

Wex

PART G

Lawson

SECRET

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notify REGISTRY of movement)



PO -CH /NL/0220



PART G

CHANCELLOR'S PAPERS ON
EMPLOYMENT POLICY AND
LABOUR MARKET STATISTICS

Begin: ~~15/11/88~~ 13/9/88

DD: 25 years

Ends: ~~28/11/88~~ (CONTINUED)
9/11/88

13/9/95

PO -CH /NL/0220

PART G

* CST has bilaterals



→ would be grateful if you would agree to do this but chain is very tight.

9/No 10 are holding an emergency meeting* on the Training Commission tomorrow at 11.15 am until 12.00 noon (immediately after the NHS meeting).

Also attending are:

Mr Fowler, Sec S for Scotland, Wales, N. Ireland, Trade;
Mrs Rumbold, Lord President
→ CST.

It would be difficult for you to attend as you are sunning in Homechurch → should depart before 12.00, but we could tell ^{lunch} Homechurch that you may be late.

Do you want to attend or leave it to the CST? *

Julie

I will attend
LW
HM

* Mr Walker's minute behind explains the 'emergency'.
mpw.



CH/EXCHEQUER	
REC.	13 SEP 1988
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PRIME MINISTER

TRAINING COMMISSION

It was only yesterday morning that I saw a copy of the minute sent by the Secretary of State for Employment on 8 September to you. Mr Private Secretary has already made known to yours and to the Employment Secretary's my view that we should not on the strength of the Bournemouth votes move immediately to claw back the functions of the Commission and announce a decision to abolish it. Such a move might be regarded as unnecessarily hasty, if not provocative, by many people, employees and others, including some of our supporters. The risk of our action being misunderstood and misinterpreted seems to me to be at least as great as any arising from continued involvement over the coming weeks of the TUC commissioners in the deliberations of the Commission.

My own assessment, confirmed by what George Wright told me in confidence yesterday morning, is that the unions generally and certainly in Wales will want to co-operate in the running of Employment Training and the decisions taken in Congress will have very limited practical effect. A decision by us to exclude the unions from ET and other schemes would however unite them in opposition to the Government on this matter.

We would obviously need to take stock of the situation in a few weeks' time and if there was clear evidence of attempts by the unions to undermine ET from within we would be on very strong ground in announcing clawback of functions to be followed by abolition. At that time we would also, I imagine, be in a position to describe what we intend to put in place of the Training Commission. A measured response to the Bournemouth decision, and based on collective discussion of the issues and the tactics, would seem to me to be better than an immediate reaction.

I am copying this minute to the Secretaries of State for Employment and for Education and Science, other members of E(A), the Chief Whip and Sir Robin Butler.

H. Clements

13 September 1988

P W

approved by the Secretary of State
and signed in his absence



SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

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

CH/EXCHEQUER	
REC.	13 SEP 1988
ACTION	CST
COPIES TO	
13 September 1988	

✓ 13/9

FUTURE OF THE TRAINING COMMISSION

Thank you for sending me a copy of your minute of 8 September to the Prime Minister. I note your proposals for the Training Commission. I presume that the existing agreement on Ministerial responsibilities for training and employment matters (Ian Lang's letter of 6 January to John Cope refers) will be maintained. This will of course be all the more sensitive given the present state of play over the Scottish Enterprise proposals.

I am copying this letter to the Prime Minister, members of E(A), Kenneth Baker, the Chief Whip and Sir Robin Butler.

MALCOLM RIFKIND

SECRET

FROM: T J BURR
 DATE: 13 September 1988

CHANCELLOR

cc Chief Secretary
 Financial Secretary
 Paymaster General
 Economic Secretary
 Sir P Middleton
 Mr Anson
 Mr Monck
 Mr Burgner
 Mr Kalen
 Ms Young
 Mr Cropper
 Mr Tyrie
 Mr Call

FUTURE OF THE TRAINING COMMISSION

1. I understand that you have today been invited to attend a meeting with the Prime Minister tomorrow morning to discuss Mr Fowler's minute of 8 September, in which he proposes to announce the abolition of the Training Commission.

Background

2. Mr Fowler's minute is of course a response to the TUC's decision at Bournemouth last week to boycott the new Employment Training programme, which was drawn up and would have been administered by the Training Commission. Mr Fowler argues that continued membership of the Training Commission would give the TUC a means of interfering with the successful operation of the programme. He therefore proposes to take back immediately the powers of the Training Commission, and to include provisions abolishing the Commission in next Session's Employment Bill.

3. We understand that, while generally sympathetic to Mr Fowler's line, the Prime Minister wishes to be clearer about the future arrangements for running Training Commission programmes, including ET. She evidently wishes to be sure that

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the matter will be handled in a way which does not prejudice the objective of getting the ^{ET} scheme running smoothly. In addition, the Secretary of State for Wales has minuted today to say that he does not agree with Mr Fowler's proposal. He has received signals from the unions to the effect that they will in practice continue to cooperate in spite of the Bournemouth decision; and Mr Walker believes that the right course is to see how the situation settles down rather than to take what might be seen as precipitate action.

Issues

4. There are therefore two broad issues for discussion:

- (a) whether the Government should now move to abolish the Training Commission; and if so
- (b) what should be said about the successor arrangements.

Discussion

5. On (a), there is admittedly something in Mr Walker's argument that the Government should, in effect, wait to see whether the TUC's bark is worse than its bite. But the Department of Employment's view, in which we see rather more force, is that there would be dangers in delaying a decision. The TUC might indeed continue to play their part in the Training Commission; but they would not in practice be able to bring the unions at local level along with them. Mr Fowler would then be deprived of his main justification for taking them off the Training Commission, while his Department and the staff of the Training Commission were left with the problem of coping with union non-cooperation on the ground. More generally, there is obviously a lot of sense in Mr Fowler's point that it is a nonsense for the TUC to be playing a major part on the body implementing a Government programme to which they are formally opposed. We would therefore recommend you to support Mr Fowler rather than Mr Walker on this point.

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6. As regards (b), the Department envisage that the Training Commission organisation will become an Ibbs-type agency within the Department, as is already proposed for the Employment Service. A possible refinement would be some kind of non-executive board on which employer representatives would serve in an advisory capacity. But the situation is complicated by the 'Enterprise Scotland' proposal which the Prime Minister tentatively endorsed in her speech to the Scottish CBI on 8 September. This would be a private sector arrangement, run by business men, which among other things would take over responsibility for the delivery of Training Commission services in Scotland. The Department of the Employment have also been asked to work up parallel proposals for Training Commission services in England, and have already begun to develop some ideas which Mr Fowler will bring to E(A) in the near future. It would be premature to make any public statement about these details at this stage, but they will obviously colour anything which is said about future arrangements. In particular, Mr Rifkind may argue that Mr Fowler's statement should refer to Scotland in a way which furthers his objective of securing *not only* responsibility for delivery of Training Commission services in Scotland, but also a substantial training policy function.

7. You might say that it is more important for the Government to be able to answer (or at least parry) questions which may be asked about future arrangements, than to volunteer details or start to close options in Mr Fowler's statement. The Government might therefore be prepared to say both that an Ibbs-type agency was one of the options, and that arrangements for Scotland would take account of work on the Enterprise Scotland proposal, but in answer to questions rather than in the statement itself (which might give the impression that thinking was further advanced than is in fact the case).

Conclusion

8. We therefore recommend that:

- (a) you support Mr Fowler's case for an immediate announcement of the intention to abolish the Training Commission;

SECRET

(b) you support him against making the statement unduly prescriptive about the precise nature of the successor arrangements, whether in Scotland or elsewhere.

TJ Burr

T J BURR

COVERING PERSONAL AND CONFIDENTIAL



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Paul Gray Esq
10 Downing Street
LONDON
SW1A 0AA

13 September 1988

Dear Paul,

... I enclose our standard revised brief for unit wage and salary costs and productivity, which are to be issued on Thursday. The figures are personal and confidential until 11.30 am Thursday 15 September.

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

Yours,

Angela

ANGELA WILKINS
Private Secretary

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LABOUR MARKET STATISTICS PRESS NOTICE

NOTES FOR THE PRIME MINISTER

UNIT WAGE AND SALARY COSTS AND PRODUCTIVITY

I enclose revised pages for unit wage and salary costs and productivity in manufacturing industries. The figures are based on the output figures to be released by the CSO at 11.30 am on 14 September 1988. The whole economy unit wage costs and productivity series will be released on 21 September.

These figures are personal and confidential until 11.30 am on Thursday 15 September 1988.

M J JANES
STATISTICS A1
DEPARTMENT OF EMPLOYMENT
13 September 1988

UNIT WAGE AND SALARY COSTS

In the three months ending July 1988, wages and salaries per unit of output in manufacturing industries were 1.1 per cent above the corresponding period a year earlier. This increase was below the rise in average earnings in manufacturing (see Table 10) as there was a rise of about 7 1/4 per cent in productivity over this period (see Table 13).

The series has been rebased this month to 1985 = 100, in common with economic series published by other Government Departments. The national accounts series used in producing unit wage costs for the whole economy have also been rebased to 1985 = 100 and quarterly figures will be available in a press release on 21 September and in the next issue of the Employment Gazette.

Recent figures are:

TABLE 11: WAGES AND SALARIES PER UNIT OF OUTPUT.

----- Manufacturing -----		
	Index 1985= 100	Percentage increase on a year earlier

1986 Q1	104.7	8.2
Q2	104.9	6.6
Q3	104.6	3.8
Q4	103.9	-0.1
1987 Q1	106.2	1.4
Q2	104.6	-0.3
Q3	104.5	-0.1
Q4	105.8	1.8
1988 Q1	106.0	-0.2
Q2	106.9	2.2
1988 Mar	106.9	0.8
Apr	107.7	3.4
May	106.6	2.3
Jun	106.4	0.9
Jul	105.0	0.2
3 months ending		
1988 Mar	106.0	-0.2
Apr	106.9	1.7
May	107.1	2.1
Jun	106.9	2.2
Jul	106.0	1.1

1. Alex
The point we discussed with Ch.
2. PWP

pretty impressive
virtually no increase at all since beginning of 1986.
(productivity figures below)
Right? Show for small suspect.

PRODUCTIVITY

Manufacturing output per head in the three months to July was 2.6 per cent higher than in the three months ending April and 7.2 per cent higher than in the same period a year earlier.

The series has been rebased this month to 1985 = 100, in common with economic series published by other Government Departments. The national accounts series used in producing productivity figures for the whole economy have also been rebased to 1985 = 100 and will be available in a press release on 21 September and in the next issue of the Employment Gazette.

Recent figures are:

TABLE 13: OUTPUT PER HEAD seasonally adjusted

		Manufacturing	
		Index 1985 = 100	Percentage increase on a year earlier
1986	Q1	100.0	-0.2
	Q2	101.8	0.9
	Q3	103.4	3.3
	Q4	106.8	8.1
1987	Q1	106.2	6.2
	Q2	109.9	8.0
	Q3	112.3	8.6
	Q4	113.5	6.3
1988	Q1	115.1	8.4
	Q2	116.9	6.4
1988	Mar	115.4	8.2
	Apr	116.2	5.7
	May	117.1	6.4
	Jun	117.4	7.1
	Jul	120.4	8.0
3 months ending			
1988	Mar	115.1	8.4
	Apr	115.3	6.6
	May	116.2	6.7
	Jun	116.9	6.4
	Jul	118.3	7.2

CH/EXCHEQUER	
REC.	14 SEP 1988
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SCOTTISH OFFICE

Please note - The attached signed version of my Sec S's letter of 13/9/88 should replace the unsigned version circulated yesterday.

MP

WITH THE COMPLIMENTS
OF THE
PRIVATE SECRETARY

The signed letter arrived from Scotland this morning

M/S Jones
14/9/88.

Scottish Office,
Dover House,
Whitehall,
London SW1A 2AU.
01-270 6740



SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

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

13 September 1988

Dear Norman,

FUTURE OF THE TRAINING COMMISSION

Thank you for sending me a copy of your minute of 8 September to the Prime Minister. I note your proposals for the Training Commission. I presume that the existing agreement on Ministerial responsibilities for training and employment matters (Ian Lang's letter of 6 January to John Cope refers) will be maintained. This will of course be all the more sensitive given the present state of play over the Scottish Enterprise proposals.

I am copying this letter to the Prime Minister, members of E(A), Kenneth Baker, the Chief Whip and Sir Robin Butler.

Yours ever,

MALCOLM RIFKIND

(Mr Fowler
restate
his position)

SECRET



CH/EXCHEQUER	
REC.	13SEP1988
AUTHOR	CST ✓ 13/9
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PRIME MINISTER

THE FUTURE OF THE TRAINING COMMISSION

My minute to you of 8 September described the consequences for the Training Commission of the TUC's decision last week to withdraw support from Employment Training and institute a campaign of opposition to the programme. I attach extracts from the relevant TUC motions.

My overriding concern is to safeguard the operation of our training programmes. That is why I believe it is essential to move quickly to end the uncertainty created by the TUC's decision.

The TUC Commissioners are responsible (along with the other members of the Commission) for the successful operation of Employment Training, which is by far the largest of the Commission's programmes. As a result of last week's decision they are now also committed to "a policy of non-cooperation". This is a wholly unacceptable position and the Commission is clearly no longer viable as a tripartite body.

As I explained in my minute of 8 September, I cannot remove the TUC Commissioners and any change in the Commission's status or composition requires primary legislation. We cannot put the management of our training programmes at risk for the length of time it will take for legislation to come into effect. The only way to bring an early end to the TUC's involvement in the Training Commission is for me to use my powers to take back the Commission's functions. The legislation allows me to do this without notice and without consultation.

Furthermore, I believe it is essential to take this step as soon as possible because the TUC will not hesitate to use the series of Commission meetings which are due to take place over the next few weeks - the first of them on Friday of this week - to try to embarrass the Government and obscure the clear cut decision reached at Congress last week.



Since my minute of 8 September, there have been a number of further developments which have strengthened me in the view that I should make an early announcement. Yesterday, I was telephoned by the General Secretary of the TUC. He was clearly concerned about the position in which the TUC now finds itself but he did not attempt to disguise the seriousness of what had happened at Congress last week and freely admitted that he could give me no assurances that the decision to oppose Employment Training would be reversed. It was significant that he did not ask me to meet representatives of the General Council or even suggest that such a meeting would be useful at some future date.

I have today met with the President and Director General of the CBI together with one of the CBI Commissioners. They will support any proposal which we may decide on to abolish the Commission. Their belief is that the present structure has had its day and that there is a major opportunity to create a much better local organisation to replace the Commission's Area Manpower Boards. In short, they are enthusiastic for change.

I should therefore be grateful for your agreement to my making an immediate announcement on the lines of the attached draft. The Lord President has indicated in his minute of 12 September that he is content for me to include in my Bill for the coming session the five or so clauses needed to provide for the Commission's abolition. I propose to write to the Chairman of the Training Commission informing him of our decision and asking him to take immediate steps to disband the Commission's advisory bodies at national, regional and local level, including the Commission's Scottish and Welsh Committees. I intend to set up successor advisory bodies as necessary in key areas, such as TVEI.



The announcement that I am taking back the Commission's functions will not close any options for the future. Later this month, E(A) is due to discuss my proposals for developing arrangements for delivery of training and enterprise programmes through local employer-led organisations throughout Great Britain and a paper from the Secretary of State for Scotland on the future of training and enterprise in Scotland. That meeting will provide an opportunity to discuss future training arrangements as a whole.

I am sure that it is essential to maintain the integrity of our training policies and programmes on a Great Britain basis while maintaining the existing agreement on Ministerial responsibilities for training and employment matters in Scotland and Wales. As regards the future management of our training programmes at national level, there is, I believe, a great deal to be said for developing the functions now grouped under the Training Commission as an Ibbs-style agency. I also believe that it will be desirable to establish some advisory machinery at national level and that this should consist predominantly of employers. I shall circulate my detailed proposals as soon as possible.

I am sending copies of this minute to the members of E(A), the Secretary of State for Education and Science, the Chief Whip and Sir Robin Butler.

NF

13th September 1988



EXTRACTS FROM MOTIONS APPROVED BY THE TUC CONGRESS ON 7 SEPTEMBER 1988

First Motion

"Congress therefore instructs the General Council to withdraw its support from Employment Training For the longer term, the TUC should join with others in pressing the Government to assist in the full training provision which meet these criteria in place of the discredited Employment Training scheme."

Second Motion

"Congress notes that the Government has failed to give assurances sufficient to meet any of the principles laid down by the General Council as necessary for endorsement of the new adult training programme, Employment Training.

It instructs the General Council to withdraw support forthwith and institute a policy of non-cooperation.

Congress recognises, however, that the policy of non-cooperation needs to be more sophisticated than a blanket boycott. The new scheme will swallow up the existing Community Programme on which many thousands of trade union members are employed and there will be considerable implications for colleges, skillcentres and many voluntary organisations.

Congress also recognises that some employers running major CP schemes may claim that in these circumstances redundancies are unavoidable. Where this is genuinely the case trade unions should enter into negotiations with the aim of reaching agreement that the scheme will be phased out over a period of not more than two years. Congress accepts that this will mean temporary involvement in ET while the project is run down and staff deployed."

DRAFT STATEMENT BY THE SECRETARY OF STATE FOR EMPLOYMENT

THE TUC AND THE TRAINING COMMISSION

In Bournemouth last week the Trades Union Congress declared its outright opposition to Employment Training. The TUC passed two motions. The first motion "instructs the General Council to withdraw its support from Employment Training". The second motion "instructs the General Council to withdraw support forthwith and institute a policy of non-cooperation". The second motion is qualified only by the recognition that where withdrawal from existing Community Programme schemes would cause redundancies "trade unions should enter into negotiations with the aim of reaching agreement that the scheme will be phased out over a period of not more than two years".

I have already made it clear that Employment Training will go ahead as planned. This is essential if we are to provide training opportunities to help long-term unemployed people back into work. I very much hope that the individual trade unions which have supported Employment Training from the outset will continue to play a part in the programme and that many individual trade unionists will continue to support the efforts we are making through this programme to help unemployed people back into work. The Government welcomes their co-operation in Employment Training.

However, the TUC's decision to boycott Employment Training has created a new situation and, in particular, has inescapable consequences for the future of the Training Commission.

Employment Training is by far the largest of the Commission's programmes - much larger than YTS or the Community Programme. The TUC representatives on the Commission helped to design Employment Training and together with the other Commissioners they are responsible for ensuring the successful operation of the programme.

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It is clearly unacceptable for Commissioners representing an organisation which is committed to opposing Employment Training to continue to sit on the Commission which is responsible for running that programme. The TUC's decision to boycott Employment Training has destroyed the tripartite basis of the Commission.

Under the legislation which established the Commission I do not have the power to remove the TUC Commissioners. The only way in which I can bring the TUC's involvement in the Commission to an end is to introduce legislation to abolish the Commission and make whatever statutory provision is necessary for alternative arrangements.

However, it would be six to nine months before such legislation could come into effect. To leave the Commission in charge of Employment Training until then with the three TUC Commissioners committed to "a policy of non-co-operation" would clearly expose the programme to serious damage.

I believe it is essential to end the uncertainty created by last week's decision by the TUC. The first priority must be to safeguard the training and education programmes, including Employment Training and YTS. We need to reassure the staff who are responsible for delivering these programmes, the organisations which are providing training places for them and above all the hundreds of thousands of trainees who want to benefit from them.

I have therefore decided as a first step to take back all the functions which the Commission has been exercising on my behalf, including Employment Training, YTS, TVEI and NAFE. These functions are being transferred to a new executive agency within the Employment Department Group with effect from today.

The transfer of functions from the Commission to the Employment Department will not affect the day to day work of the staff who are involved in carrying them out. I would like to take this opportunity to thank them for all that they have done to deliver the Commission's programmes so effectively and to emphasise my commitment to these programmes and their continued success.

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The Commission itself will retain responsibility only for those functions which are specifically assigned to it by statute. These functions concern principally the approval of Industrial Training Board levy proposals. I propose to introduce legislation at the earliest opportunity to abolish the Training Commission. I have written to the Chairman of the Training Commission to inform him of my decision and the action I am taking.

The Government will now want to consider further what longer term training arrangements there should be. However, I am clear that the arrangements which succeed the Training Commission will need to ensure that existing training programmes can be delivered successfully. I shall also want to secure the effective involvement of employers and other organisations - such as voluntary organisations, local authorities and individual trade unions - which wish to play a constructive role in the delivery of these programmes.

I must make it clear that the need to make these changes has arisen solely because of the TUC's decision to boycott the Training Commission's largest programme. However, we now have an opportunity to create new and better arrangements to ensure the successful operation of our training programmes and to reflect the high priority the Government attaches to them.

People are our most important national resource and nothing is more central to sustaining our economic growth than ensuring that they have the skills to do today's and tomorrow's jobs. That is why I attach the highest priority to improving our national training effort and why it is so important that we establish new training arrangements which will guarantee the delivery of our programmes and in particular ensure that training opportunities are available to unemployed people.

SECRET

PERSONAL AND CONFIDENTIAL
 until 11.30am on Thursday 15 September
 thereafter CONFIDENTIAL

FROM: P L PATTERSON
 DATE: 14 September 1988

Tim Hibberd
 14/8

1. MR HIBBERD cc Chief Secretary
 Financial Secretary
 2. CHANCELLOR (+ 1 for No.10) Paymaster General Mr Burr
 Economic Secretary Mr Gieve
 Sir P Middleton Mr Meyrick
 Sir T Burns Mr Pickford
 Mr Monck Mr Bush
 Mr Scholar Mr Darlington
 Mr Burgner Mr Dyer
 Mr Odling-Smee Mr Hudson
 Mr Peretz Mr O'Brien
 Mr Sedgwick Mr Cropper
 Mr Tyrie
 Mr Call
 HB/001

COMBINED RELEASE OF LABOUR MARKET STATISTICS ON 15 SEPTEMBER

Summary Statistics (seasonally adjusted GB unless otherwise stated)

	Thousands	Level	Change on previous period	Change on previous year
<u>Unemployment</u> (UK) August				
Total (excl. school leavers)		2,267	-45	-559
Total (not seasonally adjusted: 'Headline Total')		2,291	-36	-575
<u>Vacancies</u> (UK) August		241	- 8	+ 4
<u>Workforce in employment</u> 1988Q1		25,136	+117	+617
<u>Manufacturing employees</u> July		5,003	- 4	-45

Percentage change
on previous year

Index of average earnings, July

Whole economy, underlying (actual)	9 (8.3)
Manufacturing, underlying (actual)	9 (8.2)
Service industries, underlying (actual)	9 (8.2)

Wage and salary costs per unit of output

Whole economy, 1988Q1	- *
Manufacturing, 3 months to July	1.1

Output per head

Whole economy, 1988Q1	- *
Manufacturing, 3 months to July	7.2

* no quarterly figures, on a rebased 1985=100 series, are available for whole economy output per head and unit wage costs until the publication of the GDP press notice on 21 September.

ASSESSMENT AND COMMENT

2. This month's figures provide further evidence of the strength of the economy, with another substantial fall in unemployment, continued high overtime working in manufacturing, and a rise in the rate of whole economy underlying earnings growth.

3. Most of the fall in unemployment reflects the recent rapid growth in demand and output. The downward trend is usually approximated by the average monthly fall over the previous six months, which has been around 40-45 thousand since March. Although the stock of vacancies fell back in August, for the second month running, it seems unlikely that this reflects a weakening in labour market activity. Given the greater priority that Jobcentre staff are giving to the needs of the long term unemployed, the fall in vacancies probably reflects a loss of market share by Jobcentres for certain types of vacancy, particularly temporary and part-time vacancies.

4. The underlying increase in whole economy average earnings in the year to July has risen to 9 per cent, against a widespread City expectation of $8\frac{1}{2}$ per cent. The figure for June has now been revised up from $8\frac{1}{2}$ to $8\frac{3}{4}$ per cent. As well as the full effect of the nurse's pay settlement, the July underlying figure also includes some large bonus payments in both manufacturing and services sectors during a month which traditionally has few such payments.

[NOT FOR USE:

5. Overtime working remains higher than a year ago and may now be contributing about $\frac{1}{4}$ per cent to faster earnings growth over the past year. DE estimate that settlements in the year to July have contributed nearly 0.7 percentage points of the increase in whole economy underlying earnings growth from $7\frac{3}{4}$ to 9 per cent over this period.

6. There are usually no significant bonus payments in August, and thus little scope for downward influence from this source. There are few large settlements in the summer months, but in September the police settlement of $8\frac{1}{2}$ per cent will attract some attention. As the whole economy underlying earnings figure in July has been rounded down to 9 per cent, DE see the risk of earnings increasing by $9\frac{1}{4}$ per cent in August and the same or even more in September.]

