PO/CH/NL/0676 PART A

2/3

CABINET OFFICE PAPER

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Reference	Date Of Paper
E(A)(89)3	3/2/1989

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PERSONAL AND CONFIDENTIAL
until 11.30am on Thursday 19 January
thereafter CONFIDENTIAL

PWP

FROM: R DEANE
DATE: 18 JANUARY 1989

1. ~~MR PICKFORD~~ seen my draft.
2. **CHANCELLOR** (+ 1 for No.10)

cc Chief Secretary
Financial Secretary
Paymaster General
Economic Secretary
Sir P Middleton
Sir T Burns
Mr Monck
Mr Scholar
Mr Burgner
Mr Riley
Mr Peretz
Mr Sedgwick
Mr Burr
Mr Gieve
Mr Hibberd
Mr Meyrick
Mr Bush
Mr Darlington
Mr Dyer
Mr Hudson
Mr Cress
Mrs Chaplin
Mr Tyrie
Mr Call
HB/001

COMBINED RELEASE OF LABOUR MARKET STATISTICS ON 19 JANUARY

Summary Statistics (seasonally adjusted GB unless otherwise stated)

	Thousands	Level	Change on previous period	Change on previous year
Unemployment (UK) December				
Total (aged 18 and over)		2,039 (7.2%)†	-66	-530
Total (not seasonally adjusted: 'Headline Total')		2,047 (7.3%)†	-20*	-649*
Vacancies (UK) December		238	- 7	-17
Workforce in employment 1988Q3		25,291	+120	+399
Manufacturing employees November		4,985	+ 3	- 48

	Percentage change on previous year
Index of average earnings, November	
Whole economy, underlying (actual)	8¾ (8.8)
Manufacturing, underlying (actual)	8¾ (8.6)
Service industries, underlying (actual)	8½ (8.6)
Wage and salary costs per unit of output	
Whole economy, 1988Q3	5.7
Manufacturing, 3 months ending November	0.5
Output per head	
Whole economy, 1988Q3	2.6
Manufacturing, 3 months ending November	7.7

† per cent of workforce
* figures distorted by change in regulations for claimants under 18 (monthly change only slightly affected).

ASSESSMENT AND COMMENT

2. The seasonally adjusted unemployment series fell by just over 66,000 in December. This is the largest monthly fall ever recorded. However, this fall partly reflects erratic factors - DE still estimate the underlying trend is a 40,000 fall per month. The figures have been distorted by the mild weather for this time of the year and the early count date - which means that this month's figures are less affected than usual by special Christmas arrangements to bring forward Giro payments . There is likely to be some offsetting effect on the fall in the count next month. Unemployment has now fallen to 7.2 per cent of the workforce and the lowest level for nearly 8 years. The continuous fall since July 1986 has now reached nearly 1.1 million over 29 consecutive months.

3. The headline total fell by 20,000 in December. This includes a small residual effect of the new regulations introduced in September for claimants aged under 18. There are still 5,000 under 18 year olds remaining on the count (but excluded from the seasonally adjusted series), a fall of 1,000 from last month. This group will continue to diminish over the next few months.

4. The workforce in employment (employees in employment, the self-employed, HM Forces, and participants in Government training programmes) is estimated to have increased by 120,000 in 1988Q3. This is much higher than the small increase of 38,000 (revised) in 1988Q2 and in line with the trend observed in 1987. The trend away from the production industries to service sector employment has continued (see para 14 below for detailed figures). The number of employees in employment in the service sector has been affected by the rundown of the Community Programme. However, this will be broadly offset by increasing numbers on ET included separately in the workforce in employment figures. The workforce in employment has now increased by over 2¼ million since March 1983 to its highest ever level.

5. Vacancies fell by 6,900 to 238,300 in December. Both the inflow and outflow of vacancies are around 230,000 per month indicating a continuing steady turnover in the jobs market.

6. The level of overtime remained high in November at 15.1 million hours. The overtime figures for October and November are significantly above the figures of around 13½ million hours recorded over the last year. Overtime per operative is

10 per cent up on a year ago and is at the highest level since 1973-74. This increase in overtime seems to be fairly widespread over a large number of firms.

7. The increase in underlying whole economy earnings fell by ¼ per cent in November, following a similar fall in October. This is due to a fall in the underlying rate of increase in the service sector as last year's high awards (LA manuals and the second stage of the teachers' award) drop out of the calculation. The underlying increases in the manufacturing and production industries both rose by ¼ per cent due to the high level of overtime worked and higher settlement levels.

8. **[NOT FOR USE:** DE estimate that overtime is currently adding ¾ per cent to the rise in manufacturing earnings and ½ per cent in the whole economy. Settlements are currently adding about 0.4 per cent to whole economy earnings growth, and 0.6 per cent to earnings growth in manufacturing. DE expect the whole economy underlying increase to remain at 8¾ per cent next month, but to rise back to between 9 and 9¼ per cent over the following few months.]

9 Output per head in manufacturing rose by 7.7 per cent on a year earlier in the 3 months ending November. In the whole economy output per head rose by 2.9 per cent in the year to the third quarter (compared with a rise of 3.8 percent in the year to the second quarter). Unit wage costs in manufacturing rose by 0.5 per cent in the three months to November on a year earlier. The whole economy figure for the third quarter year on year increase in unit wage costs is 5.7 per cent up from 4.4 percent in the year to the second quarter.

THE FIGURES IN DETAIL

Unemployment

10 Seasonally-adjusted adult unemployment (excluding school leavers) fell by 66,100 between November and December to 2.039 million (7.2 per cent of the workforce). The average fall over the past six months is over 47,000 a month.

11 The 'headline' total fell by 20,000 to 2.047 million, 7.3 per cent of the workforce.

12 The stock of vacancies at Jobcentres (seasonally adjusted) fell slightly by 7,000 between November and December to 238,000.

13 Points of interest:

(a) largest monthly fall ever in seasonally adjusted unemployment - but see para 2 above.

(b) Seasonally adjusted total at lowest level for nearly 8 years (since March 1981 on a consistent basis).

(c) Fallen by over 1 million since July 1986. Seasonally adjusted total has fallen for twenty-nine months in succession by 1,094,000 in total. This is the longest period of continuous decline in unemployment since the War.

(d) Fallen by 530,000 over past year.

(e) Unemployment has fallen in all regions over the past year. Unemployment rates have fallen fastest in the West Midlands, the North West and Wales, but there have been significant falls in all regions, including Northern Ireland.

(f) UK unemployment rate fallen more in past year than in any other major industrialised country. Latest figures (national definitions) show fall in UK rate of 1.9 percentage points over past year, compared with falls of 0.5 in US, 0.4 in Germany, 0.3 in France and 0.3 in Japan. UK unemployment rate lower than EC average, but still well above the total OECD and major 7 averages, reflecting lower unemployment in the three largest countries - US, Japan and Germany.

(g) The 'headline' total in January is likely to rise. Seasonal influences will add about 80,000 to the total, but this will probably be partly offset by the continuing underlying downward trend.

Employment

14 The new figures available this month relate to the workforce in employment in September 1988 (produced every three months) and employees in manufacturing and production industries in November.

15 The September quarter increase of 120,000 in the workforce in employment is much higher than the increase of 38,000 in 1988Q2 and is similar to the figures recorded in 1987. This increase is composed of:

(a) a projected increase in the self-employed of 31,000.

(b) an increase of 46,000 employees in employment. A 75,000 increase in the service sector was partly offset by a fall of 28,000 in manufacturing and other industries. The increase in service sector employment would have been about 20,000 higher if not for the rundown of CP (participants on ET are included elsewhere).

(c) a rise of 42,000 in work related government training programmes (including ET).

(d) a fall of 1,000 in HM Forces.

16 The increase of 2.3 million in the workforce in employment since March 1983 (when the upward trend began) consists of 1.1 million employees in employment - 75 per cent of which are part-time, 0.8 million self-employed, 0.4 million on Government training schemes, and a slight fall in HM Forces.

17 The number of employees in manufacturing industries increased by 3,000 in November. However, the underlying trend remains downwards. Manufacturing employment fell by 48,000 in the year to November.

Other features

18. The underlying increase in the whole economy average earnings index in the year to November fell to 8¾ per cent from 9 cent in October. The underlying increase for production industries rose to 9 per cent in November from 8¾ per cent in October. The manufacturing figure also rose by ¼ per cent to 8¾ per cent (October figure has been revised downward to 8½ per cent). The underlying increase in earnings in service industries fell to 8½ per cent in November from 9 per cent in October (see para 7 above).

19. The level of overtime working remained high in November at 15.1 million hours up from 15 million hours in October. This is the highest figure since Dec 1979. It had been around 13½ million hours for the last year. Overtime per operative is now over 10 per cent higher than in November last year.

ROBERT DEANE

CONFIDENTIAL

FROM: MALCOLM BUCKLER
DATE: 18 January 1989

PS/CHANCELLOR

cc PS/Chief Secretary
PS/Financial Secretary
PS/Economic Secretary
Sir Peter Middleton
Mr Anson
Sir Terence Burns
Mr Byatt
Mr Monck
Mr Phillips
Mr Burgner
Mrs Case
Mr Edwards
Mr S N Wood
Mrs Chaplin
Mr Tyrie
Mr Call

REGIONAL IMBALANCES: MEETING WITH MR RIDLEY, 18 JANUARY

The Paymaster General has seen Mr Wood's submission to the Chancellor of 16 January. In regard to the village housing he has commented that one of the main rural pressures is the inability of the rural young to afford housing in the village in which they grew up because of external demand. There is therefore a potential political conflict in putting new villages into areas from which commuting is feasible, in that the existing rural population are unenthusiastic about communities being wholly dormitory. He notes that in new villages there is no existing population but this does not obviate a potential (if irrational) perception.

MALCOLM BUCKLER
Private Secretary

EMPLOYMENT DEPARTMENT

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PRESS NOTICE

19 January 1989

15/89

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

prepared by the Government Statistical Service

(d) The workforce in employment comprises employees, the self-employed, participants on work related government training schemes and HM Forces (see page 8).

POINTERS

- Unadjusted unemployment fell by over 20,000 to 2.047 million in December.

- Seasonally adjusted unemployment fell by 66,100 to 2,039,100 in December, the lowest level for nearly 8 years (since March 1981). and the largest seasonally adjusted fall on record.

- The seasonally adjusted total has fallen for 29 months running, the longest continuous fall on record (since similar records began in 1948.)

- There has now been a fall of 1.094 million in the seasonally adjusted total since July 86 - the largest sustained fall on record.

- Since the last general election in June 1987, there has been a fall of more than 0.8 million (818,100)

- Over the past 12 months there has been a fall of 529,500.

- Unadjusted and seasonally adjusted rates are 7.3% and 7.2% respectively.

- The UK unemployment rate has fallen faster in the past year than in any other major industrialised country.

- Vacancies were down by 6,900 in December.

- The uhderlying increase in the Average Earnings Index in November was 8 3/4 per cent, 1/4% lower than October.

- Overtime in manufacturing industries at 15.07 million hours per week was the highest since December 1979.

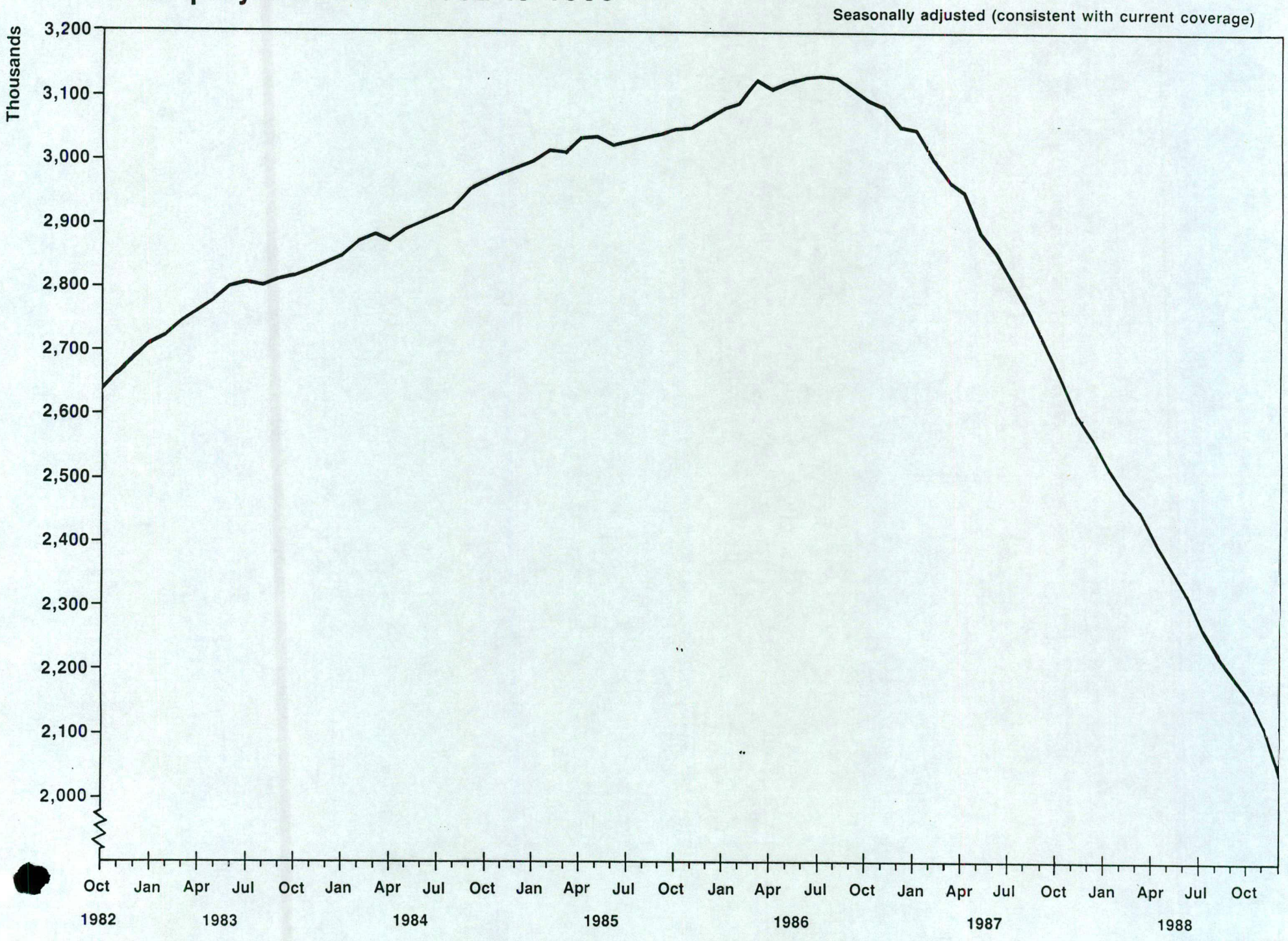
- Workforce in Employment (WIE) in Q3, 1988 at 25,291,000, was a record level.

- Manufacturing employment was up by 3,000 in November.

- Employees in service industries in Q3, 1988 at 14,916,000, was the highest figure ever.

- Manufacturing productivity was 7.3% higher than in a year earlier.

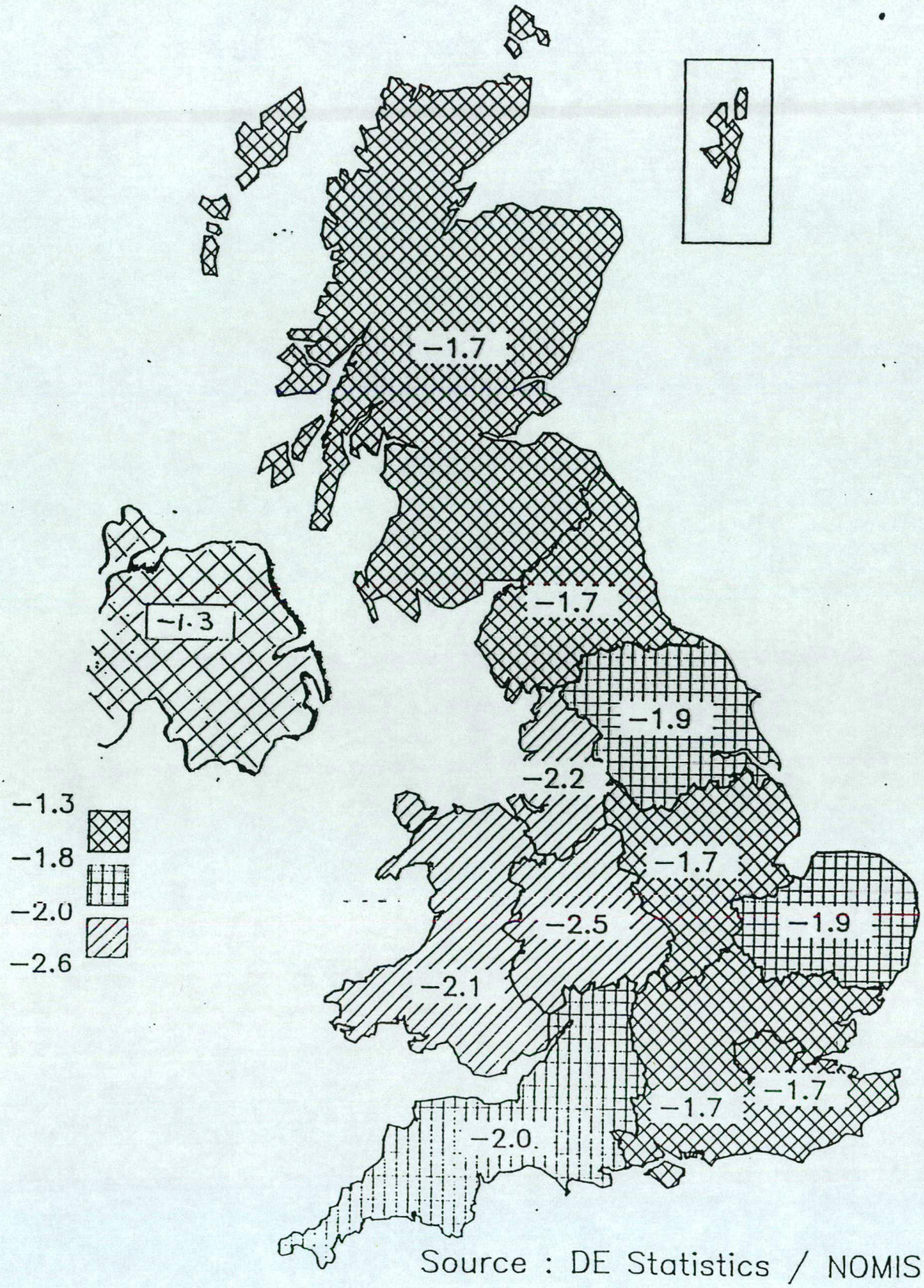
Unemployment: UK: 1982 to 1988



Seasonally Adjusted Unemployment Rate

Change December 1987 – 1988

United Kingdom: Regions



Source : DE Statistics / NOMIS

EMPLOYMENT
DEPARTMENT

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PRESS NOTICE

17/89

19 January 1989

SHARP FALL IN UNEMPLOYENT AND RECORD LEVELS OF EMPLOYENT

Statement by the Secretary of State for Employment

"Seasonally adjusted unemployment fell sharply in December by 66,100 to 2,039,000, continuing the downward trend we have now seen for 29 months running. The fall of nearly 1,100,000 over this period is the largest sustained fall ever recorded. In 1988 unemployment fell by 530,000. Since the June 1987 General Election there has been a fall of 818,000.

"The unemployment rate is now down to 7.2%, a fall of 1.9 percentage points over the last year. All regions of the country are sharing in this fall with the largest falls in unemployment rates being in the West Midlands, down 2.5 percentage points, followed by the North West, down 2.2 percentage points and Wales, down 2.1 percentage points.

"The United Kingdom unemployment rate is lower than many other EC countries, including France, Italy, Belgium, Netherlands, Spain and Ireland. It is now also lower than Canada. The rate of unemployment has fallen faster in the past year than in any other major industrialised country.

prepared by the
Government Statistical Service

"There has also been a sustained growth in jobs. Figures published today show that - even after excluding trainees on work-related programmes - employment in the United Kingdom is now at its highest level ever. Over the year to September 1988 the workforce in employment increased in every region. In September 1988, the total workforce in employment stood at 25,858,000, over 400,000 more than a year earlier, and some 2,297,000 more than in March 1983 when the current rising trend began. In September 1988 there were 11,146,000 women in employment and they accounted for 43% of the total employed workforce.

"The latest figures for earnings, for last November, show a decline in the annual underlying increase over the economy as a whole for the second month running. While the figures for industrial stoppages show that for the twelve months to November 1988 it is provisionally estimated that there were 746 stoppages involving a total of 3,776,000 working days lost. The number of working days lost represents little change on the position a year earlier but again is dramatically better than the average over the 1970s.

"The opportunities for a further reduction in unemployment clearly exist. In December there were 238,000 unfilled vacancies at Jobcentres and the number of vacancies in the economy as a whole is estimated to be about 700,000. With the development of Employment Training unemployed people can now get the training they need to take the vacancies that are available."

Thanks

Ch.

Dec. Unemployment + Earnings figs

(i) Unemployment

The headline total is down by 20,000, to 2·047 million (7·3%). The seasonally adjusted figure is down by 66,100, to 2·039 m (7·2%). (But this gives an exaggerated picture – The better weather in Dec. than usual meant that seasonal unemployment fell by less than assumed).

(ii) Earnings.

The December YoY figure is 8·75%, down from 9·0% in November.

13/1

PNP ✓ A1

PERSONAL AND CONFIDENTIAL UNTIL 11.30 ON 19 JANUARY THEREAFTER CONFIDENTIAL

LABOUR MARKET STATISTICS

Summary

The latest figures show a continuing high level of activity in the labour market. Unemployment showed a very sharp fall in December of 66,000, although this was probably partly caused by erratic influences rather than a significant departure from the recent trend reduction of around 40,000 per month. The workforce in employment increased by 120,000 in the third quarter of 1988, more in line with the trends in 1987 than the small increase of 38,000 in the second quarter. Jobcentre vacancies fell back further in December, but remain fairly high at 238,000. The underlying increase in average earnings in the year to November was 8¾%, a further small reduction of ¼%, compared with October. There was, however a ¼% increase in the underlying rate both for production industries and within production industries for manufacturing.

Unemployment

UK unemployment, seasonally adjusted, fell sharply by 66,100 between November and December to 2.039 million, 7.2 per cent of the workforce and the lowest level for nearly 8 years. The continuous fall since July 1986 has now reached nearly 1.1 million, over 29 consecutive months. Other key figures are attached separately.

The fall of 66,100 in December is likely to be erratic, due to the inappropriateness of the seasonal adjustment programme in the particular circumstances. Firstly, the relatively mild weather for the time of year means that there is likely to have been fewer than average seasonal lay-offs eg in the construction industry. Secondly, the earlier than usual count date of 8th December (the second Thursday in the month) means that this December's figure is likely to have been less affected than normal by the special Christmas arrangements whereby the production of Giro cheques for the unemployed are brought forward to ensure that payments are made in time in the run up to Christmas. Because of these two factors there is likely to be some offsetting upward effect on the change between December and January. The bigger than average falls over the past two months cannot yet be taken to represent a significant departure from the recent downward trend of around 40,000 per month.

Personal and Confidential until 11:30 am 19/1/89
Thereafter confidential.

Unadjusted 'headline' total

Unadjusted, there was a fall of 20,000 in the claimant total between November and December to 2.047 million, 7.3 per cent of the workforce. The number of under 18 year olds remaining in the count (though excluded from the seasonally adjusted series) fell by a further 1,000 to 5,000 in December. This group will continue to diminish over the next few months, as a result of the recent changes in benefit regulations.

January 'headline' total

Seasonal influences on the count are sharply upward by the order of 80,000 between December and January. Even assuming continuation of the current downward trend, some increase in the headline total in January is highly likely.

Fall below 2 million?

We do not make forecasts of unemployment, but assuming that the downward trend continues at around its current rate, it would be in the balance whether the seasonally adjusted UK total would fall below 2 million in January (published next month) or in February (published in March). The unadjusted total would, however, be unlikely to fall below 2 million before March (published in April)

Employment

The new figures available this month relate to the workforce in employment in September 1988 and employees in manufacturing and production industries in November. Some of the estimates for employees in earlier months have been revised slightly following the receipt of late information.

The workforce in employment (employees in employment, the self employed, HM Forces and participants in work related government training programmes) 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. The increase in the year ending September 1988 amounted to 399,000.

The September quarter increase of 120,000 in the workforce in employment is made up of a projected increase in the self-employed of 31,000, an estimated increase of 46,000 employees in employment, a rise of 42,000

in work related government training programmes and a fall of 1,000 in HM Forces. The increase in employees in employment in the service sector of 75,000 has been offset by falls in the numbers in manufacturing, energy and water supply and other industries (agriculture and construction) of 18,000, 4,000 and 6,000 respectively.

The substantial increase in the number of participants in work related government training programmes reflects a seasonal growth in YTS. 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 number of employees in employment in the service sector has however been affected by the run down of CP during the summer, in preparation for ET. It is estimated that without this change there would have been about 20,000 more employees in the service sector. It is expected that the estimates of employees will be reduced further as CP comes to an end but that this effect will be broadly offset by increasing numbers on ET included in the workforce in employment as participants on work related government training programmes.

The workforce in employment increased by 399,000 in the year to September 1988, of which the number of employees in employment accounted for 275,000. This was the net result of a 366,000 increase 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 2,294,000 in the workforce in employment between March 1983, when the upward trend began and September 1988 is made up of:

1. an increase of 1,114,000 employees in employment (of which 277,000 full-time and 837,000 part-time);

2. an increase of 808,000 self employed;

3. an increase of 377,000 participants in work related government training schemes;

4. a reduction of 6,000 HM Forces.

The number of employees in employment in manufacturing industries increased by an estimated 3,000 in November. Despite this small increase the current trend in manufacturing probably remains downward.

The employment estimates will be revised when the 1988 LFS results are available and when the 1987 Census of Employment results are incorporated.

Overtime working by operatives in manufacturing industries was estimated at 15.1 million hours per week worked in November compared with 15.0 million hours in October and 13.5 million hours 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. This increase seems to be the result of both more operatives working overtime and more overtime hours being worked by individual operatives.

Hours lost through short-time working in manufacturing industries remained low at 0.22 million hours per week in November.

Vacancies

The stock of vacancies reported to jobcentres (UK seasonally adjusted) showed a further fall of 6,900 to 238,300 in December. The figures have fluctuated, but there has been a slow downward trend in the series since the peak of 265,100 reached in November 1987. Nevertheless, the level of jobcentre vacancies remains relatively high and is not inconsistent with the continuing sharp falls in unemployment. The inflow of newly reported vacancies has remained fairly stable for much of the past two years at around 230,000 per month.

Average Earnings

The estimate of the underlying increase in earnings for the whole economy for November is 8¾ per cent, a fall of ¼ per cent on the rate of increase for the year to October. The estimates for the production industries, and within production for manufacturing, are both up ¼ per cent from the rates for October at 9 per cent and 8¾ per cent respectively. The underlying rate of increase for services, at 8½ per cent, is ½ per cent lower than the corresponding October increase.

The further reduction in the rate of increase for the services sector in November results from the continuation of the effects noted for the ¼

per cent reduction in October, ie the 1988 Local Authority Manuals increase of 5.6 per cent replacing the 1987 increase of 10.7%, the second stage of the 1987 Teachers increase having no equivalent increase in 1988, and the boosting of November 1987 earnings through overtime working to repair storm damage.

Higher settlements, slightly higher manufacturing bonuses, and higher overtime all appear to have contributed to the ¼ per cent increase in the underlying rate for manufacturing (and production).

While reported settlements remain generally higher than their corresponding level in 1987, the prospect for next month is for little change in the underlying rate. Much will depend on the level of overtime relative to the high plateau of late 1987, and on the level of bonus payments made in December which, while not as prominent a month for bonuses as November, is still one of the major months for bonus payments. There are a large number of settlements that fall due in January; most of those which are already agreed are above the level of a year earlier making the return of a rising trend in the underlying rate a possibility in the months ahead.

Next Labour Market figures

The next labour market brief will be issued on Monday 13 February, in advance of the press release on Thursday 16 February. It will contain unemployment figures for 12 January, manufacturing employment and earnings for December, and vacancy figures for 6 January.

iae.ph/IAE2/Park/032

CONFIDENTIAL

FROM: M. PARKINSON
DATE: 27 January 1989

1. MR BURGNER
2. CHIEF SECRETARY

cc Chancellor
Economic Secretary
Sir P Middleton
Mr Anson
Mr Monck
Mrs Case
Miss Peirson
Mr Edwards
Mr Burr
Mr S. Wood
Mr Revolta
Mr Call

pwp.

BRIEF FOR E(UP) 31 JANUARY

1. I attach a brief for the E(UP) meeting on 31 January.

2. This covers the two items on the agenda, which are Mr Newton's progress report of 9 December to the Prime Minister on Action for Cities and his minute of 26 January to the Prime Minister on the proposed anniversary publication on Progress on Cities (the mock-up of the report is attached-top copy only).

Mark Parkinson

M. PARKINSON

temp.sc/docs/E(UP)

CONFIDENTIAL

BRIEF FOR E(UP)(89)1: 31 JANUARY 1989

Agenda and relevant papers:

- Action for Cities Progress Report: Minute to the Prime Minister from the Chancellor of the Duchy of Lancaster (9 December 1988).

- Action for Cities Anniversary Publication: Minute to the Prime Minister by the Chancellor of the Duchy of Lancaster (26 January 1989).

Treasury Objectives:

(i) To support Mr Newton's emphasis on consolidation rather than multiplying the existing comprehensive range of measures.

(ii) To ensure that any proposals for announcement at the time of the first anniversary of Action for Cities in March do not lead to increased Government expenditure beyond what is agreed in the Survey; and are costed and agreed in advance with the Treasury as necessary.

(iii) To support the emphasis on private sector led regeneration in Mr Newton's paper.

(iv) To continue to ensure that the inner cities Initiative, including any enhancements, are properly monitored and evaluated.

Points to Make:

(i) Note the welcome progress which has been made in implementing Action for Cities, including the contributions by the private sector such as are described in the CBI's "Initiatives beyond Charity".

(ii) Agree that it will be important to press private sector organisations such as CBI, BIC and Chambers of Commerce to improve their effectiveness and co-ordination to ensure that the local leadership initiatives in Newcastle and elsewhere actually achieve results and targets; as Mr Newton suggests, the CBI/BIC/Phoenix Forum may play a useful catalytic role.

(iii) Strongly agree that it would not be sensible to look for new initiatives simply to have something new to say; but rather build on what exists and simplify where possible. Any new or reinforcing measures to be announced on 9 March should be within existing expenditure plans and agreed in good time with the Treasury in the normal way, properly costed and justified. For example, any announcement of new Task Forces should be linked to withdrawal from existing Task Force areas as part of a rolling programme;

(iv) agree that we should encourage the private sector to increase the employment opportunities for local inner city residents. As the CBI's report emphasises it should make commercial sense for firms to train and recruit under-utilised labour resources at a time of skill shortages. This should not involve costly public subsidies. For example, we would wish to avoid increasing the cost of RSA assistance cases in the inner cities; the criteria for assessing RSA cases should be agreed by officials in the context of the RSA guidelines.

(v) If the number of inner city schemes which benefit from Transport Supplementary Grant were to be increased, this should be done by reordering priorities within the total provision available. Similarly proposals for local mass transit schemes which involve public funds should meet normal investment appraisal criteria.

(vi) Note that Mr Newton proposes a possible publication on achievements on the anniversary of Action for Cities in March, and to co-sponsor an event coinciding with the first anniversary of Initiatives beyond Charity. It will be important to continue to ensure that inner city policies are carefully monitored and evaluated against well specified targets and objectives. As Mr Newton suggests, the focus of the follow-up publication should be to demonstrate achievements rather than proliferate new policy measures.

(vii) As regards the draft introduction and conclusion of the anniversary publication, no major reservations. But perhaps more emphasis could be given to the broader and more flexible structure of the inner city economies, for example, the growth of regional financial services centres in Manchester and Leeds. Note that the document will be cleared with officials and agreed with Ministers.

Background

Mr Newton's letter of 9 December to the Prime Minister

1. Mr Newton wrote to the Prime Minister on 9 December reporting on progress on the Government's inner city Initiative announced in March 1988. An Annex to the report lists the signs of recovery and major schemes in eight cities.

2. The thrust of the report is generally acceptable. Emphasis is given to the role of the private sector and the need for improved co-ordination between private sector organisations. The CBI's Initiatives beyond Charity report was published last September, and was followed by the establishment of the CBI/BIC/Phoenix Forum to promote local business initiatives, the first being in Newcastle. Formerly hostile local authorities are increasingly willing to support both business and Government initiatives. Annex B of the paper refers to initiatives from Investors in Industry and British Urban Development.

3. As regards Government initiatives, Mr Newton rightly emphasises the need to build on what exists, simplifying where possible. He suggests the theme of demonstrating the benefit of the many public and private sector initiatives for local inner city residents, for example encouraging major contractors to train and recruit local people. The Treasury has an interest to ensure that EC public procurement rules are taken into account (and of course local authorities are constrained in awarding contracts by the Local Government Act 1988). He also mentions linking approval of inner city projects to benefits for local people e.g. through RSA grant conditions on the company's training proposals. Any changes in the criteria for Government programmes would clearly need to be agreed with the Treasury. (You made this clear when agreeing to the recent £4.6m RSA grant for Freight Rover in Birmingham). For example, we would wish to be satisfied that the criteria would not exert upward pressure on grant or programme costs and were compatible with overall training policies. Another aspect mentioned in the report is the need to make the most of the work being done to promote inner city health care.

4. To support the theme of private sector involvement, Mr Newton proposes to co-sponsor an event with private sector organisations to coincide with the first anniversary of Initiatives beyond Charity and to offer Civil Service secondees to support local business teams.

5. Mr Newton suggests that he will be pursuing with Mr Channon whether further attention should be given to the role of transport, increasing the role of the private sector. The Docklands issue is not mentioned (transport measures were announced by Mr Channon on 23 January), but he refers to the possible scope for increasing the number of schemes benefiting from TSG and the role of mass transit systems. We would wish to ensure that any such increase should be found by reordering priorities within existing provision and that normal investment criteria are applied.

6. Finally Mr Newton suggests that the Government's emphasis on inner cities presentation should be maintained (Annex C charts Ministerial visits to the inner cities). He refers to a possible new publication on the March anniversary of Action for Cities, demonstrating achievements on the ground and providing a guide to action to encourage more firms to become involved. We need not object to this idea provided it concentrates on measures in the pipeline and avoids stimulating new policy measures.

Action for Cities Anniversary Publication

7. Mr Newton wrote to the Prime Minister on 26 January outlining his proposals for an Action for Cities Anniversary publication "Progress on Cities" to be published on 9 March (to coincide with the Prime Minister's inner city visits). He has circulated the draft introduction, an example on the North West region and conclusion on future action. The coverage is limited to England, with similar statements to be made on Scotland, Wales and Belfast.

8. Mr Newton also proposes that Ministers should be prepared to announce further projects on 9 March consistent with initiatives already set in place. He mentions the possibility of four City Technology Colleges, two Safer Cities, an employers "One Stop Shop" and three inner city Task Forces.

9. The draft of the publication has not been cleared in advance with Treasury officials but is generally acceptable. We may offer detailed comments at official level and Mr Newton intends to seek colleagues' agreement to the complete text before it is finalised. The draft emphasises the success of national economic regeneration and the role of the private sector. If the opportunity arises you might wish to emphasise the broader and more flexible economic structure of our major cities, including the growth of services - for example, growth of financial services in regional centres such as Manchester and Leeds.

10. While it would be desirable as Mr Newton suggests to co-ordinate announcements of inner city projects already in the pipeline on 9 March (the date is pre-Budget but they do not impinge on the Budget), measures should be agreed with the Treasury in advance in the normal way. For example, any announcement of three new Task Forces should be linked to withdrawal from three existing Task Forces as part of the rolling programme (as we understand DTI intend, though not yet finalised).

RIDLEY → NEWTON 26/1

CONFIDENTIAL

2 MARSHAM STREET
LONDON SW1P 3EB
01-276 3000

My ref:

Your ref:

The Rt Hon Anthony Newton MP
Chancellor of the Duchy of Lancaster
Department of Trade and Industry
1-19 Victoria Street
LONDON
SW1H OET

CHIEF SECRETARY	
REC.	26 JAN 1989
ACTION	Mrs Bryner
COPIES TO	Mr Anson, Mr Monck, Mr Edwards, Mr Ward, Mr Barclay, Mr Burr, Mr Call, Mr Parkinson.

26 January 1989

Dear Chancellor,

ACTION FOR CITIES PROGRESS REPORT

Thank you for copying to me your minute of 9 December to the Prime Minister reporting progress of Action for Cities.

Like you, I see signs of growing optimism and confidence in our inner cities, to which our programmes are making a major contribution. In this connection and by way of updating your progress report, the order for the Bristol Urban Development Corporation was approved last week: we now have established a full programme of 10 English UDCs. In the important area of housing we must, as you say, concentrate on implementing successfully the measures I have put in place.

I agree with you that we should look for ways of maximising the regenerative effects of our programmes, including improving inner city residents' ability to compete for the job opportunities which these programmes are creating. I believe that the UDCs are fully alive to this and we are looking at ways in which we might enhance the regenerative effects of City Grant projects.

You suggest that we should target our efforts on the construction industry. The CITB is launching a recruitment campaign targeted on schools and careers officers particularly in the inner cities (including Docklands where the CITB and Mowlems have set up training centres aimed at recruiting local people). And Phoenix is helping to promote the Construction Industry Data Service (CDS) aimed at increasing local resourcing of building projects. The first CDS has been established at the Manchester Building Centre and is part funded by a CAT grant.

I am of course ready to discuss what more might be done but, as you recognise, this is a tricky area. We must avoid the slippery slope of compulsion and contract compliance and the danger of placing burdens on the construction industry which reduce the attractiveness of inner city projects.

CONFIDENTIAL

On the question of secondments my Department supports Phoenix with a secondee and also currently seconds 7 officials to the UDCs. We shall bear BIC in mind but I cannot promise anything immediately.

I look forward to seeing a draft of the document to mark the anniversary of the Action for Cities launch.

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

Yours sincerely

pp NICHOLAS RIDLEY

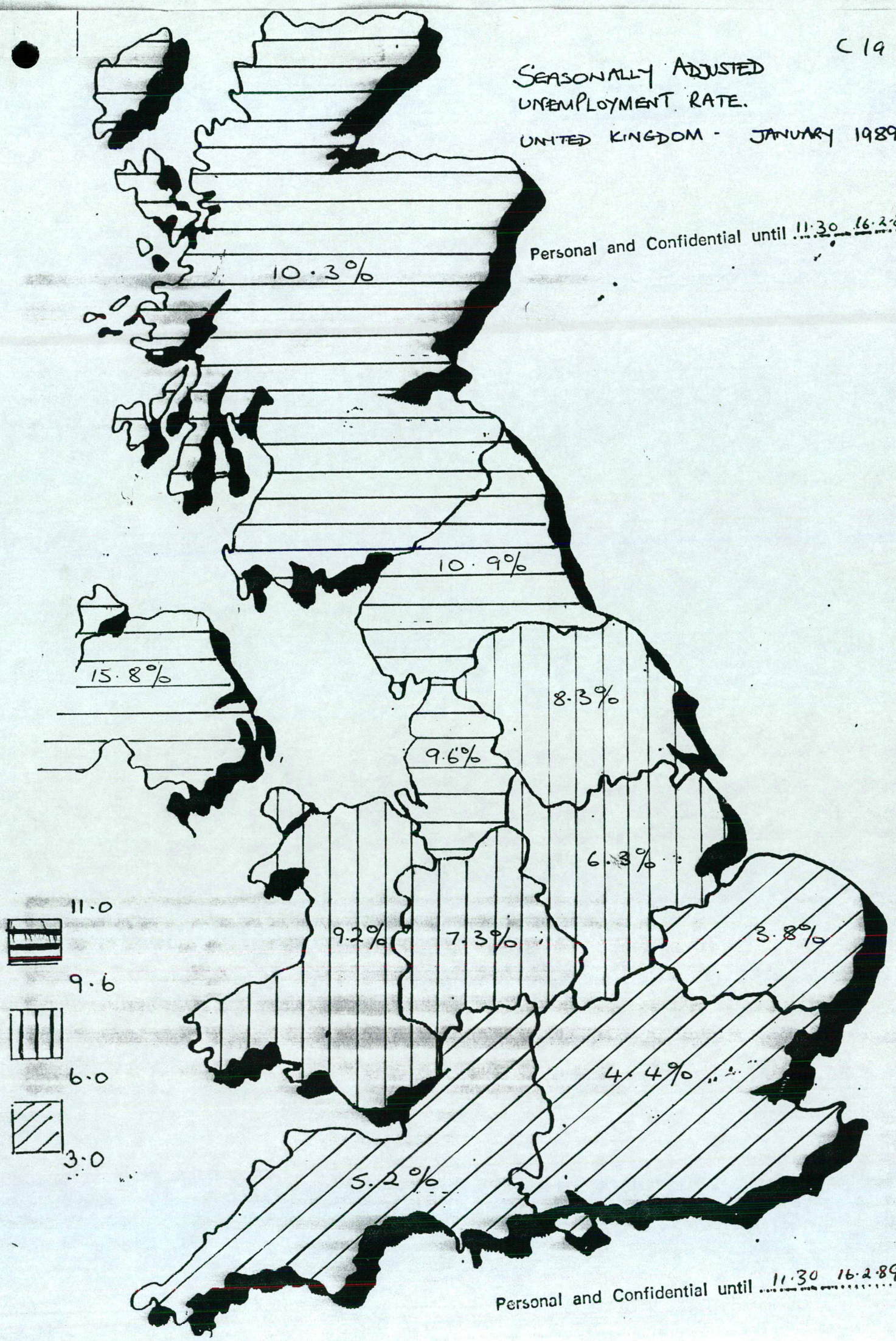
(Approved by the Secretary of State and Signed in his Absence)

C 19

SEASONALLY ADJUSTED UNEMPLOYMENT RATE.

