

Po - CH / NL / 0113

PART B

Part B

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Begins: 14/7/87.

Ends: 15/10/87



PO -CH /NL/0113



PART B

Chancellor's (Lawson) papers:

**NEW EMPLOYMENT BILL AND
FURTHER MEASURES TO CUT
UNEMPLOYMENT**

Disposal Directions: 25 years

16/8/95

PO -CH /NL/0113

PART B

CE PMG

Mr FER Butler

Mr Monck

Mr Burgner

Miss Peirson

Mr Turnbull

Mr Gray

Mr McIntyre


Mr MacAuslan

Mr Crepper

Mr Tyrie.

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CONFIDENTIAL



PRIME MINISTER

LABOUR FORCE SURVEY

CH/EXCHEQUER	
REC.	14 JUL 1987 ✓ 14/7
ACTION	CST
COPIES TO	

It is important that the Government publishes authoritative and frequent information on unemployment and employment both to help in the creation of policy and inform public debate. I have therefore been considering how the information we have on the labour market can be improved. Like David Young before me I am persuaded that the Labour Force Survey, which we currently publish annually, should be enhanced to provide more regular results.

There are a number of reasons why a more frequent survey should be carried out. The LFS provides important alternative data on the scale of unemployment to that of the monthly unemployment claimant count: LFS information on unemployment comes from questionnaires returned from a sample of households. In recent years the LFS has shown unemployment to be lower than the unemployment claimant count. For example, in Spring 1986, it showed unemployment to be 2.98 million for Great Britain, using a definition of unemployment based on International Labour Organisation guidelines. This was some 190,000 lower than the monthly claimant count of the same period. Of course, current measures should help to reduce the numbers of those currently claiming benefit who are not available for work. It is therefore likely that the two measures of unemployment will come closer together. Nevertheless, the LFS will continue to be an important component of our understanding of unemployment. It cannot be satisfactory for information to be available only annually - and then a year out-of-date. Thus with the present survey we were only able to publish figures for Spring 1986 in Spring 1987.



In addition, the LFS provides a wide range of key data on the labour market, including on self-employment and employment. This is an area in which I believe we are vulnerable to criticism. As we only have survey data annually, we have to rely for the remainder of the year on estimates which can be unreliable. You may recall that we had to announce in the spring of this year that although we had estimated a growth in self-employment of over 120,000 between June 1985 and June 1986, the latest survey showed a growth during this period of only 20,000.

I propose that the LFS should be carried out at quarterly intervals. This will give not only more regular but also more up-to-date data, with each survey giving information on the previous quarter. Development work is likely to take 2½ to 3 years and will cost £5 million. In view of this timescale, I would like officials to go ahead as soon as possible so that any change is implemented well before the next General Election. The cost of a quarterly survey will amount to £2 million in 1990/91 and thereafter, in addition to existing costs which amount to some £3 million. Although there is a case for a monthly survey, I do not believe that the considerably higher costs (a further £8½ million in 1990/91) are justified by the additional information which this would provide. Furthermore, the LFS could not entirely replace the monthly count.

I expect to meet the extra costs for a quarterly survey from within my overall resources and will deal with this in the course of my PES bid. The bulk of the resources will need to be paid over to OPCS who will actually run the survey.



There would be advantage in making an early announcement. It should be possible to put this change across positively as an improvement in the range of the information available in a key area. There is no question of a quarterly survey replacing the monthly claimant count. An enhancement of the LFS would bring us into line with the practice of many other developed countries including, for example, USA, Canada and Australia.

I am copying this minute to the Chancellor, the Chief Secretary and the Secretary of State for Trade and Industry.

A handwritten signature in black ink, appearing to be "N F".

N F

Papers
Pse

20

pup



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6460

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SECRETARY	
REC.	16 JUL 1987
Mr MacAuslan	
10 EX FST PMG EST	
Mr Butler Mr Anson	
Mr Kemp Mr Menck	
Mr Bugner Mr Gilman	

The Rt Hon John Moore MP
Social Services Secretary
Alexander Fleming House
Elephant and Castle
London
SE1

with attachment.

15 July 1987

Dear John.

Miss Peirson Mr Turnbull
Mr Gray Mr Tyrie

INCOME SUPPORT FOR 16 - 18 YEAR OLDS

Following the responses to my letter to you of 30 June, our officials, together with Treasury and the No 10 Policy Unit have been giving further consideration to options for implementing our Manifesto commitment.

... I now attach a paper by officials which sketches the main options and concludes that the most cost-effective approach might be to combine the selective extension of child benefit to the end of the calendar year in which the young person leaves full-time education with a Waiting Allowance of £15 a week paid for no more than two months in any twelve to young people who leave jobs or YTS schemes before they are 18.

I think myself there is much to be said for this approach. We would be seen to fulfil our Manifesto commitment firmly and economically, but with due regard to reasonable treatment of the great bulk of young people who enter education, jobs or the YTS shortly after leaving school and with suitable treatment for various kinds of disadvantaged young people.

In his letter of 10 July, Malcolm Rifkind refers to the problem of any young people who have not had appropriate YTS offers by the end of the year. I have to say that the whole policy depends on MSC fulfilling the guarantee and they are aware of the importance of this. Reasonable flexibility during transitional periods needs to be coupled with firmness over the length of those periods if we are not to create opportunities for evasion. Criticism cannot be avoided, but any backing away from our commitment would lead to more justified criticism.



Any major intervention in the social security system is, of course, complex in detail and officials will need to do further work on implementation and repercussions. I would, however, draw attention to the following important aspects of what is proposed:

- (i) Those groups who at present receive Supplementary Benefit because they are not required to be available for work (the sick, pregnant women, handicapped, single parents and carers) would continue to receive Income Support.
- (ii) During the transitional periods, families receiving benefit would be "topped-up" to reflect the difference between Child Benefit or Waiting Allowance and the Income Support level for the individual concerned.
- (iii) There will inevitably be difficulties in dealing with young people living away from home. These will be heightened by the important consideration lying behind the whole exercise that there is no legal responsibility upon parents to support young people aged over 16. Some young people will be living away from home because of abuse or because they have been in effect thrown out. Others will be living away from home for no good reason. What we propose is that DHSS would try to distinguish between the deserving and undeserving (and their decisions would inevitably be subject to adjudication) but the scale of any abuse would be limited by the fact that it will not be paid beyond December for school leavers or 2 months in any 12 for early leavers.

The costings set out in Annex A to the official note can only be rough estimates because the critical unknown is the impact of reduced or no financial support on the numbers joining the YTS and how long they stay on it. Officials are continuing to work on detailed costing and implementation of my preferred option, but I think it essential to consult colleagues at once because of the importance of both of us preparing the necessary legislation. I can, however, confirm that I will carry the net costs after taking account of DHSS savings within existing resources.

I should be grateful if you and other recipients would let me know whether you agree with these proposals. If not we shall need to meet very quickly to discuss them in the light of the legislative time-table.



Finally perhaps I could take this opportunity to record how I propose to implement our Manifesto commitment to convert the Community Programme into a "Benefit Plus" scheme. I shall be seeking the additional powers I need in the Trade Union and Employment Bill which I shall be ready to introduce as soon as Parliament reassembles in the autumn. Specifically, I shall be seeking the power to pay a benefit-related allowance to participants in the Programme (who would no longer be employees), to extend the benefit sanctions which already apply to refusals of jobs in CP to the new Programme and to extend, as appropriate, the provisions of legislation on Health and Safety and Sex and Race Discrimination to the new Programme. I plan to make the change to Benefit Plus as soon as the legislation comes into effect. I will later put proposals for the level of the premium over benefit but this of course does not affect the legislation.

I am sending copies of this letter to the Prime Minister, Kenneth Baker, Peter Walker, Malcolm Rifkind and John Major.

Norman Fowler

NORMAN FOWLER

FROM: L C HUNT
DATE: 17JULY 1987

1. MR SEDGWICK
2. CHANCELLOR OF THE EXCHEQUER

P.N.S.
17. VII. 87

9/minute to issue?

OR 17/7

cc : Chief Secretary
Paymaster General
Sir Peter Middleton
Sir Terence Burns
Mr F E R Butler
Mr I C R Byatt
Mr N J Monck
Mr T Burgner
Ms M Peirson
Mr A Turnbull
Mr S Davies o/r
Mr P R C Gray
Miss O'Mara
Mr Finnegan
Mr MacAuslan o/r
Mr McIntyre
Mr P Patterson
Mr Cropper
Mr Tyrie

LABOUR FORCE SURVEY

1. You have received a copy of a minute from the Secretary of State for Employment to the Prime Minister concerning proposals to change from an annual to a quarterly Labour Force Survey (LFS). In her minute to Ms Rutter of July 16 Mrs Ryding reported your comment that the proposal was clearly desirable.

2. The LFS is at present an annual survey based on interviews with members of about 60,000 households throughout Great Britain during the spring of each year. The broad results of the 1986 LFS were published in April of this year. The LFS has several important uses. Among these are updating the estimates of employees in employment since the most recent Census of Employment and computing "undercounting" adjustments to the monthly and quarterly employment statistics that are currently based on surveys of employers over the period since the latest LFS. The LFS is the only source of information on self-employment available between the decennial Census of Population. In addition the LFS is used to estimate the size of the Labour Force and thus, as the Secretary of State for Employment points out, provides an estimate of unemployment based on the number of those actively looking for work as opposed to the monthly unemployment series based on those claiming benefits.

3. We understand that the Department of Employment have already experimented with a quarterly LFS but the results, which were only available internally, were based on too small a sample to be of any use. We at the Treasury have not seen any of the results. We understand, therefore, that the Secretary of State's proposals are for a full quarterly survey of about 60,000 households.

4. The more frequent information on the LFS measure of unemployment would obviously have the advantages that the Secretary of State for Employment highlights. It is extremely unlikely, however, that it would ever become the "main" measure of unemployment given the familiarity, speed of publication, and frequency of the monthly claimant count. The regular publication of an alternative measure of unemployment could conceivably induce more criticism of the Government for attempting to "fiddle the unemployment figures", though such a criticism would not be soundly based.

5. There would, however, be distinct advantages on the employment side of a more frequent LFS. The availability of a quarterly LFS would reduce the importance of the surveys of employers in producing quarterly figures for employees, and hence reduce the need for "undercounting" adjustments presently used by the Department of Employment. Moreover, there would be more frequent information available on self-employment rather than the single observation at the middle of each year.

6. The extent of any benefit here would depend upon the speed of publication. The Secretary of State for Employment mentioned in his minute that, at present, there is a one year delay between survey and publication. We understand, however, that the Department of Employment would aim to publish the results of each quarterly LFS in the following quarter. If this aim were achieved it would obviously enhance the benefits to the statistics for employment outlined above.

7. The Secretary of State for Employment mentions a PES bid to fund this additional activity. (He proposes adding £2 million to gross running costs of OPCS and Inland Revenue in each Survey year.) IAE3 advise that in agreeing in principle with quarterly LF surveys you

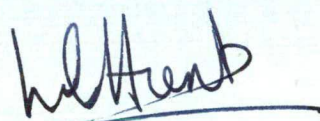
should reserve the Chief Secretary's position on the handling of the PES bid. It ought to be possible for a figure of £2 million to be absorbed within existing running cost baselines.

8. Finally, it is worth bearing in mind that, as you are aware, the Treasury has recently approached the CSO to suggest a review of the quality of economic statistics and the management of the Government Statistical Service. This review would cover, amongst other things, the general priorities for improvements in statistics and where any additional resources could best be deployed. At this stage it is not obvious that additional expenditure on a quarterly LFS should take priority over, say, devoting more resources to the data on manufacturing output or improving the estimates of invisible trade. On the other hand to the extent that DE can fund this proposal from savings elsewhere there is no reason why it should not go ahead with it immediately.

Conclusions

9. There would be considerable advantages in a quarterly LFS. The extent of these advantages will depend crucially on how timely and reliable the new quarterly Survey turns out to be. IAE3 believe that it should be possible for the cost to be absorbed within existing running cost baselines.

10. I attach a draft minute for you to send to the Prime Minister.



L C HUNT

~~DRAFT~~ MINUTE FROM THE CHANCELLOR
TO THE PRIME MINISTER

LABOUR FORCE SURVEY

1. I have ^{seen} ~~received a copy of~~ Norman Fowler's minute to you concerning his proposals to change from an annual to a quarterly Labour Force Survey (LFS).

2. In principle ~~(I think)~~ this is ~~a~~ desirable, ~~proposal since~~ it would greatly enhance the quality and timeliness of our employment and unemployment statistics. It would ~~(hopefully)~~ reduce the extent to which we have to rely on the "undercounting" adjustments which the Department of Employment now need to make when constructing their quarterly employment figures and would provide us with more frequent and up to date information on self-employment. Moreover, quarterly LFS data would give us a regular estimate of unemployment based on the number of those actively looking for work as opposed to the monthly series which simply measures those claiming benefit, though the conventional measure of unemployment would of course continue to be published and would almost certainly still be regarded as the "main" measure of unemployment.

3. As regards the Secretary of State's reference to his PES running cost bid I cannot, of course, at this stage pre-empt the outcome of PES discussions. John

Major will be discussing bids with Norman alongside other competing priorities as the Survey proceeds and will be considering the scope for reductions elsewhere in running cost baselines.

4. I am copying this minute to Norman Fowler, David Young and Sir Robert Armstrong.

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FROM: P R C GRAY
DATE: 20 JULY 1987

CHIEF SECRETARY

cc Chancellor
FST
PMG
EST
Sir P Middleton
Mr F E R Butler
Mr Anson
Mr Kemp
Mr Monck
Mr Burgner
Mr Gilmore
Miss Peirson
Mr Turnbull
Mr McIntyre
Mr MacAuslan - or
Mr TyrieINCOME SUPPORT FOR 16-18 YEAR OLDS

Mr Fowler's letter of 15 July is a follow-up to earlier Ministerial and official exchanges on the implementation of the Manifesto commitment concerning Supplementary Benefit and the YTS.

2. The key issues concern the transitional arrangements - both the gap between leaving school and moving into a YTS place, and what happens if a young person leaves a YTS scheme during the 2 year period. Some of these issues are complex and I apologise for the length of this submission. It recommends that, on certain conditions, you can support Mr Fowler's proposals, and should resist some weakening proposed by Mr Moore in his letter of 17 July.

BACKGROUND

3. Mr Fowler's earlier proposals centred on a £15 a week waiting allowance before youngsters moved into the YTS, but with the possibility of a universal 1 month extension of child benefit into September. In your letter of 29 June you queried the 1 month CB extension; and also suggested the possibility of a lower £10 rate of waiting allowance. Mr Norgrove's letter, also of 29 June, set out the Prime Minister's view (on Policy Unit advice) that CB might be paid right up to the point a youngster moved into YTS or a job.

4. As Mr Fowler says, we have been discussing matters further with DE, DHSS and the Policy Unit. But, contrary to the implication in his letter, the paper by officials has not been fully agreed; many of our comments on the last version have been ignored.

5. The main point we have been pressing is the need to clarify the administration for the different options. How they are operated will substantially affect their cost. But progress on this has been slow, and Mr Fowler has concluded he should put the issues to his colleagues again before these matters are sorted out "because of the importance of preparing the necessary legislation".

COSTINGS

6. The costings in the officials' paper are unclear, and in some respects out of date. They are also highly uncertain. I suggest you totally ignore Annex A. Annex B is somewhat more helpful, and sets out the impact of the proposed options and various other key assumptions.

7. Perhaps the main point to note is that the net cost of the policy change is a result of some significantly larger gross figures. We are near to finalising with DE and DHSS the precise figures for the DHSS savings to be transferred to DE; these are something under £100 million a year. The additions to basic YTS costs will depend critically on how many young people are driven onto the scheme, but the Treasury is protected here by the cash limit on DE/MSD provision.

8. The figures assume the new arrangements will operate from April 1988. But because of the legislative requirements, the new system will not be able to start until September 1988. This will add to net costs initially, because the SB savings are fairly evenly distributed through the year, whereas the extra CB costs are concentrated in the Autumn. We are pursuing the detailed implications with Departments.

THE ISSUES

- (i) Exemptions from new regime (para 3-4 of officials' paper)

9. The issue is the definition of those young people who, even after any transitional period, will not face the choice of going on YTS or losing their benefit. We see no difficulty with the proposition that those who are so disabled that they are not "required to be available for work" should be exempted.

10. The more difficult area is those with lesser disabilities who, while registered as "disabled", are available for work. Mr Fowler's earlier proposal was to review these cases on a 3 month rolling basis. Neither he nor Mr Moore have addressed this specific issue in their latest letters, though DE are still working on the assumption of 3 month review. In practice it ought to be possible to ensure all the lesser disabled are placed on YTS or Community Industry, and it might be worth your stressing this.

- (ii) Options for school leavers (paras 15-27 of officials' paper)

11. The issues are for how long transitional assistance should be available between leaving school and going into a YTS place, and whether the assistance should take the form of a new-style Waiting Allowance or continuation of Child Benefit. DE now propose assistance for up to 4 months and the continuation of CB.

12. We recommend you to go along with this, on the following conditions:

- (a) further work by officials must demonstrate that CB is the cheaper option.
- (b) in particular the administrative arrangements must minimise the amount of deadweight in continued CB payments. DHSS figures show that at end-August there are nearly 300,000 CB recipients in this age band, whereas the present costings assume that the continued CB payments can be

restricted to around 100,000 (the present number of SB claimants). That only seems credible if there is a clear cut-off of the existing CB system, with the transitional claimants or their mothers having to re-apply for CB books after registering with DE/the Careers Service. There also needs to be an effective system of quickly stopping the cashing of CB vouchers once youngsters have moved into a job or a YTS place.

(c) it must be absolutely clear that no further payments will be made after the end of December (or a comparable period for Christmas/Easter school leavers). Mr Rifkind had earlier questioned this, given the possible difficulties of finding YTS places in that time-scale. Mr Fowler, helpfully, says that it is essential that MSC deliver. But it would be prudent for your response to reiterate unequivocally that after end-December all state benefit support will be withdrawn.

(d) Mr Fowler accepts that he will carry the net costs of the new system within his existing resources after taking account of the DHSS savings being transferred to him. But if the transitional system is to be based on CB, we must avoid being vulnerable to future estimating increases through allowing the continued CB payments be carried on DHSS's non-cash limited programme. A possible solution would be for DHSS to act as DE's agent, and then capture the spending within the DE Group's cash limited provision.

(iii) Top-ups to CB payments (para 5 of officials' paper)

13. The paper sets out the case for topping-up the transitional CB payments to Income Support levels in the case (a) of families already on IS and (b) young people not living at home with their parents.

14. IS families account for 40% of unemployed young people in this age group. So topping-up from £7.25 to £19.40 imposes a substantial extra cost and would take away most of the immediate benefit sanction

for a large proportion of the youngsters. But we think you will have to concede this. Again the key condition is that all such payments are strictly time limited and will stop after the end of December.

15. Young people away from home are more problematic. Mr Fowler proposes (sub-paragraph iii on the second page of his letter) that DHSS seek to distinguish between the deserving and the undeserving (and to top up the former); Mr Moore goes along with this. If there was any question of this being a continuing regime, we would have major doubts, because it would create an incentive for young people to leave home. But with the strict 4 month time limit we recommend that you live with this proposal, while stressing the need for a vigorous approach to the "deserving".

(iv) Definition of suitable YTS offers

16. The issue is whether any attempt should be made to stop CB/IS payments during the transitional 4 month period if young people refuse "suitable" YTS offers. The paper and Mr Fowler's letter are unclear on this, but Mr Moore urges that cessations of payments should not be made - because of the difficulties of defining "suitable".

17. The new system must apply penalties for refusing reasonable offers. But Mr Moore has a point on administrative (and conceivably judicial review) grounds. The issue is whether to try to cut off benefit from scroungers as soon as possible, on a case by case appraisal, or go for the broad-brush approach of de facto allowing 4 months benefit in all such cases and then applying a blanket cut-off. On presentational grounds there is a strong case for having the penalty power to withdraw benefit earlier, though in practice it could be of limited use. You could ask for officials to consider the administrative aspects further.

(v) Regime for early leavers (para 28-38 of officials' paper)

18. The issue concerns YTS trainees who leave schemes during their 2 year period. The problem is to distinguish between those who do so for good reason and those who unreasonably want to escape the

scheme and get back on to benefit. The Manifesto policy requires that the latter category should be penalised. As with the school leavers, the main problem category is likely to be young people living away from home.

19. To be sure that all scroungers were caught, an elaborate adjudication system would be required. As with the CB payments for school leavers this would be difficult to administer and could raise the spectre of judicial review. So on balance we recommend you to go along with the proposal of a waiting allowance system without rigorous adjudication, subject to a basic cut off that the allowance would be payable only for up to 2 months in any 12. After that all state support would again be withdrawn.

(vi) Levels of support for early leavers (paras 36-37 of officials' paper)

20. Messrs Fowler and Moore take differing views here. DE propose a flat rate of £15 a week, somewhat below IS levels and justified on the basis that this is short-term assistance. (IS support would, as for school leavers, be paid to IS families and "desirable" young people away from home). But Mr Moore argues this "discrimination" could not be justified and that the waiting allowance should be paid to all at the IS level - £4.40 higher implying an extra cost of about £1.5 million.

21. Given the basic condition about DE funding the scheme within existing resources, it might not be worth dying in the last ditch over this. But we think you should support the DE proposal of £15. This is an allowance to deal with special circumstances and we think it perfectly reasonable to divorce it from the level of IS judged appropriate for longer periods of state support.

COMMUNITY PROGRAMME

22. In his last paragraph Mr Fowler gives his legislative plans for the move to "benefit-plus" in the Community Programme. These are acceptable. He will be writing separately about the level of the "plus", where you proposed £10 against his £15 - an important issue for the Survey.

CONCLUSION

23. We recommend you broadly to support Mr Fowler's proposals, subject to a number of conditions. These are set out in the attached draft letter.

24. This submission and the draft letter have been agreed with ST1 Division.

REC.

P R C GRAY

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DRAFT LETTER FOR THE CHIEF SECRETARY'S SIGNATURE

Write to: Secretary of State for Employment

Copied to: Prime Minister, Secretaries of State for Education, Wales, Scotland and Social Services.

INCOME SUPPORT FOR 16-18 YEAR OLDS

Thank you for sending me a copy of your letter of 15 July and the enclosed paper. I have also now seen John Moore's reply of 17 July. I have a number of comments on the proposals.

2. I am broadly content that allowances paid to school leavers before they are placed in the YTS or a job should take the form of an extension to Child Benefit, subject to further work by officials demonstrating that this is the most cost-effective solution.

3. In particular, the administrative arrangements for this option have yet to be settled. Simply rolling forward CB payments for a further 4 months carries the risk of very high deadweight costs. It is essential that there should be a clear break in the system at 31 August, with those seeking jobs or YTS places (or their parents) having to reapply for CB payments after they have registered their interest in a job or the YTS with your Department. Similarly there must be effective arrangements for cancelling CB payments immediately a young person has been placed. Until these arrangements are clarified it will not be possible to confirm whether or not continued CB is the best approach. I hope that therefore officials can make rapid progress on this aspect.

4. My conditional support for the CB option also rests on two other key points. First, it must be quite clear that after the end of December (or a comparable period for Christmas/Easter leavers) no further payments will be made; it is at this point that state support for those refusing to join the YTS ends.

5. Second, we need to ensure that your Department takes over financial responsibility for the continued CB payments, in order to satisfy your undertaking to carry the (necessarily uncertain) net costs of the policy change within existing resources (as supplemented by the agreed figure of DHSS savings). Officials will need to discuss the best mechanics, but one possibility would be for DHSS to act as your department's agent for this service.

6. I am content with your proposals for topping up continued CB payments in respect of families receiving income support and young people living away from home. But in relation to the latter category it will be important to take a rigorous approach to establish the "deserving" cases. The general thrust of our policy would be undermined if moving away from home was seen to be a significant loophole.

7. John Moore has suggested that no attempt be made to withdraw the CB payments during the September-December period on the grounds of refusal to accept a suitable YTS offer. I have great difficulty with this. It could imply paying benefit (possibly topped up to income support levels) for a full 4 month period even when a youngster has made clear from the word go that he or she is not going to co-operate. That hardly looks like a tightening-up of policy and would weaken the overall thrust of our new approach. Against that, I recognise there could be administrative difficulties. Perhaps officials need to look at how best to design a penalty provision further as part of their general consideration of the administrative arrangements.

8. For early leavers I agree that a waiting allowance system without detailed adjudication, but backed up by a rigorous limit of 2 months maximum in any 12, is the best way forward. As you know, when we were considering earlier the possibility of a waiting allowance system for school leavers, I saw attraction in fixing the allowance at £10. In the case of the present early leavers proposal, I would not press that figure, and would accept £15.

9. But I do not accept John Moore's proposal that in all cases this has to be topped up to the IS rate. There are bound to be

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attempts to compare the £15 allowance with those paid to other categories, but the YTS early leavers are a distinct group and it is perfectly reasonable to pay a lower rate for this type of short-term special case. If it is acceptable to pay an allowance at CB rate for up to four months in respect of a 16 year old school leaver before he or she goes on to the YTS, I cannot see why an allowance roughly double that level is not acceptable if he or she has a break of no more than two months between YTS schemes when they are 17.

10. One final point on SB. You stress that those who are at present not required to be available for work will continue to receive IS. I accept that. I take it you still envisage that those with lesser handicaps, though still registered disabled, would be subject to a 3 month review period if they have not been placed in YTS or Community Industry at the end of the initial transitional period. I would not object to that, but take it your clear objective will be to ensure that all the lesser handicapped are placed during this period and that this is not seen by scroungers as a potential loophole in the benefit restrictions.

