. On 11 June 1987 these numbered 4,801 in Great Britain and 5,908 in the United Kingdom.

A4. The school leaver figures relate to people under 18 years of age who have not entered employment since completing full-time education. Part of the change in the count of school leavers between one month and the next reflects some of them reaching the age of 18. The unemployment count excludes school leavers not yet entitled to benefit; for June, July, and August, the months mainly affected, a special count of those registering at Careers Offices is provided.

A5. Regional unemployment rates are calculated by expressing the number of unemployed as a percentage of the estimated total working population (the sum of employees in employment, unemployed, self-employed and HM Forces) at mid-1986. These rates include the self-employed and armed forces in the base to provide a more reliable to the incidence of unemployment among the whole workforce. Until July 1986, all rates were expressed as a percentage of employees plus the unemployed only. These narrower based rates, continue to be used for local areas (travel-to-work areas and counties) because estimates for the self-employed and armed forces needed to calculate the new rates are not made below regional level. The UK narrower rate on 11 June 1987 was 11.7 per cent (unadjusted).

A6. The latest figures for regional seasonally adjusted unemployment are provisional and subject to revision, mainly in the following month. The seasonally adjusted series takes account of all past discontinuities to be consistent with the current coverage. (See the article 'Unemployment adjusted for discontinuities and seasonality' in the July 1985 *Employment Gazette*, and also page 422 of the October 1986 edition).

A7. The unemployment flows, in table 3 relate to people claiming and ceasing to claim benefit in the United Kingdom. A seasonally adjusted series cannot yet be estimated. The figures are standardised to a four and one third week month to allow for the varying periods between successive monthly count dates, and may, therefore, appear not to balance the monthly changes in unemployment levels. It may also be noted that while changes in the level of unemployed school leavers are affected by some of them reaching the age of 18 (see note A4), the outflow figures relate only to those aged under 18 leaving the count.

A8. The recent industrial action by civil servants will have had some upward effect on the figures for June as it did in April. (It is unlikely that there was an effect on the May count). The effect can not be quantified precisely but the available evidence suggests that it has only been small.

EMPLOYMENT (Table 5)

B1. Information on the number of employees in employment is for most industries collected quarterly and monthly from sample surveys addressed to individual establishments and for other industries from returns provided by major employers in the industry. These figures are used to calculate rates of change in employment since the last Census of Employment was held, and the rates of change are applied to comprehensive census results to provide current estimates.

B2. The surveys cover all large establishments and a proportion of small establishments (but none of the smallest employers). 30,000 establishments are surveyed each quarter month (e.g. in March, June etc.), and of these 12,000 are in manufacturing industries. 6,000 of the manufacturing establishments are also surveyed in non quarter months. Estimates for these months are less reliable than those for quarter months, and the first estimates are subject to revision when the following quarters figures become available (e.g. January and February estimates are revised in the light of figures for March). As the estimates of employees in employment are derived from employers' reports of the numbers of people they employ, individuals holding two jobs with different employers will be counted twice.

B3. The estimates of employees in employment presented in this press notice also take account of the results of the 1985 and 1986 sample Labour Force Surveys. The series include allowances for undercounting in the estimates of the number of employees in employment derived from the sample survey of employers. For the period September 1984 to March 1985 the addition made to the estimates of total employees in employment based on the sample enquiry of employers is 51,600 a quarter. An addition of 48,800 was made in the second quarter of 1985 and from June 1985 the addition is 47,700 a quarter. The reasoning behind such allowances is described in the *Employment Gazette* July 1984 (page 319).

B4. The employed labour force comprises employees in employment, the self employed and HM Forces.

B5. Comprehensive estimates of the self-employed are taken from the Census of Population, the most recent of which was held in 1981. Estimates for the other two years are made by applying rates of change, derived from the sample Labour Force Survey results, to the census benchmark. In this way self employment is estimated to have increased by 12,800 a quarter between mid 1981 and mid 1983, by 68,800 a quarter between mid 1983 and mid 1984, and by 27,00 a quarter between mid 1984 and mid 1985. Pending the results of the 1986 Labour Force Survey it is assumed that the numbers of self employed are continuing to increase at the rate of 30,400 a quarter observed between 1981, the date of the latest Census of Population which provides a benchmark for the self employment series, and 1985, the date of the latest available Labour Force Survey data. The derivation of recent estimates is described in an article published in the *Employment Gazette*.

B6. Figures for HM Forces are provided by the Ministry of Defence.

VACANCIES (Tables 6-8)

C1. The vacancy statistics include self-employed vacancies and exclude vacancies handled by Professional and Executive Recruitment. Community Programme vacancies at Jobcentres are included in the unadjusted total, but excluded from the seasonally adjusted series. Figures are available back to 1980. For further details see the October 1985 *Employment Gazette*.

C2. Vacancies at Jobcentres are mainly for adults aged 18 or over, but include some vacancies for persons under 18. Vacancies at Careers offices are mainly for young persons under 18 years of age, but include some vacancies suitable for adults. Where the vacancy is notified to both services by an employer, it will be included in both counts; for this reason, the two counts should not be added together to give a figure for total vacancies.

C3. The figures of vacancies published in this press notice do not represent the total number of vacancies in the economy. Latest estimates suggest that nationally about one third of all vacancies are notified to Jobcentres; and about one quarter of all engagements are made through Jobcentres. Inflow, outflow, and placings figures are collected for four or five week periods between count dates; the figures in this press notice are converted to a standard four and one third week month.

EARNINGS (Tables 9 and 10)

D1. The whole economy index of average earnings was introduced from January 1976. It was described in the April 1976 issue of *Employment Gazette*. The present series is based on January 1980 = 100. Separate indices for 26 industry groups of Standard Industrial Classification (1980) are published in the *Employment Gazette*.

D2. All the series are based on information obtained from the Department's monthly survey of a representative sample of firms in Great Britain, combined with information supplied by the Ministry of Agriculture Fisheries and Food about agricultural earnings in England and Wales. The survey obtains details of the gross wages and salaries paid to employees, in respect of the last pay week of the month for the weekly paid, and for the calendar month for the monthly paid. The earnings of the latter are converted into a weekly basis. The average earnings are obtained by dividing the total paid by the total number of employees paid, including those employees on strike. The sample of returns contains information relating to some 10 million employees.

D3. The analysis of underlying changes was described in Employment Gazette, April 1981, page 193, and the most recent analysis appeared in *Employment Gazette* in June 1987. The next analysis will appear in the September issue.

D4. The average earnings figures are not intended to measure solely the average increase in rates of pay for a standard week reflected in annual pay settlements. Changes in hours worked are not regarded as a temporary factor and therefore continue to influence the underlying rate. Irregular variations in bonuses, sickness, etc., on which no information is available, can also affect the underlying trend, as can changes in the composition of the labour force.

UNIT WAGE AND SALARY COSTS (Table 11)

E1. Wages and Salaries per unit of output in manufacturing is compiled using monthly series of average earnings, employment and output; it is described in *Employment Gazette*, June 1982, page 261. For wages and salaries per unit of output in the whole economy, the wages and salaries totals in the numerator are adjusted to incorporate the earnings of the self-employed, based on the ratio of the employed labour force to the number of employees in employment and HM Forces. The denominator is the output measure of gross domestic product at factor cost in constant prices. For further information, see *Employment Gazette*, May 1986, page 172.

HOURS OF WORK (Table 12)

F1. The hours of overtime and short-time worked by operatives in manufacturing industries are collected by the surveys of individual establishments which are used to collect numbers of employees. Figures are collected monthly; those for non-quarter months are based on a smaller sample, and are therefore subject to retrospective revisions in the same way as the employee estimates.

F2. The index of average weekly hours relates to average weekly hours worked by operatives in manufacturing industries. It is based on the normal weekly hours of full time operatives as in national agreements plus average net overtime. The calculation of this index is described on page 240 of *Employment Gazette*, June 1983.

PRODUCTIVITY (Table 13)

G1. Index numbers of output per person employed are calculated by dividing an index of output by an index of the numbers employed. The indices are all based on 1980 = 100. The output series for the economy as a whole is the output-based measure of gross domestic product. This series is used so as to achieve consistency with the industrial analysis for which the indices of output for the production industries are used. The indices for employment are based on the employed labour force in the United Kingdom as defined in para B4 above, after combining mid-month estimates to reflect average levels of employment in the month or quarter as a whole.

INDUSTRIAL STOPPAGES (Table 14)

H1. Statistics of stoppages of work due to industrial disputes in the United Kingdom relate only to disputes connected with terms and conditions of employment. Stoppage involving fewer than 10 workers or lasting less than one day are excluded except where the aggregate of working days lost exceeded 100. However, there are difficulties recording stoppages near the margin of this threshold and consequently greater emphasis should be placed on the figure for working days lost rather than on the number of stoppages. The monthly figures are provisional and subject to revision, normally upwards, to take account of additional or revised information received after going to press.

PERSONAL AND CONFIDENTIAL UNTIL 11.30AM ON THURSDAY 16 JULY 1987
UNEMPLOYMENT STATISTICS - KEY FACTS AND DEFENSIVE BRIEFING
KEY MONTHLY FIGURES

Seasonally adjusted (excluding school leavers)

- fall of 27,000 in June to 2.925 million (10.5%)
- fall of 194,000 or 32,000 per month over past six months, largest since records began (current claimant series began 1971, but similar seasonally adjusted figures go back to 1948.)
- fall of 38,000 per month over past three months, also largest on record.
- Unemployment down for twelve months running, by record 287,000 since June 1986.
- Unemployment now the lowest for over 3½ years (since December 1983).

Unadjusted including school leavers

- Now 2.905m, 10.5%
- fall of 324,000 compared with a year ago, largest 12 month fall recorded since similar records began in 1948.