THE FIGURES IN DETAIL

Unemployment

7. Seasonally-adjusted adult unemployment (excluding school leavers) fell by 45,000 between July and August to 2.267 million (8.0 per cent of the workforce). The fall over the last six months has averaged 44,000 a month.

8. The 'headline' total fell by 36,000 to 2.291 million, 8.1 per cent of the workforce.

9. The stock of vacancies at Jobcentres (seasonally adjusted) fell by 8,000 between July and August to 241,000.

10. Points of interest:

(a) Seasonally adjusted total at lowest level for over 7 years (since May 1981).

(b) Seasonally adjusted total has fallen for twenty-five months in succession since July 1986, by 943 thousand in total. This is the longest period of continuous decline in unemployment since the War.

(c) Fallen by 559,000 over past year.

(d) Fall in 'headline' total of 575,000 compared with year ago.

(e) School leaver unemployment, at 36,000 claimants in August, was 20,000 (or 36 per cent) lower than a year ago; down by over two-thirds in last 5 years (August 1983: 112,000).

(f) Unemployment continues to fall in all regions. Over the past twelve months unemployment rates have fallen faster than average in the West Midlands, the North West, Wales and the North, but there have been significant falls in all regions, including Northern Ireland.

(g) UK unemployment rate fallen more in past year than in any other major industrialised country. Latest figures (national definitions) show fall in UK rate of 2.1 percentage points over past year, compared with falls of 0.5 in US and Japan, and no change in Germany and France. UK unemployment rate

lower than EC average. [Note however that the UK unemployment rate is still well above the total OECD and major 7 averages, reflecting lower unemployment in the three largest countries- US, Japan and Germany.]

(h) Figures for long-term unemployment in July were published on 23 August, and showed a total of 948,000 claimants unemployed for more than a year, below a million for the first time in more than 5 years. The falls of 81,000 in the quarter since April and of 290,000 in the year since July 1987 are both records.

(i) The headline total in September will be affected by the change in regulations which makes claimants aged under 18 ineligible for benefit. Virtually no school leavers will have joined the count in September, the traditional month of entry. The seasonal rise in the adult count in September will probably be insufficient to offset the current downward trend, and a fall in the headline total is likely. By the time of the October count, most of the remaining claimants aged under 18 (ie those who left school before this summer) will also be ineligible for benefit and therefore excluded from the count. The total effect on the headline total by October (figures published on November 17) might be up to 90,000. There will be consequential effects on the seasonally adjusted series, involving a reduction of around 40,000 from October. [NOT FOR USE: DE will publish a long back run of unemployment on the revised definitions with the October unemployment numbers. This new '18-and-over-unemployed' statistic will then be the main seasonally adjusted series and some of the familiar briefing lines may need to be amended.]

Employment

11. The number of employees in employment in manufacturing industries is estimated to have fallen by 4,000 in July, in line with the average rate of decline over the past year. It remains the view that the downward trend in the number of manufacturing jobs has levelled off. There are no new figures for the whole economy workforce in employment this month but there have been slight revisions to earlier figures, bringing the increase in the five years since March 1983 to 2,139,000.

Other features

12. The provisional estimate of the underlying increase in whole economy average earnings in the year to July stands at 9 per cent, up a quarter of a point from the June figure of $8\frac{3}{4}$ per cent, which itself has been revised up from $8\frac{1}{2}$ per

PERSONAL AND CONFIDENTIAL
until 11.30am on Thursday 15 September
thereafter CONFIDENTIAL

cent. In the manufacturing sector, the increase in underlying earnings in July is unchanged from the June figure of 9 per cent, while in the services sector the July figure is also 9 per cent, a rise of $\frac{1}{4}$ percentage point from the revised June figure. The July figures for underlying earnings now include the full effect of the 1988 nurses' pay award including the regrading increases (a total addition to the wage bill of 15.3 per cent, as costed by the pay review board), even though only a 4 per cent increase has been paid so far. In addition there were a number of bonus payments made in July which were made in other months in 1987, and have therefore pushed up the underlying increase.

13. The level of overtime working in manufacturing remains high at 13.74 million hours a week in July, close to the average level in the first half of 1988.

14. In manufacturing, output per head in the three months to July was over 7 per cent higher than a year earlier, and unit wage and salary costs rose by just over $1\frac{1}{2}$ per cent. These figures reflect rebasing and other upward revisions to the series for manufacturing output which were published today (Wednesday 14 September). The effect has generally been to revise up the figures for manufacturing productivity, and consequently to lower unit wage cost growth, in 1987 and 1988. Unit wage and salary costs are now estimated to have grown by only $\frac{3}{4}$ per cent in 1987 as a whole.

MANUFACTURING: Percentage increases on year earlier

	Average earnings	Output per head	Unit wage and salary costs
1987	8.1	7.3	0.8
1987 Q1	7.8	6.2	1.4
Q2	7.7	8.0	-0.3
Q3	8.5	8.6	-0.1
Q4	8.3	6.3	1.8
1988 Q1	8.1	8.4	-0.2
Q2	8.7	6.4	2.2
3 months to July	8.4	7.2	1.1

Line to take:

- Further evidence of strong economic performance, and continuation of favourable trend in unemployment.

- Recent rise in earnings growth mainly reflects nurse's pay settlement as well as performance-related factors such as overtime and bonus payments, especially in manufacturing, which are largely offset by growth in productivity.

Peter Patterson

PETER PATTERSON



SECRET

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

CH/EXCHEQUER	
REC.	14 SEP 1988
ACTION	MR BURR ✓ 14/9
COPIES TO	CST
	SIR P MIDDLETON
	MR ANSON
	MR MONCK
	MR BURGNER
	MR CROPPER

14 September 1988

Dear Nick,

THE FUTURE OF THE TRAINING COMMISSION

The Prime Minister held a meeting this morning to discuss your Secretary of State's minute of 13 September and the earlier papers on this issue. Those present were the Chancellor of the Exchequer, the Secretaries of State for Wales, Employment, Northern Ireland, Trade and Industry, Education and Science, Scotland and the Lord President, Sir Robin Butler and Mr. Richard Wilson (Cabinet Office), and Mr. Peter Stredder (Policy Unit, No. 10).

I should be grateful if you and copy recipients could ensure that this letter is seen only by those with an operational need to know.

Your Secretary of State said he had concluded that early action was essential following the votes passed at the Trades Unions Congress meeting in Bournemouth. The motions had been condemned by virtually every newspaper. And they involved a clear reversal of the position taken earlier by the trade union members of the Training Commission, who had supported the establishment of the Employment Training programme.

As a result your Secretary of State believed the credibility of the Training Commission had been destroyed. And the difficulties of trying to manage Employment Training within the existing machinery also extended to the 58 Area Manpower Boards, of which about one-third were chaired by TUC representatives, and where two-thirds of the representation was accounted for by the trades unions and local authorities. Advice from officials was that there was no realistic prospect of being able satisfactorily to manage the implementation of Employment Training on this basis.

Continuing, your Secretary of State said that he had informally discussed the position with leaders of the CBI and Chambers of Commerce and he understood that they would support the action he had in mind. Coupled with the inability of TUC leaders to give any guarantees about union co-operation, these exchanges had reinforced his view that he should take early action both to announce legislation in the next Session to

SECRET

abolish the Training Commission and action in the meantime to take the training functions back from the Commission into the Department of Employment, possibly on an agency basis. As to the precise timing of action, he strongly believed there should be no delay and proposed a statement on either 14 or 15 September. Not to act quickly would be interpreted as a sign of Government weakness and would hand over the initiative to the TUC; and it was important to have acted before the first of the Training Commission meetings scheduled for 16 September.

In discussion the following main points were made:

i. Although there were strong arguments for immediate action, it would be desirable to avoid steps which would discourage those trades unions and individual trade unionists who wanted to co-operate with the Employment Training programme from doing so. A possible alternative approach would therefore be to give warnings to the trades unions that, unless full co-operation was forthcoming within two weeks, the Government would have no option but to take responsibility for training back into the Department of Employment. On the other hand, it was argued that any adverse effects on the willingness of trade unionists to co-operate with the programme could be readily avoided if an immediate statement made clear the Government's hope that those genuinely interested in training would support it. The position would be further helped if the statement made clear that a White Paper would be issued shortly spelling out ways in which those who wanted to support Employment Training could assist.

ii. It had to be borne in mind that the Training Commission had responsibility for a substantial amount of education (as distinct from training) expenditure, such as on TVEI and NAFE. It would therefore be important for the Department of Education and Science to be closely involved in the preparatory work on the White Paper. There was also a grant which had traditionally been paid to the TUC to assist with the training of trades union officials, which in the past had been the responsibility of DES Ministers. There was a strong case for bringing this grant to an end, and it was agreed that this point needed to be taken into account in further work, with the responsibility being transferred to Department of Employment Ministers. It would, however, be preferable to avoid making any announcement about the future of this grant to the TUC at the same time as the main statement on the future of the Training Commission.

iii. The Business Managers had accepted that provisions could be added to the Employment Bill in the next Session to provide for the abolition of the Training Commission as long as this could be achieved via an extra five clauses or so.

iv. A statement about the future of the Training Commission would inevitably call into question the

Government's attitude towards future arrangements for other tripartite bodies such as the Health and Safety Executive and the National Economic Development Council. It was agreed that, if this point was raised, it should be stressed that action on the Training Commission was being taken in response to the specific actions of the TUC in relation to Employment Training; there were no implications for other tripartite bodies.

v. If an early statement was made, it would be for consideration later whether a statement would need to be made to Parliament when it reconvened.

Summing up the discussion, the Prime Minister said it was agreed that your Secretary of State should make a statement tomorrow, 15 September, along the lines he proposed. Colleagues had offered a number of detailed comments on the draft attached to your Secretary of State's minute of 13 September, and it would be important to ensure the statement was as positive as possible, stressing the hope that individual trades unions and unionists would continue to co-operate with the programme. Your Secretary of State should also make clear that he was making the statement on behalf of the Secretaries of State for Wales and Scotland, and that they would continue to share the Ministerial responsibility for the training programme.

I am sending copies of this letter to the Private Secretaries of the Ministers attending the meeting, to the others present, and to Private Secretaries of other members of E(A).

Yan,
Paul

PAUL GRAY

Nicholas Wilson, Esq.,



✓ 15/9

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MP

Paul Gray Esq
10 Downing Street
LONDON
SW1

15 September 1988

Dear Paul

...I am enclosing a copy of the Statement which my Secretary of State is making at 3:00 pm this afternoon.

Copies go the Private Secretaries to members of the Cabinet, Murdo Maclean (Chief Whip's Office) and Trevor Woolley (Sir Robin Butler's Office).

NICK WILSON
Principal Private Secretary

STATEMENT BY THE SECRETARY OF STATE FOR EMPLOYMENT

THE TUC AND THE TRAINING COMMISSION

In Bournemouth last week the Trades Union Congress declared its outright opposition to Employment Training. The TUC passed two motions. The first motion "instructs the General Council to withdraw its support from Employment Training". The second motion "instructs the General Council to withdraw support forthwith and institute a policy of non-cooperation". The second motion is qualified only by the recognition that where withdrawal from existing Community Programme schemes would cause redundancies "trade unions should enter into negotiations with the aim of reaching agreement that the scheme will be phased out over a period of not more than two years".

My overriding concern is to safeguard the operation of our training programmes. Employment Training is designed to provide training opportunities to help long-term unemployed people back into work. I very much hope that individual trade unions will continue to play a part in the programme and that individual trade unionists will continue to support the efforts we are making through this programme to help unemployed people back into work. The Government welcomes their co-operation in Employment Training.

However, the TUC's instruction to withdraw support from Employment Training and to institute a policy of non-cooperation has created a new situation and has inescapable consequences for the future of the Training Commission. The TUC Commissioners are responsible - along with the other members of the Commission - for the successful operation of Employment Training, which is by far the largest of the Commission's programmes. It is clearly not possible for Commissioners representing an organisation which is committed to opposing Employment Training to continue to sit on the Commission which is responsible for running that programme.

I intend to introduce new arrangements for delivering our training programmes, including at local level, which will be set out in a White Paper to be published this Autumn. I must however take immediate action to remove the TUC's responsibility for a programme which they are now instructed to oppose. We need to safeguard the training and education programmes, including Employment Training and YTS. We also need to reassure the staff who are responsible for delivering these programmes, the organisations which are providing training places for them and above all the hundreds of thousands of trainees who want to benefit from them.

Under the legislation which governs the Training Commission, any change in the Commission's status or composition requires primary legislation. The only way to bring an early end to the TUC's involvement in the Training Commission is for me to use my powers to take back the Commission's functions.

I have therefore decided, in consultation with the Secretaries of State for Scotland and Wales, as a first step to take back all the functions which the Commission has been exercising on my behalf, including Employment Training, YTS, TVEI and work-related NAFE. These functions are being transferred to a new executive agency within the Employment Department Group with effect from today. The existing arrangements for Ministerial responsibilities for training in Scotland and Wales will continue. It will also be necessary to reconstitute advisory committees to succeed those appointed by the Commission. The Area Manpower Boards will be disbanded and the Government will bring forward proposals for new local training arrangements in my Autumn White Paper.

The transfer of functions from the Commission to the Employment Department will not affect the day to day work of the staff who are involved in carrying them out. I would like to take this opportunity to thank them for all that they have done to deliver the Commission's programmes so effectively and to emphasise my commitment to these programmes and their continued success.

The Commission itself will retain responsibility only for those functions which are specifically assigned to it by statute. These functions concern principally the approval of Industrial Training Board levy proposals. I propose to introduce legislation at the earliest opportunity to abolish the Training Commission. I have written to the Chairman of the Training Commission to inform him of my decision and the action I am taking.

The Government will now want to consider further what longer term training arrangements there should be. We now have an opportunity to create new and better arrangements to ensure the successful operation of our training programmes and to reflect the high priority the Government attaches to them.

The arrangements which succeed the Training Commission will need to ensure that existing training and education programmes can be delivered successfully. I shall want to secure the effective involvement of employers and other organisations - such as voluntary organisations, local authorities and their schools and colleges, and individual trade unions - which wish to play a constructive role in the delivery of these programmes. This will be a key feature of the White Paper.

People are our most important national resource and nothing is more central to sustaining our economic growth than ensuring that they have the skills to do today's and tomorrow's jobs. That is why I attach the highest priority to improving our national training effort and why it is so important that we establish new training arrangements which will guarantee the delivery of our programmes and in particular ensure that training opportunities are available to unemployed people.

CONFIDENTIAL

Ch/ The Fowler statement, as promised.
 I passed on to Fowler's office
 one comment from officials here -
 they were nervous about explicit
 reference to 'agency' at x on p2,
 feeling it prejudged question of
 status of new unit in DE, whether
 lbs-style or not.

205/88

September 15th, 1988

STATEMENT BY THE SECRETARY OF STATE FOR EMPLOYMENT

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Under the legislation which governs the Training Commission, any change in the Commission's status or composition requires primary legislation. The only way to bring an early end to the TUC's involvement in the Training Commission is for me to use my powers to take back the Commission's functions.

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chex.nh/mw/29

UNCLASSIFIED

MP



FROM: MISS M P WALLACE
DATE: 15 September 1988

MR PATTERSON

cc Mr Hibberd

COMBINED RELEASE OF LABOUR MARKET STATISTICS ON 15 SEPTEMBER

The Chancellor was most grateful for your minute of 14 September.

mpw.

MOIRA WALLACE

COVERING PERSONAL AND CONFIDENTIAL



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Paul Gray Esq
10 Downing Street
LONDON
SW1A 2AA

20 September 1988

Dear Paul

LABOUR MARKET STATISTICS

... I enclose revised pages for unit wage and salary costs and productivity for the whole economy, which are to be issued on Wednesday. The figures are personal and confidential until 11.30 am Wednesday 21 September.

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

Yours sincerely
W2 Smith
for

ANGELA WILKINS
Private Secretary

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LABOUR MARKET STATISTICS PRESS NOTICE

NOTES FOR THE PRIME MINISTER

UNIT WAGE AND SALARY COSTS AND PRODUCTIVITY

I enclose revised pages for unit wage and salary costs and productivity for the whole economy. The figures are based on the GDP(0) figures to be released by the CSO at 11.30 am on 21 September 1988.

These figures are personal and confidential until 11.30 am on Wednesday 21 September 1988.

M J JANES
STATISTICS A1
DEPARTMENT OF EMPLOYMENT
20 September 1988

UNIT WAGE AND SALARY COSTS

In the first quarter of 1988 wages and salaries per unit of output in the whole economy were 4.7 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 4 per cent in productivity over this period.

The series has been rebased this month to 1985 = 100, in common with economic series published by other Government Departments.

Recent figures are:

TABLE 11: WAGES AND SALARIES PER UNIT OF OUTPUT.

Whole economy		

	Index 1985= 100	Percentage increase on a year earlier

1984 Q1	92.2	2.8
Q2	94.0	4.0
Q3	95.5	5.2
Q4	97.9	6.8
1985 Q1	98.1	6.4
Q2	98.6	4.9
Q3	101.0	5.8
Q4	102.3	4.5
1986 Q1	104.1	6.1
Q2	105.2	6.7
Q3	105.7	4.7
Q4	107.0	4.6
1987 Q1	108.4	4.1
Q2	109.8	4.4
Q3	110.1	4.2
Q4	112.3	5.0
1988 Q1	113.5	4.7

PRODUCTIVITY

Output per head in the whole economy in the first quarter of 1988 was 0.9 per cent higher than in the fourth quarter of 1987 and 4.1 per cent higher than in the same quarter a year earlier.

The series has been rebased this month to 1985 = 100, in common with economic series published by other Government Departments.

Recent figures are:

TABLE 13: OUTPUT PER HEAD seasonally adjusted

		Whole economy	
		Index 1985 = 100	Percentage increase on a year earlier
1984	Q1	98.5	2.6
	Q2	97.8	1.3
	Q3	97.7	0.2
	Q4	98.0	-0.1
1985	Q1	99.2	0.7
	Q2	100.4	2.7
	Q3	100.1	2.5
	Q4	100.3	2.3
1986	Q1	100.8	1.6
	Q2	101.8	1.4
	Q3	102.9	2.8
	Q4	103.5	3.2
1987	Q1	103.5	2.7
	Q2	104.5	2.7
	Q3	106.3	3.3
	Q4	106.7	3.1
1988	Q1	107.7	4.1



Pinf

C.

NEW EARNINGS SURVEY

Diana Scammell rang to say that the New Earnings Survey, due to be published tomorrow, has been held up at the printers. DE were planning to issue a press release giving the key figures instead. However, they include a revised figure of 9.7 per cent for whole economy average earnings growth for the year to April⁸⁸ (revised data etc). Mr Fowler has held the press release up to consider presentation.

Do you wish to intervene? I think the line for IDT could be that this fits with existing evidence of very rapid growth; that the necessary action has been taken; and that the growth in earnings needs to slow down. As for presentation, it might be best to go ahead, in a low key way - revisions to data etc.

* Suspect Mr Gove's views, agree m.



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The Rt Hon The Lord Mackay of Clashfern
Lord Chancellor
House of Lords
London
SW1A 0PW

September 21

YTS IN THE CIVIL SERVICE

You will have seen my minute to the Prime Minister about YTS in the Civil Service welcoming the positive approach shown by all colleagues. I said I would write separately to one or two colleagues who, like yourself, raised particular points.

I have been looking again at your letter of 18 March about the introduction of YTS to your Department. I am very pleased to see that you are progressing towards the possible recruitment of trainees in your headquarters offices and the use of external work experience providers.

You mention a few potential difficulties which could affect the feasibility of operating your scheme. I am sure these problems can be overcome, as they have in other Departments.

You ask how the recruitment of YTS trainees is reconciled with the Civil Service Commission's regulations and the requirement of fair and open competition. As you know, YTS trainees can have either employed or non-employed status. The Commission's requirements do not apply to the appointment of non-employed trainees because they are not civil servants. Employed trainees, on the other hand, are treated as they would be if they were not on YTS and must either satisfy the usual academic entry requirements, pass a short answer test or have previous relevant work experience.



Departments considering YTS have the option of running a scheme solely for non-employed trainees. Indeed, the vast majority of YTS trainees on Civil Service schemes are non-employed and if the Civil Service is to reach out to people who do not meet the current entry requirements for permanent jobs we will need to continue to recruit the overwhelming majority of our YTS trainees on a non-employed basis.

You ask also about using the existing staff appraisal system as a means of monitoring the progress of YTS trainees. Standard staff appraisal forms are designed to assess performance in every aspect of the job in relation to standards for the grade. However, a YTS trainee is not intended to do a full job, rather the trainee will carry out tasks as part of work experince and cannot, therefore, be assessed in the same way as a non-YTS post holder. A competence-based approach is, therefore, more suitable to assessing progress of YTS trainees.

I hope these comments are helpful and that you can progress quickly towards introducing YTS to your Department. I am copying this letter to the Prime Minister, other members of the Cabinet, Richard Luce and Sir Robin Butler.

NORMAN FOWLER



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CH/EXCHEQUER	
REC.	22 SEP 1988
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The Rt Hon Sir Geoffrey Howe QC MP
 Secretary of State for Foreign
 and Commonwealth Affairs
 Foreign and Commonwealth Office
 Downing Street
 LONDON SW1A 2AL

September 21.

Dear Geoffrey.

YTS IN THE CIVIL SERVICE

Thank you for your letter of 14 April about progress on the introduction of YTS to your Department. I have since seen David Young's letter to you of 5 May and your reply. You will have seen my minute to the Prime Minister about progress generally.

I understand your concern over the requirement that Foreign and Commonwealth Office (Diplomatic Wing) staff should be positively vetted, but I feel that there must still be scope within your Department for the introduction of a YTS scheme even if the numbers are small.

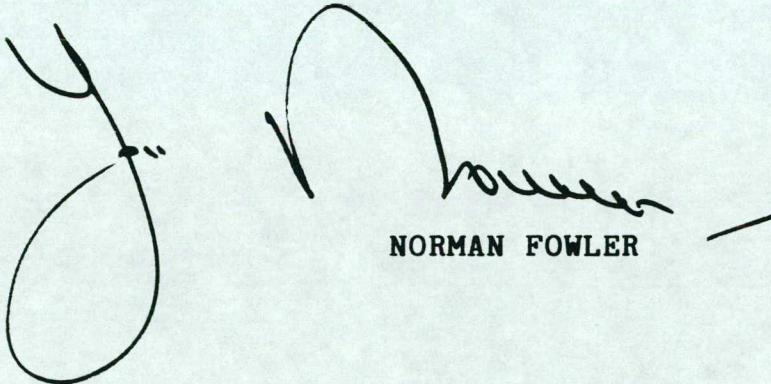
All Government Departments put management effort into filling vacancies for permanent staff, but a concentrated effort on YTS projects can bring wider benefits. As David Young pointed out, YTS can make a useful contribution to longer term recruitment, as successful YTS trainees should be given the opportunity to qualify for entrance to the Administrative Assistant grade of the Civil Service. YTS allows us to tap a source of potential employees whom our normal requirement efforts often disregard, by providing a quality training and work experience programme to young people who may not have the minimum entry requirements for normal clerical recruitment.

You suggest that one means of reducing the administrative burden of the YTS scheme would be for the off-the-job training.



element for Whitehall schemes to be organised centrally. Some Government Departments currently running YTS schemes have adopted the practice of using outside training providers for the off-the-job element of their schemes and this has proved satisfactory. In addition, joint schemes between Departments are developing. The Department of Energy has made an agreement with the DTI whereby DTI act as Managing Agents on their behalf, and I see that you are considering DTI's offer of discussions as to whether there is scope for them to act as a Managing Agent for a few schemes. As my minute to the Prime Minister says, my Department and the Training Agency are prepared to offer assistance and advice to Departments which feel unable to run schemes of their own.

I hope that you will be able to progress along these lines and get a YTS scheme in operation in your Department soon. I am copying this to the Prime Minister, other Cabinet Colleagues, Richard Luce and Sir Robin Butler.



NORMAN FOWLER



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

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September 21

Ken

YTS IN THE CIVIL SERVICE

Thank you for your letter of 25 May about the introduction of YTS into your Department. You will have seen my minute to the Prime Minister on the situation generally.

I fully appreciate the difficulties faced by small Departments in running schemes of their own as Managing Agents, but I know you would agree that YTS is making a potentially useful contribution to our longer term recruitment efforts and that the amount of additional effort needed for YTS is necessary and worthwhile.

As I say in my minute to the Prime Minister I recognise that smaller Departments have problems in running schemes and my Department and the Training Agency are prepared to offer advice and assistance in such cases.

I hope you will now feel able to go ahead with establishing a scheme. I am copying this to the Prime Minister, other members of the Cabinet, Richard Luce and Sir Robin Butler.

NORMAN FOWLER



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The Rt Hon Nicholas Ridley MP
Secretary of State for the Environment
Department of the Environment
2 Marsham Street
LONDON SW1P 8EB

September 21.

Dear Nick..