11. I am content with your legislative proposals for handling "benefit plus" and I note that you will be making proposals later for the level of the premium.

12. I am sending copies of this letter to the Prime Minister, Kenneth Baker, Peter Walker, Malcolm Rifkind, and John Moore.

FROM: A E W WHITE

DATE: 27 July 1987

- 1. MR MCINTYRE
- 2. CHANCELLOR

- cc Chief Secretary
- Sir P Middleton
- Mr F E R Butler
- Mr Monck
- Mr Burgner
- Miss Peirson
- Mr Scholar
- Mr Turnbull
- Mr Pratt
- Mr Gray
- Mr Gibson o/r
- Mr Tyrie

Jim 27/7.

CK
Letter to issue?
27
27/7
OK

REDUNDANCY FUND AND THE EPA IN 1988-89

Norman Fowler's letter to John Moore of 30th June proposes that the EPA (Employment Protection Allocation) should be set at zero for 1988-89 and for the following three years. He argues that the present state of the Redundancy Fund is embarrassingly healthy and that without a further reduction in the EPA rate the surplus in future years will be quite indefensible.

2. You will remember that Kenneth Clarke wrote at about the same time last year. We would advise you to do ^{no} more than note Mr Fowler's points and say that NIC decisions are taken in the Autumn, as Mr Fowler knows, and as Mr Moore has acknowledged in his own reply.

3. Last year, to help ease Mr Clarke's problems over the Redundancy Fund surplus, there was a reduction in the EPA rates from 0.25% for employees and 0.20% for employers to 0.07% and 0.06% respectively. At the same time the NHS allocation was increased from 0.75% for employees and 0.6% for employers to 0.85% and 0.7% respectively. The main rates of contributions were not changed, of course, and remain at 9% for employees and 10.45% for employers. The balance of the EPA reductions therefore passed to the National Insurance Fund.

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4. Setting the EPA at zero (Mr Fowler's proposal), but maintaining the main NIC rates at their present levels would result in greater contribution income for the NI Fund. The Fund is itself in a very healthy state: at present ST estimates that the balance on the Fund in 1988-89 will be over 30 per cent of benefit expenditure and that the surplus will be about £1.8 billion.

5. We will be letting you have a detailed submission in September on the state of the Fund and options for handling the presentation of the surplus. These will include, as options to reduce the surplus, a further increase in the NHS allocation and reduction/abolition of the Treasury Supplement.

6. I attach a draft reply to Mr Fowler.

Jim

pp A E W WHITE

CONFIDENTIAL

Pl type for signature

**DRAFT LETTER FOR THE CHANCELLOR'S SIGNATURE TO THE SECRETARY OF
STATE FOR EMPLOYMENT**

Thank you for sending me a copy of your letter to John Moore of
30th June.

I have now seen a copy of John's reply, with which I agree. As
you know, final decisions about the rates and structure of NICs in
1988-89 will be taken in the autumn. In the meantime it is
helpful to know that you are willing to defend the absence of a
reduction in the main NIC rate should that prove necessary.

NIGEL LAWSON



M

Caxton House Tothill Street London SW1H 9NF

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REC.	- 5 AUG 1987
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David Norgrove Esq
Private Secretary
10 Downing Street
London SW1

✓ -

4 August 1987

Dear David,

**LATEST ESTIMATES FOR EMPLOYEES IN EMPLOYMENT IN
MANUFACTURING INDUSTRIES AND THE EMPLOYED LABOUR FORCE IN
GREAT BRITAIN**

As you know we sometimes issue in advance of the full brief on labour market statistics a short brief on the employment figures which are issued in the labour market statistics press release. I am enclosing a copy of this month's brief.

The most notable aspect of these figures is the increase in the number of employees in manufacturing by an estimated 10,000 in the second quarter with increases in both May and June. This is an encouraging sign but it will not be possible to judge whether this is a reversal of the downward trend until estimates for subsequent months are available.

Copies of this go to Alex Allen (Treasury) and Timothy Walker (Trade and Industry).

*Yours sincerely,
Caroline*

Caroline Slocock
Private Secretary

NOTES ON THE LATEST ESTIMATES FOR EMPLOYEES IN EMPLOYMENT AND THE EMPLOYED
LABOUR FORCE IN GREAT BRITAIN

(all figures seasonally adjusted unless otherwise stated)

1. Figures for employees in the whole economy and the employed labour force (employees in employment, the self employed and HM Forces) in Great Britain remain the same as reported last month except for a marginal revision to some March 1987 figures to take account of additional data now available. The employed labour force is still estimated to have increased by 257,000 in the year ending March 1987 and by 1,224,000 since March 1983 when the upward trend first began.

2. The number of employees in employment in manufacturing industries in Great Britain is estimated to have increased by 10,000 in June 1987. The estimated increase in the three months from March to June was also 10,000; this compares with decreases of 31,000 in the first quarter of 1987 and 54,000 in the second quarter of 1986. This improvement in the manufacturing employees figures is consistent with the sustained optimism shown by the last two CBI surveys, and the London Business School's assessment that the long standing decline in manufacturing may be over. However the manufacturing employees series can move erratically and one cannot be sure that the increase in the second quarter will prove to be more than a temporary fluctuation within a continuing gradual downward trend.

3. Recent figures are set out in the attached Table 1 which follows the format used in the press notice. The attached graph shows trends since 1976.

4. Regional employment estimates have now been revised to reflect the revisions to the national estimates introduced last month. Regional figures for the year to March 1987 are shown in table 2. Over that year

the civilian employed labour force is estimated to have increased (though only marginally in the Northern Region) in every region of GB except Scotland where the estimates show a marginal fall. Over the four year period since March 1983, when the GB employed labour force began to increase, the civilian employed labour force is estimated to have increased in all regions.

5. Overtime working by operatives in manufacturing industries was 12.80 million hours a week in June and the average for the second quarter was 12.55 million hours a week. After fluctuating around 11½ to 12 million hours a week through 1986, overtime working has increased in recent months and is now a little above the peak level of some 12 million hours a week sustained through much of 1985 though still well below the level of some 15 million hours a week observed in the late 1970's.

6. Short-time working resulted in the loss of 0.28 million hours a week in manufacturing industries in June 1987 which made an average of 0.37 million hours per week lost for the second quarter of 1987. This compares with averages of 0.46 million hours per week lost in the previous quarter and 0.51 million hours per week lost in the second quarter of 1986.

7. Table 3 attached shows the overtime and short-time figures for recent months, with the derived index of working hours, in the format used in the press notice.

STATISTICS DIVISION
DEPARTMENT OF EMPLOYMENT

August 1987

TABLE 1
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								
1985	October	5,260	- 5	- 0		566	- 2									
	November	5,246	-14	- 3		562	- 4									
	December	Q4 5,244	- 2	- 7	- 21	557	- 5	- 11	13,968	+ 74	1,300	-10	21,069	+ 32	23,951	+ 34
1986	January	5,236	- 8	- 8		547	-10									
	February	5,211	-25	-12		545	- 2									
	March	Q1 5,205	- 6	-13	- 39	540	- 5	-17	14,043	+ 75	1,291	- 9	21,079	+ 10	23,964	+ 13
	April	5,195	-10	-14		537	- 3									
	May	5,165	-30	-15		534	- 3									
	June	Q2 5,151	-14	-18	- 54	530	- 4	-10	14,126	+ 83	1,292	+ 1	21,099	+ 20	23,987	+ 23
	July	5,131	-20	-21		526	- 4									
	August	5,118	-13	-16		522	- 4									
	September	Q3 5,113	- 5	-13	- 38	520	- 2	-10	14,212	+ 86	1,281	-11	21,126	+ 27	24,041	+ 54
	October	5,108	- 5	- 8		517	- 3									
	November	5,109	+ 1	- 3		512	- 5									
	December	Q4 5,106	- 3	- 2	- 7	510	- 2	-10	14,278	+ 66	1,284	+ 3	21,178	+ 52	24,116	+ 75
1987	January	5,081	-25	- 9		503	- 7									
	February	5,080	- 1	-10		501	- 2									
	March	Q1 5,075	- 5	-10	- 31	496	- 5	-14	14,384	+106	1,303R	+19R	21,258R	+ 80R	24,221	+105
	April	5,068R	- 7R	- 4R		489	- 7									
	May	5,075R	+ 7R	- 2R		488	- 1									
	June	Q2 5,085	+10	+ 3	+ 10	491	+ 3	- 5								

* = Average monthly change over last three months
R = Revised to incorporate late data now available.

Table 2:

Regional Employment Change in year ending March 1987

Thousand (not seasonally adjusted)

	Employees in Employment	Civilian Employed# Labour Force
South East	+72	+103
East Anglia	+34	+ 35
South West	+23	+ 28
West Midlands	+32	+ 35
East Midlands	+14	+ 19
Yorkshire and Humberside	+ 9	+ 15
North West	+ 5	+ 13
North	- 1	+ 2
Wales	- 1	+ 7
Scotland	-10	- 1

Employees in employment plus self employed: self employment assumed to increase after June 1986 at the average rate observed between 1981 and 1986.

Employment in Great Britain

Seasonally adjusted

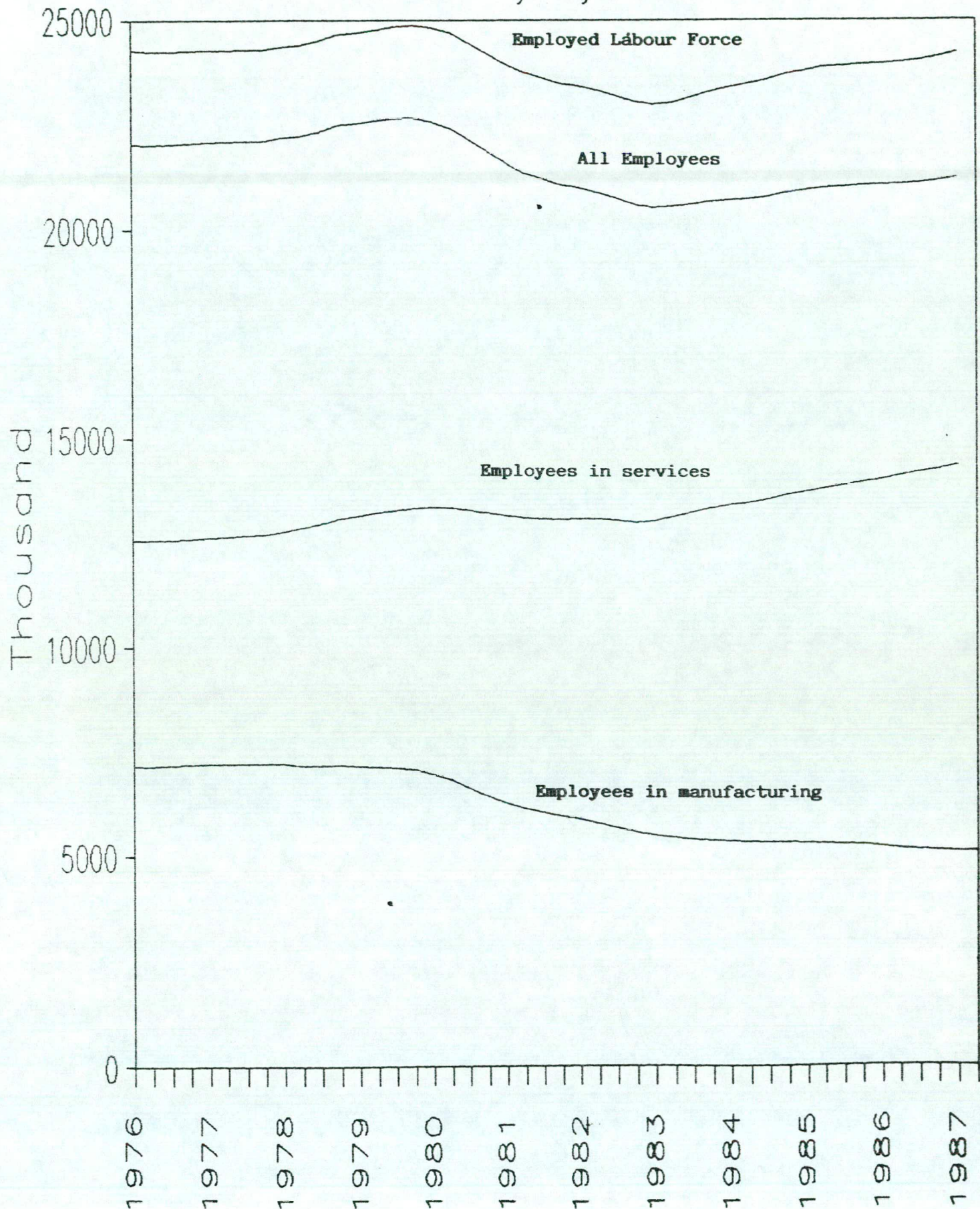


TABLE 3 : WORKING HOURS OF OPERATIVES IN MANUFACTURING INDUSTRIES
Great Britain, seasonally adjusted

		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	Jan	11.92	0.42	103.4
	Feb	11.77	0.40	103.2
	Mar	11.82	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	12.51R	0.46R	103.4
	May	12.34	0.38R	103.3R
	Jun	12.80	0.28	103.6

R = Revised

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M

CH/EXCHEQUER	
REC.	10 AUG 1987 ✓ <i>10/10</i>
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	S J DAVIES.

Caxton House Tothill Street London SW1H 9NF
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 Switchboard 01-213 3000

*Be sure to check and return
 weekly jobs etc.*

David Norgrove
 Private Secretary
 10 Downing Street
 London
 SW1A 2AA

✓

10th August 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 13 August and confidential thereafter.

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

Yours sincerely

Peter Baldwinson

Peter Baldwinson
 Private Secretary

FROM: P L PATTERSON

DATE: 12 August 1987

1. MR S J DAVIES *SGD*
 2. ECONOMIC SECRETARY

cc **Chancellor**
 Chief Secretary
 Financial Secretary
 Paymaster General
 Economic Secretary
 Sir P Middleton
 Sir T Burns o/r
 Mr Cassell
 Mr Monck
 Mr Sedgwick o/r
 Mr Scholar o/r
 Mr Culpin o/r
 Miss O'Mara o/r
 Mr Pickford
 Mr Dyer (+1 for No.10)
 Mr Hudson
 Mr Hunt
 Mr MacAuslan
 Mr Call
 Mr Cropper
 Mr Tyrie
 HB/001

COMBINED RELEASE OF LABOUR MARKET STATISTICS ON 13 AUGUST

Summary Statistics (seasonally adjusted GB unless otherwise stated)

	<u>Thousands</u>	Level	Change on previous period	Change on previous year
<u>Unemployment (UK)</u>				
Total (excl. school leavers) July		2,878	-48	-335
Total (not seasonally adjusted) July: 'Headline Total'		2,906	+1	-373
<u>Vacancies (UK) July</u>		235	+2	+42
<u>Employed labour force 1987Q1</u>		24,221*	+105*	+257*
<u>Manufacturing employment June</u>		5,085	+10	-66
			<u>Percentage change on previous year</u>	
<u>Index of average earnings</u>				
Whole economy June, underlying (actual)			7½ (7.7)	
<u>Wage and salary costs per unit of output</u>				
Whole economy 1987Q1			4.1*	
Manufacturing 1987Q2			1.3	
<u>Output per head</u>				
Whole economy 1987Q1			3.3*	
Manufacturing 1987Q2			6.4	

* no change since last month's note.

Unemployment

2. Seasonally-adjusted adult unemployment (excluding school leavers) fell between June and July, by 48,000 to 2.878 million (10.4 per cent). The average monthly fall in the seasonally adjusted total is 47,000 over the last three months and nearly 40,000 over the last six months.
3. The headline total rose by 1,000 to 2.906 million, 10.5 per cent of the working population. There was a rise of just under 7,000 among adults, which was nearly offset by a fall of over 5,000 among school leavers.
4. The stock of vacancies at Jobcentres (seasonally adjusted) increased in July by 2,000 to 235,000.
5. Points of interest:
 - (a) Seasonally adjusted total now at lowest level since May 1983.
 - (b) Seasonally adjusted total has fallen for thirteen months in succession since June 1986, by 335,000 in total.
 - (c) Also fallen by 335,000 over past year, the largest twelve-month fall since records began.
 - (d) Fall in 'headline' total of 373,000 compared with year ago, also largest on record.
 - (e) Male unemployment (seasonally adjusted, adult) has fallen in each of the last thirteen months, and by 200,000 over past year. Female unemployment fell in July for the sixth month running, to maintain the general downward movement since last August.
 - (f) Unemployment fell in all regions in July, although only slightly in Northern Ireland. Over past twelve months unemployment has fallen throughout the UK, with the largest falls in unemployment rate in Wales, the West Midlands and the North West.
 - (g) UK unemployment rate fallen more in past year than in any other industrialised country.

(h) [Figures for long-term unemployment in July are NOT YET AVAILABLE, but partial analysis suggests that there has been a substantial fall of 40,000 or more since April in the number of claimants unemployed for more than a year, in part due to favourable seasonal influences. Over the past year, there is likely to have been a fall of approaching 100,000.]

(j) The stock of vacancies increased by 2,000 in July to 235,000, the highest level since the current series began in 1980. Inflows of notified vacancies and placings into jobs fell back sharply in July after fluctuating over the past few months. [NOT FOR USE: DE again warn that these movements should be interpreted with caution as they are likely to have been influenced by reduced MSC activity in following up placings. The latest month's flows were probably also affected by the Civil Service dispute.]

(k) Seasonal influences in August will be very small. The headline total is therefore likely to fall, assuming a continuation of the downward trend.

Assessment

6. [NOT FOR USE: DE think the fall of 48,000 in July would have been perhaps 5,000 smaller if the Civil Service strikes had not raised the June total. They estimate the effect of employment measures on the count to have been broadly neutral in July, with a decline in the numbers helped by the Community Programme offset by the building up of the new Job Training Scheme. Restart interviews (for those who have been unemployed for six months) and availability testing are continuing to have a downward impact on the count. Whilst emphasising the uncertainty in quantifying these factors, DE suggest that the strength of economic activity may account for as much as half the current downward trend in unemployment of up to 40,000 per month, and perhaps the whole of the increase^{in the} rate of decline in recent months.]

7. Taking the claimant and non-claimant school leaver figures together, there appears to have been a significant improvement in school leaver unemployment compared with a year ago, partially attributable to the extension of YTS to a 2 year programme.

8. Figures for long-term unemployment in July are not likely to be available until next week. They will probably not be published until the next DE Gazette on 3 September, when they may be accompanied by a special press notice drawing attention to the good news.

Employment

9. The new employment figures available this month are for employees in manufacturing industries in June and the second quarter of 1987.

10. Manufacturing employment is estimated to have risen by 10,000 in June, following a revised increase of 7,000 in May and a fall of 7,000 in April. The resulting increase of 10,000 in the second quarter of 1987 compares with decreases of 31,000 in the first quarter of 1987 and 54,000 in the second quarter of 1986. This is the first quarterly increase in manufacturing employment since 1984Q4, and the largest such increase since 1978.

11. DE say that this improvement in the figures for manufacturing employees is consistent with the optimistic outlook shown by the last two CBI surveys, and the London Business School's assessment that the longstanding decline in manufacturing employment may be over. However, these figures can move erratically and it would be unwise to read too much significance into one quarter's increase. Nevertheless the high level of overtime working lends support to the view that the downward trend in manufacturing employment may be slowing.

Other features

12. The underlying increase in average earnings in the year to June was $7\frac{1}{4}$ per cent, the same as in April and May. Many City commentators are expecting a figure of 8 per cent because of the inclusion of the nurses' settlement and continuing high levels of overtime working. However, lower settlements this year than last and compositional changes in the workforce (eg an increase in numbers of temporary teachers) have acted to keep down the underlying increase. (Settlements in manufacturing and in the private services sector are still lower than a year ago and hence reducing year-on-year earnings growth. However, the same is only just true for the whole economy figures which are adversely affected by higher public services settlements this year.) [NOT FOR USE: DE statisticians are currently projecting no change in the $7\frac{1}{4}$ per cent rate of increase of underlying earnings in July and August, although they warn that it could move up to 8 per cent if overtime or bonus payments increase further. More ominously, the local authority manual workers' settlement (likely to be 10.6 per cent over a 14 month period backdated to July, much larger than last year's deal), the second stages of the teachers' and civil servants' deals, plus London weighting for bank employees, are likely to result in September and October figures of 8, or even $8\frac{1}{4}$ per cent.]

13. In the current climate of opinion in the City, the earnings figures are likely to claim most attention. The level of overtime working in manufacturing is sharply up (now above

the peak level of some 12 million hours a week sustained through much of 1985), and this too may cause some commentators to raise fears about earnings growth in future months.

14. Figures for manufacturing output, to be published at the same time as the labour market statistics, result in a level of manufacturing output per head in the second quarter of 1987 6.4 per cent higher than a year earlier. Unit wage and salary costs in manufacturing rose by 1.3 per cent over the same period.

MANUFACTURING: PERCENTAGE INCREASE OVER PREVIOUS 12 MONTHS

	Average Earnings	Output per head	Wages and salaries per unit of output
1986 Q1	7.9	0.5	7.3
Q2	7.5	1.2	6.2
Q3	7.1	3.8	3.2
Q4	8.0	6.1	1.6
1987 Q1	7.8	6.9	0.7
Q2	7.7	6.4	1.3

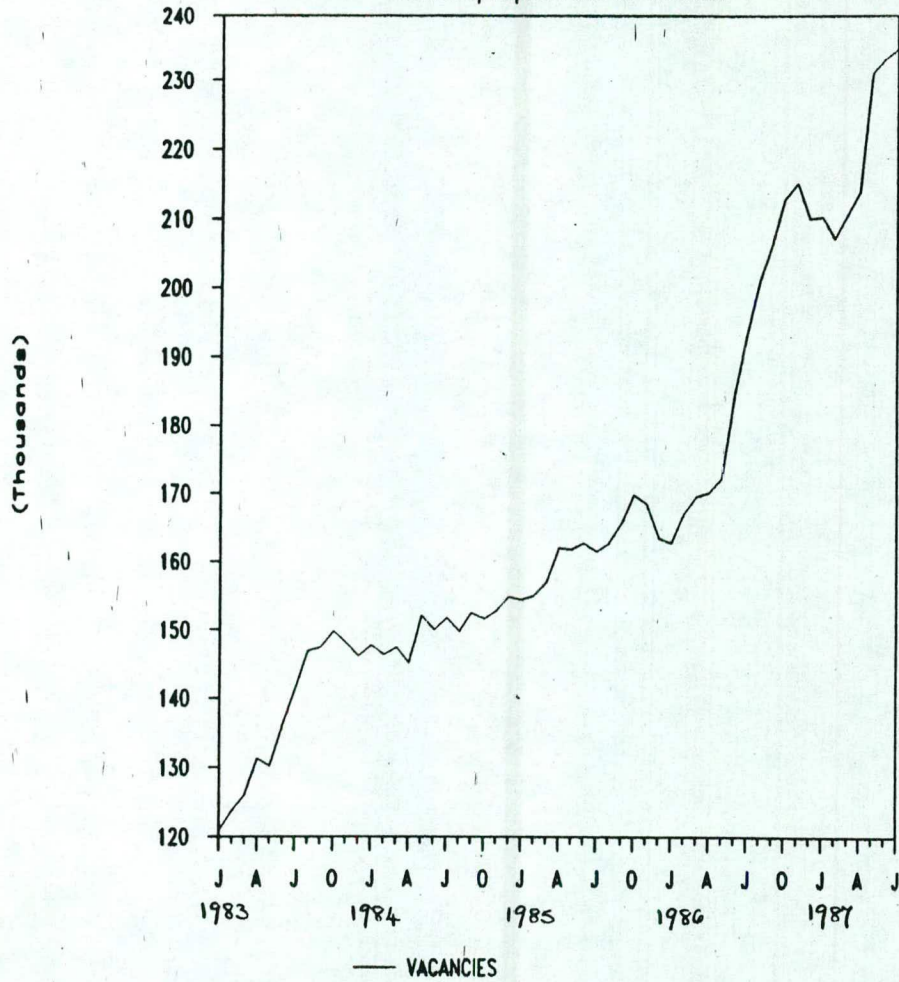
Peter Patterson

P L PATTERSON

PERSONAL AND CONFIDENTIAL UNTIL 11:30 AM ON
13 AUGUST 1987

UNFILLED VACANCIES AT JOBCENTRES: UK

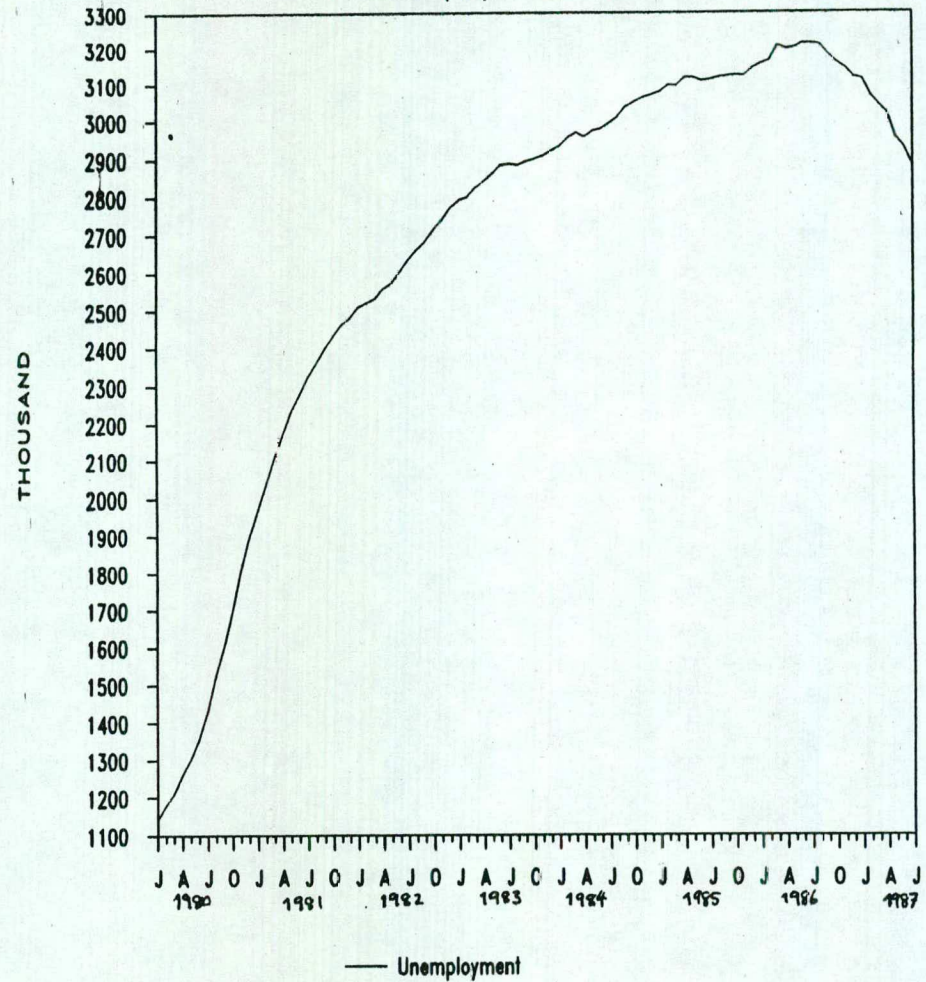
seasonally adjusted exc. CP vacancies



PERSONAL AND CONFIDENTIAL UNTIL 11:30 AM ON 13 AUGUST 1987

UNEMPLOYMENT: UK

seasonally adjusted exc school leavers





ND

Alex - I wdn't have thought C needed to see this - wld you?

