

PO - CH/NL/0220

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PART E

Lawson

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PO -CH /NL/0220



PART E

CHANCELLOR'S PAPERS ON
EMPLOYMENT POLICY AND
LABOUR MARKET STATISTICS

PO -CH /NL/0220

PART E

Begin: 10/5/88

Ends: 13/7/88 (CONTINUED)

DD: 25 years

13/9/95

CONFIDENTIAL

FROM: P J CROPPER
 DATE: 10 May 1988

CHANCELLOR

cc Chief Secretary
 Financial Secretary
 Paymaster General
 Economic Secretary
 Sir P Middleton
 Mr Monck
 Mr Scholar
 Mr Burgner
 Mr Culpin
 Miss Peirson
 Miss Sinclair
 Mr Tyrie
 Mr Call

Mr Battishill IR
 Mr Isaac IR
 Mr Beighton
 Mr Lewis IR
 Mr McGivern IR
 Miss Rhodes IR
 Mr Carr IR
 PS/IR

EMPLOYMENT AND SELF-EMPLOYMENT

It may be helpful if I sum up my conclusions on the employment/self-employment issue, which the IOD re-opened last Autumn, and which I have been partly responsible for stirring.

The Revenue have been very helpful in bringing the issue into focus for us again. They must wonder how many more times it will have to be brought down off the shelf and looked at. The answer is, I suspect, about once every two years.

In my own particular case, the latest review has advanced my understanding considerably; the same, I think, goes for Judith Chaplin and Sir John Hoskyns. I lunched with them ten days ago, and found them ready to fall in with my own summing up of the position. I attach a copy of a very good letter Judith has sent to Mr Beighton. My own summing up is as follows:

1. The present basis of distinction as used by the Inland Revenue is not too difficult to understand when you get down to it. And the Revenue can claim that not very many cases go forward on appeal to Commissioners in any one year. I would not press my earlier suggestion that all those with multiple employments should be eligible for Schedule D.
2. The concordat between Inland Revenue and DHSS, under which, broadly, either will accept a ruling given by the other, is proving to be effective. It is just unfortunate that the DHSS has (for reasons we are probing) chosen to keep peripatetic music teachers out of the concordat, and Mrs P J Cropper is a peripatetic music teacher. I have had a lot of frustration (mostly on the DHSS side) in trying to sort out my wife's classification. But I am satisfied that this is just an unfortunate coincidence: one is reminded, yet again, of the dangerous power of anecdote.
3. However, the fact that IOD and I myself have reached a better understanding of the situation does not mean that the steam will now go out of the issue. For the widespread desire to be classified self-employed rather than employed is a perfectly rational reaction on the part of economic men and women, to the existing situation.
4. Quite simply, it is much more attractive to be taxed as self-employed than as employed. The key facts to emerge from recent studies are
 - (i) the NI Contributions of the self-employed fall short by over £1 billion of the contributions they would make if they were on employee NI scales - even after allowing for the fact that they are eligible for fewer benefits.

(ii) very broad Inland Revenue estimates suggest that around 5 per cent of employment income escapes tax compared with perhaps 25 per cent and possibly rather more of self-employed income.

(iii) the self-employed can, through the operation of the expenses rules, legitimately obtain tax relief on a wide range of expenditure which is not available to the employed.

5. So long as the self-employed are treated so very much more leniently, for tax and NI purposes, than the employed, so long will employed people fret to be reclassified. And they will not be put off by the fine-drawn (entirely logical) distinctions which the Inland Revenue has developed for the purpose of policing this particular frontier.
6. Secondly, the more closely one looks at all this, the more apparent it becomes that tax and National Insurance are not the only niggers in the woodpile. The employment protection laws of the Department of Employment are quite clearly preventing the creation of jobs in the enterprise sector. I think we would be doing the right thing generally, as well as deflecting the fire away from the Revenue, if we were to suggest a formal high level review of employment protection legislation, and of the complex of administrative chores that go with taking on even one employee.
7. It will be noted, and it comes through in Judith Chaplin's letter, that people are complaining about a tax/NI bias against employed people on Schedule E and a burdens bias against the enterprise sector in Schedule D. A cynic might say laissez faire, let it all cancel itself out, but I don't think that will really do.

8. Coming back to the main point as it affects Treasury and Revenue, there may be a case for examining the difference in the effective burden of tax on the employed and the self-employed - in theory and in practise. The bias in NI contribution rates has developed piecemeal; the difference in the treatment of cars and other perks may in any case be due for examination. Then, of course, there is the whole Black Economy problem. Employed people will never be very contented so long as they know, or suspect, that a quarter of the earnings of their cousins on the other side of the fence are slipping through the tax net altogether.
9. Which brings us on to my old hobby horse - everybody should have to fill in an abbreviated annual tax return, declaring all their sources of income. It also raises the question whether, now that income tax rates are "reasonable", society would support fiercer penalties for tax evaders. Etc, etc, etc.
10. For possible action, then, - (i) a review of the differences between Schedule D treatment and Schedule E treatment, and (ii) a review of employment protection and associated legislation. The two are equally necessary for the removal of frictions and grievances.



P J CROPPER

Central filing

IOD

Institute of Directors

L. J. H. Beighton Esq,
Inland Revenue,
Somerset House,
London, WC2R 1LB.

25 April 1988.

Dear Mr Beighton,

"EMPLOYED OR SELF-EMPLOYED?"

Thank you for your letter and for sending us a copy of the "Employed or Self-Employed?" leaflet. I apologise for the time taken to reply to you but I have been on holiday.

We have no particular comments to make on the leaflet although we have noted that the new leaflet does tend to stress the more easily verifiable tests (ability to make losses, equipment provided, location of work) over the less verifiable ones (control of when and how the work is done). We think this is helpful.

We have now had a number of discussions on the question of employment or self-employment. As you know our main concern is not with the borderline cases of definition where, as the Inland Revenue rightly says, it is a question of fact and the ability to appeal if the fact is not agreed. We are not as sanguine as the Inland Revenue that the cases are few and far between - and indeed the fact that three out of six people at our meeting at the Treasury were involved in such discussion seems to bear this out - but that problem cannot be solved without a change in the underlying legislation.

Our main concern is with the burden of administration which an employer faces if he wishes to take on even one employee. A number avoid that by using an agency, which is very expensive, or by using someone from the black economy or by not expanding their businesses. We believe that if the administration could be reduced there will be a substantial increase in employment and a reduction in those operating in the black economy. We think too that many operate in the black economy not because they wish to avoid tax but because they wish to avoid administrative problems and they believe the employment may be temporary. It seems to us that as the self-employed sector grows there is a need to re-think how those people who are self employed handle their tax and national insurance matters.

We have come to the conclusion that a more fundamental look is required than just changes at the margin. For example, there needs to be a look at what are genuine expenses related to work which should be allowable and others which are not and therefore should not be allowable either to the employed or self-employed. Our tax committee has been discussing this in relation to perks but obviously there is an implication for self-employed expenses. Should many more people be required to fill in tax returns and should there be self-assessment? Should the self-employed pay tax during the year rather than on a preceding year basis? What are the differences in rates of national insurance and the benefits received and are they fairly distributed at the present time between employment and self-employment? Should the employer be involved in national insurance contributions at all?

I ask these questions merely to indicate that we have gone rather further back and rather more widely than we originally intended when we started discussing employment and self-employment. We do not think we have yet given sufficient thought or gathered sufficient information to take a view on the direction in which our thinking is going except to say that we believe there should be a levelling of the conditions between employment and self-employment so that self-employment is encouraged. We appreciate that the conclusions we come to may well involve an increase in Inland Revenue work but we believe that that would be more than offset by the increased employment and the reduction of the black economy.

I do not know whether you would rather wait until we have come to rather firmer conclusions or if you would like to have a meeting in the near future. If you would like a meeting, please telephone my secretary and she will arrange it.

Yours sincerely
Judith Chaplin

Mrs. Judith Chaplin,
Head of the Policy Unit.

Since writing the letter I have spoken to Peter Cropper who will I expect be in touch with you.

12/2

FROM: SIR T BURNS
DATE: 10 MAY 1988

CHANCELLOR ~~✓~~


Notes

cc Sir P Middleton

CONFERENCE ON EUROPEAN UNEMPLOYMENT

Richard Layard has pressed me to give an after-dinner speech at an academic conference on European unemployment on 23 May. Details are attached. I have agreed to do this, and plan to speak for 15-20 minutes on the international economic situation.

2. You may remember that Richard Layard also invited me to take part in a conference in Bonn on 'Obstacles to Growth' at the end of June. This has fallen through - at least for the time being.



T BURNS

ENCS

A Designated
Research Centre of

ESRC

Centre for Labour Economics

The London School of Economics
and Political Science,
Houghton Street, London WC2A 2AE

Telephone: 01-405 7686

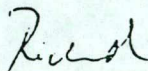
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12 April 1988

Dear Terry,

We are having a conference on European Unemployment from 22-25 May at Chelwood Gate in Sussex, and this is described overleaf. We should be delighted if you would agree to give the After Dinner Speech at our conference dinner on Monday 23 May. We believe the conference will be an important event and we do hope you will be free to accept our invitation.

Yours sincerely,



Jacques Dreze
Richard Layard

Sir Terence Burns
H M Treasury
Parliament Street
London
SW1P 3AG

CONFERENCE ON EUROPEAN UNEMPLOYMENT

22-25 May, 1988

Aim

The aim of the conference is to understand why unemployment experience has differed so much between countries - for example between the main EEC countries and Austria, Sweden and the US.

Method

Most of the authors have been meeting twice yearly for two years to develop a set of comparable country studies which make it possible to try to answer the question.

Papers

Issues paper	O. Blanchard (MIT)
Overview	J. Dreze (CORE) and C. Bean (LSE)
Austria	M. Wagner and K. Pinchlmann (Institute for Economic and Social Research, Vienna)
Belgium	J. Dreze and H. Sneessens (CORE)
Britain	C. Bean and A. Gavosto (LSE)
Denmark	T. Andersen and P. Overgaard (Aarhus)
France	F. Gagey (Direction del la Prevision, Paris), J.P. Lambert (Universite Saint Louis, Brussels) and B. Ottenwaelter (ENSAE)
Germany	H. Entorf (Mannheim), W. Franz (Stuttgart), H. Konig (Mannheim) and W. Smolny (Stuttgart)
Italy	F. Padoa-Schioppa (LUISS, Rome)
Netherlands	W. Driehuis (Amsterdam)
Spain	J. Andres (Valencia), C. Molinas (Barcelona), M. Sebastian (Complutense) and A. Zabalza (Valencia)
Sweden	B. Holmlund (Uppsala)
Switzerland	
United States	M. Burda (INSEAD and Harvard) and L. Summers (Harvard).

* 4.7 pm dinner *

Timetable

Sunday 22nd May

6.00 Drinks

7.00 Dinner

Monday 23rd May

9.00 1st session begins

Wednesday 25th May

1.00 Last session ends

1-2 Lunch

Venue

The Conference will be held at the White House Conference Centre, Isle of Thorns, Chelwood Gate, Sussex. Accommodation will be provided at the White House for the duration of the Conference.

The White House is situated in about 60 acres of ground, known as the Isle of Thorns, about 40 miles south of London. It is best reached by taking a train from Victoria Station in London to Haywards Heath. From Haywards Heath you can take a taxi to the Conference Centre, which is about 10 miles away. However, to simplify the last part of the journey, we will arrange for a coach to be at Haywards Heath station to meet the train from Victoria (times of trains and further travel details will be provided nearer the time).

PM 9 11 MAY 1988 11



GOVERNMENT ACTUARY'S DEPARTMENT
22 KINGSWAY LONDON WC2B 6LE
TELEPHONE 01-242 6828 Ext 351

11 May 1988

S P Judge Esq.
Private Secretary
Paymaster General
Treasury Chambers (49/2)
Parliament Street
London SW1P 3AG

~~_____~~
①
JT
2 percent of
nothing
is nothing

Dear Mr Judge

WORK EXPERIENCE FOR PUPILS UNDER 16 IN THE CIVIL SERVICE

In reply to your letter of 4 May to Mr Johnston, we support this initiative and await the DES guidance on practical points before approaching a LEA. We expect to achieve the 2 per cent target and to finance any activity this year within existing resources. However this will need future reappraisal with our transfer to a full repayment requirement for all services, however trivial.

Yours sincerely

② pnp

Dr D F Renn
Establishment Officer

PAYMASTER GENERAL	
REC.	11 MAY 1988
ACTION	MR C D Butler
	CX FST EST
	Sir P Madleton
	MR AASON
	MR PHILLIPS
	MR MOACK
	MR Burgner
	MRS CASE

- MR UCE
- MR Turnbull
- MR C Allan
- MR BURT
- MR McIntyre
- MR MacAulian
- PS/IR
- PS/CTE

- MR Johnston - GADD
- MR Ladd - NILO
- MR Patterson - DNS
- MR DOLE - HMSO
- MR SIMPSON - CISCO
- MR Taylor - COI
- MR Gartett - RM
- MR Bridgeman - RFS
- MR Andrews - P40

UNCLASSIFIED

mpw



FROM: MISS M P WALLACE

DATE: 12 May 1988

SIR T BURNS

cc PS/Sir P Middleton

CONFERENCE ON EUROPEAN UNEMPLOYMENT

The Chancellor has seen and noted your minute of 10 May.

mpw

MOIRA WALLACE

PJP

FROM: C J RILEY
DATE: 13 MAY 1988

FINANCIAL SECRETARY

cc Chancellor —
Sir P Middleton
Mr Byatt
Mr Scholar
Mr Culpin
Mr Pickford
Mr Beighton)
Mr Mace) IR
Miss Dyall)

SEMINAR AT THE EQUAL OPPORTUNITIES COMMISSION, 26 APRIL

I duly gave my talk to this Seminar, along the lines set out in my minute to you of 21 April. The programme and list of participants are attached. I spoke about the Budget, with particular reference to independent taxation. The latter was well received by most of the conference participants; there was somewhat less praise for the other measures in the Budget, not entirely unexpectedly.

2. Criticisms of the income tax cuts in the Budget were fairly familiar:

JMCR
↑
Rationalise, complete & make no point.

(i) There remain very high rates of tax, NIC and benefit withdrawal, even after the social security reforms. Indeed the latter have increased the numbers facing very high marginal rates, though eliminating the very worst cases. The empirical evidence suggests that high marginal rates are much more damaging to incentives at the lower end than at the top end, yet the policies pursued by governments in the UK and elsewhere seem predicated on the reverse being the case. (Richard Blundell, Chuck Brown)

(ii) National insurance contributions may not be perceived as a tax, but nevertheless the combined schedule of income tax and NICs remains very uneven. The opportunity to eliminate the kink and tidy up the lower end, even perhaps full integration of income tax and NICs, has been missed. (Christopher Johnson and others)

(iii) The operation of the new married couples' allowance is unnecessarily sexist; it could and should have been allocated in a more even handed and flexible way. (Various speakers.) Retaining a special allowance for marriage while eliminating the minor personal allowances betrays too much concentration on marriage and not enough on other forms of caring and responsibility. (Hilary Land)

3. We were able to explain the Government's approach on these issues and deal with the critical comments that were made. Whether we were able to persuade the doubters is another matter. The cuts in the higher rates did receive some support - from Paul Ashton, who is part of Patrick Mnford's team in Liverpool. But he was clearly in a minority.

4. The afternoon session was devoted primarily to the problems faced by women in work, or wanting to work, and the possible role of the tax/benefit system. The Joshi paper was primarily descriptive, setting out material on trends in female economic activity, relative pay and pensions in the post-war period. The paper by Piachaud described three approaches to child support - no support on the grounds that children were a private matter, redistribution to help poorer/larger families, financial support or public provision for child care facilities. The third approach is advocated by the EOC, in order to encourage women into the labour force. The Falkingham paper was concerned with trends in dependency (overstated by pure demographic projections because of changes in participation), and the availability of care in the community (not likely to keep pace with the needs of the very elderly).

5. The discussion was wide ranging, but one particular aspect is worthy of comment. The notion that the Government should provide support to working mothers for child care, either through benefits or the tax system, seemed to be accepted uncritically by a number of participants. But we put a number of counter arguments:

- child benefit (and one parent benefit) are already available to make a contribution to the costs of rearing children;

- providing significant extra help would be costly, requiring higher tax rates;
- it would have to extend to child care in the home, for reasons of equity (and neutrality between benefits in kind and cash payments);
- special tax reliefs distort the tax system, and there are many other "worthy" causes. The Government's approach emphasises the need for a broad tax base and low marginal rates, with special reliefs allowed only when there are clear social or economic objectives.
- it is not at all clear, as has been asserted in some quarters, that tax relief or extra expenditure would pay for itself through extra output from working women. Higher marginal rates would reduce output of other workers; much would also depend on the marginal products of those women drawn into the labour force by comparison with the marginal products of those drawn into the child care industry;
- in order to justify special Government help in this area it would be necessary to demonstrate that the market was generating an unsatisfactory outcome. Shouldn't the size of the child care industry be determined by the market rather than by Government intervention?

6. By the end of the discussion a number of these points seemed to have sunk in. It was agreed that a great deal more was necessary in order to establish a case for Government intervention in this area.


C J RILEY

THE ECONOMIC AND SOCIAL IMPACT OF FISCAL POLICIES AND THEIR IMPLICATIONS FOR EQUAL OPPORTUNITIES

DATE: 26th April 1988

VENUE: The Civils Conference Centre, The Institution of Civil Engineers,
Great George Street, Westminster, London SW1.

10.00 Registration and Coffee

10.30 **Introductory opening**
Mrs. June O'Dell

10.40 **MORNING SESSION**
Chaired by Mary Goldring

10.50 **The Budget: Implications for Households**
Chris Riley

11.10 **Labour Supply and Fiscal Policies**
Professor Richard Blundell

11.40 Discussion

12.40 LUNCH

14.00 **AFTERNOON SESSION**
Chaired by Mary Goldring

14.10 **Demographic change and trends in economic activity in relation to lifetime earnings for women**

Heather Joshi

The implications of current and alternative fiscal policy options in light of the above for:

Child Support
David Piachaud

Support for an ageing population
Jane Falkingham

15.20 Discussion and Tea

17.00 **END OF SEMINAR**

Seminar Participants

Paul Ashton	Department of Economics, Liverpool University
Dr. Sally Baldwin	Social Policy Research Unit, York University
Richard Berthoud	Policy Studies Institute
Professor Richard Blundell	Department of Economics, University College London, and the Institute for Fiscal Studies
Professor C. V. Brown	Department of Economics, Stirling University
Judith Byrne Whyte	Assistant Chief Executive, EOC
Nancy Catchpole	Women's National Commission
Bronwen Cohen	Liaison and Policy Development, EOC
Robina Dyall	Inland Revenue
Colette Fagan	Research Unit, EOC
Guy Fiegehen	Economic Adviser, DHSS
Lorraine Fletcher	Consumer Affairs, EOC
Joanna Foster	EOC Chair Designate from 1st May, 1988
Mary Goldring	Economist and Broadcaster
Brenda Hancock	Principal of Consumer Affairs, EOC
Alan Hart	Chief Executive, EOC
Christopher Johnson	Economic Adviser, Lloyds Bank
Wilf Knowles	Assistant Chief Executive, EOC

Professor Hilary Land

Department of Social Policy
and Social Science, Royal
Holloway and Bedford New
College

Helen Lindars

Consumer Affairs, EOC

Professor Ruth Lister
(morning only)

Department of Applied Social
Studies, Bradford University

Mrs. June O'Dell

Deputy Chairman, EOC

David Piachaud

Department of Social Science
and Administration, London
School of Economics

Ed Puttick

Research Unit, EOC

Chris Riley

Economics of Tax and Social
Security Division,
H.M. Treasury

Ian Scotter

H.M. Treasury

Adrian Gault.

Economic Adviser, DHSS

Bernard Carter

Economic Adviser, Department
of Employment

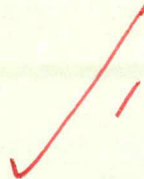


Caxton House Tothill Street London SW1H 9NF

Telephone Direct Line 01-213 5803
Switchboard 01-213 3000

CH/EXCHEQUER	
REC.	17 MAY 1988 ✓/H
ACTION	FST
COPIES TO	

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



pps M. (x 24)

~~BF 3/6~~

Dear Nigel.

Many U
Have FST's had
advice yet?

MH
No 45/let
LTL 3/6

2

You will recall my concern, as described in my letter of 13 July 1987, that we currently publish local unemployment rates which are inconsistent with the main national and regional rates. This is because we lack statistics about self employment for local areas. Thus, the local unemployment rates are significantly higher than they would be if the denominator included self employed.

manb

BF

13/6

Members of Parliament and the public find it totally confusing that our local unemployment rates are not on a comparable basis to those for the nation as a whole and for the regions. Given, in particular, the importance we as a Government attach to self employment, I find the position quite unacceptable and indefensible.

4

In your letter of 4 August 1987 you agreed that Inland Revenue could, from mid-1990, provide information from the Schedule D taxation system which my officials could use in producing local area self employment estimates. I have recently reviewed the situation and have concluded that we must now change to this more satisfactory way of arriving at local area unemployment rates. I have instructed my officials to proceed with the project as rapidly as possible, in collaboration with Inland Revenue officials. I hope you will be able to agree to this work being given the necessary priority.

I understand that, since last summer, Inland Revenue officials have been able to reduce their estimates of the cost of this

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work, primarily because the cost of postcoding the tax records will be less than had been estimated. Costs are now estimated at £200,000 in 1988/89, £300,000 in 1989/90 and £250,000 per annum from 1990/91. I am advised that these costs can be met from the provision transferred from my Department to Inland Revenue in the 1987 PES round for these purposes.

Norman Fowler

NORMAN FOWLER

CONFIDENTIAL



CH/EXCHEQUER	
REC.	18 MAY 1988 ✓ 18/5
ACTION	CST
TO	

Caxton House Tothill Street London SW1H 9NF

Telephone Direct Line 01-273.....5803
 Switchboard 01-273 3000 GTN Code 273
 Facsimile 01-273 5465 Telex 915564

The Rt Hon Kenneth Baker MP
 Secretary of State for Education and Science
 Department of Education and Science
 Elizabeth House
 York Road
 LONDON SE1 7PH

May 16

Dear Ken.

WORK EXPERIENCE FOR PUPILS UNDER 16 IN THE CIVIL SERVICE

Thank you for your letter of 26 April seeking support for the extension of work experience for school pupils and similar placements in government departments.

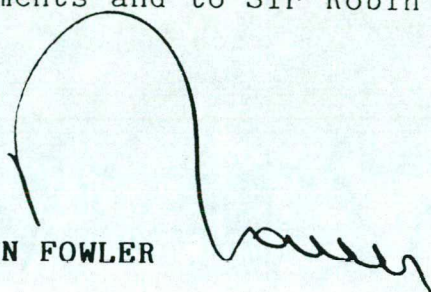
I wholeheartedly support this initiative and totally agree that the public sector and more particularly the Civil Service should play its part. To this end, my officials are presently working towards providing appropriate work experience placements for school pupils within the offices of the DE Group to meet your suggested yearly target of about 2% of the workforce.

You referred to our commitment to YTS and I am pleased that colleagues are now actively taking forward this most important Scheme. Given my department's experience with our own Scheme, I see the provision of work experience for school pupils as one that will complement and enhance our initiative and programmes on the education and training of young people.

I note with interest that the trade unions are supporting, in principle, work experience and very much hope that this support proves to be the case in practice.

I am copying this letter to members of the Cabinet and other Ministers in charge of departments and to Sir Robin Butler.

Yours ever


 NORMAN FOWLER

MINISTRY OF AGRICULTURE, FISHERIES AND FOOD
WHITEHALL PLACE, LONDON SW1A 2HH



From the Minister

The Rt Hon Kenneth Baker MP
Secretary of State for Education & Science
Department of Education & Science
Elizabeth House
York Road
LONDON
SE1 7PH

MP

CH/EXCHEQUER	
REC.	16 MAY 1988 ✓
ACTION	CST
COPIES TO	

16 May 1988

Dear Kenneth,

WORK EXPERIENCE FOR PUPILS UNDER SIXTEEN IN THE CIVIL SERVICE

Thank you for a copy of your letter of 26 April to Richard Luce about extending work experience for school pupils to the Civil Service.

I strongly support this proposal which is particularly relevant to the Civil Service at a time when the school leaver population is declining. I should of course wish to see the detailed guidance, but subject to that my Department will actively participate. I am also happy to work towards achieving in time a target of around 2% of staff numbers.

I am copying this letter to members of the Cabinet and other Ministers in charge of Departments and to Sir Robin Butler.

Yours,
John

JOHN MacGREGOR



A handwritten signature in blue ink, appearing to be 'J M G Taylor'.

FROM: J M G TAYLOR

DATE: 16 May 1988

MR CROPPER

cc PS/Chief Secretary
 PS/Financial Secretary
 PS/Paymaster General
 PS/Economic Secretary
 Sir P Middleton
 Mr Monck
 Mr Scholar
 Mr Burgner
 Mr Culpin
 Miss Peirson
 Miss Sinclair
 Mr Tyrie
 Mr Call

Mr Battishill IR
 Mr Isaac IR
 Mr Beighton
 Mr Lewis IR
 Mr McGivern IR
 Miss Rhodes IR
 Mr Carr IR
 PS/IR

EMPLOYMENT AND SELF-EMPLOYMENT

The Chancellor was grateful for your minute of 10 May.

2. He has commented that, as you say, this is a good letter from Judith Chaplin. He entirely supports the proposal for a review of employment protection and associated legislation. He seems to recall advocating it when we looked at employment/self-employment during Mr Moore's time as Financial Secretary, some four years ago.

Handwritten initials in blue ink, appearing to be 'JMGT'.

J M G TAYLOR

SECRET & PERSONAL



mp

C,

Ami

Thursday's unemployment figures will show:

- seasonally adjusted down 50,000*,
going below $2\frac{1}{2}$ m;

- headline total down 55,000,
still just above $2\frac{1}{2}$ m.

No news on earnings figures yet.

* Much better
than Feb, March, &
December, & in
line with January.

AH

COVERING PERSONAL AND CONFIDENTIAL



pr

Caxton House Tothill Street London SW1H 9NF

5803

Telephone Direct Line 01-273
Switchboard 01-273 3000 Telex 915564
GTN Code 273 Facsimile 01-273 5124

Paul Gray Esq
10 Downing Street
LONDON
SW1A 2AA

16th May 1988

Dear Paul,

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 19 May and confidential thereafter.

I am copying this to **Allex Allan (Treasury)**, Sir Peter Middleton (Treasury), Mr Hibbert (CSO), John Footman (Bank of England), Trevor Woolley (Cabinet Office), Neil Thornton (DTI), Sir Brian Hayes (DTI), David Crawley (Scottish Office), Russell Hillhouse (Scottish Office), John Shortridge (Welsh - Office), David Watkins (Northern Ireland Office) David Fell (Department of Economic Development, Northern Ireland Office), and Peter Stredder (No 10 Policy Unit).

Yours sincerely

Peter Bullman

for

ANGELA WILKINS
Private Secretary

COVERING PERSONAL AND CONFIDENTIAL

COVERING PERSONAL AND CONFIDENTIAL UNTIL 11.30 AM ON 19. MAY THEREAFTER CONFIDENTIAL
LABOUR MARKET STATISTICS: NOTES FOR PRIME MINISTER

- A. 1. SUMMARY
- 2. KEY FACTS BRIEF

- B. DRAFT PRESS NOTICE

- C. DETAILED ANALYSIS AND BACKGROUND INFORMATION
 - 1. GRAPHS: 1a UNEMPLOYMENT
 - 1b UNEMPLOYMENT RATES BY REGION
 - 2. UNEMPLOYMENT: ADDITIONAL DATA BY REGION
 - 3. LONG TERM UNEMPLOYMENT AND UNEMPLOYMENT BY AGE
 - 4. EMPLOYMENT MEASURES
 - 5. UNEMPLOYMENT: INTERNATIONAL COMPARISONS

- D. ADDITIONAL INFORMATION
 - 1. Unemployment: comparisons with 1930s
 - 2. Unemployment: coverage of the count: comparison with Labour Force Survey estimates.
 - 3. Unemployment: changes in coverage of the count.
 - 4. Unemployment: coverage of the count: summary of possible additions and exclusions.
 - 5. Labour Market: job changes and flows.
 - 6. Demographic and labour force background.
 - 7. Employment: methodology.
 - 8. Employment: double jobbing and special measures.
 - 9. Employment: international comparisions.
 - 10. Employment: additional data.
 - 11. Earnings.

LABOUR MARKET STATISTICS

MAY 19, 1988

SUMMARY STATISTICS

						<u>Thousands</u>
				Level	Change on previous period	Change on previous year
<u>Unemployment (UK)</u>						
Total (not seasonally adjusted)	April	14		2,536	- 56	- 571
Total (excluding school leavers)	April	14		2,455	- 49	- 566
<u>Employed Labour Force</u>	December;	Q4	1987	24,656	+146	+ 506
<u>Employees in employment</u>						
Services	December	Q4	1987	14,673	+133	+ 401
Manufacturing	March	Q1	1988	5,029	- 6	- 24
Manufacturing employment	March		1988	5,029	- 6	- 24
<u>Vacancies</u> (UK at jobcentres)	April		8	254	+ 8	+ 36

Percentage change on previous year
(underlying increase)

Index of Average Earnings

Whole Economy	March	8½
Services	March	8½
Manufacturing	March	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.

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

Summary

Unemployment (UK seasonally adjusted excluding school leavers) fell by 49,000 in the month to April. Male unemployment decreased by 35,000 and female unemployment decreased, by 14,000. Over the past six months there has been a fall of 43,100 on average compared with a fall of 51,300 per month over the previous six months to October 1987.

The unadjusted unemployment total, decreased in April by 56,132 to 2,535,989. This includes 56,943 school leavers aged under 18. In April, total unemployment was 571,139 lower than a year ago.

The number of employees employed in manufacturing industry in Great Britain is estimated to have fallen by 6,000 in March 1988.

The estimates of the employed labour force in the whole economy in Great Britain remain as published last month except for very slight revisions to reflect some late data now available. The employed labour force is estimated to have increased by 146,000 in the fourth quarter of 1987 contributing to overall increases of 506,000 in the year to December 1987 and of 1,659,000 since March 1983.

The stock of vacancies (UK seasonally adjusted excluding Community Programme) increased by 8,200 in April to 253,700. Over the past six months there has been a decrease of 1,300 per month on average.

The underlying increase in average earnings in the year to March was 8½ per cent, the same level as in the year to February.

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 49,000 to 2.455 million in April, 8.8 per cent of the working population*.

Over the past six months on average unemployment has fallen by 43,100 per month.

The recorded total of unemployed claimants, including school leavers, decreased by 56,132 between March and April to 2,535,989 giving an unemployment rate of 9.1 per cent of the working population. Unemployment is 571,139 less than a year ago. The total included 56,943 school leavers, 9,629 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
1987 Apr	2095.3	926.1	3021.4	-15.9	10.8	-23.7	-30.3
May	2051.9	899.0	2950.9	-70.5	10.6	-33.3	-38.5
Jun	2033.2	889.0	2922.2	-28.7	10.5	-33.1	-38.4
Jul	2002.3	870.8	2873.1	-49.1	10.3	-39.9	-49.4
Aug	1970.4	855.1	2825.5	-47.6	10.1	-40.2	-41.8
Sep	1939.3	832.9	2772.2	-53.3	9.9	-44.2	-50.0
Oct	1899.5	814.1	2713.6	-58.6	9.7	-51.3	-53.2
Nov	1854.7	796.1	2650.8	-62.8	9.5	-50.0	-58.2
Dec	1825.3	788.6	2613.9	-36.9	9.4	-51.4	-52.8
1988 Jan	1783.5	781.2	2564.7	-49.2	9.2	-51.4	-49.6
Feb	1757.0	775.6	2532.6	-32.1	9.1	-48.8	-39.4
Mar(r)	1737.6	766.4	2504.0	-28.6	9.0	-44.7	-36.6
Apr(p)	1702.6	752.4	2455.0	-49.0	8.8 **	-43.1	-36.6

** The separate rate for males was 10.4 per cent, and for females 6.5 per cent.

* See note A5

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

(r) Revised

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

		Male	Female	Number	Unemployment rate:percentage of working population*	School leavers Claimants	Non Claimants**
1987	Apr	2,158,222	948,906	3,107,128	11.1	66,572	. .
	May	2,080,369	906,084	2,986,453	10.7	74,930	. .
	Jun	2,022,964	882,361	2,905,325	10.4	69,397	103,552
	Jul	2,008,482	897,971	2,906,453	10.4	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	. .
	Oct	1,903,620	847,764	2,751,384	9.9	83,226	. .
	Nov	1,865,842	819,741	2,685,583	9.6	69,408	. .
	Dec	1,878,715	817,095	2,695,810	9.7	63,726	. .
	1988	Jan	1,892,698	829,456	2,722,154	9.8	62,797
Feb		1,852,129	813,340	2,665,469	9.6	57,414	. .
Mar		1,803,143	788,978	2,592,121	9.3	52,110	. .
Apr		1,765,711	770,278	2,535,989	9.1+	56,943	. .

+ The separate rate for males was 10.8 per cent, and for females 6.7 per cent.

** Not included in totals, see note A4

*See note A5.