YTS IN THE CIVIL SERVICE

You will have seen my minute to the Prime Minister about YTS in the Civil Service and the general welcome it gave to the positive approach shown by all colleagues. I said I would be writing separately to one or two colleagues who like yourself raised particular points.

I have been looking again at your letter of 25 March which set out the progress you are making in setting up a Departmental YTS scheme. I was very pleased to see that you are aiming at a scheme operating in a number of regions to start this September. You mention a few potential difficulties which could affect the size and type of scheme you might eventually offer. I am sure these problems can be overcome as they have in other Departments.

I am sorry that initial contacts with one or two Training Commission Area Offices led your officials to doubt whether your proposals for a clerical YTS scheme could be accommodated within the YTS provisions planned for the Area. These offices failed to make clear that it is our policy continually to improve the quality of YTS training courses, and that there is always room for good quality Civil Service schemes. There will be no difficulty, therefore, in establishing Departmental schemes in the area you have identified. Timing is critical when recruiting school-leavers and anything you have been able to do to bring your start date closer to the school summer leaving date will pay benefits in terms of the number and quality of available young people.

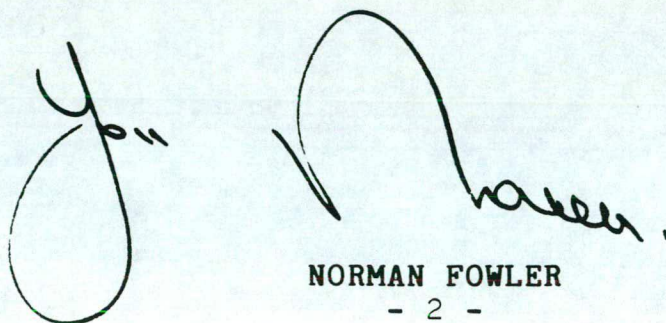


You also raised the issue of employed status for trainees. We certainly encourage those employers who offer their YTS trainees jobs before the end of their training to keep them on the programme so that they can complete their course and obtain a qualification. Where school-leavers are recruited into jobs which do not offer training, we also encourage employers to bring these young employees within YTS. And where it is possible, we encourage employers who offer YTS places to make those places more attractive by holding out the firm prospect of a permanent job at the end of the training period.

But this emphasis on employment does have to be set in context; only 16% of YTS trainees have contracts of employment, and most of these are craft apprentices where employed status has never been in doubt. The overwhelming majority of young people on YTS will continue to be non-employed trainees, and if the Civil Service is to reach out to young people who do not meet the current entry requirements of permanent jobs, we will need to continue to recruit an overwhelming majority of our YTS trainees on a non-employed basis. What we are offering them will be quite competitive with other YTS schemes, in terms of the quality of training and the prospects of a job for those who gain the appropriate qualifications while they are on the scheme.

I was pleased to learn that your trade unions were not totally opposed to the introduction of YTS schemes within your Department. My officials have discussed with the Treasury the proposal to pay special allowances to supervisors of YTS trainees, and I understand there is no question of paying an allowance in this sort of case. Our Executive Officers are, of course, responsible for the training and supervision of all staff under their control and YTS trainees are no different from other new or young staff in this respect. The Civil Service unions have not raised this issue with central Departments and a firm rebuttal of the proposal from your trade union would seem to be called for.

I hope these comments are helpful and that your Departmental YTS scheme is quickly and successfully established. I am copying this letter to the Prime Minister, other Cabinet colleagues, Richard Luce and Sir Robin Butler as you have raised points of concern that will be of interest to them all.



NORMAN FOWLER



Caxton House Tothill Street London SW1H 9NF
5803

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

The Rt Hon John Moore MP
Secretary of State for Social
Services
Department of Health and Social
Security
Richmond House
79 Whitehall
LONDON SW1

CH/EXCHEQUER	
REC.	22 SEP 1988
ACTION	CST
COPIES TO	

September 21

Dear John.

YTS IN THE CIVIL SERVICE

You will have seen my minute to the Prime Minister about YTS in the Civil Service, and the general welcome it gave to the positive approach shown by all colleagues. I said I would be writing separately to colleagues who, like yourself, had raised particular points.

I have been looking again at your letter of 25 March about progress on the implementation of YTS in your Department. I share your concern about the delay in approving your Department's proposal to run a YTS scheme, especially as we are firmly committed to the introduction of high quality YTS in the Civil Service. However, as you know, YTS schemes had to be approved by the Youth Training Board who needed to consider any views of appropriate trade unions before reaching a decision (although of course the trade unions had no veto). By submitting their objections only the day before the Board was due to consider your proposal, the Trade Union was clearly seeking to delay the Board's decision.

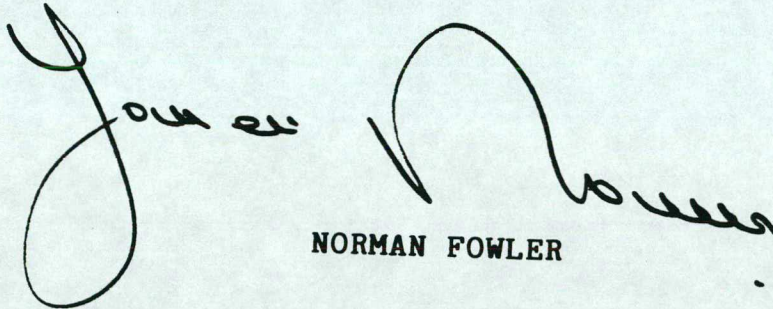
The Youth Training Board had, therefore, little alternative but to defer its decision in order to give your Department time to answer the objections made by the National Union of Civil and Public Servants.



The Training Commission's procedures did, in fact, require trade unions to lodge their comments in reasonable time if they were to be considered by the Youth Training Board. Since your Department approached the relevant unions on 15 January, the Union had had adequate time to consider the proposal and make any comments. The fact that they delayed replying until 4 March must, therefore, be considered as wrecking tactics on their part. I am, however, pleased to hear that your Department's proposal was agreed at the Board's April meeting. You will no doubt have been pressing forward with more speed to recruit your first trainees. I wish you every success.

I turn to your more recent letter of 15 June and your reference to Kenneth Baker's comments that smaller Departments may face difficulties running their own schemes. As my minute to the Prime Minister says, my Department and the Training Agency are prepared to offer assistance and advice to such Departments which feel unable to run schemes of their own.

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


NORMAN FOWLER



Caxton House Tothill Street London SW1H 9NF
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CH/EXCHEQUER	
REC.	22 SEP 1988
ACTION	CST
COPIES	

v22/9

The Rt Hon Cecil Parkinson MP
Secretary of State for Energy
Thames House South
Millbank
London
SW1P 4QJ

Cecil

September 21

YTS IN THE CIVIL SERVICE

Thank you for your letter of 2 June which set out your progress on the introduction of YTS to your Department. You will have seen my minute to the Prime Minister about YTS in the Civil Service.

I am delighted to see that you are pressing ahead with a joint scheme with the DTI and are already looking to future expansion. I fully appreciate the difficulties faced by small Departments in running schemes of their own as Managing Agents, but your arrangement, whereby the DTI will act as Managing Agent on your behalf, is an excellent solution and a very encouraging step forward on your part, and I commend it to other smaller Departments with similar concerns. As I say in my minute to the Prime Minister, my Department and the Training Agency are prepared to offer advice and assistance to smaller Departments which feel unable to run schemes of their own.

I wish you every success with your scheme. I am copying this letter to the Prime Minister, other Cabinet colleagues, Richard Luce and Sir Robin Butler.

Y. o. Norman Fowler

NORMAN FOWLER



Caxton House Tothill Street London SW1H 9NF

5803

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Switchboard 01-273 3000 Telex 915564
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CH/EXCHEQUER	
REC.	22 SEP 1988
ACTION	CST
COPIES TO	

v22/9

The Rt Hon John MacGregor OBE MP
Minister of Agriculture
Fisheries and Food
Whitehall Place
London
SW1A 2HH

September 21.

Dear John.

YTS IN THE CIVIL SERVICE

You will have seen my minute to the Prime Minister about YTS in the Civil Service and the general welcome it gave to the positive approach shown by all colleagues. I said that I would be writing separately to one or two colleagues who, like yourself, raised particular points.

In your letter of 6 May you expressed concern that the Training Commission's insistence on a full-time HEO at each location to manage the YTS programme imposed an onerous administrative overhead.

I have looked into this and have clarified that there is no specific requirement for a full-time HEO at each location to manage the programme. We must, of course, be satisfied as to the adequacy of the trainee supervision and programme coordination but the grades of staff required to do this and the percentage of time they need to do it will depend on a number of factors such as the scope of the programme and the number of trainees involved.

As my minute to the Prime Minister says, my Department and the Training Agency are prepared to offer assistance and advice to Departments which feel unable to run schemes themselves.



I look forward to further reports on your progress in implementing a YTS scheme in your Department. I am copying this letter to the Prime Minister, other members of the Cabinet, Richard Luce and Sir Robin Butler.

A handwritten signature in black ink, appearing to read 'Norman Fowler', written in a cursive style.

NORMAN FOWLER



Caxton House Tothill Street London SW1H 9NF

5803

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CH/EXCHEQUER	
REC.	22 SEP 1988
ACTION	CST ✓22/9
COPIES TO	

Ian Lang Esq MP
 Minister of State
 Scottish Office
 Whitehall
 LONDON SW1A 2AU

September 21.

Dear Ian.

YTS IN THE CIVIL SERVICE

You will have seen my minute to the Prime Minister about YTS in the Civil Service, welcoming the positive response shown by all colleagues. I said I would write separately to one or two colleagues who, like yourself, raised particular points.

Your letter of 4 May set out the progress you are making on the implementation of YTS in your Department. I was very pleased to see that you are proposing to extend your scheme by a further 20 places for training in clerical skills.

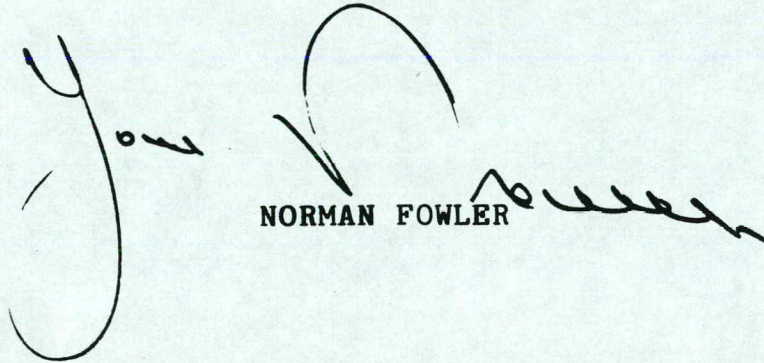
You mention the existing supply of clerical YTS places in Edinburgh as a potential problem. As you know, the Department of the Environment were faced with a similar situation in relation to their scheme. However, the Area Offices did not appear to have made clear that it is the Government's policy continually to improve the quality of YTS training courses and that there is always room for good quality Civil Service schemes. There will be no difficulty, therefore, in establishing your scheme in the Edinburgh area.

You also mentioned the policy of encouraging YTS schemes which offer trainees employee status. Although Departments can operate schemes for employed and non-employed trainees, the vast majority of YTS trainees on Civil Service schemes are non-employed. As you rightly say, any employed status trainees



must satisfy the usual requirements of entry to AA and AO grades, but our main priority in introducing YTS must be to ensure that the Civil Service is accessible to those young people who do not at the outset meet the current entry requirements. To achieve this, we must continue to recruit the majority of our trainees on a non-employed basis.

I wish you every success with the expansion of your scheme. I am copying this letter to the Prime Minister, other members of the Cabinet, Richard Luce and Sir Robin Butler.


NORMAN FOWLER

Alex

These are non final drafts but the latest.

We are considering a one page paper ~~into~~
to focus EA discussion

including these points:

- Support Forster's aims in para 3, including implied reduction of public expenditure on training
- a.c. or faith to believe in structural changes proposed will deliver them. Bar prepared to support Forster and Scottish ideas

Subject to

(a) report back by Forster and Riddick
(including Treasury)

or after official work / on

making ITCs effectively accountable -
baseline objectives etc

(b) explicit recognition that increasing public expenditure is an objective for the start, as ~~for~~ employers contribute more

AM



CHIEF SECRETARY	
REC	22 SEP 1988
FROM	Mr. Brown
TO	Cy AMG Sir P Middleton
	Mr. Anson, Mr. Mack,
	Mr. Phillips, Mr. Burgess
	Mr. Luce, Mr. Turnbull
	Mr. S. Kelly, Mr. McIntyre
	Mr. Call

PRIME MINISTER

YTS IN THE CIVIL SERVICE

All colleagues who are Heads of Departments have responded favourably to the joint approach which Richard Luce and I made to encourage the spread of YTS in the non-industrial Civil Service. Some raised particular points and I am writing to them separately.

I very much welcome the positive approach of colleagues and am anxious that we should build on this favourable base. Making use of the YTS is not just a demonstration of our own faith in this major programme; it is also a direct contribution to training and employment in the inner cities. In the medium term it is of potentially greater importance as the Civil Service - like other employers - has to widen its recruitment net during the years when sharply falling numbers of young people will enter the employment market.

I am aware that the Civil Service is piloting its own programme for young staff up to the age of 23 with normal educational qualifications for entry, and my Department is actively discussing the implications for YTS with OMCS and the Treasury. There is a good deal of common ground and it is clear to us that the development in the Civil Service of a high quality training scheme meeting YTS standards will demonstrate the Government's support for and faith in its national youth training programme.

[Handwritten signature]



Some colleagues have raised questions of small Departments which find they cannot take on enough trainees to run a scheme of their own. Arrangements have been made, for example, between the DTI and the Department of Energy. I am also happy to offer the services of my Department and the Training Agency to advise and assist smaller Departments in particular to get schemes off the ground. My officials are getting directly in touch with smaller Departments which have raised the issue, and we should welcome any further approaches.

I am sending copies of this minute to other members of the Cabinet, the Minister for Overseas Development, the Minister of State, Privy Council Office, and to Sir Robin Butler.

NF

September 21st.

BF 27/9



CH/EXCHEQUER	
REC.	22 SEP 1988
ACTION	CST
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22/9

PRIME MINISTER

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Some colleagues have raised questions of small Departments which find they cannot take on enough trainees to run a scheme of their own. Arrangements have been made, for example, between the D'I and the Department of Energy. I am also happy to offer the services of my Department and the Training Agency to advise and assist smaller Departments in particular to get schemes off the ground. My officials are getting directly in touch with smaller Departments which have raised the issue, and we should welcome any further approaches.

I am sending copies of this minute to other members of the Cabinet, the Minister for Overseas Development, the Minister of State, Privy Council Office, and to Sir Robin Butler.

NF

September 21st.

my

FROM: N MONCK

DATE: 23 September 1988

CHANCELLOR OF THE EXCHEQUER

cc Chief Secretary
Sir P Middleton
Mr Anson
Mr Burgner
Mr Harris
Mr Burr
Mr MacAuslan
Mr Waller
Mr A M White
Mr Kalen
Mr Call

Ch
I don't really think it's worth putting in a paper making these points. It reads - and especially the last para - a bit too like working tactics. Better to raise orally?

AA *yr*
(Apology for missing paper)

NEW LOCAL ARRANGEMENTS FOR TRAINING AND ENTERPRISE

This submission suggests that you might circulate a short paper to focus discussion at E(A) on Thursday, 29 September on the two papers by Fowler and Rifkind. These papers develop the ideas discussed at Chequers on 3 September between the Prime Minister, Mr Fowler, Mr Rifkind and Mr Bill Hughes and others from the Scottish CBI.

below

2. The two papers are long but remain distinctly sketchy on the some of the key questions which are crucial for the ability of the institutional changes proposed to deliver the stated aims, eg in para 3 of the draft of Mr Fowler's paper which I gave to Mr Allan this morning. We think you will share the enthusiasm of other Ministers for these aims but will want further work done by officials, including the Treasury, on the issues set out in the attached draft paper, which Mr Burgner and I have drafted.

3. We talked to Andrew Dunlop at the No 10 Policy Unit this morning. He had independently arrived at many of the same concerns as we had. I gather that Mr Fowler has accepted that his proposed White Paper will slip into November and that DE would be content with the proposed official work, provided it is seen as feeding into the White Paper.

4. The argument for putting in a paper is that it would make for a better discussion and would help to avoid premature blanket endorsement and the issue of a White Paper before the practical issues are sufficiently sorted out.

5. A possible argument against putting in a paper is that the timing is a bit awkward. We are today recommending the Chief Secretary to have a private talk with Mr Fowler about public expenditure and the afternoon of Tuesday, 27 September is booked for this. We can avoid any risk of hardening Mr Fowler's attitude by circulating the paper on Tuesday afternoon. Cabinet Office have agreed to this timing. The possible sore point might be the proposed principle of tapering public expenditure advanced in para 2 of the attached draft. But this should not be a problem since, as we understand it, Mr Fowler accepts the principle of this, though we have not yet seen the final version of his paper.

6. On balance I think it would be worthwhile for you to put in a short paper on the lines of the draft. But you may want to make your decision on circulating the draft subject to the Chief Secretary's agreement that the paper should not damage the chance of a satisfactory settlement with DE.



N MONCK

DRAFT PAPER BY THE CHANCELLOR OF THE EXCHEQUER

NEW LOCAL ARRANGEMENTS FOR TRAINING AND ENTERPRISE

I welcome the aims and general thrust of the [radical] proposals made by the Employment and Scottish Secretaries in E(A)(88) and . But it is far from straight forward to strike the right balance between ^{on the one hand} giving the private sector a leading role and the flexibility to respond to local needs [on the one hand] and, on the other, ^{hand} ^{ensuring the} [continuing] delivery of national programmes and proper control and accountability for public money. In my view there are some important questions which we need to consider carefully before giving firm endorsement to these outline proposals.

2. First, we need to ^{make sure we have planned how to achieve} [ensure] that the objective of opening "the way to employers' bearing an increased share of the cost of our training programmes" (para 3 of E(A)(88) [and the similar aim in para of E(A)(88)]) [become a reality]. [I think we should be explicit about this from the start, though the pace of change will need to be realistic.] Otherwise we may find we have created a new source of pressure for additional public expenditure. One way of ^{achieving this} [being explicit] would be for the contracts with the Industry Training Councils (ITCs) to provide for a gradual tapering of public funding. For example, this might start in the last year of an initial contract of three years. In the meantime the new institutional arrangements would work within whatever resources are agreed in the current public expenditure round.

3. Second, ^{we need to know more about several vital elements of} [there are other questions to be thought through] about the contracts which DE and Scottish Enterprise will agree with the ITCs. These include proper accountability for the large amounts of public money which will still be provided; ^{how to} [ensuring] that self-selected employer groups are sufficiently representative of the needs of the area as a whole; ways of strengthening the management of the programmes; and the practicability of sanctions for failure to deliver.

4. Third, we need testable objectives. That means specifying the achievements being aimed at, their timing, cost and how they are to be measured.

5. I therefore propose that officials of the relevant departments (Department of Employment, Scottish Office and Treasury) should be asked to work up the proposals urgently in greater detail covering these and other points and to report back to E(A) in time for publication in November. My hope would be that this further work would demonstrate that the proposals are truly capable of delivering the objectives that we seek.

[NL]

my

FROM: N MONCK

DATE: 23 September 1988

CHANCELLOR OF THE EXCHEQUER

cc Chief Secretary
Sir P Middleton
Mr Anson
Mr Burgner
Mr Harris
Mr Burr
Mr MacAuslan
Mr Waller
Mr A M White
Mr Kalen
Mr Call

Ch
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AA *JK*
(Apology for shuffling papers)

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N MONCK

DRAFT PAPER BY THE CHANCELLOR OF THE EXCHEQUER

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[NL]

CH/EXCHEQUER	
REC.	26 SEP 1988
ACTION	CST
COPIES TO	

✓ 26/9



Bf 27/9

10 DOWNING STREET
LONDON SW1A 2AA

~~8/10~~

From the Private Secretary

26 September 1988

MP

Dear Nicholas

YTS IN THE CIVIL SERVICE

The Prime Minister has seen and noted without comment your Secretary of State's minute of 21 September.

I am copying this letter to the Private Secretaries to other members of the Cabinet, the Minister for Overseas Development, the Minister of State, Privy Council Office, and to Sir Robin Butler.

Yours sincerely
Dominic

DOMINIC MORRIS

Nicholas Wilson, Esq.
Department of Employment



Miss
FROM: MISS M P WALLACE
DATE: 26 September 1988

Bf 28/9 [for mtg folder]

MR MONCK

- cc Chief Secretary
- Sir P Middleton
- Mr Anson
- Mr Burgner
- Mr Harris
- Mr Burr
- Mr MacAuslan
- Mr Waller
- Mr A M White
- Mr Kalen
- Mr Call

NEW LOCAL ARRANGEMENTS FOR TRAINING AND ENTERPRISE

The Chancellor was grateful for your minute of 23 September. On balance, however, he prefers not to circulate a paper in advance of E(A). Instead, he will make the points orally at the meeting.

Mpw.

MOIRA WALLACE

CONFIDENTIAL

for mtr's folder



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

CH/EXCHEQUER	
REC.	28 SEP 1988
ACTION	CST
COPIES TO	

✓ 2719

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

27 September 1988

Dear Norman,

I was interested to read your paper for Thursday's E (A) meeting, and would on the whole be disposed to support its proposals for carrying forward the work of the former Area Manpower Boards.

I was surprised to note, however, that the paper does not appear to address other major questions arising from the abolition of the TC. The absence of any reference to the TC's national programmes - eg for TVEI and work-related further education - is of particular concern to me, in view of their significance to the education service. It is not clear from the paper how you intend that these national programmes should fit in, either to the structure you propose, or to that which you presumably have in mind to replace the TC's headquarters organisation in London and Sheffield.

Your absence of proposals on these programmes is particularly confusing given that the organisation which you are proposing at the local level would replace one - namely Area Manpower Boards and the TC's Area Offices - which had no role in the TVEI. That as you know has been separately staffed and funded within the TC, as has work-related NAFE.

My concern for TVEI in particular is founded on the fact that the principles it represents are now embedded in the education service and are developing rapidly through the extension of TVEI funding to all schools in all LEAs. In other words we are no longer seeking, as at the start of the Initiative, to win acceptance for new ideas. Our task now is to ensure that those ideas are developed and implemented in new circumstances ie the existence of a statutory National Curriculum. We must ensure that the development of TVEI and of the National Curriculum are fully compatible, and that whatever organisational arrangements we make following

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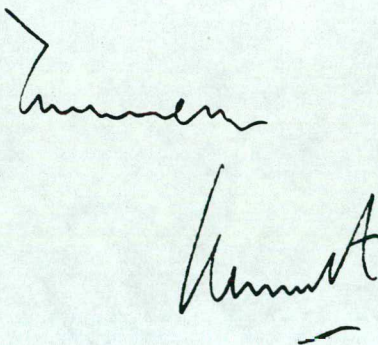
abolition of the TC do not impose unnecessary burdens on the LEAs and schools which have to implement our policies.

We also need to know what you have in mind for the work-related FE programme. Like TVEI, this is a national programme which needs a uniformity of approach. Through the Education Reform Act I am introducing significant changes to FE colleges. In future their governing bodies will be dominated by employer interests and LEAs will be under a statutory obligation to plan provision. We shall need to be sure that the new arrangements for planning work-related FE take account of these developments.

Of course, these two are not the only programmes that involve the education sector. Many TC programmes had an impact on education. My officials will need to work closely with you to ensure that the new arrangements take full account of the need to involve the education service in consultative machinery.

We cannot avoid dealing with all these matters in the White Paper which your officials will be drafting on the abolition of the TC. We must therefore begin to address them in our discussion on Thursday, and prepare the ground for further more detailed discussions.

I am copying this letter to our colleagues on E(A).

Two handwritten signatures in black ink. The first signature is a cursive name that appears to be 'L. J. ...'. The second signature is a cursive name that appears to be 'A. ...'.

CONFIDENTIAL

CONFIDENTIAL

FROM: T U BURGNER
DATE: 28 SEPTEMBER 1988

CHANCELLOR

cc Chief Secretary
Sir Peter Middleton
Mr Anson
Mr Monck
Miss Peirson
Mr Turnbull
Mr Luce
Mr Burr
Mr Waller
Mr Kalen
Mr Parkinson
Mr Cropper
Mr Tyrie
Mr Call

MEETING OF E(A) - 29 SEPTEMBER
FUTURE TRAINING ARRANGEMENTS (E)(A)(88)40
SCOTTISH ENTERPRISE (E)(A)(88)39
NEW ARRANGEMENTS FOR TRAINING (E)(A)(88)41

In these papers Mr Fowler sets out the new arrangements proposed for delivering training and enterprise programmes at local level through private sector led industry training councils. Mr Rifkind's paper proposes parallel arrangements for Scotland but with a key role to a new body, Scottish Enterprise, replacing the SDA. Mr Walker's paper again proposes similar arrangements, but with a new agency in the Welsh Office responsible for ensuring delivery of training and enterprise programmes; the WDA continuing for at least the medium term.

