FILE NUMBER

PO-CH/NL/0676 PART A

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PRESERVE		

FILE BEGINS 16/01/1989 ENDS 17/05/1989

FILE TITLE

KABOUL MARKET 1989

PART 1/3

028/3298

CONFIDENTIAL

cc:
Chancellor
Mr Monck
Mr Burgner
Mrs Case
Mr Luce
Mr MacAuslan
Mr Burr
Mr Meyrick
Mr Kalen

Treasury Chambers, Parliament Street, SW1P 3AG

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

27th May 1988

Dear Norman,

SKILLS TRAINING AGENCY

We discussed the future of the STA in our Survey bilateral last year, and agreed that a speedy review would be appropriate. I was grateful to you for setting up the review so quickly last November. I gather that the report was completed by early February although I have not yet seen it. I would be most grateful if you could send me a copy.

I understand, of course, the political factors which have made a decision and consultation with the MSC more difficult than would have been expected had ET had a smoother ride. But time is pressing; and it now seems to me essential to grasp the nettle of the STA.

When you announced the review, you said that it "should be completed by the end of January so that its outcome should be considered at the Commission's February meeting. I shall then need the Commission's response so that any action arising from the review can begin early in the next financial year." (Press release of 13 November).

The Commission and the TUC may at some point see an opportunity to exploit our failure to reach a decision. Moreover, I gather that the Select Committee on Employment will want on 22 June to cross-question you about the position and your response to the report. Perhaps most important, you have allocated your running costs on the basis of savings on the STA of £8 million this year and £25 million and £30 million

in the first 2 Survey years respectively. As you can imagine, I will not be willing in the Survey to restore those savings: indeed I will be looking for more from the same source, given that (judging by discussions in January in the Steering Group set up by us to guide the review) the report will have made it plain that the STA cannot survive. The existence of the STA in any case runs counter to our general - and well-founded - aversion to protected and monopolistic public sector providers of this sort.

I would therefore urge you to take steps now to reach a decision on the basis of the report, as I think is essential.

Yours Ever,

John

JOHN MAJOR

iae3.ip/docs/c sec

CONFIDENTIAL

FROM: J MACAUSLAN
DATE: 26 May 1988

CHIEF SECRETARY

cc: Chancellor
Mr Monck
Mr Burgner
Mrs Case
Mr Luce
Mr Burr
Mr Meyrick
Mr Kalen

SKILLS TRAINING AGENCY

1. Mr Fowler has not yet taken a decision on the future of the Skills Training Agency. We have been discussing this with DE, and it is now clear that, despite our efforts, Mr Fowler is not about to write to you. So I recommend that you write to him. I attach a draft.

2. The Skills Training Agency costs some £70 million to run. Over 80% of its custom comes from MSC. But MSC only put so much business its way in order to keep it going. Under the new Employment Training, it will be impossible for MSC to continue to do so within existing provision.

3. In PES 1987, you agreed with Mr Fowler that the STA should be reviewed quickly. The review was announced in November, for completion by the end of January and decisions in the Spring. The review was completed on time. But Mr Fowler has told his officials not to show us the report. We nevertheless have seen copies of it. It "concludes that the STA should either be closed completely or should be much reduced in size and scale". That seems right to us.

4. But Mr Fowler has not acted on the report, because running down the STA would offend the TUC, whose support for ET he needs. (The TUC have now decided to offer conditional support for ET - although that will not in practice make it much easier for Mr Fowler to announce a tough decision on the STA).

5. Putting off a decision on the STA will make the position on DE running costs very difficult in 1988-89, and in the Survey years (for which significant savings have been assumed). It will also make it more difficult for us to get further running costs savings in the Survey years. Closure is bound to mean significant immediate costs (eg for redundancy etc). It would be as well to get as much as possible of these costs into 1988-89). So it would be sensible to write now, to press Mr Fowler for decisions, and to protect your Survey position.

6. DE officials would prefer you not to write yet, since they do not expect to be ready to reply for a week or two, while the analyse MSC Area Offices' assessments of the volume of ET business that might go to STA. But this is probably only a delaying tactic on the part of DE. And it seems sensible to be able to write before the DE Survey bidding letter comes in - that will only muddy the picture. So I recommend that you write this week.

Ina Levy

PS - **J MACAULSAN**

DRAFT LETTER FROM CHIEF SECRETARY TO SECRETARY OF STATE FOR EMPLOYMENT

SKILLS TRAINING AGENCY

1. We discussed the future of the STA in our Survey bilateral last year, and agreed that a speedy review would be appropriate. I was grateful to you for setting up the review so quickly last November. I gather that the report was completed by early February. I would be most grateful if you could send me a copy of it.

2. I understand, of course, the political factors which have made a decision and consultation with the MSC more difficult than would have been expected had ET had a smoother ride. But time is pressing; and it now seems to me essential to grasp the nettle of the STA.

3. When you announced the review, you said that it "should be completed by the end of January so that its outcome should be considered at the Commission's February meeting. I shall then need the Commission's response so that any action arising from the review can begin early in the next financial year." (Press release of 13 November).

4. The Commission and the TUC may at some point see an opportunity to exploit our failure to reach a decision. Moreover, I gather that the Select Committee on Employment will want on 22 June to cross-question you about the position and your response to the report. Perhaps most important, you have allocated your running costs on the basis of savings on the STA of £8 million this year and £25 million and £30 million in the first 2 Survey years respectively. As you can imagine, I will not be willing in the Survey to restore those savings: indeed I will be looking for more from the same source, given that (judging by discussions in January in the Steering Group set up by us to guide the review) the report will have made it plain that the STA cannot survive. The existence of the STA in any case runs counter to our general - and well-founded - aversion to protected and monopolistic public sector providers of this sort.

5. I would therefore urge you to take steps now to reach a decision on the basis of the report, as I think is essential.

[JM]

PYB

CONFIDENTIAL

FROM: T J BURR
DATE: 26 July 1988

CHIEF SECRETARY

cc Chancellor
Mr Monck
Mr Burgner
Mr Luce
Mr Turnbull
Mr Hansford
Mr MacAuslan
Mr Meyrick
Mr Richardson
Mr Finnegan
Mr Kalen
Mr Call

SKILLS TRAINING AGENCY

1. In his submission of 26 May, Mr MacAuslan reported Mr Fowler's delay in taking decisions on the review of the Skills Training Agency (STA) which was agreed in the last Survey. He drew attention to the implications of the delay for DE running costs in the current year, as well as for the prospect of STA savings in future years. You accordingly wrote to Mr Fowler on 27 May urging him to reach an early decision. He has now responded in his letter of 15 July.

2. What Mr Fowler has decided is that the future of the STA should depend on its ability to compete in providing training under the Employment Training Scheme. Training Commission managers have been asked to give no preference to the STA in considering bids to provide training places under ET which begins in September, but to allocate contracts solely on the basis of value for money. The bids are currently being assessed, and the final position will not be known until September, but sufficient progress has been made for the Department to judge that the STA will only have enough business to support around 20 Skillcentres compared with 60 at present.

3. What the Department have not yet been able to do is to let us have any very reliable figures for the likely savings in STA costs which will result, and their timing, or for the costs and receipts associated with reducing the Skillcentre network. What Mr Fowler says on these two points is that he would expect to be

able to achieve the savings scored in last year's Survey; and that he would like to handle closure costs and receipts separately given the uncertain amounts and timing. Such estimates as the Department have shown us suggest that they may indeed manage to deliver the savings and that the receipts and costs of closure may balance out over time, although with a net cost of some £20 million in the first year. But the figures remain very uncertain, and you will notice from the last paragraph on the second page of Mr Fowler's letter that he does not commit himself to implementing closure on a cost neutral basis. Whatever the net effect may be, his proposal is that it should not fall on his programme, either in any one year or overall.

4. Mr Fowler's immediate problem is that the delay entailed in waiting for the ET position to clarify before taking any action has added £8-10 million to the STA's running costs, thus cancelling out the £8 million saving which the Department assumed in allocating its overall running costs provision for the current year. He says that he is unable to offset this addition within his running cost provision, and asks you to agree to an increase in the running costs limit, while undertaking to offset the expenditure effect by savings in the Training Commission's programme expenditure.

Assessment

5. This is a far from satisfactory picture. We are not convinced that the solution of leaving the outcome in the hands of Training Commission managers is much more than an alibi for failure to take more decisive action. The review of the STA concluded that it "should either be closed completely or should be much reduced in size and scale". Mr Fowler's reluctance to be decisive results from his concern to retain TUC support for ET, since the TUC attach great importance to the STA and the craft-type skills which it mainly provides. Although it may prove possible to identify 20 Skillcentres which can be kept going on the basis of ET business from the Training Commission (which

provides 80% of their custom), surviving centres will remain heavily dependent on a dominant customer which is no longer tied to them, and they may not therefore continue to be viable for long.

6. The uncertainties resulting from this approach also mean that the financial position is much less clear than we would wish. The Department will be able to take a firm view in September, but at this stage it is not possible to be confident that it will be consistent with the agreed provision, or about the amount and timing of closure costs. What is clear is that STA running costs will be overspent, and we have no reason to doubt that the overspend will be of the order indicated in Mr Fowler's letter.

7. We think that at this stage you should avoid commitment to any of the propositions in Mr Fowler's letter. We will need more information, which will only become available in September, before we can judge whether his approach to the future of the STA is a viable one, or one which delivers sufficient savings (and your letter of 27 May reserves your right to look for more than agreed in the last Survey). And while some arrangement will no doubt be needed to allow for the possibility that costs and receipts of closure may not balance in any particular year, we would not want to agree that they should be ring fenced from the rest of Mr Fowler's programme until we have a better idea of what the net effect is likely to be (on which Mr Fowler does not commit himself). Last but not least, it would be premature to increase the running costs limit at this stage in the year, even if Mr Fowler is right that the excess cannot be absorbed. The Department need to make every effort to offset the excess, if not within the Training Commission's running cost limit of some £250 million, then within the overall running costs of the DE group, totalling nearly £1 billion (of which the excess is only 1 per cent). It is also possible that shortfalls may emerge later in the year. In any case an opportunity to amend the Estimate will not arise until the Winter Supplementaries. You might therefore tell Mr Fowler that you would only be prepared to look at this

later in the year; and to concentrate the Department's attention on the need for action to secure savings, rather than just hoping that something turns up, you might say that you would expect at least half of any excess to be absorbed by the Department.

8. I attach a draft reply. This submission reflects discussion with RC and with GEP 2.

T J BURR

CONFIDENTIAL

DRAFT LETTER

FROM: CHIEF SECRETARY

TO: SECRETARY OF STATE FOR EMPLOYMENT

SKILLS TRAINING AGENCY

1. Thank you for your letter of 15 July.

2. I note the approach which you wish to adopt towards the future of the STA. I am still not convinced that this is sufficiently decisive. It is not clear to me that leaving the STA in the hands of Training Commission managers provides a viable strategy, either initially or on a continuing basis. I think that we will need to consider this further once the level and pattern of ET business for the STA is clearer, and you have formulated specific proposals for the future network. I will obviously be looking to see that, as a minimum, your proposals deliver the agreed savings, but I must also continue to reserve my freedom to look for more.

3. Once we have your proposals, we will be in a better position to consider the treatment of closure costs and receipts. Until these have been properly quantified, I certainly could not agree that they should simply be ring fenced from your programme, especially as your letter does not exclude the possibility that there may be some net cost overall.

4. It is unsatisfactory that the delay in settling future policy towards the STA should have led to the prospect of a substantial excess on running costs for the current year. The response must be to look for all possible ways of minimising and offsetting the excess, if not within the Training Commission's running costs limit then at any rate within running cost provision for the DE group as a whole (of which the excess is only about 1 per cent). I would only be prepared to reconsider the position later in the year, in the light of the overall position on your Department's running costs as it then stood. Even then, I would expect at least half of the excess to be absorbed within the existing limits.

5. Meanwhile, you will no doubt let me have your firm proposals for the future of the STA as soon as possible after the holidays.

CONFIDENTIAL

Caxton House Tothill Street London SW1H 9NF

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CHIEF SECRETARY
REC. 15 JUL 1988
Mr Burr
Cx Sir P Middleton
Mr Monck, Mr Bunyan
Mrs Casebourne
Mr Featherstone
Mr Reynolds,
Mr Kalen
Mr Call

The Rt Hon John Major MP
Chief Secretary
HM Treasury
Parliament Street
LONDON
SW1P 3AG

July 15th.

Dear John.

SKILLS TRAINING AGENCY

Thank you for your letter of 27 May.

In handling this issue, I have had to bear in mind not simply the Estimates position (to which your letter refers) but also the PAC reports which said, in effect, that the MSC (now the Training Commission) should cease to give any kind of preferential treatment to the STA and there should be no presumption that that Agency would necessarily receive any particular sum of money from the Commission in any year.

The opportunity to put into effect not simply the Estimates and PES decision but also the PAC report has arisen with ET. The position is as follows: I have insisted that the STA should compete for work under ET in the open market along with every other potential provider and that there should be absolutely no preference shown by our Area Manager to the Agency in this bidding process. For the first time ever, therefore, we shall have an "open market solution" to the size and operations of the STA, one determined by the ability of the STA to compete on cost and quality with other providers, including the private sector. I am sure that you would agree that this is the best possible outcome.

There are two stages to the process, however. The first should be more or less completed by about the beginning of August; the second will not be completed until some time in September. In the first stage, potential "training managers" have been invited to bid for provision under contract within ET. You may have seen in the Press that we have had bids for a very large number of places - considerably more than we shall actually need. At this very moment, therefore, the bids are being sorted out and choices are being made, the main criteria being appropriateness to participants in ET and value for money. This stage, as I say, should be completed sometime early in August.

The second stage is rather more complex. Training Managers, once appointed, may wish to sub-contract some of the off-the-job training required within ET to training providers in their locality. It is quite possible that the STA may pick up some of this business too, again in open and fair competition in the open market place. We know, for example, that at least one major construction industry firm, if appointed, would seek to sub-contract off-the-job training to Skillcentres in this way.

The final position will not be known until September when the outcome of sub-contracting is known. I am, however, at the moment reviewing the broad pattern of ET provision, and the Training Commission have produced an assessment of the likely contracts and, more speculatively, sub-contracts. This suggests that the STA will have enough business to support only a network of around 20 skillcentres plus a number of small outstations - compared with the present network of 60.

On this basis we are clearly on course for achieving the agreed PES figures for STA in 1989/90 and 1990/91 given, that is, a flexible approach to divestment costs along the lines we discussed in the PES bilaterals last year: that the proceeds of asset sales should be offset against closure costs and that my gross running costs ceiling might need adjustment in particular years. The problem is, of course, that it will not be tactically possible to ensure that the income from sales and the closure costs balance in any given year or even overall. I personally think the only way forward is first to agree the effects of closure quite separately from the rest of my expenditure, with the Exchequer either benefiting from or financing the net surplus or deficit as it arises year by year. That would, I think, be better all round - and certainly better for the Exchequer - than the generous offer you made that I share in the surplusses in any year.

The only problem we have relates to the running cost position in the current financial year. It has been quite impossible to move to the open market solution we have all been seeking in advance of ET and, in turn, it has been impossible to advance the bidding process for ET and place it any earlier in the financial year. The result is that STA, despite the outcome I have described, may well have to exceed its running cost provision this financial year, perhaps by something in the order of £8 - £10 million.

Given the exisiting pressures on running costs elsewhere in the Commission (they are fully stretched mounting ET this year) and indeed in the rest of the Group, I cannot see any way of meeting this cost by running the cost savings elsewhere.

What I would, however, suggest is as follows: that you should increase the Commission's gross running cost ceiling on this account (and on this account alone) and agree to the Commission finding the money from elsewhere in its grant-in-aid by switches from programme expenditure.

I hope that you can agree with this in principle now. If you can, we can look at the precise figures again around the time of our PES bilateral talks, by which time we shall have a much clearer view of the precise orders of magnitude involved both in terms of the size of the STA operation which is likely to remain and the consequentials for finance.

I look forward to hearing from you that you can agree to this.

Yours ever

NORMAN FOWLER

006/2986

CONFIDENTIAL

cc:
Chancellor
Mr Monck
Mr Burgner
Mr Luce
Mr Turnbull
Mr Hansford
Mr MacAuslan
Mr Burr
Mr Meyrisk
Mr Richardson
Mr Finnegan
Mr Kalen
Mr Call

Treasury Chambers, Parliament Street, SW1P 3AG

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

27th July 1988

Dear Norman,

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Thank you for your letter of 15 July.

I note the approach which you wish to adopt towards the future of the STA. I am still not convinced that this is sufficiently decisive. It is not clear to me that leaving the STA in the hands of Training Commission managers provides a viable strategy, either initially or on a continuing basis. I think that we will need to consider this further once the level of pattern of ET business for the STA is clearer, and you have formulated specific proposals for the future network. I would obviously be looking to see that, as a minimum, your proposals deliver the agreed savings, but I must also continue to reserve my freedom to look for more.

Once we have your proposals, we will be in a better position to consider the treatment of closure costs and receipts. Until these have been properly quantified, I certainly could not agree that they should simply be ring-fenced from your programme, especially as your letter does not exclude the possibility that there may be some net cost overall.

It is unsatisfactory that the delay in settling future policy towards the STA should have led to the prospect of a substantial excess on running costs for the current year. The response must be to look for all possible ways of minimising and offsetting the excess, if not within the Training Commission's running costs limit then at any rate

within running cost provision for the DE group as a whole (of which the excess is only about 1 per cent). I would only be prepared to reconsider the position later in the year, in the light of the overall position on your Department's running costs as it then stood. Even then, I would expect at least half of the excess to be absorbed within the existing limits.

Meanwhile, you will no doubt let me have your firm proposals for the future of the STA as soon as possible after the holidays.

Yours Ever,
John

JOHN MAJOR

ANNEX C

PPG10
Department of the Environment September 1988

PLANNING POLICY GUIDANCE:

STRATEGIC GUIDANCE FOR THE WEST MIDLANDS

ANNEX C

Introduction

This PPG reproduces the Strategic Planning Guidance for the West Midlands which was published by the Secretary of State for the Environment on 24 February 1988 and announced by the Minister for Housing and Planning in answer to a written Parliamentary Question on that day.

The Strategic Planning Guidance provides a framework for the preparation of Unitary Development Plans by the Metropolitan Boroughs of Birmingham, Coventry, Dudley, Sandwell, Solihull, Walsall and Wolverhampton.

The publication of this Strategic Planning Guidance followed a Local Authorities' Planning Conference in March 1987, consultation on the local authorities' resulting advice to the Secretary of State in July and August 1987, and consultation on the Secretary of State's draft guidance from November 1987 to January 1988.

The West Midlands is the first Metropolitan Area for which the Secretary of State for the Environment has issued Strategic Guidance. Further regional guidance may be issued from time to time. Any such guidance will be published first in draft for public consultation, and subsequently in its final form in the PPG series.

Strategic Planning Guidance for the West Midlands

1. As envisaged by Schedule 1 to the Local Government Act 1985, the Secretary of State gives the following Strategic Planning Guidance to assist the West Midlands Metropolitan District Councils in the preparation of Unitary Development Plans. Paragraph 2(4)(a) of Schedule 1 to the Act requires the District Councils to have regard to this Guidance in preparing their plans, once a Commencement Order has been made in respect of their area. The Guidance also has implications for adjoining areas, and neighbouring County Councils are asked to have regard to it when reviewing and altering their Structure Plans. Development Corporations in the West Midlands should likewise have regard to the Guidance in exercising their planning and related functions.

Urban Regeneration

2. Revitalising the sub-regional economy and regenerating the inner city areas are key objectives for the West Midlands, which underlie every aspect of this Guidance. Central and local government and the private sector must combine their programmes, responsibilities, skills and resources to foster urban regeneration and increase industrial, commercial and housing development in inner city areas. Concentrating on particular parts of the inner city where most is likely to be achieved is preferable to spreading redevelopment and environmental improvement in patches across the whole area. Unitary Development Plans should help by identifying suitable areas. The Priority Area defined by the former County Council is more relevant for monitoring the combined effects of the regeneration effort than for targeting particular programmes or policy initiatives. The Black Country Development Corporation and Birmingham Heartlands Limited are useful examples of a concentrated approach to urban regeneration.

3. Particular emphasis should be laid on providing high quality industrial sites and improving the housing stock in Birmingham; recycling land for industrial purposes and improving the housing stock in Coventry; and improving the environment in the Black Country by loosening the existing urban structure and enhancing the physical and social infrastructure. Environmental improvement has a big part to play in regenerating all inner city areas through new development, land reclamation, tree planting, landscaping, restoring or safeguarding sports pitches and preserving and enhancing areas of interest for nature conservation. Particular attention should be paid to prominent sites, areas of high residential density and road, rail and canal corridors.

Housing

4. A basic housing requirement of 83,500 dwellings between 1988 and 2001 (see Appendix A) should be met by housebuilding in the Metropolitan Districts (61,000) and net migration to the Shire Counties (22,500 distributed as follows: 8,500 to Hereford and Worcester; 3,500 to Shropshire; 5,300 to Staffordshire; and 5,200 to Warwickshire). Most of these households will need to remain within commuting distance of the Metropolitan Districts, but not all the extra dwellings need be built within the Metropolitan Journey to Work Area.

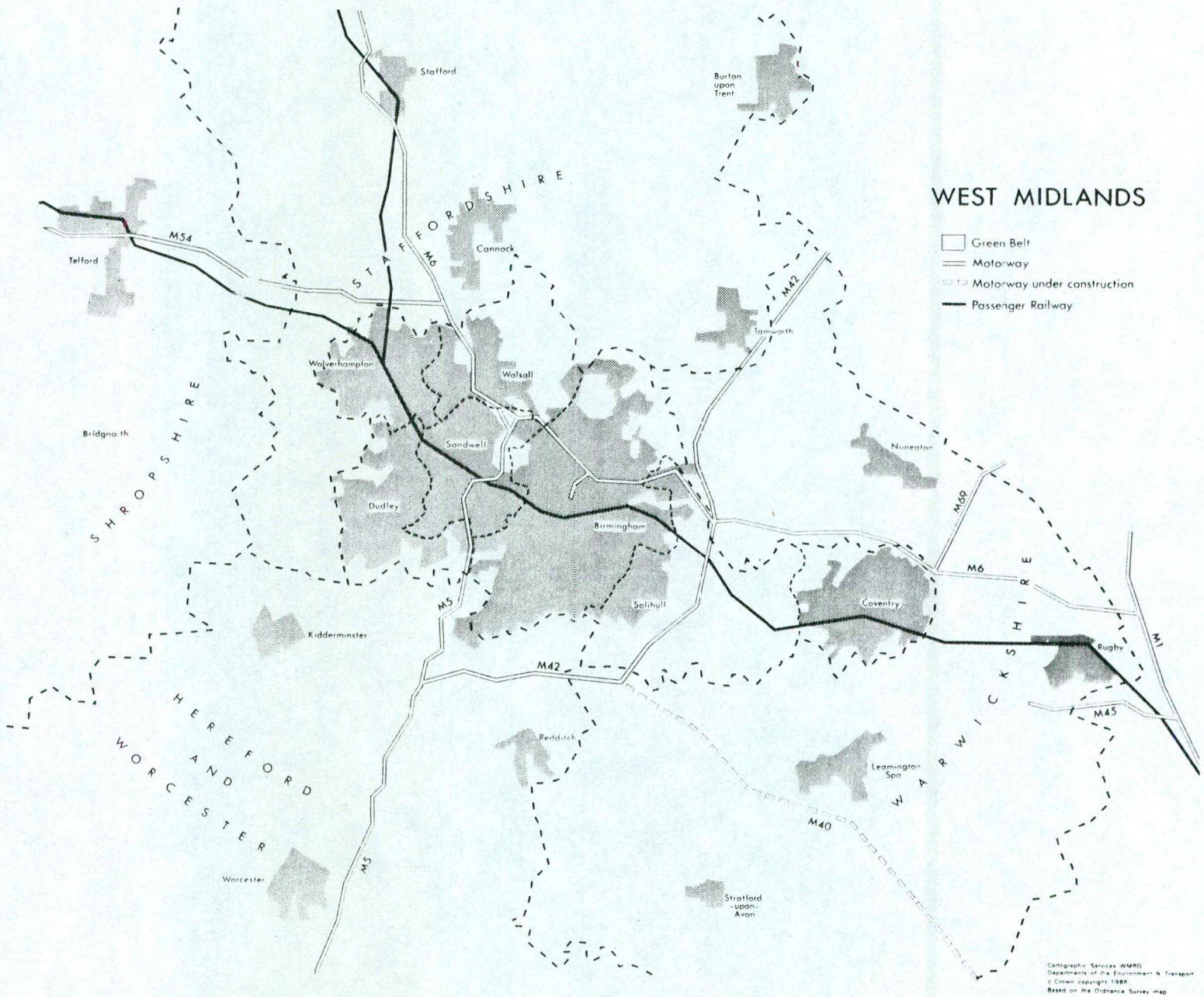
5. Unitary Development Plans should provide for new dwelling completions between April 1988 and March 2001 as follows:

Birmingham	22,300
Coventry	5,000
Dudley	7,400
Sandwell	7,500
Solihull	7,500
Walsall	6,800
Wolverhampton	4,500
TOTAL	61,000

These figures balance the need to maximise house building in inner city areas as part of the strategy for urban regeneration against satisfying the demand for new housing outside the built-up area. Although they should be used for calculating the five year requirements for housing land until Unitary Development Plans are adopted, they are only a general guide to long-term provision, and should be tested during the preparation of those Plans in the light of any new evidence then available. Provided policies are clear and practicable, housing provision may be phased to ensure that the sites most readily developed are not all taken first and to encourage the re-use of derelict and disused land.

The Economy

6. Unitary Development Plans can help to revive the economy by providing for job-creating development in response to market forces: industrial expansion by existing firms, high quality industrial investment by new firms,


WEST MIDLANDS
Green Belt
Motorway
Motorway under construction
Passenger Railway
Stafford
Burton upon Trent
STAFFORDSHIRE
M54
Telford
M6
Cannock
M42
Tamworth
Wolverhampton
Walsall
Bridgnorth
SHROPSHIRE
Sandwell
Nuneaton
Dudley
Birmingham
M69
M6
M5
Solihull
Coventry
WARWICKSHIRE
Kidderminster
Rugby
M1
M42
M45
HEREFORD AND WORCESTER
Redditch
Leamington Spa
M40
M5
Worcester
Stratford -upon- Avon
Cartographic Services WMRO
Departments of the Environment & Transport
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Based on the Ordnance Survey map

additional warehousing and distribution facilities, office and tourist-related developments are examples. For these purposes a balanced portfolio of sites is desirable. Most industrial development will continue to be inside the built-up area, but there is a particular need to provide for some high quality development on the periphery, and this can be done without detracting from the commitment to urban regeneration: up to 300 hectares of land may well be needed for this purpose by 2001, but it would be undesirable to release it all until it is clear that market demand warrants it. The full 300 hectares should therefore be identified as a matter of urgency in Unitary and Shire County Development Plans, and the sites concerned then protected by strong development control policies until market demand is shown. These sites must only be used for top quality industrial, research or office uses falling within Class B1 of the Town and Country Planning (Use Classes) Order 1987; in particular, they should not be used for retailing or pure warehousing activities.

7. In each geographical sector (described below), the release of such sites should be phased with reference to the level of demand to achieve continuity and choice. Given the lead times involved, a new site should be released when monitoring indicates that the existing site will be over three-quarters occupied within three years' time. Companies will thus have the choice of two or three high quality sites in the sub-region at any given time. Careful monitoring of the take-up of sites will be necessary, and the Department of the Environment should be kept informed of the results.

8. Up to 140 hectares of land should be provided for high technology development in the *Birmingham/Solihull* sector. The rapid take-up of the Birmingham Business Park suggests that the release of a further site will soon be justified. The area of search should include Warwickshire and the north-eastern part of Hereford and Worcester, as well as the two Metropolitan Districts. Proposals should be compatible with the long-term development needs of the National Exhibition Centre. Up to 120 hectares of land should be provided for high technology development to meet the needs of the *Black Country*, and one site should be released as soon as possible. The area of search should include Staffordshire, the north-western part of Hereford and Worcester and the four Black Country Boroughs. A site for high technology development to meet Coventry's needs should be identified in Coventry or Warwickshire, in addition to more general industrial development within the line of the Eastern Bypass.

9. The local authorities concerned should hold joint discussions to identify suitable land for high technology development in each sector, in accordance with the following criteria: easy access to the motorway system; proximity to the conurbation or Coventry; and ready access to its workforce, preferably by both public and private transport (but sites need not immediately adjoin the edge of the built-up area). Sites should be in attractive settings and developed to a very high standard: low density, low site cover, high quality building, extensive landscaping and generous parking. There is no minimum site size, but sites of 40 hectares or more may be best suited to the nature of the demand.

10. Local planning authorities are urged to consider designating selected sites as Simplified Planning Zones: these can provide a stimulus to regeneration and encourage economic activity. Advice on setting up SPZs is given in Planning Policy Guidance Note No. 5.

Green Belt, Agricultural Land and Minerals

11. The West Midlands Green Belt has been established to check the unrestricted sprawl of large built-up areas, to safeguard surrounding countryside, to prevent neighbouring towns merging into one another (a good example being the Meriden Gap separating Birmingham and Coventry), to preserve the special character of historic towns and to assist in urban regeneration. It also protects good agricultural land, preserves the quality of the landscape, provides opportunities for sport and recreation and helps nature conservation. Although the general area has been established in approved structure plans, there are large parts where detailed boundaries have yet to be defined. Where boundaries do exist, little land has been left between the edge of the built-up areas and the Green Belt to meet development needs, yet there is little evidence that a tightly-drawn inner boundary of itself supports urban regeneration. Unitary Development Plans must establish secure Green Belts which take proper account of the likely scale and pattern of development needs into the twenty-first century.

12. Green Belts must be permanent and their protection maintained as far as can be seen ahead. A full-scale review of the West Midlands Green Belt is not warranted. Instead, local authorities are asked when preparing development plans to use the following process in determining where development needs should be met:

(a) As much development as possible (subject to the regeneration strategy and the policy

emphasis in the inner areas of each District) should be on sites within the present built-up areas;

(b) For development which has to be outside the present built-up areas, as much as possible should be in areas not covered by Green Belt policies;

(c) For development which cannot be located inside built-up areas or outside on land not in the Green Belt, as much as possible should be accommodated through the careful drawing of Green Belt boundaries in areas where they have not yet been defined either in adopted local plans or in the former development plans;

(d) Only if a deficiency still remains after (a), (b) or (c) should alterations be contemplated to Green Belt boundaries which have already been defined in adopted local plans or the former development plans.

13. The identification of up to 300 hectares of land for high technology development by 2001 will inevitably have some implications for the Green Belt, and by that date up to 2,400 dwellings in Solihull, 1,400 in Birmingham and 700 in Wolverhampton may need to be built on land in categories (c) or (d) above; but housing development in the other Metropolitan Districts is unlikely to have a similar effect. In the Shire Counties, relaxing the requirement to accommodate migrant households within the Metropolitan Journey to Work Area should minimise any effects on the Green Belt. It is unlikely that development for purposes other than high technology industry or housing will be permitted in the Green Belt, except activities covered by paragraphs 12 to 18 of Planning Policy Guidance Note No. 2.

14. In defining Green Belt boundaries, local authorities should relate their proposals to a longer time-scale than is normally adopted in plans for new development, though it may not be possible at this stage to foresee accurately the scale of development needed beyond 2001. Where land is not needed for immediate development but is omitted from the Green Belt to meet potential long-term needs, it should be protected in the meantime by strong development control policies. Long-term needs alone are unlikely to justify changes to existing boundaries.

15. Green wedges are a distinctive feature of the West Midlands Green Belt. They assist nature conservation, help to maintain and improve the environmental quality of the urban areas and provide vital recreational opportunities for residents of urban areas.

16. The best and most versatile agricultural land (in the West Midlands Metropolitan Districts, Grades 1, 2 and, in some areas, 3a of the MAFF Agricultural Land Classification) should not be built on unless there is no other land available for the particular purpose. Unitary Development Plans should also take into account the Government's policies for the use of redundant agricultural buildings, the diversification of agricultural businesses, the establishment of farm woodlands and other structural measures to reduce surplus production.

17. Policies for the countryside, including positive action to conserve and enhance its attractiveness and maintain and improve public access, should where relevant be an integral part of Unitary Development Plans. In suitable cases, development can complement both agricultural and recreational uses. Development proposals should be based on a proper appreciation of the countryside resource.

18. The West Midlands must play its part in maintaining supplies of minerals for the construction industry within the Region. The unnecessary sterilisation of mineral resources by other forms of development should be avoided. Like other forms of development, mineral working is subject to Green Belt and agricultural land policies, but the need for minerals may sometimes be overriding, especially if satisfactory landscaping and restoration proposals can be included.

Transport

19. Highway improvement should assist urban regeneration, facilitate further investment in industry and housing, secure environmental improvements and support existing town centres. New motorways and major routes can create opportunities for economic development. The work done by the Metropolitan Districts in identifying a Strategic Highway Network, which provides a broad framework within which needs and priorities for highway improvements can be assessed, is welcome. The following parts of the Network will need particular attention:

(a) Highways improving access to areas of inner city regeneration, in particular those of the Black Country Development Corporation, Birmingham Heartlands Limited and the Dudley Enterprise Zone;

(b) Distributor roads elsewhere in the Black Country;

(c) Radial routes into the centre of Birmingham, particularly in association with the extension of M40;

(d) Links into the conurbation from the Birmingham Northern Relief Road and the planned orbital route to the west of the conurbation.

Unitary Development Plans should take into account any proposals for trunking main routes within the conurbation which emerge from the continuing discussions between the Department of Transport and the highway authorities.

20. Public transport makes an important contribution to meeting the area's transport needs, particularly in the inner city where car ownership levels are low. The role of Unitary Development Plans in this respect is to guide overall priorities; and in identifying sites for major development they should take into account their accessibility by public transport. They should also have regard to opportunities likely to be created by British Rail's plans for the dispersal of rail traffic from the Channel Tunnel.

21. The Passenger Transport Authority's proposals for a Light Rail Transit System will require careful evaluation, taking account of the response expected from the travelling public, the degree to which such a system would meet their needs, the effect it would have on other transport services and its impact on the urban area as a whole; an adequate economic return on the substantial capital outlay involved will also need to be demonstrated.

Shopping

22. Existing town centres should continue to be the main focus for the provision of shopping facilities as part of their wider functions of providing employment, cultural, social and business services for the community; but some centres are congested and their shopping and other facilities have not kept pace with changing needs. Local authorities should apply planning policies flexibly to help town centres adapt to changing retail patterns and the needs of consumers. Unitary Development Plans should identify sites for retail and other development which can contribute to the modernisation or refurbishment of town centres and should take a flexible approach to matters such as environmental improvement, pedestrianisation and car parking provision which affect the overall attractiveness of a centre.

23. This continuing role for town centres need not, however, prevent some retail development taking place elsewhere. Many such developments will have little effect on existing centres, and some may have a beneficial effect by reducing congestion and giving scope for more varied shopping and other activities to flourish. Retail development can make a major contribution to the urban regeneration strategy by bringing derelict or disused sites into productive use, generating investment and jobs and providing shopping facilities accessible to inner city residents by public and private transport.

24. Any proposals in Unitary Development Plans for out-of-town retail developments should not be of such a scale and kind that they would seriously threaten the viability and vitality of existing town centres, including those in neighbouring local authority areas. There is no place for major new retail development in the Green Belt, nor in open countryside other than in the circumstances described in Planning Policy Guidance Note No. 6. Proposals for large new centres, particularly those with one million square feet or more of retail floorspace, should be considered in terms of their effect on existing centres in the region or sub-region in the light of market trends.

Monitoring

25. The Metropolitan Districts are already developing a monitoring system: this should be used, with the involvement of the Shire Counties, to collect and analyse the information listed in Appendix B. The Department's Regional Office will be responsible for keeping the Guidance under review and should be kept informed of the results of monitoring.

Housing

The approach to the preparation of this Guidance has been to assess the basic housing requirements for the Metropolitan Districts for the period April 1986 to March 2001 and then subtract those requirements which are expected to have been met during the first two years of this period through dwelling construction in the Metropolitan Districts and by net migration to the Shire Counties. Figures of housing provision in the Metropolitan Districts and migration to the Shire Counties are therefore given for the period April 1988 to March 2001.

Table 1 contains assumptions about basic housing requirements and their components. Of the total requirement of 101,500 dwellings for the Metropolitan Districts, 62% is expected to arise from a combination of household formation and international and inter-regional migration, 33% from the need to replace demolished dwellings, and 6% from a reduction in households sharing a dwelling. Little change is expected in vacancy rates. 28% of the total requirement is expected to be met by net-migration to other parts of the Region, 72% by dwelling construction in the Metropolitan Districts.

Table 2 compares the total of dwelling provision and estimated completions with the Metropolitan Districts' own assessments of housing land availability. There is a surplus of potential housing land for the Districts as a whole, but deficits appear for Birmingham, Solihull and Wolverhampton.

Of the anticipated net migration of 28,500 from the Metropolitan Districts to other parts of the Region between 1986 and 2001, 6,000 is expected to have taken place in the period 1986-1988, leaving 22,500 for the period 1988-2001.

This Appendix forms part of the Guidance.

Table 1—Basic Housing Requirements (1986-2001). Intra-Regional Migration (1986-2001), Estimated Completions (1986-1988) and Dwelling Provision (1988-2001)

	Components of the Basic Housing Requirements (1986-2001)							
	Change in No. of Households via Household Formation, International and Inter-Regional Migration	Change as a result of Vacancy Rate Changes	Replacements for Demolitions	Change as a Result of Changes in Sharing	Basic Housing Requirements (1986-2001)	Net Intra-Regional Migration (1986-2001)	Estimated Completions (1986-1988)	Dwelling Provision (1988-2001)
Birmingham	+29,000	—	+18,000	+2,500	49,500	−23,900	3,300	22,300
Coventry	+ 2,100	−800	+ 700	+1,000	3,000	+ 3,000	1,000	5,000
Dudley	+ 7,200	—	+ 2,000	+ 800	10,000	− 700	1,900	7,400
Sandwell	+ 4,000	—	+ 7,800		11,800	− 3,200	1,100	7,500
Solihull	+ 6,000	—	+ 200	—	6,200	+ 3,200	1,900	7,500
Walsall	+ 6,100	—	+ 1,500	+1,400	9,000	− 1,300	900	6,800
Wolverhampton	+ 8,800	—	+ 3,000	+ 200	12,000	− 5,600	1,900	4,500
TOTAL	+63,200	−800	+33,200	+5,900	101,500	−28,500	12,000	61,000

APPENDIX A

Table 2—Dwelling Provision (1988-2001) and Estimated Completions (1986-1988) compared with Metropolitan Districts' Estimates of Housing Land Availability (1986-2001)

	Dwelling Provision (1988-2001) plus Estimated Completions (1986-1988)	Metropolitan Districts' Estimates of Housing Land Availability (1986-2001)	Surplus/Deficit (1986-2001)
Birmingham	25,600	24,200	−1,400
Coventry	6,000	9,700	+3,700
Dudley	9,300	9,400	+ 100
Sandwell	8,600	9,750	+1,150
Solihull	9,400	7,000	−2,400
Walsall	7,700	9,200	+1,500
Wolverhampton	6,400	5,700	− 700
TOTAL	73,000	74,950	+1,950

APPENDIX B

Monitoring

The monitoring system mentioned in paragraph 25 should pay particular attention to measuring:

(a) The pace and scale of urban regeneration, and particularly efforts to stimulate industrial and housing development and to improve the environment;

(b) Trends in the factors affecting housing provision in the Metropolitan Districts (see Appendix A);

(c) The rates at which top quality high technology firms are attracted to prestige sites on the periphery;

(d) The success of the Green Belt in restricting the outward growth of the built-up areas and redirecting development to inner city areas;

(e) The effects of shopping development outside existing town centres on the shopping and other functions of those centres and on the shopping public.

This Appendix forms part of the Guidance.

Planning Policy Guidance notes (PPGs) provide concise and practical guidance on planning policies in simpler and more accessible form than in Departmental circulars and the earlier series of Development Control Policy Notes (DCPNs) and other statements. Unless otherwise stated in the PPGs, those circulars remain extant for the time being; the need to retain them will be reviewed in the light of experience with PPGs. DCPNs are being withdrawn to the extent indicated in the relevant PPGs.

The Secretary of State and his Inspectors will have regard to this guidance in dealing with appeals and called-in planning applications, and the Secretary of State expects local planning authorities to have regard to it in the exercise of their planning functions.

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CONFIDENTIAL

FROM: T J BURR
DATE: 30 September 1988

PS/CHIEF SECRETARY

cc PS/Chancellor
Mr Monck
Mr Burgner
Mr Luce
Mr Turnbull
Mr Hansford
Mr MacAuslan
Mr Meyrick
Mr Richardson
Mr Finnegan
Mr Kalen
Mr Call

SKILLS TRAINING AGENCY

1. My submission of 26 July explained that Mr Fowler, having for some months failed to take any decision on the future of the Skills Training Agency (STA), had decided to take no action until after the holiday period, when it would be clearer how much business the STA was likely to be able to win under the Employment Training Programme. My submission expressed our doubts about the viability of this so called "market approach" to the future of the STA, and recorded that Mr Fowler's delay in taking decisions had already dissipated the planned savings on STA expenditure for the current year, with the result that the running cost limit would be breached. The Chief Secretary's letter of 27 July therefore asked Mr Fowler to let him have firm proposals for the future of the STA as soon as possible after the holidays.

2. DE officials are taking this seriously, since they are anxious to minimise the running costs overspend and regularise the position as soon as possible. We understand that Mr Fowler has had a draft reply to the Chief Secretary's letter for several weeks now, but has taken no action on it. In response to our enquiries, DE have indicated that they are starting to get concerned about the financial position not only for the current year, but for next year as well.

3. We clearly can achieve nothing more at official level, and I think we have now reached a stage at which a reminder is needed from your Office. Given that Mr Fowler's immediate preoccupation is with bringing himself to accept the substantial cuts in his programme which the Chief Secretary has requested, the Chief Secretary might not himself wish to raise a further issue with Mr Fowler just now. I think that a Private Secretary letter might therefore be appropriate, and I attach a draft.

T J BURR

iae3.mn/docs/drltr30.8

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DRAFT LETTER

FROM: PS/CHIEF SECRETARY

TO: PS/SECRETARY OF STATE FOR EMPLOYMENT

SKILLS TRAINING AGENCY

1. The Chief Secretary wrote to your Secretary of State on 27 July about this subject. His letter anticipated that your Secretary of State would be putting forward firm proposals as soon as possible after the holidays.

2. The Chief Secretary has asked me to say that he is becoming concerned about the implications of further delay, in a situation where the running costs limit was already expected to be overspent in July. He notes that the outcome of the STA's tendering for ET contracts was expected to be known by now, and hopes that your Secretary of State will be able to put forward his proposals very shortly.

iae3.mn/docs/chsec27.10

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FROM: T J BURR
DATE: 27th October 1988

CHIEF SECRETARY

cc Chancellor
Sir P Middleton
Mr Anson
Mr Monck
Mr Burgner
Mr Luce
Mr Turnbull
Mr Hansford
Mr MacAuslan
Mr Meyrick
Mr Richardson
Mr Finnegan
Mr Kalen
Mr Call

SKILLS TRAINING AGENCY

1. In his letter of 17 October, Mr Fowler sets out his long-awaited proposals on the future of the Skills Training Agency (STA).

Background

2. It was agreed in the 1987 Survey that there should be a review of the STA, and this was completed earlier this year. It concluded that the STA "should either be closed completely or should be much reduced in size and scale". DE accordingly assumed substantial savings in STA expenditure in allocating their running cost provision for the current year. After a long delay, however, Mr Fowler decided to opt for a "market" solution, whereby the survival of the STA would depend on the share of Employment Training programme business which it could attract from Training Agency Area Managers (who were instructed to consider STA bids on their merits and give them no special preference). The outcome was known by early September, when ET was launched. But in spite of the emphasis in your letter of 27 July on the need for an early

decision, Mr Fowler put forward no proposals until his letter of 17 October, which itself proposes no immediate action. Meanwhile, prospective expenditure on the STA in the current year has grown to some £10 million more than allowed for in the running costs limit.

Mr Fowler's proposals

3. Mr Fowler's letter gives a generally rosy picture. He says that the STA has exceeded expectations by securing 5% of ET business, with more to come in business subcontracted from other contractors. Income from employers has increased by 40% in the first five months of this year. Mr Fowler acknowledges that the STA can nevertheless expect income of only £52 million in 1989-90 to set alongside its costs of about £68 million, and that it will have spare capacity. But he makes no proposals for any immediate action to deal with that situation, and offers no more than marginal savings to set against the overspend in the current year. Instead, he proposes that professional advice should now be sought on how the STA might be privatised.

Discussion

4. We have explored the issues raised by Mr Fowler's letter with DE officials. We remain sceptical about a number of aspects of Mr Fowler's analysis for the following reasons:

(a) Although there has been a general desire on the part of the Training Agency to be untied from the STA, it seems likely that inertia has nevertheless played some part in leading Area Managers to place business with the STA this year. As Area Managers become more conscious in future of their freedom to place business elsewhere, and more ready to exercise it, the STA's share of ET business might be expected to diminish.

(b) Similarly, pressure from competing providers of training is likely to grow as they become increasingly aware of their freedom to bid for business at present going to the STA.

(c) It is not clear that the STA's performance, while better than expected, is quite the resounding success that Mr Fowler implies. DE estimate that the field in which the STA could have competed was about 100,000 ET places, or about a third of the total. To have won 15,000 of these is a reasonable achievement, but hardly an outstanding performance.

(d) The upsurge in employers' business this year no doubt reflects a realisation by the STA that it needs to compete for more business in order to survive. But income from employers remains only about a fifth of the total, and the STA remains overwhelmingly dependent on ET. DE say that those Skillcentres which have little business are generally in areas of low unemployment, where there are few ET participants. But that only highlights their dependence on ET, and the fact that they have been unable to fill their spare capacity with business from employers; which in turn suggests that there is room for doubt about the ability of the STA to compete in the open market.

(e) The STA has no track record on which its suitability for privatisation could be judged. Its activities have consisted very largely of providing services to a less than satisfied captive customer. In these circumstances, it is difficult to know what reliance could be placed on professional advice about privatisation possibilities. The advice would moreover be given in a virtual policy vacuum, since Mr Fowler appears not to want to take any decisions until the advice is available. Rushing into an attempt to sell the STA without cutting out the non-viable parts or establishing a clear prospect of profitability, let alone a track record of achieved profit, could easily lead to a bad deal for the taxpayer with, for example, valuable property sold at low prices because of the prospect of redundancy costs and general uncertainty. It might also lead to further delays in tackling non-viable Skillcentres.

5. We are therefore not attracted to Mr Fowler's proposal that we should simply commission professional advice and await the results. We would in any case want that advice to consider whether the STA should be privatised, and if so which elements and when, and not just how (as Mr Fowler proposes). There must be a good chance that such advice would either recommend against privatisation, or otherwise fail to provide a basis on which we could confidently go ahead with it. We would then just have lost another three months, assuming that Mr Fowler did not again take a further couple of months to reach a conclusion once the professional advice was available.

6. We think that action needs to be put in hand now on options to bring STA expenditure into line with its likely income. This would be likely to involve the closure of the dozen or so Skillcentres with insufficient business. The staff are predominantly professional and technical and could not be re-employed within the DE group, so redundancies would be inevitable. But because these Skillcentres are predominantly in prosperous areas, there could be considerable receipts from sales of property in places like Reading and Slough. Work is needed both to establish the likely redundancy costs and the value of the property portfolio, and we think that this should now be put in hand.

7. When we discussed this with DE officials, they suggested that a "twin track" approach might be adopted whereby professional advice was sought on privatisation in parallel with work on the costs and receipts associated with closures (which would probably take some weeks given the need to obtain property valuations). If the professional advice then suggested that privatisation was not an option, at any rate for the STA as a whole, we would be in a position to take immediate decisions on closing the non-viable parts of the Skillcentre network (assuming that there was a reasonable match between those Skillcentres now seen as closure candidates by DE, and those identified by the professional advisers as non-viable).

8. We see some attractions in the "twin track" approach. In practice, it may be the best way of minimising further delay while keeping open the option of early action. A more robust approach, insisting on the need for decisions to prune the STA before any consideration is given to privatisation, could well lead to further protracted exchanges with Mr Fowler without any early action taking place. The problem which delay has already created with this year's running costs would then start to spread into next year as well.

Running costs

9. DE say that £10 million remains their best estimate of the likely overspend on the STA component of their running cost limit for the current year. In your letter of 27 July, you said that you would expect at least half of this excess to be absorbed within existing running costs limits. Mr Fowler says that the STA have identified £1.7 million of offsetting savings and refers to the possibility of further "marginal contributions" from within DE running costs. Our own assessment is that DE should be able to do a good deal better than that, and we recommend that you show no further flexibility on running costs for the current year at this stage. Mr Fowler also asks for a flexible approach to any divestment costs (and would presumably want a similar approach to any closure costs). We think that it is premature to reach a view on that until we know more about what the costs would be likely to be. Finally, he mentions the possibility of a net running costs regime for the STA. That too is premature until we have sorted out the more fundamental issues.

Conclusion

10. We recommend that your reply to Mr Fowler should:

(a) agree to professional advice on privatisation, provided that this advice covers not just how the STA should be privatised but whether it should be privatised, and if so which elements and when;

(b) as a condition of (a), require that work should also be put in hand to establish the financial and operational implications of action to bring STA expenditure into line with income by removing spare capacity in the Skillcentre network.

I attach a draft, which also re-emphasises the importance of taking all reasonable steps to offset the overspend on STA running costs.

T J BURR

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DRAFT LETTER:

FROM: THE CHIEF SECRETARY

TO: SECRETARY OF STATE FOR EMPLOYMENT

SKILLS TRAINING AGENCY

1. Thank you for your letter of 17 October, in which you set out your proposals for the future of the STA.

2. I accept that the STA appears to have done reasonably well in the bidding for business under the Employment Training programme. But I think that there is a long way to go before we can conclude that the STA, or any substantial part of it, has a reasonable prospect of surviving without Government subsidy. In spite of the increase in employer income to which you refer, it is still overwhelmingly dependent on Training Agency business, and one can be sceptical as to whether the outcome of the ET contracting round has demonstrated that the STA can retain its share even of this business in the longer term. Even with its present share, income falls a long way short of covering costs, let alone generating profits.

3. In these circumstances I do not think that it would be adequate just to seek professional advice on how the STA might be privatised. The remit would in any case need to go wider than how (which assumes a prior decision to privatise), to consider whether privatisation was a viable option, what the optimum privatisation method would be (including the possibility that some parts of the STA might be sold off separately in line with your

proposals for decentralising training arrangements), and the timing of privatisation. If you agree that the remit needs to be widened in this way, I should be grateful if my officials could be consulted about the detailed terms of reference and about possible sources of advice. The advisers would have to be carefully chosen, as their task would be very different from advice on a conventional privatisation of a profitable business.

4. But we have to recognise that such advice might not give us a basis on which we could confidently privatise at any rate the whole of the STA at an early date and that, by the time we reached that conclusion, we would have lost another few months in addition to those which have already passed since the review concluded in January "that the STA "cannot continue its present form and should either be closed completely or should be much reduced in size and scale". We must also put the necessary work in hand to enable us to proceed immediately with action to bring expenditure into line with income if privatisation proves to be neither an immediate nor a complete solution.

5. To this end, I think that we should now commission work, perhaps involving outside experts, to establish the financial and operational implications of closing down the non-viable parts of the network as soon as possible and selling the sites after a thorough professional valuation. This would in particular cover redundancy costs and likely proceeds from property disposals. The exercise would be completed well within the timescale of the professional advice on privatisation, so that we were able to move quickly if privatisation offered no early prospect of viability for those parts of the network.

6. I do not think that we can start to consider the issues of divestment costs and a net running costs regime, to which your letter refers, until the results of this work are available. As regards the running costs position in the current year, I do not think that I can add to what I said in my letter of 27 July. The need to rectify the running costs position does of course underline the need to minimise any further delay in taking firm decisions.

des/conf/63

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ACTION	Mr Burr
COPIES TO	Cx Sir P Middleton, Mr Gibson, Mr Monck, Mr Bridgeman, Mrs Case, Mr Lovell, Mr Farthing, Mr Kalen, Mr Call.

The Rt Hon John Major
Chief Secretary
HM Treasury
Treasury Chambers
Parliament Street
LONDON
SW1P 3AG

Dear John.

SKILLS TRAINING AGENCY (STA)

With the outcome of the first stage of the bidding for Employment Training now known, and a clearer indication of the business STA might gain as a subcontractor under the second stage, I am now in a position to outline proposals for the future of the STA which you said in your letter of 27 July you would need in order to come to a view on my suggestions for tackling the financial issues.

The STA has taken quite major steps towards a more commercial approach. Its performance in bidding for ET and employer business indicates that it has a substantial viable core training provision. It has done better than expected from the first stage of bidding for ET as a Training Manager; it stands to gain substantially from subcontracting in the second stage; and it has increased its employer income by almost 40% in the first five months of the year. The STA has obtained just under 15,000 (5%) of all ET contracted places against stiff competition and entirely on the basis of judgements by my area office staff about the most cost-effective local provision. However, as expected, the STA's estimated income from all sources of about £52m in 1989-90 will not cover the cash costs of the existing network (about £68m) or use all its capacity.

I would now like to build on this potential, with the aim of ensuring that by the end of the PES period, and preferably well in advance of that, the STA is no longer a drain on my Department's resources. In doing this I would wish to preserve viable training capacity as far as possible, in the

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light of current skill shortages and our general policy of improving industrial training. In my view, the best way of securing this objective would be to privatise that part of the STA for which a buyer can be found.

There are a number of options of how we might privatise the STA, but it seems to me that the first priority is to get good professional advice on the best approach to doing this. I would like to make rapid progress on this, and I would be happy for my officials to discuss this urgently with yours.

Notwithstanding a rapid move towards privatisation, we still need to resolve the outstanding issue of running costs in the current year. The STA's running costs are set to exceed its provision by £10 million this year. I regret that this has happened, but you are aware of the overriding reasons why further progress on resolving the STA issue could not be made in advance of the ET contracting process. Given the heavy pressure on running costs elsewhere in the Employment Department Group, it is very unlikely that I shall be able to find fully offsetting running costs savings. There is no problem in resource terms as the cover can be found from programme provision elsewhere in the Training Agency grant-in-aid. The STA has identified a further £1.7m of running cost savings and marginal contributions may also be found as budgets and performance are tightly controlled and monitored throughout the Group. However, I do need to know whether you will agree to such increases in my gross running costs limits as may be necessary at the end of the day.

I raised two other issues in my earlier letter: the need for a flexible approach to divestment costs; and the desirability of allowing the STA to move to a net running costs basis from April 1989. I still believe that both of these steps are desirable and necessary however the privatisation options might develop and your agreement in principle to these, which our officials could pursue in more detail, would be most helpful.

I believe that an early move to adjust STA capacity to the needs of the market in the way I have described would represent a decisive step towards a durable solution to the STA issue. I hope you can agree to the steps I have proposed.

Yours ever Norman

NORMAN FOWLER

les/conf/81

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MP

SECRETARY OF STATE FOR EMPLOYMENT

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Mr Burr
Cx, S i P Middleton, Mr Bacon
Mr Mack, Mr Burgner,
Mrs Case, Mr Luce, Mr Kalen
Mr Fothergill, Mr Call

The Rt Hon John Major MP
Chief Secretary
HM Treasury
Treasury Chambers
Parliament Street
LONDON
SW1P 3AG

November 18

Dear John.

SKILLS TRAINING AGENCY

Thank you for your letter of 2 November.

I have now put in hand the process of seeking professional advice on privatisation and my officials are already in touch with yours about this. I have also already set in train the necessary work on a contingency basis for closing those Skillcentres which I judge to be not viable on the current basis of operation.

I will need to announce my intention to move towards privatisation and intend to do this in my forthcoming White Paper. I will of course give you the opportunity to comment on the terms in which this is put.

I note that you do not wish to address the issues of divestment costs and running cost arrangements until we have the results of those studies, and accept that we will therefore have to consider these matters as part of a total package. In the meantime, I shall have to construct my Estimates provisions for next year in respect of the STA on the outcome of last year's PES settlement. I hope we will be able to put things on a more satisfactory basis by the time the Estimates come to be published.

So far as the current year's running costs are concerned, we are doing all we can across the Group to find offsetting savings towards the inevitable STA over-spend. The position however remains exceedingly tight, and I am sure that we shall have to reconsider later in the year the need for some increase in the running cost limits.

Yours ever

NORMAN FOWLER

cst.ps/10jm1.11

CONFIDENTIAL

MP

cc:
Chancellor
Sir Peter Middleton
Mr Anson
Mr Monck
Mr Burgner
Mr Luce
Mr Turnbull
Mr Burr
Mr Hansford
Mr MacAuslan
Mr Meyrick
Mr Richardson
Mr Finnegan
Mr Kalen
Mr Call

Treasury Chambers, Parliament Street, SW1P

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

2 November 1988

Dear Secretary of State,

SKILLS TRAINING AGENCY

Thank you for your letter of 17 October, in which you set out your proposals for the future of the STA.