UNITED KINGDOM - JANUARY 1989

Personal and Confidential until 11.30 16.2.89



Personal and Confidential until 11.30 16.2.89

SEASONALLY ADJUSTED UNEMPLOYMENT
UNITED KINGDOM

CHANGE IN RATE OVER YEAR
JANUARY 1988 - JANUARY 1989

C1b

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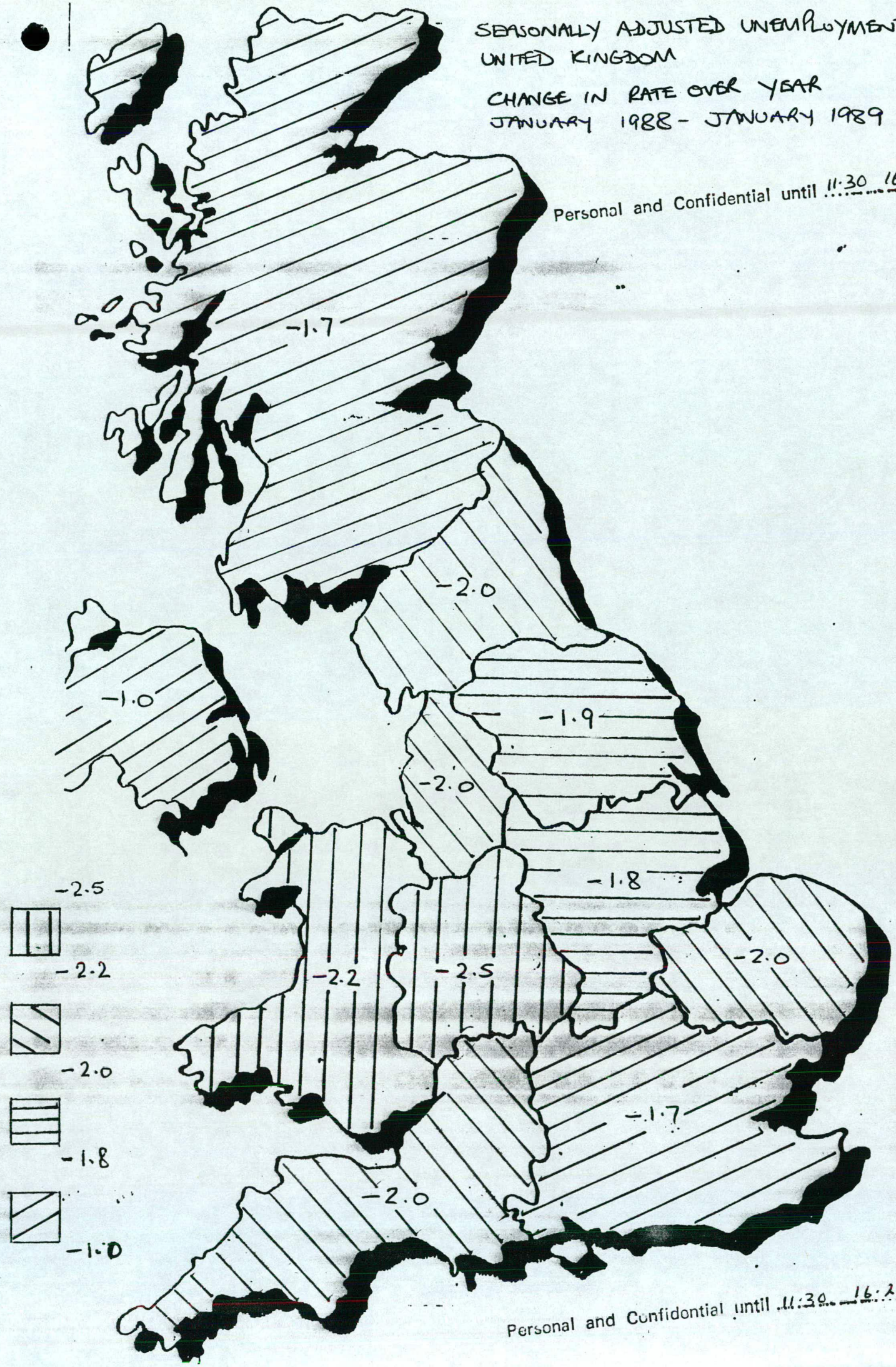

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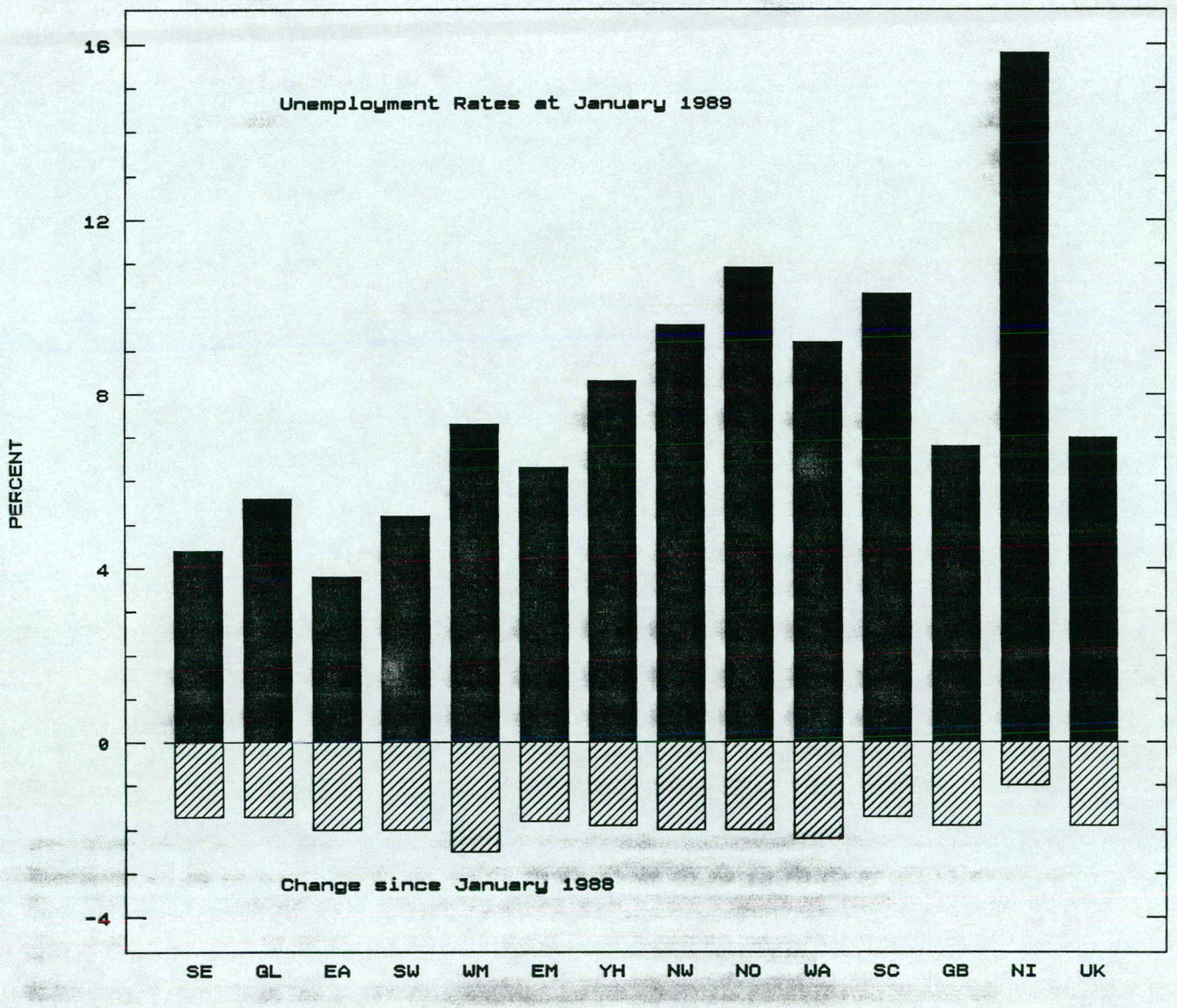
REGIONAL UNEMPLOYMENT RATES

SEASONALLY ADJUSTED



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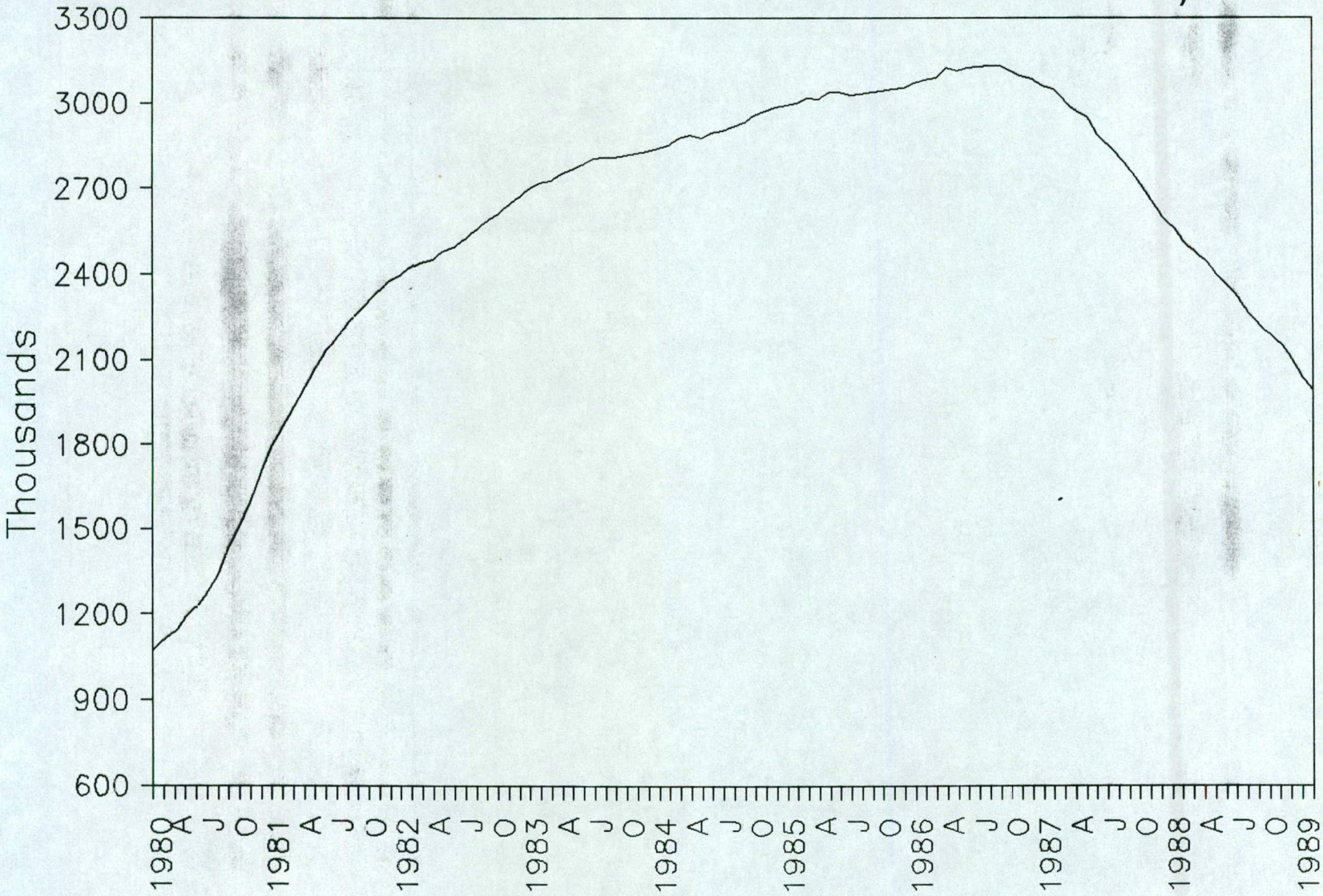
SEASONALLY ADJUSTED UNEMPLOYMENT

CONSISTENT WITH CURRENT COVERAGE U.K. January 1989



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C10

REGIONAL UNEMPLOYMENT, SEASONALLY ADJUSTED

			RATE (% of WORKFORCE)		
	January 1989	Change in month since December 1988	January 1989	Change in month since December 1988	Change in year since January 1988
	Thousands				
REGIONS					
South East	406.1	-14.7	4.4	-0.2	-1.7
(Greater London)	(242.7)	(-7.1)	5.6	-0.2	-1.7
East Anglia	38.5	-2.6	3.8	-0.3	-2.0
South West	109.1	-4.0	5.2	-0.2	-2.0
West Midlands	192.0	-6.2	7.3	-0.2	-2.5
East Midlands	122.2	-4.2	6.3	-0.2	-1.8
Yorks & Humber	197.7	-5.1	8.3	-0.2	-1.9
North West	288.8	-4.1	9.6	-0.1	-2.0
North	157.7	-2.3	10.9	-0.2	-2.0
Wales	109.9	-3.0	9.2	-0.3	-2.2
Scotland	256.6	-3.6	10.3	-0.1	-1.7
GREAT BRITAIN	**1878.4**	**-49.9**	**6.8**	-0.2	-1.9
Northern I.	109.7	.6	15.8	0.1	-1.0
UNITED KINGDOM Total	**1988.1**	**-49.3**	**7.0**	-0.2	-1.9
Male	1405.7	-33.7	8.5	-0.2	-2.1
Female	582.4	-15.6	5.0	-0.1	-1.5

Personal and Confidential until 11.30 am 16/2/89

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)*

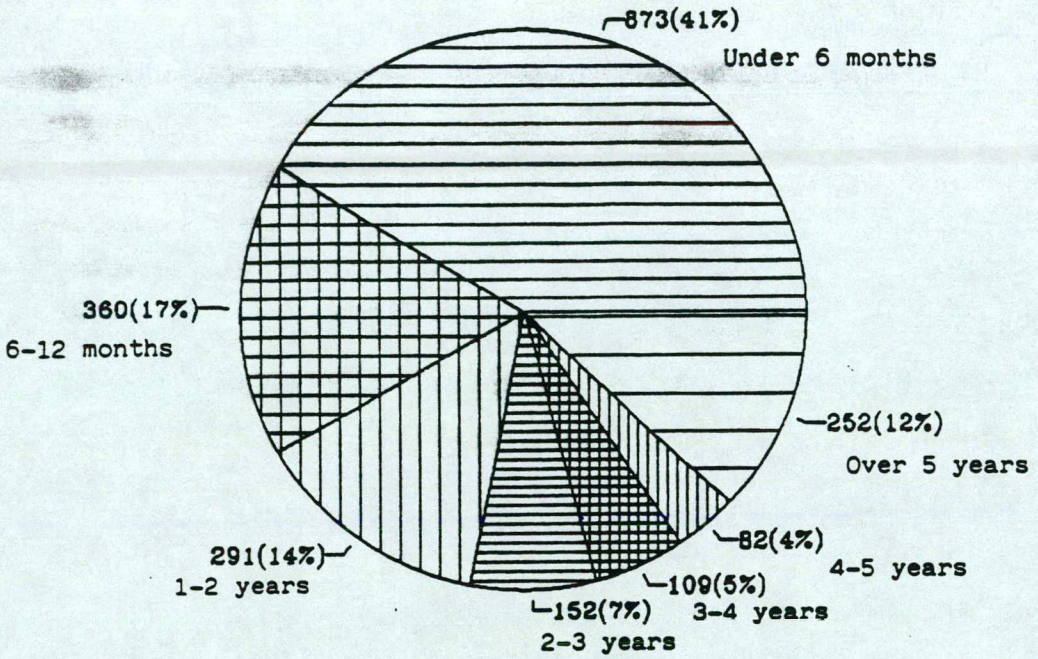
$ Changes given in brackets are affected by September's change in benefit regulations for the under 18 year olds. Estimates of changes allowing for these effects are given alongside.(Based on the estimated effects at October 1988).

* Includes those aged under 18.

C3b

U.K. UNEMPLOYMENT BY DURATION

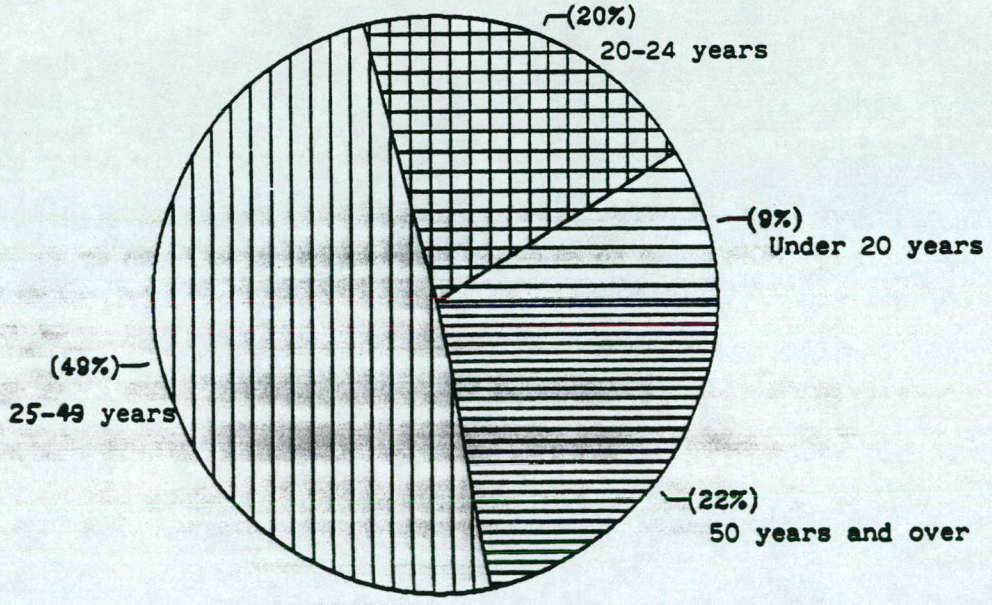
THOUSANDS



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)
	Dec 88	92	(1)	8	2		420	NIL	8	(165)

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:

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	(17.4)*	NOV
Italy	(12.6)*	NOV
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
Denmark	(6.9)*	NOV
Australia	6.8	OCT
Austria	[6.5]a	DEC
Germany	6.2	OCT
United States	5.3	NOV
Portugal	5.2	AUG
Finland	4.2	NOV
Norway	2.9	AUG
Japan	2.4	NOV
Luxembourg	(2.3)*	NOV
Sweden	1.4	NOV
Switzerland	[0.7]a	NOV

* 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 7.7% in November 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.

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 in total	Change (000s)	Latest month
Norway	+ 2.4	+ 98	+ 31	NOV
Italy	+ 2.4	+ 16	+ 542	OCT
Denmark	+ 1.2	+ 17	+ 35	OCT
Portugal	+ 0.1	+ 2	+ 6	OCT
Netherlands	NC	- 2	- 1	NOV
Sweden	NC	- 2	- 2	OCT
Switzerland	- 0.1	- 17	- 4	NOV
Luxembourg	- 0.2	- 8	NC	SEP
Canada	- 0.3	- 2	- 23	NOV
France	- 0.3	- 2	- 41	SEP
Japan	- 0.3	- 10	- 150	NOV
Greece	- 0.4	- 1	- 1	DEC
Austria	- 0.4	- 6	- 12	DEC
USA	- 0.4	- 4	- 294	JAN
Ireland	- 0.6	- 3	- 7	JAN
Germany	- 0.7	- 7	- 184	JAN
Australia	- 1.1	- 14	- 78	NOV
Belgium	- 1.5	- 10	- 43	NOV
Spain	- 1.6	- 7	- 195	OCT
United Kingdom*	- 1.9	- 21	- 531	JAN

NC No Change
* Seasonally adjusted series consistent with current coverage.
Sources:- OECD "Main Economic Indicators" supplemented by Labour Attache reports etc.

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

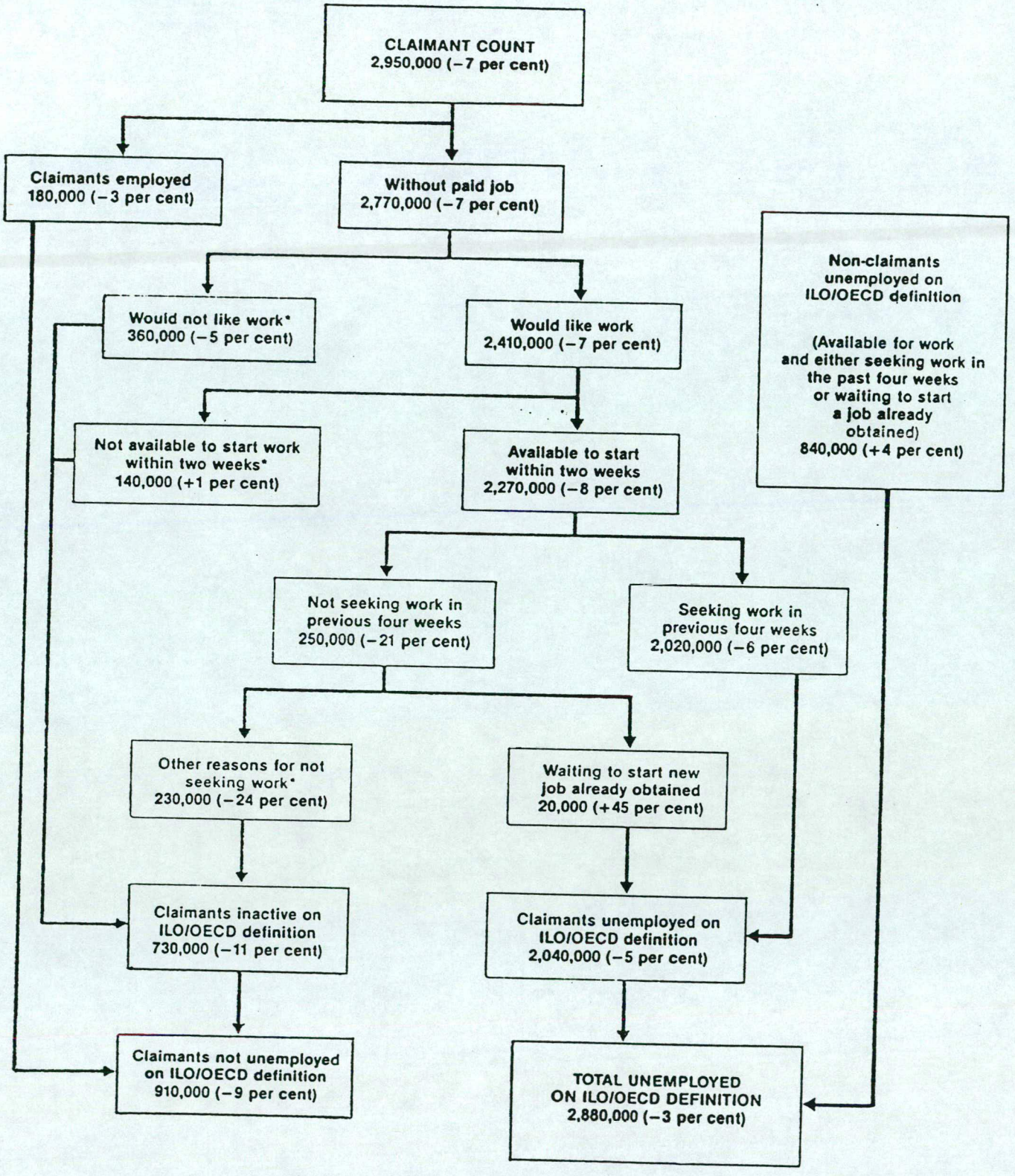
Seasonally adjusted, national defintions RECOMMENDED

	Change in Percentage rate	Percentage Changes	Change Number (000s)	Latest month
Norway	+ 0.8	+ 24	+ 12	NOV
Italy	+ 0.7	+ 4	+ 165	OCT
Denmark	+ 0.3	+ 3	+ 7	OCT
Japan	NC	+ 2	+ 37	OCT
France	NC	+ 1	+ 35	SEP
Canada	NC	+ 1	+ 9	NOV
Austria	NC	+ 1	+ 1	DEC
Portugal	NC	NC	- 1	OCT
Netherlands	- 0.1	- 1	- 5	NOV
United States	- 0.1	- 1	- 93	JAN
Germany	- 0.1	- 2	- 40	JAN
Australia	- 0.2	- 3	- 15	NOV
Ireland	- 0.3	- 1	- 4	JAN
Sweden	- 0.3	- 13	- 10	OCT
Spain	- 0.6	- 3	- 87	OCT
Belgium	- 0.6	- 4	- 18	NOV
United Kingdom	- 0.6	- 8	- 178	JAN

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

D1a

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.)

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'.

Effect of employment and training schemes
Numbers on employment and training schemes have hardly changed over the past 2 years during which unemployment has been falling rapidly.

Effect of Restart/availability tests etc.
Unreasonable to deny genuine improvements, particularly at a time when growth of the economy has been outstripping most of our competitors, and given the record level of employment,and growth of over 2 million jobs since 1983.

Reasonable to ensure that only paying benefits to those entitled and available for work, and to help long-term unemployed back to work by offering variety of opportunities designed to find them a job or improve their prospects of finding one.

Tighter procedures do not affect the benefit of anyone genuinely available and looking for work. No apologies for stopping benefit of those working in the black economy or claiming when unable to take a job eg because of family responsibilities.

Impossible to make estimate of effects on the count of these various measures, in particular at a time when labour market has been improving so strongly (cannot separate the various effects).

Inflated claims of higher "real" totals
Such inflated estimates (sometimes as high as 5 million) have included all those who say they would like work even if they are not seeking work: eg early retired, sick or those looking after families.

Estimates sometimes include those on government schemes, who are at work (and included as in employment according to international guidelines.)

It is one thing to suggest some people might otherwise be unemployed without the help given, quite another to suggest they really are unemployed when they are at work or in training.

International measure of unemployment
Unemployment 2.88 million (GB) on internationally agreed definition (ILO/OECD) according to Labour Force Survey in Spring 1987. 70,000 lower than claimant count of 2.95 million at that time. International measure has been falling since 1984, ie 2 years before the claimant count started to fall.

OECD's published unemployment rate for UK estimated on standard definition was 7.6% in November 1988 compared with our 7.5% at that time.

Changes affecting the unemployment count
Only 2 changes to method of compiling unemployment count since 1979. Some other changes to administrative procedures have also occurred. However, all the significant changes in coverage (7 in total since 1979) have been allowed for in the seasonally adjusted series, which is maintained on a consistent basis, according to the current coverage, to provide comparable assessments of the trend.

(Not rewriting history but helping to explain it properly, by removing distortions. Basic counts remain unchanged as recorded at the time.)

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 (eg Unemployment Unit - nearly 3 million). 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. These procedures no longer exist. Similarly unrealistic to estimate under 18's in future who would claim benefits if rules had remained unchanged.)

Labour market
- job changes
and flows

LABOUR MARKET - job changes and flows

1. TOTAL JOB CHANGES have recently been running 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 January averaged 231,000 a month (UK seasonally adjusted), because only about a third of all vacancies are notified to Jobcentres. Placings by jobcentres, in the year to January averaged about 159,000 a month (UK seasonally adjusted). These are estimated to be broadly a quarter of all engagements or job changes in the economy.

3. OUTFLOW from unemployment averaged about 361 thousand per month in the year to January 1988. This represents an annual outflow of 4.3 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.

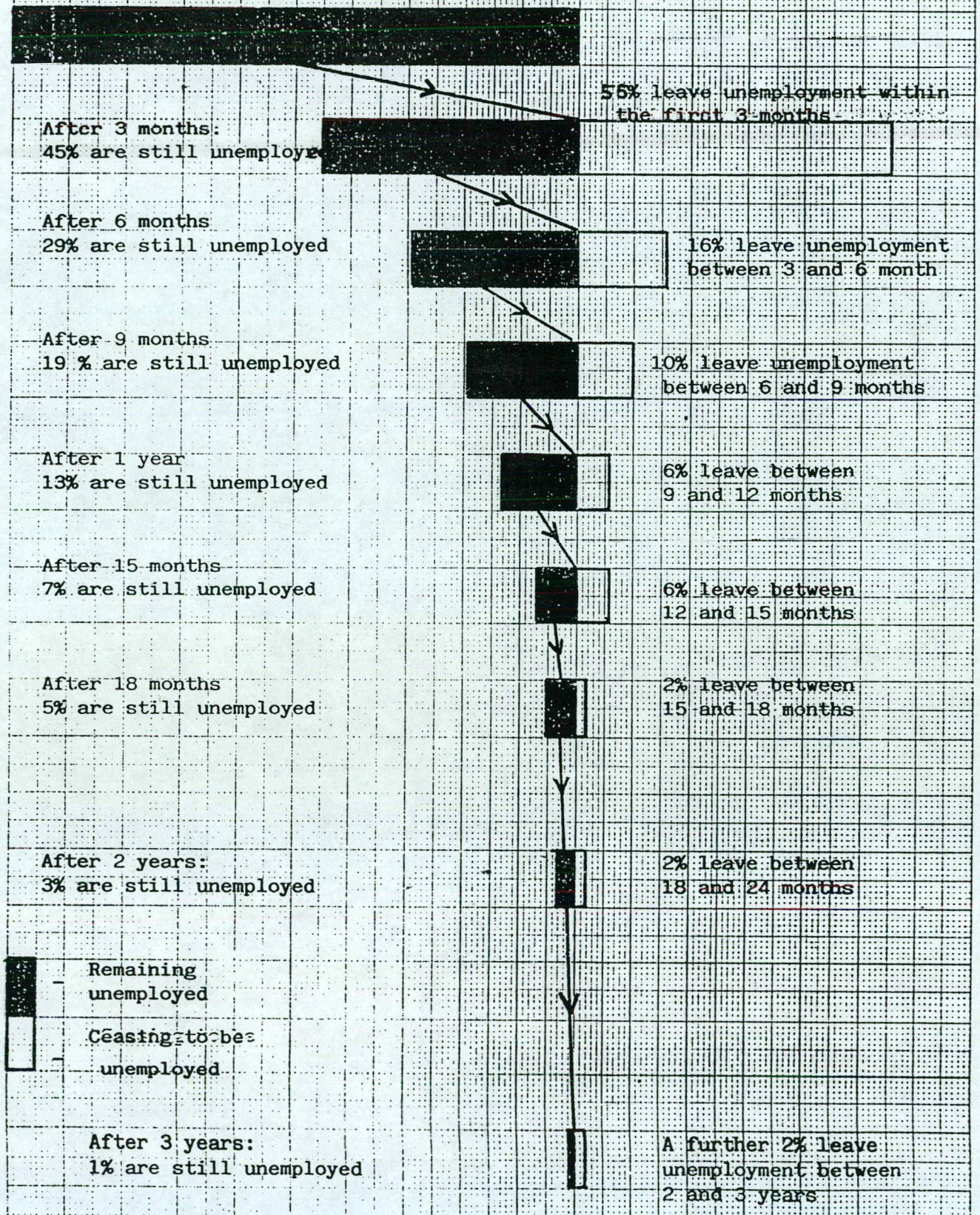
Footnote

*The estimate of 7½ million job changes relates to 1987 and is based on a survey conducted by IFF Research Ltd in January 1988. The same survey provided an estimate of over 700,000 unfilled vacancies in the economy at that time, confirming that approximately only a third of all vacancies are notified to Jobcentres (Employment Gazette April 1988 page 211 gives further details.)

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.

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 in September 1988. 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

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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 Q3

	Thousands	Per Cent
CANADA	1810	17.1%
USA	16046	16.2%
UK	2304	9.9%
JAPAN	2938	5.1%
GERMANY	792	3.2%
ITALY	697	3.4%
FRANCE *	-289	-1.4%

Source : OECD Quarterly Labour Force Statistics (except UK)
Notes : * 1982 Q4 to 1987 Q4.

2. Between 1983 and 1987 the increase in employment in the UK was approximately equal to that in the rest of the European Community combined. This will not be true for period 1983 to 1988 but the UK rise will still be greater than that for any other Community country. 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 Thousand	1983 - 1987 Per Cent	1979 - 1987 Thousand
BELGIUM	79	2.2	-86
DENMARK	163	6.5	162
GERMANY	647	2.6	-76
GREECE	58	1.6	286
SPAIN	395	3.6	-462
FRANCE	-192	-.9	-329
IRELAND	-43	-3.9	-62
ITALY	234	1.1	527
LUXEMBOURG	12	7.6	13
NETHERLANDS	286	5.8	430
PORTUGAL	30	.7	317
EC12 - UK	1669	1.7	720
UK	1683	7.2	-91
EC12	3352	2.8	629

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

The latest estimates of the workforce in employment in the whole economy relate to September and remain as reported in January except for a very small revision to reflect late data now to hand. The increase of 120,000 in the third quarter is more in line with trends observed in 1987 than the small increase of 39,000 in the second quarter of 1988.

Since March 1983, when the rising trend began, the workforce in employment has increased by 2,295,000 of which employees in employment accounted for 1,116,000, self- employment 809,000 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	4,899	25,172	6,254
	Sept	14,393	1,358	10,899	4,934	25,292	6,292
Change							
Mar 83-Sept 88		730	490	1,565	957	2,295	1,447
Sept 87-Sept 88		114	52	285	128	400	180

* 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 full time	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	20,765	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	11,689	935	9,908	5,533	4,375	21,597	2,175	222	749	388	2,925	300	16	316	199	135	335
	Sept	11,677	910	9,968	5,582	4,386	21,645	2,194	226	761	394	2,956	299	16	315	222	154	377
Change																		
Mar 83-Sept 88		-29	165	1,145	472	673	1,116	543	103	265	130	809	-7	1	-6	222	154	377
Sept 87-Sept 88		35	28	241	131	110	277	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.

CHANGES IN EMPLOYEES IN EMPLOYMENT

Great Britain — Thousands, not seasonally adjusted

Industry	Year ending Sept 1988 Change Absolute	Percent
Agriculture forestry and fishing	- 6.3	-1.9
Energy and water supply	- 37.9	-7.8
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	33.3	2.5
Banking, finance insurance	149.8	6.4
Other Services	84.1	1.3
All Industries	278.1	1.3

Region	Year ending Sept 1988 Change Absolute	Percent
South East	115.5	1.5
(Greater London)	4.2	0.1
East Anglia	33.9	4.2
South West	22.6	1.4
West Midlands	38.9	1.9
East Midlands	24.2	1.6
Yorks & Humberside	16.9	0.9
North West	-6.3	-0.3
North	22.9	2.1
Wales	2.8	0.3
Scotland	6.8	0.4
Great Britain	278.1	1.3

Personal and Confidential until 11.30 am on 16-2-89

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.

D10b

TABLE B INTERNATIONAL COMPARISONS

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

		Latest period available
Greece	17.6	Q2 1988
Portugal (h)	9.5	Q2 1988
Finland	9.0	Q2 1988
Great Britain (c)	8 3/4	DECEMBER
Sweden (g)	8.3	SEPTEMBER
Norway (d)	7.7	Q2 1988
Austria (a)(g)	6.5	AUGUST
Ireland	6.5	Q1 1987
Denmark (g)	6.3	OCTOBER
New Zealand (i)	6.3	Q2 1988
Canada	5.5	OCTOBER
Australia (b)	5.4	SEPTEMBER
Italy (b)	5.3	OCTOBER
Spain (e)	5.3	Q2 1988
Germany	4.4	JULY
Japan (a)(f)	4.3	OCTOBER
France (b)	3.0	Q2 1988
United States	2.9	NOVEMBER
Belgium (j)	1.9	Q3 1988
Netherlands (b)	1.1	JULY
OECD	5.2	JUNE
EEC	6.0	JUNE

Source: OECD Main Economic Indicators: JANUARY 1989

(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

D 10C

CONFIDENTIAL UNTIL 11.30 AM THURSDAY 16 FEBRUARY 1989

INDUSTRY BREAKDOWN
INDEX OF AVERAGE EARNINGS (Unadjusted)*

TABLE A

Classes SIC 1980	Weights	Index (1985 = 100) 1988						Percentage increase over previous 12 months 1988					
		July	Aug	Sept	Oct	Nov	Dec**	July	Aug	Sept	Oct	Nov	Dec*
Metal processing and manufacture	14	141.7	129.8	123.4	142.9	124.2	134.0	9.8	17.0	7.7	9.9	8.5	9.7
Mineral extraction and manufacturing	14	127.9	124.8	127.4	126.1	127.9	136.3	7.6	6.9	6.5	6.7	6.7	7.3
Chemical and man-made fibres	20	126.0	125.9	126.1	128.4	139.2	138.3	6.0	7.6	10.0	9.4	8.8	7.9
Mechanical engineering	44	126.7	124.9	125.4	127.4	129.5	132.3	8.8	8.2	8.4	9.2	8.8	10.0
Electrical and electronic engineering	37	128.7	127.1	128.0	130.7	131.7	135.6	8.2	7.9	7.7	9.3	8.7	9.0
Motor vehicle and parts	17	135.8	129.5	128.5	129.0	136.3	140.0	13.6	10.8	8.6	7.9	13.5	15.9
Other transport and equipment	17	114.3	111.6	121.8	124.5	126.1	133.6	-0.5	-2.5	5.2	7.5	6.5	6.5
Metal goods and instruments	27	128.0	127.1	127.3	128.2	131.3	131.0	9.3	9.3	7.9	8.2	7.3	8.8
Food, drink and tobacco	33	125.7	125.0	126.0	127.0	133.2	135.6	7.2	7.6	6.4	8.0	10.5	9.5
Textiles	13	124.8	123.6	123.9	124.5	128.0	125.7	4.9	6.1	5.6	5.4	5.9	5.8
Leather, footwear and clothing	17	126.7	122.0	124.5	123.9	124.9	127.3	9.2	7.3	8.5	7.6	6.9	6.1
Timber and wooden furniture	11	135.5	140.0	135.2	134.2	138.3	137.8	18.0	18.8	14.0	4.4	11.6	21.0
Paper products, printing and publishing	26	125.1	125.2	127.1	127.7	127.3	127.6	7.2	7.5	6.9	8.1	6.8	6.7
Rubber, plastic and other manufacturing	14	130.4	124.7	126.4	127.4	131.2	131.2	10.0	7.9	8.3	8.4	7.1	4.4
*Manufacturing Industries	304	127.9	125.6	126.4	128.7	130.8	133.5	8.3	8.3	8.0	8.2	8.7	9.1
Coal and coke	15	139.7	138.5	140.9	141.8	142.1	140.7	16.2	14.2	16.5	14.8	14.0	11.8
Mineral oil and natural gas	1	134.2	131.2	131.4	134.6	147.2	141.8	7.4	10.3	12.1	14.0	10.3	14.3
Electricity, gas and other energy and water supply	19	125.5	125.8	124.0	124.9	125.3	124.2	8.2	1.5	4.8	5.9	4.6	6.9
*Production Industries ≠	339	128.4	126.4	127.1	129.2	131.2	133.4	8.6	8.1	8.2	8.5	8.6	9.1
Construction	55	130.2	127.9	130.3	133.5	136.4	139.1	10.2	10.6	10.8	12.9	12.7	12.3
*Production ≠ and Construction Industries	394	128.7	126.6	127.5	129.8	131.9	134.2	8.6	8.1	8.2	8.8	8.9	9.0
Agriculture and Forestry ≠	19	118.7	128.8	134.4	136.9	116.1	ø	4.1	9.0	8.2	11.9	-3.8	ø
Distribution and repairs	164	125.2	123.9	126.6	126.0	127.1	133.1	9.3	7.7	9.0	9.8	8.4	9.1
Hotel and catering	49	125.0	126.6	124.9	129.4	132.5	139.5	11.1	10.0	8.6	10.4	9.3	7.6
Transport and communication (except sea transport)	71	122.5	122.5	122.1	124.4	127.0	127.3	4.3	7.5	6.8	6.1	4.6	4.9
Banking, finance and insurance	44	132.9	129.6	128.6	128.7	142.1	136.7	10.8	9.4	6.6	4.3	6.0	6.7
Public administration	90	126.2	124.6	124.7	128.3	131.8	129.4	9.0	10.2	8.7	11.0	12.9	9.8
Education and health services	147	135.3	134.3	131.5	131.6	132.8	156.6	8.6	5.5	11.1	9.6	11.0	26.9
Other services	22	126.8	124.0	125.1	123.8	124.8	130.0	7.5	8.8	6.6	6.0	5.0	5.9
*Service industries	587	128.1	126.9	126.7	127.8	130.9	137.5	8.4	7.9	8.7	8.6	8.8	12.4
*Whole economy	1000	128.3	126.8	127.3	128.9	131.2	135.7	8.5	8.1	8.7	9.0	8.7	10.9

*Except for percentage increase figures shown in these lines which reflect seasonally adjusted index figures
**Provisional
≠Manufacturing, coal and coke, mineral oil and natural gas, electricity, gas, other energy and water supply
≠England and Wales only
øNot available

Stats A1

February 1989

CONFIDENTIAL UNTIL 11.30 AM THURSDAY 16 FEBRUARY 1989

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SECRET

FROM: T J BURR
DATE: 7th February 1989

CHANCELLOR

cc Chief Secretary
Financial Secretary
Paymaster General
Sir P Middleton
Mr Anson
Mr Monck
Mr Beastall
Mr Burgner
Miss Peirson

E(A)(89)3: THE EMPLOYMENT SERVICE

1. In this paper the Secretary of State for Employment proposes that he should announce an examination of the feasibility of privatising the vacancy and job placement functions of the Employment Service.

Background

2. The Employment Service of the Department of Employment was formed in October 1987 by a merger of the Unemployment Benefit Offices with the Jobcentres previously run by the Training Commission. The new Employment Service, then employing some 40,000 staff, was identified as one of the first candidates for "Next Steps" Agency status. It was originally planned to become an Agency at the beginning of this year, but work in the Department of Employment has been proceeding at a slow pace, and more recently DE Ministers have spoken of a launch "before the Summer Recess".

3. It is, as Mr Fowler's paper says, a requirement that the case for privatisation should be considered before a decision is taken on Agency status. The Department had concluded that privatisation was not an option for any part of the Employment Service. At this fairly late stage, however, Mr Fowler has decided that the Jobcentres could be privatised.

BURR → CX 7/2

4. The paper does not give a very clear picture of the way in which a privatised vacancy and placement service might work, nor of its relationship with the rest of the Employment Service, which would stay in the public sector as a "Next Steps" Agency. But we have discussed this with DE, and the proposal appears to be on the following lines. Subject to professional advice, the Jobcentre network would either be sold to a single buyer, sold in parts, or would be franchised. Thereafter, it would operate in broadly the same way as any other employment agency, providing and helping to fill vacancies on the basis of fees from employers.

5. To provide an adequate job finding service for the long term unemployed and others who might be difficult to place might however not be commercially attractive. In particular, it could not be assumed that the privatised or franchised Jobcentres would be prepared to play the same role in testing availability for work as they do now. Responsibility for the stricter benefit regime and for Restart would in any case remain in the part of the Employment Service which stayed in the public sector. But in addition, the Employment Service would contract with the privatised Jobcentres, and in principle with other employment agencies, to offer suitable vacancies to those unemployed people whom they would not normally serve on a commercial basis. The figures in paragraph 7 of the paper imply, perhaps optimistically, that these might represent only about a tenth of the total number of people placed by the Jobcentres. The natural way in which to place contracts for providing this non-commercial vacancy service would be by competitive tender, in which the Jobcentres would compete with other employment agencies.

6. On timing, Mr Fowler proposes the immediate appointment of professional advisers, with initial recommendations within eight weeks of appointment. This would be the subject of an announcement before the end of this month, which would also say that conclusions would be reached on privatisation by early May, and that the remainder of the Employment Service would become a "Next Steps" Agency from 3 April 1989.

Discussion

7. There is little doubt that some at least of the work of the Jobcentres closely resembles the work of an employment agency, and could probably be conducted on a commercial basis. The key question, which certainly cannot be answered until we have professional advice, is what proportion of Jobcentre business this represents. A private sector Jobcentre company would obviously tend to concentrate on the more profitable areas, in which a lot of job changing takes place. There could therefore be cherry-picking of areas like secretarial or computer staff, with less emphasis on other areas.

8. To the extent that these are areas where vacancies could be more efficiently filled in other ways, that would be no bad thing. Indeed at the time of the last public expenditure Survey we suggested to the Department that they should withdraw from providing for job changers, as distinct from the unemployed, and leave the market to decide what services were provided for them. But it would hardly be credible for the Department to fail to ensure an adequate service for the unemployed, and indeed Mr Fowler does not envisage that this would happen. What we do not know is how big a non-commercial service the Department would need to (or indeed could) buy from the Jobcentres and other employment agencies in order to provide a service which would be judged adequate. This is not so much a financial worry: the privatised service would almost certainly be cheaper than the present one, both because it would cover job changes in commercial areas of the market at no cost to public funds, and because it would probably be more efficient for the remainder. There could however be problems in the following areas:

(a) Even if large-scale contracting proved feasible, there would be a certain artificiality about a situation in which most of the income of the privatised Jobcentres was a DE subvention for services which they were not prepared to provide commercially.

(b) There is a risk that it would not prove possible to operate the non-commercial but essential part of the service on a contract basis. Mr Fowler implicitly admits that this might be the case in areas where the number of unemployed people is high in relation to the number of vacancies, because he envisages that the Employment Service might need to continue to run a vacancy and placement service in those areas. At this stage it is not at all clear how extensive this problem might be.

(c) If the new arrangements proved less effective at testing availability for work, and in preventing people from resting on the unemployment count, any savings from privatisation could be far more than offset by additional benefit costs. DE point out that the Employment Service would retain responsibility for Restart and for the stricter benefit regime generally; that it would continue to run Jobclubs, which have proved very effective in getting people back to work; and that the new benefit test that claimants should be actively seeking work makes it a lot more difficult to rest on benefit anyway. There is something in these points, but it is difficult to be certain that there would be no loss of effectiveness in combating benefit abuse.

One problem which DE do not foresee is that a buyer might just want the Jobcentres in order to make a large profit on the property assets. They say that only a relatively small proportion of the Jobcentres are in freehold accommodation, and that the total property portfolio is only worth some £10-20 million. But this is obviously a point which the professional advice will need to cover.

9. Professional advice, however, will only go part of the way towards clarifying these various uncertainties. We doubt whether it will provide a basis on which the Government can confidently decide as early as May that the risks involved in privatisation are acceptable. The Secretary of State for Scotland, in his minute of 6 February, has already said that he thinks it would be mistake to commit the Government to reaching

conclusions by May. We would go further than that. We think that the right course would be to proceed to ring fence the Jobcentres from the Employment Service, and to start charging employers for their services. This arrangement should then continue for a couple of years, during which the commercial potential of the service could be more clearly established. Decisions on privatisation could then be taken on the basis of at least some experience, and potential buyers would have some track record on which to base their bids. Thus not only would the risk be reduced, but we might also get a better price.

10. We understand that Mr Fowler's timetable, however, is determined by the desirability of completing privatisation before the next Election, and the undesirability of uncertainty about the future of the Jobcentres continuing through an Election.

11. There are a few other specific aspects of Mr Fowler's proposals which call for comment:

(a) We do not see why it is necessary, in an announcement this month, to say that the rest of the Employment Service (excluding the Jobcentres) will be established as a "Next Steps" Agency from 3 April. DE will not even have the professional advice by then, and no decision will have been taken on privatisation of the Jobcentres. It would not therefore be clear whether the new Agency would or would not include the Jobcentres. In any case preparations for Agency status have made little progress while the privatisation proposal has been germinating, and they can hardly be completed by 3 April. It would therefore seem more sensible for Mr Fowler to say, in any announcement this month, that while Agency status for the Employment Service was still the intention, further progress would have to wait until professional advice on privatisation was available. We would not want to take a final decision on privatisation even at that stage, but at least we could see whether there was a prima facia case for privatisation, and settle the shape of the proposed Agency on that basis.

How does this impact on

self-governing hospitals?

We break the present contract there

(although by agreement).

(b) Mr Fowler's paper asserts (paragraph 16) that legislation would not be needed to achieve privatisation or franchising, although he proposes to include in his proposed Employment Bill provisions to deal with technical redundancy in respect of staff transferred with the privatised Jobcentres. We have however drawn DE's attention to the undertaking given to the PAC that as a general rule the Government would aim to seek specific statutory authority before departmental operations were hived off. We think that this operation is sufficiently large (7,000 staff), and of sufficient political interest, to raise a serious question as to whether it could be done without legislation. DE are consulting their lawyers on this point.

(c) If the Jobcentres are privatised, the residual Employment Service will be essentially concerned with paying and policing benefits on behalf of DSS. We understand that Mr Moore, who will be present at the meeting, has taken the point that in that situation there will be a case for transferring the Employment Service to his Department. There is clearly something in this point. We do not expect Mr Moore to press it, however, and if it is raised we suggest that you should not intervene. If asked, you could say that there obviously is a point for consideration here, but that it cannot sensibly be taken much further until we are in a better position to assess the prospects for privatisation of the Jobcentres.

Line to take

12. We therefore recommend that you should take the following line:

(a) agree to early professional advice on privatisation;

(b) subject to your assessment of Mr Fowler's political arguments for rapid progress, argue that it would be better to move the Jobcentres to a commercial basis within Government, and gain a couple of years experience, before attempting privatisation;

avoidable for work first — para 14

(c) argue that the proposed announcement should not include a launch date for the Employment Service Agency, or a timetable for reaching decisions on privatisation;

(d) stress the need for thorough examination of the legislative aspect, in consultation with Treasury Officials.

T.J Burr

T J BURR

SECRET

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PWP

Mr Burr
cc Sir P Middleton
Mr Byatt, Mr Mowl,
Mr Burgner, Mr Call

Prime Minister

E(A) (89)3: THE EMPLOYMENT SERVICE

I am very sorry that I will not be able to be present at Wednesday morning's meeting of E(A). I have a longstanding arrangement to chair a meeting involving Scottish Office Ministers, Party officials in Scotland and Scottish backbenchers. These meetings are always very difficult to arrange but they are, as you appreciate, extremely important for coordinating our political effort in Scotland.

I am broadly content with the proposals in Norman Fowler's paper, subject only to one point about timing. The feasibility study on the privatisation of the vacancy finding and job placement functions of Job Centres will obviously be of very critical importance in testing the viability of the proposal, in particular the assumption that employers would pay to use a privatised service. I believe therefore that we should at this stage avoid giving any impression that we are prejudging the outcome of the feasibility study which I suggest may be the case if we announce now an intention to announce conclusions by early May, which in any event leaves rather short a period for the study. My preference therefore would simply be to announce now both the decision to establish the employment service as an agency and our decision to examine the feasibility of privatisation but to make no reference to the timing of an announcement of conclusions.