2. The main disagreed issue in these papers concerns the responsibility for the delivery of training and enterprise programmes in Scotland and Wales: Mr Fowler sees this as a continuing central responsibility of his department; Mr Rifkind and Mr Walker want to assume this responsibility and the public expenditure themselves, while accepting that overall policy remains with DE. There must be a risk that this disagreement will dominate the discussion.

↑
See my separate note recording CST's views.

MJPW.

Treasury Objectives

3. To ensure that further detailed work is undertaken before these proposals are finally approved by Ministers - particularly on arrangements for accountability for public funds; the operation of the contracts with groups of local employers; and the setting of testable objectives for the new arrangements. The objectives should include a progressive transfer of the responsibility for financing training from government to private sector companies. This should be made explicit from the start (as it was when you announced the extension of YTS in a recent Budget Speech).

Background

4. The immediate background to these proposals is a speech by Mr Bill Hughes, President of the CBI in Scotland, who proposed the creation of a private sector led body with responsibility for the combined budget of the SDA and the Training Commission in Scotland. Mr Fowler had been considering for some time giving a larger role in training arrangements to networks of private sector; and the dismemberment of the Training Commission (following the TUC's decision on ET) provided an opportunity to take these ideas forward. Following a meeting at Chequers earlier this month at which Mr Hughes and other CBI figures were present, the DE and the Scottish Office were asked to prepare papers for an early E(A) discussion.

5. The ideas put forward by Mr Fowler draw substantially on US experience of the operation of Private Industry Councils and also on German experience, where strong Chambers of Commerce play a key role in training at local level.

Mr Fowler's paper (E(A)(88)40)

6. Mr Fowler proposes:

(i) To transfer responsibility for delivering the main DE training and enterprise programmes to new employer-led local training and industry councils. The functions of the

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Councils are listed in Annex A. There would be about 20 Councils in the first year (probably starting towards the end of 1989/90) and 100 covering the whole country in three to four years.

(ii) Groups of employers in a particular area would be encouraged to bid to carry out the training and enterprise functions. The Councils would be established on a non-profit making basis. Employers, normally chairman or managing directors, would operate as a board of directors .

(iii) Staff would be seconded from the former Training Commission's area manpower offices, but Councils could appoint their own staff if they wished.

(iv) Councils would be expected to assess skill needs and to assist employers by organising local training schemes involving several companies; to sub-contract to local training providers the Government's main training programmes (YTS and ET) in accordance with current rules but with flexibility to match training content with local needs; and oversee and guide enterprise activities (eg Small Firm Service and Local Enterprise Agencies).

(v) DE's relations with Councils will be governed by tightly drawn contracts which would among other things cover standards of delivery and performance and the Council's accountability for public funds. Failure to perform in accordance with a contract would lead to the delivery responsibility being ^{as} resumed by DE.

(vi) The new proposals would not require additional resources of manpower or running costs and there should in time be increased value for money and a saving in running and programme costs. In addition and less specifically, the paper states that the proposals should "also open the way to employers' bearing an increased share of the cost of our training programmes and help to generate greater private investment in training" (para 3). Mr Rifkind echoes this point in his paper (see para 11 of E(A)(88)39).

(vii) Scotland and Wales Mr Fowler would retain responsibility for training in Scotland and Wales with Enterprise Scotland and the new Welsh Agency acting as main contractors but reporting jointly to him and the territorial Minister. (This is a major point of disagreement with Mr Rifkind and Mr Walker - see below).

Mr Rifkind's paper (E)(A)(88)39)

7. Mr Rifkind's proposals for Scotland are in the main very similar to Mr Fowler's. Training will be carried out by 23 local agencies, private sector-led, with two set up in the first year. But there are some important differences:

(i) A new body, Scottish Enterprise, would be set up, absorbing the functions of the existing SDA. In addition to assuming responsibility for training this would contract out to the industry training councils most of the business development functions of the SDA. (Mr Rifkind claims that this goes further than Mr Fowler by way of delegation. The extent of the differences are not clear from the papers but it looks as if the Scots are contemplating a greater degree of local discretion on the form of training and a wider range of business services.)

(ii) The coverage of the Highlands and Islands is left open. Mr Rifkind refers to the "special contribution" of the Highlands and Islands Development Board and he accepts that there may be need to continue with a separate body if there is local pressure.

(iii) While DE would retain lead responsibility for training policy and there would be close co-ordination between the two departments, Mr Rifkind wants Scottish Enterprise to be responsible solely to him and to take over public expenditure provision.

Mr Walker's paper (E(A)(88)41)

8. Mr Walker supports the principles of local delivery of most training and enterprise programmes. But his paper echoes Mr Rifkind's about the need for the new arrangements to have some distinctive features tailored to the Welsh scene, notably the integration of education, training and the development of an enterprise culture (in Wales 8 out of the 13 training agencies for ET are local education authorities). Mr Walker proposes:

(i) Establishment of employer-led local and training industry councils on lines proposed by Mr Fowler.

(ii) Setting up an agency within the Welsh Office responsible for delivering in Wales the national training and enterprise programmes, with staff mainly drawn from Training Commission in Wales. There would be no early change to the WDA which he regards as performing effectively.

(iii) Mr Walker (like Mr Rifkind) wants responsibility for delivering training programmes in Wales to rest with the Welsh Office.

Treasury concerns

9. You will no doubt want to welcome the broad direction and thrust of these proposals. They are in large measure a leap in the dark. US and German experience may not translate easily into the different UK setting. But if successful, they could make training more relevant and responsive to local employers' needs and stimulate greater employer interest and investment in training, thereby reducing the need for government expenditure on the present scale and giving better value for money.

10. But there are a number of aspects which are unsatisfactory and on which further work is needed.

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11. First, it should be a clear aim of the new arrangements that it leads, within a reasonable time, to private sector employers shouldering a greater share of the burden of training costs ie not just adding some private sector frills to the present DE programmes but replacing public expenditure. With private employers (rightly) calling the tune to a much greater extent, it is nonsense for the Government to continue to pay the piper at the present rate. An increase in the proportion of costs by employers is merely an aspiration in the Fowler and Rifkind papers (it is not mentioned at all in Mr Walker's). The pace of change would need to be realistic. An adjustment of the burden once the new arrangements are bedded down (say in third year) should be made an explicit objective *from the outset.*

12. Second, there are several issues unaddressed in these sketchy papers which need to be clarified before we can have much confidence that the new arrangements are likely to work - eg

- how to ensure that the self-selected employer groups are sufficiently representative of the needs of the industry in the area as a whole, ie how to avoid "capture" by a particular group of companies in one industry; and how to reconcile representativeness with the bidding process;
- how to strike the right balance between giving scope for ^{local} ~~living~~ initiatives and maintaining sufficient coherence of provision ^{ion} naturally to meet the Government's policy commitments (eg YTS and ET guarantees) and objectives;
- how to set and monitor targets for improved quality and relevance of training provision;
- the practicability of sanctions terminating contracts against any training council whose performance is unsatisfactory. There are bound to be some; but the credibility of the new arrangements will be undermined if there are more than one or two well-publicised failures of this kind;

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- how to ensure proper accountability for the large amounts of public money which will be passed to private sector companies to disburse.

13. Third, the papers do not include testable objectives - what is to be achieved, by when and at what cost - as is required for all new policy initiatives. (A clear objective for shifting the burden of training costs in direction of private sector employers would be one element).

14. All this suggests a need for the proposals to be worked up urgently in greater detail with a report back to E(A), perhaps by correspondence, as soon as possible. Mr Fowler is keen to publish a White Paper in the next few weeks, but is likely to acquiesce to publication in November rather than October. Officials of the relevant departments (Department of Employment, Scottish and Welsh Offices and Treasury) should be asked to flesh out the proposals as quickly as possible.

Other issues

Responsibility for training in Scotland and Wales

15. The question here is whether the Scottish and Welsh Secretaries of State are responsible for training and enterprise programmes in their territories or whether the responsibility is Mr Fowler's (using the Scottish Enterprise and the Welsh Office agency as mechanisms). Given the acceptance by all three Ministers of maintaining national programme commitments and the freedom intended for local training councils, it is not clear how much is actually at stake. However from an expenditure control standpoint, our general preference would be for the two territorial bodies to report jointly to Mr Fowler and the relevant Secretary of State (as he proposes) since our experience is that Scottish and Welsh Departments are less disciplined in their approach to expenditure. The Chief Secretary feels strongly that Mr Fowler should retain responsibility together with the PES provision.

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16. It is possible that Mr Fowler will be able to square Mr Rifkind before the meeting - one possible compromise would have Scottish Enterprise reporting to Mr Rifkind but with Mr Fowler having to approve the training element of the Corporate Plan (and holding the PES provision). If it remains a disagreed issue, the Prime Minister may want to deal with it separately as a machinery of government question. .

Highlands and Islands Development Board

17. Mr Rifkind talks about the "distinctive contribution" of this Board. Our experience is that it is less successful in its operations than the SDA and there is on merit no good reason for a separate existence. But this issue will presumably be settled on political factors.

Mr Baker's bid for TVEI and work-related further education

18. We understand that Mr Baker is writing to suggest that these two subjects should be transferred to DES together with their PES provision and that this would result in some combination of expenditure savings and increased efficiency. This looks like a fairly blatant grab at part of Mr Fowler's training responsibilities. You will not want to support Mr Baker (any more than Mr Rifkind or Mr Walker). As a fallback the issue could be remitted to the items to be followed up by officials.

POINTS TO MAKE

General

- Welcome broad direction of these proposals. Could lead to training being more relevant and responsive to local employers' needs and stimulate greater employer interest and investment in training.

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Cost of Training

- Both Employment and Scottish paper offer the hope that proposals will open the way to employers bearing an increased share of the cost of training. Entirely right that the increased employer role should be accompanied by a gradual but progressive redistribution in the cost of training away from government. Needs to be built in as an explicit objective.

Testable objectives

- Like all new policy proposals measures are needed of what is to be achieved, in what time and what costs. Success in getting employers to bear an increased share of cost should be covered.

Issues to be clarified

- A large number of questions which departments have not had time to consider but which need to be thought through before we can have reasonable confidence in the new arrangements.

[Examples of required: - how to ensure that the self-selected employer groups are sufficiently representative of the needs of the industry in the area as a whole.

- the practicability of sanctions (terminating contracts) against any training Council whose performance is unsatisfactory without undermining the credibility of the new arrangements.

- how to ensure proper accountability for the large amounts of public money which will be past to private sector companies to disperse.

- how to target and monitor training provision for quality and relevance.]

- This is a major change, and implications of practicalities need to be thought through a greater detail. Suggest that officials in DE, Scottish Office, Welsh Office and Treasury should do further work urgently and report to E(A) during October.

TB

(T U BURGNER)



MP

28/9.

Ch

[Handwritten signature]

The CST did speak
to Mr Fowler, and
mentioned Audit.

Mr F had not yet read
pps, but took note of

"Tsy Minis' strong feeling."

He volunteered that
Mr Copel's view was
probably a personal
one rather than a
collective D. Emp position.
CST thinks the result

/over

of all this will be that
Mr Fowler will be
neutral.

Mair.
—

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CH / FOR E(A)

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CH/EXCHEQUER	
REC.	28 SEP 1988
ACTION	CST
COPIES TO	

28/9

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

28 September 1988

New Year.

Thank you for your letter of 27 September about my E(A) paper and the position of TVEI and work related further education.

I welcome your general support for my proposals for new local arrangements. There is of course still much work to be done on various aspects of training arrangements at both national and local level, following the E(A) meeting, and I shall of course be glad to discuss how I intend to proceed on my education programmes.

The Training Agency has now taken over the functions of the Training Commission, and TVEI and NAFE will continue to be run on a national and regional basis as before. I have it in mind to continue the consultative and liaison groups which have operated with TVEI and NAFE, with the full involvement of educational interests. At the local level, TVEI and NAFE will clearly be of interest to the Training and Industry Councils and I think it might well be right for the Training and Industry Councils to look at TVEI and NAFE plans and to advise on them.

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In implementing my plans for Training and Industry Councils I would certainly wish to avoid extra burdens on local education authorities, colleges and schools, and I am sure that this can be achieved within the structures I propose.

I shall of course be happy for your officials to work closely with mine on the implementation of the new arrangements, and on drafting of the relevant sections of my White Paper.

I am copying this letter to our colleagues on E(A) and to Sir Robin Butler.

A handwritten signature in black ink, consisting of a large, stylized initial 'N' followed by the name 'Fowler' in a cursive script.

NORMAN FOWLER

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COVERING PERSONAL AND CONFIDENTIAL



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5803

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*Thank you. See me
point in PMS*

*AW
1 SW 12/6
Mr D. C. post, this
2. WWD all the other
Stubbins*

Paul Gray Esq
10 Downing Street
LONDON
SW1A 2AA

Now attached.

*C.
See flagged explanation
of why the postal strike
distorts the figures.*

10 October 1988

*PS. I should have
guessed figures not so
good because not in
today's Daily Mail! ~~Stubbins~~*

*Dear Paul, Remainder of briefing with
me, if you want it.*

AW

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 13 October and confidential thereafter.

I am copying this to Alex 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 Development, Northern Ireland Office), and Andrew Dunlop (No 10 Policy Unit).

Yours,

Angela

ANGELA WILKINS
Private Secretary

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*This is
negative
~~Stubbins~~
nature of
No steps
Jags is
must
reminiscent
so far as
Annual Report
for PX me
Colton's*

COVERING PERSONAL AND CONFIDENTIAL UNTIL 11:30 AM ON 13 OCTOBER 1988

THEREAFTER CONFIDENTIAL

LABOUR MARKET STATISTICS: NOTES FOR THE PRIME MINISTER

A. 1. SUMMARY

2. KEY FACTS BRIEF

B. DRAFT PRESS NOTICE

C. DETAILED ANALYSIS AND BACKGROUND INFORMATION

1. GRAPHS: 1a. UNEMPLOYMENT

1b. UNEMPLOYMENT RATES BY REGION

2. UNEMPLOYMENT: ADDITIONAL DATA

3. LONG TERM UNEMPLOYMENT AND UNEMPLOYMENT BY AGE

4. EMPLOYMENT 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. LABOUR MARKET: JOB CHANGES AND FLOWS

4. UNEMPLOYMENT: COMPARISONS WITH 1930's

5. DEMOGRAPHIC AND LABOUR FORCE BACKGROUND

6. EMPLOYMENT: METHODOLOGY

7. EMPLOYMENT: DOUBLE JOBBING AND SPECIAL MEASURES

8. EMPLOYMENT: INTERNATIONAL COMPARISONS

9. EMPLOYMENT: ADDITIONAL DATA

10. EARNINGS

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CHANGES IN BENEFIT REGULATIONS

School leavers under 18

As expected the number of new school leavers fell in September as a result of the new benefit regulations. While the withdrawal of Income Support for most under 18 year olds did not come into effect until 12 September (just after the 8 September count date), an additional separate arrangement was made to cover the week commencing 5 September, when summer school leavers would have been able to claim under the previous rule. They were covered by Child Benefit during that week and so were not allowed to sign on. The result is that very few new school leavers joined the count between August and September. The number of school leavers aged under 18 (excluded from the seasonally adjusted series) was some 35,000 less than might otherwise have been expected.

School leavers aged 18

There was also an effect among new 18 year old school leavers, who are included in the seasonally adjusted series. Although they would still have been eligible for Income Support from 12 September, they were similarly not allowed to sign on in the previous week for which Child Benefit was received. The estimated effect of this was to reduce both the GB unadjusted and seasonally adjusted figures in September by some 7,000. In Northern Ireland, where there was no effect from the postal strike, the effect was relatively sharp - some 1,600 - and an adjustment has been made to allow for this in the seasonally adjusted series.

OVERALL EFFECT ON SEASONALLY ADJUSTED FIGURES FOR SEPTEMBER

Since the effect of the postal strike on September's figures is uncertain at this stage, the figures have been seasonally adjusted as they stand for the time being. While the seasonal adjustment program used does not give a lot of weight to the latest erratic figures in calculating the relevant adjustments, the September figure nevertheless does have some effect. Consequently the figure for August has been revised upwards and the September figure shows a fall even though, coincidentally, the level for September is the same as published last month for August.

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The revision of the previous month's figure follows the normal practice of keeping the seasonal adjustment up-to-date, although the size of the revision is larger than usual. These distortions should be absent from the fully revised and adjusted series to be published next month.

OCTOBER FIGURES

In addition to normal downward seasonal movements and any contribution from the downward trend, the unadjusted total between September and October will be reduced by a further 50,000 to 60,000, (making a total effect of some 90,000 altogether) as a result of the new regulations for under 18 year olds, and also by around 50,000 as the effect of the postal strike unwinds.

New seasonally adjusted series

The seasonally adjusted series will be revised to be on a consistent basis allowing for the effect of the change in regulations. The new series, to be introduced when the October figures are published, will be restricted to those aged 18 or over. The current series excludes school leavers aged under 18, but some 40,000 other 18's, who have had a job since leaving school, are included.

COMMUNITY PROGRAMME VACANCIES

A further point to note this month is that with the introduction of the Employment Training programme at the beginning of September, there are no longer any Community Programme vacancies. These used to be included in the unadjusted totals for unfilled vacancies. There are minor consequences to the presentation of the vacancy figures, but the seasonally adjusted series, which already excluded CP vacancies, is not affected.

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UNEMPLOYMENT FIGURES: ADDITIONAL BRIEFING

SEPTEMBER FIGURES

POSTAL STRIKE

The unemployment figures (both unadjusted and seasonally adjusted) for 8 September include some temporary over-recording as a result of the postal strike in Great Britain (Northern Ireland was unaffected). The effect is probably of the order of 50,000, but it is not possible to be more precise until we get the October figures which should be free from this over-recording.

The problem has arisen because of the arrangements made to get giro cheques to the unemployed. Giros were prepared in advance at the computer centre and delivered to the UBOs by TNT ready for the claimants to collect on their next signing day. The process had to assume that all the claimants would then still be unemployed, and were recorded as such on the benefit computers. However, a steady stream of people leave the count and the records for these people needed correction to get an accurate figure of those unemployed on the 8th September.

In many cases the correction has been made as the previously unemployed person contacted the UBO with information about when they left the count. However, some people simply failed to sign on or collect their giro. In these cases their claim was terminated according to normal procedure after a few days grace. But correction of the information on when they ceased to be unemployed was not always carried out before the unemployment statistics for September were compiled. UB40s returned by those leaving unemployment will have been held up in the post and in addition, there will have been delays of information used in adjudication eg from former employers. As a result a significant number of people who would normally have been removed from the count will wrongly have been recorded as still unemployed on 8 September.

The effect of the postal strike will have unwound by the October count. When we have the October figures, we should have a reliable enough estimate of the effect to justify removing the distortion from the seasonally adjusted series. There is precedent for such adjustments.

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LABOUR MARKET STATISTICS

Summary

The underlying increase in average earnings was 9¼ per cent in the year to August, ¼ per cent higher than July and a rise of ¾ per cent in the past three months. The unemployment figures for September include some over-recording caused by the postal strike. The seasonally adjusted total fell only 6,000 but there is no reason to believe the underlying trend has deviated from the fall of over 40,000 a month experience throughout 1988. The problem should be resolved in October. The stock of vacancies was little changed in September. The increase of 42,000 in the workforce in employment in the second quarter was well below that in recent quarters but may be only a temporary slowdown. However, the fall in manufacturing employment has continued into August.

Unemployment

UK unemployment (seasonally adjusted claimants excluding school leavers) fell by 5,700 between August and September to 2.267 million, 8.0 per cent. These figures have, however, been considerably distorted by over-recording in September caused by the postal strike, mainly through delays in information about when claimants ceased to be unemployed. Additional briefing is attached. The upward effect on September's figure seems likely to have been about 50,000, but it is not yet possible to provide an accurate estimate until we have October's figures free from this over-recording. There were also separate small distortions in the opposite direction and our best assessment of the trend is that it is unlikely to have altered significantly from the average monthly fall of over 40,000 during recent months. A revised seasonally adjusted figure will be issued together with the October figures, when a better estimate of all the factors is available.

Headline total

There was an increase of 20,000 in the headline unadjusted total in September to 2.311 million. In this case, much of the upward effect of the postal strike has been offset by the expected reduction among new school leavers following the recent change in benefit regulations. There was a fall of 5,000 among the under 18 school leavers instead of the traditional rise; over 30,000 could have been expected. The seasonally adjusted series which excludes school leavers under 18 is not yet significantly affected by the

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Thereafter confidential.

changes, although fewer 18 year old school leavers than normal signed on by 8 September, and these would have been included in the series. The seasonally adjusted series will be affected in October as most of those under 18 who left school before this summer will no longer have been entitled to claim benefit after 12 September. The seasonally adjusted series will be redefined next month to take account of these changes and maintain consistent coverage.

October figures

An exceptionally sharp reduction, possibly up to around 200,000, in the 'headline' total can be expected in October. Seasonal influences between September and October are downward. In addition, most of the remaining under 18 year olds will leave the count, and the effect of the postal strike will have unwound.

Employment

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 42,000 in the second quarter of 1988. This follows much larger increases in recent quarters, but it is too early to say whether the rate of growth has slowed. The increase in the year ending June 1988 amounted to 439,000.

The June quarter increase of 42,000 in the workforce in employment is made up of a projected increase in the self-employed of 31,000, an estimated increase of 8,000 employees in employment, a rise of 3,000 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 47,000 is smaller than in recent quarters and has been offset by fall in the numbers in manufacturing, energy and water supply and other industries (agriculture and construction) of 22,000, 12,000 and 6,000 respectively.

The number of employees in employment in manufacturing industries fell by an estimated 5,000 in August. The rate of decline in manufacturing employment has slowed compared with earlier years but the trend is still downward.

Overtime working by operatives in manufacturing industries remained high with an estimated 13.5 million hours per week worked in August. Hours lost through short-time working in manufacturing industries remained low at 0.25 million hours per week in August.

Vacancies

The stock of unfilled vacancies (UK jobcentres, seasonally adjusted) rose slightly by 1,100 to 242,200 in the month to September. The level is 2% lower than a year ago, although it remains relatively high. The downward trend over recent months is more likely to reflect a loss of market share for some types of vacancy than a weakening in the jobs market. There has been a progressive change in priorities in jobcentres, to concentrate on the needs of the long term unemployed.

Average Earnings

The estimate of the underlying increase in earnings for the whole economy for August is 9¼ per cent, an increase of ¼ on the level in July 1988. The rate has thus risen ¾ per cent in three months. The estimate for the production industries, at 9½ per cent, is up ¼ per cent from the revised July 1988 level of 9¼ per cent, and the estimate for manufacturing is also up ¼ per cent. For service industries, the estimated underlying increase in average earnings is unchanged from the figure for July at 9 per cent.

The rises for the wholly economy and manufacturing sectors were anticipated last month. Higher overtime than a year earlier was a major factor in the August figures along with a general upward movement caused by settlements in the summer being higher than a year earlier.

With settlements higher than their corresponding level in 1987, if higher levels of overtime working combine with high quarterly bonuses in September the underlying rate of increase for the whole economy could rise to 9½ per cent.

Next Labour Market Figures

The next labour market brief will be issued on Monday 14 November, in advance of the press release on Thursday 17 November. It will contain unemployment data for 13th October, including the rebased seasonally adjusted series, manufacturing employment and earnings for September and vacancies for 7th October.

Unemployment in September seasonally adjusted (UK)

Down 5,700 in September
Fall understated because of over recording caused by postal strike

Now 2.267 million, 8.0%
Down 26 months running, longest continuous fall since the war
Largest sustained fall on record, down 943,000 since July 1986.

Lowest level for over 7 years (since May 1981, consistent)

Fall in last 12 months 505,000

Fall of 655,000 since election June 1987

Fall of 40,000 per month over last six months

Total (inc. school leavers) (UK)
Now 2.311 million (8.2%)

Up 20,000 since August
Fall in last 12 months 559,000 (figures affected by postal strike and new regulations for under 18s)

Regional unemployment

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

Youth unemployment (UK)

Under 25s also lowest for more than 5 years in July. Down by 37% in past two years.

Latest EC unemployment comparison for under 25s (July 88) showed UK 12.6% compared with EC average 20.4% (lower than all other EC countries except Denmark, Germany and Luxembourg).