TABLE 3: UNEMPLOYMENT - REGIONS April 14 1988

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)	538.7 (306.7)	-18.0 (-9.1)	5.8 (7.2)	-0.2 (-0.2)	549.7 (311.2)	-20.7 (-8.7)	5.9 (7.3)	6.1 (3.6)
East Anglia	55.4	-1.8	5.5	-0.2	58.3	-2.4	5.8	.9
South West	145.4	-3.4	7.0	-0.2	148.9	-7.0	7.2	1.9
West Midlands	249.2	-5.3	9.6	-0.2	255.9	-6.1	9.9	6.1
East Midlands	154.2	-2.0	8.0	-0.1	160.2	-1.8	8.3	2.9
Yorks and Humberside	241.1	-2.7	10.3	-0.1	252.1	-2.7	10.7	7.7
North West	341.1	-6.5	11.5	-0.2	352.6	-5.5	11.9	8.5
North	183.6	-3.0	12.9	-0.2	190.8	-2.1	13.4	5.2
Wales	134.6	-1.4	11.4	-0.1	140.1	-1.3	11.9	3.8
Scotland	295.3	-4.8	12.1	-0.2	309.1	-7.2	12.6	11.8
GREAT BRITAIN	2,338.5	-48.9	8.6	-0.2	2,417.7	-56.9	8.9	55.0
Northern Ireland	116.5	-0.1	17.1	-0.0	118.3	0.7	17.4	1.9
UNITED KINGDOM	2,455.0	-49.0	8.8	-0.2	2,536.0	-56.1	9.1	56.9

* 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				
1987	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	
	Oct	420.2	25.6	394.6	- 40.2	549.0	30.5	518.5	- 2.9	
	Nov	375.3	10.8	364.5	- 38.5	432.3	18.4	413.9	+ 3.8	
	Dec	328.6	7.5	321.1	- 26.8	317.5	10.1	307.4	- 22.5	
	1988	Jan	344.4	11.0	333.3	- 22.1	321.5	8.4	313.1	+ 26.2
		Feb	345.2	9.4	335.8	- 51.5	406.6	11.3	395.3	- 51.0
		Mar	313.0	7.2	305.9	- 27.8	392.5	9.3	383.2	- 36.7
Apr		323.9	14.8	309.1	- 41.1	372.5	7.6	364.9	- 23.1	

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EMPLOYMENT

The number of employees in employment in manufacturing industry (the new figures available this month) in Great Britain is estimated to have fallen by 6,000 in March 1988. However, over the first quarter of 1988 there has been an estimated increase of 1,000. Over the last six months, September 1987 to March 1988, there has been a reduction of 5,000. This is clear evidence of a levelling out of the trend in manufacturing employment compared with the previous relatively rapid falls.

Figures for employees in the rest of the economy and for the employed labour force (employees in employment, the self-employed and HM Forces) in Great Britain have been slightly revised to reflect some late data now available. The employed labour force is estimated to have increased by 506,000 in 1987 and by 1,659,000 since March 1983.

Recent figures are set out in Table 5.

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		
			Mon-thly	Three* monthly	Quar-terly		Mon-thly	Quar-terly								
1986	March	Q1 5,204	- 9	-12	- 36	540	- 4	-17	14,029	+ 71	1,291	-10	21,065	+ 9	23,950	+ 12
	April	5,196	- 8	-14		537	- 3									
	May	5,165	-31	-16		534	- 3									
	June	Q2 5,146	-19	-19	- 58	530	- 4	-10	14,115	+ 86	1,288	- 3	21,079	+ 14	23,967	+ 17
	July	5,131	-15	-22		525	- 5									
	August	5,116	-15	-16		521	- 4									
	September	Q3 5,107	- 9	-13	- 39	519	- 2	-11	14,192	+ 77	1,281	- 7	21,098	+ 19	24,046	+ 79
	October	5,098	- 9	-11		516	- 3									
	November	5,092	- 6	- 8		510	- 6									
	December	Q4 5,084	- 8	- 8	- 23	508	- 2	-11	14,272	+ 80	1,282	+ 1	21,146	+ 48	24,150	+104
1987	January	5,065	-19	-11		501	- 7									
	February	5,062	- 3	-10		499	- 2									
	March	Q1 5,053	- 9	-10	- 31	494	- 5	-14	14,372	+100	1,293	+11	21,211	+ 65	24,273	+123
	April	5,046	- 7	- 6		487	- 7									
	May	5,052	+ 6	- 3		486	- 1									
	June	Q2 5,056	+ 4	+ 1	+ 3	488	+ 2	- 6	14,468R	+ 96R	1,296R	+ 3R	21,307	+ 96	24,426	+153
	July	5,048	- 8	+ 1		484	- 4									
	August	5,043	- 5	- 3		483	- 1									
	September	Q3 5,034	- 9	- 7	- 22	484	+ 1	- 4	14,540R	+ 72	1,301	+ 5R	21,359R	+ 52R	24,510R	+ 84R
	October	5,032	- 2	- 5		479	- 5									
	November	5,033	+ 1	- 3		477	- 2									
	December	Q4 5,028	- 5	- 2	- 6	477	0	- 7	14,673R	+133R	1,298	- 3	21,476R	+117R	24,656R	+146
1988	January	5,034R	+ 6R	+ 1		473	- 4									
	February	5,035R	+ 1R	+ 1R		468R	- 5R									
	March	5,029	- 6	0	+ 1	464	- 4	-13								

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

VACANCIES

The stock of unfilled vacancies at jobcentres (seasonally adjusted and excluding Community Programme vacancies) increased by 8,200 in the month to April to reach 253,700. Over the past three months to April, seasonally adjusted vacancies have increased on average by 1,400 per month.

Unadjusted, there was an increase of 19,215 unfilled vacancies in the month to 282,166. There was a decrease of 19 Community Programme vacancies.

The inflow of notified vacancies decreased on average by 3,300 per month in the three months ending April 1988, the outflow decreased by 6,900 per month, and placings decreased by 7,300 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		
1987	Apr	240.0	24.5	215.5	217.7	3.5	1.9	15.9	
	May	265.4	26.0	239.5	230.5	12.8	7.8	19.0	
	Jun	275.8	28.0	247.9	233.7	3.2	6.5	23.5	
	Jul	272.3	28.6	243.7	235.2	1.5	5.8	23.9	
	Aug	269.9	30.2	239.6	236.9	1.7	2.1	22.6	
	Sep	295.2	31.9	263.3	246.6	9.7	4.3	23.7	
	Oct	312.2	32.0	280.2	261.4	14.8	8.7	23.1	
	Nov	303.6	31.6	272.0	268.2	6.8	10.4	22.0	
	Dec	271.4	31.7	239.7	256.6	-11.6	3.3	20.5	
	1988	Jan	257.9	33.1	224.8	249.5	-7.1	-4.0	19.9
		Feb	256.9	32.6	224.2	247.9	-1.6	-6.8	18.8
		Mar	263.0	30.9	232.0	245.5	-2.4	-3.7	20.4
Apr		282.2	30.9	251.3	253.7	8.2	1.4	22.1	

* 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
1987	Apr	230.2	3.8	225.0	2.7	162.4	0.4
	May	213.3	1.4	202.3	-3.9	147.6	-3.8
	Jun	229.9	-0.7	223.5	-1.5	162.5	-1.8
	Jul	220.0	-3.4	217.9	-2.4	154.3	-2.7
	Aug	222.7	3.1	218.5	5.4	154.8	2.4
	Sep	228.8	-0.4	215.9	-2.5	154.5	-2.7
	Oct	235.9	5.3	224.2	2.1	158.0	1.2
	Nov	237.5	4.9	230.9	4.1	159.7	1.6
	Dec	236.1	2.4	247.9	10.7	169.5	5.0
1988	Jan	223.6	-4.1	229.0	1.6	164.1	2.0
	Feb	237.9	0.1	243.9	4.3	168.6	3.0
	Mar	237.3	0.4	238.6	-3.1	164.4	-1.7
	Apr (p)	213.8	-3.3	208.2	-6.9	142.3	-7.3

TABLE 8: *UNFILLED VACANCIES - REGIONS - 8 April 1988

		VACANCIES AT JOBCENTRES			THOUSAND		
		UNADJUSTED*		SEASONALLY ADJUSTED (EXCLUDING COMMUNITY PROG VACANCIES)		VACANCIES AT CAREERS OFFICES	
		TOTAL	Community Programme Vacancies	Total excluding Community Programme	Number	Change since previous month	UNADJUSTED
South East	103.1	4.8	98.3	100.6	2.9	13.3	
(Greater London)	(36.4)	(2.6)	(33.8)	(34.6)	(0.5)	(6.7)	
East Anglia	10.0	0.6	9.3	9.4	0.5	0.8	
South West	24.2	2.7	21.6	20.6	1.2	1.2	
West Midlands	27.6	4.3	23.3	23.8	0.3	1.5	
East Midlands	15.3	1.4	13.9	13.7	0.9	1.0	
Yorks and Humberside	17.9	2.7	15.2	15.7	0.2	1.0	
North West	26.5	2.9	23.6	23.6	0.3	1.3	
North	15.4	3.8	11.6	11.5	0.2	0.3	
Wales	14.8	3.1	11.7	11.4	0.5	0.3	
Scotland	24.2	3.6	20.6	20.6	1.1	0.4	
GREAT BRITAIN	279.2	30.0	249.1	250.8	8.1	21.1	
Northern Ireland	3.0	0.9	2.1	2.9	0.0	1.0	
UNITED KINGDOM	282.2	30.9	251.3	253.7	8.2	22.1	

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

AVERAGE EARNINGS

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The underlying increase in average weekly earnings in the year to March was about 8 1/2 per cent, similar to the increase in the year to February.

The actual increase in the year to March, at 9.6 per cent, was above 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				
October	188.3	188.7	8.3	7 1/2
November	191.2	190.2	8.1	7 3/4
December	193.4	191.3	7.4	7 3/4
1987				
January	190.4	192.8	7.6	7 1/2
February	191.2	193.4	7.4	7 1/2
March	194.5	194.8	6.7	7 1/2
April	196.0	197.4	6.5	7 3/4
May	198.1	198.5	8.7	7 3/4
June	200.0	198.1	7.7	7 3/4
July	203.1	201.3	8.1	7 3/4
August	201.6	201.3	7.6	7 3/4
September	201.4	201.8	7.9	7 3/4
October	203.4	203.8	8.0	8
November	207.3	206.3	8.5	8 1/4
December	210.3	208.0	8.7	8 1/2
1988				
January	206.9	209.5	8.7	8 1/2
February	206.7	209.2	8.2	8 1/2
March*	213.1	213.4	9.5	8 1/2

*: Provisional

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In production industries, the underlying increase in average weekly earnings in the year to March was about 8 1/2 per cent, similar to the increase in the year to February, which has been revised up from 8 1/4 per cent. Within this sector, in manufacturing industries, the underlying increase in average weekly earnings in the year to March was also about 8 1/2 per cent, similar to the increase in the year to February, which has also been revised up from 8 1/4 per cent. These increases include the effect of higher overtime working this year than a year ago.

The actual increases for production industries and manufacturing industries in the year to March were 8.6 per cent and 8.9 per cent respectively.

In service industries, the underlying increase in average weekly earnings in the year to March was about 8 1/2 per cent, similar to the increase in the year to February, which has been revised down from 8 3/4 per cent. The actual increase in the year to March was 10.3 per cent.

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

		seasonally adjusted								
Production industries*			Manufacturing industries**			Service industries***				
Index	% increases over previous 12 months		Index	% increases over previous 12 months		Index	% increases over previous 12 months			
1980=100			1980=100			1980=100				
seas adj underlying			seas adj underlying			seas adj underlying				
1987										
Jan	199.9	7.8	7 3/4	200.0	7.8	7 3/4	190.3	7.7	7 1/2	
Feb	200.6	7.9	8	201.0	8.1	8	189.7	7.2	7 1/4	
Mar	199.8	7.4	8	201.1	7.6	8	193.8	5.9	7 1/4	
Apr	203.6	7.2	8	204.4	7.0	8	196.4	5.8	7 3/4	
May	201.6	6.0	8	202.4	8.2	8	199.2	9.3	7 3/4	
Jun	203.9	6.0	8 1/4	204.8	7.9	8 1/4	198.7	7.5	7 1/2	
Jul	206.4	8.7	8 1/4	207.6	9.0	8 1/4	200.4	7.7	7 1/4	
Aug	207.8	6.2	8 1/4	207.2	8.0	8 1/2	200.9	7.3	7 1/4	
Sep	209.9	8.3	8 1/4	210.3	8.4	8 1/2	200.1	7.6	7 1/2	
Oct	212.1	8.7	8 1/4	212.4	8.8	8 1/4	201.7	7.6	8	
Nov	212.2	7.9	8 1/4	212.7	7.9	8 1/4	207.3	6.8	8 1/2	
Dec	215.9	8.2	8 1/4	216.8	8.4	8 1/4	206.7	9.2	8 1/2	
1988										
Jan	215.8	6.0	8 1/2	216.8	8.4	8 1/2	207.7	9.1	8 1/2	
Feb	213.6	6.5	8 1/2 R	215.3	7.1	8 1/2 R	207.6	9.4	8 1/2 R	
Mar(p)	217.1	8.7	8 1/2	219.0	8.9	8 1/2	213.7	10.3	8 1/2	

p provisional
R revised

* 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 communications; Banking, finance, insurance, business services and leasing; Other services (including public administration, education, medical and other medical services, etc).

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 February 1988, wages and salaries per unit of output in manufacturing industries were 2.0 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 6 per cent in productivity over this period (see Table 13).

In the fourth quarter of 1987, wages and salaries per unit of output in the whole economy were 4.3 per cent above the corresponding period of 1987. This increase was below the rise in average earnings in the whole economy as there was a rise of more than 3 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 Q3	125.8	6.5	132.9	6.0
Q4	128.7	6.2	134.3	4.4
1986 Q1	131.5	8.7	136.8	6.4
Q2	130.9	6.9	138.3	6.8
Q3	130.5	3.7	139.2	4.7
Q4	130.5	1.4	141.2	5.1
1987 Q1	132.6	0.8	142.3	4.0
Q2	132.0	0.8	144.3	4.3
Q3	131.4	0.7	144.5	3.8
Q4	133.2	2.1	147.3	4.3
1987 Sept	132.6	1.3	..	..
Oct	133.0	2.3	..	..
Nov	132.3	1.8	..	..
Dec	134.3	2.1	..	..
1988 Jan	133.7	-0.6	..	..
Feb	137.4	4.4	..	..
3 months ending				
1987 Sept	131.4	0.7	..	..
Oct	131.7	0.8	..	..
Nov	132.6	1.8	..	..
Dec	133.2	2.1	..	..
1988 Jan	133.4	1.1	..	..
Feb	135.1	2.0	..	..

HOURS WORKED IN MANUFACTURING INDUSTRIES

Overtime working by operatives in manufacturing industries remained high at, 13.40 million hours per week, in March.

Hours lost through short-time working in manufacturing industries remain very low, at 0.23 million hours per week in March.

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 104.4 in March 1988 giving an average of 104.6 over the three month period ending March 1988. 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	11.28	0.45	102.6
Jul	11.66	0.39	102.9
Aug	11.77	0.43	102.9
Sep	11.68	0.43	102.8
Oct	11.77	0.81	102.6
Nov	12.06	0.48	102.9
Dec	11.62	0.51	103.0
1987 Jan	11.47	0.57	102.8
Feb	12.09	0.42	103.2
Mar	12.27	0.36	103.4
Apr	12.44	0.41	103.5
May	12.38	0.37	103.5
June	12.68	0.31	103.8
Jul	12.49	0.35	103.6
Aug	12.70	0.28	103.8
Sep	12.96	0.24	104.0
Oct	13.66	0.29	104.4
Nov	13.58	0.38	104.3
Dec	13.42	0.28	104.4
1988 Jan	14.48R	0.25	105.0R
Feb	13.44R	0.28R	104.4
Mar	13.40	0.23	104.4

R= Revised

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 February was 0.3 per cent higher than in the three months ending November and 5.9 per cent higher than in the same period a year earlier.

Output per head in the whole economy in the fourth quarter of 1987 was 0.4 per cent above the previous quarter and 3.1 per cent higher than in the fourth quarter of 1986.

Recent figures are:

TABLE 13: OUTPUT PER HEAD seasonally adjusted

		Manufacturing		Whole Economy	
		Index 1980 = 100	Percentage increase on a year earlier	Index 1980 = 100	Percentage increase on a year earlier
1985	Q3	130.4	2.4	114.1	2.1
	Q4	130.1	2.2	114.7	2.2
1986	Q1	129.5	-0.7	115.2	1.5
	Q2	132.4	0.6	116.6	1.7
	Q3	134.7	3.3	117.7	3.2
	Q4	138.5	6.5	118.3	3.1
1987	Q1	138.5	6.9	118.8	3.1
	Q2	141.4	6.8	119.8	2.7
	Q3	145.1	7.7	121.5	3.2
	Q4	147.0	6.1	122.0	3.1
1987	Sep	145.2	7.1	..	..
	Oct	146.1	6.3	..	..
	Nov	147.1	6.0	..	..
	Dec	147.7	6.1	..	..
1988	Jan	148.4	9.0	..	..
	Feb	143.6	2.7	..	..
3 months ending					
1987	Sep	145.1	7.7	..	..
	Oct	145.9	7.5	..	..
	Nov	146.1	6.5	..	..
	Dec	147.0	6.1	..	..
1988	Jan	147.7	7.0	..	..
	Feb	146.6	5.9	..	..

Industrial stoppages

In March 1988, it is provisionally estimated that 248 thousand working days were lost in the United Kingdom through stoppages of work due to industrial disputes. This compares with a provisional estimate of 694 thousand in February 1988, 251 thousand in March 1987 and an average of 955 thousand for March during the ten year period 1978 to 1987.

During the twelve months to March 1988 it is provisionally estimated that a total of 2,513 thousand working days were lost through stoppages of work due to industrial disputes. During this twelve month period a total of 882 stoppages have been provisionally recorded as being in progress, involving a total of 698 thousand workers. The comparable figures for the twelve months to March 1987 were 3,339 thousand lost working days, 1,148 stoppages in progress and 841 thousand workers.

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

	Working days lost (thousand)	Number of Stoppages	Workers involved (thousand)
1987			
Mar	251	120	215
Apr	336	135	155
May	222	95	126
Jun	345	104	157
Jul	214	93	61
Aug	43	71	22
Sep	56	84	19
Oct	76	96	24
Nov	127	108	80
Dec	60	72	35
1988			
Jan(p)	92	62	39
Feb(p)	694	90	186
Mar(p)	248	65	33
<u>Cumulative totals</u>			
12 months to March 1987	3,339	1,148	841
12 months to March 1988(p)	2,513	882	698

(p) Provisional and subject to revision, normally upwards, see note H1.

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, income support (formerly supplementary benefit upto April 1988) 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 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 14 April 1988 these numbered 2,223 in Great Britain and 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 14 April 1988 these numbered 5,259 in Great Britain and 6,506 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-1987. These rates include the self-employed and armed forces in the base to provide a more reliable guide 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 14 April 1988 were 12.7 per cent for males and 7.1 per cent for females, 10.3 per cent in total (unadjusted).

A6. The latest figures for national and 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.

B3. The estimates of employees in employment presented in this press notice also take account of the results of the 1985, 1986 and 1987 sample Labour Force Surveys. The series include allowances for undercounting in the estimates of the number of employees in employment derived from the sample survey of employers. Since the second quarter of 1986, 33,900 per quarter has been added to the raw estimates of total employees in employment based on the sample. The reasoning behind such allowances is described in the *Employment Gazette* April 1987 (page 201).

B4. The self employed are those who in their main employment work on their own account, whether or not they have any employees. Second occupations classified as self employed are not included.

B5. Comprehensive estimates of the number of self-employed are taken from the Census of Population, the most recent of which was held in 1981. Estimates for the other years are made by applying rates of change, derived from the sample Labour Force Survey results, to the census benchmark. In this way self employment is estimated to have increased by 12,800 a quarter between mid 1981 and mid 1983, by 68,800 a quarter between mid 1983 and mid 1984, by 28,800 a quarter between mid 1984 and mid 1985, by 4,100 a quarter between mid 1985 and mid 1986, by 58,500 a quarter between mid 1986 and mid 1987. Pending the results of the 1988 Labour Force Survey it is assumed that the numbers of self employed are continuing to increase at the rate of 31,000 a quarter observed between 1981, the date of the latest Census of Population which provides a benchmark for the self employment series, and 1987, the date of the latest available Labour Force Survey data. The derivation of recent estimates is described in the *Employment Gazette*, March 1988 page 144.

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

B7 The employed labour force comprises employees in employment, the self employed and HM forces.

VACANCIES (Tables 6-8)

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

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

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

EARNINGS (Tables 9 and 10)

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

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

D3. The analysis of underlying changes was described in Employment Gazette, April 1981, page 193, and the most recent analysis appeared in *Employment Gazette* in March 1988. The next analysis will appear in the June 1988 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 published on 15 March. 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 published by the CSO on 15 March. 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.

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Unemployment in April
seasonally adjusted (UK)

Down 49,000 in April

Now 2.455 million, 8.8%
Down 21 months running

Lowest for 6½ years (since
October 1981)

Fall in last 12 months 566,000,
largest annual fall since
the war.

Largest sustained fall on record,
down 755,000 since July 1986.
Fall of 467,000 since election
June 1987

Fall of 43,000 per month
over last six months

Total (including school leavers
(UK)

Now 2.536 million (9.1%)

Down 56,000 since March
Fall in last 12 months 571,000

Regional unemployment

Fall in all regions of UK in
month and over last year: rates
fallen most in West Midlands,
North West and North.

Youth unemployment (UK)

School leavers in April 57,000,
lowest April figure since 1981.

More than halved in last 5 years
(Apr 1983 134,000)

Under 25s also lowest for more
than 5 years and down about
a quarter compared with
January 1983.

International comparisons

UK rate fallen faster in past year
than any other major industrialised
country. UK unemployment now lower
than EC average. International
rates show unemployment now higher
in France (10.5%), Italy (11.3%),
Belgium (10.4%), Netherlands (9.6%)
Spain (19.6%) and Ireland (19.0%)
(comparable UK 8.9%).

Employed labour force (GB)

Increase of 146,000 in Q4 in 1987

Increase of 506,000 in year to December of which:

	Men	Women	Total
Full-time	111	146	257
Part-time	84	165	249
Total	195	311	506

Increase every quarter since March 1983 (4½ years); by
1.66 million

Manufacturing employment (GB)

Fell by 6,000 in March
Fell 1,000 per month on average in last 6 months
Appears to be levelling out.

Vacancies (UK)

Unfilled vacancies at Jobcentres 253,700 in April
17% higher than a year ago.

Over 700,000 vacancies in the economy overall.
Only about ½ vacancies reported to jobcentres.

Average Earnings (GB)

Underlying increase in average earnings in year to
March 8½%. Unchanged on February.

Labour Force Survey (GB)

Again shows claimant count above survey estimate
of unemployment using international definitions
(ILO/OECD)
(2.95m in Spring 1987 compared to 2.88 million GB).

Lesser fall in survey estimate compared with claimant
count between 1986 and 1987 reflects response among
claimants to extra job opportunities, with more
frequent job seeking among those yet to find work
(210 thousand fall in count compared to 80 thousand
(ILO/OECD)

Long term unemployment (UK)

1.101 million in January (April figures available
next week). Fell by 234,000 in year since January
1987, largest 12 months fall on record. Longer-term
unemployment (over 6 months)
1.547 million in January, record fall of
365,000 over past 12 months.

Recent Labour Market statistics - additional points

Effect of measures

- participants in employment measures hardly changed overall in last year, when unemployment fallen rapidly.
- YTS has increased in size but has little impact on seasonally adjusted adult count.
- Effect of Restart in helping long term unemployed back into work (through other schemes and job opportunities) cannot be estimated separately from effect of rapid improvements in labour market. Programme more successful when more jobs available.
- Availability testing will discourage some people not interested in getting work; cannot estimate how many.
- Those on schemes such as CP are employed just like other workers. Those on EAS are self-employed.

Fiddling the figures

Only 6 changes affecting count since 1979
3 statistical and 3 administrative
including only 2 changes to
compilation.

Seasonally adjusted unemployment series is
consistent and allows comparison of trend
over time: nothing to hide

Flows into and out of unemployment

- Some 400,000 per month enter and leave the count. Over a quarter of those becoming unemployed leave within the first month, over half leave within 3 months.
- job starts: 7½ million per year (includes employed and unemployed) equivalent to about 30,000 every working day.

Part-time employment

- Rise in part-time employment (49% of increase in employment in year to December) sign of increased flexibility in the labour market.
- According to LFS, vast majority of those working part-time do not want full-time jobs.
- A part-time job can be up to 30 hours per week, so cannot describe as half a full-time job.

International comparisons of employment

- increase since 1983 greater than rest of EC combined.
- UK proportion of population of working age in employment (66%) much greater than EC average (57%)

International definition of unemployment

Latest OECD standardised rates, show
UK unemployment at 8.9% (March)

Figures of 5 million from LFS sometimes quoted include all who say they would like work, even if not available for or seeking work (eg early retired, sick, looking

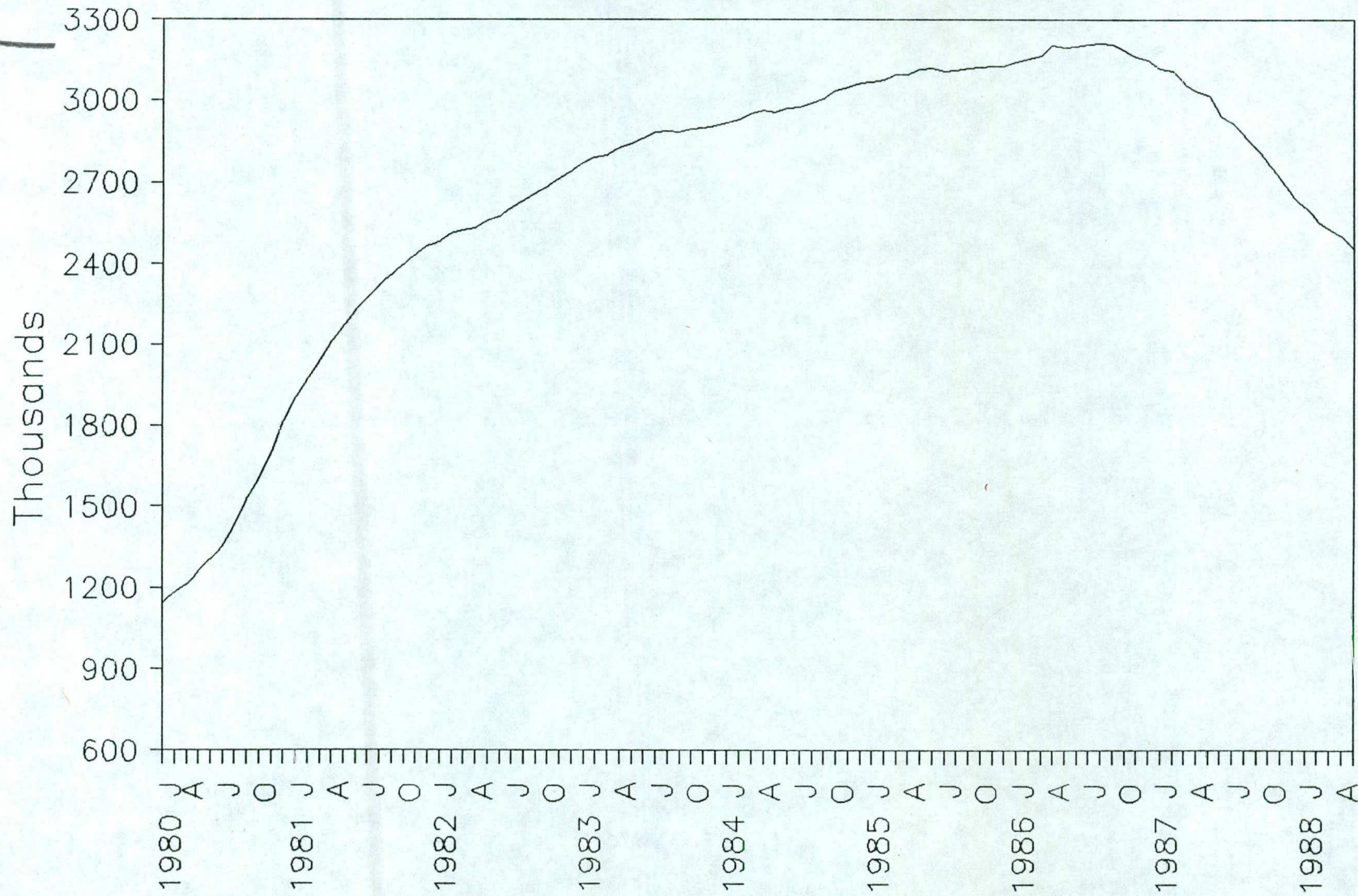
International comparisons for under 25s

Latest EC comparison for February 1988 showed UK 14.4% compared with EC average 20.7% (Lower than all other EC countries except Denmark, Germany and Luxembourg)

Page C19

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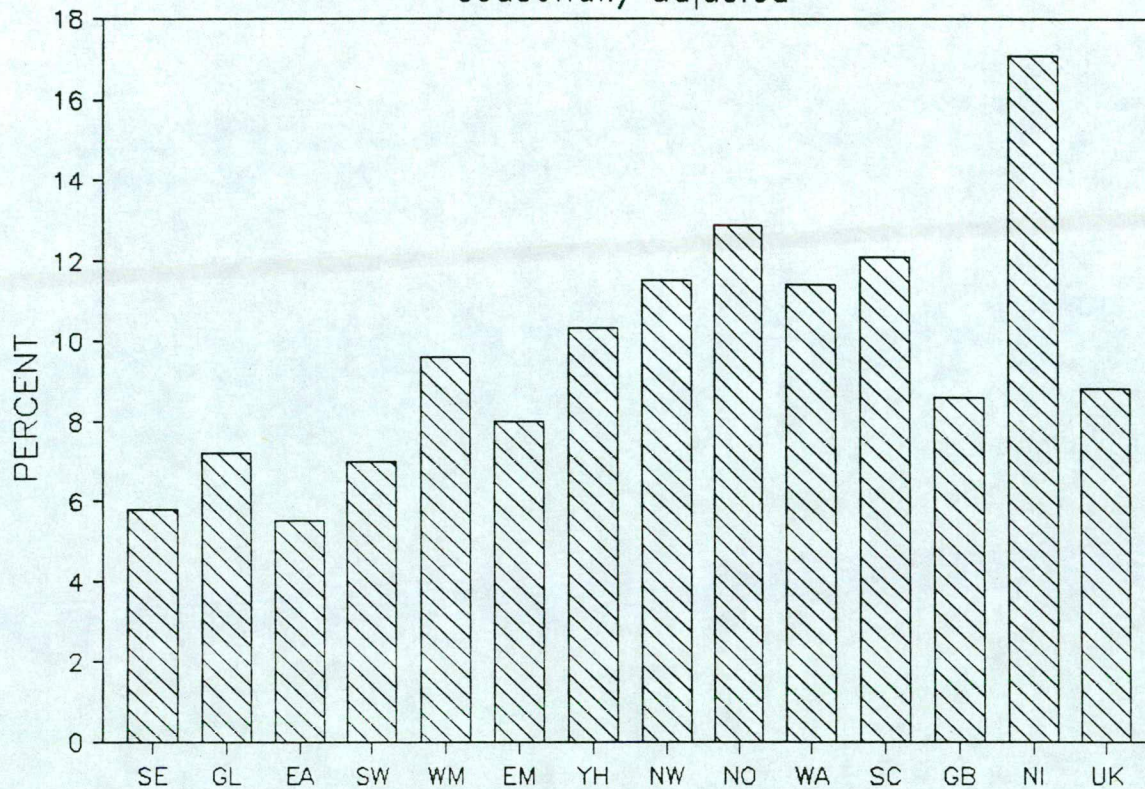
SEASONALLY ADJUSTED UNEMPLOYMENT UNITED KINGDOM



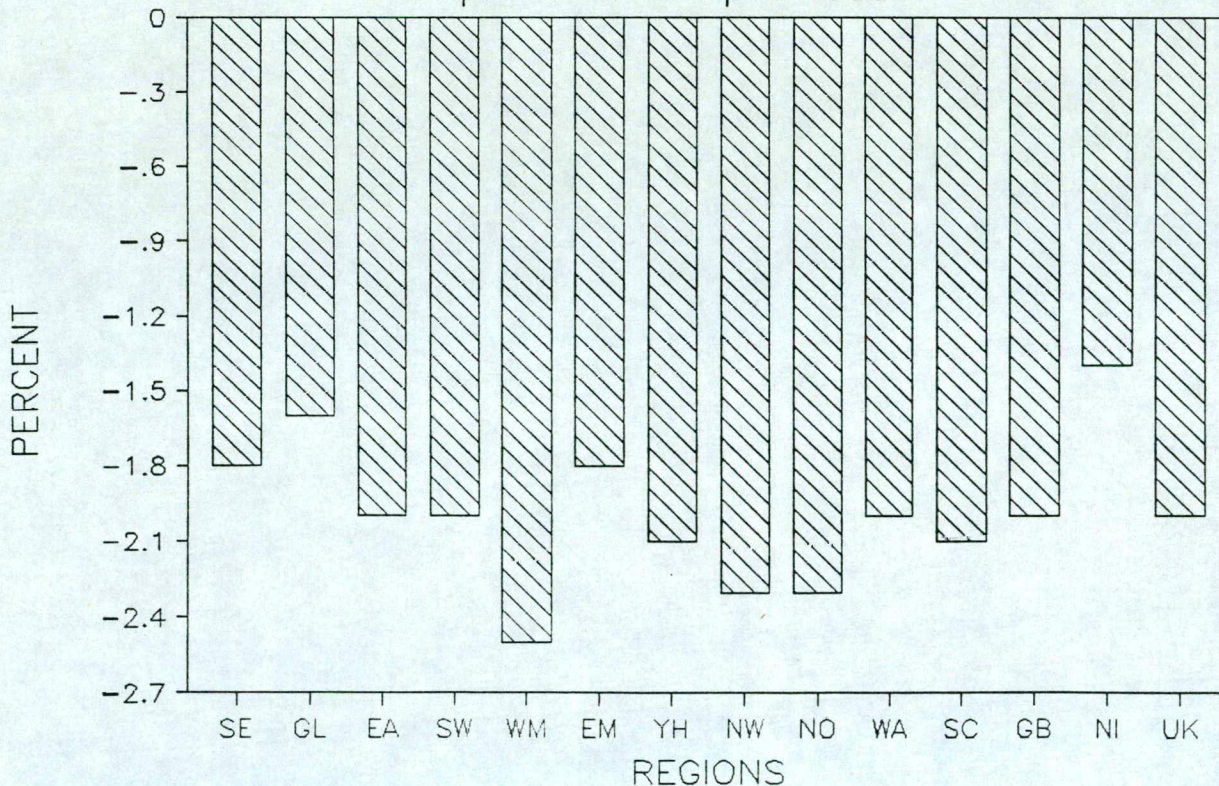
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REGIONAL UNEMPLOYMENT RATES: April 1988 seasonally adjusted