I accept that the STA appears to have done reasonably well in bidding for business under the Employment Training programme. But I think there is a long way to go before we can conclude that the STA, or any substantial part of it, has a reasonable prospect of surviving without Government subsidy. In spite of the increase in employer income to which you refer, it is still overwhelmingly dependent on Training Agency business, and one can be sceptical as to whether the outcome of the ET contracting round has demonstrated that the STA can retain its share even of this business in the longer term. Even with its present share, income falls a long way short of covering costs, let alone generating profits.

In these circumstances I do not think that it would be adequate just to seek professional advice on how the STA might be privatised. The remit would in any case need to go wider than how (which assumes a prior decision to privatise), to consider whether privatisation was a viable option, what the optimum privatisation method would be (including the possibility that some parts of the STA might be sold off separately in line with your proposals for decentralising training arrangements), and the timing of privatisation. If you agree that the remit needs to be widened in this way, I should be grateful if my officials could be consulted about the detailed terms of reference and about possible sources

of advice. The advisers would have to be carefully chosen, as their task would be very different from advice on a conventional privatisation of a profitable business.

But we have to recognise that such advice might not give us a basis on which we could confidently privatise at any rate the whole of the STA at an early date and that, by the time we reached that conclusion, we would have lost another few months in addition to those which have already passed since the review concluded in January that the STA "cannot continue its present form and should either be closed completely or should be much reduced in size and scale". We must also put the necessary work in hand to enable us to proceed immediately with action to bring expenditure into line with income if privatisation proves to be neither an immediate nor a complete solution.

To this end, I think that we should now commission work, perhaps involving outside experts, to establish the financial and operational implications of closing down the non-viable parts of the network as soon as possible and selling the sites after a thorough professional valuation. This would in particular cover redundancy costs and likely proceeds from property disposals. The exercise would be completed well within the timescale of the professional advice on privatisation, so that we were able to move quickly if privatisation offered no early prospect of viability for those parts of the network.

I do not think that we can start to consider the issues of divestment costs and a net running costs regime, to which your letter refers, until the results of this work are available. As regards the running costs position in the current year, I do not think that I can add to what I said in my letter of 27 July. The need to rectify the running costs position does of course underline the need to minimise any further delay in taking firm decisions.

Yours sincerely,

P Wales

pp JOHN MAJOR
(Approved by the Chief Secretary
and signed in his absence)

Department of Employment
Caxton House, Tothill Street, London SW1H 9NF

Telephone 01-273 . 5803 . .
Telex 915564 Fax 01-273 5821

Secretary of State

J Mathew
PMP

CHIEF SECRETARY
REC. 20 NOV 1988
ACTION Ms Roberts
COPIES TO CX, FST, SIO, PMiddleton
Mr Anson, Mr Mowat.
Mr Bleaney, Mr Luce
Mr Dixon, Mr S. Wood.
Mr Bent.

The Rt Hon John Major MP
Chief Secretary
HM Treasury
Great George Street
LONDON
SW1P 3AG

November 87

Dear John.

I have seen David Young's letter of 28 October which, because of the difficulties he has experienced in privatising the National Engineering Laboratory, raised a more general question. He asked whether general legislation should be introduced to deal with the problem that, when Civil Service undertakings are privatised, redundancy payments may be triggered under the Principal Civil Service Pension Scheme in situations in which the staff concerned are certain to be employed by the new owner.

I know that that question has been discussed before and that it raises complex issues, on which the Law Officers were consulted. But if we are serious in our policy of privatising those Civil Service activities that lend themselves to that approach, then I believe we must face up to the issue David has raised and reach an early view on what action to take. I am currently considering some options in my Department, for example the action we have discussed concerning the Skills Training Agency, which raise exactly the same issue. The current arrangements for redundancy are, I believe, a very real constraint on our freedom of action that may oblige us not to pursue the most sensible options in many such cases.

Employment Department · Training Agency
Health and Safety Executive · ACAS

Treasury officials are now considering the scale of the problem before advising on how we should proceed. The purpose of this letter, therefore, is not only to support David's suggestion but also to stress its urgency. This issue has been before us for some years - since certainly 1982. I agree with David that general legislation is required but if for some reason this is not going to be forthcoming then departments need to consider what other options are open. Above all we need to reconcile this urgently.

I am copying this letter to the Prime Minister, the Secretary of State for Trade and Industry, the Attorney General, the Minister for the Civil Service, as well as to Sir Robin Butler.

Yours ever.

NORMAN FOWLER

JH/H/47

SECRET

000609

Department of Employment
Caxton House, Tothill Street, London SW1H 9NF
5803
Telephone 01-273 . . . . . .
Telex 915564 Fax 01-273 5821

Secretary of State

CHIEF SECRETARY
28 NOV 1990
Mr Burr
Ex Sec Allocation
Mr Anson, Mr Mowat
Mr Burgner, Mrs Case
Mr Locke, Haden
Mr Farthing, Mr Call

The Rt Hon Malcolm Rifkind MP
Secretary of State for Scotland
Scottish Office
Dover House
LONDON
SW1

November 28.

Dear Malcolm.

I have been considering the future of the Skills Training Agency (STA). This financial year, its running costs look set to exceed its provision by some £10 million. Unless we take action, its expenditure next year will exceed its income by up to £20 million, with the prospect of continuing Government subsidy being needed for the indefinite future. This is clearly out of the question.

The main reason for these shortfalls now showing up is the ending of the arrangement whereby the STA effectively had the major part of its business financially guaranteed by the MSC. As you know, this guarantee was condemned by the National Audit Office and the PAC as indefensible. I therefore asked the Training Commission to ensure the STA competed on level terms with other providers in tendering for business under Employment Training.

The outcome of this was that the Skillcentres obtained some 15,000 places as training managers under ET, some 10,000 places as training agents, and have some additional work as sub-contractors. The short time that ET has been running means that the net income generated by this work is not certain. But apart from some minor involvement in other programmes such as YTS, the only other source of income for Skillcentres is selling training to employers. Although growing rapidly, this business counted last year for only

£11 million of the STA's turnover of £75 million. Some considerable time and effort is needed before the STA could cease to rely mainly on business from Government training programmes. And it is by no means certain that in future years the STA will be as successful in obtaining business under ET.

The position we now face is that although some Skillcentres have about enough business for next year, others have substantial excess capacity and are not viable at their current scale. Up to a third of the 60 Skillcentres are unviable under present arrangements, and it could be more next year. This obviously has implications for Scotland.

In these circumstances, there are two options. First, we could undertake a substantial programme of closures. But before we reach that position, there is a second option. The STA had made some progress towards becoming a competitive and effective training operation, able to compete effectively for the growing volume of employer business. It would make swifter and more effective progress if it was in the private sector.

I have therefore agreed with John Major that I should announce in the White Paper that I am taking professional advice on the feasibility of moving the STA into the private sector. I have invited tenders from merchant banks with a view to a final report by end January. They will be considering what the optimum privatisation method would be, including the possibility that some parts of the STA will need to be sold off separately, and the possible timing of privatisation.

The problems that I face with reduced provision for running costs, and the prospects of continuing significant losses by the STA, still mean that if moving it into the private sector appears not to be possible within a reasonable period or involves unacceptably high costs, then we will have to take alternative action. Therefore, as a contingency measure, I have agreed with John Major's request to put in train a study of the redundancy costs and likely proceeds from property disposals that would result from reducing the current network to the size needed to achieve my PES provision. This study by my officials will also report by the end of January.

I thought I should let you know the position in some detail so that you were aware of the background to the paragraphs about the STA in my forthcoming White Paper, and the possible implications for Skillcentres in Scotland. I shall keep you informed about developments, and our officials can keep closely in touch.

I have written in similar terms to Peter Walker and copied my letters to John Major.

NORMAN FOWLER

JH/H/48

SECRET

000610 MP

Department of Employment
Caxton House, Tothill Street, London SW1H 9NF
5803
Telephone 01-273 . . . . . .
Telex 915564 Fax 01-273 5821

Secretary of State

CHIEF SECRETARY
28 NOV 1988
Mr Burr
PS to Sir P Middleton
Mr Anson, Mr Mosley
Mr Bragger, Mrs Case
Mr Legge, Mr Mallen
Mr Arthur, Mr Call.

The Rt Hon Peter Walker MP
Secretary of State for Wales
Welsh Office
Gwydyr House
Whitehall
LONDON
SW1A 2ER

November 27

Dear Peter.

I have been considering the future of the Skills Training Agency (STA). This financial year, its running costs look set to exceed its provision by some £10 million. Unless we take action, its expenditure next year will exceed its income by up to £20 million, with the prospect of continuing Government subsidy being needed for the indefinite future. This is clearly out of the question.

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Employment Department · Training Agency
Health and Safety Executive · ACAS

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In these circumstances there are two options. First, we could undertake a substantial programme of closures. But before we reach that position, there is a second option. The STA had made some progress towards becoming a competitive and effective training operation, able to compete effectively for the grown volume of employer business. It would make swifter and more effective progress if it was in the private sector.

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The problems that I face with reduced provision for running costs, and the prospects of continuing significant losses by the STA, still mean that if moving it into the private sector appears not to be possible within a reasonable period or involves unacceptably high costs, then we will have to take alternative action. Therefore, as a contingency measure, I have agreed with John Major's request to put in train a study of the redundancy costs and likely proceeds from property disposals that would result from reducing the current network to the size needed to achieve my PES provision. This study by my officials will also report by the end of January.

I thought I should let you know the position in some detail so that you were aware of the background to the paragraphs about the STA in my forthcoming White Paper, and the possible implications for Skillcentres in Wales. I shall keep you informed about developments, and our officials can keep closely in touch.

I have written in similar terms to Malcolm Rifkind and copied my letters to John Major.

Yours ever

NORMAN FOWLER

chsecs1.12

CONFIDENTIAL

FROM: T J BURR
DATE: 1st December 1988

PS/CHIEF SECRETARY

cc PS/Chancellor
Sir P Middleton
Mr Anson
Mr Monck
Mr Burgner
Mrs Case
Mr Luce
Mr Knight
Mr Call

SKILLS TRAINING AGENCY

1. The Chief Secretary wrote to Mr Fowler on 2 November agreeing that he should go ahead with obtaining professional advice on the options for privatising the STA, provided that work was also done on the possibility of closure if privatisation failed to offer a way forward or proved to be only a partial solution. In his reply of 18 November, Mr Fowler reports the action which he has set in hand. Subsequently, on 27 and 28 November, he has written to Mr Walker and to Mr Rifkind respectively to tell them what he is doing.

2. Mr Fowler's letter of 18 November is not quite as explicit as we would have wished, in that he refers to contingency work on closing those Skillscentres which "I judge to be not viable". A lot turns on how optimistic or otherwise this judgement is. But we have pursued this point with DE, and have agreed that the terms of reference for the professional advice on privatisation should cover the financial implications of closing any element of the STA which is not judged suitable for privatisation. We are therefore reasonably confident that this aspect will be properly covered, and see no need for you to raise the point with Mr Fowler.

3. Mr Fowler's letter of 18 November also makes a rather opaque comment about Estimates provision, but we should be able to

clarify that at official level. As regards the letters to Mr Rifkind and Mr Walker, they represent a broadly satisfactory account of the position now reached, and do not call for any Treasury intervention.

4. No action on this correspondence therefore seems necessary for the present.

T J BURR

psp.jc/sheridan/submission

I agree. The 1984/5 consideration of this issue was very thorough, and the approach of para 9 below should be continued. The issue should be put to the lawyers.

FROM: P N HAYDEN
DATE: 5 DECEMBER 1988

1. MR DIXON

2. CHIEF SECRETARY

J.D. 5/12.

cc: PS/Chancellor
PS/Financial Secretary
PS/Paymaster General
Sir Peter Middleton
Dame Anne Mueller
Mr Anson
Mr Monk
Mr Harris
Mr Burgner
Mr Wood
Mr Dixon
Mr Waller
Mr Pain
Mr Sheridan
Mr Best
Mrs Ennis
Mr Wray

Content as amended

5/12

LEGISLATION AND TECHNICAL REDUNDANCY

Norman Fowler wrote to you on 27 November (Annex A) adding his support to Lord Young's suggestion that the Treasury should introduce general legislation to avoid triggering redundancy payments to civil servants who are employed in undertakings which are privatised.

BACKGROUND

2. In privatisations, the Government is required to observe the Transfer of Undertakings (Protection of employment) Regulations 1981 which implement the EC Acquired Rights Directive. One of the effects of this is that under the rules of the PCSPS automatic redundancy payments are triggered. This can be prevented by legislation in each case. In the recent privatisation cases of NEL and TCS there has been discussion of whether, rather than such individual legislation, effectively, to disapply the regulations there should be a general Bill to do so.

3. Superannuation Division has conducted a trawl of Treasury Divisions to see if prospective privatisation candidates would justify such a Bill. The results (Annex B) would not appear to favour the introduction of general legislation. Almost all of the possibilities are hypothetical and remote candidates.

4. In the light of this trawl we are putting to lawyers the question of whether it is possible to override, safely the TUPE provisions. In particular, we need to know whether the legal problems which ruled out a similar Bill in 1984/85 still remain.

5. You explained our intentions in this regard in your letter of 22 November to Lord Young (Annex C).

6. Mr Fowler claims (motivated by his concern about the TECs) that the need for legislation is now urgent. We understand at official level that he would like the Treasury to lead a working party on this issue.

7. Setting up a working party at this stage would appear to us to be premature. Clearly we need to obtain legal advice (paragraph 4) first.

8. The idea of a bill to tidy up TUPE is not new. A Public Services (Transfer of Functions) Bill was included in the 1984/85 Parliamentary programme as a contingent measure, because of concern that the privatisation and hiving off of civil service functions should not result in the payment of redundancy compensation in unjustifiable circumstances. The Bill was intended to deal with the problem on a servicewide basis for the civil service and for the National Health Service. Because the UK is bound by the EC Acquired Rights Directive, however, the drafting of the Bill was not a straightforward matter. The Law Officers, who were asked for a formal opinion, gave advice on the Bill which they thought would be most appropriate, but warned that, even so, it might not stand up in a European Court. Detailed plans were made to consult the European Commission which the UK is formally required to do before promoting any legislation in this general area.

9. Because of these difficulties, it was eventually decided not to proceed with the Bill. Instead, in the absence of general legislation, there has been a mixture of including redundancy provisions in individual bills and making ad hoc arrangements in cases which are not covered by legislation. Guidelines on how to minimise the remaining risks have been evolved:

a. appropriate clauses to be included in all specific legislation intended to effect transfers;

b. in cases which do not have legislation, departments to do their best by persuasion and administrative means to avoid unnecessary payment of redundancy compensation, especially if there is any danger of the staff concerned subsequently being recruited to the new job;

c. no redundancies to be declared among staff who refuse suitable job offers until the Treasury has been consulted, and the alternatives looked at again.

On the whole, these arrangements have worked well. There have been no significant case of technical redundancy payments being triggered and the privatisations have gone ahead more or less smoothly.

10. More recently, it has been suggested that because privatisations are now more commonly smaller and more often within the Civil Service (NEL, TCS, PER), the case for a Bill may be stronger and should be looked at again. (A more limited bill, closing the legitimate expectation aspect of the PCSPS is sometimes suggested as an alternative.) It was to see if there was genuine demand that we conducted the trawl.

11. Although it was decided to put the more general Public Services Bill 1984/85 into cold storage, it was more firmly agreed that proposals for a "more limited Bill" to close the PCSPS loophole should definitely be rejected. There is no reason to believe that the balance of considerations against such Bills has altered since 1984. Nothing material has happened since then.

12. A bill on such narrow lines would, in our view, encounter all the old difficulties. Essentially, it would entail depriving civil servants, as a single class of a right (the fact that others do not have this right is irrelevant). That deprivation would need to be justified. Any Bill would in particular need to define the circumstances in which the right was being removed very carefully. Therefore, the "simple" Bill would rapidly turn into a complex one. (It would be politically highly controversial since the Government would be asking Parliament to abolish a right in all foreseeable cases, regardless of circumstances. It is to avoid this that we have in the past seen the merit of specific provision to take specific rights in specific cases.) The question of compensation would inevitably follow. We would expect the Law Officers once again to register their doubts. The Commission would certainly take a keen interest.

13. More practically, despite Mr Fowler's urgings, there could be no immediate prospect of legislation until 1989/90. Certainly, Superannuation Division, in the light of its other pressing priorities would not feel justified in bidding for a TUPE Bill on the evidence we currently have.

RECOMMENDATION

14. We recommend that you reply briefly to Mr Fowler and colleagues along the lines of the attached draft giving some indication of the results of the trawl and offering, as promised in your letter of 22 November, to put the matter to the lawyers. If their advice suggests things have changed we could consider a working party then.

15. This submission has been agreed with IAE.

Peter Hayden.

P N HAYDEN
SUPERANNUATION DIVISION

ANNEX

PRIVATISATION CANDIDATES: TUPE

(i) Treasury Agency candidate, possible privatisation in say 3 years' time.

HMSO

(ii) DOE/PSA Agency candidates, possible privatisation in longer term.

Ordnance Survey
Building Research Establishment
Royal Parks
Royal Palaces
QEll Conference Centre

(iii) Trading Fund candidate by 1993, possible later privatisation.

PSA - Projects
PSA - Estate Services

(iv) Social security administration: computerisation, an Agency candidate, several steps already take towards privatising the management of the computer hardware and software, and could go further. So far, not meant directly privatising concern but that might happen later.

(v) Social security administration: local officer operations (ie excluding the management of the computers). Another Agency candidate. In the longer term, privatisation, possibly in geographical parcels, cannot be ruled out.

(vi) DH resettlement units. The policy is to hand these over to local authorities and voluntary agencies. Perhaps in some cases the staff might be asked to tranfer. The policy has already begun to be implemented, and there has been no suggestion of a difficulty: If anyone asked for redundancy, he would instead be given a another job.

{vii) Scottish Department of Registers. Like equivalent Land Registry in England, an Agency candidate. In the long run privatisation might be possible, excluding its judicial role.

(viii) Civil Service College. An Agency candidate. Privatisation possible in the long term. If privatised as a going concern, the civil service staff might transfer with it.

(ix) CISCO. Being considered for privatisation (perhaps excluding inspection function). Staff would transfer.

(x) Occupational Health Service. An Agency candidate, but privatisation might be possible.

(xi) Fair and Trades Promotion. Not likely for 2/3 years and, in any case, likely to take the form of contractorisation rather than privation. With non specialist staff, technical redundancy would be very unlikely to rise.

(xii) ADAS. No policy decision taken, but unlikely for at least 2 to 3 years. Would require primary legislation anyway, regardless of TUPE.

(xiii) Possible changes to Skills Training Agency and the Training and Enterprise Councils.

psp.jc/hayden/draftTUPE

d type

DRAFT LETTER FROM CHIEF SECRETARY

TO RT HON NORMAN FOWLER

TUPE: LEGISLATION

Thank you for your letter of 27 November about whether we might introduce general legislation to deal with the problem of technical redundancy when Civil Service undertakings are privatised.

In my letter of 22 November to David Young I said that we would look at possible candidates for privatisation when that problem might arise. My officials have now conducted such a trawl. Many ~~candidates~~ of these organisations are by no means definite runners for privatisation at this stage, and in these circumstances ~~I appreciate your concern but~~ there appears to be no good grounds to take immediate legislative action ~~which would, I believe, be premature.~~

However, I do appreciate your concern about this matter and, as ~~My officials will of course, however,~~ promised in my earlier letter, put the case to the lawyers to see whether the balance of argument for legislation has changed since this issue was last considered in 1984/85. You will recall that on that occasion a similar Bill was shelved because it was unclear whether it could withstand a challenge in the European Court of Justice. We will need to see the terms of legal advice before deciding what the next steps would be. I will then write to you again.

I am copying this letter to the Prime Minister, the Secretary of State for Trade and Industry, the Attorney General, the Minister for the Civil Service and Sir Robin Butler.

JOHN MAJOR

cst.ps/12jm6.12

NEL
PPS.

cc:
PS/Chancellor
PS/FST
PS/PMG
Sir Peter Middleton
Dame Anne Mueller
Mr Anson
Mr Monck
Mr Harris
Mr Burgner
Mr Dixon
Mr Hayden
Mr Wood
Mr Waller
Mr Pain
Mr Sheridan
Mr Best
Mrs Ennis
Mr Wray

Treasury Chambers, Parliament Street, SW1P

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

6th December 1988

Dear Norman,

TUPE: LEGISLATION

Thank you for your letter of 27 November about whether we might introduce general legislation to deal with the problem of technical redundancy when Civil Service undertakings are privatised.

In my letter of 22 November to David Young I said that we would look at possible candidates for privatisation where this problem might arise. My officials have now conducted such a trawl. Many of these organisations are by no means definite runners for privatisation at this stage and in these circumstances there appears to be no good grounds to take immediate legislative action.

However, I do appreciate your concern about this matter and, as promised in my earlier letter my officials will of course put the case to the lawyers to see whether the balance of argument for legislation has changed since this issue was last considered in 1984-85. You will recall that on that occasion a similar Bill was shelved because it was unclear whether it could withstand a challenge in the European Court of Justice. We will need to see the terms of legal advice before deciding what the next steps would be. I will then write to you again.

I am copying this letter to the Prime Minister, David Young, Patrick Mayhew, Richard Luce and Sir Robin Butler.

Yours Ever,
John

JOHN MAJOR

Steven 4.09.12.88

FROM: STEVE GLAZEBROOK
DATE: 9 December 1988

N J KNIGHT

cc PS/Chancellor
PS/Chief Secretary
Sir P Middleton
Mr Anson
Sir A Wilson
Mr Monck
Mr Burgner
Mr D J L Moore
Mrs M E Brown
Mr Burr
Mr Hollis
Mr Gould

PROSPECTS FOR PRIVATISING THE SKILLS TRAINING AGENCY (STA)

The Financial Secretry was grateful for your minute of today, and he is content for DE to carry out the study of options for privatising the STA.

Steve Glazebrook

STEVE GLAZEBROOK

35G.external/hi.19.9.12

FROM: N J KNIGHT
DATE: 9 December 1988

FINANCIAL SECRETARY

cc Chancellor
Chief Secretary
Sir P Middleton
Mr Anson
Sir A Wilson
Mr Monck
Mr Burgner
Mr D J L Moore
Ms M E Brown
Mr Burr
Mr Hollis
Mr Gould

PROSPECTS FOR PRIVATISING THE SKILLS TRAINING AGENCY (STA)

On 7 December I reported to you the position on the selection of professional advisers for the study of options for privatising the STA, which has been agreed by the Chief Secretary. I indicated that a Selection Panel had met and interviewed 4 potential advisers, and that whilst my own preference was for the Deloittes, Haskins and Sells team, the other members of the Panel had favoured Lloyds Merchant Bank. Since Lloyds' proposed approach seemed technically sound, we were prepared, on balance, to go along with this majority view.

2. I now understand, however, that Mr Fowler has decided to engage Deloittes rather than Lloyds, and that he is anxious for them to commence their work more or less straight away. Since Deloittes were our original preference, this is welcome news from our point of view, and if you have no objection I will inform DE that we are content for them to engage Deloittes to carry out the work.

N J KNIGHT

35G.iae3.sr.25b6.12

FROM: N J KNIGHT
DATE: 7 December 1988

1. MR BURR
2. FINANCIAL SECRETARY

cc Chancellor
Chief Secretary
Sir P Middleton
Mr Anson
Sir A Wilson
Mr Monck
Mr Burgner
Mr D J L Moore
Ms M E Brown
Mr Hollis
Mr Call

PROSPECTS FOR PRIVATISING THE SKILLS TRAINING AGENCY (STA)

This note reports the position on the selection of professional advisers for the study of options for privatising the STA which has been agreed by the Chief Secretary.

Background

2. The STA does not at present cover its costs and a review completed earlier in the year concluded that the STA "should either be closed completely or should be much reduced in size and scale". The Secretary of State for Employment nevertheless preferred the idea of a "market solution" to STA's financial difficulties. After some considerable delay, he wrote to the Chief Secretary on 17 October setting out proposals for the future of STA which included seeking professional advice to examine how the STA could be privatised. The Chief Secretary's response agreed in principle to seeking professional advice on privatisation, providing that this advice covered the wider questions of whether and when the STA should be privatised, and in what form. The Chief Secretary also asked that a parallel exercise should be commissioned to consider short term closure and rationalisation measures which would be needed if privatisation proved not to offer a way forward. The Secretary of State agreed

to proceed on this basis and terms of reference covering the issues raised by the CST were drawn up by the Department and agreed with us.

3. Three merchant banks (Hill Samuel, County NatWest and Lloyds) and a management consultancy firm (Deloittes, Haskins and Sells) accepted the invitation to tender, and a selection panel met and interviewed all four organisations on 2 December. As the Treasury's representative on the panel, I would myself have been inclined to favour Deloittes as I thought they provided a more imaginative approach which considered a wider range of options and placed greater emphasis on the marketing aspects of the work. But the other members of the panel favoured Lloyds on the grounds that they demonstrated a strong appreciation of the practical issues involved in privatisation work, including the various political sensitivities. On balance we are prepared to go along with the majority since Lloyds' proposed approach seemed technically sound, they were less expensive, and they also did a good job for DE on the privatisation of Professional and Executive Recruitment (PER).

4. The professional advisers will need to commence their work more or less straightaway, and to present their advice to the Secretary of State by mid-February. The approximate cost will be of the order of £70,000.

5. If you have no objection I will tell DE that we are content for them to engage Lloyds Merchant Bank to carry out this work.

N J KNIGHT

dti
the department for Enterprise

CONFIDENTIAL

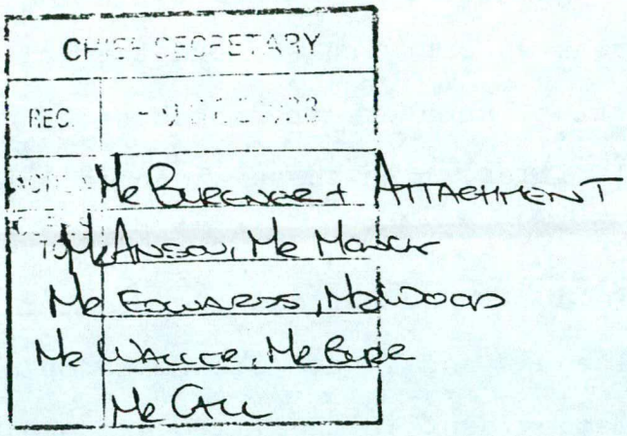
TO:

PRIME MINISTER

FROM:

TONY NEWTON

7 December 1988



NEWTON → PM 9/12

ACTION FOR CITIES PROGRESS REPORT

1 When Kenneth Clarke reported progress on our inner city initiatives in June it was agreed there should be a further report towards the end of the year.

Progress on the March Initiatives

2 The 11 initiatives you announced on 7 March presented a co-ordinated focus for different Departments' inner city work. They reflected two main inter-related themes: to bring about economic revival by promoting private investment, improving the infrastructure, encouraging new business and providing better education and training; and, secondly, to create a decent environment both physically - through improving housing and clearing dereliction - and in other ways - reducing crime, increasing facilities for the arts, recreation and sport.

NO4AAA

3 The progress report circulated with this note shows very good progress in carrying forward the initiatives themselves. More important, however, are the stories now emerging from individual cities, like these at Annex A for Manchester, Birmingham, Coventry, Nottingham, Newcastle, Teesside, Bradford and Sheffield. These reflect the greater sense of optimism which colleagues and I have picked up on our inner city visits. This is also evident in the improved tone of media coverage over recent months.

The Private Sector

4 While the Government's contribution is important, real progress and lasting success in the inner cities depends on the extent to which regeneration involves the private sector. Only the private sector has the resources to achieve change on the scale and over the period required. Here again there has been encouraging progress.

5 The most significant development for the longer term has been the initiative by CBI, BiC and Phoenix to organise more active, co-ordinated and purposeful private sector leadership. Following publication of the CBI's excellent Initiatives Beyond Charity report, the three have joined together to initiate support teams of local business leaders, modelled on a pilot team in Newcastle, in an increasing number of inner city areas.

dti

the department for Enterprise

CONFIDENTIAL

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

The Rt Hon John Major MP
Chief Secretary to the Treasury
Treasury Chambers
Parliament Street
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CHIEF SECRETARY
REC. 15 DEC 88
Mr Waller
Cx Mr Anson
Mr Monck, Mr Bogner
Mrs Lomax, Mrs Lowe
Mr Burr, Mr Call

Direct line 215 5422
Our ref JW3ADI
Your ref
Date 15 December 1988

L. Young
CST
15/12

DTI PROGRAMME EXPENDITURE 1988-89

When we met a short while ago, I mentioned to you that I was likely to have some fairly substantial underspends on some of my programmes this year, and that I would like to explore with you the scope for transferring funds to certain other programmes. I am now writing to let you know what I have in mind.

Latest forecasts indicate that on present plans there are likely to be underspends in aggregate of some £40m on Vote 1 and £65m on Vote 2. These are due principally to lower demand than expected for Departmental support and services, especially in areas where our objectives were re-defined at the beginning of 1988.

First, as I mentioned to you during the PES bilateral, there is likely to be an underspend on the innovation programme, caused partly by the time taken to develop collaborative R&D projects but principally by slower than expected take-up of assistance under old schemes. The underspend is likely to be some £15m below baseline. Second, despite a strong response to the Consultancy Initiatives under the Enterprise Initiative, expenditure is likely to be about £15m below baseline, partly because more applicants than expected are deferring the start of their consultancy, and partly because of our success in keeping down consultants' fees. Third,

there is likely to be an underspend of up to £10m on Regional Selective Assistance, largely because the tightening of the guidelines for interpreting the additionality criterion is having a greater effect than anticipated. Fourth, the success of EIEC in funding its activities through sales of assets, the effects of staffing constraints and the difficulty of persuading the private sector to commit itself to managed workshop programmes mean that it is likely to require only about £2m of its £19m grant-in-aid provision. Fifth, take-up of the Regional Enterprise Grant scheme has been slower than expected in the early stages and we are likely to require only about £2.5m of the £12.3m provision. Finally, as your officials already know, British Aerospace are forecasting that they will claim only £94m of the £116m provided for the A330/A340 launch aid contract. There are also smaller expected underspends on a number of other programmes, including the Home Credit Shipbuilding Scheme, payments for redundant steelworkers, Regional Development Grants, and export services.

In the light of these forecasts I have reviewed my Department's programmes to see whether there are areas where additional expenditure would be consistent with my objectives and with the overriding need to secure value for money. As a result of this review I should like to make the following main proposals for increasing or bringing forward expenditure.

a) RDGI Moratorium As you know, we have lifted the RDGII waiting period, but that for RDGI remains. It was originally introduced for budgetary reasons, and there is no other case for retaining it. Since I can now meet the cost of £10m that would result in 1988-89 I propose that it should be lifted. My officials will be pursuing this with yours and with the Scottish and Welsh Offices. I would, of course, be willing to agree a corresponding reduction in my RDG provision for future years.

b) Space I would like to increase BNSC's provision by £3.8m. As you know, the existing provision takes account of the expected industry contribution of £3.5m towards Columbus which will not now be paid. The balance relates to promotional activity for BNSC.

As a lower priority, I would also like to pay £1m extra up-front on the main facility contract for the new Earth Observation Data Centre, in order to secure value for money improvements in the contract.

c) Capital Expenditure I have three sets of proposals in this area: first, an extra £1.5m to cover costs arising from the relocation of the Patent Office; second, £4m for a number of computer projects which will contribute to greater efficiency within the Department; third, up to £5m for capital expenditure at the research establishments, which will help them to prepare for the more commercial style of operation on which they are embarking.

d) Education and Training I would like to spend up to £10m to provide training aids and equipment for schools to support the introduction of the new design and technology curriculum. In addition, I have plans for spending some £8m on equipment for higher education and on management education, though these proposals have a lower priority than those for schools.

e) Consumer Safety and Awareness I would like to spend an extra £500,000, £200,000 for a "giant house" to demonstrate hazards to the children, the balance on safety research and management consultancy. I am also considering proposals for a possible initiative to encourage a responsible approach to the taking of credit by consumers.

f) Secondment from Industry and Commerce I plan to launch this campaign, which is aimed at improving understanding between business and Government and which my Department is coordinating on behalf of others, in early March. Our present estimate of the cost is about £1m.

g) Inner Cities I would like to increase the flexibility available to Task Forces to undertake small but worthwhile expenditure. This is likely to cost around £250,000.

If all these proposals were agreed, there would still be headroom of some £30m on each of Vote 1 and Vote 2. I am considering some further possibilities for bringing forward expenditure which I may wish to discuss with you in due course. However, I recognise that you are likely to want some part of the surplus allocation to be surrendered, and I acknowledge that this would be appropriate.

I believe the proposals I have outlined are well justified on value for money grounds and will be effective in furthering my Department's objectives. My officials will let yours have

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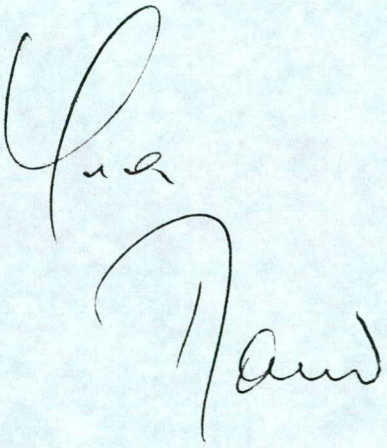
the department for Enterprise

fuller details and, I am sure, you will want my proposals to be carefully examined before giving a definite response on all of them. However, you will appreciate that some of the proposals, notably those involving new capital expenditure, will require early decisions if expenditure on the scale proposed is in fact to be practicable this year. It would therefore be very helpful to have an initial response from you before the Christmas break.



the Enterprise initiative

JH/O

Department of Employment
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Telephone 01-273 . .5817 . .
Telex 915564 Fax 01-273 5821

Secretary of State

CHIEF SECRETARY
REC. 29 DEC 1988
Mr Bragner
Mr Anson, Mr Mac(illegible)
Mr Edwards, Mr Sharratt
Mr Wallace, Mr Barr
Mr Call

The Rt Hon Tony Newton OBE MP
Chancellor of the Duchy of Lancaster
Department of Trade and Industry
1 Victoria Street
LONDON SW1

December 23

Dear Tony

ACTION FOR CITIES: PROGRESS REPORT

I have seen your progress report to the Prime Minister. I agree with you about the greater sense of optimism in our inner cities and agree that there is some very good work already in hand.

You made two particular references to my Department. In paragraph 12 you say that "the co-existence of skill shortages in inner city building projects with high levels of inner city unemployment makes no sense". I agree. Compacts will make a useful contribution and, as I think you know, the Training Agency is experimenting with customised training packages within Employment Training which will also help. The Employment Service, too, is already working on the problem and the research which we have recently had done into the nature of the long term unemployed in London, gives us some useful background. There are some awkward problems to be overcome, however, and I look forward to discussing with you what more we might do.

You are also looking for a commitment from me to offer Civil Service secondees to support local business leadership teams. That is very much in line with our existing programme of secondments and I am happy to make that commitment. It would

Secretary of State
for Employment

be a little odd, of course, for civil servants to be in the lead in what are meant to be private sector led teams, but with that small proviso you have my full support.

I am copying this to members of E(UP), Kenneth Clarke, Paul Channon and Sir Robin Butler.

NORMAN FOWLER

CONFIDENTIAL

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

12 December 1988

GRAY → SMITH 12/12

Dear Pete,

ACTION FOR CITIES: PROGRESS REPORT

The Prime Minister was grateful for the Chancellor of the Duchy of Lancaster's minute of 9 December and the attachments. She is pleased to note the progress recorded in these documents. She would like to have a meeting of E(UP) in late January or early February to review the material and to consider the further proposals the Chancellor of the Duchy will be putting forward for marking the March anniversary of Action for Cities.

I am copying this letter to the Private Secretaries to members of E(UP) and to Sir Robin Butler.

CHIEF SECRETARY

REC. [illegible]

Mr Burgner,
Mr Anson, Mr Mercer,
Mr Edwards, Mr Elwood
Mr Dalton, Mrs Bunn,
Mr Call

Yours,
Paul

PAUL GRAY

Peter Smith, Esq.
Chancellor of the Duchy of Lancaster's Office

CONFIDENTIAL

cst.pas/mc/2.22.12

FROM: MARK CALL
DATE: 22 DECEMBER 1988

CHIEF SECRETARY

cc Chancellor
Financial Secretary
Sir P Middleton
Mr Anson
Mr Phillips
Mr Monck
Mr Edwards
Mr S Wood
Mr Revolta
Mr Walker
Mrs Chaplin

LONDON DOCKLANDS

The letter from Andrew Knight, Chief Executive of the Daily Telegraph, is a timely reminder of the importance of some of the issues discussed at yesterday's meeting on regional imbalance. My own view is that it would be economic vandalism to ignore the increasingly damaging congestion in the south east in order to encourage development in the regions.

2. No doubt some improvement to the transport infrastructure around London can be made by altering a junction here and widening a road there, but making a meaningful dent in the problem will require thinking on a large scale. It will also require spending a great deal of money. The language of priorities will only get us so far.

3. While it may not do much to alleviate current congestion in central London, the success of docklands as a major employment centre could help to avoid future aggravation of congestion in central London. Some of the problems raised by Mr Knight are clearly transitional - for instance complaining about the roadworks which are under way to improve road access. Nevertheless, it is clear that the DLR is woefully inadequate, as is road access. It is alarming that road projects such as the Limehouse Link and the East London Crossing are behind schedule and not expected to be completed for another 5 or 6 years. Is there scope for "fast tracking" (to use Mr Knight's term) these projects?

4. I don't believe we should be sidetracked by the debate over who is responsibility it is to provide infrastructure for such an enormous development. I do not think the fact that developers stand to make a lot of money from the successful completion of their projects is an argument for dragging our feet. It is one thing trying to get a contribution from a firm such as Olympia and York towards a new tube line; it is quite another when the transport infrastructure is patently inadequate to serve existing buildings and their tenants. As Mr Knight points out, with 9 national newspapers plus Reuters having operations in the docklands, the tenants concerned are uniquely placed to draw attention to such inadequacies.

5. I am highly sceptical that Paul Channon's desire to build a private sector in roads will lead to much (unless of course we embrace road pricing in a serious way). It may, however, prove useful in stimulating ideas and applying pressure on the Department of Transport. For the foreseeable future it will remain the Government's job to build roads to serve economic activity. I am certainly not advocating infrastructure spending as a tool for stimulating economic development (Scotland's empty motorways are testimony to the failure of that approach). Rather, that the public commitment to infrastructure spending should march in step with private sector economic activity. There are obviously fine judgments to be made here, and the argument can become quite circular. At yesterday's meeting the importance of not choking off economic growth in the south east was noted. Docklands could provide a graphic example. As well as being important to London as a financial community, the success of docklands will help underpin the regeneration of east London. That in turn could take some of the pressure off the lush fields of Surrey, Berkshire and Sussex.

6. Can I close with a heretical thought? Are we guilty of short termism in including capital expenditure in the declining ratio of public expenditure to GDP target? Where there are many projects which would have a high yield in terms of increased economic activity it seems to me flawed logic to consider public capital expenditure to be the same burden on the economy as current expenditure. The broad brush target of the declining

ratio might be more sensibly defined in terms of current expenditure, while of course the fiscal stance would continue to be determined by both public, current and capital expenditure. I have no doubt that copy recipients will point out the error of my ways here, but it does seem to me that the accounting for public expenditure is rather simplistic in its treatment of capital and current spending.

MC

MARK CALL

CONFIDENTIAL AND PERSONAL

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

19 December 1988

Dear Roger,

LONDON DOCKLANDS

Mr. Andrew Knight, Chief Executive of the Daily Telegraph, came to see the Prime Minister this afternoon to tell her of his concerns about the problems being experienced by people working in Docklands. The points he made are summarised in the enclosed note which he left with the Prime Minister at the end of their talk. The Prime Minister undertook to think about the points which he had made.

The Prime Minister does not want Mr. Knight's note circulated widely. But she would like to talk to your Secretary of State, the Transport Secretary, the Chief Secretary and the Chancellor of the Duchy of Lancaster early in the week beginning 9 January about the problems being experienced. She has commented that we need ideas on how to deal with them without delay.

I am copying this letter and enclosure to Roy Griffins (Department of Transport), Carys Evans (Chief Secretary's Office) and Peter Smith (Chancellor of the Duchy of Lancaster's Office).

CHIEF SECRETARY

Mr S. Wood
Cx, FST, Sir P Middleton
Mr Anson, Mr Phillips
Mr Monck, Mr Edwards,
Mr Revolta, Mr Walker,
Mr Call

yours ever,

C. D. POWELL

Roger Bright, Esq.,
Department of the Environment

CONFIDENTIAL AND PERSONAL

Note on the emergency in Docklands impending short-term crisis

"You have nothing to look foward to, Mr Knight, but nightmare". Local Police Superintendent, December 1988.

The perception of the Docklands is about to change dramatically - into complete failure. Transport and access are so bad that the flow of prospective tenants even for the few building nearing completion is drying up. This will soon be publicised - nine national newspapers plus Reuters have all or a large part of their operations coming on stream in the area.

Access by Road, Rail and Water

None of these is working satisfactorily, and several are in imminent danger of collapse.

1. ROAD

The road problem is in some ways the most critical. It is now taking one and half hours in the morning and evening to get from inner suburbs to The Daily Telegraph and other buildings on the Isle of Dogs. Daytime contact with the City and Westminster is now virtually cut off. Part of the problem relates to the building construction going on in the Isle of Dogs and throughout the Docklands, which is adding further strain to the roads, which were already inadequate for the existing traffic. That building construction work is further exacerbated by work on improvements to the roads themselves, eg West Ferry Road, Docklands Highway etc. The problem of keeping traffic moving on the existing road network is further compounded by the contradictions and number of authorities responsible for controlling traffic on the roads (LDDC, Borough of Tower Hamlets, Department of Transport and the Police), and by the number of statutory authorities whose facilities are also affected by and affect work on the roads.

The existing roads could function if somebody was empowered to take charge. Timid and flustered rival bureaucrats cannot cope with the scale of the problem. Nobody is officially

responsible for keeping the roads open and functioning, and ensuring that traffic continues to flow. An ad hoc committee of various government departments and agencies has been established to co-ordinate road related activities, but without decision-making authority. The LDDC's roads are private and unregulated, and lack traffic-moving or parking restriction powers. Tower Hamlets' roads are dominated by "Neighbourhood Councils".

2. RAIL

The DLR was, for a while, working better than in its first few months. It is now shut down almost every weekend for upgrading works. It is not particularly reliable when it starts up again after shut downs, nor after rain. It still periodically stops without explanation, and its computer programming is simply unreliable. A recent engineering study suggested that its management is unable to keep up even minimal engineering standard.

3. RIVER

The reliability of the Thamesline Riverbus service has deteriorated badly. Boats can no longer be expected to arrive and pick up passengers on schedule. This apparently relates to the financial difficulties of the company, and its inability to keep a sufficient number of boats in service. The company is on the verge of bankruptcy, and will not be able to provide a service in future months.

IN SUM

Any one of the above circumstances could be coped with for a limited period of time. Their combined effect, continuing indefinitely, is to cause severe morale problems for any businesses which have chosen to locate in the Docklands. When any of these establishments are in the business of communicating publicly, the situation does not help the credibility of this major public initiative to promote urban regeneration. The list of prospective new tennants who have rejected Docklands is now growing each week.

MID-TERM ISSUES

Investors and existing businesses might persuade themselves to tolerate these circumstances if they were not seen as continuing indefinitely, and in fact likely to get far

worse - if it were clearly understood, in other words, that improvements were likely to be completed in a time ordinary people struggling to work could even measure.

IMMEDIATE PRACTICAL

Such improvements range from alleviating the immediate day-to-day problems, eg by rigid enforcement of traffic regulations, to ensuring that high priority is given to the completion of road improvement programmes which are presently under way. That priority entails a commitment of both financial and human resources.

NEW ACCESS?

Access to the City, for example, would be greatly improved when the Limehouse Link of the Docklands Highway is completed. That link now appears to be some two and a half to three years behind its original schedule. Approval has apparently not yet been received to the inquiry into the Limehouse Link. Contracts will be not awarded for another six months.

The LDDC is now unable to drive forward any road solutions - it has a limited life-span, is no longer dynamically led and on the transport side it has no resources to cope with the problems on the scale now afflicting it.

Perhaps most important is the absolute reliance on the DLR as the only means of access to an area with the potential for accommodating 150,000 office workers. The DLR was originally designed to serve 4,000 people per hour. It still has systems problems in accommodating that number - it is being re-programmed (and will require such re-programming constantly) to more than double then triple the volume of people which it can carry.

There is no prospect whatever of the DLR being able to cope even after full expansion. It will never be able to carry the number of people wanting to get in and out of Docklands during the peak travelling hour.

The Prime Minister has urged investors into Docklands. She is about to be dangerously discredited by it. Neither the Government nor LRT officials appear to take seriously the problems of Docklands, nor the opportunities which it presents as a "safety valve" for the centre of London. There is the real opportunity to build a new employment centre 3 miles from the heart of the City of London, relieving some of the commuting pressure into the centre of London.

That opportunity will be a viable one only if present, and potential, occupiers of buildings in Docklands have confidence in its accessibility.

To produce that confidence both real emergency action to solve the present problems, and a financial commitment both now and in the future to provide the necessary resources for road and rail improvements is necessary.

Perhaps equally important, one agency/entity/group of people must be both responsible and accountable for seeing that these improvements are implemented. At the moment we have the situation where a variety of departments and agencies throw up their hands and say, "..This is all so complicated, and not my responsibility". It is everything Thatcher government is supposed not to be about.

SPECIFIC ACTIONS

Access to Docklands is increasingly difficult and frustrating. Action is required instantly and over several years to keep road traffic moving and to get the DLR functioning properly, pending long-term improvements.

SHORT-TERM ACTIONS

ROADS

The problem is vastly increased traffic by business users, constructors of new buildings, and constructors of road and rail improvements. LDDC, DTp and Tower Hamlets all have some control over roads and this construction. Statutory authorities centralise works on them. Timid inter-departmental committees solve nothing. A 'Task Force', headed by senior officials reporting directly to a senior Minister, is needed to co-ordinate activities and ensure disruption is minimised. The Minister must be accountable for and have the ability to require action.

Additional police resources must be allocated to control traffic and illegal parking.

RAIL

A thorough outside review of the DLR's systems and procedures is urgently required. Fifteen months after initial operation it remains unreliable. It will be the subject of constant re-programming and upgrading for the next several years, placing strain on a system which does not cope well with 4,000 passengers per hour, let alone, 15,000 or 20,000 per hour.

Given the many other pressures which LRT faces, and major staff turnover in the ogranisation, the DLR will likely remain a low priority and struggle for years. It may be advisable to consider contracting out its management to other, more experienced operators, with a view to persuading them to acquire and operate the Line.

WATER

Every effort should be made to encourage Thamesline to stay afloat, whether by sudsidy or guarantees of ridership and revenue.

LONG-TERM ACTIONS

Roads

1. The necessary funds must be provided for schemes which are committed. DTp's procedures for justifying road improvements must be reviewed to resolve the difficulties with the justification of the A13 road improvement schemes announced earlier this year.

2. Action must be taken to expedite the completion of the Limehouse Link, which will be a minimum of two years late. Present planned completion date is mid 1993. Project management, fast tracking construction procedures, and adequate staffing are critical if that completion date is to be moved forward. Until completion our situation will be a nightmare.

3. Similarly, the East London River crossing, which will ease north-south access, is presently scheduled for 1994 at the earliest - when the Dartford Bridge will take 18-24 months to build. The programme and timing must be reviewed.

Rail

The Isle of Dogs and the Royals have the capacity to provide accommodation for 150,000 office employees, and greatly relieve congestion in Central London. It is folly to rely on a hastily-designed, inexpensive light rail system as the primary (indeed sole) transit access to so major an employment centre. Additional access, particularly tying the British Rail networks to the south west, and south east, is required if we are to hold our present staff and be able to recruit competitively in the future.

Given the five year minimum lead time to provide such service, work on it is needed now - not further studies of a classic civil-service kind.

The Government should support the proposed Waterloo-Greenwich tube line.

They hope shortly to add teams at Bristol, Birmingham and Sunderland, and possibly Teesside. The teams are to be genuinely local and self-standing with no CBI, BiC or other national tag.

6 The CBI report underlines our own emphasis on economic regeneration which is private sector led. This message is getting across and not just to business leaders. Formerly hostile local authorities are increasingly willing to support both business and Government initiatives in urban regeneration. I believe this process should be encouraged, to help set in place genuinely local programmes to ensure the long-term success of our policies.

7 Further welcome initiatives have come from Investors in Industry and British Urban Development. These are reported at Annex B. Hector Laing's Per Cent Club, with support from BiC, has also secured extremely helpful financial commitments from many companies.

8 My only reservation is that there remains a lack of co-ordination between these private sector organisations and too many of them try to become involved in some areas. The result is that their efforts are spread too thinly and local initiative risks being suppressed. In fact each organisation has its weaknesses. Despite this they are between them successfully

mobilising business opinion. We should support their efforts to do so and to resolve their differences, building on examples such as the recent CBI/BiC/Phoenix initiative.

Keeping up the Momentum

9 So far so good. But Government needs to be clearly seen to be keeping up the momentum and retaining the initiative. One way to do this would be by announcing new initiatives. We should certainly be ready to do this where there is an identified need or where an existing initiative can sensibly be modified. But it would not be sensible to look for new initiatives simply in order to have something new to say. Moreover, a profusion of measures confuses those who wish to use them and the many comments made to me suggest we are already running this risk.

10 The right course is to build on what exists, simplifying where possible, and consistently reinforcing the action already taken and the developments which are taking place as a result. In doing this, I see two main themes we should emphasise in the run-up to the March anniversary of your launch of the 11 initiatives.

11 The first is the need to demonstrate the benefit of the many initiatives - whether Government or private or both - for inner city residents themselves, as distinct from those who move in as regeneration takes place. This objective lies at the heart of our inner city initiatives. The two main fields where we are vulnerable to criticism in this respect are housing and employment. So far as housing is concerned, the measures that Nick Ridley has already introduced are very welcome. I would not propose that we take any further steps for the present but rather concentrate on implementing the new measures fully and enabling their benefits to be widely felt and understood.

12 I think we should, however, try to do more to increase employment opportunities for local inner city residents. The construction industry is one obvious area where this could take place, through training and using local labour for urban renewal projects and, in the process, improving job prospects in the longer term. The co-existence of skill shortages in inner city building projects with high levels of inner city unemployment makes no sense. I am aware of the difficulties in this area, in particular the feeling among employers that local labour often lacks the basic skills they require, but I would hope we could encourage a concerted voluntary response from major contractors and developers directed at training and recruiting local people to work on their inner city projects. I shall be pursuing this

with Norman Fowler and Nick Ridley.

13 To develop this theme more widely I propose to discuss with colleagues additional ways in which their programmes might be of more direct benefit to inner city residents. I have in mind that this should be a criterion in all internal proposals for inner city projects and programmes, and should be fully taken into account in all reports and assessments. In my own Department, I have already asked officials to look at how this can be done in the case of Regional Selective Assistance. I would hope that where, for example, potential recipients of assistance include in their proposals a training scheme specifically targetted on inner city residents, that this could be a positive factor in our consideration of whether assistance should be made available.

14 I am also discussing with the National Council for Voluntary Organisations ways of enabling people to begin acting on their own behalves rather than remaining dependent. I see this as a further development of the importance of building on local initiative. In the context of benefit to residents, I have also discussed with Ken Clarke making more of the work we are doing to promote inner city health care. We have agreed to put greater emphasis on this as part of our Action for Cities.

15 The second theme is the key role of the private sector. I have been stressing this in recent speeches to such bodies as the CBI, the British Property Federation and the Building Employers Confederation, and making clear our support for the work of the CBI, BiC and Phoenix. At the local level I have started a series of follow-up meetings in the places where Action for Cities breakfast presentations have been held. Their purpose is to highlight the scope for private sector involvement, demonstrate the response achieved to date, and encourage other private sector players to come forward. I expect these to last through until next Summer. I then propose to co-sponsor with private sector organisations an event to coincide with the first anniversary of Initiatives Beyond Charity to highlight progress and good practice, and stimulate further the involvement of the private sector.

16 Over the same period, I suggest we should offer Civil Service secondees to support local business leadership teams set up by the CBI, BiC and others. I believe this would both demonstrate our commitment to partnership, and be a useful practical example of the interchange between public and private sectors which we are keen to stimulate for wider reasons. I am prepared to offer the necessary personnel from my Department, subject to a similar commitment from Nick Ridley, Norman Fowler and Douglas Hurd.

17 In addition, I believe we should give further attention to the role of transport in facilitating and encouraging urban regeneration. Here too we should be seeking to increase the role of the private sector. Some of the important issues I think we should look at are the scope for increasing the number of inner city schemes which benefit from Transport Supplementary Grant and the role of mass transit systems, particularly light railways, in relieving congestion and opening up areas for development. I shall be writing shortly to Paul Channon to take these issues forward.

Presentation

18 Finally, we must maintain our emphasis on presentation. Besides following up the breakfast presentations, we need at least to maintain our collective level of inner city visits (see Annex C). In support of this activity, the Cabinet Office Unit has updated the Action for Cities document and Guide to Action. The inner cities Master Brief is being updated and circulated monthly. The series of Area Profiles is being revised. In January I shall present proposals for marking the March anniversary of Action for Cities, possibly including a new publication which would demonstrate our achievements on the ground and provide a guide to action to encourage yet more firms to become involved.

19 It is important, too, that we continually build up evidence of what has already been achieved. To this end, I would ask colleagues to bear in mind the need for good 'before' and 'after' photography, to achieve the most graphic demonstration of our progress. I am evaluating the scope for other monitoring methods to measure and demonstrate the scale of our achievements.

Conclusion

20 Subject to any comments from colleagues, I hope you will endorse the proposals in paragraphs 10 to 19.

21 I am copying this minute to members of E(UP), Ken Clarke and Paul Channon, and to Sir Robin Butler.

TN

Signs of Recovery

1. The recovery continues with a number of major initiatives bringing together the private and public sectors in ways which exploit the inherent virtues and strengths of the area and stimulate more investment. There is now a self-confidence and optimism for the future reinforced by the visible signs of renewal.

2. Some tangible evidence of recovery is:

   - £50m invested in 6 new hotels in 1987 creating 1,100 jobs. More hotels are in prospect.

   - Manchester is now the biggest regional centre of banking and finance in the UK. Over 53 different domestic clearing, merchant and international banks in its 'Half Square Mile'.

   - the growth of tourism is now a major industry with Manchester/Salford set to become a major tourist centre (the English Tourist Board in partnership with the Local Authorities has prepared a Strategic Development Initiative).

   - Manchester Airport is now the fastest growing in Europe.

   - unemployment in the Manchester TTWA at 10.9% as at September contrasts with 13.1% in September 1987.

   - demand for quality office space is now outstripping supply and average rental figures have increased 30/40% over the last 18 months.

   - choice of Manchester to present the UK bid for the 1996 Olympics.

   - private sector investment in Trafford Park DC area of over £170m since Corporation established 18 months ago.

Major Schemes

3. Salford Quays: (Featured on front cover of Action for Cities booklet). The redevelopment of Salford Quays is turning into a major success story for the Manchester/Salford inner city area. The success is being achieved through a partnership between the private sector and central and local government. £25 million public funds

is expected to generate up to £150 million private sector investment. Major developments include the multi-screen Cannon cinema, the 166 bed Copthorne Hotel, residential areas, a business park, specialist shops, leisure facilities and a marina.

4. **Granada Studio Tours:** The Granada Group have set up an imaginative leisure and tourism project at their studios in central Manchester. Based on the model of the Universal Studio Tours in California, the tours include the Coronation Street and Baker Street sets and enable the public to see how programmes are made. The whole project cost £8 million and was supported by a loan from the English Tourist Board of £750,000. It opened in July with at least 500,000 visitors pre-booked for 1988/89.

5. **Salford University Business Park (SUBP):** Phase 1 of SUBP was opened in June and provides 41,000 sq feet of space made up of 26 individual units. The site was purchased by English Estates for £225,000. Phase 2 will take place on a much larger scale - building work is due to commence at the end of the year and the units will be available from mid 1989.

6. **G-MEX/Midland Hotel:** Since its opening in March 1986 the Greater Manchester Exhibition Centre (G-MEX) has proved a great attraction and given the city one of the country's leading exhibition centres. The conversion of the former Central Station cost £22m and has received £9m via the Urban Programme. In the wake of G-MEX the Holiday Inn Group undertook a £10 million refurbishment of the adjacent Midland Hotel assisted with £2.2m of Urban Development Grant, and created 300 jobs. Both these projects have provided a further stimulus to the development of the Urban Heritage Park in the nearby Castlefield area.

7. **Wharfside, Trafford Park:** Work on a £350 million project in the Wharfside area is expected to start early in 1989. The 200 acre site will be transformed with a new water basin and link between the Bridgewater and Manchester Ship Canals. The development will be a mix of commercial, industrial, water based leisure, shopping and residential uses. At least ,000 jobs are expected to follow.

Key Initiatives

8. The Government has done a good deal to turn the tide with support through the various mainstream programmes to 'pump-prime' development initiatives and to encourage business development. The impact and scope of Government support has been strengthened by (i) giving Manchester/Salford Assisted Area status in 1984 (Intermediate), and the creation of (ii) a City Action Team in 1985, (iii) a Task Force (Moss

Side/Hulme in 1986), and (iv) two Development Corporations covering Trafford Park (1987) and Central Manchester (1988).

9. In addition there are 2 local business leadership teams in place, an Enterprise Zone, and 4 local enterprise agencies.