International comparisons

UK rate fallen faster in past year than any other major industrialised country. UK unemployment lower than EC average. Latest international rates show unemployment higher in France (10.5%), Italy (12.8%), Belgium (10.3%), Netherlands (9.5%) Spain (19.5%) and Ireland (18.9%). (Comparable UK 8.2%)

Workforce in employment (GB)

(= employees in employment + self-employed + HM Forces + participants on work-related government training programmes)

Increased 42,000 in Q2 1988; less than previous quarters but too soon to say growth has slowed. Upward trend for more than 5 years. Increase in year to June 1988:

	Men	Women	Total
Full-time	66,000	136,000	202,000
Part-time*	98,000	139,000	237,000
Total	164,000	275,000	439,000

*including participants in training programmes

Increase since March 1983:	2,178,000
of which: employees	1,068,000
self-employed	778,000
training schemes	337,000
HM Forces	- 5,000

Manufacturing employees (GB)

Decreased by 5,000 in August following falls of 4,000 in July and 22,000 in Q2 1988. Trend still downwards though not at rate observed in 1986 and early 1987.

Employees in employment (GB)

Increased by more than 1 million since March 1983. Increased every quarter since March 1983. Increased 8,000 in Q2 1988.

Vacancies (UK)

Unfilled vacancies at Jobcentres 242,200 in September, up 1,100 since August (but 2% lower than a year ago)

Survey in January showed over 700,000 vacancies in the economy overall. Only about 1/3 vacancies reported to Jobcentres.

Average earnings (GB)

Underlying increase in average earnings in year to August 9 1/4%. (See separate briefing note)

Long term unemployment (UK)

948,000 in July, below a million for the first time in more than 5 years. Fell by a record 290,000 in 12 months since July 1987 and by 400,000 in 2 years since July 1986.

Long term unemployment among under 25s down by 47% over past 2 years.

Labour Market statistics - additional points

Effect of measures on unemployment count

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

Fiddling the figures

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

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

Flows out of unemployment

- Some 400,000 per month leave count. Over a quarter of those becoming unemployed leave within the first month, over half leave within 3 months.
- job starts: 7½ million per year (1987) includes employed and unemployed equivalent to about 30,000 every working day.

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 all JTS participants. Employment Training will also be included.

Part-time employment

- Rise in part-time employment (54%* of increase in employment in year to June.) sign of increased flexibility in the labour market.
- * Participants on work related government training programmes regarded as part-time.
- According to LFS, vast majority of those working part-time do not want full-time jobs.
- A part-time job can be up to 30 hours per week, so cannot describe as half a full-time job.

International comparisons of employment

- UK proportion of population of working age in employment (66%) much greater than EC average (58%)

International definition of unemployment

Latest OECD standardised rates, show UK unemployment at 8.2%(July)

Labour Force Survey (GB)

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

Lesser fall in survey estimate compared with claimant count between 1986 and 1987 reflects response among claimants to extra job opportunities, with more frequent job seeking among those yet to find work. (210 thousand fall in count compared to 90 thousand ILO/OECD)

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LABOUR MARKET STATISTICSSUMMARY STATISTICS

		Level	Change on previous period	<u>Thousands</u> Change on previous year
<u>Unemployment (UK)</u>				
Total (not seasonally adjusted)	September 8**	2,311	+ 20	- 559
Total (excluding school leavers)	September 8*	2,267	- 6	- 505
<u>Workforce in employment (2) June Q2 1988</u>				
<u>Employees in employment</u>				
Services	June Q2 1988	14,839	+ 47	+ 364
Manufacturing	June Q2 1988	5,007	- 22	- 49
Manufacturing	August 1988	4,998	- 5	- 45
<u>Vacancies (UK at jobcentres)</u>	September 2	242	+ 1	- 4

Percentage change on previous year
(underlying increase)

Index of Average Earnings

Whole Economy	August	9½
Services	August	9
Manufacturing	August	9½

Notes

- All figures seasonally adjusted GB except where otherwise stated.
 - The workforce in employment comprises employees in employment, the self-employed, HM Forces and participants in work-related government training programmes
- * Septembers' unemployment figures include some over-recording because of the effect of the postal strike.
- ** The unadjusted figures have also been affected by the introduction of new benefit regulations in September. See note A8 for further details

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

Summary

Unemployment (UK seasonally adjusted excluding school leavers) fell by 5,700 in the month to September. Male unemployment decreased by 1,300 and female unemployment decreased, by 4,400. Over the past six months there has been a fall of 39,500 on average compared with a fall of 44,700 per month over the previous six months to March 1988.

The unadjusted unemployment total, in September was 2,310,973.*

The workforce in employment is estimated to have increased by 42,000 in the second quarter of 1988 contributing to overall increases of 439,000 in the year to June 1988 and 2,178,000 between March 1983, when the upward trend began, and June 1988.

The latest estimate for the number of employees employed in manufacturing industry in Great Britain is estimated to have fallen by 5,000 in August following a fall of 4,000 in July and a fall of 22,000 during the second quarter of 1988.

The stock of vacancies (UK seasonally adjusted) increased by 1,100 in September to 242,200. Over the past six months there has been a decrease of 1,000 per month on average.

The underlying increase in average earnings for the whole economy in the year to August was 9½ per cent a rise of ¼ per cent on the year to July.

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

* Note September's unemployment figures include some over-recording because of the effect of the postal strike. The unadjusted total has also been affected by the introduction of new benefit regulations in September. See note A8.

LABOUR MARKET STATISTICS

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UNEMPLOYMENT

The seasonally adjusted level of unemployment in the UK (excluding school leavers) was 2.267 million in September, 8.0 per cent of the workforce*. The September figure includes some over-recording because of the effect of the postal strike (see note A8).

Over the past six months on average unemployment has fallen by 39,500 per month.

The recorded total of unemployed claimants, including school leavers, was 2,310,973 in September giving an unemployment rate of 8.2 per cent of the workforce*. As well as being distorted by the postal strike, the unadjusted figures have also been affected by the introduction of new benefit regulations in September (see note A8).

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

TABLE 1: UNEMPLOYMENT - UNITED KINGDOM

THOUSAND

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

	Male	Female	Number	Change since previous month	Unemployment rate: Percentage of workforce*	Average change over 6 months ended	Average change over 3 months ended
1987 Sep	1939.3	832.9	2772.2	-53.3	9.8	-44.2	-50.0
Oct	1899.5	814.1	2713.6	-58.6	9.6	-51.3	-53.2
Nov	1854.7	796.1	2650.8	-62.8	9.4	-50.0	-58.2
Dec	1825.3	788.6	2613.9	-36.9	9.3	-51.4	-52.8
1988 Jan	1783.5	781.2	2564.7	-49.2	9.1	-51.4	-49.6
Feb	1757.0	775.6	2532.6	-32.1	9.0	-48.8	-39.4
Mar	1737.6	766.4	2504.0	-28.6	8.9	-44.7	-36.6
Apr	1702.3	750.8	2453.1	-50.9	8.7	-43.4	-37.2
May	1677.6	736.6	2414.2	-38.9	8.6	-39.4	-39.5
Jun	1651.3	721.1	2372.4	-41.8	8.4	-40.3	-43.9
Jul	1612.0	700.3	2312.3	-60.1	8.2	-42.1	-46.9
Aug(r)	1589.6	683.0	2272.6	-39.7	8.1	-43.3	-47.2
+Sep(p)	1588.3	678.6	2266.9	-5.7	8.0 **	-39.5	-35.2

** The separate rate for males was 9.6 per cent, and for females 5.8 per cent.

* See note A5

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

(r) Revised

+ See note A8

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

	Male	Female	Number	Unemployment rate: percentage of workforce*	Claimant school leavers
1987 Sep	1,973,776	896,419	2,870,195	10.2	92,406
Oct	1,903,620	847,764	2,751,384	9.8	83,226
Nov	1,865,842	819,741	2,685,583	9.5	69,408
Dec	1,878,715	817,095	2,695,810	9.6	63,726
1988 Jan	1,892,698	829,456	2,722,154	9.7	62,797
Feb	1,852,129	813,340	2,665,469	9.5	57,414
Mar	1,803,143	788,978	2,592,121	9.2	52,110
Apr	1,765,711	770,278	2,535,989	9.0	56,943
May	1,692,052	734,822	2,426,874	8.6	52,659
Jun	1,632,041	708,748	2,340,789	8.3	47,475
Jul	1,606,313	720,390	2,326,703	8.2	41,093
Aug	1,576,548	714,627	2,291,175	8.1	35,906
Sep**	1,594,403	716,570	2,310,973	8.2+	30,451

+ The separate rate for males was 9.6 per cent, and for females 6.1 per cent.

*See note A5.

TABLE 3: UNEMPLOYMENT - REGIONS September 8 1988

THOUSAND

	SEASONALLY ADJUSTED (P)** (EXCLUDING SCHOOL LEAVERS)				UNADJUSTED** (INCLUDING SCHOOL LEAVERS)			
	Total	Change since previous month	Unemployment rate percent- age of work- force*	Change since previous month	Total	Change since previous month	Unemployment rate percent- age of work- force*	School leavers
South East (Greater London)	484.4 (282.4)	5.8 (6.8)	5.2 (6.6)	0.1 (0.2)	494.2 (290.5)	7.4 (6.1)	5.3 (6.8)	3.7 (2.4)
East Anglia	49.2	-0.5	4.8	-0.0	47.9	-0.1	4.7	.4
South West	131.1	-1.6	6.3	-0.1	130.3	2.7	6.2	.9
West Midlands	224.7	-3.8	8.5	-0.1	233.5	0.5	8.9	3.3
East Midlands	141.9	-0.8	7.3	-0.0	143.7	0.8	7.4	1.6
Yorks and Humberside	225.3	-1.6	9.5	-0.1	230.7	2.5	9.7	3.9
North West	319.7	-1.3	10.6	-0.0	329.3	3.6	10.9	4.9
North	171.0	-2.1	11.8	-0.1	174.7	2.2	12.0	2.7
Wales	123.3	-1.9	10.3	-0.2	125.8	1.7	10.5	1.8
Scotland	283.1	3.5	11.4	0.1	285.2	0.1	11.5	6.4
GREAT BRITAIN	2,153.8	-4.1	7.8	-0.0	2,195.2	21.6	8.0	29.6
Northern Ireland	113.1	-1.6	16.3	-0.2	115.7	-1.8	16.6	.9
UNITED KINGDOM	2,266.9	-5.7	8.0	-0.0	2,311.0	19.8	8.2	30.5

* See note A5 ** See note A8
(P) Provisional see note A6

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

		INFLOW				OUTFLOW			
Month ending		Total including school leavers		Total excluding school leavers	Change since previous year	Total including school leavers		Total excluding school leavers	Change since previous year
		School leavers				School leavers			
1987	Sep	456.6	55.5	401.1	- 41.9	451.8	12.9	438.9	- 3.9
	Oct	420.2	25.6	394.6	- 40.2	549.0	30.5	518.5	- 2.9
	Nov	375.3	10.8	364.5	- 38.5	432.3	18.4	413.9	+ 3.8
	Dec	328.6	7.5	321.1	- 26.8	317.5	10.1	307.4	- 22.5
1988	Jan	344.4	11.0	333.3	- 22.1	321.5	8.4	313.1	+ 26.2
	Feb	345.2	9.4	335.8	- 51.5	406.6	11.3	395.3	- 51.0
	Mar	313.0	7.2	305.9	- 27.8	392.5	9.3	383.2	- 36.7
	Apr	323.9	14.8	309.1	- 41.1	372.5	7.6	364.9	- 23.1
	May	276.7	9.5	267.2	- 31.7	394.9	10.8	384.1	- 30.6
	Jun	273.8	6.5	267.3	- 38.1	367.1	9.0	358.0	- 33.7
	Jul	347.5	6.6	340.9	- 77.5	359.7	9.1	350.5	- 65.2
	Aug	311.6	4.9	306.7	- 69.8	350.1	7.3	342.7	- 66.8
	Sep**	327.4	4.1	323.3	- 77.8	305.9	7.1	298.8	- 140.0

** See note A8

EMPLOYMENT

Whole economy estimates for June 1988 are available for the first time this month. Some of the estimates for earlier months have been revised to take account of newly available information.

The workforce in employment (employees in employment, the self-employed, HM Forces and participants in work related government training programmes) in Great Britain is estimated to have increased by 42,000 in the second quarter of 1988 and by 2,178,000 since March 1983. The total increase in the year to June 1988 is estimated at 439,000; of this 202,000 was full-time and 237,000 part-time jobs (including 34,000 participants). The increase of 42,000 in the June quarter comprises of a projected increase of 31,000 in the self-employed, an estimated increase of 8,000 in employees in employment, a rise of 3,000 in work related government training programmes and a fall of 1,000 in HM Forces.

Employees in employment

In the year to June 1988, the number of employees in employment increased by 282,000, the net result of a 364,000 increase in the service industries and 4,000 in other industries, offset by falls of 49,000 in manufacturing and 38,000 in energy and water supply industries.

The increase of 8,000 in the number of employees in employment in the second quarter of 1988 was made up of an increase of 47,000 in services offset by falls in the estimated numbers in manufacturing, the energy and water supply industries and other industries (agriculture and construction) of 22,000, 12,000 and 6,000 respectively.

The number of employees in employment in manufacturing industries decreased by an estimated 5,000 in August 1988 following a fall of 4,000 in July and a fall of 22,000 during the second quarter. The latest figures suggest that the current trend in manufacturing employment remains downward though the rate of decline is slower than in previous years.

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	21,369	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	11,703R	9,886R	21,589R	2,156	737	2,894	301	16	317	199	135	334	14,359R	10,774R	25,133R
	June	11,689	9,908	21,597	2,175	749	2,925	300	16	316	201	136	337	14,365	10,810	25,175

* 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.

TABLE 5a
EMPLOYEES IN EMPLOYMENT IN GREAT BRITAIN

Thousand: Seasonally adjusted

		Manufacturing Industries			Energy & Water Supply Industries			Service Industries		Other Industries		All Industries and Services		
		Levels	Changes		Levels	Changes		Levels	Changes	Levels	Changes	Levels	Changes	
			Mon- thly	Three* monthly	Quar- terly		Mon- thly	Quar- terly						
1986	March	Q1 5,204	- 9	-12	- 36	540	- 4	-18	14,028	+ 71	1,292	- 9	21,065	+ 9
	June	Q2 5,146	-19	-19	- 58	530	- 4	-10	14,114	+ 86	1,288	- 4	21,079	+ 14
	September	Q3 5,107	- 9	-13	- 39	519	- 2	-11	14,191	+ 77	1,281	- 7	21,098	+ 19
	December	Q4 5,084	- 8	- 8	- 23	509	- 1	-10	14,272	+ 81	1,282	+ 1	21,147	+ 49
1987	January	5,065	-19	-11		501	- 8							
	February	5,062	- 3	-10		499	- 2							
	March	Q1 5,053	- 9	-10	- 31	494	- 5	-15	14,373	+101	1,291	+ 9	21,212	+ 65
	April	5,046	- 7	- 6		487	- 7							
	May	5,052	+ 6	- 3		486	- 1							
	June	Q2 5,056	+ 4	+ 1	+ 3	488	+ 2	- 6	14,475	+102	1,296	+ 5	21,315	+103
	July	5,048	- 8	+ 1		484	- 4							
	August	5,043	- 5	- 3		483	- 1							
	September	Q3 5,034	- 9	- 7	- 22	485	+ 2	- 3	14,550	+ 75	1,300	+ 4	21,369	+ 54
	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	+114
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	1,306R	+ 9R	21,589R	+106R
	April	5,016	-13	- 6		452	-10							
	May	5,015	- 1	- 7		450	- 2							
	June	Q2 5,007	- 8	- 7	- 22	450R	0R	-12R	14,839	+ 47	1,300	- 6	21,597	+ 8
	July	5,003	- 4	- 4		447	- 3R							
	August	4,998	- 5	- 6		446	- 1							

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

VACANCIES

The stock of unfilled vacancies at jobcentres increased by 1,100 in the month to September to reach 242,200. Over the past three months to September, seasonally adjusted vacancies have decreased on average by 4,300 per month.

Unadjusted, there was an increase of 16,053 unfilled vacancies in the month to 260,065.*

The inflow of notified vacancies decreased on average by 1,200 per month in the three months ending September 1988, the outflow decreased by 900 per month, and placings decreased by 800 per month.

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

TABLE 6: UNFILLED VACANCIES - UNITED KINGDOM

THOUSAND

		VACANCIES AT JOBCENTRES+*				VACANCIES AT CAREERS OFFICES
		UNADJUSTED	SEASONALLY ADJUSTED		UNADJUSTED	
			Number	Change since previous month	Average change over 3 months ended	
1987	Sep	263.3	246.6	9.7	4.3	23.7
	Oct	280.2	261.4	14.8	8.7	23.1
	Nov	272.0	268.2	6.8	10.4	22.0
	Dec	239.7	256.6	-11.6	3.3	20.5
1988	Jan	224.8	249.5	-7.1	-4.0	19.9
	Feb	224.2	247.9	-1.6	-6.8	18.8
	Mar	232.0	245.5	-2.4	-3.7	20.4
	Apr	251.3	253.7	8.2	1.4	22.1
	May	262.2	255.5	1.8	2.5	27.0
	Jun	269.5	255.2	-0.3	3.2	30.7
	Jul	258.2	249.4	-5.8	-1.4	32.3
	Aug	244.0	241.1	-8.3	-4.8	31.6
	Sep	260.1	242.2	1.1	-4.3	31.9

* There are no longer any Community Programme vacancies. See note C1.

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

TABLE 7: VACANCY FLOWS AT JOBCENTRES-SEASONALLY ADJUSTED

		UNITED KINGDOM				THOUSAND	
		INFLOW		OUTFLOW		of which: PLACINGS	
		Level	Average change 3 Months ended	Level	Average change 3 months ended	Level	Average change 3 months ended
1987	Sep	228.8	-0.4	215.9	-2.5	154.5	-2.7
	Oct	235.9	5.3	224.2	2.1	158.0	1.2
	Nov	237.5	4.9	230.9	4.1	159.7	1.6
	Dec	236.1	2.4	247.9	10.7	169.5	5.0
1988	Jan	223.6	-4.1	229.0	1.6	164.1	2.0
	Feb	237.9	0.1	243.9	4.3	168.6	3.0
	Mar	237.3	0.4	238.6	-3.1	164.4	-1.7
	Apr	228.2	1.5	225.0	-1.3	154.0	-3.4
	May	231.7	-2.1	227.4	-5.5	158.8	-3.3
	Jun	231.2	-2.0	225.8	-4.3	155.3	-3.0
	Jul	229.0	0.3	231.9	2.3	155.1	0.4
	Aug	224.3	-2.5	231.8	1.5	155.4	-1.1
	Sep	227.5	-1.2	223.2	-0.9	152.8	-0.8

TABLE 8: *UNFILLED VACANCIES - REGIONS - 2 September 1988 THOUSAND

	VACANCIES AT JOBCENTRES			VACANCIES AT CAREERS OFFICES
	UNADJUSTED	SEASONALLY ADJUSTED		
	TOTAL	Number	Change since previous month	
South East	96.2	88.7	-2.8	19.5
(Greater London)	(30.4)	(27.8)	(-0.9)	(9.9)
East Anglia	11.0	10.3	0.1	1.3
South West	21.8	20.2	0.4	2.0
West Midlands	24.8	23.1	0.7	2.0
East Midlands	15.1	14.3	0.7	1.6
Yorks and Humberside	16.6	15.5	0.6	1.3
North West	25.7	24.4	1.1	1.5
North	12.0	10.9	0.0	0.6
Wales	13.2	12.3	0.2	0.4
Scotland	21.8	20.2	0.2	0.6
GREAT BRITAIN	258.2	239.7	1.1	30.9
Northern Ireland	1.9	2.5	-0.1	1.0
UNITED KINGDOM	260.1	242.2	1.1	31.9

* 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 August was about 9 1/4 per cent, a rise of 1/4 per cent on the increase in the year to July. The actual increase in the year to August, at 8.1 per cent, was below the estimated underlying increase, as several groups of workers did not receive pay increases in the twelve month period.

In common with other economic series published by Government Departments the average earnings series have been rebased to 1985 = 100. The seasonally adjusted series have also been recalculated using updated seasonal factors.

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	110.9	112.2	7.6	7 1/2
February	111.4	112.9	7.5	7 1/2
March	113.3	113.3	6.6	7 1/2
April	114.2	114.3	6.3	7 3/4
May	115.4	115.5	8.7	7 3/4
June	116.5	115.8	7.7	7 3/4
July	118.3	117.1	8.0	7 3/4
August	117.4	117.2	7.6	7 3/4
September	117.3	117.5	7.9	7 3/4
October	118.5	118.9	8.1	8
November	120.7	120.3	8.4	8 1/4
December	122.5	121.2	8.9	8 1/2
1988				
January	120.5	121.9	8.6	8 1/2
February	120.4	122.1	8.1	8 1/2
March	124.1	124.1	9.5	8 1/2
April	124.4	124.5	8.9	8 1/2
May	124.2	124.3	7.6	8 1/2
June	125.9	125.1	8.0	8 3/4
July	128.3	126.9	8.4	9
August*	126.9	126.7	8.1	9 1/4

* Provisional
R Revised

In production industries, the underlying increase in average weekly earnings in the year to August was about 9 1/2 per cent, a rise of 1/4 per cent on the year to July, which has been revised upwards from 9 per cent. Within this sector, in manufacturing industries, the underlying increase in average weekly earnings in the year to August was about 9 1/4 per cent, a rise of 1/4 per cent on the increase in the year to July. These increases include the effect of higher overtime working this year than a year ago. The actual increases for production industries and manufacturing industries in the year to August were 7.9 per cent and 8.4 per cent respectively.

In service industries, the underlying increase in average weekly earnings in the year to August was about 9 per cent, similar to the increase in the year to July. The actual increase in the year to August was 7.8 per cent.

The indices have been rebased to 1985 = 100 and the seasonal factors have been revised.

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

		Production industries*			Manufacturing industries**			Service industries***		
		% increases over previous 12 months			% increases over previous 12 months			% increases over previous 12 months		
		Index 1985=100	seas adj	underlying	Index 1985=100	seas adj	underlying	Index 1985=100	seas adj	underlying
1987	May	115.5	8.2	8	114.7	8.1	8	116.3	9.4	7 3/4
	Jun	116.0	8.0	8 1/4	115.7	7.9	8 1/4	116.0	7.7	7 1/2
	Jul	117.2	8.7	8 1/4	116.9	8.9	8 1/4	116.8	7.7	7 1/4
	Aug	118.0	8.2	8 1/4	117.0	7.9	8 1/2	116.8	7.3	7 1/4
	Sep	119.0	8.4	8 1/4	118.2	8.4	8 1/2	116.5	7.6	7 1/2
	Oct	120.2	8.7	8 1/4	119.4	8.5	8 1/4	118.3	7.6	8
	Nov	120.4	7.9	8 1/4	119.8	8.0	8 1/4	120.5	8.9	8 1/2
	Dec	121.9	8.2	8 1/4	121.4	8.3	8 1/4	120.6	9.3	8 1/2
1988	Jan	122.0	8.0	8 1/2	121.7	8.4	8 1/2	121.4	9.2	8 1/2
	Feb	121.1	6.4	8 1/2	121.1	7.1	8 1/2	122.1	9.4	8 1/2
	Mar	123.4	8.5	8 1/4	123.3	8.9	8 1/2	124.4	10.2	8 1/2
	Apr	126.0	9.7	8 1/2	125.2	9.3	8 3/4	123.7	8.4	8 1/2
	May	126.3	9.4	8 1/2	124.9	8.9	8 3/4	123.5	6.2	8 1/2
	Jun	125.3	8.0	9	125.0	8.0	9	125.5	8.2	8 3/4
	Jul	127.0	8.4	9 1/4 R	126.6	8.3	9	126.6	8.4	9
	Aug(p)	127.4	8.0	9 1/2	126.9	8.5	9 1/4	126.0	7.9	9

p provisional R revised

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

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

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

UNIT WAGE AND SALARY COSTS

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

In the three months ending July 1988, wages and salaries per unit of output in manufacturing industries were 1.1 per cent above the corresponding period a year earlier. This increase was below the rise in average earnings in manufacturing (see Table 10) as there was a rise of about 7 1/4 per cent in productivity over this period (see Table 13).

In the first quarter of 1988 wages and salaries per unit of output in the whole economy were 4.7 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 4 per cent in productivity over this period.

Both series have been rebased to 1985=100, in common with economic series published by other Government Departments.

Recent figures are:

TABLE 13: 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	104.7	8.2	104.1	6.1
	Q2	104.9	6.6	105.2	6.7
	Q3	104.6	3.8	105.7	4.7
	Q4	103.9	-0.1	107.0	4.6
1987	Q1	106.2	1.4	108.4	4.1
	Q2	104.6	-0.3	109.8	4.4
	Q3	104.5	-0.1	110.1	4.2
	Q4	105.8	1.8	112.3	5.0
1988	Q1	106.0	-0.2	113.5	4.7
	Q2	106.9	2.2	..	..
1988	Mar	106.9	0.8	..	..
	Apr	107.7	3.4	..	..
	May	106.6	2.3	..	..
	Jun	106.4	0.9	..	..
	Jul	105.0	0.2	..	..
3 months ending					
1988	Mar	106.0	-0.2	..	..
	Apr	106.9	1.7	..	..
	May	107.1	2.1	..	..
	Jun	106.9	2.2	..	..
	Jul	106.0	1.1	..	..