INLAND REVENUE
MANAGEMENT DIVISION
SOMERSET HOUSE
FROM: R H ALLEN
TEL : 438 6076
DATE: 19 AUGUST 1987

FINANCIAL SECRETARY

✓

TAXATION OF UNEMPLOYMENT BENEFITS (TUBS) - EFFICIENCY SCRUTINY

1. An Efficiency Scrutiny of the Taxation of Unemployment Benefits was completed earlier this year by Diane Hay in consultation with the Department of Employment. The Scrutiny Report was sent to you on 28 April and concentrated on the ways in which the existing system could be made to operate more efficiently. This submission invites your approval of the "Action Plan".

cc

Chairman
Mr Isaac
Mr Painter
Mr Rogers
Mr Pollard
Mr Beighton
Mr Crawley
Mr Cherry
Mr Matheson

Mr Page
Mr Bush
Mr Yard
Mr Nield
Mr Eason
Mr Marshall
Mr Fraser
Mr Gould
Mr Allen

BIR

cc

PS/Chancellor

PS/CST

PS/Sir P Middleton

Mr Burgner

Miss Peirson

Mr Schlor

Miss^M Hay (FP)

Background

2. Unemployment Benefit and Supplementary Benefit for the unemployed have been taxable since July 1982 under a modified form of the PAYE system operated by Unemployment Benefit Offices. Under the system, normal PAYE is suspended while a person is unemployed and claiming benefit, and only operates at the end of the benefit claim (or the end of the tax year if that occurs first). Although tax is not deducted from benefit week by week the arrangements mean that - unlike the position before benefit was taxable - no refunds of income tax are paid to an unemployed person while he is claiming benefit, unless he is still claiming at the end of the tax year. At the end of the benefit claim, or the tax year, a normal PAYE calculation is made taking account of both earnings and benefit, and either a tax refund issued or an adjustment to the tax code made if tax has been underpaid. The procedure is dependent on a claimant's tax position being established by the Unemployment Benefit Office either from the P45 from his previous job, or where this cannot be obtained, from Inland Revenue via a network of "liaison Districts".

The Scrutiny Report

3. The full report of the scrutiny makes 31 recommendations, the great majority of which are aimed at reducing the current volume of paper generated by the system (some 15 million pieces a year) and increasing its accuracy and efficiency - and hence the tax yield which it generates. The summary of the report is attached at Annex 1. Its major recommendations are:-

1. To scrap the system of liaison Districts and replace them with one centralised office to handle most routine work on taxation of benefit in England and Wales.
2. To replace large numbers of hand written notifications of new claims from UBOs to the Revenue with a computer produced schedule.
3. To improve liaison at all levels especially between investigative and compliance units in each Department; and to review the different confidentiality rules and their observance in each Department.
4. To issue a basic guide to the taxation procedure to staff in both Departments.

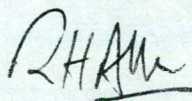
The report estimates that if its recommendations are carried out in full net staff savings of 115 would result in the two Departments with a possible increase in the tax yield of up to 5%.

The Action Plan

4. The attached Action Plan (Annex 2) has been drawn up jointly with the Department of Employment and sets out the two Departments' agreed response to the Report. The key recommendations for scrapping the system of liaison Districts and centralising the routine work have been agreed but we will need to study further recommendations for suppressing some of the inter-Departmental paper output produced by DE computers and creating instead microfiche records in the Inland Revenue. Our ability to take these recommendations on board will depend on the

availability of staff to prepare and implement a microfiche system.

5. Centralising the routine work now done in liaison Districts is not in strictness dependent upon the introduction of microfiche facilities. However if we cannot achieve (at least initially) the 48 staff savings attributable to putting relevant information on microfiche, the size of the Central Unit and the need for accommodation will have to be increased accordingly. This could necessarily affect the implementation date for centralisation.
6. Even if this saving of 48 Revenue staff cannot be achieved, the saving of 100 DE staff which would flow from introduction of a computer-produced schedule to replace individual forms P46U would frank the potential costs for both IR and DE of implementing other recommendations.
7. Most of the other recommendations have been agreed and the view of the Department of Employment and ourselves is that once implemented the recommendations should lead to a simpler and more easily administered system.
8. An earlier version of the Action Plan has already been submitted to Mr Lee, Minister at the Department of Employment and my colleague at DE is awaiting the Minister's comments. The Department of Employment are proposing to leave it to Inland Revenue to arrange eventual submission of the Action Plan to the Efficiency Unit and in due course when it has received your approval I would be happy to arrange for this to be done.



R H ALLEN

CHAPTER 1 - SYNOPSIS OF REPORT

Outline of TUBs (Taxation of Unemployment Benefits)

- 1.1 Unemployment benefits paid to those required to be available for work have been taxable since July 1982. In most cases benefits are taxed through the operation of a modified form of PAYE by the DE. This principally differs from ordinary PAYE in that tax is not deducted from benefit payments and refunds of tax are not made until the claim finishes or the 5 April, whichever is earlier.
- 1.2 The main effects of TUBs have been
- a reduction in the tax refunded to the unemployed
 - a large staff cost for the Revenue, offset to some extent by a significant reduction in repayments
 - a large staff cost for the DE.
- 1.3 The expected yield from TUBs is estimated to be £400 million per annum and it is considered that the actual yield may not be much lower than this. The current cost of administering the scheme is around £40 million per annum. The total number of staff needed to do the work is assessed at 3120, 60% of which are Revenue and 40% DE.

The Scrutiny

- 1.4 An Efficiency Scrutiny was suggested because there were indications that the present procedures were giving rise to problems in both departments, in particular the current liaison arrangements.
- 1.5 Both Trade Union Sides have been kept informed throughout the scrutiny.

Principal Findings

- 1.6 The principal findings of the scrutiny are
- 50% of all recipients of unemployment benefits are not liable to tax, even after taking their benefit into account, and the overall average rate of tax is 7½%
 - TUBs generates a vast amount of paper, some 14-15 million pieces a year, of which 2 million are still hand-written. Staff have often found it difficult to cope with the volume of work

- the system of liaison districts is not effective. It tends to delay the tracing of claimant's tax papers, details of benefit claims disappear and liaison districts are often not well-placed, either geographically or functionally, to liaise with benefit offices
- tracing of claimants' tax papers is hampered by poor or no information from claimants on previous employers. Tracing should however improve with the completion of COP and with the arrival of a National Tracing Index
- the result of difficulties in tracing is that 43% of claimants leave the register before a tax record can be established on the computer used by the DE
- over 500,000 claims made each year will be by people who have no previous tax papers (excluding students and school-leavers)
- P45s handed in to benefit offices give rise to numerous problems, often because they are badly completed by employers. As many as 30% of all P45s require Revenue intervention
- Revenue staff do not always take the correct action on P45s or their efforts are in vain because the claim terminates too soon
- staff in both departments, but more noticeably in the Revenue, dislike the TUBs procedures
- the incidence of good liaison between benefit offices and tax districts is distinctly patchy
- there is a lack of management involvement at all levels and operational policy on TUBs has been neglected
- in the Revenue the official instructions are inaccessible and training is inadequate.

Major Recommendations

- 1.7 In making my recommendations I have observed the parameters of both current and future computer systems operating in the DE and the Revenue.
- 1.8 The main aims of my recommendations are to
- increase the number of claimants who leave the register with a correct P45 and tax refund
 - reduce the time and effort now spent on claimants who are of no immediate interest to the Revenue.

1.9 The major recommendations are to

- scrap the present system of liaison districts and transfer the routine work in England and Wales to one office, preferably Routine Group 1. Routine work, such as tracing, would be done more efficiently and quicker
- put all benefit details on microfiche so that they can if necessary always be located and so obviate the need for duplicate requests to benefit offices
- replace individual hand-written notifications of new claims with a computer-produced schedule and form. This would produce a sizeable staff saving in the DE but would also mean that details of benefit claims were more likely to end up in the right district
- restricting tracing efforts to National Insurance number and/or name and address, which will save time and will enable the work to be done in a centralised unit
- exclude claimants with no recent UK employment from the notifications of new claims on the grounds that the Revenue has no interest in them until they enter employment
- improve liaison in specific areas and in particular cases, such as holding surgeries in the other department, exchanging training staff, using Claimant Advisors to help with claimants' tax problems, exchanging information on fraud cases
- issue a basic guide to TUBs to clerical staff in both departments to provide them with a better understanding of the system and help with the difficult areas, such as students, YTS trainees.

1.10 All these recommendations could, in my opinion, be achieved before the end of 1988 assuming that a National Tracing Index is operational by then. The costs of implementation are likely to be small.

Effect on TUBs

1.11 The effect of the recommendations in this report on staffing would be a reduction of 100 to 115 units of which two-thirds would fall in the Revenue and the remainder in the DE. This gives rise to a potential saving of up to £1.3 million per annum.

1.12 Until further research is done it is difficult to know with any certainty the effect of these measures on the total yield from TUBs. Tax collected from claimants who currently escape the system through its inefficiencies would to some extent be counterbalanced by tax refunded to claimants who currently end up on emergency tax codings. The effect of my recommendations may be an increase in revenue of up to 5% of the current yield.

1.13 The overall effect of my recommendations would be to make the present system more effective, fairer to claimants and less of a burden to staff in local offices.

RECOMMENDATIONS

<u>REPORT REF</u>	<u>AGREE/ REJECT/ REMIT</u>	<u>ADMIN/TECHNICAL ACTION REQUIRED</u>	<u>TARGET DATE</u>	<u>POTENTIAL COSTS</u>	<u>POTENTIAL SAVINGS/ BENEFITS</u>	<u>OFFICER RESPONSIBLE</u>	<u>NOTES</u>	
Centralising the routine work of TUBS for England and Wales.	7.32	Agreed	District Memo Unit to be set up and staffed Staff to be trained (Inland Revenue) UBS Guidance (Dept. of Employment)	To be determined when microfiche feasibility study concluded (see 7.40 below).	Estimated £40,000 - £65,000 hardware and installation costs.	A simplified system. Easier and speedier tracing of claimant's tax papers. Correct references on claimants' records at the UBO leading to less enquiries and/or problems.	R Allen Inland Revenue	Location of centralised unit is likely to rest between Routine Group 1 or Accounts Offices (either Cumbernauld or Shipley). Subject to availability of accommodation RG1 is technically equipped to take on the work and if staffed to do so could handle it from April 1988. The Accounts Offices are expected to have surplus staff becoming available during 1988 but will need to be equipped with appropriate hardware/software. Implementation may need to be delayed if work is to be centralised at one of the AOs to take account of availability of staff, accommodation and/or hardware. Centralisation without the benefit of microfiche back-up (see 7.40 below) would increase the number of staff

<u>RECOMMENDATIONS</u>	<u>REPORT REF</u>	<u>AGREE/ REJECT/ REMIT</u>	<u>ADMIN/TECHNICAL ACTION REQUIRED</u>	<u>TARGET DATE</u>	<u>POTENTIAL COSTS</u>	<u>POTENTIAL SAVINGS/ BENEFITS</u>	<u>OFFICER RESPONSIBLE</u>	<u>NOTES</u>
Putting all P45U information on microfiche.	(7.40 ((((((7.39	Remit Remit	Feasibility study required by Inland Revenue into technical difficulties of providing necessary software/hardware.	31.10.1987	Not known at this stage	48 staff in Inland Revenue. Ease and speed of access.	A Paterson Inland Revenue	required at the central location. Costs will be incurred in the provision of computer software/hardware if this recommendation is implemented. It is unlikely that implementation could be before 6.4.1990. Suppression of paper output is dependent upon the production of microfiche. Introducing a microfiche system is dependent on the centralisation of routine work (see 7.32 above).
Suppressing paper output of P45(1)Us and P14Us in cases where there is no tax record on NUBS.								
Giving Schedule D cases a tax record on NUBS.	7.41	Agreed	District Memo (Inland Revenue) UBS Guidance (Dept. of Employment)	6.4.1988 (or on centralisation of Revenue routine work if later).	Minimal	2 staff in Inland Revenue	R Allen Inland Revenue	

<u>RECOMMENDATIONS</u>	<u>REPORT REF</u>	<u>AGREE/ REJECT/ REMIT</u>	<u>ADMIN/TECHNICAL ACTION REQUIRED</u>	<u>TARGET DATE</u>	<u>POTENTIAL COSTS</u>	<u>POTENTIAL SAVINGS/ BENEFITS</u>	<u>OFFICER RESPONSIBLE</u>	<u>NOTES</u>
<u>Tracing Claimant's tax papers</u>								
Replacing individual P46Us with a NUBS produced schedule	8.20	Agreed	District Memo UBS Guidance	6.4.1988 (or on centralisation of routine Revenue work if later).		100 staff in Dept. of Employment	L Lewis Dept. of Employment	The Department of Employment have forwarded a programming request to National Unemployment Benefit Service (NUBS) and await a firm date for implementation. NUBS have been asked to reactivate a previously used Management Information schedule as an interim measure if the new schedule cannot be achieved quickly. Workloads are related to the unemployment register and current downward trends suggest that savings will reduce to about 80 staff on full implementation.
Restricting tracing efforts to NINO and/or name and address.	8.20	Agreed		6.4.1988 (or as above).		17 staff in Inland Revenue	R Allen Inland Revenue	

<u>RECOMMENDATIONS</u>	<u>REPORT REF</u>	<u>AGREE/ REJECT/ REMIT</u>	<u>ADMIN/TECHNICAL ACTION REQUIRED</u>	<u>TARGET DATE</u>	<u>POTENTIAL COSTS</u>	<u>POTENTIAL SAVINGS/ BENEFITS</u>	<u>OFFICER RESPONSIBLE</u>	<u>NOTES</u>
Notification of claim to proper District to be made on P45(3)(Subs).	8.23	Agreed	District Memo Kew to be alerted (Inland Revenue) UBS Guidance (Dept. of Employment)	6.4.1988 (or as above).	23 staff in Dept. of Employment	More accurate tracing of tax papers and updating of tax records. Possible increase in yield.	L Lewis Dept. of Employment	This is dependent upon the production of the schedule recommended at paragraph 8.20.
<u>Claimants with no previous tax reference</u>								
Excluding claimants with no previous UK employment within the last 12 months from initial notifications.	9.7	Reject			6 staff in Dept. of Employment	9 staff in Inland Revenue	L Lewis Dept. of Employment	Implementing the recommendation would involve significant changes to existing computer programs for a relatively small staff saving. Moreover there would be a potential loss of tax revenue where claimants inadvertently or deliberately misrepresent that they had no employment in the last 12 months.

<u>RECOMMENDATIONS</u>	<u>REPORT REF</u>	<u>AGREE/ REJECT/ REMIT</u>	<u>ADMIN/TECHNICAL ACTION REQUIRED</u>	<u>TARGET DATE</u>	<u>POTENTIAL COSTS</u>	<u>POTENTIAL SAVINGS/ BENEFITS</u>	<u>OFFICER RESPONSIBLE</u>	<u>NOTES</u>
Revenue and DE consider inclusion of date when claim/new job started on P45/P45U.	9.11	Reject					R Allen Inland Revenue	The Inland Revenue National Tracing System shortly to be introduced nationwide should substantially obviate the need for such information.

RECOMMENDATIONSREPORT
REFAGREE/
REJECT/
REMITADMIN/TECHNICAL
ACTION REQUIREDTARGET DATEPOTENTIAL
COSTSPOTENTIAL
SAVINGS/
BENEFITSOFFICER
RESPONSIBLENOTESP45s from previous
employmentsIssue of letter to every
claimant about taxation.

10.13

Remit

Pilot Scheme
(Dept. of Employment)April 1988
(evaluation)35 staff in
Dept. of
EmploymentL Lewis
Dept. of
Employment

The objective of obtaining a higher percentage of P45s from claimants is accepted. However whether this would be best achieved through the issue of yet another letter to claimants in addition to the many already issued to new claimants is doubtful. A more profitable approach may be to probe more deeply the reason for non-production of a P45 at the fresh claims interview. This is to be piloted at part of a wider new claims experiment in UB0s from 1.9.87.

<u>RECOMMENDATIONS</u>	<u>REPORT REF</u>	<u>AGREE/ REJECT/ REMIT</u>	<u>ADMIN/TECHNICAL ACTION REQUIRED</u>	<u>TARGET DATE</u>	<u>POTENTIAL COSTS</u>	<u>POTENTIAL SAVINGS/ BENEFITS</u>	<u>OFFICER RESPONSIBLE</u>	<u>NOTES</u>
More emphasis to be made on correct completion etc of P45s in Employers Guide to PAYE.	10.15	Agreed	Amendment to Employers Guide (Inland Revenue)	April 1988		Minimal	R Allen Inland Revenue	There are three parts to this recommendation. The first and third parts are agreed. The second part recommends that every box on the P45 should be completed, even if the answer is nil. This is rejected on the grounds that is not absolutely necessary and therefore an unjustified imposition upon the employer.
Alerting Revenue staff when action needed on P45(3)(Subs) by means of computer-printed messages.	10.16	Agreed	UBS Guidance (Dept. of Employment)	Will come into effect April 1988	Minimal	Greater certainty that Inland Revenue do not overlook the action required on certain P45s. This will lead to more satisfied claimants and less enquiries and/or problems for UBOs.	L Lewis Dept. of Employment	Department of Employment have already requested the NUBS programming and the change is due to take place in April 1988.

<u>RECOMMENDATIONS</u>	<u>REPORT REF</u>	<u>AGREE/ REJECT/ REMIT</u>	<u>ADMIN/TECHNICAL ACTION REQUIRED</u>	<u>TARGET DATE</u>	<u>POTENTIAL COSTS</u>	<u>POTENTIAL SAVINGS/ BENEFITS</u>	<u>OFFICER RESPONSIBLE</u>	<u>NOTES</u>
Raising the limit for authorisation of frozen refunds from £50 to £100 (throughout PAYE).	10.20 10.21	Remit	Review by Inland Revenue	31.12.1987		18 staff in Inland Revenue (Not before 1988/89.)	R Allen Inland Revenue	The existing limit has remained unchanged for many years and an increase would ease administration. On the other hand the effects of centralisation and the Inland Revenue National Tracing System may lessen the need for such an increase.
Enhancing the P6U facility on COP	10.22	Reject					A Paterson Inland Revenue	This problem of incorrect completion of P6Us can only arise in the manual system of working PAYE. From November 1987 the whole of the country will be computerised and the problem will not arise.
Benefit managers and claimants advisors to liaise with Districts in particular cases.	10.25	Agreed	Inland Revenue and Dept. of Employment Head Offices to organisation liaison Management Note - Inland Revenue	6.4.1988	Minimal		R Allen Inland Revenue L Lewis Dept. of Employment	Accepted in principle. Considered to be part and parcel of recommendations under heading "Attitudes and Awareness".

<u>RECOMMENDATIONS</u>	<u>REPORT REF</u>	<u>AGREE/ REJECT/ REMIT</u>	<u>ADMIN/TECHNICAL ACTION REQUIRED</u>	<u>TARGET DATE</u>	<u>POTENTIAL COSTS</u>	<u>POTENTIAL SAVINGS/ BENEFITS</u>	<u>OFFICER RESPONSIBLE</u>	<u>NOTES</u>
<u>Particular groups of claimants</u>								
More liaison between investigative and compliance units in each Department.	11.8	Remit	Further study to test whether implementation will achieve worthwhile result in a cost effective manner.	31.3.88	Not quantifiable at this stage.	Unquantifiable but potentially significant effect on tax yield if more fraud is discovered.	R N Page Inland Revenue	The study team will need to consider carefully the confidentiality aspect and Data Protection requirements. (Applies to 11.10 also.)

<u>RECOMMENDATIONS</u>	<u>REPORT REF</u>	<u>AGREE/ REJECT/ REMIT</u>	<u>ADMIN/TECHNICAL ACTION REQUIRED</u>	<u>TARGET DATE</u>	<u>POTENTIAL COSTS</u>	<u>POTENTIAL SAVINGS/ BENEFITS</u>	<u>OFFICER RESPONSIBLE</u>	<u>NOTES</u>
A review of the different confidentiality rules and their observance in each Department.	11.10	Remit	A joint review body to be set up	31.10.1987		Minimal	L Lewis Dept. of Employment	Inland Revenue do not think that the present climate is favourable to a relaxation of Revenue confidentiality and such a review is unlikely to result in any constructive change in the present arrangements. DE while accepting there are difficulties nevertheless believe that the issue should be further considered. Accordingly a small study group from both Departments will examine existing arrangements with the obvious sensitive issues in mind to see if there is scope for change.
Amending UB461 to improve notification of occupational pensioner cases.	11.21	Agreed					L Lewis Dept. of Employment	Already adopted.

<u>RECOMMENDATIONS</u>	<u>REPORT REF</u>	<u>AGREE/ REJECT/ REMIT</u>	<u>ADMIN/TECHNICAL ACTION REQUIRED</u>	<u>TARGET DATE</u>	<u>POTENTIAL COSTS</u>	<u>POTENTIAL SAVINGS/ BENEFITS</u>	<u>OFFICER RESPONSIBLE</u>	<u>NOTES</u>
New Employers Guide to PAYE should instruct employers to send Parts 2 and 3 of P45 to the pension paying body.	11.21	Reject					R Allen Inland Revenue	Rejected on the grounds that the problem of employers issuing P45s to the occupational pensioner instead of sending them to the pension paying body is not a widespread problem. It would require changes to the PAYE Regulations and could lead to complaints from the public.
Benefits offices to notify Districts of transfers to quarterly attendance where there is a tax record on NUBS.	11.23	Agreed	District Memo (Inland Revenue) UBS Guidance (Dept. of Employment)	31.12.1987	3 staff in Dept. of Employment	Greater accuracy of Inland Revenue records. Reduction in unnecessary enquiries to UBOs. Minimal staff saving.	L Lewis Dept. of Employment	As computerisation is unlikely before NUBS 2 a clerical system will be introduced by the end of the year but at a cost of 3 staff units.

RECOMMENDATIONSREPORT
REFAGREE/
REJECT/
REMITADMIN/TECHNICAL
ACTION REQUIREDTARGET DATEPOTENTIAL
COSTSPOTENTIAL
SAVINGS/
BENEFITSOFFICER
RESPONSIBLENOTES

Advising claimants to ask
for P15 by means of
computer-printed message
on P45U.

11.30

Reject

R Allen
Inland Revenue

Rejected on the
grounds that it is not
necessary to advise
all claimants to
request form P15. A
computer printed
message would also
involve DE in
programming costs and
would not be possible
to implement before
at least 1990.

<u>RECOMMENDATIONS</u>	<u>REPORT REF</u>	<u>AGREE/ REJECT/ REMIT</u>	<u>ADMIN/TECHNICAL ACTION REQUIRED</u>	<u>TARGET DATE</u>	<u>POTENTIAL COSTS</u>	<u>POTENTIAL SAVINGS/ BENEFITS</u>	<u>OFFICER RESPONSIBLE</u>	<u>NOTES</u>
Issuing P15s from Benefit Offices in selected cases.	11.30	Agreed	UBS Guidance (Dept. of Employment)	31.12.1987			L Lewis Dept. of Employment R Allen Inland Revenue	Both Department of Employment and Inland Revenue agree that it is highly desirable to reduce, wherever feasible, the number of unemployed people returning to work with an emergency or otherwise incorrect tax code. Department of Employment's claimant advisers should be able to help in this regard and it may be feasible to set up a 'Fast Track' system for dealing with cases where claimant advisers have been involved. Both Departments to consider further.