I am copying this letter to the other members of E(A) and to Sir Robin Butler.

MR

M R

Scottish Office
6 February 1989

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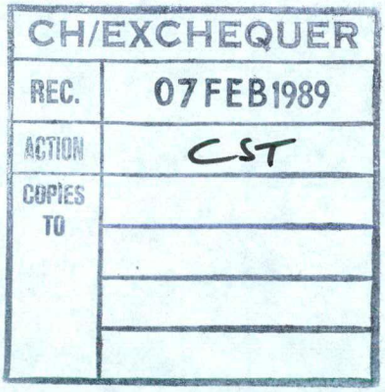

V 7/2

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MR.

M R

Scottish Office
6 February 1989

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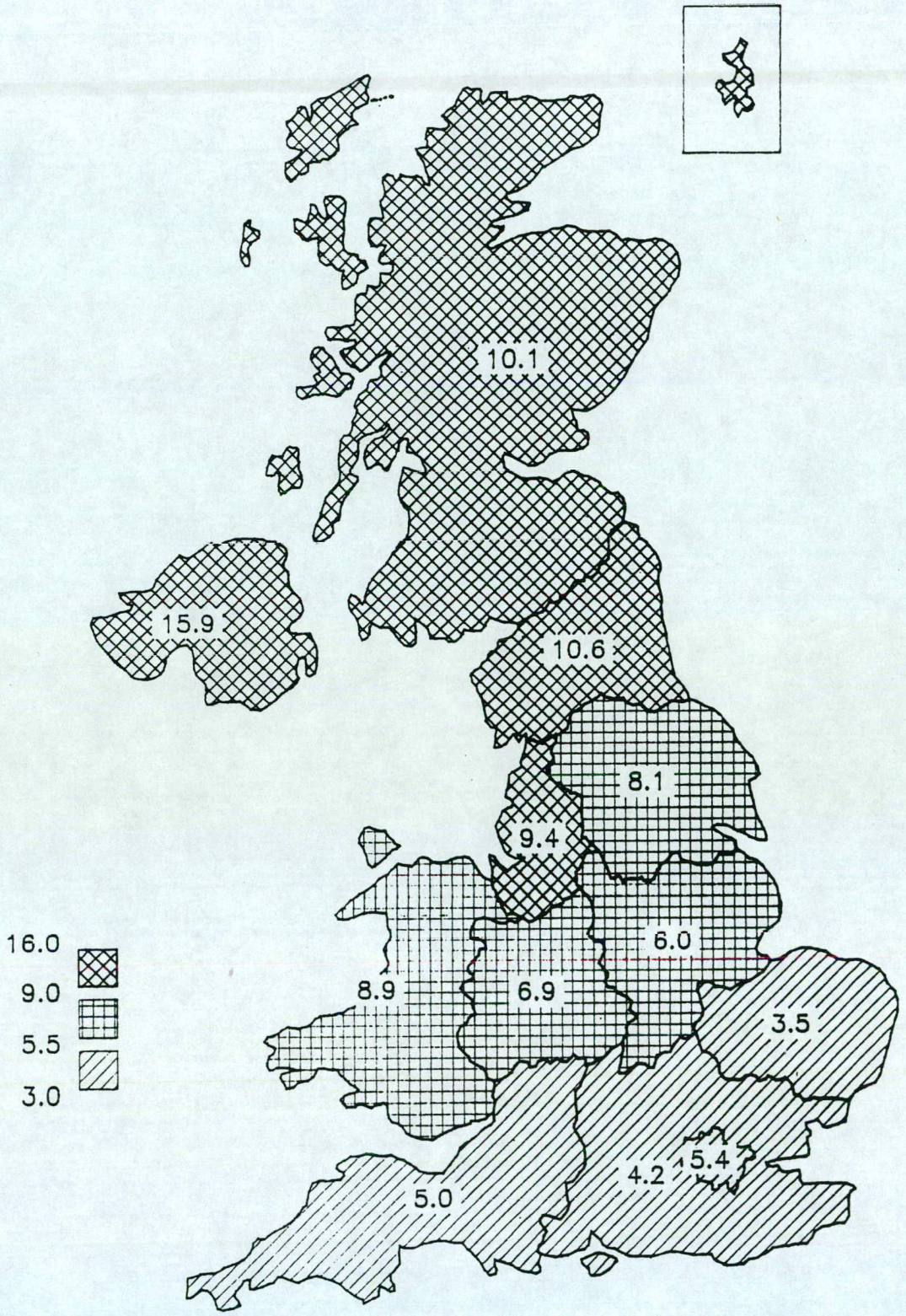
Seasonally Adjusted Unemployment Rate

9 February 1989

United Kingdom: Regions



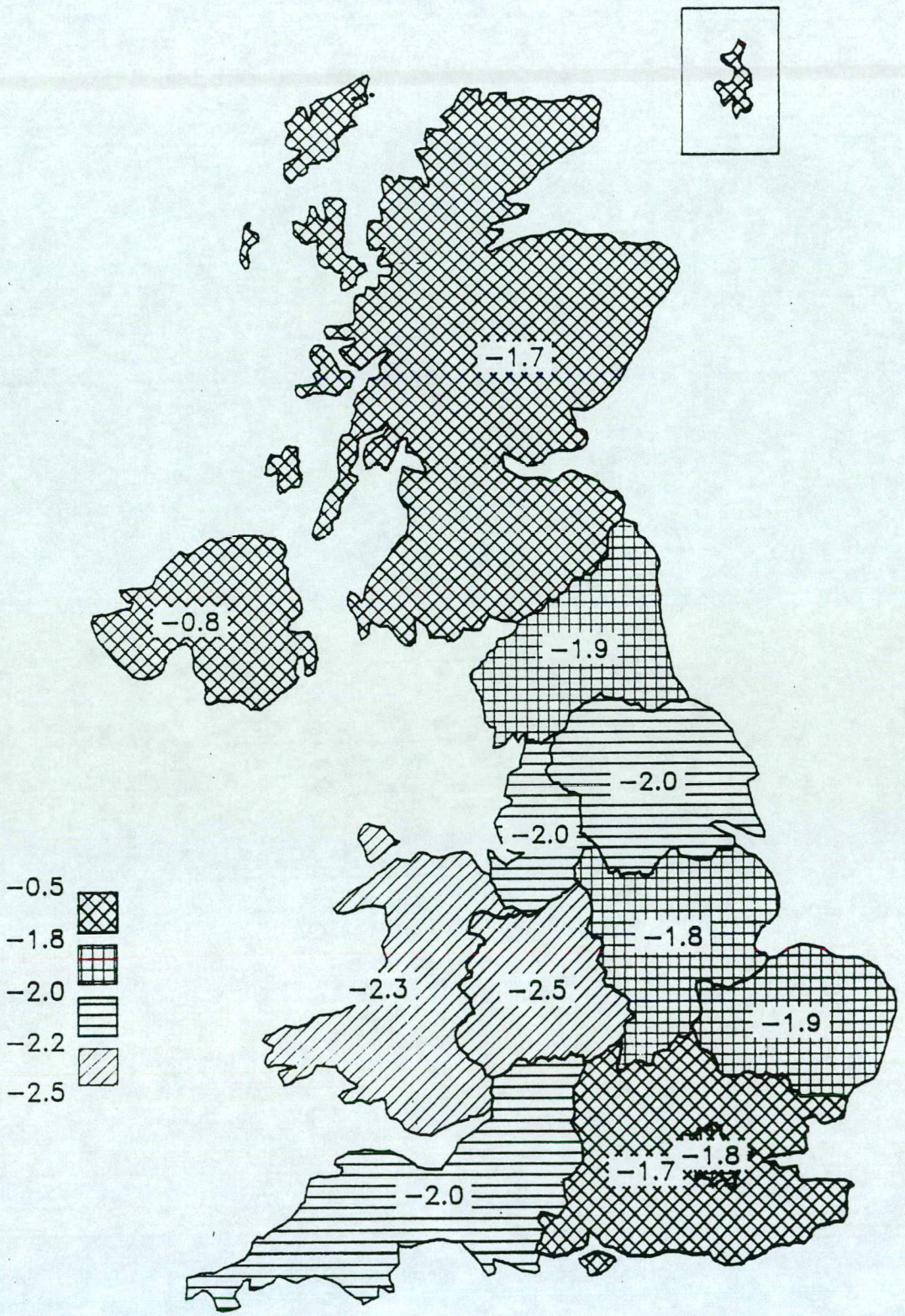
NOTE: South East Region includes Greater London

Source : DE Statistics / NOMIS

Change in Seasonally Adjusted Unemployment Rate

February 1988 – February 1989

United Kingdom: Regions



NOTE: South East Region includes Greater London

Source : DE Statistics / NOMIS

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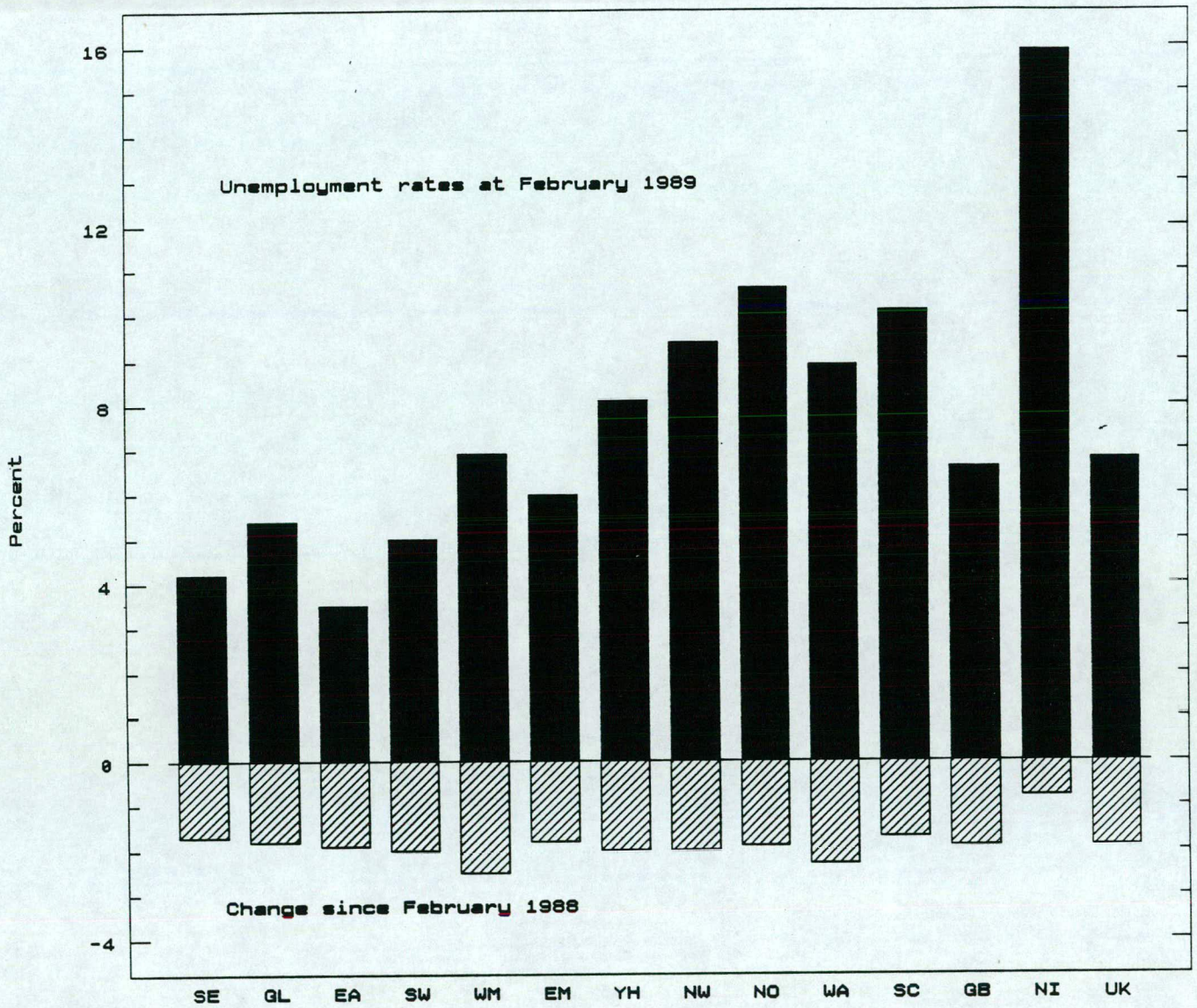
REGIONAL UNEMPLOYMENT RATES

SEASONALLY ADJUSTED February 1989



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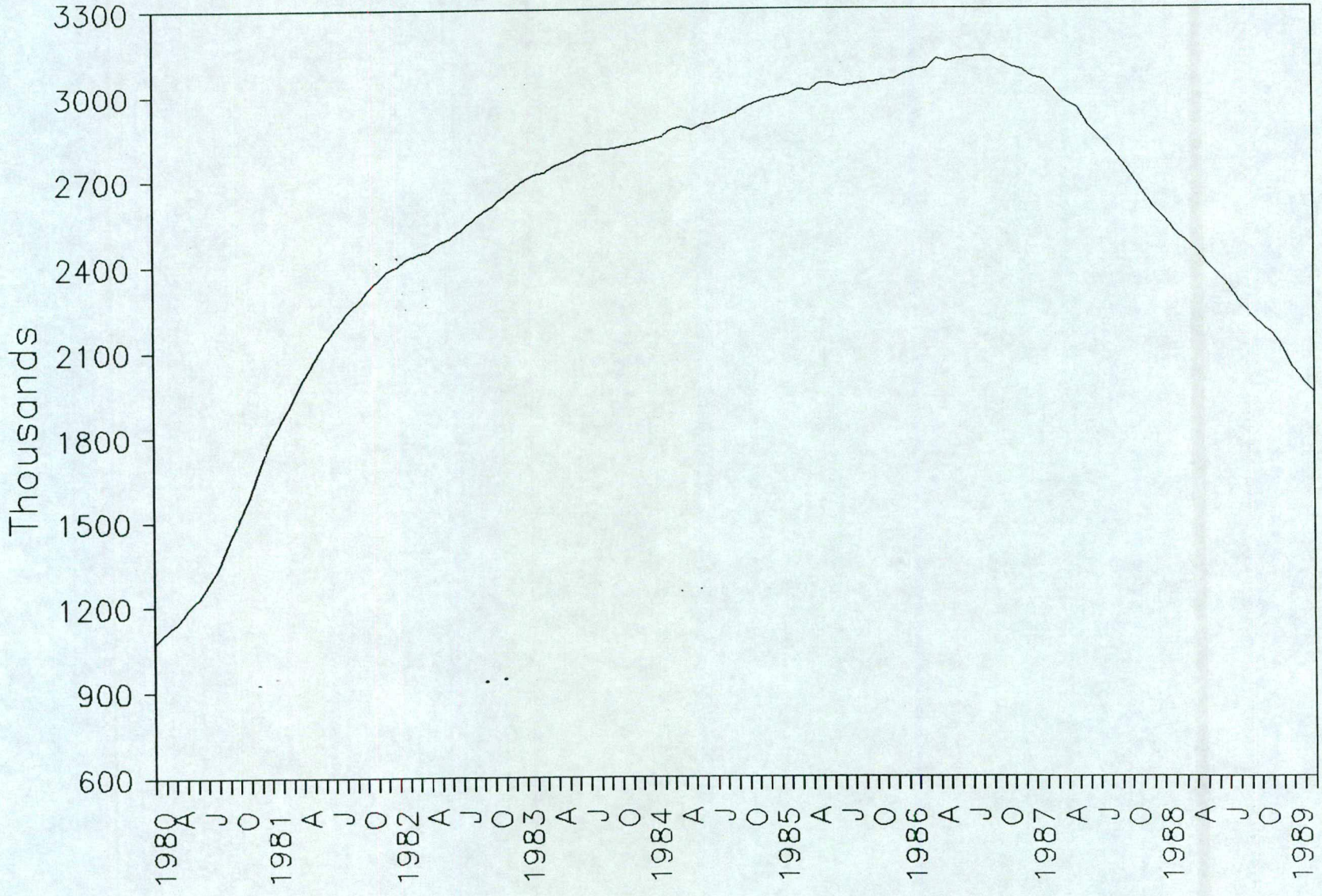
Personal and Confidential until 11:30 Am 16·3·89

SEASONALLY ADJUSTED UNEMPLOYMENT

CONSISTENT WITH CURRENT COVERAGE U.K. February 1989



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PERSONAL AND CONFIDENTIAL UNTIL 11.30 ON PRESS RELEASE DAY, 16 Mar 1989

REGIONAL UNEMPLOYMENT, SEASONALLY ADJUSTED

			RATE (% of WORKFORCE)		
	February 1989	Change in month since January 1989	February 1989	Change in month since January 1989	Change in year since February 1988
		Thousands			
REGIONS					
South East	393.5	-12.2	4.2	-0.1	-1.7
(Greater London)	(235.3)	(-6.9)	5.4	-0.2	-1.8
East Anglia	37.1	-1.4	3.5	-0.1	-1.9
South West	106.1	-3.0	5.0	-0.1	-2.0
West Midlands	186.8	-5.3	6.9	-0.2	-2.5
East Midlands	119.7	-2.5	6.0	-0.1	-1.8
Yorks & Humber	193.4	-4.2	8.1	-0.2	-2.0
North West	284.1	-4.7	9.4	-0.2	-2.0
North	156.2	-1.5	10.6	-0.1	-1.9
Wales	107.1	-2.6	8.9	-0.2	-2.3
Scotland	253.2	-3.4	10.1	-0.1	-1.7
GREAT BRITAIN	**1837.0**	**-41.1**	**6.6**	-0.1	-1.9
Northern I.	109.6	-.1	15.9	-0.0	-0.8
UNITED KINGDOM Total	**1946.6**	**-41.2**	**6.8**	-0.1	-1.9
Male	1376.0	-29.4	8.3	-0.2	-2.1
Female	570.6	-11.8	4.8	-0.1	-1.5

* Percentage of whole workforce (wider basis, taking account of self-employed, armed forces and participants on work-related Govt. training programmes)

UNITED KINGDOM, claimants January 1989 C3a
Thousands

Unemployment by duration

Duration	Number at January 1989	Change since January 1988 $	
All durations	2074	(-648)	-564
Over 6 months	1160	(-387)	-348
Over 1 year	821	(-279)	-268
Over 2 years	545	-183	
Over 3 years	411	-105	
Over 4 years	309	-72	
Over 5 years	237	-38	
---	---	---	---
Up to 6 months	914	(-261)	-215
6 to 12 months	339	(-108)	-80
1 to 2 years	277	(-96)	-85
2 to 3 years	134	-77	
3 to 4 years	102	-33	
4 to 5 years	72	-34	
Over 5 years	237	-38	

Unemployment by Age

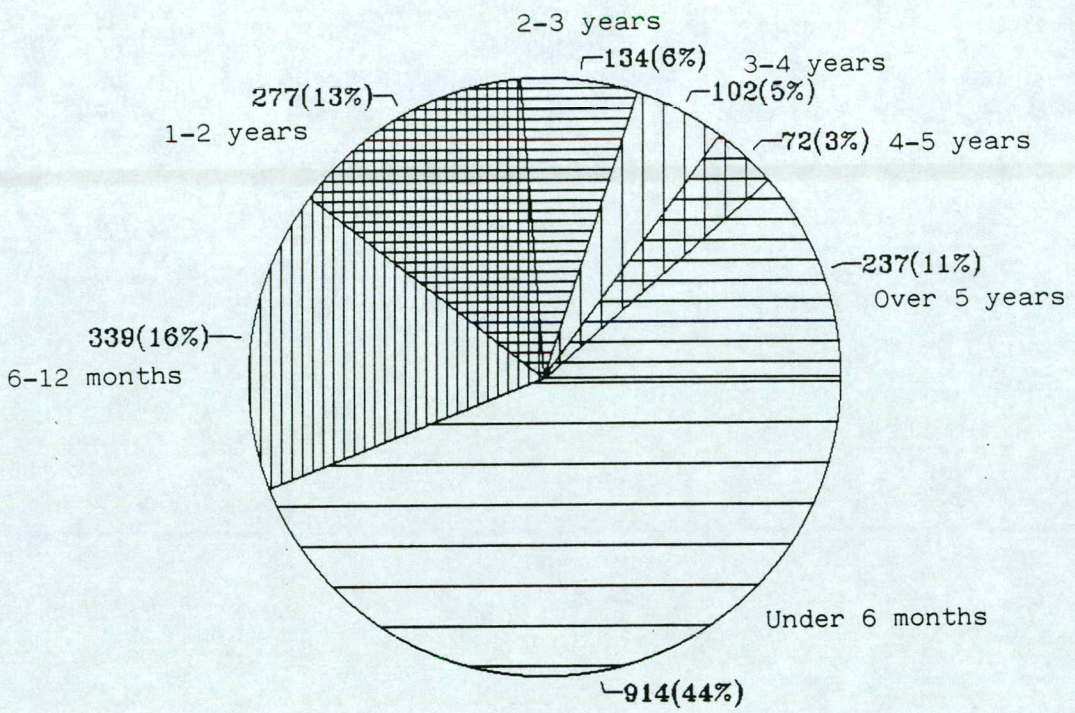
	Number at January 1989	Change since January 1988 $
18-19 years	169	-61
20-24 years	427	-117
25-49 years	1030	-260
50 and over	444	-94
All ages *	2074	(-648)*

$ 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 in the quarters to October 1988 and January 1989).

* Includes those aged under 18.

U.K. UNEMPLOYMENT BY DURATION

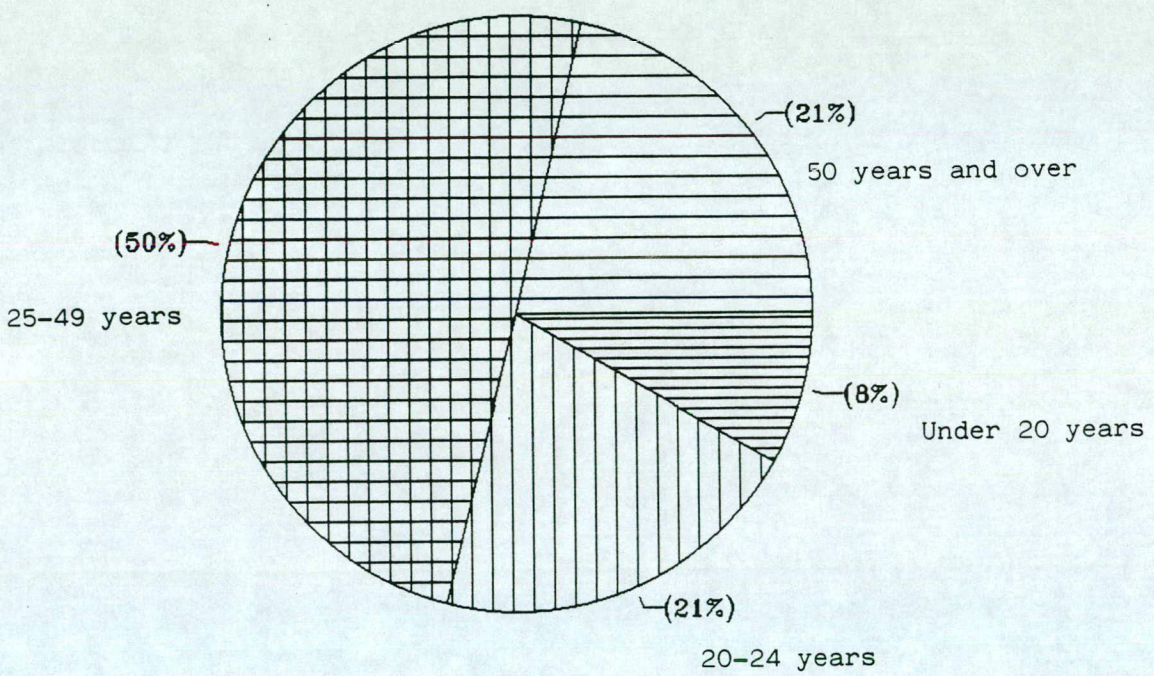
THOUSANDS



JANUARY 1989

U.K. UNEMPLOYMENT BY AGE

THOUSANDS



JANUARY 1989

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)
	Dec 88	92	(1)	8	2		420	NIL	8	(165)
	Jan 89	90	(NIL)	6	NIL		413	NIL	8	(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:

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	(17.3)*	DEC
Italy	(12.4)*	DEC
France	10.2	DEC
Belgium	9.6	DEC
Netherlands	9.5	DEC
Canada	7.6	DEC
Greece	(7.4)*	APR 87
United Kingdom	7.3	DEC
Denmark	(7.0)*	DEC
Australia	6.8	DEC
Germany	6.1	NOV
Austria	[5.4]a	DEC
United States	5.3	DEC
Portugal	5.2	AUG
Norway	4.4	NOV
Finland	4.2	NOV
Japan	2.3	DEC
Luxembourg	(2.2)*	DEC
Sweden	1.2	DEC
Switzerland	[0.7]a	DEC

* 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 7.6% in December compared with the EC average of 10.0%.

a National definitions. Standardised rates not available for Austria or Switzerland. Figures for Switzerland are not seasonally adjusted.

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 in total	Change (000s)	Latest month
Norway	+ 2.4	+122	+ 38	DEC
Italy	+ 2.4	+ 16	+ 542	OCT
Denmark	+ 1.3	+ 17	+ 37	NOV
Portugal	+ 0.1	+ 2	+ 6	OCT
Netherlands	- 0.1	- 1	- 7	DEC
Switzerland	- 0.1	- 22	- 5	DEC
Luxembourg	- 0.2	- 8	NC	SEP
Japan	- 0.3	- 11	- 160	DEC
Greece	- 0.4	- 1	- 1	DEC
France	- 0.4	- 2	- 44	DEC
Canada	- 0.5	- 4	- 49	JAN
Austria	- 0.5	- 6	- 12	DEC
Sweden	- 0.5	- 29	- 21	DEC
USA	- 0.6	- 8	- 599	FEB
Germany	- 0.7	- 8	- 212	FEB
Ireland	- 0.8	- 4	- 9	FEB
Australia	- 1.1	- 14	- 78	NOV
Spain	- 1.6	- 7	- 195	OCT
Belgium	- 1.6	- 10	- 42	JAN
United Kingdom*	- 1.9	- 22	- 538	FEB

NC No Change
* Seasonally adjusted series consistent with current coverage.
Sources:- OECD "Main Economic Indicators" supplemented by Labour Attache reports etc.

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

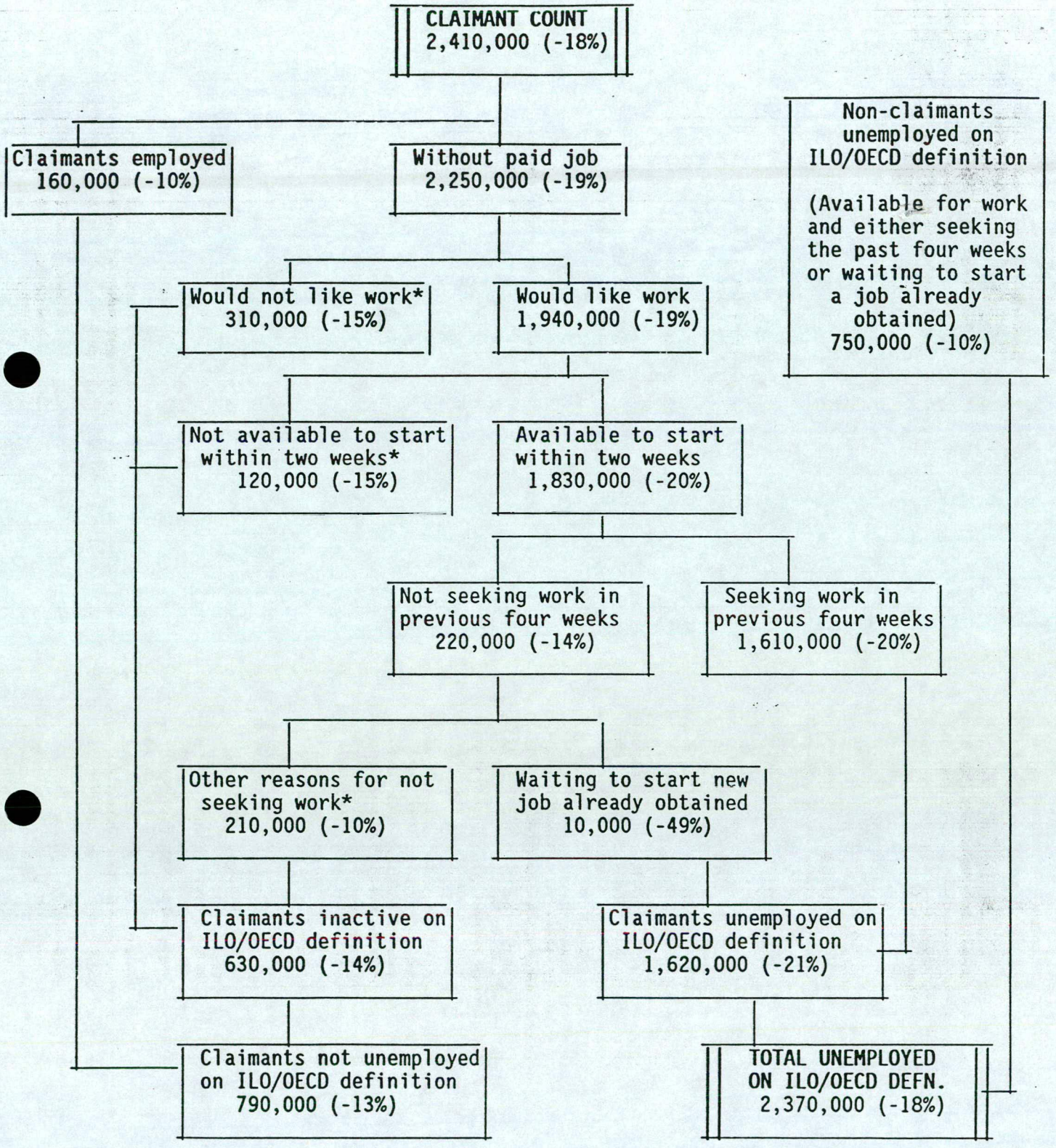
Seasonally adjusted, national defintions RECOMMENDED

	Change in Percentage rate	Percentage Changes	Change Number (000s)	Latest month
Italy	+ 0.7	+ 4	+ 165	OCT
Norway	+ 0.4	+ 24	+ 12	DEC
Denmark	+ 0.4	+ 4	+ 10	NOV
Japan	NC	+ 2	+ 37	OCT
Portugal	NC	NC	- 1	OCT
Austria	- 0.1	+ 1	+ 1	DEC
Netherlands	- 0.1	NC	- 3	DEC
Canada	- 0.2	- 2	- 24	JAN
Australia	- 0.2	- 3	- 15	NOV
Ireland	- 0.3	- 2	- 4	FEB
France	- 0.3	- 2	- 64	DEC
Germany	- 0.3	- 4	- 96	FEB
United States	- 0.4	NC	- 32	FEB
Belgium	- 0.5	- 3	- 13	JAN
Spain	- 0.6	- 3	- 87	OCT
Sweden	- 0.6	- 5	- 3	DEC
United Kingdom	- 0.6	- 7	- 161	FEB

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:

G.B. Spring 1988(p)
(Percentage changes since Sping 1987 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 sources. 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 1988 there were 2.37 million unemployed according to internationally recommended definitions (ILO/OECD) ie available and seeking work in the previous 4 weeks. This compares with 2.41 million in the claimant count on average over the survey period. The difference of 40,000 between these figures, which is within the margins of survey error, is the net result of the difference between two partly offsetting groups. 790,000 claimants were either employed or not unemployed on the ILO/OECD measure, while, on the other hand, some 750,000 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 1987.

4. The Following are the main points from these latest results, published in a press release on 13 March and also the April 1989 issue of Employment Gazette.

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*those claiming Unemployment Benefits, Income Support or National Insurance credits as an unemployed person.

MAIN POINTS

Latest annual Labour Force Survey for GB, Spring 1988:

* Confirms beyond doubt that unemployment has been falling very sharply.

* Shows similar falls of half a million since Spring 1987, in the official monthly count and in unemployment as measured by the survey using international definitions (claimant count fell by some 540,000, ILO/OECD measure by 505,000: difference within margins of survey error).

* Shows that in 1988 the monthly claimant count was again similar to unemployment on the international definition (ILO/OECD). The international measure was 40,000 lower than the claimant count (2.37 million compared with the average count of 2.41 million (headline total) for Spring 1988: difference within margins of survey error.)

* Shows that in Spring 1988 790,000 claimants (33%) not unemployed by the international definition, eg employed, looking after family, sick or disabled, retired, did not want work.

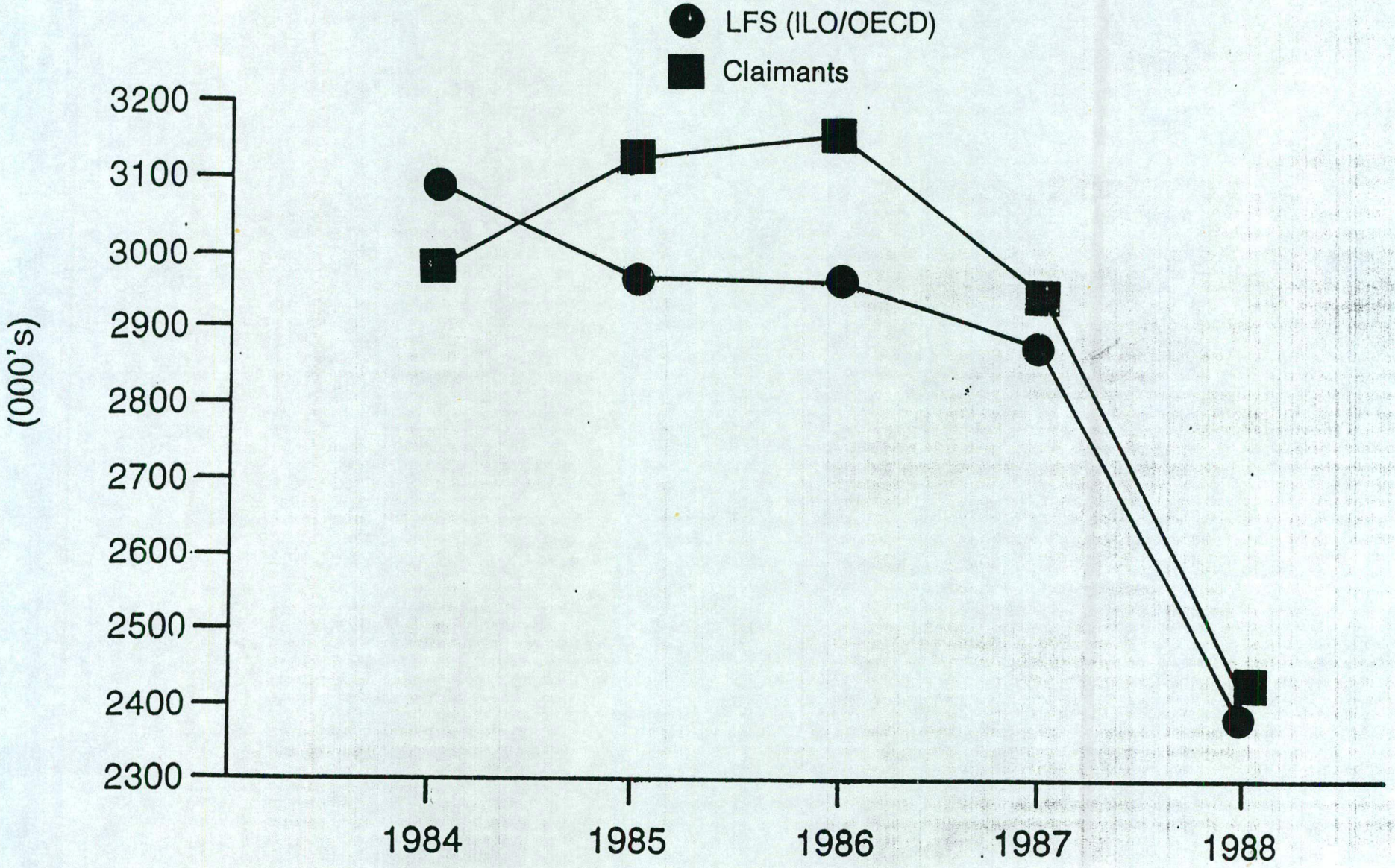
  This compares with 750,000 unemployed on the international measure but not claiming benefits.

* The sharpest falls in claimants between 1987 and 1988 occurred among those seeking work - indicative of a strong response by those genuinely unemployed to substantial improvements in the labour market.

* Since 1984, the international survey measure of unemployment has generally been falling (all years apart from 1986 when it remained at the 1985 level), while the claimant count carried on rising until 1986. Since 1986 both measures have been falling substantially. (See the graph attached).

* Survey definition of unemployment is consistent with international recommendations (ILO guidelines as used by OECD), and relates to those without a job, available for work and looking for work in the last 4 weeks.

Survey and Claimant Unemployment (GB)



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 Gazette, March/April 1986 edition p 107: 'Change in the compilation of the unemployment statistics'.

3 Employment Gazette, August 1988 edition, p S6: 'Employment statistics: revised presentation'.

Effect of employment and training schemes

Numbers on employment and training schemes have hardly changed over the past 2 years during which unemployment has been falling rapidly.

Effect of Restart/availability tests etc.

Unreasonable to deny genuine improvements, particularly at a time when growth of the economy has been outstripping most of our competitors, and given the record level of employment, and growth of 2.8 million jobs since 1983.

Reasonable to ensure that only paying benefits to those entitled and available for work, and to help long-term unemployed back to work by offering variety of opportunities designed to find them a job or improve their prospects of finding one.

Tighter procedures do not affect the benefit of anyone genuinely available and looking for work. No apologies for stopping benefit of those working in the black economy or claiming when unable to take a job eg because of family responsibilities.

Impossible to make estimate of effects on the count of these various measures, in particular at a time when labour market has been improving so strongly (cannot separate the various effects).

Inflated claims of higher "real" totals

Such inflated estimates (sometimes as high as 3 million) have included all those who say they would like work even if they are not seeking work: eg early retired, sick or those looking after families.

Estimates sometimes include those on government schemes, who are at work (and included as in employment according to international guidelines.)

It is one thing to suggest some people might otherwise be unemployed without the help given, quite another to suggest they really are unemployed when they are at work or in training.

International measure of unemployment

(Labour force survey gives international - ILO/OECD - measure of unemployment: without work, available and seeking work during past 4 weeks)

Confirms unemployment fallen sharply Spring 1987 to 1988. Similar falls of half a million in ILO/OECD measure (505,000) and monthly count (540,000) (Difference within margins of survey error)

ILO/OECD measure 2.37 million marginally lower than (headline) count of 2.41 million. The international measure peaked in 1984 while the claimant count started to fall 2 years later.

OECD's published unemployment rate for UK estimated on standard definition was 7.3% in December 1988 compared with our 7.1% at that time.

Changes affecting the unemployment count

Only 2 changes to method of compiling unemployment count since 1979. Some other changes to administrative procedures have also occurred. However, all the significant changes in coverage (7 in total since 1979) have been allowed for in the seasonally adjusted series, which is maintained on a consistent basis, according to the current coverage, to provide comparable assessments of the trend.

(Not rewriting history but helping to explain it properly. by removing distortions. Basic counts remain unchanged as recorded at the time.)

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 (eg Unemployment Unit - nearly 3 million). 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. These procedures no longer exist. Similarly unrealistic to estimate under 18's in future who would claim benefits if rules had remained unchanged.)

Labour market
- job changes
and flows

LABOUR MARKET - job changes and flows

1. TOTAL JOB CHANGES have recently been running 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 February averaged 231,000 a month (UK seasonally adjusted), because only about a third of all vacancies are notified to Jobcentres. Placings by jobcentres, in the year to February averaged about 159,000 a month (UK seasonally adjusted). These are estimated to be broadly a quarter of all engagements or job changes in the economy.

3. OUTFLOW from unemployment averaged about 356 thousand per month in the year to February 1989. This represents an annual outflow of 4.3 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.

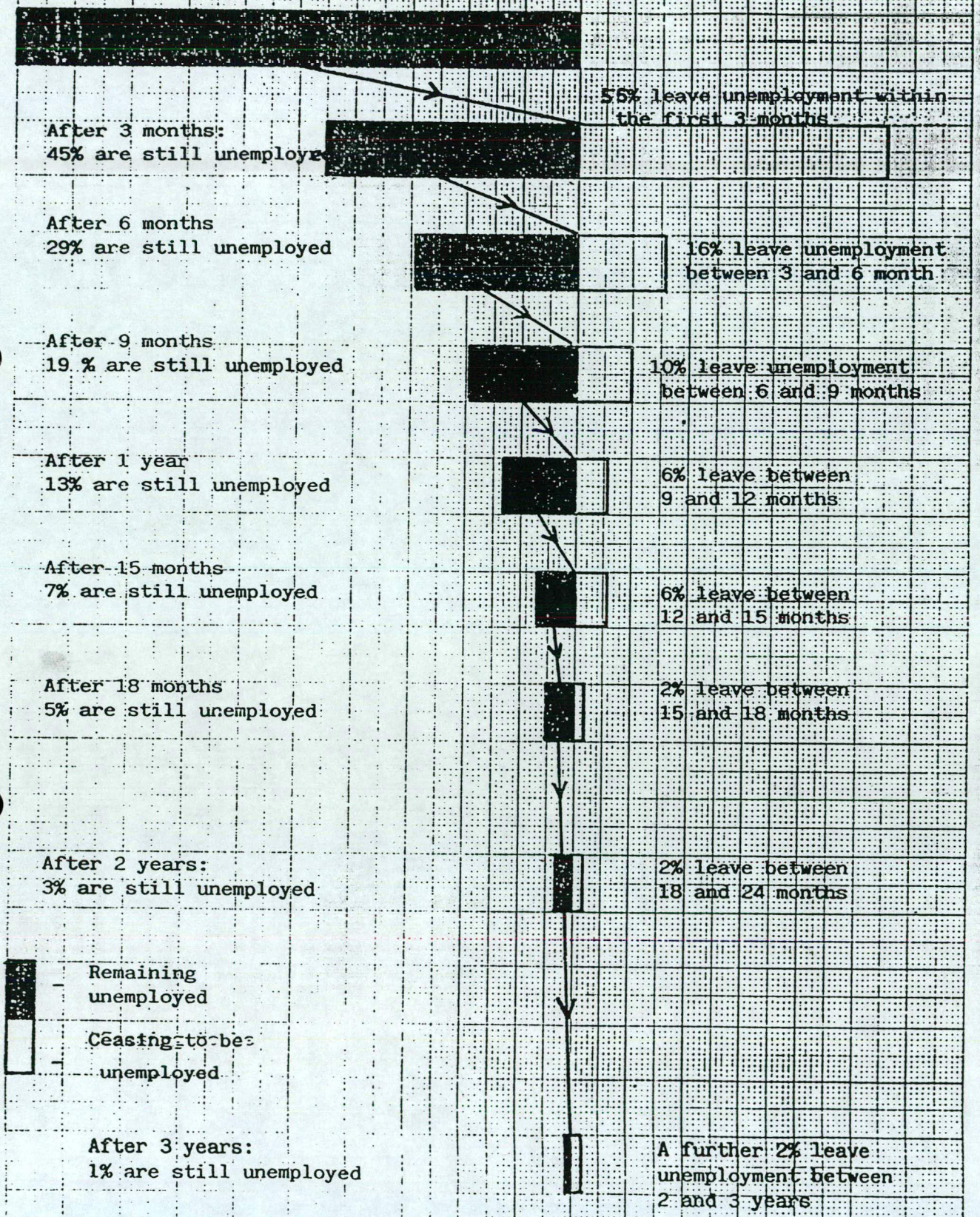
Over a quarter of those becoming unemployed flow off the register within a month of joining it, more than half leave within 3 months, over two-thirds within 6 months. 87% leave within a year. The remaining 13% flow into long term unemployment. The attached chart illustrates these chances of remaining in the count or leaving it within certain durations of unemployment.

*The estimate of 7½ million job changes relates to 1987 and is based on a survey conducted by IFF Research Ltd in January 1988. The same survey provided an estimate of over 700,000 unfilled vacancies in the economy at that time, confirming that approximately only a third of all vacancies are notified to Jobcentres (Employment Gazette April 1988 page 211 gives further details.)

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.

Note: Subject to revision shortly in the light of new projections using 1988 LFS results.

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").

D 6.4

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.

8) Use of the preliminary 1988 LFS results - March 1989

Preliminary results of the 1988 LFS were incorporated in the employment estimates as in the past for the period May 1987 to April 1988, and with slight modifications thereafter. Previously, the degree of underestimation was assumed to continue accumulating at the rate observed in the previous year, but now an average of the degree of underestimation over the three years up to the latest LFS has been used. This change was made because the exceptionally high rate of growth in employees observed between the Spring 1987 LFS and the Spring 1988 LFS is not considered to be an adequate basis for carrying forward the degree of underestimation in the period since Spring 1988, the reference period of the latest Labour Force Survey.

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.

8) Use of the 1988 LFS - March 1989

The estimates were up-dated to take account of the preliminary results of the 1988 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 in September 1988. 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.

C-O-N-F-I-D-E-N-T-I-A-L until 11.30am on 16 March 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 Q3

	Thousands	Per Cent
CANADA	1810	17.1%
USA	16046	16.2%
UK	2819	12.1%
JAPAN	2938	5.1%
GERMANY	792	3.2%
ITALY	697	3.4%
FRANCE *	-289	-1.4%

Source : OECD Quarterly Labour Force Statistics (except UK)
Notes : * 1982 Q4 to 1987 Q4.