(j069)

CONFIDENTIAL

BIRMINGHAM

Signs of Recovery

1. Unemployment for the City of Birmingham (TTWA) has fallen from 16.4% overall 2 years ago to 11.3% in July 1988. "Worst ward" figures from Birmingham City Council suggest a fall of nearly a quarter in the unemployed in Sparkbrook from 41% 2 years ago to 32% now.

2. **Manufacturing Industry:** The Local Chamber of Commerce reports that 40% of manufacturers were experiencing increasing orders compared with 11% experiencing falling orders. Similar percentages expect turnover and profits to increase.

3. Commercial Rents (Office Space) have risen from a fairly static £7.50 per square foot up until the beginning of 1988 to £10.00 to £11.00 per square foot within the City Centre.

4. Whilst the number of City Grant applications for commercial and housing projects is increasing, the number rejected on the grounds of lack of need for grant is increasing too. Grant free development in certain areas in the City, virtually unknown 2 years ago, is returning.

Major Schemes

5. **Shopping Centres:** The London and Edinburgh Trust are proposing to invest £250 million in redeveloping the Bull Ring Centre and a £25 million redevelopment of Hamleys is underway. Other major shopping centres complete or under construction include the Pallasades (£2 million), the Pavilions (£75 million) and City Plaza (£20 million).

6. **International Convention Centre:** This has been built in the heart of the city at a cost of more than £120 million - much of which will be met by European Grants. The National Indoor Arena is to be built next door, with the help of £3 million Sports Council Grant. The City council anticipate that the complex will generate over 2,000 jobs directly, 10,000 jobs indirectly throughout the region and will generate over £300 million worth of business a year.

7. **Road Links:** Apart from the construction of the M40 other major schemes affecting the City's prosperity include the £90 million scheme to build a northern link from the M42 to the M5 near Bromsgrove, the £185 million northern relief road for the M6 through Birmingham, the £170 million western orbital around the conurbation and £126 million A1 - M1 link improving communications with the East Coast. In addition there are major road schemes totalling nearly £20 million with the City.

8. **Birmingham International Airport:** The Airport was the fastest growing in the country in 1986 and handled 2.7 million passengers in 1987. A £30 million new terminal opened in 1986 and a further investment of £35 million is planned over the next 3 years.

Key Initiatives

9. Birmingham is an Urban Programme Partnership Area and receives the largest allocation in the country (£24.7 million in 1988/89). It has a City Action Team and there have been 2 Task Forces established in the city - first Handsworth and now East Birmingham. The private sector led Birmingham Heartlands Ltd is acting as an agency to develop cohesive plans for private sector investment in East Birmingham and there are 2 Local Enterprise Agencies in place.

10. Birmingham has been invited to participate in the Safer Cities initiative and has accepted. Other initiatives planned include a Schools/Industries Compact and a Simplified Planning Zone.

11. The Kingshurst CTC, serving a large area of Birningham and Solihull, opened on 12 September. It has attracted over £2m in private sponsorship.

12. As the largest of the 57 areas Birmingham is the leading beneficiary of a number of inner city programmes - for example number of participants in Job Clubs (4,009), number of City Grants/UDG/URG schemes (20 schemes since 1982 at a total project cost of £109 million) etc.

(J039)

CONFIDENTIAL

COVENTRY

Signs of Recovery

1. After a decade in decline following the closure of many car plants and large engineering factories in the middle to late 1970s, Coventry's economy is showing clear signs of recovery.

   - Unemployment has fallen from 24,224 in March 1987 to 17,187 in August 1988, a reduction of 29%.

   - The privatisation of Jaguar saw a revitalisation of the company bringing new jobs and investment to the City. In the improved economic climate Peugeot and Talbot decided to invest in the City and build the Peugeot 204 and 405 models in Coventry.

   - The City Council received nearly 400 inward investment enquiries in 1987/88 although land shortages and lack of specialist units means that some firms are having to look elsewhere.

   - The value of industrial property has doubled in the last 18 months. Rentals are at last showing strong upward movement from an average 1986 figure of £2.10p per square foot to £3.80p per square foot for small industrial units.

   - Demand for housing has increased with prices rising fast in the South of the City. In the North 157 homes were built with the aid of Urban Development Grant of £1.5 million levering £3.5 million private investment.

Major Schemes

2. Warwick Science Park and Westwood Business Park have been set up with the aid of ERDF grants to provide space for new high tech industries which are attracted by services provided by Warwick University. Both have found demand way in excess of expectations. A target of 2,000 jobs for 1991 for the business park has already been exceeded.

3. Eastern By-pass: Over £20 million is being spent on the Eastern by-pass which will allow easier access between the city and the motorway network.

4. Clothing Industry: With over £¾ million assistance from the Urban Programme and DTI Task Force there has been a boom in the clothing industry with over 70 firms now in operation.

5. P & O Properties have bought 70 acres of land close to Coventry Airport and are to redevelop the site with 90,000 square feet of high quality offices and factory units.

Key Initiatives

6. Coventry is one of the 57 Urban Programme Areas, it has a Task Force, Local Enterprise Agency and has been invited to participate in the Safer Cities Initiative.

(J038)

CONFIDENTIAL

NOTTINGHAM

Signs of Recovery

1. The private sector in Nottingham is showing an increasing willingness to respond to the need for investment in the inner city area. There are good relations between the council, the local business community and the Central Government City Action team and Task Force.

2. There are a number of encouraging signs:

   - unemployment has fallen from 11.8% in September 1987 to 9.9% in September 1988.

   - 150 companies have responded to DTI's Enterprise Initiative, resulting in over 80 consultancies.

   - Over 1,100 new businesses have started since April with assistance under the Enterprise Allowance Scheme.

   - Commercial rents for new offices have almost doubled over the last 2 years from £4.50 per sq.ft. in 198 to £8 per sq.ft. in 1988.

Major Schemes

3. In the Lace Market, a collection of Victorian warehouses and other commercial buildings in the heart of the city, a variety of initiatives have helped to bring back vitality to the area, including assistance (£169,000 under the Urban Programme) for the conversion of a former textile warehouse providing space for a 600 place Employment Training Agency called the Nottingham Training and Enterprise Centre.

4. Nottingham is to have the first purpose built City Technology College. It will open in September 1989 and will accommodate up to 1,000 pupils. The total development costs are estimated at £9 million, with private sector commitments to date totalling £1.6 million.

5. Newcastle House: This Grade II listed former textile factory has been converted by a local firm into 64,000 sq ft of office space at a cost of £4.45 million. The project has been supported by £735,000 of Urban Development Grant (UDG). The building has already been fully let.

6. Fashion Enterprise Workshops: Capital and revenue funding through the Urban Programme has provided workshop and training facilities for embryonic businesses and unemployed people wishing to enter the clothing and textile industry.

The training scheme is partly funded by the Training Agency and provides places for up to 14 trainees per year.

7. A series of successful Urban Development Grant schemes have helped to rejuvenate the local economy. These include seven housing schemes (nearly 700 houses) and six office developments (at a cost of £20 million).

Key Initiatives

8. Nottingham was one of the first cities to set up a local business leadership team. The Nottingham Development Enterprise is a joint public/private body which is providing a new impetus to economic regeneration in the city.

9. Nottingham has a City Action Team and a Task Force. There are 2 local enterprise agencies and a comprehensive network of support for small businesses has been established through the Small Firms Service. A Safer Cities project was launched in Nottingham by the Home Secretary.

NEWCASTLE/GATESHEAD

Signs of Recovery

1. There is a widespread belief that the Newcastle/Gateshead economy is becoming more buoyant. With the Tyne and Wear UDC, the City Action Team and now the private sector led Newcastle Initiative the mechanisms are in place to ensure the effective public/private sector co-operation which is essential to recovery.

2. Signs of recovery include:

   - unemployment has fallen from 17.5% to 13.1% over the last 2 years

   - there were 700 Enterprise Allowance business starts in 1987/88, an increase of over 23% over the previous year

   - rents for industrial space have increased by between 5% and 7% in 1987/88. Rents in the Gateshead Enterprise Zone have increased by up to 20% over the same period

   - over the last year there has been a steady influx of companies into the area with new and existing firms reporting major orders eg NEI Parsons have won £100m in orders for the supply of turbine generators to Hong Kong and Iraq.

Major Schemes

3. **Newcastle Business Park:** Close to the centre of Newcastle on the banks of the Tyne, this involves nearly 60 acres of land on a prominent site. The Tyne and Wear Development Corporation will contribute up to £12.5 million for a project which could amount to £57.5 million in total. More than ½ million sq.ft. of high tech and business accommodation will be provided and something like 3,000 jobs. Work has already started on site.

4. **Design Works:** The Burtons Group has taken the lead, in collaboration with McAlpines, in creating a £2 million Design Works for designers in the North East spanning engineering to illustration. Managed Workspace for up to 50 new businesses, conference training and exhibition facilities will be provided. The Burtons Group is underwriting the project to a total of £2 million. Gateshead MBC (through the Urban Programme) and the City Action Team have each invested £300,000.

5. **Newcastle Offshore Technology Park:** This 60 acre industrial site in Walker, east Newcastle with deep water frontage and craneage facilities has been reclaimed with Government funding of around £4 million. The first 2 phases of the park are already full providing 300 new jobs. Approval has recently been given for £1.75 million to service the third phase.

6. **Komatsu:** In partnership with Komatsu UK Ltd of Birtley, Co.Durham, the City Action Team is supporting the conversion of a disused office block owned by Komatsu UK Ltd into an Enterprise Centre for the disabled. This will provide managed enterprise offices for new entrepreneurs, as well as a comprehensive assessment, training and job finding service for the disabled. Komatsu are providing the building rent free plus a cash contribution of £130,000.

7. **North East Media Training Centre:** This centre in Gateshead provides 30 trainees a 2 year full time course in film and video production and distribution. It also offers high quality facilities for independent producers. It has been brought about by funding from the private sector, local authorities, central Government and the EEC and has already proved itself to be the foremost training establishment for the media industry in the North.

Key Initiatives

8. Newcastle and Gateshead have a wide range of initiatives in place. It is covered in part by the Tyne and Wear UDC and comes within the area covered by the Tyne and Wear City Action Team. Newcastle/Gateshead is one of the Urban Programme Partnership areas. Gateshead has an Enterprise Zone and a City Technology College is planned.

9. The major private sector input is through The Newcastle Initiative but there is also a number of Local Enterprise Agencies active in both Newcastle and Gateshead.

(J130)

TEESSIDE

Signs of Recovery

1. The four urban areas which make up Teesside - Middlesbrough, Hartlepool, Stockton and Langbaurgh - have all suffered from the decline of traditional industries. Re-establishing a healthy local economy is a slow process, but even here there is some encouraging evidence that the outlook is improving.

   - 1174 new businesses were established under the Enterprise Allowance Scheme in 1987/88, a 23% increase on 1986/87.

   - Unemployment has fallen from 20.7% in August 1986 to 16.4% in August this year.

   - Companies are starting to move into the area. For example, "Mr Harry's" have recently announced a new factory in Hartlepool for the manufacture of suits which will create 300 new jobs.

   - A number of Japanese and Korean companies have established themselves in the area e.g. Tabuchi (550 jobs), Samsung (100 jobs) and Sanyo (minimum 70 jobs).

Major Schemes

2. **Tees Offshore Base:** This development on the site of the former Smiths dock has been a major success and is already employing 500 people. Following the recent Teesside reception at Number 10 a consortium has been formed between 3 major companies which is expected to substantially expand the base.

3. **Hartlepool South Docks:** The Teesside Urban Development Corporation has reached agreement with Lovells, the Port Authority and the local authority for a marina/housing/leisure complex at the South Docks. Subject to Government approval for the substantial resources needed, work should start early in 1989.

4. **Teesdale:** This is the site of the Prime Minister's walk on 16 September 1987. The TDC has now put together a major consortium of companies to develop the site for a mix of uses including housing/retail/offices. Reclamation work has already started.

5. **Belasis Hall Technology Park, Billingham:** This park is a joint venture between ICI, English Estates and local and central Government covering a 167 acre site at Billingham, Cleveland. The park will provide office, workshop and laboratory space and is backed by the technical expertise and managerial services of ICI.

6. **Stockton Racecourse:** The Teesside Development Corporation has reached agreement with Brookmount PLC to develop a major leisure complex on this site. A new access route from the main A66 (Tees - Darlington) trunk road is planned.

Key Initiatives

7. The major Government initiative is the **Teesside Development Corporation.** The **Cleveland Co-ordinating Team** is the City Action Team for the area and Government **Task Forces** have been set up in Middlesbrough and Hartlepool. Middlesbrough, Stockton, Langburgh and Hartlepool are all **Urban Programme Authorities.**

8. Hartlepool has been invited to be one of the first areas to take part in the Government's **Safer Cities** initiative. The Borough Council has agreed to give its full support.

9. **A City Technology College** is being established in Middlesbrough with support from Cameron Hall Developments and BAT Industries.

10. On 17 December the Government announced the setting up of a **Schools-Industry Compact** in Cleveland.

(J142)

BRADFORD

Signs of Recovery

1. Bradford is a major centre of population with a high (11.2%) ethnic concentration. It is going through a period of readjustment following the decline of the wool industry. For many years the economy has stagnated and the local authority has been slow to make effective use of Government Programmes.

2. There are now signs that Government action to assist economic regeneration, together with private sector initiative, is beginning to yield results.

   - unemployment has fallen in the last 2 years from 13.0% to 10.5%

   - Over the last 2 years the number of vacancies notified to Job Centres in the Bradford area has increased by 15%

   - Enterprise Allowance starts have increased by 20% over the last two years.

   - In the last 2 - 3 months the value of land suitable for large scale industrial development has increased from £50,000 per acre to £80,000 per acre.

Major Schemes

3. **Listerhills Science Park:** This highly successful scheme, representing an English Estates investment of £3.35m for the first four phases, has 35 companies which have drawn upon a range of DTI measures worth over £0.5m. Negotiations are underway for further phases for which the developers have approached DOE for Derelict Land Grant (DLG).

4. **City Ring Road:** This major scheme received £10m Transport Supplementary Grant and £8.3m ERDF. Trunk road proposals in Bradford over the next 5 years are worth nearly £43m, and together with two recently completed schemes (total cost £25.1m) these will significantly improve the area's strategic road network.

5. **Grattans Warehouse:** This new £45m computerised warehouse attracted £5.3m DLG, will safeguard 2,500 jobs and bring substantial environmental improvements on and around the 50 acre site.

6. **Regency Court:** This innovative refurbishment of 155 1930s

flat units by Barratt Urban Renewal Ltd received £1m Urban Development Grant and will have a powerful demonstration effect on renewal possibilities for problem housing blocks.

7. **Little Germany:** The Victorian area of Little Germany, mostly listed warehouses, has combined Urban Programme, City Grant and Training Agency resources with those of the private sector to produce a locality which is once again becoming a vibrant business community.

Key Initiatives

8. The creation of the Leeds/Bradford City Action Team was announced at the Action for Cities launch on 7 March. Bradford is one of the 57 Urban Programme Areas. It is one of the planned locations for a City Technology College and is participating in the Safer Cities initiative. It has a local enterprise agency and a local business leadership organisation is under consideration.

(J067)

CONFIDENTIAL

SHEFFIELD

Signs of Recovery

1. The rapid pace of structural change in the Sheffield steel industry has created major development opportunities for the private sector. There are signs that these opportunities are being grasped:

   - Unemployment has fallen in the last 2 years from 16.7% to 13.0%.

   - A City Council study claims developments underway or in the pipeline totalling over £1 billion. Renewed investment confidence could mean 30,000 new permanent jobs over the next 4 to 5 years.

   - A survey by Sheffield Chamber of Commerce carried out earlier this year showed that 72% of local firms expected increases in turnover, 80% reported profit levels stable or improving.

   - Demand for office accommodation is increasing rapidly. At current levels of take-up the existing supply will be exhausted in a year. There are development proposals for over 800,000 sq.ft. of new office space.

Major Schemes

2. **Meadowhall Regional Shopping Centre:** This £200m development will provide 1m sq ft of retail space and 250,000 sq ft of leisure and entertainment facilities in what is claimed to be one of the largest complexes in Europe. Derelict Land Grant of £3m has been offered to the developers for site clearance and £1.7m for road developments. Industrial Development Act grant of £3.6m has been approved towards the £12m cost of associated road infrastructure. An estimated 5000 jobs will be created once the scheme is completed. New construction jobs will amount to 2500.

3. **Sheffield Canal Basin:** This £56m mixed development will provide a speciality shopping centre, restaurants, 120 housing units, offices, a design centre, hotel and leisure complex on the currently derelict site of Canal Basin. The scheme is centred on the refurbishment of 3 listed warehouses and a further listed building and covers some 24 acres. An Urban Regeneration Grant of £10.5m was approved in June - the second largest ever to be awarded. Over 1500 jobs will be created once the scheme is completed.

4. Other Lower Don Valley initiatives include the East End Park (UP, DLG and private sector), a major reclamation scheme which will eventually provide facilities for the 1991 World Student Games, and a new Employment Park (UP and DLG) providing accommodation and services for high-tech industries.

5. Sheffield Science Park: The second phase of this successful Science Park which is linked to the University and Polytechnic is now underway. The Park has been funded with a package of Derelict Land Grant, Urban Programme, English Estates and ERDF.

Key Initiatives

6. The Sheffield Development Corporation was announced on 7 March as part of the Action for Cities launch and designated on 30 June. At 2000 acres it is the largest of the third generation UDCs. It has an anticipated life span of 7 years and a budget of £50 million.

7. The UDC will be working with the Sheffield Partnership to bring about private sector redevelopment in the city. The Sheffield Partnership represents a commitment to joint working between the City Council and the local business community in the form of the local Chamber of Commerce.

8. Sheffield is one of the 57 Urban Programme authorities and has a local enterprise agency.

(J068)

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ANNEX B

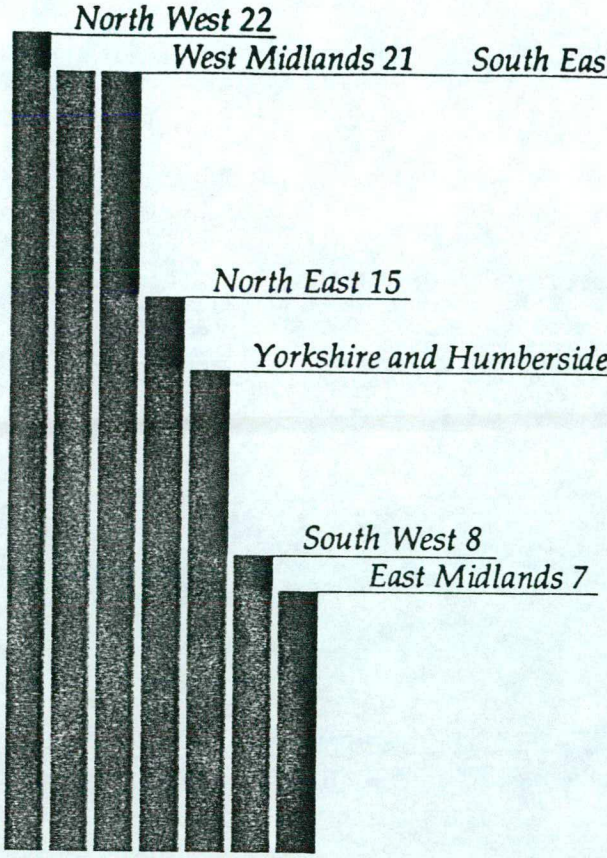
PRIVATE SECTOR INVESTMENT INITIATIVES

1. Investors in Industry inner city venture fund, first set at £10m, is now open ended. Their inner city officers have generated £4m of investments in inner cities which meet 3i's normal criteria but would not have occurred without their initiative.

2. British Urban Development have with the Prime Minister's support successfully marketed a 450 acre Euro-Chemicals Centre in Teesside with strong interest from Japanese, German and English companies. They are also examining with Teesside Development Corporation a development proposal (known as Middlehaven) for the derelict Middlesbrough Dock and its surrounding areas which is close to the town centre. With the Black Country Development Corporation they are funding a study for the development of a 1000 acre site. They are pursuing a partnership with Leicester Council covering a 100 acre site in Central Leicester. And on 18 October they announced the first of a series of partnership enterprise zones under which major local private sector sponsors will arrange price advantages

for small companies with the public sector providing enabling support (for example through special planning permissions or land release).

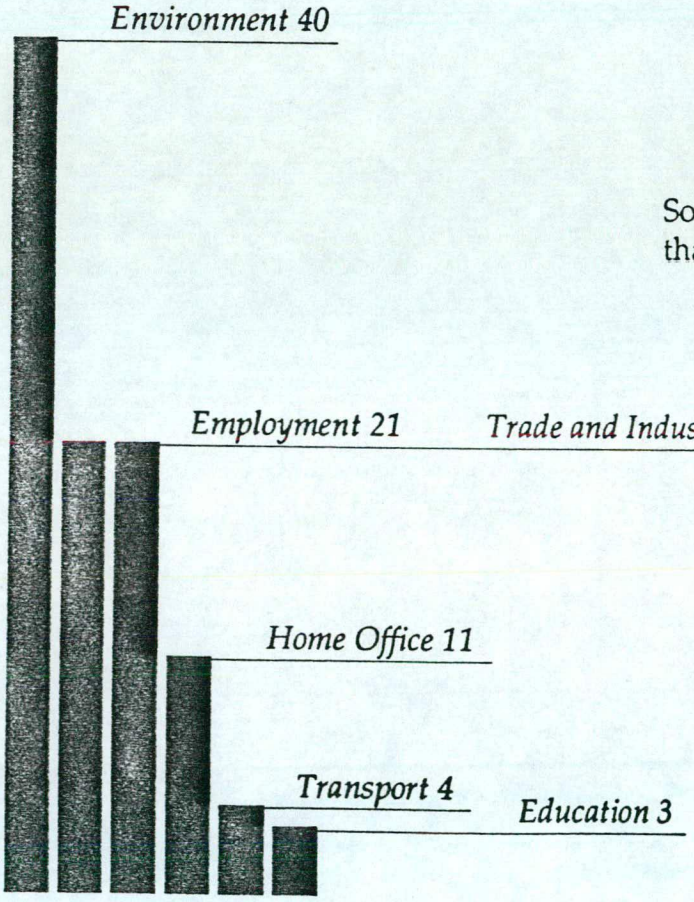
Chart 1 Visits to Urban Programme Areas to August 1988



Since 7 March 1988 **Ministers** have visited **43** of the **57** Urban Programme Areas on inner city business. Some areas have had more than one visit.

Areas which remain to be visited are :
Hartlepool, Langbaurgh, Halton, Oldham, Sefton, Wigan, Wirral, Kirklees, Rotherham, Greenwich, Hackney, Hammersmith, Haringey and *Lambeth*

Chart 2 Inner City Visits by Department



Some inner city visits covered more than one urban programme area.

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the department for Enterprise

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NEWTON → PM 26/1

TO:

PRIME MINISTER

CHIEF SECRETARY

REC.	26 JAN 1989
ACTION	Mr Parkinson (+ Booklet)
COPIES TO	Mr Anson, Mr Monck, Mr Edwards, Mr S Wood, Mr Revolta, Mr Burgner, Mr Barr, Mr Call

FROM:

TONY NEWTON

26 January 1989

ACTION FOR CITIES ANNIVERSARY PUBLICATION: PROGRESS ON CITIES

1. In my minute of 12 December I said I would present proposals for marking the 7 March anniversary of Action for Cities, possibly including a publication.

2. As my minute indicated I do not think we should look for new inner city initiatives simply in order to have something to say. We do, however, need to keep up the momentum of Action for Cities. In particular we need to maintain a sense of success and to engage more business people, and others, in the process of regeneration. The March anniversary, when there will be press interest in what has been achieved, provides a good opportunity for doing so.

STEABI

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the department for Enterprise

Proposed Publication

3. I propose to publish a progress report close to 7 March. On this occasion I want to aim primarily at the local audience, using stories of success in our inner cities region by region. The report will have three purposes: to restate the Government's inner cities policy, to draw attention to what has been achieved on the ground and the new sense of optimism in our cities, and to stimulate more people into action.

4. I propose to call the report "Progress on Cities". It will have an introductory section restating the Government's policy, a series of 7 sections describing progress in each of the regions, a conclusion setting out our future priorities and a guide to action, including a brief account of each of the Government's main policy instruments. It will be a working document. I would expect most people to read the introduction and their own regional section, to dip into some other regions, and then to turn to the conclusion and Guide to Action rather than read the report cover to cover.

5. I attach drafts of the introductory section, a specimen regional section (covering the North West), the conclusion 'Future Action' which is intended for my signature and the glossary of Government measures for inclusion in the guide to action. Further regional sections covering the North, Yorks and Humberside, East Midlands, West Midlands, London and the South

West are at an advanced stage of preparation. All reflect consultation with departmental officials and I intend to seek colleagues' agreement to the complete text before it is finalised.

6. The report will cover England. I understand that Tom King and Malcolm Rifkind will shortly be publishing strategy documents on Belfast and on the 4 Scottish initiatives, and that Peter Walker will be making a statement on progress in Wales at the end of February.

7. I am circulating with this note a mock up of the report illustrating the layout of the foreword, the introductory section and the North West section. The draft text of the North West section has been included in the mock up to give colleagues a better feel for the final product. You have the mock up itself. Colleagues have colour photocopies which I regret are less sharp and are not wholly faithful to the colours.

8. I propose a print of 25,000 copies with around half to be distributed in the first instance through City Action Teams. I shall send a copy by direct mail under my signature to all those business people who took part in the Action for Cities breakfast presentations. Copies will also go to the main employers organisations, selected voluntary organisations and local authorities.

9. The document's impact would be greatly increased if you were prepared to sign a foreword and I hope you will agree to do so.

Publication arrangements

10. I understand that you will be visiting inner cities on 9 and 10 March and will be in a position to speak on an inner cities theme on 9 March. I suggest therefore that we publish the report that day. I shall be briefing the press and would welcome colleagues from other Departments if they wished to join me.

11. Although it is my view that we should not look for new initiatives simply in order to have something to say, I think we should be prepared to announce on 9 March further projects consistent with initiatives that we have already set in place. I am discussing with colleagues possible specific announcements they may wish to make. I understand that Kenneth Baker may be able to announce four City Technology Colleges and Douglas Hurd two new Safer Cities. Norman Fowler is working on an employers "One-Stop shop" announcement and may also have another smaller announcement to make. Other colleagues ar still considering what might be possible. I myself propose to announce the opening of three new Inner City Task Forces.

dti
the department for Enterprise

Conclusion

12. Subject to discussion at E(UP) on 31 January, I hope you will endorse the above proposals.

13. I am copying this minute to members of E(UP) and to Sir Robin Butler.

TN

STEABI

INTRODUCTORY SECTION

Action for Cities

1. The Government's Action for Cities initiative was launched in March 1988. Its central purpose is to ensure that the people living in our inner cities share in the nation's growing prosperity. Eight years of sustained economic growth has given the lie to talk about Britain's irreversible decline. And that same growth, backed by £3,000 million of concerted Government measures each year, is reversing inner city decay.

2. This report charts the progress being made in the first year of Action for Cities. This section outlines the Government's strategy. The following sections show how Action for Cities is making an impact on the ground. In the concluding section the Chancellor of the Duchy of Lancaster, who co-ordinates government action on inner cities, looks at priorities for the future. At the end of the report (p.?) is a Guide to Action followed by a brief description of the main Government measures (p.?) telling you how you can help in the regeneration of your city.

The Government's strategy

3. The Government's strategy is to carry the confidence and opportunities generated by our national economic performance into our inner cities, triggering the private sector led revival which is essential to their long term prospects. At the same time the Government is helping directly to improve the quality of inner city life so that economic and social improvements reinforce each other. These form the main objectives of Action for Cities:

- To bring about economic revival by promoting private investment, improving the infrastructure, encouraging new business and providing better education and training.

- To create a safe and attractive environment both physically - through better housing and clearing dereliction, and in other ways, by reducing crime and improving facilities for the arts, recreation and sport.

4. The Government is tackling these objectives through a range of measures each targeted on a particular issue:

Private investment is being promoted in particular by the new City Grant and by 10 Urban Development Corporations (the latest, Bristol, was designated in January 1989).

The infrastructure is being tackled through major investment in roads with 14 trunk road schemes costing £325 million currently under construction or completed in the last year. In 1989/90 Transport Supplementary Grants will support 17 new major local authority road schemes of benefit to inner city areas costing in total more than £140 million. And in January 1989 the Government announced a concerted attack on the transport needs of London Docklands.

New business is being encouraged by special inner city terms for firms qualifying for consultancy support under the Enterprise Initiative. Six new Small Firms Service offices were opened in inner cities in 1988. Special help is being given to inner city people wanting to start their own businesses under the Enterprise Allowance Scheme. And the Urban Programme gives help to small businesses.

Better education and training is being promoted by the introduction of schools/industry compacts, with 26 now

planned in England, by the development of City Technology Colleges which are challenging existing inner city schools to improve their standards and by Employment Training which is particularly aimed at adults unemployed for more than 6 months.

Better housing in both physical quality and management standards is being encouraged by Estates Action. Housing Action Trusts will take over and improve some of the worst housing estates and offer their tenants a choice of landlord. Housing Associations, sponsored by the Housing Corporation, are making a major contribution to the provision of low cost housing for rent.

Dereliction is being cleared by the Urban Development Corporations, through City Grant and through the Urban and Derelict Land Programmes which help local authorities in reclaiming land, restoring buildings, landscaping sites, cleaning rivers and a variety of other ways.

Crime is being tackled by 9 Safer Cities projects - 2 are fully operational and 7 are coming on stream.

The arts, recreation and sport are supported by numerous projects under the Urban Programme. And a

working party under the Minister for Sport will shortly report on inner city sport and recreation.

Partnership is essential

5. The Government is playing its part but locally as nationally the Government cannot impose success. The energy, commitment and talent of local people - in business, local authorities, voluntary bodies and in all the community - are essential to inner city revival. They know the problems and opportunities, they can point the way to solutions. And their ability to work creatively together is itself fundamental to a living city.

Recovery has begun

6. This is a report of emerging success. It tells region by region of progress in inner city regeneration. Unemployment is falling, investment is returning, dereliction is being cleared, crime reduced, education and training opportunities increased, housing improved. It challenges stereotypes - look at the performance of firms in Merseyside and how they have beaten the national average for growth over the last twelve months.

7. Of course this is only a beginning. Inner city problems are deep seated and complex. The results of years of decline must take time to repair. But the cycle of failure has been broken. Our object now is to identify and build upon success, to increase the momentum of change and not to be daunted by what remains to be done.

(J069)

THE NORTH WEST

Businesses succeeding

The North West has made an impressive recovery from the recession of the early 1980's. Even in the most difficult urban areas business confidence has picked up. Recent surveys have shown that 80% of Merseyside businessmen view the future with greater confidence. In 1988 local companies increased their turnover by 24% and profits by nearly 50%, both well above the national average. In St Helens Pilkington's announced a £65 million investment in a new float glass line and pre-tax profits up from £260 million in 1986 to £310 million in 1987. Liverpool's status as a regional centre has been boosted by the St Johns' Centre and Clayton Square shopping developments. And after years of stagnation, office rents have started to rise.

Manchester has prospered. Substantial investment has taken place in the city, particularly in tourism and leisure. Manchester's revival has been mirrored in nearby Salford with the commercial development of the Quays and the success of the Salford University Business Park. The revival of Trafford Park has continued, stimulated by the Urban Development Corporation.

Business involvement in inner cities has increased. Business in the Community helped initiate the formation of the North West Business Leadership team from key industrialists in the region. In June 1988 the Blackburn Partnership was formed bringing business leaders together with the local authority and other organisations.

Unemployment falling, jobs growing

Unemployment has fallen in all urban areas of the North West. Within the Liverpool City Action Team area it fell by 14% between March and November last year. And vacancies rose by more than 30% over the same period.

In Manchester unemployment dropped to below 10% by the end of the year. But in some inner areas such as Moss Side, there are pockets of much higher unemployment. The Government's Inner City Task Force has been working with local groups and the private sector in the area to develop projects ranging from support for small businesses to construction skills training.

Throughout the region confidence has returned as new investment brings new jobs - with for example the prospect of 1,000 new jobs near Oldham in the £40 million Northern Headquarters of Mirror Group Newspapers, and 300 jobs over the next 2 years coming from the £22 million expansion of

the PPG Glass Fibres plant in Wigan.

There have been a number of positive training developments. The Merseyside Training Consortium will bring together the expertise of 4,000 people providing courses tailor-made to the needs of particular companies. With the support of the City Action Team and the Training Agency, Jarvis Construction have established a construction training centre in East Manchester with the capacity to train 500 long term unemployed a year. An open learning centre in Bolton is helping adults with literacy and numeracy problems. And the Rochdale Inner City Task Force has had a positive response to over 40 training and employment projects.

Cranes on the skyline

The private sector has invested over £90 million in the restoration and redevelopment of Salford Quays - featured on the cover of the Action for Cities launch booklet - with government support, including Urban Programme and Derelict Land Grant, of £17 million. The Manchester Ship Canal Company now plans a 14 acre business, leisure and retail development next to the Quays. In Trafford Park the Development Corporation has forecast private sector investment of £400 million in its area over the next six years (Kelloggs £100 million, Cerestar £42 million).

Liverpool's Albert Dock complex - opened in May 1988 by HRH The Prince of Wales - has already become the sixth most popular tourist attraction in Britain - attracting over 3 million visitors a year. A new Barclaycard centre has been opened in Wavertree Technology Park which will provide 600 new jobs by 1991.

£10 million of Derelict Land Grant has transformed Preston's former docklands into one of the largest mixed waterside development in Europe. In Wigan the Pier development, which gained a Civic Trust award, has been a major tourism success - with 500,000 visitors expected this year. St Helen's Council and a consortium of 6 private sector land developers have formed Ravenhead Renaissance to co-ordinate the redevelopment of 100 acres of severely derelict land south of the town centre. In Blackburn, with the help of City Grant, a £30 million, five year programme of private housing, commercial and leisure development has been launched on a 40 acre site near the town centre - the biggest development in the town since the 1960s.

Better access

Work on the £300 million improvement to Manchester's outer ring road has continued. The first phase of a light rapid

transit system enhancing the public transport system in the city and surrounding areas has been scheduled for completion in 1992. Elsewhere in the region good progress has been made on other inner city road schemes totalling over £100 million. A second passenger terminal has been announced for Manchester Airport. And during 1988 Liverpool Airport attracted two new scheduled passenger services.

Better homes

Through the initiative of the local community the Eldonians Housing Co-operative, backed by Government funding of over £6 million, has reclaimed the site of the old Tate and Lyle sugar factor in Liverpool where the first of 145 houses are now occupied. In Bolton City Grant, attracting over £3 million private sector investment has supported housing schemes on former mill sites. In the Rock Ferry area of Birkenhead a total of £2½ million additional resources has been announced to fund improvements to privately owned properties in the area.

Success against crime

Crime on Merseyside fell by over 10% in the year to September 1988 - faster than anywhere in the country. An

industry watch scheme on the Knowsley Industrial Park has reduced burglaries by more than 70%. A steering committee has been formed for Rochdale's Safer Cities project and staff are being recruited.

(J002)

BOX

MERSEYSIDE

- Unemployment down by 17% between November 1987 and November 1988.

- £8 million Barclaycard Centre opened in summer 1988, on the Wavertree Technology park in Liverpool - 600 new jobs by 1991.

- Brunswick Business Park - 100 acres of derelict dockside buildings refurbished to provide 800,000 square feet of industrial/commercial units. 650 jobs already, 1,220 by 1992.

- Skillion Business Centre - with City Grant of £1.1 million, Skillion plc are investing £4.75 million in a former factory complex to provide small commercial, industrial and warehousing units next to South Docks, creating over 500 jobs.

- Three major shopping developments - a refurbished St John's Centre, and the new Clayton Square in Liverpool and Pyramids Centre in Birkenhead - involving a total investment of £60 million.

- Successful partnership between Merseyside Development Corporation and Barratts plc to provide 114 flats at Wapping Warehouse. The first phase sold quickly - long waiting list for second phase. Barratts propose two major new housing developments within the Corporation area.

- News International - new printing plant being built in Knowsley, with a total investment of £110 million, creating over 500 jobs.

- Tate Gallery opened May 1988, already exceeding its target for the first year of 500,000 visitors to UK's premier collection of modern art.

- Merseyside is an Assisted Area. It has a City Action Team, an Urban Development Corporation, an Enterprise Zone and a Freeport.

(J035)

BOX

MANCHESTER

. £50 million invested in six new hotels in 1987 creating 1,100 jobs.

. UK's second banking and finance centre - 53 clearing, merchant and international banks in the Half Square Mile.

. A major tourist centre - 1 million visitors expected to tour Granada TV studios in its first year (opened July 1988), G-MEX a leading national exhibition centre, Urban Heritage Park being developed in nearby Castlefield area.

. Fastest growing airport in Europe.

. Unemployment down by 27% between December 1987 and December 1988.

. Strong demand for quality office space - rentals risen by up to 40% over the last 18 months.

. Major schemes in Trafford Park Development

Corporation area expected to attract nearly £400 million private sector investment.

. Manchester/Salford is an Assisted Area. Manchester has a City Action Team, an Inner City Task Force and 2 Urban Development Corporations, Trafford Park and Central Manchester.

(J008)

FUTURE ACTION

1. This report sets out just some of the progress that has already been made in regenerating our inner cities. There is now a new sense of optimism in places such as Manchester, Newcastle, Bradford and Birmingham. Thanks to our strong national economy we have the resources to make these and other cities great again.

2. There remains much to be done. The neglect of decades cannot be transformed overnight. Government has put in place a wide range of measures. But Government cannot by itself achieve lasting change on the scale that is required.

3. A partnership is needed between Government, business, local authorities, voluntary organisations and, above all, local people. They are now working together more effectively than ever before. But more can still be done. This section explains the Government's priorities for further action.

The crucial role of business

4. Business is crucial to inner city revival. Jobs, prosperity and social regeneration depend on economic success in our inner cities as elsewhere. This requires businesses which can compete in the open market and earn

commercial returns.

5. Our inner cities offer a major opportunity for profitable investment. The CBI report Initiatives Beyond Charity explains how firms can make the most of this opportunity at the same time as helping to regenerate their local business environment.

6. I hope local business people will increasingly commit themselves to initiatives of the sort put forward by the CBI and already taken up by many businesses. There is a role for firms of all sizes. They can provide training for unemployed adults, work experience for pupils and business appreciation for teachers; they can support local enterprise agencies; and their management drive can help community organisations. In the case of multi-national companies, it may mean setting their local managers a new objective of contributing to the regeneration of their surrounding community, together with delegated authority and resources.

7. On a broader front, the entrepreneurial skills and vision of local business leaders working together can shape and inspire the regeneration of their cities on a wider scale. I very much welcome the decision of CBI, Business in the Community and Phoenix to form Business in the Cities, specifically to encourage and promote local business leadership teams.

STEAAE

Local Partnership

8. In the past the development of some of our inner cities has been frustrated by local authority hostility to private enterprise. This picture is changing. Local authorities are increasingly sitting down with business to plan the regeneration of their cities. Future success will depend on how they deploy their skills and knowledge as well as their statutory powers - particularly in planning, land assembly and the provision of infrastructure.

9. At the same time, voluntary organisations can play an important role in enabling people to act on their own behalf rather than remaining dependent. The National Council for Voluntary Organisations is already pursuing this approach. Other voluntary bodies are considering similar initiatives and I would encourage them to do so.

Benefits to Local Residents

10. Inner city regeneration is already bringing direct benefits to many local residents. The Youth Training Scheme and Employment Training, for example, are helping those without skills or with outdated skills to equip themselves for new jobs and new industries. At the same time it is important for new developments, such as construction projects, to provide job opportunities and training for local residents, so enabling them to acquire skills for the

future. It is in industry's own long-term interests to train people now to meet its labour requirements for the years ahead.

11. Initiatives designed to regenerate inner cities are more effective where they build on and strengthen the contribution of local people. Thus the range of measures that the Government has introduced to help transform rundown and neglected inner city housing will involve local residents far more than they have been in the past. And the participation of community groups in plans for the development of their areas is an important part of the work of the Government's Inner City Task Forces.

The Way Forward

12. Overcoming distrust and apathy, reversing traditions of dependence and equipping and allowing people to take charge of their own lives is a challenging agenda for all who are involved in urban regeneration. The Government has made these themes a central part of its own programme, for example in the housing and education legislation introduced in 1988.

13. New hope has already been brought to many people who live in our inner cities. That hope will continue to spread provided we have the commitment of business, local authorities, voluntary organisations and in our inner city communities. This report has shown just some of the benefits of that commitment. The Guide to Action which follows will help you to make your contribution.

CHANCELLOR OF THE DUCHY OF LANCASTER

STEAAE

GOVERNMENT MEASURES

City Action Teams: Co-ordinate Government action on inner cities at the local level. City Action Teams, which are made up of the senior regional Government officials of the Departments of Employment, Environment and Trade and Industry, operate in Newcastle/Gateshead, Leeds/Bradford, Nottingham/Leicester/Derby, Birmingham, Liverpool, Manchester and London. The Cleveland Co-ordinating Team has a similar role on Teesside.

City Grant: A Department of Environment grant to bridge the gap between the cost of developing land and buildings in inner cities and its value to allow developers a fair return on investment.

City Technology Colleges: New secondary schools independent of local education authorities. Directly funded by the Department of Education and Science, involving significant industrial sponsorship on a continuing basis and offering free education with a strong element of science and technology for pupils of wide ranging ability in urban areas.

Derelict Land Grant: Available to local authorities and, outside inner city areas, to companies. Helps with the cost of reclaiming derelict land with the aim of ensuring

that subsequent development costs are no higher for a green field site. Help for companies inside inner city areas is provided by City Grant.

Employment Training: A programme of high quality training provided by the Employment Department, aimed especially at long term unemployed adults. It offers individual training giving job skills through a mix of formal and practical training, including work placements with employers or on projects.

English Estates: Works with private sector organisations to provide managed workspace for new and expanding small businesses. Sponsored by the Department of Trade and Industry it has an annual budget of over £10 million.

Enterprise Allowance Scheme: A Department of Employment programme giving unemployed people a year's financial assistance towards starting their own businesses.

Enterprise Initiative: A Department of Trade and Industry Scheme offering firms of under 500 employees grants for consultancy projects to improve marketing, design, quality of product, manufacturing processes, business planning and financial and information systems. There is a higher rate of grant for inner city firms. The Initiative also offers innovation and investment grants for businesses with under

25 employees in Development Areas and South Yorkshire.

Enterprise Zone: An area designated by the Department of the Environment to encourage development through tax reliefs and simplified planning procedures. Seventeen zones have been designated in England; each has a life of 10 years.

Estate Action: A Department of the Environment programme which works with local authorities in tackling some of their most rundown council estates. The emphasis is on developing a package of measures for each estate, including local estate-based management. Budget for 1989/90 - £190 million.

Housing Action Trust: Modelled on Urban Development Corporations, Housing Action Trusts will take over some of the worst council estates from local authorities and improve them using public and private sector resources. Once improved the estates will be passed to new owners on the basis of tenant's preferences.

Housing Corporation: Main funding and regulatory agency for housing association movement. Resources concentrated on inner city areas.

Inner City Task Forces: Locally based interdepartmental

teams, often with secondees from the private sector reporting to the Department of Trade and Industry with their own budgets for devising innovative approaches to inner city problems. Their objectives are to enhance enterprise and employability in the inner city and build capacity in the local community.

Jobclubs: Provided through the Employment Service of the Department of Employment they give long term unemployed people training in job search and access to free post and telephone facilities.

Land Registers: Contain details of unused and underused land owned by local authorities and other public bodies. The Secretary of State for the Environment has powers to direct disposal of land held on the registers.

Loan Guarantee Scheme: A Department of Employment scheme providing 85% cover on bank loans taken out by small firms in Inner City Task Force areas and 70% outside those areas.

Local Enterprise Agencies: Sponsored by major companies and local firms these agencies offer free advice to new or existing firms. Many also offer training courses, loan funds and managed workshops.

Urban Development Corporations: Government sponsored bodies designed to tackle large areas of derelict land. They aim to encourage maximum private sector investment and development. Ten Corporations have been set up in England.

Urban Development Grant: A Department of Environment grant superceded by City Grant.

Urban Programme: The first major Government programme to be targetted on inner cities, the Urban Programme supports approved local authority (and health authority) programmes designed to tackle underlying economic, environmental and social problems.

Urban Regeneration Grant: A Department of Environment grant superceded by City Grant.

Youth Training Scheme: A two year programme of quality work-based training for 16 year old school leavers and a similar one year programme for 17 year old leavers provided by the Employment Department Training Agency.

PMP

Ch/

CST has not replied*. You cd discuss at bilateral.

NJ.

[* no advice yet]

CONFIDENTIAL

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

CHIEF SECRETARY

REC.	23 DEC 1988
ACTION	Mr T. Burr
COPIES TO	Cx, Sir P Middleton
	Mr Anson, Mr Monck
	Mr Burgner, Mrs Case
	Mr Luce, Mr Knight, Mr Call

21 December 1988

SKILLS TRAINING AGENCY

I am grateful for the detailed explanation of your proposals for determining the future of the Skills Training Agency which you gave me before publication of your White Paper "Employment for the 1990s".

I fully support your proposal to investigate the feasibility of privatisation of the Agency in whole or part. The retention of the status quo is not an option and I accept that whether or not privatisation proves feasible, closure of a substantial number of skillcentres including some in Scotland seems to be inevitable.

Thank you for your offer to keep me informed of developments. As you say this does have implications for Scotland and the consultants who are appointed to consider the scope for privatisation should be briefed to have regard to my "Scottish Enterprise" proposals and other aspects of the Scottish situation. In addition I am anxious that I should be given a chance to see and consider the Scottish implications of the consultants' report before any firm decisions on implementation are made.

I am copying this letter to Peter Walker and to John Major.

MALCOLM RIFKIND

CONFIDENTIAL

ITP349F4

SECRETARY OF STATE FOR SCOTLAND

SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

Mike?

How re CST upln BCY yr?

The Rt Hon John Major MP
Chief Secretary
HM Treasury
Parliament Street
LONDON
SW1P 3AG

CHIEF SECRETARY
REC. 29 DEC 1988
ACTION Mr Waller
COPIES TO Cx, Mr Anson, Mr Monck, Mr Burgner, Mrs Lomax, Mrs Case, Mr Bur, Mr Call

28 December 1988

(nb x in Lord Y's letter - a classic)

Dear John,

RIFKIND → CST 28/12

RDG I MORATORIUM

My officials have learned that David Young wrote to you on 15 December with proposals to abolish the RDG I moratorium. The letter does not seem to have been copied to me and I have seen only a one paragraph extract made available to my officials.

I am seriously disturbed at this further example of unilateral proposals to change our regional policy. You will recall last summer, for example, my concern following David's letter to you of 16 July on commitment limiting when I pointed out that I did not regard the manner of his proposals as acceptable. I noted then, and I repeat now, that the introduction of changes in one territory alone which are then determined to be such that they should be introduced uniformly too easily forecloses the possibility of genuine consultation with other Departments.

On the issue of the moratorium, I am in principle in favour of removal at the earliest opportunity. My officials indicated this to the DTI when the proposal was first mooted some weeks ago, although they also made it very clear that our agreement was provisional because our budget was extremely tight. I do not have the reservoir of extra funds for regional assistance in the current year which the DTI seem to have.

I understand that our officials have already discussed the question of costs. We have indicated that we can absorb the costs of removal this year but that we shall require to exercise very careful Vote management in order to achieve this. Our lack of room for manoeuvre arises, as I think your officials will acknowledge, because we have been more successful in forecasting correctly our needs for regional assistance

IPP357F2

provision than have the DTI. However, for the reasons already made clear to your officials, I am absolutely clear that we do not have any scope for a corresponding reduction in future years.

I am copying this letter to David Young and Peter Walker.

Yours ever,
Malcolm

MALCOLM RIFKIND

IPP357F2

SECRET

Secretary of State
for Employment

CH/EXCHEQUER
REC. 06 JAN1989
ACTION CST
COPIES TO

6/1

PRIME MINISTER

MEASURES TO REDUCE UNEMPLOYMENT FURTHER

Since the last General Election unemployment has fallen by nearly 750,000. It now stands at just over two million - a rate of 7.5%. Over the last six months unemployment has fallen on average by 43,000 a month. In my view there is no reason why it should not continue to fall during 1989. The most important factor is that there are still some 700,000 job vacancies in the economy as a whole. There are some 140,000 unfilled jobs in London alone.

However, as the recent survey of the London labour market indicated, there is evidence that a significant proportion of unemployed people are not looking effectively for jobs and that some are claiming benefit when they are not genuinely unemployed. This underlines the importance of the steps my Department is taking to test availability for work and to ensure that benefit claimants take the jobs which they can readily fill.

First, we are introducing a new procedure whereby everyone claiming benefit for the first time has a forty minute interview which is designed, if at all possible, to find them a job immediately or, if that is not possible, to ensure that their claim to benefit is genuine. Evidence so far is that some 9% of those interviewed in this way do not pursue their claim for benefit. This procedure will be in place nationally for all claimants by April this year.

Secretary of State
for Employment

Second, for the longer-term unemployed, we are continuing with the Restart interviews every six months for as long as a claimant remains on the unemployment count. These interviews have been made more rigorous by requiring each claimant to complete a detailed form which tests his continuing availability for work every six months. In areas, such as London, where there are plenty of jobs these interviews are being backed up with intensive efforts to match benefit claimants to the jobs available.

Our main programme for the long-term unemployed is of course Employment Training. There are now some 106,000 people in training under this programme. I have been particularly concerned to tackle the problem of those who in the past have volunteered to join Jobclubs or such programmes as the New Job Training Scheme but who have never in fact turned up or who have dropped out at a very early stage. For example, 70% of people who agree at a Restart interview to join a Jobclub never turn up. I have no doubt that in a significant number of cases this was because they were not genuinely unemployed but were prepared to take the minimum steps they thought necessary to avert suspicion about their availability for work.

The evidence of the recent survey of the London labour market suggests strongly that there is a group of unemployed claimants who are capable of taking jobs but who are likely to remain on the count unless we take determined steps to get them back into full-time work. I am therefore instituting a new procedure whereby all those who fail to turn up for programmes in the way I have described are recalled for an interview by claimant advisers whose main job is to test availability for work. The initial results are encouraging and I will report later on this.

Secretary of State
for Employment

Third, we have strengthened the measures which we are taking to combat outright fraud. This weekend I am announcing that last year my Department's fraud investigations resulted in 90,000 people withdrawing their benefit claims and a record saving of £65 million. This is clear evidence that there is still widespread fraud as a result of people working in the black economy while at the same time claiming benefit.

Furthermore, the Social Security Bill now before Parliament contains important provisions which will require benefit claimants to take steps "actively to seek work". This will require a further review of the procedures the Employment Service is now operating for unemployed benefit claimants.

I have no doubt that the measures I have described can and will make a significant contribution to ensuring that unemployment continues to fall.

I am copying this minute to the Chancellor of the Exchequer and the Secretary of State for Social Services.

N F

6 January 1989

chex.rm/mw/97 **CONFIDENTIAL**

FROM: MISS M P WALLACE
DATE: 5 January 1989

PS/CHIEF SECRETARY

cc Financial Secretary
Sir P Middleton
Mr Anson
Mr Phillips
Mr Monck
Mr Edwards
Mr S Wood
Mr Revolta
Mr Walker
Mrs Chaplin
Mr Call

LONDON DOCKLANDS

The Chancellor has seen Mr Call's minute of 22 December.

2. He has commented that we clearly have to act on the Docklands problem. Equally clearly, this must now wait for the 1989 Survey. He adds that this does not prevent preparatory work being done in advance; but good order must be maintained.

MOIRA WALLACE

5/152

CHANCELLOR OF THE EXCHEQUER

Ms Wallace

Mr March

As promised, apologies for the delay. Grateful for any comments. In particular is (X) in para 9 right?

I don't remember α.

Re other amdts to para 2, 6, 9. MPW.

MW

chex.u1/mw.ph/14 **CONFIDENTIAL** DRAFT

FROM: MISS M P WALLACE
DATE: 9 JANUARY 1989

MP

NOTE OF A MEETING HELD IN THE CHANCELLOR'S ROOM, HM TREASURY ON WEDNESDAY 21 DECEMBER 1988 AT 9.30am

pl type final

Present: Chief Secretary
Financial Secretary
Economic Secretary
Sir P Middleton
Sir T Burns
Mr Anson
Mr Byatt
Mr Monck
Mrs Case
Mr Luce
Mr Moore
Mr Robson
Mr S Wood
Mrs Chaplin
Mr Call
Mr N Forman MP

REGIONAL IMBALANCE

Papers: Mr Monck's annotated agenda of 4 November, and annexes.

The Chancellor said that, as noted in paragraph 4(a), higher accommodation, labour and congestion costs in the South East were clearly all factors that could induce relocation in the regions without Government action. Turning to the areas where the Government might exert an influence, the Chancellor said that phasing out public transport subsidies in the South East, though contentious, was clearly right. How fast was this moving? Mr Moore said that progress was being made: Network Southeast was moving out of subsidy, and London Underground should follow in two or three years. However it would take longer to reach a point where they earned a commercial rate of return. For example, if NSE averaged two per cent rail fare increases each year it would take until the year 2001 to earn a five per cent return . Again, LUL would take longer, especially with the possibility that there would be new Underground lines to finance. Sir T Burns said that one reason rail fare increases were so contentious was that to

many people existing transport prices seemed high: they asked themselves where all the money went. Clearly, much of it went on running comparatively empty trains in off-peak hours. Commuters with season tickets were heavily subsidised. The Chancellor thought there was a case for considering whether, in addition to real price increases on average, there was a need for a different structure of fares.

2. Mr Monck noted that, although desirable in itself, a consistent policy of real price increases on rail transport would inevitably lead to more congestion on the roads, in the absence of road pricing. Of course, road pricing had been ruled in at the most recent E(A) meeting. However, there was still a long way to go, and it was discouraging to note that there was little evidence of road pricing in other countries: instead, some had resorted to physical controls, or employer taxes. The Chancellor said that he was not attracted to measures that smacked of "traffic restraint". More roads needed to be built, but the important thing was that they should be user-financed. It might be difficult to find scope for this in London, where the problem was most acute, although the Economic Secretary noted that there might be scope for building roads underground. It was also important to ensure that traffic was not forced to travel through London unnecessarily. But clearly that still left a problem of traffic headed for central London. Mr Forman noted that commuter cars were by far the minority in terms of London-bound traffic. As far as the remaining business and tourism vehicles were concerned, Mr Forman said that one possibility would be to increase the rate of VED on the larger coaches, which currently did not pay their full track costs. Sir T Burns noted that another problem was parking, or rather mis-parking, in key arteries. There could be a tougher approach on this, or indeed a complete prohibition in some cases. Mrs Case noted that one problem here was the split of responsibility amongst the various London boroughs. Another

possibility would be to attempt to encourage firms to make deliveries outside the rush hour, either by sanction, or incentives.

3. Mr Luce reported on the current state of play on ~~the~~ re location of Government employees. Some Departments had already announced plans, others were still considering the possibility. Altogether, consideration was being given to relocation in the case of five per cent of total posts, and fifteen per cent of those in London and the South East. It was early to say how much would eventually be achieved, but an internal estimate was that it would bring about relocation of perhaps 10,000 posts, the same number as had been achieved in total between 1979 and 1987. The running costs regime was a powerful force in moving Departments to think seriously about relocation. There was, however, the possibility that other upward pressures on running costs would emerge after relocation, as Departments found it easier to fill staff complements.

4. On regional pay differentials for public sector employees, it was noted that some success was being achieved, although it was slow going. Some of the nationalised industries such as the Post Office were, however, addressing the problem in an encouragingly robust fashion.

5. On point iv, the Chancellor noted that although the business rate revaluation would encourage relocation, ~~but~~ the influence of the national business rate might not be benign. Under the present system, local authorities generally welcomed business development, thinking it would add to their rate base, and therefore to their income, even though the RSG system meant this was not ~~always~~ so. Under the national non-domestic rate, there would manifestly be no gain for them at all from new business development, and this might incline them to give more weight to anti-development lobbies. One obvious way of offsetting this prejudice, would be to

introduce a charge for the granting of planning permission. Alternatively, there was a case for promulgating more widely the benefits that could be secured in package deals, incorporating some "development gain", where the developer undertook to provide some environmental benefit, in return for planning permission. It would, of course, be important to ensure propriety. Increased use of "development gain packages" need not increase congestion in the South East: the Chancellor noted that the key was to make sure that developers provided, or contributed to the costs of, adequate transport facilities, as there was clearly no question of simply putting a stop to further development in the Midlands or South East.

6. On point v, the Chancellor said that there was clearly a case for improving transport links, so long as the user paid. The Chief Secretary noted, however, that the effect of improved road links were not always certain: for example, it was arguable that the Channel Tunnel would act as a counter-weight to other factors, and tend to pull businesses back to the South East.

7. It was agreed that the reforms of the planning system proposed by DoE were not wholly beneficial from a regional point of view. Their proposals left much more power with districts, who would be able to turn down any development proposals, as long as they could find a defence for it in their district plan. The Secretary of State would still have powers to issue guidance, and to intervene if necessary: but it was questionable how willing Ministers would be to use these powers. It was agreed the Chief Secretary's response to the draft White Paper should be revised in this sense, and the Chancellor would raise it personally with Mr Ridley.

8. ~~Finally~~, The meeting agreed that it might be worth considering a Ministerial speech on the Government's attitude to regional imbalances. The Chancellor said he would be grateful to

see an outline, and Ministers could then consider whether they wished to take it further.