Vacancies (seasonally adjusted, excluding CP)

- Unfilled vacancies at jobcentres 233,000 in June, 27% higher than a year ago, highest since 1979 (current series began from 1980).

PERSONAL AND CONFIDENTIAL UNTIL 11.30am ON 16 JULY 1987

ADDITIONAL POINTS

Reference

Regional figures

Unemployment fell in all regions in June

Press notice table 3 and C6

Unemployment fell in all regions over last 12 months with fastest falls in Wales, West Midlands and North West.

In Scotland, even with oil related problems, unemployment has recently been falling. Now 16,000 lower than in January.

Long term unemployment
(quarterly figures)

Fell by 61,000 in year to April Biggest annual fall on record Largest falls in Wales, North, South West and West Midlands. Only 5 year + unemployment growing.

C5a

Youth unemployment

School leavers in June over 30,000 lower than a year ago. Over 12 months to April under 25' fell by 158,000 Under 25's unemployment rate 16%, compares with latest EC average 23% (Italy 34%, France 23%, Belgium 20%, Ireland 27%, Greece 24%, Portugal 29%).

C5b

Flows into and out of unemployment

Unemployed not a static pool - 400,000 a month enter and leave. Quarter leave in month, half leave within 3 months.

D5

International comparisons

In past year, UK rate fallen faster than any industrialised country. Unemployment now higher in France (11%) Belgium (10.7%), Spain (21%) and Ireland (19%) compared with 10.5% in UK (according to OECD standardised rates).

C4a,b,c

Employment

Increased every quarter for 4 years. Press Notice table 5

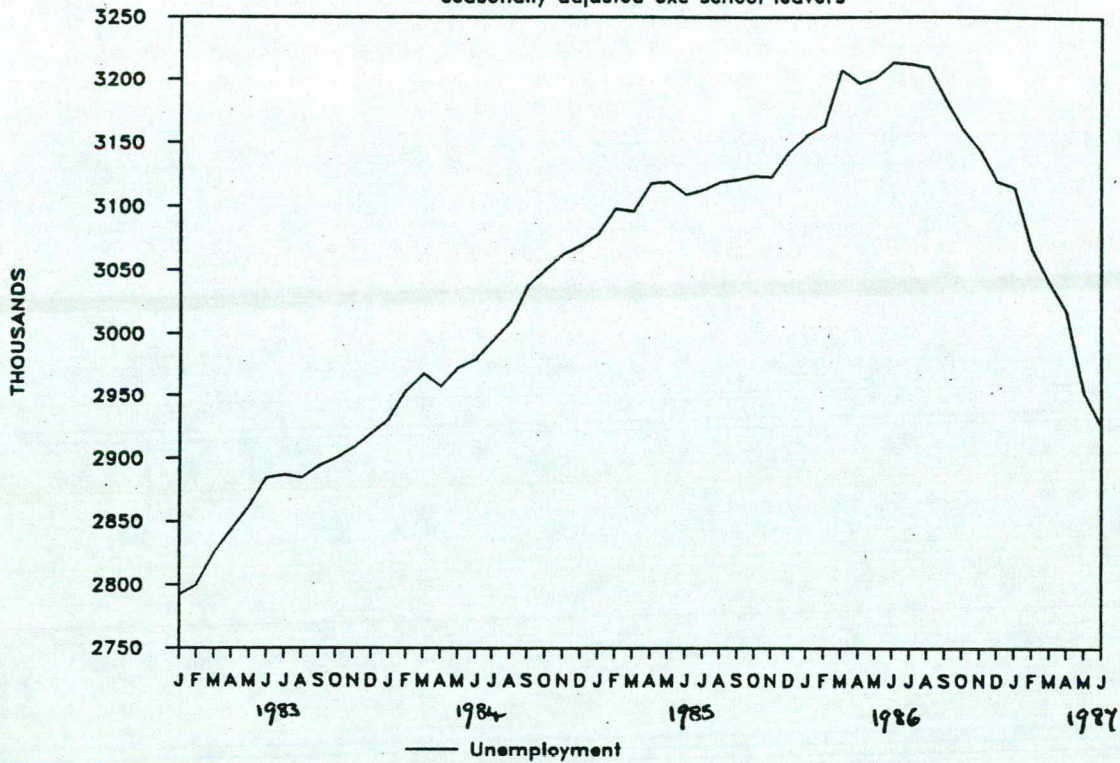
Over 1 million jobs created since 1983, nearly ½ million self-employed. Two thirds of growth in employment has come from women, of which a further two thirds part-time. Survey evidence that large majority of women working part-time do not want full-time jobs.

D10a

<u>Effect of civil service strike</u>	Outflows from unemployment in June may be slightly understated. (Unlikely to be much more than 5 thousand).	D3d
<u>Effect of government measures on count</u>	Traditional measures (YTS, Community Programme etc) have not grown recently. Cannot estimate effects of Restart because gateway to other schemes which help into jobs eg Community Programme, Enterprise Allowance Scheme, Job Clubs. Successful because 'Pushing an open door' when economy growing. Availability testing will discourage some people who were not interested in getting work - cannot assess how many.	C3
<u>Fiddling the figures</u>	Only acknowledge 6 discernible changes since 1979; three administrative and three statistical including only two changes to method of compilation. Publish consistent back series to assess the trend in unemployment. Nothing to hide.	D3
<u>International definition of unemployment</u>	Based on those without work who are available and have actively looked for work in last month. Latest figures for GB 2.98 million when comparable claimant count was 3.17 million. Figures of 5 million sometime quoted include all those who say they would like work, even if they have done nothing to look for a job (include the early retired, those looking after home, and sick).	D2

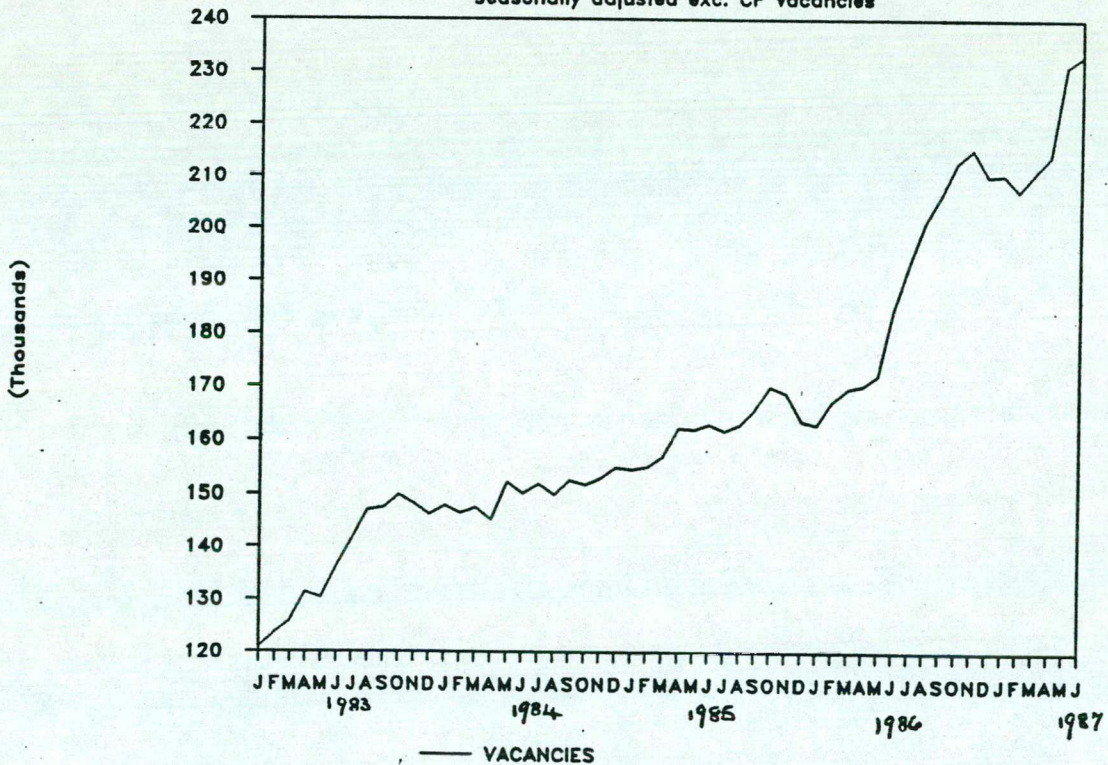
UNEMPLOYMENT: UK

seasonally adjusted exc school leavers



UNFILLED VACANCIES AT JOBCENTRES: UK

seasonally adjusted exc. CP vacancies



CONFIDENTIAL

The effect of Government measures on the adult unemployment count

We estimate that Restart was reducing the claimant count by a little under 10,000 extra per month on average over the eleven months since July. The effect in June was probably slightly below average.

The stricter tests of availability for work of new claimants, introduced from 1 November, have also helped to reduce the count. It is particularly difficult to assess the effect of availability testing, though given the pattern of reduced inflows and a reduction in those unemployed with short duration over recent months, it is likely that the new tests are having a substantial impact, particularly on women.

The performance of the recently appointed claimant advisers is now making an important contribution. They are now removing over 10,000 per month (gross) *from* the count (at least a third of whom are finding jobs or places on employment schemes). Allowing for some overlap with availability tests and Restart and normal outflow, the net extra downward effect on the count could have reached up to 5,000 in the month to June, although it is difficult to compare performance with that of previous DHSS Unemployment Review Officers.

We estimate that there has been a fall of 2,000 a month in the effect on the adult count from the Community Programme over the last six months and some 3 to 5,000 a month over the past three months. But the new Job Training Scheme is now beginning to have an impact, and may have removed up to 5,000 from the register both in May and in June. Table A gives rough estimates of the overall effect of employment measures on the count excluding the new Job Training Scheme. In the last two months there has been some growth in the effect of the Enterprise Allowance Scheme but this has been more than offset by the fall in the effect of CP and the New Workers Scheme. It is particularly difficult to estimate such secondary influences, but they do need to be considered when assessing the long term trend. Table B shows the detail of the latest figures on employment measures.