ANNUAL CHANGE IN UNEMPLOYMENT RATES April 1987 - April 1988



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Unemployment
-regions and sex

UNEMPLOYMENT - regions and sex: April 1988
SEASONALLY ADJUSTED EXCLUDING SCHOOL LEAVERS

REGIONS	NUMBER (Thousands)		UNEMPLOYMENT RATE (Per Cent)*		
	At April 1988	Change in month since March 1988	At April 1988	Change in month since March 1988	Change in year since April 1987
	(1)				
South East	538.7	-18.0	5.8	-0.2	-1.8
(Greater London)	(306.7)	-9.1	7.2	-0.2	-1.6
East Anglia	55.4	-1.8	5.5	-0.2	-2.0
South West	145.4	-3.4	7.0	-0.2	-2.0
West Midlands	249.2	-5.3	9.6	-0.2	-2.5
East Midlands	154.2	-2.0	8.0	-0.1	-1.8
Yorks & Humber	241.1	-2.7	10.3	-0.1	-2.1
North West	341.1	-6.5	11.5	-0.2	-2.3
North	183.6	-3.0	12.9	-0.2	-2.3
Wales	134.6	-1.4	11.4	-0.1	-2.0
Scotland	295.3	-4.8	12.1	-0.2	-2.1
GREAT BRITAIN	2338.5	-48.9	8.6	-0.2	-2.0
Northern I.	116.5	-.1	17.1	-0.0	-1.4
UNITED KINGDOM	2455.0	-49.0	8.8	-0.2	-2.0
<u>MALES AND FEMALES</u>					
UK Males	1702.6	-35.0	10.4	-0.2	-2.4
UK Females	752.4	-14.0	6.5	-0.1	-1.5

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

UNITED KINGDOM, claimants

JANUARY 1988

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Unemployment by Duration

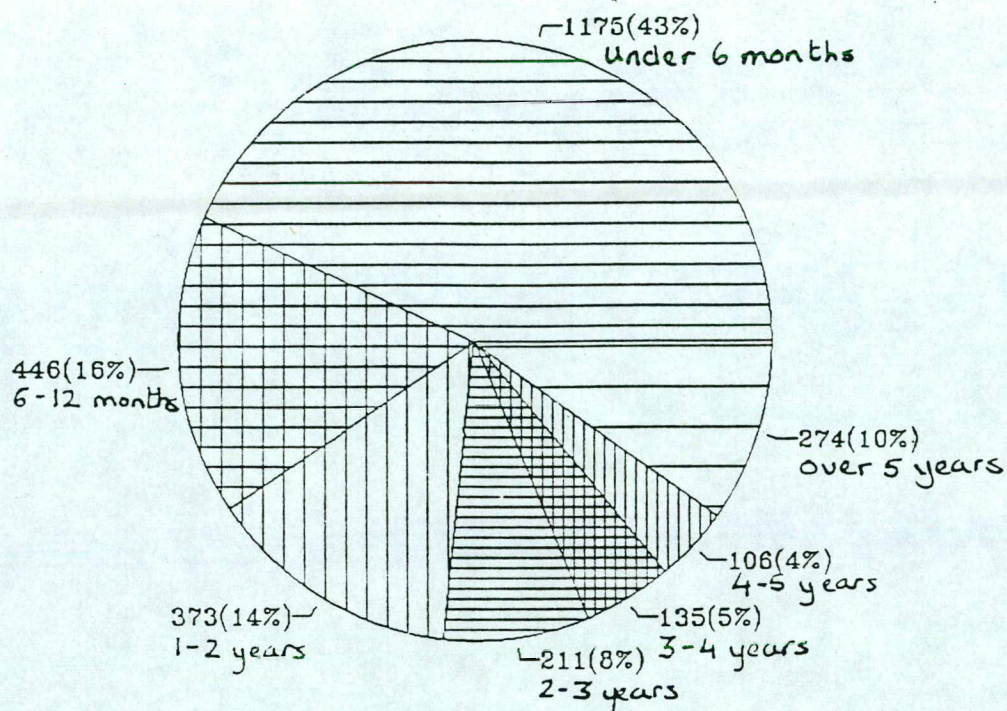
Duration	Number at JANUARY 1988	THOUSANDS Change since JANUARY 1987
All durations	2722	-575
Over 6 months	1547	-365
Over 1 year	1101	-234
Over 2 years	727	-109
Over 3 years	516	-68
Over 4 years	381	-24
Over 5 years	274	+11

Up to 6 months	1175	-210
6 to 12 months	446	-131
1 to 2 years	373	-125
2 to 3 years	211	-41
3 to 4 years	135	-44
4 to 5 years	106	-35
Over 5 years	274	+11

Unemployment by Age

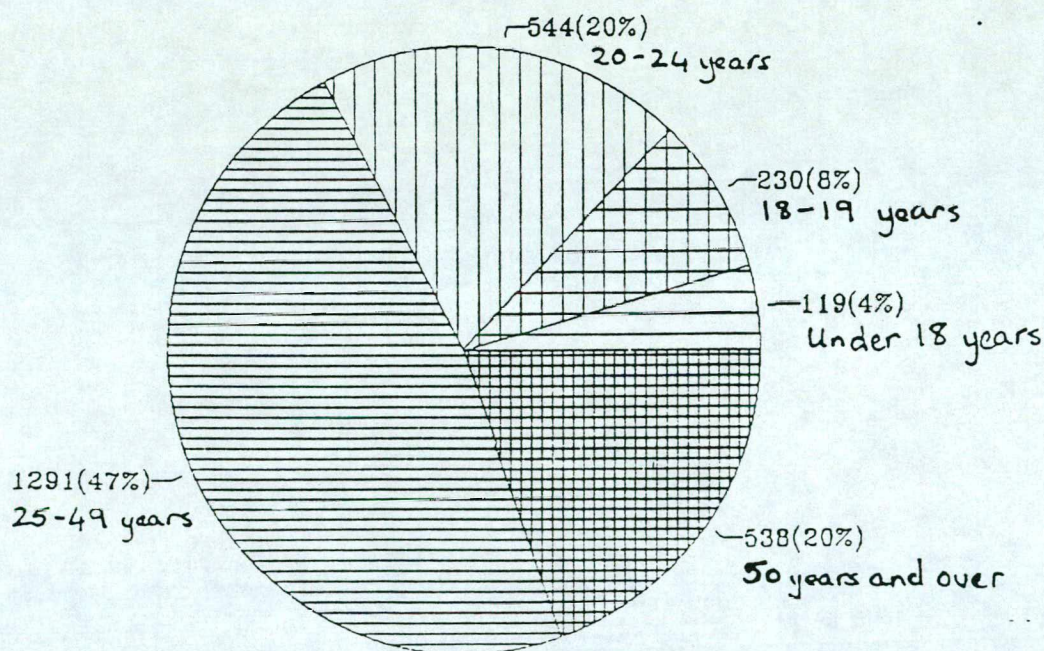
	Number at JANUARY 1988	THOUSANDS Change since JANUARY 1987
Under 18	119	-43
18-19	230	-68
20-24	544	-128
25-50	1291	-249
50 and over	538	-86
All ages	2722	-575

U.K. UNEMPLOYMENT BY DURATION THOUSANDS



JANUARY 1988

U.K. UNEMPLOYMENT BY AGE THOUSANDS



JANUARY 1988

*To nearest thousand

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
March 87	81	244	8	34		30	269	2	24
Apr 87	85	238	8	32		42	258	3	23
May 87	87	235	8	29		41	249	8	22
June 87	90	232	8	24		49	299	13	22
July 87	93	231	8	18		53	324	17	21
Aug 87	94	229	8	18		54	335	20	21
Sept 87	96	229	8	18		55	369	22	21
Oct 87	97	224	8	19		54	359	24**	20
Nov 87	96	222	8	20		53	357	25	20
Dec 87	96	221	8	19		56	347	24	19
Jan 88	95	221	7	19		55	337	26	19
Feb 88	95	224	7	18		54	330	28	19
Mar 88	95	223	7	16		52	317	30	18

* 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.

** Stats B Estimate

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 international standardised rates which are recommended for comparing levels of unemployment.

RECOMMENDED

	OECD STANDARDISED RATES*		UNEMPLOYMENT, NATIONAL DEFINITIONS				
	Seasonally Adjusted		Seasonally Adjusted		Unadjusted		Latest month
	Latest month	% rate	Number (000s)	% rate	Number (000s)	% rate	
Spain	NOV	19.6	2957	20.3	3042	20.9		FEB
Ireland	FEB	(19.0)*	241	18.7	242	18.7	APR
Italy a	FEB	(11.3)*	2930	12.5	2881	12.4	OCT
France	MAR	10.5	2535	10.3a	2548	10.3a	MAR
Belgium	MAR	10.4	405e	14.7e	407	14.8	APR
Netherlands	MAR	9.6	684	14.0	687	14.1	MAR
United Kingdom	MAR	8.9	2455	8.8	2536	9.1	APR
Canada a	MAR	7.7	1025	7.7	1085	8.2	APR
Australia a	MAR	7.4	615	7.8	645	8.3	JAN
Greece	APR 87	(7.4)*	..	..	143	7.5	FEB
Germany	MAR	6.5	2261	8.0	2262	8.0	APR
Portugal	NOV	6.5	307	7.2	326	7.6	FEB
Denmark	FEB	(5.7)*	217	8.0	220	8.0	DEC
United States a	MAR	5.5	6610	5.4	6359	5.2	APR
Austria	..	..	157e	5.3e	215	7.3	FEB
Luxembourg	FEB	(3.0)*	..	..	3	1.9	FEB
Japan a	JAN	2.7	1660	2.7	1680	2.8	JAN
Norway	NOV	2.2	36	2.2	43	2.6	FEB
Sweden a	MAR	1.7	71	1.7	71	1.6	DEC
Switzerland	..	..	..	..	24	0.8	JAN

* NOTE: FOR THOSE EC COUNTRIES FOR WHICH NO OECD STANDARDISED RATES ARE AVAILABLE, SIMILAR HARMONISED RATES COMPILED BY THE STATISTICAL OFFICE OF EUROPEAN COMMUNITIES (EUROSTAT) ARE SHOWN IN BRACKETS. THESE SHOWED THE UK RATE AT 9.3% IN FEBRUARY COMPARED WITH THE EC AVERAGE OF 10.4%.

e estimated

a Survey Sources

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 definitions

RECOMMENDED

	Change in % rate	Change (000s)	% Change in total	Latest month
Italy	+ 1.0	+ 237	+ 7	FEB
Norway	+ 0.1	+ 3	+ 7	FEB
Denmark	+ 0.1	+ 3	+ 2	DEC
Germany	+ 0.1	+ 46	+ 2	APR
Luxembourg	NC	+ 3	NC	FEB
Switzerland	- 0.1	- 2	- 9	JAN
Netherlands	- 0.1	- 5	- 1	MAR
France	- 0.5	- 131	- 5	MAR
Austria	- 0.3	- 10	- 4	FEB
Japan	- 0.3	- 140	- 8	JAN
Spain	- 0.4	+ 54	+ 2	FEB
Greece	- 0.5	- 5	- 3	FEB
Australia	- 0.6	- 26	- 4	JAN
Sweden	- 0.6	- 26	- 30	DEC
Ireland	- 0.7	- 9	- 4	APR
USA	- 1.0	- 947	- 13	APR
Portugal	- 1.2	- 50	- 13	FEB
Belgium	- 1.3	- 35	- 8	APR
Canada	- 1.6	- 186	- 15	APR
United Kingdom	- 2.0	- 571	- 18	APR

NC No Change

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

When assessing the change 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 C5d shows monthly figures for selected countries.

UNEMPLOYMENT, LATEST 3 MONTHS COMPARED WITH PREVIOUS 3 MONTHS

Seasonally adjusted, national definitions
RECOMMENDED

	Change in Percentage rate	Change Number (000s)	Percentage Changes	Latest month
Portugal	+ 0.3	+ 13	+ 4	FEB
Austria	+ 0.2	+ 6	+ 4	FEB
Italy	+ 0.1	+ 27	+ 1	JAN
Spain	+ 0.1	+ 16	+ 1	FEB
Denmark	+ 0.1	+ 2	+ 1	DEC
Germany	NC	+ 3	NC	APR
Netherlands	NC	- 1	NC	MAR
Australia	NC	- 2	NC	JAN
France	NC	- 1	NC	MAR
Sweden	NC	- 3	- 3	DEC
Norway	- 0.1	+ 1	+ 4	FEB
Ireland	- 0.1	- 2	- 1	APR
Japan	- 0.1	- 43	- 3	JAN
Canada	- 0.3	- 38	- 4	APR
United States	- 0.3	-255	- 4	APR
Belgium	- 0.4	- 13	- 3	APR
<u>United Kingdom</u>	- 0.4	-113	- 4	APR

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

NC = No change

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
Jan 87	3112	11.2	2613	10.6	2193	7.8	3238	13.9	2865	20.5
Feb	3067	11.0	2655	10.7	2189	7.8	3268	14.1	2879	20.6
Mar	3037	10.9	2676	10.7	2225	7.9	3263	14.0	2902	20.7
Apr	3021	10.8	2659	10.7	2226	7.9	3136	13.4	2906	20.3
May	2951	10.6	2661	10.7	2219	7.9	3233	13.8	2918	20.4
June	2922	10.5	2645	10.6	2240	7.9	3239	13.9	2922	20.4
July	2873	10.3	2638	10.6	2251	8.0	3297	14.2	2927	20.5
Aug	2826	10.1	2649	10.7	2246	8.0	3373	14.5	2920	20.4
Sep	2772	9.9	2597	10.5	2252	8.0	3376	14.5	2944	20.3
Oct	2714	9.7	2572	10.4	2249	8.0	3340	14.4	2961	20.4
Nov	2651	9.5	2546	10.4	2242	7.9	3335	14.3	2965	20.4
Dec	2614	9.4	2573	10.4	2257	8.0	3414	14.7	2980	20.5
Jan 88	2565	9.2	2578	10.4	2224	7.9	3422	14.7	2981	20.5
Feb	2531	9.1	2582	10.5	2228	7.9			2957	20.3
Mar	2504	9.0	2535	10.3	2243	7.9				
Apr	2455	8.8			2261	8.0				

Personal and Confidential until 11.30 on 19 May thereafter Confidential

Labour Market Statistics

mp

Summary

Adult unemployment fell sharply again in April, by 49,000, and is now significantly below 2½ million: the fall is the largest for 3 months. The fall of over 100,000 since January can probably all be attributed to the strength of the labour market. The other figures to be released on Thursday add little new. The stock of vacancies increased, but on a low level of activity, both inflow and outflow, over the Easter period. Manufacturing employment fell in March, but the figure for the first quarter as whole was a marginal increase. The underlying rate of increase in average earnings was unchanged at 8½% in March.

Unemployment

UK unemployment (seasonally adjusted claimants, excluding school leavers) fell further, by 49,000 between March and April, to 2.455 million, the lowest since October 1981 (on a consistent basis). The figure is below 2½ million for the first time since December 1981 (though the unadjusted total including school leavers remains above 2½ million). The unemployment rate fell to 8.8 per cent. The series has now fallen consistently for 21 months running, bringing the total fall since July 1986 to more than ¾ million. Key figures and comparisons are attached separately.

Unemployment continues to fall strongly, though less sharply than during the second half of 1987 when there was an average fall of 51,000 per month. Over the past six months there has been a fall of 43,000 per month on average, while over the past three months the average monthly fall was only 37,000.

It seems likely that the slowing of the downward trend which has occurred is due to the stabilisation of the effects of various administrative measures, rather than a reduction of activity in the labour market. Employment and training measures, and other administrative measures are together probably having no more than a marginal impact on the monthly changes in adult unemployment. Also, it is probably too early for the latest figure (for April 14) to have been affected by the recent changes in Social Security rules which in any case we expect will have only a minor influence on the count.

Personal and Confidential until 11.30 on 19.5.88

Thereafter confidential.

Regional Comparisons

Unemployment continues to fall in all regions. Over the past 12 months the unemployment rates have fallen most in the West Midlands, the North West and the North. On this basis, Northern Ireland and Greater London again show the smallest falls.

'Headline' total

The UK 'headline' claimant total (unadjusted including school-leavers) fell by 56,000 to 2.536 million in April (9.1 per cent), 571,000 lower than a year ago. There was a fall of 61,000 among adults and a rise of 5,000 school-leavers. The school-leaver total of 57,000 includes Easter leavers who were able to sign on by the count date, 14 April, because of the relatively early Easter this year. Therefore the comparison with April last year, a fall of only 10,000, understates the underlying improvement in school-leaver unemployment.

Long-term unemployment

The full quarterly analysis of the April figures by duration is not yet available, but partial data suggest that there has been a further substantial fall in the number of claimants unemployed for more than a year, probably of the order of 70,000 since January and a record annual fall of some 260,000 since April last year. The total, however, is likely to be around 1,030,000, still above a million.

May 'headline' total

Seasonal influences tend to reduce the adult count sharply between April and May and little change can be expected for school-leavers. Therefore, a substantial fall in the headline total is likely.

Employment

The number of employees in employment in manufacturing industry in Great Britain is estimated to have fallen by 6,000 in March. However, the monthly figures can be erratic and over the first quarter of 1988 there has been an estimated increase of 1,000. Over the last six months, September to March, there has been a reduction of only 5,000. This is clear evidence that the trend in manufacturing employment levelled out compared with the previous relatively rapid falls.

Personal and Confidential until 11.30 on 19.5.88

Thereafter confidential.

Thereafter confidential.

Figures for employed labour force (employees in employment, the self employed and HM Forces) in Great Britain remain as reported in April, except for a slight positive revision - reflecting some late data now to hand - to service employment. The employed labour force is estimated to have increased by 506,000 in 1987 and by 1,659,000 between March 1983, when the upward trend first began, and December 1987.

Overtime working by operatives in manufacturing industries remained high with an estimated 13.40 million hours per week worked in March. Hours lost through short-time working in manufacturing industries remain very low, 0.23 million hours per week in March.

Vacancies

Following falls over the previous four months, there was a sharp rise of 8,200 in the stock of unfilled vacancies at jobcentres (UK, seasonally adjusted, excluding Community Programme Vacancies) to 253,700 in April, 17% higher than a year ago. This comparison is still likely to exaggerate the increase in vacancies because of the less active follow-up of placings by jobcentres. In addition the April figure has probably been affected by the timing of Easter. There were sharp falls in both inflows and outflows of reported vacancies between the March and April count, which was taken a week after Good Friday.

Earnings

The estimate for the underlying increase in earnings for the whole economy for March remains at the February 1988 level of 8½ per cent. The estimates for the manufacturing and production industries are both unchanged from the revised February figures and stand at 8½ per cent. The estimate for the service industries is also unchanged from the revised February level at 8½ per cent.

Next labour market figures

The next labour market brief will be issued on Monday 13 June in advance of the press release on Thursday 16 June. It will contain unemployment figures for 12 May, manufacturing employment and average earnings for April and vacancies for 6 May.

Y SWYDDFA GYMREIG

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From The Secretary of State for Wales

Rt Hon Peter Walker MBE MP

CT/11/88

17 May 1988

Dear Secretary of State

WORK EXPERIENCE FOR PUPILS UNDER 16 IN THE CIVIL SERVICE

Thank you for copying to me your letter of 26 April to Richard Luce about extending work experience placements for school pupils within Government Departments.

I welcome your proposals. My Department has first-hand experience of providing such placements, and wishes to do more. Staff time involved in making a success of placements is, in our experience, time well spent: both the Office and the pupils benefit. Such placements can meet other personnel objectives too: for example, we have recently contacted a number of secondary schools in Cardiff with significant numbers of ethnic minority pupils to ensure that they are aware not only of our willingness to provide work experience but also of the career opportunities we can offer to school leavers.

Given other pressures on personnel and line management, it will probably take us a little while to build up to the numbers implied by a 2% target, but I see this as a reasonable and achievable aim. I am therefore happy to accept it - and to endorse fully the initiative you are taking.

... I am copying this letter to Members of the Cabinet and other Ministers in charge of Departments and to Sir Robin Butler.

CH/EXCHEQUER	
REC.	18 MAY 1988 18/5
ACTION	CST
COPIES TO	

Ben Davies
Johnston

Approved by the Secretary of State
and signed in his absence

The Rt Hon Kenneth Baker MP
Secretary of State for Education and Science

CONFIDENTIAL



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CH/EXCHEQUER	
REC.	19 MAY 1988 ✓ 19/5
ACTION	MR CURPIN
COPIES TO	CST SIR P. MODURTON MR ANSON MR PHILLIPS MR STATT MR HALLAM MISS PETERSON MR TURNBULL MR RNEY MR MCINTYRE MR TIGHE MR CALL

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
Treasury Chambers
Parliament Street
LONDON
SW1P 3AG

*On the whole a letter -
wsgj*

17 May 1988

Nigel

MP

POVERTY AND UNEMPLOYMENT TRAPS

I have seen your letter of 25 April to David Young in reply to his earlier letter on this subject.

The note you attached to your letter makes a number of very important points which deserve to be better understood both publicly and in the Party. As far as the poverty trap is concerned, your note rightly indicates that the Social Security Act 1986 has changed the position in a number of essential respects. In particular that Act ended the position whereby people in employment could actually lose money as a result of a pay increase. This point was made in Patrick Minford's interesting article in the Daily Telegraph on 25 April which I enclose. *(no he didn't & no copy to hand)*

As far as the unemployment trap is concerned, the position has been very substantially improved. Hardly anyone is now better off on benefit than in work but, as you point out in your letter, there are always likely to be some problems at the margin given the existence of a benefit system which supports people who are out of work.

I am not sure therefore that I agree with David Young that the most "urgent" need now is to get to grips with what remains of the unemployment and poverty traps. It seems to me that there are two more urgent tasks. The first of these is to get over the facts about in-work benefits and to establish clearly in the minds of unemployed people that they would be better off in work. A survey carried out in January this year for my White Paper "Training for Employment" indicated that some 46 per cent of unemployed benefit recipients were wholly unaware of the benefits available to them if they returned to work. That is why I have decided to launch a "Better Off in Work" campaign this Summer, targetted specifically on unemployed benefit recipients.

It was the one I drew to you attention @ to here)

CONFIDENTIAL



In the second place, it is now abundantly clear that there are jobs available which can provide an income well above anything the benefit system can provide but that these jobs are still not being taken by unemployed people. I am thinking in particular of the position in London where the unemployment rate is 7.5 per cent and yet, according to a recent letter from Paul Channon, there are vacancies for 3,000 bus conductors and drivers with earnings of at least £180 a week. Similar evidence of the reluctance of unemployed people in London to take opportunities to escape from living on benefit is provided by the take-up of measures such as Jobclubs. Some 80 per cent of unemployed people who declare an interest in joining a Jobclub at their Restart interview never subsequently turn up. As the recent very successful fraud drives have indicated, there is also a thriving black economy involving benefit recipients in many parts of the country. That is why I am determined to press ahead with the measures concerning availability for work which I set out in my minute of 16 April to the Prime Minister. These measures are the most cost-effective means available to us of reducing benefit dependency.

None of this is to argue against further steps to reduce any of the perceived obstacles to unemployed people taking work. There is a whole range of policies from tax changes to changes in National Insurance rates which we should continue to consider. Better training for the adult unemployed is also a priority. All the evidence suggests that with 700,000 job vacancies in the economy as a whole there are many jobs which the unemployed should be filling and I believe that our main efforts should be directed to ensuring that they do.

I am sending copies of this letter to the recipients of yours.

Yours ever

NORMAN FOWLER



MP

MINISTRY OF DEFENCE WHITEHALL LONDON SW1A 2HB

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MO 5/29V

19th May 1988

CH/EXCHEQUER	
REC.	23 MAY 1988 <i>Z/S</i>
ACTION	<i>CST</i>
COPIES TO	

Dear Kenneth,

WORK EXPERIENCE FOR PUPILS UNDER 16 IN THE CIVIL SERVICE

Thank you for sending me a copy of your letter of 26th April to Richard Luce. My Department is already aware of the value of work experience schemes and we already have a number of schemes (covering approximately 350 placements) run by the Army and Navy at local level where capacity exists. The Army is considering expanding them as part of its drive to maintain recruiting levels in the 1990s. The RAF runs five schemes a year for up to 12 sixth formers who are potential officer recruits.

As a result of the Establishment Officers' Meeting we are now looking at how we might expand placements more widely in the MOD and provide direction from the Centre. You will appreciate, however, that there are areas in my Department where security and safety considerations will preclude these schemes. Neither would we wish to detract from the Youth Training Schemes which we operate and are attempting to extend into the non-industrial field. Those reservations aside however, I can assure you of our best endeavours in this worthwhile initiative.

The Rt Hon Kenneth Baker MP



As for targets, we will aim for a figure of the order of 1000 placements. We hope these might be achieved within our existing resources which, as I have said before, are severely stretched. Once we have obtained that sort of figure we can consider whether we might reach towards the 2% target which, for the MOD, would be of the order of 3000 places.

I am copying this letter to members of the Cabinet, Richard Luce and to Sir Robin Butler.

Yours truly,

George

George Younger

Puf

FROM: SIR T BURNS
DATE: 20 MAY 1988

CHANCELLOR

cc Sir P Middleton
Mr Evans

I attach a draft of my after-dinner talk to Richard Layard's European Unemployment conference next Monday.

X/ 2. It will be off-the-record and I will not be distributing copies of my remarks.



T BURNS

ENC

*Thanks. Some of the
text - not the para 26.
What is missing, if correct,
is the context & the
background for some of the
of the para 26. It can
be seen from the para 26
concl. that it is understood
the signature of X.*

Ch
Terry's draft
AB

Discussion

TEN ASPECTS OF EXCHANGE RATE BEHAVIOUR

Introduction

1. In recognition of the international character of tonight's audience I thought it would be fitting if I addressed some remarks to the subject of the exchange rate and its part in the conduct of monetary policy. I will try to avoid an exclusively British perspective although clearly I am heavily influenced by our own experience.

2. As I only have 20 minutes or so I have decided to resort to a style of presentation popularised by that great British institution the Sun newspaper. Any moderately detailed story - that is more than 200 words - is written under the framework: 10 facts you didn't know about 'X'. I hesitate to speak of 'facts' when it comes to the exchange rate. And certainly I would not presume to suggest there are any facts unknown to this audience. So I venture the headline: "10 aspects of exchange rate behaviour".

I. Exchange rates are virtually unpredictable

3. Exchange rates are virtually unpredictable. Predictions on average do not beat quite naive rules such as: "the change over the next 12 months will be the same as the change over the past 12 months". Even so this does not prevent a number of people making a healthy living from explaining after the event why recent changes have taken place. Explaining them before the event is much more difficult.

4. But I do not want to argue that there is no room for analysis. It is possible to demonstrate at times that exchange rates are very high or very low relative

? Put in past tense
Else
"What about managed floating?"
"How can Ch say DM 3-17 was sustainable?"
for SM 2 (viii)

to fundamentals; and that the position is likely to be corrected in the foreseeable future. But even then it can be some time before the adjustment takes place. Take two examples: from summer of 1980 onwards there was widespread agreement that sterling would fall; and yet it rose by a further 9 per cent over the following 7 months; and it took a further 6 months before it fell below the mid-1980 level. Similarly with the dollar. Throughout 1984 economists claimed that the dollar was looking too high. And yet from the beginning of 1984 it rose by a further 20 per cent until peaking in February 1985. It did not fall below its January 1984 level until October 1985.

II. Exchange rates are extremely volatile

5. Exchange rates are extremely volatile. In the long run foreign exchange markets seem to adapt to fundamentals but in the short run they often do not. Fluctuations away from levels consistent with fundamentals can take place for long periods; and they can be very large. Let me take an example: in mid 1971 there were almost 3½ DM to the dollar; in January 1980 there were 1.7. By January 1985 once again there were almost 3½ DM to the dollar; today there are 1.7. It seems to me absurd to argue that these changes reflected underlying differences between the US and German economies.

6. Maybe in the 1970s volatility was not so surprising. It was an era of high and fluctuating inflation rates - with big differences between countries. During the 1980s we have gone a long way to iron out those differences as inflation rates have been sharply reduced. But with no apparent reduction in exchange rate volatility.

Outside formal [or informal] XR systems? EMS? Managed floating?

7. And of course these fluctuations can be very damaging. Instruments exist to reduce the risk of short run variation. But it is much more difficult to deal with the risk of investing in the wrong product, in the wrong country, at the wrong time. Nor surprisingly companies are tempted into taking low risk decisions for fear they might find themselves uncompetitive later on.

III. Exchange Rate changes have an important impact on monetary conditions

8. Exchange rate changes have an important impact on monetary conditions. Appreciation will tighten monetary conditions. There is a direct effect on import prices; and appreciation squeezes profits of UK manufacturers by constraining their ability to raise prices. Similarly depreciation will loosen monetary conditions. Exchange rate changes can also generate second-round effects through their impact on inflationary expectations and wage negotiations.

9. In some respects a higher exchange rate can be seen as a substitute for higher interest rates. But there is an important difference. As compared with higher interest rates, tightening monetary policy through a higher exchange rate will produce a worse outcome for the balance of payments; it puts more pressure on exporters as well as those supplying goods at home who have to compete with cheaper imports; and less on the non-trading sector, particularly construction.

10. Because of the importance of exchange rate fluctuations for monetary conditions we give a substantial weight to exchange rate movements. In successive editions of the MTFs the importance of exchange rate behaviour has been emphasised. And interest rate decisions have often been influenced by exchange rate changes - not least over the past two months.

11. Of course, the approach to giving the exchange rate a substantial weight in monetary policy decisions is not new and it is not unique to the UK. Increasingly other major countries are once again giving exchange rates a major weight in the conduct of policy; particularly because of the difficulty of interpreting domestic monetary indicators at a time of major change to the financial system.

IV. Governments cannot control exchange rates precisely

12. It is very difficult - and in many cases impossible - for Governments to control exchange rates precisely. The limitations to controlling the exchange rate relate to the possible scale of capital flows and the power and uncertainty of the effects of the instruments at the Government's disposal. If (say) sterling rises for speculative reasons it is possible to exercise some restraint through lower interest rates. But there are limits to the scope for doing this unless interest rates are completely subjugated to exchange rate considerations. In practice, in most countries, Governments are unwilling to countenance interest rate changes which they judge will loosen monetary policy and risk an upsurge of inflation.

13. Similarly intervention has a role to play in helping to counteract potentially damaging short-term movements. But there are also limits to the effectiveness of intervention. In practice this means that it can not become a way of life and can only be a subsidiary instrument.

"EMU impossible?"

(with financial / exchange problems)

V. Governments can exercise a lead and reduce instability

14. Although Governments may find it difficult to control exchange rates precisely they can give a lead and keep exchange rates closer to fundamentals. They are not all-powerful; but neither are they impotent.

15. Governments' influence stems from the size and importance of Governments; in particular they influence some of the most important factors determining exchange rates. By adjusting interest rates in the face of fluctuations of sterling it is possible to reduce the volatility of exchange rates. And as I have already mentioned intervention can play an important role - particularly in conditions of sudden surges of buying or selling because it is easily reversible.

16. The markets clearly accept that Governments can have a significant effect on exchange rate movements which is why they give weight to what they interpret as the authorities' preferences in developing their own strategy.

17. Because market expectations are influenced by Government behaviour they constantly try to find out the Government's policy towards the exchange rate. It follows that a well formulated policy can play an important role in stabilising exchange rate expectations.

18. It also follows that the influence of Governments can be increased if exchange rate policy is co-ordinated with other countries. The size of the funds available to deploy their objectives are obviously increased in relation to the total flows across the exchanges, and interest rate changes can be more effective if co-ordinated.

(not necessary in same context)

VI. The Lump of Instability Fallacy

19. It is sometimes suggested that if policy is directed towards limiting exchange rate volatility this will be replaced by increased interest rate volatility. This can be characterised as a lump of financial instability theorem. And like most propositions containing the word 'lump' it is a fallacy - largely because it ignores the impact of policy upon expectations.

20. The reduction of exchange rate volatility may reduce the speculation surrounding a currency and in time, as credibility is increased, lead to greater stability of interest rates. A comparison of experience between countries and over time lends no support to the hypothesis of a fixed amount of instability.

VII. There is no magic in current account balance

21. In a world of international capital mobility where savings preferences and investment opportunities differ between countries there is no reason why current accounts should balance - even over the medium term. The view that current accounts must balance stems from a time of capital controls and relative capital immobility. It also takes no account of measurement problems and increased statistical uncertainty as services and financial flows play a large role in the international payments between the major countries.

22. If private sector savings are inadequate to finance the desired level of private investment then, in the absence of a budget surplus, there will be a capital inflow and an equivalent current account deficit. The continuation of this imbalance depends upon the

willingness of the rest of the world to finance the resulting current account deficit. In turn this will be affected by the market's judgment of the return on the investment and the sustainability of the position.

Capital?

23. If capital flows are not forthcoming, interest rates will rise or the exchange rate fall until there is some combination of higher domestic savings; lower investment; and greater incentives for overseas flows to continue. The authorities have some control over the mix of interest rates and exchange rate response and the choice they make will determine the tightness or looseness of monetary policy.

24. If the reason for the current account deficit is an excessive budget deficit the resolution becomes the responsibility of government. Either they have to correct the budget deficit, increase interest rates or allow the exchange rate to fall until capital flows are forthcoming.

25. The danger of current account deficits generated by budget deficits is that the market mechanisms for correcting the imbalance do not work smoothly. Action to raise interest rates is often delayed and not taken until some market dislocation or exchange rate crisis emerges. Then capital flows are discouraged and correction can mean some overshooting of the exchange rate.

26. To summarise, the extent to which a current account deficit matters depends upon its persistence and the smoothness of any adjustment when it becomes necessary. This may reflect the extent to which it is generated by private or public sector actions.