2. Between 1983 and 1987 the increase in employment in the United Kingdom was greater than that in the rest of the European Community combined. This will not be true for period 1983 to 1988 but the UK rise will still be greater than that for any other Community country. 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	1756	7.5	-18	-.1
EC12	3425	2.8	702	.6

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

Estimates of the workforce in employment have been revised to incorporate the results of the 1988 Labour Force Survey.

Since March 1983, when the rising trend began, the workforce in employment is now estimated to have increased by 2,809,000 of which employees in employment accounted for 1,629,000, self-employment 810,000 and participants on work related government training programmes 377,000 - these increases were partly offset by a fall of 6,000 in HM Forces. In the year to September 1988 the workforce in employment rose by 731,000 of which 86% was full time employment.

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	1,196	10,359	4,654	24,418	5,852
1987	March	14,100	1,200	10,418	4,696	24,519	5,896
	June	14,247	1,263	10,562	4,747	24,809	6,009
	Sept	14,401	1,300	10,674	4,772	25,075	6,073
	Dec	14,513	1,331	10,799	4,791	25,312	6,122
1988	March	14,634	1,313	10,902	4,804	25,535	6,117
	June	14,686	1,334	10,953	4,805	25,639	6,139
	Sept	14,748	1,335	11,059	4,841	25,807	6,176
Change							
Mar 83-Sept 88		1,085	467	1,725	864	2,809	1,331
Sept 87-Sept 88		347	35	385	69	731	103

* 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 comprises employees in employment, the self employed, HM Forces and participants in work related government training programmes. In classifying the workforce in employment between full and part time all programme participants are counted as in employment part time

THE LABOUR FORCE 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 full time	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	11,674	888	9,713	5,465	4,248	21,388	2,099	204	701	367	2,801	302	16	319	171	132	303
	Sept	11,756	882	9,794	5,547	4,247	21,551	2,126	203	706	368	2,832	303	16	319	216	158	373
	Dec	11,851	921	9,925	5,649	4,276	21,775	2,152	202	711	368	2,863	301	16	317	209	147	356
1988	March	11,956	914	10,035	5,734	4,300	21,990	2,178	200	716	368	2,895	301	16	317	199	135	334
	June	11,982	935	10,081	5,779	4,301	22,062	2,205	199	721	369	2,926	300	16	316	199	135	335
	Sept	12,002	910	10,156	5,842	4,314	22,158	2,225	203	732	373	2,957	299	16	315	222	154	377
Change																		
Mar 83-Sept 88		296	165	1,333	732	601	1,629	574	80	236	109	810	-7	1	-6	222	154	377
Sept 87-Sept 88		246	28	362	295	67	607	99	0	26	5	125	-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.

Personal and Confidential until 11.30 Am 16.3.89

CHANGES IN EMPLOYEES IN EMPLOYMENT

Great Britain — Thousands, not seasonally adjusted

Industry	Year ending Sept 1988 Change	
	Absolute	Percent
Agriculture forestry and fishing	- 6.3	-1.9
Energy and water supply	- 29.5	-6.0
Other mineral and ore extraction etc	20.9	2.7
Metal goods, engineering and vehicles	6.0	0.3
Other manufacturing industries	33.4	1.6
Construction	15.0	1.5
Distribution, hotels, catering, repairs	154.9	3.5
Transport & Communication	56.6	4.3
Banking, finance insurance	191.1	8.1
Other Services	165.0	2.5
All Industries	608.2	2.8

Region	Year ending Sept 1988 Change	
	Absolute	Percent
South East	230.2	3.0
(Greater London)	60.9	1.7
East Anglia	46.3	5.7
South West	48.0	2.9
West Midlands	72.7	3.5
East Midlands	50.8	3.3
Yorks & Humberside	43.3	2.4
North West	27.1	1.2
North	39.3	3.6
Wales	15.7	1.5
Scotland	36.7	1.9
Great Britain	608.1	2.8

Personal and Confidential until 11.30 Am 16.3.89

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 *

SIC (1980)	Weights	Index (1985 = 100)						Percentage increase over previous 12 months					
		1988					1989	1988					1989
		Aug	Sept	Oct	Nov	Dec	Jan**	Aug	Sept	Oct	Nov	Dec	Jan*
Metal processing and manufacture	14	129.8	123.4	142.9	124.2	134.1	137.6	17.0	7.7	9.9	8.5	9.8	9.0
Mineral extraction and manufacturing	14	124.8	127.4	126.1	127.9	136.3	129.8	6.9	6.5	6.7	6.7	7.3	7.6
Chemical and man-made fibres	20	125.9	126.1	128.4	139.2	138.5	132.1	7.6	10.0	9.4	8.8	8.0	8.9
Mechanical engineering	44	124.9	125.4	127.4	129.5	132.6	132.9	8.2	8.4	9.2	8.8	10.2	10.6
Electrical and electronic engineering	37	127.1	128.0	130.7	131.7	135.1	135.4	7.9	7.7	9.3	8.7	8.6	8.7
Motor vehicle and parts	17	129.5	128.5	129.0	136.3	139.4	137.9	10.8	8.6	7.9	13.5	15.4	14.9
Other transport and equipment	17	111.6	121.8	124.5	126.1	134.0	130.9	-2.5	5.2	7.5	6.5	6.9	10.2
Metal goods and instruments	27	127.1	127.3	128.2	131.3	130.5	132.2	9.3	7.9	8.2	7.3	8.4	9.5
Food, drink and tobacco	33	125.0	126.0	127.0	133.2	135.2	130.9	7.6	6.4	8.0	10.5	9.2	8.0
Textiles	13	123.6	123.9	124.5	128.0	125.4	126.5	6.1	5.6	5.4	5.9	5.6	5.8
Leather, footwear and clothing	17	122.0	124.5	123.9	124.9	127.4	129.1	7.3	8.5	7.6	6.9	6.2	7.2
Timber and wooden furniture	11	140.0	135.2	134.2	138.3	138.3	145.8	18.8	14.0	4.4	11.6	21.4	18.2
Paper products, printing and publishing	26	125.2	127.1	127.7	127.3	128.3	127.0	7.5	6.9	8.1	6.8	7.3	7.8
Rubber, plastic and other manufacturing	14	124.7	126.4	127.4	131.2	131.2	130.9	7.9	8.3	8.4	7.1	4.4	7.6
Manufacturing Industries	304	125.6	126.4	128.7	130.8	133.5	132.6	8.3	8.0	8.2	8.7	9.1	9.4
Coal and coke	15	138.5	140.9	141.8	142.1	140.7	144.8	14.2	16.5	14.8	14.0	11.8	13.0
Mineral oil and natural gas	1	131.2	131.4	134.6	147.2	141.0	143.6	10.3	12.1	14.0	10.3	13.6	13.1
Electricity, gas and other energy and water supply	19	125.8	124.0	124.9	125.3	124.2	123.0	1.5	4.8	5.9	4.6	6.9	6.0
Production Industries≠	339	126.4	127.1	129.2	131.2	133.4	132.8	8.1	8.2	8.5	8.6	9.1	9.4
Construction	55	127.9	130.3	133.5	136.4	138.8	134.9	10.6	10.8	12.9	12.7	12.0	11.3
Production ≠ and Construction Industries	394	126.6	127.5	129.8	131.9	134.2	133.1	8.1	8.2	8.8	8.9	9.2	9.4
Agriculture and Forestry ≠	19	128.8	134.4	136.9	116.1	119.2	Ø	9.0	8.2	11.9	-3.8	5.0	
Distribution and repairs	164	123.9	126.6	126.0	127.1	132.8	130.3	7.7	9.0	9.8	8.4	8.9	9.6
Hotel and catering	49	126.6	124.9	129.4	132.5	139.9	132.6	10.0	8.6	10.4	9.3	7.9	9.5
Transport and communication (Except sea transport)	71	122.5	122.1	124.4	127.0	127.5	125.3	7.5	6.8	6.1	4.6	5.0	6.5
Banking, finance and insurance	44	129.6	128.6	128.7	142.1	136.7	136.6	9.4	6.6	4.3	6.0	6.7	7.2
Public administration	90	124.6	124.7	128.3	131.8	129.5	129.9	10.2	8.7	11.0	12.9	9.9	10.0
Education and health services	147	134.3	131.5	131.6	132.8	156.6	134.1	5.5	11.1	9.6	11.0	26.9	11.4
Other services	22	124.0	125.1	123.8	124.8	131.8	131.6	8.8	6.6	6.0	5.0	7.3	8.6
Service industries	587	126.9	126.7	127.8	130.9	137.5	131.1	7.9	8.7	8.6	8.8	12.4	9.3
Whole economy	1000	126.8	127.3	128.9	131.2	135.7	131.7	8.1	8.7	9.0	8.7	11.0	9.4

Except for percentage increase figures shown in these lines which reflect seasonally adjusted index figures.
*Provisional
≠Manufacturing, coal and coke, mineral oil and natural gas, electricity, gas, other energy and water supply.
England and Wales only
Ø Not available.

Stats A1

MARCH 1989

CONFIDENTIAL UNTIL 11.30 AM THURSDAY 16 MARCH 1989

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TABLE B INTERNATIONAL COMPARISONS

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

		Latest period available
Greece	17.6	Q2 1988
Portugal (h)	9.5	Q2 1988
Finland	9.0	Q2 1988
Great Britain (c)	9	DECEMBER
Sweden (g)	8.7	NOVEMBER
Spain (e)	7.9	Q3 1988
New Zealand (i)	6.5	Q3 1988
Norway (d)	5.8	Q3 1988
Denmark (g)	5.5	NOVEMBER
Australia (b)	5.4	SEPTEMBER
Italy (b)	5.4	DECEMBER
Ireland	5.3	Q2 1987
Canada	5.0	NOVEMBER
Germany	4.4	JULY
Japan (a)(f)	4.4	NOVEMBER
Austria (a)(g)	3.7	SEPTEMBER
France (b)	3.1	Q3 1988
United States	3.0	DECEMBER
Belgium (j)	1.9	Q3 1988
Netherlands (b)	1.1	JULY
OECD	5.2	JUNE
EEC	6.0	JUNE

Source: OECD Main Economic Indicators: FEBRUARY 1989

(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

CONFIDENTIAL

FROM:KEVIN DARLINGTON
DATE:8 FEBRUARY 1989

1. SIR T BURNS
2. CHANCELLOR

cc Sir P Middleton
Mr Anson
Mr Monck
Mr Scholar
Mr Riley
Mr C W Kelly
Mr Sedgwick
Mr Hibberd
Mr O'Donnell o/r
Mr Pickford

[Will after Budget speech, Budget Statement.]

① Please minute
Thanks
② To Mowa.

REVISIONS TO EMPLOYMENT STATISTICS

1. Sir T Burns has received a letter from Paul Dworkin (copy attached) concerning the preliminary results from the Spring 1988 Labour Force Survey (LFS). The figures imply substantial upward revisions to employment statistics for the recent past. The timetable for their incorporation into the official statistics has not yet been finalised, but the likelihood is that revised figures will be published on 13 March, the day before the Budget. A preliminary assessment of the impact of the highly detailed 1987 Census of Employment will be available before then: the numbers reported here could be adjusted further as a result of the level changes for 1987 being phased back to 1984. This note, therefore, can only assess the impact of the preliminary LFS revisions. Higher employment figures have consequences for a number of important economic indicators: productivity, labour costs, the wages and salaries bill, some components of GDP(O) and competitiveness. In particular, the higher wages and salary bill could lead to upward revisions to GDP(I), which unless offset by other changes, will bring its growth in 1987 and 1988 closer to that of GDP(O).

Employment

2. Table 1 shows the revisions to the existing published series for total GB employment arising from the latest LFS. They show an upward revision of 400,000 to the level of employment in March 1988.

3. Table 2 shows DE's first stab at smoothing in the increase between March 1987 and March 1988. The final allocation of the revision by sector is uncertain pending the results from the Census of Employment. Table 3 shows the preliminary allocation between private manufacturing

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Table 1 : Employees in Employment :- Revisions to the published series

	March 1987	March 1988	Great Britain Seasonally Adjusted Thousands Change	Revision
Males				
Current series	11,601	11,703	+102	
Revised series	11,601	11,956	+355	+253
Females : Full-time				
Current series	5,378	5,522	+143	
Revised series	5,378	5,734	+356	+213
Females : Part-time				
Current series	4,233	4,364	+131	
Revised series	4,233	4,300	+67	-64
All				
Current series	21,212	21,589	+377	
Revised series	21,212	21,990	+778	+401

Table 2 : Workforce in Employment (Thousands)

	Current Series	Revised Series	Difference thousands	Difference percentage
1987 March	24,519	24,519	0	0
June	24,736	24,809	73	0.30
Sept	24,892	25,075	183	0.74
Dec	25,019	25,312	293	1.17
1988 March	25,133	25,535	402	1.60

and non-manufacturing industry on the presumption that public sector employment is well recorded and will not be affected by the revisions. The LFS covers only employment in Great Britain; we have added the implied revisions to figures for the UK. The revisions result in rising manufacturing employment between March 1987 and March 1988, rather than the fall currently recorded in the statistics.

Table 3 : Revisions by sector (UK - Thousands)

	Manufacturing			Private non-manufacturing		
	Current	Revised	Difference	Current	Revised	Difference
1987Q1	5,397	5,397	0	14,258	14,258	0
Q2	5,398	5,413	15	14,387	14,421	34
Q3	5,394	5,438	44	14,494	14,595	101
Q4	5,389	5,467	78	14,620	14,798	178
1988Q1	5,394	5,505	111	14,746	15,000	254

4. Manufacturing employment has typically moved cyclically with output growth over the last 25 years, though with a lag - see Chart 1. The revised figures do not look out of line with the past.

5. Chart 2 highlights previous periods of rising manufacturing employment and compares its average growth rate with that of manufacturing output (the latter is shown for the period commencing two quarters earlier than indicated, allowing for the lagged response of employment). Again, judging by its past history, the growth in employment implied by the revisions is not surprising given the recent surge in output.

6. We have also examined the CBI Industrial Trends Survey to see if the responses to the questions on employment trends support the implied rise in manufacturing employment. Respondents are asked about the recent and the expected trend in employment. These indicators proved ambiguous but, as Chart 3 shows, are consistent with some rise in employment in the last year. Although not inconsistent with the Survey results, if anything the revised figures show growth that seems a little high.

Chart 1 Manufacturing output and employment

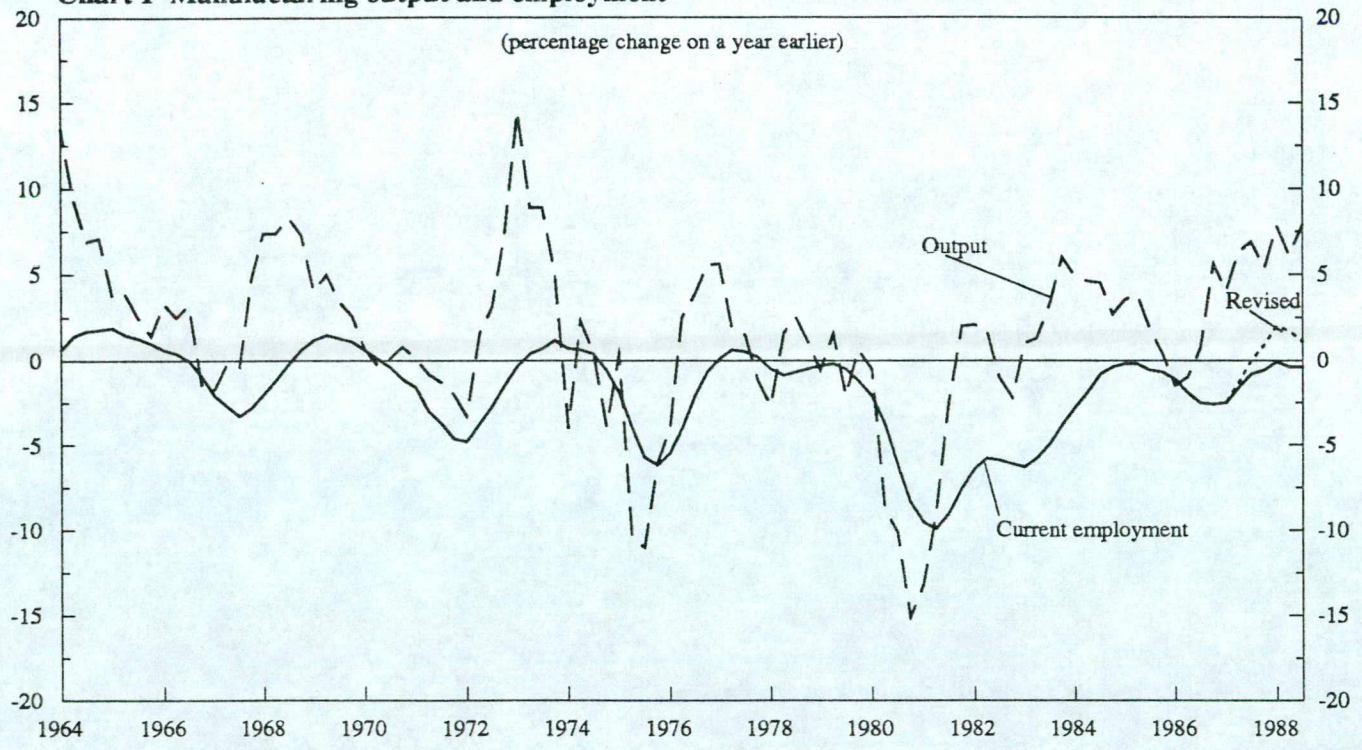


Chart 2 Manufacturing employment - periods of sustained growth

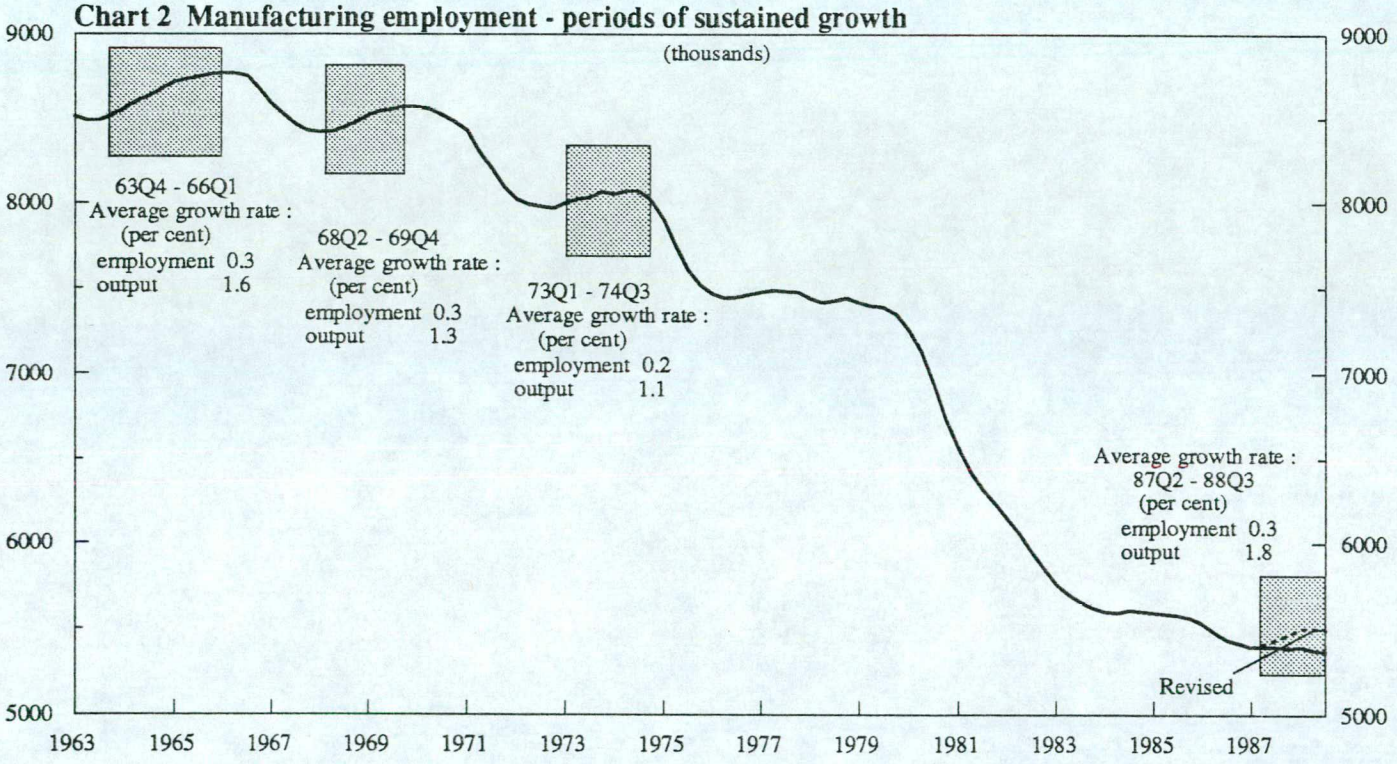
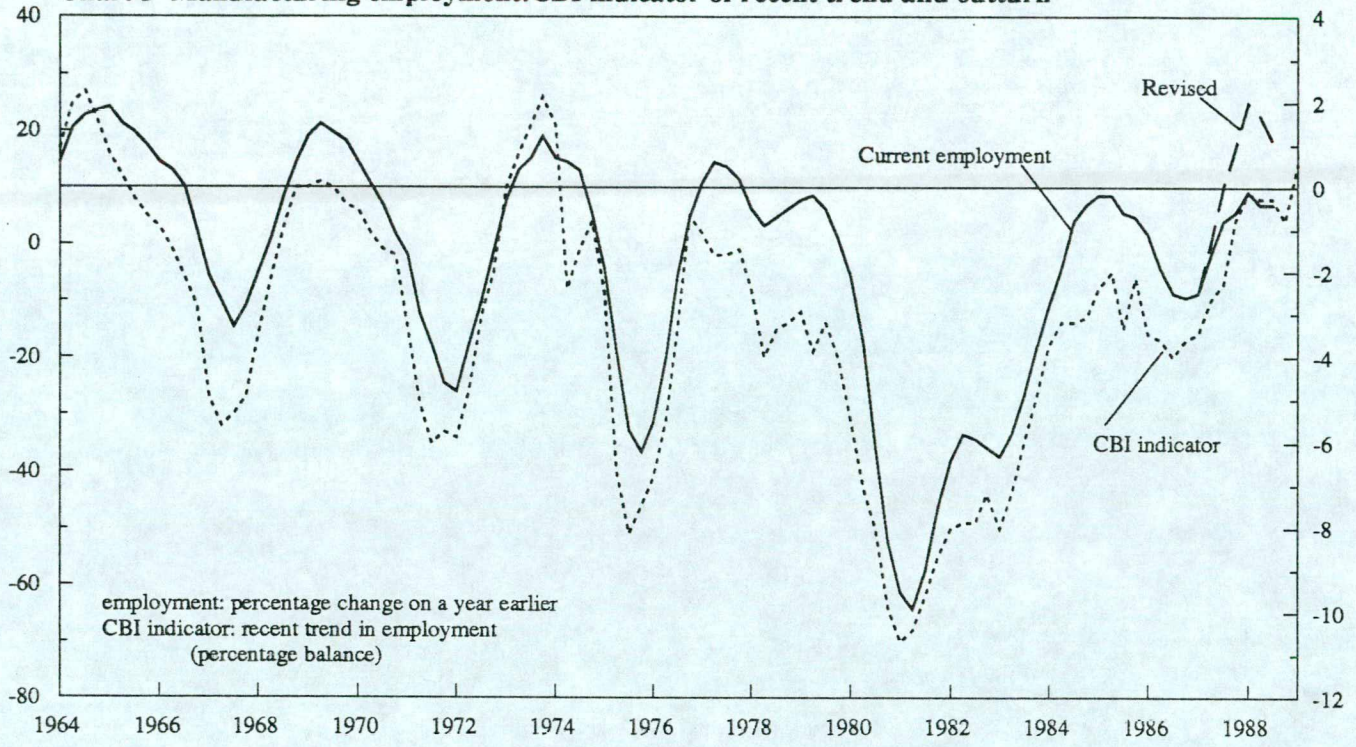


Chart 3 Manufacturing employment:CBI indicator of recent trend and outturn



Workforce and the labour force.

7. The implied rise in total employment would also go some way to explaining an anomaly in official labour statistics. Recently direct estimates of the labour supply (people describing themselves as available for work) have been considerably higher than those implied by adding together the numbers officially recorded as employed and the claimant unemployed (the workforce). This has become known as the "Layard effect": he has argued that the figures imply that the fall in unemployment has been overstated due to changes in the rules for eligibility for benefits. This gap would largely disappear once the official estimates of employment are revised upwards.

Productivity

8. The implied increase in employment would reduce recorded productivity growth. This would apply to both manufacturing and non-manufacturing. Whereas official statistics currently show a high rate of productivity growth being sustained or rising in 1988, the revised employment figures imply some slow-down compared to 1987. Table 4 compares sectoral productivity growth implied by the present employment and output estimates (from the January internal forecast) with that implied by the revised employment figures. For the purposes of the comparison, the upward revisions to employment have been carried right through 1988.

Table 4 : Productivity by sector :- percentage changes on previous year

	Whole Economy		Manufacturing		Private Non-manufacturing	
	Jan	Revised	Jan	Revised	Jan	Revised
1985	1.9	1.9	2.8	2.8	2.6	2.6
1986	2.4	2.4	3.0	3.0	3.1	3.1
1987	2.9	2.4	7.2	6.6	2.8	2.2
1988	3.1	2.0	7.2	5.4	3.1	1.8

9. These significant revisions to UK productivity growth over the last two years would not seriously dent the favourable long-term productivity trend which we often use in international comparisons. The annual average growth rate of productivity in UK manufacturing over the last 10 years has been 5.5 per cent . The revisions would reduce that figure to about 5.2 per cent. This is still well above the comparable figures for the other members of the G7 as Table 5 shows. Even so they take some of the gloss off the UK performance and may attract some attention.

Table 5 : Output per person employed (annual average percentage change)

	Manufacturing			Whole economy		
	1960 - 1970	1970 - 1980	1980 - 1988	1960 - 1970	1970 - 1980	1980 - 1988
United Kingdom	3.0	1.6	5.5 (5.2)	2.4	1.3	2.7 (2.5)
United States	3.4	3.0	4.0	2.0	0.4	1.0
Japan	8.8	5.3	3.1	9.0	3.8	3.0
Germany	4.1	3.2	2.5	4.3	2.9	1.8
France	6.6	3.0	3.0	5.0	3.1	1.9
Italy	5.9	3.0	3.6	6.2	2.6	1.8
Canada	4.0	3.2	3.4	2.5	1.5	1.4
Major 7	5.2	3.3	3.6	4.1	1.7	1.7

Note : revised figures in brackets

Table 6 : Unit Labour Cost Increases in Manufacturing (percentage change on previous year)

	UK		Major Seven (less UK)
	Jan	Revised	
1986	3.8	3.8	2.3
1987	0.2	0.8	0.9
1988	0.8	2.5	-0.7

Unit labour costs in manufacturing

10. Higher employment, for given output, also implies that unit labour costs have also been higher. In turn, this implies lower profit margins and worse international cost competitiveness. Table 6 compares unit labour costs in manufacturing from the January internal forecast and the figures adjusted to reflect the revisions to employment. They show unit labour costs rising rather faster in 1988 than in 1987; and much faster than in other G7 countries.

Income measure of GDP(I)

11. CSO estimates of income from employment are based on DEmp data for employees in employment and average earnings for the period since the last benchmark, 1986-87. The upward revisions to employees in employment will therefore lead to corresponding upward revisions to income from employment and the income measure of GDP. Our estimates of the likely effect on real GDP(I) are shown in Table 7. They suggest that revised GDP(I) would grow broadly in line with GDP(O) in 1987 and 1988. This would further widen the gap between the expenditure and income measures and would strengthen our view that it is the expenditure measure which is being seriously mis-recorded.

Table 7 : Likely Revisions to real GDP(I)
(Percentage change on a year earlier)

	Published GDP(I)	Revised GDP(I)	Published GDP(O)
1984	1.2	1.2	2.8
1985	4.1	4.1	3.4
1986	3.4	3.4	3.0
1987	4.2	4.5	4.6
1988*	3.8	4.6	5.0

* Based on first three quarters

Output measure of GDP

12. Some 15 per cent of the output measure of GDP is estimated using employment data. The majority of this is public non-trading output where inputs of labour are taken to represent output. Given that the revisions to employment are unlikely to affect public sector employment, we anticipate that no significant revisions should be made to the figures for GDP(O).

Conclusion

13. The impact of the revisions likely to stem from the latest LFS are potentially wide-reaching. Some implications are welcome, eg in eliminating the disparate movements between the labour supply and workforce in employment. Others, in particular the implications for productivity are less welcome and could lead us to reconsider some elements of the UK's recent performance.

14. Just how much performance will need to be reconsidered depends on the results of the 1987 Census of Employment. These are not due to be published until the June Employment Gazette. However, DEmp hope to have "flash" estimates in the next week; these will inform what is to be published on March 13. DEmp will let us know as soon as possible what these are likely to be. When we have them we will prepare briefing and lines to take.

15. In the meantime we need to be careful about statements on productivity growth and competitiveness in 1987 and 1988; though on longer term comparisons (1980-88) the UK can still claim the best international manufacturing productivity performance among major countries.

Kevin Darlington

KEVIN DARLINGTON

Department of Employment
Caxton House Tothill Street London SW1H 9NF
Telephone Direct Line 01-~~213~~ 273 5796
Switchboard 01-213 3000

CONFIDENTIAL

Sir Terence Burns
HM Treasury
Parliament Street
London SW1 3AG

31 January 1989

Dear Terry,

1988 LABOUR FORCE SURVEY RESULTS AND REVISIONS TO WORKFORCE IN EMPLOYMENT SERIES

We now have to hand some preliminary results from the Spring 1988 Labour Force Survey (LFS); these new results will in due course work through to the published estimates of the workforce in employment and we would normally expect to publish revised estimates some time in March. You will see from the attached briefing note and summary table that the results suggest some important changes to labour force statistics for the period Spring 1987 to Spring 1988. Given Budget preparations I thought that you should see these important emerging results at the earliest opportunity.

You will see that the new data imply substantial upward revisions to our workforce in employment series - mainly emanating from the faster growth in employees - with considerable implications for estimates of productivity, unit wage costs and competitiveness. That said there are a number of uncertainties surrounding these estimates which may impact on the revisions to be made to our current estimates. In particular, there may be further revisions arising from the 1987 Census of Employment. I hope to obtain provisional Census results within the next two weeks or so, but I thought it better not to wait before letting you see the picture, however uncertain, which is emerging.

My concerns are:

(a) the decision on what we publish before the Budget must await sight of early Census results. While the Census will affect primarily the level of employment estimated (as at September 1987 and hence the path since September 1984) rather than the growth, if the results imply substantial revisions in the reverse direction to the LFS, then it may be necessary to hold back publication of the LFS results until the middle of the year when the Census results can also be taken on board. Underlying such a step would be the judgement that our present estimates are nearer to the fully revised series than would be the data revised only in light of the LFS results. I doubt that this will be the outcome, but it is a possibility.

(b) our current methodology would project forward the growth between March 1987 to March 1988 to later periods. Given the large increase last year, this simple approach is no longer appropriate; we are reviewing methods urgently and will let you have the data after March 1988 as soon as possible.

(c) our current methodology uses the estimated changes from the LFS at a whole economy level only. Indications are that the under-estimation is greater for manufacturing. It may be that further revisions to manufacturing employment will be necessary in the light of Census results. Even if we think this likely, we will be unable to change this part of our methodology until after the final census results are available in the middle of this year.

Given these uncertainties the data accompanying this letter need to be treated with more than usual caution. As soon as a decision has been reached on the question of incorporating the LFS results, I will be in touch again. Of course, the material should be treated in strict confidence and I will let you have further data for the post March 1988 period as soon as they are available; if your people have any detailed questions, Marion Rout and Jon Stern are the appropriate contacts here.

As regards publication, if the provisional Census results do not invalidate the revisions stemming from the LFS results, I am proposing to issue a special press release presenting the new employment figures on the day before Budget Day. This will mean that the Budget statement can refer to figures which are already in the public domain. Do you have any views on this timing?

I am copying this letter to Ivor Manley here and to Jack Hibbert at CSO.

Sincerely

Paul

P D DWORKIN

CONFIDENTIAL

Thousands

WORKFORCE IN EMPLOYMENT IN GREAT BRITAIN[1]
INCORPORATING THE RESULTS OF THE 1988 LABOUR FORCE SURVEY

Quarter	Employees in employment[2]						Self-employed persons (with or without employees)[3]	HM Forces[4]	Work-related government training programmes[5]	Workforce in employment[1]
	Manufacturing	All industries								
	All	Males		Females		All				
		All	Part-time	All	Part-time					
Unadjusted for seasonal variation										
1986 June	5,133	11,629	853	9,480	4,143	21,088	2,567	322	218	24,194
Sept	5,142	11,671	843	9,485	4,118	21,157	2,625	323	276	24,380
Dec	5,105	11,604	866	9,620	4,237	21,224	2,684	320	268	24,496
1987 Mar	5,029	11,541	869	9,544	4,207	21,084	2,742	320	245	24,392
June R	5,066	11,669	888	9,728	4,288	21,398	2,801	319	303	24,819
Sept R	5,125	11,818	882	9,794	4,217	21,612	2,832	319	373	25,136
Dec R	5,140	11,866	921	9,988	4,322	21,854	2,863	317	356	25,391
1988 Mar P	5,126	11,896	914	9,967	4,275	21,863	2,895	317	334	25,408
Adjusted for seasonal variation										
1986 June	5,148	11,635	853	9,444	4,124	21,079	2,567	322	218	24,184
Sept	5,107	11,611	843	9,487	4,148	21,098	2,625	323	276	24,321
Dec	5,084	11,588	866	9,559	4,191	21,147	2,684	320	268	24,418
1987 Mar	5,053	11,601	869	9,611	4,233	21,212	2,742	320	245	24,519
June R	5,078	11,674	888	9,713	4,248	21,388	2,801	319	303	24,809
Sept R	5,089	11,757	882	9,794	4,247	21,551	2,832	319	373	25,075
Dec R	5,117	11,851	921	9,925	4,276	21,775	2,863	317	356	25,312
1988 Mar R	5,151	11,956	914	10,035	4,300	21,990	2,895	317	334	25,535

Note: Figures for dates after March 1988 are under review and will follow shortly.

[1] Workforce in employment comprises employees in employment, the self-employed, HM Forces and participants in work related government training programmes. For an explanation of the changes to the presentation of employment statistics see page S6 of the August 1988 edition of *Employment Gazette*.

[2] Estimates of employees in employment for December 1984 and subsequent months include an allowance based on the Labour Force Survey to compensate for persistent undercounting in the regular sample inquiries (*Employment Gazette*, January 1987, p 31) For all dates individuals with two jobs as employees of different employers are counted twice.

[3] Estimates of the self-employed are based on the 1981 census of population and the results of the 1981, 1983, 1984, 1985, 1986, 1987 and 1988 Labour Force Surveys. A detailed description of the current estimates is given in the article on p 159 of the March 1988 edition of *Employment Gazette*.

[4] HM Forces figures, provided by the Ministry of Defence, represent the total number of UK service personnel male and female in HM Regular Forces, wherever serving and including those on release leave. The numbers are not subject to seasonal adjustment.

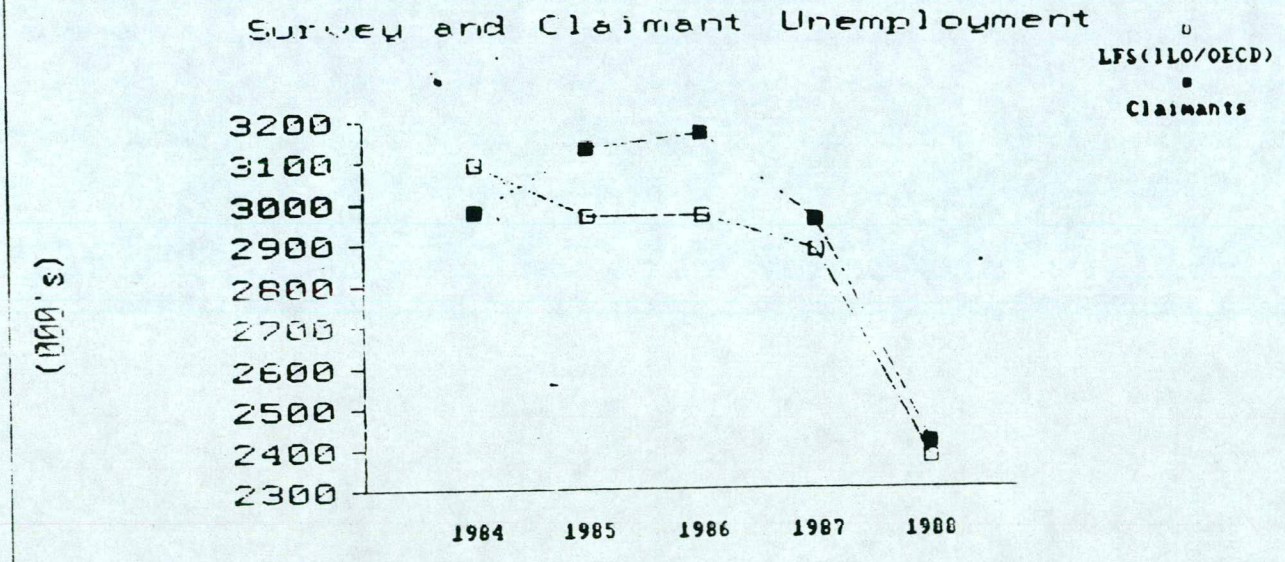
[5] Participants in the YTS who receive work experience except those who have contracts of employment (those who do have contracts of employment are included in employees in employment) plus participants in new JTS. Additionally for the UK this includes some trainees on Northern Ireland schemes - those on: Youth Training Programme (excluding second year trainees in further education colleges); Job Training Programme and Attachment Training Scheme participants and other management training scheme participants training with an employer. The numbers are not subject to seasonal adjustment.

CONFIDENTIAL UNTIL PUBLICATION

PRELIMINARY 1988 LABOUR FORCE SURVEY RESULTS FOR GREAT BRITAIN

1. Unemployment:

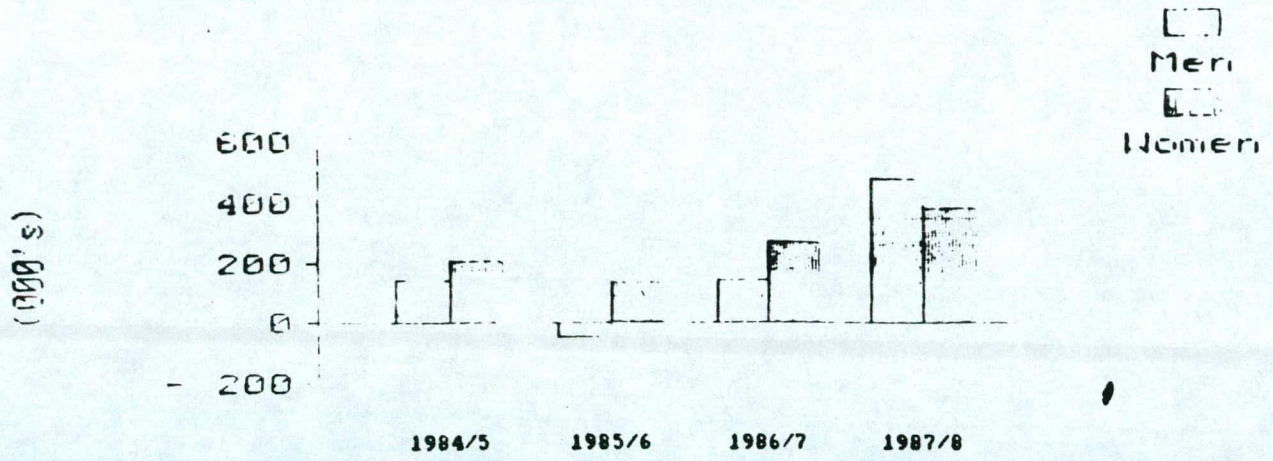
The LFS results give an encouraging picture, with further evidence that unemployment has been falling sharply. The chart below shows a similar fall in unemployment on the internationally agreed definition (the ILO/OECD measure) which fell by 505 thousand between spring 1987 and spring 1988 to that seen in the claimant count, which fell by 539 thousand (weighted average of the months covered by the LFS). The estimate on the ILO/OECD basis remains at a slightly lower level, 2,374 thousand, than the claimant count, 2,414 thousand (the difference being within sampling error). This will surprise some critics who have claimed that much of the fall in claimant count reflected changes in the administration of benefits. Indeed, there is evidence to suggest that much of the movement from unemployment has been into employment rather than out of the labour force.



2. Employment:

2.1 LFS results indicate that there has been a very healthy growth in the number of persons in employment (+867 thousand, 3.6 per cent) between spring 1987 and spring 1988. As the chart below shows, the growth in the year to spring 1988 is substantially higher than in recent years, for both men (+481 thousand) and women (+385 thousand). Indeed, between spring 1987 and spring 1988, the LFS results indicated particularly strong growth among women full-time employees (+6 per cent).

Annual Change in Persons in Employment (1)



(1) Employees, the self-employed and those on Government Employment and Training Programmes

The strong growth in self employment seen in recent years continued between spring 1987 and spring 1988. The growth over the year based on LFS estimates was very much in line with the published estimates (+124 thousand).

For employees, the LFS results indicate a more substantial increase between spring 1987 and spring 1988 (+681 thousand) than do the published estimates.

2.2 Revisions to published estimates

The published estimates of employees in employment are based on monthly and quarterly surveys of employers, benchmarked on Census of Employment results (currently September 1984). The estimates are supplemented using data from the annual LFS. Thus the preliminary 1988 LFS results will give rise to substantial upward revisions to the published estimates of employees in employment over the period since March 1987. These revisions, at the whole economy level, are set out in the table below, which gives separate figures for males, females full-time and females part-time.

Employees in Employment: Revisions to the Published series

Great Britain
Seasonally Adjusted
Thousands

	March 1987	March 1988	Change	Revision
Males				
Current series	11,601	11,703	+ 102	
Revised series	11,601	11,956	+ 355	+ 253
Females: Full-time				
Current series	5,378	5,522	+ 143	
Revised series	5,378	5,734	+ 356	+ 213
Females: Part-time				
Current series	4,233	4,364	+ 131	
Revised series	4,233	4,300	+ 67	-64
All				
Current series	21,212	21,589	+ 377	
Revised series	21,212	21,990	+ 778	+ 401

We are looking at the knock on effects of these revisions on quarters after March 1988 which will also be revised. At the same time we will be giving urgent consideration to the methodology used.

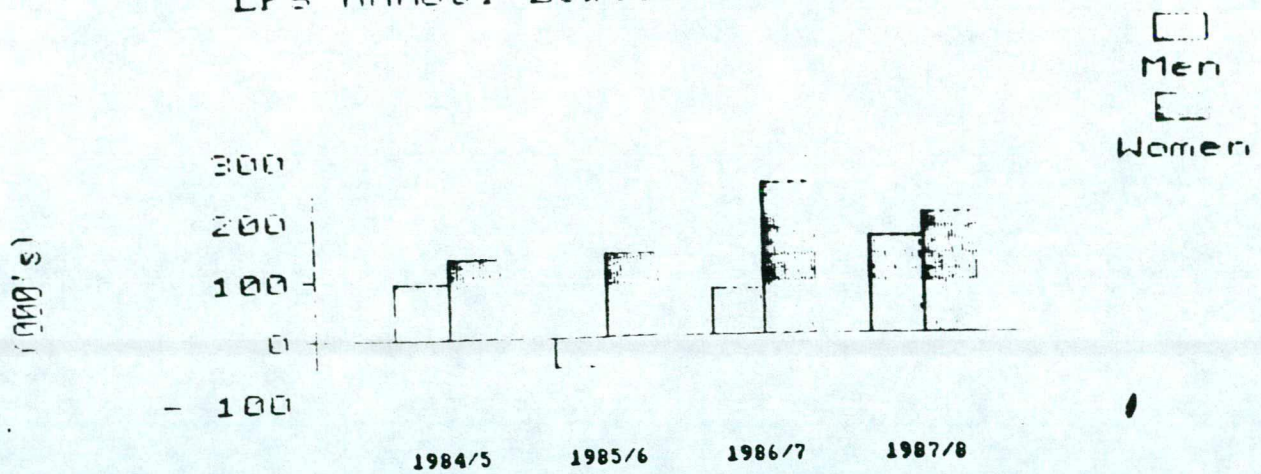
These revisions are larger than any that have previously been made to the estimates of employees in employment. The revisions are particularly high for male employees and female full-time employees, whilst the revision to the estimate of women part-time employees indicates that the high growth amongst this group in recent years seems to have slowed. Although the revisions to the employees in employment estimates are good news for employment, the corollary of this is that the estimates of productivity growth between 1987 and 1988 are likely to be revised downwards. The revised growth in employment will lead to a faster growth in unit wage costs since 1987 than published and the recent improvements in competitiveness will not be as large as has been thought.

However, we are also awaiting results of the September 1987 Census of Employment, which will provide a new benchmark figure for September 1987. The currently published series of employees in employment will need to be revised in the light of both the Census of Employment (revisions from October 1984 - September 1987 and thereafter) and the 1988 LFS (revisions from April 1987 onwards). Early indications of the Census results should be available shortly.