Without all these various influences on the unemployment count - Restart, employment measures and availability tests (and some other minor effects described in D3d) - the the *unemployment* count would still have been falling over recent months. It seems likely that improvements in the economy have been having an increasing favourable impact on the trend and could now easily account for some 10,000 per month of the fall in unemployment.

Table A

PERSONAL AND

CONFIDENTIAL UNTIL 11.30 AM ON 16 JULY 1987

C3b.

EMPLOYMENT MEASURES

THEREAFTER CONFIDENTIAL

ESTIMATED EFFECT ON UNEMPLOYMENT COUNT (EXCLUDING SCHOOL LEAVERS)

UNITED KINGDOM

THOUSAND

	TOTAL		CHANGE	
	All	of which CP	All	of which CP
<u>1983</u>				
Jan	130	31	+ 2	+ 5
Feb	134	35	+ 4	+ 4
Mar	133	35	- 1	-
Apr	143	40	+10	+ 5
May	147	46	+ 4	+ 6
Jun	155	57	+ 8	+11
Jul	162	65	- 7	+ 8
Aug	170	73	+ 8	+ 8
Sep	181	85	+11	+12
Oct	190	92	+ 9	+ 7
Nov	194	97	+ 4	+ 5
Dec	197	98	+ 3	+ 1
<u>1984</u>				
Jan	198	96	+ 1	- 2
Feb	200	96	+ 2	-
March	205	98	+ 5	+ 2
Apr	205	98	-	-
May	206	100	+ 1	+ 2
Jun	217	104	+11	+ 4
Jul	209	104	- 8	-
Aug	208	106	- 1	+ 2
Sept	207	106	- 1	-
Oct	206	109	- 1	+ 3
Nov	206	113	-	+ 4
Dec	203	114	- 3	+ 1
<u>1985</u>				
Jan	205	117	+ 2	+ 3
Feb	202	118	- 3	+ 1
Mar	203	120	+ 1	+ 2
Apr	201	121	- 2	+ 1
May	202	124	+ 1	+ 3
Jun	203	128	+ 1	+ 4
Jul	209	133	+ 6	+ 5
Aug	213	139	+ 4	+ 6
Sep	218	146	+ 5	+ 7
Oct	225	153	+ 7	+ 7
Nov	231	162	+ 6	+ 9
Dec	238	167	+ 7	+ 5
<u>1986</u>				
Jan	243	175	+ 3	+ 8
Feb	250	184	+ 9	+ 9
Mar	257	192	+ 7	+ 8
Apr	261	199	+ 4	+ 7
May	267	208	+ 6	+ 9
Jun	273	213	+ 6	+ 5
July	278	218	+ 5	+ 5
Aug	280	222	+ 2	+ 4
Sep	284	225	+ 4	+ 3
Oct	290	231	+ 6	+ 6
Nov	295	236	+ 5	+ 5
Dec	296	238	+ 1	+ 2
<u>1987</u>				
Jan	296	238	-	-
Feb	295	237	- 1	- 1
Mar	293	234	- 2	- 3
Apr	288	229	- 5	- 5
May	284	226	- 4	- 3

Table B

Employment Measures: UK

	<u>Number helped by measures</u>	
	<u>End of April</u>	<u>Change since end March</u>
Community Programme	242,000	- 3,000
Job Release Scheme	22,000	- 1,000
Enterprise Allowance Scheme	89,000	+ 2,000
Young Workers Scheme	-	-
Community Industry	10,000	-
New Workers Scheme	29,000	- 3,000
TOTAL	393,000	- 5,000

International Comparisons of Unemployment Levels

Although other countries have been experiencing significant increases in unemployment, the unemployment rate in the United Kingdom is higher than in most other countries. The following table gives the latest figures on national definitions, which are not strictly comparable owing to national differences in coverage and concepts of unemployment, together with the available OECD standardised rates which are recommended for comparing levels of unemployment.

	RECOMMENDED		UNEMPLOYMENT, NATIONAL DEFINITIONS				
	OECD STANDARDISED RATES		Seasonally adjusted		Seasonally adjusted		Unadjusted
	Latest month	% rate	Number (000s)	% rates	Number (000s)	% rate	Latest month
Spain	Feb	21.1	2,906	20.9	2,946	21.2	Apr
Ireland	..	..	250	19.5	247	19.3	Jun
France	Apr	11.0	2,661	11.4	2,522	10.8	May
Belgium	Apr	10.7	438 ^e	16.0 ^e	432	15.8	May
<u>United Kingdom</u>	Apr	10.5	2,925	10.5	2,905	10.5	Jun
Italy ^a	Sep	(10.7 ⁺)	2,724	11.5	2,803	11.9	Jan
Netherlands	Apr	9.9	689	14.1	668	13.7	Apr
Canada ^a	Apr	9.2	1,188	9.1	1,177	8.9	May
Portugal	..	..	371	8.6 ^e	376	8.7 ^e	Feb
Australia ^a	Mar	8.4	633	8.2	634	8.2	May
Denmark	..	..	217	8.0	248	9.1	Mar
Greece	..	..	..	..	146	7.9	Feb
Germany	Apr	7.0	2,239	8.0	2,097	7.4	Jun
United States ^a	Apr	6.2	7,546	6.3	7,318	6.1	May
Finland ^a	Mar	5.1	134	4.8	144	5.3	Mar
Austria	Q2(1986)	2.9	161 ^e	5.5 ^e	141	4.8	May
Japan ^a	Mar	2.9	1,770	2.9	1,860	3.1	Feb
Luxembourg	..	..	..	..	3	1.9	Feb
Norway	Feb	2.5	31	1.9	31	1.9	Apr
Sweden ^a	Apr	2.0	116	2.7	116	2.7	Dec
Switzerland	Nov	0.8	..	..	24	0.8	Mar
OECD ^b	Q3 (1986)	7.6 ^e					

e estimated

a Survey Sources

b Includes all countries with Standardised rates

+ This rate to be revised shortly, probably downwards using new information from EC Labour Force Survey. The rates for the UK, the Netherlands, Germany and Belgium have already been revised.

Sources:- OECD "Main Economic Indicators" supplemented by Labour Attache reports etc

The following table shows the changes in unemployment, both in terms of percentage increases and, more significantly, changes in percentage rates. The latter are recommended for comparison.

UNEMPLOYMENT, LATEST MONTH COMPARED WITH A YEAR EARLIER

Unadjusted unemployment, national definitionsRECOMMENDED

	<u>Change in % rate</u>	<u>Change (000s)</u>	<u>% Change in total</u>	<u>Latest month</u>
Ireland	+ 1.1	+ 14	+ 6	Jun
Spain	+ 0.9	+ 169	+ 6	Apr
Italy	+ 0.7	+ 163	+ 5	Apr
Austria	+ 0.6	+ 18	+ 15	May
France	+ 0.6	+ 136	+ 6	May
Australia	+ 0.4	+ 42	+ 7	May
Japan	+ 0.3	+ 220	+ 13	Feb
Portugal	+ 0.2e	+ 8	+ 2	Feb
Luxembourg	+ 0.1	N/C	+ 4	Feb
Germany	NC	+ 19	+ 1	Jun
Greece	- 0.1	+ 1	+ 1	Feb
Belgium	- 0.1	- 6	- 1	May
Sweden	- 0.1	- 4	- 3	Dec
Switzerland	- 0.1	- 2	- 6	Mar
Denmark	- 0.3	- 5	- 2	Mar
Norway	- 0.3	- 5	- 14	Apr
Finland	- 0.6	- 3	- 2	Mar
Netherlands	- 0.6	- 30	- 4	Apr
Canada	- 0.6	- 50	- 4	Apr
USA	- 0.8	- 840	- 10	May
<u>United Kingdom</u>	- 1.2	- 324	- 10	Jun

NC = No Change

e = estimated

Sources:- OECD "Main Economic Indicators" supplemented by Labour Attache reports etc

When assessing the increase in unemployment in more recent periods than over the past year, seasonally adjusted figures need to be used. The following table compares seasonally adjusted figures for the latest three months with the previous three months. An additional table C4d shows monthly figures for selected countries.

UNEMPLOYMENT, LATEST 3 MONTHS COMPARED WITH PREVIOUS 3 MONTHS

Seasonally adjusted, national definitions

	<u>RECOMMENDED</u>			
	<u>Change in percentage rate</u>	<u>Change Number (000s)</u>	<u>Percentage Changes</u>	<u>Latest month</u>
Finland	+ 1.0	+ 9	+ 7	Mar
Spain	+ 0.4	+ 52	+ 2	Apr
Ireland	+ 0.4	+ 5	+ 2	Jun
Japan	+ 0.2	+ 97	+ 6	Feb
Italy	+ 0.2	+ 53	+ 2	Apr
France	+ 0.2	+ 52	+ 2	May
Denmark	+ 0.1	+ 4	+ 2	Mar
Sweden	+ 0.1	+ 3	+ 2	Dec
Germany	+ 0.1	+ 25	+ 1	Jun
Portugal	+ 0.1	+ 4	+ 1	Feb
Australia	N/C	+ 3	+ 1	May
Netherlands	N/C	- 2	N/C	Apr
Belgium	- 0.1	- 3	- 1	May
Norway	- 0.1	- 1	- 4	Apr
Austria	- 0.2	- 5	- 3	May
Canada	- 0.2	- 23	- 2	May
United States	- 0.3	- 364	- 4	May
United Kingdom	- 0.4	- 108	- 4	Jun

Note Seasonally adjusted figures not available for Greece, Luxembourg and Switzerland.