VIII. Exchange rate changes are not panaceas

27. It is a fundamental mistake to look to the exchange rate as the panacea for all current account imbalances particularly if the problem arises for reasons other than earlier excessive appreciation. Indeed it can make the position worse by creating an expectation of currency depreciation, thereby discouraging private sector capital flows. Frequently this leads to the need for a large interest rate differential to compensate for the exchange rate risk, as well as generating additional inflationary pressure.

28. Furthermore if the current account deficit is the result of a lax fiscal policy, experience suggests that depreciation will do little to improve the current account and may simply exacerbate any overheating.

29. By contrast, in this situation action to correct the budget deficit can bring a disproportionate benefit to the current account. It can boost confidence, restore the flow of overseas finance, and reduce the risk of higher interest rates. It is far from fanciful to imagine that the net effect of such changes in activity can be positive. For example the UK experience a little more than ten years ago.

Problem when?

30. And just as it is virtually impossible to predict exchange rates so it is almost impossible to predict changes in the current account. Forecasts for one or two years ahead again typically have difficulty beating "no change" forecasts.

31. As a result I am extremely sceptical of any suggestion that we can calculate the value of the exchange rate which, even with rough precision, will produce medium-term current account balance. This problem is exacerbated if there have been earlier large exchange rate changes whose effects may still be in the pipeline.

*2 8M
VII*

IX Fiscal policy has an unpredictable effect on exchange rates

32. For interest rate changes and intervention we are reasonably confident about the sign of the impact on exchange rates. The uncertainty relates to the magnitude of the effect. For fiscal policy even the sign of the effect is uncertain.

33. On occasions we see an easing of fiscal policy leading to a higher exchange rate. This can be rationalised in terms of the higher interest rates that become necessary to offset the expansionary effect of fiscal policy. On other occasions we see a tightening of fiscal policy leading to a higher exchange rate. This, in turn, can be rationalised in terms of the prospect for the current account, the sustainability of policy and the likelihood of subsequent exchange rate depreciation.

34. As you would expect, in forward looking markets it all depends on expectations about the future conduct of policy.

X. The Policy Implications

35. Finally the policy implications. Again I have a list of ten:

- (i) we have to take the world as it is, rather than as we would like it to be. Policy has to be set so that it can deal with the variety of circumstances we might have to face. Adjusting to changing circumstances is not necessarily a policy change - merely the implications of policy;

- (ii) the Government has to give the exchange rate a substantial weight in the conduct of monetary policy unless it is to ignore the damaging effects of high volatility of exchange rates;

Sum

- (iii) it is only possible to give exclusive weight to the exchange rate if we are prepared to accept the implications for interest rates regardless of the domestic financial conditions;

- (iv) it is desirable to have an explicit objective for exchange rate stability so that expectations are directed in a helpful way;

- (v) it is important to use all of the instruments available, particularly interest rates and intervention;

- (vi) it does not follow that the precise details of the tactics towards the exchange should be disclosed although in some circumstances it can be helpful to be more precise about the scale of variation that is tolerable;

- (vii) co-ordinated policy action can be more effective than a country operating on its own. And if it is decided to have an explicit range for the exchange rate this is better down within the framework of an explicit co-operative system;

- (viii) if there is a conflict between the exchange rate and domestic monetary conditions the dilemma cannot easily be resolved by fiscal policy changes as the effects are ambiguous;

- (ix) current account surpluses or deficits have no automatic implications for exchange rates. If they are driven by private sector behaviour they may be sustainable for some time. If loose fiscal policy is the reason for the current account deficit Government should not seek to use exchange rate depreciation to correct it.

- (x) if countries are giving substantial weight to exchange rates in a co-ordinated way it is vital to have an anti-inflationary anchor for the group as a whole. This can be achieved in terms of the dominant currency or by co-operating to control the inflation rate of the group as a whole.

FROM: A G TYRIE

DATE: 20 MAY 1988

CHANCELLOR

cc Chief Secretary
Financial Secretary
Paymaster General
Economic Secretary
Mr D Savage
Mr Hudson
Mr Cropper
Mr Call

UNEMPLOYMENT: GERMAN AND BRITAIN COMPARED

Peter and I had lunch today with Wolfgang Vogel who is an economic adviser to Kohl in the Bundeskanzleramt.

Apparently, German unemployment is now at its highest level for 7 years, in contrast to ours, which is at its lowest level for 7 years. I think we can use this point.

*I didn't advise re.
German unemployment -
is still comparable
to us only because
comparable basis.
then cross, New York
perhaps
I think.*

AG
A G TYRIE

JJ/0142t



~~BF 24/5~~

YCHEQUER	
23 MAY 1988	
ACTION	MR CULPIN
COPIES TO	CST SIR P. M. DOLE
	MR WILSON MR PHILLIPS
	MR GATT MR HAWKIN
	MISS PERS. N
	MR TURNALL MR RILEY
	MR MCINTYRE MCTYRE
	MR CALL

DEPARTMENT OF HEALTH AND SOCIAL SECURITY

Richmond House, 79 Whitehall, London SW1A 2NS

Telephone 01-210 3000

From the Secretary of State for Social Services

CHIEF SECRETARY	
REC.	23 MAY 1988
ACTION	CX.
COPIES TO	

Deborah Lamb
 Private Secretary to
 The Secretary of State for the Environment
 Department of the Environment
 2 Marsham Street
 LONDON
 SW1P 3EB

20 May 1988

myp.

Dear Deborah

EMPLOYMENT TRAP OF HOUSING BENEFIT POLICIES

The consideration of this subject in response to your Secretary of State's minute of 19 February to the Prime Minister has very much been overtaken by events. His main concern - about an increase in the rent taper - has now been met. On the other hand, recent discussions on community charge rebates and on the housing benefit capital rule, has left very little room for further changes to housing benefit in the short term.

These issues were remitted to the existing Interdepartmental Working Group under DHSS Chairmanship, (Paul Gray's letter to you of 17 March). My Secretary of State considers that there is now little left for discussion on this second remit; a Report on the issues originally remitted to this Group has already been circulated at official level. Accordingly, he proposes that the Group should be wound up forthwith.

I am copying this letter to Paul Gray, Jill Rutter (Treasury), Robin Weatherson (Scottish Office), Jon Shortridge (Welsh Office), Alison Brimelow (DTI) Nick Wilson (Employment) and Trevor Woolley (Cabinet Office).

Yours sincerely

Rod Clark

ROD CLARK
 Private Secretary

ppp -



FROM: P D P BARNES
DATE: 23 May 1988

PS/CHANCELLOR

cc PS/Chief Secretary
PS/Financial Secretary
PS/Paymaster General
Mr Hudson
Mr D Savage
Mr Cropper
Mr Tyrie
Mr Call

UNEMPLOYMENT : GERMAN AND BRITAIN COMPARED

The Economic Secretary has seen Mr Tyrie's submission to the Chancellor of 20 May.

2. The Economic Secretary thinks that Mr Tyrie's argument is a double edged sword. He does not see much mileage in pointing out that our unemployment has been worse than Germany's for 7 years of Tory Government.

fb

P D P BARNES
Private Secretary

UNCLASSIFIED



MP

FROM: MISS M P WALLACE
DATE: 23 May 1988

MR A G TYRIE

cc PS/Chief Secretary
PS/Financial Secretary
PS/Paymaster General
PS/Economic Secretary
Mr D Savage
Mr Hudson
Mr Cropper
Mr Call

UNEMPLOYMENT: GERMANY AND BRITAIN COMPARED

The Chancellor was grateful for your minute of 20 May.

2. He is not so sure that this point is usable: German unemployment is still comfortably below ours on a comparable basis. If the lines cross, then we should use the point.

A handwritten signature in cursive script, appearing to read "Moira Wallace".

MOIRA WALLACE

BF 616



CABINET OFFICE
OFFICE of the MINISTER
for the CIVIL SERVICE

CH/EXCHEQUER	
REC.	26 MAY 1988 ✓
ACTION	CST ✓
COPIES TO	

The Minister of State
Privy Council Office
The Rt. Hon. Richard Luce MP

Horse Guards Road
London SW1P 3AL

Telephone: 01 -270 5929

C88/2777

The Rt Hon Kenneth Baker MP
Secretary of State for Education
and Science
Elizabeth House
York Road
LONDON
SW1 2AT

24 May 1988

Dear Kenneth,

WORK EXPERIENCE FOR PUPILS UNDER 16 IN THE CIVIL SERVICE

Thank you for your letter of 26 April seeking support for the extension of work experience for school pupils and similar placements in the Civil Service. I am pleased to offer my support.

I very much agree that an extension of work experience within government departments is desirable in terms of the Civil Service's needs as an employer. An attitude survey commissioned by my department in 1986 suggested that young school leavers were generally ill informed about the Civil Service and what it had to offer as an employer. Many had a stereotyped image, derived from the media, and this tended to put them off the idea of the Civil Service as a career. Work experience is a direct and positive way of counteracting that image and is a valuable addition to the work being done by the Civil Service Commission and others on schools liaison. It is all the more important given current recruitment difficulties in London and the South East and given the future demographic changes to which you refer in your letter.

You also specifically mention the contribution the Civil Service can make as an employer in inner city areas. I believe we have a valuable role to play here, and in other areas, in providing opportunities for pupils from ethnic minority groups. This is one important way in which we can demonstrate the Civil Service's commitment as an equal opportunities employer. I hope, therefore, that government departments in those areas will make particular efforts to encourage placements from schools with a high concentration of ethnic minority pupils.

The Cabinet Office itself, has arranged work experience placements for school pupils for several years now. The number of placements has increased from five in 1986, our first year, to 12 planned, so far, for 1988. The increase is a direct result of the success and appreciation, by both the host divisions in the department and schools, of the value of the scheme. Last year the Civil Service Commission, the Civil Service College, the Occupational Health Service, the Public Appointments Unit and policy divisions in the OMCS all offered placements. The Central Statistical Office has been added to the list for 1988. I am very pleased with the response to the scheme for all parts of the Office, and I shall continue to support the scheme here. However, you will recognise that not all parts of the Cabinet Office are open to or suitable for school pupils therefore I doubt that we shall meet the two per cent of the workforce target you have suggested. We do hope to meet a target of 1 percent fairly quickly and will obviously continue to push for more.

At the end of last year's programme of placements we asked the pupils and the divisions involved for their comments. The responses were encouraging. The students said they found the practical experience especially valuable. They were pleased they were of use to the department and that their work was of a good standard. In some divisions time was spent discussing future career options in the Civil Service and this was also much appreciated. By way of practical support I would be happy to provide your department with more information on the Cabinet Office scheme if you think that would be useful.

A copy of this letter goes to Members of the Cabinet, departmental Ministers and to Sir Robin Butler.

RICHARD LUCE

Richard



MP

ST. ANDREW'S HOUSE
EDINBURGH EH1 3DG

CH/EXCHEQUER	
REC.	24 MAY 1988 ✓ 2415
ACTION	CST
COPIES TO	

24 May 1988

The Rt. Hon. Kenneth Baker MP
Secretary of State for Education and Science
Elizabeth House
York Road
LONDON
SE1 7PH

Dear Kenneth,

WORK EXPERIENCE FOR PUPILS UNDER 16 IN THE CIVIL SERVICE

Thank you for copying to me your letter of 26 April to Richard Luce seeking my support for the extension of work experience for school pupils to include placements within the Civil Service.

I fully appreciate the positive advantages to be gained by pupils, schools and our Departments from this initiative, which has my full support.

We shall endeavour to set up a scheme in the Scottish Office as soon as possible. Given the nature of our business (with relatively few "executive" operations) we cannot commit ourselves to any particular target but we will do the best we can within the limits of our available resources.

I am sending copies of this letter to recipients of yours.

Yours ever,
Malcolm Rifkind

MALCOLM RIFKIND



ELIZABETH HOUSE
YORK ROAD
LONDON SE1 7PH
01-934 9000

CH/EXCHEQUER	
REC.	25 MAY 1988 ✓ 25/5
ACTION	CST
COPIES TO	

CONFIDENTIAL

The Rt Hon Norman Fowler MP
Secretary of State for Employment
Caxton House
Tothill Street
LONDON
SW1H 9NF

25 May 1988

Norman Fowler

YTS IN THE CIVIL SERVICE

I have been interested to read the replies of colleagues to your letter of 8 March asking for progress reports on their YTS schemes. You will have noticed a marked contrast between those with big Departments and the rest of us. And yet even the former are mounting only relatively small non-industrial schemes.

My commitment to extending YTS in the Civil Service remains firm but I wonder if we shall ever make the contribution we should without some kind of arrangement for sharing between Departments the substantial overheads - resources and people - required to plan, mount and supervise schemes. I am advised, for example, that the most I could offer in Elizabeth House would be 30 placements, a number below the level of financial viability. Yet 30 as an addition to the DHSS scheme, serving something of the same catchment area, might make sense. Alternatively, a joint scheme with another Department still to plan its scheme - the Treasury - might make sense.

Given the priority of work on the Education Reform Bill I have had to ask that planning work be suspended until the autumn. Before it is resumed, could some thought be given to joint arrangements or other ways of helping smaller Departments share the overheads - and of course broaden the experience of the trainees?

I am sending copies of this letter to the Prime Minister, other members of Cabinet, Richard Luce and to Sir Robin Butler.

Norman Fowler
Kimble



MP

SECRETARY OF STATE FOR ENERGY
THAMES HOUSE SOUTH
MILLBANK LONDON SW1P 4QU
01 211 6402

The Rt Hon Norman Fowler MP
Secretary of State
Department of Employment
Caxton House
Tothill Street
LONDON
SW1H 9NF

CH/EXCHEQUER	
REC.	03 JUN 1988
ACTION	CST
COPIES TO	

2 June 1988

Dear Norman

Thank you for your letter of 8 March about the wider introduction of YTS in the Civil Service.

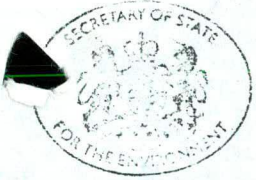
As you know, I do fully share the commitment to YTS. My officials have been looking into what could reasonably be introduced into a Department of this size and structure.

MSC requirements for Approved Training Organisation are, quite rightly, exacting. But it does mean that considerable resources are required to design and run a separate scheme. Given current staff numbers in our headquarters of only 735 I have concluded that it would be difficult for us to operate a separate scheme and keep overheads to a sensible level.

However, I am very keen that this Department should play its part. My officials have therefore explored the possibility of participating jointly in a scheme with DTI. I am pleased to say that an outline agreement has been reached. DTI will act as managing agents on our behalf. We hope to take 5 trainees from the initial intake and, depending on the success of our venture, to expand this to between 10 and 20 trainees. I am sure you will agree that this is a very encouraging step forward.

I am copying this letter to the Prime Minister, other members of the Cabinet, Richard Luce and Sir Robin Butler.

*Yours
Edward
Leah*



2 MARSHAM STREET
LONDON SW1P 3EE
01-212 3424

My ref:
Your ref:

7 June 1988

Rod Clark Esq
PS/The Rt Hon John Moore MP
Department of Health and Social Security
Richmond House
79 Whitehall
LONDON
SW1A 2NS

CHIEF SECRETARY	
REC.	- 8 JUN 1988
IN	CX
ES	
TO	

CH/EXCHEQUER	
REC.	08 JUN 1988
ACTION	Mr Culpin
COPIES TO	CST SIR P. MIDDLETON MR ANSON MR H. PHILLIPS MR GIATT MR HAYDN MISS PETERSON MR TURNBULL MR RILEY MR MCINTYRE MR TYRRE MR CALL

Dear Rod,

EMPLOYMENT TRAP OF HOUSING BENEFIT POLICIES

Thank you for your letter of 20 May.

My Secretary of State agrees with the proposal that the interdepartmental working group under DHSS chairmanship should be wound up. But he has asked me to record his view that the subjects which the Group had been asked to discuss will no doubt need to be looked at again in due course.

I am copying this letter to Paul Gray at No.10, Jill Rutter (Treasury), Robin Weatherson (Scottish Office), John Shortridge (Welsh Office), Alison Brimelow (DTI), Nick Wilson (Employment) and Trevor Woolley (Cabinet Office).

Yours sincerely,

Deborah Lamb

DEBORAH LAMB
Private Secretary





DEPARTMENT OF HEALTH AND SOCIAL SECURITY

Richmond House, 79 Whitehall, London SW1A 2NS

Telephone 01-210 3000

From the Secretary of State for Social Services

CH/EXCHEQUER	
REC.	15 JUN 1988 ✓ 15/6
ACTION	CST
COPIES	

CONFIDENTIAL

The Rt Hon Norman Fowler MP
Secretary of State for Employment
Department of Employment
Caxton House
Tothill Street
LONDON
SW1H 9NF

MP

15 June 1988

Norman Fowler

YTS IN THE CIVIL SERVICE

In his letter of 25 May, Kenneth Baker suggests that because of the difficulties likely to be experienced by small departments in planning and managing youth training schemes, there should be some kind of arrangement for sharing the overheads between departments.

One possibility he raises is that the 30 replacements which he might offer in Elizabeth House could be added to the DHSS scheme. The DHSS scheme was built with the help, guidance and experience gained in your Department. We would, of course, be very willing to share our experience with DES or any other department but so, I imagine, would DE, who have been in the lead on this. DHSS has only just received its licence from MSC to practice YTS. The planning stage has been completed and we are now looking forward to implementing our scheme and before considering what kind of collaboration would be practicable we would like to see how our scheme runs in practice during its first year.

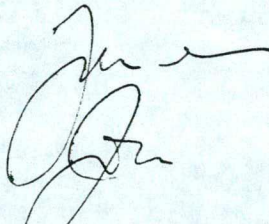
We do not think it would be practicable for this Department to look after 30 placements on behalf of DES and we doubt that there would be the substantial savings suggested. The day-to-day supervision and training of 30 trainees would still need to be provided by DES and this is the major commitment; it would largely be in the central administration where savings might be

E.R.

made. I should also add that most of the trainees in the DHSS scheme will initially be at our Newcastle and North Fylde Central Offices with only a small number - less in fact than DES proposes - in our London Headquarters. This is partly because we expect to have some difficulty in filling places in Central London.

I think the possibility of an interdepartmental scheme for small departments is a much more feasible proposition and this suggestion is best discussed with MSC who have considerable experience of the problems of running small schemes and the role of managing agents.

I am sending copies of this letter to the Prime Minister, other members of the Cabinet, Richard Luce and to Sir Robin Butler.



JOHN MOORE

PERSONAL AND CONFIDENTIAL
until 11.30am on Thursday 16 June
thereafter CONFIDENTIAL

FROM: P L PATTERSON

DATE: 15 June 1988

1. MR PICKFORD

cc: Chief Secretary

Mr Burr

Financial Secretary

Mr Gieve

2. CHANCELLOR

Paymaster General

Mr Hibberd

(+1 for No. 10)

Economic Secretary

Mr Meyrick

Sir P Middleton

Mr Bush

Sir T Burns

Mr Dyer

Mr Monck

Mr Hudson

Mr Scholar

Mr O'Brien

Mr Odling-Smee

Mr Cropper

Mr Sedgwick

Mr Tyrrie

Mr Call

HB/001

The downward trend in unemployment continues. But the implied buoyancy in activity and the pick up in earnings, taken together with the current account revisions and the earlier producer price figures, may revive underlying fears.

COMBINED RELEASE OF LABOUR MARKET STATISTICS ON 16 JUNE

Summary Statistics (seasonally adjusted GB unless otherwise stated)

	Thousands	Level	Change on previous period	Change on previous year
<u>Unemployment (UK) May</u>				
Total (excl. school leavers)		2,416	-38	-535
Total (not seasonally adjusted: 'Headline Total')		2,427	-109	-560
<u>Vacancies (UK) May</u>				
		256	+ 2	+ 25
<u>Employed labour force 1987Q4</u>				
		24,654	+144	+504
<u>Manufacturing employment April</u>				
		5,014	-15	- 32

Percentage change on previous year

Index of average earnings, April

Whole economy, underlying (actual)	8 $\frac{3}{4}$ (9.1)
Manufacturing, underlying (actual)	8 $\frac{3}{4}$ (9.8)
Service industries, underlying (actual)	8 $\frac{3}{4}$ (8.6)

Wage and salary costs per unit of output

Whole economy, 1987Q4	4.3*
Manufacturing, 1988Q1	2.5*

Output per head

Whole economy, 1987Q4	3.1*
Manufacturing, 1988Q1	5.5*

* No change from last month's note.

ASSESSMENT AND COMMENT

2. [NOT FOR USE: This month's statistics again point to the continuing buoyancy of the labour market. The fall in seasonally adjusted adult unemployment of 38,000 in May is very close to the average of falls over both the past three- and six-month periods, although it is below the average fall of 51,000 a month in the second half of 1987. The downward trend probably remains steady at around 40,000 a month.

3. DE say that it is impossible to assess how the various measures are affecting the monthly count, but think they are unlikely to be having much impact on the downward trend. Any effect from the recent social security changes is likely to be modest. DE think the May figure may also include early effects of the extension of availability testing to Restart interviewees from mid-April, but this is also impossible to assess and there is no reason to think the effect will be large.

4. The fall in manufacturing employment in April may well be erratic and gives no reason to doubt the recent levelling off of this series. There was also a significant fall in the number of employees in energy and water supply industries which is apparently due to redundancies in the coal mines. The stock of vacancies rose slightly in May to a high level and, although no great reliance should be placed on the precise figure, this series continues to indicate a generally buoyant labour market.

5. Not unexpectedly, the annual increase in underlying earnings in the whole economy in April has risen by $\frac{1}{4}$ point to $8\frac{1}{4}$ per cent. In both manufacturing and services sectors, the underlying increase has also risen to $8\frac{3}{4}$ per cent in April. The main factor behind the rise seems to be the strength of bonus payments in April, in both manufacturing and services, which although few in number are significantly in excess of levels recorded in April 1987. This also includes some bodies, eg building societies, who are paying bonuses for the first time and a few one-off payments to staff for special factors. The higher level of bonuses is a good public hook on which to hang the higher underlying earnings increase as it reflects the strong economic performance of the organisations concerned and does not imply a permanently higher level of underlying earnings (if bonus payments are less buoyant in future months).

6. In reality however other developments are less reassuring. Although the effects of overtime working on the year-on-year increase in earnings has declined, there is further evidence (NOT PUBLISHED) that settlements are coming in at higher levels. April traditionally sees a large number of settlements. Since April 1987 the increase in whole economy underlying earnings has risen from 7½ per cent to 8½ per cent; of this extra 1 per cent, settlements in the twelve months to April contributed about 0.5 points, while in April itself the contribution was 0.25 points.

7. Looking ahead, DE say that the Review Body Reports should begin to influence underlying earnings increases in May. The only one of significance will be that for nurses in May with a 15.3 per cent estimated average increase; however the effect of this will be partly offset by the teachers in England and Wales who are receiving a lower increase than in May last year. (The actual earnings indices will not reflect the nurses' pay settlement until June and later months when the increases and backpay are paid). If the influence of overtime working continues to decline and especially if the few expected bonus payments are not significantly above last year's level then the underlying increase in manufacturing earnings could fall back to 8½ per cent in May. However DE expect the figure for the whole economy to remain at 8½ per cent. In June, British Gas and ICI settlements are due in the private sector as well as agricultural workers.]

THE FIGURES IN DETAIL

Unemployment

8. Seasonally-adjusted adult unemployment (excluding school leavers) fell by a further 38,000 in May to 2.416 million (8.7 per cent of the working population). The fall over the last six months has averaged 39,000 a month.

9. The 'headline' total fell by 109,000 to 2.427 million, also 8.7 per cent of the working population.

10. The stock of vacancies at Jobcentres (seasonally adjusted) rose in May by nearly 2,000 to 255,500, about 11 per cent higher than a year earlier.

11. Points of interest:

(a) Seasonally adjusted total below 2½ million, lowest level for over 6½ years (since September 1981).

(b) Seasonally adjusted total has fallen for twenty-two months in succession since July 1986, by nearly 800 thousand (795,000) in total. This is now the longest period of continuous decline in unemployment since the War (beating for example the 21 months' fall between March 1972 and December 1973).

(c) Fallen by 535,000 over past year. (Note that this is no longer the largest 12 month fall since the War because of the very large fall, of over 70,000, in May 1987.)

(d) Fall in 'headline' total of 560,000 compared with year ago; also now below 2½ million.

(e) School leaver unemployment (under 18s), at 53,000 in May, was 22,000 (or 30 per cent) lower than a year ago, lowest May total since 1980, and more than halved in last 5 years (May 1983: 126,000).

(f) Unemployment continues to fall in all regions, except for a slight rise in Northern Ireland in May. Over the past twelve months the unemployment rate has fallen most in the West Midlands, the North West and the North, but there have been significant falls in all regions, including Northern Ireland.

(g) UK unemployment rate fallen more in past year than in any other major industrialised country. Latest figures (national definitions) show fall in UK rate of 2.0 percentage points over past year, compared with falls of 0.8 in US, 0.3 in Japan, 0.4 in France, and rise of 0.1 in Germany.

(h) Figures for long-term unemployment in April were released on 24 May and showed a record annual fall of 266 thousand since April 1987. Long-term unemployment is now falling faster than total unemployment.

(i) Seasonal influences on the unadjusted headline total in June are normally substantially downward. With some fall expected among school leavers, a further substantial decline in the headline total is likely.

Employment

12. New employment figures are published this month for the number of employees in manufacturing industries in April. There is also a slight downward revision to the whole economy employed labour force, which is now estimated to have risen by 504,000 in 1987 and by 1,657,000 since March 1983.

13. The number of employees in employment in manufacturing industries is estimated to have fallen by 15,000 between March and April. The sample of respondents for the first month of the quarter is always very small and the April figure may therefore be erratic, especially as it follows an estimated increase of 1,000 in 1988Q1. There is therefore no reason to change our view that the downward trend in the number of manufacturing jobs has levelled off. In the twelve months to April, there was an average reduction in manufacturing employment of only 3,000 a month.

Other features

14. The provisional estimate of the underlying increase in whole economy average earnings in the year to April shows an increase of $\frac{1}{4}$ percentage point from the March figure to stand at $8\frac{3}{4}$ per cent. In both the manufacturing and service sectors, the increase in underlying earnings has also risen to $8\frac{3}{4}$ per cent. The actual increase in whole economy earnings is higher than the underlying increase reflecting the low April 1987 index when the survey week for weekly paid staff included Easter Monday.

15. The level of overtime working in manufacturing fell in April but remains high at 13.22 million hours a week. This is still well above the average level of 12.4 million hours in the first 9 months of 1987.

16. New figures for growth in output per head and unit wage and salary costs in manufacturing in the year ending the three months to April will be published with the index of production for April at 11.30 on Friday 17 June.

Peter Patterson

PETER L PATTERSON

Labour Market Statistics

Summary

The sustained fall in unemployment has continued. The seasonally adjusted figure fell a further 38,000 in May and total unemployment is also now below 2½ million. The stock of vacancies remains high. A further indication of the buoyant labour market is the ¼ per cent increase in the index of average earnings.

Unemployment

UK unemployment (seasonally adjusted claimants, excluding school leavers) fell further, by 37,600 between April and May, to 2.416 million, the lowest since September 1981 (on a consistent basis). The unemployment rate fell to 8.7 per cent. The series has now fallen for 22 months running, bringing the total fall since July 1986 to 795,000. Key figures and comparisons are attached separately.

The series continues to fall strongly, though less sharply than during the second half of 1987 when the average monthly fall exceeded 50,000. Over the past six months, and also over the past three months, there has been an average fall of nearly 40,000 per month.

Over the past few months Government measures, including employment and training schemes as well as Restart and Availability Testing, have probably had only a marginal effect on the changes in the seasonally adjusted series. Earlier in 1987 they were having a significant effect and it is likely that the moderation of the downward trend over recent months has been due to this stabilisation rather than to any reduction of activity in the labour market. However, while the fall in May was very much in line with the average for recent months, there are now some additional uncertainties. The May figure may include early effects of the recent extension of availability testing to Restart interviewees, but this is impossible to assess. There could also be some effect on the count from the Social Security changes introduced in April eg the extension of the disqualification rule for voluntary job leavers. However, we expect any such effects to be modest and to take place gradually.

Personal and Confidential until 11.30 am on 16.6.88
Thereafter confidential.

Regional comparisons

Unemployment continues to fall in all regions, except for a slight rise in the seasonally adjusted figure for Northern Ireland in May. Over the past 12 months, the unemployment rates have fallen sharply in all regions, by most in the West Midlands, the North West and the North. On this basis, Northern Ireland and Greater London again show the smallest falls.

Headline total

The UK headline claimant total (unadjusted including school leavers) fell by 109,000 to 2.427 million in May (8.7 per cent), 560,000 lower than a year ago. The total includes 53,000 school leavers aged under 18, 22,000 or 30% lower than a year ago, and the lowest May figure since 1980.

Long-term unemployment

The quarterly analysis of unemployment by duration for April, released on 24 May, confirmed a further substantial fall in the number of claimants unemployed for more than a year. There were 71,000 fewer than in January and there was a record annual fall of 266,000 over the year since April 1987, bringing the total to 1.029 million. Long term unemployment is now falling faster than total unemployment. The next figure for July, to be released on 23 August, is likely to be below a million.

June 'headline' total

Seasonal influences tend to reduce the adult count sharply between May and June and some fall among school leavers is also usual. Therefore, a further substantial fall in the headline total is likely.

Employment

The number of employees in employment in manufacturing industry in Great Britain is estimated to have fallen by 15,000 in April. The monthly figures fluctuate and following the first quarter of 1988, when there was an estimated increase of 1,000, the April fall may be erratic. Over the last twelve months to April, there has been an average reduction of only 3,000 a month. This is clear evidence that the trend in manufacturing employment has levelled out compared with the previous relatively rapid falls.

Figures for employees in the rest of the economy and the employed labour force (employees in employment, the self employed and HM Forces) in Great Britain remain as reported in May, except for a slight revision - reflecting some late data now to hand - to service employment. The employed labour force is estimated to have increased by 504,000 in 1987 and by 1,657,000 between March 1983, when the upward trend first began, and December 1987.

Overtime working by operatives in manufacturing industries remained high with an estimated 13.22 million hours per week worked in April. Hours lost through short-time working in manufacturing industries remain very low, 0.25 million hours per week in April.

Vacancies

There was a modest rise of 1,800 in the stock of unfilled vacancies at jobcentres (UK seasonally adjusted, excluding Community Programme vacancies) to 255,500, in May, 11% higher than a year ago. This rise could still be exaggerated because of the less active follow-up of placings by jobcentres, but the stock of vacancies remains high.

Earnings

The estimate of the underlying increase in earnings for the whole economy for April shows an increase of $\frac{1}{4}$ per cent from the level of March 1988 and stands at $8\frac{3}{4}$ per cent. The estimate for the production industries is unchanged from the March 1988 level of $8\frac{1}{2}$ per cent but the increases for both manufacturing and service industries are up $\frac{1}{4}$ per cent at $8\frac{3}{4}$ per cent.

The increases are attributable to both the continuing upward movement in settlement levels and to the high level of bonus payments in April.

Next Labour Market Figures

The next labour market brief will be issued on Monday 11 July. It will contain unemployment data for 9 June, the employed labour force for Q1 1988, manufacturing employment and average earnings for May and vacancies for 3 June.

A. 1. SUMMARY

2. KEY FACTS BRIEF

B. DRAFT PRESS NOTICE

C. DETAILED ANALYSIS AND BACKGROUND INFORMATION

1. GRAPHS: 1a UNEMPLOYMENT

1b UNEMPLOYMENT RATES BY REGION

2. UNEMPLOYMENT: ADDITIONAL DATA BY REGION
3. LONG TERM UNEMPLOYMENT AND UNEMPLOYMENT BY AGE
4. EMPLOYMENT MEASURES
5. UNEMPLOYMENT: INTERNATIONAL COMPARISONS

D. ADDITIONAL INFORMATION

1. Unemployment: comparisons with 1930s
2. Unemployment: coverage of the count: comparison with Labour Force Survey estimates.
3. Unemployment: changes in coverage of the count.
4. Unemployment: coverage of the count: summary of possible additions and exclusions.
5. Labour Market: job changes and flows.
6. Demographic and labour force background.
7. Employment: methodology.
8. Employment: double jobbing and special measures.
9. Employment: international comparisons.
10. Employment: additional data.
11. Earnings.

KEY FACTS AND POINTS TO MAKE

Employment in May
seasonally adjusted (UK)

Down 38,000 in May

Now 2.416 million, 8.7%
Down 22 months running, longest continuous fall since the war

Lowest for over 6½ years (since September 1981, consistent)

Fall in last 12 months 535,000

Largest sustained fall on record, down 795,000 since July 1986.
Fall of 507,000 since election June 1987

Fall of 39,000 per month over last six months

Total (inc. school leavers)(UK)

Now 2.427 million (8.7%)

Down 109,000 since April
Fall in last 12 months 560,000

Regional unemployment

Fall in all regions of UK over last year: rates fallen most in West Midlands, North West and North.

Youth unemployment (UK)

School leavers in May 53,000, lowest May figure since 1980.
More than halved in last 5 years (May 1983 126,000)

Under 25s also lowest for more than 5 years. Down by a third since April 1983.

Latest EC unemployment comparison for under 25s (Mar 88) showed UK 14.2% compared with EC average 20.6% (Lower than all other EC countries except Denmark, Germany and Luxembourg).

International comparisons

UK rate fallen faster in past year than any other major industrialised country. UK unemployment now lower than EC average. International rates show unemployment now higher in France (10.5%), Italy (11.5%), Belgium (10.4%), Netherlands (9.6%) Spain (19.6%) and Ireland (19.0%). Comparable UK 8.9%.

Employed Labour force (GB)

Increase of 144,000 in Q4 1987

Increase of 504,000 in year to December of which:

	Men	Women	Total
Full-time	109	146	255
Part-time	84	165	249
Total	193	311	504

This is the largest calendar year increase for over 30 years.

Increase every quarter since March 1983 (4¼ years); by 1.66 million. Latest international comparisons show increase since 1983 more than rest of EC combined.