RECOMMENDATIONS

<u>REPORT REF</u>	<u>AGREE/ REJECT/ REMIT</u>	<u>ADMIN/TECHNICAL ACTION REQUIRED</u>	<u>TARGET DATE</u>	<u>POTENTIAL COSTS</u>	<u>POTENTIAL SAVINGS/ BENEFITS</u>	<u>OFFICER RESPONSIBLE</u>	<u>NOTES</u>
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Attitudes and Awareness

Revenue staff to hold surgeries in Benefit Offices (on a trial basis).

12.6 Reject

R Allen
Inland Revenue
L Lewis
Dept. of
Employment

It is not considered by either Inland Revenue or Department of Employment that this would lead to significant benefits in practice. Revenue staff would need to access the Taxpayer Record in order to render worthwhile assistance. The Department of Employment do not think there is sufficient business to justify the idea but would not discourage local initiatives to cater for local problems.

Greater management input by Management Inspectors and Tax Officers Higher Grade

12.11 Agreed

Management Note

31.12.1987

Being absorbed within existing resources.

Increased efficiency.

R Allen
Inland Revenue

More liaison on operational policy matters at Assistant Secretary level.

12.13 Agreed

July 1987

"

"

R Allen
Inland Revenue
L Lewis
Dept. of
Employment

Implemented immediately. Meetings to be held in July and January of each year.

<u>RECOMMENDATIONS</u>	<u>REPORT REF</u>	<u>AGREE/ REJECT/ REMIT</u>	<u>ADMIN/TECHNICAL ACTION REQUIRED</u>	<u>TARGET DATE</u>	<u>POTENTIAL COSTS</u>	<u>POTENTIAL SAVINGS/ BENEFITS</u>	<u>OFFICER RESPONSIBLE</u>	<u>NOTES</u>
Increased training for Tax Officers and Clerical Assistants.	12.26	Agreed	Additions to training guides and manuals. Inclusion of more material on training courses.	August/September 1987	Being absorbed within existing resources.	Increased efficiency.	R Freeman Inland Revenue	
Issue of a basic guide to TUBS to staff in both Departments.	12.23	Agreed	Preparation of Guide - both Departments	30.6.1988 (or later dependent upon decisions on computerisation)	£50,000 approximately	"	R Allen) Inland Revenue) L Lewis) Dept. of) Employment)	
Consideration of a joint training video for Clerical Assistants and new entrant Clerical Officers.	12.31	Agreed	Preparation of Training Video	30.6.1988 (or as above)	£75,000 approximately	"	R Allen) Inland Revenue) L Lewis) Dept. of) Employment)	
More liaison over official instructions and training material.	12.32	Agreed	Joint Working Group to be set up.	31.12.1987			R Freeman Inland Revenue	
Exchange visits by training staff	12.32	Reject					R Freeman Inland Revenue	Although doubtful of the value of setting up exchange visits on a permanent basis both Departments would certainly wish to encourage liaison between local departmental trainers wherever practicable. This should follow on from the implementation of the recommendation at paragraph 12.32.

<u>RECOMMENDATIONS</u>	<u>REPORT REF</u>	<u>AGREE/ REJECT/ REMIT</u>	<u>ADMIN/TECHNICAL ACTION REQUIRED</u>	<u>TARGET DATE</u>	<u>POTENTIAL COSTS</u>	<u>POTENTIAL SAVINGS/ BENEFITS</u>	<u>OFFICER RESPONSIBLE</u>	<u>NOTES</u>
<u>Yield</u>								
Further research by Revenue statisticians to clarify the present uncertainty over the actual yield.	4.13	Agreed	1988/89 Survey of Personal Incomes	5.4.1991 (or later depending on implementation of Recommendations 7.21 and 7.32)		Minimal	R J Eason Inland Revenue	The implementation of recommendations at 7.21 and 7.32 should enable a more accurate statistical assessment of the actual annual tax yield from TUBS. There may have to be ongoing research work after the end of 1990 if the new administrative system does not provide complete data via the Survey of Personal Income. Both Departments accept the need to have an accurate base on which to assess the impact of change in either Department.
<u>Liaison Districts</u>								
Scrapping the system of Liaison Districts.	7.21	Agreed	District Memo (Inland Revenue) UBS Guidance (Dept. of Employment)	To be determined when microfiche feasibility study concluded (see 7.40 below).		A simplified system	R Allen Inland Revenue	The current system of Liaison Districts devised at the outset of TUBS does not work smoothly. Information is often difficult to find.

ppp (10)

FROM: D A TRUMAN

DATE: 3 September 1987

PAYMASTER GENERAL

cc Chancellor
 Chief Secretary
 Financial Secretary
 Economic Secretary
 Sir P Middleton
 Mr F E R Butler
 Mr Anson
 Mr Kemp
 Mr Luce
 Mr Hansford
 Mr Gilhooly
 Mr Chivers
 Mr Gray
 Mr Macauslan
 Mrs Harrop



YTS IN THE CIVIL SERVICE

below
 We have just seen Lord Young's letter of 2 September which came in after Mr Kemp sent his note of the same date to you.

2. The only additional point which the Secretary of State makes is the suggestion that unions should be told at national level of the Government's determination to introduce YTS more widely into the Civil Service. The unions are already aware of this at national level - indeed they signed the framework agreement in 1984 - but three passed conference resolutions opposing YTS in its present form. Given the proclivities of the CPSA, for example, which might well try to block any Government initiatives in this area for wholly political reasons, there seems to us much to be said for not approaching the unions at national level since their responses are almost bound to be negative. We believe, as Mr Kemp has explained in his minute, that the best policy is to press on with implementation at local level, choosing each establishment with care to ensure that there is minimum opposition and maximum chance of success.

3. I suggest a slight amendment to Mr Kemp's draft letter to take into account Lord Young's letter. A draft is attached.

D A TRUMAN

IRD

DRAFT LETTER FROM THE PAYMASTER GENERAL TO:

MINISTER OF STATE, PRIVY COUNCIL OFFICE

YTS IN THE CIVIL SERVICE

On my return I have seen a copy of your letter of 6 August addressed to John Moore and copied to Ministerial heads of Departments. I have also seen David Young's letter of 2 September.

As you know, provided there are no adverse affects on running costs and it does not stoke up pressures for more money to be spent on YTS generally, we can see presentational advantage in expanding YTS within the Civil Service. I intervene only to draw attention to the industrial relations dimension. In your letter to Kenneth Clarke last November, when the Department of Employment were thinking of introducing a pilot scheme, you noted that, and I understand that there have indeed been some flurries of industrial action. While I am sure we should press ahead, it seems to me that when considering where they might seek first to introduce YTS, it would be worth Departments thinking carefully about where they have the best prospect. Initially, some areas may permit easier progress than others, and the aim should be to build on that.

David Young suggested that we should tell the unions at national level of our intentions and determination to introduce the YTS more widely in the Civil Service. I can see the force of this suggestion but to do so might prompt a formal statement of their opposition. In any case, having signed the framework agreement some while ago the unions are fully aware of the Government's intentions. It seems to me that our best course is to proceed with implementation as quickly as possible, but, as I have suggested

above, to think carefully about those areas which meet with the best immediate prospects of success.

I am sending copies of this letter to the Prime Minister, other Ministerial heads of Departments and Sir Robert Armstrong.

PETER BROOKE

Chart 1:

UK UNEMPLOYMENT 1950-1987

(sa, excl school leavers)

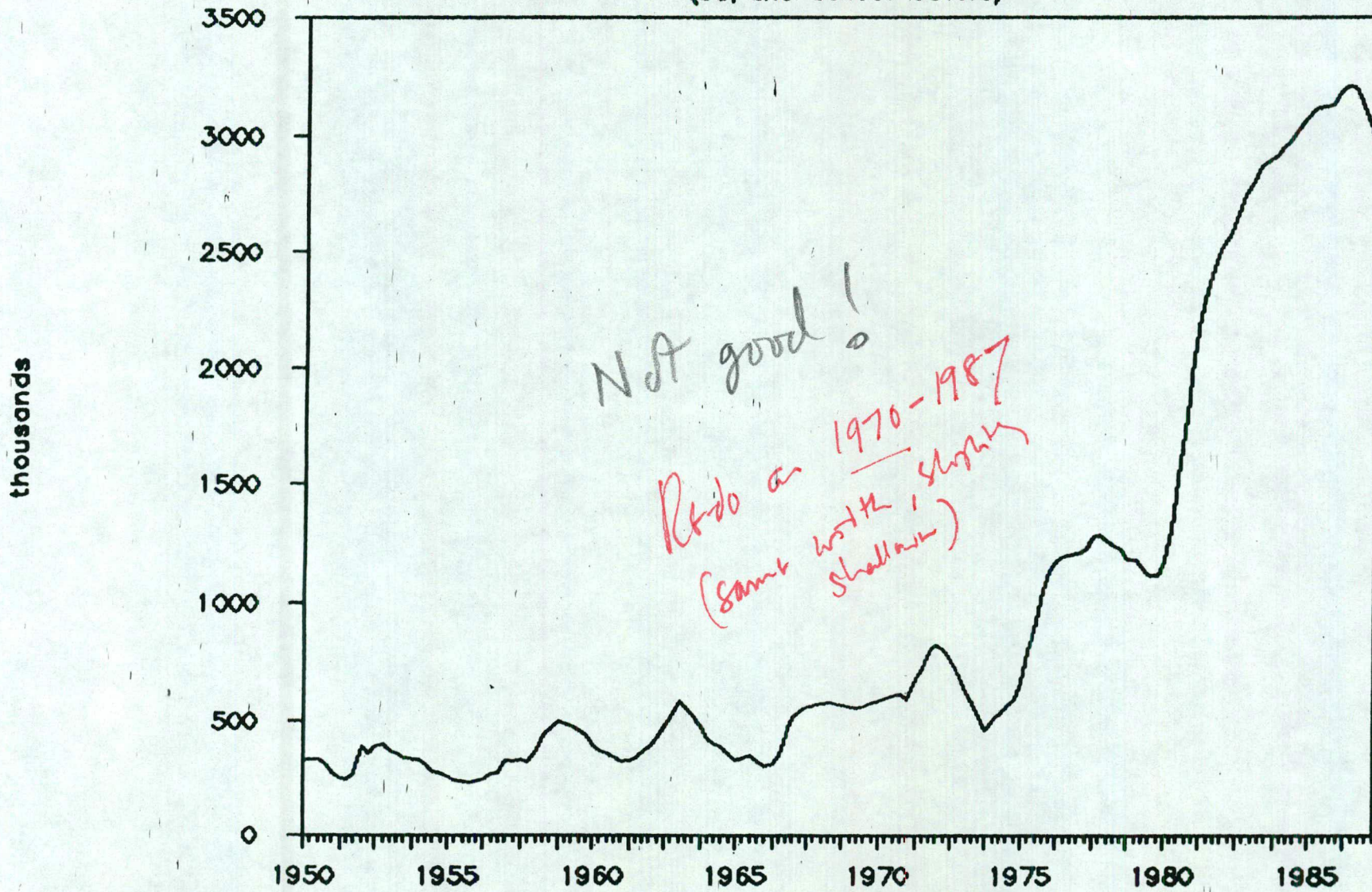
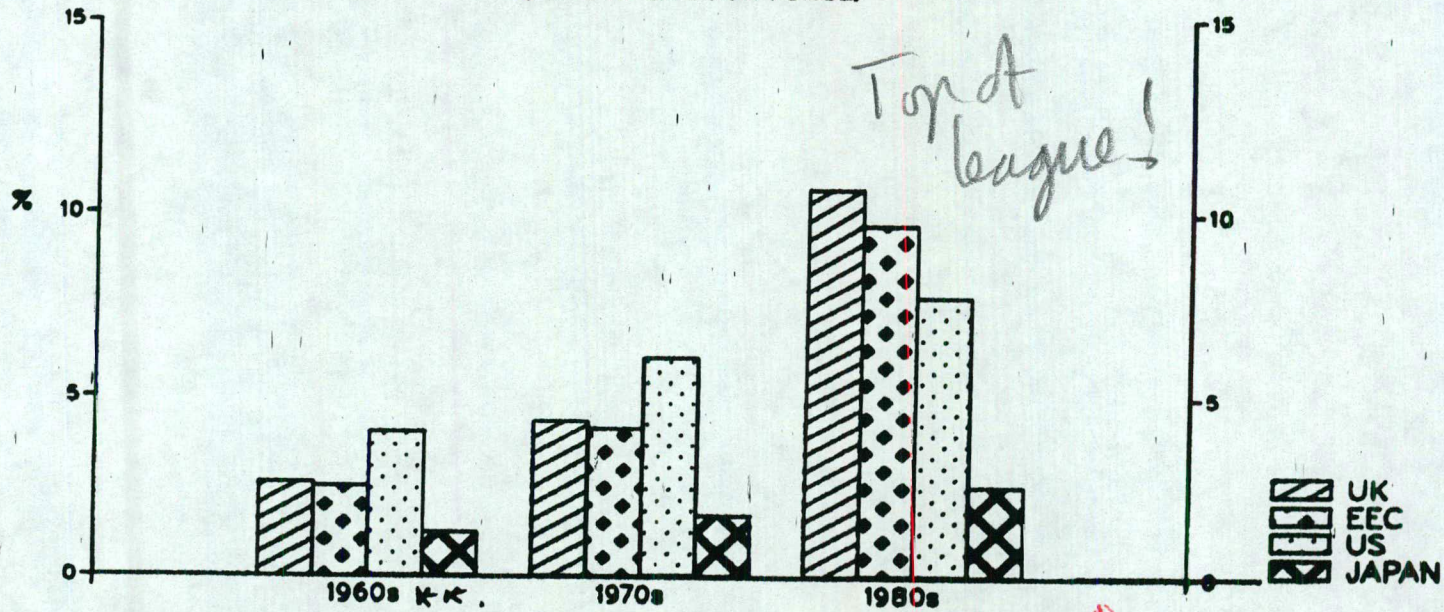


CHART 2(a)

UNEMPLOYMENT IN THE INDUSTRIALISED COUNTRIES
(AS % OF LABOUR FORCE)



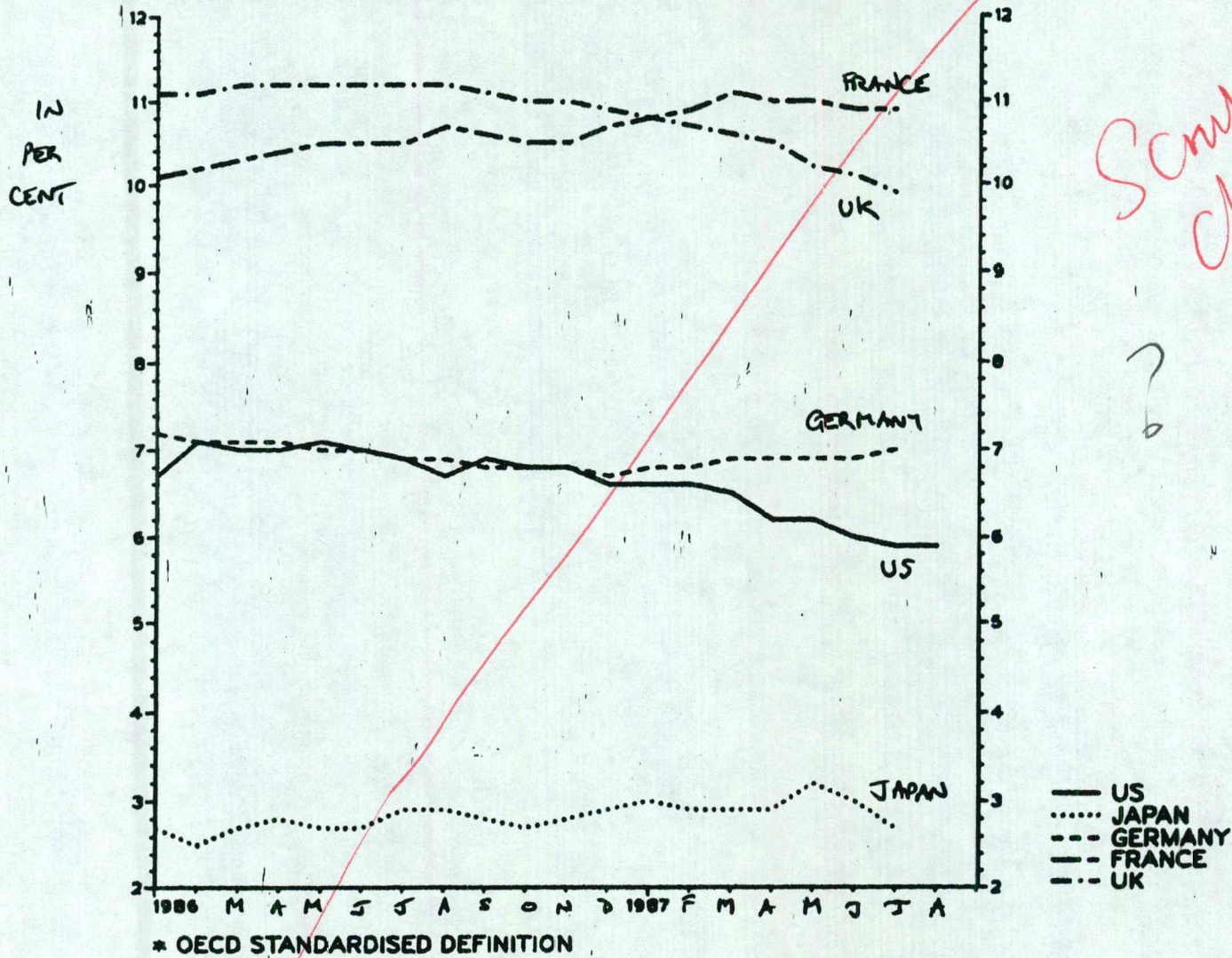
* OECD standardised unemployment rates
** From 1964

Top 4 league!

↑
MSSU on extra
band 1987 (to date)

CHART 2(b)

UNEMPLOYMENT RATES IN THE MAJOR ECONOMIES *



Scrub this chart

?

CHART 5:

QB EMPLOYED LABOUR FORCE 1959-1987

(Seasonally adjusted)

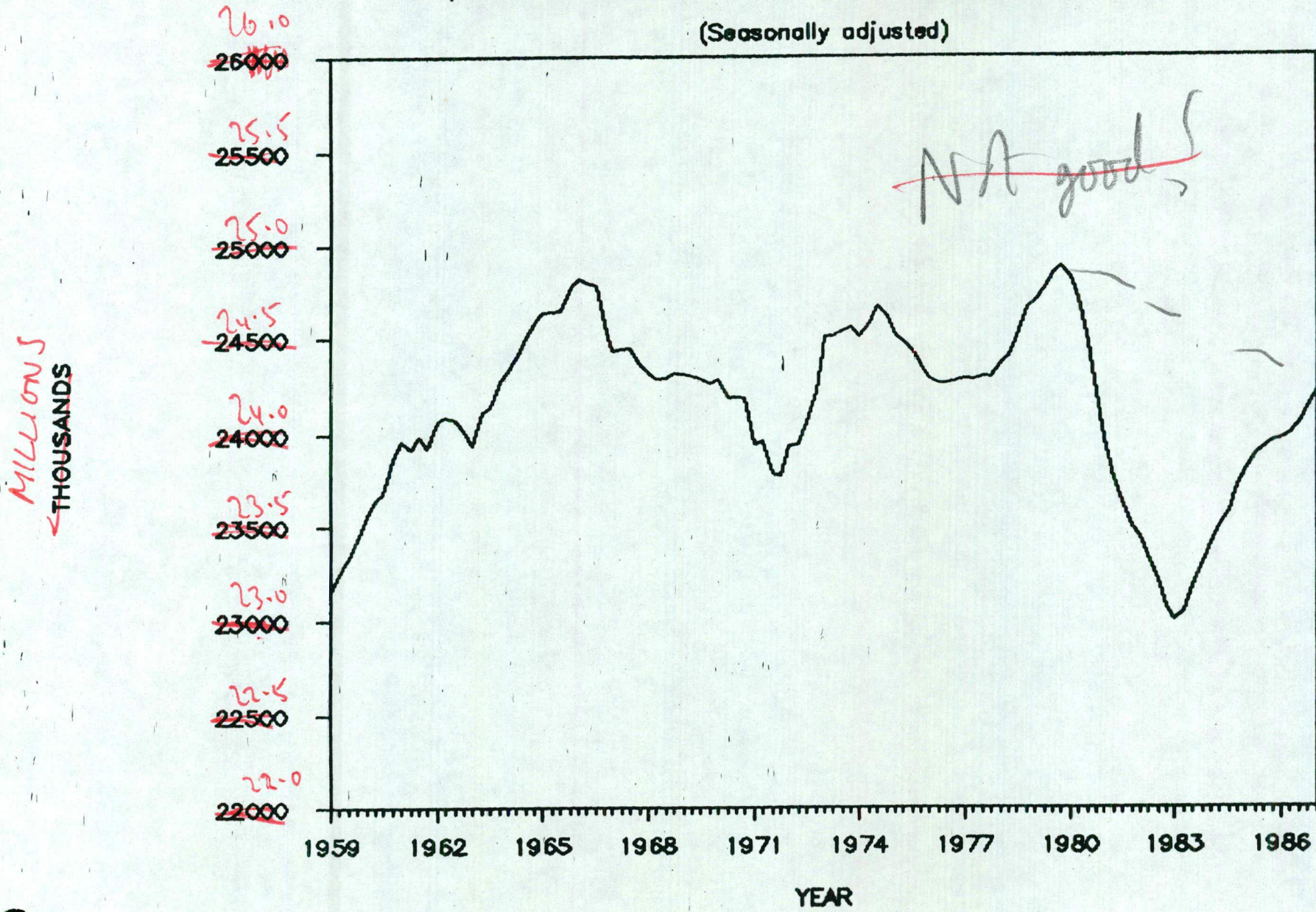
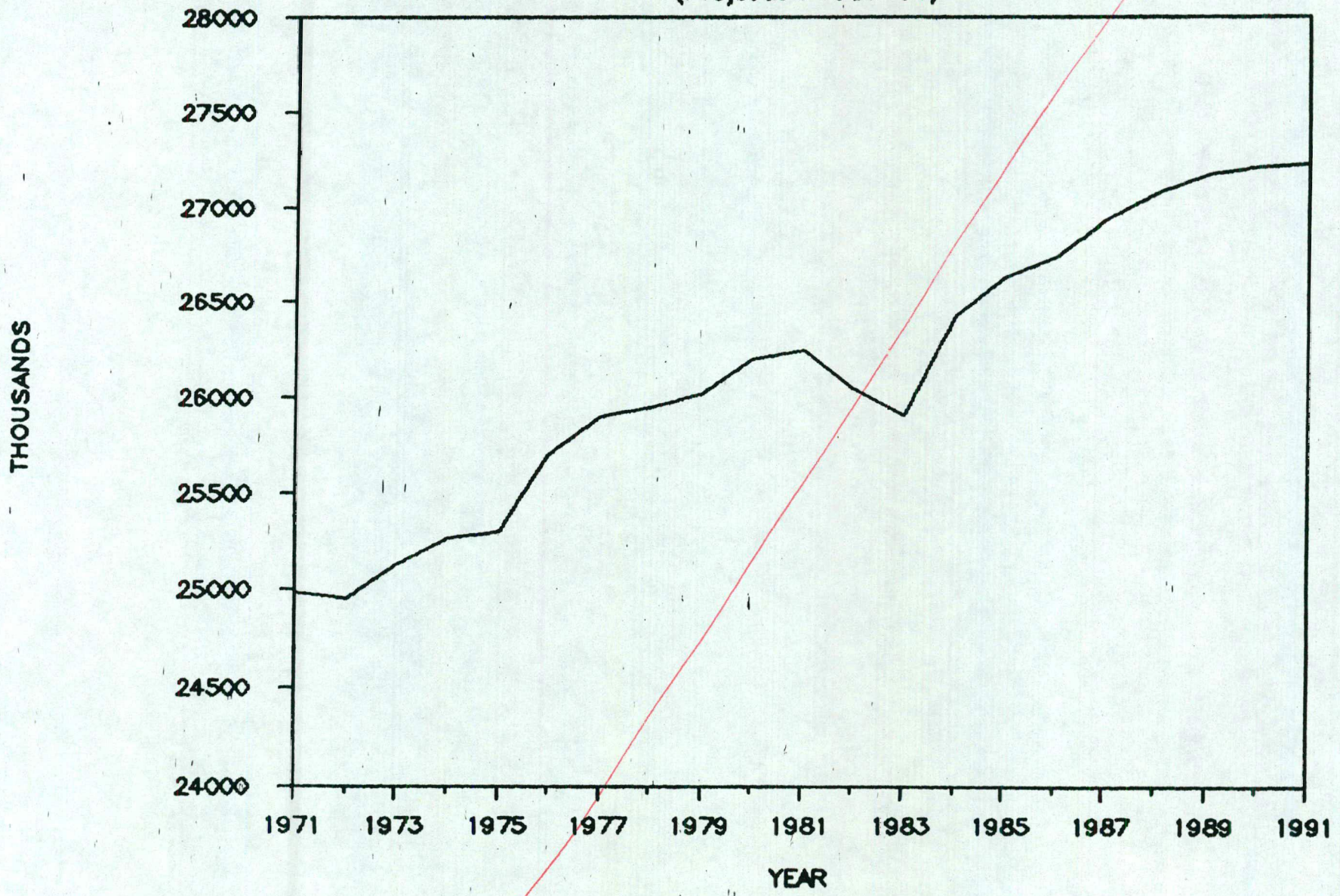


CHART 4:

GB LABOUR FORCE 1971-1991

(Projection 1986-91)



*Some
Chore
allegedly*

CONFIDENTIAL

X PSC
from: J MACAUSLAN
date: 4 SEPTEMBER 1987

CHIEF SECRETARY

cc Chancellor
Financial Secretary
Paymaster General
Economic Secretary
Mr FER Butler
Mr Anson
Mr Monck

Mr Burgner
Mr Gilmore
Ms Peirson
Mr Turnbull
Mr MacIntyre
Mr Dodds
Mr Cropper
Mr Tyrrie

INCOME SUPPORT FOR 16-18 YEAR OLDS

Mr Fowler's letter of 17 August to Mr Moore sets out his latest view on many of the issues; it also offers final figures for the PES consequences of the policy. I recommend that you reply to accept the figures, and endorse the drift of the proposals, subject to some points of detail. Mr Jackson & Mr Rifkind have also written (28 August & 2 September).