9. The meeting then considered the options for alleviating the specific problems of **congestion in the South East.** It was noted that Mr Channon would shortly be writing with the outcome of his Central London Rail Study. There were, of course, overall public expenditure considerations, as well as the requirement that investment should meet the required rate of return. As for **roads,** it had already been noted that work was now moving ahead, in the wake of the E(A) discussion. The Chancellor said that in his view it was clearly right to increase pressure on Departments to sell **surplus land** and buildings. Pressure should be stepped up, and it was worth considering the case for incentives: carrots as well as sticks. Mr Monck said that officials would produce a further submission on this, after the Survey postmortems. [~~this would include consideration of the case for introducing some form of capital charging for Government holdings of land and dwellings.~~] It was also clear that the incentives for local authorities to dispose of surplus land were not working effectively enough. The Audit Commission had confirmed this view, when they investigated the area. The Chancellor said he would also raise this with Mr Ridley. He would also wish to discuss the use of the ~~the~~ ~~transport~~ planning ~~system~~ (See para 7 above) Mr Byatt's common land suggestion: this would be one way of avoiding, in future, the situation where local authorities, in order to appease both developers and conservationists, built unduly high density housing estates, which no one then wanted to live in. He would be grateful for an aide memoire of issues that he might take up with Mr Ridley.

Distribution: Those present
Mr C Phillips
Mr Edwards
Mr Tyrie

MOIRA WALLACE

cc Those present

PS/Paymaster General
Dame A Mueller
Mr Phillips
Mr Burgner
Mr Edwards
Mr Kelly

HOME SECRETARY

QUEEN ANNE'S GATE LONDON SW1H 9AT

CHIEF SECRETARY

REC. 11 JAN 1989

ACTION Mrs Brugner

COPIES TO Mr Broom, Mr Monck
Mr Edwards, Mr S Wood
Mr Waller, Mr Burr
Mr Crill.

HURD → NEWTON 10/1

10 January 1989

Dear Tony,

ACTION FOR CITIES PROGRESS REPORT

I have read with interest the progress report which you circulated on 9 December.

Since we are meeting to discuss the report on 31 January I will reserve detailed comment for then. I would, however, like to say that I wholeheartedly endorse the emphasis which you put, for example in paragraphs 12 and 13, on the importance of ensuring that our initiatives benefit inner city residents. This is particularly important from the Home Office point of view, for example in relation to the ethnic minorities, who are disproportionately concentrated in inner city areas. Home Office responsibilities for the voluntary sector also bear on this and I am glad to know that you are in discussion with NCVO.

On the matter of secondments, we would hope to make a modest contribution as part of our increased programme of secondments to the private sector - perhaps one or two staff at any one time - particularly if the initiative provided an opportunity to widen the experience of staff below Grade 7.

I am copying this letter to the Prime Minister, other members of E(UP), the Secretaries of State for Health and Transport and to Sir Robin Butler.

Yours

Douglas

The Rt Hon Anthony Newton, OBE., MP.

cst.ps/4ce9.1/mins

FROM: MISS C EVANS
DATE: 10 January 1989

MR WALLER – we spoke

cc: Chancellor – 2
Mr Anson
Mr Monck
Mr Burgner
Mrs Lomax
Mrs Case
Mr Burr
Mr Call

PS CST → WALKER 10/1

RDG I MORATORIUM

The Chief Secretary has seen the letter from Mr Rifkind dated 28 December. He thinks it is unlikely that Mr Rifkind will be unable to find the resources to cope with ending the moratorium in Scotland, but he awaits advice on this.

2 He has two further points on the letter. Lord Young's proposals highlight again that there is considerable flexibility in the DTI budget and despite the 1988 Survey there is ample scope for more savings next year. He thinks we should therefore prepare for an assault on DTI in much the same way that we dealt with employment in the last Survey. This means keeping pressure on the budget throughout the year. He wonders whether there is anything we can do now to prepare the ground for such an assault.

3 The Chief Secretary would be grateful to know when it is proposed to announce the ending of the RDG moratorium - we need to ensure that this does not clash with the PEWP publication date (30 January) and the NHS review publication (31 January). You explained that this depends on the Welsh response, and that you will advise when Mr Walker has written.

CEvans

MISS C EVANS
Private Secretary

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

Oddi wrth Ysgrifennydd Gwladol Cymru

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

From The Secretary of State for Wales

The Rt Hon Peter Walker MBE MP

CHIEF SECRETARY
REC. 10 JAN 1989
ACTION Mr Waller
COPIES TO CX, Mr Anson, Mr Monck, Mr Bringer, Mrs Lomax, Mrs Case, Mr Bunn, Mr Call.

CT/7006/89

10 January 1989

WACKER
CST
101

RDG I MORATORIUM

I have seen a copy of Malcolm Rifkind's letter to you of 28 December. I share his concern that matters affecting regional policy have once again been taken up unilaterally, without prior Ministerial consultation between all the Departments involved. Like Malcolm, I only learned of the definite proposal to remove the RDG I moratorium from an extract contained in a letter sent at official level to your Department.

On the issue itself, I fully support the view that if the budgetary constraints which originally led to the moratorium being imposed no longer apply, then it should be lifted. The cost of doing so in the current year in Wales will be about £2.5M which I am able to fund from within my provision. However, for reasons which my officials have already explained to yours, this will not imply any savings in the 1989/90 Supply Estimates previously submitted; expenditure on the scheme thereafter will, of course, only be at a minimal level.

I am copying this letter to David Young and Malcolm Rifkind.

The Rt Hon John Major MP
Chief Secretary
HM Treasury
Parliament Street
London
SW1P 3AG

chex.u1/mw.ph/15

CONFIDENTIAL

FROM: MISS M P WALLACE

DATE: 11 JANUARY 1989

MR WOOD

cc Chief Secretary
Financial Secretary
Paymaster General
Economic Secretary
Sir P Middleton
Mr Anson
Mr Phillips
Mr Byatt
Mr Monck
Mr Burgner
Mrs Case
Mr Edwards
Mr Kelly
Mr Luce
Mr Moore
Mr Potter
Ms Seammen
Mrs Holmans
Mrs Chaplin
Mr Call
Mr Tyrie

"REGIONAL IMBALANCE" AND PROBLEMS IN THE SOUTH EAST

As agreed at the Chancellor's meeting on 21 December, we have now fixed a meeting with Mr Ridley, for 18 January. I understand you are preparing an aide memoire. It would be helpful if this could reach this office by close on Monday 16 January.

MOIRA WALLACE

chex.rm/aa/70 **UNCLASSIFIED**

FROM: A C S ALLAN
DATE: 2 December 1988

BF 8/12

MR N FORMAN

cc PS/Chief Secretary
PS/Financial Secretary
PS/Paymaster General
Mr Gieve
Mr Pickford
Mrs Chaplin
Mr Tyrie
Mr Call

FIRST ORDER QUESTIONS: BRITISH CHAMBERS OF COMMERCE SURVEY

... The Chancellor thought that the attached summary of the British Chambers of Commerce Quarterly Regional Business Survey, for Q3 1988, provided some useful material for First Order Question.

ACSA

A C S ALLAN

EXECUTIVE SUMMARY

- Shortages of skills and labour remain acute in the South and are deepening all across the country. No longer confined only to certain types of skilled technicians, for example in data processing or engineers, reports are indicating many firms are having difficulty in recruiting professional and managerial staff, often also clerical staff and even, in some cases, semi or un-skilled staff.

- The export picture has rallied. Last quarter's overall positive balance on change in order books has improved from +6 per cent to +11 per cent. But major regions (Manchester +5 per cent, Thames Valley +6 per cent, London -11 per cent) continue to show export growth at relatively low levels or in the latter case in decline. Most regions, however, have rallied this quarter by comparison with last (which coincided, it may be recalled, with a trough in the UK's monthly visible trade deficit)

- Home order books and deliveries remain strongly positive. There is no indication at the time of the Surveys (end-September) that the impact of higher interest rates on demand has yet fed through into falling growth in orders and sales. Business remains buoyant.

- Nor is confidence flagging. Confidence in rising turnover and profitability remains extremely strong, sustaining levels first attained in late 1987, as the present consumer boom then accelerated in pace. Each subsequent quarter, including this, has seen a positive balance of some half of all respondents expecting their turnover to increase over the subsequent 3 months.

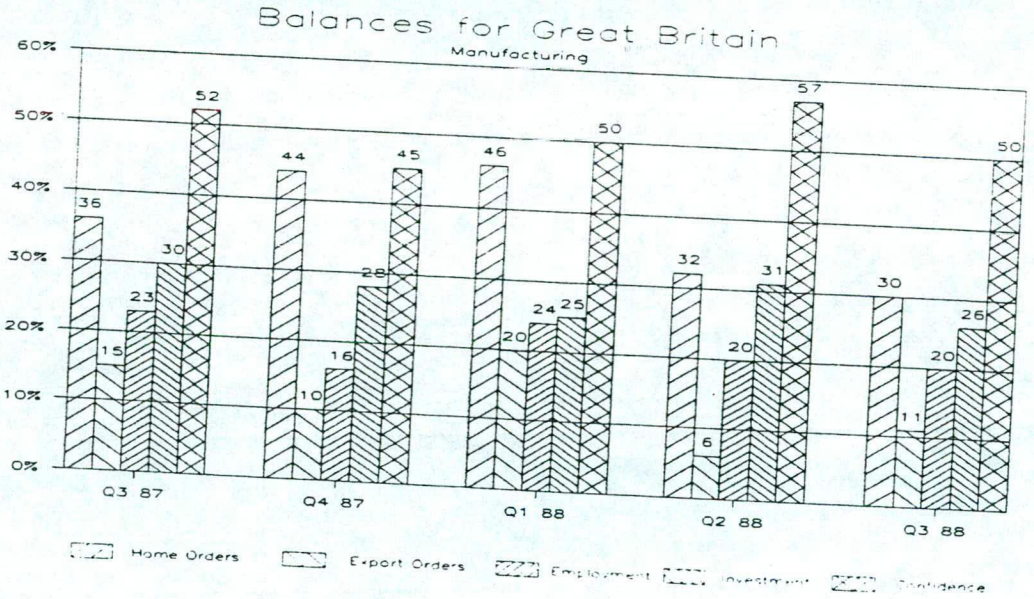
- That confidence is being equally maintained when translated into investment activity. Broadly a positive balance of one in three of respondents have been increasing their plans to invest in new equipment over the last three months.

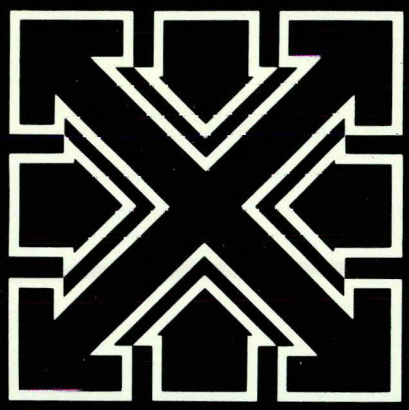
- And employment growth is steady and strong, with broadly a positive balance of one in five firms expecting to increase their workforce over the next three months.

- Capacity, while being more fully used, is by no means yet an apparent constraint, generally, on output. Some 40 per cent of firms are operating at full capacity, but this has not been translated into reduced expectations of ability to improve turnover, and new capacity is being added apace.

- The Survey is an optimistic one, showing industry, both in manufacturing and services, confident, ready to invest, holding steadier in export markets, and selling strongly in home markets. As interest rates quell domestic demand, some of these factors will change, but the present outlook from business is positive and suggests that there is no expectation of a severe squeeze in the immediate future, leading to lower turnover or profits.

- It is possible to interpret the results of this survey as indicating that the much hoped for "soft landing" is at present being achieved.





BRITISH CHAMBERS OF COMMERCE

QUARTERLY REGIONAL BUSINESS SURVEY

3rd Quarter '88

BRITISH CHAMBERS OF COMMERCE
QUARTERLY REGIONAL BUSINESS SURVEY
THIRD QUARTER 1988

Explanatory Note

This Quarterly Survey brings together, for the purposes of region-by-region comparison, results obtained from surveys carried out within the regions of Britain by individual Chambers of Commerce and their regional Associations. For those wishing to obtain a more detailed survey of economic conditions in a particular region as perceived by individual businesses, they are invited to contact the regional representatives listed on the closing page of this survey.

While the figures conveyed in this Summary derive from the Chambers' respective enquiries, the analysis is the responsibility of the ABCC, and should not be regarded as necessarily representing the view of any contributing Chamber.

The Survey is moving toward a more consistent question format and consequently to a greater opportunity for comparison, and trend information over time. We hope susbcribers will bear with us while this process is completed.

Price: £8.00 per copy, including UK postage
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* For Circulation this a Forman
Ltr re TSy Quarterly on 8/12.

EXECUTIVE SUMMARY

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• The export picture has rallied. Last quarter's overall positive balance on change in order books has improved from +6 per cent to +11 per cent. But major regions (Manchester +5 per cent, Thames Valley +6 per cent, London -11 per cent) continue to show export growth at relatively low levels or in the latter case in decline. Most regions, however, have rallied this quarter by comparison with last (which coincided, it may be recalled, with a trough in the UK's monthly visible trade deficit)

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• Nor is confidence flagging. Confidence in rising turnover and profitability remains extremely strong, sustaining levels first attained in late 1987, as the present consumer boom then accelerated in pace. Each subsequent quarter, including this, has seen a positive balance of some half of all respondents expecting their turnover to increase over the subsequent 3 months.

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• And employment growth is steady and strong, with broadly a positive balance of one in five firms expecting to increase their workforce over the next three months.

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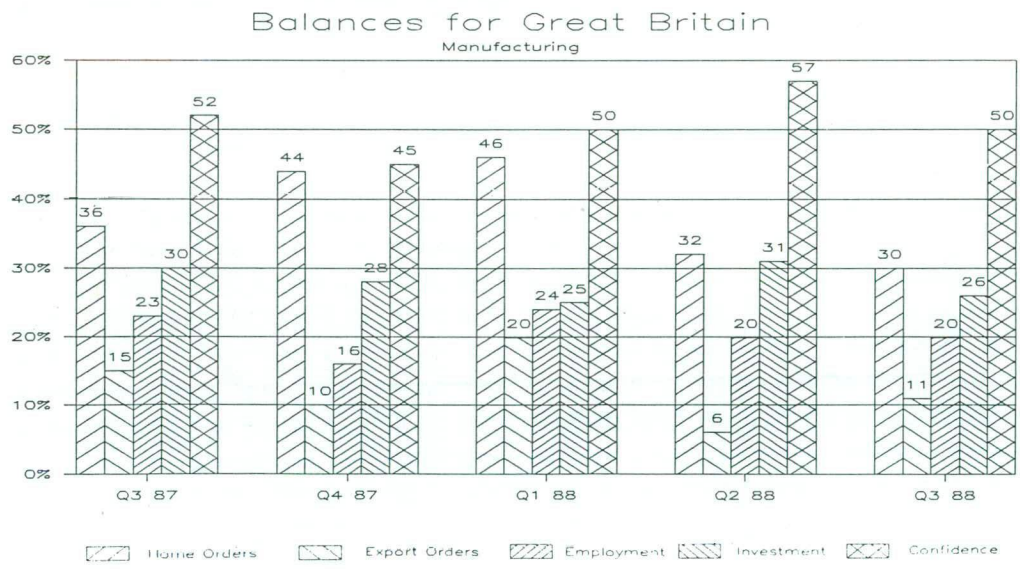


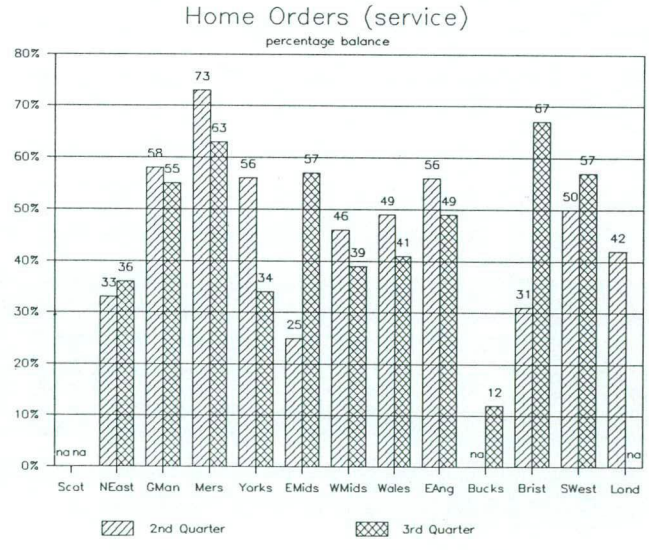
HOME ORDERS AND DELIVERIES

The Second Quarter results showed a picture of buoyant home deliveries but a more uncertain picture on home orders. The Third Quarter results make it clear that in some Regions (e.g. North-East, Greater Manchester) the downturn in growth trends for home orders earlier in the year has now been reflected in a slowing of home deliveries reported in this Quarter. In other Regions, however (e.g. East Midlands and East Anglia), slower growth in orders has not been reflected in slower growth in deliveries to the same degree.

The overall picture is one of convergence in reported growth trends in home orders, at only slightly lower levels than recorded in early 1988. They are nonetheless very strong positive balances compared to those recorded in these surveys two years ago. We are clearly continuing to see very buoyant home demand reflected in these figures, with only the most dramatic increases of recent months now no longer being carried forward.

The extent on the positive picture on both orders and deliveries is, however, markedly greater in respect of service industries than manufacturing. The strength of home demand generally may, in these terms, be regarded as having resulted in higher continuing growth trends for service companies than for manufacturing. This may reflect the extent of import penetration in the domestic market for manufactured goods. On a region-by-region basis, sharp changes are reflected in the figures from the South-West, reflecting a much improved picture for orders and deliveries, but more generally the individual regional figures reflect either no significant change from the Second Quarter, or a further modest decline in the positive balances of firms reporting orders and deliveries higher than three months earlier. Figures from the Thames Valley reflect, interestingly, a considerably less buoyant rate of growth than elsewhere, including London. Among the highest rates of growth in home orders are to be found in Wales, Bristol and the South-West perhaps reflecting buoyancy extending along the M4 and M5 corridors.

In other regions, growth in manufacturing orders has generally slowed, both in regions regarded as economically buoyant (W. Mids. from +34 per cent to +29 per cent for home orders; East Anglia from +34 per cent to +26 per cent) and in regions moving up from a lower base of economic activity (e.g. North-East from +32 per cent to +22 per cent). Yorkshire and Humberside is, however, notably buoyant, with both deliveries (+41 percent to +55 percent) and orders (+34 per cent to +36 per cent) increasing their positive balance of respondents in manufacturing.



EXPORT ORDERS AND DELIVERIES

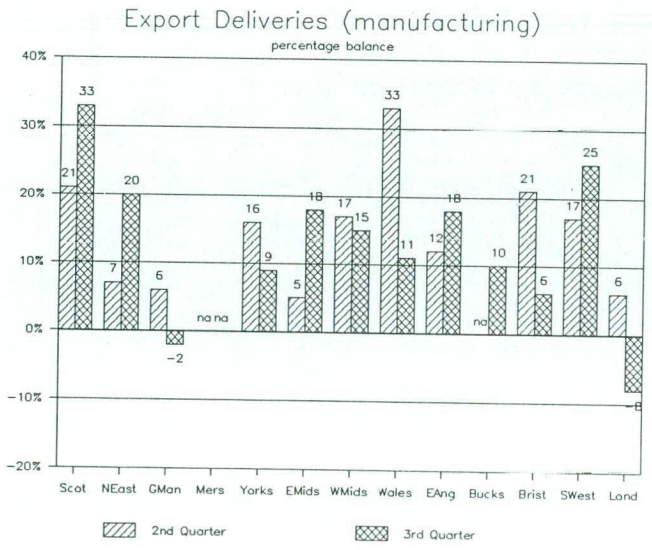
Figures in the Second Quarter Survey indicated a general, and in some cases sharp, slowdown in exports growth. This sharp downturn in trend growth has not generally been compounded by a further decline this quarter. Indeed, in respect of export order books, major exporting areas like the North-West and Thames Valley have bounced back, but in neither case to the levels of export growth indicated in earlier quarters. By contrast, however, the important results obtained in the London Chamber's Survey show export orders for production industries showing a further decline compared with the preceding quarter.

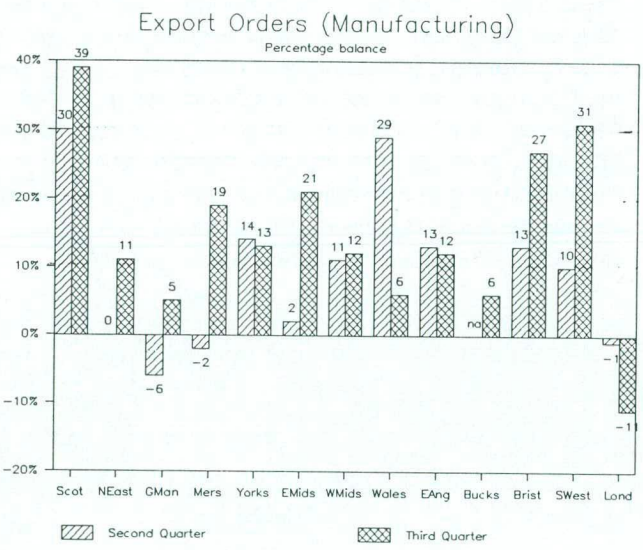
For regions showing more modest declines in growth last quarter (e.g. West Midlands or East Anglia) the present quarter's responses suggest a steady pattern of growth (at positive balances of +12 per cent).

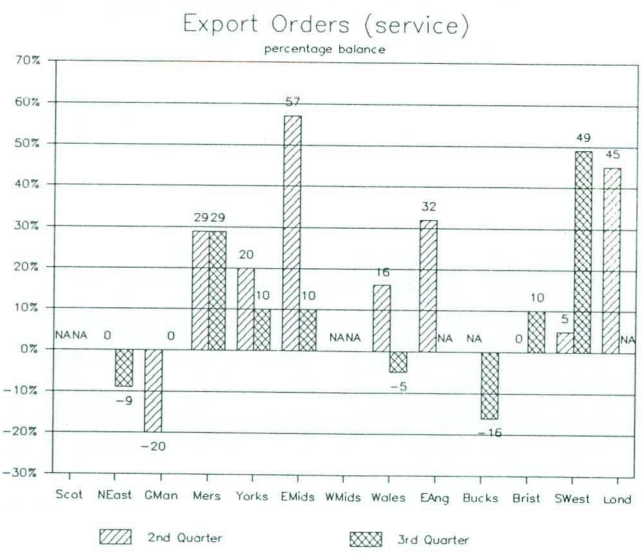
Region-by-region, Bristol and the South-West again record relatively high levels of growth in orders, as does Scotland. These regions and the East Midlands, Merseyside and the North-East have regained levels of growth reflected in the Q1 '88 results.

In London and Greater Manchester, export deliveries have reflected the decline in growth in order books at the end of the previous quarter. Thus London has moved from a positive balance of +6 per cent reporting export deliveries higher than 3 months earlier to -8 per cent, while Greater Manchester has moved from +6 per cent to -2 per cent).

The overall picture is one that gives cause for some optimism. While external circumstances (exchange rates in particular) have little changed, the growth trend in exports has largely settled and in a number of regions has improved. However, the prospects in important respects remain uncertain, particularly as regards London and Manchester.







INVESTMENT PLANS

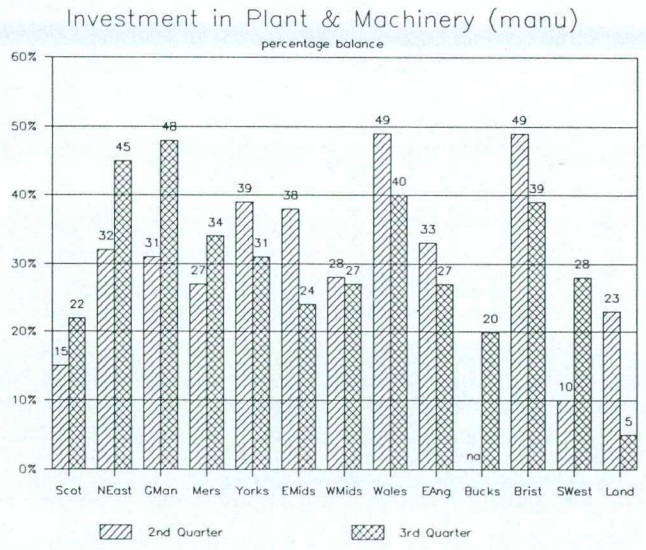
PLANT AND MACHINERY

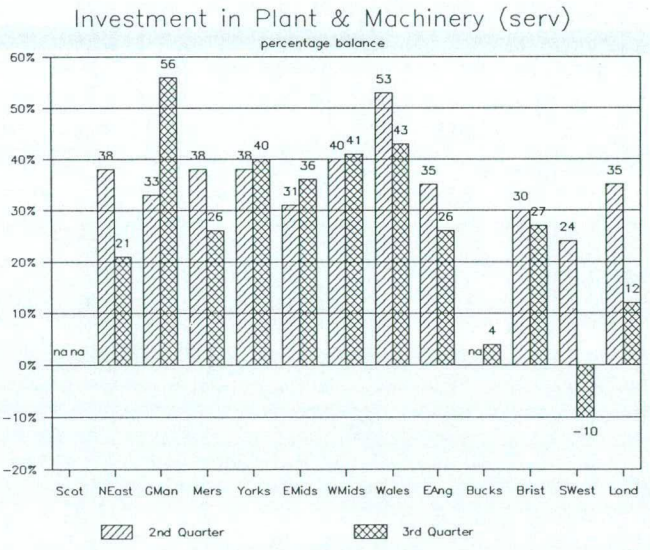
The very substantial increases in firms' investment activity over the last year have been maintained into this quarter. On a region-by-region basis each continues to report a significant positive balance for manufacturing firms reporting increases in their investment plans. The rate of growth in investment intentions is largely sustained, although in London in particular (in a figure including both equipment and buildings), the positive blance has declined, in the case of production industries from +23 per cent to +5 per cent, and for service sectors from +35 per cent to +12 per cent. This has placed the London figure significantly lower than other regions and suggests that London is by no means now leading the investment boom. Other regions, often regarded as less buoyant in investment, now show a very strong growth pattern, including the North-East (+45 per cent), Greater Manchester (+48 per cent) and Wales (+40 per cent). Indeed, if there is a pattern to the changes, compared to the previous greater, it is that manufacturing in the regions with significant Assisted Areas are showing the strongest positive figures for growth in investment in plant and equipment.

BUILDINGS

As may be expected, the number of firms in any quarter, who have revised upward their plans to invest in new buildings is likely to be smaller, in absolute numbers, than for new equipment. This is reflected in the response to the British Chambers of Commerce Surveys. The comparison region to region, and with previous quarters illustrates, however, that the growth trend in new building investment is being sustained and even (e.g. in Bristol, Wales and Scotland) in some cases rising. The variation in positive balances between regions is not great for manufacturing (between +8 per cent in the Thames Valley and +31 per cent in Wales). In the services sector, buoyancy in building investment is more marked than for manufacturing (for example, with a +40 percent balance for Greater Manchester) with balances generally several points more positive. The variation between regions is also more marked, with the South-West showing a sharp down-turn and Manchester a strong increase.

As a measure of longer-term confidence, however, investment in buildings shows evidence of the strength of business expectations.





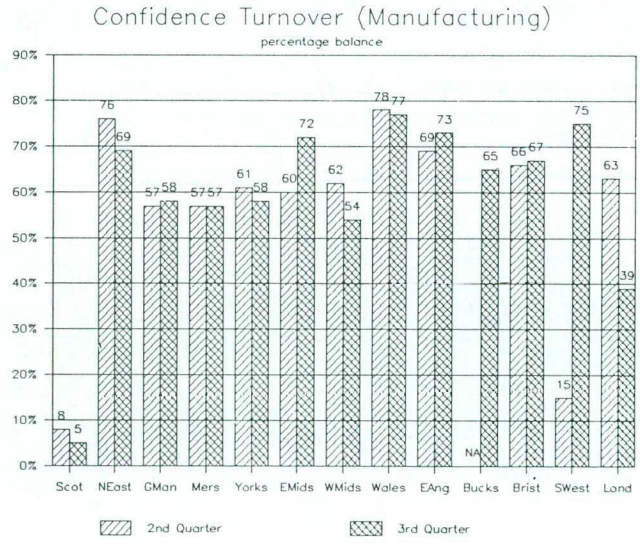
BUSINESS CONFIDENCE

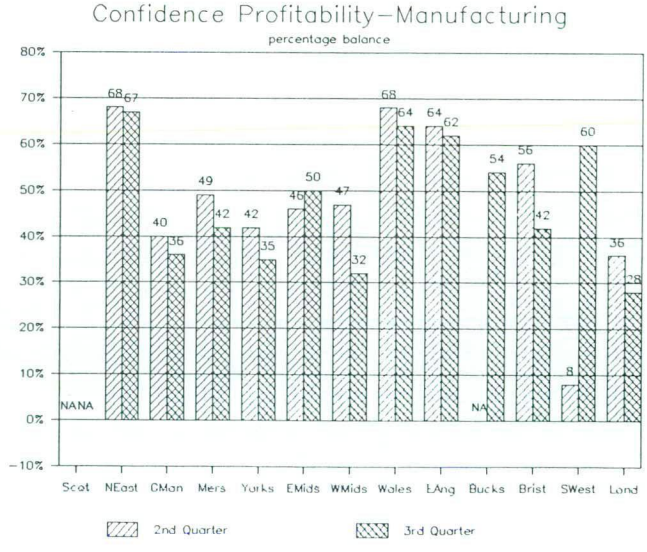
Confidence, as reflected in reported expectations of the increase in turnover and profitability over the coming three months, remains at very high levels in nearly all regions. There is no evidence in this quarter's results, save for production industries in London, and in service firms around London and the South-East to a very limited degree, that the anticipated slowdown in demand arising from higher interest rates is expected adversely to affect either turnover or profits in the short-term.

As in the preceding quarter, positive balances in each region fall in the range of +50 per cent to +80 per cent for manufacturing, with the exception of London, where the figure has fallen from +63 per cent last quarter to +39 per cent in this report. Scotland, which showed a sharp fall in confidence last quarter, has shown a further small decline in growth trends, the positive balance for confidence in manufacturing turnover now standing at only +5 per cent. In other regions the change in manufacturing expectations about turnover are little changed, except for the South-West, where the figure is sharply increased, coming into line with the levels reported elsewhere.

The service sector is more confident yet. In no region reported do the positive balances of service companies expecting turnover to improve fall to less than +55 per cent (the London figure). In one case (Greater Manchester) it is +100 per cent, i.e. that every firm surveyed expected turnover to increase. Although there is minor variation against last quarter's figures, the overall picture is of very strong sustained optimism on the services side, with little significant variation between regions.

As regards profits, again the strongly optimistic expectations of last quarter are generally repeated this quarter, with again a somewhat higher positive response from service firms than from manufacturing.





WORKFORCE

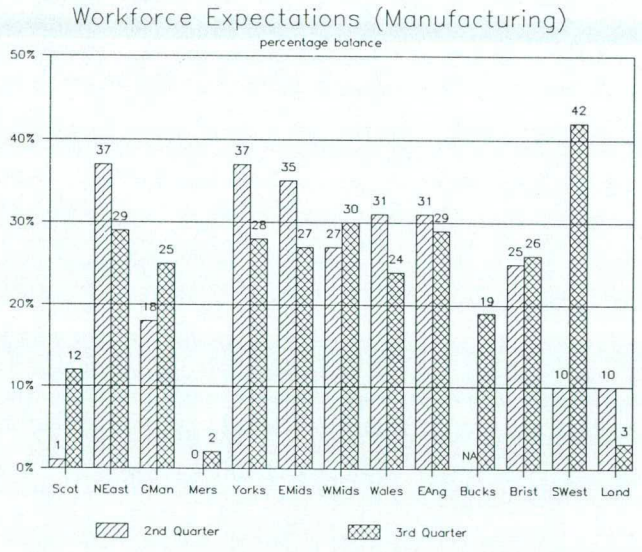
Survey respondents are asked two questions: did their workforce increase, decrease or stay the same over the last 3 months; and, do they expect their workforce to increase, decrease or stay the same over the next 3 months.

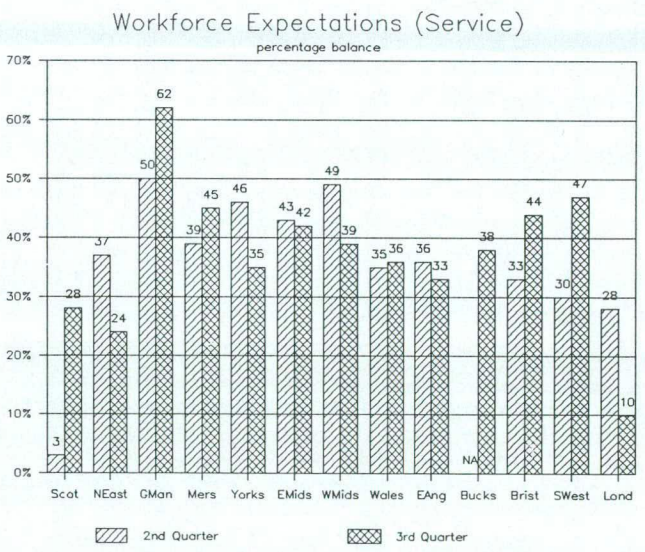
Employment creation in both manufacturing and services remains strong. In every region, a positive balance of firms report increasing their workforces over the Quarter. The extent of those positive figures vary considerably, in manufacturing from only +3 per cent for London (where production industries have seen a marked slowdown in sales growth since early the year) to +48 per cent in Greater Manchester (where, interestingly, weakness in export sales growth has not affected employment creation). In the services sector, the variation in positive balances is less great, and the level of positive responses somewhat higher overall. The exception in Buckinghamshire and Berkshire, where the relatively slower growth trends in orders and sales appear to be reflected also in lower employment growth. The acute character of skills shortages may also be having an adverse effect on employment creation and projects leading to new employment in the M4 corridor may be increasingly being directed to other parts of the UK.

There has been no significant change in the trend of employment growth in manufacturing compared to preceding quarters. In services, the growth trend may, if anything, have increased slightly.

Looking forward to the next three months, there are reasonably close relationships in each region between experienced growth in workforces and expected growth. Broadly, no change in trend is expected, and employment both in manufacturing and, to a more marked degree, in services is set to continue to grow. As noted, London and, for different reasons, Merseyside, show very low positive expectations about manufacturing employment growth. It is , however, worth noting that Merseyside records among the highest positive responses on service sector employment growth. The Thames Valley is also reasonably buoyant in its service sector employment prosepects, but less so for manufacturing.

Confidence in prospective economic conditions is clearly very largely being carried through into expectations about taking on staff.





CAPACITY UTILISATION

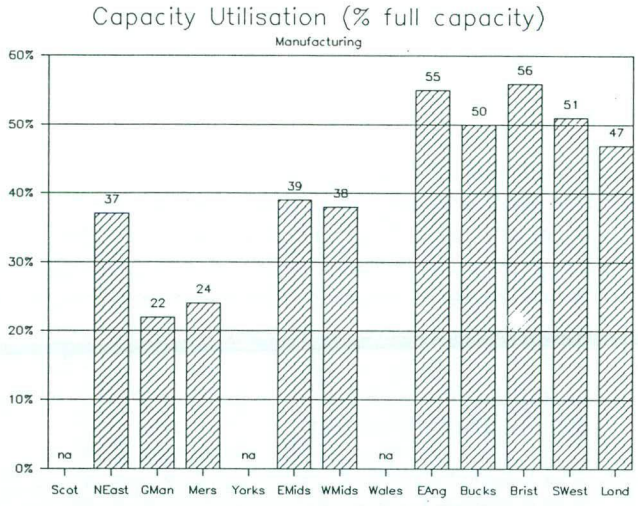
The regional survey coordinators are progressively introducing a question designed to establish to what extent respondents' businesses are operating at or below full capacity.

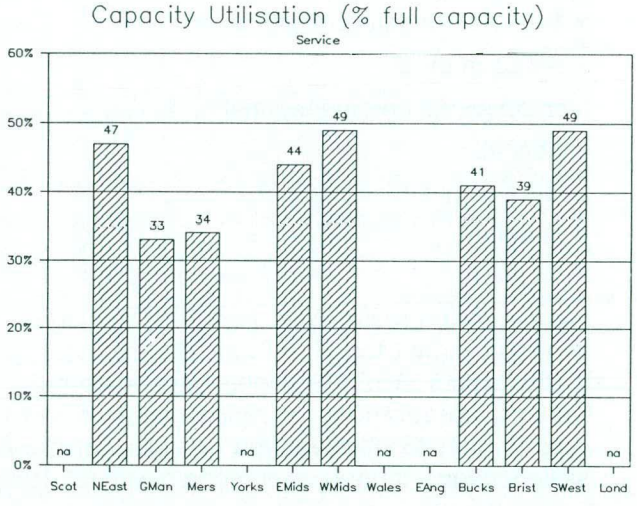
Figures for a number of regions are presented here for the first time. There are not, therefore, trend comparisons with earlier questions. The principal conclusions to the drawn are threefold:

(i) That capacity in manufacturing firms in the southern half of England is consistently operating at higher levels of full utilisation than is, equally consistently, the case in the North of England;

(ii) There is no equivalent dichotomy to be made in relation to the proportion of service companies reporting full capacity utilisation;

(iii) The extent of capacity utilisation is not yet sufficient to suggest any acute constraint upon output, but is substantially higher than Q2 1987 when, for example, full capacity working in the Thames Valley was reported in only half as many firms as in Q3 1988.





SUPPLY OF SKILLED LABOUR

The Chambers of Commerce have, through their regional and local surveys, repeatedly been among the earliest and most authoritative sources of information concerning recruitment difficulties among local firms. This information, vital to action at a local level in order to address skills shortages, is now being gathered in a survey form centrally by the Chambers, in order to draw further attention to the pattern and trend of difficulties for firms in finding labour supply matched to their needs.

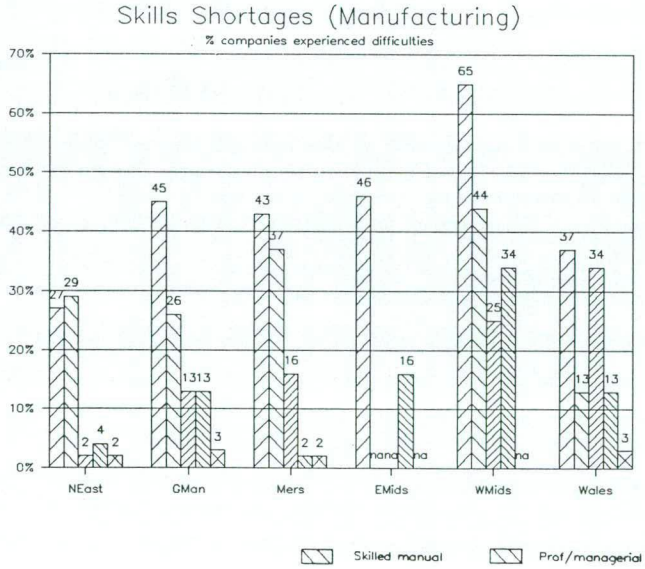
The questions asked of survey respondents are now grouping their replies to the question 'over the last 3 months have you had difficulty recruiting?' in relation to five specific categories of staff:

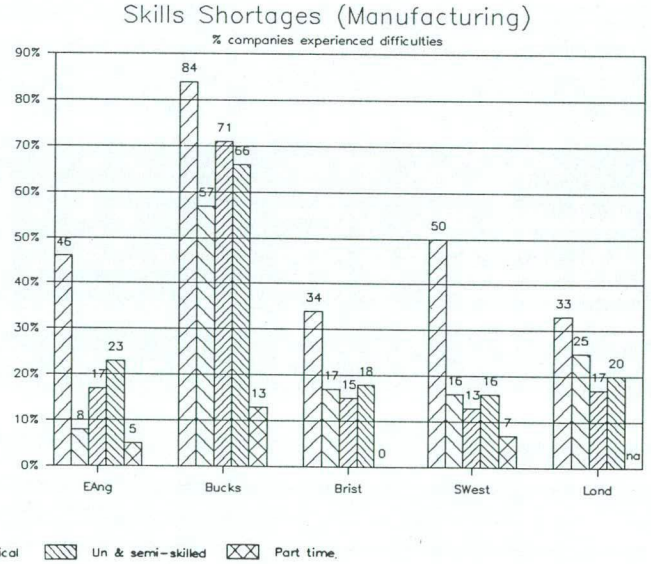
- skilled manual
- professional and managerial
- clerical
- un or semi-skilled manual
- part-time

We hope progressively to bring information on this common format together from each region. To set this quarter's results in context, it may be helpful to note the proportions of respondents in the third quarter of 1986 who reported difficulties in recruiting skilled manual labour, as compared with Q3 1988.

	Per Cent of Respondents (Manufacturing)	
	Q3'86	Q3'88
London	34	33
Thames Valley	29	84
East Anglia	32	46
Greater Manchester	14	45
Merseyside	15	43
Bristol and West	20	34
Wales	18	37

In the first quarter of 1988 the returns in the Thames Valley first indicated the acute nature of skilled labour shortages. In the second quarter, a number of responses illustrated the growing extent of skills shortages in regions outside the South-East. This quarter's more comprehensive results illustrate how far this trend has continued. Regions throughout Britain are now experiencing significant difficulties in recruiting skilled manual labour. In the North-West, the Manchester and Merseyside surveys report 45 and 43 per cent of firms respectively having difficulty in recruiting skilled labour. The West Midlands in particular records a very high two-thirds response in respect of skilled





Skilled manual Prof/managerial Clerical Un & semi-skilled Part time

labour recruitment difficulties. In this context of widespread skill shortages, the London figure of 33 per cent is no worse than in many other regions with much higher proportionate unemployment rates.

The figures for other categories of employment illustrate other disturbing aspects of firms' recruitment difficulties. In the Thames Valley, problems in recruitment are widespread: 57 per cent of firms having difficulty in finding professional and managerial staff, 71 per cent in finding clerical staff, 66 per cent even in un or semi-skilled staff.

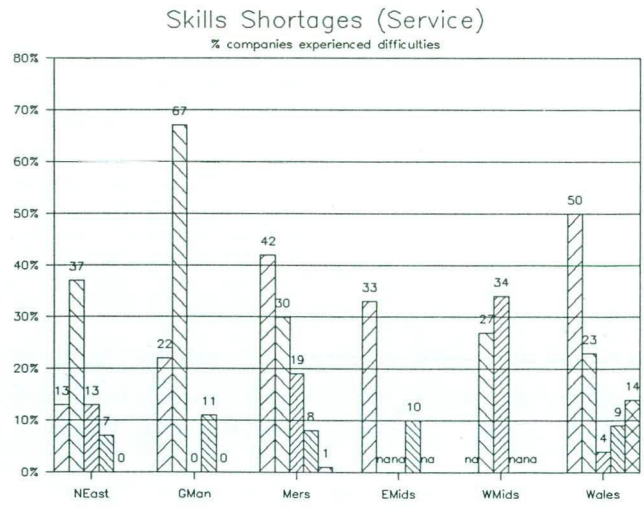
Notably, shortages of professional and managerial staff are, with the exception of the Thames Valley, more evident in Northern England (North-East 29 per cent, Manchester 26 per cent, Merseyside 37 per cent, West Midlands 44 per cent) than in London and elsewhere in the South and West. Shortages in other categories or regions are less pronounced.

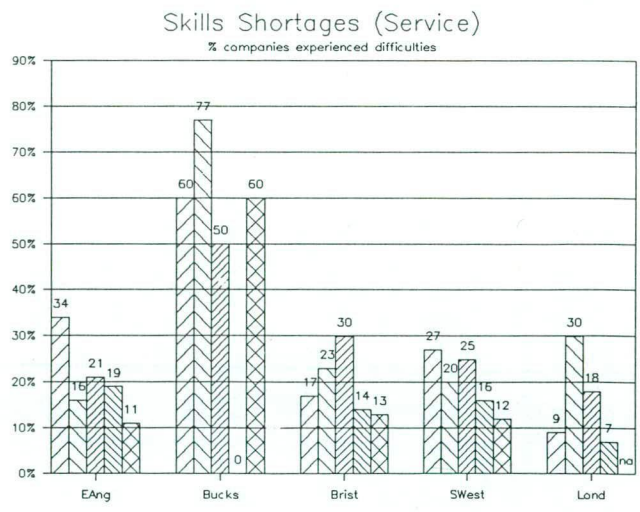
In the services sector, significant figures are evident from most regions of difficulties in recruiting. The figures on professional and managerial staff are especially noteworthy. 77 per cent of service firms in the Thames Valley reported difficulty in recruiting these staff, 67 per cent in Greater Manchester, 37 per cent in the North-East, 30 per cent in Merseyside and London. This may be indicative of recruitment problems arising from two distinct and separate causes: in the North, through lack of indigenous professionals and managers as firms expand and as inward investment and relocations continue. In the South, it may be more straightforwardly a case of managerial 'musical chairs', with more chairs being added than there are professionals and managers to fill them.

The individual surveys undertaken by Chambers increasingly in their capacity as base organisations for Local Employer Networks (LENS) are providing detailed information about the make-up of skills in short supply. This is an indispensable precursor to relevant action to meet these skills needs. By way of example, the present East Anglian survey indicates that the areas of most difficulty for manufacturing firms are: fitters; welders; engineers (general, chemical); technicians (electronic); machinists (general, woodwork); draughtsmen: machine operators; carpenters; maintenance electricians.

For service companies, the principal difficulties are in finding: mechanics; chefs; accountants; computer professionals; and PSV drivers.

The extent of skills and labour recruitment problems indicated in these surveys represent a sharp worsening over the last two years and particularly this year, in both the regional extent of skilled manual labour shortages, and the growing shortages evident in relation to other categories of staff. This represents a threat to continued growth in UK output and to competitiveness which demands the most urgent and active response.





Skilled manual Prof/managerial Clerical Un & semi-skilled Part time

EXTERNAL FACTORS

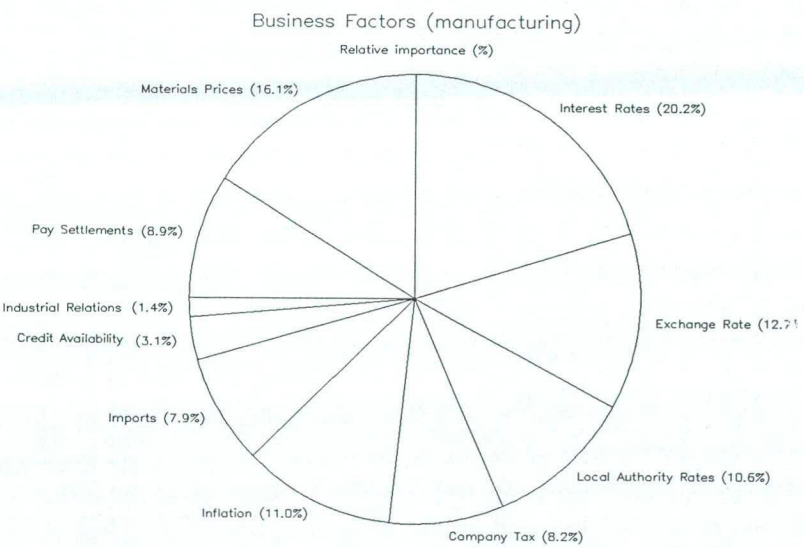
This question has been revised since earlier surveys, to bring its focus more directly to bear on those factors external to a business, and to enquire to what extent these are perceived as likely to affect business prospects. We have therefore removed productivity, which is essentially internal to a business . We have also removed utility charges and substituted the more general "materials prices". To simplify further, and in view of its generally low returns, we have removed "trade barriers". In manufacturing there are now ten principal factors commented upon, amongst which the ranking in significance is illustrated in the pie chart shown.

The growing significance of interest rates, in a period of high real terms levels of interest charges is unsurprising. It is encouraging that the investment plans do not appear to be adversely affected by the interest rate. The low incidence of credit availability and of industrial relations problems is welcome. Less welcome is the continuation of concern about materials prices, the general level of pay settlements and inflation.

It is interesting to note that on a regional basis, the concern about interest rates is the principal factor mentioned. The exception to this is London, where materials prices feature foremost.

Inflation has reappeared strongly as a concern. As one would expect, it is a factor causing increasing concern in each region and equally for service companies and manufacturing. Import penetration is notably higher in the ranking of factors in London than for most other regions. Materials prices are particularly strongly remarked upon in the North-East, Greater Manchester, Thames Valley and London.

Local authority rates feature substantially in responses from manufacturing and service companies, but to a somewhat more pronounced degree in respect of services. In Greater Manchester, for service companies, it is, for example, regarded as more significant than the level of interest rates, and, in more than half of instances, the surveys showed local authority rates as a more significant factor affecting business than the level of company taxation.



REGIONAL HIGHLIGHTS

LONDON

- Growth in home business has slowed. Prospects for the next three months suggest an upturn in the services sector, but little change for production industries.

- Overseas business remains weak. Services see some hope of an upturn in export business but production industries expect the fall in exports to continue.

- Job losses continue on the production side, while services have weak employment growth.

- Staff shortages remain acute, with 54 per cent of service companies and 66 per cent of production industries reporting recruitment difficulties.

- The mood of London's businesses is more subdued than earlier this year. Investment intentions, and turnover and profit expectation have moderated.

THAMES-CHILTERN

- Buoyancy in home orders and sales no longer as pronounced as in earlier quarters.

- Export performance has steadied compared to the sharp downward turn reported last quarter. Service industries' overseas business is markedly less optimistic than for manufacturing.

- Recruitment of skilled labour (84 per cent) remains very difficult. Difficulties in recruitment are increasingly evident for professional, managerial and clerical staff as well as skilled manual. Un or semi-skilled staff are difficult to recruit into manufacturing (66 per cent response) but not into service sector (nil response).

- Half of Thames Valley businesses are now operating at full capacity. But this is not a rapidly increasing figure. Even in this economically dynamic part of the country, capacity remains to be utilised. Confidence about improving turnover and profitability remains high.

SOUTH-WEST

- Very strong demand growth in all sectors of business. Home orders and sales are sharply increased over the previous quarter (with a net balance of 60 per cent of manufacturing and two-thirds of service companies reporting home sales improved).

- The previous quarter's expectations of employment growth have been fulfilled (a net balance of 35 per cent of manufacturing and 37 per cent of service companies have increased their workforce over the last 3 months). Similar levels of employment growth are expected in the next quarter.

- Recruitment of skilled labour, particularly into manufacturing (50 per cent response) represents a growing problem, but investment plans in manufacturing remain on the increase although those in service sectors have been revised downwards.

- Capacity is being fully utilised in half of both manufacturing and service companies. Confidence in turnover and profitabiltiy improvements remain high, with no pronounced sensitivity to external business factors.

BRISTOL AND THE WEST

- Very positive figures for home sales and orders and strong confidence in improved turnover and profitability continue, reflecting the buoyancy reported in the last quarter.

- Growth in export orders is more encouraging than the previous quarter.

- Expectations of an increase in workforce over the next quarter continue to be positive (a net balance of +26 per cent for manufacturing and +44 per cent for service sectors).

- Over half of manufacturing firms are operating at full capacity, and two in five of service companies. Investment plans for new plant and equipment continue to be revised upwards (net +39 per cent of manufacturing companies in the last quarter).

EAST ANGLIA

- As workforces are expanded progressively and at a steady rate more firms (+46 per cent for skilled manual) are reporting recruitment difficulties, with Cambridgeshire particularly affected.

- Home orders and sales remain buoyant, and export orders have stabilised at the level of the previous quarter.

- Interest rates remain the principal source of concern, but the level has not yet adversely affected investment plans.

- Confidence in improved turnover (manufacturing, +73 per cent) and profitability (+62 per cent) over the next quarter remains high.

WALES

- Wales continues to report a consistent picture of buoyant demand (manufacturing home deliveries, +54 per cent), pronounced confidence and strong investment.

- The trend of growth in export sales and orders have moderated to levels consistent with many other regions.

- Recruitment difficulties are increasingly evident, including over a third of manufacturing and half of service companies reporting difficulty in recruiting skilled manual labour.

- While lower interest rates are the most significant external factor likely to affect business prospects, the inflation rate is increasingly seen as a problem.

WEST MIDLANDS

- Although slowing, demand and orders remain strong and export business is steady.

- Employment is growing. More firms have increased their workforce (two in five) in the last three months than in any of the four previous quarters. Prospects remain good with a net +30 per cent of manufacturing firms and +39 per cent of service firms expecting to increase workforces further.

- But recruitment difficulties are extending, with two-thirds of manufacturing firms reporting difficulties in finding skilled workers, up from only half at the end of 1987.

- Confidence in improved turnover and profitability are marginally reduced, but investment plans in plant and machinery continue to be revised upwards by a significant number of firms (positive balance of 27 per cent).

EAST MIDLANDS

- Confidence in improved turnover and profitiability remains very high; a net balance of +72 per cent of manufacturing companies expect turnover to improve over the next quarter.

- Nearly half of manufacturing firms and one in three of service firms are experiencing difficulty in recruiting skilled labour.

- But firms continue to expand their workforces; a net +27 per cent of manufacturing firms and +42 per cent of service firms expect to increase employment over the next 3 months.

- Investment plans continue to be revised upwards by a significant number of firms, with very few revising them downwards. But firms' cashflow positions have worsened in a signifcant (some 1 in 5) number of instances.

MERSEYSIDE

- Export prospects have recovered and home orders remain strong compared to previous quarters.

- Significant numbers of firms have shed labour, while others have increased their workforces. Net, manufacturing has a small positive growth in employment over the last quarter, but little in prospect for the next quarter. Employment in services is, however, much more strongly positive.

- Finding skilled labour has grown as a constraint on business, over 40 per cent of firms reporting difficulty in finding skilled labour and over 30 per cent in finding professional and managerial staff.

- Capacity represents little restraint on increasing business; only one quarter of firms report operating at full capacity.

GREATER MANCHESTER

- Home business continues to be positive as does confidence in improved turnover and profitability, but exports are less buoyant, although a little recovered from the large falls in trend of the last quarter.

- Employment has grown strongly. Over half of firms have increased their workforce in the last quarter, and only 3 per cent reduced.

- Investment plans for plant and machinery continue to improve.

- But skills shortages have increased again, with two-thirds of service firms having difficulty finding professional and managerial staff, and nearly half of manufacturing firms unable to meet their needs for skilled manual labour.

YORKSHIRE AND HUMBERSIDE

- Over half of respondents report difficulty in recruitment.

- Growth in exports is stable, as is domestic business growth.

- Expectations of turnover and profitability growth remain positive and investment plans reflect this, with a significant proportion (over +35 per cent of respondents) uprating their spending plans on plant and equipment.

- Employment has grown in a net positive balance of over a third of firms. This is expected to be sustained over the next quarter.

NORTH-EAST

- Confidence remains buoyant.

- Employment has grown in nearly 40 per cent of firms; growth is expected to be maintained.

- Capacity remains available for further business growth; fewer than 40 per cent of manufacturing firms report operating at full capacity.

- Over the last three months nearly half of manufacturing respondents increased their spending plans on plant and machinery; none reported a reduction.

SCOTLAND

- The trend in employment growth has improved, particularly in expectations for recruitment in the service sector (+28 per cent compared with +3 per cent in the previous quarter).

- Investment prospects have made some improvement from the disappointing levels reported in the Second Quarter survey.

- Export orders show the strongest positive balances for manufacturing of any region (+39 per cent, compared with +30 per cent in the previous quarter). Export deliveries have also improved.

- But confidence in overall manufacturing turnover (+5 per cent) continues on a declining growth trend (first quarter +32 per cent, second quarter +8 per cent).

NUMBERICAL ANALYSIS OF COMPANIES SAMPLED

3RD QUARTER 1988
JULY-SEPTEMBER

	Manufacturing Companies		Service Companies	
	Number	Employees	Number	Employees
Scotland	191	55,000	217	25,000
North East	49	10,415	30	1,422
Greater Manchester	41	19,000	13	2,064
Merseyside	90	50,372	71	44,420
Yorkshire & Humberside	227	38,600	215	19,400
East Midlands	68	15,121	59	13,142
West Midlands	308	55,300	137	16,000
Wales	110	25,571	47	2,772
East Anglia	135	26,825	140	28,824
Buckinghamshire & Berkshire	78	15,000	44	3,750
Bristol & West	98	25,897	119	3,840
South West	67	13,684	138	7,715
London	101	36,226	138	208,147

Further Enquiries

This report has been prepared by the ABCC office. Further information about any of the surveys may be obtained from the ABCC (address below) or from the following:

Scotland	Patricia Dickson, Glasgow Chamber (041-204-2121) Steven Boyle, Fraser of Allender Institute (041-552-4400, Ext.3966)
North East	Sidney Giles, Teesside Chamber (0642-230023) Margaret Wilson, Tyne & Wear Chamber (091-261 1142)
Greater Manchester	Deborah Giladi or Simon Sperryn Manchester Chamber (061-236-3210)
Merseyside	Cheryl Lang or Keith Robinson Merseyside Chamber (051-227-1234)
Yorkshire & Humberside	Stuart Ross, Leeds Chamber (0532-430-491)
East Midlands	Michael Brosch, Nottinghamshire Chamber (0602-624624)
West Midlands	Graham Ashmore or Andrew Howes Birmingham Chamber (021-454-6171)
Wales	Geoffrey Pugh, Newport & Gwent Chamber (0633-841006)
East Anglia	Margaret Camina, Norwich & Norfolk Chamber (0603-625977)
Buckinghamshire & Berkshire	Richard Cross, Thames-Chiltern Chamber (0753 77877)
Bristol and West	Susan Marshfield, Bristol Chamber (272-737373)
South West	Martin Walsh, Exeter Chamber (0392-36641/2)
London and South East	Paul Mitchell or Mohammed Sulaman London Chamber (01-248-4444)

Association of British Chambers of Commerce
Sovereign House
212A Shaftesbury Avenue
London WC2 8EW

Telephone: 01-240-5831

Enquiries Martin Graham: Press Enquiries Andrew Lansley: Survey Analysis

Important Note

Balance figures, referred to throughout this report, are determined by ***subtracting*** *the percentage of companies reporting* ***decreases*** *in a factor from the percentage of companies reporting* ***increases.***

iae.ph/IAE3/Knight/263

CONFIDENTIAL

FROM: N KNIGHT
DATE: 12 January 1989

1. MR T BURR
2. CHIEF SECRETARY

cc Chancellor
Mr Monck
Mr Burgner
Mr Luce
Mrs Lomax
Mrs Case
Mr Hansford
Mr MacAuslan
Mr Richardson
Mr Kalen
Mr Call

SKILLS TRAINING AGENCY

Mr Fowler has written to you concerning STA's running cost position. He anticipates an overspend of £8.2 million for the current year and he is seeking your approval to fund half this overspend from running cost savings elsewhere in the Group, and half from Training Agency programme expenditure.