Manufacturing employment (GB)

Fell by 15,000 in April
Fell 3,000 per month on average in last 12 months.
Trend has levelled out.

Vacancies (UK)

Unfilled vacancies at Jobcentres 255,500 in May 11% higher than a year ago.

Over 700,000 vacancies in the economy overall. Only about ¼ vacancies reported to jobcentres.

Average earnings (GB)

Underlying increase in average earnings in year to April 8¾%. ¼% higher than March.

Labour Force Survey (GB)

Again shows claimant count above survey estimate of unemployment using international definitions ILO/OECD) (2.95m in Spring 1987 compared to 2.88m GB).

Lesser fall in survey estimate compared with claimant count between 1986 and 1987 reflects response among claimants to extra job opportunities, with more frequent job seeking among those yet to find work. (210 thousand fall in count compared to 80 thousand ILO/OECD)

Long-term unemployment (UK)

1.029 million in April. Fell by record 266,000 in year since April 1987, and by ¼ million over past two years. Longer-term unemployment (over 6 months) 1.513 million in April, record fall of 414,000 over past 12 months, fell by over ½ million over past two years.

Long term unemployment among under 25's down by 34% over past year.

Labour Market statistics - additional points

Effect of measures

- participants in employment measures hardly changed overall in last year, when unemployment fallen rapidly.
- YTS has increased in size but has little impact on seasonally adjusted adult count.
- Effect of Restart in helping long term unemployed back into work (through other schemes and job opportunities) cannot be estimated separately from effect of rapid improvements in labour market. Programme more successful when more jobs available. Success may be some time after interview.
- Availability testing will discourage some people not interested in getting work; cannot estimate how many.
- Those on schemes such as CP are employed just like other workers. Those on EAS are self-employed.

Fiddling the figures

Only 6 changes affecting count since 1979
3 statistical and 3 administrative
including only 2 changes to
compilation.

Seasonally adjusted unemployment series is
consistent and allows comparison of trend
over time: nothing to hide

Flows into and out of unemployment

- Some 400,000 per month enter and leave the count. Over a quarter of those becoming unemployed leave within the first month, over half leave within 3 months.
- job starts: 7½ million per year (includes employed and unemployed) equivalent to about 30,000 every working day.

Part-time employment

- Rise in part-time employment (49% of increase in employment in year to December) sign of increased flexibility in the labour market.
- According to LFS, vast majority of those working part-time do not want full-time jobs.
- A part-time job can be up to 30 hours per week, so cannot describe as half a full-time job.

International comparisons of employment

- increase since 1983 greater than rest of EC combined.
- UK proportion of population of working age in employment (66%) much greater than EC average (57%)

International definition of unemployment

Latest OECD standardised rates, show UK unemployment at 8.9% (March)

Figures of 5 million from LFS sometimes quoted include all who say they would like work, even if not available for or seeking work (eg early retired, sick, looking

LABOUR MARKET STATISTICS

JUNE 16, 1988

SUMMARY STATISTICS

						<u>Thousands</u>	
				Level	Change on previous period	Change on previous year	
<u>Unemployment (UK)</u>							
Total (not seasonally adjusted)	May	12		2,427	-109	- 560	
Total (excluding school leavers)	May	12		2,416	- 38	- 535	
<u>Employed Labour Force</u> December; Q4				1987	24,654	+144	+ 504
<u>Employees in employment</u>							
Services	December	Q4	1987	14,672	+132	+ 400	
Manufacturing	March	Q1	1988	5,029	+ 1	- 24	
Manufacturing employment April 1988				5,014	- 15	- 32	
<u>Vacancies</u> (UK at jobcentres) May 6				256	+ 2	+ 25	

Percentage change on previous year
(underlying increase)

Index of Average Earnings

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

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 37,600 in the month to May. Male unemployment decreased by 24,300 and female unemployment decreased, by 13,300. Over the past six months there has been a fall of 39,200 on average compared with a fall of 50,000 per month over the previous six months to November 1987.

The unadjusted unemployment total, decreased in May by 109,115 to 2,426,874. This includes 52,659 school leavers aged under 18. In May, total unemployment was 559,579 lower than a year ago.

The number of employees employed in manufacturing industry in Great Britain is estimated to have fallen by 15,000 in April 1988. The monthly estimates can fluctuate erratically and a clearer picture may be given by changes over a longer period.

The latest estimates of the employed labour force in the whole economy in Great Britain relate to December 1987 and have been only marginally revised from those published last month. The employed labour force is estimated to have increased by 144,000 in the fourth quarter of 1987 contributing to overall increases of 504,000 in 1987 as a whole and of 1,657,000 since March 1983.

The stock of vacancies (UK seasonally adjusted excluding Community Programme) increased by 1,800 in May to 255,500. Over the past six months there has been a decrease of 2,100 per month on average.

The underlying increase in average earnings for the whole economy in the year to April was 8 $\frac{1}{2}$ per cent, an increase of $\frac{1}{4}$ percent on the year to March.

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

LABOUR MARKET STATISTICS

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UNEMPLOYMENT

The seasonally adjusted level of unemployment in the UK (excluding school leavers) decreased by 37,600 to 2.416 million in May, 8.7 per cent of the working population*.

Over the past six months on average unemployment has fallen by 39,200 per month.

The recorded total of unemployed claimants, including school leavers, decreased by 109,115 between April and May to 2,426,874 giving an unemployment rate of 8.7 per cent of the working population. Unemployment is 559,579 less than a year ago. The total included 52,659 school leavers, 22,271 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
1987 May	2051.9	899.0	2950.9	-70.5	10.6	-33.3	-38.5
Jun	2033.2	889.0	2922.2	-28.7	10.5	-33.1	-38.4
Jul	2002.3	870.8	2873.1	-49.1	10.3	-39.9	-49.4
Aug	1970.4	855.1	2825.5	-47.6	10.1	-40.2	-41.8
Sep	1939.3	832.9	2772.2	-53.3	9.9	-44.2	-50.0
Oct	1899.5	814.1	2713.6	-58.6	9.7	-51.3	-53.2
Nov	1854.7	796.1	2650.8	-62.8	9.5	-50.0	-58.2
Dec	1825.3	788.6	2613.9	-36.9	9.4	-51.4	-52.8
1988 Jan	1783.5	781.2	2564.7	-49.2	9.2	-51.4	-49.6
Feb	1757.0	775.6	2532.6	-32.1	9.1	-48.8	-39.4
Mar	1737.6	766.4	2504.0	-28.6	9.0	-44.7	-36.6
Apr(r)	1702.3	750.8	2453.1	-50.9	8.8	-43.4	-37.2
May(p)	1678.0	737.5	2415.5	-37.6	8.7 **	-39.2	-39.0

** The separate rate for males was 10.3 per cent, and for females 6.4 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**	
1987	May	2,080,369	906,084	2,986,453	10.7	74,930	.	
	Jun	2,022,964	882,361	2,905,325	10.4	69,397	103,552	
	Jul	2,008,482	897,971	2,906,453	10.4	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	.	
	Oct	1,903,620	847,764	2,751,384	9.9	83,226	.	
	Nov	1,865,842	819,741	2,685,583	9.6	69,408	.	
	Dec	1,878,715	817,095	2,695,810	9.7	63,726	.	
	1988	Jan	1,892,698	829,456	2,722,154	9.8	62,797	.
		Feb	1,852,129	813,340	2,665,469	9.6	57,414	.
		Mar	1,803,143	788,978	2,592,121	9.3	52,110	.
		Apr	1,765,711	770,278	2,535,989	9.1	56,943	.
May		1,692,052	734,822	2,426,874	8.7+	52,659	.	

+ The separate rate for males was 10.3 per cent, and for females 6.4 per cent.

** Not included in totals, see note A4

*See note A5.

TABLE 3: UNEMPLOYMENT - REGIONS May 12 1988

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	528.5	-10.0	5.7	-0.1	523.1	-26.7	5.7	5.8
(Greater London)	(300.9)	(-5.6)	(7.0)	(-0.1)	(299.9)	(-11.3)	(7.0)	(3.4)
East Anglia	54.4	-1.0	5.4	-0.1	55.1	-3.2	5.5	.8
South West	142.7	-2.6	6.9	-0.1	139.7	-9.2	6.8	1.7
West Midlands	243.2	-5.8	9.4	-0.2	244.8	-11.2	9.4	5.8
East Midlands	151.8	-2.1	7.9	-0.1	152.6	-7.6	7.9	2.8
Yorks and Humberside	237.9	-3.1	10.1	-0.1	242.1	-9.9	10.3	7.1
North West	336.1	-4.9	11.3	-0.2	340.3	-12.3	11.4	8.2
North	180.4	-2.8	12.7	-0.2	183.3	-7.5	12.9	4.8
Wales	132.2	-2.3	11.2	-0.2	133.0	-7.1	11.3	3.3
Scotland	291.3	-3.6	11.9	-0.1	296.8	-12.3	12.1	10.8
GREAT BRITAIN	2,298.8	-37.7	8.4	-0.1	2,310.7	-107.0	8.5	51.0
Northern Ireland	116.7	0.1	17.1	0.0	116.2	-2.1	17.1	1.6
UNITED KINGDOM	2,415.5	-37.6	8.7	-0.1	2,426.9	-109.1	8.7	52.7

* 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			School leavers	School leavers			
1987	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	
	Oct	420.2	25.6	394.6	- 40.2	549.0	30.5	518.5	- 2.9	
	Nov	375.3	10.8	364.5	- 38.5	432.3	18.4	413.9	+ 3.8	
	Dec	328.6	7.5	321.1	- 26.8	317.5	10.1	307.4	- 22.5	
	1988	Jan	344.4	11.0	333.3	- 22.1	321.5	8.4	313.1	+ 26.2
		Feb	345.2	9.4	335.8	- 51.5	406.6	11.3	395.3	- 51.0
		Mar	313.0	7.2	305.9	- 27.8	392.5	9.3	383.2	- 36.7
		Apr	323.9	14.8	309.1	- 41.1	372.5	7.6	364.9	- 23.1
May		276.7	9.5	267.2	- 31.7	394.9	10.8	384.1	- 30.6	

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EMPLOYMENT

The number of employees in employment in manufacturing industry in Great Britain is estimated to have fallen by 15,000 in April 1988. The monthly estimates can fluctuate erratically and a clearer picture may be given by considering changes over a longer period. For example, in the first quarter of 1988, when there was an estimated increase of 1,000, and over the last twelve months to April, there has been an average reduction of only 3,000 a month. This is clear evidence that the trend in manufacturing employment levelled out compared with the previous relatively rapid falls.

Figures for employees in the rest of the economy and for the employed labour force (employees in employment, the self-employed and HM Forces) in Great Britain remain as reported in May except for a slight revision to reflect some late data now available. The employed labour force is estimated to have increased by 504,000 in 1987 and by 1,657,000 since March 1983.

Recent figures are set out in Table 5.

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THESE ARE UNCLASSIFIED.

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								
1986	March	Q1 5,204	- 9	-12	- 36	540	- 4	-17	14,029	+ 71	1,291	-10	21,065	+ 9	23,950	+ 12
	April	5,196	- 8	-14		537	- 3									
	May	5,165	-31	-16		534	- 3									
	June	Q2 5,146	-19	-19	- 58	530	- 4	-10	14,115	+ 86	1,288	- 3	21,079	+ 14	23,967	+ 17
	July	5,131	-15	-22		525	- 5									
	August	5,116	-15	-16		521	- 4									
	September	Q3 5,107	- 9	-13	- 39	519	- 2	-11	14,192	+ 77	1,281	- 7	21,098	+ 19	24,046	+ 79
	October	5,098	- 9	-11		516	- 3									
	November	5,092	- 6	- 8		510	- 6									
	December	Q4 5,084	- 8	- 8	- 23	508	- 2	-11	14,272	+ 80	1,282	+ 1	21,146	+ 48	24,150	+104
1987	January	5,065	-19	-11		501	- 7									
	February	5,062	- 3	-10		499	- 2									
	March	Q1 5,053	- 9	-10	- 31	494	- 5	-14	14,372	+100	1,293	+11	21,211	+ 65	24,273	+123
	April	5,046	- 7	- 6		487	- 7									
	May	5,052	+ 6	- 3		486	- 1									
	June	Q2 5,056	+ 4	+ 1	+ 3	488	+ 2	- 6	14,468	+ 96	1,296	+ 3	21,307	+ 96	24,426	+153
	July	5,048	- 8	+ 1		484	- 4									
	August	5,043	- 5	- 3		483	- 1									
	September	Q3 5,034	- 9	- 7	- 22	484	+ 1	- 4	14,540	+ 72	1,301	+ 5	21,359	+ 52	24,510	+ 84
	October	5,032	- 2	- 5		479	- 5									
	November	5,033	+ 1	- 3		477	- 2									
	December	Q4 5,028	- 5	- 2	- 6	477	0	- 7	14,672R	+132R	1,297R	- 4R	21,474R	+115R	24,654R	+144R
1988	January	5,034	+ 6	+ 1		472R	- 5R									
	February	5,035	+ 1	+ 1		466R	- 6R									
	March	5,029	- 6	0	+ 1	463R	- 3R	-14R								
	April	5,014	-15	- 7		453	-10									

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

VACANCIES

The stock of unfilled vacancies at jobcentres (seasonally adjusted and excluding Community Programme vacancies) increased by 1,800 in the month to May to reach 255,500. Over the past three months to May, seasonally adjusted vacancies have increased on average by 2,500 per month.

Unadjusted, there was an increase of 10,707 unfilled vacancies in the month to 292,507. There was a decrease of 236 Community Programme vacancies.

The inflow of notified vacancies decreased on average by 2,100 per month in the three months ending May 1988, the outflow decreased by 5,500 per month, and placings decreased by 3,300 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		
1987	May	265.4	26.0	239.5	230.5	12.8	7.8	19.0	
	Jun	275.8	28.0	247.9	233.7	3.2	6.5	23.5	
	Jul	272.3	28.6	243.7	235.2	1.5	5.8	23.9	
	Aug	269.9	30.2	239.6	236.9	1.7	2.1	22.6	
	Sep	295.2	31.9	263.3	246.6	9.7	4.3	23.7	
	Oct	312.2	32.0	280.2	261.4	14.8	8.7	23.1	
	Nov	303.6	31.6	272.0	268.2	6.8	10.4	22.0	
	Dec	271.4	31.7	239.7	256.6	-11.6	3.3	20.5	
	1988	Jan	257.9	33.1	224.8	249.5	-7.1	-4.0	19.9
		Feb	256.9	32.6	224.2	247.9	-1.6	-6.8	18.8
		Mar	263.0	30.9	232.0	245.5	-2.4	-3.7	20.4
		Apr	281.8(r)	30.5(r)	251.3	253.7	8.2	1.4	22.1
May		292.5	30.3	262.2	255.5	1.8	2.5	27.0	

* See note C1.

(r) revised.

+ 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
1987	May	213.3	1.4	202.3	-3.9	147.6	-3.8
	Jun	229.9	-0.7	223.5	-1.5	162.5	-1.8
	Jul	220.0	-3.4	217.9	-2.4	154.3	-2.7
	Aug	222.7	3.1	218.5	5.4	154.8	2.4
	Sep	228.8	-0.4	215.9	-2.5	154.5	-2.7
	Oct	235.9	5.3	224.2	2.1	158.0	1.2
	Nov	237.5	4.9	230.9	4.1	159.7	1.6
	Dec	236.1	2.4	247.9	10.7	169.5	5.0
1988	Jan	223.6	-4.1	229.0	1.6	164.1	2.0
	Feb	237.9	0.1	243.9	4.3	168.6	3.0
	Mar	237.3	0.4	238.6	-3.1	164.4	-1.7
	Apr(r)	228.2	1.5	225.0	-1.3	154.0	-3.4
	May	231.7	-2.1	227.4	-5.5	158.8	-3.3

(r) Revised.

TABLE 8: *UNFILLED VACANCIES - REGIONS - 6 May 1988

		VACANCIES AT JOBCENTRES UNADJUSTED*			SEASONALLY ADJUSTED (EXCLUDING COMMUNITY PRO VACANCIES)		VACANCIES AT CAREERS OFFICES
		TOTAL	Community Programme Vacancies	Total excluding Community Programme	Number	Change since previous month	UNADJUSTED
South East	106.8	4.4	102.4	100.2	-0.4	15.4	
(Greater London)	(36.6)	(2.2)	(34.3)	(33.7)	(-0.9)	(7.0)	
East Anglia	10.8	0.7	10.1	9.8	0.4	1.1	
South West	25.9	2.7	23.2	21.3	0.7	1.7	
West Midlands	27.7	4.3	23.4	23.6	-0.2	1.8	
East Midlands	15.7	1.4	14.2	14.0	0.3	1.3	
Yorks and Humberside	18.1	2.6	15.5	15.2	-0.5	1.3	
North West	28.1	2.9	25.2	24.1	0.5	1.6	
North	15.6	4.0	11.7	11.6	0.1	0.5	
Wales	16.2	3.0	13.1	12.7	1.3	0.4	
Scotland	24.9	3.6	21.3	20.2	-0.4	0.7	
GREAT BRITAIN	289.7	29.6	260.1	252.8	2.0	25.8	
Northern Ireland	2.8	0.7	2.1	2.6	-0.3	1.2	
UNITED KINGDOM	292.5	30.3	262.2	255.5	1.8	27.0	

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

AVERAGE EARNINGS

The underlying increase in average weekly earnings in the year to April was about 8 3/4 per cent, an increase of 1/4 per cent on the year to March.

The actual increase in the year to April, at 9.1 per cent, was above 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				
October	188.3	188.7	8.3	7 1/2
November	191.2	190.2	8.1	7 3/4
December	193.4	191.3	7.4	7 3/4
1987				
January	190.4	192.8	7.6	7 1/2
February	191.2	193.4	7.4	7 1/2
March	194.5	194.8	6.7	7 1/2
April	196.0	197.4	6.5	7 3/4
May	198.1	198.5	8.7	7 3/4
June	200.0	198.1	7.7	7 3/4
July	203.1	201.3	8.1	7 3/4
August	201.6	201.3	7.6	7 3/4
September	201.4	201.8	7.9	7 3/4
October	203.4	203.8	8.0	8
November	207.3	206.3	8.5	8 1/4
December	210.3	208.0	8.7	8 1/2
1988				
January	206.9	209.5	8.7	8 1/2
February	206.7	209.2	8.2	8 1/2
March	213.1	213.3	9.5	8 1/2
April*	213.8	215.3	9.1	8 3/4

* Provisional

In production industries, the underlying increase in average weekly earnings in the year to April was about 8 1/2 per cent, similar to the increase in the year to March. Within this sector, in manufacturing industries, the underlying increase in average weekly earnings in the year to April was about 8 3/4 per cent, a rise of 1/4 per cent on the year to March. These increases include the effect of higher overtime working this year than a year ago.

The actual increases for production industries and manufacturing industries in the year to April were 9.9 per cent and 9.8 per cent respectively.

In service industries, the underlying increase in average weekly earnings in the year to April was about 8 3/4 per cent, a rise of 1/4 per cent on the year to March. The actual increase in the year to April was 8.6 per cent.

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	% increases over previous 12 months		Index January 1980=100	% increases over previous 12 months		Index January 1980=100	% increases over previous 12 months		
	seas adj	underlying		seas adj	underlying		seas adj	underlying	
1987									
Feb	200.6	7.9	8	201.0	8.1	8	189.7	7.2	7 1/4
Mar	199.8	7.4	8	201.1	7.6	8	193.8	5.9	7 1/4
Apr	203.6	7.2	8	204.4	7.0	8	196.4	5.8	7 3/4
May	201.6	8.0	8	202.4	8.2	8	199.2	9.3	7 3/4
Jun	203.9	8.0	8 1/4	204.8	7.9	8 1/4	198.7	7.5	7 1/2
Jul	206.4	8.7	8 1/4	207.6	9.0	8 1/4	200.4	7.7	7 1/4
Aug	207.8	8.2	8 1/4	207.2	8.0	8 1/2	200.9	7.3	7 1/4
Sep	209.9	8.3	8 1/4	210.3	8.4	8 1/2	200.1	7.6	7 1/2
Oct	212.1	8.7	8 1/4	212.4	8.8	8 1/4	201.7	7.6	8
Nov	212.2	7.9	8 1/4	212.7	7.9	8 1/4	207.3	8.8	8 1/2
Dec	215.9	8.2	8 1/4	216.8	8.4	8 1/4	206.7	9.2	8 1/2
1988									
Jan	215.8	8.0	8 1/2	216.8	8.4	8 1/2	207.7	9.1	8 1/2
Feb	213.6	6.5	8 1/2	215.3	7.1	8 1/2	207.6	9.4	8 1/2
Mar	217.0	8.6	8 1/2	218.9	8.9	8 1/2	213.6	10.2	8 1/2
Apr(p)	223.8	9.9	8 1/2	224.4	9.8	8 3/4	213.2	8.6	8 3/4

p provisional

R revised

* 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 communications; Banking, finance, insurance, business services and leasing; Other services (including public administration, education, medical and other medical services, etc).

UNIT WAGE AND SALARY COSTS

RECENT AND REVISED FIGURES FOR WAGES AND SALARIES PER UNIT OF OUTPUT WILL BE AVAILABLE ON REQUEST FROM THE DEPARTMENT OF EMPLOYMENT FROM 11.30 AM ON FRIDAY 17 JUNE (SEE NOTES TO EDITORS).

In the three months ending March 1988, wages and salaries per unit of output in manufacturing industries were 2.5 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 about 5 1/2 per cent in productivity over this period (see Table 13).

In the fourth quarter of 1987, wages and salaries per unit of output in the whole economy were 4.3 per cent above the corresponding period of 1987. This increase was below the rise in average earnings in the whole economy as there was a rise of more than 3 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 Q4	128.6	6.1	134.3	4.4
1986 Q1	131.5	8.7	136.8	6.4
Q2	130.9	6.9	138.3	6.8
Q3	130.5	3.7	139.2	4.7
Q4	130.4	1.4	141.2	5.1
1987 Q1	132.6	0.8	142.3	4.0
Q2	132.1	0.9	144.3	4.3
Q3	131.5	0.8	144.5	3.8
Q4	133.6	2.5	147.3	4.3
1988 Q1	135.9	2.5	..	..
1987 Sept	132.6	1.3	..	..
Oct	133.2	2.6	..	..
Nov	132.7	2.2	..	..
Dec	135.0	2.7	..	..
1988 Jan	133.8	-0.5	..	..
Feb	136.5	3.7	..	..
Mar	137.4	4.3	..	..
3 months ending				
1987 Sept	131.5	0.7
Oct	131.8	0.9
Nov	132.8	2.0
Dec	133.6	2.5
1988 Jan	133.8	1.4
Feb	135.1	1.9
Mar	135.9	2.5

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HOURS WORKED IN MANUFACTURING INDUSTRIES

Overtime working by operatives in manufacturing industries remain high at, 13.22 million hours per week, in April.

Hours lost through short-time working in manufacturing industries remain very low, at 0.25 million hours per week in April.

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 104.2 in April 1988 giving an average of 104.3 over the three month period ending April 1988. 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	11.28	0.45	102.6
	Jul	11.66	0.39	102.9
	Aug	11.77	0.43	102.9
	Sep	11.68	0.43	102.8
	Oct	11.77	0.81	102.6
	Nov	12.06	0.48	102.9
	Dec	11.62	0.51	103.0
1987	Jan	11.47	0.57	102.8
	Feb	12.09	0.42	103.2
	Mar	12.27	0.36	103.4
	Apr	12.44	0.41	103.5
	May	12.38	0.37	103.5
	Jun	12.68	0.31	103.8
	Jul	12.49	0.35	103.6
	Aug	12.70	0.28	103.8
	Sep	12.96	0.24	104.0
	Oct	13.66	0.29	104.4
	Nov	13.58	0.38	104.3
	Dec	13.42	0.28	104.4
1988	Jan	14.48	0.25	105.0
	Feb	13.44	0.28	104.4
	Mar	13.40	0.23	104.4
	Apr	13.22	0.25	104.2

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PRODUCTIVITY

LATER AND REVISED FIGURES FOR OUTPUT PER HEAD WILL BE AVAILABLE ON REQUEST FROM THE DEPARTMENT OF EMPLOYMENT FROM 11.30 AM ON FRIDAY 17 JUNE (SEE NOTES TO EDITORS)

Manufacturing output per head in the three months to March was 0.3 per cent lower than in the three months ending December and 5.5 per cent higher than in the same period a year earlier.

Output per head in the whole economy in the fourth quarter of 1987 was 0.4 per cent above the previous quarter and 3.1 per cent higher than in the fourth quarter of 1986.

Recent figures are:

TABLE 13: OUTPUT PER HEAD

seasonally adjusted

		Manufacturing		Whole Economy	
		Index 1980 = 100	Percentage increase on a year earlier	Index 1980 = 100	Percentage increase on a year earlier
1985	Q4	130.1	2.1	114.7	2.2
1986	Q1	129.5	-0.7	115.2	1.5
	Q2	132.4	0.6	116.6	1.7
	Q3	134.7	3.3	117.7	3.2
	Q4	138.5	6.5	118.3	3.1
1987	Q1	138.6	7.0	118.8	3.1
	Q2	141.3	6.7	119.8	2.7
	Q3	145.0	7.6	121.5	3.2
	Q4	146.5	5.8	122.0	3.1
1988	Q1	146.1	5.4	..	..
1987	Sep	145.1	7.0	..	..
	Oct	145.9	6.0	..	..
	Nov	146.6	5.6	..	..
	Dec	147.0	5.6	..	..
1988	Jan	148.2	8.9	..	..
	Feb	144.4	3.3	..	..
	Mar	145.8	4.3	..	..
3 months ending					
1987	Sep	145.0	7.7	..	..
	Oct	145.8	7.4	..	..
	Nov	145.9	6.2	..	..
	Dec	146.5	5.8	..	..
1988	Jan	147.3	6.7	..	..
	Feb	146.5	5.9	..	..
	Mar	146.1	5.5	..	..

In April 1988, it is provisionally estimated that 81 thousand working days were lost in the United Kingdom through stoppages of work due to industrial disputes. This compares with a provisional estimate of 250 thousand in March 1988, 336 thousand in April 1987 and an average of 707 thousand for April during the ten year period 1978 to 1987.

During the twelve months to April 1988 it is provisionally estimated that a total of 2,260 thousand working days were lost through stoppages of work due to industrial disputes. During this twelve month period a total of 785 stoppages have been provisionally recorded as being in progress, involving a total of 597 thousand workers. The comparable figures for the twelve months to April 1987 were 3,530 thousand lost working days, 1,154 stoppages in progress and 919 thousand workers.

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

	Working days lost (thousand)	Number of Stoppages	Workers involved (thousand)
1987			
Apr	336	135	155
May	222	95	126
Jun	345	104	157
Jul	214	93	61
Aug	43	71	22
Sep	56	84	19
Oct	76	96	24
Nov	127	108	80
Dec	60	72	35
1988			
Jan	92	65	39
Feb(p)	694	88	185
Mar(p)	250	66	37
Apr(p)	81	28	15
<u>Cumulative totals</u>			
12 months to April 1987	3,530	1,154	919
12 months to April 1988(p)	2,260	785	597

(p) Provisional and subject to revision, normally upwards, see note H1.

NOTES TO EDITORS

GENERAL SYMBOLS

Personal and Confidential until 11:30 am on 16.6.88

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", income support (formerly supplementary benefit upto April 1988) 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 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 12 May 1988 these numbered 1,986 in Great Britain and 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 12 May 1988 these numbered 4,594 in Great Britain and 5,778 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-1987. These rates include the self-employed and armed forces in the base to provide a more reliable guide 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 12 May 1988 were 12.2 per cent for males and 6.8 per cent for females, 9.8 per cent in total (unadjusted).

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A6. The latest figures for national and 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.

B3. The estimates of employees in employment presented in this press notice also take account of the results of the 1985, 1986 and 1987 sample Labour Force Surveys. The series include allowances for undercounting in the estimates of the number of employees in employment derived from the sample survey of employers. Since the second quarter of 1986, 33,900 per quarter has been added to the raw estimates of total employees in employment based on the sample. The reasoning behind such allowances is described in the *Employment Gazette* April 1987 (page 201).

B4. The self employed are those who in their main employment work on their own account, whether or not they have any employees. Second occupations classified as self employed are not included.

B5. Comprehensive estimates of the number of self-employed are taken from the Census of Population, the most recent of which was held in 1981. Estimates for the other years are made by applying rates of change, derived from the sample Labour Force Survey results, to the census benchmark. In this way self employment is estimated to have increased by 12,800 a quarter between mid 1981 and mid 1983, by 68,800 a quarter between mid 1983 and mid 1984, by 28,800 a quarter between mid 1984 and mid 1985, by 4,100 a quarter between mid 1985 and mid 1986, by 58,500 a quarter between mid 1986 and mid 1987. Pending the results of the 1988 Labour Force Survey it is assumed that the numbers of self employed are continuing to increase at the rate of 31,000 a quarter observed between 1981, the date of the latest Census of Population which provides a benchmark for the self employment series, and 1987, the date of the latest available Labour Force Survey data. The derivation of recent estimates is described in the *Employment Gazette*, March 1988 page 144.

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

B7. The employed labour force comprises employees in employment, the self employed and HM forces.

VACANCIES (Tables 6-8)

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

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

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

EARNINGS (Tables 9 and 10)

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

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

D3. The analysis of underlying changes was described in Employment Gazette, April 1981, page 193, and the most recent analysis appeared in *Employment Gazette* in June 1988. The next analysis will appear in the September 1988 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. Exceptionally this month the release of this press notice precedes the release of the corresponding monthly index of manufacturing output, and so April figures for unit wage costs and productivity are not yet available. The output figures will be released on Friday 17 June at 11.30 am by the Central Statistical Office and the April figures for both unit wage costs and productivity (together with any further revisions for earlier months) will be available on request from the Department of Employment from the same time.

E2. 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 published on 23 May. 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. See note E1.

G2. 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 published by the CSO on 15 March. 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)

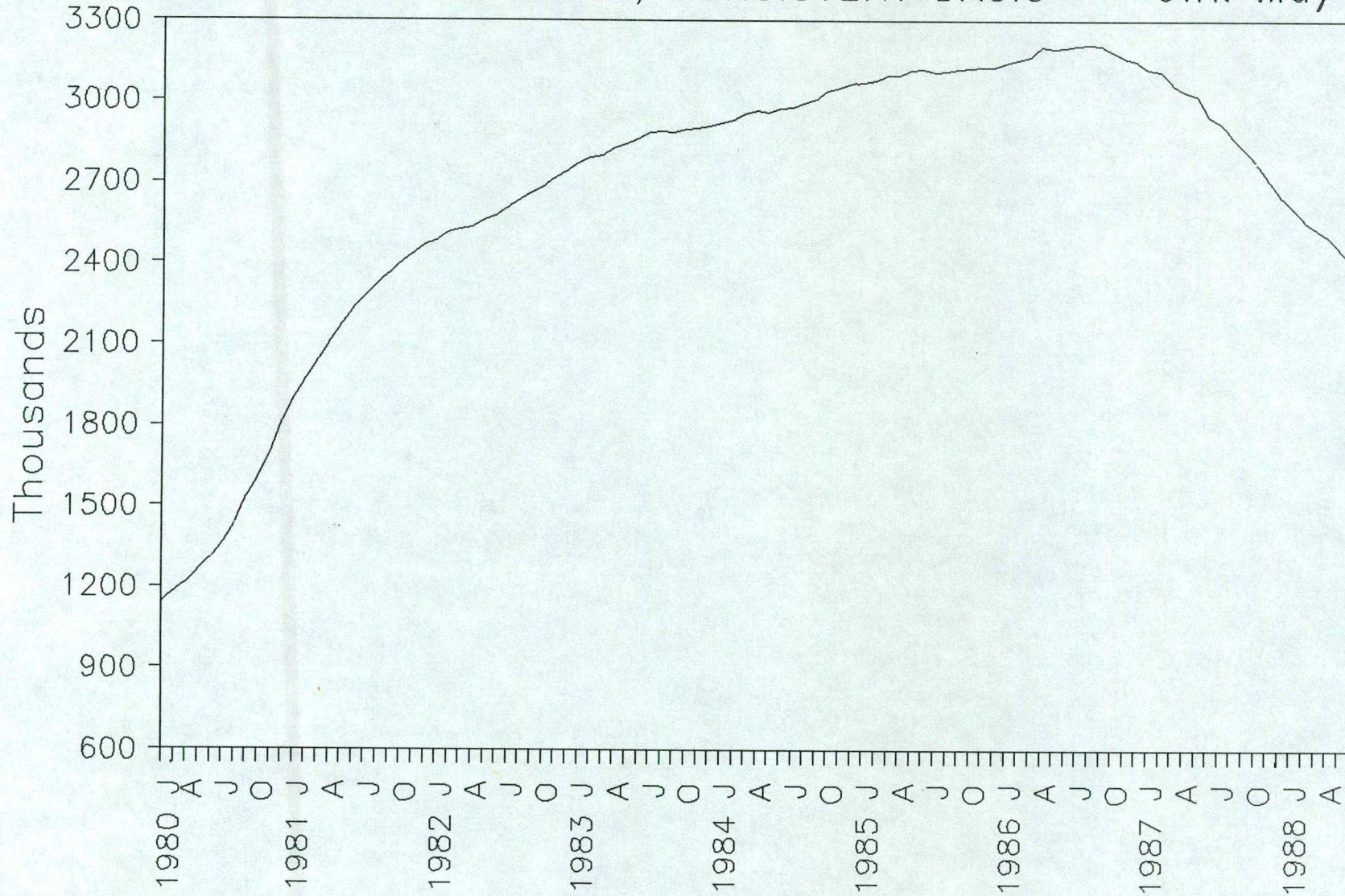
H1. Statistics of stoppages of work due to industrial disputes in the United Kingdom relate only to disputes connected with terms and conditions of employment. Stoppage involving fewer than 10 workers or lasting less than one day are excluded except where the aggregate of working days lost exceeded 100. 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.