DE proposals

2. Summer school leavers waiting for jobs or YTS would attract child benefit for up to 4 months (3 months for winter & Easter leavers). Those who later leave jobs or YTS would be allowed a £15 allowance while waiting for a new job or YTS place, but only for 8 weeks in any year.

X Your concerns (your letter of 24 July)

3. You said that the child benefit option for school leavers should be shown to be **cheaper** than paying a waiting allowance; the risk of abuse (benefit paid for large numbers of ineligible people) must be minimised.

4. To **minimise abuse**, DE now propose existing recipients of CB should reapply when their child leaves school, saying which careers office he/she registered with and when. They are considering whether school leavers should have separate child benefit books and MSC should notify DHSS when people join YTS (so that CB is more likely to stop when people get into jobs or YTS). They will not stop CB for those refusing YTS places, preferring to rely on an absolute cut off at the end of the 3/4 month period.

5. They think abuse will be limited, & estimate that this CB option would cost 25% less than waiting allowances for the group. Mr Fowler offers reviews of the costs in the first couple of years "so that consideration can be given to whether any significant differences should be reflected in adjustments" to DE & DHSS Estimates provision (in which case DE would absorb the costs of any overruns within existing resources).

6. None of these proposals is quite as tight as we would have liked; but taken together I think they offer us nearly enough assurance that costs will be controlled or absorbed. I suggest your reply tries to tighten the arrangements up but otherwise accepts.

7. You were concerned that paying IS for those living away from home with good reason should not open a loophole. DHSS have not yet finalised their criteria. Separately, DE point out that those living away from home without good reason will get nothing; & propose in effect that DHSS use discretion to pay them income support if necessary. Again, this could open a loophole. Your agreement could depend on sufficient reassurance on these points.

8. You did not think DHSS should top up the waiting allowance to IS levels in all cases. DHSS have decided to top up only for married couples and other couples with children, and perhaps for others living away from home with good reason. DE are looking at suggestions we made for ensuring that the waiting allowance stops when people get jobs or YTS. DE propose some extension of the "8 weeks in any 52" rule for certain groups (eg those losing jobs very close to their 18th birthday). This seems reasonable so long as the definitions are tight.

9. For the **registered disabled**, DE propose child benefit at £7.25 even after the 3/4 month period, until they join YTS; but DHSS suggest a £15 waiting allowance instead. DE's option is likely to be a bit cheaper in direct terms; but DHSS fear that it may set a precedent for arbitrary extensions of child benefit, in particular for those studying at home. The possible extra cost of yielding to pressure here would be of the same order as the likely extra direct costs of the DHSS option (both under £1m). So I recommend that you do not intervene here.

10. Finally, **you were concerned about the socially inadequate**. DE and DHSS are at one that these should simply be placed quickly on YTS; and DE are confident that that can be achieved. I think a good YTS scheme (there are some!) may well be helpful in most cases. Does this meet your concern?

11. **The costings** are in the annex to Mr Fowler's letter. DE will bear additional costs of £61m, £147m, and £151m. DHSS will make savings on income support of £60m, £99m, and £94m, and bear extra child benefit costs of £9m, £11m, and £11m. DHSS will transfer their net savings (£51m, £88m, and £83m) to DE. These last are the figures that appear as an agreed bid for DE for this item in the agenda table for your bilateral with Mr Fowler.

12. The **upshot is that DE will have to absorb within the (infinitely elastic!) YTS budget net costs of £10m, £59m, and £68m**. The bigger these extra costs, the harder it is for you to argue in the Survey for further savings on YTS. But we have taken this into account all along in our proposals for handling the Survey.

13. I recommend you reply along the lines of the attached draft. ST agree.

J MacAuslan

J MACAUSLAN

CONFIDENTIAL

DRAFT LETTER TO SECRETARY OF STATE FOR EMPLOYMENT

INCOME SUPPORT FOR UNDER 18s

Thank you for sending me a copy of your letter to John Moore of 17 August. It was useful to hear how you now see the position.

2. I am, as before, broadly content with what you are proposing.

3. My main concern remains the issue of the costs of the child benefit option. In this context it is crucial to minimise the number of claims which should never or no longer be made (because the young people have found YTS places or jobs). I welcome the procedure for reapplying for child benefit. I am sorry that you do not propose to ask the careers service to certify registration; but am prepared to go along with your proposal on the basis that DHSS will carry out sample post-payment checks and review the position if there seems to be significant overpayment. I gather that your officials are considering controls to ensure that child benefit stops when people get into YTS or jobs. I attach weight to getting such controls in place.

4. I am grateful to you for your offer of reviews of the costs for the first couple of years. Because of the uncertainties about the costs of delivering support to school leavers by this route, I think it important that there be a presumption that, if costs exceed the estimates, DE will provide in Main Estimates for the following year for transfers to DHSS (with appropriate offsetting savings on DE programmes). I think it would be helpful if these reviews also looked at the result of DHSS monitoring of overpayment & fraud.

5. If the points above are agreed satisfactorily, I would be happy to endorse the child benefit option.

6. I accept, as you do, John Moore's view that we could not withdraw child benefit where suitable offers are refused. But I agree that the waiting allowance should be withdrawn for those refusing suitable YTS or job offers. I gather that your officials are considering ways of ensuring that waiting allowance is stopped as soon as people get jobs or YTS places. I think some such arrangements essential.

7. I am also concerned that exceptions to the rules (even if necessary) should be defined carefully to avoid opening loopholes. The criteria for judging whether people are living away from home with good reason must be tight; we must not allow the treatment of those living away from home without good reason (the last paragraph on your page 3) to open a loophole; and any proposals for extensions of waiting allowance beyond the "8 weeks in any 52" for particular groups should be tightly drawn.

8. I was grateful to you for setting out the costings. As we have agreed, the "net DHSS savings" will be treated as a saving on the DHSS programme, and an agreed bid for DE in the Survey; any other costs falling to DE (as now estimated in the "net DE costs" line) will be absorbed within your Department's programmes without extra resources being made available.

9. I am sending copies of this letter to the Prime Minister, Douglas Hurd, John Moore, Kenneth Baker, Peter Walker, and Malcolm Rifkind.

[JM]

UK will need to wait for the position to improve

Labour Market Statistics

Summary

Glossy start

The steep downward trend in unemployment continued in August, but other recent labour market indicators were rather mixed. The stock of vacancies continued to increase although both notifications of new vacancies and placings into jobs were little different from a year ago. The monthly estimate of employees in manufacturing industry continued to fluctuate, with the reduction of 17,000 in July exactly offsetting increases in May and June. The underlying increase in earnings in the year to July remained unchanged at 7¾%, well above the rate of inflation.

Unemployment

UK unemployment (seasonally adjusted, excluding school leavers) fell sharply again, by 43,000 between July and August to 2.833 million (10.2 per cent), the lowest for nearly 4½ years. The series has now fallen for 14 consecutive months, by 380,000 altogether since June 1986. Other comparisons are given in 'Key Facts'.

The downward trend has recently stabilised at around 40,000 per month. Much of the improvement in the trend in recent months is due to lower inflows into unemployment, although outflows remain appreciably higher than a year ago. The unemployment rate is now falling a little faster among men than women, a reversal of the position during the early months of the falling trend.

Various factors continue to have a favourable influence on the trend, although they are increasingly difficult to quantify. Availability testing and the activity of claimant advisers are still contributing considerably to the fall in unemployment. Restart is probably also still having some impact, with the extension to six monthly interviewing. However the effect of Restart in particular is becoming increasingly uncertain as it is now more than a year since it was first introduced. A growing proportion of the fall in long-term unemployment may be coming from more general improvements in the labour market.

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There has also been some build up of the new Job Training Scheme, but offset against this there has been some decline in the numbers helped by traditional employment measures, particularly the Community Programme. Overall our judgement is that at least half the current trend decline may be attributed to the strength of the economy.

Regional comparisons

Unemployment fell again in all UK regions in the month to August (both seasonally adjusted and unadjusted.) Over the past year the unemployment rate has fallen most in the West Midlands, Wales and the North West while Scotland and Northern Ireland have had the smallest falls. More recently the downward trend has been strongest in the West Midlands and the North. There has been a marked improvement in Scotland where the rate of decline is now similar to other GB regions, but the fall in Northern Ireland continues to be much slower than elsewhere.

Headline total

The UK headline claimant total (unadjusted including school leavers) fell by 41,000 in the month to 2.866 million in August, 10.3 per cent. This was some 414,000 lower than a year ago, yet again a record 12 month fall.

The fall of 41,000 comprised some 33,000 adults and 8,000 school leavers. The claimant school leaver total at 56,000 was 36,000 lower than a year ago, although some 15,000 of this is due to technical factors*. There were a further 116,000 non-claimant school leavers separately registered at Careers Offices, about 2,000 more than a year ago. Overall, taking the claimant and non-claimant figures together, there continues to be a significant improvement in school leaver unemployment. This has been apparent since last year and must be partly attributable to YTS. It should be easier to this assess this improvement next month when summer school leavers enter the count.

* 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).

September headline total

There is normally a sharp seasonal rise in the headline total in September, not only among school leavers. Even assuming continuation of the downward trend and likely favourable influences of 2-year YTS, a considerable rise, possibly up to 50,000, can be expected.

Employment

The number of employees in employment in manufacturing industries in Great Britain is estimated to have decreased by 17,000 in July 1987. Together with the figures for May and June, the estimates show no change over the three month period between April and July. This compares with average decreases of 4,000 per month in the three months ending April 1987 and 21,000 per month in the three months ending July 1986. While the monthly estimates are fluctuating it is clear that, at worst, manufacturing employment is reducing less quickly than during most of 1986.

Figures for employees in the whole economy and the employed labour force (employees in employment, the self-employed and HM Forces) in Great Britain remain the same as reported last month except for some slight revisions to take account of additional data now available. The employed labour force is estimated to have increased by 265,000 in the year ending March 1987 and by 1,232,000 between March 1983, when the upward trend first began, and March 1987.

Overtime working by operatives in manufacturing industries was 12.48 million hours a week in July and the average over the three months ending July was 12.5 million hours a week. After fluctuating around 11.5 to 12 million hours a week through 1986, overtime working has for several months been a little above the peak level of some 12 million hours a week which was maintained through much of 1985, though still well below the level of some 15 million hours a week observed in the late 1970s.

Vacancies

The stock of vacancies at jobcentres (UK, seasonally adjusted and excluding Community Programme) increased further, by nearly 3,000 to 237,500 in the month to August. The level was 18% higher than a year ago, and remains the highest since the current series began in 1980. However the stock figures need to be interpreted cautiously since some of the increase over recently months may have reflected some slow down in vacancies coming off the books, due to reduced MSC activity in following up placings. Inflows of notified vacancies probably provide a better indication of labour market conditions. These have been growing less quickly. They remain at a fairly high level, although they have fluctuated over recently months and in August were only slightly above the level a year ago.

Earnings

The underlying increase in average weekly earnings in the year to July was 7¼ per cent, similar to the increase in the year to June. Within this total, the underlying increases in production industries and manufacturing were both 8¼ per cent, ¼ per cent higher than the increases in the year to June published last month (which have now been revised to 8¼ per cent). In service industries, the underlying increase was 7½ per cent, ¼ per cent lower than the increase in the year to June published last month (which has now been revised to 7½ per cent). These changes may reflect the changing importance from month to month in overtime and bonus payments. The service industries figure does not yet reflect the recent increases in pay rates and London Weighting in the banking sector.

Next labour market figures

The next labour market briefing will be issued on Monday 12 October in advance of the press release on Thursday 15 October. It will contain unemployment figures for 10 September, total employed labour force figures for the second quarter 1987, manufacturing employment and average earnings data for August and vacancies for 4 September.

FROM: PETER PATTERSON
DATE: 1 October 1987

- 1. MR S J DAVIES *sgo 1/10*
- 2. **CHANCELLOR OF THE EXCHEQUER**

- cc Chief Secretary
- Financial Secretary
- Paymaster General
- Economic Secretary
- Sir Terence Burns
- Mr Evans
- Mr Odling-Smee
- Mr Sedgwick
- Mr Culpin
- Mr Gray
- Mr Matthews
- Miss O'Mara
- Mr White
- Mr Pickford
- Miss Edwards
- Mr Hudson
- Mr MacAuslan
- Mr Mills
- Mr Savage
- Mr Stern
- Mr Curwen
- Mr Cropper
- Mr Tyrie
- Mr Call
- KA/002

1. Alex
2. C/content?

I have substituted Sharkey + name...

Ch
This is not very punchy, & has some obvious infelicities. I've asked Robert to his view

cc 1/10

AA

Now incorporated in patterns, can MOM please produce new charts!

EPR ARTICLE ON UNEMPLOYMENT

I attach a draft article on unemployment for your approval for inclusion in the October issue of the "Economic Progress Report."

2. The article puts the rise in unemployment in the 1980s into context both historically and internationally. It points out that the UK experience with unemployment is to some extent shared by the other major European economies, but that we are now the only such economy with steadily falling unemployment. It also discusses the labour market imperfections which have maintained high levels of unemployment, as well as labour supply developments involving the increasing part-time employment of women.

3. The discussion of labour supply (paragraphs 16-22) is the only part that may be at all controversial. It runs the risk of drawing attention to the divergence between the claimant count and unemployment as measured as part of the labour force, which may encourage people like Richard Layard to re-open the public debate on whether the reduction in unemployment is "real". However, the article tries to avoid drawing explicit attention to this problem and, given the strength of recent labour market statistics, the risk should be small and certainly worth taking.

4. The article contains some of the points you made in your speech on unemployment to the Bury North Conservative Association on 16 July.

5. The article does not go into the details of supply-side policies that have been implemented by this Government, but refers to a separate article in the same edition of the EPR which is also being submitted for Ministers' approval.

6. The article is due to be sent to the printers on Tuesday 6 October. It would therefore be helpful to have your comments and your approval, or otherwise, by lunchtime on Monday 5 October.

Peter Patterson

P L PATTERSON



FROM: P D P BARNES
DATE: 5 October 1987

*passed
PSG
Alisc
AD*

PS/CHANCELLOR

cc PS/Chief Secretary
PS/Financial Secretary
PS/Paymaster General
Sir T Burns
Mr Evans
Mr Oldling-Smee
Mr Sedgwick
Mr Culpin
Mr S J Davies
Mr Gray
Mr Matthews
Miss O'Mara
Mr Pickford
Mr Patterson
Mr Cropper
Mr Tyrie
Mr Call

EPR ARTICLE ON UNEMPLOYMENT

The Economic Secretary has seen Mr Patterson's submission to the Chancellor of 1 October.

2. The Economic Secretary thinks the section on labour supply is not so much controversial as confusing.

3. The Economic Secretary thinks that it may be better to re-arrange the arguments in the following order:

- i. employment growing since 1983;
- ii. but employment growth does not necessarily mean a corresponding fall in unemployment if there is also a change in the number of people seeking work: labour force.
- iii. the labour force may change for a variety of reasons:
 - a. demographic - number of working age school leavers minus those retiring;

- b. female participation;
- c. double jobbing;
- d. greater availability of work;
- e. early retirement/redundancy on comfortable terms.

RB

P D P BARNES
Private Secretary

CONFIDENTIAL



FROM: S P JUDGE
DATE: 6 October 1987

MR TRUMAN

cc PPS
Sir Peter Middleton
Mr F E R Butler
Mr Kemp
Mr Luce
Mr Pettifer
Mr Faulkner

ND

FURTHER IMPLICATIONS OF THE BRUCE CASE

The Paymaster General has seen Mr Faulkner's submission of 5 October, is content with the proposed action, and has commented that his seat belt is fastened.

The Paymaster has now written to Mr Fowler about the Bruce case: copies will be circulated separately.

Ch
I think you should be aware of note below - not at all a comfortable line to argue.

SPJ

S P JUDGE
Private Secretary

Mandary

AA

PPS link PMS to mit @ Pray...

*↓ x P20
Tell
SIMAN*

FROM: D A TRUMAN

DATE: 7 October 1987

1. MR KEMP
2. PAYMASTER GENERAL

cc PPS/Chancellor
PS/Chief Secretary
Sir Peter Middleton
Mr F E R Butler
Mr Luce
Mr Gilhooly
Mr Pettifer
Mr Faulkner
Mr Court OMCS

CIVIL SERVICE CONTRACTS, BRUCE CASE ET AL

You may like to have a note pulling together the various strands of this increasingly complex set of issues with a few comments on where we have got to and what we hope to achieve.

Bruce case

2. Mr Bruce has so far failed to respond to the blandishment of a sizeable subvention towards the cost of his appeal against the judgement of the High Court. Thus the Appeal Court route to resolve the overall issue of whether civil servants have contracts of employment looks as uncertain as ever. There is no prospect of this issue going before the courts within the next couple of months and there is increasing doubt whether it will ever get there.

Contracts of employment and industrial relations law

3. There is now agreement between the Treasury and the Department of Employment that the forthcoming Employment Bill should contain at the outset provision that the tort of inducing a breach of contract applies to civil servants even if they do not have contracts of employment. (Although the tort has most application in the industrial relations field when staff are induced to strike, the DE and we understand the Law Officers are content that the provisor should cover all of the tort of inducement to breach contracts.) The lawyers maintain the view that because the legislation in question is focussed very narrowly on this one particular tort, it should not prejudice the Bruce case should that after all go to appeal.

The Wright case

4. The suggestion that Mr Wright might have been in breach of his contract of employment was, we understand, only recently introduced into the proceedings and

is peripheral to the main argument. It is also relevant that Mr Wright, in any case, was a Crown but not a civil servant. Be that as it may, we understand that the proposed addition to the Employment Bill is not expected to impinge on the Wright case.

CPSA action over ethnic monitoring by Job Centres

5. The Attorney General has advised that the MSC should not litigate against the CPSA in an attempt to restrain the union from striking over the ethnic monitoring exercise due to begin in Job Centres next week. The Attorney believes that litigation would be unhelpful, particularly in view of the proposed legislation mentioned above; I have already submitted a note to the Paymaster General on this. In the meantime, OMCS and we have been taking a further look at the long established policy not to take disciplinary action against civil servants who strike over their own terms and conditions of employment. Where the strike is clearly not a trade dispute - and the industrial action in question appears to be politically inspired - OMCS and we believe that there should be scope within the existing policy for departments, if they so wish, to take disciplinary action. We understand that the MSC will await the outcome of the current ballots before deciding whether to take action - it is possible that only a very few hotheads may vote to strike.

CPSA and political affiliation

6. A separate note is being submitted on this.



D A TRUMAN

PCW
P2c

FROM: D A TRUMAN

DATE: 7 October 1987

PAYMASTER GENERAL

cc PS/Chancellor
PS/Chief Secretary
PS/Financial Secretary
PS/Economic Secretary
Sir Peter Middleton
Mr Kemp
Mr Luce
Mr Pettifer
Mr Court OMCS**INDUSTRIAL ACTION BY CPSA MEMBERS IN JOB CENTRES**

The Attorney General's letter of 6 October considers Treasury Counsel's advice (of which you were apprised in Mr Faulkner's note of 5 October) on the possibility of the MSC taking proceedings against the CPSA to restrain it from striking over an ethnic monitoring exercise to begin in Job Centres next week. The Attorney has concluded that given the proposed new clause for the Employment Bill which would seek to block the loophole in the industrial relations context left by the Bruce case, it is an unattractive proposition to litigate in the House of Lords (the likely outcome) on this specific issue. Moreover, although Treasury Counsel has produced an ingenious alternative argument that there is a legal relationship between civil servant and Crown, the Attorney notes that if that were to succeed in a court, no civil service union would have any protection under the contract-based system of immunities which forms the basis of our own employment legislation. Indeed, the application of this notion might go further than civil service unions and corrective legislation might well be necessary. The Attorney concludes that litigation should be avoided in this instance.

I understand that DE Ministers have accepted the Attorney's advice and that they have told the MSC not to instigate litigation. There is not a great deal else they can do in the circumstances but OMCS and Treasury are urgently considering the long established policy of not taking disciplinary action against civil servants who strike. Up to now, this has always been considered in the context of legitimate trade disputes of which the present dispute is not one. The two departments will be considering what scope there is for flexibility within the existing policy or, alternatively, for changing it.

In the meantime, no further action is called for on the Attorney General's letter.



D A TRUMAN



c/content?

CR 8/10

FROM: R C BERWICK
DATE: 8 October 1987

PS/CHANCELLOR
PS/PAYMASTER GENERAL

cc PS/Financial Secretary
P Gray IAE 3

OK

BACKERS FOR THE EMPLOYMENT BILL

The Parliamentary Clerk to the Secretary of State for Employment has asked if both the Chancellor and the Paymaster General would be prepared to be counted as 'Backers' for the above Bill. Though it is normal for one Minister from the Treasury to act as 'backer' the Department of Employment have asked that in addition to the Chancellor the Paymaster General also be counted in view of his special interest in contractual changes which relate to the Civil Service.

The Bill will be in two parts, concentrating on Industrial Relations and Employment and Training.

The main aims are:

to further extend the democratic rights of members within Trade Unions and the appointment of a Commissioner for the rights of Trade Unionists;

moving Job Centres from the Manpower Services Commission to the Department of Employment to work more closely with Unemployment Benefit Offices thereby helping the long-term unemployed back to work;

provision to change the status of civil servants so that their pay and conditions of service are deemed as a contract.

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I understand that the following Ministers have also been asked to Back this Bill:-

Mr Secretary Rifkind

Mr Secretary Walker

Mr Secretary King

Mr Secretary Moore

Mr Secretary Baker

Mr Kenneth Clarke

As the Chancellor and the Paymaster General may be aware, being counted as a 'Backer' will not involve them in any work on the Bill in the House, where Employment Ministers will remain responsible for all stages of its progress.

The Department of Employment are hoping that this Bill will be discussed in Legislation Committee on Wednesday 21 October. IAE 3 are content.

I would be grateful if the Chancellor and the Paymaster General could give consideration to this request, by noon Monday 12 October.

RC Berwick

R C BERWICK

FROM: D A TRUMAN

DATE: 9 October 1987

pay

PAYMASTER GENERAL

Ch
Probably no need to raise @ wages now given developments?
Art

cc **PS/Chancellor**
Sir Peter Middleton
Mr F E R Butler
Mr Kemp
Mr Luce
Mr Gilhooly
Mr Pettifer
Mr Cropper
Mr Tyrie

EMPLOYMENT BILL - BRUCE CASE

There is just one point I ought to bring to your attention regarding the proposed clause aimed at docking the loophole on inducing breaches of contract. It is implicit, I think, in the various exchanges both internal and inter-departmental on this issue that while we would not think it reasonable for the provision to have retrospective effect, it should come into force as soon as the Bill receives the Royal Assent. I am advised by the Department of Employment, however, that this is an unusual step and there are certain procedures which have to be gone through.

2. I am sure that we do not want to keep this loophole open any longer than is necessary and if you are content, I will then tell the Department of Employment. Mr Fowler will then be advised to write to Lord Whitelaw with copies to the members of L Committee seeking agreement to this provision having immediate effect once Royal Assent is received.

*Re paper below -
see letter to Mr Truman
referred to in para 4.*

D A TRUMAN

Ch
*see Annex D
now attached*
Art

COVERING PERSONAL AND CONFIDENTIAL

MF

LABOUR MARKET STATISTICS PRESS NOTICE

NOTES FOR THE PRIME MINISTER

UNIT WAGE AND SALARY COSTS AND PRODUCTIVITY

I enclose revised pages for unit wage and salary costs and productivity. The revised figures for manufacturing industry are based on the output figures to be released by the CSO tomorrow.

These figures are personal and confidential until 11.30 am on Thursday 15 October, 1987.

W D BURNS
STATISTICS A1
Department of Employment

13.10.87

UNIT WAGE AND SALARY COSTS

In the three months ending August 1987, wages and salaries per unit of output in manufacturing industries were 1.5 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 nearly 7 per cent in productivity over this period (see Table 13).

In the second quarter of 1987, wages and salaries per unit of output in the whole economy were 4.6 per cent above the corresponding period of 1986. This increase was below the rise in average earnings in the whole economy as there was a rise of over 2½ per cent in productivity over this period.