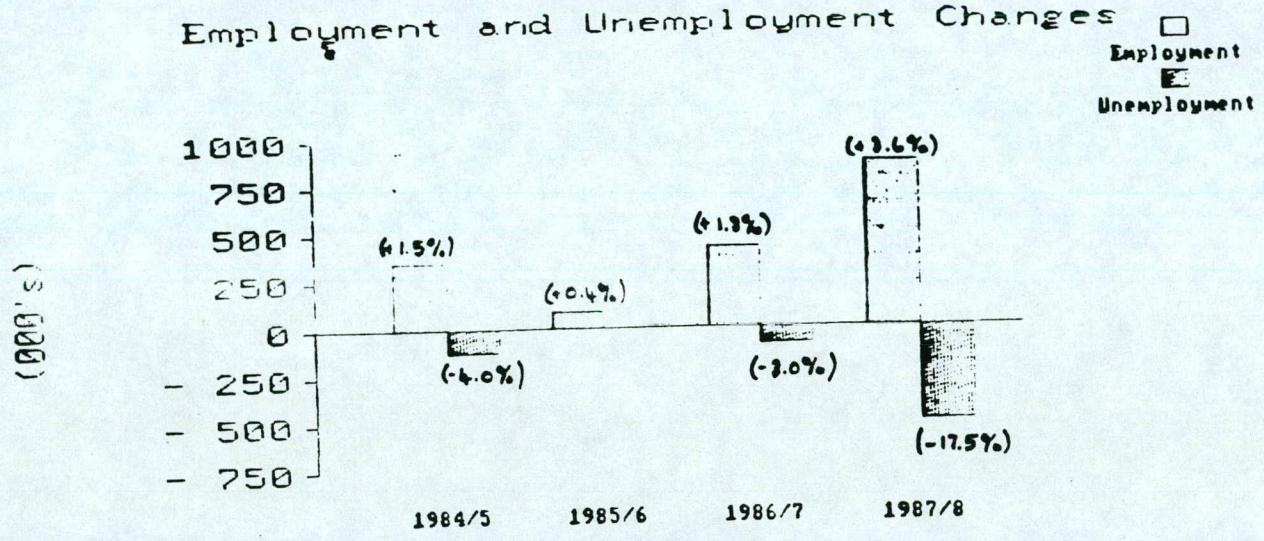
3. The Labour Force:

The LFS results broadly support the published projections indicating continuing growth of the Civilian Labour Force, notwithstanding the decline in the number of young people entering the labour market.

LFS Annual Labour Force Changes



Employment and Unemployment Changes



4. Conclusion

Whilst the preliminary 1988 LFS results will lead to substantial revisions to the workforce in employment estimates, they form a highly plausible set of estimates and provide and encouraging picture of the labour market and changes over the period spring 1987 to spring 1988.

cst.ps/10ce10.2/mins

SECRET

000121

FROM: MISS C EVANS
DATE: 10 February 1989

MR DIXON

cc: Chancellor
Sir Peter Middleton
Mr Anson
Dame Anne Mueller
Mr Monck
Mr Burgner
Mr Call
Mr Sheridan

LEGISLATION AND TECHNICAL REDUNDANCY

The Chief Secretary was grateful for Mr Sheridan's submission of 3 February enclosing a draft letter for him to send to the Secretary of State for Employment on the feasibility of general legislation on technical redundancy. Before proceeding the Chief Secretary would be grateful if you could think further about the draft in the light of the minutes of the E(A) discussion on 8 February on the Employment Service. The Prime Minister's summing up records that the proposal to remove entitlement to redundancy pay from civil servants transferring to the private sector should be reconsidered. It also records that if any rights were to be removed from civil servants compensation would need to be paid.

2. The Chief Secretary would be grateful for advice on the implications of the E(A) discussion for our objectives on technical redundancy.

3. You will wish to read the full text of the E(A) minutes which we are required to retain in the Private Office without taking copies.

MISS C EVANS
Private Secretary

psp.jc/sheridan/minHarris3

FROM: P T SHERIDAN
DATE: 3 FEBRUARY 1989

1. MR DIXON J.D. 3/2
2. CHIEF SECRETARY

cc: PS/Chancellor
PS/Financial Secretary
PS/Paymaster General
Sir Peter Middleton
Dame Anne Mueller
Mr Anson
Mr Monck
Mr Beastall
Mr Harris
Mr Burgner
Mr Wood
Mr Waller
Mr Meadows
Mr Pain
Mr Bent
Miss Simpson
Mrs Ennis
Miss Wheldon, T. Sol

Psp

LEGISLATION AND TECHNICAL REDUNDANCY

You wrote to the Employment Secretary on 6 December explaining that we would need legal advice on the feasibility of general legislation on technical redundancy before considering the next move. (Mr Hayden's submission of 3 December set out the detailed background to the subject).

Background

2. The problem is that in privatisations, or hivings off from Government Departments, the PCSPS rules requiring automatic redundancy payments are liable to be triggered. This can be prevented by specific legislation, as has been done on occasions in the past. Following difficulties in the cases of NEL and TCS we have however been asked whether, rather than such individual legislation, a general Bill to exclude technical redundancy should be introduced. (Two variants of such a Bill, a wider and a narrower, were considered but not proceeded with in 1984).

3. Any legislation will be complicated by its interaction with the Transfer of Undertakings Regulations 1981, which implement the EC Acquired Rights Directive and provide that, where there is a

transfer of an undertaking, all the employees' rights and liabilities (except those under an Occupational Pension Scheme) must automatically be transferred to the new employer. The Regulations (made by D/Emp) do not implement the Directive fully and any legislation in this field, even limited to the civil service, may cause problems in Brussels. The English and Scottish Law Officers advised on complex questions associated with this EC problem in a lengthy opinion in 1983.

4. Following correspondence and a meeting of lawyers and administrators, we now have a consensus that:

(i) a technical redundancy Bill is desirable;

(ii) a variant of the narrower 1984 Bill offers the best prospect, and

(iii) it should be a Treasury Bill since it is the interaction of the PCSPS (for which the Treasury is responsible) and the Acquired Rights Directive that is at the heart of the problem.

5. Despite this, a number of problems remain. Most importantly, we need an assurance from D/Emp that this modified Bill would not provoke the EC Commission. At present D/Emp professes to be sanguine about this. Second the Bill presents difficult technical problems (for example about coverage and definitions) on which Departments may differ and which led to the Bill in 1984 in the end being dropped. The Law Officers and Lord Advocate's Department advised at the relevant meeting that the Law Officers should in effect approve any instructions before they are put to Parliamentary Counsel.

6. Even if all these issues were resolved, an important issue of propriety would remain. TOA have pointed to an undertaking given to the PAC that as a general rule the government will aim to seek specific statutory authority before departmental operations are hived off. TOA have advised that they consider this undertaking should also be applied to privatisations. Thus even if we have a

technical redundancy Bill, there would remain a need for legislation. In other words, it will be necessary for any legislation to provide powers to privatise as well as dealing with the specific problems arising from TUPE. Such as expanded Privatisation Bill would, of course, require still more thought and be even more difficult to bring forward in the 1989/90 session.

7. Although therefore Ministerial colleagues may wish us to press ahead rapidly, there are good grounds for caution. It may be unrealistic to have a fully fledged Bill by next session. We do not believe that, TCS apart, such a timetable would represent a blow to the privatisation programme. PSA do have acute difficulties with TCS because of technical redundancy but the right course for them is to argue strongly for the specific legislation for which they already have a bid at QL and which the Chancellor strongly supports. If they succeed with that bid, we judge that the pressure for immediate action will be lifted and that a TUPE (or wider Privatisation) Bill in the 1990/91 session would be acceptable. If not, you may have to concede the case for general legislation next
session.

8. The attached draft accepts the need in principle for a TUPE Bill but highlights the need for further legal work including the Law Officers' advice and an assurance from D.Emp about the European dimension before we proceed.

9. This submission has been agreed with T. Sol and TOA.

P T SHERIDAN
SUPERANNUATION DIVISION

DRAFT LETTER FROM CHIEF SECRETARY

TO NORMAN FOWLER

TUPE : LEGISLATION

In my letter of 6 December I explained that we would need to obtain legal advice on the feasibility of general legislation on technical redundancy before considering our next moves.

As you may know, there has been an exchange of correspondence between our lawyers and a meeting of lawyers and administrators on 18 January, at which a consensus seems to have emerged that there may be a way forward. You will recall that in 1984, when this matter was last considered, two approaches were mooted - a wider Bill to disapply TUPE and a more limited Bill that would not have disapplied TUPE but instead built on it. The difficulty felt with the wider Bill was that the disapplication of TUPE and the erection of a separate regime would probably have provoked the European Commission to look critically at the new regime and indeed TUPE itself. The more limited Bill was, too, not without its difficulties. In the event it was decided not to proceed with either Bill. The view at the 18 January meeting was that any wider Bill to disapply TUPE would still be provocative to the Commission, but that a variant of the more limited Bill (dealing with the terms of service of civil servants) might be acceptable.

We have not yet considered the details of such a Bill but it already seems clear that we cannot simply resurrect the proposals of the narrower 1984 Bill. These were unsatisfactory, in that the Bill would have left unanswered the important question of whether

TUPE in fact applied to a particular privatisation. The 18 January meeting suggested possible ways round this problem but the Bill would not be straightforward and other difficult issues would remain to sort out. Further consideration will, for example, be needed on the question whether the Bill should provide for transfers on identical terms (in line with the Acquired Rights Directive) or on equivalent terms of employment (which could take account of special features of Crown employment, such as the ability to dismiss at pleasure, which should not be transferred).

I remain concerned about the attitude of the EC Commission. I would welcome your confirmation that you believe that, if we take on a Bill along the lines suggested, we shall not find that, after a great deal of work, we are forced to drop it because the Commission is probing the UK's inadequate implementation of the Acquired Rights Directive. I gather that even on a narrower Bill there is a some risk that the Commission will be encouraged to note defects in TUPE, in particular the restricted definition of "undertaking" on which the English and Scottish Law Officers advised in 1983.

Before we can bid for any Bill, I would need to be reasonably sure that we would not be open to this kind of challenge from the Commission. Moreover, in my view, a good deal more legal work still needs to be done to determine the precise shape of the Bill. At the moment, its character is rather inchoate and difficult legal issues are unresolved. I understand that the law Offices' Department and the Lord Advocate's Department have advised that any instructions to Parliamentary Counsel on this subject should

be submitted to the English and Scottish law Offices. I should add that, to meet an undertaking that the government has given to the Public Accounts Committee, the Treasury considers that specific statutory authority should in any case as a general rule be obtained for privatisations. Thus, even a technical redundancy Bill on its own would not avoid the need for legislation before privatising an operation. We might very well need a wider Bill than the TUPE one - in other words, a general Privatisation Bill.

These considerations all point to caution since it is vitally important to ensure that the drafting is right. I do not therefore think that we should rush into legislation in the next session unless we have to and that a bid for 1990-91 looks more realistic. As I said in my letter of 6 December, the trawl of prospective privatisation candidates highlighted the fact that many are by no means certain runners and I am not convinced that a year's delay would set the privatisation programme back significantly. I recognise that there is a particular difficulty for PSA with the Crown Suppliers but they, of course, already have a bid for specific legislation at QL which the Treasury support. I understand that they feel that their interests may well be best served by maintaining their own bid.

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

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

PG

Paul Gray Esq
10 Downing Street
LONDON
SW1A 2AA

13 February 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 16 February 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,

Angela.

ANGELA WILKINS
Private Secretary

2/14

COVERING PERSONAL AND CONFIDENTIAL UNTIL 11:30 AM ON 16 FEBRUARY 1989

THEREAFTER CONFIDENTIAL

LABOUR MARKET STATISTCS: NOTES FOR THE PRIME MINISTER

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B. DRAFT PRESS NOTICE

C. DETAILED ANALYSIS AND BACKGROUND INFORMATION

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1b. UNEMPLOYMENT RATES - CHANGE OVER YEAR BY REGION

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1d. UNEMPLOYMENT - UK

2. UNEMPLOYMENT: REGIONAL FIGURES

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3. UNEMPLOYMENT: DEFENSIVE BRIEFING ON "FIDDLING THE FIGURES"

4. LABOUR MARKET: JOB CHANGES AND FLOWS

5. DEMOGRAPHIC AND LABOUR FORCE BACKGROUND

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7. EMPLOYMENT: DOUBLE JOBBING AND SPECIAL MEASURES

8. EMPLOYMENT: INTERNATIONAL COMPARISONS

9. EMPLOYMENT: ADDITIONAL DATA

10. EARNINGS

STATISTICS DIVISION
DEPARTMENT OF EMPLOYMENT
13 FEBRUARY 1989
ENQUIRIES TEL: 01 - 273 - 5522

LABOUR MARKET STATISTICS - KEY FACTS A2(i)

UNEMPLOYMENT IN JANUARY

Seasonally Adjusted (UK) (Consistent)

Now 1.988 million, 7.0%, below 2 million for the first time for 8 years. (Lowest since Febuary 1981, consistent)

Down 49,300 in January.

Down 30 months running, longest continuous fall since the war. Largest sustained fall on record, **Down 1,145,000 since July 1986.**

Fall of 869,000 (consistent) since election June 1987(966,000 since run-up,April 1987 figure)

Fall in last 12 months 531,000

Average fall of 46,500 per month, over last six months.

TOTAL (unadjusted) (UK)

Now 2.074 million (7.4%)

Up 28,000 since December.

Regional unemployment

(NB Seasonally adjusted fall in January in all regions except Northern Ireland) Fall in all regions of UK over last year: rates fallen most in West Midlands and Wales. (Next best: North West, North, East Anglia and South West)

Long term unemployment. (UK, October)

(NB January figures available next week) 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 (November 88) showed UK 10.1% compared with EC average 19.7% (lower than all other EC countries except Denmark, Germany and Luxembourg).

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.

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 (17.4%). (Comparable UK 7.6% - OECD standardised rate for November.)

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 229,200 in January, down 9,100 since December.

Only about a third of vacancies reported to Jobcentres.

AVERAGE EARNINGS (GB)

Underlying increase in average earnings in year to December 8 3/4 %.

A 2(ii)

KEY FACTS

EMPLOYMENT (GB seasonally adjusted)

EMPLOYMENT IN MANUFACTURING

- at 4,988,000 in December
- long-term downward trend since 1967
- down by 40,000 in year to December
- down 1,000 in quarter 4.

OVERTIME AND SHORT TIME

- overtime of 14.8 million hours a week worked in December; highest since January 1980
- short time of 0.22 million hours a week lost in December.

WORKFORCE IN EMPLOYMENT

Workforce in employment in Q3 1988
- now stands at 25,292,000 (highest ever)
- on a rising trend for more than 5 years since March 1983
- Increase since March 1983 by 2,295,000, of which:
  - 1,116,000 employees
  - 809,000 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 400,000, of which:
  - 221,000 (55%) full time
  - 179,000 (45%) part time
  - 114,000 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 39,000 in the second quarter of 1988.

EMPLOYMENT IN SERVICES

- at 14,917,000 in September 1988
- up by 367,000 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 6,292,000 in September 1988
- up by 180,000 over year to September
- up by 1,447,000 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.

rd/1988/reg-lab

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

A [redacted] fall in unemployment, taking the seasonally adjusted total below 2 million.

FROM: R DEANE
DATE: 15 FEBRUARY 1989

1. **MR PICKFORD**
2. **CHANCELLOR** (+ 1 for No.10)

cc

Chief Secretary	Mr Burr
Financial Secretary	Mr Gieve
Paymaster General	Mr Hibberd
Economic Secretary	Mr Meyrick
Sir P Middleton	Mr Bush
Sir T Burns	Mr Darlington
Mr Monck	Mr Dyer
Mr Scholar	Mr Hudson
Mr Burgner	Mr Cress
Mr Riley	Mrs Chaplin
Mr Peretz	Mr Tyrie
Mr Sedgwick	Mr Call
	HB/001

Please [illegible]

COMBINED RELEASE OF LABOUR MARKET STATISTICS ON 16 FEBRUARY

Summary Statistics (seasonally adjusted GB unless otherwise stated)

	Thousands	Level	Change on previous period	Change on previous year
Unemployment (UK) January				
Total (aged 18 and over)		1,988 (7.0%)†	-49	-531
Total (not seasonally adjusted: 'Headline Total')		2,074 (7.4%)†	+28*	-648*
Vacancies (UK) January		229	- 9	-22
Workforce in employment 1988Q3		25,292	+120	+400
Manufacturing employees December		4,988	+ 8	- 40

	Percentage change on previous year
Index of average earnings, December	
Whole economy, underlying (actual)	8¾ (10.9)
Manufacturing, underlying (actual)	8¾ (9.1)
Service industries, underlying (actual)	8½ (12.3)
Wage and salary costs per unit of output	
Whole economy, 1988Q3	5.7
Manufacturing, 1988Q4	1.0
Output per head	
Whole economy, 1988Q3	2.6
Manufacturing, 1988Q4	7.5

† per cent of workforce
* figures distorted by change in regulations for claimants under 18 (monthly change only slightly affected).

ASSESSMENT AND COMMENT

2. The seasonally adjusted unemployment series fell by just over 49,000 to 1,988,000 in January. The level of the index is now below 2 million for the first time since February 1981. The fall in January on balance is probably not distorted by special factors. DE estimate that the beneficial effects of the recent mild weather have been broadly offset by some bounce back from the large December fall (which was partially due to the count date occurring before the usual special Christmas arrangements had taken effect). Over the last six months the average fall in the count has been 47,000 per month - DE now estimate that the underlying trend has risen to between 40,000 and 50,000 per month. Unemployment has fallen to 7.0 per cent of the workforce. The continuous fall since July 1986 has now reached over 1.1 million over 30 consecutive months.

3. The headline total rose by 28,000 in January. This includes a small residual effect of the new regulations introduced in September for claimants aged under 18. There are now less than 4,000 under 18 year olds remaining on the count (but excluded from the seasonally adjusted series). This group will continue to diminish over the next few months.

4. Vacancies fell by 9,100 to 229,200 in January. The fall was due to a reduction in the inflow; however the stock remains high and the turnover is steady.

5. The level of overtime remained high in December at 14.8 million hours. The overtime figures for October and November have been revised down slightly but remain significantly above the levels of earlier last year. Overtime per operative is 10 per cent up on a year ago and is at the highest level since 1973-74.

6. The increase in underlying whole economy earnings was unchanged in December at 8¾ per cent. The underlying increases in the manufacturing, production, and services sectors were also unchanged from last month's figures of 8¾ per cent.

7. [NOT FOR USE: DE estimate that overtime is currently adding ¾ per cent to the rise in manufacturing earnings and ½ per cent in the whole economy. Settlements are currently adding about 0.1 per cent to whole economy earnings growth, and 0.5 per cent to earnings growth in manufacturing. DE expect the whole economy underlying increase to rise to 9 per cent next month, and further to between 9 and 9½ per cent over the next few months. Higher settlement levels and the high level of overtime are responsible for the expected increase.]

8. Quarterly figures for long term unemployment in January will be released on Tuesday 21 February. Preliminary estimates suggest a continuation of the sharp downward trend.

THE FIGURES IN DETAIL

Unemployment

9. Seasonally-adjusted adult unemployment (excluding school leavers) fell by 49,300 between December and January to 1.988 million (7.0 per cent of the workforce). The average fall over the past six months is 46,500 a month.

10. The 'headline' total rose by 28,000 to 2.074 million, 7.4 per cent of the workforce.

11. The stock of vacancies at Jobcentres (seasonally adjusted) fell by 9,100 between December and January to 229,200.

12. Points of interest:

(a) Seasonally adjusted unemployment now below 2 million for the first time since February 1981.

(b) Seasonally adjusted total at lowest level for 8 years (since February 1981 on a consistent basis).

(c) Fallen by over 1.1 million since July 1986. Seasonally adjusted total has fallen for thirty months in succession by 1,145,000 in total. This is the longest period of continuous decline in unemployment since the War.

(d) Fallen by 531,000 over past year.

(e) Unemployment has fallen in all regions over the past year. Unemployment rates have fallen fastest in the West Midlands and Wales, but there have been significant falls in all regions, including Northern Ireland.

(f) UK unemployment rate fallen more in past year than in any other major industrialised country. Latest figures (national definitions) show fall in UK rate of 1.9 percentage points over past year, compared with falls of 0.7 in Germany, 0.4 in US, 0.3 in France and 0.3 in Japan. UK unemployment rate lower than EC average, but still above the total OECD and major 7 averages, reflecting lower unemployment in the three largest countries - US, Japan and Germany.

(g) The 'headline' total in February is likely to fall. Seasonal influences will be slightly downward adding to the continuing underlying downward trend.

Employment

13. The number of employees in manufacturing industries increased by 8,000 in December. The underlying trend remains downwards but seems to be slowing. In 1988Q4 manufacturing employment fell by 1,000, the fall in 1988 as a whole is 40,000. This follows a fall of 56,000 in 1987.

Other features

14. The underlying increase in the whole economy average earnings index was unchanged from 8¾ per cent in December. The actual increase in the index was higher at 10.9 per cent largely due to a record level of back pay (due to nurses and midwives). The increases in the underlying index for the production, manufacturing and service industries were all unchanged from last month at 8¾ per cent (the production and service sector figures for November have been revised from 9 per cent and 8½ per cent respectively).

15. The level of overtime working remained high in December at 14.8 million hours up from 14.7 million hours in November. This is 10 per cent higher than the level in December 1987. Overtime had been around 13½ million hours for most of last year. Overtime per operative is now at the highest levels since 1973/74.

16. Output per head in manufacturing rose by 7.5 per cent on a year earlier in 1988Q4. Unit wage costs in manufacturing rose by 1.0 per cent in the same period. Both increases are similar to recent levels.

Robert

ROBERT DEANE

A 1(1)

PERSONAL AND CONFIDENTIAL UNTIL 11.30 ON 16 FEBRUARY THEREAFTER CONFIDENTIAL

LABOUR MARKET STATISTICS

Summary

The latest figures indicate continuing buoyancy of the labour market. Unemployment, seasonally adjusted, fell below 2 million in January, although the unadjusted total remains above 2 million. Employees in manufacturing increased by 8,000 between November and December, making little change overall during the final quarter of 1988. Overtime working in manufacturing remained high in December, continuing the higher level first reached in October. However, there was a further fall in the stock of vacancies reported to Jobcentres. The underlying increase in average earnings remained unchanged at 8¾% for the year to December.

Unemployment

UK unemployment, seasonally adjusted, went below 2 million in January, for the first time in 8 years. The fall between December and January was 49,300, bringing the level down to 1.988 million or 7.0 per cent of the workforce. On a consistent basis the continuous fall since July 1986 has now reached 1.145 million over 30 consecutive months. Other key figures are attached separately.

There was a seasonally adjusted fall in January in all regions except Northern Ireland where there was a rise of 600, though this was probably erratic.

The downward trend in the UK series now appears to be in the region of 40 to 50 thousand per month. Over the past six months, there has been an average monthly fall of some 47,000, and over the past three months 57,000 per month compared with 36,000 over the previous three months to October. The sharper average fall over the past three months is likely to reflect the relatively mild weather for the time of year with less than the normal slow-down in recruitment and fewer than average lay-offs, for example in the construction industry. The seasonal adjustment, which is based on the pattern for an average year, will not have compensated for this. It follows therefore that there could be some counter-balancing upward effect on the figures yet to come when the seasonal pattern returns to normal. Such an upward effect could be up to 20,000 but is unlikely to result in an erratic

rise in the seasonally adjusted figure assuming that the downward trend does not deteriorate markedly over the next month or two.

Unadjusted 'headline' total

Unadjusted, there was a rise of 28,000 in the claimant total between December and January to 2.074 million or 7.4 per cent of the workforce. The number of under 18 year olds remaining in the unemployment count (though excluded from the seasonally adjusted series) continues to diminish following the recent changes in benefit regulations from September. By January the number had reduced to less than 4,000, compared with some 5,000 in December.

February 'headline' total

Seasonal influences on the count are slightly downward between January and February and so, given a continuing downward trend, a fall in the headline total is highly likely. It is just possible that the headline total will fall below 2 million in February (published next month) but assuming continuing trend reductions of around 40 to 50 thousand per month, this is more likely to occur in March (published in April).

Long-term unemployment

The full quarterly analysis of unemployment by duration for January (due for release on 24 February) is not yet available, but a preliminary estimate of the number of claimants unemployed for more than a year suggests a further fall of around 60,000 in the quarter since October, continuing the sharp downward trend.

Employment

In Great Britain in the month to December the estimated number of employees employed in manufacturing increased by 8,000 largely offsetting the fall of 9,000 observed in October. There was no change in November, so over the quarter there was a fall of only 1,000. Taking 1988 as a whole there was a fall of 40,000 in the estimated numbers in employment in manufacturing industries compared with a fall of 56,000 in 1987 and a much larger fall of 138,000 in 1986. The latest figures show that the trend is probably still downwards, although month to month the figures can be rather erratic.

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 essentially as reported in January except for very small revisions - reflecting some late data now to hand. These revisions do not affect the estimated growth in the workforce in employment which is unchanged at 120,000 in the third quarter of 1988 and 2,295,000 between March 1983, when the upward trend first began, and September 1988. In September the workforce in employment stood at 25,292,000.

Overtime working by operatives in manufacturing industry continued to be high at 14.8 million hours in December, compared with revised estimates of 13.9, 14.5 and 14.7 in September, October and November respectively. The estimates of overtime working in October and November have been revised downwards in the light of the results from the December survey which has a larger sample, and the series has also been revised to take account of recent changes in the seasonal pattern. While these revisions have softened the step change seen between September and October it is still a significant increase in overtime working which has been sustained throughout the fourth quarter.

Hours lost through short-time working in manufacturing industries remain low, 0.22 million hours per week were lost in December.

Vacancies

The stock of vacancies reported to jobcentres (United Kingdom, seasonally adjusted) showed a further sharp monthly fall of 9,100 to 229,200 in January. This continues the downward trend in the series observed since the peak of 265,100 reached in November 1987. The fall in the stocks of vacancies in January was accompanied by some reduction in the inflow of newly reported vacancies.

It is too early to take the recent figures to signify a less buoyant labour market, not least given the fluctuations in the figures and the possibility of some reduction in the proportion of vacancies which are notified. At current levels any real reduction in vacancies need not be inconsistent with continuing sharp falls in unemployment. The recorded level of unfilled vacancies is now about the same as in mid 1987. At that time unemployment was falling by around 40,000 per month.

Personal and Confidential until 11.30 Am 16-2-89 A1(iv)
Thereafter confidential.

Average Earnings

The estimate of the underlying increase in earnings for the whole economy for December 1988 is 8¾ per cent, which is unchanged from the rate of increase for the year to November. The estimates for the service industries, the production industries, and within production for manufacturing, are all unchanged from the rate of increase for the year to November and all stand at 8¾ per cent.

The actual increase in earnings in the whole economy, at 10.9 per cent, is exceptional this month because it includes the one-off payment in December of very substantial arrears of pay to nurses. Excluding all arrears of pay gives increases close to the underlying rate both for the whole economy and for the services sector.

Because reported settlements remain generally higher than their corresponding levels a year ago, the prospect for January is for an increase in the underlying rate to 9 per cent.

Next Labour Market figures

The next labour market briefing will be issued on Monday 13 March, in advance of the press release on Thursday 16 March. It will contain unemployment figures for 9 February, manufacturing employment, and earnings for January, and vacancy figures for 3 February.

Personal and Confidential until 11.30 Am 16-2-89
Thereafter confidential.

chex.md/registry/55 **CONFIDENTIAL**

FROM: A A DIGHT
DATE: 16 February 1989

PNP

MR R DEANE

COMBINED RELEASE OF LABOUR MARKET STATISTICS ON 16 FEBRUARY
Summary statistics (seasonally adjusted GB unless otherwise stated)

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

A A DIGHT

PERSONAL AND CONFIDENTIAL UNTIL 11.30 AM ON 16.02.89

16 February 1989

LABOUR MARKET STATISTICS

SUMMARY STATISTICS

		Level	Change on previous period	Thousands Change on previous year
Unemployment (UK)				
Total unadjusted	January 12	2,074	+ 28(a)	(-648)(a)
Seasonally adjusted (b)	January 12	1,988	- 49	-531
Workforce in employment (GB) (c),(d)	Sept Q3 1988	25,292	+120	+400
Employees in employment (c)				
Services	September Q3 1988	14,917	+ 76	+367
Manufacturing	December Q4 1988	4,988	- 1	- 40
Manufacturing (GB)	December 1988	4,988	+ 8	- 40
Vacancies (UK jobcentres) (c)	January 6	229	- 9	- 22

		Percentage change on previous year (underlying increase)
Index of Average Earnings (c)		
Whole Economy	December	8¾
Services	December	8¾
Manufacturing	December	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.

PERSONAL AND CONFIDENTIAL UNTIL 11.30 AM ON 16.02.89

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

Summary

Unemployment (UK seasonally adjusted) fell by 49,300 in the month to January Male unemployment decreased by 33,700 and female unemployment decreased by 15,600. Over the past six months there has been a fall of 46,500 on average compared with a fall of 42,000 per month over the previous six months to July 1988.

The total, unadjusted, increased in January by 27,774 to 2,074,312.

The number of employees employed in manufacturing industry in Great Britain is estimated to have increased by 8,000 in December 1988. However over the fourth quarter there was a very small fall of 1,000, compared with falls of 22,000 and 18,000 in the second and third quarters respectively.

The workforce in employment is estimated to have increased by 120,000 in the third quarter of 1988 contributing to overall increases of 400,000 in the year to September 1988 and 2,295,000 between March 1983, when the upward trend began, and September 1988.

The stock of Jobcentre vacancies (UK seasonally adjusted) decreased by 9,100 in January to 229,200. Over the past six months there has been a decrease of 3,400 per month on average.

The underlying increase in average earnings in the year to December was 8¾ per cent, the same as the increase in the year to November.

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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PERSONAL AND CONFIDENTIAL UNTIL 11.30 ON 16 FEBRUARY 1989

UNEMPLOYMENT

The **seasonally adjusted level of unemployment (+)** in the United Kingdom decreased by 49,300 to 1.988 million in January, 7.0 per cent of the workforce*.

Over the past six months on average unemployment has fallen by 46,500 per month.

The unadjusted total increased by 27,774 between December and January to 2,074,312 giving an unemployment rate of 7.4 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*
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	1484.6	620.6	2105.2	-52.7	-43.1	-40.1	7.5
Dec(r)	1439.4	598.0	2037.4	-67.8	-47.8	-51.4	7.2
1989 Jan(p)	1405.7	582.4	1988.1	-49.3	-46.5	-56.6	7.0 **

\+ 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 8.5 per cent, and for females 5.0 per cent.
* See note A4
(p) Provisional and subject to revision (see note A5)
(r) Revised

TABLE 2: UNEMPLOYMENT SEASONALLY ADJUSTED +(P)- REGIONS January 12 1989

	Male	Female	Total	Change since previous month	Unemployment rate	
			THOUSAND		percentage of workforce*	Change since previous month
South East	280.3	125.8	406.1	-14.7	4.4	-0.2
(incl. Greater London)	(171.4)	(71.3)	(242.7)	(-7.1)	(5.6)	(-0.2)
East Anglia	25.3	13.2	38.5	-2.6	3.8	-0.3
South West	71.4	37.7	109.1	-4.0	5.2	-0.2
West Midlands	133.3	58.7	192.0	-6.2	7.3	-0.2
East Midlands	85.6	36.6	122.2	-4.2	6.3	-0.2
Yorks and Humberside	141.5	56.2	197.7	-5.1	8.3	-0.2
North West	208.2	80.6	288.8	-4.1	9.6	-0.1
North	116.8	40.9	157.7	-2.3	10.9	-0.2
Wales	79.2	30.7	109.9	-3.0	9.2	-0.3
Scotland	184.1	72.5	256.6	-3.6	10.3	-0.1
GREAT BRITAIN	**1,325.6**	**552.8**	**1,878.4**	-49.9	6.8	-0.2
Northern Ireland	80.1	29.6	109.7	0.6	15.8	0.1
UNITED KINGDOM	**1,405.7**	**582.4**	**1,988.1**	-49.3	7.0	-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).

TABLE 3: UNEMPLOYMENT TOTAL - UNADJUSTED - UNITED KINGDOM

		Male	Female	Number	Unemployment rate percentage of workforce*
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
1989	Jan	1,473,163	601,149	2,074,312	7.4

+ The separate rate for males was 8.9 per cent, and for females 5.2 per cent.

TABLE 3a: UNEMPLOYMENT TOTAL UNADJUSTED - REGIONS January 12 1989 THOUSAND

	Male	Female	Total	Change since previous month	Unemployment rate percentage of workforce*
South East	291.7	127.9	419.5	-2.7	4.5
incl. (Greater London)	(173.2)	(70.5)	(243.8)	(-5.5)	(5.7)
East Anglia	27.9	14.3	42.1	0.6	4.1
South West	78.5	41.1	119.6	1.6	5.7
West Midlands	138.4	59.7	198.2	1.0	7.5
East Midlands	90.5	38.0	128.4	2.5	6.6
Yorks and Humberside	148.6	57.8	206.4	3.3	8.7
North West	215.9	83.3	299.2	6.3	9.9
North	122.3	42.2	164.5	4.1	11.3
Wales	84.1	32.2	116.2	1.7	9.7
Scotland	193.7	75.4	269.0	6.2	10.8
GREAT BRITAIN	**1,391.4**	**571.8**	**1,963.2**	24.7	7.1
Northern Ireland	81.8	29.4	111.2	3.1	16.0
UNITED KINGDOM	**1,473.2**	**601.1**	**2,074.3**	27.8	7.4

++ 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).

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
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
1989 Jan	269.4	-74.9	245.4	-76.2

x See note A6
** See notes A7 and A8.

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EMPLOYMENT

In the month to December the estimated number of employees in employment in manufacturing industries in Great Britain increased by 8,000, largely offsetting the fall of 9,000 observed in October. There was no change in November, so over the quarter there was a fall of only 1,000. Taking the year as a whole estimates of the numbers in employment in manufacturing industries fell gradually by 40,000 compared with a fall of 56,000 in 1987 and 138,000 in 1986. The latest figures show that the trend is probably still downwards.

The latest figures for employees in the rest of the economy and the workforce in employment (employees in employment, the self- employed, HM Forces and participants in work related government training programmes) in Great Britain remain essentially as reported in January except for a very small revision - reflecting some late data to hand - for employment in energy and water and the service sector in September 1988. The estimated growth in the the workforce in employment is unchanged at 120,000 in the third quarter of 1988 and 2,295,000 between March 1983, when the upward trend first began, and September 1988.

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	11,689R	9,908	21,597	2,175	749	2,925	300	16	316	199	135	335	14,363	10,809	25,172R
	Sept	11,677R	9,968R	21,645R	2,194	761	2,956	299	16	315	222	154	377	14,393R	10,899	25,292R

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 adjuste

		Manufacturing Industries				Energy & Water Supply Industries			Service Industries		Other Industries		All Industri and Service
		Levels	Changes			Levels	Changes		Levels	Changes	Levels	Changes	Levels
			Monthly	Three* monthly	Quarterly		Monthly	Quarterly					
1986 September	Q3	5,107	- 9	-13	- 39	519	- 2	-11	14,191	+ 77	1,281	- 7	21,098
December	Q4	5,084	- 8	- 8	- 23	509	- 1	-10	14,272	+ 81	1,282	+ 1	21,147
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
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
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	21,368
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
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
April		5,016	-13	- 6		451	-11						
May		5,015	- 1	- 7		450	- 1						
June	Q2	5,007	- 8	- 7	- 22	450	0	-12	14,841	+ 49	1,298	- 8	21,597
July		5,008	+ 1	- 3		446	- 4						
August		5,008	0	- 2		446	0						
September	Q3	4,989	-19	- 6	- 18	447R	+ 1R	- 3R	14,917R	+ 76R	1,292	- 6	21,645R
October		4,980R	- 9R	- 9		442R	- 5						
November		4,980R	0R	- 9R		441R	- 1						
December	Q4	4,988	+ 8	0	- 1	442	+ 1	- 5					

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

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PERSONAL AND CONFIDENTIAL UNTIL 11.30 ON 16 FEBRUARY 1989

VACANCIES

The stock of unfilled vacancies at jobcentres (seasonally adjusted) decreased by 9,100 in the month to January to 229,200. Over the past three months to January, seasonally adjusted vacancies have decreased on average by 7,300 per month.

Unadjusted, there was a decrease of 19,983 unfilled vacancies in the month to 203,327.

The inflow of notified vacancies decreased on average by 4,100 per month in the three months ending January 1989, the outflow increased by 600 per month, and placings increased by 2,400 per month.

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

TABLE 6: UNFILLED VACANCIES - UNITED KINGDOM THOUSAND

		VACANCIES AT JOBCENTRES+				VACANCIES AT CAREERS OFFICES
		SEASONALLY ADJUSTED			UNADJUSTED	
		Number	Change since previous month	Average change over past 3 months	Number	Unadjusted
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	245.2	-6.0	0.8	252.3	26.5
	Dec	238.3	-6.9	-0.7	223.3	23.4
1989	Jan	229.2	-9.1	-7.3	203.3	21.9

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

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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
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	234.0	2.3	242.5	3.3	162.3	1.8
Dec	230.8	1.0	233.4	1.5	157.6	0.7
1989 Jan	220.4	-4.1	231.0	0.6	160.5	2.4

TABLE 8: UNFILLED VACANCIES* - REGIONS - 6 January 1989 THOUSAND

	VACANCIES AT JOBCENTRES			VACANCIES AT CAREERS OFFICES
	UNADJUSTED	SEASONALLY ADJUSTED		
	TOTAL	Number	Change since previous month	UNADJUSTED
South East	71.5	79.4	-3.3	13.4
(incl. Greater London)	(24.6)	(26.8)	(-1.6)	(7.1)
East Anglia	8.3	9.3	-0.2	0.7
South West	16.1	20.0	-0.2	1.3
West Midlands	21.5	23.1	-1.7	1.4
East Midlands	12.5	13.9	-0.3	1.1
Yorks and Humberside	13.1	14.4	-0.5	1.0
North West	20.6	22.8	-1.9	0.9
North	9.9	11.2	-0.4	0.3
Wales	11.0	12.1	-0.3	0.3
Scotland	17.0	19.9	-0.6	0.5
GREAT BRITAIN	201.5	226.2	-9.1	20.8
Northern Ireland	1.9	3.0	0.0	1.1
UNITED KINGDOM	203.3	229.2	-9.1	21.9

* 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 December was about 8 3/4 per cent, the same as the increase in the year to November. The actual increase in the year to December, at 10.9 per cent, was well above the underlying increase mainly because the nurses received their back-pay following the introduction of their new grading structure.

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
December*	135.7	134.2	10.9	8 3/4

* Provisional

In production industries, the underlying increase in average weekly earnings in the year to December was about 8 3/4 per cent, tne same as the increase in the year to November, which has been revised downwards from 9 per cent. Within this sector, in manufacturing industries, the underlying increase in the year to December was about 8 3/4 per cent, similar to the increase in the year to November. The actual increases for both production industries and manufacturing industries in the year to December were 9.1 per cent.

In service industries, the underlying increase in average weekly earnings in the year to December was about 8 3/4 per cent, the same as in the the year to November, which has been revised upwards from 8 1/2 per cent. The actual increase in the year to November was 12.4 per cent. The underlying increase was well below the actual increase because of the back-pay received by nurses and midwives.

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	128.4	8.6	9
Nov	130.4	8.6	8 3/4 R	130.2	8.7	8 3/4	131.0	8.8	8 3/4 R
Dec(p)	132.6	9.1	8 3/4	132.5	0.1	8 3/4	135.5	12.4	8 3/4

p provisional R revised

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

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

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

UNIT WAGE AND SALARY COSTS

THIS PAGE WILL BE AMENDED PRIOR TO PUBLICATION TO TAKE ACCOUNT OF NEW AND REVISED ESTIMATES OF UNIT WAGE COSTS THAT WILL THEN BE AVAILABLE.

In the three months ending November 1988, wages and salaries per unit of output in manufacturing industries were 0.5 per cent above the corresponding period a year earlier. This increase was below the rise in average earnings in manufacturing (see Table 10) as there was a rise of about 7 3/4 per cent in productivity over this period (see Table 13).

In the third quarter of 1988 wages and salaries per unit of output in the whole economy were 5.7 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 2 1/2 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	5.9
	Q2	104.9	6.6	104.9	6.4
	Q3	104.6	3.8	105.8	4.8
	Q4	103.6	-0.4	106.9	4.5
1987	Q1	105.9	1.0	108.1	4.0
	Q2	104.6	-0.3	109.5	4.4
	Q3	105.2	0.6	110.1	4.1
	Q4	105.9	2.2	112.3	5.1
1988	Q1	106.2	0.3	113.8	5.3
	Q2	106.8	2.1	115.0	5.0
	Q3	105.1	-0.1	116.4	5.7
1988	Jun	106.2	0.8	..	..
	Jul	105.4	-0.1	..	..
	Aug	104.9	1.0	..	..
	Sep	104.9	-1.2	..	..
	Oct	106.4	1.1	..	..
	Nov	107.4	1.5	..	..
3 months ending					
1988	Jun	106.8	2.1	..	..
	Jul	106.0	1.0	..	..
	Aug	105.5	0.5	..	..
	Sep	105.1	-0.1	..	..
	Oct	105.4	0.3	..	..
	Nov	106.2	0.5	..	..

CONFIDENTIAL UNTIL 11.30AM ON 16 FEBRUARY 1989

HOURS WORKED IN MANUFACTURING INDUSTRIES

Overtime working by operatives in manufacturing industries continued to be high at 14.8 million hours per week in December compared with 13.9 million hours per week in September and 13.5 million hours a week in December 1987. The latest estimates suggest that there has been 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 December.

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 101.8 in December 1988 giving an average of 101.8 over the three month period ending December 1988.

Estimates of overtime, short-time working and index of average weekly hours have been revised to take account of recent changes in the seasonal pattern.

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	
		R	R	R
1987	Jul	12.56	0.34	100.4
	Aug	12.81	0.29	100.6
	Sep	13.13	0.25	100.8
	Oct	13.37	0.27	101.0
	Nov	13.33	0.40	100.9
	Dec	13.48	0.26	101.0
1988	Jan	14.13	0.24	101.7
	Feb	13.48	0.27	101.1
	Mar	13.47	0.23	101.1
	Apr	13.43	0.22	101.1
	May	13.67	0.23	101.2
	Jun	13.44	0.26	101.0
	Jul	13.97	0.31	101.3
	Aug	13.94	0.29	101.3
	Sep	13.92	0.24	101.3
	Uct	14.51	0.25	101.8
	Nov	14.66	0.22	101.8
	Dec	14.81	0.22	101.8

R= Revised

Personal 11.30 am 16.2.89

PRODUCTIVITY

THIS PAGE WILL BE AMENDED PRIOR TO PUBLICATION TO TAKE ACCOUNT OF NEW AND REVISED ESTIMATES OF OUTPUT PER HEAD WHICH WILL THEN BE AVAILABLE.

Manufacturing output per head in the three months to November was 1.6 per cent higher than in the three months ending August and 7.7 per cent higher than in the same period a year earlier.

Output per head in the whole economy in the third quarter of 1988 was 0.9 per cent higher than in the previous quarter and 2.6 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	101.1	1.9
	Q2	101.8	0.9	102.1	1.7
	Q3	103.5	3.4	102.8	2.7
	Q4	107.1	8.4	103.7	3.4
1987	Q1	106.6	6.7	103.8	2.7
	Q2	109.9	8.0	104.7	2.5
	Q3	111.5	7.7	106.2	3.3
	Q4	113.5	6.0	106.7	2.9
1988	Q1	114.8	7.7	107.4	3.5
	Q2	117.0	6.5	108.0	3.2
	Q3	120.8	8.3	109.0	2.6
1988	Jun	117.7	7.2	..	..
	Jul	120.0	8.3	..	..
	Aug	120.7	7.3	..	..
	Sep	121.6	9.3	..	..
	Oct	121.3	6.9	..	..
	Nov	121.2	7.1	..	..
3 months ending					
1988	Jun	117.0	6.5	..	..
	Jul	118.3	7.3	..	..
	Aug	119.5	7.6	..	..
	Sep	120.8	8.3	..	..
	Oct	121.2	7.8	..	..
	Nov	121.4	7.7	..	..

Industrial stoppages

During 1988 it is provisionally estimated that a total of 3,752 thousand working days were lost in the United Kingdom through stoppages of work due to industrial disputes. In the year a total of 725 stoppages have been provisionally recorded as being in progress, involving a total of 725 thousand workers. The comparable figures for 1987 were 3,546 thousand working days, 1,016 stoppages in progress and 887 thousand workers.

In December 1988, it is provisionally estimated that 35 thousand working days were lost in the United Kingdom through stoppages of work due to industrial disputes. This compares with a provisional estimate of 177 thousand in November 1988, 60 thousand in December 1987 and an average of 369 thousand for December during the ten year period 1978 to 1987.

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

	Working days lost (thousand)	Number of Stoppages	Workers involved (thousand)
1987			
Dec	60	72	35
1988			
Jan(p)	106	89	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	43
Jul(p)	348	68	36
Aug(p)	411	54	130
Sep(p)	1,210	58	139
Oct(p)	50	75	31
Nov(p)	177	80	145
Dec(p)	35	41	24
Cumulative totals			
12 months to December 1987	3,546	1,016	887
12 months to December 1988(p)	3,752	725	725

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

NOTES TO EDITORS Personal and Confidential until 11.30 on 16.2.89

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 12 January 1989 these numbered 962 in the United Kingdom.

A3. The figures exclude temporarily stopped workers, that is, those who had a job on the day of the count but were temporarily suspended from work on that day and were claiming benefits. On 12 January 1989 these numbered 5,089 in Great Britain and 6,075 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 12 January 1989 were 10.6 per cent for males and 5.6 per cent for females, 8.4 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.

Personal and Confidential until 11.30 on 16.2.89

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 1988 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, last 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 in the United Kingdom 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 in the United Kingdom 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.

psp/bh/tech21.2

SECRET

FROM: J DIXON
DATE: 21 FEBRUARY 1989

CHIEF SECRETARY

cc: Chancellor
Sir Peter Middleton
Mr Anson
Dame Anne Mueller
Mr Monck
Mr Burgner
Mr Call
Mr Sheridan

Miss Wheldon T Sol

LEGISLATION AND TECHNICAL REDUNDANCY

Mr Hayden's submission of 3 December and Mr Sheridan's of 3 February explained the current ad hoc practice of preventing the triggering of technical redundancy in privatisations.

2. Mr Sheridan's submission suggested that, in the light of correspondence and the meeting on 18 January between lawyers and administrators, there could be said to be a consensus that a general Bill to remove the anomaly was desirable. It pointed out, however, that acute technical problems and worries about the attitude of the EC Commission remained. Moreover, the picture was further complicated by existing commitments to the PAC about specific statutory authority for hiving off so that a technical redundancy Bill in itself might not remove the need for individual legislation. Accordingly, the draft letter suggested to colleagues that these difficulties made a general Bill impractical before 1990/91 at the earliest.