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SEASONALLY ADJUSTED UNEMPLOYMENT

EXCLUDING SCHOOL LEAVERS, CONSISTENT BASIS

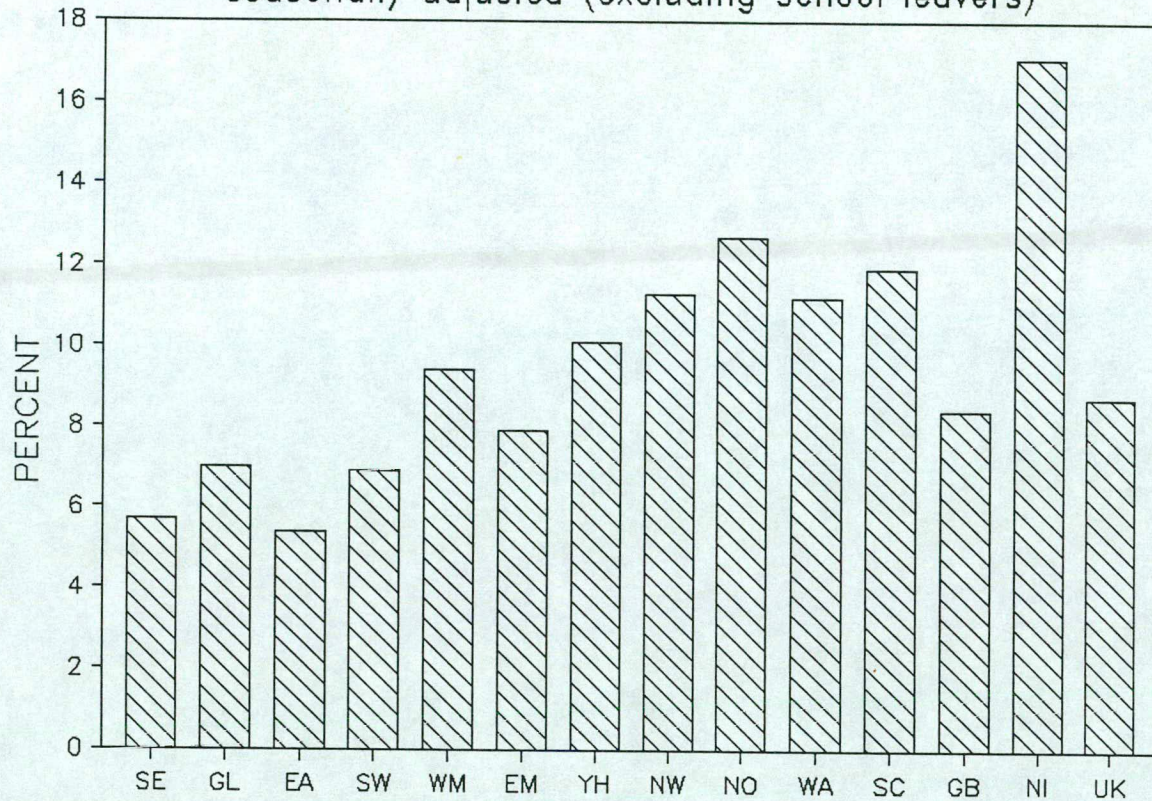
U.K. May 1988



CONFIDENTIAL UNTIL 11:30 am on 16.6.88
THEREAFTER UNCLASSIFIED.

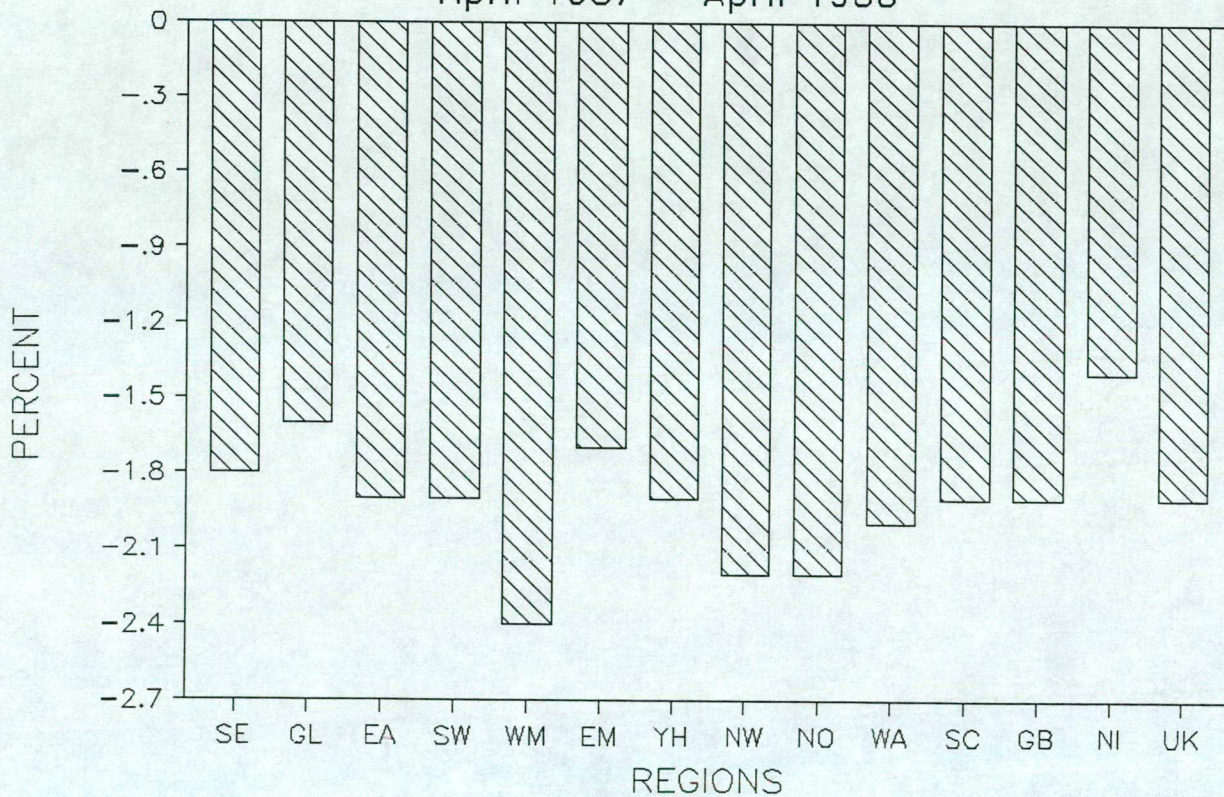
REGIONAL UNEMPLOYMENT RATES: April 1988

seasonally adjusted (excluding school leavers)



ANNUAL CHANGE IN UNEMPLOYMENT RATES

April 1987 - April 1988



UNEMPLOYMENT - regions and sex: May 1988
SEASONALLY ADJUSTED EXCLUDING SCHOOL LEAVERS

Unemployment
-regions and sex

	NUMBER (Thousands)		UNEMPLOYMENT RATE (Per Cent)*		
	At May 1988	Change in month since Apr 1988	At May 1988	Change in month since Apr 1988	Change in year since May 1987
REGIONS					
South East (Greater London)	528.5 (300.9)	-10.0 -5.6	5.7 7.0	-0.1 -0.1	-1.8 -1.6
East Anglia	54.4	-1.0	5.4	-0.1	-1.9
South West	142.7	-2.6	6.9	-0.1	-1.8
West Midlands	243.2	-5.8	9.4	-0.2	-2.4
East Midlands	151.8	-2.1	7.9	-0.1	-1.7
Yorks & Humber	237.9	-3.1	10.1	-0.1	-1.9
North West	336.1	-4.9	11.3	-0.2	-2.2
North	180.4	-2.8	12.7	-0.2	-2.2
Wales	132.2	-2.3	11.2	-0.2	-2.0
Scotland	291.3	-3.6	11.9	-0.1	-1.9
GREAT BRITAIN	2298.8	-37.7	8.4	-0.1	-1.9
Northern I.	116.7	.1	17.1	0.0	-1.4
UNITED KINGDOM	2415.5	-37.6	8.7	-0.1	-1.9
MALES AND FEMALES					
UK Males	1678.0	-24.3	10.3	-0.1	-2.3
UK Females	737.5	-13.3	6.4	-0.1	-1.4

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

Unemployment by Duration

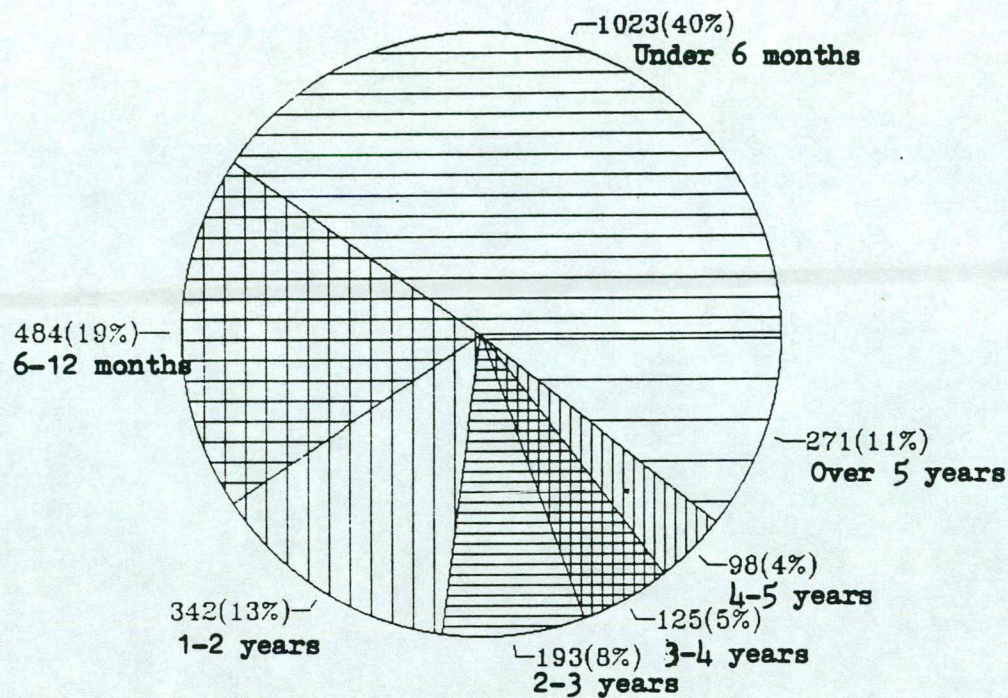
Duration	Number at APRIL 1988	THOUSANDS Change since APRIL 1987
All durations	2536	-571
Over 6 months	1513	-414
Over 1 year	1029	-266
Over 2 years	687	-124
Over 3 years	494	-79
Over 4 years	369	-36
Over 5 years	271	-1

Up to 6 months	1023	-157
6 to 12 months	484	-148
1 to 2 years	342	-142
2 to 3 years	193	-45
3 to 4 years	125	-43
4 to 5 years	98	-35
Over 5 years	271	-1

Unemployment by Age

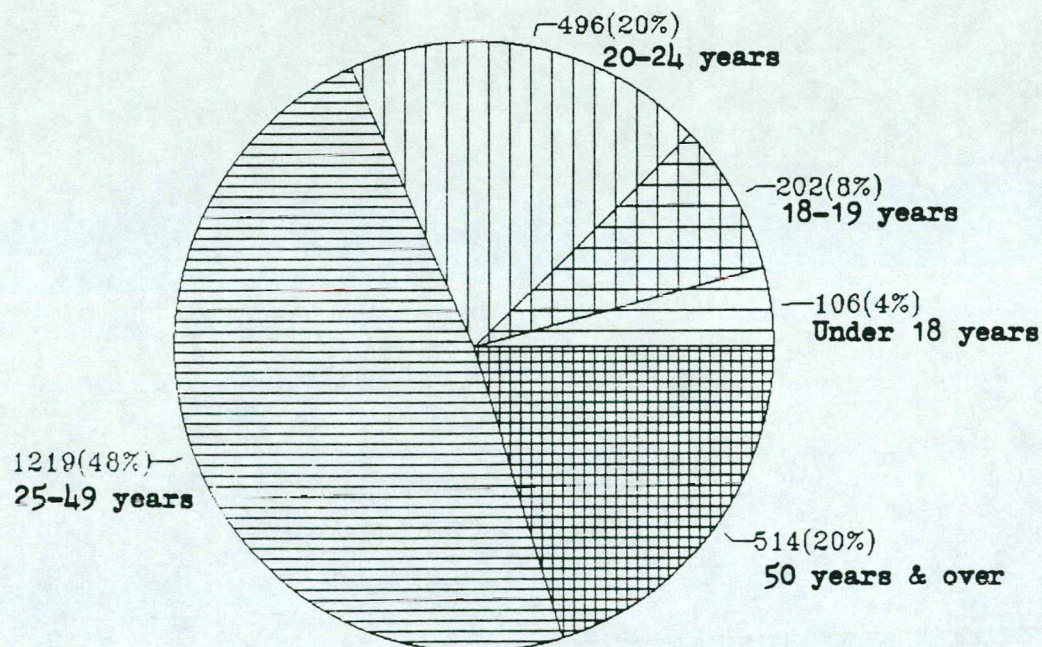
	Number at APRIL 1988	THOUSANDS Change since APRIL 1987
Under 18	106	-21
18-19	202	-68
20-24	496	-133
25-49	1219	-257
50 and over	514	-92
All ages	2536	-571

U.K. UNEMPLOYMENT BY DURATION THOUSANDS



APRIL 1988

U.K. UNEMPLOYMENT BY AGE THOUSANDS



APRIL 1988

*To nearest thousand

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
March 87	81	244	8	34		43	263	2	24
Apr 87	85	238	8	32		42	258	3	23
May 87	87	235	8	29		41	249	8	22
June 87	90	232	8	24		49	299	13	22
July 87	93	231	8	18		53	324	17	21
Aug 87	94	229	8	18		55	335	20	21
Sept 87	96	229	8	18		55	369	22	21
Oct 87	97	224	8	19		54	359	24**	20
Nov 87	96	222	8	20		53	357	25	20
Dec 87	96	221	8	19		56	347	24	19
Jan 88	95	221	7	19		55	338	26	19
Feb 88	95	224	7	18		54	331	28	19
Mar 88	95	223	7	16		52	321	30	18
Apr 88	94	223	7	14		50	318	30	16

* 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.

** Stats B Estimate

International Comparisons of Unemployment Levels

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 international standardised rates which are recommended for comparing levels of unemployment.

	RECOMMENDED		UNEMPLOYMENT, NATIONAL DEFINITIONS				
	OECD STANDARDISED RATES*		Seasonally Adjusted		Unadjusted		
	Latest month	% rate	Number (000s)	% rate	Number (000s)	% rate	Latest month
Spain	NOV	19.6	2936	20.2	2996	20.6	MAR
Ireland	MAR	(19.0)*	240	18.6	236	18.3	MAY
Italy a	MAR	(11.5)*	2945	12.6	2859	12.3	JAN
France	MAR	10.5	2478	10.1a	2539	10.3a	APR
Belgium	MAR	10.4	405e	14.7e	407	14.8	APR
Netherlands	MAR	9.6	683	14.0	664	13.6	APR
United Kingdom	MAR	8.9	2416	8.7	2427	8.7	MAY
Canada a	MAR	7.7	1025	7.7	1085	8.2	APR
Australia a	MAR	7.4	615	7.8	645	8.3	JAN
Greece	APR 87	(7.4)*	..	..	143	7.5	FEB
Germany	MAR	6.5	2268	8.0	2149	7.6	MAY
Portugal	NOV	6.5	307	7.2	326	7.6	FEB
Denmark	MAR	(6.2)*	218	8.0	259	9.4	FEB
United States a	MAR	5.5	6783	5.5	6553	5.4	MAY
Austria	..	..	162e	5.5e	188	6.4	MAR
Luxembourg	FEB	(3.0)*	..	..	3	1.7	MAR
Japan a	FEB	2.7	1660\$	2.7	1730	2.8	FEB
Norway	FEB	2.4	36	2.2	43	2.6	FEB
Sweden a	MAR	1.7	71	1.7	71	1.6	DEC
Switzerland	..	..	..	..	22	0.7	MAR

* NOTE: FOR THOSE EC COUNTRIES FOR WHICH NO OECD STANDARDISED RATES ARE AVAILABLE, SIMILAR HARMONISED RATES COMPILED BY THE STATISTICAL OFFICE OF EUROPEAN COMMUNITIES (EUROSTAT) ARE SHOWN IN BRACKETS. THESE SHOWED THE UK RATE AT 9.2% IN MARCH COMPARED WITH THE EC AVERAGE OF 10.4%.

e estimated

a Survey Sources

\$ January Figure

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 definitions

	RECOMMENDED			
	Change in % rate	Change (000s)	% Change in total	Latest month
Italy	+ 1.3	+ 287	+ 9	MAR
Denmark	+ 0.2	+ 7	+ 3	FEB
Norway	+ 0.1	+ 3	+ 7	FEB
Germany	+ 0.1	+ 50	+ 2	MAY
Netherlands	- 0.1	- 4	- 1	APR
Switzerland	- 0.1	- 2	- 8	MAR
Luxembourg	- 0.2	- 2	- 7	MAR
Japan	- 0.3	- 130	- 8	FEB
France	- 0.4	- 115	- 4	APR
Greece	- 0.5	- 5	- 3	FEB
Spain	- 0.6	+ 19	+ 1	MAR
Australia	- 0.6	- 26	- 4	JAN
Austria	- 0.6	- 17	- 8	MAR
Sweden	- 0.6	- 26	- 30	DEC
Ireland	- 0.8	- 10	- 4	MAY
USA	- 0.8	- 765	- 10	MAY
Portugal	- 1.2	- 50	- 13	FEB
Belgium	- 1.3	- 35	- 8	APR
Canada	- 1.6	- 186	- 15	APR
United Kingdom	- 2.0	- 560	- 22	MAY

NC No Change

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

When assessing the change 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 C5d shows monthly figures for selected countries.

UNEMPLOYMENT, LATEST 3 MONTHS COMPARED WITH PREVIOUS 3 MONTHS

Seasonally adjusted, national definitions				
	RECOMMENDED			
	Change in Percentage rate	Change Number (000s)	Percentage Changes	Latest month
Italy	+ 0.5	+188	+ 4	MAR
Portugal	+ 0.3	+ 13	+ 4	FEB
Germany	+ 0.1	+ 21	+ 1	MAY
Denmark	NC	NC	NC	FEB
Netherlands	NC	- 1	NC	APR
Australia	NC	- 2	NC	JAN
Sweden	NC	- 3	- 3	DEC
Norway	- 0.1	+ 1	+ 4	FEB
Spain	- 0.1	- 11	NC	MAR
Austria	- 0.1	- 2	- 1	MAR
France	- 0.1	- 14	- 1	APR
Japan	- 0.1	- 43	- 3	JAN
Ireland	- 0.2	- 3	- 1	MAY
Canada	- 0.3	- 38	- 4	APR
United States	- 0.3	-256	- 4	MAY
Belgium	- 0.4	- 13	- 3	APR
United Kingdom	- 0.4	-113	- 4	MAY

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

NC = No change

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

PERSONAL AND CONFIDENTIAL UNTIL 11.30 AM ON 16 JUNE 1988

C5d

Seasonally Adjusted levels and rates of registered unemployment

Month	UK		France		Germany		Italy		Spain	
	Level	Rate	Level	Rate	Level	Rate	Level	Rate	Level	Rate
Jan 87	3112	11.2	2613	10.6	2193	7.8	3238	13.9	2865	20.5
Feb	3067	11.0	2655	10.7	2189	7.8	3268	14.1	2879	20.6
Mar	3037	10.9	2676	10.7	2225	7.9	3263	14.0	2902	20.7
Apr	3021	10.8	2659	10.7	2226	7.9	3136	13.4	2906	20.3
May	2951	10.6	2661	10.7	2219	7.9	3233	13.8	2918	20.4
June	2922	10.5	2645	10.6	2240	7.9	3239	13.9	2922	20.4
July	2873	10.3	2638	10.6	2251	8.0	3297	14.2	2927	20.5
Aug	2826	10.1	2649	10.7	2246	8.0	3373	14.5	2920	20.4
Sep	2772	9.9	2597	10.5	2252	8.0	3376	14.5	2944	20.3
Oct	2714	9.7	2572	10.4	2249	8.0	3340	14.4	2961	20.5
Nov	2651	9.5	2546	10.4	2242	7.9	3335	14.3	2965	20.4
Dec	2614	9.4	2573	10.4	2258	8.0	3414	14.7	2980	20.5
Jan 88	2565	9.2	2578	10.4	2225	7.9	3422	14.7	2981	20.5
Feb	2533	9.1	2582	10.5	2229	7.9	3493	15.0	2957	20.3
Mar	2504	9.0	2535	10.3	2244	7.9	3528	15.2	2936	20.2
Apr	2453	8.8	2539	10.3	2263	8.0				
May	2416	8.7			2268	8.0				

PERSONAL AND CONFIDENTIAL UNTIL 11.30 AM ON 16 JUNE 1988



FROM: A A DIGHT

DATE: 16 June 1988

MR P L PATTERSON

COMBINED RELEASE OF LABOUR MARKET STATISTICS ON 16 JUNE

The Chancellor has seen and was grateful for your minute of 15 June.

A handwritten signature in black ink, appearing to read "A A Dight".

A A DIGHT

BF 22/6
23/6

FROM: C D BUTLER, EOG
DATE: 17 June 1988

CHIEF SECRETARY

- cc Chancellor
- Paymaster General
- Sir Peter Middleton
- Mr Anson
- Mr H Phillips
- Mr Monck
- Mr Burgner
- Mr Luce
- Mr Turnbull
- Mr Burr
- Mr J Pettifer
- Mr C C Allan
- Mr McIntyre
- Mr Call

Ch/ This didn't really seem to be a CST-type issue and we thought you might want to write. But if you disagree can pass back to CST or PMG?

mpw
24/6

do as
PS letter
for my
office

YTS IN THE CIVIL SERVICE

The Secretary of State for Education and Science wrote on 25 May to the Secretary of State for Employment to ask him to give some thought to joint arrangements or other ways of helping small Departments to share the considerable overheads. He suggested that a joint scheme with the Treasury might make sense.

You could write in support of Mr Baker's view. But you will need to stress that any overhead costs should continue to be absorbed within existing running costs.

In your letter of 21 March you said "We are continuing to look at areas where small scale schemes might be feasible...". With this in mind we have been looking at areas of the central Treasury which might be considered suitable (the scheme we have so far is in CISCO). However the resource and staffing implications of the stringent conditions set by MSC for approval of YTS schemes in the Civil Service take us beyond anything that is reasonably affordable in Treasury. Nowhere could I find room for 20 25 places that are the minimum. And I have no one to spare to run the permanent management unit, nor anywhere to put them in this building.

A sharing arrangement as proposed by Mr Baker might be one way of reducing the resource requirement for the domestic Treasury. I cannot of course retract from commitments already made. But it would still be a burden I could well do without.

I attach a draft letter to the Secretary of State for Employment.

C D BUTLER

pl type for
mpw's signature

DRAFT LETTER

ps/ Nick Wilson Esq
SECRETARY OF STATE FOR EMPLOYMENT
eh

FROM: THE CHIEF SECRETARY

is capable of
mounting

YTS IN THE CIVIL SERVICE

The Chancellor has

your secretary of state
him

I have seen Kenneth Baker's letter of 25 May to you asking you to give some thought to joint arrangements for YTS or other ways of helping smaller Departments share the overheads.

the Treasury

Like the DES we too have been experiencing some problems in extending YTS and any scheme the central Treasury mounts is likely to be extremely small.

The Chancellor

I would be interested to see any proposals that come forward for sharing overheads or joint arrangements, ~~However~~ I must emphasise that whatever is proposed should be consistent with the wider public expenditure points made in my letter of 21 March, especially the requirement to absorb within running costs limits any extra overheads and the other costs of training employees under YTS. That, I recognise, ~~will be a difficult hurdle for most small departments.~~

although he has

Paul Cray, private secretaries to

Copies of this letter go to the Prime Minister, other members of Cabinet, and to the Minister of State (Cabinet Office), Richard Luce and Sir Robin Butler.

The Chief Secretary's



FROM: STEVE MATHESON

INLAND REVENUE
MANAGEMENT DIVISION
SOMERSET HOUSE

21 June 1988

CONFIDENTIAL

NOT - with ok;

CHANCELLOR

SELF-EMPLOYMENT STATISTICS

Mr Fowler's letter of 14 May seeks confirmation that we can, as you told him last year, make changes to the CODA system to provide, from mid-1990, more accurate statistics of local area self-employment, and asks that the work should now be done.

2. This comes at an unwelcome time, since we are heavily at work on Independent Taxation and on BROCS Phase 1. But given the response made to Mr Fowler last year on our advice, the importance Ministers attach to this subject, as discussed in MISC 133, and the fact that a PES transfer of funds has been made in the sums we estimated, we shall clearly have to do the work.

3. Mr Fowler suggests that the costs have reduced. This is a misunderstanding. Until we have done the detailed work

c. Chancellor
Financial Secretary
Paymaster General
Sir Peter Middleton
Mr Monk
Mr Scholar
Mr Culpin
Mr Cropper

Chairman
Mr Isaac
Mr Rogers
Mr Painter
Mr Crawley
Mr Calder
Mr Matheson
Mr Pinder
Mr Yard
PS/IR

CONFIDENTIAL

on specifying the Employment requirement and agreed an implementation plan with them, any estimate of cost has to be provisional and at this stage we do not see reason for revising our original estimates downwards.

I attach a draft reply.

Steve Matheson

STEVE MATHESON

CONFIDENTIAL

~~DRAFT~~

Pr type final

CONFIDENTIAL

(n)
The Rt Hon Normal Fowler MP
Secretary of State for Employment
Caxton House
Tothill Street
London
SW1H 9NF

You wrote to me on 14 May 1988 about the possibility of using the Inland Revenue CODA (Schedule D computer) system to produce local area self-employment estimates.

I understand from Inland Revenue officials that the figures quoted in your letter are very tentative and depend to a large extent on precisely which method of implementing the scheme is eventually agreed. At this stage my officials do not see good reason for revising downwards the original estimates. However, provided that figures remain within PES transfers made by your Department to Inland Revenue, I am happy for the scheme to go ahead.

If the work is to be done to provide the information from mid-1990, as we discussed last year, your Department will need to agree the detailed requirement specification and implementation plan very quickly and I have asked Inland Revenue to proceed on that basis.

NIGEL LAWSON

FROM: MARK CALL

DATE: 29 JUNE 1988

MR HUDSON

LEICESTER BUSINESS FEDERATION, 1ST JULY

The press will not be present at the lunch, although a Mr Lawrie Simpkin, Executive Editor of the Leicester Mercury, will be present as a private guest. The Chancellor will thus be able to speak off the record. With awesome precision Jim McCabe, who is organising the lunch, expects the Chancellor to start talking at 1.47 pm and finish at 2.15 pm, after which he would take questions for 10 minutes. I said he would probably choose to place a greater emphasis on questions.

2. Jim McCabe said the local papers would be grateful for anything we are able to give them. It strikes me we might simply give them the Kensington press release on the economy, suitably repackaged.

3. The audience will be a 60-strong cross-section of local business. I am told there are no burning issues among members of the Federation. The Chancellor may, however, wish to note that Peter Bruinvels will be attending as a guest.

4. Mr McCabe also helpfully sent a map indicating how to get to the Grand Hotel, and I attach this. *(Passed to Sylvia.)*

Mc

MARK CALL

ENC

President: K. W. BOWDER,
O.B.E., C.C.

Chairman: Mrs. A. G. WILSON,
C.B.E., J.P., C.C.

Deputy Chairman: Cllr. M.H. JOHNSON

Hon. Treasurer: G. J. PAGE, F.C.A.

Agent: JAMES McCABE

LEICESTER CONSERVATIVE FEDERATION

Member of the European Parliament: FRED TUCKMAN

27b BELVOIR STREET
LEICESTER LE1 6SL
Telephone: 554488

28th June 1988

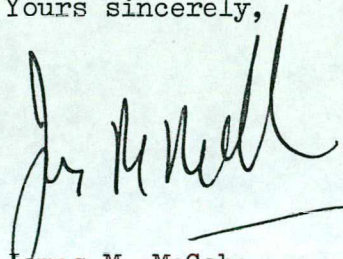
Mr. Mark Call,
Treasury Chambers,
Parliament Street,
London SW1P 3AG.

Dear Mr. Call,

Further to our conversation I enclose a computer print out of the list of members of the Luncheon Club and also a list of those who are actually attending the Luncheon or sending substitutes and their Guests.

I also enclose a map of the route to come to the Grand Hotel. You will leave the M.1 motorway at junction 21 and follow the A.46 signposted Leicester which brings you on to the enclosed map, I have indicated the route in pink highlighter, and I have chosen a route by which your driver does not have to do a grand tour of the City Centre.

Yours sincerely,



James M. McCabe
City Agent

4/56

LEICESTER BUSINESS LUNCHEON CLUB
LUNCHEON 1ST JULY 1988

Name	Date	Nominated Sub	Guests	How replied	Remarks
J.R. Wilson	8/6			Slip	
M.A. Williams	15/6			Slip	
E.R. Bennett	15/6	D.A. Callaghan		Slip	
G.G. Simpson	15/6		P.S. Snow Esq.	Slip	£35 paid 15/6
Mrs. B. Tweddle	15/6			Slip	
Mr. P. Tweddle	15/6	Mrs. Newham		Slip	
B. Jones	15/6		Miss. J. Pereira	Slip	£35 paid 15/6
J.E. Sharp	15/6			Slip	
K.B. Chell	15/6			Slip	Sent by J.N.D. Hancock
A.P. Smith	15/6		Mr. M. Farrington	Slip	Owed
W. Richmond	15/6			Slip	To sit with G. Simpson
M.A. Griggs	15/6			Slip	
R. Bowder	15/6			Slip	
R.H. Bloor	15/6		D.V.M. Mitchell W.J. Parker	Slip	£70 paid 15/6
B.A.F. Smith	15/6	J.C. Smith		) Slip	
B.A.F. Smith	15/6	Mrs. S.M. Moore		) Slip	
R.D. Lea	15/6		Mrs. R.D. Lea	Slip	£35 paid 15/6
Rt. Hon. N. Lawson					
Mr. Mark Call					
John N.D. Hancock	17/6			Slip	Sent by K. Chell
Michael Cufflin	17/6			Slip	
W.E. Willson	17/6		Col. D.E. Thornton	Slip	£35 paid 17/6
J.M. McCabe					
Mrs. A.G. Wilson	17/6		Lawrie Simpkin	Word of Mouth	
J. Stafford	20/6	<i>Exec. Ed. Leis Mercury</i>	George Ringway	Slip	£35 paid 20/6
J.R.N. Lowe	20/6		M.J. Linnett	Slip	£35 paid 20/6
J.G. Beachell	21/6			Phone	
K. Bowder	21/6	Mrs. M. Graham		Phone	seat by K. Chell/ Bill Willson
P. Buckland-Large	21/6			Phone	
R.E. Cockayne	21/6			Slip	
R.E. Cockayne	21/6	A.B. Broadbent		Slip	

Name	Date	Nominated Sub	Guests	How replied	Remarks
M. Culshaw	21/6			Phone	
I.S. Davidson	21/6	Mr. Bocock		Phone	Confirmed 27/6
D.R. Eastlake	21/6			Phone	
D. Kenton Evans	21/6		J. Vaughan	Phone	
D. Hignett	21/6			Phone	
C.G. Packham	21/6	Derek Trendell		Slip	
G. Page	21/6			Phone	
J.I. Sadler	24/6		Peter Bruinvels P.J. Eyre	Phone	Owed
W.J. Scott	21/6			Slip	
			Mr. J. Chanderana)		
			Mr. M. Patel)		£70 paid 25/6
J. Sutton	23/6			Slip	
M. Molloy	24/6			Phone	
M.P. Tahany	24/6	Lady Caroline Tahany		Slip	
R. Herbert	28/6	John Holland		Phone	
R. Herbert	28/6	Mrs. C. Macpherson		Phone	

UNEMPLOYMENT IN LEICESTER

29/6/88 PMP

	April 1987	April 1988	% change
<u>Numbers unemployed.</u>			
Leicester East	5,107	3,999	-21.7
" South	6,704	5,139	-23.3
" West	6,240	5,221	-16.3
UK (unadjusted, incl. school leavers)	3,107,100	2,536,000	-18.4

Unemployment:

Numbers (and as % of employees and unemployed)

Leicester (TTWA)	24,580 (9.2)	19,075 (7.2)	-22.4 (-2.0)
Leicestershire	36,247 (8.9)	27,854 (6.9)	-23.2 (-2.0)
GB	2,979,921 (12.3)	2,417,720 (10.0)	-18.9 (-2.3)
UK	3,107,128 (12.5)	2,536,000 (10.3)	-18.4 (-2.2)

Mk	22 (29)		
Blount	17 (23)		
Harlow	19 (27)		
Leicestershire	8		
Longsight	18		
Milton	23 (28)		
(with 18)			
E Maj Mk		22,176	
L Maj L S		1,924	
W		1,877	
		1,201	
		<u>5,002</u>	

Net 128,000
:9 = 14

CONFIDENTIAL



prop

Treasury Chambers, Parliament Street, SW1P 3AG
01-270 3000

30 June 1988

The Rt Hon Norman Fowler MP
Secretary of State for Employment
Caxton House
Tothill Street
London
SW1H 9NF

cc: PS/Financial Secretary
PS/Paymaster General
Sir P Middleton
Mr Monck
Mr Scholar
Mr Culpin
Mr Cropper

*pl cc also to
Mr Maheson/IR
+ PS/IR + return*

Norman

You wrote to me on 14 May 1988 about the possibility of using the Inland Revenue CODA (Schedule D computer) system to produce local area self-employment estimates.

I understand from Inland Revenue officials that the figures quoted in your letter are very tentative and depend to a large extent on precisely which method of implementing the scheme is eventually agreed. At this stage my officials do not see good reason for revising downwards the original estimates. However, provided that figures remain with PES transfers made by your Department to Inland Revenue, I am happy for the scheme to go ahead.

If the work is to be done to provide the information from mid-1990, as we discussed last year, your Department will need to agree the detailed requirement specification and implementation plan very quickly and I have asked Inland Revenue to proceed on that basis.