CONFIDENTIAL UNTIL 11.30AM ON 13 OCTOBER 1988
HOURS WORKED IN MANUFACTURING INDUSTRIES

Overtime working by operatives in manufacturing industries remained high, at 13.52 million hours per week in August

Hours lost through short-time working in manufacturing industries remained low, at 0.25 million hours per week in August

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 101.1 in August 1988 giving an average of 101.1 over the three month period ending August 1988. Recent figures are set out in Table 12.

TABLE 12: WORKING HOURS OF OPERATIVES IN MANUFACTURING INDUSTRIES
 Great Britain, seasonally adjusted

		Hours of overtime worked	Hours lost through short-time working (stood off for whole or part of week)	Index of average weekly hours (average 1985 = 100)
		Millions per week	Millions per week	
1986	Aug	11.77	0.43	99.7
	Sep	11.68	0.43	99.6
	Oct	11.77	0.81	99.4
	Nov	12.06	0.48	99.7
	Dec	11.62	0.51	99.7
1987	Jan	11.47	0.57	99.6
	Feb	12.09	0.42	100.0
	Mar	12.27	0.36	100.2
	Apr	12.44	0.41	100.3
	May	12.38	0.37	100.2
	Jun	12.68	0.31	100.5
	Jul	12.49	0.35	100.4
	Aug	12.70	0.28	100.6
	Sep	12.96	0.24	100.7
	Oct	13.66	0.29	101.1
	Nov	13.58	0.38	101.0
	Dec	13.42	0.28	101.2
1988	Jan	14.48	0.25	101.7
	Feb	13.44	0.28	101.1
	Mar	13.40	0.23	101.2
	Apr	13.33	0.22	101.0
	May	13.59	0.23	101.2
	Jun	13.18	0.24	100.9
	Jul	13.74	0.31	101.2
	Aug	13.52	0.25	101.1

PRODUCTIVITY

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

Manufacturing output per head in the three months to July was 2.6 per cent higher than in the three months ending April and 7.2 per cent higher than in the same period a year earlier.

Output per head in the whole economy in the first quarter of 1988 was 0.9 per cent higher than in the fourth quarter of 1987 and 4.1 per cent higher than in the same quarter a year earlier.

Both series of output per head have been rebased to 1985=100 in common with economic series published by other Governemtn Departments.

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	100.0	-0.2	100.8	1.6
	Q2	101.8	0.9	101.8	1.4
	Q3	103.4	3.3	102.9	2.8
	Q4	106.8	8.1	103.5	3.2
1987	Q1	106.2	6.2	103.5	2.7
	Q2	109.9	8.0	104.5	2.7
	Q3	112.3	8.6	106.3	3.3
	Q4	113.5	6.3	106.7	3.1
1988	Q1	115.1	8.4	107.7	4.1
	Q2	116.9	6.4	..	..
1988	Mar	115.4	8.2	..	..
	Apr	116.2	5.7	..	..
	May	117.1	6.4	..	..
	Jun	117.4	7.1	..	..
	Jul	120.4	8.0	..	..
3 months ending					
1988	Mar	115.1	8.4	..	..
	Apr	115.3	6.6	..	..
	May	116.2	6.7	..	..
	Jun	116.9	6.4	..	..
	Jul	118.3	7.2	..	..

Industrial stoppages

In August 1988, it is provisionally estimated that 412 thousand working days were lost in the United Kingdom through stoppages of work due to industrial disputes. This compares with a provisional estimate of 348 thousand in July 1988, 43 thousand in August 1987 and an average of 779 thousand for August during the ten year period 1978 to 1987.

During the twelve months to August 1988 it is provisionally estimated that a total of 2,591 thousand working days were lost through stoppages of work due to industrial disputes. During this twelve month period a total of 804 stoppages have been provisionally recorded as being in progress, involving a total of 559 thousand workers. The comparable figures for the twelve months to August 1987 were 3,762 thousand lost working days, 1,102 stoppages in progress and 979 thousand workers.

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

	<u>Working days lost</u> (thousand)	<u>Number of</u> <u>Stoppages</u>	<u>Workers involved</u> (thousand)
1987			
Aug	43	71	22
Sep	56	84	19
Oct	76	96	24
Nov	127	108	80
Dec	60	72	35
1988			
Jan(p)	106	87	45
Feb(p)	653	119	148
Mar(p)	257	93	48
Apr(p)	64	50	17
May(p)	140	72	42
Jun(p)	294	82	40
Jul(p)	348	64	39
Aug(p)	412	48	129
<u>Cumulative totals</u>			
12 months to August 1987	3,762	1,102	979
12 months to August 1988(p)	2,591	804	559

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

NOTES TO EDITORS

GENERAL SYMBOLS

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

UNEMPLOYMENT (Tables 1-4)

A1. The unemployment figures are derived from records of claimants of benefit held at Unemployment Benefit Offices. The term "claimants" in the unemployment count is used to include those who claim Unemployment Benefit, Income Support (formerly Supplementary Benefit up to April 1988) or National Insurance credits. The figures include the severely disabled but exclude students seeking vacation work and the temporarily stopped (see below). A full description of the system of compiling the figures appeared in the September 1982 *Employment Gazette*.

A2. The unemployment figures exclude students who are claiming benefit during a vacation but who intend to return to full-time education when the new term begins. From November 1986 most students have only been eligible for benefits in the summer vacation. On 8 September 1988 these numbered 110,009 in Great Britain and 117,656 in the United Kingdom.

A3. The figures exclude temporarily stopped workers, that is, those who had a job on the day of the count but were temporarily suspended from work on that day and were claiming benefits. On 8 September 1988 these numbered 2,668 in Great Britain and 3,729 in the United Kingdom.

A4. The school leaver figures relate to claimants under 18 years of age who have not entered employment since completing full-time education. Part of the change in the count of school leavers between one month and the next reflects some of them reaching the age of 18.

A5. 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. See page 6 of the August 1988 edition of *Employment Gazette* for further details. The inclusion of trainees in work related programmes in the base reduces the unemployment rate by some 0.1 percentage points on average. Until July 1986, all rates were expressed as a percentage of employees plus the unemployed only. These narrower based rates, continue to be used for local areas (travel-to-work areas and counties) because estimates for the self-employed and armed forces needed to calculate the new rates are not made below regional level. The UK narrower rates on 8 September 1988 were 11.5 per cent for males and 6.6 per cent for females, 9.4 per cent in total (unadjusted).

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

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

A8. The unemployment figures for 8 September include some temporary over-recording because of the effect of the postal strike in Great Britain (Northern Ireland was unaffected.) This arose mainly through 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 including the seasonally adjusted figures. The effect is likely to be considerable, though it is not yet possible to estimate it precisely.

The school leaver figures and thus the unadjusted totals for September have also been affected by new benefit regulations. This summer's school leavers were not eligible for unemployment-related benefits on 8 September. The seasonally adjusted series which excludes school leavers aged under 18 was not significantly affected by this change. However, from 12 September most people under 18, including those not classed as school-leavers, have been unable to claim Income Support.

In order to maintain a consistent coverage for assessing trends, the seasonally adjusted series will need to be revised next month to allow for the effect of the change in regulations. The new series will also allow for the distortion to the September figures caused by the postal strike.

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. 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 56 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 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 January 1980 = 100. Separate indices for 26 industry groups of Standard Industrial Classification (1980) are published in the *Employment Gazette*.

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

D3. The analysis of underlying changes was described in *Employment Gazette*, April 1981, page 193, and the most recent analysis appeared in *Employment Gazette* in June 1988. The next analysis will appear in the September 1988 issue.

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

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. Exceptionally this month the release of this press notice precedes the release of the corresponding monthly index of manufacturing output, and so August figures for unit wage costs and productivity are not available. The output figures will be released on Friday 14 October at 11.30 a.m. by the Central Statistical Office and the August figures for both unit wage costs and productivity (together with any further revisions for earlier months) will be available on request from the Department of Employment from the same time.

E2. Wages and Salaries per unit of output in manufacturing is compiled using monthly series of average earnings, employment and output; it is described in *Employment Gazette*, June 1982, page 261. Both series of unit wage costs have been rebased to 1985=100 in common with other official economic series.

E3. See note G3.

HOURS OF WORK (Table 12)

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

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

PRODUCTIVITY (Table 13)

G1. See E1.

G2. Index numbers of output per person employed are calculated by dividing an index of output by an index of the numbers employed. The indices have all been rebased to 1985=100.

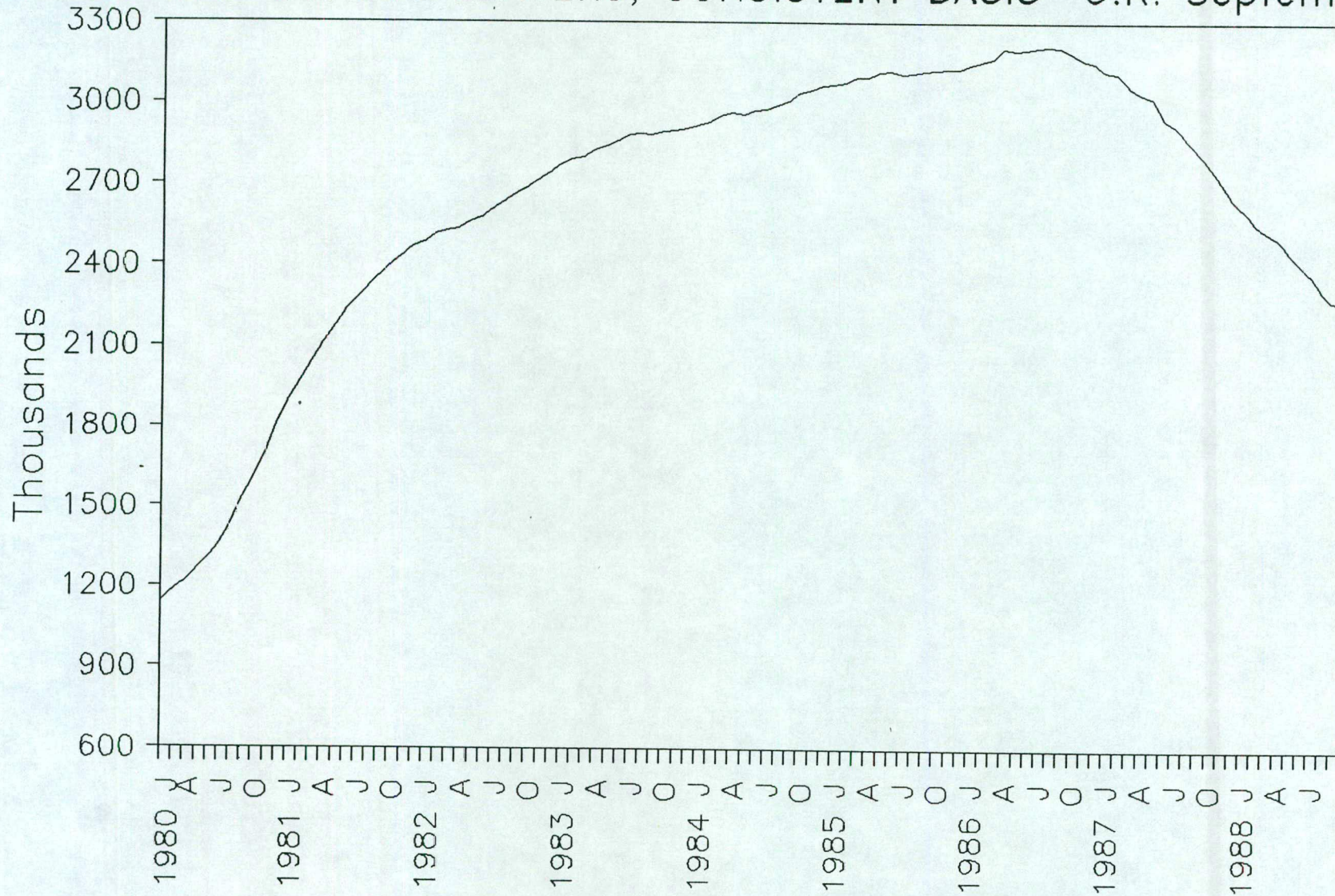
G3. The calculation of the productivity (and hence the unit wage cost) series is not affected by the changes to the employment series. The present calculation, using a denominator which excludes participants on work related training schemes, provides a better indicator of productivity (and wage cost) trends than would the revised employment series. This is because of the smallness of the scheme participants' contribution to output, the fact that some of the contribution will be excluded from the national accounts measure of output, and practical difficulties in the way of producing an analysis of participants.

INDUSTRIAL STOPPAGES (Table 14)

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

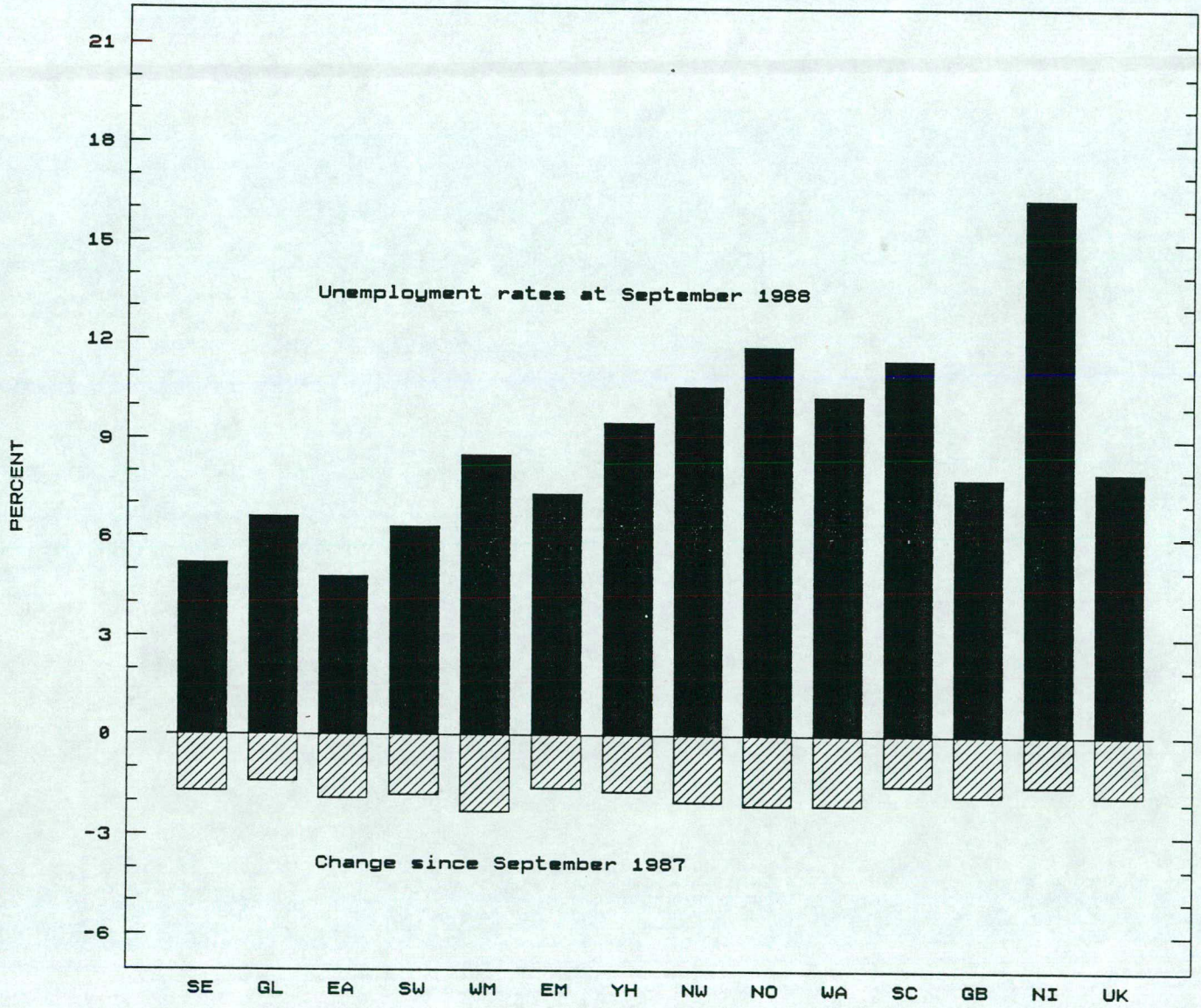
SEASONALLY ADJUSTED UNEMPLOYMENT

EXCLUDING SCHOOL LEAVERS, CONSISTENT BASIS U.K. September 1988



REGIONAL UNEMPLOYMENT RATES

WORKFORCE BASE



Unemployment
-regions and sexUNEMPLOYMENT - regions and sex: Sept 1988
SEASONALLY ADJUSTED EXCLUDING SCHOOL LEAVERS

	NUMBER (Thousands)		UNEMPLOYMENT RATE (Per Cent)*		
	At Sept 1988	Change in month since Aug 1988	At Sept 1988	Change in month since Aug 1988	Change in year since Sept 1987

REGIONS

South East	484.4	5.8	5.2	0.1	-1.7
(Greater London)	(282.4)	6.8	6.6	0.2	-1.4
East Anglia	49.2	-.5	4.8	0.0	-1.9
South West	131.1	-1.6	6.3	-0.1	-1.8
West Midlands	224.7	-3.8	8.5	-0.1	-2.3
East Midlands	141.9	-.8	7.3	0.0	-1.6
Yorks & Humber	225.3	-1.6	9.5	-0.1	-1.7
North West	319.7	-1.3	10.6	0.0	-2.0
North	171.0	-2.1	11.8	-0.1	-2.1
Wales	123.3	-1.9	10.3	-0.2	-2.1
Scotland	283.1	3.5	11.4	0.1	-1.5
GREAT BRITAIN	2153.8	-4.1	7.8	0.0	-1.8
Northern I.	113.1	-1.6	16.3	-0.2	-1.5
UNITED KINGDOM	2266.9	-5.7	8.0	0.0	-1.8

MALES AND FEMALES

UK Males	1588.3	-1.3	9.6	0.0	-2.1
UK Females	678.6	-4.4	5.8	0.0	-1.3

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

UNITED KINGDOM, claimants

July 1988

C3a
THOUSANDSUnemployment by Duration

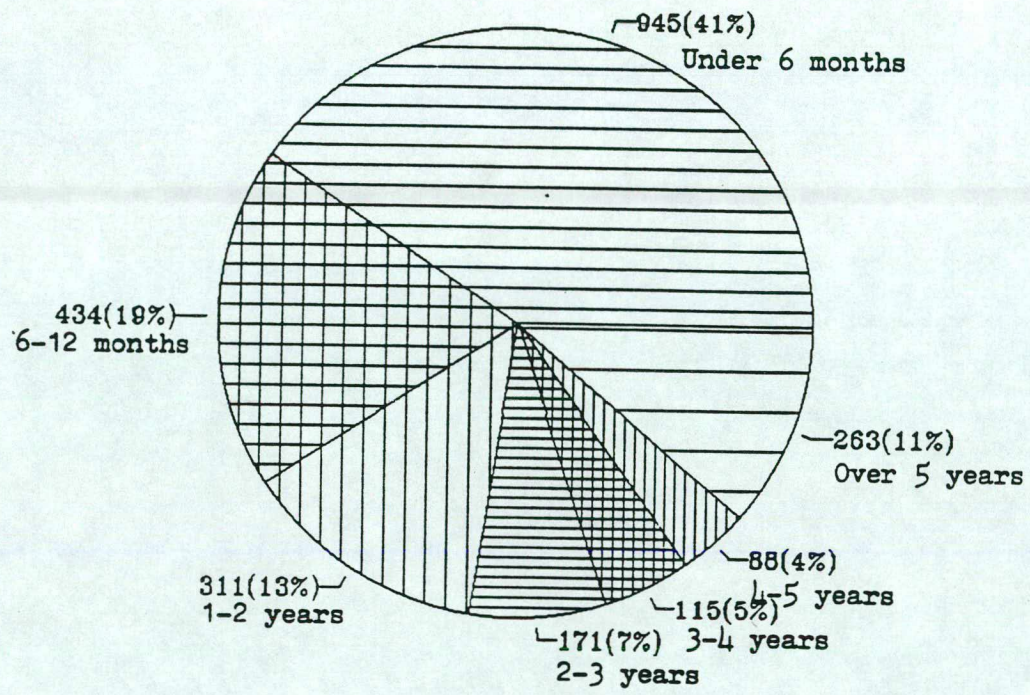
<u>Duration</u>	<u>Number at JULY 1988</u>	<u>Change since JULY 1987</u>
All durations	2327	-580
Over 6 months	1382	-401
Over 1 year	948	-290
Over 2 years	637	-147
Over 3 years	466	-91
Over 4 years	351	-49
Over 5 years	263	-14

Up to 6 months	945	-179
6 to 12 months	434	-111
1 to 2 years	311	-143
2 to 3 years	171	-57
3 to 4 years	115	-42
4 to 5 years	88	-35
Over 5 years	263	-14

Unemployment by Age

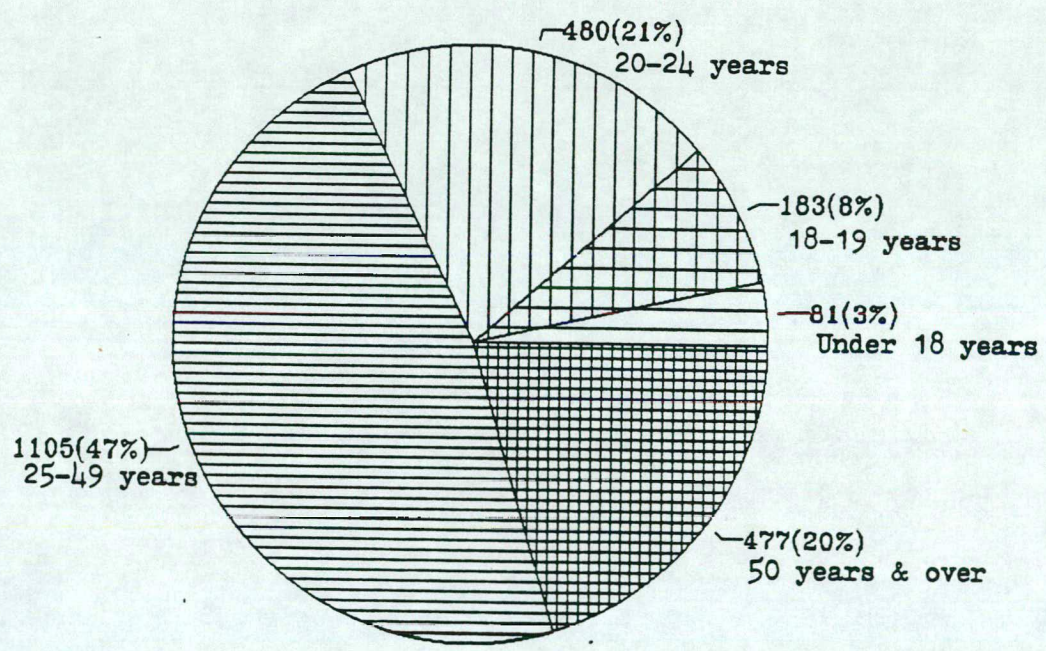
	<u>Number at JULY 1988</u>	<u>Change since JULY 1987</u>
Under 18	81	-35
18-19 years	183	-64
20-24 years	480	-131
25-49 years	1105	-258
50 and over	477	-91
All ages	2327	-580

U.K. UNEMPLOYMENT BY DURATION THOUSANDS.



JULY 1988

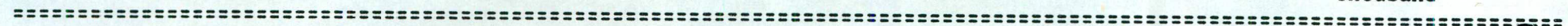
U.K. UNEMPLOYMENT BY AGE THOUSANDS



JULY 1988

Scheme Participants in GB

Thousand



	EAS	CP	CI	NWS*	YOP+	YTS++	JTS	JRS
<u>Quarterly</u>								
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
<u>Monthly</u>								
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

* 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

C5a

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	19.5	MAY
Ireland	(18.9)*	JUL
Italy	(12.8)*	JUL
France	10.5	JUL
Belgium	10.3	JUL
Netherlands	9.5	JUL
<u>United Kingdom</u>	8.2	JUL
Canada	7.8	JUL
Greece	(7.4)*	APR 87
Denmark	(7.2)*	JUL
Australia	6.8	JUL
Germany	6.6	JUL
Portugal	5.9	FEB
United States	5.4	JUL
Austria	[5.2]a	JUL
Luxembourg	(2.9)*	JUL
Japan	2.4	JUN
Norway	1.9	MAY
Sweden	1.8	JUL
Switzerland	[0.6]a	JUL

* 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 8.5% in July compared with the EC average of 10.4%.