NC = No Change
e = estimated

Sources:- OECD "Main Economic Indicators" supplemented by Labour Attache reports etc

Seasonally Adjusted levels and rates of registered unemployment

<u>Month</u>	<u>UK</u>		<u>France</u>		<u>Germany</u>		<u>Italy</u>		<u>Spain</u>	
	<u>Level</u>	<u>Rate</u>	<u>Level</u>	<u>Rate</u>	<u>Level</u>	<u>Rate</u>	<u>Level</u>	<u>Rate</u>	<u>Level</u>	<u>Rate</u>
Aug 1985	3119	11.3	2420	10.4	2301	8.3	2977	13.0	2649	19.5
Sep	3121	11.3	2467	10.6	2298	8.2	2989	13.0	2649	19.5
Oct	3124	11.3	2452	10.5	2297	8.2	3031	13.2	2650	19.4
Nov	3123	11.3	2448	10.5	2307	8.2	3040	13.3	2692	19.7
Dec	3143	11.4	2441	10.5	2299	8.2	3061	13.4	2688	19.7
Jan 1986	3156	11.4	2442	10.5	2282	8.2	3082	13.4	2706	19.8
Feb	3164	11.4	2446	10.5	2289	8.2	3127	13.6	2713	19.8
Mar	3207	11.5	2468	10.6	2269	8.1	3121	13.6	2739	20.0
Apr	3197	11.5	2490	10.7	2241	8.0	3158	13.7	2742	20.0
May	3201	11.5	2517	10.8	2243	8.0	3189	13.9	2735	19.9
June	3213	11.5	2523	10.8	2222	7.9	3207	14.0	2724	19.8
July	3212	11.6	2541	10.9	2210	7.9	3204	13.9	2732	19.8
Aug	3209	11.6	2557	11.0	2201	7.8	3212	14.0	2727	19.8
Sep	3183	11.6	2550	10.9	2189	7.8	3233	14.0	2758	20.0
Oct	3160	11.5	2544	10.9	2175	7.7	3243	14.0	2781	20.0
Nov	3143	11.4	2549	10.9	2166	7.7	3192	13.8	2825	20.3
Dec	3119	11.3	2574	11.0	2177	7.8	3268	14.2	2840	20.4
Jan 1987	3114	11.2	2613	11.2	2194	7.8	3238	14.1	2865	20.6
Feb	3066	11.0	2655	11.4	2190	7.8	3286	14.3	2879	20.7
Mar	3040	11.0	2676	11.5	2227	7.9	3263	14.2	2902	20.9
Apr	3018	10.9	2659	11.4	2228	7.9	3308	14.4	2906	20.9
May	2952	10.6	2661	11.4	2220	7.9				
Jun	2925	10.5			2239	8.0				

Long term unemployment
and unemployment by age

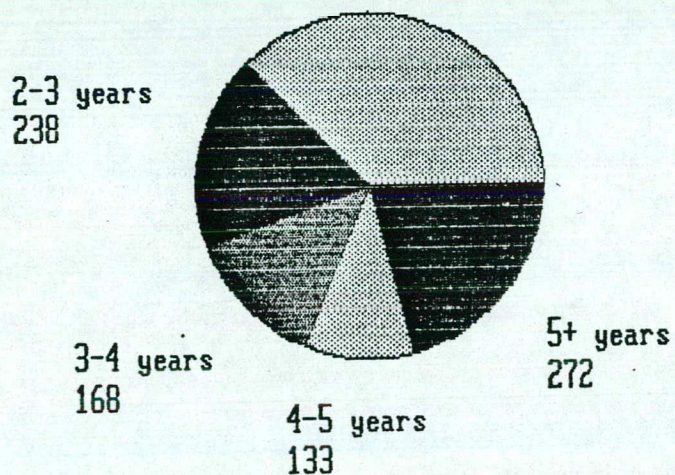
(a) LONG TERM UNEMPLOYMENT, UK

	Thousands		
	<u>April</u> <u>1987</u>	<u>Change between</u> <u>January 1987 &</u> <u>April 1987 +</u>	<u>Change between Apr '86 & Apr '87-</u>
Over 1 year	1,295	- 39	- 61
Over 2 years	811	- 24	- 34
Over 3 years	573	- 11	+ 6
Over 4 years	405	-	+ 38
Over 5 years	272	+ 9	+ 46*

* The changes have been adjusted to allow for the effects of the 1981 Civil Service Dispute and the change in compilation in March 1986.

+ Quarterly changes affected by seasonal influences.

United Kingdom: claimants unemployed over 1 year (thousands)
1-2 years
484
APRIL 1987



(b) UNEMPLOYMENT BY AGE, UK

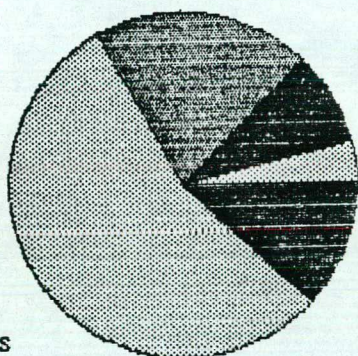
Thousands

	<u>April 1987</u>	<u>Change between Apr '86 and Apr '87</u>
Under 18	127.3	- 59
18 - 19	270.3	- 44
20 - 24	628.3	- 54
25 - 54	1708.3	- 55
55 and over	372.8	- 5
All ages	3107.1	- 218

United Kingdom: unemployed claimants by age (thousands)

20-24 yrs
628

APRIL 1987

18-19 yrs
270Under 18
12755 & over
37325-54 yrs
1708

Unemployment
- regions and sexUNEMPLOYMENT - regions and sex : JUNE 1987
SEASONALLY ADJUSTED, EXCLUDING SCHOOL LEAVERS

REGIONS	NUMBER (Thousands)		Change in year since June 86	UNEMPLOYMENT RATE (Per Cent)*		
	At 11 June	Change in month since May		At 11 June	Change in month since May	Change in year since June 1986
	(1)					
South East (Greater London)	682.1 (363.4)	- 11.2 (- 5.3)		7.5 8.5	- 0.1 - 0.1	- 1.1 - 1.0
East Anglia	73.0	- 1.1		7.9	- 0.1	- 1.0
South West	179.3	- 1.2		8.7	- 0.1	- 1.2
West Midlands	302.5	- 3.4		11.7	- 0.1	- 1.3
East Midlands	183.0	- 1.6		9.6	- 0.1	- 0.8
Yorks and Humberside	282.0	- 0.1		11.9	-	- 1.0
North West	399.7	- 1.6	- 38.9	13.3	- 0.1	- 1.3
North	210.6	- 1.7		14.6	- 0.1	- 1.1
Wales	154.1	- 1.2		12.8	- 0.1	- 1.7
Scotland	333.6	- 3.1		13.5	- 0.1	- 0.3
GREAT BRITAIN	2799.7	- 26.5		10.3	- 0.1	- 1.1
Northern Ireland	125.6	- 0.5		18.3	- 0.1	-
UNITED KINGDOM	2925.3	- 27.0		10.5	- 0.1	- 1.0
<u>MALES AND FEMALES</u>						
UK Males	2036.2	- 17.4		12.4	- 0.1	- 1.1
UK Females	889.1	- 9.6		7.8	- 0.1	- 1.0

* Percentage of whole working population (new basis, taking account of self-employed and armed forces)

UNEMPLOYMENT - comparison with the 1930s

1. The peak recorded pre-war was in January 1933, at 2,979,000 including temporary stopped.
2. It is not possible to make a fully valid and meaningful comparison with pre-war unemployment, for the following reasons.
 - (1) the labour force is about one-third larger and different in character. A much larger proportion of women work. We do not have a continuous series of figures on employment against which to measure the unemployed.
 - (2) Because of changes in entitlement to benefit, we cannot be sure to what extent unemployed people are now more or less likely to claim and to be included in the count.
 - (3) There have been many administrative changes and changes in the methods used to count the unemployed.
 - (4) Changes in Government employment measures including legislation on employees' rights will also have affected the figures. There may also have been significant changes in practice by employers, for example on temporary lay-offs, since the numbers recorded as 'temporarily stopped' were much higher before the war.
3. In any comparison with the 1930s it is also relevant that greater protection is now given to the unemployed through social security provisions, redundancy pay, and generally improved social conditions. Moreover, it is now more common for there to be more than one breadwinner in the family.

Unemployment - Coverage
of the countUNEMPLOYMENT - COVERAGE OF THE COUNT:COMPARISON WITH LABOUR FORCE SURVEY ESTIMATES

1. Unemployment is not a unique and unambiguous concept. It can be taken by different people to mean different things depending on the context in which the figures are used, and can be measured in different ways.
2. As in most other Western European countries, we use an administrative system to provide monthly unemployment figures, although we also use household surveys to provide less frequent information on a different basis. We use the almost wholly computerised count of claimants* at unemployment benefit offices because the figures are available frequently, quickly and cheaply, in particular providing detailed local figures which would be very costly to obtain from alternative sources.
3. The count necessarily reflects the administrative system on which it is based and cannot be ideal for every purpose eg. to measure labour slack or social hardship.
4. Instead of using the claimant count, alternative measures of unemployment can be obtained from household sample surveys such as the Labour Force Survey. The criteria for defining unemployment in surveys can of course be varied and there is no universally accepted definition of "true" unemployment; but according to the Labour Force Survey there were 2.83 million people without jobs and seeking work (in the reference week of the survey) in GB in the spring of 1986, compared with an average of 3.17 million included in the claimant count over the survey period. The difference between these figures is the net result of the difference between two partly offsetting groups. 1,170,000 claimants (37 per cent of all claimants) were either employed or not actively seeking work in the reference week, while, on the other hand, some 830,000 people were without jobs and seeking work but not claiming benefits. The following table illustrates the comparison.