3. Your note of 10 February asked us to reconsider the advice following the EC(A) discussion on 8 February. In particular, we have taken account of the Prime Minister's summing up about the removal of entitlement to redundancy pay and the problem of compensation. We need to recognise that the tone of the 18 January meeting was decidedly upbeat about legislation and that those with privatisations in prospect remain keen to legislate. However, the more we have considered the question (and particularly in the light of the E(A) discussion), the more it has

become clear that some very important issues remain unresolved. In these circumstances, it would be wrong, or at least premature, to offer a Bill even in 1990/91. Accordingly we now advise that the Chief Secretary should be cooler to the idea of general legislation. Taking away civil servants' rights, when an activity is privatised, would be controversial - the unions have already in the light of press reports been seeking clarification of our attitude - and could involve heavy redundancy pensions costs being paid by the Government. The draft letter therefore concludes that it would be better to continue with our well tried piecemeal approach, with appropriate legislative clauses being taken in the relevant Bill relating to the specific privatisation.

4. The submission has been agreed with Treasury Solicitor and TOA.

J DIXON
Superannuation Division

psp.bh/draft15.2

SECRET

DRAFT LETTER FROM CHIEF SECRETARY TO NORMAN FOWLER

TUPE: LEGISLATION

In my letter of 6 December I explained that we would need to obtain legal advice on the feasibility of general legislation on technical redundancy before considering our next moves.

As you may know, there has been an exchange of correspondence between our lawyers, and a meeting of lawyers and administrators was held on 18 January. You will recall that in 1984, when this matter was last considered, two approaches were mooted - a wider Bill to disapply TUPE, and a more limited Bill that would not have disapplied TUPE but instead built on it. The difficulty felt with the wider Bill was that the disapplication of TUPE and the erection of a separate regime would probably have provoked the European Commission to look critically at the new regime and indeed TUPE itself. The more limited Bill was, too, not without its difficulties. In the event it was decided not to proceed with either Bill. The view at the 18 January meeting was that any wider Bill to disapply TUPE would still be provocative to the Commission, but that a variant of the more limited Bill (dealing with the terms of service of civil servants) might be acceptable.

Despite this, there remain a number of difficulties which lead me to wonder whether it would be worthwhile even to follow this route. Even where there is the transfer of an undertaking within the meaning of the Acquired Rights Directive, TUPE may not necessarily be the best model to apply. Depending on the nature

of the privatisation and the extent to which it is controversial, there may be room for departing from the TUPE model to a greater or lesser extent. It would be a pity to lose the flexibility offered by a piecemeal approach. In this context, a key problem about legislation would be whether a general Bill should provide for transfers on identical terms (in line with the Acquired Rights Directive) or on equivalent terms of employment. In the latter case, we would be taking account of special features of Crown employment, including the ability to dismiss at pleasure, which should not be transferred.

I remain concerned about the attitude of the EC Commission. If we went ahead with a general Bill, we could well find we were forced after a great deal of work to change tack and introduce different primary legislation because of the Commission's probing of the UK's inadequate implementation of the Acquired Rights Directive. Moreover, I gather that even on a narrower Bill there is a risk that the Commission will be encouraged to note defects in TUPE, in particular the restricted definition of "undertaking", on which the English and Scottish Law Officers advised in 1983.

I should like to mention two other problems. First, I can see considerable political difficulties for us, in seeking general legislation, which would be construed as removing the rights of our employees (although civil servants are, of course, at present in an artificially favourable position). But even if we overcame the appearance of discriminating against civil servants, I fear that we would be increasing the likelihood of the Government eventually paying out large redundancy payments to compensate

staff, as well as the cost of transferring pension liabilities to the buyer. I accept, of course, that if there is an Acquired Rights Directive transfer of an undertaking, HMG is obliged, as a matter of law, to ensure that the employee's redundancy rights are transferred to the new employer. But even if the room for manoeuvre is limited in theory, in practice we have been able to preserve flexibility. Under our present one-at-a-time approach, we have been able to avoid thus far, in general very successfully, making any redundancy payments. We have been able also to negotiate appropriate pension arrangements with the help of the Government Actuary's Department. A general Bill might make it much harder for us to use this softly, softly approach.

Secondly, general legislation to deal with the technical redundancy problem would not get over the fact that specific legislation might be needed anyway. The Government has given to the Public Accounts Committee an undertaking that specific statutory authority should as a general rule be obtained before activities carried out be departments are hived off. Thus in cases where a body would be hived off for a period as a prelude to privatisation, specific statutory authority would normally be needed on grounds of propriety. The undertaking to the PAC does not commit the Government to legislation where a department proposes to privatise an activity in one step, but it will nevertheless be necessary to consider on a case by case basis whether such privatisations should be confirmed by statute.

As you know, the particular difficulty for PSA with the Crown Suppliers has now been resolved with their slot in the 1989/90

legislative session, and I believe that we do not really have a problem anymore with the specific legislation approach. I understand you have a suitable vehicle in the next session for any privatisations that you take forward. For all these reasons, I feel that we should drop the general legislation approach, and proceed on the basis of previous well tried practice.

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

CHANCELLOR OF THE EXCHEQUER

PWP

Ch

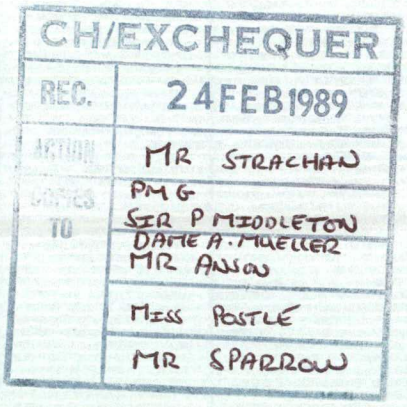
Unemployment figures down 31,000 s.a. (to 1,980,000); Headline total down 58,000 to 1,960,000.

Thanks

Confederation of British Industry
Centre Point
103 New Oxford Street
London WC1A 1DU
Telephone 01-379 7400
Telex 21332
Facsimile 01-240 1578

From
John M M Banham
Director-General

CBI



22 February 1989

JMMB/ENL

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

Dear Nigel.

I have today written to the Secretary of State for Employment about the question of the timing of bank holidays. In view of your interest in this matter I enclose a copy of my letter.

Yours sincerely

John M M Banham

Confederation of British Industry
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103 New Oxford Street
London WC1A 1DU
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Telex 21332
Facsimile 01-240 1578

From
John M M Banham
Director-General

CBI

22 February 1989

JMMB/ENL

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

Dear Norman,

There has been a certain amount of public debate in recent months about the possibility of transferring the bank holiday at the start of May to the autumn. In view of this, I thought you would want to have an early indication of the views of CBI members, based on quite widespread if informal soundings that we have taken.

These indicate that our members greatly value the uninterrupted run of operations which is currently possible from the August bank holiday until Christmas. For many businesses, this is a peak period of activity and the introduction of a bank holiday would disrupt their established schedules. Although this might appear only to affect one day, the tendency for employees to wish to take some of their holiday entitlement around a bank holiday, and similar tendencies within suppliers and customers, could lead to greater dislocation.

Moreover, firms generally have now developed satisfactory arrangements to cope with what might appear an excessive concentration of public holidays in the Spring. Many firms for example transfer the May Day holiday to other times of year to be combined with other holidays. A change in the time of year at which the holiday officially falls would result in all such arrangements having to be reviewed.

In summary, we are not conscious of any widespread desire among CBI members for change in the public holiday arrangements. Indeed, the prospect of change is an unwelcome one. These are, as I mentioned, the results of our informal soundings. If you should wish us at any stage to conduct a more formal consultative exercise among our members we would of course be ready to do so. I am sending copies of this letter to the Chancellor and the Secretary of State for Trade and Industry in view of their interests in this matter.

Yours sincerely

John M M Banham

jsh/tb-1fce24. CONFIDENTIAL

FROM: J S HIBBERD
DATE: 27 FEBRUARY 1989

SIR TERENCE BURNS

cc : PS/Chancellor
Sir Peter Middleton
Mr Sedgwick
Mr Riley
Mr Gieve
Mr Pickford
Mr Darlington

INCORPORATION OF 1988 LABOUR FORCE SURVEY RESULTS INTO SHORT-TERM EMPLOYMENT ESTIMATES

Paul Dworkin's letter to you of 22 February (copy attached) highlights a tricky problem emerging from the 1988 Labour Force Survey (LFS) and preliminary assessments of the 1987 Census of Employment. The latter is a new development since his letter to you of 31 January and your reply of 20 February in which we endorsed the publication of the LFS results before the Budget. He has also incorporated the implications of the 1988 LFS results up to March 1988 into revised estimates of employment up to September 1988. This too is a new, but helpful, development.

LFS Results

2. Paul Dworkin notes that the changes in employment between March 1987 and March 1988 indicated by the 1988 Labour Force Survey (LFS) give the most reliable indication of recent movements in employment. He therefore proposes to publish revised figures, splicing the LFS changes on to the current published levels of employment in March 1987. This he proposes to do in a press notice on March 13.

3. There is a lot of additional information apart from employment contained in the LFS which will be released at the same time, including:

- revisions to growth of employees and self-employed since last benchmark;

- survey based measure of unemployment;

- characteristics of unemployed, including attitudes to search behaviour;

- characteristics of employed, including part-timers, and split by sex;

- analysis of graduate labour market (and other qualification levels);

- migration;

- ethnic minorities and the labour market;

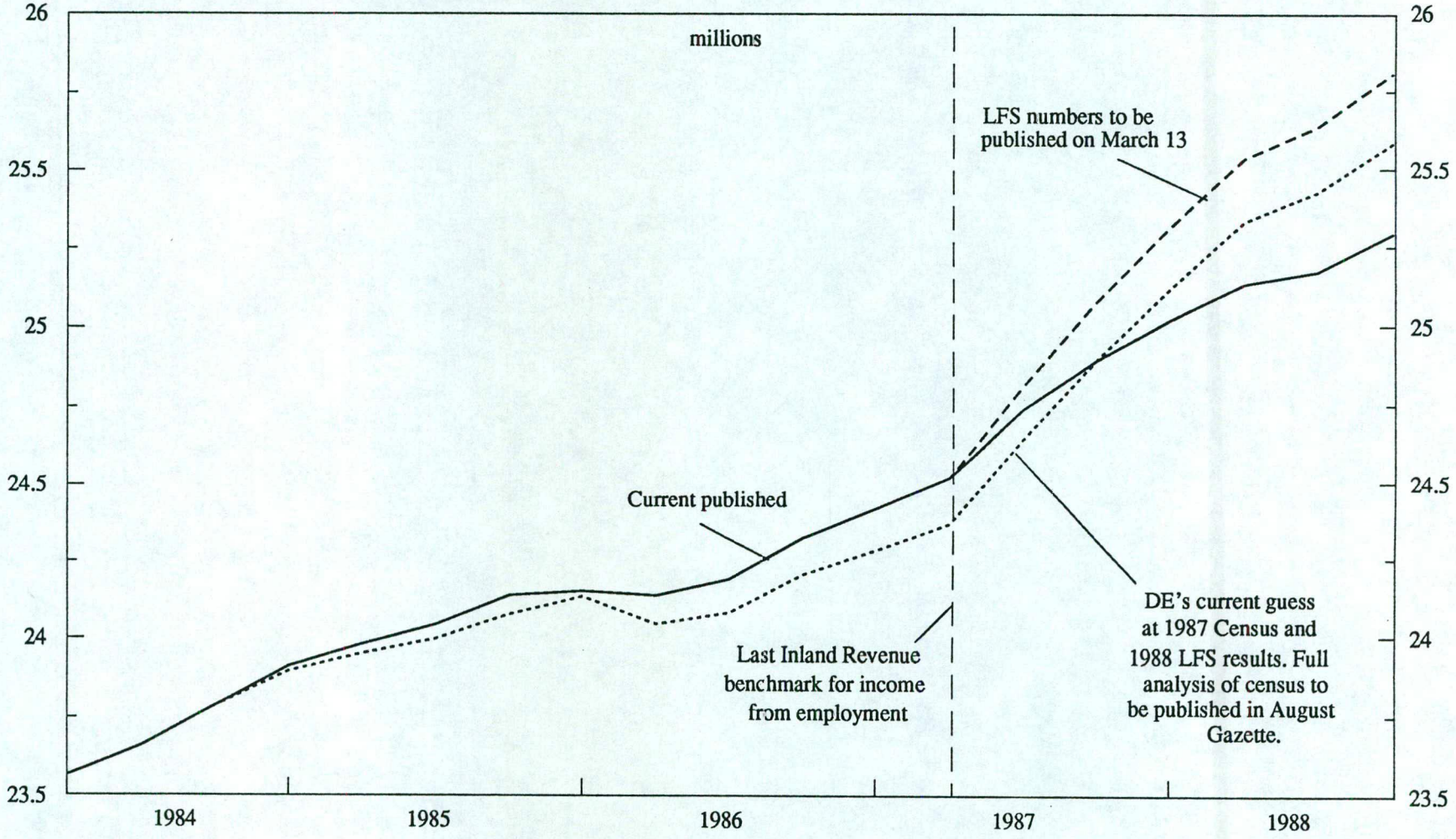
- analysis and projection of labour force/labour supply (productive potential).

1987 Census of Employment

4. However, Paul Dworkin also says that provisional results from the 1987 Census of Employment suggest that the current published levels of employees in employment in 1988 are closer to the truth than the LFS figures imply. This must mean that the 1987 Census points to a considerably lower level of employment in March 1987 than present estimates suggest. (Examination of the tables attached to Dworkin's letter indicate that employment estimates will be revised downwards back to March 1984, the date of the last Census, as a result of the 1987 Census.) When you splice the LFS changes on to this lower level, therefore, the levels in 1988 come out closer, though still higher than, to current published estimates. However, Dworkin does not intend to publish these results until later, after a full examination of the 1987 Census results. On current plans this will not be until the August Gazette, which seems far too relaxed a timetable.

5. The attached chart illustrates the implications for total employment, both of the numbers that Dworkin attached to his letter and his proposals on publication. DEmp will thus be publishing on March 13 their best guess of the changes between March 1987 and September 1988, but levels that they believe to be wrong back to the last Census benchmark of 1984, and wrong by a margin of about 1 per cent in 1988. No such problems arose with the 1984 Census because the Census and LFS for March 1984 showed consistent employment levels.

Workforce in employment (GB)



Treasury sensitivities

6. In principle, the employment figures affect:

(i) levels and growth of productivity;

(ii) levels and growth in manufacturing unit labour costs;

(iii) growth of GDP(I);

Annex A summarises the different LFS and Census estimates attached to Paul Dworkin's letter, and their approximate implications for productivity and manufacturing unit labour costs.

7. The revisions to output per head implied by the Census lead to some small improvements relative to the LFS results. Both are a little worse than current published estimate, but do not invalidate the line we have often taken in public that UK productivity performance since 1980 has surpassed that of all other major industrialised countries.

8. There is a similar story on manufacturing unit labour costs. The Census estimates result in slightly slower average annual growth over 1985-88 than the LFS estimates, though both show faster growth than current estimates.

9. As regards GDP(I), current estimates of the wage and salary bill component are based on Inland Revenue estimates up to 1986-87. For periods since March 1987, estimates of the wage and salary bill are based on movements in employment and average earnings. We have already indicated to Paul Dworkin that we are content to publish the LFS results and we acknowledge that these will imply faster growth of GDP(I) than current estimates. We have incorporated this implication into our adjusted accounts, anticipating a similar change to be made by CSO.

10. The Census results have very little additional implication for this. As the chart shows movements in the level of total employment since March 1987 are the same in both the Census and LFS cases. The proportionate movements are a little higher in the Census case because the movements are spliced onto a lower level of employment in March 1987. Between March 1987 and September 1988 the growth in employment is

5.3 per cent in the Census case and 5 per cent in the LFS case. Both sets of numbers, therefore, imply much faster growth in the wages bill and, other things being equal, GDP(I) than current CSO estimates.

What to do

11. It seems silly for DE to publish the LFS results knowing, as they do, that the levels are likely to be wrong by as much as 1 per cent in 1988. Moreover, from our point of view, the Census results are a little more favourable than the LFS results regarding growth in productivity and manufacturing unit labour costs over 1985-88. We will thus be missing a trick if we do not exploit these implications. I think both these factors argue for DE publishing the preliminary Census results at the same time as the LFS, and we should press Paul Dworkin hard to adopt this procedure.

12. He is likely to counter by saying that they do not have enough information from the Census to publish any results based on it. For example, they may only have preliminary Census employment data at a fairly aggregate level (manufacturing and non-manufacturing), and would not be prepared to publish such aggregates if they were inconsistent with the much more disaggregated employment information they publish across sectors, sex, part-time, full-time etc.

13. This is a good example of the price we sometimes pay for the insistence that the published data must be consistent down to the most detailed level of disaggregation. But DE could pro rate the adjustments across these micro components as an interim solution, so long as they clearly stated they were doing so. Or they could just publish the aggregate series at the manufacturing and non-manufacturing level, and point out there would be an inconsistency with the components until August, when the full Census results were published.

14. This will not appeal to Paul Dworkin. I understand he has already considered the option of publishing preliminary Census results at the same time as the LFS and rejected it. But we should not accept his proposed solution without some attempt to get a more satisfactory outcome.

15. It is worth pointing out that delaying publication of the LFS until the analysis of the Census is complete is not an option. There is

a wealth of other information which DE will feel strongly should be published as soon as possible. Mr Fowler will not, therefore, agree to any delay.

16. I attach a draft reply for you to send to Paul Dworkin. We will need an answer from Dworkin pretty quickly on our proposal, since we will have to revise Table 3.10 of Chapter 3 of the FSBR.

Jim Hibberd

J S HIBBERD

A. Workforce in employment (GB) - revisions

thousands

		Current published	LFS numbers to be published on March 13		D Emp 'guess' at 1987 Census and 1988 LFS*	
1987	March	24519	24519	(0)	24367	(-0.6)
	June	24736	24809	(0.3)	24642	(-0.4)
	Sept	24892	25075	(0.7)	24892	(0)
	Dec	25019	25312	(1.2)	25119	(0.4)
1988	March	25133	25535	(1.6)	15332	(0.8)
	June	25172	25639	(1.9)	25426	(1.0)
	Sept	25292	25807	(2.0)	25584	(1.2)

* revisions to this series relative to the current published figures are phased in from December 1984.

Figures in brackets show the percentage revision relative to the current published series.

B. Output per head

percentage growth on year earlier

	1985	1986	1987	1988*	Average annual growth 1985-88
Manufacturing					
- current published	2.8	3.0	7.2	6.9	5.0
- LFS proposed March 13	2.8	3.0	6.4	4.9	4.3
- Dworkin 'guess' at Census and LFS	3.1	3.4	6.8	5.1	4.6
Non-manufacturing					
- current published	2.5	3.2	2.7	2.8	2.8
- LFS proposed March 13	2.5	3.2	2.1	1.2	2.2
- Dworkin 'guess' at Census and LFS	2.8	3.5	2.3	1.3	2.5
Whole economy					
- current published	1.9	2.4	3.0	2.7	2.5
- LFS proposed March 13	1.9	2.4	2.4	1.4	2.2
- Dworkin 'guess' at Census and LFS	2.1	2.7	2.7	1.5	2.3

* 1988Q4 is an estimate

C. Unit labour costs in manufacturing

percentage change on a year earlier

	1985	1986	1987	1988*	Average annual growth 1985-88
Current published	5.0	3.8	0.2	1.0	2.5
LFS proposed March 13	5.0	3.8	1.0	2.9	3.2
Dworkin 'guess' at Census and LFS	4.7	3.5	0.6	2.7	2.9

* 1988Q4 is an estimate

DRAFT REPLY

FROM: SIR TERENCE BURNS
TO : PAUL DWORKIN

INCORPORATION OF 1988 LABOUR FORCE SURVEY RESULTS INTO SHORT-TERM EMPLOYMENT ESTIMATES

Thank you for your letter of 22 February.

2. The preliminary assessment of the 1987 Census results is a new development since your letter to me of 31 January. Unlike the last Census in 1984, when the figures were in line with the LFS, there is a considerable disparity between the preliminary Census estimates of employment levels and the levels implied by splicing on the LFS changes to the March 1987 level. This poses some problems for you.

3. Nevertheless I am surprised that you propose to publish employment estimates on March 13 which just splice the LFS changes to the March 1987 levels. It seems very odd to do that when we already have a fairly strong belief that it implies wrong levels for the data since 1984. I am not persuaded that it is just the changes in employment that matter. Moreover, the Census results imply a slightly better productivity and manufacturing unit labour cost performance over 1985-88 than the LFS results, though both are less favourable than your current published estimates. We should not forego the opportunity on publication to exploit these features of the Census results, preliminary though they may be.

4. It would seem to me much better to publish at the same time as the LFS results your preliminary assessment of the Census, ie the penultimate column of figures in the first table attached to your letter.

5. I am aware that you would not simultaneously be able to produce all the consistent disaggregated employment data. But surely we could devise a form of words to alert Gazette readers to a temporary inconsistency between the aggregate and disaggregated numbers.

6. We need a fairly quick response to this proposal because it will affect the employment table we usually publish in the FSBR.

7. I think all this also points to the need to process and publish the detailed Census results at the earliest possible opportunity. I understand your current plans are to publish these in the August Gazette. Could you not do it sooner. Five months seems a long time.

[T B]

Department of Employment
Caxton House Tothill Street London SW1H 9NF
Telephone Direct Line 01 XXX 273 5796
XXX
Switchboard 01-213 3000

CONFIDENTIAL

Sir Terence Burns
HM Treasury
Parliament Street
London SW1 3AG

c Mr Lefevre
Mr Hubbard
(can return to me)

22 February 1989

Dear Terry,

INCORPORATION OF 1988 LABOUR FORCE SURVEY RESULTS INTO SHORT TERM EMPLOYMENT ESTIMATES

Thank you for your letter of 20th February, 1989. Having now seen the provisional census of employment results, I have decided to recommend that we should go ahead and publish the LFS results and the revised employment estimates in March 13th. I will only write to you again if there is a change to this timetable.

As I pointed out in my earlier letter, the effect of the 1988 LFS is to increase substantially both the level and the rate of growth in employment over the past year. However the early census of employment results (which may, of course, be revised) suggest that the final level is likely to be closer to our current published estimates. Despite the fact that by incorporating the 1988 LFS results we may be overstating the level of employment and may have to revise downwards again when the census results are incorporated, the changes in employment will be relatively little affected by the census results when they are finalised (see table 1 attached). Given the position on changes, I think it right to incorporate the 1988 LFS in revised estimates to be published on the 13 March, the day before the Budget.

Further revisions will follow in the summer when the final census of employment results are incorporated.

There is another issue in which you may be interested. It concerns our procedure for allowing for bias in our short-term estimates. We use the LFS to extrapolate estimates of underestimation for periods since the latest LFS results (in this case Spring 1988). Previously, the degree of underestimation was assumed to continue accumulating at the rate observed in the previous year. In future, an average of the degree of underestimation over the three years up to the latest LFS will be used. This change, which mirrors what we did for self employment several years ago, was made because the exceptionally high rate of growth in employees observed between the Spring 1987 LFS and the Spring 1988 LFS is unlikely to have persisted as strongly beyond Spring 1988. Had no change in procedure been made, we would run a considerable risk of having to make substantive downward revisions when the 1989 LFS results become available next year.

Table 2 attached updates the table sent to you on 31 January, to include estimates for June and September 1988. It is still possible that in completing the preparation for publication that these figures will be revised slightly.

I am copying this letter to Ivor Manley here and to Jack Hibbert at CSO.

Sincerely
Paul.

P D DWORKIN

CONFIDENTIAL

REVISED ESTIMATES OF EMPLOYEES IN EMPLOYMENT

(seasonally adjusted Thousands)

	Current Published	Incorporating 1988 LFS	Change to current series	Incorporating 1988 LFS + Provisional 1987 Census of Employment	Change to series include only LFS
Levels					
1986 September	21,098	21,098	0	20,976	-122
1987 September	21,368	21,551	183	21,368	-183
1988 September	21,645	22,152	506	21,929 +176	-223
Changes Year to					
1986 September	+65	+65		+4	-61
1987 September	+270	+453	+183	+392	-61
1988 September	+277	+601	+324	+561	-40

TABLE 2
WORKFORCE IN EMPLOYMENT IN GREAT BRITAIN SEASONALLY ADJUSTED
THOUSANDS)

	EMPLOYEES IN EMPLOYMENT				SELF EMPLOYED	WORKFORCE IN EMPLOYMENT
	MANUFACTURING	SERVICES	OTHER	ALL		
Previously published estimates						
1983 MAR	5,485	13,031	2,013	20,529	2,147	22,997
1987 MAR	5,053	14,373	1,785	21,212	2,742	24,519
JUN	5,056	14,475	1,784	21,315	2,801	24,736
SEP	5,034	14,550	1,785	21,368	2,832	24,892
DEC	5,028	14,681	1,774	21,483	2,863	25,019
1988 MAR	5,029	14,792	1,768	21,589	2,894	25,133
JUN	5,007	14,841	1,749	21,597	2,925	25,172
SEP	4,989	14,917	1,739	21,645	2,956	25,292
CHANGES:						
SEP 87 - SEP 88	-44	367	-46	277	124	400
MAR 83 - SEP 88	-496	1,886	-274	1,116	808	2,295
Revised estimates						
1983 MAR	5,485	13,031	2,013	20,529	2,147	22,997
1987 MAR	5,053	14,373	1,785	21,212	2,742	24,519
JUN	5,078	14,520	1,790	21,388	2,801	24,809
SEP	5,089	14,662	1,799	21,551	2,832	25,075
DEC	5,117	14,861	1,797	21,775	2,863	25,312
1988 MAR	5,151	15,040	1,800	21,990	2,895	25,535
JUN	5,149	15,128	1,785	22,062	2,926	25,639
SEP	5,150	15,229	1,779	22,158	2,957	25,807
CHANGES:						
SEP 87 - SEP 88	60	567	-21	607	125	731
MAR 83 - SEP 88	-335	2,198	-234	1,629	810	2,809

chex.ps/aa/12

CONFIDENTIAL

FROM: A C S ALLAN
DATE: 28 February 1989

SIR T BURNS

cc Sir P Middleton
Mr Sedgwick
Mr Riley
Mr Gieve
Mr Hibberd
Mr Pickford
Mr Darlington

INCORPORATION OF 1988 LABOUR FORCE SURVEY RESULTS INTO SHORT-TERM EMPLOYMENT ESTIMATES

The Chancellor has seen Mr Hibberd's minute to you of 27 February. He feels it is essential to press Paul Dworkin to publish the preliminary Census results at the same time as the LFS. And he feels there is a strong case for using the new figures ourselves, even if DE don't.

A C S ALLAN

JW/W/76

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

Secretary of State

CHIEF SECRETARY	
REC.	- 1 MAR 1989
ACTION	CX.
COPIES TO	

Stephen Wall Esq
Private Secretary to the
Secretary of State for Foreign and
Commonwealth Affairs
Foreign and Commonwealth Office
Downing Street
LONDON
SW1A 2AL

27 February 1989

Dear Stephen

INTERNATIONAL LABOUR INSTRUMENTS ADOPTED BY THE MARITIME SESSION OF THE INTERNATIONAL LABOUR CONFERENCE 1987

In pursuance of our obligations under the Constitution of the International Labour Organisations, my Secretary of State has to present to Parliament a White Paper containing the texts of instruments adopted at the 74th (Maritime) session of the International Labour Conference 1987, together with a statement of the action the Government proposes to take by way of ratification and acceptance of the instruments. The instruments concerned are:

Seafarers Welfare Convention 1987 (No. 163)
Seafarers Welfare Recommendation 1987 (No. 173)
Health Protection and Medical Care (Seafarers) Convention 1987 (No. 164)
Social Security (Seafarers) Convention Revised 1987 (No. 165)
Repatriation of Seafarers Convention (Revised) 1987 No. 166)
Repatriation of Seafarers Recommendation 1987 (No. 174)

... The enclosed draft White Paper entitled "International Labour Conference 1987" has been prepared after consultation at official level with the Department of Transport and the

Secretary of State
for Employment

Department of Social Security. The Government's position on the instruments has been approved by Department of Transport Ministers. For the reasons set out in the draft White Paper the Government does not propose to ratify these Conventions or to accept these Recommendations.

My Secretary of State would be glad to know whether the Foreign Secretary and the other Ministers concerned are content with the draft. We propose to lay the White Paper shortly and, I should therefore be grateful if you and the others to whom this letter is copied could please let me have any comments by 3 March.

I am sending copies of this letter and its enclosure to the Private Secretaries to the Secretaries of State for Transport and for Social Security. Copies of this letter only go for information to the Private Secretaries to other members of the Cabinet, the Attorney General, the Lord Advocate, Secretary to the Cabinet and Chief Press Secretary at No 10 Downing Street.

Yours sincerely

Liz Smith

LIZ SMITH
Private Secretary

cc: PS/Chancellor
Sir P Middleton
Mr Riley
Mr Sedgwick
Mr Gieve
Mr Hibberd
Mr Pickford
Mr Darlington

H M Treasury
Parliament Street London SW1P 3AG
Switchboard 01-270 3000
Direct Dialling 01-270 5203

Sir Terence Burns
Second Permanent Secretary
Chief Economic Adviser

28 February 1989

Mr P D Dworkin
Department of Employment
Caxton House
Tothill Street
London SW1H 9NF

Dear Paul,

INCORPORATION OF 1988 LABOUR FORCE SURVEY RESULTS INTO SHORT-TERM EMPLOYMENT ESTIMATES

Thank you for your letter of 22 February.

2. The preliminary assessment of the 1987 Census results is a new development since your letter to me of 31 January. Unlike the last Census in 1984, when the figures were in line with the LFS, there is a considerable disparity between the preliminary Census estimates of employment levels and the levels implied by splicing on the LFS changes to the March 1987 level. This poses some problems for you.

3. Nevertheless I am surprised that you propose to publish employment estimates on March 13 which just splice the LFS changes to the March 1987 levels. It seems very odd to do that when we already have a fairly strong belief that it implies wrong levels for the data since 1987. I am not persuaded that it is just the changes in employment that matter. Moreover, the Census results imply a slightly better productivity and manufacturing unit labour cost performance over 1985-88 than the LFS results, though both are less favourable than your current published estimates. I would prefer to minimise the adverse publicity of downward revisions to productivity growth if they are to be partially reversed later.

4. It would seem to me much better to publish at the same time as the LFS results your preliminary assessment of the Census, ie the penultimate column of figures in the first table attached to your letter.

5. I am aware that you would not simultaneously be able to produce all the consistent disaggregated employment data. But surely we could devise a form of words to alert Gazette readers to a short-term inconsistency between the aggregate and disaggregated numbers.

6. We need a fairly quick response to this proposal because it will affect the employment table we usually publish in the FSBR.

7. I think all this also points to the need to process and publish the detailed Census results at the earliest possible opportunity.

Yours ever,

Terry

T Burns

jsh/tb-lf-1.3 CONFIDENTIAL

FROM: J S HIBBERD
DATE: 1 MARCH 1989

OK ns. [AP/mi R]

1. SIR TERENCE BURNS
2. CHANCELLOR OF THE EXCHEQUER

cc : Sir Peter Middleton
Mr Sedgwick
Mr Riley
Mr Gieve
Mr Pickford
Mr Darlington

Reluctantly. I agree with this advice. Dworkin is aware of our annoyance and is very contrite. But we have too many statistical problems already without taking on DE - particularly as it does not make much difference.

INCORPORATION OF 1988 LABOUR FORCE SURVEY RESULTS INTO SHORT-TERM EMPLOYMENT ESTIMATES

T.B.

You spoke to Paul Dworkin on the telephone this evening. He was most anxious to avoid the suggestion in your letter of 28 February that DE should publish provisional 1987 Census of Employment estimates at the same time as the LFS results are published on March 13. (he wants to go skiing with Paul Hilled)

2. He apologised for seriously misleading us on the status of the Census "results" attached to his letter of 22 February. They were not provisional estimates, but "early sightings" based on a very hurried analysis of total employment from the 1987 Census. He simply could not endorse them in public on the basis of such a hasty and ill-considered analysis. The object of the "early sightings" was simply to ensure that the LFS and Census results were in the same ball park. There is currently a major exercise on to analyse the Census numbers. His intuition (and it was only intuition) was that when the Census results are published in August they may be the same as the levels presented in his letter to you, or maybe higher. He did not think they would turn out lower.

3. Moreover, he could not countenance publishing his "early sightings" without also publishing consistent sectoral estimates at the same time. He could not even produce data at the manufacturing - non-manufacturing level.

4. This is unsatisfactory. But Paul Dworkin is the guardian of these numbers and we have no way of contradicting him. Fortunately I do not think we need to worry unduly. The difference between average annual whole economy productivity growth over 1985-88 on the LFS estimates and Paul Dworkin's "early sighting" of the Census is very slight, 2.2 per cent and 2.3 per cent respectively. Our guess at the implications for manufacturing suggests a slightly wider gap - 4.3 per cent per annum in the LFS case and 4.6 per cent on the Census case. But

it is a guess based on reasonable assumptions about the manufacturing/ non-manufacturing split.

5. I believe that, if the status of the "early sighting" of the Census is as dubious as Paul Dworkin now contends (and we have no way of challenging him), then we should not push him further to publish them. The revisions do not damage the favourable comparisons of UK productivity growth we make with other major industrialised countries over the period 1979-88. Nor, according to table C attached to my minute of 27 February will it make much difference to manufacturing unit labour costs. GDP(I) growth since March 1987 will also be largely unaffected.

Jim Hibberd

J S HIBBERD

SECRET

FROM: T J BURR
DATE: 1st March 1989

CHIEF SECRETARY

cc Chancellor
Financial Secretary
Sir P Middleton
Dame Anne Mueller
Mr Anson
Mr Monck
Mr Burgner
Mr Dixon

E(A)(89) 10: THE EMPLOYMENT SERVICE

1. This note provides briefing on Mr Fowler's paper on the Employment Service, which is to be discussed in E(A) tomorrow.

2. At its meeting on 8 February, E(A) discussed Mr Fowler's proposal to privatise the vacancy and job placement functions of the Employment Service. The Committee saw attractions in the proposal, but wanted further consideration of a number of aspects before any announcement was made. Mr Fowler's paper reports his conclusions on some of these aspects. But on the implications for staff and the need for legislation, which are the points on which most work has been done since the last E(A) discussion, Mr Fowler says that he needs to reflect further and will report back to the Committee after Easter. Tomorrow's meeting is not therefore asked to do more than note the paper.

3. The points which are covered in the paper probably present no serious difficulty. At this stage it is difficult to know precisely how services to unemployed people may be affected, but it seems likely that a broadly equivalent standard of service could be maintained under Mr Fowler's proposals. Similarly, it is doubtful whether the proposals represent any serious threat to the testing of availability for work or the stricter benefit regime; and DE are clearly anxious to avoid any weakening on this front. No Treasury point arises on the section dealing with International Labour Organisation obligations, though it is curious that we may need to consult the Chinese on aspects of the proposals (because denunciation of the relevant convention would affect Hong Kong)!

4. On the points which are not covered, Mr Fowler seems to have been persuaded to change tack both by advice from the Law Officers that legislation would be needed on the principle of privatisation (recorded in the Attorney General's minute of today), and by the complexities of handing the implications for staff in the light of the concerns expressed at E(A) on 8 February.

5. In our view, both of these considerations argue strongly for a more step by step approach. We think that the right course is to distinguish three stages in this operation:

(a) Start charging employers for those Jobcentre services for which they would be prepared to pay, but with no major organisational change at this stage.

(b) On the basis of experience with (a), identify the potential commercial business and ringfence it from the rest of Employment Service, so that it can run on a trading basis within the public sector.

(c) Sell the commercial business to the private sector.

The essence of this approach is that each stage would make sense in its own right, and that the Jobcentres could therefore continue to operate indefinitely on this basis if, in the light of experience, it did not seem right to go further. Only the first stage would be announced at the outset. In response to questions about privatisation, the Government would say that it was premature to think about that when the Jobcentres were not even being operated as a commercial entity. But if all went well, it would be possible to move forward from there to the second stage and, if that worked, to the third stage. There would then be no immediate need for legislation, as far as we can see, and it would be much easier to manage the staffing aspects.

6. There is, however, no need for you to raise any of this tomorrow. Subject to the outcome of the meeting we will, if you agree, be seeking to influence the Department's thinking in this direction between now and Easter. If a point is reached at which

it might be useful for you to write to Mr Fowler, we will submit appropriate advice. It would obviously be better if, when he reports back to E(A) after Easter, he does so on the basis of proposals which can be fully supported.

Conclusion

7. We will obviously need to keep in touch with the development of Mr Fowler's proposals. But substantive discussion at tomorrow's meeting seems unlikely, and there is no need for you to take the lead in raising any points at this stage.

T J BURR

iae3.mn/docs/chsecl.3

SECRET

FROM: T J BURR
DATE: 1st March 1989

CHIEF SECRETARY

cc Chancellor
Financial Secretary
Sir P Middleton
Mr Anson
Mr Monck
Mr Burgner
Mr Knight

E(A)(89)9: SKILLS TRAINING AGENCY

1. This note provides briefing on Mr Fowler's paper on the Skills Training Agency (STA), which is to be discussed in E(A) tomorrow.

Objective

2. We recommend that your objective should be to ensure that Mr Fowler's proposals are agreed and implemented quickly. While substantial uncertainties remain, not least on financial aspects, these proposals now offer the best practical prospect of resolving the present unsatisfactory position, and putting an end to continuing overspending both of public expenditure and running costs provision.

Background

3. The STA currently makes a loss of some £20 million on turnover of some £55 million. In the 1987 Survey substantial reductions were made in gross running cost provision for the STA in anticipation of the outcome of a review which Mr Fowler agreed to undertake. The review recommended closure or substantial slimming down of the STA, but Mr Fowler did not act on this recommendation until late last year, when Deloittes were appointed to examine the feasibility of privatising all or part of the STA, and an announcement to that effect was made in White Paper "Employment for the 1990s".

4. Deloittes reported at the beginning of last month. They identified a core business of 27 Skillcentres which might be sold. While some of the remainder of the 60 Skillcentres run by the STA might be sold individually, most would need to be closed. Of the 3,000 staff, only 800 would be needed in the core business of 27 Skillcentres, and 1,300 of the remainder would have to be made redundant. The rest would either be redeployed or take early retirement.

5. There is also a separate proposal for a management buy out of a business comprising about 35 Skillcentres and at least 1,200 staff. There may be some reassurance in the fact that both Deloittes and the MBO team have identified a viable business of broadly similar size. But the fact of the matter is that there can be no certainty of a satisfactory bid for a business of this sort of size, and the number of Skillcentres which can be sold as a going concern could prove to be much less.

Mr Fowler's proposal

6. Mr Fowler proposes to make an early announcement of his intention to sell the Skillcentres, and put them up for sale as soon as a sale memorandum can be drawn up by his advisers. He would encourage the management buy out team to keep their bid in play, but all serious offers would be considered. The aim would however be to maintain a network of Skillcentres, with some priority for the maintenance of provision in inner cities.

Staff implications

7. Mr Fowler considers but rejects the possibility of transferring staff to the privatised business on a voluntary basis. With only a minority of existing staff likely to be needed, there would be too much risk of ending up with a balance of staff which did not match the buyer's requirements. Legislation would therefore be required, first, to apply the Transfer of Undertakings (Protection of Employment) (TUPE) Regulations to the transfer, and secondly to disapply the redundancy provisions of the Principal Civil Service Pension

Scheme and thus avoid the problem of technical redundancy. Appropriate amendments would be made to the Employment Bill currently before Parliament. Unless the PCSPS were to retain liability for pension payments to the transferred employees, it would be necessary to make a payment to the buyer in respect of transferred pension liabilities, and provision has been made for this in the costings.

8. For staff made redundant, the Model Redundancy Agreement would apply, and early retirements would be on the normal basis. The scope for redeploying staff is limited by the specialised skills of instructor grades, for which there is little need elsewhere in the Civil Service.

9. The precise numbers and distribution of staff affected in these various ways will of course very much depend on which parts of the Skillcentre network find a buyer. There will no doubt be a number of detailed issues to be sorted out once the likely pattern emerges more clearly. But at this stage, we are satisfied that the proposed handling of the staffing implications is appropriate in the circumstances.

Costs

10. Of the STA's £20 million deficit, about £6 million is attributable to its failure to achieve the required rate of return on its assets. The excess of outgoings over income is about £14 million a year. The public expenditure plans, on the other hand, assume a surplus of some £16 million a year which seems to have been inflated to this level following the reductions in gross running costs agreed in the 1987 Survey, and which would be unrealistic even if the STA were breaking even. Nevertheless, since these are the PES figures, continuance of the present £14 million cash deficit would imply additional expenditure of some £30 million a year. Mr Fowler's proposals would reduce this to about £28 million next year, £25 million in the following year, and £16 million a year thereafter. His paper gives a clear commitment to absorb these additions within his programme.

11. The proposed sale would come too late to prevent an overspend of some £13 million on running costs provision for the STA next year, although there should be substantial savings thereafter reflecting the disappearance of STA running costs from the DE programme. Mr Fowler makes no offer to absorb the excess, and given the substantial additions to DE running costs which had to be conceded in the last Survey, it may be unrealistic to expect him to do so. But his paper recognises the need to discuss this issue with you. What can be said with reasonable confidence is that the running costs implications of Mr Fowler's proposals are considerably less serious than those of doing nothing.

12. As regards the financial implications of the privatisation itself, Deloittes have estimated receipts of £14 million for the privatised company, £40 million for property, and £2 million for other assets, making a total of £56 million. At this stage there is obviously considerable uncertainty about all of these figures, and particularly the likely proceeds from selling the company (though this is not the major element in the total proceeds). On the cost side, redundancy, early retirement, and possible relocation costs are estimated at £38 million, mainly in the first couple of years but spreading over several more years. An allowance of a further £8 million has been made for possible additional redundancy costs falling on the privatised company. Finally, there is the cost of transferring pension liabilities, provisionally estimated at £23 million. But while public expenditure provision would need to be made for this cost, it is not additional insofar as it substitutes for future pension costs which we would otherwise have had to meet.

Legislation

13. As already mentioned, legislation would be needed to deal with TUPE and technical redundancy. We have also considered whether it would be needed to meet the 1968 undertaking to the PAC that as a general rule Parliamentary approval by legislation would be obtained before setting up companies to which the functions of Government departments were to be transferred. But that was in the context of hiving-off rather than privatisation, and since there is no intention to run the STA as a company within the

public sector (any company would simply be the legal vehicle for immediate privatisation) we do not think that legislation is needed on this account.

Conclusion

14. There are therefore no specific points which you need to register at E(A) tomorrow. We recommend that you support Mr Fowler's proposals as the best way forward in the circumstances.

T J BURR

chex.ps/aa/24

CONFIDENTIAL

FROM: A C S ALLAN
DATE: 2 March 1989

MR HIBBERD

cc Sir P Middleton
Sir T Burns
Mr Sedgwick
Mr Riley
Mr Gieve
Mr Pickford
Mr Darlington

INCORPORATION OF 1988 LABOUR FORCE SURVEY RESULTS INTO SHORT-TERM EMPLOYMENT ESTIMATES

The Chancellor was grateful for your minute of 1 March. He ~~accepts~~ agrees that, in the circumstances, we have to accept what Mr Dworkin says.

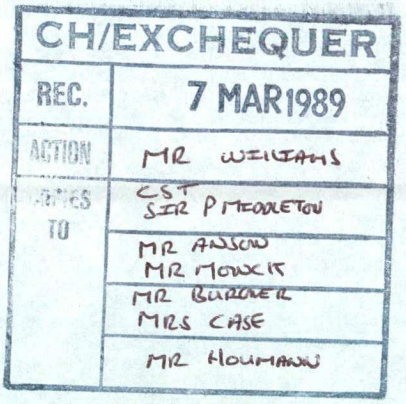
ACSA

A C S ALLAN

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB
01 276 3000

My ref: C/PSO/3034/89

Your ref:



Ms E Smith
Private Secretary to the
Secretary of State for Employment
Caxton House
Tothill Street
LONDON SW1H 9NF

Dear Ms Smith

INTERNATIONAL LABOUR INSTRUMENTS ADOPTED BY THE MARITIME SESSION OF THE INTERNATIONAL LABOUR CONFERENCE 1987

I refer to your letter of 27 February to Stephen Wall at the Foreign and Commonwealth Office.

My Secretary of State is content that the White Paper should be presented in the form of the draft which was enclosed with your letter. However, while immediate ratification is not possible, it is our intention to work towards an early ratification of Convention No 164 (Health Protection and Medical Care of Seafarers) and the United Kingdom already follows some of the recommendations concerning seafarers' welfare at sea and in port.

Copies of this letter go to the recipients of yours.