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 comparisons.

UNEMPLOYMENT, LATEST MONTH COMPARED WITH A YEAR EARLIER

Unadjusted unemployment, national definitions				

RECOMMENDED				

	Change in % rate	Change (000s)	% Change in total	Latest month
	-----	-----	-----	-----
Italy	+ 2.5	+ 549	+ 17	JUN
Norway	+ 1.2	+ 16	+ 56	JUL
Denmark	+ 0.8	+ 22	+ 11	MAY
Netherlands	NC	- 2	NC	AUG
Austria	NC	- 2	- 2	JUL
Germany	- 0.1	- 7	NC	SEP
Portugal	- 0.1	- 3	- 1	JUN
France	- 0.1	- 23	- 1	AUG
Japan	- 0.1	- 110	- 7	JUL
Luxembourg	- 0.1	NC	- 8	JUN
Switzerland	- 0.1	- 2	- 10	JUL
Spain	- 0.5	- 15	- 1	JUN
Ireland	- 0.5	- 6	- 3	JUL
USA	- 0.5	- 429	- 6	AUG
Canada	- 0.6	- 62	- 6	AUG
Sweden	- 0.6	- 26	- 30	DEC
Greece	- 1.0	- 15	- 15	JUL
Belgium	- 1.3	- 36	- 8	JUL
Australia	- 1.3	- 91	- 15	JUL
United Kingdom	- 2.1	- 559	- 19	SEP

NC No Change

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

When assessing the change in unemployment in more recent periods than over the past year, seasonally adjusted figures need to be used. The following table compares seasonally adjusted rates for the latest three months with the previous three months.

UNEMPLOYMENT, LATEST 3 MONTHS COMPARED WITH PREVIOUS 3 MONTHS

Seasonally adjusted, national definitions
RECOMMENDED

	Change in Percentage rate	Change Number (000s)	Percentage Changes	Latest month
Norway	+ 0.9	+ 7	+ 19	JUL
Italy	+ 0.8	+ 187	+ 5	JUN
Denmark	+ 0.4	+ 12	+ 6	MAY
France	+ 0.2	+ 56	+ 2	AUG
Canada	+ 0.1	+ 11	+ 1	AUG
Netherlands	+ 0.1	+ 3	NC	AUG
Germany	NC	- 12	- 1	SEP
Austria	NC	- 3	- 2	JUN
Sweden	NC	- 3	- 3	DEC
Ireland	- 0.1	- 2	- 1	JUL
Portugal	- 0.1	- 4	- 1	JUN
United States	- 0.1	- 88	- 1	AUG
Japan	- 0.2	- 127	- 8	JUN
Spain	- 0.3	- 43	- 1	JUN
Australia	- 0.3	- 28	- 5	JUL
United Kingdom	- 0.5	- 129	- 5	SEP
Belgium	- 0.7	- 18	- 4	JUL

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

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

CH/EXCHEQUER	
REC.	11 OCT 1988
ACTION	CST
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	2

Rt Hon Norman Fowler MP
Secretary of State for Employment
Caxton House
Tottenham Street
London SW1H 9NS

py

11 October 1988

Law M...

FUTURE ARRANGEMENTS FOR TRAINING; TVEI; WRFE

Thank you for your letter of 28 September in response to mine of 27 September about E(A) (88)39 and the position of TVEI and work-related FE (WRFE). I welcome your agreement that our officials should work closely both on the drafting of the White Paper and on the implementation of the new training arrangements agreed at E(A).

2. If the Training Agency is to inherit the former Training Commission's responsibilities for TVEI and WRFE, it will be essential for their activity to be coordinated with developments set in train by the Education Reform Act. Achieving this will require that both programmes be run on a national and regional basis. I therefore welcome the assurance you give on this point. As you know, I did see a case for transferring financial responsibility for the TVEI from DE to DES. I do not wish to press this case now but, simply because we have legislated for the national curriculum, I shall have to be jointly responsible with you for the management of the TVEI in England. It will also be essential for the DES to share in the consultative and liaison mechanisms involving educational interests for WRFE.

3. I am unpersuaded, however, of the prospective value of involvement in these programmes of the new Training and Industry Councils. In the case of TVEI the main need will be to ensure consistency with the development of the national curriculum, which must be decided nationally, under the statutory arrangements of the Education Reform Act, not locally. I also suggest that the time has come to consider moving to a less interventionist and manpower-intensive style of administration for the TVEI with bids from authorities considered against broad criteria - as is the case with the ESG schemes. As for WRFE, we are, as I said at E(A), creating new employer-dominated governing bodies for

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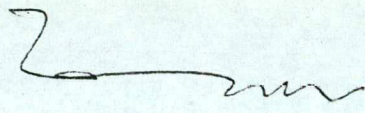
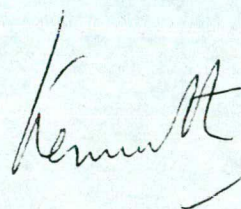
colleges, which will play an important part in determining a college's provision. Will not Training and Industry Council involvement at best involve duplication of effort and at worse introduce confusion?

4. The resolution of this debate will be important for the drafting of your White Paper, which cannot be silent on the full future pattern of arrangements of both these programmes. I am sure you recognise that your officials must enter into discussion with mine on this very soon indeed, as well as keeping in touch right through the White Paper drafting process.

5. I also want to take this opportunity of referring to the reduction in spending on WRFE which I understand you have agreed in discussion with the Chief Secretary. £10m is a significant sum in context. If WRFE and any other education programme is to be under your direct control, I would expect to be consulted early, should you on any future occasion contemplate a move of this kind.

6. I understand that officials have for some months now been discussing how the operation of the WRFE agreement will need to be adapted to take account of the introduction of delegation and the reform of college governing bodies under the Education Reform Act. These discussions will clearly need to continue after the White Paper has issued.

7. I am copying this letter to our colleagues on E(A) and to Sir Robin Butler.

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C.

Amh:

LABOUR MARKET STATISTICS

DE tell me that the latest unemployment figures are affected by the postal strike. So the seasonally adjusted figure is only down 5000, and the headline total up 20,000. Average earnings are up a bit (DE thought to $9\frac{1}{4}$ per cent, but papers were with Mr Fowler.)

I await a series of figures where the postal strike has introduced a helpful distortion!

Amh

10.10

FROM: P L PATTERSON
DATE: 12 October 1988

1. MR HIBBERD

Jim Hibberd
12/10

cc

2. CHANCELLOR (+ 1 for No.10)

Chief Secretary	Mr Burr
Financial Secretary	Mr Gieve
Paymaster General	Mr Meyrick
Economic Secretary	Mr Pickford
Sir P Middleton	Mr Bush
Sir T Burns	Mr Darlington
Mr Monck	Mr Dyer
Mr Scholar	Mr Hudson
Mr Burgner	Mr O'Brien
Mr Odling-Smee	Mr Tyrie
Mr Peretz	Mr Call
Mr Sedgwick	HB/001

COMBINED RELEASE OF LABOUR MARKET STATISTICS ON 13 OCTOBER

Summary Statistics (seasonally adjusted GB unless otherwise stated)

	Thousands	Level	Change on previous period	Change on previous year
<u>Unemployment (UK) September</u>				
Total (excl. school leavers)		2,267	- 6	-505
Total (not seasonally adjusted: 'Headline Total')		2,311	+20	-559
<u>Vacancies (UK) September</u>				
		242	+ 1	- 4
<u>Workforce in employment</u> 1988Q2		25,175	+42	+439
<u>Manufacturing employees</u> August		4,998	- 5	-45

Percentage change
on previous yearIndex of average earnings, August

Whole economy, underlying (actual)	9½ (8.1)
Manufacturing, underlying (actual)	9½ (8.5)
Service industries, underlying (actual)	9 (7.9)

Wage and salary costs per unit of output

Whole economy, 1988Q2	4.4
Manufacturing, 3 months to July	1.1*

Output per head

Whole economy, 1988Q2	3.8
Manufacturing, 3 months to July	7.2*

* no change from last month's figures

ASSESSMENT AND COMMENT

2. Recorded claimant unemployment (seasonally adjusted, adult) fell by only 6,000 between August and September, much more slowly than the average over the past year and a half. However this reflects a distortion to data collection due to the postal strike (see Annex for details). It does not alter our view of recent trends which point to continued strong decline in unemployment; the average monthly fall over the past six months remains around 40,000. DE's press office are likely to take this line in public, and to note that the distortions due to the postal strike are a direct result of the concern to ensure that claimants would receive their giro cheques without delay.

3. [NOT FOR USE: DE estimate that the over-recording in September may be of the order of 50,000 but cannot provide an accurate estimate until the October figures have been compiled. The September figure should be revised downwards next month, as the postal strike is deemed to be an administrative distortion to the figures and not a reflection of genuine developments in the labour market.]

4. As expected, virtually no new school leavers signed on in September because of the new benefit regulations which came into effect on September 12. (New school leavers were temporarily covered by special Child Benefit arrangements for the previous week and were therefore excluded from the September 8 claimant count.) The number of school leavers aged under 18 was therefore some 35,000 less than might otherwise have been expected. There was also an effect among new 18-year-old school leavers on the adult unemployment count. DE estimate that the effect of this was to reduce the GB adult count in September by some 7,000. Because of the uncertainty about the effects of the postal strike, the figures have been seasonally adjusted without any allowance for this change (except in Northern Ireland).

5. A new seasonally adjusted series will be introduced with the October figures (to be published on November 17), allowing for the effect of the change in the regulations, which will be restricted to those aged 18 and over. The current series excludes school leavers aged under 18, but includes some 40,000 other under-18's who have had a job since school. A full back series will be compiled.

6. The new figures for the workforce in employment in the whole economy in 1988Q2 show a much smaller increase than in any recent quarter. DE can find no special factors to account for this. But, given other indicators of the recent strength of the economy, it seems unlikely that it signifies any slowdown in the rate of growth of employment. However, it is possible that it contains some

early hints of a tightening of the labour market in certain industries and regions.

7. The underlying increase in whole economy average earnings in the year to August has risen to 9½ per cent. The expectation in the City is that it will remain at 9 per cent. As in earlier months the figure reflects high overtime working as well as the full effects of the nurse's pay settlement, even though much of it has not yet been paid.

[NOT FOR USE:

8. Overtime working remains higher than a year ago and may now be contributing about ½ per cent to the rise in whole economy earnings growth over the past year, and about ½ per cent in manufacturing. DE estimate that settlements in the year to August have contributed nearly 0.7 percentage points, or nearly half of the increase in whole economy underlying earnings growth from 7¾ to 9½ per cent over this period.

9. The increase in underlying earnings is expected to remain high in September, with a possibility that it could increase further to 9½ per cent. However there a number of factors which should provide some downward pressure to the October figure; in particular, overtime working was very high in October 1987 and, in contrast to recent months, is unlikely to make any positive contribution to the rate of earnings increase. In addition, the second stage of the teacher's 1987 settlement will begin to fall out of the calculation.]

THE FIGURES IN DETAIL

Unemployment

10. Seasonally-adjusted adult unemployment (excluding school leavers) fell by 6,000 between August and September to 2.267 million (8.0 per cent of the workforce). The fall over the last six months has averaged 40,000 a month. Coincidentally, the September level is the same as last month's original estimate for August; however the August figure has been revised up as part of the normal monthly revision to the seasonal factor for the previous month.

11. The 'headline' total rose by 20,000 to 2.311 million, 8.2 per cent of the workforce.

12. The stock of vacancies at Jobcentres (seasonally adjusted) rose by 1,000 between August and September to 242,000.

13. Points of interest:

(a) Seasonally adjusted total at lowest level for over 7 years (since May 1981).

(b) Seasonally adjusted total has fallen for twenty-six months in succession since July 1986, by 943 thousand in total. This is the longest period of continuous decline in unemployment since the War.

(c) Fallen by 505,000 over past year.

(d) Fall in 'headline' total of 559,000 compared with year ago.

(e) Unemployment has fallen in all regions over the past year. Unemployment rates have fallen fastest in the West Midlands, Wales, the North and the North West, 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 2.1 percentage points over past year, compared with falls of 0.5 in US, and 0.1 in Japan, Germany and France. 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 October is likely to fall very sharply, possibly by up to around 200,000. As well as a downward seasonal influence, most of the remaining under 18 year olds will have left the count, and the effect of the postal strike should have unwound.

Employment

14. There are new figures this month for the whole economy workforce in employment in the June quarter, as well as the usual monthly figure for the number of manufacturing employees in August. The increase in the workforce in employment in the second quarter of 42,000 follows much larger increases in recent quarters. It includes a projected increase in self-employment of 31,000 and an increase in the number of employees in employment of only 8,000. The increase in employees in employment in the service sector of 47,000 is the

smallest increase since 1983Q1, and has been largely offset by falls in the numbers in manufacturing, energy and water supply and other industries (agriculture and construction).

15. The number of employees in employment in manufacturing industries is estimated to have fallen by 5,000 in August, in line with the slight downward trend over the past year.

Other features

16. The provisional estimate of the underlying increase in whole economy average earnings in the year to August is 9½ per cent, up a quarter of a point from the July figure of 9 per cent. In the manufacturing sector, the increase in underlying earnings in August has also risen to 9½ per cent, while in the services sector it remains unchanged at 9 per cent. The August figures for underlying earnings again include the full effect of the 1988 nurses' pay award including the regrading increases (a total addition to the wage bill of 15.3 per cent, as costed by the pay review board), even though only a 4 per cent increase has been paid so far.

17. The level of overtime working in manufacturing remains high at 13.52 million hours a week in August, close to the average level in the first half of 1988.

18. New figures for manufacturing output per head and unit wage and salary costs in the three months to August will be published at the same time as the industrial production numbers on Friday 14 October. Output per head in the whole economy rose by 3.8 per cent in the year to 1988Q2, with unit wage costs rising by 4.4 per cent over the same period.

Line to take:

- Unemployment figures distorted by effects of postal strike because of efforts to make sure claimants received payment on time. But no reason to suppose any departure from recent downward trend of around 40,000 a month.

- Earnings growth faster than desirable and threatens prospects for continued fall in unemployment. But recent rise in earnings growth mainly reflects nurse's pay settlement as well as performance-related factors such as overtime and bonus payments, especially in manufacturing, which are largely offset by growth in productivity.

Peter Patterson

PETER PATTERSON

ANNEX

Effect of postal strike on unemployment count

The September claimant count is affected by some temporary over-recording as a result of the postal strike in Great Britain (Northern Ireland was unaffected). The full explanation is very complex, reflecting the detailed method of compiling the unemployment count. In brief, the distortion has arisen because of the arrangements made to get giro cheques to the unemployed regardless of the strike. Giros were prepared in advance at the computer centre and delivered to benefit offices by TNT ready for claimants to collect on their next signing day. This means that all those already on the count were initially assumed to remain unemployed and only removed from the count when they failed to sign on or otherwise indicated that they had left the count. In many cases this would only have occurred after the September unemployed statistics were compiled. As a result a significant number of people who would normally have been removed from the count will wrongly have been recorded as still unemployed on September 8.

P. P.

FROM: PETER PATTERSON
DATE: 13 OCTOBER 1988

MR HUDSON

cc Sir Terence Burns
Mr Sedgwick
Mr Hibberd
Mr Pickford
Mr O'Brien

LEVELS OF GB EMPLOYMENT

We spoke about the statement in the party conference speech that "there are more people at work in Britain today than ever before in our history".

2. This statement is only true if it is based on the new workforce in employment series. It is not true using the longer-established employed labour force, which differs from the former by the exclusion of those on work-related government training schemes.

3. The figures below show that the employed labour force in 1988Q2, the latest period for which figures are available, was below the levels of 1979Q3 and 1979Q4. Furthermore, if the rate of increase of employment in Q2 is maintained, the employed labour force will not reach the 1979Q4 level in 1988Q3.

Measures of whole economy employment

Thousands, GB ,seasonally adjusted

	Employed labour force	Workforce in employment
1979 Q3	24,844	24,844
1979 Q4	24,886	24,886
1988 Q2	24,835	25,175

5. I therefore think that we would be ill-advised to make too much of the workforce in employment point. The series was only introduced three months ago, amid cries of "cheat" from certain quarters, and we run the risk of being accused of creating new statistics in order to present the most favourable picture.

Peter Patterson

P L PATTERSON

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

CH/EXCHEQUER	
REC.	18 OCT 1988
ACTION	CST
COPIES TO	

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

18 October 1988

Dear Sir,

FUTURE TRAINING ARRANGEMENTS

We discussed at E(A) on 29 September your proposals, plus those from Malcolm Rifkind and Peter Walker, for future training arrangements. That discussion was primarily concerned with the broad issues over structure and direction which your proposals raise, and I did not think it appropriate to raise issues over the policy guidelines under which the new local councils would operate. I should, nevertheless, like to register a point which I hope you and Malcolm will keep in mind when undertaking the further work now commissioned.

The Community Insulation Projects, originally one of the national initiatives under the Community Programme, combine the provision of quality training with that of a complete draughtproofing service for people on low incomes, many of whom are elderly. They thereby not only promote energy efficiency in low income homes which would otherwise be most unlikely to introduce them, but are the only programme we have for delivering such services to those most at risk from cold. Their existence is an essential plank in our response to the fuel poverty lobby, whose importance was recognised when, following the ending of social security heating supplements and single payments, we decided to introduce Energy Grant to cover 90% of the costs of materials for draughtproofing the homes of those on family credit, housing benefit or income support. These projects have an excellent reputation for offering quality training to the unemployed, to which the Training Commission publicly paid tribute on a number of occasions.

Despite these considerable merits and our common determination to ensure that the projects should be adversely affected as little

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as possible by the change to Employment Training, the transition has not proved as smooth as we might have hoped. The need for project sponsors to merge or restructure in order to become Training Managers, or for projects to be regrouped under the umbrella of a Training Manager, has led at best to a loss of momentum. More worryingly, whilst the final outcome is still not known with certainty, it appears that it may also have led to a significant loss of energy project places. Because of the refusal of a number of Scottish Local Authorities to have anything to do with Employment Training, the impact there has been particularly severe.

Against this background I attach considerable importance to ensuring that the arrangements to be introduced under your and Malcolm's new proposals strengthen rather than further adversely affect the position of the community insulation projects. I believe that protecting this valuable programme is in all our interests, and have asked my officials to liaise with yours.

I am copying this letter to other members of E(A), the Home Secretary and the Secretary of State for Social Services.

Yours *Cecil*,
Parkinson

CECIL PARKINSON

CONFIDENTIAL

~~BF 27/10~~
MP

FACSIMILE TRANSMISSION

IMMEDIATE BY HAND ON ARRIVAL

DEPARTMENT OF EMPLOYMENT
PRIVATE OFFICE
ROOM 641
CAXTON HOUSE
TOTHILL STREET
LONDON
SW1H 9NF

H/EXCHEQUER	
REC.	26 OCT 1988
ACTION	CST
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26/10

Fax Number 01 273 5821

Enquiries 273 5811/5812/5813

FROM Miss A Wilkins PS/Norman Foster		TO R/s Nigel Lawson
PAGES TO FOLLOW 2	DATE 26/10	TIME 5.39

Your Minister should have received a copy of this this morning. Unfortunately it was put in the normal IDS despatch instead of our own "By Hand" messenger service. A clean copy should be with you tomorrow morning. Our apologies for the delay.



PRIME MINISTER

NATIONAL BOARD ON TRAINING

Following my decision to abolish the Training Commission, I have been considering whether we need a national body to advise me on training. I believe we do. It should be small and high powered and largely composed of employers. Its responsibilities and tasks would be allocated to it by me. The body would be non-statutory.

There are four areas in which the advice of a national Board will be important to help us achieve our objectives. These are:

- (a) monitoring on my behalf the progress and achievements of the Training Agency, and advising and guiding the management of the Agency on the discharge of its tasks;
- (b) advising me on the strategic direction and development of national training policies and programmes and on national priorities for training;
- (c) promoting the establishment and development of the new Training and Enterprise Councils and more generally, investment in the competence and skills of the workforce;
- (d) undertaking from time to time on my behalf and at my invitation any specific studies or tasks connected with the development of the vocational education and training system.



The Chairman of the Board would be appointed by me and would be accountable solely to me without executive functions. I would very much like Brian Wolfson to be the Board's first Chairman, as he has the right blend of experience and enthusiasm to make a success of the task.

The Board itself should consist of no more than 10 to 12 members in addition to the Chairman. They should be appointed by me on an individual basis. They would not therefore be nominated by any outside body nor would they represent any particular interest. In addition to the employers (outstanding and vigorous Chief Executives) who would compose at least two thirds of the members, we should involve someone from the world of education, a leading figure from a voluntary organisation and possibly a trade unionist appointed as an individual in his or her own right.

I believe a Board of this kind has a vital part to play in securing the involvement of employers in training and promoting the need for higher investment in training by the private sector.

I would be grateful for your approval to the setting up of a non-statutory Board of this kind, to be chaired by Brian Wolfson and announcing its establishment, terms of reference and Chairman in my forthcoming White Paper. If at all possible I should like to announce the other members at the same time.

I have copied this minute to Nigel Lawson, David Young, Kenneth Baker, Malcolm Rifkind and Peter Walker and to Sir Robin Butler.

Mr Tucker
Mr Walker
Ms Foley
Mr Lightfoot

N L

25 October 1988

Mr Ministers
Mr Secretary
Mr Hawley
Mr Reid
Mr Lowe

PWP



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REC.	27 OCT 1988
ACTION	
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PRIME MINISTER

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- (d) undertaking from time to time on my behalf and at my invitation any specific studies or tasks connected with the development of the vocational education and training system.



The Chairman of the Board would be appointed by me and would be accountable solely to me without executive functions. I would very much like Brian Wolfson to be the Board's first Chairman, as he has the right blend of experience and enthusiasm to make a success of the task.

The Board itself should consist of no more than 10 to 12 members in addition to the Chairman. They should be appointed by me on an individual basis. They would not therefore be nominated by any outside body nor would they represent any particular interest. In addition to the employers (outstanding and vigorous Chief Executives) who would compose at least two thirds of the members, we should involve someone from the world of education, a leading figure from a voluntary organisation and possibly a trade unionist appointed as an individual in his or her own right.

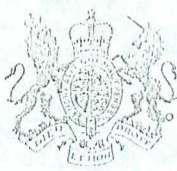
I believe a Board of this kind has a vital part to play in securing the involvement of employers in training and promoting the need for higher investment in training by the private sector.

I would be grateful for your approval to the setting up of a non-statutory Board of this kind, to be chaired by Brian Wolfson and announcing its establishment, terms of reference and Chairman in my forthcoming White Paper. If at all possible I should like to announce the other members at the same time.

I have copied this minute to Nigel Lawson, David Young, Kenneth Baker, Malcolm Rifkind and Peter Walker and to Sir Robin Butler.

" N F

25 October 1988



DEPARTMENT OF HEALTH AND SOCIAL SECURITY

Richmond House, 79 Whitehall, London SW1A 2NS

Telephone 01-210 3000

From the Secretary of State for Social Services Security

CONFIDENTIAL

The Rt Hon Cecil Parkinson MP
Secretary of State for Energy
Department of Energy
Thames House South
Millbank
London
SW1P 4QJ

EXCHEQUER	
DATE	28 OCT 1988
CHEQUE NO	CST
SUPPLIER TO	

MP

✓ 31/10

October 1988

Dear Lord,

FUTURE TRAINING ARRANGEMENTS

Thank you for your letter of 18 October.

I share your general concern about the future of Community Insulation Projects, though my Department's interest is at best peripheral. I am however aware that the Department of Health intend to mount a campaign jointly with the voluntary sector - called "Keep Warm, Keep Well" - the aim of which is to inform vulnerable people about the risks to health arising from cold weather and ways of reducing this risk. Literature for that campaign will stress the importance of a well-insulated home and will refer to the Community Insulation Projects as a source of help in providing that insulation.

I am copying this letter to members of E(A), the Home Secretary, to Kenneth Clarke to draw his attention to the potential difficulties you have identified, and to Sir Robin Butler.

JOHN MOORE

CHIEF SECRETARY	
REC.	31 OCT 1988
ACTION	Mr Burr
COPIES TO	Cx Sec PM Middleton
	Mr Dawson, Mr Munnick, Mr Munnick
	Mr Phillips, Mr Bragner
	Mr Tomball, Mr MacGoslan,



~~CONFIDENTIAL~~
 CC
 CST

CONFIDENTIAL
 Prime Minister Mr Kaley, Mr Call

I welcome the proposal to appoint a National Board on Training made in the minute sent to you on 25 October by the Secretary of State for Employment.

In my own Memorandum to E(A) Committee - (88)41 - I indicated a wish at the all-Wales level to make full use, in an advisory capacity, of the talents and experience of prominent business people, to underpin the increased employer involvement in training which we judge to be essential. The Employment Secretary's proposal seems designed to achieve much the same sort of thing at national level and I go along with the remit he proposes for the Board and with his wish to announce its establishment in the forthcoming White Paper. Brian Wolfson seems eminently suitable as Chairman.