Recent figures are:

TABLE 11: WAGES AND SALARIES PER UNIT OF OUTPUT

	Manufacturing		Whole Economy	
	Index 1980 = 100	Percentage increase on a year earlier	Index 1980 = 100	Percentage increase on a year earlier
1985 Q2	122.4	5.3	129.9	4.8
Q3	125.5	6.3	132.9	6.0
Q4	128.4	6.0	134.2	4.4
1986 Q1	130.6	7.5	136.4	6.0
Q2	130.0	6.2	137.9	6.2
Q3	129.4	3.1	138.8	4.4
Q4	129.8	1.1	140.9	5.0
1987 Q1	131.4	0.6	141.9	4.0
Q2	131.5	1.2	144.2	4.6
1987 May	130.3	1.1	..	..
June	131.9	1.5	..	..
July	131.4	2.1	..	..
Aug	130.7	0.8	..	..
<u>3 months ending</u>				
1987 May	131.0	0.5	..	..
June	131.5	1.2	..	..
July	131.2	1.5	..	..
Aug	131.3	1.5	..	..

PRODUCTIVITY

Manufacturing output per head in the three months to August was 1.7 per cent higher than in the three months ending May and 6.8 per cent higher than in the same period a year earlier.

Output per head in the whole economy in the second quarter of 1987 was 0.5 per cent above the previous quarter and 2.7 per cent higher than in the second quarter of 1986.

Recent figures are:

TABLE 13: OUTPUT PER HEAD

seasonally adjusted, U.K.

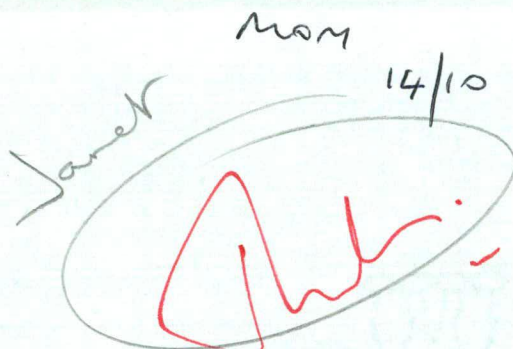
		Manufacturing		Whole Economy	
		Index 1980 = 100	Percentage Increase on a year earlier	Index 1980 = 100	Percentage increase on a year earlier
1985	Q2	131.6	4.4	114.5	2.8
	Q3	130.7	2.7	114.1	2.1
	Q4	130.3	2.3	114.8	2.3
1986	Q1	130.4	0.4	115.2	1.6
	Q2	133.3	1.3	116.6	1.8
	Q3	135.8	3.9	117.8	3.2
	Q4	139.1	6.8	118.5	3.2
1987	Q1	139.8	7.2	119.2	3.5
	Q2	141.9	6.5	119.6	2.7
1987	May	142.1	7.0	..	..
	June	142.1	6.4	..	..
	July	144.6	6.8	..	..
	Aug	145.2	7.2	..	..
<u>3 months ending</u>					
1987	May	141.5	7.0	..	..
	June	141.9	6.5	..	..
	July	142.9	6.7	..	..
	Aug	144.0	6.8	..	..

FROM: P L PATTERSON
DATE: 14 October 1987

1. MISS O'MARA
2. CHANCELLOR

cc Chief Secretary
Financial Secretary
Paymaster General
Economic Secretary
Sir P Middleton
Sir T Burns
Mr Cassell
Mr Monck
Mr Sedgwick
Mr Scholar
Mr R I G Allen
Mr Davies
Mr Pickford
Mr Dyer (+1 for No.10)
Mr Hudson
Mr Mills
Mr MacAuslan
Mr Call
Mr Cropper
Mr Tyrie
HB/001

These statistics give further confirmation of the strength of the economy.



COMBINED RELEASE OF LABOUR MARKET STATISTICS ON 15 OCTOBER

Summary Statistics (seasonally adjusted GB unless otherwise stated)

	<u>Thousands</u>	Level	Change on previous period	Change on previous year
<u>Unemployment (UK)</u>				
Total (excl. school leavers) September		2,775	-54	-408
Total (not seasonally adjusted) September: 'Headline Total'		2,870	+4	-463
<u>Vacancies (UK) September</u>		252	+14	+45
<u>Employed labour force 1987Q2</u>		24,359	+134	+372
<u>Manufacturing employment August</u>		5,068	-2	-52
			<u>Percentage change on previous year</u>	
<u>Index of average earnings, August</u>				
Whole economy, underlying (actual)			7½ (7.8)	
Manufacturing, underlying (actual)			8½ (8.1)	
<u>Wage and salary costs per unit of output</u>				
Whole economy 1987Q2			4.6	
Manufacturing 3 months to August			1.5	
<u>Output per head</u>				
Whole economy 1987Q2			2.7	
Manufacturing 3 months to August			6.8	

Unemployment

2. Seasonally-adjusted adult unemployment (excluding school leavers) fell between August and September, by 54,000 to 2.775 million (10.0 per cent). The average monthly fall in the seasonally adjusted total is 44,000 over the last six months.
3. The 'headline' total rose by 4,000 to 2.870 million, 10.3 per cent of the working population. There was a fall of 32,000 among adult claimants and a rise of 36,000 among school leavers.
4. The stock of vacancies at Jobcentres (seasonally adjusted) increased in September by 14,000 to 251,500.
5. Points of interest:
 - (a) Seasonally adjusted total now at lowest level for nearly 5 years (since December 1982).
 - (b) Seasonally adjusted total has fallen for fifteen months in succession since June 1986, by 437,000 in total.
 - (c) Fallen by 408,000 over past year, largest twelve-month fall since records began; fall over last six months also a record.
 - (d) Fall in 'headline' total of 463,000 compared with year ago, also largest on record.
 - (e) Male unemployment (seasonally adjusted, adult) has fallen in each of the last fifteen months, now below 2 million. Female unemployment fell in September for eighth month running.
 - (f) Unemployment fell in all regions in September. Over past twelve months unemployment rate has fallen throughout the UK, with largest falls in West Midlands and Wales. Over past six months decline in unemployment rate of about one percentage point in all GB regions, including Scotland.
 - (g) UK unemployment rate fallen much more in past year than in any other major industrialised country.

- (h) Fall in long-term unemployment of 110,000 in year to July (latest figures), largest on record. Biggest falls in Wales, North and West Midlands.
- (i) Youth unemployment (under 25s) rate in July (latest figures) 16 per cent. Fall of 200,000 over past year.
- (j) The stock of vacancies increased sharply by 14,000 in September to 251,500, 22 per cent higher than a year ago, and remains the highest level since the current series began in 1980. Inflows of notified vacancies have been growing less quickly and have fluctuated over the past few months; in September they were only 3 per cent higher than a year earlier. [NOT FOR USE: DE again warn that the stock figures overstate the strength of the labour market because of reduced MSC activity in following up placings, which are still lower than a year ago.]
- (k) There is normally a sharp seasonal fall in the headline total in October, of the order of 70,000, because many summer school leavers find jobs. Assuming continuation of the downward trend, the headline total is likely to fall substantially, possibly by over 100,000. (See also paragraph 7 below).

Assessment

6. [NOT FOR USE: The strength of the economy is now clearly the major factor behind the improvement in the labour market statistics. DE say that other factors are becoming even more difficult to quantify as the measures become established. The impact of Restart, availability testing and claimant advisers on the recorded level of unemployment is still growing, although their effect on the monthly change may now be beginning to diminish. There has again been some modest build up in the effects of the new Job Training Scheme, but to offset this there has been some decline in the numbers helped by traditional employment measures, especially the Community Programme. Overall, DE's judgement that the strength of economic activity accounts for "probably now over half" the current downward trend in unemployment of over 40,000 a month may therefore be rather cautious.]

7. School leaver unemployment, at 92,000, was 48,000 lower in September than a year ago. Much of this improvement is attributable to YTS, especially the number of last year's school leavers who are now starting their second year of training. However, this year the autumn school term started relatively late and some of this summer's school leavers may not have been included by the count day on 10 September.

Employment

8. The new employment figures available this month are for the whole economy in 1987Q2 and employees in manufacturing industries in August.

9. The employed labour force (employees in employment, HM Forces plus the usual projection of the number of self-employed) is estimated to have increased by 134,000 between the first and second quarters of 1987. This continues the upward trend started in March 1983, since when the employed labour force has increased for seventeen consecutive quarters, by an estimated 1,362,000 in total. The increase in the year to June 1987 is 372,000.

10. Manufacturing employment is estimated to have fallen by 2,000 in August. The average decrease of 3,000 a month in the three months ending August compares with average decreases of 2,000 per month in the three months ending May 1987, and 16,000 per month in the three months ending August 1986. DE again warn that the monthly figures are based on small samples and can move erratically (end-quarter figures are more firmly based), but the downward trend in manufacturing employment is clearly slowing. In the year to August 1987, the number of employees in manufacturing industries fell by 52,000, but this slowed to a decline of only 14,000 in the six months February to August.

11. **[NOT FOR USE:** In order to aid our interpretation of trends in manufacturing, DE statisticians have commented to us that they have some doubts about the figures for manufacturing employment. Some of the adjustments that they make to the raw figures (eg to take account of new firms) were based on experience over the period 1981 to 1984 when manufacturing employment was on a sharper downward trend. DE feel that the adjustments may not be representative during a period of rapid growth in manufacturing output such as the present one. Manufacturing employment may therefore have been rising for much of 1987. Recent figures for productivity growth would be correspondingly reduced and unit labour costs likewise increased. However, the whole economy employment figures would not be affected; rather there would be a lower figure for services sector and other employment. DE will not be able to confirm this publicly until early 1989 when the results of the 1987 Census of Employment become available. Therefore we have to confine ourselves to saying that the downward trend in manufacturing employment is slowing.]

Other features

12. The underlying increase in average earnings in the year to August was $7\frac{3}{4}$ per cent, the same as in each of the previous four months. Within this total, the underlying increase in manufacturing earnings rose to $8\frac{1}{2}$ per cent while that in services fell to $7\frac{1}{4}$ per cent (the

July services figure was also revised down to 7 $\frac{1}{4}$ per cent). As well as higher overtime working, which DE think added $\frac{3}{4}$ per cent in the year to August, the higher underlying earnings growth in manufacturing may also reflect the strength of the economy in that manufacturers sought to meet the high demand by cutting back on holiday closedowns (when earnings are relatively low). Conversely, in service industries the fall in the underlying rate may be due to the reduced importance of bonus payments (which have been increasing faster than earnings in general) in the summer months. Around 90 per cent of employees had received 1986-87 pay round settlements by August, resulting in a $\frac{1}{4}$ per cent reduction in settlements compared with the previous round ($\frac{1}{2}$ per cent reduction in private sector settlements but no change in the public sector average). [NOT FOR USE: DE statisticians are currently projecting no change in the 7 $\frac{3}{4}$ per cent rate of increase of underlying earnings in September, but a rise to 8 per cent in October. The September figure will be affected by the second stage of the civil servants' deal and higher pay and London weighting for bank employees; in October the second stage of the teachers' settlement will add about $\frac{1}{4}$ per cent to underlying earnings.]

13. The level of overtime working in manufacturing rose slightly in August and remains very high (still above the peak level of some 12 million hours a week sustained through much of 1985).

14. Downward revisions to the figures for manufacturing output (published at 11.30am today) result in a level of manufacturing output per head in the three months to August 1987 6.8 per cent higher than a year earlier. Unit wage and salary costs in manufacturing rose by 1.5 per cent over the same period. [But see paragraph 11 which (NOT FOR USE) indicates these figures may overstate true performance.]

MANUFACTURING: PERCENTAGE INCREASE OVER PREVIOUS 12 MONTHS

	Average Earnings	Output per head	Wages and salaries per unit of output
1986 Q1	7.9	0.4	7.5
Q2	7.5	1.3	6.2
Q3	7.1	3.9	3.1
Q4	8.0	6.8	1.1
1987 Q1	7.8	7.2	0.6
Q2	7.7	6.5	1.2
3 months to August	8.3	6.8	1.5

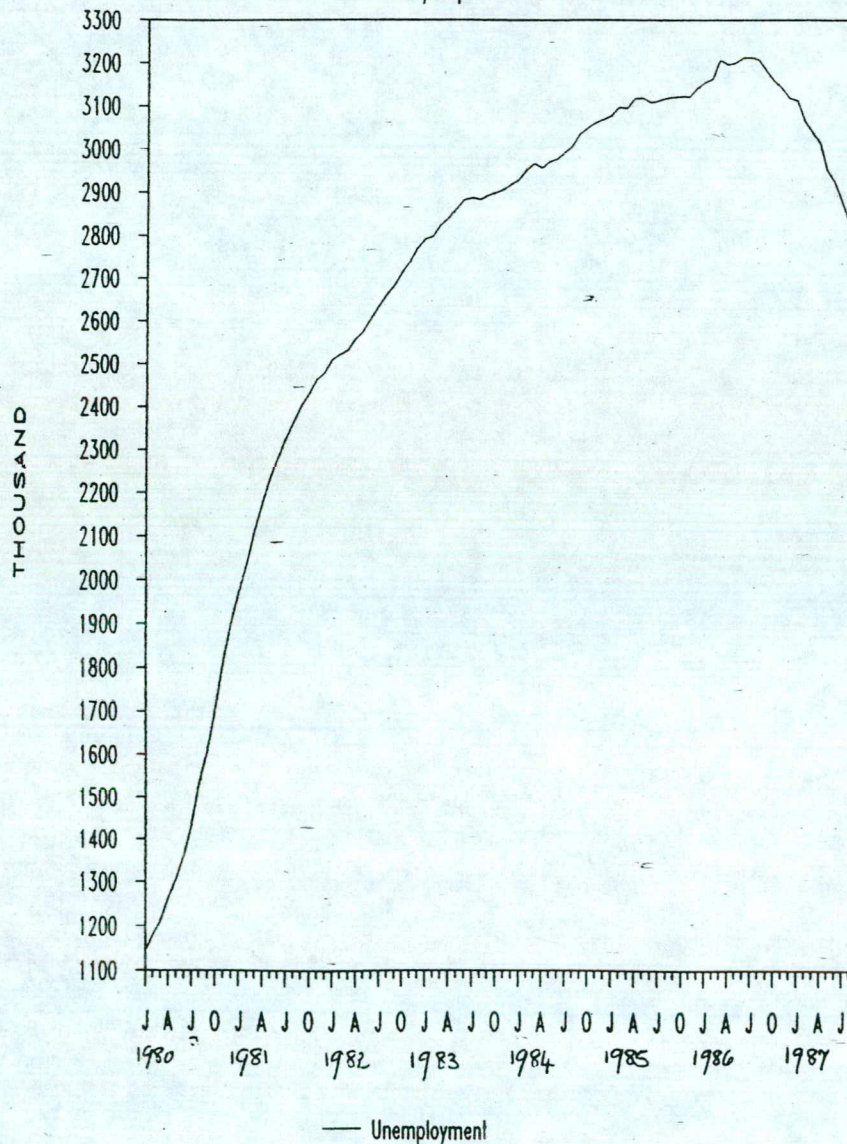
15. In the whole economy, output per head rose by 2.7 per cent in the year to 1987 Q2, and unit wage and salary costs by 4.6 per cent over the same period.

Peter Patterson

P L PATTERSON

UNEMPLOYMENT: UK.

seasonally adjusted exc school leavers



PERSONAL AND CONFIDENTIAL UNTIL 11.30 ON 15 OCTOBER 1987 THEREAFTER
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Labour Market Statistics

Summary

Latest indicators confirm the buoyancy of the labour market in the second quarter and point to continued improvement in the third quarter. The employed labour force increased by 134,000 in the second quarter, the largest quarterly increase since the end of 1984, contributing to an increase of 372,000 in the year to June. Unemployment fell sharply again in September and the results for school leavers were particularly encouraging, down nearly 50,000 on a year ago. Vacancy stocks rose in September, but should again be treated with caution as placings in jobs are still lower than a year ago. The index of average earnings remained unchanged, showing a rise of 7¼% on a year earlier.

Unemployment

UK unemployment (seasonally adjusted, excluding school leavers) fell sharply again, by 54,000 between August and September to 2.775 million (10.0 per cent), the lowest for nearly 5 years. The series has now fallen for 15 consecutive months, by 437,000 altogether since June 1986. Other comparisons and records are given in 'Key Facts'.

The sharp downward trend has been maintained, and now appears to be at least 40,000 per month. A growing proportion, probably now over half, is attributable to the strength of the economy.

Various other factors continue to have a favourable influence on the trend, although these factors are now even more difficult to quantify as the measures become established. The impact of Restart, availability testing and claimant advisers on the recorded level of unemployment is still growing, although their effect on the monthly change may now be beginning to diminish.

Over recent months there has been a slight decline in the numbers helped by the traditional employment measures, particularly the Community Programme, although this has been offset by some modest build up of the new Job Training Scheme. Together these employment and training measures have been having a broadly neutral impact on the trend in adult unemployment.

Regional comparisons

Seasonally adjusted unemployment fell among both men and women in all regions in the month to September. Over the past 12 months, the unemployment rate has fallen most in the West Midlands and Wales, but Northern Ireland still stands out with the smallest fall.

Headline total

The UK 'headline' claimant total (unadjusted, including school leavers) rose by 4,000 to 2.870 million in September, 10.3 per cent. This was 463,000 lower than a year ago, again a record 12 month fall.

The rise of 4,000 in the total was the net result of a fall of 32,000 among adult claimants and a rise of 36,000 among school leavers. The school leaver total, at 92,000, was 48,000 lower in September than a year ago. Much of this improvement is due to the larger number of participants in YTS this September. These are mainly last year's school leavers starting their second year of training. There is one possible further factor influencing the very large annual fall in school leavers. This year the autumn school term started relatively late and some of this summer's school leavers may not have been included by the count day on 10th September.

October headline total

There is normally a sharp seasonal fall in the headline total in October. This fall is of the order of 70,000, mainly because many summer school leavers and older college leavers find jobs. Assuming continuation of the downward trend, a substantial fall is therefore most likely, possibly over 100,000.

Employment

The employed labour force (employees in employment, the self employed and HM Forces) is estimated to have increased by 134,000 in the second 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 1,362,000. The employed labour force has now increased for 17 successive quarters. The rate of increase appears to have been strengthening since March 1986, having slowed in the preceding quarters, and the total increase in the year ending June 1987 is estimated at 372,000.

The number of employees in employment in manufacturing industries decreased by an estimated 2,000 in August. The monthly estimates can fluctuate

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erratically and a clearer picture may be given by considering three month averages which suggest that manufacturing employment is on a gradual downward trend. The average decrease of 3,000 a month in the three months ending August compares with average decreases of 2,000 a month in the three months ending May and 16,000 a month in the three months ending August 1986. In the year to August 1987 the number of employees in manufacturing industries reduced by 52,000; the slowdown of the rate of decrease within that year is illustrated by the estimate of a reduction of only 14,000 in the six months March to August.

Overtime working by operatives in manufacturing industries was 12.68 million hours a week in August and the average over the three months ending August was 12.65 million hours a week. After fluctuating around 11½ to 12 million hours a week through 1986, overtime working has for several months been a little above the peak level of some 12 million hours a week which was reached in much of 1985. Hours lost through short-time working remain very low.

Vacancies

The stock of vacancies at jobcentres (UK, seasonally adjusted and excluding Community Programme) increased sharply by 14,000 to 251,500 in the month to September. The level was 22 per cent higher than a year ago and again the highest since the current series began in 1980. However, these figures still need to be interpreted with caution. Inflows of notified vacancies have been growing, but less quickly than the stock and in September were only 3 per cent higher than a year ago. However outflows were little changed and recorded placings in September were 3% lower than a year ago. Thus, part of the recent increase in the stock figures probably reflects some slow down in vacancies coming off the books, due to reduced MSC activity in following up placings.

Earnings

The underlying increase in average weekly earnings in the year to August was 7¼ per cent, similar to the increase in the year to July. Within this total, the underlying increase in manufacturing industries was 8½ per cent, ¼ per cent higher than the increase in the year to July. This rise may reflect at least in part the buoyancy in the economy. Manufacturers may be seeking to meet the high demand by cutting back on holiday closedowns (when earnings are relatively low). However in service industries, the underlying increase was 7¼ per cent, ¼ per cent lower than the increase in the year to

July published last month (which has now been revised to 7¼ per cent). These changes may reflect the reduced importance of bonus payments in the summer months. The service industries figure does not yet include the recent increase in pay rates and London Weighting in the banking sector.

Next Labour Market Figures

The next labour market briefing will be issued on Monday 9 November in advance of the press release on Thursday 12 November. It will contain unemployment figures for 8 October, manufacturing employment and average earnings data for September and vacancies for 2 October.

PERSONAL AND CONFIDENTIAL UNTIL 11.30AM THURSDAY 15 OCTOBER 1987
 LABOUR MARKET STATISTICS - KEY FACTS

Unemployment

Seasonally adjusted (excluding school leavers)

- fall of 54,000 in September to 2.775 million (10.0%)
- fall of 408,000 over past 12 months, largest since records began.
- Unemployment down for 15 months running, by 437,000 since June 1986.
- Average fall of 44,000 per month over past six months, also a record.
- Unemployment now the lowest for nearly 5 years (since December 1982).

Unadjusted including school leavers

- Now 2.870m, 10.3%, rise of 4,000 since August
- fall of 463,000 compared with a year ago, largest 12 month fall recorded since similar records began in 1948.

Unemployed school leavers (under 18) 92,000 in September, 48,000 lower than a year ago and the lowest September total since 1974.

Employment - employed labour force increased^s by 134,000 in Q2, largest fall since Q4 1984

- also increased by 372,000 in year to June
- manufacturing employment fell 2,000 in August

Earnings - Underlying increase in average earnings in year to August unchanged at 7 $\frac{3}{4}$ %.

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<u>ADDITIONAL POINTS</u>		<u>Reference</u>
<u>Vacancies (seasonally adjusted, excluding CP)</u>	Unfilled vacancies at jobcentres 251,500 in September: 22% higher than a year ago.	Press notice table 6, 7 & 8
<u>Regional unemployment figures</u>	Unemployment fell in all regions in September	Press notice table 3
	Unemployment rate fell in all regions over last 12 months with largest falls in West Midlands and Wales.	C1b
<u>Long term unemployment (quarterly figures)</u>	Fell by 110,000 in year to July Biggest annual fall on record Largest falls in Wales, North and West Midlands	C5a
<u>Youth unemployment</u>	Under 25's unemployment rate in July 16%. Latest EC comparisons for 1986 showed UK 18% compared with EC average 23% (Italy 34%, France 23%, Belgium 20%, Ireland 27%, Greece 24%, Portugal 29%, Spain 48%)	C5b
<u>Flows into and out of unemployment</u>	Unemployed not a static pool - some 400,000 a month enter and leave. A quarter leave in month, half leave within 3 months.	D5
<u>International comparisons</u>	In recent months, UK rate fallen faster than any other industrialised country. Latest OECD standardised rate for UK now 9.9%. Unemployment higher in France (11%) Belgium (11%), Spain (21%) and Ireland (19%).	C4a,b,c
<u>Employment</u>	Increased every quarter for 4¼ years. Over 1.3 million jobs created since 1983.	Press Notice table 5 D10a

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DEFENSIVE BRIEFING

Reference

<u>Effect of government measures on count</u>	<p>Traditional measures (Community Programme etc) have not grown over recent months. 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.</p>	C3
<u>Fiddling the figures</u>	<p>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.</p>	D3
<u>International definition of unemployment</u>	<p>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).</p>	D2
<u>Employment growth 'not real jobs'</u>	<p>Two thirds of growth in employment in last year was in jobs for women (244,000). Half those jobs were part-time (120,000), a much smaller proportion than in recent years.</p> <p>- Participants in a special measures eg Community Programme EAS are employed in precisely the same way as any other employee.</p>	

LABOUR MARKET STATISTICS

OCTOBER 15 1987

SUMMARY STATISTICS

				<u>Thousands</u>		
				Level	Change on previous period	Change on previous year
<u>Unemployment (UK)</u>						
Total (not seasonally adjusted)	September	10		2,870	+ 4	- 463
Total (excluding school leavers)	September	10		2,775	- 54	- 408
<u>Employed Labour Force</u>	June; Q2	1987		24,359	+134	+ 372
<u>Employees in employment</u>						
Services	June	Q2	1987	14,492	+ 99	+ 366
Manufacturing	June	Q2	1987	5,085	+ 10	- 66
Manufacturing employment	August	1987		5,068	- 2	- 52
<u>Vacancies (UK at jobcentres)</u>	September	4		252	+ 14	+ 45

Percentage change on previous year
(underlying increase)

Index of Average Earnings

Whole Economy	August	7 $\frac{3}{4}$
Services	August	7 $\frac{1}{4}$
Manufacturing	August	8 $\frac{1}{2}$

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 53,800 in the month to September. Male unemployment decreased by 29,900 and female unemployment decreased, by 23,900. Over the past six months there has been a fall of 44,100 on average compared with a fall of 23,900 per month over the previous six months to March 1987.

The unadjusted unemployment total, increased in September by 4,393 to 2,870,195. This includes 92,406 school leavers aged under 18. In September, total unemployment was 462,702 lower than a year ago.

The employed labour force in Great Britain has now increased for 17 successive quarters since March 1983. The latest available estimate, for the second quarter of 1987, shows an increase of 134,000 which contributes to overall increases of 372,000 in the year ending June 1987 and of 1,362,000 since March 1983.

The latest monthly estimates of the number of employees in manufacturing industry decreased by 2,000 in August 1987. The average decrease of 3,000 a month in the three months ending August 1987 compares with decreases of 2,000 per month in the three months ending May 1987, and 16,000 per month in the three months ending August 1986.