Background

2. It has been clear for several months that the STA would overspend this year's running cost provision unless decisive action was taken by DE. Mr Fowler's reluctance to take firm action has resulted in anticipated financial savings in the network not being realised.

3. In your previous letters to Mr Fowler on this subject you have stressed repeatedly the need to take decisive action, both to minimise any running cost overspend, and to resolve the long-term future of the STA. In his letter of 18 November, Mr Fowler confirmed that he was seeking professional advice on the prospects for privatising STA, and that he had also set in hand work to examine the implications of closing down the non-viable parts of the network.

iae.ph/IAE3/Knight/263

CONFIDENTIAL

4. You have already raised the question of potential running cost overspend in your letter of 27 July, in which you emphasised the need for the Department to examine all possible ways of minimising and offsetting any overspend. You also indicated that you would not reconsider the position until later in the year and that, even then, "at least half" of the excess would need to be absorbed from within the existing running cost limits.

Assessment

5. The present situation is not a satisfactory one, but we do not think at this stage in the year it will be practicable for DE to cover the expected £8.2m overspend from savings in running costs elsewhere in the Group. Our latest monitoring reports show that DE's running cost position is very tight with the danger of a potential overspend. We think, therefore, they will be hard pushed to find the £4.1m running cost savings Mr Fowler proposes in his letter.

6. In view of this, we consider that Mr Fowler's proposal to fund the anticipated overspend equally from running cost savings and a switch in programme expenditure is the best we can hope for, and we recommend that you authorise him to proceed on this basis. However, we also think that you should make the point again that this situation has arisen because of delays in taking action, and reiterate the urgent need to reach firm conclusions on the longer-term future of the STA, not least, to ensure that DE avoid the same running cost difficulties in 1989-90. The professional advisers, engaged by Mr Fowler to examine the prospects for privatisation, presented their interim findings on 6 January. We have not yet received any formal notification of their recommendations but informally we understand that they consider that there is a viable training business in the STA but that the network would need to be rationalised considerably before privatisation could go ahead. We think that it would be useful to request Mr Fowler to keep us closely in touch with progress here.

iae.ph/IAE3/Knight/263

CONFIDENTIAL

7. This submission has been agreed with GEP and RC Divisions.

8. If you agree, DE will submit Spring Supplementary Estimates reflecting these changes. A draft letter on this basis is attached for your signature.

N KNIGHT

DRAFT LETTER:

FROM: THE CHIEF SECRETARY

TO: SECRETARY OF STATE FOR EMPLOYMENT

SKILLS TRAINING AGENCY

1. Thank you for your letter of 3 January concerning the anticipated overspend on STA's running cost limit.

2. We have been aware for some months that unless action was taken quickly there was likely to be a major overspend on STA's running costs and I wrote to you as far back as 27 May last year stressing the need for urgent action. It is therefore disappointing that we now face an [total] overspend of £8.2 million for the current year, although I note that you have been able to secure some economies in the STA operation.

3. Given the likely outturn on DE Group's running costs as a whole, I acknowledge that requiring DE to cover the entire overspend from offsetting savings in running costs at this stage in the year would present you with considerable difficulties. I am reluctantly prepared, therefore, to accept your proposals for absorbing the anticipated overspend equally between running costs and programme expenditure as described in your letter. An appropriate announcement will need to be made in the usual way.

4. Lastly, I understand that your professional advisers have now presented their interim findings on the prospects for privatising the STA. It is clearly important that we should now move rapidly towards early decisions on the future of the STA, and that any repetition of this year's difficulties over running costs should be avoided.

CONFIDENTIAL

Ch/ Mr M is simply suggesting CST draw DSS/DE attention to adequacy of invalidity benefit claim procedures – in light of evidence that people coming off UB are going onto IVB instead.

PWP

FROM: J P MCINTYRE
DATE: 13 January 1989

CHIEF SECRETARY

cc Chancellor
Mr Anson
Mr Monck
Mr Phillips
Mr Burgner
Miss Peirson
Mr Burr
Mr Francis
Mrs Chaplin
Mr Call

MEASURES TO REDUCE UNEMPLOYMENT FURTHER

Mr Fowler's minute of 6 January to the PM summarises the steps DE are taking to test availability for work and ensure that benefit claimants take up vacancies they are capable of filling. It also reports progress on ETP and countering benefit fraud. There are no new proposals here and IAE see no implicit bid for extra running costs which you need take up. Mr Fowler is essentially reminding the PM how effective he is.

2. However, we might take the opportunity of Mr Fowler's minute of drawing the PM's attention to one issue which he does not mention. This is the relationship between unemployment and the rise in the number of people claiming sickness and disability benefits.

3. Some recent research by the IFS, commissioned by DSS, points to a connection between the rise in unemployment between 1979 and 1984 and the rise in the number of people claiming invalidity benefit in that period. However, the change in the unemployment picture since 1984 has been accompanied by a continuing rise in the number of IVB claimants. Indeed, the growth in numbers has been accelerating:

1982-83 to 1986-87	:	average of 6.4 per cent a year
1987-88	:	8.0 per cent
1988-89 (estimate)	:	11.9 per cent

4. The number of IVB recipients this year is estimated by DSS at 1.13 million, nearly double the 1979-80 figure. Some of this growth has been among people over pension age - the untaxed nature of IVB (in contrast to the retirement pension) makes it attractive for retired people to hang on to their IVB entitlement, which they can do for up to 5 years.

5. More generally, DSS have commissioned research from York University on the causes of IVB growth, which will be fed into the disability review. But a recent DE Written Answer (attached) provides one possible clue as to why there has been such rapid growth in IVB recently. This shows that in 1987-88 63,500 (10 per cent) of claimants interviewed by DE claimant advisers were referred to DSS, and 90 per cent of these went onto alternative benefits. There is no detailed breakdown of these benefits, but DSS say the great majority are sickness and disability benefits.

6. In short, it looks as though part of the fall in registered unemployment has been achieved by shifting people on to disability benefits.

7. No doubt many of the disability claimants are genuine. But as DE and DSS step up their efforts to reduce the number on the register, particularly with the requirement from next October that claimants must be actively seeking work, there must be an increasing risk that some claimants will simply be shunted from one part of the DSS programme to another.

8. Apart from flagging up this problem, you might also want to suggest that DSS examine whether their procedures for dealing with claims for sickness and disability benefits, particularly IVB, are adequate. At present, a doctor's certificate is sufficient. The DSS local office may require claimants to be examined by the Department's regional medical service, as a check, but I do not know how often this is done or how many claims are terminated as a result.

Benefit Advisers

Ms. Short: To ask the Secretary of State for Employment how many claimant advisers are in post; how many interviews with claimants they have carried out in each year since 1986; what has been the outcome of those interviews; how many claimants have been referred to the Department of Health and Social Security for advice on other benefits or to adjudication officers because of doubts about their availability for work; how many have been encouraged to apply for the job start allowance; if he will give the costs of the claimant adviser service; and if he will make a statement about their current priorities.

Mr. Cope: At the end of June 1988, there were 796 claimant advisers in post; estimated costs for the 1988-89 financial year are approximately £14 million.

The number of interviews conducted and the outcome of those interviews for each financial year is shown in the table.

The priority of the claimant adviser service is to provide advice and guidance to claimants to help them move out of unemployment. In accordance with the priorities of the employment service, they concentrate their advice on those who have been unemployed for six months or more.

Claimant Adviser Performance

	November 86 March 87	*April 87 April 88*	*April 88 June 88*
Number of Interviews[1]	65,000	620,000	192,000
Referrals to DHSS[2]	7,600	63,500	16,400
Referrals to AO[3]	2,500	26,100	5,800
Outcomes			
—found work or placed in a programme	2,600	100,000	36,500
—alternative benefit	5,400	56,500	15,600
—other[4]	10,000	88,000	26,000

[1] This figure relates to the number of interviews, rather than the number of claimants interviewed, as claimants may have more than one interview.

[2] It is only possible to provide figures for the total number of referrals made to DHSS for all reasons.

[3] Figures are for total referrals to adjudication officers for all doubts arising.

[4] Figures are not available for those who have encouraged to apply for jobstart allowance.

9. I have considered whether all this might best be put in the context of the OPCS reports/disability review. On balance, I think not. If there is any tightening up to be done on IVB claims procedures, it might be better considered on its merits outside the review. If taken as part of the review, it might only increase pressure for more sweeteners to offset it.

10. I attach a draft minute. This is addressed to the PM, but if you thought it more appropriate to go to Mr Fowler, we could of course adapt it accordingly.

JM

J P MCINTYRE

DRAFT MINUTE

PRIME MINISTER

MEASURES TO REDUCE UNEMPLOYMENT FURTHER

I have seen Norman Fowler's minute to you of 6 January setting out the various measures he is taking to improve procedures for unemployment benefit claims, increase training, and counter benefit fraud. As he says, these measures, together with John Moore's proposals requiring claimants actively to seek work, should help to reduce the number of people registered as unemployed and claiming benefit.

2. Norman mentions the more rigorous procedures he is introducing for new claimants and also the Restart interviews for the longer term unemployed. As John will know, one result of the interviews is that a significant number of claimants are referred to DSS for advice on other benefits. About 10 per cent (over 60,000) of the interviews carried out in 1987-88 had this outcome, and most of those referred to DSS went on to claim alternative benefits, particularly sickness and disability benefits.

3. No doubt many of these claimants are genuine. But, particularly as Norman and John are tightening the procedures further on benefits for the unemployed, it is important that we do not simply transfer part of the benefit cost onto sickness and disability benefits except in those cases where it is justified.

4. The rapid increase in expenditure on sickness and disability benefits in recent years is another reason for concern on this point. The growth in the number of people claiming invalidity benefit, for example, has been accelerating, and the increase expected by DSS is over 11 per cent this year, bringing the number of claimants to over 1.1 million. This is nearly double the number in 1979-80.

5. I think it would be helpful if Norman and John could assess how far the recent growth in the number of sickness and disability claimants might be connected with the fall in unemployment and, in particular, the large number of referrals to DSS by the DE claimant advisers. I would also like to suggest that John might look at the procedures for people claiming invalidity benefit to see whether we need greater safeguards against the possibility that some unemployed claimants may transfer to sickness and disability benefits without good cause.

I am copying this minute to Norman Fowler and John Moore.

JOHN MAJOR

RDGI MORATORIUM

iae2.sc/Park/RDG

FROM: M PARKINSON

DATE: 13 January 1989

PARKINSON → CST 13/1

1. MR WALLER 13/1
2. CHIEF SECRETARY

cc. Chancellor
Mr Anson
Mr Monck
Mr Burgner
Mrs Lomax
Mr A White
Mr Call

17/ BFL for Ridley b/lat

RDGI MORATORIUM

1. Lord Young's letter to you of 15 December on DTI underspending seeks your approval for lifting the waiting period for payments under the earlier Regional Development Grant scheme (RDGI) (we will be submitting advice separately on the other requests in that letter for switching spending). Mr Rifkind's letter of 28 December and Mr Walker's of 10 January support the proposal. We recommend that you agree.

Background

2. The 4 month moratorium or waiting period on payments of grant under the original RDG scheme (the scheme has now been ended) was imposed in January 1985 for reasons of public expenditure control. A similar moratorium for RDGII payments was raised last year following agreement during the Survey. Departments wish to remove the restriction as the practice of delaying payments sits ill with the Government's exhortations to commercial business to pay bills promptly. There is an attraction to the Treasury in that DTI have agreed to absorb the cost within underspending elsewhere on the relevant vote (underspending is expected on RSA, RDGII and British Aerospace launch aid) while offering corresponding reductions in future years. The cost is £8m this year which together with £2m arising from further rescheduling of payments to Nissan amounts to the £10m referred to in Lord Young's letter. Lord Young agrees to

make a corresponding reduction in his RDG provision for future years (this amounts to £4.5m in 1989-90 and £5.5m in 1990-91). For 1988-89 this cost would be included in a token Spring Supplementary Estimate.

3. Mr Rifkind and Mr Walker support Lord Young. Both can absorb the cost. In the Scottish Office case, the cost this year is expected to be about £5m, to be accommodated (with more difficulty) partly by lower than expected demand for RDGI (£3.5m) and partly by not stimulating firms to put in RSA claims before the end of March (£1.5m). This will reduce pressure on RDG next year, but not sufficiently to reduce PES provision because they are already forecasting an RDGI overspend of £8m which will reduce to a more manageable £3m. Similarly the Welsh Office can absorb the extra cost of around £2.5m because of slippage in RDGI projects, but this slippage will fill the gap next year left by raising the waiting period. Although it is disappointing that savings have not been offered for next year, for both departments the risk of overspend next year is reduced.

4. Mr Rifkind and Mr Walker complain that Lord Young did not copy his letter of 15 December to them, although the proposal was mooted earlier with territorial departments by DTI officials. Although somewhat overstated, the complaint is a fair one. Indeed DTI officials only put the proposal to us after Lord Young's letter was sent.

Conclusion

5. We recommend that you agree to lifting the RDGI waiting period, subject to corresponding offsetting reductions in DTI's PES provision in future years and subject to officials agreeing the terms and timing of the announcement to avoid the dates of the PEWP and other major announcements.

6. A draft reply is attached, agreed with ST3 and GEP.

Mark Parkinson

M PARKINSON

iae2.sc/Park/RDG

DRAFT LETTER FROM THE CHIEF SECRETARY TO LORD YOUNG

RDGI MORATORIUM

Thank you for your letter of 15 December proposing, inter alia, to end the 4 month waiting period for payments under the RDGI scheme, with the cost being absorbed within the existing Vote provision. Malcolm Rifkind and Peter Walker have also agreed, in their letters of 28 December and 10 January, to absorb the cost which will help to relieve pressures next year.

I am prepared to accept your proposal on the terms which you propose, namely, that your PES provision is correspondingly reduced for future years. I understand the reductions are £4.5m for 1989-90 and £5.5m for 1990-91. I should be grateful if your officials would agree with mine, and of course Scottish and Welsh Office officials, the terms and timing of the announcement.

I note the comments by Malcolm and Peter on the lack of consultation on this issue. No doubt you and your officials will endeavour to ensure that the territorial departments are consulted fully on regional policy matters in future.

I am copying this letter to Malcolm Rifkind and Peter Walker.

J MAJOR

COVERING PERSONAL AND CONFIDENTIAL

Department of Employment
Caxton House, Tothill Street, London SW1H 9NF
5803
Telephone 01-273 . . . . . .
Telex 915564 Fax 01-273 5821

Secretary of State

Paul Gray Esq
10 Downing Street
LONDON
SW1A 2AA

16 January 1989

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 personal and confidential until 11.30 on 19 January 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), Stephen Williams (Welsh Office), David Watkins (Northern Ireland Office) David Fell (Department of Economic Developement, Northern Ireland Office), and Andrew Dunlop (No 10 Policy Unit).

Yours ever,

Angela.

ANGELA WILKINS
Private Secretary

Employment Department · Training Agency
Health and Safety Executive · ACAS

COVERING PERSONAL AND CONFIDENTIAL

3/14

COVERING PERSONAL AND CONFIDENTIAL UNTIL 11:30 AM ON 19 JANUARY 1989

THEREAFTER CONFIDENTIAL

LABOUR MARKET STATISTCS: NOTES FOR THE PRIME MINISTER

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2. KEY FACTS BRIEF

B. DRAFT PRESS NOTICE

C. DETAILED ANALYSIS AND BACKGROUND INFORMATION

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1b. UNEMPLOYMENT RATES - CHANGE OVER YEAR BY REGION

GRAPHS: 1c. UNEMPLOYMENT RATES BY REGION

1d. UNEMPLOYMENT - UK

2. UNEMPLOYMENT: REGIONAL FIGURES

3. LONG TERM UNEMPLOYMENT AND UNEMPLOYMENT BY AGE

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5. UNEMPLOYMENT: INTERNATIONAL COMPARISONS

D. ADDITIONAL INFORMATION

1. UNEMPLOYMENT: COVERAGE OF THE COUNT: COMPARISON WITH LABOUR FORCE SURVEY ESTIMATES

2. UNEMPLOYMENT: CHANGES IN THE COVERAGE OF THE COUNT

3. LABOUR MARKET: JOB CHANGES AND FLOWS

4. UNEMPLOYMENT: COMPARISONS WITH 1930's

5. DEMOGRAPHIC AND LABOUR FORCE BACKGROUND

6. EMPLOYMENT: METHODOLOGY

7. EMPLOYMENT: DOUBLE JOBBING AND SPECIAL MEASURES

8. EMPLOYMENT: INTERNATIONAL COMPARISONS

9. EMPLOYMENT: ADDITIONAL DATA

10. EARNINGS

PERSONAL AND CONFIDENTIAL UNTIL 11-30 AM 19 JANUARY 1989

LABOUR MARKET STATISTICS - KEY FACTS A2(i)

UNEMPLOYMENT IN DECEMBER
Seasonally Adjusted (UK) (Consistent)
Down 66,100 in December.
Now 2.039 million, 7.2%
Down 29 months running, longest continuous fall since the war.
Largest sustained fall ever recorded, Down 1,094,000 since July 1986.

Fall of 818,000 since election June 1987

Lowest level for nearly 8 years (since March 1981, consistent)

Fall in last 12 months 530,000

Average fall of 47,500 per month, over last six months (includes effect of probably erratic December figure).

TOTAL (UNADJUSTED) (UK)
Now 2.047 million (7.3%)
Down 20,000 since November.

Regional unemployment
Fall in all regions of UK. Over last year rates fallen most in West Midlands, North West and Wales.

Long term unemployment. (UK, October)
886,000 in October, lowest for more than 5 years. About 280,000 lower than a year ago, record fall of some 450,000 in past two years. Fallen faster than total unemployed. Long term unemployed aged 18-24 now halved in 2 years.
Over 5 year unemployed down 25,000 in past year.

Young Unemployed (UK)
18 - 24's down by 37% in past two years to October.

Latest EC unemployment comparison for under 25's (October 88) showed UK 10.3% compared with EC average 19.4% (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 (also over the past 2 years). UK unemployment lower than EC average. Latest international rates show unemployment higher in France (10.2%), Italy (12.6%), Canada (7.8%), Belgium (9.6%), Netherlands (9.5%), Spain (19.2%) and Ireland (17.5%). (Comparable UK 7.6% - OECD standardised rate for November.)

Fiddling the figures
Only 2 changes to compilation of the count since 1979; 7 changes altogether including 5 administrative changes.

Seasonally adjusted unemployment is consistent and allows comparisons of trend over time: nothing to hide.

Labour force survey (GB,1987)
Again showed the claimant count above survey estimate of unemployment using international definitions (ILO/OECD) (2.95m in Spring 1987 compared to 2.88m GB) International measure has been falling since 1984.

Effect of measures on unemployment count
- Participants in employment and training measures little changed overall during past 2 years when unemployment fallen rapidly.

- Those on schemes are not unemployed, they are at work or training.

Flows out of unemployment
-More than 1/3 million per month leave the count. Over a quarter of those becoming unemployed leave within the first month, over half leave within 3 months.

-Job starts: 7.5 million per year(1987) includes employed and unemployed, equivalent to about 30,000 every working day.

VACANCIES (UK)
Unfilled vacancies at Jobcentres 238,300 in December, down 6,900 since November (7% lower than a year ago).

Survey in January showed over 700,000 vacancies in the economy overall. Only about 1/3 vacancies reported to Jobcentres.

AVERAGE EARNINGS (GB)
Underlying increase in average earnings in year to November 8 3/4 %.

PERSONAL AND CONFIDENTIAL UNTIL 11-30 AM 19 JANUARY 1989

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A2(i)

KEY FACTS

EMPLOYMENT (GB seasonally adjusted)

EMPLOYMENT IN MANUFACTURING

- at 4,985,000 in November
- long-term downward trend since 1967
- down by 48,000 in year to November
- down 18,000 in quarter 3.

OVERTIME AND SHORT TIME

- overtime – 15.1 million hours a week worked in November; highest since December 1979
- short time – 0.22 million hours a week lost in November.

WORKFORCE IN EMPLOYMENT

Workforce in employment in Q3 1988
- now stands at 25,291,000 (highest ever)
- on a rising trend for more than 5 years since March 1983
- Increase since March 1983 by 2,294,000, of which:
  - 1,114,000 employees
  - 808,000 self employed
  - 377,000 trainees
  - -6,000 HM Forces
- Even excluding trainees on work-related programmes, employment is now at the highest level ever.
- Increase in year to September 1988 of 399,000, of which:
  - 220,000 (55%) full time
  - 179,000 (45%) part time
  - 113,000 male
  - 285,000 female
- Change in definition: New workforce definition introduced in July 88. Workforce in employment includes participants on work-related government training programmes. The change is in line with international guidelines.

WORK-RELATED GOVERNMENT TRAINING PROGRAMMES

- Participants in programmes and schemes who receive training in the context of a workplace and are not employees or self-employed
- Inclusion of these people in total employment is consistent with ILO guidelines. Includes most YTS and NJTS participants. ET participants will be included in this series but at the beginning of September 1988 when the latest count was taken ET had not yet begun to take effect.

TREND - LATEST QUARTER

- Employment growth of 120,000 in Q3 1988 is more in line with trends observed in 1987 than the small increase of 38,000 in the second quarter of 1988.

EMPLOYMENT IN SERVICES

- at 14,916,000 in September 1988
- up by 366,000 over the year
- service sector employment (incl. self employment) accounts for more than two-thirds of employment
- this third quarter increase has been affected by the run-down in CP over the summer, in preparation for ET. (Effect = about 20,000).

SELF-EMPLOYMENT

- at an estimated 2,956,000 in Sept 88
- up by 124,000 over year to September
- up by more than 1.1 million since June 1979 (following little change in the seventies).

PART-TIME EMPLOYMENT

- at 6,291,000 in September 1988
- up by 179,000 over year to September
- up by 1,446,000 since March 1983
- part-time jobs account for 45% of employment growth since Sept 1987
- continuing rise is a sign of increased labour market flexibility good for the economy
- according to 1987 LFS only about 10% of those working part-time did so because they could not find a full-time job (ie. majority preferred part-time work)
- NB. a part-time job can be anything up to 30 hours a week: ie. more than half a full-time job.

DOUBLE JOBBING

- increase includes second jobs as employees (but excludes second jobs as self-employed)
- second jobs are still extra jobs, even if held by people already employed.

INTERNATIONAL COMPARISONS

- Increase 83-87 (latest comparable) UK equals rest of EC combined
- UK proportion of population of working age in employment (66%) much higher than EC average.

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19 January 1989

LABOUR MARKET STATISTICS

SUMMARY STATISTICS

		Level	Change on previous period	Thousands Change on previous year
Unemployment (UK)				
Total unadjusted	December 8	2,047	- 20(a)	(-649)(a)
Seasonally adjusted (b)	December 8	2,039	- 66	-530
Workforce in employment (GB) (c),(d)	Sept Q3 1988	25,291	+120	+399
Employees in employment (c)				
Services	Sept Q3 1988	14,916	+ 75	+366
Manufacturing	September Q3 1988	4,989	- 18	- 45
Manufacturing (GB)	November 1988	4,985	+ 3	- 48
Vacancies (UK jobcentres) (c)	December 2	238	- 7	- 17

		Percentage change on previous year (underlying increase)
Index of Average Earnings (c)		
Whole Economy	November	8¾
Services	November	8½
Manufacturing	November	8¾

Notes

(a) Changes in the unadjusted unemployment figures are affected by the new regulations for claimants aged under 18 introduced in September 1988. The latest monthly change in the unadjusted figures is now hardly affected by this, but reflects seasonal influences.

(b) To maintain a consistent assessment, the seasonally adjusted series now relates only to claimants aged 18 and over (see notes to editors A7)

(c) All figures seasonally adjusted

(d) The workforce in employment comprises employees, the self-employed, participants on work related government training schemes and HM Forces (see page 8).

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

Summary

Unemployment (UK seasonally adjusted) fell by 66,100 in the month to December Male unemployment decreased by 44,100 and female unemployment decreased by 22,000. Over the past six months there has been a fall of 47,500 on average compared with a fall of 40,800 per month over the previous six months to June 1988.

The total, unadjusted, decreased in November by 20,406 to 2,046,538.

The workforce in employment is estimated to have increased by 120,000 in the third quarter of 1988 contributing to overall increases of 399,000 in the year to September 1988 and 2,294,000 between March 1983, when the upward trend began, and September 1988.

The latest estimate for the number of employees employed in manufacturing industry in Great Britain is estimated to have increased by 3,000 in November following a fall of 9,000 in October and a fall of 18,000 during the third quarter of 1988.

The stock of Jobcentre vacancies (UK seasonally adjusted) decreased by 6,900 in December to 238,300. Over the past six months there has been a decrease of 2,800 per month on average.

The underlying increase in average earnings in the year to November was 8¾ per cent, a fall of ¼ per cent from the 9 per cent increase in the year to October.

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 United Kingdom decreased by 66,100 to 2.039 million in December, 7.2 per cent of the workforce*.

Over the past six months on average unemployment has fallen by 47,500 per month.

The unadjusted total decreased by 20,406 between November and December to 2,046,538 giving an unemployment rate of 7.3 per cent of the workforce*.

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

THOUSAND

TABLE 1: UNEMPLOYMENT - SEASONALLY ADJUSTED + - UNITED KINGDOM

	Male	Female	Total	Change since previous month	Average change over past 6 months	Average change over past 3 months	Unemployment rate: Percentage of workforce*
1987 Dec	1800.4	768.2	2568.6	-35.8	-48.1	-49.8	9.1
1988 Jan	1759.5	759.9	2519.4	-49.2	-48.9	-48.2	8.9
Feb	1731.3	753.7	2485.0	-34.4	-46.9	-39.8	8.8
Mar	1709.9	744.0	2453.9	-31.1	-44.0	-38.2	8.7
Apr	1674.1	728.8	2402.9	-51.0	-43.5	-38.8	8.5
May	1648.8	715.0	2363.8	-39.1	-40.1	-40.4	8.4
Jun	1624.0	700.1	2324.1	-39.7	-40.8	-43.3	8.2
Jul	1586.7	680.6	2267.3	-56.8	-42.0	-45.2	8.0
Aug	1562.7	662.9	2225.6	-41.7	-43.2	-46.1	7.9
Sep++	1543.1	648.6	2191.7	-33.9	-43.7	-44.1	7.8
Oct	1522.4	635.5	2157.9	-33.8	-40.8	-36.5	7.7
Nov(r)	1484.6	620.6	2105.2	-52.7	-43.1	-40.1	7.5
Dec(p)	1440.5	598.6	2039.1	-66.1	-47.5	-50.9	7.2 **

\+ To maintain a consistent assessment, the seasonally adjusted series relates only to claimants aged 18 and over (see notes to editors, A7).
++ September's seasonally adjusted figures have also been adjusted to allow for the estimated distortion caused by the postal strike (See note A8).
** The separate rate for males was 8.7 per cent, and for females 5.1 per cent.
* See note A4
(p) Provisional and subject to revision (see note A5)
(r) Revised

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TABLE 2: UNEMPLOYMENT SEASONALLY ADJUSTED +(P)- REGIONS December 8 1988

	Male	Female	Total	Change since previous month	Unemployment rate	
					percentage of workforce*	Change since previous month
			THOUSAND			
South East	290.9	130.8	421.7	-17.9	4.5	-0.2
(incl. Greater London)	(176.9)	(73.2)	(250.1)	(-9.6)	(5.8)	(-0.2)
East Anglia	26.9	14.3	41.2	-2.1	4.1	-0.2
South West	73.8	39.3	113.1	-5.2	5.4	-0.2
West Midlands	137.7	60.6	198.3	-7.4	7.5	-0.3
East Midlands	88.7	37.9	126.6	-4.0	6.5	-0.2
Yorks and Humberside	145.5	57.5	203.0	-6.5	8.5	-0.3
North West	210.5	82.3	292.8	-7.7	9.7	-0.3
North	118.3	41.8	160.1	-3.4	11.0	-0.2
Wales	81.7	31.4	113.1	-3.8	9.5	-0.3
Scotland	186.8	73.5	260.3	-6.2	10.5	-0.2
GREAT BRITAIN	**1,360.8**	**569.4**	**1,930.2**	-64.4	7.0	-0.2
Northern Ireland	79.7	29.2	108.9	-1.7	15.7	-0.2
UNITED KINGDOM	**1,440.5**	**598.6**	**2,039.1**	-66.1	7.2	-0.2

* See note A4

(P) Provisional see note A5

\+ To maintain a consistent assessment ,the seasonally adjusted series relates only to claimants aged 18 and over (see notes to editors, A7).

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TABLE 3: UNEMPLOYMENT TOTAL - UNADJUSTED - UNITED KINGDOM

		Male	Female	Number	Unemployment rate percentage of workforce*
1987	Dec	1,878,715	817,095	2,695,810	9.6
1988	Jan	1,892,698	829,456	2,722,154	9.7
	Feb	1,852,129	813,340	2,665,469	9.5
	Mar	1,803,143	788,978	2,592,121	9.2
	Apr	1,765,711	770,278	2,535,989	9.0
	May	1,692,052	734,822	2,426,874	8.6
	Jun	1,632,041	708,748	2,340,789	8.3
	Jul	1,606,313	720,390	2,326,703	8.2
	Aug	1,576,548	714,627	2,291,175	8.1
	Sep++	1,594,403	716,570	2,310,973	8.2
	Oct++	1,484,236	634,626	2,118,862	7.5
	Nov	1,454,771	612,173	2,066,944	7.3
	Dec	1,451,478	595,060	2,046,538	7.3

+ The separate rate for males was 8.8 per cent, and for females 5.1 per cent.
* See note A4.

TABLE 3a: UNEMPLOYMENT TOTAL UNADJUSTED++ - REGIONS December 8 1988 THOUSAND

	Male	Female	Total	Change since previous month	Unemployment rate percentage of workforce*
South East	292.5	129.8	422.2	-6.2	4.5
incl. (Greater London)	(176.8)	(72.5)	(249.3)	(-4.0)	(5.8)
East Anglia	27.2	14.3	41.5	-0.1	4.1
South West	77.0	40.9	117.9	-1.1	5.6
West Midlands	137.4	59.8	197.1	-3.8	7.5
East Midlands	88.8	37.1	125.9	-0.7	6.5
Yorks and Humberside	146.2	56.9	203.1	-2.4	8.5
North West	211.5	81.3	292.8	-1.9	9.7
North	119.0	41.5	160.5	-1.2	11.1
Wales	82.9	31.6	114.5	-1.2	9.6
Scotland	189.3	73.5	262.9	-0.7	10.6
GREAT BRITAIN	**1,371.9**	**566.6**	**1,938.5**	-19.5	7.0
Northern Ireland	79.6	28.4	108.1	-0.9	15.5
UNITED KINGDOM	**1,451.5**	**595.1**	**2,046.5**	-20.4	7.3

++ Changes in the unadjusted unemployment figures are affected by the new regulations for claimants aged under 18, introduced in September 1988, as well as seasonal influences. The figures for September 1988 were also affected by over-recording caused by the postal strike (see notes to editors).

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

Thousands

Month ending	INFLOW Total	INFLOW Change since previous year	OUTFLOW Total	OUTFLOW Change since previous year
1987 Dec	328.6	-28.0	317.5	-25.7
1988 Jan	344.4	-24.3	321.5	+26.6
Feb	345.2	-53.6	406.6	-54.2
Mar	313.0	-29.1	392.5	-38.9
Apr	323.9	-33.2	372.5	-23.9
May	276.7	-44.1	394.9	-30.5
Jun	273.8	-41.7	367.1	-36.3
Jul	347.5	-81.6	359.7	-68.2
Aug	311.6	-72.8	350.1	-69.5
Sep**	327.4	-129.2	305.9	-145.9
Oct**	319.6	-100.6	486.1	-62.9
Nov	297.8	-77.5	354.0	-78.3
Dec	269.9	-58.7	292.0	-25.5

x See note A6
** See notes A7 and A8.

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CONFIDENTIAL UNTIL 11.30AM ON 19 JANUARY 1989

EMPLOYMENT

Whole economy estimates for September 1988 are available for the first time this month. Some of the estimates for earlier periods have been revised to take account of newly available information.

The workforce in employment (employees in employment, the self-employed, HM Forces and participants in work related government training programmes) in Great Britain is estimated to have increased by 120,000 in the third quarter of 1988 and by 2,294,000 since March 1983. The total increase in the year to September 1988 is estimated at 399,000; of this 220,000 was full-time and 179,000 part-timejobs (including 4,000 participants on work related government training programmes). The increase of 120,000 in the September quarter comprises of a projected increase of 31,000 in the self-employed, an estimated increase of 46,000 in employees in employment, a rise of 42,000 in work related government training programmes (this reflects a seasonal growth in YTS participants) and a fall of 1,000 in HM Forces.

Employees in employment

In the year to September 1988, the number of employees in employment increased by 275,000, the net result of a 366,000 in the service industries, offset by falls of 45,000 in manufacturing, 39,000 in energy and water supply industries and 8,000 in other industries.

The increase of 46,000 in the number of employees in employment in the third quarter of 1988 was made up of an increase of 75,000 in services offset by falls in the estimated numbers in manufacturing, the energy and water supply industries and other industries (agriculture and construction) of 18,000, 4,000 and 6,000 respectively.

The number of employees in employment in manufacturing industries increased by an estimated 3,000 in November following a fall of 9,000 in October and a fall of 18,000 during the third quarter. Despite this small increase, the current trend in manufacturing employment probably remains downward.

Recent figures are set out in Tables 5 and 5a.

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Table 5: The Workforce in Employment in Great Britain *

Thousands, seasonally adjusted

		Employees in Employment			Self Employed **			HM Forces			Work related government training programmes +			Workforce in employment **		
		Males	Females	Total	Males	Females	Total	Males	Females	Total	Males	Females	Total	Males	Females	Total
1983	March	11,706	8,823	20,529	1,651	496	2,147	306	15	321	0	0	0	13,663	9,334	22,997
	June	11,674	8,882	20,556	1,652	508	2,160	306	16	322	3	5	8	13,635	9,411	23,046
	Sept	11,659	8,952	20,611	1,702	527	2,229	309	16	325	74	64	139	13,744	9,560	23,304
	Dec	11,645	9,025	20,670	1,751	547	2,298	309	16	325	96	82	178	13,801	9,670	23,471
1984	March	11,630	9,074	20,705	1,801	566	2,367	310	16	326	91	77	168	13,832	9,733	23,566
	June	11,625	9,104	20,729	1,850	586	2,435	310	16	326	91	78	168	13,875	9,783	23,658
	Sept	11,638	9,147	20,785	1,868	596	2,464	312	16	328	112	95	207	13,930	9,854	23,784
	Dec	11,688	9,201	20,888	1,886	606	2,493	311	16	327	109	91	200	13,994	9,914	23,908
1985	March	11,699	9,249	20,948	1,905	617	2,522	310	16	326	101	80	182	14,015	9,962	23,977
	June	11,703	9,292	20,995	1,923	628	2,550	309	16	326	94	74	168	14,029	10,010	24,039
	Sept	11,694	9,339	21,033	1,926	628	2,554	309	16	326	120	100	221	14,049	10,084	24,133
	Dec	11,696	9,360	21,056	1,929	629	2,558	307	16	323	114	94	208	14,047	10,099	24,146
1986	March	11,662	9,403	21,065	1,933	630	2,563	306	16	323	103	80	182	14,004	10,128	24,133
	June	11,635	9,444	21,079	1,937	630	2,567	305	16	322	122	96	218	13,999	10,186	24,184
	Sept	11,611	9,487	21,098	1,977	648	2,625	306	16	323	151	125	276	14,046	10,276	24,321
	Dec	11,588	9,559	21,147	2,018	665	2,684	304	16	320	148	119	268	14,059	10,359	24,418
1987	March	11,601	9,611	21,212	2,059	683	2,742	304	16	320	138	108	245	14,100	10,418	24,519
	June	11,628	9,686	21,315	2,099	701	2,801	302	16	319	171	132	303	14,201	10,535	24,736
	Sept	11,642	9,727	21,368R	2,118	713	2,832	303	16	319	216	158	373	14,279	10,614	24,892
	Dec	11,667	9,817	21,483	2,137	725	2,863	301	16	317	209	147	356	14,314	10,705	25,019
1988	March	11,703	9,886	21,589	2,156	737	2,894	301	16	317	199	135	334	14,359	10,774	25,133
	June	11,688R	9,908	21,597	2,175	749	2,925	300	16	316	199R	135R	335R	14,363R	10,809	25,171R
	Sept	11,676	9,967	21,643	2,194	761	2,956	299	16	315	222	154	377	14,392	10,899	25,291

* The workforce in employment comprises employees in employment, the self-employed, HM Forces, and participants in work related government training programmes.

** See notes B4 and B5.

+ See note B7
Estimates for work related government training programmes are not seasonally adjusted.

R = Revised to incorporate late data now available.

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TABLE 5a
EMPLOYEES IN EMPLOYMENT IN GREAT BRITAIN

Thousand: Seasonally adjusted

		Manufacturing Industries				Energy & Water Supply Industries			Service Industries		Other Industries		All Industries and Services	
		Levels	Changes			Levels	Changes		Levels	Changes	Levels	Changes	Levels	Changes
			Monthly	Three* monthly	Quarterly		Monthly	Quarterly						
1986 June	Q2	5,146	-19	-19	- 58	530	- 4	-10	14,114	+ 86	1,288	- 4	21,079	+ 14
September	Q3	5,107	- 9	-13	- 39	519	- 2	-11	14,191	+ 77	1,281	- 7	21,098	+ 19
December	Q4	5,084	- 8	- 8	- 23	509	- 1	-10	14,272	+ 81	1,282	+ 1	21,147	+ 49
1987 January		5,065	-19	-11		501	- 8							
February		5,062	- 3	-10		499	- 2							
March	Q1	5,053	- 9	-10	- 31	494	- 5	-15	14,373	+101	1,291	+ 9	21,212	+ 65
April		5,046	- 7	- 6		487	- 7							
May		5,052	+ 6	- 3		486	- 1							
June	Q2	5,056	+ 4	+ 1	+ 3	488	+ 2	- 6	14,475	+102	1,296	+ 5	21,315	+103
July		5,048	- 8	+ 1		484	- 4							
August		5,043	- 5	- 3		483	- 1							
September	Q3	5,034	- 9	- 7	- 22	485	+ 2	- 3	14,550	+ 75	1,300	+ 4	21,368R	+ 53R
October		5,032	- 2	- 5		479	- 6							
November		5,033	+ 1	- 3		477	- 2							
December	Q4	5,028	- 5	- 2	- 6	477	0	- 8	14,681	+131	1,297	- 3	21,483	+115R
1988 January		5,034	+ 6	+ 1		472	- 5							
February		5,035	+ 1	+ 1		467	- 5							
March	Q1	5,029	- 6	0	+ 1	462	- 5	-15	14,792	+111	1,306	+ 9	21,589	+106
April		5,016	-13	- 6		451R	-11R							
May		5,015	- 1	- 7		450	- 1R							
June	Q2	5,007	- 8	- 7	- 22	450	0	-12	14,841	+ 49	1,298	- 8	21,597	+ 8
July		5,008	+ 1	- 3		446R	- 4R							
August		5,008	0	- 2		446R	0							
September	Q3	4,989	-19	- 6	- 18	446R	0	- 4R	14,916	+ 75	1,292	- 6	21,643	+ 46
October		4,982	- 7	- 9		441R	- 5							
November		4,985	+ 3	- 8		440	- 1							

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

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VACANCIES

The stock of unfilled vacancies at jobcentres (seasonally adjusted) decreased by 6,900 in the month to December to 238,300. Over the past three months to December, seasonally adjusted vacancies have decreased on average by 700 per month.

Unadjusted, there was a decrease of 28,993 unfilled vacancies in the month to 223,310.

The inflow of notified vacancies increased on average by 1,000 per month in the three months ending December 1988, the outflow increased by 1,500 per month, and placings increased by 700 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
		SEASONALLY ADJUSTED			UNADJUSTED	
		Number	Change since previous month	Average change over past 3 months	Number	Unadjusted
1987	Dec	254.9	-10.1	3.5	239.7	20.5
1988	Jan	250.8	-4.2	-3.0	224.8	19.9
	Feb	249.6	-1.2	-5.2	224.2	18.8
	Mar	249.4	-0.2	-1.8	232.0	20.4
	Apr	255.9	6.6	1.7	251.3	22.1
	May	254.5	-1.5	1.6	262.2	27.0
	Jun	255.1	0.6	1.9	269.5	30.7
	Jul	249.7	-5.4	-2.1	258.2	32.3
	Aug	242.8	-6.9	-3.9	244.0	31.6
	Sep	240.3	-2.5	-4.9	260.1	31.9
	Oct	251.2	10.9	0.5	271.8	30.6
	Nov(r)	245.2	-6.0	0.8	252.3	26.5
	Dec	238.3	-6.9	-0.7	223.3	23.4

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

TABLE 7: VACANCY FLOWS AT JOBCENTRES-SEASONALLY ADJUSTED

UNITED KINGDOM — THOUSAND

	INFLOW		OUTFLOW		of which: PLACINGS	
	Level	Average change over 3 Months ending	Level	Average change over 3 Months ending	Level	Average change over 3 Months ending
1987 Dec	234.7	1.8	241.1	6.9	165.6	3.0
1988 Jan	227.3	-2.8	233.4	3.2	165.7	2.7
Feb	234.7	-0.1	239.2	3.3	165.3	2.1
Mar	236.0	0.5	236.1	-1.7	163.0	-0.9
Apr	230.6	1.1	227.3	-2.1	158.1	-2.5
May	231.2	-1.2	228.0	-3.7	157.9	-2.5
Jun	230.8	-1.8	229.7	-2.1	156.3	-2.2
Jul	230.3	-0.1	231.8	1.5	156.4	-0.6
Aug	227.0	-1.4	232.6	1.5	156.8	-0.4
Sep	227.7	-1.0	229.0	-0.2	155.4	-0.3
Oct	232.8	0.8	229.3	-0.9	153.4	-1.0
Nov	233.7	2.2	242.2	3.2	162.1	1.8
Dec	230.8	1.0	233.4	1.5	157.6	0.7

TABLE 8: UNFILLED VACANCIES* - REGIONS - 2 December 1988 — THOUSAND

	VACANCIES AT JOBCENTRES			VACANCIES AT CAREERS OFFICES
	UNADJUSTED	SEASONALLY ADJUSTED		
	TOTAL	Number	Change since previous month	UNADJUSTED
South East	79.4	82.7	-4.8	14.3
(incl. Greater London)	(27.5)	(28.4)	(-0.2)	(7.4)
East Anglia	8.9	9.5	-0.6	0.8
South West	17.5	20.2	0.3	1.5
West Midlands	24.1	24.8	-0.5	1.7
East Midlands	13.2	14.2	-0.2	1.1
Yorks and Humberside	14.2	14.9	-0.5	0.9
North West	23.0	24.7	-1.1	0.9
North	11.0	11.6	0.3	0.3
Wales	11.4	12.4	-0.2	0.3
Scotland	18.8	20.5	0.5	0.4
GREAT BRITAIN	221.4	235.3	-7.0	22.2
Northern Ireland	1.9	3.0	0.1	1.1
UNITED KINGDOM	223.3	238.3	-6.9	23.4

* 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 November was about 8 3/4 per cent, a fall of 1/4 per cent on the increase in the year to October. The actual increase in the year to October, at 8.8 per cent, was below the estimated underlying increase, as several groups of workers did not receive pay increases in the twelve month period.

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

		Seasonally adjusted		
	Index 1985 = 100	Index 1985 = 100	Percentage increase over previous 12 months	Underlying % increase over previous 12 months
1987				
January	110.8	112.1	7.6	7 1/2
February	111.2	112.8	7.5	7 1/2
March	113.2	113.2	6.6	7 1/2
April	114.0	114.2	6.3	7 3/4
May	115.3	115.4	8.7	7 3/4
June	116.4	115.7	7.7	7 3/4
July	118.2	117.0	8.0	7 3/4
August	117.3	117.1	7.6	7 3/4
September	117.2	117.4	7.9	7 3/4
October	118.4	118.8	8.1	8
November	120.6	120.2	8.4	8 1/4
December	122.4	121.0	8.8	8 1/2
1988				
January	120.4	121.8	8.7	8 1/2
February	120.3	122.0	8.2	8 1/2
March	124.0	124.0	9.5	8 1/2
April	124.3	124.4	8.9	8 1/2
May	124.1	124.2	7.6	8 1/2
June	125.9	125.1	8.1	8 3/4
July	128.3	126.9	8.5	9
August	126.8	126.6	8.1	9 1/4
September	127.3	127.6	8.7	9 1/4
October	128.9	129.5	9.0	9
November*	131.2	130.7	8.7	8 3/4

* Provisional
R Revised

In production industries, the underlying increase in average weekly earnings in the year to November was about 9 per cent, a rise of about 1/4 per cent on the increase in the year to October. Within this sector, in manufacturing industries, the underlying increase in the year to Nocember was about 8 3/4 per cent, a rise of 1/4 per cent on the increase in the year to October, which has been revised downwards from 8 3/4 per cent. The actual increases for both production industries and manufacturing industries in the year to November were 8.6 per cent.

In service industries, the underlying increase in average weekly earnings in the year to November was about 8 1/2 per cent, a fall of 1/2 per cent on the increase in the year to October. The actual increase in the year to November 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 1985=100	% increases over previous 12 months		Index 1985=100	% increases over previous 12 months		Index 1985=100	% increases over previous 12 months	
		seas adj	under-lying		seas adj	under-lying		seas adj	under-lying
1987 Jul	116.9	8.7	8 1/4	116.9	8.9	8 1/4	116.8	7.7	7 1/4
Aug	117.7	8.2	8 1/4	117.0	8.0	8 1/2	116.8	7.3	7 1/4
Sep	118.6	8.3	8 1/4	118.2	8.4	8 1/2	116.5	7.6	7 1/2
Oct	119.9	8.7	8 1/4	119.4	8.5	8 1/4	118.2	7.6	8
Nov	120.1	7.9	8 1/4	119.8	8.0	8 1/4	120.4	8.8	8 1/2
Dec	121.5	8.1	8 1/4	121.4	8.3	8 1/4	120.6	9.3	8 1/2
1988 Jan	121.7	8.0	8 1/2	121.7	8.5	8 1/2	121.4	9.2	8 1/2
Feb	120.7	6.3	8 1/2	121.1	7.1	8 1/2	122.1	9.4	8 1/2
Mar	123.1	8.6	8 1/4	123.2	8.8	8 1/2	124.4	10.2	8 1/2
Apr	125.6	9.6	8 1/2	125.2	9.4	8 3/4	123.8	8.6	8 1/2
May	126.0	9.4	8 1/2	124.9	8.9	8 3/4	123.5	6.2	8 1/2
Jun	125.3	8.3	9	125.0	8.0	9	125.5	8.2	8 3/4
Jul	127.0	8.6	9	126.6	8.3	9	126.6	8.4	9
Aug	127.2	8.1	9	126.7	8.3	8 3/4	126.0	7.9	9 1/4
Sep	128.3	8.2	8 3/4	127.6	8.0	8 3/4	126.6	8.7	9 1/4
Oct	130.1	8.5	8 3/4	129.2	8.2	8 1/2 R	128.4	8.6	9
Nov(p)	130.3	8.6	9	130.2	8.7	8 3/4	130.9	8.7	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 AMENDED PRIOR TO PUBLICATION TO TAKE ACCOUNT OF REVISED AND UPDATED ESTIMATES OF WAGES AND SALARIES COSTS PER UNIT OF OUTPUT THAT WILL THEN BE AVAILABLE.

In the three months ending October 1988, wages and salaries per unit of output in manufacturing industries were 0.9 per cent above the corresponding period a year earlier. This increase was below the rise in average earnings in manufacturing (see Table 10) as there was a rise of about 7 1/4 per cent in productivity over this period (see Table 13).

In the second quarter of 1988 wages and salaries per unit of output in the whole economy were 5.0 per cent above the corresponding period a year earlier. This increase was below the rise in average earnings in the whole economy as there was a rise of about 3 1/4 per cent in productivity over this period.

Recent figures are:

TABLE 11: WAGES AND SALARIES PER UNIT OF OUTPUT seasonally adjusted

		Manufacturing		Whole Economy	
		Index 1985 = 100	Percentage increase on a year earlier	Index 1985 = 100	Percentage increase on a year earlier
1986	Q1	104.8	8.3	103.9	6.0
	Q2	104.9	6.6	104.9	6.6
	Q3	104.6	3.8	105.8	4.5
	Q4	103.6	-0.4	106.9	4.4
1987	Q1	106.1	1.2	108.1	4.0
	Q2	104.6	-0.3	109.5	4.4
	Q3	104.7	0.1	110.1	4.1
	Q4	105.8	2.1	112.4	5.1
1988	Q1	106.6	0.5	113.8	5.3
	Q2	106.9	2.2	115.0	5.0
	Q3	105.3	0.6	..	..
1988	May	106.4	2.2	..	..
	Jun	106.4	0.9	..	..
	Jul	105.7	0.6	..	..
	Aug	104.9	1.5	..	..
	Sep	105.3	-0.3	..	..
	Oct	106.3	1.4	..	..
3 months ending					
1988	May	107.1	2.3	..	..
	Jun	106.9	2.2	..	..
	Jul	106.2	1.2	..	..
	Aug	105.7	1.0	..	..
	Sep	105.3	0.6	..	..
	Oct	105.5	0.9	..	..

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HOURS WORKED IN MANUFACTURING INDUSTRIES

Overtime working by operatives in manufacturing industries was estimated at 15.07 million hours per week in November compared with 15.00 million hours a week in October and 13.5 million hours a week in September. Until the December figures, which are based on a larger sample of employers, become available, it is too early to say whether this is a step up in the trend.

Hours lost through short-time working in manufacturing industries remained low, at 0.22 million hours per week in November.

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 102.0 in November 1988 giving an average of 101.7 over the three month period ending November 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 1985 = 100)
		Millions per week	Millions per week	
1987	Jan	11.47	0.57	99.6
	Feb	12.09	0.42	100.0
	Mar	12.27	0.36	100.2
	Apr	12.44	0.41	100.3
	May	12.38	0.37	100.2
	Jun	12.68	0.31	100.5
	Jul	12.49	0.35	100.4
	Aug	12.70	0.28	100.6
	Sep	12.96	0.24	100.7
	Oct	13.66	0.29	101.1
	Nov	13.58	0.38	101.0
	Dec	13.42	0.28	101.2
1988	Jan	14.48	0.25	101.7
	Feb	13.44	0.28	101.1
	Mar	13.40	0.23	101.2
	Apr	13.33	0.22	101.0
	May	13.59	0.23	101.1
	Jun	13.18	0.24	100.9
	Jul	13.91	0.32	101.3
	Aug	13.83	0.27	101.3
	Sep	13.49	0.21	101.1
	Oct	15.00	0.25	102.0
	Nov	15.07	0.22	102.0

PRODUCTIVITY

THIS PAGE WILL BE AMENDED PRIOR TO PUBLICATION TO TAKE ACCOUNT OF REVISED AND UPDATED ESTIMATES OF OUTPUT PER HEAD WHICH WILL THEN BE AVAILABLE.

Manufacturing output per head in the three months to October was 2.5 per cent higher than in the three months ending July and 7.3 per cent higher than in the same period a year earlier.

Output per head in the whole economy in the second quarter of 1988 was 0.6 per cent higher than in the previous quarter and 3.2 per cent higher than in the same quarter a year earlier.

Recent figures are:

TABLE 13: OUTPUT PER HEAD seasonally adjusted

		Manufacturing		Whole Economy	
		Index 1985 = 100	Percentage increase on a year earlier	Index 1985 = 100	Percentage increase on a year earlier
1986	Q1	99.9	-0.3	101.0	1.7
	Q2	101.8	0.9	102.1	1.5
	Q3	103.5	3.4	102.8	2.9
	Q4	107.1	8.4	103.7	3.5
1987	Q1	106.4	6.5	103.7	2.7
	Q2	109.9	8.0	104.7	2.5
	Q3	112.1	8.3	106.2	3.3
	Q4	113.6	6.1	106.7	2.9
1988	Q1	114.5	7.6	107.4	3.6
	Q2	117.0	6.5	108.0	3.2
	Q3	120.6	7.6	..	..
1988	May	117.3	6.5	..	..
	Jun	117.5	7.1	..	..
	Jul	119.8	7.7	..	..
	Aug	120.7	6.7	..	..
	Sep	121.2	8.3	..	..
	Oct	121.6	6.8	..	..
3 months ending					
1988	May	116.2	6.6	..	..
	Jun	117.0	6.5	..	..
	Jul	118.2	7.1	..	..
	Aug	119.3	7.2	..	..
	Sep	120.6	7.6	..	..
	Oct	121.2	7.3	..	..

Industrial stoppages

In November 1988, it is provisionally estimated that 173 thousand working days were lost in the United Kingdom through stoppages of work due to industrial disputes. This compares with a provisional estimate of 49 thousand in October 1988, 127 thousand in November 1987 and an average of 733 thousand for November during the ten year period 1978 to 1987.

During the twelve months to November 1988 it is provisionally estimated that a total of 3,776 thousand working days were lost through stoppages of work due to industrial disputes. During this twelve month period a total of 746 stoppages have been provisionally recorded as being in progress, involving a total of 735 thousand workers. The comparable figures for the twelve months to November 1987 were 3,583 thousand lost working days, 1,040 stoppages in progress and 907 thousand workers.

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

	Working days lost (thousand)	Number of Stoppages	Workers involved (thousand)
1987			
Nov	127	108	80
Dec	60	72	35
1988			
Jan(p)	106	88	45
Feb(p)	653	119	148
Mar(p)	257	93	48
Apr(p)	64	50	17
May(p)	137	74	42
Jun(p)	306	86	42
Jul(p)	349	68	36
Aug(p)	414	54	130
Sep(p)	1,211	58	139
Oct(p)	49	72	31
Nov(p)	173	72	141
Cumulative totals			
12 months to November 1987	3,583	1,040	907
12 months to November 1988(p)	3,776	746	735

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

NOTES TO EDITORS

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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 based on records of those claiming benefits at Unemployment Benefit Offices. The figures therefore include those who claim Unemployment Benefit, Income Support (formerly Supplementary Benefit up to 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 8 December 1988 these numbered 1,161 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 8 December 1988 these numbered 3,235 in the United Kingdom.

A4. National and regional unemployment rates are calculated by expressing the number of unemployed as a percentage of the estimated total workforce (the sum of employees in employment, unemployed claimants, self-employed, HM Forces and participants on work-related government training programmes) at mid-1987. 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 needed to calculate the new rates are not made below regional level. The UK narrower rates on 8 December 1988 were 10.4 per cent for males and 5.5 per cent for females, 8.3 per cent in total(unadjusted).

A5. 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 for the list of previous changes in coverage taken into account). The seasonally adjusted series now relates only to those aged 18 and over in order to maintain a consistent series, allowing for the change in benefit regulations for those aged under 18 from September 1988. See also notes A7 and A8. For further details see the article 'Unemployment statistics : revisions to the seasonally adjusted series' in the December 1988 issue of Employment Gazette.

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A6. The unemployment flows, in Table 4 relate to people claiming and ceasing to claim benefit. 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 with the monthly changes in unemployment levels.

A7. The recent extension of the guaranteed offer of a YTS place to all those aged under 18 who have not found a job, and the associated change from 12 September in the entitlement of young people to claim unemployment-related benefits have inevitably affected the coverage of the claimant count mainly from October. In addition, this summer's school leavers were not eligible for benefits on the 8 September count date. There are now only a few under 18's remaining in the count. The effect of the new regulations is to remove about 90,000 on average from the total count with over 80,000 of this having taken place over the two months to October. Previously the seasonally adjusted unemployment series included those under 18's who had had a job since leaving school(i.e. those not classed as school leavers); and without amendment there would be a discontinuity mainly from October 1988. To maintain consistency over time, the seasonally adjusted series has consequently been restricted to claimants aged 18 and over. On recent levels of unemployment the new series is about 40,000 lower than the former series. The new series are available back to January 1971 at national level (1974 for the regions). See also note A5.