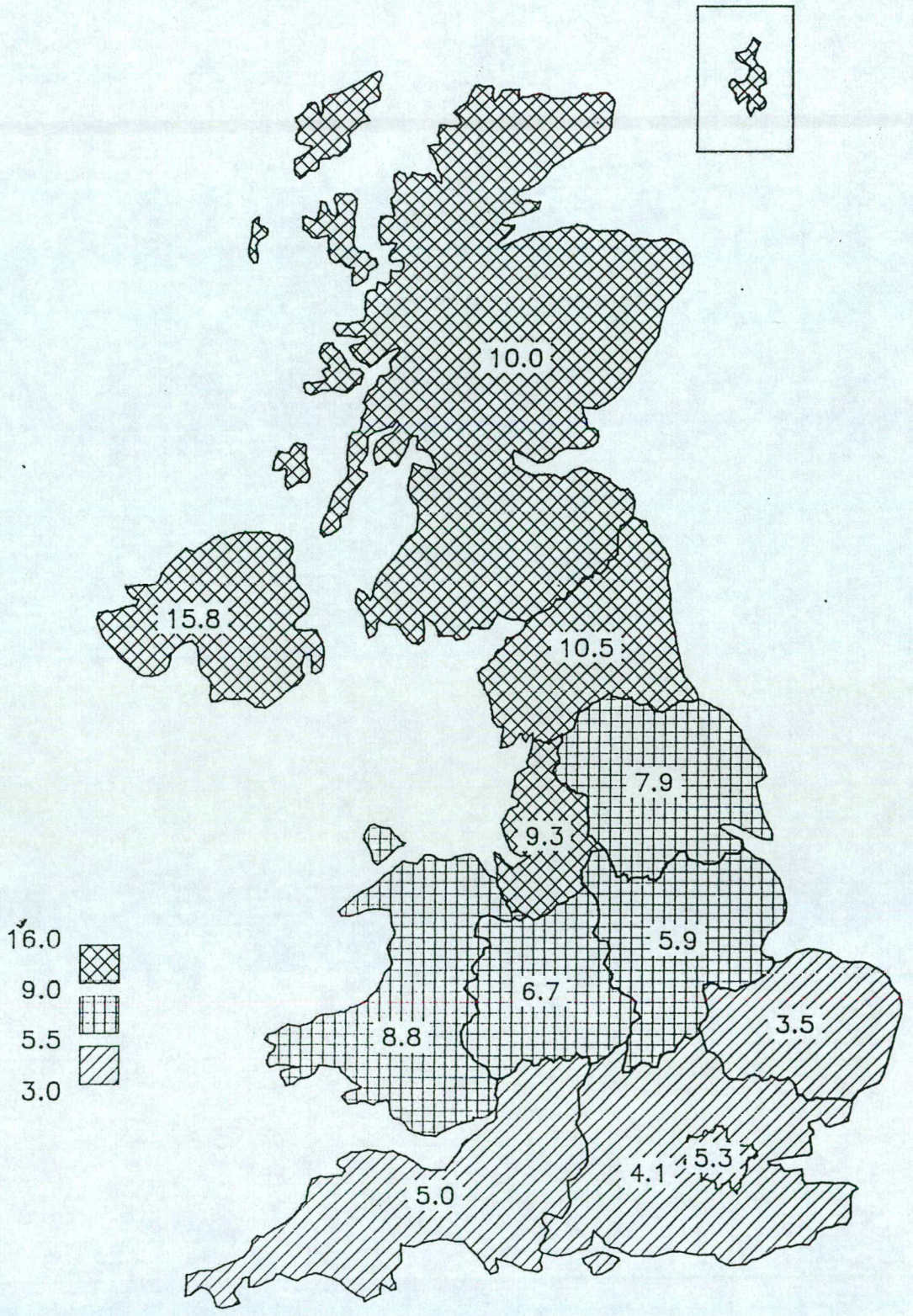
Yours sincerely
Katherine Orrell

KATHERINE ORRELL
Private Secretary

Seasonally adjusted unemployment rate

9 March 1989

United Kingdom: Regions



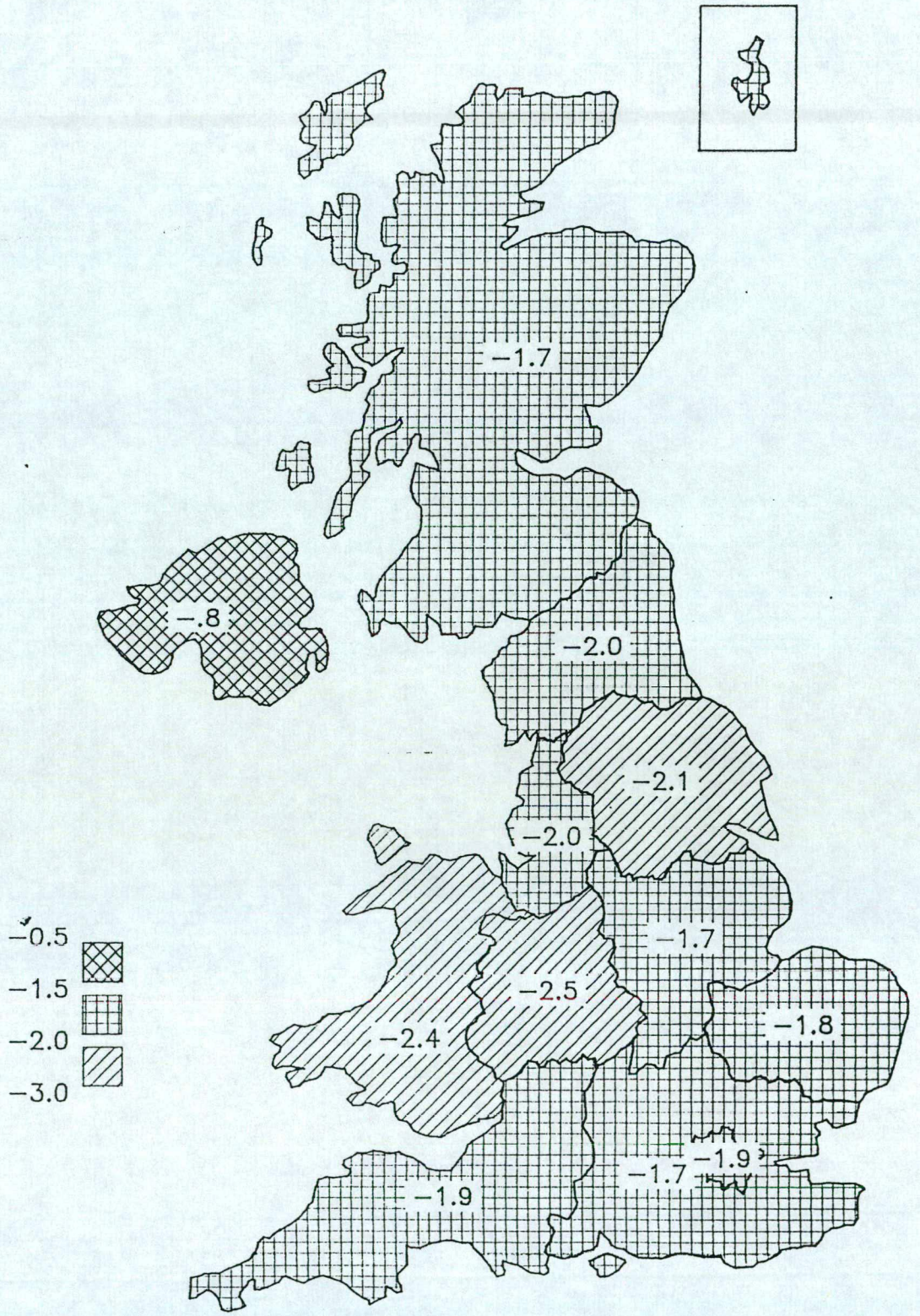
NOTE: South East Region includes Greater London

Source : DE Statistics / NOMIS

Seasonally adjusted unemployment rate

Change March 1988 – March 1989

United Kingdom: Regions



NOTE: South East Region includes Greater London

Source : DE Statistics / NOMIS

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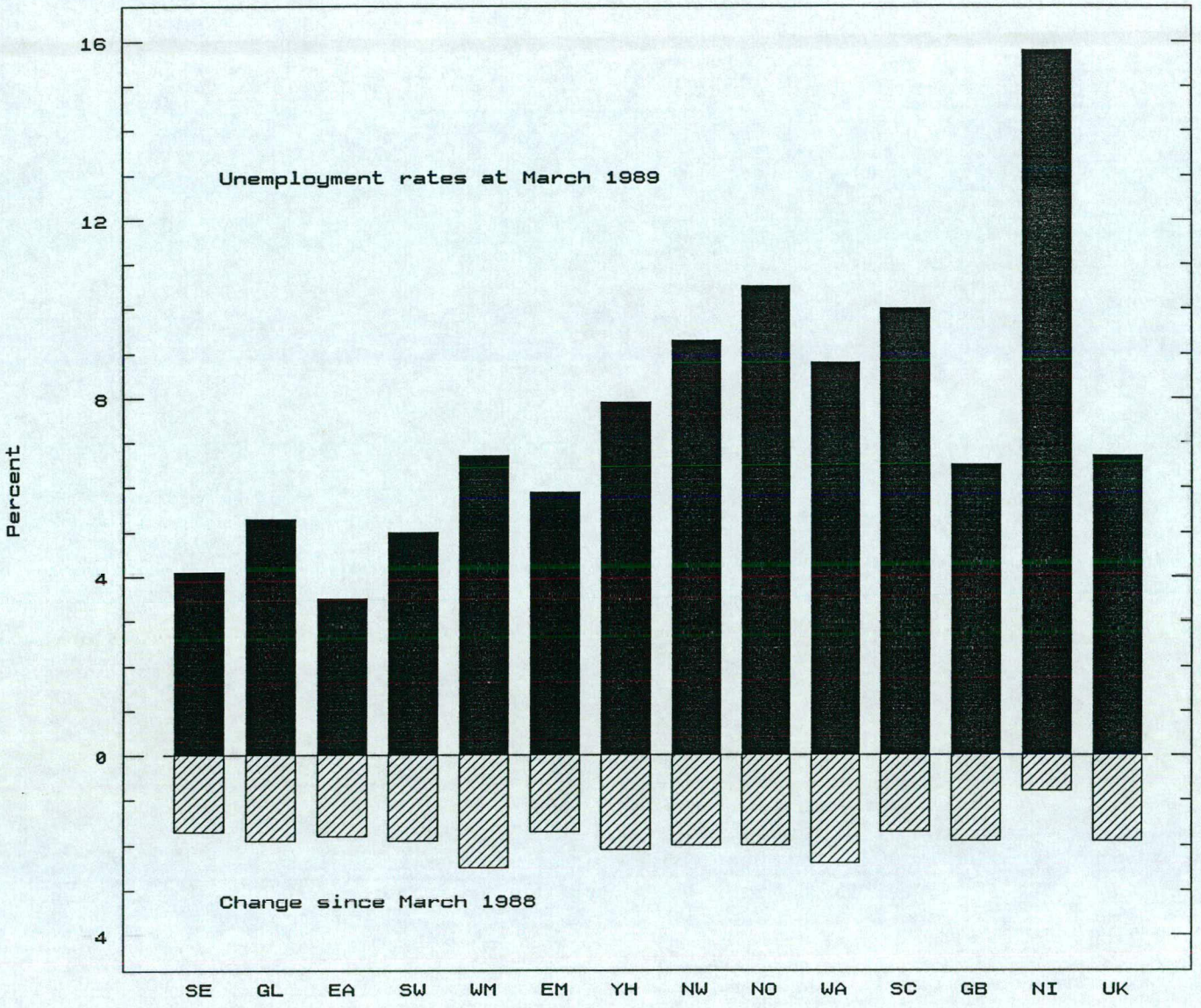
REGIONAL UNEMPLOYMENT RATES

SEASONALLY ADJUSTED March 1989



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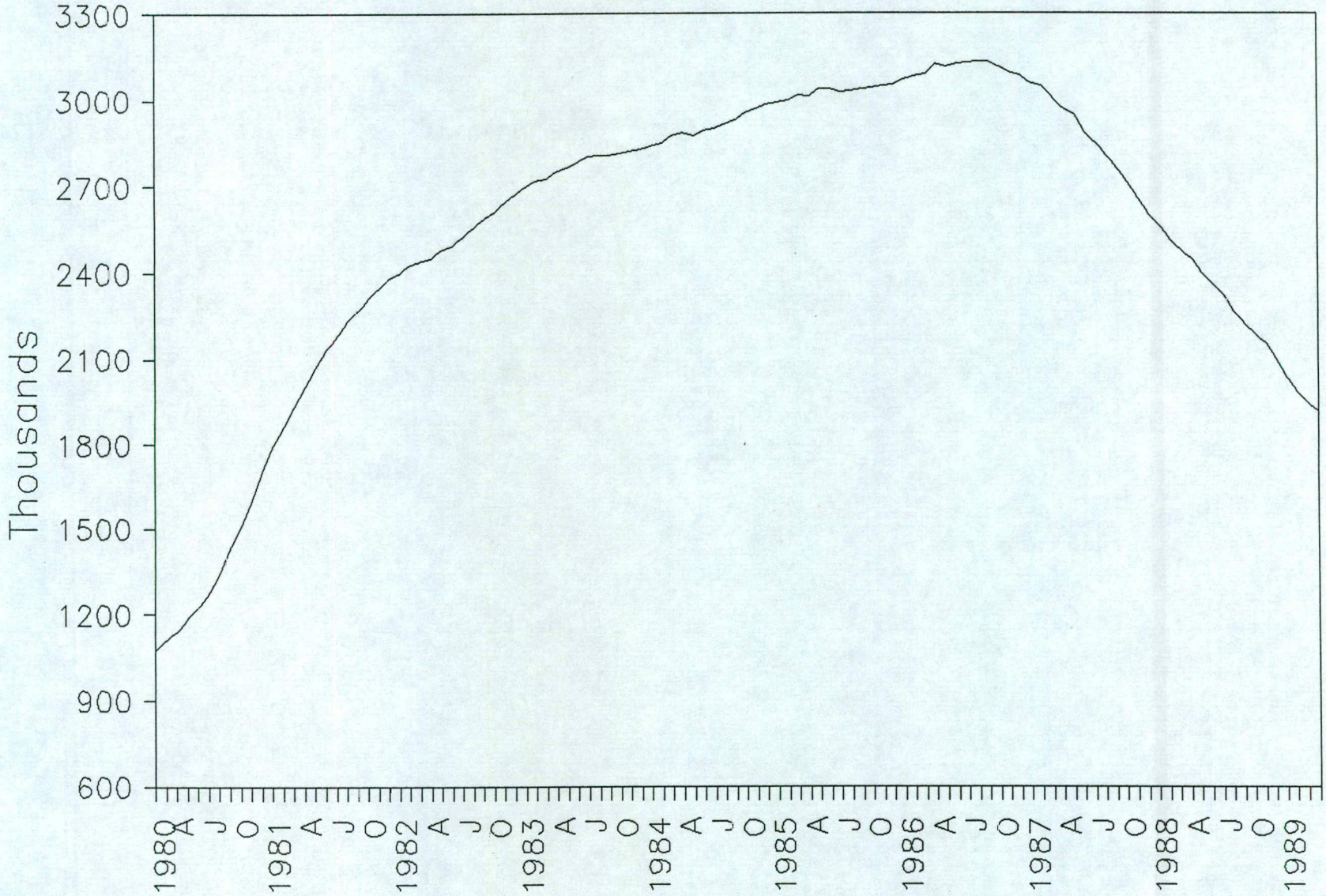
SEASONALLY ADJUSTED UNEMPLOYMENT

CONSISTENT WITH CURRENT COVERAGE U.K. March 1989



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PERSONAL AND CONFIDENTIAL UNTIL 11.30 ON PRESS RELEASE DAY, 13 Apr 1989

REGIONAL UNEMPLOYMENT, SEASONALLY ADJUSTED

			RATE (% of WORKFORCE)		
	March 1989	Change in month since February 1989	March 1989	Change in month since February 1989	Change in year since March 1988
	Thousands				
REGIONS					
South East	387.5	-6.8	4.1	-0.1	-1.7
(Greater London)	(230.2)	(-5.3)	5.3	-0.1	-1.9
East Anglia	36.6	-.6	3.5	-0.1	-1.8
South West	104.6	-1.7	5.0	-0.1	-1.9
West Midlands	181.5	-5.3	6.7	-0.2	-2.5
East Midlands	118.2	-1.8	5.9	-0.1	-1.7
Yorks & Humber	189.4	-4.0	7.9	-0.2	-2.1
North West	280.8	-3.5	9.3	-0.1	-2.0
North	154.4	-1.9	10.5	-0.1	-2.0
Wales	105.0	-2.1	8.8	-0.2	-2.4
Scotland	250.8	-2.6	10.0	-0.1	-1.7
GREAT BRITAIN	**1808.8**	**-30.3**	**6.5**	-0.1	-1.9
Northern I.	109.3	-.3	15.8	-0.0	-0.8
UNITED KINGDOM					
Total	**1918.1**	**-30.6**	**6.7**	-0.1	-1.9
Male	1360.2	-17.7	8.2	-0.1	-2.1
Female	557.9	-12.9	4.7	-0.1	-1.6

UNITED KINGDOM, claimants January 1989 C3a

Thousands

Unemployment by duration

Duration	Number at January 1989	Change since January 1988 $	
All durations	2074	(-648)	-564
Over 6 months	1160	(-387)	-348
Over 1 year	821	(-279)	-268
Over 2 years	545	-183	
Over 3 years	411	-105	
Over 4 years	309	-72	
Over 5 years	237	-38	
---	---	---	---
Up to 6 months	914	(-261)	-215
6 to 12 months	339	(-108)	-80
1 to 2 years	277	(-96)	-85
2 to 3 years	134	-77	
3 to 4 years	102	-33	
4 to 5 years	72	-34	
Over 5 years	237	-38	

Unemployment by Age

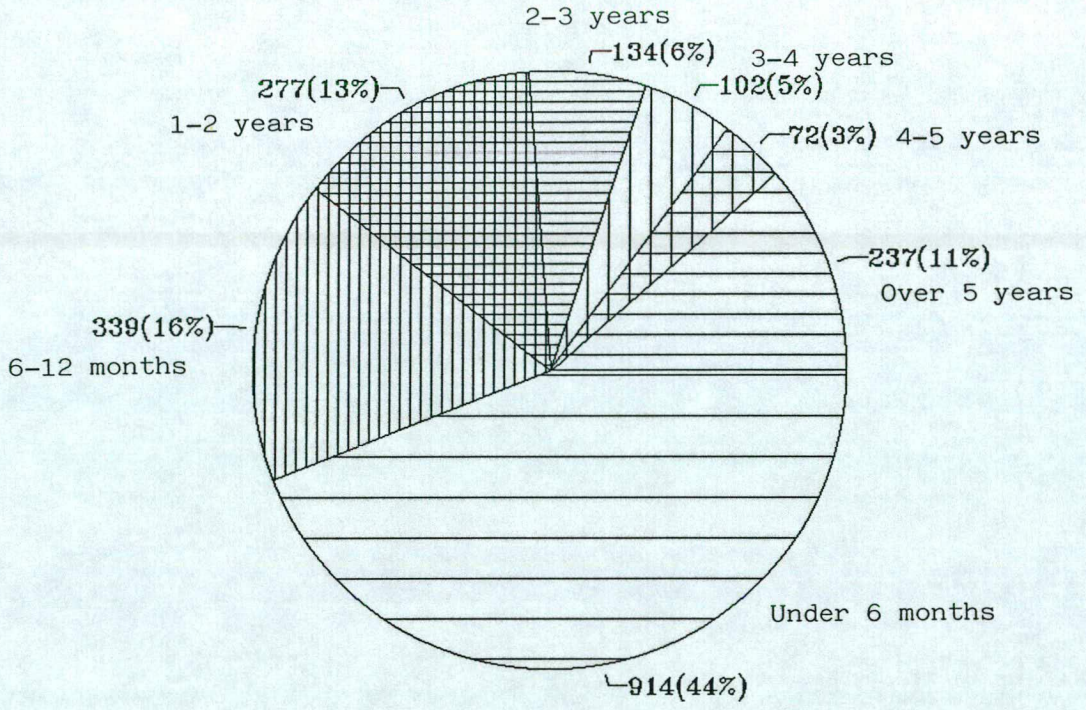
	Number at January 1989	Change since January 1988 $
18-19 years	169	-61
20-24 years	427	-117
25-49 years	1030	-260
50 and over	444	-94
All ages *	2074	(-648)*

$ 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 in the quarters to October 1988 and January 1989).

* Includes those aged under 18.

U.K. UNEMPLOYMENT BY DURATION

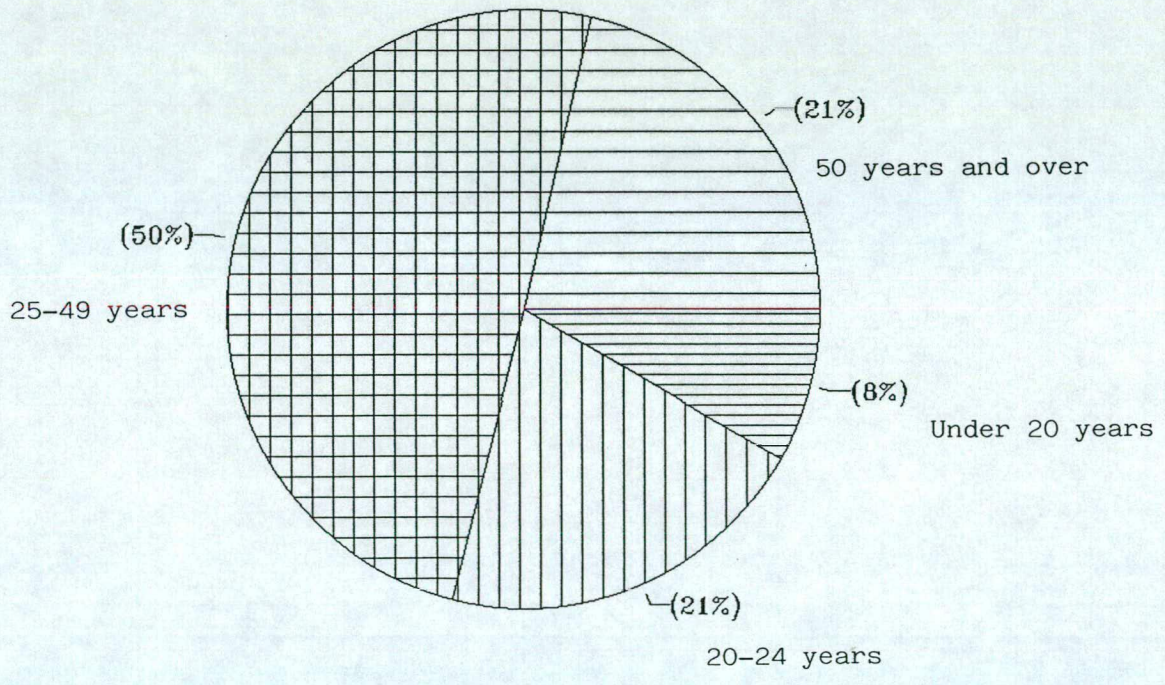
THOUSANDS



JANUARY 1989

U.K. UNEMPLOYMENT BY AGE

THOUSANDS



JANUARY 1989

Scheme Participants in GB — Thousand

		EAS	CP	CI	NWS*	YOP+	YTS++	JTS	JRS	ET
Quarterly	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)
	Dec 88	92	(1)	8	2		420	NIL	8	(165)
	Jan 89	90	(NIL)	7	NIL		413	NIL	8	(170)
	Feb 89	89	(NIL)	7	NIL		402	NIL	7	(175)

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, figures for latest months subject to revision.

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	(17.3)*	JAN
Italy	(12.2)*	JAN
France	10.2	JAN
Belgium	9.5	JAN
Netherlands	9.4	JAN
Canada	7.5	JAN
Greece	(7.4)*	APR 87
United Kingdom	7.2	JAN
Denmark	(7.0)*	DEC
Australia	6.8	DEC
Germany	5.9	DEC
United States	5.4	JAN
Portugal	5.2	AUG
Austria	[4.8]a	FEB
Norway	4.4	NOV
Finland	4.3	JAN
Japan	2.3	JAN
Luxembourg	(2.1)*	JAN
Sweden	1.5	JAN
Switzerland	[0.7]a	JAN
OECD Total	6.6	NOV (estimated)
MAJOR 7**	5.9	DEC (estimated)
EC Average	(9.9)*	JAN

* NOTE: For those EC countries for which no OECD standardised rates are available, similar harmonised rates compiled by the Statistical Office of European Communities (EUROSTAT) are shown in brackets. These showed the UK rate at 7.5% in January compared with the EC average of 9.9%.

a National definitions. Standardised rates not available for Austria or Switzerland. Figures for Switzerland are not seasonally adjusted.

** UK, France, Germany, Italy, USA, Japan and Canada.

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 in total	Change (000s)	Latest month
Norway	+ 2.9	+103	+ 44	JAN
Denmark	+ 1.4	+ 20	+ 43	DEC
Italy	+ 0.8	+ 5	+ 175	JAN
Portugal	+ 0.2	+ 3	+ 11	JAN
Netherlands	- 0.1	- 1	- 7	DEC
Switzerland	- 0.2	- 22	- 5	JAN
Canada	- 0.3	- 2	- 26	FEB
Luxembourg	- 0.3	- 17	- 1	JAN
Greece	- 0.4	- 1	- 1	DEC
France	- 0.5	- 1	- 38	FEB
Japan	- 0.5	- 13	- 220	JAN
Sweden	- 0.5	- 29	- 21	DEC
Austria	- 0.6	- 7	- 16	FEB
Ireland	- 0.8	- 4	- 9	FEB
Germany	- 0.8	- 9	- 223	MAR
Australia	- 0.9	- 9	- 57	DEC
USA	- 0.9	- 14	-1020	MAR
Belgium	- 1.6	- 10	- 42	JAN
United Kingdom*	- 1.9	- 22	- 536	MAR
Spain	- 2.2	- 10	- 296	JAN

NC No Change
* Seasonally adjusted series consistent with current coverage.
Sources:- OECD "Main Economic Indicators" supplemented by Labour Attache reports etc.

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

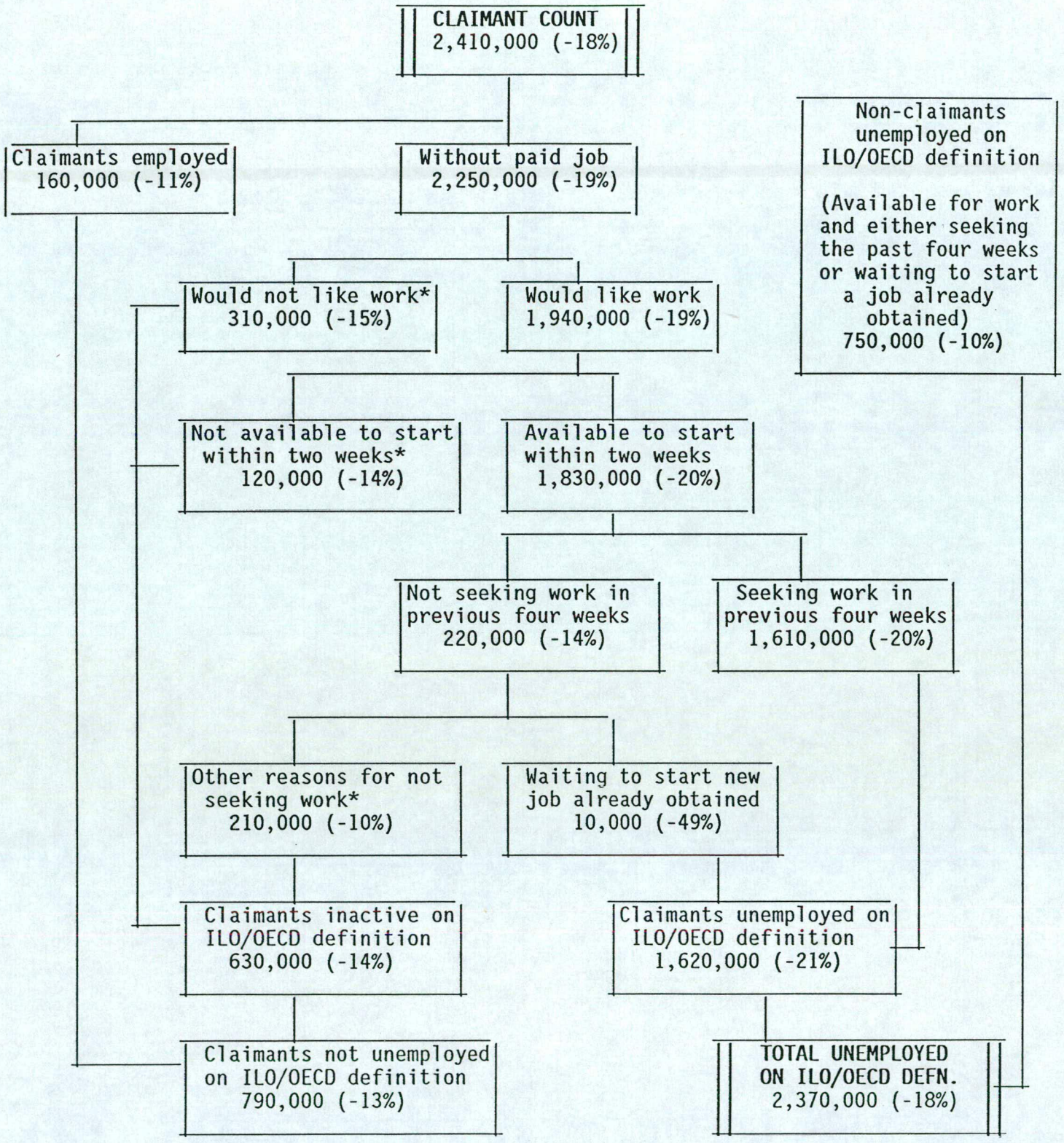
Seasonally adjusted, national defintions RECOMMENDED

	Change in Percentage rate	Percentage Changes	Change Number (000s)	Latest month
Norway	+ 0.6	+ 24	+ 13	JAN
Denmark	+ 0.5	+ 5	+ 13	DEC
Portugal	+ 0.2	+ 3	+ 9	JAN
Netherlands	- 0.1	NC	- 3	DEC
France	- 0.1	- 1	- 14	FEB
Sweden	- 0.1	- 5	- 3	DEC
Australia	- 0.2	- 1	- 6	DEC
Italy	- 0.2	- 2	- 72	JAN
United States	- 0.2	- 2	- 154	MAR
Canada	- 0.2	- 3	- 31	FEB
Austria	- 0.2	- 4	- 6	FEB
Japan	- 0.2	- 6	- 93	DEC
Ireland	- 0.3	- 2	- 4	FEB
Belgium	- 0.5	- 3	- 13	JAN
Germany	- 0.5	- 7	- 143	MAR
United Kingdom	- 0.5	- 7	- 149	MAR
Spain	- 0.7	- 4	- 103	JAN

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:

G.B. Spring 1988(p)
(Percentage changes since Sping 1987 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 sources. 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 1988 there were 2.37 million unemployed according to internationally recommended definitions (ILO/OECD) ie available and seeking work in the previous 4 weeks. This compares with 2.41 million in the claimant count on average over the survey period. The difference of 40,000 between these figures, which is within the margins of survey error, is the net result of the difference between two partly offsetting groups. 790,000 claimants were either employed or not unemployed on the ILO/OECD measure, while, on the other hand, some 750,000 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 1987.

4. The Following are the main points from these latest results, published in a press release on 13 March and also the April 1989 issue of Employment Gazette.

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*those claiming Unemployment Benefits, Income Support or National Insurance credits as an unemployed person.

MAIN POINTS

Latest annual Labour Force Survey for GB, Spring 1988:

* Confirms beyond doubt that unemployment has been falling very sharply.

* Shows similar falls of half a million since Spring 1987, in the official monthly count and in unemployment as measured by the survey using international definitions (claimant count fell by some 540,000, ILO/OECD measure by 505,000: difference within margins of survey error).

* Shows that in 1988 the monthly claimant count was again similar to unemployment on the international definition (ILO/OECD). The international measure was 40,000 lower than the claimant count (2.37 million compared with the average count of 2.41 million (headline total) for Spring 1988: difference within margins of survey error.)

* Shows that in Spring 1988 790,000 claimants (33%) not unemployed by the international definition, eg employed, looking after family, sick or disabled, retired, did not want work.

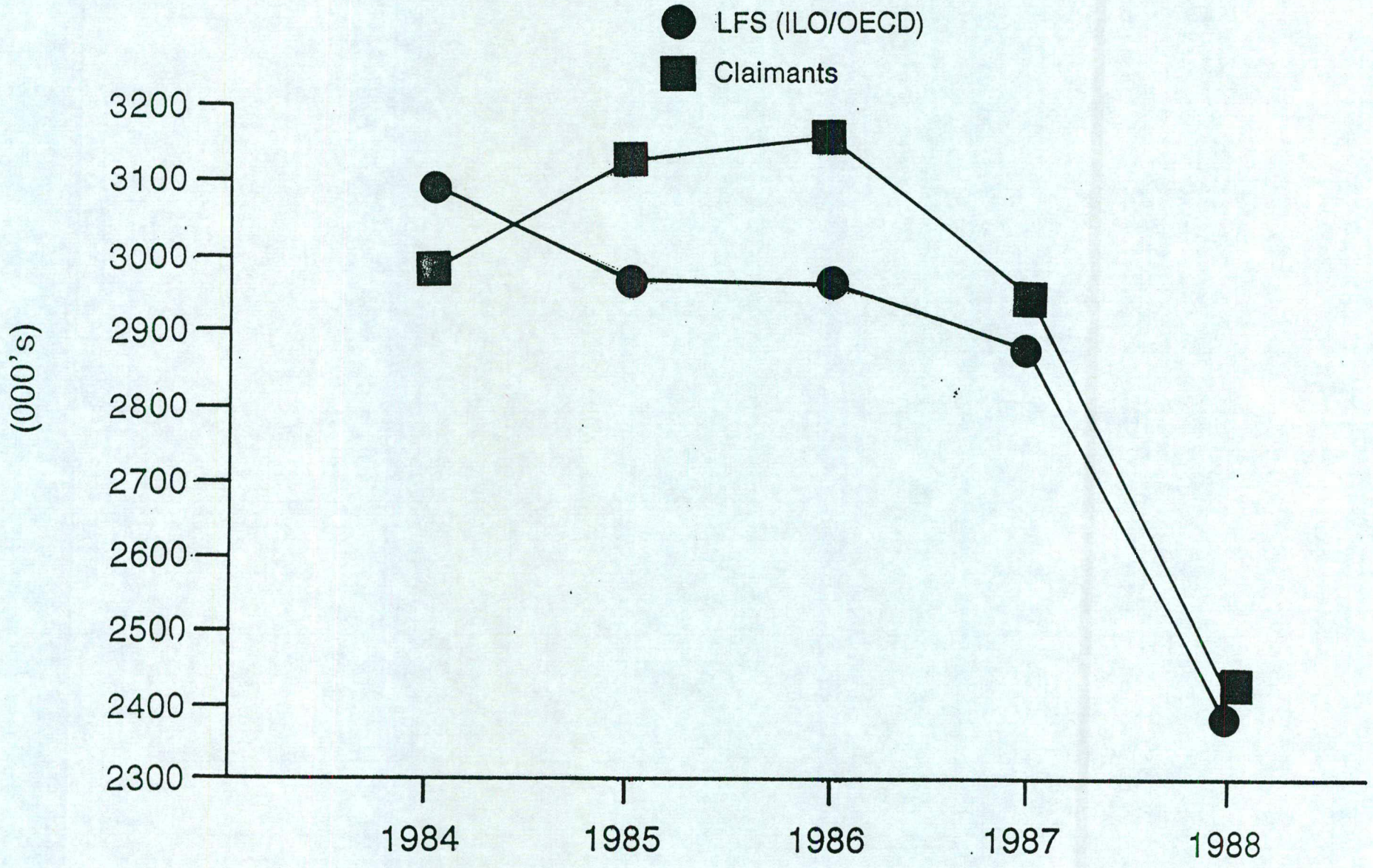
  This compares with 750,000 unemployed on the international measure but not claiming benefits.

* The sharpest falls in claimants between 1987 and 1988 occurred among those seeking work - indicative of a strong response by those genuinely unemployed to substantial improvements in the labour market.

* Since 1984, the international survey measure of unemployment has generally been falling (all years apart from 1986 when it remained at the 1985 level), while the claimant count carried on rising until 1986. Since 1986 both measures have been falling substantially. (See the graph attached).

* Survey definition of unemployment is consistent with international recommendations (ILO guidelines as used by OECD), and relates to those without a job, available for work and looking for work in the last 4 weeks.

Survey and Claimant Unemployment (GB)



DID

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'.

Effect of employment and training schemes
Numbers on employment and training schemes have reduced slightly over the past 2 years during which unemployment has been falling rapidly.

Effect of Restart/availability tests etc.
Unreasonable to deny genuine improvements, particularly at a time when growth of the economy has been outstripping most of our competitors, and given the record level of employment,and growth of nearly 3 million jobs since 1983.

Reasonable to ensure that only paying benefits to those entitled and available for work, and to help long-term unemployed back to work by offering variety of opportunities designed to find them a job or improve their prospects of finding one.

Tighter procedures do not affect the benefit of anyone genuinely available and looking for work. No apologies for stopping benefit of those working in the black economy or claiming when unable to take a job eg because of family responsibilities.

Impossible to make estimate of effects on the count of these various measures, in particular at a time when labour market has been improving so strongly (cannot separate the various effects).

Inflated claims of higher "real" totals
Such inflated estimates (sometimes as high as 5 million) have included all those who say they would like work even if they are not seeking work: eg early retired, sick or those looking after families.

Estimates sometimes include those on government schemes, who are at work (and included as in employment according to international guidelines.)

It is one thing to suggest some people might otherwise be unemployed without the help given, quite another to suggest they really are unemployed when they are at work or in training.

International measure of unemployment
(Labour force survey gives international - ILO/OECD - measure of unemployment: without work, available and seeking work during past 4 weeks)
Confirms unemployment fallen sharply Spring 1987 to 1988. Similar falls of half a million in ILO/OECD measure (505,000) and monthly count (540,000) (Difference within margins of survey error)
ILO/OECD measure 2.37 million marginally lower than (headline) count of 2.41 million. The international measure peaked in 1984 while the claimant count started to fall 2 years later.
OECD's published unemployment rate for UK estimated on standard definition was 7.2% in January 1989, similar to our 7.0% at that time.

Changes affecting the unemployment count
Only 2 changes to method of compiling unemployment count since 1979. Some other changes to administrative procedures have also occurred. However, all the significant changes in coverage (7 in total since 1979) have been allowed for in the seasonally adjusted series, which is maintained on a consistent basis, according to the current coverage, to provide comparable assessments of the trend.

(Not rewriting history but helping to explain it properly, by removing distortions. Basic counts remain unchanged as recorded at the time.)

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 (eg Unemployment Unit). 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. These procedures no longer exist. Similarly unrealistic to estimate under 18's in future who would claim benefits if rules had remained unchanged.)

LABOUR MARKET - job changes and flows

1. TOTAL JOB CHANGES have recently been running at about 7½ million a year,* over 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 March averaged 230,000 a month (UK seasonally adjusted), because only about a third of all vacancies are notified to Jobcentres. Placings by jobcentres, in the year to March averaged about 159,000 a month (UK seasonally adjusted). These are estimated to be broadly a quarter of all engagements or job changes in the economy.

3. OUTFLOW from unemployment averaged about 350 thousand per month in the year to March 1989. This represents an annual outflow of 4.2 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.

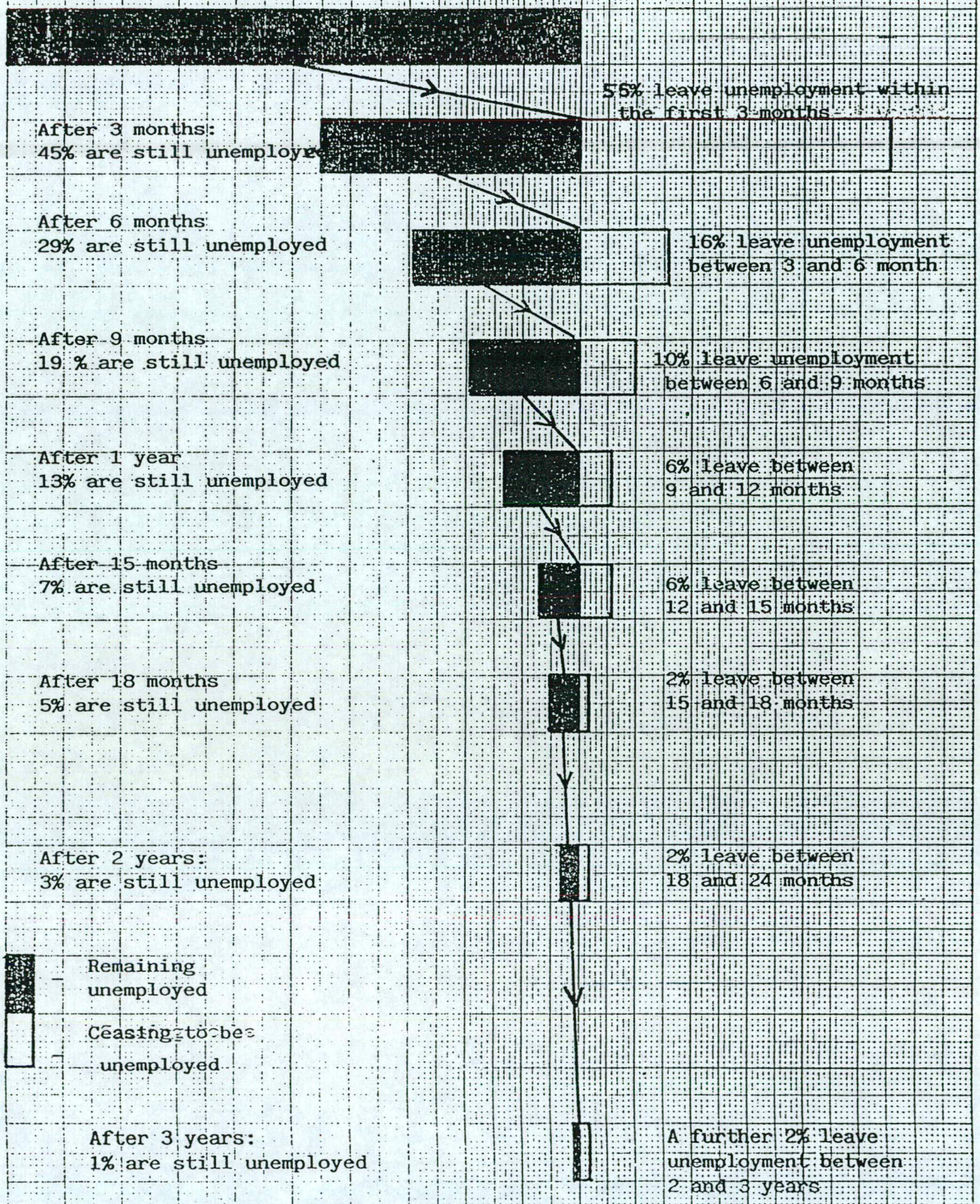
Over a quarter of those becoming unemployed flow off the register within a month of joining it, more than half leave within 3 months, over two-thirds within 6 months. 87% leave within a year. The remaining 13% flow into long term unemployment. The attached chart illustrates these chances of remaining in the count or leaving it within certain durations of unemployment.

*The estimate of 7½ million job changes relates to 1987 and is based on a survey conducted by IFF Research Ltd in January 1988. The same survey provided an estimate of over 700,000 unfilled vacancies in the economy at that time, confirming that approximately only a third of all vacancies are notified to Jobcentres (Employment Gazette April 1988 page 211 gives further details.)

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.

DEMOGRAPHIC AND LABOUR FORCE BACKGROUND

Great Britain	Reaching school leaving age	Reaching retirement age and deaths	Net migration and adjustment	Population of working age (1)		Civilian labour force (2)	
Thousand				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 GB LF	873	677	+67	33,563	+263	26,428	+522
ILO/OECD						26,604	-
1985	868	750	+60	33,741	+178	26,793	+189
1986	840	713	+23	33,891	+150	26,929	+136
1987	852	697	+18	34,064	+173	27,253	+324
1988	799	664	+8	34,207	+143	27,610	+358
PROJECTIONS							
1989	751	662	+4	34,300	+93	27,940	+330
1990	700	660	0	34,340	+40	28,059	+119
1991	677	655	-4	34,358	+18	28,152	+92
1992	651	643	+1	34,367	+9	28,208	+56
1993	623	628	+2	34,364	-3	28,244	+36
1994	634	628	+1	34,371	+7	28,278	+34
1995	688	640	-2	34,417	+46	28,336	+58
1996	715	646	-1	34,485	+68	28,409	+74
1997	710	646	+3	34,552	+67	28,478	+68
1998	699	641	-2	34,608	+56	28,527	+49
1999	700	640	-2	34,666	+58	28,575	+48
2000	697	644	-2	34,717	+51	28,620	+45

In the year to mid-1988 the population of working age is estimated to have grown by just under 150 thousand, and the civilian labour force by over 350 thousand as activity rates rose largely in response to falling unemployment. The rate of increase in the population of working age is projected to continue declining until 1993, reflecting the falling numbers of young people. Despite this, the labour force (on a working assumption of broadly stable claimant unemployment) shows a projected growth of 1 million by the end of the century, mainly due to anticipated further rises in female activity rates.

Notes :

(1) The population of working age comprises men aged 16-64 and women aged 16-59 years. The figures are OPCS estimates up to 1987 and GAD projections from 1988.

(2) The civilian labour force, on the international ILO/OECD definition, includes people either in civilian employment or looking for work and available to start (the estimates up to 1984 are on the slightly different GB Labour Force definition). The definitions and the projection methodology are described in more detail in an article in the April 1989 *Employment Gazette* ("Labour Force Outlook to the Year 2000").

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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.

8) Use of the preliminary 1988 LFS results - March 1989

Preliminary results of the 1988 LFS were incorporated in the employment estimates as in the past for the period May 1987 to April 1988, and with slight modifications thereafter. Previously, the degree of underestimation was assumed to continue accumulating at the rate observed in the previous year, but now an average of the degree of underestimation over the three years up to the latest LFS has been used. This change was made because the exceptionally high rate of growth in employees observed between the Spring 1987 LFS and the Spring 1988 LFS is not considered to be an adequate basis for carrying forward the degree of underestimation in the period since Spring 1988, the reference period of the latest Labour Force Survey.

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.

8) Use of the 1988 LFS - March 1989

The estimates were up-dated to take account of the preliminary results of the 1988 LFS.

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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 in September 1988, and a further 130,000 employees in employment in the service sector in December 1988. 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. The numbers on work related government training programmes include 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). Participants on new Job Training Scheme (JTS) were included until September 1988 when they transferred to the ET scheme. All participants on Employment Training (ET) without contracts of employment who receive work experience , which is the great majority, have been included in the estimates of participants in work related government training programmes from December 1988. (The small proportion - about 3 per cent - who do not receive work experience were excluded).

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.