* those claiming unemployment benefits, supplementary benefits or national insurance credits as an unemployed person.

COMPARISON OF THE CLAIMANT AND LABOUR FORCE SURVEY ESTIMATES OF UNEMPLOYMENT
Millions

Great Britain

Spring 1986

	<u>Males</u>	<u>Females</u>	<u>All</u>
<u>Survey unemployed</u> (labour force definition) of which	1.73	1.10	2.83
Not in claimant count	0.23	0.59	0.83
Included in claimant count	1.49	0.51	2.00
<u>Claimants not unemployed</u> on labour force definition of which	0.69	0.48	1.17
Inactive (not seeking work)	0.57	0.39	0.96
Employed	0.12	0.09	0.21
<u>Claimant count</u>	2.18	0.99	3.17

One alternative measure of unemployment that can be obtained from the LFS, which is similar to that used in a number of other countries, consists of those who said they were available for work and seeking work during the past 4 weeks (rather than those seeking work in the past week as in the labour force measure used above). This gives a total of 2.98 million for GB, some 150,000 higher than the conventional labour force measure, but still less than the claimant total of 3.17 million.

Changes between 1981 and 1986

Over recent years there has been a divergence between the movements of the claimant count and the survey measures.

The precise position in 1981 on a comparable basis is uncertain. At that time the unemployment count (then based on registrations) was broadly in line with the labour force estimate. But allowing as far as possible for all the changes in coverage since then, it appears that the claimant count on today's basis would have been rather lower in 1981 than unemployment on the usual labour force definition, a position which was reversed by 1985.

Our best estimate is that between 1981 and 1986 the claimant count (consistent with the current coverage) has risen by nearly a million while the survey figures indicated an increase of approaching 400,000.

Very significantly, between 1983, when employment started to grow, and early 1986, there was little change in the survey based level of unemployment whereas the claimant count rose by a further 1/3 million.

Unemployment - changes in
coverage

UNEMPLOYMENT - CHANGES IN THE COVERAGE OF THE UNEMPLOYMENT COUNT

Since 1979, there have been 6 changes which have had a discernible effect on the monthly unemployment count.

(1) Change in basis of count from registration to claimants (Approx - 190,000)

This was the most important change which occurred in October 1982, when registration at jobcentres became voluntary, saving administrative costs and eliminating the need for unemployed people to attend both a jobcentre and an unemployment benefit office in order to get their benefits. The previous count of registrants at jobcentres became incomplete and it was necessary to move to counting claimants at Unemployment Benefit Offices. This removed approximately 190,000* from the count as a result of three factors:

- (i) Computerisation of count and improved accuracy, removing old (ceased) claims more quickly (estimated effect - 78,000)
- (ii) exclusion of registrants not claiming benefits (- 135,000)
- (iii) inclusion of severely disabled (+ 23,000)

(2) Effect of 1983 Budget measures (- 162,000)

The second largest change arose from the 1983 Budget provisions which enabled 162 thousand men, mainly aged 60 and over, to receive National Insurance credits or the higher long term rate of supplementary benefit without attending an Unemployment Benefit Office. The effect accumulated between April and August 1983.

(3) Later compilation of unemployment statistics as from March 1986 (-50,000 average per month).

The change made in March 1986 was to take better account of claimants who did not inform benefit offices that they were no longer unemployed on the 'count date'. From October 1982, there was a waiting period of one week between the count date and the compilation of the figures to allow for these notifications. However, the change in July 1985 to the payment of benefit wholly in arrears revealed that the extent of overcounting (at over 60,000 per month) was larger than previously thought and unacceptably high. It is estimated that delaying the compilation of statistics to 3 weeks after the count date reduces overcounting by an average of about 50 thousand a month.

* A figure of 246,000 is often quoted, but this relates to October 1982 which was exceptional when the old system was running down. Assessment for the year up to October 1982 showed an average difference of 190,000.

(4) Higher long-term rate of supplementary benefit (- 37,000)

There was a previous similar change to (2) above in November 1981 when the higher long-term rate of supplementary benefit was introduced for men over 60 who had been on supplementary benefit for over one year. Over a twelve month period, this removed an estimated 37 thousand men both from the claimant series and from the count of registrations at jobcentres used at the time.

(5) Fortnightly attendance and payment (+ 20,000)

In October 1979, fortnightly attendance at Unemployment Benefit Offices was introduced and the estimated effect was to add about 20 thousand both to the claimant figures and to the count of registrations in use at the time.

(6) Discontinuity in Northern Ireland series (- 5,000)

In July 1985, a reconciliation between DHSS records and the Department of Economic Development's computer records of claimants showed discrepancies. The corrective action resulted in the unadjusted figures for July and August 1985 being 5,700 and 5,150 lower respectively than would otherwise have been the case.

The above six changes are the only ones to have significantly affected the seasonally adjusted unemployment figures, and each has been taken into account in the current series. Other minor effects are as follows.

Introduction of taxation of benefits in July 1982

which had no measurable effect on the unemployment figures.

Introduction of payment of unemployment benefit wholly in arrears from 15 July 1985

There may possibly have been some effect on the unemployment count from August 1985 onwards, but it appears to have been negligible.

Change in school leaving regulations, November 1980

Young people leaving school are now assumed to be in full-time education until the beginning of the following school term and not entitled to benefit. This affected the total claimant series (introduced later) and to a relatively minor extent, the registrant series in use at the time, but not the seasonally adjusted series which excludes school leavers. From 1982 a separate count of non-claimant school leavers registered at Careers Offices has been conducted in June, July and August.

Some commentators add some of the above effects back to the current unemployment count in an attempt to estimate what the unemployment figures would be now on a former basis, sometimes as part of their justification for claiming higher "true" totals of unemployment.

This approach usually involves the crude assumption that the effect of any change in definition remains constant over time.

The Department has used a different approach to provide a consistent series. The seasonally adjusted series of adult unemployment, which is produced to help assess the underlying trend, has been revised back to 1971 to be in line with the current coverage of the claimant count*. We have not adjusted the basic counts taken in the past, and the new series cannot be reasonably regarded as rewriting history, but helping to explain it.

* The new series was introduced in an article 'Unemployment adjusted for discontinuities and seasonality' in the July issue of Employment Gazette. This series has been further revised to take account of the changes in the compilation of the figures from March 1986.

Changes to unemployment figures

So called '19 changes' misleading and exaggerated. Only six changes since 1979 have so far had discernible effect (details published in Employment Gazette). Three were minor. Only two were changes in method of compilation.

Four changes inevitably resulted from changes in procedures for paying benefits, while two were to correct inaccuracies. But the seasonally adjusted series is consistent and allows for these changes.

Claims of higher 'true' totals exaggerated for example by including people in jobs helped by Government programmes. They ignore evidence from Labour Force Survey which showed a lower total than claimant count in 1986 (2.98 million seeking work in GB on internationally comparable definition (ILO/OECD), compared with 3.17 million claimants.)

Other recent administrative changes from October 1986 (abolition of half and three quarters rates of unemployment benefit, and extension of disqualification period) could only have a very small effect. Most of those losing unemployment benefit will continue to sign on and be counted, because they will still be entitled to some supplementary benefit or (in the case of those losing the reduced rates of UB) national insurance credits.

Restart and availability tests: Rules for payment of benefits remain unchanged and neither initiative alters the way the figures are compiled.

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Other changes affecting the figuresNew maternity allowance rules (from 6 April)

There is no change in the way figures are compiled, and any effect on the unemployment count will be negligible and could only arise among a few expectant mothers who would not normally be regarded as available for work.

(There could be a slight net downward effect, but it would tend to be reduced by the new availability test. There could be some downward effect because some women who would previously have chosen to claim Unemployment Benefit rather than Maternity Allowance no longer have a choice and are only allowed to claim Maternity Allowance (if they are entitled to it). There could be some slight offsetting upward effect through extra UB claims among those not entitled to Maternity Allowance under the new rules.

Identification of people aged over 60 signing on when they need not be

There was some extra downward effect on the April and May counts of up to around 5,000 altogether through extra efforts to identify men over 60 who need not sign on for national insurance credits only or for supplementary benefit (which they should get at a higher long term rate more promptly.) There is nothing new about this seasonal effect, but it was stronger than in earlier years.

Civil Service strikes

There was some small upward effect on the unemployment figures for June, as a result of the strikes, as there was in April (there was no effect in the May count). It is not possible to quantify the effect precisely, but the available evidence suggests it is unlikely to have been much more than 5,000 in June.

Reversal of Social Security Commissioners' decision re Easter school leavers (effect from May.)

In 1985 and 1986 there was some temporary additional upward effect on the school leaver count of up to around 15,000 in summer months (May to August), through some school leavers signing on who were not previously eligible for benefit until September. This followed the 1985 ruling by Social Security Commissioners on the eligibility for supplementary benefit of certain Easter school leavers who were returning to school only to take exams. The regulations have now been changed to restore the principle that young people cannot be treated as entitled to benefit until their education is completed. The seasonal influences on the school leaver count this year (from May) will therefore more closely correspond to the former pattern prior to 1985.

6 SIGNIFICANT CHANGES IN UNEMPLOYMENT COUNT SINCE 1979

		Reason
<u>Changes in Compilation</u>		
October 1982 - Switch from registrations to claimants	- 190,000	To avoid incomplete figures following voluntary registration
March 1986 - Later count	- 50,000	To reduce over-recording
<u>Other Statistical Change</u>		
July 1985 - Correction of discrepancy for Northern Ireland	- 5,000	Correction
<u>Administrative Changes</u>		
October 1979 - Fortnightly attendance	+ 20,000	) Eliminate unnecessary procedures and make life easier for claimants
From November 1981 - Higher long term rate for men over 60	- 37,000	
From April 1983 - Further relaxed requirement for men over 60 to attend benefit offices and eligibility for higher long term rate	- 162,000	

Unemployment - coverage:
summary of possible
additions and exclusions

UNEMPLOYMENT - POSSIBLE ADDITIONS AND EXCLUSIONS

Following is a summary of the main additions or exclusions from the figures that are sometimes suggested.