A8. The seasonally adjusted unemployment figures for September 1988 allow for the estimated effect of temporary over-recording caused by the postal strike. The adjustments made at regional level are less precise than those at national level. September's unadjusted figures, however, remain distorted by this effect, estimated at around 55,000. This arose mainly through the special action taken to ensure that the unemployed received their benefits during the strike and delays in the post of information about when claimants ceased to be unemployed. The outflow from unemployment between the August and September counts was therefore understated, with a consequent upward effect on the September totals. This effect unwound between the September and October counts.

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. Estimates of numbers on work related government training programmes consist of those participants in programmes and schemes who in the course of their participation in the programmes receive training in the context of a workplace but are not employees, self-employed or HM Forces. At present it covers most YTS participants without contracts of employment (the small proportion, about 2 per cent, whose training does not include work experience with an employer are excluded) and the participants on the new JTS. Participants on Employment Training (ET) will be included in this series but at the beginning of September 1988 when the latest count was taken ET had not begun to take effect. The estimates are not seasonally adjusted.

B8. The workforce in employment which comprises employees in employment, the self-employed, HM forces and participants on work related government schemes was introduced in the July 1988 issue of this press notice. See page S6 of the August 1988 edition of *Employment Gazette* for further details.

VACANCIES (Tables 6-8)

C1. The statistics do not include any vacancies on government programmes (except for vacancies on Enterprise Ulster and Action for Community Employment (ACE) included in the seasonally adjusted figures for Northern Ireland). Previously up to August 1988, unadjusted vacancy figures have additionally been provided including Community Programme vacancies. With the introduction of Employment Training (ET) from September 1988 there are no longer any CP vacancies. ET places are training opportunities determined according to the individual needs of unemployed people and therefore cannot be considered as vacancies or counted as such.
CP vacancies handled by jobcentres have been excluded from the seasonally adjusted series since the coverage was revised in September 1985. The seasonally adjusted series are therefore not affected by the cessation of CP vacancies. Figures on the current basis are available back to 1980. (See *Employment Gazette* October 1985 page 413 for further details).

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 vacancy figures 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 1985 = 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 December 1988. The next analysis will appear in the March 1989 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.

D5. All the seasonally adjusted average earnings series have been updated by the introduction of revised seasonal factors.

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.

E2. See note G2.

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.

G2. The calculation of the productivity (and hence the unit wage cost) series is not affected by the changes to the employment series. The present calculation, using a denominator which excludes participants on work related training schemes, provides a better indicator of productivity (and wage cost) trends than would the revised employment series. This is because of the smallness of the scheme participants' contribution to output, the fact that some of the contribution will be excluded from the national accounts measure of output, and practical difficulties in the way of producing an analysis of participants.

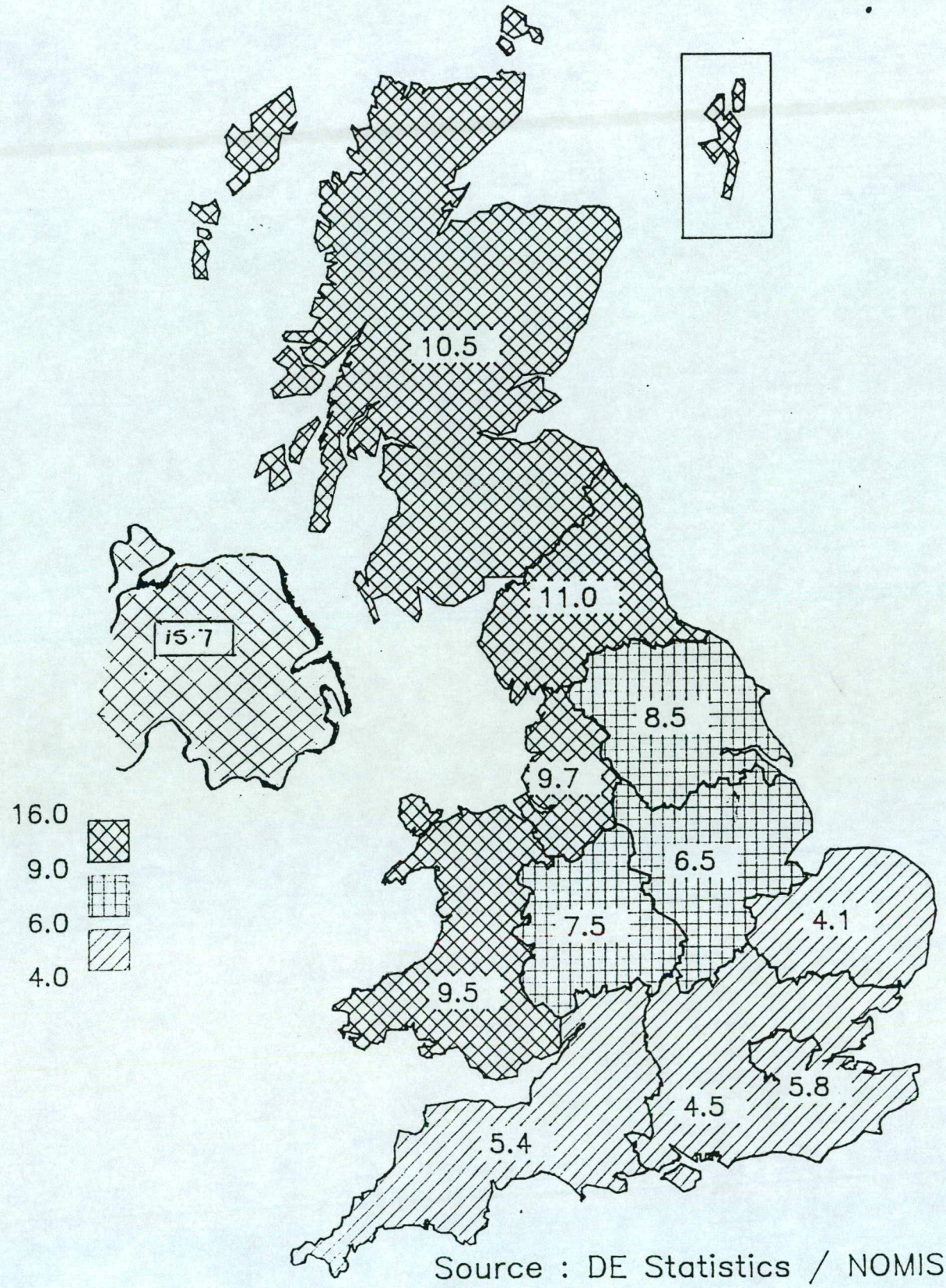
INDUSTRIAL STOPPAGES (Table 14)

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.

Seasonally Adjusted Unemployment Rate

8 December 1988

United Kingdom: Regions

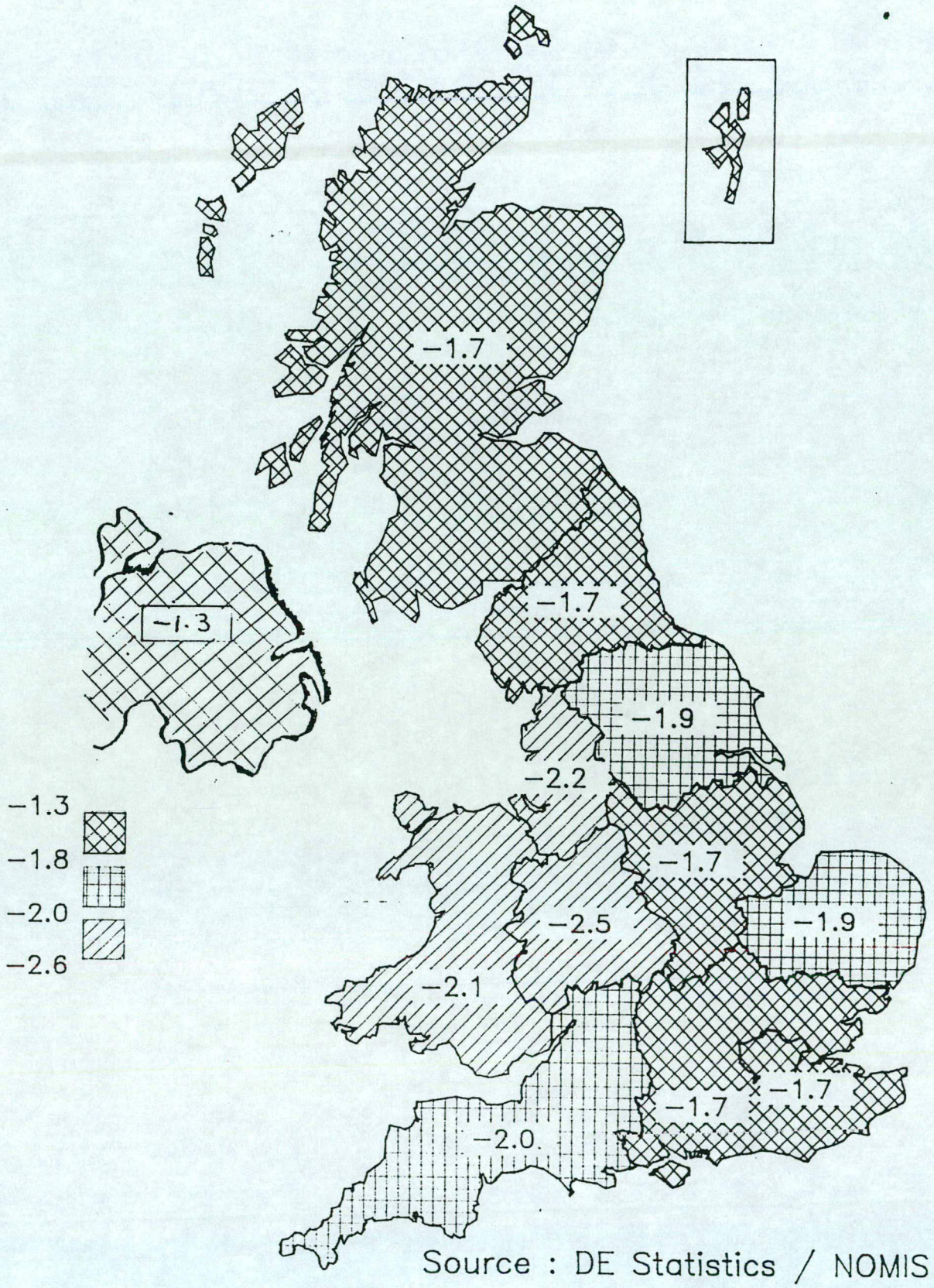


Source : DE Statistics / NOMIS

Seasonally Adjusted Unemployment Rate

Change December 1987 – 1988

United Kingdom: Regions



Source : DE Statistics / NOMIS

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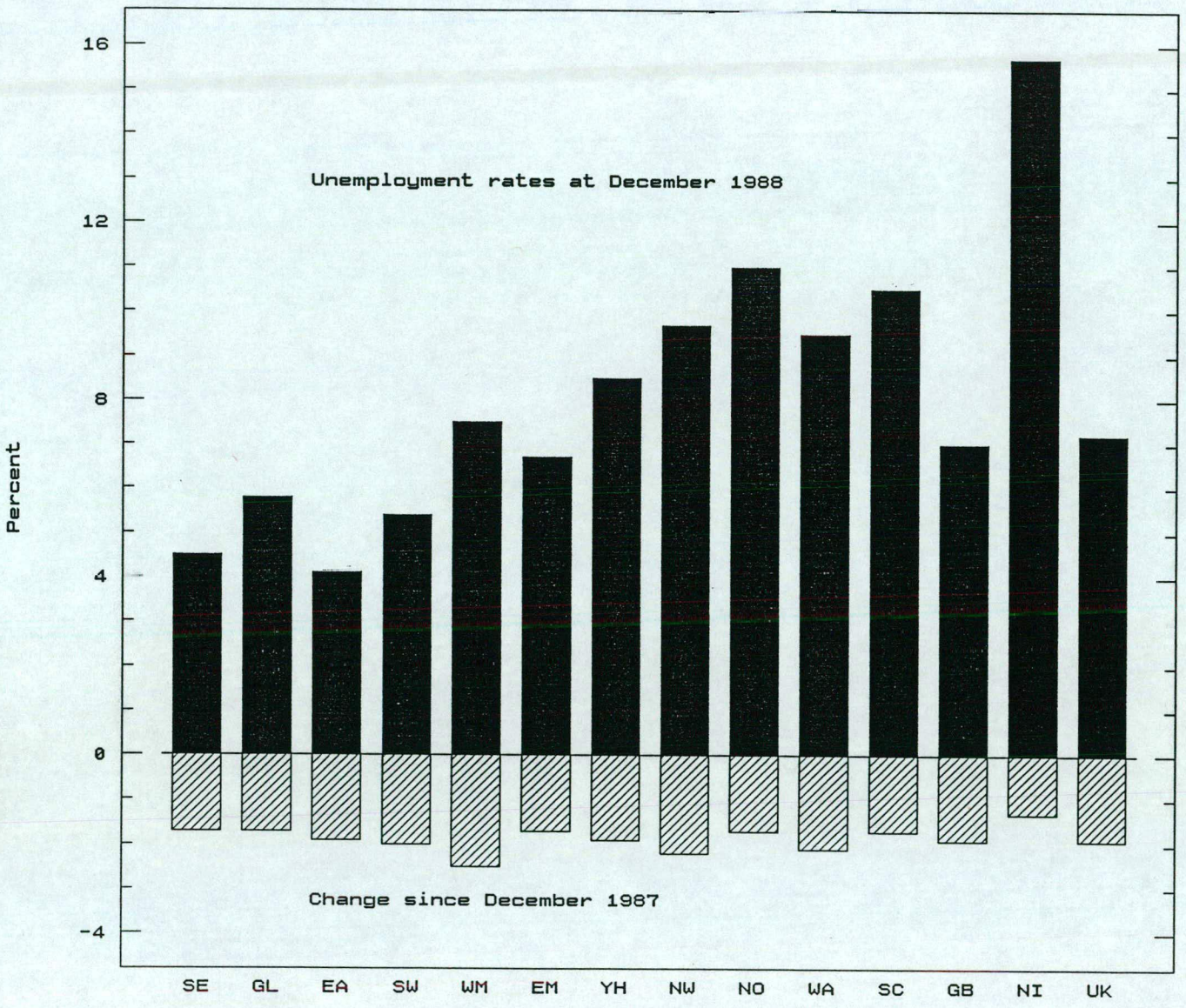
REGIONAL UNEMPLOYMENT RATES

SEASONALLY ADJUSTED December 1988



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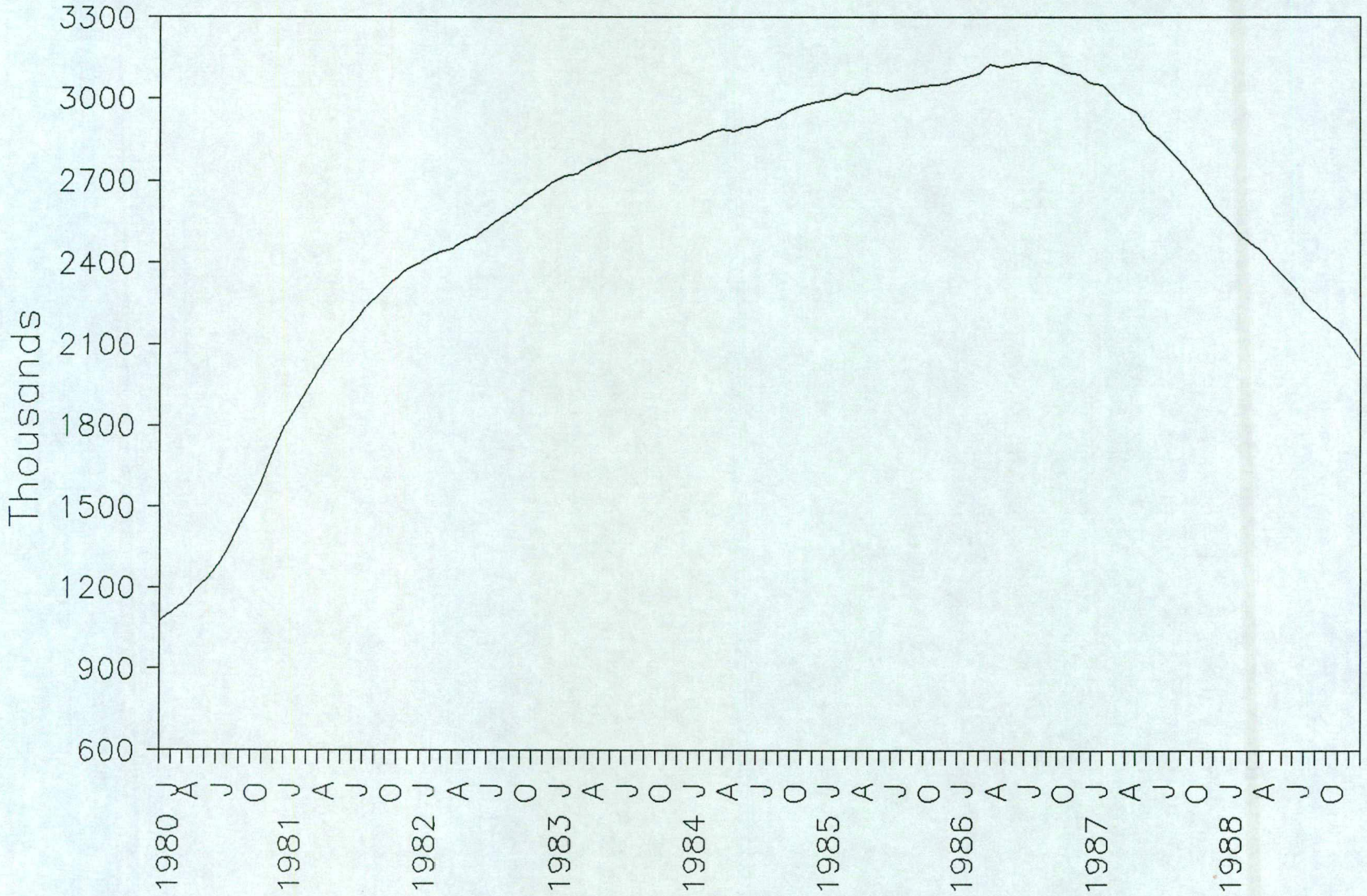
SEASONALLY ADJUSTED UNEMPLOYMENT

CONSISTENT WITH CURRENT COVERAGE U.K. December 1988



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PERSONAL AND CONFIDENTIAL UNTIL 11.30 am ON PRESS RELEASE DAY, 19 Jan 1989

REGIONAL UNEMPLOYMENT, SEASONALLY ADJUSTED

	December 1988	Change in month since November 1988	RATE (% of WORKFORCE) December 1988	Change in month since November 1988	Change in year since December 1987
		Thousands			
REGIONS					
South East	421.7	-17.9	4.5	-0.2	-1.7
(Greater London)	(250.1)	(-9.6)	5.8	-0.2	-1.7
East Anglia	41.2	-2.1	4.1	-0.2	-1.9
South West	113.1	-5.2	5.4	-0.2	-2.0
West Midlands	198.3	-7.4	7.5	-0.3	-2.5
East Midlands	126.6	-4.0	6.5	-0.2	-1.7
Yorks & Humber	203.0	-6.5	8.5	-0.3	-1.9
North West	292.8	-7.7	9.7	-0.3	-2.2
North	160.1	-3.4	11.0	-0.2	-1.7
Wales	113.1	-3.8	9.5	-0.3	-2.1
Scotland	260.3	-6.2	10.5	-0.2	-1.7
GREAT BRITAIN	**1930.2**	**-64.4**	**7.0**	-0.2	-1.9
Northern I.	108.9	-1.7	15.7	-0.2	-1.3
UNITED KINGDOM					
Total	**2039.1**	**-66.1**	**7.2**	-0.2	-1.9
Male	1440.5	-44.1	8.7	-0.3	-2.2
Female	598.6	-22.0	5.1	-0.2	-1.5

* Percentage of whole workforce (wider basis, taking account of self-employed, armed forces and participants on work-related Govt. training programmes)

PERSONAL AND CONFIDENTIAL UNTIL 11.30 ON PRESS RELEASE DAY 19 Jan 1989

PERSONAL AND CONFIDENTIAL
UNTIL 11.30 a.m. ON 19/1/89

UNITED KINGDOM, claimants October 1988 C3a

Thousands

Unemployment by Duration

Duration	Number at October 1988	Change since October 1987	$
All durations	2119	(-633)	-553
Over 6 months	1246	(-370)	-340
Over 1 year	886	(-287)	-280
Over 2 years	595	-161	
Over 3 years	443	-95	
Over 4 years	334	-58	
Over 5 years	252	-25	
---	---	---	---
Up to 6 months	873	(-263)	-213
6 to 12 months	360	(-83)	-60
1 to 2 years	291	(-125)	-118
2 to 3 years	152	-66	
3 to 4 years	109	-37	
4 to 5 years	82	-33	
Over 5 years	252	-25	

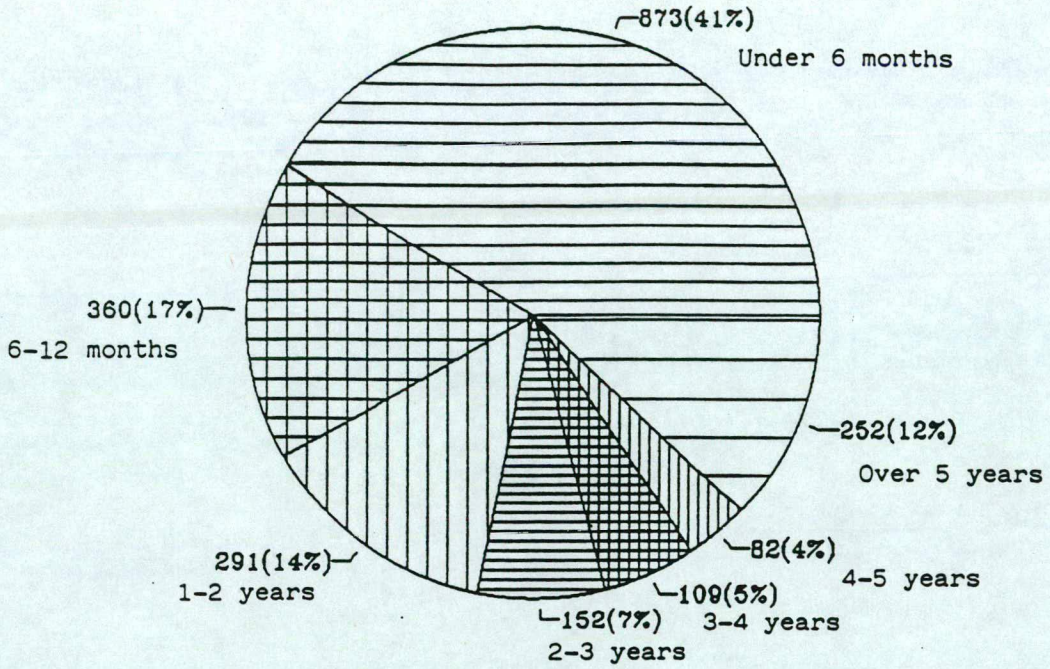
Unemployment by Age

	Number at October 1988	Change since October 1987
18-19 years	178	-62
20-24 years	428	-116
25-49 years	1037	-245
50 and over	467	-84
All ages *	2119	(-633)*

$ Changes given in brackets are affected by September's change in benefit regulations for the under 18 year olds. Estimates of changes allowing for these effects are given alongside.(Based on the estimated effects at October 1988).
* Includes those aged under 18.

U.K. UNEMPLOYMENT BY DURATION

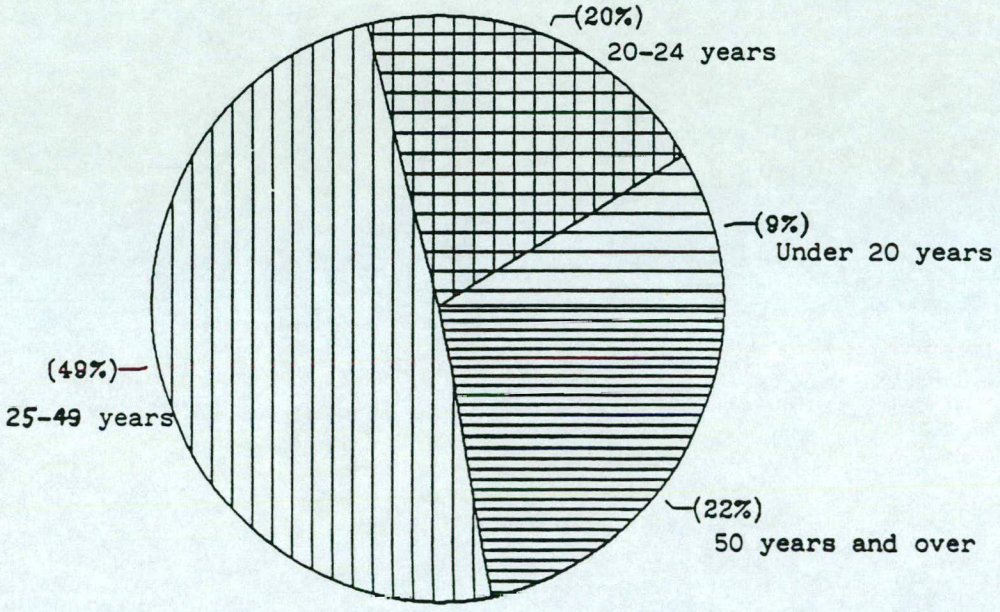
THOUSANDS



OCTOBER 1988

U.K. UNEMPLOYMENT BY AGE

THOUSANDS



OCTOBER 1988

Scheme Participants in GB — Thousand

	EAS	CP	CI	NWS*	YOP+	YTS++	JTS	JRS	ET
Quarterly									
March 83	2	39	8	103	234	0		79	
June 83	2	64	8	93	154	21		81	
Sept 83	8	97	8	103	69	173		85	
Dec 83	20	115	8	105	22	257		88	
Mar 84	27	113	8	98	22	252		95	
June 84	37	120	8	70	4	244		91	
Sept 84	39	123	8	63		287		86	
Dec 84	39	130	8	57		279		78	
Mar 85	41	133	8	52		252		70	
June 85	48	138	8	43		236		61	
Sept 85	49	151	8	50		296		54	
Dec 85	52	174	8	57		278		48	
Mar 86	55	200	8	51		243		43	
June 86	60	221	8	31		270		37	
Sept 86	66	235	8	28		333		32	
Dec 86	74	248	8	33		323	1	27	
March 87	81	244	8	34		306	2	24	
Monthly									
May 87	87	235	8	29		290	8	22	
June 87	90	232	8	24		348	13	22	
July 87	93	231	8	18		377	17	21	
Aug 87	94	229	8	18		390	20	21	
Sept 87	96	229	8	18		424	22	21	
Oct 87	97	224	8	19		413	24	20	
Nov 87	96	222	8	20		410	25	20	
Dec 87	96	221	8	19		403	24	19	
Jan 88	95	221	7	19		393	26	19	
Feb 88	95	224	7	18		385	28	19	
Mar 88	95	223	7	16		373	30	18	
Apr 88	94	223	7	14		368	30	16	
May 88	94	220	7	13		371	31	15	
June 88	94	213	7	12		393	31	14	
July 88	94	208	7	11		419	32	13	
Aug 88	93	202	7	10		426	32	12	
Sep 88	93	(10)	7	9		436	NIL	11	(175)
Oct 88	92	(10)	7	5		435	NIL	10	(170)
Nov 88	91	(10)	7	3		428	NIL	9	(170)

Figures in brackets are approximate estimates. The ET figure includes transfer from CP and JTS

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

\+ Excludes trainers

++ Excludes trainers, figures for latest months subject to revision:

C4

INTERNATIONAL COMPARISONS OF UNEMPLOYMENT

International standardised unemployment rates are used wherever possible in the following table comparing levels of unemployment. They are more comparable than the figures on national definitions which are subject to greater differences in coverage. OECD standardised rates are used wherever possible. (The latest available national figures are however used in tables C5b and C5c for the purposes of comparing recent changes.)

	STANDARDISED UNEMPLOYMENT RATES* SEASONALLY ADJUSTED	
	% rate	Latest month
Spain	19.2	AUG
Ireland	(17.5)*	OCT
Italy	(12.6)*	OCT
France	10.2	NOV
Belgium	9.6	NOV
Netherlands	9.5	NOV
Canada	7.8	NOV
United Kingdom	7.6	NOV
Greece	(7.4)*	APR 87
Australia	6.8	OCT
Denmark	(6.6)*	OCT
Germany	6.2	OCT
Austria	[5.6]a	NOV
United States	5.3	NOV
Portugal	5.2	AUG
Finland	4.2	NOV
Norway	2.9	AUG
Japan	2.4	NOV
Luxembourg	(2.4)*	OCT
Sweden	1.4	NOV
Switzerland	[0.7]a	OCT

* 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 7.9% in October compared with the EC average of 10.1%.

a National definitions. Standardised rates not available for Austria or Switzerland. Figures for Switzerland are not seasonally adjusted.

PERSONAL AND CONFIDENTIAL UNTIL 11.30 ON 19TH JANUARY 1989 C5b

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

UNEMPLOYMENT, LATEST MONTH COMPARED WITH A YEAR EARLIER

	Unadjusted unemployment, national definitions			
	RECOMMENDED			
	Change in % rate	Change (000s)	% Change in total	Latest month
Italy	+ 2.4	+ 542	+ 16	SEP
Norway	+ 2.0	+ 25	+ 80	OCT
Denmark	+ 0.9	+ 28	+ 14	SEP
Portugal	+ 0.2	+ 8	+ 3	SEP
Greece	NC	+ 2	+ 2	OCT
Netherlands	NC	- 1	- 2	NOV
Sweden	NC	- 2	- 2	OCT
Austria	- 0.1	- 3	- 2	NOV
Switzerland	- 0.1	- 3	- 15	OCT
Luxembourg	- 0.2	NC	- 8	SEP
France	- 0.3	- 41	- 2	SEP
Canada	- 0.3	- 23	- 2	NOV
Japan	- 0.3	- 150	- 9	SEP
Germany	- 0.4	- 118	- 5	DEC
USA	- 0.5	- 384	- 6	DEC
Ireland	- 0.6	- 7	- 3	NOV
Spain	- 1.1	- 136	- 5	SEP
Australia	- 1.1	- 77	- 13	OCT
Belgium	- 1.5	- 43	- 10	NOV
United Kingdom*	- 1.9	- 530	- 21	DEC

NC No Change
* Seasonally Adjusted series consistent with current coverage.
Sources:- OECD "Main Economic Indicators" supplemented by Labour Attache reports etc.

PERSONAL AND CONFIDENTIAL UNTIL 11.30 ON 19TH JANUARY 1989

When assesssing 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 rates for the latest three months with the previous three months.

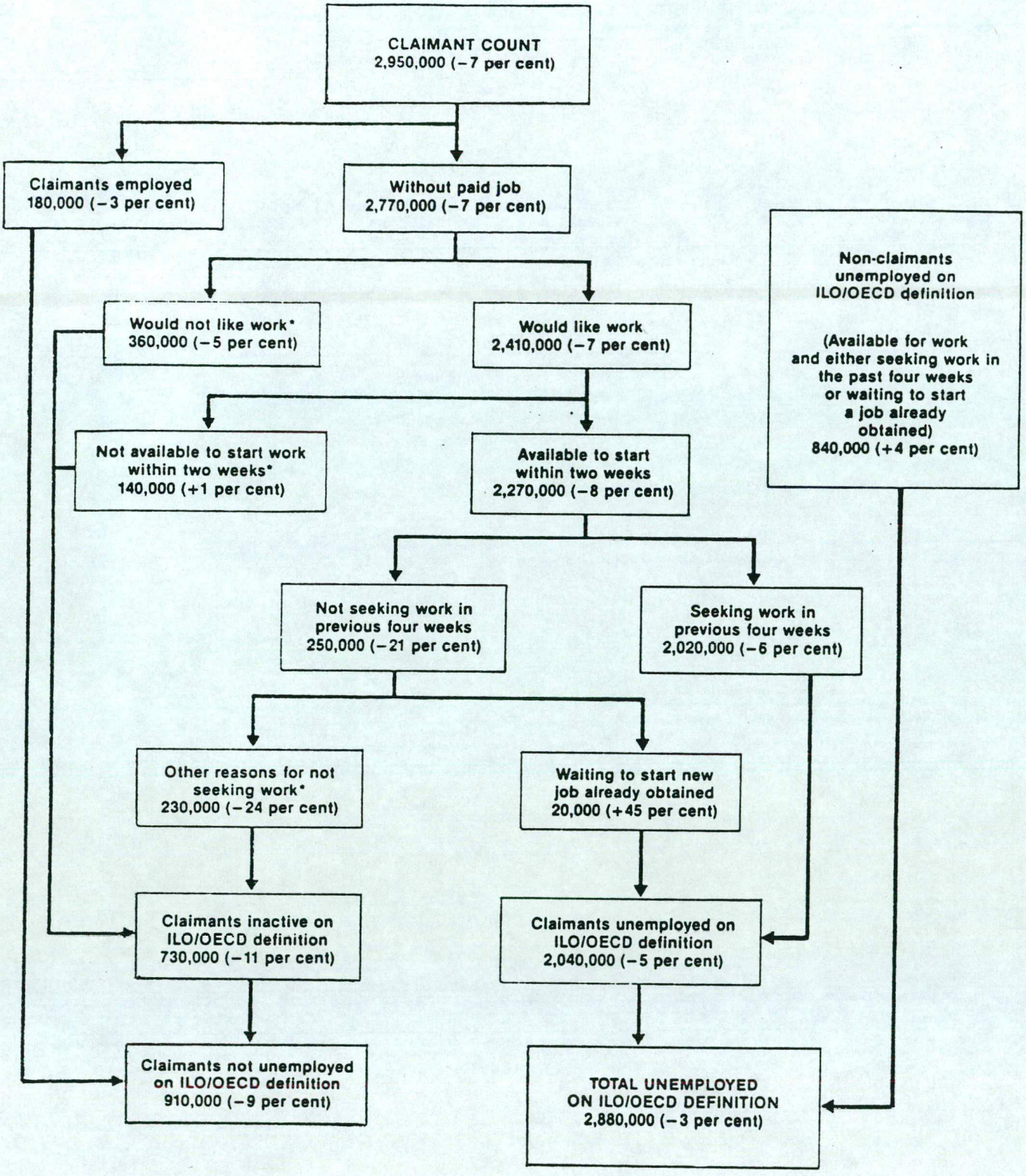
UNEMPLOYMENT, LATEST 3 MONTHS COMPARED WITH PREVIOUS 3 MONTHS

Seasonally adjusted, national defintions RECOMMENDED

	Change in Percentage rate	Change Number (000s)	Percentage Changes	Latest month
Italy	+ 1.1	+ 255	+ 7	SEP
Norway	+ 0.5	+ 8	+ 17	OCT
Denmark	+ 0.2	+ 5	+ 2	SEP
Japan	+ 0.1	+ 47	+ 3	SEP
France	NC	+ 35	+ 1	SEP
Canada	NC	+ 9	+ 1	NOV
Portugal	NC	NC	NC	SEP
Austria	NC	NC	NC	NOV
Netherlands	- 0.1	- 5	- 1	NOV
Ireland	- 0.1	- 2	- 1	NOV
United States	- 0.1	- 134	- 2	DEC
Germany	- 0.2	- 55	- 2	DEC
Australia	- 0.2	- 17	- 3	OCT
Sweden	- 0.3	- 10	- 13	OCT
Spain	- 0.4	- 59	- 2	SEP
United Kingdom	- 0.5	- 127	- 5	DEC
Belgium	- 0.6	- 18	- 4	NOV

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

The monthly claimant count compared with the ILO/OECD measure of unemployment, Great Britain, Spring 1987 (Percentage changes since Spring 1986 are shown in brackets)



UNEMPLOYMENT COUNT

COMPARISON WITH ESTIMATES FROM THE LABOUR FORCE SURVEY

1. Unemployment can be taken by different people to mean different things depending on the context in which the figures are used, and can be measured in different ways.

2. As in most other Western European countries, we use an administrative system to provide monthly unemployment figures, although we also use household surveys to provide less frequent information on a different basis. We use the count of claimants* at unemployment benefit offices because the figures are available frequently, quickly and cheaply, in particular providing detailed local figures which would be very costly to obtain from alternative source. However, the count necessarily reflects the administrative system on which it is based and cannot be ideal for every purpose eg to measure labour slack or social hardship.

3. Instead of using the claimant count, alternative measures of unemployment can be obtained from household sample surveys such as the annual Labour Force Survey (LFS). The criteria for defining unemployment in surveys can of course be varied and there is no universally accepted definition of "true" unemployment; but according to results of the LFS for GB in spring 1987 there were 2.88 million unemployed according to internationally recommended definitions (ILO/OECD) ie available and seeking work in the previous 4 weeks). This compares with 2.95 million inlcuded in the claimant count over the survey period. The difference of 70,000 between these figures is the net result of the difference between two partly offsetting groups. 910,000 claimants were either employed or not unemployed on the ILO/OECD measure, while, on the other hand, some 840,000 people were without jobs and unemployed on the ILO/OECD definition but not claiming benefits. The preceding chart (D1a) illustrates the comparison, also showing percentage changes since 1986.

4. These comparisons, and the changes over recent years were described in more detail in the October 1988 Employment Gazette. Following are the main points.

---

*those claiming Unemployment Benefits, Income Support or National Insurance credits as an unemployed person.

Main points

Latest Labour Force Survey, spring 1987 showed:

- Unemployment, using international definition, was 70,000 lower than the claimant count.

  2.88 million GB compared with 2.95 million claimants.

- 910,000 claimants (31%) not unemployed against 840,000 unemployed not claiming benefits.

- Highest proportions of claimants not unemployed were in the South; 42% in London.

Defensive briefing

- Survey definition used is consistent with international recommendations (ILO/OECD definition - without a job, available for work and looking in the last 4 weeks.)

- Claimant count and LFS measure different things.

- Between 1986 and 1987 (monthly count fell by 210,000 while ILO/OECD unemployment fell by only 90,000).

  Not surprising that movements different using different measures. They were also different in earlier years:
  using international measure, unemployment has been falling since 1984, but the claimant count carried on rising until 1986.

Difference in these movements between 1986 and 1987 mainly resulted from a sharp fall in claimants available but not seeking work. Extra job opportunities (also Restart) led to increase in jobseeking as well as more people getting jobs. Many discouraged claimants started to look for work again. They would have therefore counted as unemployed on the international definition in the 1987 survey but excluded previously when not seeking work.

CONFIDENTIAL NOTE

(Restart and the tighter tests of availability for work introduced in 1986 will have reduced the claimant count, to some extent without affecting the number of people seeking work eg because some claimants who were not available for work were discouraged from pursuing their claim or they found they were entitled to other benefits without signing on as unemployed. However such influences appear to have been modest compared with general improvements in the economy and the more positive contribution of Restart in bringing longer term claimants back in touch with the labour market.)

D2(a)

CHANGES AFFECTING THE UNEMPLOYMENT COUNT

The details of all recent changes affecting the monthly unemployment figures are as follows. Seven changes since 1979 have had a discernible effect on the totals for adult unemployment and have been taken into account in the consistent series of seasonally adjusted estimates according to the coverage of the current count of benefit claimants.

Most of the changes listed below have arisen from changes in rules or procedures for claiming benefits. The exceptions were the fifth and sixth which were made for statistical reasons to correct inaccurancies. Only two of the changes (the third and sixth) actually involved an amendment to the method of compiling the unemployment count.

1. In October 1979 fortnightly attendance at unemployment benefit offices was introduced and the estimated effect was to add about 20,000, both to the unemployment count used at the time, based on registrations at Jobcentres, and the claimant figures introduced later (see below).

2. In November 1981 the higher long-term rate of supplementary benefit was introduced for men aged 60 or over who had been on (then) Supplementary Benefit for over one year. Over the following 12 month period, this removed an estimated 37,000 men, again from both the registrant and claimant series.

3. In October 1982 registration at jobcentres became voluntary, saving administrative costs and eliminating the need for unemployed people to attend both a Jobcentre and an unemployment benefit office in order to get their benefits.

The previous count of registrants at Jobcentres became incomplete and it was necessary to move to counting claimants at Unemployment Benefit Offices. This reduced the count by 190,000 on average (for the year up to October 1982) as a result of three factors:

- computerisation of count and improved accuracy with more up-to-date record keeping of those becoming and ceasing to be unemployed. (Estimated effect - 78,000)

- exclusion of registrants not claiming benefits (-135,000)

- inclusion of severely disabled (+23,000).

Details of the change were published in the September and December 1982 issues of Employment Gazette[1] and figures on the new claimant basis back to 1971 were then published.

4. The 1983 Budget provisions, at the time, enabled 162,000 men, mainly aged 60 and over, to receive National Insurance credits or the higher long term rate of (then) Supplementary Benefit without attending an Unemployment Benefit Office. The effect accumulated between April and August 1983.

5. In July 1985, a reconciliation between social security records and the Department of Economic Development's computer records of claimants showed discrepancies in the figures for Northern Ireland. The corrective action resulted in the unadjusted figures from July 1985 being some 5,000 lower than would otherwise have been the case.

6. From March 1986, the compilation of the figures was delayed by two weeks, to take place three weeks rather than one week after the specified count date. This excluded from the count an estimated average of 50,000 records of claimants who had already ceased to be unemployed before that date, and who were previously over-recorded[2].

7. From 12 September 1988 most people aged under 18 have been unable to claim Income Support and are therefore excluded from the monthly unemployment count. Consequently the seasonally adjusted series has been revised to include only those aged 18 or over, in order to maintain the consistent coverage. On recent levels of unemployment, the new series was some 40,000 lower than the former seasonally adjusted series. (The former series already excluded those aged under 18 classed as school leavers, but included those who had had a job since leaving school.)

In addition a change in regulations for school leavers in November 1980 did affect the total claimant series later introduced and, to a relatively minor extent, the registrant series in use at the time. It did not, however, affect the seasonally adjusted series significantly.

There have also been some temporary distortions, notably in the summer of 1981 and in September 1988, as a result of strikes for which adjustments have been made to the seasonally adjusted series. There have also been some other changes to the rules for receiving benefits which could have had a marginal effect on the unemployment count. These changes have not significantly influenced the trend in the series. For example, recent alterations to the entitlement to Unemployment Benefit will have had little effect because many of those involved would have continued to claim to get Income Support or, in some cases, National Insurance credits, and would therefore still be included in the unemployment count.

UNEMPLOYMENT RATES

In July 1986, new regional and national unemployment rates were introduced showing the number of unemployed as a percentage of the working population (the sum of employees in employment, the unemployed, the self-employed, and HM Forces). The considerable growth in self-employment in recent years has made it increasingly important to take them into account in the calculations. However, unemployment rates on the former basis - showing unemployment as a percentage of the sum of the unemployed and employees in employment only continue to be published, and are the only rates available for counties and travel-to-work areas because estimates of self-employment are not made below regional level.

A further minor amendment to the wider based regional and national denominators was made in July 1988, to include those on work-related training schemes in line with their inclusion in the statistics of the employed workforce.[3] This means that the wider based unemployment rates are now expressed as a percentage of the total workforce. All the rates shown in table 1 are consistent with this basis.

These changes to the calculation of unemployment rates have not in any way affected the numbers included in the unemployment count.

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1 Employment Gazette, September 1982 edition, p 389: 'Compilation of the unemployment statistics'; and December 1982 edition p S20: 'Changed basis of the unemployment statistics'.

2 Employment Gazete, March/April 1986 edition p 107: 'Change in the compilation of the unemployment statistics'.

3 Employment Gazete, August 1988 edition, p S6: 'Employment statistics: revised presentation'.

CONSISTENT UNEMPLOYMENT SERIES - MAIN POINTS

- New coverage (18 and over only) is an inevitable consequence of extension of YTS guarantees and the new benefit regulations for young people

- Estimating past series according to new coverage is the only means of maintaining consistency for assessing trends.

- Alternative attempts by others to make (inflated) estimates of unemployment on an old basis are meaningless. Effects of changes in coverage vary over time, and estimating the effects today or into the future involves speculation about demographic, economic and other factors (eg cannot know how many people would now be registered at Jobcentres on the pre 1982 basis as if it were still compulsory to register to qualify for benefits. Similarly unrealistic to estimate under 18's in future who would claim benefits if rules had remained unchanged. Easier to use claimant data for the past to construct consistent back series.)

- New series not rewriting history, but helping to explain it. Basic counts on previous definitions remain unchanged, as recorded at the time.

- Not yet reasonable to estimate equivalent past numbers and seasonal pattern of few under 18's remaining on the count; so new seasonally adjusted series restricted to 18 and over at this stage.

LABOUR MARKET - job changes and flows

1. TOTAL JOB CHANGES are running very broadly at about 7½ million a year, or ½ million per month, or about 30,000 per working day. These include movements of people with jobs as well as the unemployed taking up jobs.

2. VACANCY FLOWS run at lower levels than the above, eg the inflow in the year to December averaged 231,000 a month (UK seasonally adjusted), primarily because only about a third of all vacancies are notified to Jobcentres. Placings by jobcentres, in the year to December averaged about 159,000 a month (UK seasonally adjusted), are estimated to be broadly a quarter of all engagements or job changes in the economy.

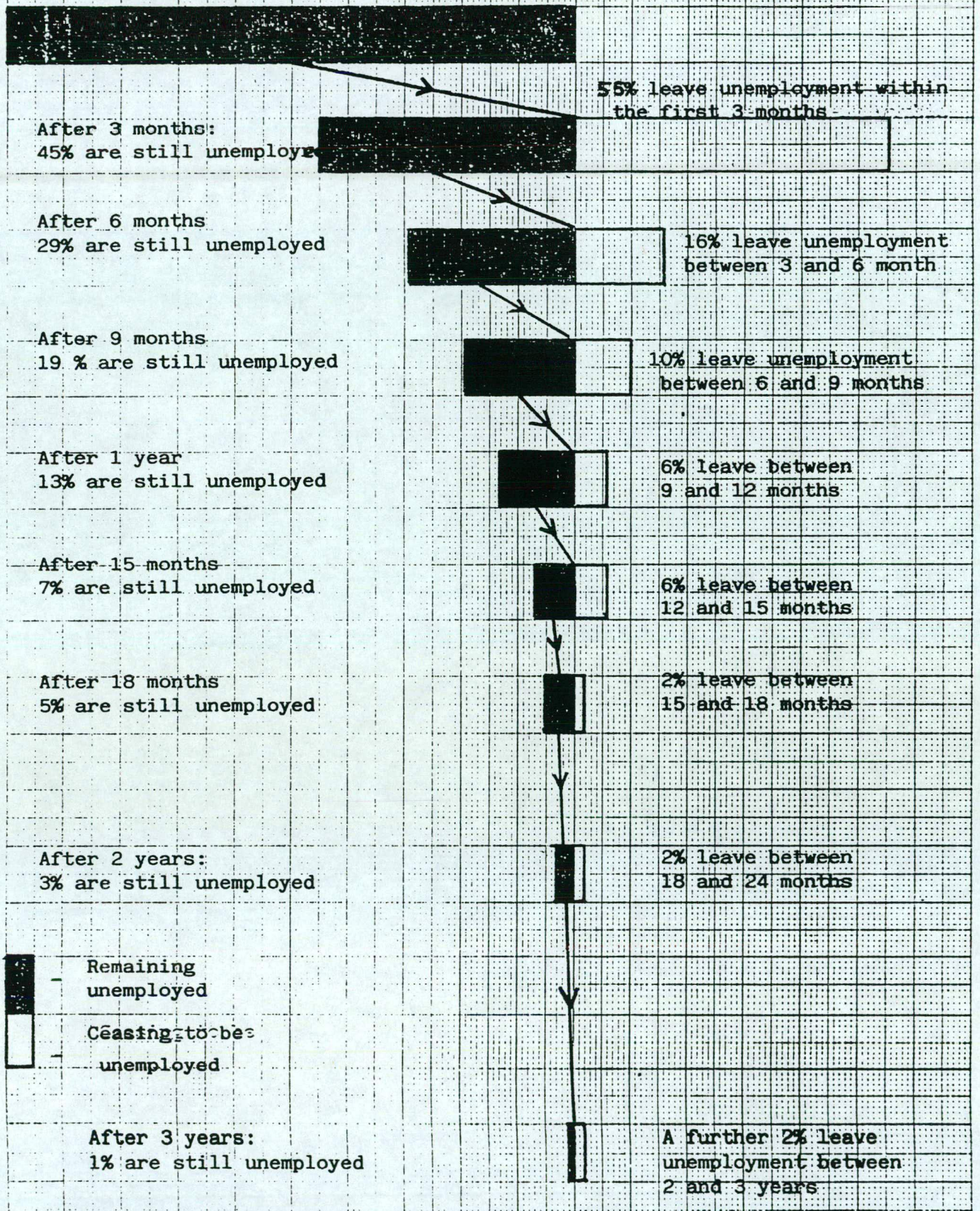
3. OUTFLOW from unemployment averaged about 367 thousand per month in the year to December 1988. This represents an annual outflow of 4.4 million. Many took up jobs, though some would be leaving unemployment for other reasons eg retirement, training, or otherwise leaving the labour force, or exhaustion of entitlement to benefit.

Over a quarter of those becoming unemployed flow off the register within a month of joining it, more than half leave within 3 months, over two-thirds within 6 months. 87% leave within a year. The remaining 13% flow into long term unemployment. The attached chart illustrates these chances of remaining in the count or leaving it within certain durations of unemployment.

CHANCES OF REMAINING IN OR LEAVING UNEMPLOYMENT*

Great Britain Based on claimant data for period July 1987 - July 1988

On average, 345,000 people become unemployed* each month



* Percentages are based on outflows between July 1987 and July 1988 and therefore do not relate to the experience of a single group of individuals who all become unemployed over the same period.

UNEMPLOYMENT - comparison with the 1930s

1. The peak recorded pre-war was in January 1933, at 2,979,000 including temporary stopped.

2. It is not possible to make a fully valid and meaningful comparison with pre-war unemployment, for the following reasons.

(1) the labour force is about one-third larger and different in character. A much larger proportion of women work. We do not have a continuous series of figures on employment against which to measure the unemployed.

(2) Because of changes in entitlement to benefit, we cannot be sure to what extent unemployed people are now more or less likely to claim and to be included in the count.

(3) There have been many administrative changes and changes in the methods used to count the unemployed.

(4) Changes in Government emloyment measures including legislation on employees' rights will also have affected the figures. There may also have been significant changes in practice by employers, for example on temporary lay-offs, since the numbers recorded as 'temporarily stopped' were much higher before the war.

3. In any comparison with the 1930s it is also relevant that greater protection is now given to the unemployed through social security provisions, redundancy pay, and generally improved social conditions. Moreover, it is now more common for there to be more than one breadwinner in the family.

DEMOGRAPHIC AND LABOUR FORCE BACKGROUND

Great Britain : thousand

	Reaching school leaving age	Reaching retirement age and deaths	Net migration and adjustment	Population of working age (1)		Civilian labour force (2)	
				Number	Change over year	Number	Change over year
ESTIMATES							
1971	737	-	-	31,686	-	24,895	-
1972	760	739	-9	31,698	+12	24,953	+58
1973	778	750	+9	31,735	+37	25,125	+172
1974	801	751	-45	31,740	+5	25,269	+144
1975	818	740	-33	31,785	+45	25,305	+36
1976	840	707	+2	31,920	+135	25,702	+396
1977	871	683	+2	32,110	+190	25,901	+200
1978	891	655	-12	32,334	+224	25,949	+48
1979	906	662	-8	32,570	+236	26,021	+72
1980	930	773	+1	32,728	+158	26,198	+177
1981	936	729	-30	32,905	+177	26,242	+43
1982	912	697	-69	33,051	+146	26,045	-196
1983	902	650	-3	33,300	+249	25,907	-138
1984	873	677	+67	33,563	+263	26,428	+522
1985	868	750	+60	33,741	+178	26,639	+211
1986	840	715	+24	33,891	+150	26,735	+95
1987	852	693	+38	34,088	+197	27,161	+426
PROJECTIONS (3)							
1988	800	668	+18	34,238	+150	27,538	+377
1989	749	667	-13	34,308	+70	27,690	+152
1990	698	665	-16	34,326	+18	27,790	+100
1991	676	660	-15	34,326	0	27,872	+81
1992	649	637	-14	34,324	-2	27,928	+56
1993	623	638	-12	34,297	-27	27,959	+31
1994	633	627	-11	34,292	-5	28,001	+42
1995	686	635	-11	34,332	+40	28,073	+73

Between mid-1986 and mid-1987 the population of working age is estimated to have grown by 200 thousand, while the labour force is estimated to have grown by over 400 thousand as activity rates rose largely in response to falling unemployment. Using a working assumption of broadly stable claimant unemployment (at 2.5 million, the level of the December 1987 monthly count), further labour force growth of some 900 thousand is projected by 1995, mainly reflecting rising activity rates among women. If unemployment continues to fall, the growth would be expected to be greater than this. Two thirds of it is projected to have occurred by 1990, as the population of working age is expected to grow more slowly and even to show slight falls in the early 1990s.

Notes :

(1) The population of working age comprises men aged 16-64 and women aged 16-59 years.

(2) The civilian labour force includes those in employment (employees, employers and self employed, but excluding members of the Armed Forces) and all those identified by censuses and surveys as seeking work.

(3) The projections beyond 1987 incorporate the latest (1985-based) population projections, modified in the light of advice from the Office of Population Censuses and Surveys on what the size of the population of England and Wales might be in mid-1987 and mid-1988 if recent trends continued, and projections of activity rates using information from the 1987 Labour Force Survey. They were described in more detail in an article in the March 1988 *Employment Gazette* ("Labour Force Outlook to 1995").

EMPLOYMENT - CHANGES IN THE METHOD OF ESTIMATION

Workforce in employment

1) Introduction of Workforce in Employment - July 1988

The 'workforce in employment' replaced the 'employed labour force' as the broad aggregate measure of employment. The workforce in employment comprises the employees in employment, the self-employed, HM Forces and participants on work related government training programmes. This fourth group consists of those participants on programmes and schemes who in the course of their participation receive training in the context of a workplace but are not employees, self-employed or HM Forces. This change was made in the light of ILO recommended definitions of employment.

Employees in Employment

1) Introduction of Supplementary series - June 1983

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

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

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

3) Use of the 1984 LFS - March 1985

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

4) Use of the 1985 LFS - April 1986

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

5) Introduction of 1984 Census of Employment - December 1986

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

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

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

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

7) Use of the preliminary 1987 LFS results - February 1988

Preliminary results of the 1987 LFS were incorporated in the employment estimates as described above for the 1986 results.

Self Employment

1) New method of estimating Self Employment - January 1982

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

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

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

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

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

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

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

5) Use of the 1985 LFS - April 1986

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

6) Use of the 1986 LFS - March 1987

The estimates were up-dated to take account of new results from the 1986 LFS.

7) Use of the 1987 LFS - February 1988

The estimates were up-dated to take account of the preliminary results of the 1987 LFS.

EMPLOYMENT: DOUBLE JOBBING AND GOVERNMENT SCHEMES AND PROGRAMMES

The treatment of double jobbing in the employees in employment estimates

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

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

GOVERNMENT SCHEMES AND PROGRAMMES

Estimates of employees in employment

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

New Workers Scheme
Community Programme
Community Industry

Note: The number of employees in employment has however been affected by the run down of CP during the summer, in preparation for Employment Training (ET). It is estimated that without this change there would have been a further 20,000 employees in employment in the service sector. It is expected that these estimates of employees in employment will be reduced further as CP comes to an end but that this will be broadly offset by increasing numbers on ET included in the workforce in employment as participants on work related government training programmes.

2. Those young people on the Youth Training Scheme who have contracts of employment - currently estimated to be about 15 percent of participants - are included in the employees in employment series. Similarly some participants on Employment Training who have contracts of employment, ie those, receiving continuation funding, will be included in the employees in employment series.

Estimates of self-employment

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

Work related government training programmes

4. The numbers on work related government training programmes cover those participants who in the course of their participation receive training in the context of a workplace but are not employees, self employed or HM Forces. This group is included in the workforce in employment. At present the numbers on work related government training programmes cover most YTS participants without contracts of employment (the small proportion, about 2 per cent, whose training does not include work experience with an employer are not included) and the participants on new Job Training Scheme (JTS).

Participants on Employment Training (ET) without contracts of employment, which will be the great majority, will be included in the estimates of participants in work related government training programmes, but at the beginning of September 1988 when the count was taken ET had not begun to take effect.

5. Those on the Voluntary Projects Programme and Wider Opportunities Training Programme are not employed and are hence not covered by the workforce in employment series.

D89

C-O-N-F-I-D-E-N-T-I-A-L until 11.30am on 19 January 1989

INTERNATIONAL COMPARISONS OF EMPLOYMENT

1. Latest figures for the major industrialised economies show that since March 1983, when employment began to rise in the United Kingdom, it has grown at a much faster rate than in Japan, Italy, Germany or France. However the rate of employment growth has been higher in the United States and Canada.

TABLE 1 : CIVILIAN EMPLOYMENT SEASONALLY ADJUSTED CHANGE 1983 Q1 TO 1988 Q2

	Thousands	Per Cent
CANADA	1773	16.8%
USA	15499	15.6%
UK	2180	9.4%
JAPAN	2905	5.1%
GERMANY	742	3.0%
ITALY	740	3.7%
FRANCE *	-289	-1.4%

Source : OECD Quarterly Labour Force Statistics (except UK)
Notes : * 1982 Q4 to 1987 Q4.