The stock of vacancies (UK seasonally adjusted excluding Community Programme) increased by 14,100 in September to 251,500. Over the past six months there has been an increase of 6,800 per month on average.

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

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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UNEMPLOYMENT

The seasonally adjusted level of unemployment in the UK (excluding school leavers) decreased by 53,800 to 2.775 million in September, 10.0 per cent of the working population*.

Over the past six months on average unemployment has fallen by 44,100 per month.

The recorded total of unemployed claimants, including school leavers, increased by 4,393 between August and September to 2,870,195 giving an unemployment rate of 10.3 per cent of the working population. Unemployment is 462,702 less than a year ago. The total included 92,406 school leavers, 48,325 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 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	2053.6	898.7	2952.3	-65.8	10.6	-31.9	-37.8
Jun	2036.2	889.0	2925.2	-27.1	10.5	-32.4	-38.2
Jul	2004.6	871.6	2876.2	-49.0	10.4	-39.7	-47.3
Aug(r)	1971.9	857.2	2829.1	-47.1	10.2	-39.5	-41.1
Sep(p)	1942.0	833.3	2775.3	-53.8	10.0 **	-44.1	-50.0

** The separate rate for males was 11.8 per cent, and for females 7.3 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	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
	Jul	2,008,482	897,971	2,906,453	10.5	63,922	128,903
	Aug	1,970,318	895,484	2,865,802	10.3	56,135	115,669
	Sep	1,973,776	896,419	2,870,195	10.3+	92,406	. .

+ The separate rate for males was 12.0 per cent, and for females 7.9 per cent.

** Not included in totals, see note A4

*See note A5.

TABLE 3: UNEMPLOYMENT - REGIONS September 10 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 population*
South East (Greater London)	640.8 (345.0)	-14.2 (-6.3)	7.0 (8.0)	-0.2 (-0.1)	653.3 (355.5)	-12.3 (-5.7)	7.2 (8.3)	10.4 (5.4)
East Anglia	68.3	-1.6	7.3	-0.2	67.2	-1.1	7.2	1.4
South West	168.3	-4.8	8.2	-0.2	168.2	-0.6	8.2	3.1
West Midlands	284.6	-6.3	11.0	-0.2	299.3	1.7	11.6	10.2
East Midlands	173.3	-3.1	9.1	-0.2	177.5	-0.6	9.3	5.0
Yorks and Humberside	267.2	-4.8	11.3	-0.2	280.1	4.2	11.8	12.9
North West	379.6	-6.3	12.6	-0.2	395.8	3.0	13.2	13.3
North	201.1	-2.2	14.0	-0.2	211.2	6.3	14.7	9.4
Wales	148.8	-2.1	12.4	-0.2	155.0	4.5	12.9	6.3
Scotland	319.8	-6.9	12.9	-0.3	332.7	-3.4	13.4	17.3
GREAT BRITAIN	2,651.5	-52.9	9.8	-0.2	2,740.2	1.7	10.1	89.2
Northern Ireland	123.8	-0.9	18.0	-0.1	130.0	2.7	18.9	3.3
UNITED KINGDOM	2,775.3	-53.8	10.0	-0.2	2,870.2	4.4	10.3	92.4

* 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	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
	Jul	429.1	10.7	418.4	- 35.2	427.9	12.1	415.7	+ 16.7
	Aug	384.4	8.0	376.4	- 14.8	419.6	10.1	409.6	+ 20.9
	Sep	456.6	55.5	401.1	- 41.9	451.8	12.9	438.9	- 3.9

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EMPLOYMENT

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

The rate of increase in the employed labour force in Great Britain has strengthened in each of the last five quarters; from 13,000 in the first quarter of 1986 to 134,000 in the second quarter of 1987. This increase in the June quarter comprises an estimated growth of 109,000 employees in employment and an assumed growth of 25,600 in the self-employed. The employed labour force increased by an estimated 372,000 over the year ending June 1987 and by 1,362,000 between March 1983 and June 1987.

Employees in Employment

In the June quarter the number of employees in service industries rose by 99,000 while manufacturing and "other industries" (construction and agriculture), showed increases of 10,000 and 5,000 respectively. The numbers in the energy and water supply industries decreased by 5,000. The resultant net increase in the number of employees in employment during the June quarter was 109,000

The number of employees in manufacturing industries in Great Britain decreased by an estimated 2,000 in August. Together with estimates for June and July, this gives an average decrease of 3,000 per month over the three month period ending August 1987 which compares with average decreases of 2,000 per month in the three months ending May 1987 and 16,000 a month in the three months ending August 1986. Over the year ending August 1987, the total number of employees in manufacturing industries decreased by 52,000, including a reduction of 14,000 in the most recent six months.

Recent figures are set out in Table 5.

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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							
1985	October	5,261R	- 4R	- 0		566	- 2								
	November	5,247R	-14R	- 3		562	- 4								
	December	04 5,244	- 3R	- 7	- 21	557	- 5	- 11	13,968	+ 74	1,300	-10	21,069	+ 32	23,951 + 34
1986	January	5,238R	- 6R	- 8		547	-10								
	February	5,212R	-26R	-12		545	- 2								
	March	01 5,205	- 7R	-13	- 39	540	- 5	-17	14,043	+ 75	1,291	- 9	21,079	+ 10	23,964 + 13
	April	5,197R	- 8R	-14		537	- 3								
	May	5,167R	-30	-15		534	- 3								
	June	02 5,151	-16R	-18	- 54	530	- 4	-10	14,126	+ 83	1,292	+ 1	21,099	+ 20	23,987 + 23
	July	5,132R	-19R	-22R		526	- 4								
	August	5,120R	-12R	-16		522	- 4								
	September	03 5,113	- 7R	-13	- 38	520	- 2	-10	14,213	+ 87	1,281	-11	21,127	+ 28	24,041 + 54
	October	5,110R	- 3R	- 7R		517	- 3								
	November	5,111R	+ 1	- 3		512	- 5								
	December	04 5,106	- 5R	- 2	- 7	510	- 2	-10	14,279	+ 66	1,284	+ 3	21,179	+ 52	24,117 + 76
1987	January	5,083R	-23R	- 9		503	- 7								
	February	5,082R	- 1	-10		502R	- 1R								
	March	01 5,075	- 7R	-10	- 31	496	- 6R	-14	14,393R	+114R	1,298R	+14R	21,262R	+ 83R	24,225R +108R
	April	5,070R	- 5R	- 4		490R	- 6R								
	May	5,077R	+ 7	- 2		490R	0								
	June	02 5,085	+ 8R	+ 3	+ 10	491R	+ 1R	- 5R	14492	+ 99	1,303	+ 5	21,371	+109	24,359 +134
	July	5,070R	-15R	0		488R	- 3R								
	August	5068	- 2	- 3		486	- 2								

* = Average monthly change over last three months
R = Revised

CONFIDENTIAL

UNTIL 11.30 a.m. ON 15.10.87.

VACANCIES

The stock of unfilled vacancies at jobcentres (seasonally adjusted and excluding Community Programme vacancies) increased by 14,000 in the month to September to reach 251,500. Over the past three months to September, seasonally adjusted vacancies have increased on average by 6,100 per month.

Unadjusted, there was an increase of 25,355 unfilled vacancies in the month to 295,206. There was an increase of 1,724 Community Programme vacancies.

The inflow of notified vacancies increased on average by 300 per month in the three months ending September 1987, the outflow decreased by 4,000 per month, and placings decreased by 2,800 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	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	17.3	8.0	19.0
	Jun	275.8	28.0	247.9	233.3	2.1	7.6	23.5
	Jul	272.3	28.6	243.7	234.9	1.6	7.0	23.9
	Aug	269.9	30.2	239.6	237.5	2.6	2.1	22.6
	Sep	295.2	31.9	263.3	251.5	14.0	6.1	23.7

* 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 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	231.0	-0.9	227.4	-0.7	163.5	-2.3	
Jul	216.0	-1.2	213.8	0.9	150.7	-0.9	
Aug	221.4	0.1	217.6	1.8	153.7	0.1	
Sep	231.8	0.3	215.6	-4.0	155.0	-2.8	

TABLE 8: *UNFILLED VACANCIES - REGIONS - 4 September 1987

	VACANCIES AT JOBCENTRES					VACANCIES AT CAREERS OFFICES
	UNADJUSTED*			SEASONALLY ADJUSTED (EXCLUDING COMMUNITY PROG VACANCIES)		UNADJUSTED
	TOTAL	Community Programme Vacancies	Total excluding Community Programme	Number	Change since previous month	
South East (Greater London)	106.1 (43.4)	4.8 (2.4)	101.3 (41.0)	96.1 (39.1)	6.4 (3.3)	14.4 (8.2)
East Anglia	9.6	0.6	9.0	8.4	0.2	0.7
South West	24.3	2.7	21.6	20.3	1.0	1.4
West Midlands	28.5	4.0	24.5	23.5	2.0	1.7
East Midlands	15.5	1.6	13.9	13.5	1.0	1.1
Yorks and Humberside	20.3	2.9	17.4	16.6	0.8	0.9
North West	30.9	3.8	27.2	26.2	0.6	1.3
North	17.9	4.3	13.6	12.5	-0.1	0.5
Wales	14.9	2.7	12.2	11.9	0.6	0.4
Scotland	25.0	3.9	21.1	20.4	1.5	0.5
GREAT BRITAIN	293.1	31.5	261.6	249.5	14.0	22.8
Northern Ireland	2.1	0.5	1.7	2.1	0.1	0.8
UNITED KINGDOM	295.2	31.9	263.3	251.5	14.0	23.7

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

** See note C1.

AVERAGE EARNINGS

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

The actual increase in the year to August, 7.8 per cent, was similar to the estimated underlying increase.

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				
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	7½
December	193.4	191.3	7.4	7½
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	7½
May	198.1	198.4	8.7	7½
June	200.0	198.0	7.7	7½
July	203.1	201.3	8.1	7½
August*	201.8	201.5	7.8	7½

* Provisional

In production industries, the underlying increase in average weekly earnings in the year to August was about $8\frac{1}{4}$ per cent, similar to the increase in the year to July. Within this sector, in manufacturing industries, the underlying increase in average weekly earnings in the year to August was about $8\frac{1}{2}$ per cent, slightly higher than the increase in the year to July.

The actual increases for production industries and manufacturing industries in the year to August were 8.3 per cent and 8.1 per cent respectively.

In service industries, the underlying increase in average weekly earnings in the year to August was about $7\frac{1}{4}$ per cent, similar to the increase in the year to July. The July estimate has been revised downwards by $\frac{1}{4}$ per cent. The actual increase was 7.2 per cent in the year to July.

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

MAIN SECTORS

Seasonally adjusted

	Production industries*			Manufacturing Industries**			Service Industries***		
	Index January 1980=100	Percentage increases over previous 12 months		Index January 1980=100	Percentage increases over previous 12 months		Index January 1980=100	Percentage increases over previous 12 months	
		seas adj	underlying		seas adj	underlying		seas adj	underlying
1986									
June	188.8	7.5	8	189.8	7.7	$7\frac{1}{2}$	184.8	8.6	$7\frac{1}{4}$
July	189.9	6.8	8	190.5	6.8	$7\frac{1}{2}$	186.0	9.3	$7\frac{1}{4}$
August	192.1	8.0	$7\frac{1}{2}$	191.9	7.7	$7\frac{1}{2}$	187.3	8.3	$7\frac{1}{4}$
September	193.9	6.7	$7\frac{1}{2}$	194.0	6.9	$7\frac{1}{2}$	186.0	5.7	$7\frac{1}{4}$
October	195.2	8.0	$7\frac{1}{2}$	195.2	7.9	$7\frac{1}{2}$	187.4	8.7	$7\frac{1}{4}$
November	196.6	7.8	8	197.1	7.8	$7\frac{1}{2}$	190.5	8.5	$7\frac{1}{2}$
December	199.6	8.4	8	200.0	8.3	8	189.2	6.7	$7\frac{1}{2}$
1987									
January	199.9	7.8	$7\frac{1}{2}$	200.0	7.8	$7\frac{1}{2}$	190.3	7.7	$7\frac{1}{2}$
February	200.6	7.9	8	201.0	8.1	8	189.7	7.2	$7\frac{1}{4}$
March	199.8	7.4	8	201.1	7.6	8	193.8	5.9	$7\frac{1}{4}$
April	203.6	7.2	8	204.4	7.0	8	196.1	5.6	$7\frac{1}{2}$
May	201.6	8.0	8	202.4	8.2	8	199.1	9.3	$7\frac{1}{2}$
June	203.9	8.0	$8\frac{1}{4}$	204.8	7.9	$8\frac{1}{4}$	198.7	7.5	$7\frac{1}{2}$
July	206.4	8.7	$8\frac{1}{4}$	207.6	9.0	$8\frac{1}{4}$	200.4	7.7	$7\frac{1}{4}$ R
August (prov)	208.1	8.3	$8\frac{1}{4}$	207.5	8.1	$8\frac{1}{2}$	200.7	7.2	$7\frac{1}{4}$

* 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 July 1987, wages and salaries per unit of output in manufacturing industries were 1.3 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 over 7 per cent in productivity over this period (see Table 13).

In the first quarter of 1987, wages and salaries per unit of output in the whole economy were 4.0 per cent above the corresponding period of 1986. The increase was below the rise in average earnings in the whole economy (see Table 9) as there was a rise of over 3½ 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 =	on a year earlier	1980 =	on a year earlier
		100		100	
1985	Q2	122.4	5.3	129.9	4.8
	Q3	125.5	6.3	132.9	6.0
	Q4	128.3	5.9	134.2	4.4
1986	Q1	130.5	7.4	136.4	6.0
	Q2	129.8	6.0	137.9	6.2
	Q3	129.3	3.0	138.8	4.4
	Q4	129.8	1.2	140.9	5.0
1987	Q1	131.1	0.5	141.9	4.0
	Q2	130.7	0.7		
1987	April	131.3	0.2	..	..
	May	129.4	0.6	..	..
	June	131.4	1.2	..	..
	July	130.7	1.7	..	..
<u>3 months ending</u>					
1987	April	130.6	-0.1	..	..
	May	130.2	0.1	..	..
	June	130.7	0.7	..	..
	July	130.5	1.2	..	..

CONFIDENTIAL UNTIL 11.30am ON 15 OCTOBER 1987
HOURS WORKED IN MANUFACTURING INDUSTRIES

Overtime working by operatives in manufacturing industries was 12.68 million hours a week in August 1987 and the average over the three months ending August was 12.7 million hours a week. After fluctuating around 11.5 to 12 million hours a week through 1986, overtime working has for several months been a little above the peak level of some 12 million hours a week which was reached in much of 1985, though still well below the level of 15 million hours a week observed in the late 1970s.

Hours lost through short-time working remain very low. Short-time working resulted in the loss of 0.29 million hours a week in manufacturing industries in August 1987 which made an average of 0.32 million hours per week lost over the three months ending August 1987. This compares with averages of 0.40 million hours per week lost in the previous three months (ending May) and 0.41 million hours per week lost in the three months ending August 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 103.5 in August 1987 which gave an average of 103.5 for the three months ending August. This compares with 103.4 for the previous three months ending May and 102.8 for the three months ending August 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	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	12.51	0.46	103.4
	May	12.34	0.38	103.3
	June	12.80	0.28	103.6
	Jul	12.48	0.38	103.3
	Aug	12.68	0.29	103.5

CONFIDENTIAL UNTIL 11.30 A.M. ON 15 OCTOBER 1987

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 July was 1.4 per cent higher than in the three months ending April and 7.2 per cent higher than in the same period a year earlier.

Output per head in the whole economy in the first quarter of 1986 was 0.6 per cent above the previous quarter and 3.5 per cent higher than in the first quarter of 1986.

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	131.6	4.4	114.5	2.8
Q3	130.7	2.7	114.1	2.1
Q4	130.3	2.3	114.8	2.3
1986 Q1	130.5	0.4	115.2	1.6
Q2	133.4	1.4	116.6	1.8
Q3	135.9	4.0	117.8	3.2
Q4	139.2	6.8	118.5	3.2
1987 Q1	140.2	7.4	119.2	3.5
Q2	142.8	7.0		
1987 April	142.5	6.7	..	..
May	143.1	7.5	..	..
June	142.7	6.7	..	..
July	145.4	7.2	..	..
<u>3 months ending</u>				
1987 April	141.7	7.7	..	..
May	142.4	7.5	..	..
June	142.8	7.0	..	..
July	143.7	7.2	..	..

Industrial stoppages

In August 1987, it is provisionally estimated that 30,000 working days were lost in the United Kingdom through stoppages of work due to industrial disputes. This compares with a provisional estimate of 170,000 in July 1987, 67,000 in August last year and an average of 861,000 for August during the ten year period 1977 to 1986.

During the twelve months to August 1987 a total of 1,004 stoppages have been provisionally recorded as being in progress, involving a total of 961,000 workers and resulting in a loss of 3,686,000 working days. The comparable figures for the twelve month period to August 1986 were 990 stoppages, 714,000 workers and 2,399,000 working days lost.

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

	Working days lost (thousand)	Number of Stoppages	Workers involved (thousand)
1986			
Aug	67	92	28
Sep	154	102	67
Oct	167	148	48
Nov	117	107	98
Dec	97	91	50
1987			
Jan	886	108	171
Feb	928	123	145
Mar	252	114	219
Apr	327	125	152
May	220	85	125
Jun(p)	338	91	168
Jul(p)	170	58	64
Aug(p)	30	38	13
<u>Cumulative totals</u>			
12 months to August 1986	2,399	990	714
12 months to August 1987(p)	3,686	1,004	961

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 10 September 1987 these numbered 139,722 in Great Britain and 149,216 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 10 September 1987 these numbered 2,987 in Great Britain and 3,914 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 rates on 10 September 1987 were 14.0 per cent for males and 8.4 per cent for females, 11.6 per cent in total (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.

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. Participants in government employment and training schemes are included if they have a contract of employment. HM forces, homeworkers and private domestic servants are excluded.

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 September 1987. The next analysis will appear in the December 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 and is consistent with the GDP press notice to be published by the CSO on 21 September. 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)

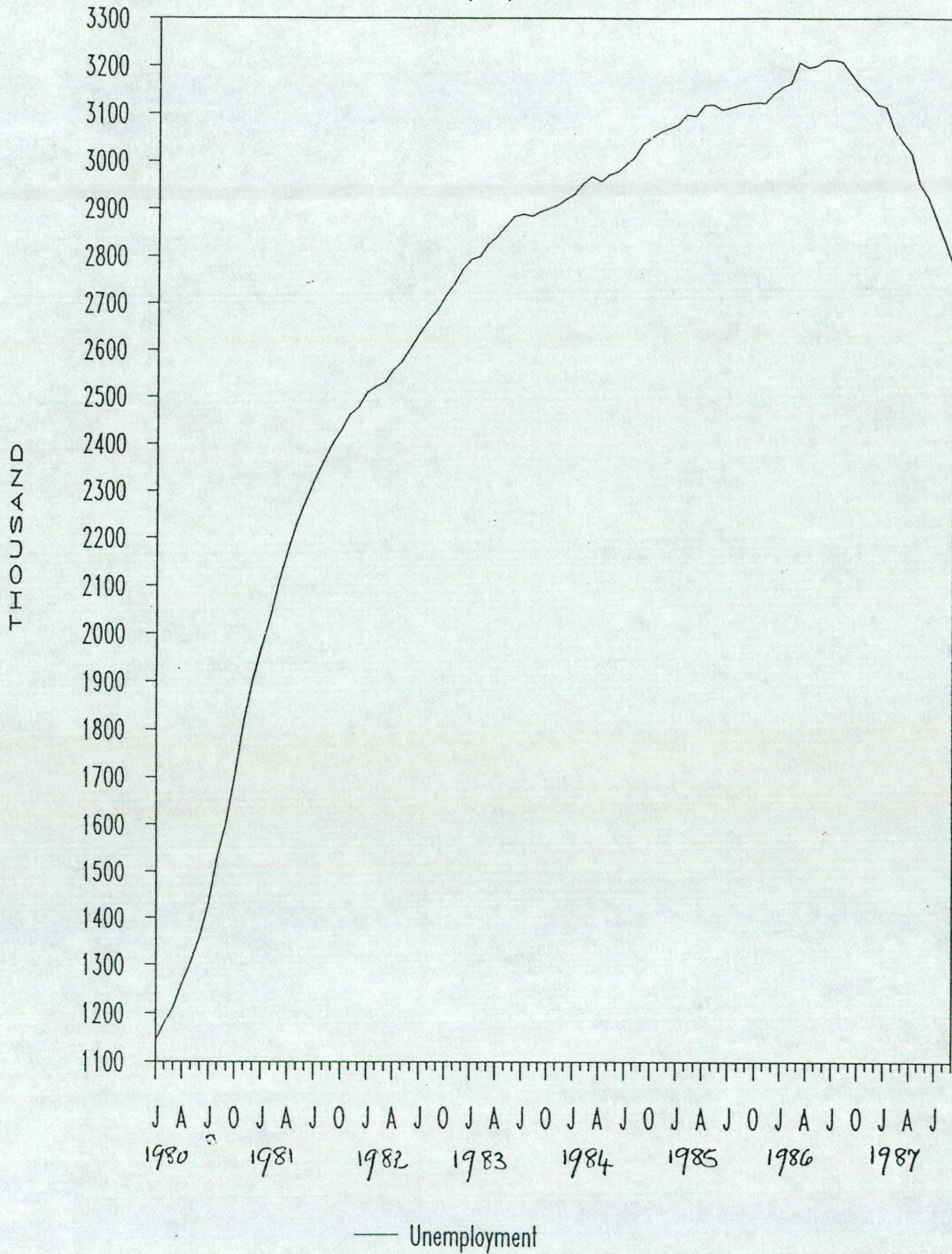
G1. Index numbers of output per person employed are calculated by dividing an index of output by an index of the numbers employed. The indices are all based on 1980 = 100. The output series for the economy as a whole is the output-based measure of gross domestic product and is consistent with the GDP press notice to be published by the CSO on 21 September. 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.

UNEMPLOYMENT: UK.



seasonally adjusted exc school leavers

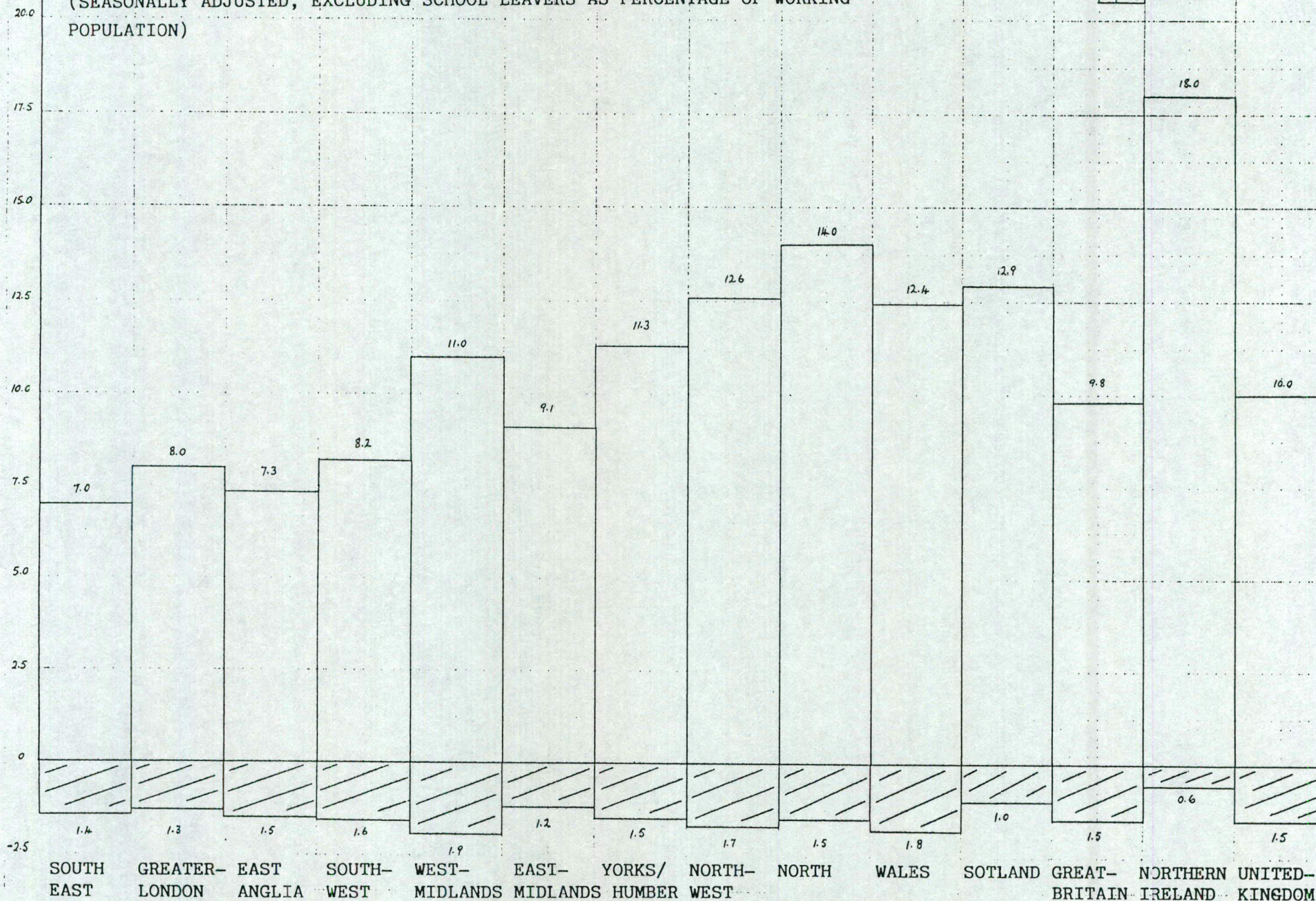


PERSONAL AND CONFIDENTIAL UNTIL 11.30 a.m. ON 15 OCT 1987

PERSONAL AND CONFIDENTIAL UNTIL 15 OCTOBER 1987

UNEMPLOYMENT RATES BY REGION - CHANGE OVER YEAR
(SEASONALLY ADJUSTED, EXCLUDING SCHOOL LEAVERS AS PERCENTAGE OF WORKING POPULATION)

KEY  RATE  CHANGE



PERSONAL AND CONFIDENTIAL UNTIL 11.30 a.m. ON 15 OCT 1987

Long term unemployment

(a) LONG TERM UNEMPLOYMENT, UK

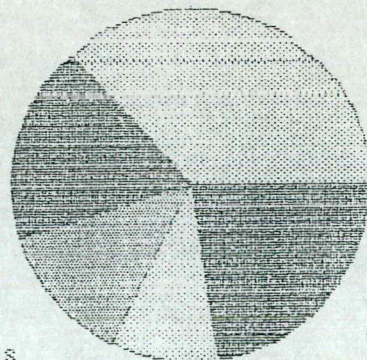
	July <u>1987</u>	<u>Change between</u> <u>April 1987 &</u> <u>July 1987+</u>	<u>Change between July '86 & July 87</u>
Over 1 year	1,238	- 57	- 110
Over 2 years	784	- 27	- 62
Over 3 years	557	- 6	- 18
Over 4 years	400	- 6	+ 15
Over 5 years	277	+ 5	+ 44*

* Change adjusted to allow for the effects of the 1981 Civil Service Dispute which delayed the starting date of unemployment for many claimants.