POSSIBLE ADDITIONS

1. Add back previous changes in coverage of the unemployment count (see previous section). [Broadly 400,000]

Comment: The unemployment count inevitably reflects the administrative system on which it is based (as did the old registrant system) and this cannot remain fixed forever for the purposes of statistical continuity. Past changes in coverage of the count have been openly displayed in the published sources. If it is required to make valid comparisons with the past, a consistent series of unemployment figures is published showing how previous figures would have looked on the current basis, back to 1971.

2. People assisted by employment measures. [393,000 people assisted, end of May 1987]

Comment: This group has never been included in the unemployment figures because they are being helped in jobs or training.

3. Non-claimant unemployed (particularly women). [830,000 in 1986]

Comment: If it were reasonable to add this group to the unemployment count, then it would also be reasonable to subtract a greater number of claimants (1,170,000) who either had jobs or were not actively seeking work as shown by the 1986 Labour Force Survey.

4. Students on vacation. [Up to about 200,000 in the summer]

Comment: Those students who intend to return to full-time education after their holidays are not included in the main unemployment totals, but separate figures are always published. Students are generally only unemployed for short periods and seeking temporary jobs.

5. Temporarily stopped. [Variable, around 10,000]

Comment: These people have jobs to go back to although they are out of work on the day of the unemployment count, so they are counted separately.

6. Non-claimant school leavers (not entitled to benefits until the beginning of following school term). [100,000 to 200,000 in June, July and August]

These are excluded temporarily from the main unemployment totals while they are regarded as still being in full-time education. However, separate counts are taken of those registered at careers offices in June, July and August each year when the numbers are significant.

POSSIBLE EXCLUSIONS

7. Frictionally unemployed: people "between jobs"

(Without whom the labour market would not operate.) [No direct estimate available, but as a rough proxy, some 300,000 to 400,000 are unemployed for 4 weeks or less.]

8. Claimants not classed as unemployed in surveys

[1,170,000 claiming benefits, of which 210,000 employed and 960,000 without jobs but not seeking work, using 1986 Labour Force Survey.]

210,000 employed claimants may include some fraudulent claimants, although this figure will include some people legitimately claiming benefits eg. with low paid part-time jobs.

960,000 inactive claimants were not seeking work in a reference week, often because of age, health or because they believed no jobs were available, although some, especially those with families, may be disinclined to take low paid jobs rather than benefits.

9. Overlapping with above) "Unemployables" or people hard to place

Little objective evidence, although judgements might be based on numbers unemployed for exceptionally long periods eg 272,000 unemployed continuously for more than 5 years (April 1987).

Labour market
- job changes
and flows

LABOUR MARKET - job changes and flows

1. TOTAL JOB CHANGES are running very broadly at some 7 to 8 million a year, or $\frac{1}{2}$ million per month, or about 30,000 per working day. These include movements of people with jobs as well as the unemployed taking up jobs.

2. VACANCY FLOWS run at lower levels than the above, eg the inflow in the year to June averaged 222,000 a month (UK seasonally adjusted), primarily because only about a third of all vacancies are notified to Jobcentres. Placings by jobcentres, in the year to May averaged about 161,000 a month (UK seasonally adjusted), are estimated to be broadly a quarter of all engagements or job changes in the economy.

3. OUTFLOW from unemployment averaged about 421 thousand per month (403 thousand excluding school leavers) in the year to June 1987. This represents an annual outflow of 5.1 million. Many took up jobs, though some would be leaving unemployment for other reasons eg retirement, training, or otherwise leaving the labour force, or exhaustion of entitlement to benefit. A quarter of those becoming unemployed flow off the register within a month of joining it, a half leave within 3 months, two-thirds within 6 months, and four-fifths leave within a year. The remaining fifth (around 70,000 per month) flow into long term unemployment.

Unemployment 11.
- demographic and
labour force
background

UNEMPLOYMENT - demographic and labour force (1) background

Great Britain : thousand

	Reaching school leaving age	Reaching retirement age and deaths	Net migration and adjustment	Population of working age		Labour force	
				Number	Change over year	Number	Change over year
ESTIMATES							
1971	737	-	-	31,686	-	24,895	-
1972	760	739	-9	31,698	+12	24,953	+58
1973	778	750	+9	31,735	+37	25,125	+172
1974	801	751	-45	31,740	+5	25,269	+144
1975	818	740	-33	31,785	+45	25,305	+36
1976	840	707	+2	31,920	+135	25,702	+396
1977	871	683	+2	32,110	+190	25,901	+200
1978	891	655	-12	32,334	+224	25,949	+48
1979	906	662	-8	32,570	+236	26,021	+72
1980	930	773	+1	32,728	+158	26,198	+177
1981	936	729	-30	32,905	+177	26,242	+43
1982	912	697	-69	33,051	+146	26,045	-196
1983	902	650	-3	33,300	+249	25,907	-138
1984	873	677	+67	33,563	+263	26,428	+522
1985	868	750	+60	33,741	+178	26,639	+211
PROJECTIONS (2)							
1986	840	715	+25	33,891	+150	26,741	+102
1987	850	693	+19	34,067	+176	26,936	+194
1988	797	667	-15	34,182	+115	27,082	+147
1989	748	665	-13	34,252	+70	27,180	+98
1990	697	664	-17	34,268	+16	27,219	+38
1991	673	659	-14	34,268	0	27,233	+15

Between mid-1985 and mid-1986 the population of working age is projected to have increased by 150,000, while the labour force is projected to have increased by around 100,000 as male activity rates fell. This labour force growth is much less than in the previous two years, when the population of working age rose rather more, male activity rates changed little overall and female activity rates rose much more sharply. Using a working assumption of a broadly stable level of unemployment after 1986, a further rise of some half a million is expected between 1986 and 1991. Most of this growth is projected to occur before 1989, and over half of it in the female labour force.

Notes :

(1) The civilian labour force includes those in employment (employees, employers and self-employed, but excluding members of the Armed Forces) and all those identified by censuses and surveys as seeking work whether or not they claim benefits.

(2) The projected changes beyond 1985 incorporate the latest (1985-based) population projections and projections of activity rates using preliminary information from the 1986 Labour Force Survey.

EMPLOYMENT - CHANGES IN THE METHOD OF ESTIMATION

Employees in Employment

1) Introduction of Supplementary series - June 1983

When provisional results from the 1981 Census of Employment became available they showed that the application to the previous census figure (1978) of changes estimated from sample survey data was producing substantial under-estimates. The methodology was reviewed and a supplementary set of estimates, which included an undercounting allowance was introduced in June 1983.

2) Use of 1981 and 1983 Labour Force Surveys (LFS) - July 1984

Data from the 1983 LFS confirmed that the supplementary figures provided more accurate estimates than the basic series. The estimates for employees in employment were revised, using LFS data for 1981 and 1983 to assess the current extent of underestimation from the sample survey of employers. Estimates could now be produced incorporating the adjustment for underestimation in industrial and regional detail, and so the estimates not incorporating the adjustment and the term "supplementary" were dropped.

3) Use of the 1984 LFS - March 1985

Data from the 1984 LFS was used to improve the assessment of underestimation from the sample survey of employees.

4) Use of the 1985 LFS - April 1986

Revised data from the 1984 LFS and new results from the 1985 LFS were used to revise the allowance for underestimation.

5) Introduction of 1984 Census of Employment - December 1986

The 1984 census results provided a new "benchmark" from which estimates for later dates are calculated, using the proportionate changes in employment derived from the sample surveys, adjusted using LFS data as previously. The series was also slightly adjusted to take account of revised data from the 1985 LFS and a small revision to the proportion of YTS participants with contracts of employment.

The estimates for dates between the censuses were also revised. Differences at the detailed industry and regional level between the previous estimates for September 1984 and the census estimates were interpolated back to the earlier census date. The census figures used for 1981, and the estimates for later dates based on them were first adjusted to improve the consistency of the industry coding in the two censuses. The estimates prior to September 1981 were also revised to improve the consistency of industry coding.

Some minor technical changes were also made to the method used to derive seasonally adjusted estimates.

6) Use of the 1985 and preliminary 1986 LFS results- March 1987

Data from the 1985 LFS and preliminary results from the 1986 LFS were used to improve the assessment of underestimation from the sample survey of employees. The quality of the estimates was improved by using national LFS data separately for full time and part time female employees, rather than a single overall adjustment for all females.

Self Employment1) New method of estimating Self Employment - January 1982

The LFS data was used in place of the discontinued information from the National Insurance Card count. New estimates were produced for the period 1975 to 1979.

2) Introduction of an assumption of continued growth - June 1983

The conventional assumption that the level of self employment had remained constant since the date of the latest LFS data was reviewed. As there were reasons for expecting some continuation of the upward trend in self employment a supplementary series, was introduced; this assumed that growth at the rate observed between the last two surveys had continued subsequently.

3) Use of the 1981 and 1983 LFS results - July 1984

The self employment figures were updated to take account of the changes between the LFS in 1981 and 1983.

4) Change in the rate of growth assumption - March 1985

When the estimates for the self employed were updated for the 1984 LFS the figures for self employment showed exceptional growth between 1983 and 1984. It was considered inappropriate to make the assumption that this rate had continued. The estimates of self employment for dates after June 1984 incorporated the assumption that the average rate of increase between 1981 and 1984 had continued.