2. Comparisons with other European Community countries show that between 1983 and 1986 employment in the UK increased by more than in the rest of the EC12 put together . Between 1983 and 1987 the increase in employment in the UK was approximately equal to that in the whole of the rest of the Community combined. However comparisons over more recent periods are not so favourable since the increase in Spain alone between 1985 and 1987 was greater than that recorded for the UK . Over the longer period 1979 to 1987 employment fell slightly in the UK whilst it rose in the rest of the Community as a whole.

TABLE2 : CIVILIAN EMPLOYMENT IN THE EUROPEAN COMMUNITY

	1983 - 1987		1979 - 1987	
	Thousand	Per Cent	Thousand	Per Cent
BELGIUM	79	2.2	-86	-2.3
DENMARK	163	6.5	162	6.5
GERMANY	647	2.6	-76	-.3
GREECE	58	1.6	286	8.6
SPAIN	395	3.6	-462	-3.9
FRANCE	-192	-.9	-329	-1.5
IRELAND	-43	-3.9	-62	-5.5
ITALY	234	1.1	527	2.6
LUXEMBOURG	12	7.6	13	8.3
NETHERLANDS	286	5.8	430	8.9
PORTUGAL	30	.7	317	8.2
EC12 - UK	1669	1.7	720	.7
UK	1683	7.2	-91	-.4
EC12	3352	2.8	629	.5

Source: "Employment and unemployment 1988" and "Eurostatistics 8/9 1988" (EUROSTAT) except UK (DE).

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

TABLE 3 : TOTAL EMPLOYMENT AS A PERCENTAGE OF THE POPULATION AGED 15 TO 64 : 1986

	Per Cent
SWEDEN	79
DENMARK	78
JAPAN	70
UNITED STATES	69
CANADA	67
UNITED KINGDOM	66
GERMANY	60
FRANCE	59
BELGIUM	56
NETHERLANDS	52
OECD TOTAL	64
EC12	58

Source: OECD Historical Statistics 1966-1986

WORKFORCE IN EMPLOYMENT

Whole economy estimates for the third quarter of 1988 are published for the first time this month. The workforce in employment in Great Britain is estimated to have increased by 120,000 in the third quarter of 1988. This is more in line with trends observed in 1987 than the small increase of 38,000 in the second quarter of 1988.

Since March 1983, when the rising trend began, the workforce in employment has increased by 2,294,000 of which employees in employment accounted for 1,114,000, self-employment 808,000 and participants on work related government training programmes 377,000 - these increases were partly offset by a fall of 6,000 in HM Forces.

THE WORKFORCE IN EMPLOYMENT * - TOTAL

Great Britain — Thousands, seasonally adjusted

		Males		Females		Persons	
		All	of which part time*	All	of which part time*	All	of which part time*
1983	March	13,663	868	9,334	3,977	22,997	4,845
	June	13,635	895	9,411	4,032	23,046	4,927
	Sept	13,744	982	9,560	4,143	23,304	5,125
	Dec	13,801	1,039	9,670	4,212	23,471	5,251
1984	March	13,832	1,030	9,733	4,237	23,566	5,267
	June	13,875	1,045	9,783	4,260	23,658	5,305
	Sept	13,930	1,048	9,854	4,296	23,784	5,344
	Dec	13,994	1,077	9,914	4,344	23,908	5,421
1985	March	14,015	1,062	9,962	4,357	23,977	5,419
	June	14,029	1,086	10,010	4,387	24,039	5,473
	Sept	14,049	1,096	10,084	4,448	24,133	5,544
	Dec	14,047	1,112	10,099	4,456	24,146	5,568
1986	March	14,004	1,086	10,128	4,482	24,133	5,568
	June	13,999	1,138	10,186	4,539	24,184	5,677
	Sept	14,046	1,167	10,276	4,604	24,321	5,771
	Dec	14,059	1,198	10,359	4,654	24,418	5,852
1987	March	14,100	1,201	10,418	4,696	24,519	5,897
	June	14,201	1,263	10,535	4,758	24,736	6,021
	Sept	14,279	1,306	10,614	4,806	24,892	6,112
	Dec	14,314	1,343	10,705	4,847	25,019	6,190
1988	March	14,359	1,330	10,774	4,882	25,133	6,212
	June	14,363	1,356	10,809	4,898	25,171	6,254
	Sept	14,392	1,357	10,899	4,934	25,291	6,291
Change							
Mar 83-Sept 88		729	489	1,565	957	2,294	1,446
Sept 87-Sept 88		113	51	285	128	399	179

* Participants on work related government training programmes are YTS trainees who receive work experience except those who have contracts of employment (those who do have contracts of employment are included in employees in employment) plus participants in new JTS. Participants on Employment Training (ET) will be included in this series but at the beginning of September when this count was taken ET had not begun to take effect. The estimated numbers of such participants are not seasonally adjusted. The workforce in employment series is the total of the seasonally adjusted employed labour force (employees, self employed and HM Forces) series and the unadjusted estimates of the number of participants in work related training schemes. In classifying the workforce in employment between full and part time all programme participants are counted as in employment part-time.

THE WORKFORCE IN EMPLOYMENT - COMPONENTS

Great Britain

Thousands, seasonally adjusted

		Employees in Employment						Self Employment					HM Forces			Work related + government training programmes		
		Males		Females			Persons	Males		Females		Persons	Males	Females	Persons	Males	Females	Persons
		All	of which part time*	All	of which full time	of which part time	All	All	of which part time	All	of which part time	All	All	All	All	All	All	All
1983	March	11,706	745	8,823	5,110	3,713	20,529	1,651	123	496	264	2,147	306	15	321	0	0	0
	June	11,674	766	8,882	5,121	3,761	20,556	1,652	126	508	267	2,160	306	16	322	3	5	8
	Sept	11,659	772	8,952	5,151	3,801	20,611	1,702	136	527	278	2,229	309	16	325	74	64	139
	Dec	11,645	798	9,025	5,184	3,841	20,670	1,751	145	547	289	2,298	309	16	325	96	82	178
1984	March	11,630	784	9,074	5,213	3,861	20,705	1,801	155	566	299	2,367	310	16	326	91	77	168
	June	11,625	790	9,104	5,232	3,872	20,729	1,850	164	586	311	2,435	310	16	326	91	78	168
	Sept	11,638	771	9,147	5,261	3,885	20,785	1,868	165	596	315	2,464	312	16	328	112	95	207
	Dec	11,688	801	9,201	5,268	3,933	20,888	1,886	167	606	320	2,493	311	16	327	109	91	200
1985	March	11,699	792	9,249	5,298	3,952	20,948	1,905	169	617	325	2,522	310	16	326	101	80	182
	June	11,703	822	9,292	5,309	3,983	20,995	1,923	170	628	331	2,550	309	16	326	94	74	168
	Sept	11,694	808	9,339	5,320	4,019	21,033	1,926	168	628	328	2,554	309	16	326	120	100	221
	Dec	11,696	832	9,360	5,323	4,037	21,056	1,929	166	629	325	2,558	307	16	323	114	94	208
1986	March	11,662	819	9,403	5,323	4,080	21,065	1,933	164	630	322	2,563	306	16	323	103	80	182
	June	11,635	853	9,444	5,320	4,124	21,079	1,937	163	630	319	2,567	305	16	322	122	96	218
	Sept	11,611	843	9,487	5,339	4,148	21,098	1,977	173	648	331	2,625	306	16	323	151	125	276
	Dec	11,588	866	9,559	5,367	4,191	21,147	2,018	184	665	343	2,684	304	16	320	148	119	268
1987	March	11,601	869	9,611	5,378	4,233	21,212	2,059	194	683	355	2,742	304	16	320	138	108	245
	June	11,628	888	9,686	5,427	4,259	21,315	2,099	204	701	367	2,801	302	16	319	171	132	303
	Sept	11,642	882	9,727	5,451	4,276	21,368	2,118	208	713	373	2,832	303	16	319	216	158	373
	Dec	11,667	921	9,817	5,495	4,322	21,483	2,137	213	725	378	2,863	301	16	317	209	147	356
1988	March	11,703	914	9,886	5,522	4,364	21,589	2,156	217	737	383	2,894	301	16	317	199	135	334
	June	11,688	935	9,908	5,533	4,375	21,597	2,175	222	749	388	2,925	300	16	316	199	135	335
	Sept	11,676	909	9,967	5,581	4,386	21,643	2,194	226	761	394	2,956	299	16	315	222	154	377
Change																		
Mar 83-Sept 88		-30	164	1,144	471	673	1,114	543	103	265	130	809	-7	1	-6	222	154	377
Sept 87-Sept 88		34	27	240	130	110	275	76	18	48	21	124	-4	0	-4	6	-4	4

*Estimates of part-time male employees are not seasonally adjusted.

+ Participants in the YTS who receive work experience except those who have contracts of employment (those who have contracts of employment are included in the employees in employment) plus participants in new JTS. Not seasonally adjusted. All participants in work related government training programmes are assumed to work part-time.

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CHANGES IN EMPLOYEES IN EMPLOYMENT

Great Britain — Thousands, not seasonally adjusted

Industry	Year ending Sept 1988 Change Absolute	Percent
Agriculture forestry and fishing	- 6.4	-2.0
Energy and water supply	- 38.2	-7.9
Other mineral and ore extraction etc	5.3	0.7
Metal goods, engineering and vehicles	- 37.6	-1.7
Other manufacturing industries	- 12.3	-0.6
Construction	- 2.2	-0.2
Distribution, hotels, catering, repairs	101.9	2.3
Transport & Communication	32.0	2.4
Banking, finance insurance	149.8	6.4
Other Services	83.9	1.3
All Industries	276.2	1.3

Region	Year ending Sept 1988 Change Absolute	Percent
South East	114.5	1.5
(Greater London)	3.3	0.1
East Anglia	34.4	4.2
South West	23.2	1.5
West Midlands	38.9	1.9
East Midlands	24.1	1.6
Yorks & Humberside	16.4	0.9
North West	-6.4	-0.3
North	23.0	2.1
Wales	2.9	0.3
Scotland	5.1	0.3
Great Britain	276.2	1.3

1 AVERAGE EARNINGS

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

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

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

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INDUSTRY BREAKDOWN
INDEX OF AVERAGE EARNINGS (Unadjusted)

TABLE A

Classes SIC 1980	Weights	Index (1985 = 100)						Percentage increase over previous 12 months					
		1988						1988					
		June	July	Aug	Sept	Oct	Nov*	June	July	Aug	Sept	Oct	Nov*
Metal processing and manufacture	14	124.0	141.7	129.8	123.4	142.9	124.2	9.9	9.8	17.0	7.7	9.9	8.5
Mineral extraction and manufacturing	14	127.9	127.9	124.8	127.4	126.1	127.7	7.4	7.6	6.9	6.5	6.7	6.5
Chemical and man-made fibres	20	126.8	126.0	125.9	126.1	128.4	139.5	8.7	6.0	7.6	10.0	9.4	9.1
Mechanical engineering	44	123.9	126.7	124.9	125.4	127.4	129.4	7.5	8.8	8.2	8.4	9.2	8.7
Electrical and electronic engineering	37	129.1	128.7	127.1	128.0	130.7	131.5	8.2	8.2	7.9	7.7	9.3	8.5
Motor vehicle and parts	17	137.0	135.8	129.5	128.5	129.0	137.1	10.9	13.6	10.8	8.6	7.9	14.2
Other transport and equipment	17	112.5	114.3	111.6	121.8	124.5	125.7	-2.4	-0.5	-2.5	5.2	7.5	6.2
Metal goods and instruments	27	126.3	128.0	127.1	127.3	128.2	131.7	8.3	9.3	9.3	7.9	8.2	7.6
Food, drink and tobacco	33	128.6	125.7	125.0	126.0	127.0	132.5	9.9	7.2	7.6	6.4	8.0	10.0
Textiles	13	125.8	124.8	123.6	123.9	124.5	127.2	6.4	4.9	6.1	5.6	5.4	5.2
Leather, footwear and clothing	17	123.2	126.7	122.0	124.5	123.9	125.4	7.1	9.2	7.3	8.5	7.6	7.4
Timber and wooden furniture	11	137.2	135.5	140.0	135.2	134.2	138.5	17.5	18.0	18.8	14.0	4.4	11.8
Paper products, printing and publishing	26	126.0	125.1	125.2	127.1	127.7	127.7	7.1	7.2	7.5	6.9	8.1	7.1
Rubber, plastic and other manufacturing	14	127.6	130.4	124.7	126.4	127.4	131.5	8.4	10.0	7.9	8.3	8.4	7.3
Manufacturing Industries	304	126.6	127.9	125.6	126.4	128.7	130.9	8.0	8.3	8.3	8.0	8.2	8.7
Coal and coke	15	133.1	139.7	138.5	140.9	141.8	142.1	10.1	16.2	14.2	16.5	14.8	14.0
Mineral oil and natural gas	1	128.2	134.2	131.2	131.4	134.6	147.1	7.0	7.4	10.3	12.1	14.0	10.2
Electricity, gas and other energy and water supply	19	122.5	125.5	125.8	124.0	124.9	125.3	10.4	8.2	1.5	4.8	5.9	4.6
Production Industries ≠	339	126.8	128.4	126.4	127.1	129.2	131.3	8.3	8.6	8.1	8.2	8.5	8.6
Construction	55	129.6	130.2	127.9	130.3	133.5	136.5	10.2	10.2	10.6	10.8	12.9	12.8
Production ≠ and Construction Industries	394	127.2	128.7	126.6	127.5	129.8	132.0	8.2	8.6	8.1	8.2	8.8	8.9
Agriculture and Forestry	19	115.2	118.7	128.8	134.4	136.9	ø	3.1	4.1	9.0	8.2	11.9	ø
Distribution and repairs	164	125.1	125.2	123.9	126.6	126.0	126.7	8.8	9.3	7.7	9.0	9.8	8.0
Hotel and catering	49	125.7	125.0	126.6	124.9	129.4	131.9	9.9	11.1	10.0	8.6	10.4	8.8
Transport and communication (except sea transport)	71	120.5	122.5	122.5	122.1	124.4	126.9	4.8	4.3	7.5	6.8	6.1	4.5
Banking, finance and insurance	44	131.4	132.9	129.6	128.6	128.7	141.9	3.1	10.8	9.4	6.6	4.3	5.9
Public administration	90	122.6	126.2	124.6	124.7	128.3	131.8	10.0	9.0	10.2	8.7	11.0	12.9
Education and health services	147	128.1	135.3	134.3	131.5	131.6	132.8	10.4	8.6	5.5	11.1	9.6	11.0
Other services	22	123.3	126.8	124.0	125.1	123.8	124.9	9.0	7.5	8.8	6.6	6.0	5.0
Service industries	587	125.2	128.1	126.9	126.7	127.8	130.8	8.2	8.4	7.9	8.7	8.6	8.7
Whole economy	1000	125.9	128.3	126.8	127.3	128.9	131.2	8.1	8.5	8.1	8.7	9.0	8.7

*Provisional
≠Manufacturing, coal and coke, mineral oil and natural gas, electricity, gas, other energy and water supply
≠England and Wales only
øNot available

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January 1989

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TABLE B INTERNATIONAL COMPARISONS

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

		Latest period available
Greece	14.8	Q2 1988
Portugal (h)	9.5	Q2 1988
Finland	9.0	Q2 1988
Great Britain (c)	8 3/4	NOVEMBER
Sweden (g)	8.3	SEPTEMBER
Norway (d)	7.7	Q2 1988
Austria (a)(g)	6.5	AUGUST
Ireland	6.5	Q1 1987
Denmark (g)	6.4	SEPTEMBER
Italy (b)	6.3	SEPTEMBER
New Zealand (i)	6.3	Q2 1988
Canada	5.3	SEPTEMBER
Spain (e)	5.3	Q2 1988
Germany	4.4	JULY
Japan (a)(f)	3.9	SEPTEMBER
Australia (b)	3.7	AUGUST
France (b)	3.0	Q2 1988
United States	2.9	OCTOBER
Netherlands (b)	1.1	JULY
Belgium (j)	-0.2	Q2 1988
OECD	5.1	JUNE
EEC	5.9	JUNE

Source: OECD Main Economic Indicators: DECEMBER 1988

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

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PERSONAL AND CONFIDENTIAL UNTIL 11.30 ON 15 DECEMBER THEREAFTER CONFIDENTIAL

LABOUR MARKET STATISTICS

Summary

The labour market contintues to show favourable developments. Unemployment showed a further sharp fall in November, by over 49,000, making the overall reduction since July 1986 more than 1 million. Vacancies have remained at a fairly high level although they fell back in November, following the sharp rise in October. The underlying increase in average earnings in the year to October was 9%, a slight fall since September.

Unemployment

UK unemployment, seasonally adjusted, fell by 49,300 between October and November to 2.109 million, 7.5 per cent of the workforce. The continuous fall since July 1986 has now exceeded 1 million (1,025,000), over 28 consecutive months. Other key figures are attached separately.

The latest figures are consistent with a continuing steady downward trend of around 40,000 per month. The fall has averaged nearly 43,000 over the past six months.

Unadjusted 'headline' total

Unadjusted there was a fall of some 52,000 in the claimant total between October and November to 2.067 million. The number of under 18 year olds remaining in the count (but excluded from the seasonally adjusted series) was nearly 6,000 in November, a fall of more than 2,000 since October. This group will continue to diminish over the next few months, as a result of the recent changes in benefit regulations.

December 'headline' total

Seasonal influences on the count are upward by the order of 50,000 between November and December. Assuming a continuing contribution from the downward trend, there is therefore likely to be little change in the headline total in December. There could be a modest increase.

Employment

The number of employees in manufacturing industry in Great Britain is estimated to have fallen by 7,000 in October following a fall of 18,000 in the third quarter of 1988. The latest figures suggest that the trend is still downward. In the 12 months to October 1988 there was a fall of 50,000 compared with falls of 66,000 in the year to October 1987, 162,000 in the year to October 1986.

Figures for employees in the rest of the economy and the workforce in employment (employees in employment, the self-employed, HM Forces and participants on work related government training programmes) in Great Britain remain as reported in November except for a very small revision - reflecting some late data now to hand - for employment in energy and water in August. The workforce in employment is estimated to have increased by 41,000 in the second quarter of 1988 and by 2,177,000 between March 1983, when the upward trend first began, and June 1988.

Overtime working by operatives in manufacturing industries was very high with an estimated 15.00 million hours per week worked in October. This is the highest level recorded since December 1979; however as monthly figures tend to be erratic it is necessary to wait a few more months to see if this represents a further step up in the level of overtime or is merely an erratic fluctuation. This increase, however, has not been reflected in the Average Earnings for October, one reason being that the overtime data relate to the second week in the month while the earnings refer to the final week in the month. Hours lost through short-time working in manufacturing industries remain low, 0.25 million hours per week were lost in October.

Vacancies

The stock of vacancies (UK, jobcentres, seasonally adjusted) dropped back by 6,300 to 244,900 in the month to November, following the sharp rise in the previous month. This was caused mainly by an increase in the outflow, including placings. The number of new reported vacancies remains quite stable at about 230,000 per month. The general picture is that the level of vacancies remains fairly high, although the stock of vacancies in November was some 8 per cent lower than the peak in November last year.

Average Earnings

The estimate of the underlying increase in earnings for the whole economy for October is 9 per cent, which is ¼ per cent lower than the increase in the rate in September 1988. The estimates for the production industries, and within production for manufacturing, are both unchanged from the rate for September at 8¾ per cent. The underlying rate of increase for services, at 9 per cent, is ¼ per cent lower than the corresponding September increase.

The reduction in the rate of increase for the services sector in October results from the 1988 Local Authority Manuals increase of 5.6 per cent replacing the 1987 increase of 10.7%, while the second stage of the 1987 Teachers increase has no equivalent increase in 1988. In addition figures for a year ago (ie October and November 1987) were boosted by local authorities, and others working overtime to repair storm damage.

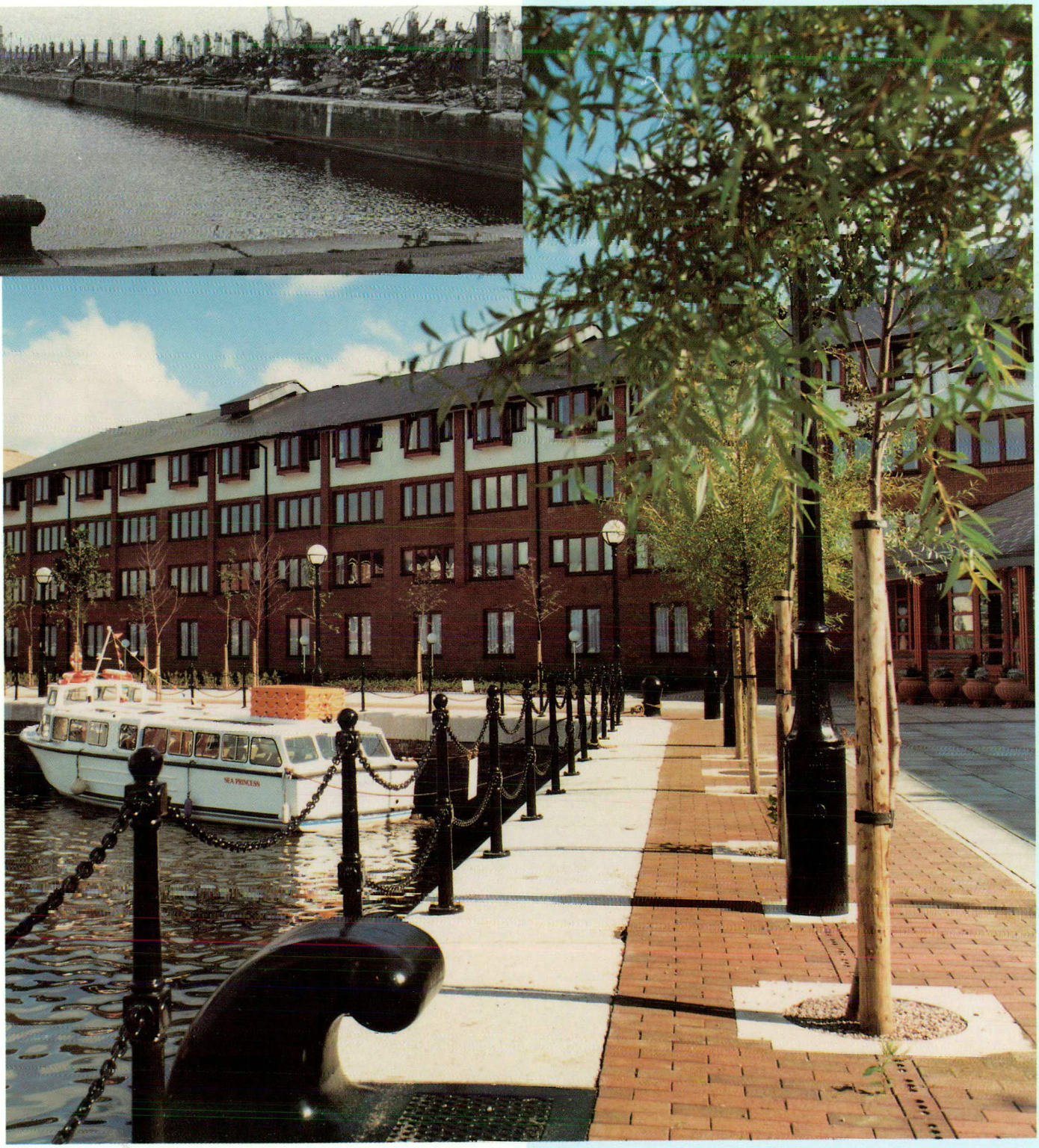
While reported settlements remain generally higher than their corresponding level in 1987, the prospects for the next few months are for little change in the underlying rate. Much will depend on the level of overtime relative to the high plateau reached a year ago, and on the level of bonus payments made in November which was one of the peak months for bonuses in 1987.

Next Labour Market Figures

The next labour market brief will be issued on Monday 16 January, in advance of the press release on Thursday 19 January. It will contain unemployment figures for 8 December, employment figures for the whole economy for September, manufacturing employment and earnings for November and vacancies for 2 December.

Action for Cities Booklet enclosed

ACTION FOR CITIES



ACTION
FOR
CITIES

Front cover and above:

Salford Quays is an outstanding example of how neglected and derelict areas are being transformed by private investment and the commitment of Government and local authorities. £150m in private investment in new houses, offices, commercial development and a hotel is being attracted by £25m in public money to improve the docks, canals, roads and local environment. Nearby the Trafford Park Development Corporation and the new Central Manchester Development Corporation will carry regeneration across the Manchester Ship Canal and into the city centre.

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ACTION FOR CITIES

FOREWORD

This booklet is an action document. It shows you what the Government is doing to help improve life in our inner cities. It adds up to a £3000 million major attack on the host of problems covered by the 'inner cities' label.

The term 'inner cities' conjures up an image of a run-down urban environment. It covers towns as well as cities and areas ranging from those which have seen better days to acutely depressing examples of crime-ridden dereliction.

There is, of course, nothing new in urban change. Throughout our history towns and cities have risen and fallen only to rise again. Some have responded to new markets and technologies. Others have clung to old ways and allowed opportunities to pass them by. A number have suffered from civic hostility to enterprise. All too many have had their problems intensified by misguided post-war planning and development which had the best of intentions but the direst results for the people living there.

Every area covered by the term shares one common need: new hope for the future.

The Government is resolved, in partnership with the people, to generate that hope and help create a new, lively environment in which to live, work and prosper.

This is an opportune time to step up the effort because:

- a strong economy and seven continuous years of steady growth have provided the right springboard
- the Government has created a climate which supports enterprise and has set about removing obstacles in the way of inner city recovery
- our wider policies – on training for work, education and housing – are dedicated to promoting choice and giving people a bigger stake in their community
- there is no lack of individual commitment, effort or money to transform dereliction, to eliminate eyesores, to invest in the people and to encourage others to live in inner cities by improving the whole quality of life there.

This booklet shows you that the Government has a comprehensive approach to inner cities renewal starting with site clearance and extending to help with improving sporting facilities and the cultural environment. It also shows you some of the inspiring results which have been achieved.

We are embarked on a great enterprise which will leave its mark on Britain for decades and carry our towns and cities into the 21st Century in much better shape.

I commend the action programme to all who are seeking opportunities to invest in Britain and revitalise our inner cities.

Margaret Thatcher

SEIZING THE OPPORTUNITIES

Time for action

The conditions are now right for a major new drive to restore Britain's inner cities.

For seven years, Britain has enjoyed sustained growth on a scale unknown since the war. It has the fastest growing economy in Europe, instead of the slowest. Economic success now offers the best opportunity in years to create new wealth and jobs.

But perhaps even more crucially, a fundamental change in attitudes has begun. The country is rediscovering enterprise and resourcefulness. There is a new national self-confidence. The gloomy view that a return to prosperity was impossible has been dispelled.

Now is the time to dispel the gloom about Britain's inner cities.

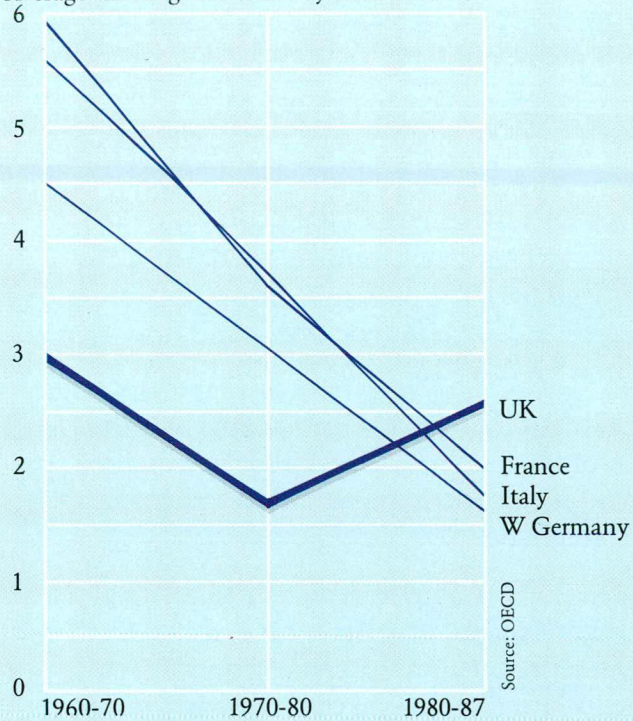
Choice and prosperity

The Government wants inner city residents to have more opportunities to share in the new prosperity. They – just like everyone else – should be able to enjoy greater freedom and choice. They, as much as anyone, want good homes for their families and good schools for their children. They want to live and work in a safe and decent environment.

The inner cities must also be places where businessmen want to invest. They also want to be able to get on with their business; to press ahead with sensible development without unnecessary red tape; to keep their costs as low as possible, and not be punished by excessive rate demands; to be made welcome. For this to happen, the inner cities need to rediscover the sense of civic pride that once united residents and business.

European growth table

Average annual growth rates by decades %



Inner cities need to rediscover the sense of civic pride that once united residents and business.

Making it happen

Pooling the resources of the private and public sectors is the way to achieve real success in the inner cities.

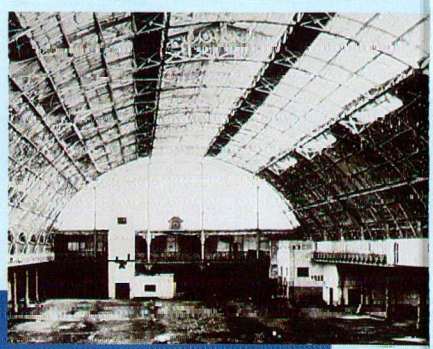
£3000 million will be spent in 1988/89 in Britain on Action for Cities. But efforts need to be pulled together more effectively, and brought to bear in the same place at the same time. Similarly, the private sector must have a clear lead so that it knows where and how it can best make its contribution.

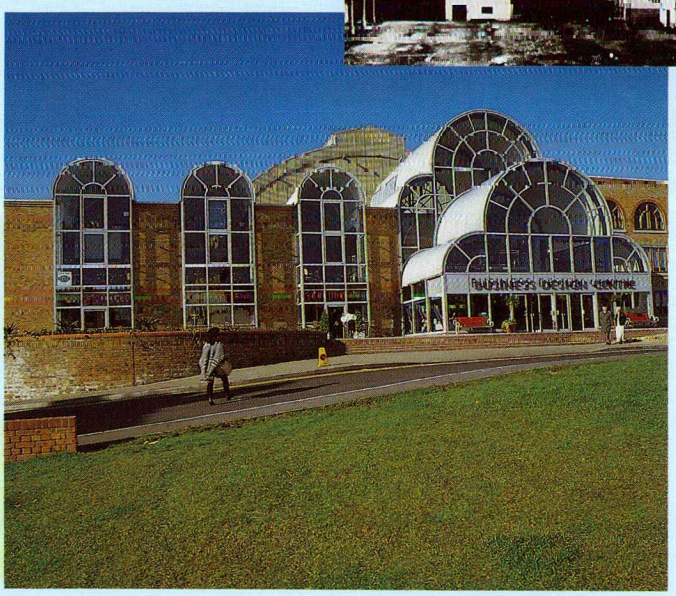
The work of the **City Action Teams** and the 16 Government inner city **Task Forces** has already shown how proper co-ordination can make a real difference.

The five CATs set up in April 1985 brought together the Departments most responsible for encouraging business, preparing people for work and for developing our cities. In view of their success to date, two new CATs have been set up, centred on Nottingham and Leeds.

The 16 experimental Task Forces are made up of small teams of civil servants and private sector secondees. They operate at a more local level than CATs, in shop-front offices based right in the heart of inner city districts. They work directly with local business, local people and local councils, and act as brokers between the public and private sectors.

This direct approach is also the hallmark of **Urban Development Corporations.** Their special executive powers enable them to cut through red tape and press on with action. They take decisions on the use of land and they have the financial means to clear dereliction and get development under way. They are a prime example of the Government's determination to take effective action to encourage business and new investment.





Built in 1861 the Royal Agricultural Hall, Islington was an architectural and engineering triumph and a famous venue for major events. By the early 1970s it was standing empty and uncared for. Urban Development Grant of £2.85 million and private investment of nearly £9 million converted the Hall into an international business design centre. This provides exhibition space, 124 showrooms, four restaurants and car parking.

The Leicester Task Force office in the heart of the Highfields inner city district.

The first 8 Task Forces started work in the summer of 1986, and they were joined by 8 more a year later. So far over 350 local projects committing almost £13 million have been supported; about 700 businesses have been supported or started, with 1,700 new jobs; over 200 companies are involved, contributing around £4.5 million.

The priorities

Success cannot be imposed by central Government. The inner cities, their histories and problems, are all different. There is no universal formula which can be dictated from Whitehall. The spark of regeneration must come from within the inner cities themselves.

This does not mean leaving it all to the local authorities which for many years were allowed to decide the priorities and be the main channel for finance. It means firing the enthusiasm of local businesses, local leaders, local people: those who know the cities from the inside and have the will to change them.

But while the prescription for success will vary from city to city, the priorities for action are common to all of them. These are to:

- encourage enterprise and new businesses, and help existing businesses to grow stronger
- improve people's job prospects, their motivation and skills
- make areas attractive to residents and to business by

tackling dereliction
bringing buildings into use
preparing sites and encouraging development
improving the quality of housing

- make inner city areas safe and attractive places to live and work.

The following sections set out how making cities prosperous is happening. Business and enterprise play an essential part alongside Government effort. What is needed now is Action for Cities.

A city can only become prosperous if its local businesses grow and are successful. The people who live there need above all else to see industry and commerce providing more jobs near their homes.

The climate for attracting new investment to the inner cities is promising. The rising price of land and houses in the South East gives a big advantage to those areas where development costs are low. And the introduction of the new uniform business rate will help firms in our older cities. At present their rates are too high. More and more firms are now seeing good commercial reasons for setting up in inner cities.

How the Government is helping

Small firms and budding entrepreneurs often need management training or the chance to pick up business knowhow. The Government has a wide range of programmes to meet these needs and help businessmen succeed.

Details of these schemes and how they can be reached are set out at the end of this booklet.

Action includes:

helping previously unemployed people to set up in business by paying them £40 each week under the **Enterprise Allowance Scheme** during their first year of doing business. There were more than 30,000 entrants in the inner cities to this scheme in 1987/88.

offering new businesses easy access to **Managed Workshops** on no-nonsense terms together with advice and support, often from on-site management teams. These small premises contain many units, so that those working there can share services such as typing and a canteen. There are more than 300 managed workshops, mostly in inner cities.

providing the **Small Firms Service,** a counselling service for small businesses. The

service gave over 11,000 counselling sessions in inner cities in 1986/87.

the **Loan Guarantee Scheme,** which provides guarantees to banks for loans which companies might not otherwise have taken out. It has provided cover for 18,800 loans nationwide since it started in 1981.

promoting the **PICKUP Programme,** cooperation between colleges, polytechnics, universities and local industry to provide the training which businesses need to keep up to date and competitive. Nationally, 1 in 30 of the working population train each year under PICKUP and the proportion is rising. Regional Technology Centres provide complementary advice and training to local firms on introducing new technology.

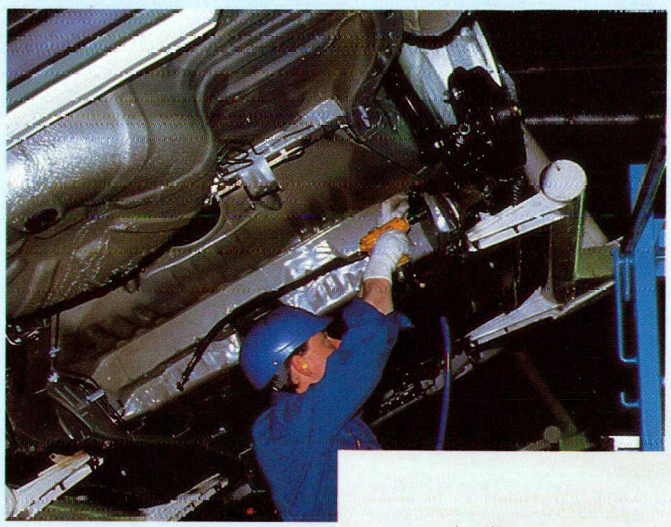
How business is helping

Businessmen know better than Government or local councils what it is that new businesses need most to prosper and expand. It is encouraging that so many are now taking the lead in regenerating the inner cities by helping small businesses to succeed. They are working either individually or through private sector organisations like Business in the Community, the Industrial Society and the CBI. They are getting involved in a variety of ways.

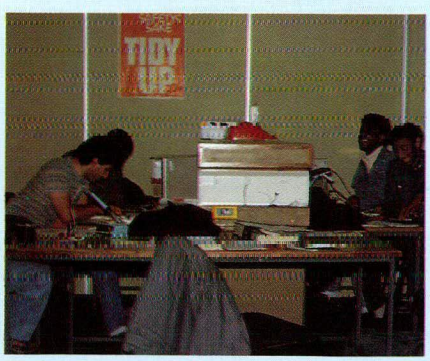
Some companies are backing **Local Enterprise Agencies** with funds, advice and secondees. Some are supporting managed workshops, the Government Task Forces, or Task Force Development Funds. Others are backing other jointly-sponsored business development agencies. They are renewing business confidence in the inner cities by their example and stimulating the local economy by their purchasing policies.

the enterprise initiative

The Enterprise Initiative offers inner city businesses help to improve their performance. Firms of under 500 employees can have grants for consultancy projects to improve marketing, design, quality of product, manufacturing processes, business planning and financial and information systems.
For the first time, a national scheme to encourage business development has been targeted on our cities. **Inner city companies receive a higher rate grant of 66% of the cost to help pay for these consultancies.**



The growth of businesses is encouraged by major developments like Nissan's £600m car manufacturing plant at Sunderland, which will create 4300 jobs by 1993. Component firms are developing land at the site.



Technorth, Leeds, provides training in electronics and computing for YTS trainees and adults. It is also a technical services centre giving technological advice to businesses. There are 16 small businesses in managed workspace in a converted 1920s tramshed. Technorth is funded by the Urban Programme and the Employment Department, and run by Leeds City Council.

This enterprise centre, sponsored by BAT Industries and the London Borough of Lambeth, is in the converted Bon Marché department store in Brixton.

Local Enterprise Agencies: in business to help business

Local Enterprise Agencies are companies limited by guarantee and managed by a board drawn from their sponsors. These include major companies as well as local firms. Some are also supported by Government grant.

Day-to-day management of LEAs is in the hands of an executive director. Two-thirds of executive directors are permanent, the rest secondees from industry. They offer free advice to new or existing businesses.

Most advice for potential new businesses is provided by the agency itself. But in some cases applicants are offered specialist help from another business advice service or an LEA sponsor prepared to give free advice or technical support.

Many agencies go beyond this basic role. They offer training courses, newsletters, property registers, small business clubs, trade directories, loan funds and managed workshops. New grants are contributing to the costs of some of these extra projects.

NEW ACTION

Now the Government has:

- set up 6 new inner city offices for the Small Firms Service and is recruiting specialist inner city business advisers
- provided grants for inner city Local Enterprise Agencies which take special action to help small businesses
- increased the training and advice given to inner city residents starting a business under the Enterprise Allowance Scheme
- increased from 70 per cent to 85 per cent the loan guarantee provided on bank loans to small businesses in inner city Task Force areas
- worked with the private sector to provide more managed workshops for business start-up in the inner cities. **English Estates** will be able to spend up to £11 million on a major new programme of managed workshop schemes in 1988/89
- introduced special innovation and investment grants – the Regional Enterprise grants – for very small businesses employing fewer than 25 people in inner cities in Development Areas and South Yorkshire.

PREPARING FOR WORK

This Project Fullemploy centre in North Kensington supported by the Urban Programme, has modern computer equipment provided with help from the Employment Department and the local Task Force. Project Fullemploy, a national voluntary organisation, co-operates with private companies and Government to train people in new skills.

Computers are helping children to learn in nearly every school in the country, often through direct Government support. More will be provided under a new Government grant scheme. These are in Eccles High School, Salford.

In 1982 the Government provided £6m to reclaim and lay out 60 acres of derelict goods yard to create the Wavertree Technology Park in the heart of Liverpool. A joint public/private sector company was formed by Plessey, English Estates and the local authorities to market and develop the Park. By March 1988 there were thirty companies in the Park employing 800 people. Barclaycard is the latest investor in the Park and is planning to employ 800 more people.

People who live in the inner cities share in the opportunities around them when they have the skills and experience they need to get jobs. In inner cities, standards in schools need to be improved and inner city residents need the self-confidence, training and motivation that will enable them to compete on equal terms in the jobs market.

How Government is helping

Better schools

The Government's major programme of reform of education is of special importance to the inner cities. In future all schools will offer a broad, balanced national curriculum, which will make school leavers better qualified to find a job. A pupil's performance will be assessed against national targets which will also help raise standards and boost the expectations of both children and parents.

The Government has already given parents a far greater say in how schools are run. As a result, parents and local people will soon be a majority on school governing bodies. Legislation has now been passed to allow schools to opt out of local authority control altogether. Where they exercise that choice, local people will effectively run **their** school to provide the education **they** want.

How business is helping

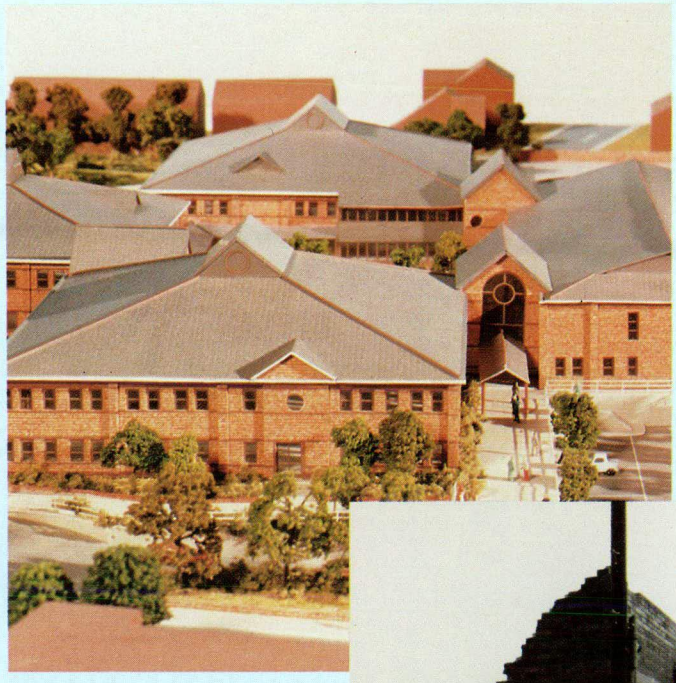
Bringing schools and industry together

Young people need to prepare for the world of work while they are still at school. This applies particularly in inner cities, where traditional industries have declined and new skills are in demand.

City Technology Colleges/City Colleges for the Technology of the Arts will be new secondary schools in urban areas offering free education with a strong element of science and technology for pupils of different abilities. The first one has already opened in the Birmingham area, and two more, in Nottingham and Middlesbrough, are due to open in September 1989. Sponsorship for several others has been announced and more will follow. Private industry is helping to fund their building and equipment and will play a leading part in running them. It will offer experience of work and help launch pupils into jobs.

Links between schools and local industry help young inner city residents understand the qualities and qualifications they will need to find work.

A schools/industry Compact is one such partnership, whereby employers undertake to provide jobs with training, or YTS training followed by a job, to pupils meeting agreed standards of achievement and motivation. The Government is currently funding the development of 26 schools/industry compacts in England.



This is the site for the Nottingham City Technology College which will open in 1989. The main picture shows a model of the CTC.

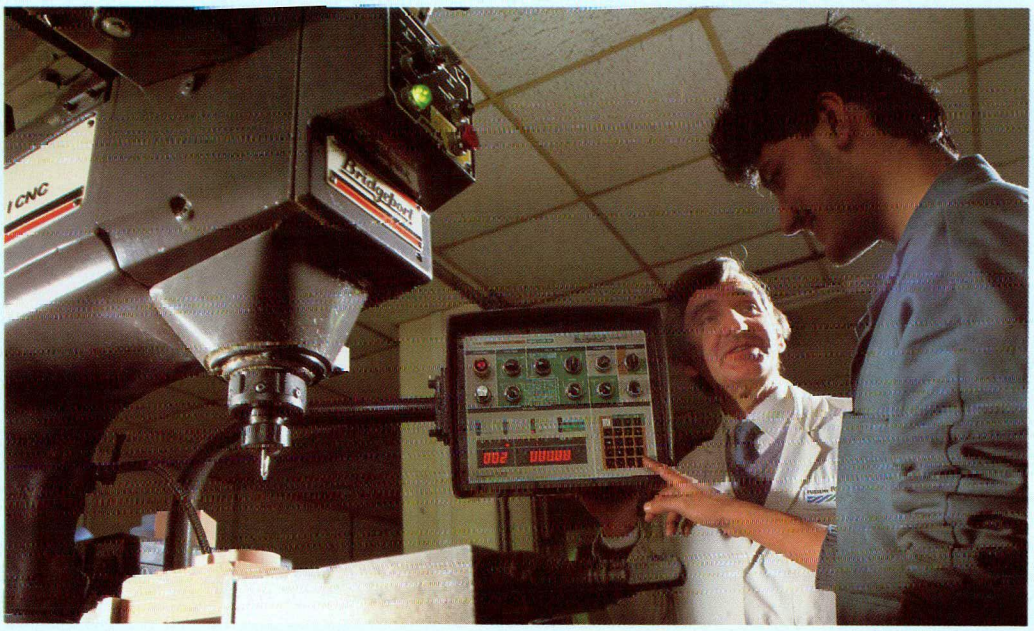
Better skills
How the Government is helping

The Government has expanded and improved training so that more people than ever before have the chance to learn the new skills they need to find a job. Opportunities go to those who need them most:

- all 16 and 17 year olds are guaranteed a place on the **Youth Training Scheme**
- all those aged from 18 to 24 unemployed for 6 to 12 months are guaranteed a job offer, self employment, a place in a Jobclub or support under the Enterprise Allowance Scheme
- all those unemployed for over six months are guaranteed a **Restart** interview every six months.

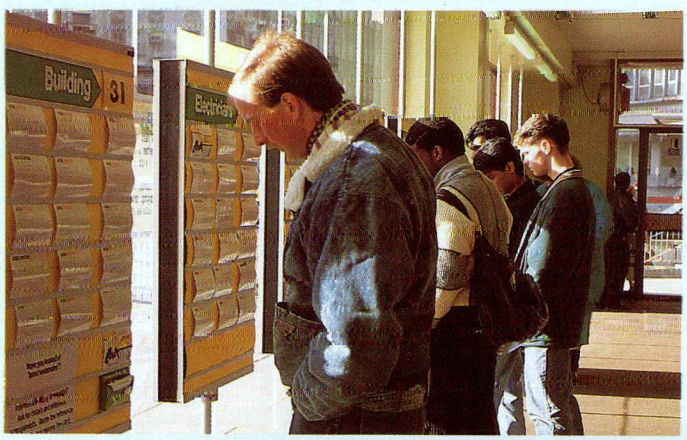
NEW ACTION

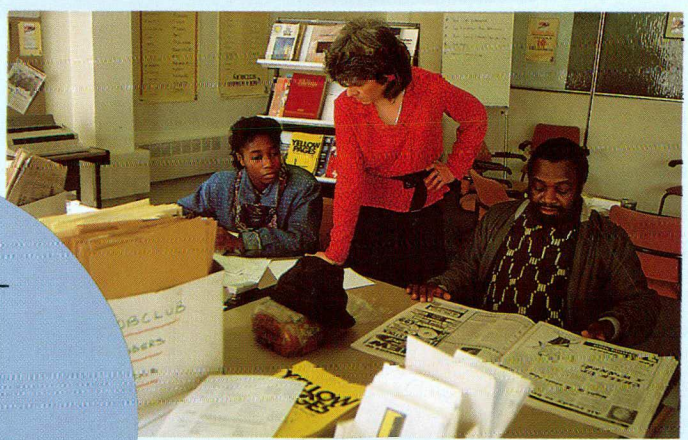
- The successful response to the Compacts initiative has encouraged the Government to fund the development of 26 new Compacts between groups of employers and schools and colleges in inner cities
- 10% of all teachers will gain experience of working in business each year
- all final year pupils will have 2-3 weeks' experience of working in industry; within 5 years, 600,000 pupils should be benefiting every year
- most school governing bodies will have to include governors from local business
- under the new Education Reform Act, the proportion of further education college governors who represent local employment interests will be increased.



Austin Rover provides YTS training at its Engineering Training Centre at Longbridge. This trainee is learning about computer-controlled machinery.

The newly-created Employment Service has brought together Jobcentres and Unemployment Benefit Offices. Unemployed people now have unequalled access to jobs and employment and training programmes. Nearly 500 offices in inner city areas offer a gateway to these opportunities.

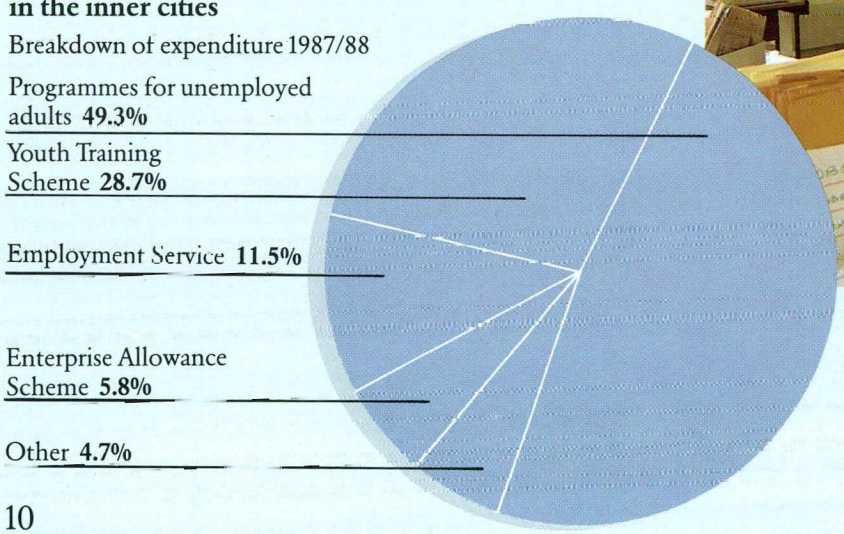




Nearly 500 inner city Jobclubs help 50,000 people a year. About two-thirds – all unemployed for some time – get jobs or training places.

Employment and training programmes in the inner cities

Breakdown of expenditure 1987/88



Employment and training programmes involve nearly half a million people in inner cities a year. In 1987 alone there were almost a million Restart interviews to help the unemployed into suitable training or jobs.

Special inner city initiatives are also:

- providing better information/advice to help residents choose suitable programmes
- giving special help to people lacking basic skills, and training for those who want to become self-employed
- supporting those who are starting a business.

Employment training has unified training programmes for long-term unemployed adults. With emphasis on practical learning and high quality training, it aims to increase the number of people obtaining jobs and to provide a source of skills for inner city employers.

In addition the REPLAN programme provides education opportunities for long-term unemployed adults. It aims to build their confidence and improve their job prospects.

Problems with literacy and numeracy often need to be tackled before people can learn new skills for work. The Government has expanded existing programmes and has set up a new programme of open learning centres in inner cities where adults can tackle their difficulties, using modern computer aids.

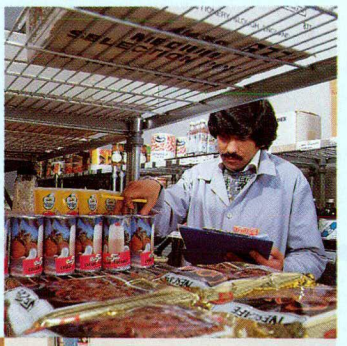
How business is helping

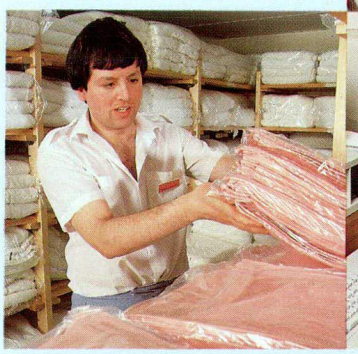
Local businesses have a key role to play in providing training and work experience for unemployed people in the inner cities.

Local Employer Networks promote the involvement of employers in planning vocational education and training locally.

Private sector companies are also showing the way with imaginative new initiatives that link training directly to job opportunities.

The £28 million Copthorne Hotel, Birmingham, was built with nearly £5 million Urban Development Grant support. Its owners, B Cal, provided 28 jobs for local young people as a result of pre-recruitment training initiated by the Task Force to give them the skills the hotel needed.





Tarmac, Handsworth Task Force, DOE and Birmingham City Council are working together to provide employment and training opportunities for local people who are renovating these houses in Handsworth.

NEW ACTION

The Government has acted to improve access, increase awareness and provide incentives for people to join programmes

- plans are well developed to establish new information points in inner city areas
- services have been taken out to housing estates and other inner city areas
- specialist staff have been appointed to help residents explore opportunities, choose programmes and to help them regain confidence, develop new skills and return to work and widen opportunities
- Employment Training has been introduced for people who have been out of work for some time or need new skills
- help will be given to people with literacy and numeracy problems
- employers and training providers are being encouraged to provide relevant training in skills needed for the new jobs becoming available
- programmes include training to enable people to become self-employed.

DEVELOPING CITIES

Between 1981 and 1988 the London Docklands Development Corporation has secured private investment commitments of over £4bn. In the same period the LDDC has spent some £430m of Government grant. It has brought over 900 acres of derelict land back into use and more than 8,000 homes have been built. Some 10,000 jobs have been attracted to the area. The LDDC is working with the local authorities and voluntary groups to improve local schooling and to help raise skills of local people.

Inner cities need to be places where people want to live and work. They only become prosperous if they look welcoming, not derelict. This and later sections explain the Government's drive to help make this happen.

Clearing and developing vacant land is the first step. Industries which have moved away or died have left behind large areas of idle and depressed land. Yet these sites provide new opportunities for the new businesses the inner cities need. The Government has a group of programmes directed to reclaiming derelict sites, encouraging development and improving buildings. Since 1979, it has spent a total of £3,700 million on these schemes, bringing many times more in private investment.

How the Government is helping

Urban Development Corporations (UDCs) are the most important attack ever made on urban decay. They are already transforming inner cities. They have been set up and financed by the Government to:

- assemble sites and reclaim and service large areas of derelict land
- provide land for housing, industry, commerce and leisure
- build roads, improve the environment, raise confidence
- encourage private investment and jobs
- ensure quick planning decisions
- give financial assistance to developers where necessary.

There are three generations of UDCs:

- The London Docklands and Merseyside Development Corporations were set up in 1981. The LDDC has since attracted investment commitments of over £4,000 million with £430 million in public money; the MDC has opened up and reclaimed 600 acres of river frontage

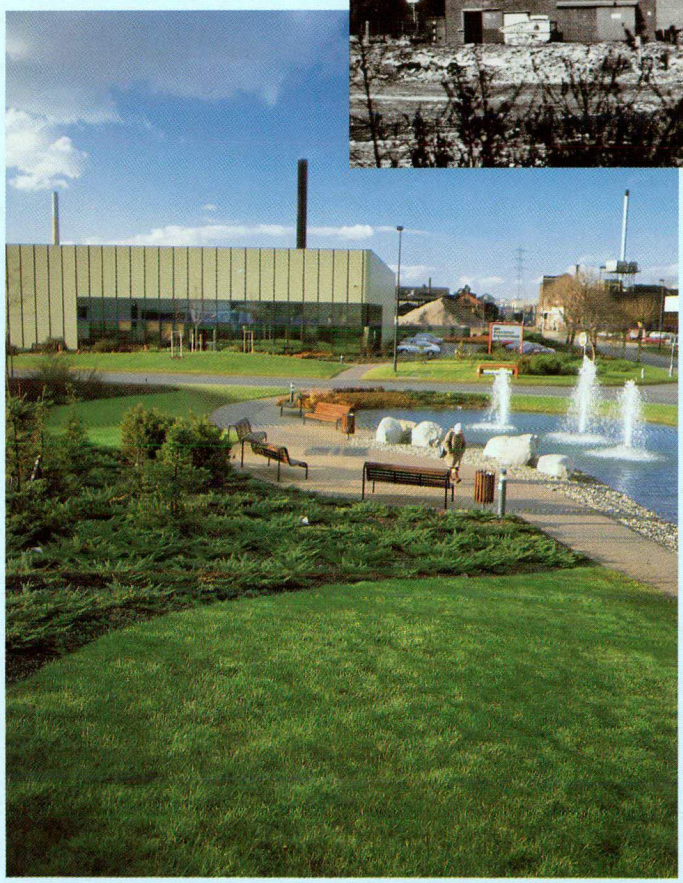
- In spring 1987 the Government launched four new English UDCs in the Black Country, Teesside, Trafford Park, and Tyne and Wear, and one in Wales at Cardiff Bay
- Three further UDCs in Leeds, Sheffield and Central Manchester were established, and the Black Country DC extended, in June 1988
- The Government proposes to set up a UDC in Bristol and to extend the area of the Merseyside DC.

Including the areas of the proposed UDC in Bristol and the Merseyside extension, the Corporations will cover over 40,000 acres. The Government is supporting them with grants of over £200 million in 1988/89, encouraging private investment worth many times more. They are a major, exciting new force in the drive to make inner cities prosperous.