D8a

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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 Q3

	Thousands	Per Cent
CANADA	1810	17.1%
USA	16046	16.2%
UK	2805	12.1%
JAPAN	2938	5.1%
GERMANY	792	3.2%
ITALY	697	3.4%
FRANCE *	-289	-1.4%

Source : OECD Quarterly Labour Force Statistics (except UK)
Notes : * 1982 Q4 to 1987 Q4.

2. Between 1983 and 1987 the increase in employment in the United Kingdom was greater than that in the rest of the European Community combined. This will not be true for period 1983 to 1988 but the UK rise will still be greater than that for any other Community country. 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
BELGIUM	79	2.2	-86
DENMARK	163	6.5	162
GERMANY	647	2.6	-76
GREECE	58	1.6	286
SPAIN	395	3.6	-462
FRANCE	-192	-.9	-329
IRELAND	-43	-3.9	-62
ITALY	234	1.1	527
LUXEMBOURG	12	7.6	13
NETHERLANDS	286	5.8	430
PORTUGAL	30	.7	317
EC12 - UK	1669	1.7	720
UK	1756	7.5	-18
EC12	3425	2.8	702

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

Since March 1983, when the rising trend began, the workforce in employment is now estimated to have increased by 2,964,000 of which employees in employment accounted for 1,730,000, self-employment 841,000 and participants on work related government training programmes 401,000 - these increases were partly offset by a fall of 9,000 in HM Forces. In the year to December 1988 the workforce in employment rose by 649,000 of which 74% was full time employment.

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	1,200	10,418	4,696	24,519	5,896
	June	14,247	1,263	10,562	4,747	24,809	6,009
	Sept	14,401	1,300	10,674	4,772	25,075	6,073
	Dec	14,513	1,331	10,799	4,791	25,312	6,122
1988	March	14,635	1,313	10,902	4,804	25,536	6,117
	June	14,687	1,334	10,953	4,805	25,640	6,139
	Sept	14,738	1,331	11,055	4,836	25,792	6,167
	Dec	14,810	1,399	11,151	4,892	25,961	6,291
Change							
Dec 83-Dec 88		1,147	531	1,817	915	2,964	1,446
Dec 87-Dec 88		297	68	352	101	649	169

* 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 up to September 1988, and Employment Training (ET) from December 1988 onwards. The estimated numbers of such participants are not seasonally adjusted.

** The workforce in employment comprises employees in employment, the self employed, HM Forces and participants in work related government training programmes. In classifying the workforce in employment between full and part time all programme participants are counted as in employment part time.

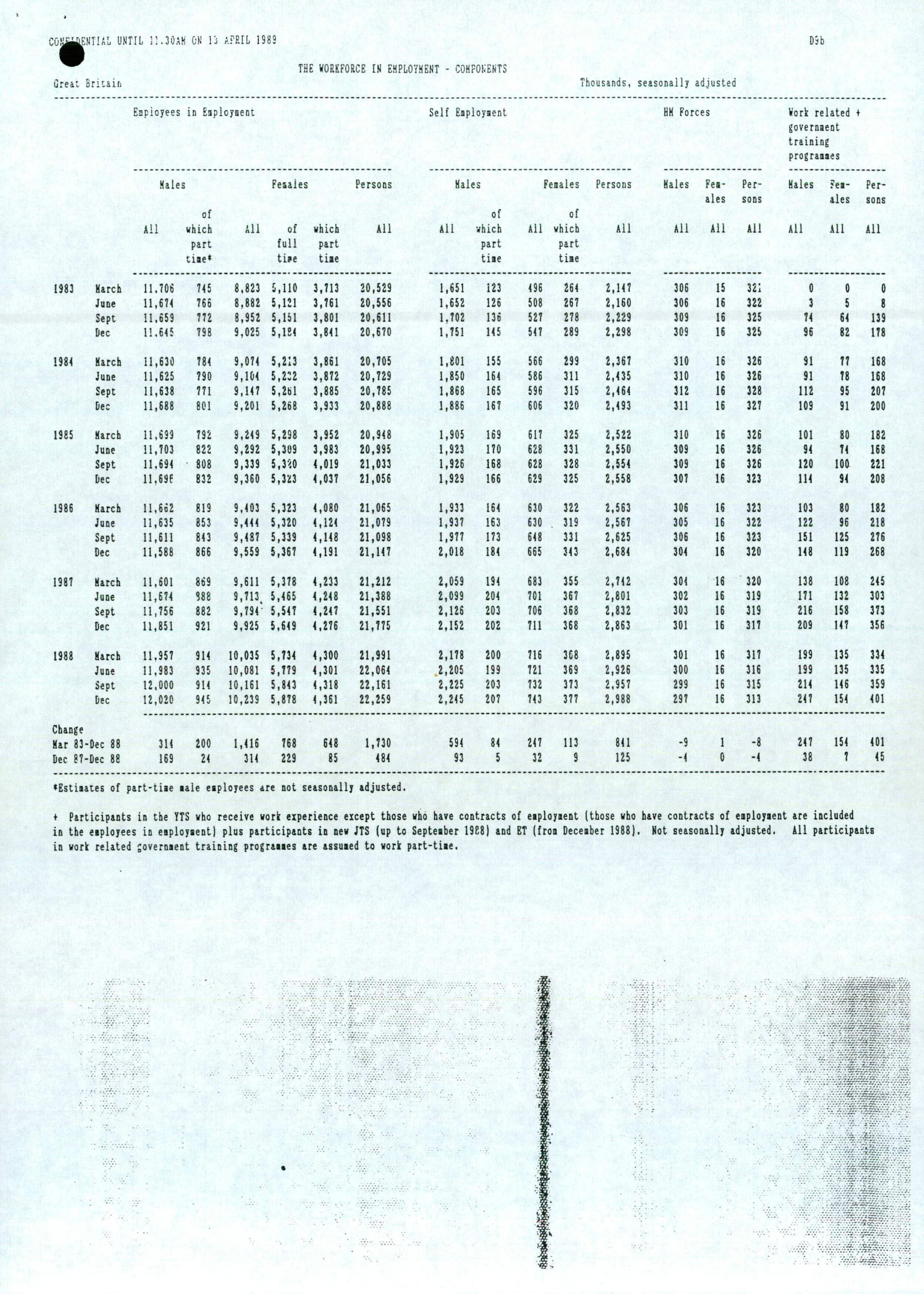
THE WORKFORCE IN EMPLOYMENT - COMPONENTS

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 full time	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	11,674	988	9,713	5,465	4,248	21,388	2,099	204	701	367	2,801	302	16	319	171	132	303
	Sept	11,756	882	9,794	5,547	4,247	21,551	2,126	203	706	368	2,832	303	16	319	216	158	373
	Dec	11,851	921	9,925	5,649	4,276	21,775	2,152	202	711	368	2,863	301	16	317	209	147	356
1988	March	11,957	914	10,035	5,734	4,300	21,991	2,178	200	716	368	2,895	301	16	317	199	135	334
	June	11,983	935	10,081	5,779	4,301	22,064	2,205	199	721	369	2,926	300	16	316	199	135	335
	Sept	12,000	914	10,161	5,843	4,318	22,161	2,225	203	732	373	2,957	299	16	315	214	146	359
	Dec	12,020	945	10,239	5,878	4,361	22,259	2,245	207	743	377	2,988	297	16	313	247	154	401
Change																		
Mar 83-Dec 88		314	200	1,416	768	648	1,730	594	84	247	113	841	-9	1	-8	247	154	401
Dec 87-Dec 88		169	24	314	229	85	484	93	5	32	9	125	-4	0	-4	38	7	45

*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 (up to September 1988) and ET (from December 1988). Not seasonally adjusted. All participants in work related government training programmes are assumed to work part-time.



CHANGES IN EMPLOYEES IN EMPLOYMENT

Great Britain

Thousands, not seasonally adjusted

Industry	Year ending Dec 1988 Change Absolute	Percent
Agriculture forestry and fishing	-11.5	-3.7
Energy and water supply	-28.3	-5.8
Other mineral and ore extraction etc	17.4	2.2
Metal goods, engineering and vehicles	- 4.7	-0.2
Other manufacturing industries	25.0	1.2
Construction	11.6	1.2
Distribution, hotels, catering, repairs	138.6	3.1
Transport & Communication	57.5	4.2
Banking, finance insurance	184.4	7.6
Other Services	94.4	1.4
All Industries	484.6	2.2

Region	Year ending Dec 1988 Change Absolute	Percent
South East	213.7	2.8
(Greater London)	45.7	1.3
East Anglia	42.0	5.1
South West	23.9	1.5
West Midlands	54.0	2.5
East Midlands	35.8	2.3
Yorks & Humberside	30.2	1.6
North West	6.6	0.3
North	27.6	2.5
Wales	10.3	1.2
Scotland	40.5	2.1
Great Britain	484.6	2.2

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.

CONFIDENTIAL UNTIL 11.30 A.M THURSDAY 13 APRIL 1989

INDUSTRY BREAKDOWN

INDEX OF AVERAGE EARNINGS (Unadjusted)*

TABLE A

Classes SIC 1980	Weights	Index (1985 = 100)						Percentage increase over previous 12 months					
		1988				1989		1988				1989	
		Sept	Oct	Nov	Dec	Jan	Feb**	Sept	Oct	Nov	Dec	Jan	Feb*
Metal processing and manufacture	14	123.4	142.9	124.2	134.1	138.4	126.4	7.7	9.9	8.5	9.8	9.7	9.2
Mineral extraction and manufacturing	14	127.4	126.1	127.9	136.3	129.6	132.3	6.5	6.7	6.7	7.3	7.5	9.1
Chemical and man-made fibres	20	126.1	128.4	139.2	138.5	131.3	130.9	10.0	9.4	8.8	8.0	8.2	8.8
Mechanical engineering	44	125.4	127.4	129.5	132.6	132.7	133.3	8.4	9.2	8.8	10.2	10.4	9.8
Electrical and electronic engineering	37	128.0	130.7	131.7	135.1	135.3	136.1	7.7	9.3	8.7	8.6	8.6	8.3
Motor vehicle and parts	17	128.5	129.0	136.3	139.4	137.0	140.3	8.6	7.9	13.5	15.4	14.2	36.9
Other transport and equipment	17	121.8	124.5	126.1	134.0	131.8	132.1	5.2	7.5	6.5	6.9	10.9	11.0
Metal goods and instruments	27	127.3	128.2	131.3	130.5	132.8	132.3	7.9	8.2	7.3	8.4	10.0	7.4
Food, drink and tobacco	33	126.0	127.0	133.2	135.2	130.6	130.6	6.4	8.0	10.5	9.2	7.8	7.8
Textiles	13	123.9	124.5	128.0	125.4	127.2	128.6	5.6	5.4	5.9	5.6	6.4	7.2
Leather, footwear and clothing	17	124.5	123.9	124.9	127.4	128.9	129.6	8.5	7.6	6.9	6.2	7.1	6.8
Timber and wooden furniture	11	135.2	134.2	138.3	138.3	146.4	143.3	14.0	4.4	11.6	21.4	18.7	13.7
Paper products, printing and publishing	26	127.1	127.7	127.3	128.3	126.8	127.7	6.9	8.1	6.8	7.3	7.6	7.3
Rubber, plastic and other manufacturing	14	126.4	127.4	131.2	131.2	131.5	131.9	8.3	8.4	7.1	4.4	8.1	7.8
*Manufacturing Industries	304	126.4	128.7	130.8	133.5	132.6	132.5	8.0	8.2	8.7	9.1	9.4	10.2
Coal and coke	15	140.9	141.8	142.1	140.7	144.8	145.7	16.5	14.8	14.0	11.8	13.0	24.7
Mineral oil and natural gas	1	131.4	134.6	147.2	141.0	143.7	141.3	12.1	14.0	10.3	13.6	13.1	12.3
Electricity, gas and other energy and water supply	19	124.0	124.9	125.3	124.2	123.0	124.2	4.8	5.9	4.6	6.9	6.0	7.4
*Production Industries/	339	127.1	129.2	131.2	133.4	132.7	132.8	8.2	8.5	8.6	9.1	9.4	10.7
Construction	55	130.3	133.5	136.4	138.8	135.2	136.4	10.8	12.9	12.7	12.0	11.6	11.9
*Production/ and Construction Industries	394	127.5	129.8	131.9	134.2	133.1	133.3	8.2	8.8	8.9	9.2	9.5	10.5
Agriculture and Forestry≠	19	134.4	136.9	116.1	119.2	113.5	ø	8.2	11.9	-3.8	5.0	7.0	ø
Distribution and repairs	164	126.6	126.0	127.1	132.8	130.5	131.7	9.0	9.8	8.4	8.9	9.8	9.4
Hotel and catering	49	124.9	129.4	132.5	139.9	133.3	133.8	8.6	10.4	9.3	7.9	10.1	12.0
Transport and communication (except sea transport)	71	122.1	124.4	127.0	127.5	125.2	125.1	6.8	6.1	4.6	5.0	6.4	6.6
Banking, finance and insurance	44	128.6	128.7	142.1	136.7	136.6	135.9	6.6	4.3	6.0	6.7	7.2	7.3
Public administration	90	124.7	128.3	131.8	129.5	130.0	131.5	8.7	11.0	12.9	9.9	10.1	8.9
Education and health services	147	131.5	131.6	132.8	156.6	134.1	134.2	11.1	9.6	11.0	26.9	11.4	10.7
Other services	22	125.1	123.8	124.8	131.8	132.0	126.2	6.6	6.0	5.0	7.3	8.9	5.3
*Service industries	587	126.7	127.8	130.9	137.5	131.2	131.5	8.7	8.6	8.8	12.4	9.3	8.9
*Whole economy	1000	127.3	128.9	131.2	135.7	131.8	132.0	8.7	9.0	8.7	11.0	9.4	9.8

*Except for percentage increase figures shown in these lines which reflect seasonally adjusted index figures.
**Provisional.
/Manufacturing, coal and coke, mineral oil and natural gas, electricity, gas, other energy and water supply.
≠England and Wales only.
øNot available.

Stats A1

APRIL 1989

CONFIDENTIAL UNTIL 11.30 A.M THURSDAY 13 APRIL 1989

SECRET AND CMO UNTIL 14 MARCH 1989

No 4 of 8

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

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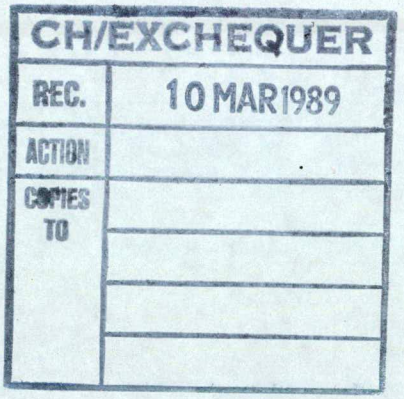
Telex 915564 Fax 01-273 5821

Secretary of State

PWP



Paul Gray Esq
Private Secretary
10 Downing Street
LONDON
SW1

10 March 1989

Dear Paul

FUTURE OF THE SKILLS TRAINING AGENCY

...The Secretary of State has asked me to circulate the attached draft statement which he proposes to make on Monday 13 March.

I am copying this letter to Murdo MacLean (Chief Whip's Office), Alison Smith (Privy Council Office), Carys Evans (Treasury), Stephen Williams (Welsh Office), David Crawley (Scottish Office) and Tom Jeffery (DES).

Yours ever

Bryony.

BRYONY LODGE
Private Secretary

SECRET AND CMO UNTIL 14 MARCH 1989

DRAFT STATEMENT

FUTURE OF THE SKILLS TRAINING AGENCY

With permission, Mr Speaker, I would like to make a statement about the future of the Skills Training Agency.

The Skills Training Agency provides training mainly in traditional craft skills through a network of sixty skillcentres. Skillcentres date back to the First World War when they were set up to retrain servicemen for civilian employment. The Agency has operated on a trading account basis since 1984. Its main source of income has been selling training services to the Manpower Services Commission and now to my Department's Training Agency.

The Agency has experienced severe financial problems for a number of years. In 1984/5 it operated at a loss of £15.1 million and in 1985/6 at a loss of £17.5 million. It broke even in 1986/7 but it is expected to make a loss of about £20 million on a turnover of £55 million in the current financial year.

Clearly, the Agency cannot continue to operate in this way. The aim must be to enable it to become a commercial training business which is able to compete successfully on level terms with other training providers. There is plenty of training business to be won if skillcentres are able to adopt the best commercial practices and particularly if they can compete for employer business.

As the White Paper 'Employment for the 1990s' made clear, the Government believes this can best be achieved by moving the Agency into the private sector. I announced on 21 December last year that I had commissioned Deloitte, Haskins and Sells to advise me on the feasibility of such a move.

Since then I have been approached by some of the senior staff of the Skills Training Agency who have expressed interest in a management buy-out. They have taken professional advice and on the basis of that advice they believe that a business can be created which has excellent prospects of success. My own advisers take a similar view.

The Government sees great attractions in this course. We want to see the Skills Training Agency become a viable business which provides good training for both unemployed and employed people and a good career for the staff who work in it. A management buy-out is a most effective way of ensuring this.

Therefore in the light of the approach which has been made to me, I have appointed Deloitte, Haskins and Sells to conduct the necessary preparatory work with a view to offering the Agency for sale through a private tender process open to all interested parties at the earliest opportunity. I intend to give the management buy-out every possible assistance.

I attach great importance to conducting the process of privatisation in a way which minimises uncertainty both for the Agency's staff and for its customers. I hope to see a network of skillcentres prospering within the private sector as soon as possible.

Staff now employed in the Agency will have the opportunity to take voluntary early retirement. Staff who are transferred to the private sector will take with them all the rights covered by the Transfer of Undertakings (Protection of Employment) Regulations 1981, including their redundancy rights.

A new clause for inclusion in the Employment Bill now before the House is being tabled today. This will make it clear that, under the Transfer of Undertakings Regulations, all terms and conditions of employment of STA staff other than pensions will continue after privatisation. Pensions are not covered by the Transfer of Undertakings Regulations. I will ensure, through the contract of sale, that all staff who transfer into the private sector are satisfactorily covered by pension arrangements.

I believe that it is important to move as quickly as possible so as to remove the uncertainty about the future of the Skills Training Agency and to ensure that the training business which is transferred to the private sector has a healthy and viable future.

COVERING PERSONAL AND CONFIDENTIAL

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Telex 915564 Fax 01-273 5821

Secretary of State

Paul Gray Esq
10 Downing Street
LONDON
SW1A 2AA

13 March 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 of course personal and confidential until 11.30 on 16 April 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 sincerely,

Angela

ANGELA WILKINS
Private Secretary

2/14

COVERING PERSONAL AND CONFIDENTIAL UNTIL 11:30 AM ON 16 MARCH 1989

THEREAFTER CONFIDENTIAL

LABOUR MARKET STATISTCS: NOTES FOR THE PRIME MINISTER

A. 1. SUMMARY

2. KEY FACTS BRIEF

B. DRAFT PRESS NOTICE

C. DETAILED ANALYSIS AND BACKGROUND INFORMATION

1. MAPS: 1a. UNEMPLOYMENT RATES BY REGION

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

4. EMPLOYMENT AND TRAINING MEASURES

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. UNEMPLOYMENT: DEFENSIVE BRIEFING ON "FIDDLING THE FIGURES"

4. LABOUR MARKET: JOB CHANGES AND FLOWS

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

STATISTICS DIVISION
DEPARTMENT OF EMPLOYMENT
13 MARCH 1989
ENQUIRIES TEL: 01 - 273 - 5522

PERSONAL AND CONFIDENTIAL UNTIL 11.30AM 16 MARCH 1989

LABOUR MARKET STATISTICS - KEY FACTS A2(i)

UNEMPLOYMENT IN FEBRUARY

Seasonally adjusted (UK) (Consistent)

Now 1.947 million, lowest for 8 years (since Febuary 1981).

Rate 6.8%, below 7% for first time since December 1980.

Down 41,200 in February

Down 31 months running, longest continuous fall since the war.

Largest sustained fall on record, **Down 1,187,000 since July 1986.**

Fall of 911,000 (consistent) since election June 1987 (1,007,000 since run-up, April 1987 figure).

Fall in last 12 months 538,000

Average fall of 46,500 per month, over last six months.

TOTAL (unadjusted) (UK)

Now 2.018 million (7.1%)

Down 56,000 since January.

Regional unemployment (Seasonally adjusted)

Fall in all regions of UK over last year: rates fallen most in West Midlands and Wales. (Next best: South West,Yorkshire and Humberside and North West.)

Long term unemployment. (UK, unadjusted January)

821,000 in January, lowest for more than 6 years. Record fall of half a million in past two years. Fallen faster than total unemployed. Long term unemployed aged 18-24 now more than halved in 2 years, down by a third among over 25s.

Over 5 year unemployed falling since Oct 1987, down by 40,000 (14 %) altogether.

Young Unemployed (UK)

18 - 24's down by 39% in two years to January 1989.

Latest EC unemployment comparison for under 25's (December 88) showed UK 9.9% compared with EC average 19.3% (lower than all other EC countries except Germany and Luxembourg).

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 Spring 1988)

(Gives international - ILO/OECD - measure of unemployment: without work,available and seeking work during past 4 weeks)

Confirms unemployment fallen sharply, Spring 1987 to 1988. Similar falls of half a million in ILO/OECD measure (505,000) and monthly count (540,000). (Difference within margins of survey error)

ILO/OECD measure in spring 1988; 2.37 million, marginally lower than (headline) count of 2.41 million. The international measure peaked in 1984 while the claimant count started to fall two years later.

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 (10.0%). Latest international rates show unemployment higher in France (10.2%), Italy (12.4%), Canada (7.6%), Belgium (9.6%), Netherlands (9.5%), Spain (19.2%) and Ireland (17.3%). (Comparable UK 7.3% - OECD standardised rate for December.)

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 (Seasonally Adjusted, UK)

Unfilled vacancies at Jobcentres **228,100 in February down 1,100 since January.**

Only about a third of vacancies reported to Jobcentres.

AVERAGE EARNINGS (GB)

Underlying increase in average earnings in year to January 9%, up by 1/4 per compared with year to December

EMPLOYMENT Personal and Confidential until 11.30 AM 16.3.89

WORKFORCE IN EMPLOYMENT (GB)

Workforce in employment in Q3 1988

- Now stands at 25,807,000 (highest ever)
- More than 1 million more than at the previous peak in employment in December 1979
- Even excluding trainees, employment is 1/2 million more than in December 1979
- Increase in year to September 1988 of 731,000, of which:
  628,000 (86%) full time
  103,000 (14%) part time
  347,000 male
  384,000 female
  (previous estimated increase in the year to September 1988 was 400,000)
- On a rising trend for more than 5 years since March 1983
- Last two years have shown the fastest employment growth since 1945
- Increase since March 1983 by 2,809,000, of which:
  1,629,000 employees
  810,000 self employed
  377,000 trainees
  -6,000 HM Forces
- 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.

WORKFORCE IN EMPLOYMENT (UK)

- Now stands at 26,374,000 (highest ever)
- Almost 900,000 more than at the previous peak in employment in December 1979
- even excluding trainees, now 1/2 million more than in December 1979

WORKFORCE IN EMPLOYMENT (GB)

EMPLOYEES IN EMPLOYMENT

- Growth in employees in employment is now 607,000 compared with 277,000 previously published

EMPLOYMENT IN MANUFACTURING

- At 5,160,000 in January 1989
- Up by 6,000 in January
- Trend now rising, turning point in the spring of 1987

EMPLOYMENT IN SERVICES

- At 15,229,000 in September 1988
- Up by 567,000 over the year to September 1988
- Service sector employment (incl. self employment) accounts for almost two-thirds of employment
- The third quarter 1988 increase has been affected by the run-down in CP over the summer, in preparation for ET. (Effect is a reduction of 20,000)

SELF-EMPLOYMENT

- At an estimated 2,957,000 in Sept 88
- Up by 125,000 over year to September (previous estimate: up by 124,000)
- Up by more than 1.1 million since June 1979 (following little change in the seventies).

FULL-TIME EMPLOYMENT

- More than 85 per cent of growth in workforce in employment in year to September 1988 was in full-time employment

- More than half (53%) of the growth since March 1983 has been in full-time employment

PART-TIME EMPLOYMENT

- At 6,176,000 in September 1988

- Up by 103,000 over year to September 1988

- Up by 1,331,000 since March 1983

- Part-time jobs account for only 14% of employment growth since September 1987

- Continuing rise is a sign of increased labour market flexibility good for the economy

- According to 1988 LFS less than 8% 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.

REGIONS

- All regions have shared in the growth of civilian workforce in employment and employees in employment

- In the year to September 1988 the civilian workforce in employment grew by 5.4% in East Anglia
  4.0% in West Midlands
  3.8% in North
  compared with 2.9% in GB

- However employment growth (83-88) was below GB average in Greater London, Yorkshire and Humberside, the North West, the North, Wales and Scotland

- In Wales, the civilian workforce in employment grew by only 45,000 (4.4 per cent) in the 5 years to June 1988 compared with the GB average of nearly 11.5 per cent

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

DOUBLE JOBBING

- Increase in workforce in employment 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 in employment 83-87 (latest comparable): UK greater than rest of EC combined. (This will not be true for period 1983-1988, but the UK rise will still be greater than that for any other Community country)

- UK proportion of population of working age in employment (66%) much higher than EC average.

A2 (iv)

PRELIMINARY RESULTS OF THE 1988 LFS
REVISED EMPLOYMENT ESTIMATES 1987 & 1988
SUMMARY OF KEY FACTS

EMPLOYMENT

- workforce in employment now 25.8m (GB) 26.4m UK - **highest ever**
- more that 1 million more than previous peak in 1979 (½m more even excluding trainees)

MANUFACTURING

- manufacturing employment now shows an increase (in 1987 and 1988) following a number of years of decline

SELF-EMPLOYED

- up by 125,000 in year to September 1988
- **up by 1.1m since June 1979** (little change 1970s)

PART-TIME EMPLOYMENT

- part-time jobs account for **15% of growth** in last year
- part-time employment up 1.3m since March 1983
- less than 8% of those working part-time were doing so because they could not find a full time job.

REGIONS

- all regions have shared in growth; East Anglia, West Midlands and Northern region (amongst others) have grown faster than national average

INTERNATIONAL

. increase in employment 1983-7 greater in UK than rest of EC combined

Note: this is unlikely to be true when we have all the 1988 figures for other EC countries

UNEMPLOYMENT

. growth in employment now more than offsets fall in unemployment; shows a consistent picture of a buoyant labour market

. **unemployment on international definition** (ILO/OECD) measured at 2.4m in Spring 1988 (equal to claimant counts measured over same period)

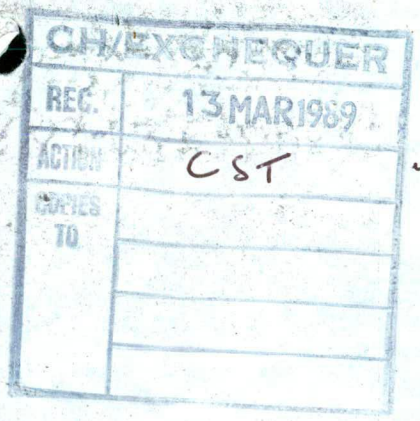
. **fall in unemployment** on international basis ½m in year to Spring 1988 (equal to the fall in the claimant count over the same period)

. 1988 LFS shows 790,000 claimants not unemployed on international definition; 750,000 unemployed on international basis not claiming benefit

PRODUCTIVITY

. even after downward revision manufacturing productivity growth in the UK since 1980 has still been higher than for any of our major international competitors.

SECRET



✓13/3

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

13 March 1989

Dear Bryony,

SKILLS TRAINING AGENCY

The Prime Minister was grateful for your Secretary of State's minute of 9 March and for the subsequent sight of the draft statement. She has also seen the Secretary of State for Wales' minute of 9 March. The Prime Minister is content with the terms of your Secretary of State's proposed statement.

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

Yours,
Paul

(PAUL GRAY)

Miss Bryony Lodge,
Department of Employment.

SECRET

chex.md/ds/7 **UNCLASSIFIED**

FROM: D I SPARKES
DATE: 14 March 1989

MR GIEVE

cc PS/Chief Secretary
PS/Financial Secretary
PS/Paymaster General
PS/Economic Secretary
Sir P Middleton
Sir T Burns
Mr Scholar
Mr Sedgwick
Mrs Lomax
Mr Riley
Mr Hibberd
Mr Pickford
Mrs Chaplin
Mr Call
Mr Tyrie
Press Officers

FIDDLING THE FIGURES

The Chancellor was grateful for your minute of 13 March concerning the editorial and associated letter in the Royal Statistical Society News.

2. The Chancellor agrees that the best point to make is that there have been many allegations about the unemployment count but the latest Labour Force Survey supports the story shown by the monthly count. He is also surprised that Mr Hibbert, who clearly must have seen the article, has not written to the journal to defend the integrity of the Government's statistics. Or has he?

D.M.

DUNCAN SPARKES

FROM: J GIEVE
DATE: 13 March 1989

CHANCELLOR

cc Chief Secretary
Financial Secretary
Paymaster General
Economic Secretary
Sir P Middleton
Sir T Burns
Mr Scholar
Mr Sedgwick
Mrs Lomax
Mr Riley
Mr Hibberd
Mr Pickford
Mrs Chaplin
Mr Call
Mr Tyrie
Press Officers

FIDDLING THE FIGURES

I attach a copy of the editorial and an associated letter from the Royal Statistical Society News and Notes. This was published at the beginning of March but was only picked up in the press on Sunday by Bill Keegan in the Observer.

2. As you will see, it doesn't make any new points but it assumes that all the allegations in the programme were justified.

3. I don't expect "fiddling the figures" to be a major theme from the Opposition. My minute of 20 February set out ripostes to most of the allegations of the programme. Perhaps the best point to make in the next few days is that there have been many allegations about the unemployment count but the latest Labour Force Survey supports the story shown by the monthly count: the Survey shows a fall in unemployment between Spring 1987 and Spring 1988 of 505,000 while the claimant count over the same period shows a fall of 540,000; the measured level in Spring 1988 in the Survey remains just below that shown by the count.

JOHN GIEVE

The Royal Statistical Society
NEWS & NOTES

Volume 15 number 7

MARCH 1989

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Honesty, NOT expediency

Channel four's finger pointed firmly at the government. Even though the people voicing the gravest concern about the mishandling, misrepresentation, and even misinvention of government statistics were statisticians, the fact that a popular programme has been broadcast will have left a general sense that statisticians are aiding the misinformation campaign.

Did you see it? Some strong views were expressed: ''There is wide concern over the way this government is handling the figures. It has become a very serious issue in this country and one which causes a lot of us to consider where it will end. It seems to bear the hallmark of a concerted policy to get the statistics they want.''

Sir Ian Gilmour, a backbench Tory MP and former cabinet minister, said: ''Persistent and consistent manipulation of figures is wrong because the integrity of government statistics should be above party politics.''

Sir John Boreham, who was head of the government statistical services for several years, said: ''There is a frontier zone between the government's desire to show that it is doing well and the statistical services' desire to be objective, and this leads to constant skirmishing.''

The programme presenters put it more strongly: ''We are told that unemployment figures are expected to show another fall. The government claims success of its policies. We are told that the poor are better off and more is being spent on the National Health Service than ever before. Can we believe them? Doubt on statistics presented by the government is being expressed by statisticians and even by some Tories. Has the situation got out of hand? Is the government cooking the books and if so how?''

The programme gave examples: Good statistics presented when there would be maximum public attention; bad statistics when there were distracting events (such as a royal wedding). Sales of state assets are represented as reduction in spending.

Population statistics are buried in masses of detail. Measures are changed (unemployment was cited). Definitions are changed (a new hospital car park is described as a large hospital scheme). When 17,000 new

Editorial

hospital beds were announced, there had been no mention that for almost every new bed an old one had disappeared.

Evidence was destroyed simply by abolishing data. When a government sponsored report yielded an adverse viewpoint, a government department quickly wrote another one, flimsily printed with flimsy evidence and gave it greater publicity. Government departments discredited the authors of adverse reports.

What is to be done? Our professionalism demands honesty. We must not doubt the honesty of our colleagues in the government statistical services, but the apparent villainy of politicians makes it seem as if statisticians are conspiring with them. How can we set the record straight? Not simply the record, but the public perception? John Bibby (see his letter) has a suggestion. What do you think?

of standard values of significance level. The former convention is manifestly appropriate for the great majority of investigations, where the balancing of substantial costs and benefits is predicated upon rejection rather than acceptance of the null hypothesis. I expect this inferential convention to continue to flourish.

Norman Marsh
University of Liverpool

Hypotheses and inferences regarding cheating

Following our respective letters in *News and Notes* of September 1988 (TL) and December 1988 (JA) regarding some problems of public concern relating to the examination process in British universities, we think it would be useful if Council were asked to set up a working party to consider the making and the evaluation of charges of examination cheating in their statistical aspects and to report with recommendations.

It seems from bye-laws 20–22 that this can only be done by the cumbersome device of getting a special general meeting called at the written request of at least twenty fellows. Would any fellow who would consider joining us in such a request please contact one or other of us (TL 0379-644333; JA 0392-76923). Our draft resolution will be available for consideration.

Toby Lewis
Diss, Norfolk

John Ashford
Ide, Devon

Government statistics

The government has recently come under fire for "economising on truth" with official statistics (*eg Dispatches*, Channel 4, Wednesday 18th January). John Naughton in *The Observer* went so far as to question "the professional ethics of the official statisticians who connive at, or endure, such practices".

It would of course be most unprofessional of me to support such extreme language. Nevertheless, I do wonder if there are not questions here that the statistical community should consider.

I should be glad to hear from members who would support a meeting called to consider such matters (possible title "State-istics in the 1980's"), and would welcome their views on what form such a meeting should take, and whether it would best be called under the aegis of the RSS or in some other way.

John Bibby
Edinburgh

The stork correlation

You will find a tongue-in-cheek presentation of the relationship between the population of storks with human birthrates in Sweden, 1900–1935 on pp 20–33 of Alvey, Galwey and Lane (1982) *An introduction to Genstat*, Academic Press, London. It is also on pp 31–34 of Lane, Galwey and Alvey (1987) *Genstat 5: an introduction*, Clarendon Press, Oxford, and this includes the data which are recorded for every fifth year – unfortunately for prospective calculations of correlation, this gives only eight data points. My colleague, Norman Alvey, obtained the data from the Swedish Statistical Office, and a book (whose title he does not recall) in the library of the Royal Society for the Protection of Birds at Tring. Norman recalls that he was prompted to dig out the data because it was an apocryphal and amusing example of the absurdities that can arise from naive interpretation of correlation.

P W Lane
Rothamsted Experimental Station

O for some numbers

I have little sympathy for this argument about 50 – the remedy is clear enunciation. But, in reply to G Miles (January 1989), let us have facts correct. The spellings are septante, octante, nonante. My Collins French dictionary refers to these as dialect, but they are fully accepted as normal usage in Switzerland and Belgium.

Many years ago, when taking part in a French conversation class, I asked the young Frenchman running it about these words – he claimed never to have heard of them and was almost outraged that I should mention them in the presence of a native of La Belle France.

David J Finney
Edinburgh

Email

I would like to support R Allan Reese (Hull) in his plea to use Email for academic research. The following is a small example of its effectiveness. A colleague at Edinburgh received a request from America for a Portuguese translation of a certain statistical software package. He used the Email and I was able to put him in touch with some users of the software package in Lisbon. This meant that the American request sent in the morning, was answered via Edinburgh/Huddersfield/Lisbon/Edinburgh before the day was out. Those of us who use Email could, I'm sure, list many examples of how Email has helped in our research.

Evelyn Benett
Huddersfield Polytechnic

Email

We are not sure how many of us in academic OR are on electronic mail, but we are sure that it is a growing number. It seems worthwhile, therefore, setting up an OR network/bulletin board. Similar networks are of great effect in other

SECRET AND CMO UNTIL 14 MARCH 1989

Copy No 2 of 15 copies

Secretary of State
for Employment

PPP (x below & any others)

PRIME MINISTER

PRIVATISATION OF THE SKILLS TRAINING AGENCY

I am glad to report that the Attorney General's Office have confirmed that I do not need to take statutory powers in order to privatise the Skills Training Agency.

I have had a further meeting with the prospective management buy-out team and I have let them know that I hope to make an early announcement. They will be ready to respond immediately with a public announcement of their interest in a buy-out.

I have seen Peter Walker's minute of 9 March with his assessment of the Welsh Skillcentres. I agree with his views. All the Welsh Skillcentres are included in the core business identified by both my professional advisers and the management buy-out team. I also agree with Peter Walker about the importance of carrying out site valuations. My advisers will be commissioning new valuations of all 60 Skillcentre sites as part of the process of drawing up the sale prospectus.

With the agreement of the Lord President, I propose to make a statement on Monday 13 March. I shall circulate a copy of my draft statement tomorrow.

I am sending a copy of this minute to the members of E(A), and Sir Robin Butler.

Bryony Hodge

N F

9 March 1989

[Approved by the Secretary of State
and signed in his absence]

SECRET AND CMO UNTIL 14 MARCH 1989

SECRET

Copy 2 of 2 3

PWP

PRIME MINISTER

SKILL CENTRES

Since our recent discussion, I have made a thorough examination of the 4 Skill Centres in Wales and I thought it would be appropriate to set out in some detail the considerations involved.

In South Wales there are 3 Centres, in Cardiff, Newport and Port Talbot. The Cardiff centre is showing a substantial profit for the year 1988/89. It is used by a range of important customers and there is no doubt we could easily arrange the transfer of this Centre to a consortium of those who are currently using it. Amongst them are very important inward American and Japanese companies who would be depressed at the closure of such a Centre but I am sure would be perfectly happy at a management buy-out or if the Centre was purchased by the new TEC we will be creating in that area.

As far as Newport is concerned they, too, are on a good profit forecast for the current financial year. They have very important clients and there will be no difficulty in obtaining a buy-out from those involved or alternatively a management buy-out which would run as a profitable concern.

The third Centre is at Port Talbot. It is a very important area for new inward investment and vital in terms of the regeneration of the whole Swansea area. The Centre is estimated to make a small profit for the current financial year. Again, this is an area where we will be creating an important TEC involving major companies who I am certain would be willing to take over the management or alternatively to convey contracts to it as part of the TEC arrangements.

The fourth Centre is in North Wales where a loss is forecast for 1988/89. It is currently being used by a number of companies but could enjoy a greater use and I believe could do with some improvement in terms of its management. Again, it is an area where I will be creating an important TEC and I would ideally like to transfer such a training centre for their management or contractual arrangements.

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SECRET

What it is important to realise is the potential valuation of the sites involved. The Cardiff site is probably worth £700,000, the Newport site £1.15m, the Port Talbot site £426,000 and the Wrexham site £650,000. I do believe it would be wrong to make an arrangement whereby the property remains stagnant when quite probably less valuable sites could be used to similar effect.

The point of this minute is to bring to your attention that it is possible to continue with the activities of all these Skill Centres and to do it in a way in which management and assets were better utilised. The management buy-out is, of course, a possibility. The acquisition of these Centres by TECs as soon as they are organised is a second possibility. Their purchase by a consortium of existing users is a third possibility. I think each individual case is separate but I am anxious that we don't pursue a policy where the current substantial training carried out by these Centres is in any case put in jeopardy or our opponents given a chance of saying that this is purely a reduction of public expenditure to the detriment of training.

I am copying this to members of E(A) and to Sir Robin Butler.

Keith Davies

9 March 1989

PW

Approved by the
Secretary of State and
signed in his absence

EMPLOYMENT
DEPARTMENT

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Public enquiries **01-273 6969**
Exchange **01-273 3000**

PRESS NOTICE

67/89 16 March 1989

UNEMPLOYMENT FALLS BELOW 7%

Statement by the Secretary of State for Employment

Unemployment, seasonally adjusted, fell further in February by more than 41,000 to 1.947 million, or 6.8 per cent of the workforce. This is the first time for over eight years that the unemployment rate has been below 7%. It is now 1,007,000 lower than at the time of the 1987 Election Campaign. It has now fallen for 31 months in succession: the longest and largest sustained fall in unemployment since the War.

These figures show the underlying strength of the economy. The Labour Force Survey has shown that there are now more people at work than ever before. The provisional number of strikes in January is at a record low and the number of working days lost, provisionally estimated at 22,000, is the lowest since August 1940. Short-time working was the lowest since the 1970's.

Unemployment has fallen in all regions of the country. The largest decline in the unemployment rate has been in West Midlands and Wales. The rate of unemployment in the United Kingdom has fallen faster in the past year than in any other major industrialised country. It is now lower than the majority of our European Community partners. The comparison is particularly good for young people. Latest figures show that the United Kingdom has a lower unemployment rate for the under 25's than every other major European country except Germany.

The downward trend in unemployment has been more than matched by the growth in jobs. Revised figures using the 1988 Labour Force Survey show that the number of people in jobs in the United Kingdom rose by 735,000 in the year to September and at 26,400,000 is now at its highest ever level, even after taking account of trainees on work-related training schemes. Employment has been on the increase for more than five years and over the last two years has shown the fastest growth since 1945. Employment in manufacturing is now increasing following a number of years of decline. About 85% of the growth in jobs over the last year has been in full-time employment. Self-employment has continued to increase and is now more than a million higher than in June 1979.

These are notable achievements, but as the Chancellor reminded us in his Budget Speech, continuing progress with reducing unemployment and creating jobs will depend on businesses keeping wage costs to realistic levels. January saw a rise in the annual underlying increase in earnings over the economy as a whole to 9%. Moderation in pay remains essential if the future prospects for jobs is not to be put at risk.

EMPLOYMENT DEPARTMENT

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16 March 1989

66/89

PRESS NOTICE

LABOUR MARKET STATISTICS

SUMMARY STATISTICS

		Level	Change on previous period	Thousands Change on previous year
Unemployment (UK)				
Total unadjusted	February 9	2,018	- 56(a)	(-647)(a)
Seasonally adjusted (b)	February 9	1,947	- 41	-538
Workforce in employment (GB) (c),(d)	Sept Q3 1988	25,807	+168	+731
Employees in employment (GB) (c)				
Services	September Q3 1988	15,229	+101	+567
Manufacturing	December Q4 1988	5,154	+ 4	+ 37
Manufacturing	January 1989	5,160	+ 6	+ 26
Vacancies (UK)(jobcentres) (c)	February 3	228	- 1	- 22

		Percentage change on previous year (underlying increase)
Index of Average Earnings (GB) (c)		
Whole Economy	January	9
Services	January	9
Manufacturing	January	9

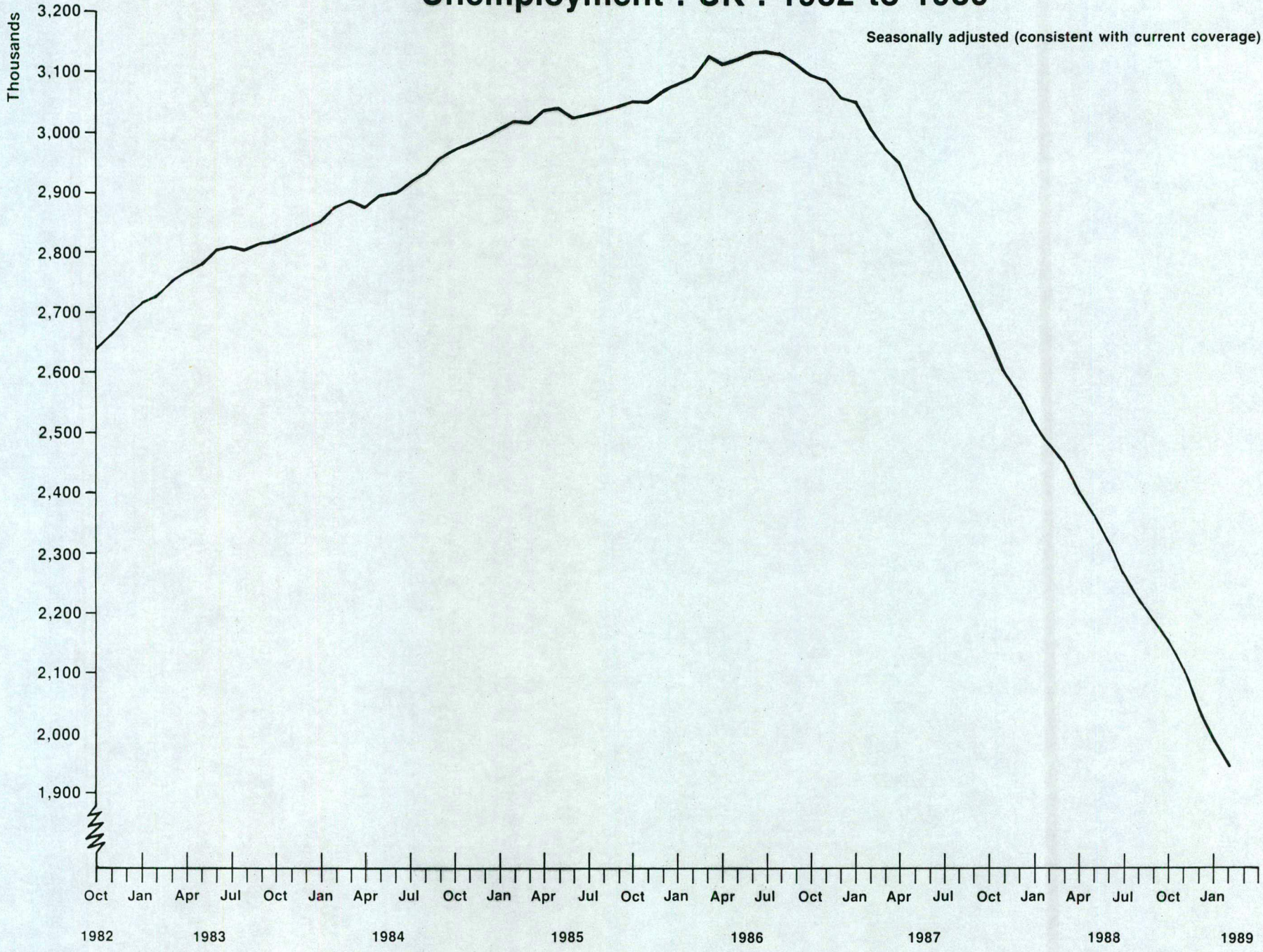
Notes

(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.

prepared by the
Government Statistical Service

Unemployment : UK : 1982 to 1989