5) Use of the 1985 LFS - April 1986

The estimates were up-dated to take account of new results from the 1985 LFS and revised data from the 1984 LFS.

6) Use of the 1986 LFS - March 1987

The estimates were up-dated to take account of new results from the 1986 LFS; figures for dates after June 1986 are based on the assumption that the average rate of increase between 1981 and 1986 has continued.

EMPLOYMENT: DOUBLE JOBBING AND SPECIAL EMPLOYMENT MEASURES

The treatment of double jobbing in the employees in employment estimates

The estimates for employees in employment include some double counting of persons because some employees with two jobs are included twice. This cannot be avoided with figures collected from employers' reports of the number of people they employ. Since employers will generally not know if an employee is in fact filling a post as his second job, it would not be practical to exclude second jobs from these estimates

Evidence on the number of people with two jobs can be derived from household surveys - principally the Labour Force and General Household Surveys. However, these cannot provide reliable figures for the number of second jobs included in the employees in employment series because some work will be included which would not be covered by the employer based information, such as babysitting or gardening for a householder. Furthermore a particular survey's assessment of the number of second jobs will depend on the design and context of the survey. Adjustment of the employees in employment series to exclude second jobs would therefore be impracticable.

Coverage of Special Employment Measures

Estimates of employees in employment

1. Participants in a number of special measures are employed in precisely the same way as any other employee and are therefore included in the estimates of employees in employment. These measures include:

Young Workers Scheme

Job Splitting Scheme - where both part-time jobs created by splitting a full-time job are counted

Temporary Short-Time Working Compensation Scheme

Job Release Scheme - the older worker who has given up his job is not included in the employees series but the previously unemployed person who has taken up the job is included

Training for Skills: Programme for Action

Community Programme

2. Of young people on the Youth Training Scheme those who have contracts of employment - estimated to be about 19 per cent of participants - are included in the employees in employment series.

3. Those on the Voluntary Projects and Training Opportunities Programmes are not employed and are hence not covered by the employed labour force series.

Estimates of self-employment

4. Those supported by the Enterprise Allowance Scheme are included in the Labour Force Survey based estimates of self-employment.

C-O-N-F-I-D-E-N-T-I-A-L until 11.30 am on 16 July 1987

INTERNATIONAL COMPARISONS OF EMPLOYMENT

1. Latest figures for the major industrial economies show that since March 1983, when employment began to rise in the United Kingdom, it has grown at a much faster rate than in Japan, Italy, Germany or France.

**Table 1: Civilian employment seasonally adjusted
Change 1983 Q1 to 1986 Q4**

	Thousands	Per cent
Canada	+ 1123	+10.6
USA	+11264	+11.4
UK	+ 1114	+ 4.8
Japan	+ 1481	+ 2.6
Germany	+ 505	+ 2.0
Italy§	+ 369	+ 1.8
France*	- 295	- 1.4

Source: OECD 'Quarterly Labour Force Statistics' (except UK)
 Note : * - 1982 Q4 to 1986 Q4.
 § - OECD estimate.

Over the more recent period of the last twelve months, though, UK employment growth has been surpassed by Germany and Japan as well as by the United States and Canada, while in France too employment has begun to rise.

2. Comparisons with other European Community countries show that between 1983 and 1984 employment in the UK increased by more than in the rest of the EC put together. Provisional estimates by the Statistical Office of the European Communities (SOEC) indicate that this was also true for the period 1983-85, and that in both 1983-84 and 1984-5 the increase in UK employment was greater than in any other individual EC country (or, in relative terms, greater than in any other major EC country). Over the longer period 1979 to 1984, there was a fall in UK employment which was far greater than that in the rest of the Community; the provisional SOEC estimates suggest that this was also true for the period 1979-85.

Dab

Table 2: Total employment, annual average or mid-year figures
Changes 1983 to 1984 and 1979 to 1984

	1983 - 1984		1979 - 1984	
	Thousand	Per Cent	Thousand	Per Cent
United Kingdom	+ 450	+ 1.9 %	- 1333	- 5.2 %
Germany	+ 15	+ 0.1 %	- 701	- 2.7 %
France	- 218	- 1.0 %	- 383	- 1.7 %
Italy	+ 103	+ 0.5 %	+ 434	+ 2.1 %
Netherlands	+ 39	+ 0.8 %	+ 147	+ 3.0 %
Belgium	nc	nc	- 168	- 4.4 %
Luxembourg	nc	nc	+ 1	+ 0.6 %
Ireland	- 15	- 1.3 %	- 35	- 3.1 %
Denmark	+ 69	+ 2.9 %	+ 15	+ 0.6 %
Greece	- 7	- 0.2 %	+ 190	+ 5.7 %
European Community (10)	+ 436	+ 0.4 %	- 1833	- 1.7 %

Source: OECD 'Labour Force Statistics 1964-1984' (except UK)

Note : nc - no change.

3. Comparisons of the proportion of working-age population in work show the UK above our major European competitors but below the USA, Japan and some smaller countries.

Table 3: Total employment as a percentage of the population aged 15-64 : 1985

	Per Cent
Sweden	80
Denmark	75
Japan	71
USA	69
Canada	66
UK	66
Germany	60
France	59
Belgium	56
Netherlands	52
OECD Total	64
OECD Europe	58

Source: OECD 'Historical Statistics 1964-1985'

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EMPLOYMENT: sex and hours of work

Estimates of the employed labour force in March 1987 are published for the first time this month. Over the whole economy it has increased by 257,000 since March 1986 and by 1.22 million since March 1983, when the upward trend first began. The latter figure may be divided between 306,000 jobs filled by men and 917,000 jobs filled by women, or 500,000 full-time jobs and 724,000 part-time jobs.

An assumed growth in the number self-employed of 25,600 per quarter for the three quarters since June 1986 is included in the above figures which compares with an increase of 4,250 per quarter between June 1985 and June 1986.

THE EMPLOYED LABOUR FORCE - TOTAL

Thousands, seasonally adjusted

Great Britain

		Males		Females		Persons	
		All	of which part time	All	of which part time	All	of which part time
1983	March	13,663	868	9,334	3,976	22,997	4,844
	June	13,633	892	9,406	4,028	23,039	4,920
	Sept	13,670	908	9,496	4,079	23,165	4,987
	Dec	13,705	923	9,588	4,129	23,293	5,052
1984	March	13,741	939	9,657	4,161	23,399	5,100
	June	13,786	954	9,706	4,182	23,492	5,136
	Sept	13,817	936	9,757	4,202	23,574	5,138
	Dec	13,883	968	9,831	4,253	23,715	5,221
1985	March	13,915	960	9,887	4,282	23,802	5,242
	June	13,941	991	9,939	4,308	23,879	5,299
	Sept	13,927	976	9,990	4,354	23,917	5,330
	Dec	13,929	998	10,022	4,366	23,951	5,364
1986	March	13,902	984	10,061	4,411	23,964	5,395
	June	13,894	1,016	10,093	4,440	23,987	5,456
	Sept	13,901	1,009	10,139	4,466	24,041	5,475
	Dec	13,908	1,036	10,223	4,503	24,116	5,539
1987	March	13,969	1,039	10,251	4,529	24,221	5,568
Change							
Mar 83-Mar 87		306	171	917	553	1,224	724

*Estimates of part-time male employees are not seasonally adjusted, therefore it is not possible to estimate full-time male employees.

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D10b

THE EMPLOYED LABOUR FORCE - COMPONENTS

Great Britain

Thousands, seasonally adjusted

		Employees in Employment						Self Employment						HM Forces		
		Males		Females			Persons	Males		Females		Persons	Males	Females	Persons	
		All	of which part time*	All	of full time	of which part time	All	All	of which part time	All	of which part time	All	All	All	All	
1983	March	11,706	745	8,823	5,110	3,713	20,529	1,651	123	496	263	2,147	306	15	321	
	June	11,674	766	8,882	5,121	3,761	20,556	1,652	126	508	267	2,160	306	16	322	
	Sept	11,659	772	8,952	5,150	3,802	20,611	1,702	136	527	277	2,229	309	16	325	
	Dec	11,645	798	9,025	5,185	3,840	20,670	1,751	145	547	289	2,298	309	16	325	
1984	March	11,631	784	9,075	5,213	3,862	20,706	1,801	155	566	299	2,367	310	16	326	
	June	11,627	790	9,104	5,233	3,871	20,731	1,849	164	586	311	2,435	310	16	326	
	Sept	11,637	771	9,145	5,258	3,887	20,782	1,868	165	596	315	2,464	312	16	328	
	Dec	11,686	801	9,209	5,276	3,933	20,895	1,886	167	606	320	2,493	311	16	327	
1985	March	11,700	791	9,254	5,298	3,956	20,954	1,905	169	617	326	2,522	310	16	326	
	June	11,709	821	9,295	5,318	3,977	21,003	1,923	170	628	331	2,550	309	16	326	
	Sept	11,692	808	9,345	5,319	4,026	21,037	1,926	168	629	328	2,554	309	16	326	
	Dec	11,693	832	9,376	5,336	4,040	21,069	1,929	166	630	326	2,558	307	16	323	
1986	March	11,664	819	9,415	5,327	4,088	21,079	1,932	165	631	323	2,563	306	16	323	
	June	11,653	853	9,446	5,325	4,121	21,099	1,935	163	631	319	2,567	305	16	322	
	Sept	11,645	843	9,481	5,338	4,143	21,126	1,950	166	642	323	2,592	306	16	323	
	Dec	11,639	867	9,554	5,378	4,176	21,193	1,965	169	653	327	2,618	304	16	320	
1987	March	11,686	867	9,571	5,373	4,198	21,257	1,979	172	663	331	2,643	304	16	320	
Change																
Mar 83-Mar 87		-20	122	748	263	485	728	328	49	167	68	496	-2	1	-1	

*Estimates of part-time male employees are not seasonally adjusted, therefore it is not possible to estimate full-time male employees.