Attracting developers

Some inner city sites stand idle simply because it is not worth anyone's money to develop them. High costs and low demand mean developers cannot get an adequate return on them even though, once developments are under way, confidence may quicken. The Government has for some years run a number of successful grant schemes, designed to get things moving. Some 240 inner city sites are being developed under these schemes, often in places where there has been no private investment for years. The Government has now decided to streamline these schemes with the new **City Grant.**

Through City Grant and its predecessors – Urban Development Grant and Urban Regeneration Grant – public money of £190 million is bringing in £790 million in private investment. Some 34,000 jobs and 9,000 homes are being provided, and 1,500 acres of derelict land reclaimed.



At IMI Holford, 45 acres of derelict and contaminated land – the site of a former chemical works – are being redeveloped to provide 675,000 sq. ft. of industrial and warehouse units. The £28 million project, backed by £5.7 million Urban Development Grant, includes new access roads and a bridge over the River Tame to open up a further 65 acres of derelict land for development.

Freeing land

National **land registers** have been introduced by the Government to highlight unused land owned by local authorities and other public bodies. Since 1981, publicity, statutory action, and financial disciplines on public landowners have led to some 57,000 acres of land on the registers being sold and brought back into use. But there are still more than 8,000 sites totalling 86,000 acres on the registers.

The Government is therefore acting to improve the information available from the registers and to streamline the procedures for requiring public sector owners to sell sites. Businesses and developers wanting to use land on the registers can ask the Secretary of State for the Environment to force the owners to sell it. Where they know of other unused or under-used publicly owned land they can ask him to include it on the registers as the first step to a sale.

An Audit Commission report in February 1988 highlighted the need for better management by local authorities of the land and buildings which they own, including selling what they do not need. The Government is acting on the Audit Commission's recommendations to ensure that local authorities provide more information about their land and buildings.

Making decisions easier and quicker

Cutting out red tape is important in encouraging investment in inner cities. The Urban Development Corporations have shown what can be done. So have **Enterprise Zones** which encourage development both through tax relief and much simpler planning processes. Local authorities now have powers to set up **Simplified Planning Zones** which can be used widely in inner cities to lift barriers to investment and lessen delays. Derby, Corby and Birmingham are among the first inner city authorities to launch these Zones. More will follow.

The Urban Programme

The **Urban Programme** was the first major public spending programme targeted solely on the inner cities. It gives specific grant through local authorities to some 10,000 projects a year in the inner cities. Since 1979, the emphasis of the Programme has shifted. Increasingly it is used to support projects which strengthen the local economy. The priorities are to:

- encourage individual enterprise and help local companies
- improve sites and buildings to raise business confidence, encourage development and remove eyesores
- help local people to help themselves
- encourage local authorities to find cost-effective and innovative ways of meeting local needs
- promote joint projects which, for example, combine job training with improving inner city housing.

In 1987/88 the Urban Programme supported:

- 560 new firms in managed workshops
- the improvement of nearly 5000 acres of unsightly land
- management improvements for over 89,000 council homes
- nearly 90,000 inner city jobs or training places.

NEW ACTION

To step up its attack on urban decay, the Government has now:

- set up a new UDC in the Lower Don Valley, Sheffield
- proposed to expand the existing Merseyside Development Corporation significantly
  - the Sheffield UDC will cover some 2,000 acres and have a budget of £50 million over seven years
  - the Merseyside Development Corporation would take in a further 800 acres and spend from £50-£90 million over the next eight to nine years
- introduced a new streamlined grant – City Grant – to replace Urban Development Grant and Urban Regeneration Grant.

This will

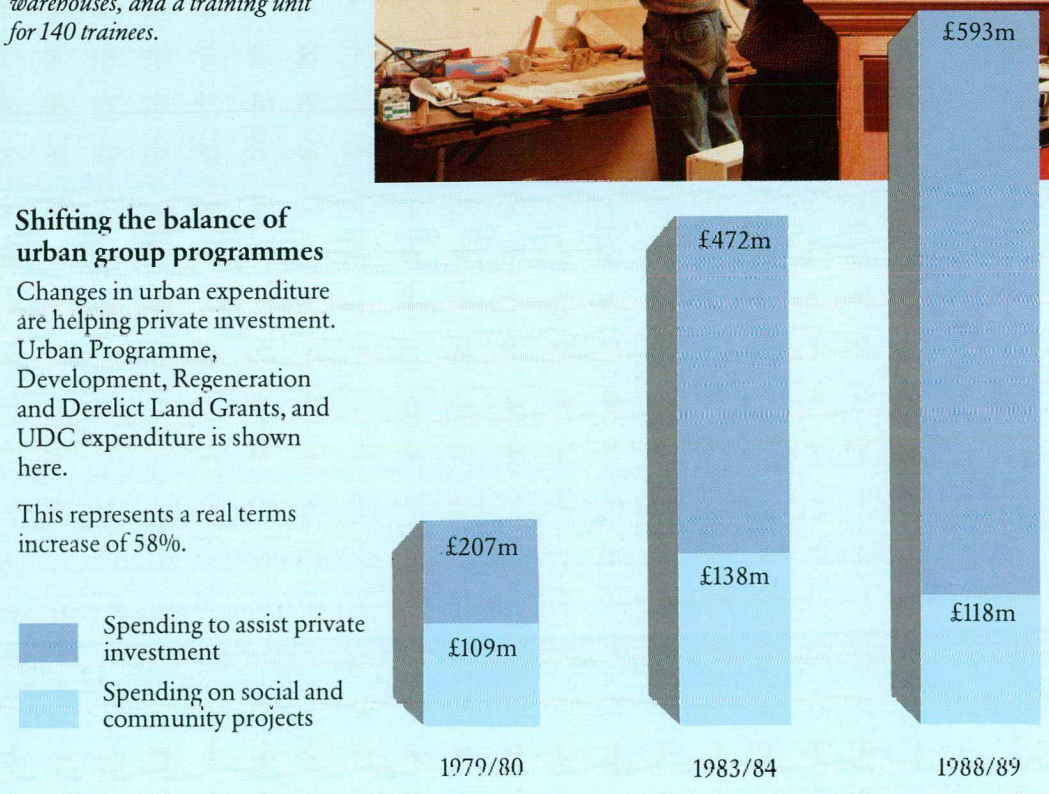
- bridge the gap between costs and value to allow a fair return on investment, and encourage the private sector to invest in projects providing jobs and homes
- simplify procedures with quicker decisions direct from the Department of the Environment
- speed the sale of unused land in public ownership.

The Stonehill Complex, Gateshead, was established with support from the Urban Programme, the Employment Department and Tyne and Wear County Council in an old furniture factory on a 10-acre site. It includes workshops, warehouses, and a training unit for 140 trainees.

Shifting the balance of urban group programmes

Changes in urban expenditure are helping private investment. Urban Programme, Development, Regeneration and Derelict Land Grants, and UDC expenditure is shown here.

This represents a real terms increase of 58%.



The A406 South Woodford to Barking relief road was opened in December 1987. This improves the North Circular Road to the A13, connects to the M11 and so links London Docklands to the national network.

Local roads

Inner cities will benefit from **Transport Supplementary Grant** for over 120 major schemes already or soon under construction costing some £600 million. Examples of schemes of particular relevance to Action for Cities include:

- Wigan Inner Ring Road £15m
- South Bank and Grangetown Bypass in Cleveland £17m
- Wolverhampton Ring Road £24m

Schemes currently under construction:

- Hunter Street improvement in Liverpool £8m
- Middlesbrough Bypass £23m
- Bradford City Ring Road £32m
- Birmingham Middle Ring Road £57m

Schemes planned:

- Old Kent Road and Canal Bridge in Southwark £5m
- Ryton-Crancrook Bypass in Gateshead £6m
- Lewisham Town Centre improvement £27m

Better transport

Good transport is essential for the inner cities. It links them up with Britain's commercial arteries. It helps bring new life to run-down areas. It stimulates the development of new industries and creates new job opportunities.

National roads

National road schemes worth £2,000 million are under construction or planned in the inner cities. They include:

- £123 million link between Denton and Middleton in East Manchester
- £88 million Newcastle Western Bypass
- £75 million A1-M1 link south east of Leeds
- £106 million Hackney Wick to M11 link
- £170 million A449 West Midlands Western Orbital Route

Buses

The deregulation of local buses outside London has freed operators to run services wherever they see a commercial opportunity. Greater flexibility has allowed them to tailor services to meet local needs.

Railways

The London Docklands Light Railway has shown how an innovative transport scheme can help attract private sector development. Its success has encouraged the major development of Canary Wharf where the developers are jointly funding the railway's extension to Bank Station. Another £170 million extension eastwards to Beckton will be paid for entirely from increases in land values generated by the LDDC's development programme and the new railway.

Other cities are now looking to follow this example. Most advanced of these is the proposal to build a 19-mile system in Manchester.

The Docklands Light Railway opened by HM The Queen in July 1987. Its first 7.5 mile stretch was financed by the LDDC and London Regional Transport. Olympia and York, the company developing Canary Wharf, are investing £68 million in the extension of the railway to Bank.

Improvements to Bristol Docks include the leasing of Bathurst Terrace to Ideal Homes to develop homes for sale.

NEW ACTION

The Government is to fund three new road projects. They will directly benefit the inner cities.

- £60 million improvements to the A13 between Limehouse and Dagenham which will help the redevelopment of London Docklands and link into the London Docklands Development Corporation's new distributor road
- a £50 million Black Country spine route which will provide an improved link through the Black Country Urban Development Corporation area to the M5 and M6
- largest ever Department of Transport Industrial Development Act Grant (worth up to £3m) to provide access to the Meadowhall development in the Lower Don Valley, which is expected to provide several thousand new jobs when completed.

The Victorian frontage of Preston Railway Station being restored by McAlpines with the support of the Government's Community Programme in a project jointly promoted by British Rail, the Railway Heritage Trust, Preston Borough Council and Lancashire County Council.

Inner cities will only prosper if they are safe places in which to live and work, to provide services and new businesses. Crime can undermine the efforts described in earlier sections.

Inner cities suffer disproportionately from crime especially burglary and theft, vandalism and street crime. Revival will not take place if crime is left unchecked. People need a sense of security.

People rightly look first to the police to protect them against crime. Since 1979 police and civilian manpower in England and Wales has increased by 19,000. More police are on the streets. Action has been taken to improve relations between police and the public they serve. More black and Asian police officers are being recruited.

How local people are helping

The police cannot provide the whole response. Individuals – the neighbourhood watch organiser, the youth club leader, the victims' support co-ordinator, the conscientious businessman – make the difference between success and failure.

Recent Home Office demonstration projects in Bolton, Croydon, North Tyneside, Swansea and Wellingborough brought together police, probation, local authorities, voluntary organisations and the private sector. These **Five Towns** projects have shown what can be done. With Government support local people have come up with effective measures.

Lock fitting, entry phones and neighbourhood watch schemes have helped reduce burglaries and made people feel safer in their own homes. The involvement of local residents in running housing estates has helped to restore confidence, pride and a sense of belonging. Young people can be diverted from crime into helping the community, finding new interests and a new sense of purpose.

This security team is part of a Community Programme scheme managed by Bradford Metropolitan Council, in conjunction with the Employment Department. The team fit door-viewers, safety chains, and window-locks free for senior citizens, disabled people, and one-parent families.

BETTER HOMES AND ATTRACTIVE CITIES

British housing compares well with the best in Europe. Our level of home ownership is amongst the highest in the world, and in some inner city neighbourhoods there are areas of excellent housing.

But there are also too many parts of our inner cities where people face very poor quality housing. And they tend not to be the kind of place where those who want to buy their own homes think of looking. Many people who work in the city centre have moved out to the suburbs and beyond. Those who remain are often the unemployed and the unskilled, people without the resources to move away.

This has not always been the case. In the heyday of the older industrial centres, people who managed or owned businesses lived in the city centres. They shared a common pride and interest in the quality of life in those cities with the people who worked in them. The Government is keen to create conditions which encourage more managers and professional people to return to the cities.

The Government has two priorities: to secure a wider range of good quality housing available for rent and to buy, and to improve conditions and opportunities for people living in local council estates.

How the Government is helping

The private rented sector

The Government wants to stimulate a revival of the private rented sector. There are more than half a million privately owned homes currently lying empty, many of them in inner city areas. But unless landlords can get a reasonable return they will have no incentive to invest, let their properties or improve them.

The Five Towns experiment shows how crime and the fear of crime can be reduced:

- burglary fell by over 20% on an estate in Bolton
- theft of cars was reduced by over 20% in an area of North Tyneside
- on an estate in Swansea 60% of people felt less fear of crime after a lock fitting scheme.

NEW ACTION

Safer cities

Building on the success of the Five Towns experiment, the Government is now launching a major new initiative, the first of its kind anywhere in Europe. The purpose is to engage the energy and commitment of local people in action to reduce crime and the fear of crime

- Safer Cities schemes, with Government funding, are being launched in 9 inner cities in the current year and in 11 more over the following 2 years
- local teams will pull together the efforts of the police and probation services, local businesses, the local authority and voluntary groups
- they will identify particular problems of those areas and come up with local solutions
- £2.3 million will be available in 1988/89 to support local initiatives.

At Kingsmere (Downhill), in Sunderland, Wimpey Homes are remodelling 10 three-storey council blocks for low-cost flats for sale. Urban Development Grant of £1.1 million is supporting private investment of £1.7 million. Most of the finished units have been sold. Prices are between £14,000 and £16,000 for one and two bedroom flats.

The Government has proposed reforms. If Parliament approves, private landlords will be able to charge a market rent. Tenants would then once again have a bigger choice of private houses and flats to rent.

To meet the expected new demand, the private sector is already setting up organisations like the Quality Street initiative, backed by the Nationwide Anglia Building Society, providing up to 40,000 good quality, well-managed, privately let homes. Such initiatives will bring new investment in rented housing and compete for tenants through their quality of service and efficiency.

Housing Associations

Housing Associations own and manage half a million homes. They have a proven record of providing good quality housing for tenants, and they already concentrate their efforts in the inner cities. Many of them are now working to get extra support from the private sector and to tap new sources of finance to expand their building programme. The Housing Bill proposes more flexible grant arrangements to encourage this. This would increase the provision of property to rent in the inner cities. It would also ensure more competition, better standards of service and more choice for tenants and home buyers.

A wider range of housing for sale

The availability of high quality homes for sale in the inner cities is important to attract back the people who will create new employment to stimulate the local economy. There is already a good deal of building for sale in the inner cities. City Grant can help with such developments. Unused or derelict land can be made available to the private sector for new house building and the Government's measures to encourage development will play an important part.

For people with modest incomes, Right to Buy, homesteading, self-build and shared ownership schemes can offer an attractive alternative to renting.

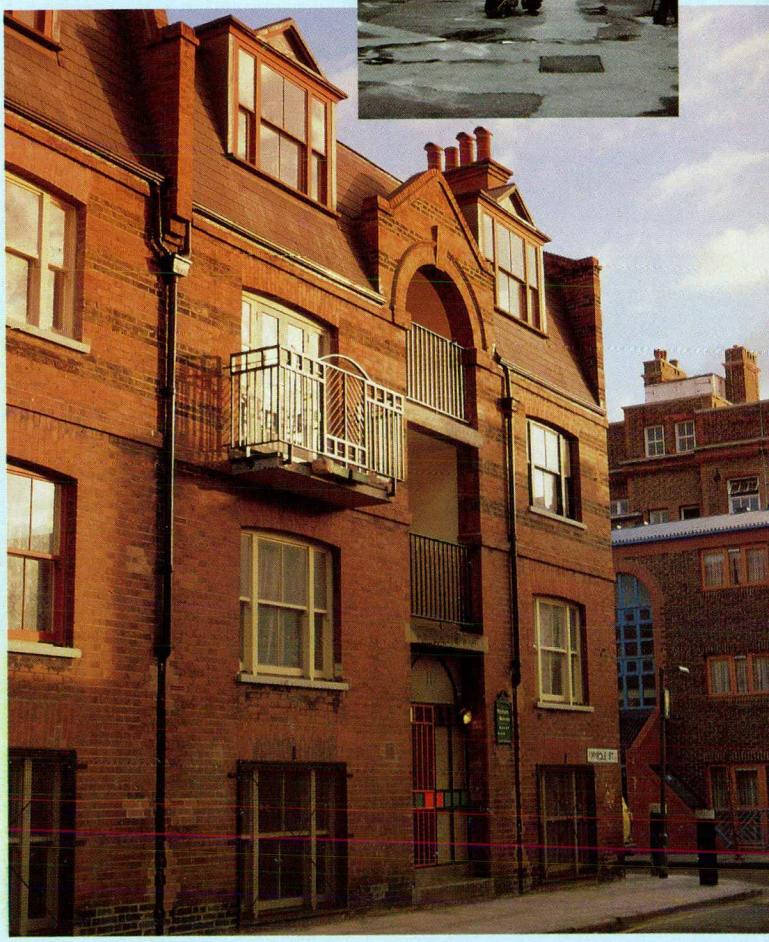
Improving council estates

At the moment almost all rented housing is provided by local councils. The quality in many areas is good. But in the inner cities much of the post-war local authority housing consists of monotonous concrete estates, with poor design and layout, graffiti on the buildings and rubbish on the streets. The problems are formidable but many local authorities have simply failed to manage these estates. They suffer too often from remote and bureaucratic management, insensitive allocation procedures, and a poor record on maintenance and repair. Tenants feel they have no power and no say.

Giving council tenants choice

The Housing Bill proposes a new **Tenants' Choice Scheme** which would for the first time give council tenants the right to seek another landlord if they were not satisfied with their local authority. They would be able to choose to transfer to a tenants' co-operative, a housing association or a private landlord. And they would at last be given power to do something about their complaints. They would be able to agree better management arrangements and ensure that they have a say in the future of their estates. The spur of competition would benefit all tenants in local authority housing, whether or not they chose to remain with the local authority.

Fieldgate Mansions in Spitalfields are being renovated by the Samuel Lewis Housing Trust with additional help from the Spitalfields Task Force. The bottom floor flats are being converted into small workshops for local businesses.



***Community Refurbishment Schemes** like this one on the Danes Estate in Hull combine Urban Programme and Employment Training resources to involve local unemployed people in improving run-down estates. Work includes repairs to garden boundaries, providing car parking and landscaping.*

Tackling the worst estates

The **Priority Estates Project,** begun in 1979, has shown how to improve the management and maintenance of the most run-down council estates. Locally-based management, working together with tenants, is succeeding in turning round some of the most difficult estates.

The **Estate Action** programme helps with extra Government funding: £140 million in 1988/89. Tenant self-management, co-operatives and ownership trusts are examples of the different solutions being tried. But the success of these projects should not be measured in terms of improved houses alone. Another big achievement is the re-establishment of tenants' self-respect, and their pride in their own homes and neighbourhoods.

Estate Action:

- brings empty homes back into use
- increases security and combats crime and vandalism
- cleans up squalor
- improves repair standards and maintenance services
- increases variety of tenure
- encourages estate-based enterprise initiatives
- stimulates tenant self-help
- brings private sector money and initiative into council estates

Housing Action Trusts

In some inner city estates, problems have become so chronic that local authorities cannot be expected to solve them. For some of the worst estates, the Government has introduced proposals in its Housing Bill, currently before Parliament, to set up Housing Action Trusts (HATs). These would be single-minded organisations, modelled on Urban Development Corporations.

HATs would take over estates from their present council landlords, improve them using public and private sector resources, and manage them better, fully involving tenants. The properties would then be passed to new owners including housing associations, private landlords, tenant co-operatives or home owners.

The Government has announced 6 areas – in Southwark, Lambeth, Tower Hamlets, Leeds, Sunderland and Sandwell – where the designation of HATs is being considered.

HATs would also help to provide job opportunities and encourage the enterprise of local people. They would help break the link between council estates and very high rates of unemployment. They would demonstrate that given effort and dedication, new hope and life can be brought to the most depressing areas of inner city housing. The Government proposes that HATs would have £125 million of taxpayers' money to spend over the next three years.

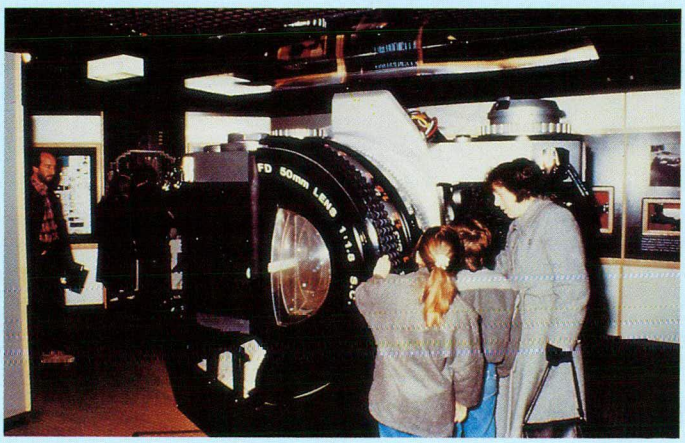
Greening the cities

The Government spends some £50 million through the Urban Programme each year on environmental improvements. Untidy sites are cleared and planted. Parks and open spaces are improved. Key road and rail corridors and waterways are landscaped. The Urban Programme deals with some 5,000 acres and cleans or restores some 2,000 rundown buildings and shops each year.

Costains bought this redundant leather factory at Turney's Quay, Nottingham, and, with Urban Development Grant, have built 52 new houses and converted the factory into 32 maisonettes.

Hackney Grove Garden, London was created using Urban Programme capital funding, converting this half-acre derelict site of a burnt-out toy factory into a community garden.

Boys from Hackney and Haringey competing in the Metropolitan Police Five-a-Side football competition.



The giant SLR camera in the Museum of Photography, Film and Television in Bradford.

The Arts

Arts projects which attract local support make places much more pleasant to live and work in and encourage commercial development.

Much is now being done to bring together local public and private sector interests in stimulating the growth of arts projects. Typical examples are:

- In Bradford, the historic Alhambra Theatre has been reopened. A National Museum of Photography, Film and Television has opened. This, together with exploitation of the city's industrial heritage, has made a major contribution to the growth of tourism and jobs
- In Bristol, the disused dock area has been extensively redeveloped, with the Arnolfini arts centre, the Watershed multi-media centre and industrial museums, including the SS Gt Britain
- In Liverpool, the Albert Docks development will house the Merseyside Maritime Museum, the Tate Gallery of the North and Granada TV's news centre.

Sport

The Sports Council, which handles all Government money earmarked for sport, gives priority to the inner cities. It now spends about £11 million each year on projects for areas and groups of special need including the young, the unemployed and ethnic minorities. Where possible it also encourages projects which provide employment and training in sport. The Government increased its grant to the Council by over £2 million to £39 million in 1988/89, with this area of work as a priority for additional resources.

The Minister for Sport is undertaking a review of sport and recreation in inner cities to see whether resources can be used more effectively and whether further private sector involvement can be encouraged. The review group will report its findings early in 1989.

Tourism

Tourism is already making an important contribution to inner city redevelopment. It builds on the industrial, commercial and cultural history of many of our cities. Spending by visitors helps local businesses, particularly in the retail and service sectors, encourages enterprise and stimulates investment. Environmental improvements which make cities attractive to visitors make them attractive to new investors and businesses. Successful tourism projects are already providing this stimulus in many areas such as Bradford, Manchester, Wigan and Birmingham.

Financial assistance from the English Tourist Board has helped a number of major inner city tourism developments led by the private sector. The Urban Programme has also supported projects which help encourage inner city tourism.

NEW ACTION

The Government believes that the tourism potential in inner cities remains under-developed. It has asked the English Tourist Board to stimulate further tourism development proposals.

A clean and well-maintained environment is vitally important to business confidence. **Derelict Land Grants** meet the costs of bringing land spoiled by old industries back to a usable state, often paving the way for further new development. Grants can bring ten times their value in private investment when cleared sites are developed for housing or industry. About £25 million of Derelict Land Grant will be available in the inner cities in 1988/89.

The most important contributions are coming from local people. There are many projects which enable them to take part:

- the **Tidy Britain Group** mobilises voluntary action to prevent and clear litter through its Community Environment Programme. It works with schools to develop children's environmental responsibility and awareness
- the **Groundwork Foundation** is improving urban wasteland and the forgotten areas around towns and cities. Its Brightsite campaign is helping companies to fight the environmental blight that many firms have inherited in and around their premises
- **UK 2000** has combined environmental work with worthwhile training and work experience for the long term unemployed. It has raised £1.4m in business sponsorship to match its Government grant, and after 2 years had nearly 400 Community Programme projects running with some 9,000 approved places
- Nearly one quarter of the 3,500 events and activities linked in the UK with the European Year of the Environment helped to improve the urban environment.

WALES AND SCOTLAND

The emphasis of the preceding sections has been on English inner city areas. The facts and figures quoted so far refer to England, unless otherwise specified. But the Government is equally concerned to tackle the problems of the inner cities in Wales and Scotland.

Wales

New opportunities are being created by targeted spending in urban Wales.

The Principality has seen one of the most ambitious land reclamation drives in Europe. 8,000 acres have been cleared since 1979. But much remains to be done. Over the next three years the **Welsh Development Agency** will spend £75 million on its land clearance and urban renewal programme: 40% more than originally planned.

Opportunities for new businesses, new investment and new jobs are coming directly from urban grants. Since 1979 Wales has seen:

- the creation or safeguarding of 28,000 jobs by the Urban Programme
- £162 million committed in private investment in schemes backed by Urban Development Grant
- projects to build over 2,000 new homes with UDG support often in areas which have not seen new private housing in years

The urban areas of Wales are being reinvigorated. The Cardiff Bay Development Corporation – formed in April 1987 – is already well up on its plans to breathe new life into the derelict docklands. Vivid results can be seen in seven towns following the launch of the **Valleys Initiative** in 1986. The publication of 'The Valleys: A Programme for the People' in June 1988 launched a major new programme of action designed to improve economic, environmental and social conditions throughout the South Wales Valleys.

Scotland

The challenges faced by Scotland's cities and industrial towns are similar to those elsewhere in Britain. So is the Government's approach to tackling them. But the means sometimes differ.

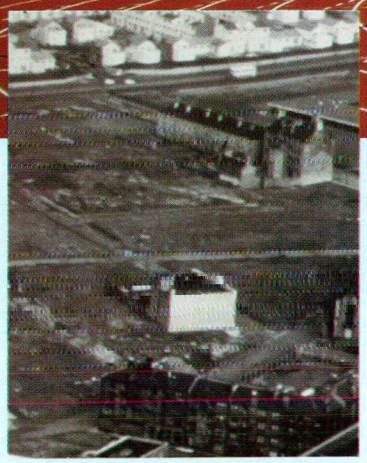
The **Scottish Development Agency** (SDA), for example, is a major instrument for achieving urban renewal in Scotland. It has led or is currently leading important initiatives in Glasgow (Glasgow Eastern Area Renewal-GEAR), Leith, Motherwell, Coatbridge, Dundee, Inverclyde and Clydebank. The GEAR project was a major co-operative effort to revive one of the most run-down areas in Europe. Local authorities, the Scottish Special Housing Association (SSHA) and the Housing Corporation in Scotland (HCiS) have been developing and improving housing: they have been encouraged to tackle housing problems in run-down areas and to take community-based initiatives. The private sector has worked in close partnership with the public sector.

The Government is determined to sustain the momentum. Urban renewal is to be a major priority for the SDA. Funds for the Urban Programme have been further increased. Scottish Homes will soon be created as a new and important housing association building on the expertise of SSHA and HCiS.

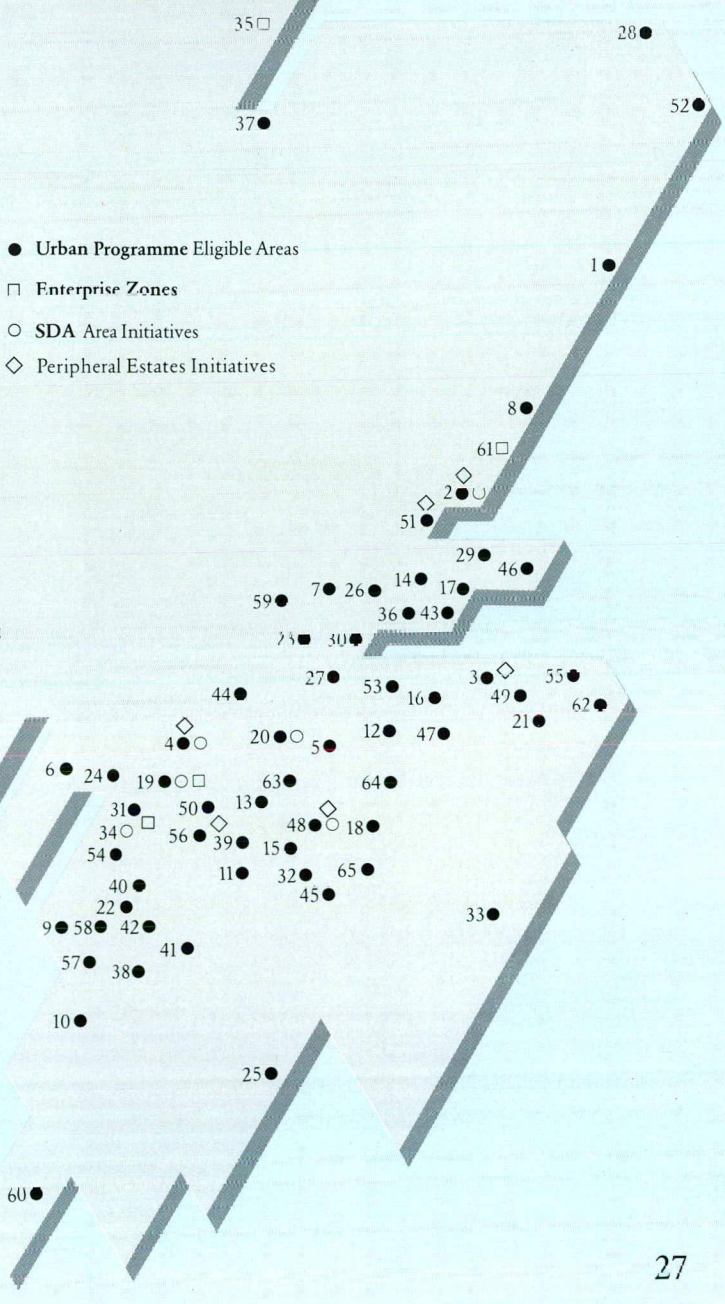
Priority is now being given to revitalising large peripheral housing estates. The Government has established four major new initiatives in Glasgow (Castlemilk), Paisley (Ferguslie Park), Edinburgh (Wester Hailes) and Dundee (Whitfield), in partnership with the local communities, the private sector and the local authorities. The SDA, with the local authorities, the HCiS and the private sector, is supporting three further smaller scale initiatives.

These and other current action and plans in Scotland are explained more fully in the separate document 'New Life for Urban Scotland', published in March 1988.

Cardiff Bay Development Corporation – bringing new life to the docklands of Cardiff.



Crown Point Sports Centre, in the East End of Glasgow, is a sport and leisure centre established on previously derelict ground with support from the Scottish Development Agency and the Urban Programme.



Target areas in Scotland

1 Aberdeen
2 Dundee
3 Edinburgh
4 Glasgow
5 Airdrie
6 Alexandria
7 Alloa
8 Arbroath
9 Ardrossan
10 Ayr
11 Barrhead
12 Bathgate
13 Bellshill
14 Benarty
15 Blantyre
16 Broxburn
17 Buckhaven/Methil
18 Cleland
19 Clydebank
20 Coatbridge
21 Dalkeith
22 Dalry
23 Denny
24 Dumbarton
25 Dumfries
26 Dunfermline
27 Falkirk
28 Fraserburgh
29 Glenrothes
30 Grangemouth
31 Greenock
32 Hamilton
33 Hawick
34 Inverclyde
35 Invergordon
36 Inverkeithing
37 Inverness
38 Irvine
39 Johnstone
40 Kilbirnie
41 Kilmarnock
42 Kilwinning
43 Kirkcaldy
44 Kirkintilloch
45 Larkhall
46 Leven
47 Livingston
48 Motherwell
49 Musselburgh
50 Paisley
51 Perth
52 Peterhead
53 Polmont
54 Port Glasgow
55 Prestonpans
56 Renfrew
57 Saltcoats
58 Stevenston
59 Stirling
60 Stranraer
61 Tayside
62 Tranent
63 Viewpark
64 Whitburn
65 Wishaw

The development of 120 acres of vacant and under-used land along the banks of the River Lagan will be undertaken by a new Laganside Development Corporation. There will be opportunities for up to £250 million investment in housing, leisure, commerce and industry in a high quality environment.

Much has been achieved in Belfast in recent years.

- Housing unfitness has fallen from 24% in 1974 to 9% today and Government has invested some £1 billion in housing programmes in Belfast in the last 10 years.
- Recent and committed investment in major retailing and office developments in the City Centre totals £200 million, much of this stimulated by Urban Development Grant.
- In the last 5 years, 4200 jobs have been promoted by the Local Enterprise Development Unit; 1360 jobs created by the Industrial Development Board with a further 10,380 renewed or maintained; and 3500 young people are now being trained annually in 21 workshops throughout the City.
- Within disadvantaged areas, a series of local enterprise centres are being established with financial help from LEDU, and a number of major community business ventures have been supported by Government.
- The Belfast Action Team initiative was launched 18 months ago and is intended to provide employment and improve employability, encourage enterprise and innovation, secure greater private sector contribution and improve the delivery of public sector programmes. Four teams are in place, each covering an area of 10-15,000 people and four more teams will be in operation by the end of the year. Each team is led by an officer on 2-year secondment and is allocated £½ million budget, with access to more funds if required.

NORTHERN IRELAND

In July, the Government announced a new programme – "Making Belfast Work" – to reinforce the existing efforts aimed at regenerating the most disadvantaged areas of Belfast. The purpose of this programme is to:

- stimulate greater economic activity;
- develop local enterprise;
- improve the quality of the environment;
- equip the people of the areas to compete successfully for available employment;
- enlist the involvement of local communities.

However, more needs to be done to generate increased economic activity for people in the disadvantaged areas experiencing high levels of unemployment, relatively low levels of skill, poor educational qualifications and a depressing physical environment. To begin the process of improvement under this programme, Government allocated an additional £10 million for 1988/89 and this is being used to enhance training and education, accelerate the creation of small businesses, support local enterprise initiatives, finance community employment schemes, establish new Job Markets and Job Clubs, improve health and school facilities, and carry out environmental improvements. The expanded Belfast Action Team's network will cover all the disadvantaged areas and a special Government unit has also been established to drive the new programme forward.

Government will seek to harness the goodwill which exists in these communities together with the skills and resources of the private sector in the production of action programmes to secure improvements in prospects and prosperity.

CONCLUSION

In Gateshead 115 acres of marshland used for dumping ash are being transformed into a £200m retail, business and leisure development – the Metrocentre – by the Cameron Hall Development Company with the backing of the Church Commissioners. It includes major stores like Marks & Spencer and Boots, a 10 screen cinema, hotel and boating lake, and, when completed, will provide 6000 new jobs.

The Government is determined that inner cities should be given a chance to share in the nation's prosperity. They should be made attractive places to invest in, work in and live in. This booklet explains how.

Many of the measures described are bold and ambitious. They will not be easy to achieve. Certainly they will not all show results overnight.

But they are possible. The inner cities can be revived. The Government will play its part: that is why it has published this document. But success will only happen if everyone plays their part – above all, the people who live in the cities themselves.

The time has come to end the pessimistic talk about the inner cities. It holds people back and achieves nothing. What is needed now is action and results. *Action for cities.*

TARGET AREAS

■ **Target Areas**

▲ **Enterprise Zones**

A	Corby	K	Rotherham
B	Delyn	L	Salford/Trafford
C	Dudley	M	Scunthorpe
D	Glanford	N	Speke (Liverpool)
E	Hartlepool	O	Swansea Valley
F	Isle of Dogs	P	Telford
G	Middlesbrough	Q	Tyneside
H	Milford Haven	R	Wakefield
I	N.E. Lancashire	S	Wellingborough
J	N.W. Kent	T	Workington

* **Urban Development Corporations**

a	London Docklands	f	Black Country
b	Merseyside	g	Cardiff Bay
c	Trafford Park	h	Leeds
d	Teesside	i	Sheffield
e	Tyne and Wear	j	Central Manchester

Proposed

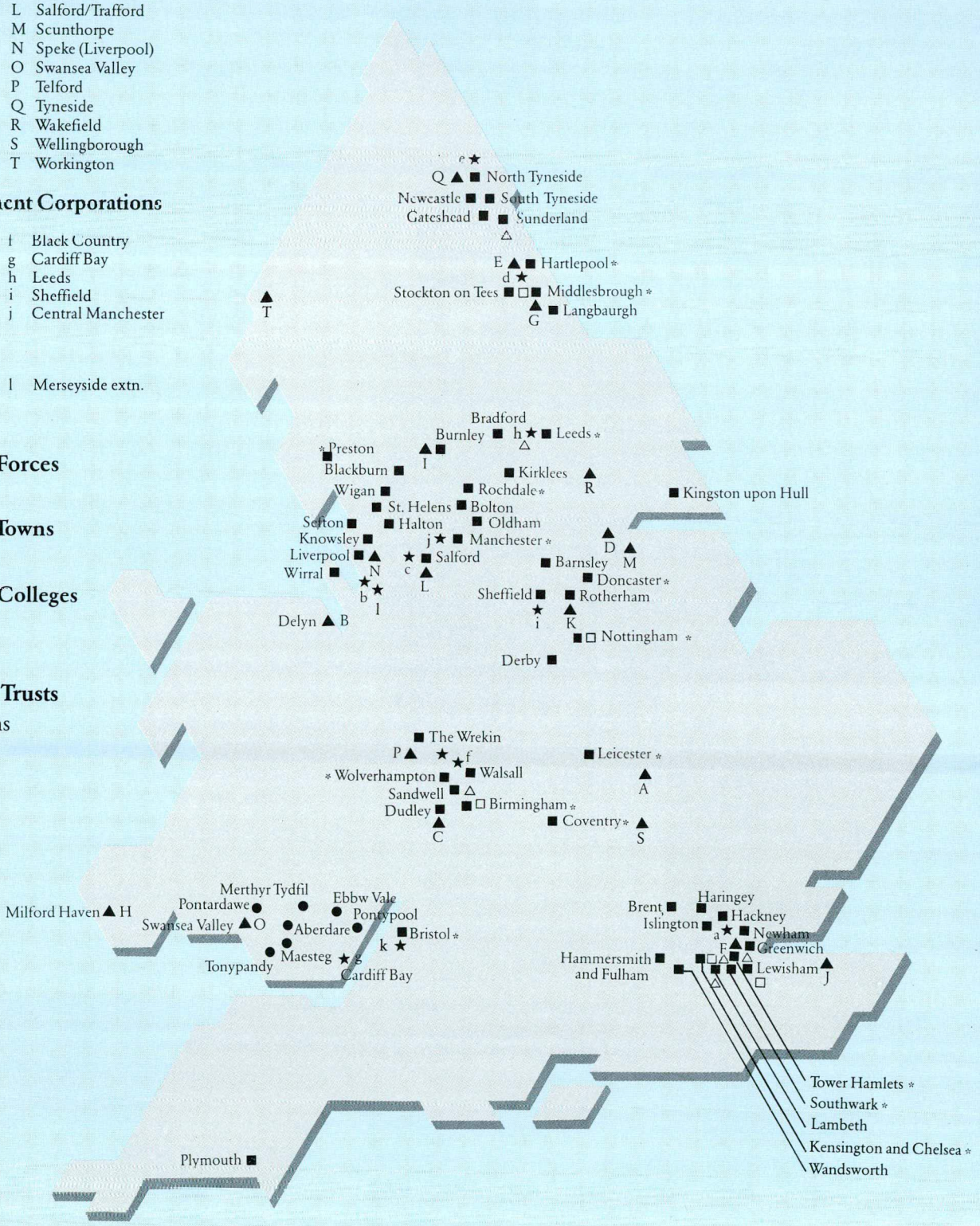
k	Bristol	l	Merseyside extn.

* **Areas with Task Forces**

● **Valley Initiative Towns**

□ **City Technology Colleges**
Planned so far

△ **Housing Action Trusts**
Proposed locations



GUIDE TO *ACTION*

This guide gives companies and businessmen practical advice about how they can help the drive to make inner cities more prosperous, and how the Government can help them. It shows relevant business organisations and Government Departments. It does not cover Wales and Scotland.

Information about how companies can help and Government inner city programmes is available free on **Linkline 0800 181518.**

	What companies can do	Contact	How Government helps companies
Business leadership	Senior executives of local companies can form city-based groups to provide a lead in developing inner city areas.	BIC CATs CBI Phoenix ABCC	City Action Teams can offer practical help and advice on Government programmes and schemes to business-men.
Management support, advice and secondments	Sponsor Local Enterprise Agencies which offer advice to new and existing businesses and other support including managed workshops and loan funds. Companies can also second staff to LEAs.	BIC DTI	The Enterprise Initiative offers firms of under 500 employees grants for consultancy projects to improve marketing, design, quality of product, manufacturing processes, business planning and information systems. There is a higher rate of grant for inner city firms.
		DE	Smalls Firms Service offers business advice. New sub-offices have been established in 6 inner city locations.
Funding investment	Larger companies and financial institutions can establish special funds to help small businesses.	BIC DTI CBI TF ARC	Enterprise Initiative offers from April 1988 innovation and investment grants for very small businesses (under 25 employees) in Development Areas and South Yorkshire. Regional Selective Assistance is available for investment projects undertaken by firms in Assisted Areas.
		DE	Loan Guarantee Scheme provides 70% cover on bank loans taken out by small firms. From April 1988 the loan guarantee will be increased from 70% to 85% for small businesses in inner city Task Force areas.
Training and recruitment	Manage or participate in Government training schemes and provide training places.	DE	Youth Training Scheme offers foundation training for all 16 and 17 year olds.
		DE	The new Employment Training programme for adults was introduced in September 1988. Through practical training it will provide the skills they need to compete for jobs.
		DES	REPLAN courses for the adult long-term unemployed are run jointly with local industry in inner cities.
	Develop special training and recruitment programmes designed expressly for inner city residents. Employers can link up with the Government and further and higher education institutions to train people in skills required for specific new jobs. These packages are known as customised training – put together for an employer with specific jobs to fill.	TF	
		DES	The PICKUP programme develops training packages tailored to the needs of companies.
	Companies can help the Government and Industrial Society give youngsters work experience and an insight into business through enterprise training in the Headstart programme.	Industrial Society	
	Review recruitment to ensure that employment opportunities are open to all inner city residents.	CRE Home Office EOC DE	DE Race Relations Employment Advisory Service provides free advice to employers on good practice.

	What companies can do	Contact	How Government helps companies
Premises and land	Make better use of land and buildings.	DOE CATs	City Grant, introduced in May 1988, bridges the gap between the cost of developing land and buildings in inner cities and its value, to allow developers a fair return on investment. Enterprise Zones encourage development through tax relief and simplified planning procedures. Simplified Planning Zones encourage development through simplified planning procedures.
	Sponsor Managed Workshops which offer new businesses easy access to small premises with advice and support, often from an on-site management team.	DTI English Estates	English Estates supports managed workshops in inner cities.
Industry/education links	Schools and local firms can enter into partnerships. In London 40 companies offer firm job prospects, work experience or other help to 1000 pupils in 6 schools. Students have to meet agreed standards of attendance and punctuality.	DES DE	The Government is funding the development of 26 new Compacts between groups of employers and schools and colleges in inner cities.
	Companies can help to fund and run City Technology Colleges which are new secondary schools offering free education with a strong element of science and technology for pupils of wide-ranging ability in urban areas.	CTC Trust	
	Local businessmen can act as school governors.	DES	
Purchasing	Support new and expanding small businesses by finding and using inner city suppliers, and paying bills on time.	BIC	
Supporting voluntary effort	Many voluntary groups working in the inner cities need management advice, secondments and training provided by companies.	BIC NCVO ARC	
Crime prevention	Companies can protect their staff and property against crime; support schemes to reduce crime and the fear of crime in their areas by secondments, sponsorship or financial support for crime prevention schemes.	BIC DOE Home Office	Urban Programme Grants (through local authority)

ABCC – Association of British Chambers of Commerce
BIC – Business in the Community
TF – Government Task Forces
CBI – Confederation of British Industry
CATs – Government City Action Teams
DES – Department of Education and Science
DOE – Department of the Environment
DTI – Department of Trade and Industry
DE – Department of Employment
NCVO – National Council for Voluntary Organisations
CRE – Commission for Racial Equality
EOC – Equal Opportunities Commission
ARC – Action Resource Centre

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REGIONAL IMBALANCES

lg2

CONFIDENTIAL

FROM: S N WOOD
DATE: 16 January 1989

CHANCELLOR

cc Chief Secretary
Financial Secretary
Paymaster General
Economic Secretary
Sir P Middleton
Mr Anson
Sir T Burns
Mr Byatt
Mr Monck
Mr Phillips
Mr Burgner
Mrs Case
Mr Edwards
Mr Kelly
Mr Luce
Mr Moore
Mr Spackman
Mr Potter
Mrs Holmans
Mr Betenson
Mr Cotmore
Mrs Chaplin
Mr Call
Mr Tyrie

REGIONAL IMBALANCES: MEETING WITH MR RIDLEY, 18 JANUARY

You have arranged to meet Mr Ridley in order to discuss the contribution DOE might make to alleviating the regional imbalances discussed at your meeting on 21 December. After that meeting, the Chief Secretary wrote to Mr Ridley on 23 December asking for some assurances on DOE's proposals for the planning system and making a suggestion for encouraging development authorities to look for deals on planning gain. Mr Ridley replied on 9 January. Copies are at ~~Annex~~ B. Subject to your views following your discussion with Mr Ridley, we propose to advise the Chief Secretary to reply briefly, agreeing to the issue of the White Paper.

2. At your meeting, you selected from the ideas in Mr Monck's submission of 4 November the following to raise with Mr Ridley:-

(i) the planning system and regional guidance to counties and districts on planning;

(ii) encouraging local authorities who might be reluctant to plan for needed development to look for arrangements with developers to share planning gain with the community through, for example, the provision of infrastructure;

(iii) encouragement of developers prepared to include common land for recreation within proposed new estates;

(iv) a more sympathetic approach to applications by developers to create new villages in rural areas; and

(v) strengthening the pressures or incentives for disposals of underused public sector housing and land for development.

(see CST's note behind record of colleagues meeting)

3. The common theme is that the supply of land with planning permission for development should be increased throughout the country, not least in the South East where land prices, and house prices have been driven up against the scarcity, under existing controls, of building land. This can be done, we think, while maintaining or improving environmental values.

Summary of Points to Make

Planning - Concern that devolution of planning to districts could lead to obstruction of desirable development.

- Main safeguard is DOE regional guidance, agreed with DTI. Guidance for metropolitan areas we have seen is on the right lines, but how will DOE enforce it on districts?

- Subject to that, content for DOE White Paper on planning system to be published end-January.

Planning gain

- Suggest DOE guidance on "planning gain", where development authorities can ask developers to undertake works related to the development (eg school, roads) as a condition of planning permission, could be extended to works not related to the development concerned.

- If so, suggest a new circular on planning gain to update the 1983 guidance.

Housing and recreational land

- One option for "planning gain" is to build in recreational land to housing developments on derelict land or in Green Belt. Authorities might be invited to consider asking for this specifically as a sweetener. Consistent with environmental improvement.

Village housing

- Policy on new villages in South East may be too restrictive, in keeping them too far from motorways and London to be of use to commuters.

- DOE guidance on infill in existing villages may be too cautious, allowing planning authorities to frustrate needed development.

Surplus land

- DOE's proposal not to require the register of local authority and nationalised industry surplus land to be updated weakens Government's power to force disposals and makes it harder for developers to find information on surplus land.

- Helpful that DOE propose to set code of practice whereby Government Departments and NDPBs, as well as local authorities and nationalised industries, would disclose surplus land holdings.

- Can this be extended to dwellings?

- DOE should add their own weight to pressure for disposals in areas where this would further their housing/regeneration policies.

- Might consider recommending to the Prime Minister a new Cabinet sub-committee on disposals of public sector surplus land.

- DOE should not discourage Government vendors from seeking planning permission for optimal development of surplus land in sensitive areas, eg hospital sites in Green Belt.

4. These points are developed in the notes below at Annex A. At Annex C is a copy of DOE's regional guidance for the West Midlands area, which we found encouraging.

(top only)

S N WOOD

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ANNEX A

Annex A

POINTS FOR DISCUSSION WITH MR RIDLEY

(i) The Planning System

Mr Ridley proposes to publish a White Paper at the end of January, which would foreshadow legislation to streamline the planning system. He has H Committee's approval for the policy, from late 1987. He is bidding for a bill in 1989-90: QL will consider this in February. Other colleagues, including DTI, have welcomed his proposals. The Chief Secretary wrote to Mr Ridley on 23 December, asking for certain assurances. Mr Ridley replied on 9 January (Annex B).

2. The existing two-tier system includes counties' structure plans and districts' local development plans. It is unsatisfactory: most districts do not have full plans; all counties now have structure plans, but many are out of date. Mr Ridley wishes to streamline the system by abolishing structure plans. He would issue regional planning guidance; counties would prepare simple statements of county planning policies; and districts would be pressed to prepare local development plans, consistent with the relevant DOE guidance and county policies. Districts would continue to be responsible for decisions on planning permission, for most purposes.

3. The evident risk is that districts will prepare plans which reflect unwillingness to see their own areas developed, or which prescribe patterns of development that the market will not produce. Nonetheless, DTI think that the proposed new system would be better than the present one.

4. We recommend to tell Mr Ridley you support his reform, on the understanding that DOE will give us and DTI satisfactory assurances on regional guidance and structures for

inter-departmental consultation. So far, formal machinery has not been set up although DOE and DTI have consulted at regional level on the guidance for the metropolitan areas produced so far.

(ii) Planning Gain

5. "Planning gain" is a term of art, defined as works not included in the development for which permission was sought. Local authorities will be more sympathetic to development if they could extract planning gain from developers. This is in fact quite common practice. Negotiations are carried out in private before a planning application is submitted. DOE last issued guidance over five years ago. This circular (22/83) recognised that it was intra vires for an authority to extract planning gain as long as the works were related to the development, or, in the case of mixed development, were necessary to secure an acceptable balance of uses.

6. You might ask Mr Ridley whether this goes far enough, and whether a reminder and update, giving some examples, would be desirable. In his letter of 9 January, Mr Ridley says he will think further about this. A balance has to be struck between too broad a definition, which might allow authorities to defer development by asking for the moon, and too narrow a definition, which would leave authorities with little incentive to accept development. DOE should consider whether it is too restrictive to limit planning gain to related works: in some cases this may give the developer too little scope to offer concessions.

7. You may also recall that, early last year, you considered a paper (21 March 1988) by Mr Byatt and Mrs Holmans on whether it would be desirable to go further and introduce a system of selling planning permissions. You decided not to pursue this further, and it was not raised with DOE. Although it would have introduced greater transparency, in practice negotiations over planning permission are bilateral, not lending themselves to open auction.

On balance, therefore, it was felt that the existing restriction of planning gain to physical works, eg environmental improvements, should be retained. We do not recommend that you raise the sale of planning permissions with Mr Ridley now.

(iii) Housing with access to common land for recreation

8. Mr Byatt, in a paper annexed to Mr Monck's submission of 4 November, has shown that in the South East the extra value of housing land over land without planning permission would make it economic for developers to develop land at lower densities, allowing for land for recreation or a better environment. This is a way in which planning authorities can achieve development of good environmental quality in Green Belt areas, or in areas of dereliction where the developer could "green" the area in return for planning permission. This technique is for special situations, of course, since excessive use of low density development would reduce the potential increase in supply of housing.

(iv) Villages

9. Policy towards the development of villages in rural areas is particularly important in the South East, where the pressure of demand for housing has driven prices very high. DOE have so far been cautious. The Secretary of State last year rejected the developers' appeal against the refusal of planning permission for a new village at Tillingham Hall. However, he did later publish a consultation paper which, with proper caution about maintaining the quality of the environment in Areas of Outstanding Natural Beauty, did recognise that:-

(i) housing provision in villages should take account of the greater distances people were now prepared to travel to work;

(ii) there was scope to expand small villages, which would help sustain the provision of local services and amenities;

(iii) DOE were prepared in principle to see whole new villages built, and would look on these with more favour if the developer provided infrastructure (planning gain); but

(iv) these should be kept away from urban areas and, in the South East, outside the Green Belt's outer boundary and outside areas where housing was now restricted for policy reasons.

10. This is still restrictive. If new housing is to reduce the pressure on the South East, it should be in areas from which future occupants can reach work. Keeping new villages well outside the outer boundary of the London Green Belt keeps them far away from the M25 and from employment opportunities in London, where the supply of housing is tight.

11. Mr Ridley is currently considering proposals for new villages at Foxley Wood in north-east Hampshire and Stone Basset in Oxfordshire. He may argue that new villages are high-profile developments and it is better to concentrate on doing good in a more stealthy way by issuing guidance promoting planning for more development of existing villages and towns on the fringe of the Green Belt. However, such development is itself often controversial, and such a policy may no deliver the goods. You may therefore press Mr Ridley to consider a bolder strategy when his consultation exercise is complete.

(v) Public sector surplus land

12. Local authorities hold substantial quantities of underused and derelict land, including in urban areas. So do nationalised industries (British Gas, now privatised, was another) and the National Health Service. Some Government Departments also hold significant quantities of land and dwellings, some of which is surplus. It is important to bring these assets into productive use.

13. The main policies Mr Ridley is responsible for in this area are:-

(i) the register of local authority and nationalised industry surplus land (over 1 acre) which is maintained under the 1980 Local Government Planning and Land Act. He has power, on an application made to him, to direct an authority to dispose of registered surplus land;

(ii) the local authority capital regime, which determines how far, and how quickly, local authorities can apply the proceeds of land sales to their capital programmes;

(iii) disposals of surplus property on the Government's civil office estate, managed by the PSA. This is satisfactorily covered in PES; and

(iv) disposals of other Government (apart from MOD) land, where the PSA in some cases acts as Departments' agent and adviser on obtaining planning permission. DOE have a conflict of interest here, since they do not want public bodies like the NHS to appeal against refusals of planning permission for redevelopment of Green Belt sites, eg redundant hospitals.

14. We understand from Mr Ridley's officials that he is about to issue a code of practice on publication of lists of all public sector surplus land. This would be a step forward in that it would require Government Departments and NDPBs to publish details of their land, widening the coverage of publication and accountability. On the other hand, the DOE register would no longer be kept up to date. If developers wanted to ask the Secretary of State to direct an unwilling council to sell land, he would first have to add the property to the register, since this power is confined to registered land. Developers would also have

to go direct to the landholder for details of the land, since DOE would in future keep only an index of holdings, with much less information than on the register. This is a step back, and it is disturbing that DOE, in order to achieve a few staff savings, are even thinking of legislation to abolish the register and therefore the power of direction.

15. Mr Ridley may argue that these moves are consistent with the Audit Commission's recommendations in its April 1988 report on local authority property management, which argued that the register had achieved disappointing results and alienated local authorities. However, the Secretary of State has initiated the statutory procedures on over 240 occasions, which suggests that the procedures have a useful function. You may therefore challenge Mr Ridley on why he is willing to water down this measure, and why he thinks (if he does) that local authorities will dispose of more land without the threat of compulsion.

16. The local authority capital regime now proposed would require local authorities to devote half the proceeds of disposals of non-housing land (and 75% of those from housing disposals) to the repayment of debt, but would allow them to spend the balance. This would replace the present "cascade" system, which spreads the spending power, as opposed to the financing consequences, arising from disposal proceeds over five years in the case of housing and four years in the case of other assets. LG do not recommend that you suggest to Mr Ridley that the capital control regime as now proposed be further amended. In our view, it provides a sufficient incentive for a reasonable authority to dispose of land. There will always be authorities who wish to hold on to land in the hope of a change in policy towards, for example, council house provision, and no tolerable incentive will overcome this.

17. Mr Ridley's proposals are helpful as regards Government Departments' surplus land. It would be more helpful if he could find a way to include dwellings, such as surplus MOD married quarters.

18. The Chief Secretary is preparing a report to the Prime Minister on Government surplus land and dwellings, and we have been considering ways in which DOE might contribute to this initiative. Mr Ridley may have suggestions for ways in which his Department's weight can be brought to bear. Three possibilities, the third more difficult for DOE than the others, are:-

(i) DOE should monitor Departments' returns of surplus land by area, and press for disposals where this would further their policies, eg by relieving shortages of housing land;

(ii) To this end, a Cabinet sub-committee might be set up, including DOE, to monitor disposals and press for action where needed; and

(iii) DOE should not discourage Government bodies making disposals from seeking planning permission in the same way a private sector body would. This bears on guidance DOE wish to issue on disposals in sensitive areas, restraining public sector bodies from challenging planning decisions.

19. You may like to raise these with Mr Ridley.

chex.pj/jc/17.1.2

FROM: MRS JUDITH CHAPLIN
17th January 1989

CHANCELLOR

cc Chief Secretary
Mr Tyrie
Mr Call

REGIONAL IMBALANCES: MEETING WITH MR RIDLEY 18TH JANUARY

I have seen the aide-memoire from Mr Wood attached to you for your meeting with Mr Ridley. In his minute Mr Wood makes the point (paragraph 3) that land and house prices have been driven up due to the scarcity, under existing controls, of building land. I think it important to stress to Mr Ridley the wider economic consequences of the present situation. The rationing of land for development leading to the higher house prices encouraging increased borrowing is clearly a major contribution to the present inflationary pressures. The political consequences of not improving this situation seem to me to be far more damaging than upsetting some of our "nimby" supporters.

JC

JUDITH CHAPLIN

Ch/ Andrew Tyrie agrees & thinks you should justify your involvement on macro-economic grounds.

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