+ Quarterly changes affected by seasonal influences.

United Kingdom: claimants unemployed over 1 year (thousands)
1-2 years
454
JULY 1987

2-3 years
227



3-4 years
157

4-5 years
123

5+ years
277

Unemployment by age

(b) UNEMPLOYMENT BY AGE, UK

Thousands

	<u>July 1987</u>	<u>Change between July '86 and July '87</u>
Under 18	116.3	- 55
18 - 19	247.6	- 56
20 - 24	611.5	- 92
25 - 54	1583.5	- 146
55 and over	347.6	- 25
All ages	2906.5	- 373

United Kingdom: unemployed claimants by age (thousands)

20-24 yrs

612

JULY 1987

18-19 yrs

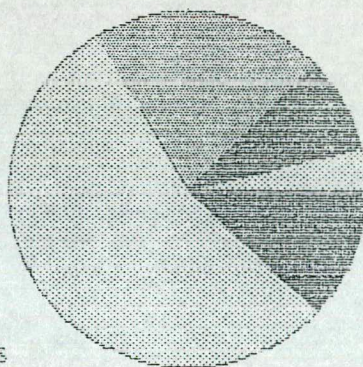
248

Under 18

116

55 & over

348

25-54 yrs
1584

* To nearest thousand

CONFIDENTIAL

C3

Department of Employment Scheme Participants GB with and without the employed labour force (to nearest thousand)

Scheme Participants in the GB employed Labour Force

Scheme Participants outside employed labour force

	EAS	CP	CI	NWS*	YOP+	YTS++	YTS++	JTS	JRS
March 83	2	39	8	103	234	0	0		79
June 83	2	64	8	93	154	2	19		81
Sept. 83	8	97	8	103	69	17	156		85
Dec. 83	20	115	8	105	22	26	231		88
Mar 84	27	113	8	98	22	25	227		95
June 84	37	120	8	70	4	24	220		91
Sept 84	39	123	8	63		29	258		86
Dec 84	39	130	8	57		28	251		78
Mar 85	41	133	8	52		25	227		70
June 85	48	138	8	43		24	212		61
Sept 85	49	151	8	50		30	266		54
Dec 85	52	174	8	57		28	250		48
Mar 86	55	200	8	51		24	219		43
June 86	60	221	8	31		27	243		37
Sept 86	66	235	8	28		33	300		32
Dec 86	74	248	8	33		32	291	1	27
Mar 87	81	244	8	34		30	269	2	24
Apr 87	85	238	8	32		30	272	3	23
May 87	87	235	8	29		29	263	8	22
June 87	90	232	8	24		35	316	13	22
July 87	93	231	8	18		37	336	17	21
Aug 87	94	229	8	18		40	356	20	21

* Figures prior to June 1986 relate to similar Young Workers Scheme

+ Excludes trainers

++ Excludes trainers, figures for latest months subject to revisions: participants in employed labour force have contracts of employment.

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International Comparisons of Unemployment Levels

Although unemployment in the UK has been falling more rapidly than in other countries, the unemployment rate remains relatively high. 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

	OECD STANDARDISED RATES		UNEMPLOYMENT, NATIONAL DEFINITIONS				
	<u>Seasonally adjusted</u>		<u>Seasonally adjusted</u>		<u>Unadjusted</u>		<u>Latest month</u>
	<u>Latest month</u>	<u>% rate</u>	<u>Number (000s)</u>	<u>% rates</u>	<u>Number (000s)</u>	<u>% rate</u>	
Spain	Feb	21.1	2,920	20.9	2,821*	20.1		June
Ireland	..	..	249	19.4	249	19.4	Aug
France	Jul	10.9	2,638	11.3	2,488	10.7	July
Belgium	Jul	10.6	434 ^e	15.8 ^e	429	15.7	Aug
Italy ^a	Q3 (1986)	(10.7 ⁺)	2,724	11.5	2,803	11.9	Jan
<u>United Kingdom</u>	Jul	9.9	2,775	10.0	2,870	10.3	Sep
Netherlands	Jul	9.6	681	14.0	694	14.2	Aug
Canada ^a	Jul	9.0	1,151	8.8	1,102	8.1	Aug
Australia ^a	Jul	8.2	630	8.1	602	7.8	Aug
Denmark	..	..	219	8.0	208	7.6	May
Portugal	..	..	326	7.6	284*	6.6	May
Germany	Jul	7.0	2,255	8.0	2,107	7.5	Sep
United States ^a	Jul	5.9	7,221	6.0	7,088	5.8	Aug
Finland ^a	Jul	4.9	144	5.9	143	5.4	Jul
Greece	..	..	..	..	184	4.6	Aug
Austria	Q2(1986)	2.9	158 ^e	5.4 ^e	119	4.1	Aug
Japan ^a	Jul	2.7	1,660	2.7	1,590	2.6	Jul
Sweden ^a	Jul	1.9	116	2.7	116	2.7	Dec
Norway	May	1.8	31	1.9	29	1.8	Jul
Luxembourg	..	..	..	..	2	1.6	July
Switzerland	Q3(1986)	0.9	..	..	20	0.7	July
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.

* July figures

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>
Spain	+ 1.0	+ 176	+ 7	July
Ireland	+ 0.8	+ 11	+ 5	Aug
France	+ 0.4	+ 93	+ 4	July
Luxembourg	+ 0.3	N/C	+ 20	July
Austria	+ 0.2	+ 6	+ 5	Aug
Germany	+ 0.2	+ 61	+ 3	Sep
Denmark	+ 0.1	+ 6	+ 3	May
Greece	N/C	+ 3	+ 4	Aug
Switzerland	N/C	N/C	+ 1	July
Australia	- 0.1	+ 6	+ 1	Aug
Italy	- 0.1	- 36	- 1	May
Sweden	- 0.1	- 4	- 3	Dec
Belgium	- 0.2	-3	-1	Aug
Japan	- 0.2	- 80	- 5	Jul
Norway	- 0.2	- 5	- 14	July
Netherlands	- 0.3	- 17	- 2	Aug
USA	- 0.8	- 867	- 11	Aug
Canada	- 1.0	- 99	- 8	Aug
Finland	- 1.4	- 47	- 25	July
<u>United Kingdom</u>	- 1.7	- 463	- 14	Sep
Portugal	- 2.0	- 86	- 23	July

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	+ 0.4	+ 3	+ 2	July
Spain	+ 0.2	+ 26	+ 1	June
Denmark	+ 0.1	+ 4	+ 2	May
Sweden	+ 0.1	+ 3	+ 2	Dec
Germany	+ 0.1	+ 23	+ 1	Sep
Ireland	+ 0.1	+ 1	+ 1	Aug
Japan	N/C	+ 30	+ 2	July
Belgium	N/C	N/C	N/C	Aug
Netherlands	- 0.1	- 6	- 1	Aug
France	- 0.1	- 15	- 1	July
Norway	- 0.1	- 2	- 6	July
Australia	- 0.2	- 11	- 2	Aug
Italy	- 0.3	- 75	- 2	May
Austria	- 0.3	- 10	- 6	Aug
Canada	- 0.4	- 46	- 4	Aug
Portugal	- 0.4	- 32	- 9	May
United States	- 0.4	- 398	- 15	Aug
<u>United Kingdom</u>	- 0.5	- 138	- 5	Sep

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

Month	UK		France		Germany		Italy		Spain	
	Level	Rate	Level	Rate	Level	Rate	Level	Rate	Level	Rate
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	2716	19.8
Mar	3207	11.5	2468	10.6	2269	8.1	3121	13.6	2730	19.9
Apr	3197	11.5	2490	10.7	2241	8.0	3158	13.7	2736	19.9
May	3201	11.5	2517	10.8	2243	8.0	3189	13.9	2730	19.9
June	3213	11.5	2523	10.8	2222	7.9	3207	14.0	2729	19.9
July	3212	11.6	2541	10.9	2208	7.9	3204	13.9	2743	19.9
Aug	3209	11.6	2557	11.0	2201	7.8	3212	14.0	2745	19.9
Sep	3183	11.6	2550	10.9	2191	7.8	3233	14.0	2772	20.1
Oct	3160	11.5	2544	10.9	2175	7.7	3243	14.0	2802	20.1
Nov	3143	11.4	2549	10.9	2166	7.7	3192	13.8	2834	20.4
Dec	3119	11.3	2574	11.0	2177	7.8	3268	14.2	2861	20.6
Jan 1987	3114	11.2	2613	11.2	2194	7.8	3238	14.1	2869	20.5
Feb	3066	11.0	2655	11.4	2190	7.8	3286	14.3	2889	20.6
Mar	3040	11.0	2676	11.5	2228	7.9	3263	14.2	2897	20.7
Apr	3018	10.9	2659	11.4	2227	7.9	3136	13.7	2900	20.7
May	2952	10.6	2661	11.4	2219	7.9	3233	14.1	2912	20.8
June	2925	10.5	2645	11.3	2241	7.9			2920	20.9
July	2876	10.4	2638	11.3	2252	8.0				
Aug	2829	10.2			2249	8.0				
Sep	2775	10.0			2255	8.0				

COVERING CONFIDENTIAL

D1.
Unemployment
- comparisons
with 1930s

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.

COVERING
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UNEMPLOYMENT - 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 1966, 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)	1.73	1.10	2.83
of which			
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	0.69	0.48	1.17
of which			
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 - 76,000)
- (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. This 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.

CONFIDENTIAL**Other changes affecting the figures****New 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 count in April and again in June, as a result of the strikes, with outflows understated by the order of 5,000 in both those months.

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

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 - 190,000 to claimants	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 7). [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. [388,000 people assisted, end of August 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 130,000 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 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 277,000 unemployed continuously for more than 5 years (July 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 September averaged 223,000 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 September averaged about 160,000 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 (406 thousand excluding school leavers) in the year to September 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 five-sixths leave within a year. The remaining sixth (around 65,000 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 Employment

1) 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:

New Workers Scheme

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

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 9 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.

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 1987 Q2**

	Thousands	Per cent
Canada	+ 1349	+12.8
USA	+12984	+13.1
UK	+ 1354	+ 5.8
Japan	+ 1757	+ 3.1
Germany	+ 571	+ 2.3
Italy [§]	+ 388	+ 1.9
France*	- 295	- 1.4

Source: OECD 'Quarterly Labour Force Statistics' (except UK)
 Note : * - 1982 Q4 to 1986 Q4.
 § - OECD estimate for 1983 Q1 to 1987 Q1.

However the rate of employment growth has been higher in the United States and Canada.

2. Comparisons with other European Community countries show that between 1983 and 1985 employment in the UK increased by more than in the rest of the EC put together. Latest figures indicate that this was also true for the period 1983-86. Over the longer period 1979 to 1985, there was a fall in UK employment which was far greater than that in the rest of the Community; the latest estimates suggest that this was also true for the period 1979-86.

Table 2: Total employment, annual average or mid-year figures
Changes 1983 to 1985 and 1979 to 1985

	1983 - 1985		1979 - 1985	
	Thousand	Per Cent	Thousand	Per Cent
United Kingdom	+ 832	+ 3.6 %	- 959	- 3.8 %
Germany	+ 218	+ 0.9 %	- 504	- 2.0 %
France	- 279	- 1.3 %	- 416	- 2.0 %
Italy	+ 159	+ 0.8 %	+ 452	+ 2.3 %
Netherlands	+ 156	+ 3.2 %	+ 262	+ 5.4 %
Belgium	+ 30	+ 0.8 %	- 137	- 3.7 %
Luxembourg	+ 3	+ 1.9 %	+ 4	+ 2.6 %
Ireland	- 52	- 4.7 %	- 73	- 6.5 %
Denmark	+ 133	+ 5.6 %	+ 83	+ 3.4 %
Greece	+ 48	+ 1.4 %	+ 229	+ 5.7 %
European Community (10)	+1248	+ 1.2 %	- 1059	- 1.0 %

Source: OECD 'Labour Force Statistics 1965-1985' (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

Whole economy estimates for the second quarter of 1987 are published for the first time this month and show an increase of 134,000 in the employed labour force over the quarter. This makes an increase of 1,362,000 since March 1983, when the upward trend began.

The rate of increase in the employed labour force has strengthened in each of the last five quarters.

The number of employees in employment is estimated to have increased in each region of Great Britain during the year to June 1987.

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 4,100 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	4,078	23,165	4,986
	Dec	13,705	943	9,588	4,130	23,293	5,073
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	4,410	23,964	5,394
	June	13,894	1,016	10,093	4,440	23,987	5,456
	Sept	13,901	1,009	10,140	4,466	24,041	5,475
	Dec	13,908	1,036	10,209	4,492	24,117	5,528
1987	March	13,964	1,041	10,261	4,542	24,225	5,583
	June	14,022	1,062	10,337	4,560	24,359	5,622
Change							
Mar 83-Jun 87		359	194	1,003	584	1,362	778
Jun 86-Jun 87		128	46	244	120	372	166

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

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 which full time	of which part time	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	5,151	3,801	20,611	1,702	136	527	277	2,229	309	16	325	
	Dec	11,645	798	9,025	5,184	3,841	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	9,414	5,327	4,087	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	9,482	5,339	4,143	21,127	1,950	166	642	323	2,592	306	16	323	
	Dec	11,639	867	9,540	5,375	4,165	21,179	1,965	169	653	327	2,618	304	16	320	
1987	March	11,681	869	9,581	5,370	4,211	21,262	1,979	172	664	331	2,643	304	16	320	
	June	11,725	887	9,646	5,421	4,225	21,371	1,994	175	675	335	2,669	302	16	319	
Change																
Mar 83-Jun 87		19	142	823	311	512	842	343	52	179	72	522	-4	1	-2	
Jun 86-Jun 87		72	34	200	96	104	272	59	12	44	16	102	-3	0	-3	

*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

Thousands, not seasonally adjusted

Industry	Year ending Jun 1987		Region	Year ending Jun 1987	
	Absolute	Percent		Absolute	Percent
Agriculture forestry and fishing	9.3	-3.0	South East	113.4	1.5
Energy and water supply	39.0	-7.4	(Greater London)	14.8	0.4
Other mineral and ore extraction etc	6.8	-0.9	East Anglia	35.2	4.6
Metal goods, engineering and vehicles	59.3	-2.6	South West	28.9	1.8
Other manufacturing industries	0.4	0.0	West Midlands	39.9	2.0
Construction	20.0	2.1	East Midlands	15.1	1.0
Distribution, hotels, catering, repairs	65.2	1.5	Yorks & Humberside	19.3	1.1
Transport & Communication	13.1	1.0	North West	5.1	0.2
Banking, finance insurance	131.4	6.0	North	7.3	0.7
Other Services	155.2	2.4	Wales	4.1	0.5
			Scotland	2.6	0.1
All Industries	270.9	1.3	Great Britain	270.9	1.3

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
INDEX OF AVERAGE EARNINGS (unadjusted)

Classes SIC 1980	Weights	Index (January 1980 = 100)						Percentage increase over previous 12 months					
		1987						1987					
		Mar	Apr	May	June	July	Aug*	Mar	Apr	May	June	July	Aug*
Metal processing and manufacture	14	196.9	220.2	205.8	204.8	234.4	201.7	6.7	8.7	10.7	6.9	14.0	6.3
Mineral extraction and manufacturing	14	195.5	195.8	196.5	205.4	205.0	201.7	9.3	7.3	7.2	7.3	9.9	8.7
Chemicals and man-made fibres	20	198.9	203.7	205.8	208.8	212.9	210.5	6.8	9.5	8.7	8.3	10.7	9.4
Mechanical engineering	44	193.4	192.0	193.6	198.6	200.7	198.7	6.0	4.3	6.2	7.9	7.3	8.6
Electrical and electronic engineering	37	208.6	213.5	210.9	217.5	216.7	216.0	8.3	7.0	8.9	8.9	10.1	10.3
Motor vehicle and parts	17	196.6	194.7	198.3	208.6	201.8	197.6	5.8	9.4	8.8	9.4	9.4	8.2
Other transport equipment	17	201.7	191.6	191.6	197.0	196.3	195.3	11.4	6.6	7.3	6.7	7.8	3.4
Metal goods and instruments	27	185.5	184.9	187.1	191.4	192.1	191.2	6.7	7.4	6.4	8.6	8.6	8.5
Food, drink and tobacco	33	195.9	202.5	205.8	204.7	205.1	202.7	7.0	8.1	9.1	6.1	8.0	8.6
Textiles	13	194.8	188.0	193.7	200.5	201.8	197.1	8.5	6.1	7.6	8.9	10.0	8.9
Leather, footwear and clothing	17	193.2	186.5	192.1	193.6	195.3	191.6	7.4	3.6	8.0	6.5	8.0	6.9
Timber and wooden furniture	11	174.6	175.9	184.2	188.0	184.8	190.0	8.4	5.3	11.2	12.6	7.8	-0.2
Paper products, printing and publishing	26	210.5	211.0	213.4	217.3	215.6	215.7	8.3	7.4	7.9	7.3	7.9	9.5
Rubber, plastic and other manufacturing	14	195.6	191.2	198.0	199.7	201.1	196.6	9.7	6.0	9.9	7.1	7.9	8.4
Manufacturing industries	304	201.2	202.5	203.8	208.2	209.8	206.3	7.6	7.0	8.2	7.9	9.0	8.1
Coal and coke	15	178.5	185.1	172.7	178.0	177.0	178.6	4.9	12.4	8.2	11.7	10.1	10.5
Mineral oil and natural gas	1	205.3	209.9	220.2	214.0	223.1	212.5	9.1	11.6	10.3	9.5	14.5	9.4
Electricity, gas and other energy and water supply	19	202.3	201.4	203.0	202.8	211.9	206.4	6.9	6.3	6.2	5.9	3.5	9.3
Production industries†	339	200.7	202.2	202.8	206.9	208.9	206.8	7.4	7.2	8.0	8.0	8.7	8.3
Construction	55	196.6	194.4	192.9	199.4	200.2	196.5	8.7	8.1	7.9	7.6	7.3	9.6
Production† and construction industries	394	200.1	201.1	201.4	205.8	207.6	205.3	7.6	7.4	8.0	7.9	8.5	8.5
Agriculture and forestry‡	19	189.5	199.1	196.7	206.0	210.2	∅	5.6	8.7	5.8	6.6	6.5	∅
Distribution and repairs	164	185.4	192.8	187.8	189.9	189.2	189.5	7.2	7.4	7.7	7.6	7.0	7.5
Hotel and catering	49	176.2	182.8	182.4	179.8	176.8	180.0	10.2	11.7	7.7	5.7	5.4	3.3
Transport and communication (except sea transport)	71	187.8	190.7	190.3	190.7	195.2	189.3	8.6	9.5	7.4	8.5	9.1	5.4
Banking, finance and insurance	44	231.1	217.6	221.5	235.4	221.7	219.0	9.7	12.6	9.4	17.0	6.7	8.4
Public administration	90	186.0	185.5	186.6	188.4	195.7	191.2	5.9	6.1	6.4	3.4	8.7	8.0
Education and health services	147	197.4	197.2	217.7	206.9	222.1	226.9	0.0	-3.1	14.9	6.3	7.8	7.5
Other services	22	201.7	205.8	208.2	206.2	215.1	209.0	7.7	8.7	7.0	5.7	6.6	8.1
Service industries	587	193.4	194.8	198.7	198.4	202.6	201.6	5.9	5.6	9.3	7.5	7.7	7.2
Whole economy	1,000	194.5	195.9	198.1	200.0	203.1	201.8	6.7	6.4	8.7	7.7	8.1	7.8

* Provisional

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

‡ England and Wales only

∅ Not available

Stats A1

October 1987

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TABLE B

INTERNATIONAL COMPARISONS

HOURLY EARNINGS IN MANUFACTURING
(Percentage changes on a year earlier)

		Latest period available
Norway (d)	18.7	Q1 1987
Portugal (h)	15.2	Q3 1986
Greece	11.0	Q4 1986
Great Britain (c)	8 1/2	AUGUST
New Zealand (i)	7.9	Q1 1987
Sweden (g)	6.7	JUNE
Italy (b)	6.5	MAY
Ireland	6.3	Q4 1986
Denmark (g)	6.1	DEC 1986
Spain (f)	5.1	Q4 1986
Germany	5.1	Q2 1987
Finland	4.0	Q1 1987
Austria (b)(g)	3.5	JULY
France (b)	3.3	Q2 1987
Australia (b)	2.5	MARCH
Canada	2.3	JUNE
Japan (a)(e)	1.9	JULY
United States	1.4	JULY
Netherlands (b)	0.9	JULY
Belgium (j)	-1.4	Q1 1987
OECD	3.9	JUNE
EEC	5.8	JUNE

Source: OECD Main Economic Indicators: September 1987

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

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PRESS NOTICE

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October 15, 1987

FURTHER SHARP FALL IN UNEMPLOYMENT - YOUTH EMPLOYMENT POSITION IMPROVES

STATEMENT ON SEPTEMBER LABOUR MARKET STATISTICS BY

EMPLOYMENT SECRETARY NORMAN FOWLER

Unemployment, seasonally adjusted, fell last month by 54,000, to 2.775 million. This is its lowest point for nearly five years, giving an unemployment rate of 10.0 per cent. Unemployment has now fallen 15 months in succession by 437,000. All parts of the country have benefited and the biggest drops in the rate of unemployment over this period occurred in Wales, West Midlands, and the North West. There are three major points I want to make:

First there has been a remarkable improvement in the employment position of young people. There are fewer unemployed school-leavers this September than at any time since 1974. The reasons for this improvement are two-fold. YTS is providing a second year of training for many 17 year olds, but it is also clear that more young people are now finding jobs. Unemployment has fallen sharply among 18 and 19 year olds - the number of unemployed 18 year olds is 30 per cent lower than a year ago. The number of unemployed 16 year olds is down by a quarter on the 1986 figure, at a time when the number taking up YTS places is about the same as last year.

Second the employment position generally has improved and extra jobs are being created. The employed labour force rose by 134,000 in the second quarter of the year. In the 12 month period to June 1987 there was an increase of 372,000 - of which 206,000 were full time and 166,000 part time.

This has helped the long-term unemployment position. There was a record fall of 110,000 in the 12 months to July. But the further reduction of long-term unemployment remains a major challenge and a priority of Government policy.

Third in spite of the undoubted improvement we cannot afford an ounce of complacency. The improvement has taken place because the economy is strong and productivity has risen rapidly. We must however protect this improvement.

Prospects are better than for more than a decade. But we will only benefit from these opportunities if we remember the lessons of the past. We can afford neither high inflation nor high wage settlements. We must concentrate on improving our competitive position internationally. It is in that way that our employment position will continue to improve.

LABOUR MARKET STATISTICS

OCTOBER 15 1987

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SUMMARY STATISTICS

				<u>Thousands</u>		
				Level	Change on previous period	Change on previous year
<u>Unemployment (UK)</u>						
Total (not seasonally adjusted)	September	10		2,870	+ 4	- 463
Total (excluding school leavers)	September	10		2,775	- 54	- 408
<u>Employed Labour Force</u>	June; Q2	1987		24,359	+134	+ 372
<u>Employees in employment</u>						
Services	June	Q2	1987	14,492	+ 99	+ 366
Manufacturing	June	Q2	1987	5,085	+ 10	- 66
Manufacturing employment	August	1987		5,068	- 2	- 52
<u>Vacancies (UK at jobcentres)</u>	September	4		252	+ 14	+ 45

Percentage change on previous year
(underlying increase)

Index of Average Earnings

Whole Economy	August	7½
Services	August	7½
Manufacturing	August	8½

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.

under the old system. DE apparently think that they may be able to shave the timetable by one or two days in due course but could not do so at present. In any case, the press will already have been told the release dates for some months ahead, so an early change of date might well attract suspicion.

MOM

MISS M O'MARA