CHANGES IN EMPLOYEES IN EMPLOYMENT

Great Britain

Industry	Year ending Mar 1987	
	Absolute	Percent
Agriculture forestry and fishing	-6.5	-2.1
Energy and water supply	-44.2	-8.2
Other mineral and ore extraction etc	-12.4	-1.6
Metal goods, engineering and vehicles	-93.7	-4.0
Other manufacturing industries	-23.8	-1.1
Construction	17.7	1.8
Distribution, hotels, catering, repairs	50.5	1.2
Transport & Communication	8.9	0.7
Banking, finance insurance	122.5	5.7
Other Services	159.3	2.5
All Industries	178.3	0.9

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Employees in Employment in Great Britain: Scheme Participants

Thousands, not seasonally adjusted

	Total	<u>of which scheme participants in</u>				
		YTS*	YOP*	Community Programme+	Community Industry**	Young or New Workers Scheme+
1983 March	20402	-	171	39	7	103
June	20572	3	115	64	7	93
September	20684	18	54	97	7	103
December	20723	23	16	115	7	105
1984 March	20580	22	-	113	7	98
June	20741	22	-	120	7	70
September	20846	26	-	123	7	63
December	20962	25	-	130	7	57
1985 March	20826	23	-	133	7	52
June	21011	21	-	138	7	43
September	21098	27	-	151	7	50
December	21145	25	-	174	7	57
1986 March	20950	22	-	200	7	51
June	21105	25	-	221	7	31
September	21186	30	-	235	7	29
December	21259	31	-	248	7	34
1987 March	21128	26	-	244	7	34

* Excluding trainers

+ Figures for the latest month for the whole of the United Kingdom are given in table C3c

11 AVERAGE EARNINGS

1 Table A gives a breakdown of the average earnings index by broad sectors of industry. The full detail will not be published until the next issue of Employment Gazette (Table 5.3 of Labour Market Data). However, it is available on request from the date of the press release.

2 The monthly figures in Table A are not seasonally adjusted.

3 Table B shows the latest information on annual changes in average earnings in manufacturing industries in the main industrial countries. The periods covered and the definitions vary, although the comparison gives a broad idea of how the rate of change in average earnings in Great Britain is related to that of our principal overseas competitors.

INDUSTRY BREAKDOWN

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INDEX OF AVERAGE EARNINGS (unadjusted)

TABLE A

Classes SIC 1980	Weights	Index (January 1980) = 100						Percentage increase over previous 12 months					
		1986	1987					1986	1987				
			Dec	Jan	Feb	Mar	Apr		May*	Dec	Jan	Feb	Mar	Apr	May*
Metal processing and manufacture	14	203.9	205.4	196.2	196.9	220.2	205.7	6.2	9.1	9.1	6.7	8.7	10.7
Mineral extraction and manufacturing	14	197.2	190.2	192.6	195.5	195.8	196.2	8.4	7.9	8.8	9.3	7.3	7.0
Chemicals and man-made fibres	20	210.6	198.4	200.7	198.9	203.7	206.5	10.8	8.2	9.0	6.8	9.5	9.0
Mechanical engineering	44	191.4	189.1	192.0	193.4	192.0	193.6	6.5	6.4	6.2	6.0	4.3	6.2
Electrical and electronic engineering	37	207.2	204.0	204.6	208.6	213.5	210.5	9.3	7.7	7.9	8.3	7.0	8.7
Motor vehicle and parts	17	194.6	189.8	194.7	196.6	194.7	199.0	12.4	10.0	10.3	5.8	9.4	9.2
Other transport equipment	17	194.5	193.2	193.4	201.7	191.6	191.8	8.9	7.5	8.5	11.4	6.6	7.4
Metal goods and instruments	27	182.5	181.1	184.6	185.5	184.9	187.0	7.5	6.7	8.2	6.7	7.4	6.4
Food, drink and tobacco	33	202.1	201.5	195.3	195.9	202.5	206.1	8.2	8.9	6.5	7.0	8.1	9.2
Textiles	13	187.6	188.5	192.3	194.8	188.0	194.1	7.5	6.4	8.8	8.5	6.1	7.8
Leather, footwear and clothing	17	188.7	187.1	188.6	193.2	186.5	192.1	6.5	6.4	6.7	7.4	3.6	8.0
Timber and wooden furniture	11	169.8	184.8	188.3	174.6	175.9	184.4	6.5	8.9	11.2	8.4	5.3	11.3
Paper products, printing and publishing	26	205.9	205.2	208.4	210.5	211.0	214.1	7.9	8.2	9.2	8.3	7.4	8.2
Rubber, plastic and other manufacturing	14	192.1	189.9	190.5	195.6	191.2	198.1	9.1	7.5	7.3	9.7	6.0	9.9
Manufacturing industries	304	200.6	198.5	199.4	201.2	202.5	204.0	8.3	7.8	8.1	7.6	7.0	8.2
Coal and coke	15	174.2	174.6	175.7	178.5	185.1	172.7	10.4	1.5	5.6	4.9	12.4	8.2
Mineral oil and natural gas	1	203.1	203.7	203.7	205.3	209.9	221.1	6.9	10.0	8.8	9.1	11.6	10.7
Electricity, gas and other energy and water supply	19	199.1	207.8	203.2	202.3	201.4	201.9	7.7	12.1	7.1	6.9	6.3	5.7
Production industries[†]	339	199.7	198.4	199.1	200.7	202.2	202.9	8.4	7.8	7.9	7.4	7.2	8.1
Construction	55	193.6	186.6	189.4	196.6	194.4	193.3	8.5	7.4	8.4	8.7	8.1	8.2
Production[†] and construction industries	394	198.9	196.7	197.7	200.1	201.1	201.5	8.4	7.8	8.0	7.6	7.4	8.1
Agriculture and forestry [‡]	19	195.7	188.9	188.3	189.5	199.1	∅	6.1	5.2	5.8	5.6	8.7	∅
Distribution and repairs	164	187.1	188.3	181.4	185.4	192.8	187.8	6.9	7.8	5.6	7.2	7.4	7.7
Hotel and catering	49	186.8	171.8	173.3	176.2	182.8	182.7	9.2	8.5	8.4	10.2	11.7	7.9
Transport and communication (except sea transport)	71	184.9	177.0	179.2	187.7	190.7	190.3	7.9	3.9	5.0	8.6	9.5	7.4
Banking, finance and insurance	44	217.7	210.3	209.5	231.1	217.6	221.5	3.7	11.2	8.2	9.7	12.6	9.4
Public administration	90	183.8	184.2	184.3	186.0	185.5	186.6	5.8	6.8	5.5	5.9	6.1	6.4
Education and health services	147	196.1	196.0	199.9	197.4	197.2	217.7	6.8	9.2	10.8	0.0	-3.1	14.9
Other services	22	208.0	206.3	202.8	201.7	205.8	207.7	8.4	7.7	6.6	7.7	8.7	6.8
Service industries	587	192.1	188.4	189.1	193.4	194.8	198.7	6.7	7.7	7.2	5.9	5.6	9.3
Whole economy	1,000	193.4	190.4	191.2	194.5	195.9	198.1	7.4	7.6	7.4	6.7	6.4	8.7

* Provisional

† Manufacturing, coal and coke, mineral oil and natural gas, electricity, gas, other energy and water supply

‡ England and Wales only

∅ Not available

TABLE B

INTERNATIONAL COMPARISON

HOURLY EARNINGS IN MANUFACTURING

Percentage changes on a year earlier

		Latest period available
New Zealand(i)	18.3	Q3 1986
Portugal(h)	15.2	Q3 1986
Greece	14.4	Q3 1986
Norway(d)	11.9	Q1 1987
Spain(e)	9.5	Q4 1986
Great Britain(c)	8	MAY
Finland	6.7	Q4 1986
Ireland	6.3	Q4 1986
Denmark(g)	6.1	DEC
Italy(b)	5.9	MAR
Germany	4.3	Q1 1987
Austria(b)(g)	3.8	APR
Sweden(g)	3.7	FEB
France(b)	3.4	Q1 1987
Canada	2.7	MAR
Australia(b)	2.5	FEB
Japan(a)(f)	1.8	MAR ^(f)
United States	1.8	APR
Belgium(j)	1.4	Q4 1986
Netherlands(b)	1.3	APR

- (a) Monthly Earnings
 (b) Hourly Rates
 (c) Weekly Earnings (Underlying)
 (d) Males
 (e) Not Seasonally Adjusted
 (f) 3 month ending
 (g) Mining and Manufacturing
 (h) Daily earnings
 (i) Weekly rates: all activities
 (j) Mining, manufacturing and transport

Source: OECD Main Economic Indicators:
 JUNE 1987

14 July 1987

FROM: S J DAVIES
DATE: 13 JULY 1987

MR HUDSON

cc : Sir Terence Burns
Mr Monck
Mr Sedgwick
Mr Culpin
Miss O'Mara
Mr P R C Gray
Mr Tyrie

SPEECH ON UNEMPLOYMENT

1. I have a comment on paragraph 5 of your draft of 10 July which is that it conflates two separate arguments in a slightly confusing way:

"Okun's law is dead" - ie the output/employment relationship has changed, which must be true particularly of the period between 1981 and 1986 in the UK.

Creating extra (nominal) demand does not mean extra output (or job) - no shortage of nominal demand.

2. I don't think the "death of Okun's law" is as clear in other industrial countries as in the UK. Certainly Europe as a whole has not in the 1980s seen the general improvement in productivity growth that has been experienced in the UK, and that has contributed to the changed output/unemployment relation here.



S J DAVIES