Norman

NIGEL LAWSON

THE MINISTER



CH/EXCHEQUER	
REC.	-4 JUL 1988
ACTION	MR MONCK
COPIES TO	PS/CST AS/ST AS/PMG S/R P. MIDDLETON S/R T. EVANS MR BJOR MR ACKFORD MR HUBBARD MR MERRICK MR CH... AS/IR MR MATTHEWS IR

Oh/not clear whether all problems identified in earlier abortive demarche now

EMPLOYMENT STATISTICS solved.

I shall pursue first thing tomorrow

I intend making two changes to my Department's employment statistics as from the regular Labour Market Statistics Press Notice to be released on 14 July. The first will give a more accurate picture of the unemployment rates for local areas by allowing for self-employment in their calculation. As well as improving the quality of the rates this will make them comparable with the main national and regional rates. The other, the introduction of a 'workforce in employment' series, is relevant to the way the change from the present Community Programme to the benefit plus Employment Training programme will reduce the figures for employees in employment, a matter we have discussed previously.

Local Unemployment Rates

The unemployment rates we publish for local areas are higher than they should be because the denominator takes no account of the self-employed. This is because the statisticians do not have up to date estimates of self-employment in local areas. I have approved a joint project with Inland Revenue which will provide such estimates from about 1990. Meanwhile I have decided to incorporate broad allowances - based on 1981 Census of Population figures updated using national and regional trends - for self-employment in the local unemployment rates. In publishing these rates it will be stressed that this is an interim step, pending the availability of more accurate data and that rates calculated in the old discredited fashion will be available should anyone want them.

...I attach a table comparing rates for April including and excluding these allowances. The effect of the allowance is quite substantial in some areas. For example the biggest change is in Cardigan where the rate will be reduced from 22 to 14 per cent; such changes may attract comment though there are of course many areas for which the change is only small. The rates to be published in July will also incorporate allowances for scheme participants but these - which are not yet to hand - will have a much smaller effect.

*How far such an adjustment will be made? - 10
Should be made
Comparisons
Such as 1979.
2. Per cent
That for
Gives get
a copy of
This - as
all advance
warning of
Announcements*



Workforce in employment series

Because participants in the Community Programme have contracts of employment and Employment Training trainees - many of whom will spend part of their time on projects like those now undertaken by the Community Programme - will not have contracts of employment, the phasing out of the Community Programme and build up of Employment Training will result in a reduction of some 200,000 in the employed labour force which is our usual statistical indicator of employment.

In considering this my statisticians have also taken account of international discussions about the treatment in employment statistics of scheme participants which were held in Geneva in November under the auspices of the ILO. The Central Statistical Office have also considered the implications of any changes for the national accounts and productivity estimates. As a result, my statisticians have recommended that the coverage of employment statistics be extended to include participants in schemes which give them an element of work experience. This treatment will be fully in line with the ILO's recommended practice and I have therefore accepted the recommendation.

Because this will widen the coverage of those in employment, it will be necessary to alter the terminology used in presenting the statistics in order to avoid confusion. The following table illustrates current and proposed practice:-

CURRENT	PROPOSED
Employees in Employment +Self-employed +HM Forces	Employees in Employment +Self-employed +HM Forces +Work Related Government Training Programmes
=Employed Labour Force +Unemployment	=Workforce in Employment +Unemployment
=Working Population	=Workforce



As separate figures will continue to be published for employees, the self-employed and HM Forces, it will be possible for anyone who wishes to do so to continue to calculate the 'employed labour force' figure.

The effect of this wider definition is that the vast majority of those in the YTS and Employment Training programme will be included in the new "Workforce in Employment" series; this contrasts with the present employed labour force series which only includes those with a contract of employment (ie those on the Community Programme and currently some 15 per cent of those on YTS). One consequence will be that the national unemployment rate, which will include employment on the new definition in its denominator, will be reduced by about 0.1 per cent.

The Central Statistical Office have decided not to treat any of the payments made to scheme participants as employment income for national accounts purposes. This can be explained by reference to the complexity and arbitrariness of any attempt to identify that part of the payment which could be regarded as employment income, and the need to await the outcome of consideration by the relevant international bodies of the appropriate national accounts treatment of such payments.

In calculating productivity CSO will continue to use the employed labour force as the denominator; ie they will not add scheme participants to the denominator. This will, in line with past practice, need to be noted in our announcement of the change to the employment figures. We will explain that this calculation of productivity provides a better estimate than if participants were to be included in the denominator. This is because of the small contribution of participants to total output and the unavoidable exclusion from the national accounts measure of output of much of the output of participants.



Timing

I intend to introduce the new definitions, together with a detailed explanation, and the revised local unemployment rates in the July Press Notices. My officials are preparing press releases on the new basis - although they could if necessary revert to the present basis, provided they are instructed to do so before 6 July. The figures are due for release at 11.30 am on Thursday 14 July.

Any changes concerning the unemployment figures are bound to provoke criticism from our opponents but the incorporation of allowances for self-employment clearly produces local unemployment rates which more accurately reflect the state of local labour markets and I believe that the position of the ILO offers a sound defence for the introduction of the workforce in employment series.

I am copying this to the Chancellor of the Exchequer, the Chief Secretary, the Secretaries of State for Trade and Industry, Northern Ireland, Scotland and Wales, the Paymaster General and the head of the Government Statistical Service.

N F

1 July 1988

GREAT BRITAIN UNEMPLOYMENT RATES BY TTWA AND SEX: APRIL 1988

TTWA NAME	CURRENT UE RATE			ALTERNATIVE RATE (incl. Self-Emp)			CURRENT — ALTERNATIVE		
	MALE	FEMALE	TOTAL	MALE	FEMALE	TOTAL	MALE	FEMALE	TOTAL
Cardigan	22.5	20.9	22.0	13.7	15.0	14.1	8.85	5.89	7.91
Fishguard	18.7	19.3	18.9	11.4	13.1	11.9	7.38	6.22	7.05
Pwllheli	21.0	15.7	19.0	13.7	12.8	13.4	7.33	2.92	5.56
Lampeter & Aberaeron	18.8	11.8	16.0	12.2	8.7	10.9	6.60	3.08	5.06
South Pembrokeshire	24.7	16.9	21.8	18.5	13.7	16.8	6.16	3.24	4.98
Llandeilo	11.4	15.5	12.6	6.9	10.0	7.8	4.47	5.52	4.82
Newton Stewart	20.0	16.4	18.5	13.7	14.0	13.8	6.35	2.42	4.72
Girvan	29.9	16.5	23.5	21.6	15.4	19.0	8.35	1.09	4.51
Whitby	21.1	10.3	16.0	14.0	8.3	11.6	7.11	2.01	4.44
Campbeltown	22.9	13.7	18.5	15.5	12.3	14.2	7.38	1.40	4.27
Helston	22.0	13.2	17.4	14.4	11.7	13.2	7.58	1.56	4.23
Newquay	23.1	17.3	20.4	16.8	15.5	16.2	6.32	1.82	4.18
Skye & Wester Ross	20.9	14.9	18.3	14.9	13.1	14.2	6.02	1.78	4.10
Bude	13.7	12.6	13.3	8.6	10.4	9.2	5.10	2.24	4.09
Dunoon & Bute	19.1	13.2	16.3	13.2	11.2	12.4	5.89	1.93	3.96
Monmouth	14.5	11.4	13.1	9.5	8.7	9.2	4.98	2.64	3.91
Penzance & St. Ives	21.3	12.0	17.0	15.3	10.3	13.2	6.02	1.75	3.85
Machynlleth	14.0	10.9	12.7	9.2	8.4	8.9	4.82	2.50	3.80
Western Isles	28.0	11.4	20.8	21.2	10.6	17.1	6.83	.82	3.72
South Molton	10.3	9.7	10.0	5.8	7.4	6.4	4.48	2.27	3.66
Forres	24.2	18.0	21.3	18.3	16.8	17.7	5.93	1.19	3.62
Launceston	10.0	12.1	10.8	6.3	9.3	7.3	3.70	2.80	3.50
Skegness	22.6	12.6	18.4	17.5	10.9	14.9	5.10	1.68	3.49
Berwickshire	14.8	12.2	13.7	9.9	11.4	10.4	4.97	.80	3.36
Torrington	9.4	14.7	11.0	6.4	10.6	7.7	2.93	4.18	3.35
Holyhead	22.1	16.7	20.0	17.7	15.0	16.7	4.34	1.73	3.26
Llandrindod Wells	10.2	9.9	10.1	6.4	7.8	6.9	3.82	2.08	3.17
Torbay	19.2	10.9	15.3	14.4	9.4	12.2	4.84	1.53	3.10
Falmouth	18.6	13.1	16.3	14.4	11.3	13.2	4.22	1.74	3.08
Sutherland	22.0	13.1	18.2	17.4	11.8	15.2	4.67	1.31	3.06
Orkney Islands	14.3	9.1	12.0	9.7	7.8	8.9	4.60	1.32	3.03
Minehead	14.6	9.2	12.1	10.3	7.5	9.1	4.31	1.78	3.02
Dartmouth & Kingsbridge	12.1	7.8	10.1	7.6	6.3	7.1	4.46	1.48	2.99
Bodmin & Liskeard	15.0	9.9	12.6	10.6	8.5	9.7	4.43	1.41	2.93
Haverfordwest	19.9	11.6	16.4	15.9	9.9	13.4	3.97	1.70	2.91
Badenoch	15.6	9.8	13.1	11.9	7.9	10.2	3.73	1.84	2.84
Cumnock & Sanquhar	33.6	16.7	27.0	29.4	15.6	24.1	4.25	1.16	2.83
Clacton	17.9	8.4	13.2	13.0	7.3	10.4	4.92	1.10	2.79
Dolgellau & Barmouth	14.8	9.5	12.5	10.6	8.3	9.7	4.27	1.18	2.79
Redruth & Camborne	20.1	13.0	17.2	16.3	11.5	14.5	3.74	1.57	2.78
Arbroath	21.5	14.5	18.5	17.3	13.3	15.7	4.20	1.20	2.78
Stranraer	19.5	14.1	17.4	15.7	12.8	14.6	3.85	1.28	2.74
Louth & Mablethorpe	16.2	10.7	13.9	12.2	9.5	11.2	4.01	1.22	2.74
Alwicks & Amble	18.8	11.4	15.9	15.2	10.0	13.2	3.62	1.44	2.66
Bideford	16.3	10.6	13.8	12.2	9.6	11.2	4.16	.99	2.65
Keswick	9.7	6.2	8.0	6.1	4.4	5.4	3.55	1.70	2.61

	CURRENT UE RATE			ALTERNATIVE RATE			CURRENT-ALTERNATIVE		
Conwy & Colwyn	16.9	9.5	13.5	13.0	8.1	10.9	3.85	1.42	2.61
Horncastle & Market Rasen	12.6	10.8	11.9	9.2	9.3	9.2	3.41	1.49	2.60
Crieff	15.4	9.3	12.6	11.3	8.4	10.1	4.14	.94	2.53
Thirsk	11.4	8.3	9.9	7.7	7.1	7.4	3.72	1.20	2.49
Thanet	19.2	9.9	14.8	15.2	8.7	12.3	3.97	1.19	2.49
Welshpool	8.8	8.6	8.7	5.9	7.1	6.3	2.93	1.47	2.44
Aberdare	28.2	12.8	21.6	24.7	11.6	19.2	3.54	1.22	2.44
Denbigh	11.5	7.5	9.6	7.7	6.4	7.2	3.75	1.05	2.42
Lockerbie	11.8	10.8	11.4	8.9	9.2	9.0	2.91	1.63	2.41
Fakenham	10.2	8.7	9.6	7.5	6.9	7.2	2.72	1.81	2.36
Keith	15.4	11.0	13.4	11.6	10.2	11.1	3.75	.81	2.35
Okehampton	9.2	7.5	8.4	6.0	6.2	6.1	3.15	1.29	2.34
Brechin & Montrose	14.4	12.2	13.5	11.3	10.8	11.1	3.05	1.38	2.33
Stewartry	11.4	9.6	10.5	7.9	8.7	8.2	3.46	.86	2.33
Wick	24.5	7.1	15.5	19.3	6.5	13.2	5.19	.55	2.30
Blackpool	17.8	8.5	13.4	14.1	7.5	11.1	3.76	1.02	2.28
Newtown	9.9	8.1	9.1	6.8	7.1	6.9	3.10	1.06	2.24
Islay/Mid Argyll	15.0	11.5	13.5	11.6	10.7	11.3	3.41	.82	2.23
Banff	13.3	7.4	10.5	9.2	6.9	8.3	4.03	.52	2.23
Bridlington & Driffield	14.2	9.7	12.3	11.1	8.5	10.1	3.05	1.25	2.20
Porthmadoc & Ffestiniog	13.4	8.8	11.5	10.2	7.7	9.3	3.16	1.09	2.20
Richmondshire	9.7	9.7	9.7	6.9	8.4	7.5	2.84	1.32	2.20
Totnes	9.5	9.2	9.4	7.1	7.3	7.2	2.38	1.85	2.17
Cromer & North Walsham	11.9	7.4	9.9	8.9	6.2	7.8	3.04	1.22	2.13
Brecon	9.7	5.4	7.7	6.2	4.6	5.5	3.51	.83	2.13
St.Austell	12.2	10.9	11.7	9.7	9.3	9.6	2.53	1.52	2.13
Bangor & Caernarfon	19.7	10.8	15.9	16.5	9.9	13.8	3.21	.97	2.12
Barnstaple & Ilfracombe	13.1	8.8	11.1	9.9	7.7	9.0	3.19	1.05	2.11
Invergordon & Dingwall	29.9	12.7	22.8	26.2	12.1	20.7	3.64	.55	2.08
Blairgowrie & Pitlochry	13.1	7.9	10.7	9.7	7.1	8.6	3.45	.81	2.07
Oban	12.5	9.0	10.9	9.4	8.1	8.8	3.13	.95	2.05
Buckie	16.5	13.0	14.7	12.9	12.5	12.7	3.63	.54	2.01
Whitchurch & Market Drayton	10.4	7.9	9.3	7.4	7.3	7.3	3.03	.65	1.98
Blaenau,Gwent & Abergavenny	21.5	9.6	16.4	18.7	8.6	14.4	2.84	1.00	1.97
Ludlow	8.5	7.4	8.1	5.9	6.5	6.1	2.57	.94	1.96
Fraserburgh	15.3	6.8	11.0	11.0	6.5	9.0	4.32	.32	1.96
Honiton & Axminster	9.8	6.4	8.2	6.9	5.4	6.2	2.93	1.03	1.96
Annan	13.3	11.8	12.7	10.5	11.1	10.7	2.83	.74	1.95
Lochaber	17.6	10.6	14.3	14.4	9.8	12.4	3.24	.74	1.92
Llanelli	17.9	12.0	15.6	15.6	10.7	13.7	2.31	1.30	1.90
Shotton,Flint & Rhyl	16.1	10.1	13.6	13.5	9.0	11.7	2.57	1.05	1.86
Wisbech	13.1	8.0	11.0	10.4	7.2	9.1	2.75	.84	1.84
Peterhead	15.1	10.4	13.1	12.1	9.9	11.2	3.00	.49	1.83
Workington	13.7	12.1	13.1	11.6	10.7	11.3	2.11	1.38	1.81
Aberystwyth	11.5	7.9	10.0	9.0	7.0	8.2	2.57	.91	1.79
Cinderford & Ross-on-Wye	10.7	10.4	10.6	8.5	9.3	8.8	2.20	1.10	1.78
Carmarthen	11.3	5.8	8.7	8.3	5.1	6.9	3.04	.66	1.78
Great Yarmouth	14.2	11.2	13.0	12.3	9.7	11.3	1.91	1.49	1.75
Gainsborough	15.3	10.7	13.6	13.1	9.6	11.9	2.16	1.10	1.73
Scarborough & Filey	12.8	7.3	10.3	10.2	6.5	8.6	2.64	.84	1.72
Settle	4.9	6.5	5.5	3.2	5.0	3.8	1.67	1.52	1.67
Isle of Wight	13.4	8.0	10.8	10.8	7.2	9.1	2.66	.82	1.67
Irvine	25.9	13.8	20.9	23.2	13.2	19.2	2.71	.57	1.66

	CURRENT UE RATE			ALTERNATIVE RATE			CURRENT-ALTERNATIVE		
Newton Abbot	10.6	8.1	9.5	8.4	7.1	7.9	2.25	.99	1.66
Bishop Auckland	20.3	11.2	16.5	17.8	10.5	14.8	2.53	.66	1.61
Merthyr & Rhymney	21.6	11.7	17.7	19.4	10.8	16.0	2.15	.91	1.61
Pickering & Helmsley	5.8	4.9	5.4	3.7	3.9	3.8	2.03	.95	1.61
Alloa	22.5	12.5	18.3	20.2	11.8	16.7	2.38	.77	1.60
Lancaster & Morecambe	14.9	8.5	12.0	12.3	7.8	10.4	2.58	.65	1.60
Folkestone	14.3	6.9	10.7	11.5	6.2	9.1	2.73	.69	1.60
Goole & Selby	13.4	12.6	13.1	11.5	11.6	11.5	1.92	1.05	1.60
Weston-super-Mare	13.2	7.5	10.3	10.5	6.8	8.7	2.74	.73	1.59
Bridport	9.0	4.6	6.8	6.3	3.9	5.2	2.70	.71	1.58
Huntly	10.6	5.8	8.4	7.7	5.4	6.8	2.90	.38	1.58
Hastings	11.1	5.5	8.3	8.4	4.8	6.7	2.73	.67	1.57
Doncaster	20.7	12.4	17.3	18.5	11.5	15.7	2.22	.82	1.57
Harwich	12.9	9.6	11.5	10.8	8.6	9.9	2.05	.98	1.57
Wrexham	14.6	9.8	12.6	12.4	9.0	11.1	2.19	.80	1.56
Peebles	13.6	6.8	10.2	10.6	6.3	8.7	2.95	.49	1.53
Bolton & Bury	16.5	8.8	13.0	14.0	8.2	11.5	2.51	.59	1.50
Bridgend	17.4	8.9	13.7	15.1	8.2	12.2	2.27	.72	1.50
Scunthorpe	15.6	9.7	13.2	13.4	9.0	11.7	2.19	.66	1.49
Ripon	6.4	6.1	6.3	4.4	5.3	4.8	2.01	.75	1.48
Penrith	6.0	6.3	6.1	4.1	5.7	4.7	1.88	.59	1.45
Dumbarton	21.4	14.5	18.3	19.2	13.8	16.8	2.20	.69	1.45
Pontypridd & Rhondda	20.0	9.2	15.5	17.9	8.5	14.1	2.13	.67	1.44
Newark	12.5	8.1	10.6	10.3	7.5	9.2	2.17	.64	1.43
Accrington & Rossendale	12.7	8.2	10.7	10.6	7.4	9.2	2.09	.76	1.43
Forfar	11.9	10.0	11.1	9.9	9.3	9.7	1.96	.74	1.42
Truro	11.7	6.5	9.0	9.2	5.9	7.6	2.45	.65	1.42
North East Fife	11.6	8.6	10.2	9.3	8.1	8.8	2.27	.55	1.42
Pendle	11.7	9.3	10.7	9.8	8.5	9.3	1.92	.80	1.42
South Tyneside	27.5	13.4	21.7	25.3	12.8	20.3	2.17	.61	1.42
Hexham	6.9	6.3	6.7	5.1	5.5	5.3	1.84	.77	1.41
Oswestry	9.8	6.9	8.5	7.6	6.3	7.1	2.18	.55	1.41
Wigan & St.Helens	20.0	10.5	15.8	17.7	9.9	14.4	2.30	.58	1.41
Barnsley	22.3	10.0	17.2	20.1	9.5	15.8	2.21	.57	1.41
Malvern & Ledbury	10.2	5.2	7.8	7.8	4.6	6.4	2.44	.57	1.41
Kelso & Jedburgh	10.7	6.4	8.7	8.5	5.8	7.3	2.21	.64	1.40
Swansea	18.7	8.6	14.4	16.6	8.0	13.0	2.11	.65	1.40
Berwick	11.9	6.5	9.5	9.6	6.0	8.1	2.31	.57	1.40
Sudbury	7.2	6.1	6.7	5.6	5.0	5.3	1.61	1.12	1.39
Rotherham & Mexborough	24.2	12.2	19.3	22.1	11.6	17.9	2.15	.58	1.39
Hereford & Leominster	9.7	7.0	8.5	7.5	6.5	7.1	2.18	.51	1.39
Diss	6.0	4.8	5.5	4.3	3.8	4.1	1.69	1.00	1.38
Wirral & Chester	20.7	9.8	15.7	18.3	9.3	14.3	2.46	.47	1.37
Oldham	14.8	9.1	12.3	12.6	8.5	10.9	2.17	.58	1.37
Telford & Bridgnorth	15.2	10.8	13.4	13.2	10.2	12.0	2.03	.57	1.37
Sleaford	9.4	6.7	8.2	7.2	6.2	6.8	2.22	.48	1.36
Retford	11.9	10.6	11.5	10.4	9.5	10.1	1.48	1.09	1.34
Hartlepool	26.1	12.1	20.4	24.2	11.4	19.1	1.82	.72	1.34
Bridgwater	9.9	8.3	9.2	8.1	7.6	7.9	1.81	.71	1.34
Kilmarnock	20.1	10.0	15.4	17.6	9.6	14.1	2.43	.42	1.34
Thurso	11.9	11.0	11.6	10.2	10.2	10.2	1.65	.73	1.33
Rochdale	15.0	9.0	12.4	12.9	8.4	11.0	2.10	.57	1.33
Boston	11.3	6.9	9.4	9.1	6.5	8.1	2.23	.39	1.33

	CURRENT UE RATE			ALTERNATIVE RATE			CURRENT-ALTERNATIVE		
Spalding & Holbeach	7.9	6.5	7.3	6.0	5.9	5.9	1.93	.54	1.32
Beccles & Halesworth	7.2	6.0	6.7	5.5	5.2	5.4	1.71	.75	1.30
Tiverton	7.6	6.1	6.9	5.8	5.5	5.7	1.88	.58	1.28
Buxton	7.5	6.4	7.0	5.9	5.6	5.8	1.64	.79	1.26
Liverpool	24.5	10.9	18.4	22.2	10.5	17.1	2.33	.38	1.26
Mansfield	19.1	9.2	15.1	17.3	8.5	13.9	1.78	.62	1.26
Darlington	14.7	9.0	12.2	12.8	8.4	11.0	1.86	.61	1.26
Lanarkshire	22.2	11.3	17.4	20.0	10.9	16.2	2.15	.43	1.25
Northwich	11.6	7.6	9.9	9.7	7.1	8.6	1.92	.55	1.25
Bournemouth	10.7	5.2	8.1	8.7	4.7	6.9	2.07	.55	1.25
Ayr	16.1	10.3	13.7	14.2	9.8	12.4	1.93	.48	1.24
Shaftesbury	5.8	4.8	5.4	4.1	4.2	4.1	1.74	.61	1.24
Sittingbourne & Sheerness	10.6	8.7	9.8	8.9	8.1	8.6	1.74	.58	1.22
Grantham	9.6	8.1	8.9	8.0	7.3	7.7	1.58	.73	1.22
Middlesbrough	24.6	10.7	18.7	22.6	10.2	17.5	1.98	.45	1.21
Dover & Deal	10.7	7.1	9.2	9.0	6.5	8.0	1.71	.61	1.21
Morpeth & Ashington	19.4	8.7	14.8	17.5	8.2	13.6	1.90	.50	1.21
Blackburn	14.6	7.3	11.4	12.8	6.7	10.2	1.81	.57	1.19
Elgin	13.2	9.3	11.3	11.1	9.0	10.1	2.13	.34	1.18
Warminster	7.1	6.8	7.0	5.5	6.2	5.8	1.60	.68	1.17
Windermere	5.3	3.8	4.6	3.7	3.1	3.4	1.69	.65	1.17
Southend	10.3	6.2	8.4	8.4	5.8	7.3	1.95	.43	1.17
Canterbury	10.0	5.8	7.9	8.1	5.2	6.8	1.91	.52	1.16
Castleford & Pontefract	18.1	10.2	14.9	16.5	9.6	13.8	1.64	.58	1.15
Pontypool & Cwmbran	15.8	10.0	13.3	14.1	9.5	12.2	1.73	.52	1.14
Plymouth	14.6	9.2	12.2	12.9	8.7	11.1	1.75	.53	1.13
Chesterfield	16.0	8.5	12.9	14.2	8.1	11.8	1.76	.45	1.13
Wareham & Swanage	6.5	6.1	6.3	5.0	5.5	5.2	1.48	.59	1.13
Skipton	6.8	4.5	5.7	5.0	4.0	4.5	1.82	.49	1.12
Lowestoft	10.8	10.2	10.6	9.6	9.2	9.5	1.21	.96	1.11
Grimsby	16.4	8.2	12.9	14.6	7.8	11.8	1.82	.40	1.11
King's Lynn and Hunstanton	9.9	7.1	8.7	8.4	6.5	7.6	1.54	.61	1.10
Huddersfield	10.8	7.9	9.6	9.4	7.2	8.5	1.45	.69	1.10
Inverness	15.3	7.7	11.9	13.5	7.3	10.8	1.88	.39	1.10
Wells	7.0	5.6	6.3	5.4	5.0	5.3	1.52	.61	1.09
Keighley	10.9	6.9	9.1	9.2	6.4	8.0	1.75	.45	1.09
Burnley	13.8	7.6	11.0	12.1	7.1	9.9	1.69	.52	1.09
Stamford	7.2	6.7	7.0	5.8	6.1	5.9	1.39	.66	1.09
Kidderminster	10.3	8.4	9.5	8.7	7.9	8.4	1.59	.48	1.08
Sunderland	22.9	11.2	18.1	21.2	10.8	17.0	1.63	.49	1.08
York	10.7	6.7	8.9	8.9	6.3	7.8	1.81	.42	1.08
Hull	16.3	8.8	13.1	14.6	8.4	12.0	1.76	.40	1.08
Stirling	15.8	7.6	11.7	13.8	7.2	10.7	2.02	.40	1.08
Blandford	5.6	4.7	5.2	4.0	4.2	4.1	1.54	.51	1.05
Wakefield & Dewsbury	16.0	8.2	12.7	14.3	7.8	11.6	1.62	.46	1.05
Banbury	8.0	5.5	6.8	6.3	5.1	5.8	1.71	.40	1.04
Stroud	7.0	5.9	6.5	5.6	5.3	5.5	1.44	.57	1.04
Brighton	9.1	5.5	7.4	7.5	5.0	6.4	1.64	.47	1.03
Malton	6.3	4.7	5.5	4.8	4.2	4.5	1.55	.48	1.03
Lincoln	12.9	7.9	10.8	11.3	7.5	9.8	1.62	.41	1.02
Haddington	8.8	8.4	8.6	7.6	7.7	7.6	1.19	.73	1.02
Kirkcaldy	21.4	10.9	16.6	19.6	10.5	15.6	1.82	.35	1.02
Greenock	25.1	11.7	19.6	23.4	11.4	18.6	1.69	.33	1.01

	CURRENT UE RATE			ALTERNATIVE RATE			CURRENT-ALTERNATIVE		
Calderdale	10.9	7.9	9.6	9.4	7.3	8.6	1.43	.54	1.01
Sheffield	17.1	9.2	13.7	15.5	8.8	12.7	1.64	.40	1.01
Worksop	17.8	9.3	14.2	16.3	8.8	13.2	1.49	.48	1.00
Widnes & Runcorn	19.3	11.7	16.3	17.9	11.1	15.3	1.39	.52	1.00
Woodbridge & Leiston	5.5	4.7	5.2	4.3	3.9	4.2	1.15	.79	1.00
Evesham	5.1	5.1	5.1	3.9	4.5	4.1	1.29	.56	1.00
Chard	6.4	5.8	6.2	5.2	5.2	5.2	1.25	.64	1.00
Barrow-in-Furness	9.9	8.6	9.4	8.8	7.8	8.4	1.14	.81	1.00
Bradford	14.2	7.2	11.1	12.5	6.9	10.1	1.65	.38	1.00
Preston	11.0	7.2	9.4	9.5	6.7	8.4	1.49	.44	.99
Dorchester & Weymouth	9.4	6.3	8.0	7.9	5.8	7.0	1.47	.51	.99
Shetland Islands	7.4	6.0	6.8	5.9	5.7	5.8	1.47	.35	.99
Perth	12.1	6.9	9.7	10.4	6.6	8.8	1.72	.31	.98
Chippenham	6.5	5.9	6.3	5.3	5.2	5.3	1.25	.63	.98
Newport	15.4	8.7	12.5	13.9	8.2	11.5	1.49	.45	.98
Neath & Port Talbot	15.3	11.2	13.9	14.3	10.4	13.0	1.07	.76	.96
Yeovil	6.4	6.5	6.4	5.3	5.8	5.5	1.14	.69	.96
Shrewsbury	8.9	5.5	7.3	7.2	5.2	6.3	1.74	.27	.96
Taunton	8.1	5.3	6.8	6.6	4.8	5.8	1.49	.45	.96
Ashford	7.3	5.6	6.5	5.9	5.1	5.6	1.36	.49	.96
Carlisle	9.5	7.0	8.4	8.1	6.5	7.4	1.39	.47	.95
Walsall	14.4	9.0	12.2	12.9	8.6	11.3	1.44	.38	.95
Melton Mowbray	6.6	6.2	6.4	5.3	5.8	5.5	1.31	.49	.95
Manchester	15.0	7.4	11.6	13.4	7.0	10.7	1.61	.35	.95
Dunfermline	15.5	11.1	13.8	14.3	10.5	12.9	1.18	.61	.94
Corby	11.7	9.3	10.7	10.3	8.8	9.7	1.35	.45	.94
Colchester	7.5	5.7	6.7	6.0	5.4	5.7	1.51	.34	.93
Kendal	5.5	4.5	5.0	4.2	3.9	4.1	1.27	.53	.93
Hawick	11.5	5.8	9.0	9.9	5.5	8.0	1.58	.34	.93
Wolverhampton	16.4	9.7	13.7	14.9	9.4	12.7	1.52	.30	.93
Falkirk	16.0	11.7	14.2	14.6	11.3	13.3	1.41	.37	.92
Medway & Maidstone	8.5	6.1	7.4	7.1	5.7	6.5	1.38	.42	.91
Cardiff	15.2	6.7	11.5	13.7	6.3	10.5	1.50	.35	.90
Portsmouth	10.6	6.2	8.6	9.2	5.8	7.7	1.40	.42	.90
Eastbourne	6.6	3.9	5.3	5.1	3.5	4.4	1.51	.40	.90
Crewe	9.6	8.1	9.0	8.4	7.6	8.1	1.20	.47	.89
Newcastle-upon-Tyne	18.3	8.6	14.1	16.9	8.3	13.2	1.41	.35	.87
Newmarket	5.4	5.6	5.5	4.3	4.9	4.6	1.04	.62	.87
Glasgow	20.3	9.6	15.7	18.8	9.4	14.8	1.52	.27	.86
Nottingham	13.8	6.9	10.8	12.3	6.6	9.9	1.44	.31	.86
Dudley & Sandwell	14.2	9.6	12.4	12.9	9.3	11.5	1.23	.39	.85
Bathgate	19.5	10.8	15.7	18.1	10.5	14.9	1.36	.36	.85
Exeter	8.8	5.3	7.2	7.4	5.0	6.3	1.41	.36	.85
Stockton-on-Tees	18.6	10.7	15.6	17.4	10.4	14.7	1.20	.38	.84
Poole	7.0	5.0	6.2	5.8	4.7	5.4	1.25	.35	.83
Coventry & Hinckley	12.8	9.2	11.3	11.6	8.8	10.5	1.16	.42	.83
Dumfries	10.9	6.8	8.9	9.4	6.6	8.1	1.50	.25	.82
Burton-on-Trent	11.1	6.9	9.3	9.8	6.6	8.5	1.28	.33	.82
Alfreton & Ashfield	13.6	5.7	10.2	12.3	5.4	9.4	1.32	.31	.81
London	10.4	5.7	8.3	9.1	5.3	7.5	1.30	.32	.81
Macclesfield	6.9	4.3	5.6	5.5	4.0	4.8	1.42	.32	.80
Thetford	7.0	5.6	6.4	6.0	5.0	5.6	1.01	.56	.80
Gosport & Fareham	8.7	6.5	7.6	7.4	6.1	6.8	1.24	.39	.80

	CURRENT UE RATE			ALTERNATIVE RATE			CURRENT-ALTERNATIVE		
Uttoxeter & Ashbourne	6.1	5.1	5.7	4.9	4.8	4.9	1.23	.26	.79
Rugby & Daventry	6.6	7.4	6.9	5.7	6.8	6.1	.91	.57	.79
Wellingborough & Rushden	7.1	6.5	6.8	6.0	6.1	6.0	1.07	.39	.79
Norwich	8.5	5.7	7.3	7.4	5.3	6.6	1.11	.41	.79
Worthing	6.2	3.4	4.8	4.9	3.1	4.0	1.34	.35	.79
Warrington	11.8	7.9	10.2	10.6	7.5	9.4	1.16	.35	.78
Birmingham	14.6	8.6	12.1	13.4	8.3	11.3	1.25	.30	.78
Trowbridge & Frome	6.6	6.1	6.4	5.6	5.6	5.6	.99	.50	.78
Dundee	17.2	9.3	13.6	15.8	9.0	12.8	1.39	.25	.77
Leeds	11.5	6.4	9.3	10.3	6.1	8.6	1.22	.32	.77
Northallerton	5.6	4.4	5.1	4.5	4.1	4.3	1.12	.35	.76
Whitehaven	9.8	8.5	9.3	9.0	7.8	8.6	.85	.64	.76
Clitheroe	4.4	4.5	4.5	3.4	4.1	3.7	1.00	.40	.76
Derby	11.4	6.8	9.5	10.3	6.5	8.8	1.14	.33	.76
Peterborough	9.6	6.4	8.2	8.5	5.9	7.5	1.01	.44	.75
Chichester	5.7	3.3	4.5	4.4	3.0	3.7	1.29	.32	.75
Durham	14.3	7.6	11.4	13.2	7.2	10.7	1.10	.38	.75
Southampton	9.5	5.3	7.6	8.3	5.0	6.9	1.21	.30	.75
Bath	7.6	5.0	6.3	6.4	4.7	5.6	1.19	.31	.74
Harrogate	6.5	3.7	5.1	5.3	3.4	4.4	1.28	.29	.73
Leek	6.6	4.1	5.4	5.3	3.9	4.6	1.31	.27	.73
Edinburgh	13.8	6.5	10.4	12.5	6.3	9.7	1.29	.24	.71
Worcester	8.5	5.7	7.3	7.4	5.5	6.6	1.12	.28	.70
Matlock	5.8	4.2	5.1	4.8	3.8	4.4	1.03	.34	.70
Cirencester	5.0	4.4	4.7	4.0	4.1	4.0	.98	.32	.69
Salisbury	5.5	4.8	5.2	4.5	4.5	4.5	.95	.36	.68
Devizes	5.8	4.3	5.1	4.7	4.1	4.5	1.11	.20	.66
Chelmsford & Braintree	5.3	4.1	4.8	4.3	3.8	4.1	.99	.31	.65
Stoke	9.9	6.7	8.5	8.9	6.4	7.9	.98	.30	.65
Huntingdon & St. Neots	5.0	5.2	5.1	4.2	4.8	4.4	.81	.42	.65
Loughborough & Coalville	7.7	5.7	6.9	6.8	5.4	6.3	.85	.37	.65
Bristol	9.2	6.2	7.9	8.2	5.8	7.2	.95	.32	.65
Warwick	6.5	5.3	5.9	5.6	5.0	5.3	.90	.33	.63
Swindon	7.9	5.9	7.0	7.0	5.6	6.4	.98	.26	.63
Stafford	7.6	6.1	6.9	6.6	5.8	6.3	.95	.26	.63
Leicester	8.8	5.1	7.2	7.8	4.9	6.6	1.01	.23	.61
Bicester	3.1	4.3	3.6	2.4	3.8	3.0	.68	.42	.61
Heathrow	5.9	4.0	5.1	5.0	3.7	4.5	.90	.29	.61
Watford & Luton	6.7	4.0	5.5	5.7	3.7	4.9	.98	.23	.59
Hitchin & Letchworth	5.4	4.2	4.8	4.5	3.9	4.3	.90	.26	.58
Haverhill	4.2	5.3	4.6	3.6	4.9	4.1	.62	.40	.56
Cheltenham	6.5	4.3	5.6	5.7	4.1	5.0	.83	.26	.55
Northampton	7.0	4.6	5.9	6.1	4.4	5.4	.91	.20	.55
Bury St. Edmunds	4.6	3.9	4.3	3.9	3.6	3.8	.74	.32	.54
Milton Keynes	7.4	5.0	6.3	6.6	4.7	5.8	.84	.23	.54
Tunbridge Wells	4.0	2.3	3.1	3.0	2.0	2.6	.91	.23	.54
Galashiels	5.4	3.5	4.6	4.6	3.3	4.1	.82	.23	.54
Kettering & Market Harborough	6.2	4.0	5.1	5.3	3.8	4.6	.91	.20	.51
Newbury	3.9	2.9	3.4	3.2	2.7	2.9	.74	.24	.50
Gloucester	7.6	5.1	6.5	6.8	4.9	6.0	.76	.23	.50
Andover	4.0	4.2	4.1	3.4	3.9	3.6	.63	.26	.49
Guildford & Aldershot	4.1	2.6	3.4	3.3	2.4	2.9	.83	.20	.48
Ipswich	5.7	4.7	5.3	5.1	4.4	4.8	.59	.31	.47

	CURRENT UE RATE			ALTERNATIVE RATE			CURRENT-ALTERNATIVE		
Hertford & Harlow	5.0	3.4	4.3	4.3	3.3	3.8	.73	.17	.45
Bedford	6.2	4.0	5.2	5.4	3.8	4.7	.76	.18	.45
Slough	4.8	3.1	4.1	4.1	2.9	3.6	.71	.18	.45
Aylesbury & Wycombe	4.0	2.4	3.2	3.2	2.2	2.7	.79	.18	.45
Aberdeen	7.9	5.1	6.7	7.2	4.9	6.3	.71	.15	.44
Oxford	5.0	2.8	3.9	4.3	2.6	3.5	.71	.20	.44
Reading	4.9	2.5	3.8	4.2	2.3	3.4	.75	.15	.42
Cambridge	3.7	2.7	3.3	3.2	2.5	2.9	.51	.25	.39
Crawley	3.0	1.8	2.4	2.5	1.7	2.1	.49	.13	.30
Winchester & Eastleigh	3.6	2.2	2.9	3.1	2.0	2.6	.48	.12	.29
Basingstoke & Alton	3.2	2.5	2.9	2.8	2.4	2.6	.37	.15	.27



Mr Anderson, Mr Phillips

Mr Moxon, Mr Burgess

Mr Luce, Mr Turnbull

Mr Crocker, Mr Burr

Treasury Chambers, Parliament Street, SW1P 3AG

01-270 3000

Mr Allan, Mr McIntosh

Mr Gill

Nick Wilson Esq
 PS/Secretary of State for Employment
 Caxton House
 Tothill Street
 LONDON SW1H 9NF

4 July 1988

Dear Nick,

YTS IN THE CIVIL SERVICE

The Chancellor has seen the Secretary of State for Education's letter of 25 May to your Secretary of State asking him to give some thought to joint arrangements for YTS or other ways of helping smaller Departments share the overheads.

Like the DES the Treasury too has been experiencing some problems in extending YTS and any scheme the central Treasury is capable of mounting is likely to be extremely small. The Chancellor would be interested to see any proposals that come forward for sharing overheads or joint arrangements, although he has emphasised that whatever is proposed should be consistent with the wider public expenditure points made in the Chief Secretary's letter of 21 March, especially the requirement to absorb within running costs limits any extra overheads and the other costs of training employees under YTS.

Copies of this letter go to Paul Gray, Private Secretaries to other members of Cabinet and the Minister of State (Privy Council Office), and to Sir Robin Butler.

Yours,

Moira

MOIRA WALLACE

Private Secretary

SECRET



10 DOWNING STREET
LONDON SW1A 2AA

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From the Private Secretary

4 July 1988

Dear Mick,

EMPLOYMENT STATISTICS

The Prime Minister was grateful for your Secretary of State's minute of 1 July. She is content for the revised local unemployment rates and the new 'workforce in employment' series to be introduced in the July Press Notices. She has also noted that in the national accounts and the consequential calculation of productivity, the payments received by participants in work-related training schemes will not be treated as wages and salaries.

I am copying this letter to Moira Wallace (HM Treasury), Jill Rutter (Chief Secretary's Office), Jeremy Godfrey (Department of Trade and Industry), Martin Donnelly (Northern Ireland Office), David Crawley (Scottish Office), Jon Shortridge (Welsh Office), Simon Judge (Paymaster General's Office) and Andrea Large (Central Statistical Office).

Yan.
Paul

(PAUL GRAY)

Nicholas Wilson, Esq.,
Department of Employment

SECRET

CONFIDENTIAL

The Rt. Hon. Lord Young of Graffham
Secretary of State for Trade and Industry

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

CH/EXCHEQUER	
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Date

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Nigel

POVERTY AND UNEMPLOYMENT TRAPS

Despite the passage of time, perhaps I might return to your letter to me of 25 April, and Norman Fowler's letter to you of 17 May together with their enclosures. I am grateful to you both for setting out the arguments on an issue which I agree with Norman we should continue to consider.

I understand the central message of your letter, that high benefit withdrawal rates are inevitable, so long as we relate most benefits to need, and so long as there is an extensive overlap between the levels of income which are taxable and those which attract benefit. I also understand the priority which Norman is giving to publicising the scale of in-work benefits available, and to tightening the availability for work tests. But I do not think that we can rest content with the present situation.

What continues to worry me is that what I (perhaps rather loosely) described as very high marginal tax rates for those in the poverty and unemployment traps are seen as precisely that by a large proportion of those affected; and that, however illogical and unfair it may be to compare these marginal rates with the new top rate of income tax of 40%, we must expect this comparison to be made. So long as this situation exists, the incentive to those in the relevant income bands to take work, or to seek better jobs, is weak; the temptation to join or remain in the black economy is strong.

The overlap between tax thresholds and the income levels at which benefits are withdrawn is not inevitable. It has

CONFIDENTIAL

been allowed to develop over the years. In the 1950's only a minority of incomes were subject to income tax at the basic rate. Now, a married man begins to pay tax at the basic rate on any income higher than one third of average male earnings. To unwind this overlap in one go, or over a 1-2 year period, would perhaps be prohibitively expensive. It could, however, be achieved over time by a sustained policy of over-indexing tax thresholds, while increasing benefit levels by no more than the rate of inflation. Such a policy, to be effective, would mean devoting a large part of the scope for tax cuts year by year to raising the threshold for the basic rate of tax in real terms.

That of course would be for the long haul. In the meantime, it would be important not to make the situation worse by adding to the number of benefits available to those in work which are taxable or income-related. And there are two steps which could be taken in the short term to ease the situation in more limited target areas. The first is to align the level of the earnings threshold for NIC contributions with the single person's tax threshold. This would reduce the number of people who find themselves paying tax to and receiving benefits from the State; alleviate the burden on employers of administering NICs; and simplify the process of raising the two thresholds in step later. The other measure is the "Chance in a Lifetime" proposal, which I have mentioned to you already, for encouraging people in our most rundown areas into employment. I hope we can discuss both of these.

I am copying this letter to the Prime Minister, Nicholas Ridley, John Moore, Malcolm Rifkind, Peter Walker, Norman Fowler and Sir Robin Butler.

govt-lyc
6/20/81

x

prepares to
switch earnings &
NICs unit thresholds
over 20% at once

Mrs 'Potholm' dimension:
of Comm. Change
NICs contribution to
diminish contribution
for tax purposes tax
reduction

Y. L.
Rid

(to people
that know
what they
are doing)

In work/out of
work comparison
benefit not to be with
prices, & costs not fast
New Pension.

Y SWYDDFA GYMREIG
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-270 3000 (Switsfwrdd)
01-270 0554 (Llinell Union)

Oddi wrth y Gweinidog Gwladol



CH/EXCHEQU

REC.	5 JUL 1988
ACTION	MR MONCK
COPIES TO	CST SIR P. MIDDLETON SIRT. BURNS MR BURR MR RICKFORD MR HISSARD MR MEYRICK MR ALL

SECRET

PPS 17?
Bf to M
G/S

Copy no 8 of 12
BF 577

WELSH OFFICE
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-270 3000 (Switchboard)
01-270 0554 (Direct Line)

From The Minister of State

5 July 1988

Dear Norman,

I note from your minute of 1 July to the Prime Minister that you are proposing to make two changes in the calculation of employment figures and unemployment rates.

On one of these - the inclusion within employment totals of persons on YTS and JTS who do not have contracts of employment - I see no difficulty and am very content for that change to be made.

The other proposed change however - the addition of an allowance for self-employment and HM Forces to the denominator used for calculating unemployment rates at county and travel to work area level - has very significant implications which surely need to be further considered. You will recall that in his letter of 13 June Peter Walker expressed very considerable concern about the reliability of self-employed data at the all-Wales level. The uncertainties at the county and travel to work area levels can only be greater.

It was, I believe, the unreliability of the self-employed data at local level which led us to conclude in 1986 that they should not be taken into account in calculating unemployment rates at those levels. I have great difficulty in seeing how we could explain and defend a decision to change the methodology now when, if anything, the figures are even less reliable (being further away from the 1981 census base). There must be a strong argument for making this change in 1990 when we will have more accurate estimates of the self-employed from the exercise you are jointly undertaking with the Inland Revenue.

/Changes in the ...

Rt Hon Norman Fowler MP
Secretary of State for Employment
Department of Employment
Caxton House
Tothill Street
London SW 1

SECRET



SECRET

Changes in the basis of calculating unemployment figures have in the past been much criticised in Wales as elsewhere. The scale of adjustments arising from the change now proposed (you highlight Cardigan but many other places in Wales would be affected in much the same way) would be greeted with deep scepticism and threaten to undermine the success that Peter Walker is having in convincing public opinion in Wales that the economy of the Principality really is moving forward quickly and that unemployment is genuinely falling. It is vitally important to maintain our credibility in this matter. I therefore believe that the change you are proposing should only be made when we are reasonably satisfied with the robustness of the self-employed figures at county and travel to work area level; and even then, after we have prepared the ground for the change rather carefully.

For these reasons I would hope that time can be allowed for careful collective consideration of the implications of this particular proposal. I am sure that Peter Walker, who is out of the country until the end of the week, would strongly support this argument.

I am copying this letter to the Prime Minister, the Chancellor of the Exchequer, Chief Secretary, the Secretaries of State for Northern Ireland, Scotland, Trade and Industry, Paymaster General and the Head of the Government Statistical Service.

Yours ever
WR

WYN ROBERTS

SECRET



FROM: MISS M P WALLACE

DATE: 6 July 1988

BF 7/7
8/7

MR MONCK

cc PS/Chief Secretary
PS/Financial Secretary
PS/Paymaster General
Sir P Middleton
Sir T Burns
Mr Burr
Mr Gieve *
Mr Hibberd
Mr Meyrick
Mr Pickford
Mr Call
Mr Cropper
PS/IR
Mr Matheson IR

* With copy of
Mr Fowler's minute of
1 July

EMPLOYMENT STATISTICS

The Chancellor has seen Mr Fowler's minute of 1 July. He has asked how far back D. Employment have reworked the figures: in his view, we need to be able to make comparisons back to 1983, and indeed 1979.

Mpw

MOIRA WALLACE



PRIME MINISTER

CH/EXCHEQUER	
REC.	7 JUL 1988
ACTION	Mr N. Monck
COPIES TO	CST SIR P. Middleton SIR T. Burns MR T. Butt MR P. Ford MR Hibberd MR Meunck MR Call

CHANGES TO EMPLOYMENT AND UNEMPLOYMENT STATISTICS

I minuted you on 1 July outlining two changes that I proposed to make this month to my Department's labour market statistics, the first relating to the definition of local area unemployment rates and the second to the treatment in our employment statistics of participants in work-related Government training programmes. Since then the Welsh Office has seen difficulty in my proposal concerning the local unemployment rates which requires further discussion with colleagues. I therefore have decided to delay implementing this change for the time being. However the proposal to alter the basis of our employment statistics is being implemented in the press notice to be issued on 14 July.

I am copying this to the Chancellor of the Exchequer, the Secretaries of State for Wales, Northern Ireland, Trade and Industry and Scotland, the Chief Secretary, the Paymaster General and the Head of the Government Statistical Service.

NF


July 1988

000184

7/7/88

PRIME MINISTER

FUTURE OF WAGES COUNCILS

 SECRETARY HIGH EMPLOYMENT		CH/EXCHEQUER	
		REC.	-7 JUL 1988
ACTION	MR Burr		
COPIES TO	EX Sir Peter Middel		CST
	Mr Anson Mr Monk		
	Dame Anne Mueller		
	Mr Burgess Mr Whalley		

I have recently reviewed the operation of the Wages Councils system. I conclude that, while the changes made in the 1986 Wages Act had welcome deregulatory benefits, the system continues to militate against the achievement of our objectives on pay and we should prepare clauses abolishing it for inclusion in the Employment Bill agreed for the next Session.

There are still 26 Councils. Some like those covering Hotels and Catering are large; some like the Coffin Furniture Making Council are small. There are numerous anomalies in coverage eg laundries are covered, launderettes are not. Workers under 21 years of age are excluded but some 11% of employees are covered. Administration of the system costs £2.5m a year and employs 154 staff.

Councils can impose a single national minimum rate of pay; a minimum overtime rate payable after a set number of hours it decides on; and a limit of any accommodation charge. A Council consists of two "sides" together with three independent members appointed by me. Where agreement between the sides proves impossible the independents exercise a casting vote either in favour of the employer's final offer or the workers' final claim. I have no powers to alter their decisions.

SECRET



The system of national statutory rates of pay is inconsistent with the need for pay to reflect individual and local circumstances; percentage changes in minimum rates have a knock-on effect throughout the pay structure; and statutorily imposed pay levels for even a small proportion of its workforce restricts a company's ability to structure its system of rewards and incentives to match its own priorities.

These pay effects are bound to hit jobs particularly in those sectors with potential for expansion like the tourism and service industries which account for the bulk of Wages Council employees.

The 1986 changes have not had the desired effect. The annexed table shows increases fixed by Councils in their first two years of operation. These (8.6% on lowest rates in 1986/87 and 6.3% in 1987/88) are not consistent with the intention of the changes to ensure that Councils set a rate which was the minimum relevant to depressed areas where jobs were in short supply.

The attitudes of employer bodies to Wages Councils, though clearly divided, are not crucial and have hardened somewhat against retaining them since 1985 (when our decision to reform rather than abolish the system reflected the preference of the majority of employers concerned).

The announcement of any proposals for further change would be met by a well orchestrated campaign of opposition focusing on the impact of abolition on women, part-timers and vulnerable minorities in ethnic communities. We should almost certainly face allegations that we are in breach of the European Social Charter, to which our response would be to point out that our observance of the Charter is monitored by the Council of



Europe's supervisory machinery and that at the appropriate time we would, of course, give careful consideration to any observations which the supervisory body might make. Attention would be drawn to the continued existence of the Agricultural Wages Board and to the continuing scale of employer support for Wages Councils.

I have considered options short of total abolition. We could use powers provided with the 1986 Wages Act to abolish particular Councils or reduce their coverage in other ways. The CBI have advocated abolition of some of the large Councils. All such options either reintroduce the very complexities from which we have sought to free employers, or are almost as controversial as total abolition and yet still leave us defending undesirable rigidities in the rump that would remain. I cannot recommend any of them.

This is a politically sensitive issue and I have given careful thought to its handling. To date our stance has been that all Government policies are subject to review from time to time and while "no decision has been taken Wages Councils are not sacrosanct". I wish to be in a position to maintain that stance and announce any decision to abolish in the White Paper which I now propose to publish in the Autumn. The Employment Bill, agreed for the next Session, would, as envisaged in my original bid, be the vehicle for achieving abolition.

I therefore propose putting a paper to colleagues on E(A) in the Autumn detailing the arguments and seeking a decision on my proposal. In the meantime I would welcome agreement to my

SECRET



sending instructions to Parliamentary Counsel to draft, on a contingency basis, clauses abolishing the Wages Council system for inclusion in the 1988/89 Employment Bill.

I am copying this to the Chancellor of the Exchequer, the Foreign Secretary, the Secretary of State for Agriculture and the Lord President, and to Sir Robin Butler.

[Handwritten signature]
July 7
NF

SECRET

WAGES COUNCILS : CURRENT MINIMUM RATES AND PERCENTAGE INCREASES
1986/7 & 1987/8

<u>Wages Councils</u>	<u>Number of workers covered (aged 21 or over)</u>	<u>Percentage increase</u>		<u>Current hourly rate (£)</u>	<u>Current Weekly rate (39 hours) (£)</u>
		<u>1986/7(a)</u> (%)	<u>1987/8(b)</u> (%)		
Retail Trades (Non-Food)	745,000	7.3	5.9	2.33	90.87
Licensed Non-Residential	492,000	6.7	5.9	2.16	84.24
Retail Food and Allied Trades	465,000	7.3	6.4	2.33	90.87
Licensed Residential Establishment and Licensed Restaurant	379,000	9.7	8.1	2.00	78.00
Clothing Manufacturing	147,000	4.5	6.0	1.99	77.54
Unlicensed Place of Refreshment	96,000	7.7	4.8	2.20	85.80
Hairdressing Undertaking	64,000	46.5	5.1	2.05	79.95
Laundry	26,000	5.0	5.2	2.21	86.19
General Waste Materials Reclamation	13,000	4.4	5.8	2.00	78.00
Toy Manufacturing	11,000	40.9	5.4	2.02	78.78
Aerated Waters	5,500	4.6	5.8	2.19	85.41
Boot and Shoe Repairing	5,000	6.5	6.3	2.18	85.02
Hat, Cap and Millinery	4,000	10.7	6.5	1.98	77.22
Retail Bespoke Tailoring	4,000	8.4	5.9	2.33	90.87
Made-Up Textiles	3,000	7.0	6.5	1.88	73.32
Linen and Cotton Handkerchief & Household Goods & Linen Piece Goods	2,500	26.1	5.7	2.04	79.56
Rope Twine and Net	2,500	10.5	5.2	2.02	78.78
Perambulator and Invalid Carriage	2,000	5.8	5.9	2.34	91.26
Fur	1,500	56.0	7.7	2.10	81.90
Button Manufacturing	1,000	5.1	5.4	1.96	76.44
Sack and Bag	1,000	5.6	5.3	2.00	78.00
Lace Finishing	900	(c)			
Flax and Hemp	500	(c)			
Ostrich and Fancy Feather & Artificial Flower	500	6.8	6.9	2.01	78.39
Cotton Waste Reclamation	300	5.4	6.2	1.98	77.03
Coffin Furniture and Cerement Making	200	6.7	6.7	2.22	86.58

- Notes:** (a) Settlement in the year commencing 1 August 1986 (on lowest previous rate - sometimes applicable only to a small group of workers).
- (b) Settlement in the year commencing 1 August 1987 (on the single minimum implemented the previous year).
- (c) Council adjourned indefinitely - the two sides negotiate voluntary agreements.

Weighted averages for the 1986/7 and 1987/8 settlements

	<u>1986/7</u>	<u>1987/8</u>
Average percentage increase -	8.6%	6.3%
Average minimum hourly rate -	£2.08	£2.21

FROM: J S HIBBERD
DATE: 8 JULY 1988

CHANCELLOR OF THE EXCHEQUER

cc : PS/Chief Secretary
Sir Peter Middleton
Sir Terence Burns
Mr Monck
Mr Odling-Smee
Mr Sedgwick
Mr Burr
Mr Meyrick
Mr Pickford
Mr Call

EMPLOYMENT STATISTICS

Mr Fowler's letter to the Prime Minister of 4 July outlined two proposed changes to the employment statistics. The Prime Minister has agreed to the proposals though, after representations from the Welsh Office, Mr Fowler has since withdrawn the proposed change to measuring regional unemployment rates.

2. Treasury and CSO officials were consulted about the changes and, after considerable discussion, Mr Fowler's letter is an acceptable compromise. But compromise it is, and you may be interested in the background to this.

Workforce in Employment

3. Mr Fowler's letter describes some changes to the presentation of total employment statistics. A new category of employment is defined, made up of those in Work Related Government Training Programmes (WRGTP). The relationship between the existing statistics and the proposed system is usefully set out on page 2 of Mr Fowler's letter reproduced below:

<u>Current</u>	<u>Proposed</u>
Employees in Employment	Employees in Employment
+Self-employed	+Self-employed
+HM Forces	+HM Forces
	+Work Related Government Training Programmes
<hr/>	
=Employed Labour Force	=Workforce in Employment
+Unemployment	+Unemployment
<hr/>	
=Working Population	=Workforce

4. Some programme participants (those with employment contracts - Community Programme and about 15 per cent of YTS participants) are currently measured in the employed labour force. Their transfer to the WRGTP category will, therefore, mean that the employed labour force (previously the main aggregate employment measure) will be lower, by about 200,000. However, there are also many people on government schemes who are not currently measured in employment. They will, in future, be picked up in WRGTP. The new Workforce in Employment (comprising the employed labour force plus WRGTP), will, therefore, be higher than the present employed labour force. Without the proposed change, the introduction of the new Employment Training Programme (which will absorb the present Community Programme and all YTS participants) in the autumn would have led to a marked fall in the employed labour force.

5. The new Workforce in Employment will be featured in DEMP Gazette, Press Notices etc as the main aggregate employment measure. However, it will still be easy to construct statistics on the old basis for the employed labour force. All the necessary components will continue to be published, and consistent long back runs of data will be available back to 1983, and indeed 1979. This meets your concern.

6. One implication of the change to the workforce in employment is that national unemployment rates will be about 0.1 per cent lower. This is because the new Workforce in Employment is larger than the employed labour force, and will be used as the denominator for national unemployment rates.

Implications for National Accounts

7. While it was readily agreed that it was reasonable to create the new WRGTP category there was a dispute about how WRGTP participants should be treated in the national accounts. DEMP argued that they should be treated as any other employees. On this basis one would expect that monies paid to them should be treated as employment income. WRGTP participants would also feature in the denominator for productivity calculations (with the effect of marginally reducing output per head).

9. The CSO argued that WRGTP were not economically active in the same sense as other employees. If the new programmes were purely training, with monies paid to participants coming directly from government, it was inappropriate to regard these monies as anything but transfers. Moreover, it would be extremely doubtful whether participants were contributing significantly to output during their training. Even if WRGTP participants were included in the economy wide measure of labour productivity, we could not measure sectoral productivity analogously, because it would not be possible for DEMP to provide a sectoral breakdown of WRGTP participants. Aggregate productivity would not, therefore, square with sectoral productivity estimates.

10. The CSO arguments (with which we agreed) were accepted, and Mr Fowler's letter acknowledges the CSO position (on page 3). He also acknowledges that the DEMP Gazette, press notices etc will have to have explanatory footnotes to explain the differences as they affect productivity calculations. With the new classification of the employed labour force (slightly lower than at present) there is likely to be a marginal increase in whole economy productivity estimate towards the end of this year.

Conclusions

11. This is the latest in a series of changes to labour market statistics. Critics will, no doubt, seize on the latest modest changes as a further attempt to present a better picture. But it is perfectly reasonable to create the new WRGTP category and, since the present statistical series will continue to be presented along with the new WRGTP category (for the past as well), such criticism should be easy to deflect.

12. I have discussed all this with Mr Monck. We are agreed that no action seems necessary from you except perhaps a brief note, if you wish, signifying your agreement. A draft is attached.

Jim Hibberd
J S HIBBERD

DRAFT LETTER

FROM: CHANCELLOR OF THE EXCHEQUER
TO : PRIME MINISTER

EMPLOYMENT STATISTICS

I have seen Norman Fowler's letters to you of 1 July and 7 July. I am content with the proposed changes.

I am copying this to the Secretaries of State for Employment, Wales, Northern Ireland, Trade and Industry and Scotland, the Chief Secretary, the Paymaster General and the Head of the Government Statistical Service.

N L

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CH/EXCHEQUER	
REC.	13 JUL 1988
ACTION	FST
COPIES TO	

13/7
arrived in
CH/EX office
on 13/7/88

Caxton House Tothill Street London SW1H 9NF

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Mp

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
Treasury Chambers
Parliament Street
LONDON
SW1P 3AG

10 July 1988

Dear Nigel

Thank you for your letter of 30 June about using the Inland Revenue system to produce local area self-employment estimates. I attach great importance to being able to quote local area unemployment rates which properly reflect local labour market conditions. The provision of data from Inland Revenue records will enable this to be done.

My officials will be meeting with Inland Revenue officials very soon to agree the detailed requirement specification and implementation plan to produce the information from mid-1990.

Norman Fowler

NORMAN FOWLER

CONFIDENTIAL



10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

CH/EXCHEQUER ✓ 13/7	
REC.	11 JUL 1988
ACTION	Mr de Berker
COPIES TO	Miss Seaman

11 July, 1988.

FUTURE OF WAGES COUNCILS

The Prime Minister was grateful for your Secretary of State's minute of 7 July.

I should be grateful if you and copy recipients would ensure that no further copies are taken of this letter without authority from this office.

The Prime Minister has noted that your Secretary of State will be putting a paper to E(A) in the autumn. Meantime she is content that he should send instructions to Parliamentary Counsel to draft clauses for inclusion in the 1988/89 Employment Bill, on condition that tight security is maintained on the drafting process.

I am sending copies of this letter to Alex Allan (HM Treasury), Tony Galsworthy (Foreign and Commonwealth Office), Shirley Stagg (Ministry of Agriculture, Fisheries and Food), Alison Smith (Office of the Lord President) and Trevor Woolley (Cabinet Office).

Paul Gray

Nicholas Wilson, Esq.,
Department of Employment.

CONFIDENTIAL



FROM: MISS M P WALLACE

DATE: 11 July 1988

MR HIBBERD

cc Sir T Burns
Mr Monck

MP

EMPLOYMENT STATISTICS

The Chancellor was most grateful for your minute of 8 July.

Mpw.

MOIRA WALLACE

BF 15/7 18/7



MR CULPIN

FROM: MISS M P WALLACE

DATE: 11 July 1988

cc PS/Chief Secretary
 PS/Financial Secretary*
 Sir P Middleton
 Sir T Burns*
 Mr Anson
 Mr Phillips
 Mr Byatt
 Mr Turnbull
 Miss Peirson
 Mr McIntyre
 Mr Riley
 Mr Gilhooly*
 Mr Cropper*
 Mr Call
 [* with Lord Young's
 letter of 5 July]

POVERTY AND UNEMPLOYMENT TRAPS: LORD YOUNG'S LETTER

The Chancellor has seen Lord Young's letter of 5 July. He would be grateful for a robust reply in due course. Meanwhile, he would like a note setting out the consequences of aligning the NIC lower earnings limit with the single person's tax threshold - which, as he recalls, are by no means wholly favourable to Lord Young's case.

2. The Chancellor has also commented, *passim*, on Lord Young's "long haul" suggestion of a sustained policy of over-indexing thresholds, while uprating benefits by no more than the RPI. He has commented that he might be prepared to switch the emphasis to raising thresholds once we have achieved a 20p basic rate. But he has noted that the alleged advantages of this are questionable: we get little credit for raising thresholds as most people don't know what their threshold is; and at the same time, we reduce the numbers that benefit from any further cuts in income tax rates. He has also commented that, of course, the in-work/out-of-work comparison improves steadily anyway, without action of the type advocated by Lord Young, as earnings outstrip price-indexed benefits.

A handwritten signature in cursive script, appearing to read 'Mpw'.

MOIRA WALLACE

COVERING PERSONAL AND CONFIDENTIAL



par

Caxton House Tothill Street London SW1H 9NF

5803

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Paul Gray Esq
10 Downing Street
LONDON
SW1A 0AA

13 July 1988

Dear Paul

... I enclose our standard revised brief for unit wage and salary costs and productivity, which are to be issued tomorrow. The figures are personal and confidential until 11.30 am Thursday 14 July.

I am copying this to Alex Allan (Treasury), Sir Peter Middleton (Treasury), Mr Hibbert (CSO), Mr Footman (Bank of England), Neil Thornton (DTI), Sir Brian Hayes (DTI), and Peter Stredder (No.10 Policy Unit).

Sincerely

Angela Wilkins

for ANGELA WILKINS
Private Secretary

COVERING PERSONAL AND CONFIDENTIAL

COVERING PERSONAL AND CONFIDENTIAL

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 figures for manufacturing industry are based on the output figures to be released by the CSO at 11.30 am on 14 July 1988.

These figures are personal and confidential until 11.30 am on Thursday 14 July 1988.

M J JANES
STATISTICS A1
DEPARTMENT OF EMPLOYMENT
13 July 1988

UNIT WAGE AND SALARY COSTS

In the three months ending May 1988, wages and salaries per unit of output in manufacturing industries were 2.4 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 about 6 1/2 per cent in productivity over this period (see Table 13).

In the first quarter of 1988, wages and salaries per unit of output in the whole economy were 5.9 per cent above the corresponding period of 1987. This increase was below the rise in average earnings in the whole economy as there was a rise of about 3 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 Q3	125.9	6.6	133.0	6.1
Q4	128.6	6.1	134.3	4.4
1986 Q1	131.7	8.8	136.7	6.3
Q2	131.1	7.1	137.9	6.3
Q3	130.6	3.7	138.6	4.2
Q4	130.6	1.6	140.6	4.7
1987 Q1	133.0	1.0	141.9	3.8
Q2	132.3	0.9	144.1	4.5
Q3	131.7	0.8	144.4	4.2
Q4	133.4	2.1	147.3	4.8
1988 Q1	135.0	1.5	150.3	5.9
1987 Dec	135.0	2.6	..	..
1988 Jan	133.4	-1.1	..	..
Feb	135.7	2.7	..	..
Mar	135.9	2.9	..	..
Apr	136.5	2.6	..	..
May	133.3	1.8	..	..
3 months ending				
1987 Dec	133.4	2.1	..	..
1988 Jan	133.6	1.1	..	..
Feb	134.7	1.4	..	..
Mar	135.0	1.5	..	..
Apr	136.0	2.7	..	..
May	135.2	2.4	..	..

PRODUCTIVITY

Manufacturing output per head in the three months to May was 1.8 per cent higher than in the three months ending February and 6.6 per cent higher than in the same period a year earlier.

Output per head in the whole economy in the first quarter of 1988 was the same as in the previous quarter and 3.0 per cent higher than in the first quarter of 1987.

Recent figures are:

TABLE 13: OUTPUT PER HEAD

seasonally adjusted

		Manufacturing		Whole Economy	
		Index 1980 = 100	Percentage increase on a year earlier	Index 1980 = 100	Percentage increase on a year earlier
1985	Q4	130.1	2.1	114.7	2.3
1986	Q1	129.3	-0.8	115.1	1.4
	Q2	132.2	0.5	116.5	1.6
	Q3	134.5	3.1	117.6	3.1
	Q4	138.4	6.4	118.2	3.1
1987	Q1	138.1	6.8	118.5	3.0
	Q2	141.0	6.7	119.6	2.7
	Q3	144.8	7.7	121.3	3.1
	Q4	146.8	6.1	122.0	3.2
1988	Q1	147.1	6.5	122.0	3.0
1987	Dec	147.0	5.7	..	..
1988	Jan	148.7	9.6	..	..
	Feb	145.2	4.3	..	..
	Mar	147.4	5.8	..	..
	Apr	150.0	6.6	..	..
	May	151.6	7.3	..	..
3 months ending					
1987	Dec	146.8	6.1	..	..
1988	Jan	147.6	7.1	..	..
	Feb	147.0	6.5	..	..
	Mar	147.1	6.5	..	..
	Apr	147.5	5.6	..	..
	May	149.7	6.6	..	..