I do not have the intention to appoint no more than 10 to 12 members on an individual basis and not representative of any interest. That seems right in principle but I do think it important to have someone on the Board who has all the necessary qualities but who can also contribute from personal knowledge of the training scene in Wales. I would therefore ask the Secretary of State for Employment to consult me on membership.

I am sending copies of this minute to the Chancellor of the Exchequer, the Secretaries of State for Employment, Trade and Industry, Education and Scotland and to Sir Robin Butler.

F. Clements

31 October 1988

PW

Approved by the Secretary of State and signed in his absence

BOF 2/4

CONFIDENTIAL



CH/EXCHEQUER	
REC.	31OCT1988
ACTION	CST
COPIES TO	

2

✓ 31/10

PRIME MINISTER

NATIONAL BOARD ON TRAINING

I have seen Norman Fowler's minute to you of 25 October in which he proposes a new National Board on Training.

2. As a general principle, I think that we would be misguided to take decisions piecemeal on the individual elements of the arrangements which are to succeed the Training Commission. Rather, we should have an early opportunity to look at the overall framework which is being proposed - perhaps in the form of a draft of the key elements of the proposed White Paper. I therefore believe that we should not reach a view on this new Board until we have seen the wider context into which it fits.

3. The proposal itself raises a number of questions. First, I wonder how it is intended that the Board should relate to the bodies which will steer the national education programmes, particularly the TVEI and work-related FE.

4. Secondly, I welcome the proposal that the Board should be non-statutory and should have an advisory role only. We do not want to re-create the Training Commission in another guise. But I find the advisory nature of the body

CONFIDENTIAL

hard to reconcile with the fourth area of proposed responsibility - specific studies or tasks connected with vocational education and training. What kind of studies does Norman have in mind? Does this mean that the Board will need a permanent staff? I would certainly expect to be consulted on any proposals for the Board to undertake work of this kind.

5. Thirdly, as I have said before, much of the work of the Training Commission had important links with education. It is essential that in the new arrangements effective machinery is established for ensuring sensible articulation between education and training. I welcome the proposal that someone from the world of education should be included on the National Board. But I am unwilling to agree to the composition and role of the Board until I have seen what other national arrangements Norman has in mind for consulting the education interests.

6. I am sending a copy of this minute to Norman Fowler, Nigel Lawson, David Young, Malcolm Rifkind and Peter Walker, and to Sir Robin Butler.

Moss
KB

31 October 1988

Department of Education and Science

(agreed by the Secretary of State
and signed in his absence).

CONFIDENTIAL

*mps pl #
for 2/11*

FROM: T J BARR
DATE: 31st October 1988

CHIEF SECRETARY

cc Chancellor ✓
Sir P Middleton
Mr Anson
Mr Monck
Mr Phillips
Mr Burgner
Mr Turnbull
Mr MacAuslan
Mr Kalen
Mr Call

NATIONAL BOARD ON TRAINING

1. In his minute to the Prime Minister of 25 October, Mr Fowler proposes to set up a National Training Board. He has already removed all the significant powers of the Training Commission, and legislation in the coming session will provide for its abolition. The National Training Board would fill the gap.

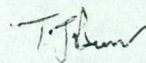
2. Unlike the Training Commission, however, the National Training Board would not have the executive functions in respect of Government training programmes which Mr Fowler has taken back from the Training Commission. Those functions will largely be given to the new local Training and Enterprise Councils (TECs) which Mr Fowler is proposing to set up. The role of the National Training Board would essentially be advisory; but it would also promote the work of the TECs.

3. The Board would have about a dozen members, who would not (as in the case of the Training Commission) be representative of particular organisations or interest groups, but would be appointed on an individual basis. The majority would be employers. Mr Brian Wolfson, who was designated as Chairman of the Training Commission shortly before its powers were withdrawn, would be the Chairman.

Assessment

4. We were not aware of this proposal prior to Mr Fowler's minute, but we see no great harm in it. It is helpful that Mr Fowler sees the Board's role in terms of securing the involvement of employers in training and promoting more private sector investment in training. We also see some advantage in such a national body in helping to maintain a national focus for training policy. Indeed we suspect that one reason why Mr Fowler has made the proposal at this stage is to reinforce his position in the dispute with the Scottish and Welsh Offices about responsibility for training functions in the territories. We are of course supporting Mr Fowler in that argument, partly because we want to maintain the existing practice whereby training expenditure is discussed on a national basis with Mr Fowler in the Public Expenditure Survey.

5. I understand that No. 10 have asked for Treasury reactions. I suggest that you minute the Prime Minister in the terms of the attached draft, which highlights the need to increase the role of employers in funding training, and the need for a national focus for training policy.



T. J. BURR

CONFIDENTIAL

DRAFT MINUTE

FROM: CHIEF SECRETARY
TO: PRIME MINISTER
COPIES: as indicated

NATIONAL BOARD ON TRAINING

1. I have seen Norman Fowler's minute of 25 October in which he proposes to establish a National Training Board.

2. I welcome the emphasis which Norman rightly places on the importance of increasing employer involvement in training, and securing greater investment in training by employers. This will be a key task of the new Board, and I hope that it will be given due emphasis alongside the Board's responsibility for advising on publicly funded training programmes. I think that the new Board should also be able to play a useful part in reinforcing the national focus of training policy which Norman is concerned to maintain in our proposed new arrangements for administering training programmes.

3. I therefore have no objection to what is proposed. I also have no difficulty with the proposal that Brian Wolfson should be the Board's first Chairman.

4. I am copying this minute to Norman Fowler, David Young, Kenneth Baker, Malcolm Rifkind and Peter Walker, and to Sir Robin Butler.



CONFIDENTIAL

MP

CH/EXCHEQUER	
DATE:	31 OCT 1988
ACTION	CST
COPIES TO	

✓ 31/10

Prime Minister

I welcome the proposal to appoint a National Board on Training made in the minute sent to you on 25 October by the Secretary of State for Employment.

In my own Memorandum to E(A) Committee - (88)41 - I indicated a wish at the all-Wales level to make full use, in an advisory capacity, of the talents and experience of prominent business people, to underpin the increased employer involvement in training which we judge to be essential. The Employment Secretary's proposal seems designed to achieve much the same sort of thing at national level and I go along with the remit he proposes for the Board and with his wish to announce its establishment in the forthcoming White Paper. Brian Wolfson seems eminently suitable as Chairman.

I note the intention to appoint no more than 10 to 12 members on an individual basis and not representative of any interest. That seems right in principle but I do think it important to have someone on the Board who has all the necessary qualities but who can also contribute from personal knowledge of the training scene in Wales. I would therefore ask the Secretary of State for Employment to consult me on membership.

I am sending copies of this minute to the Chancellor of the Exchequer, the Secretaries of State for Employment, Trade and Industry, Education and Scotland and to Sir Robin Butler.

F. Clements

31 October 1988

PW

Approved by the Secretary of State
and signed in his absence



the department for Enterprise

CONFIDENTIAL

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

The Rt Hon Norman Fowler MP
Secretary of State for Employment
Department of Employment
Caxton House
Tothill Street
LONDON SW1

Department of
Trade and Industry

1-19 Victoria Street
London SW1H 0ET

Switchboard
01-215 7877

Telex 8811074/5 DTHQ G
Fax 01-222 2629

Direct line 215 5422
Our ref DW1ARV
Your ref
Date 1 November 1988

CH/EXCHEQUER	
REC.	- 1 NOV 1988
ACTION	CST ✓ 1/11
COPIES TO	

Norman Fowler

NATIONAL BOARD ON TRAINING

Thank you for sending me a copy of your minute of 25 October to the Prime Minister.

I agree that there should be a central employer-led body to advise you on training in the areas set out in your minute. I also agree that Brian Wolfson would make an excellent Chairman. I should like to be consulted about the other members, perhaps as part of the consultation on the draft White Paper agreed at E(A) on 29 September.

I am copying this to the Prime Minister, Nigel Lawson, Kenneth Baker, Malcolm Rifkind, Peter Walker and to Sir Robin Butler.

Nigel Lawson





10 DOWNING STREET
LONDON SW1A 2AA

CH/EXCHEQUER	
REC.	- 1 NOV 1988
ACTION	CST ✓ 1/11
COPIES TO	

From the Private Secretary

1 November 1988

Dear Clive

[* Burr 31/10]

Did CST ever minube
as he was advised to*
or did he decide not
to? mpon

NATIONAL TRAINING BOARD

The Prime Minister was grateful for your Secretary of State's minute of 25 October. She has also seen the minutes of 31 October from the Secretaries of State for Wales and Education and Science. The Prime Minister is not persuaded by the arguments in your Secretary of State's minute that it would be appropriate to establish an advisory National Board on Training. She thinks such a body would be bureaucratic and provide a potential vehicle for lobbying government.

I am sending copies of this letter to Alex Allan (HM Treasury), Neil Thornton (Department of Trade and Industry), Tom Jeffery (Department of Education and Science), David Crawley (Scottish Office), Stephen Williams (Welsh Office) and Trevor Woolley (Cabinet Office).

Yan,
Pd

(PAUL GRAY)

Clive Norris, Esq.,
Department of Employment.

MP

Alex
True
X looks

FROM: N MONCK

Sensible Permission

DATE: 4 November 1988

PS/CHANCELLOR

to proceed pl

cc Mr Byatt

M

REGIONAL IMBALANCE AND PROBLEMS IN THE SOUTH EAST

I have sent you an annotated agenda for the meeting scheduled for 10 November today. As you will see from the papers, the meeting covers a very wide range of subjects and involves groups outside my area.

2. The existing cast list circulated by your office for the meeting contains a large number of "non-combatants" but very few of those who have been involved in the work. I think it would be helpful if you could offer invitations to the following (with substitutes in brackets): Mr Edwards (Mr Wood), Mrs Case (Mr Revolta), Mr Luce, Mr Burgner (Mr Waller), Mr Moore (Mr Guy) and Mr Robson (Mr Fox).

X

3. I know this will make the meeting a large one. But I think it would help the Chancellor to have more people present who know about the subjects that may come up and it would certainly help them to hear first hand what Ministers' reactions are. If you feel you can only have some of the people I've mentioned, please ring me about priorities today if possible, as I shall be at the CBI Conference on Monday and Tuesday next week.

*Just pl invite
the people at
X / substitutes where necessary*

NM

N MONCK

*4480
4509
4594
4749
4440
4510*

M
Maria
Dave
John

000515



BF 9/11 in mby folder

REC.	- 4 NOV 1988
NAME	Ms SEAMEN Copy no 3
TO	MR De BERGER Copy no
	Mr TYRIE Copy no 3C
	Mr Manck 3d

PRIME MINISTER

WAGES COUNCILS

As you know I have been reviewing the future of Wages Councils. With your agreement, clauses which would abolish the entire system have been drafted on a contingency basis for inclusion in the Employment Bill agreed for the coming Session.

Arrangements have been made for the issue to be discussed with you and a few colleagues directly concerned at 9:30 am on 10 November.

...As background to that discussion I attach a note setting out my views and proposals.

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

N F

3 November 1988

SECRET AND PERSONAL

FUTURE OF WAGES COUNCIL SYSTEM

NOTE BY THE SECRETARY OF STATE FOR EMPLOYMENT

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

Present position

2 There are still 26 Councils. Some like those covering Hotels and Catering are large; some like the Coffin Furniture Making Council and Cotton Waste Reclamation Council are small. (See Annex A). Workers under 21 years of age are excluded but some 2½ million, or 11% of all employees, are covered. Administration of the system costs the taxpayer alone £2.5 million a year and employs 154 staff.

3 Councils can impose a single national minimum rate of pay, a minimum overtime rate payable after a set number of hours it decides on, and a limit of any accommodation charge. They are intended to consider the employment effects of their decisions in areas where workers were generally paid below the average for their trade or occupation.

4 A Council consists of two "sides" normally appointed by employers associations and trade unions, nominated by me as Secretary of State, together with three independent members appointed directly by me. The task of the independents is primarily to mediate and bring the two sides to agreement. Where agreement proves impossible the independents exercise a casting vote either in favour of the employer's final offer or the workers' final claim.

5 I have no powers to determine or amend the content of Wages Orders but there are powers to reduce the coverage of the system by secondary legislation. These powers could, for example, be used to reduce the number of Councils.

SECRET AND PERSONAL

The case for change

6 Aside from releasing the resources already mentioned the key arguments for abolishing the Wages Council System are:

(i) The system of national statutory rates of pay is inconsistent with the need for pay to reflect individual and local circumstances. The minimum rates councils set (see Annex A) are equivalent to only just over half the average wage paid to manual workers generally but

- percentage changes in minimum rates have a knock-on effect throughout the pay structure;
- statutorily imposed pay levels for even a small proportion of its workforce restricts a company's ability to structure its system of rewards and incentives to match its own priorities;

(ii) These pay effects, and the associated administrative burdens on employers, are bound to hit jobs - particularly in those sectors with potential for expansion like the tourism and service industries which account for the bulk of Wages Council employees.

(iii) The 1986 changes have not had the desired effect.

- Increases fixed by Councils in their first year of operation under the new regime (1986/87) meant that the lowest rates were raised by an average of 8.6%. Given particular transitional and estimation difficulties* this may by itself not be unduly significant but,

* Comparisons are difficult because most councils previously set more than one minimum rate. Councils generally selected one rate, not always the lowest, as the "negotiating rate" on which to focus negotiations. They then applied any percentage increase agreed for that rate to all other rates. Calculated by reference to the previous "negotiating rate" - (whether or not it was lowest) the level of increase averaged 6.4%. Calculated by reference to the previous lowest rate it averaged 8.6%.

SECRET AND PERSONAL

- in the second year 1987/88 with no significant transitional problems increases have nonetheless averaged 6.3% on a weighted basis. The outturn is not consistent with the intention of the reform to ensure that the councils set a rate which was a minimum rate relevant to depressed areas where jobs were in short supply;
- moreover some employers say that bargaining habits in the councils have not changed; independent members give more weight to their concept of reasonableness than to the impact of settlements on jobs.

(iv) The system is still full of anomalies. Laundries are in scope but launderettes are generally not; sale of cooked meat is in but of raw meat is out; ostrich feathers work is in but the major new areas of private security and contract cleaning are not.

(v) The attitudes of employer bodies though clearly divided, are not crucial and have hardened somewhat against retaining councils since 1985 (when our decision to reform rather than abolish the system reflected the preference of the majority of employers concerned). Greater hostility and disquiet is evident in the catering and retailing trades; the major clothing manufacturers have also swung against the Councils.

(vi) The world has changed since Winston Churchill introduced the predecessors of the Councils in 1909. Two-thirds of those now covered work part-time, and two-thirds are paid above the minimum rate.

(vii) In areas of the economy not covered by either wages councils or voluntary collective bargaining instances of unreasonably low pay are not widespread.

(viii) So far as families in real need are concerned, wages councils have become less relevant with the introduction of in-work benefits; and one of the main achievements of the Social Security Act (1986) is to provide more cash help to working families on low wages.

The opposition to change

7 The announcement of any proposals for further change would be met by a well orchestrated campaign of opposition focusing on the impact of abolition on women and part-timers who form the majority of wages council employees. Attention would be drawn to the continued existence of the Agricultural

SECRET AND PERSONAL

Wages Board and to the continuing scale of employer support for wages councils, support based not always on the desire to frustrate competition but often on a belief in paying a "decent wage" and seeing that others do likewise. Statements defending our earlier decision to reform rather than abolish the system will be used against us.

8 We should be accused of acting contrary to the spirit of the social dimension to 1992 as most EC countries have some system of statutory minimum rates of pay. Also we should almost certainly face allegations that we are in breach of the European Social Charter (see Annex B), to which our response would be to point out that our observance of the Charter is monitored by the Council of Europe's supervisory machinery and that at the appropriate time we would, of course, give careful consideration to any observations which the supervisory body might take.

Options and Conclusion

9 I could use the power provided in the 1986 Act to introduce secondary legislation to mitigate the adverse effects of the Councils on our pay strategy. Particular councils, or groups of workers in particular areas or with limited service could be removed from the system. All such options either reintroduce the very complexities from which we have sought to free employers, or to be effective would be almost as controversial as total abolition yet still leave undesirable rigidities in the 50% of the system which would remain. I do not recommend any of them and conclude that we should abolish the entire system.

10 Subject to the views of colleagues I propose to announce this decision in a White Paper to be published in early December. The possibility of such a decision was envisaged in my bid which colleagues accepted for a place in the legislative programme for the coming Session. Clauses drafted on a contingency basis are now ready and the Bill could be introduced immediately after the White Paper is published.

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

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

Notes: (a) Settlement in the year commencing 1 August 1986 (on lowest previous rate - sometimes applicable only to a small group of workers).

(b) Settlement in the year commencing 1 August 1987 (on the single minimum implemented the previous year).

(c) Council adjourned indefinitely - the two sides negotiate voluntary agreements.

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

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

EUROPEAN SOCIAL CHARTER

1. The UK is one of 14 member states of the Council of Europe which have ratified the Council's Social Charter. All EC countries have done so except Belgium, Portugal and Luxembourg. Ratifying countries undertake to accept a minimum number of the Charter's provisions.

2. Amongst the provisions accepted by the UK are -

(a) the requirement to provide public holidays with pay, a minimum of two weeks annual holiday with pay, and a weekly rest period; and

(b) the requirement to recognise the right of workers to "remuneration such as will give them and their families a decent standard of living" and to "an increased rate of remuneration for overtime work".

3. Compliance with (a) may be by legislation, collective agreements or general practice. The UK has cited wages councils as one of the means through which it complies. However, as the Wages Act 1986 removed the power of wages councils to fix minimum holidays and rest periods the UK may well be found not to be complying fully with these provisions when the "Committee of Experts" (which monitors these matters for the Council) reports next year. Total abolition of the wages councils should not expose us to any additional criticism, though any announcement that such a course is to be pursued might cause the Experts to look even more closely at our record on these provisions.

4. Compliance with (b) may be by collective agreements, statutory wage fixing machinery, or other means appropriate to national conditions. Again, it has been our practice to cite wages councils as one of the means by which we comply. We are already vulnerable to criticism because the Wages Act 1986 removed the right of wages councils to set overtime (or any other) rates for young people under 21. Total abolition would obviously widen the scope for criticism (though the cycle of activity followed by the Experts means they would not be in a position to comment until late 1991).

5. Whilst in other areas we have sometimes declined to accept the Experts' conclusions that we are not complying with particular provisions it is more difficult to do so where we are removing one of the specific means which we have previously cited as implementing our obligations. One option would be to denounce the provisions in respect of which action already taken, or which may be taken, on wages councils makes us vulnerable. This route would bar us from removing the statutory minimum rates imposed by wages councils until February 1990. Moreover we have recently denounced a provision relating to night work for women and are proposing to denounce another prohibiting women from working in underground mining (albeit for reasons generally accepted). Rather than decide now on a further tranche of denunciations, which would not be well received, it might be preferable for us to await reactions in the Council of Europe and review the situation in the light of such criticisms as may arise.

6. Inability to satisfy the provisions governing holidays and minimum pay would not reduce the number of provisions accepted by the UK to the point where we were no longer able to ratify the Charter. However, any adverse finding by the Council of Europe bodies arising from the abolition of wages councils could give domestic critics of abolition a further platform from which to criticise the Government, and arguably lend force to the charge that the Government is selective in its observance of its international obligations. -

SECRET

Mr Manck
cc Mr Tynrie

FROM: J DE BERKER

DATE: 9 November 1988

- 1. MS SEAMMEN
- 2. CHANCELLOR OF THE EXCHEQUER

Cu/ I shared these pps to Nick Manck to see whether he had any thoughts. He had just

FUTURE OF WAGES COUNCILS

one - really a political pt. Won't abolishing these make it harder to resist proposals for Euro "social space"?

1. You are due to attend a meeting at No 10 starting at 9.30 am on Thursday 10 November, to discuss the future of Wages Councils. Sir Geoffrey Howe, Mr Fowler, Mr MacGregor and Lord Young will also be present.

2. Mr Fowler is seeking colleagues' agreement to including clauses abolishing Wages Councils in the Employment Bill due to be introduced in December. The Prime Minister gave him authority to draft such clauses only on the basis that circulation was highly restricted. We understand she remains concerned about the political aspects.

3. Mr Fowler's proposals are wholly consistent with the Government's policy of improving the functioning of labour markets, but they are politically difficult. However, it will get more difficult as the next Election approaches, so if Wages Councils are to be abolished the next session is the best time to do it.

Present Position

4. There are 26 councils covering 2½ million employees aged 21 or over. The largest 5 cover 2¼ million employees and deal with retailing, catering, and clothing manufacture. Each council consists of an employers' side and a unions' side with three independent members to bring the two sides to agreement. In all, the unions hold 320 seats with USDAW holding 76, TGWU 71, GMB 61, and the NUTGW (National Union of Tailors and Garment Workers) 53. There are 11 other unions but they have less than 10 seats each.

5. There is also a separate and Agricultural Wages Board which is not covered by the present abolition proposals. The ILO convention protecting the other wages councils was denounced in 1985 but the convention protecting the Agricultural Wages Board does not run out until 1993.

The 1986 Act

6. In July 1985 the then Secretary of State for Employment, Mr King, made a statement to the House informing it of the Government's intention to reform and simplify the operation of Wages Councils and to exclude people under the age of 21. The Hansard extract is attached.

7. The option to abolish Wages Councils was rejected partly because there was no clear support for this from the CBI, a majority of its members preferred reform and retention.

Arguments for Abolition

8. The rates fixed by Wages Councils are low - the highest is only £2.34 per hour and two thirds of employees covered get more than the rates fixed by the councils. But many only get a little more, and this suggests that the existence of Wage Council rates is indeed acting as a floor on rates which the market would set lower. As a part of its general policy on making labour markets work better the Government ought to remove this legislative constraint.

9. Operating the system imposes burdens on employers which has costs in terms of employment and output as well as direct costs to the DE of £2½ million for administering the system.

10. The coverage of Wages Councils is a matter of historical accident and it is now anomalous. It ought either to be tidied up or abolished.

11. Lastly, the Department of Employment report that the attitudes of employers against Wages Councils have hardened since 1985. The clothing employers who were previously in favour have now asked to be excluded from the system, and employers in other Wages Councils have complained that the Councils are setting rates more appropriate to the South East than to the country at large.

Obstacles to change

General

12. The Government decided against abolition in 1985. It is still rather early to claim that times have changed. In this context it is worth noting that although the CBI Management favour abolition they have still not been able to carry all their members with them. Indeed, some members even believe that the councils hold down wages.

Ministerial Statements

13. Some of the things said by Ministers during the passage of the 1986 Act and subsequently may also make abolition harder. In the committee stage the then Under Secretary for Employment, Mr Trippier, defended the minimum wage provided by Wages Councils as a means of preventing workers being exploited. In the third reading he denied that the bill was intended to drive wages down on the grounds that Wages Councils were not being abolished. He also said that scrapping the system would be "taking an incredible risk". In winding up the debate Mr Clarke said "...we are not abolishing Wages Councils. We are retaining protection for adult workers...".

14. Lastly, in July 1987 in answer to a House of Lords oral question, Lord Young said that he believed that Wages Councils today do an adequate job, and that they strike the right balance between conditions which allow jobs to grow in the community and the necessary protections for those in employment. The relevant Hansard extracts are attached.

International Commitments

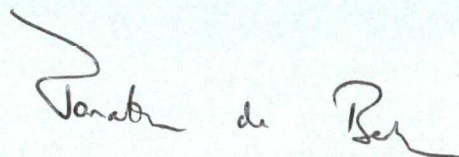
15. Abolishing Wages Councils is likely to put us in breach of the European Social Charter. This may concern Sir Geoffrey Howe although it is not directly tied to the EEC. Breaching the Charter would certainly provide domestic opponents with additional ammunition. A breach could be avoided by denouncing the relevant provisions of the Charter and delaying the abolition of Wages Councils until February 1990. Mr Fowler advocates pressing ahead with abolition and waiting to see how the Council of Europe react before denouncing provisions in the Charter.

The Agricultural Wages Board

16. The continued existence of the Agricultural Wages Board would be an anomaly, but we do not see this as an obstacle for abolishing Wages Councils. The presumption would be abolition when the window of opportunity for denouncing the relevant ILO convention arose in 1993.

Conclusion

17. The decision to abolish Wages Councils must be right in terms of general labour market policy. But the tangible advantages are probably not great. It would be politically difficult and we should certainly need the public support of a good number of employers. If it is decided in principle that councils should be abolished it is better to do it now rather than nearer the next Election.



JONATHAN DE BERKER

Mr. Tom King: With permission, Mr. Speaker. I should like to make a statement concerning the Government's intentions on the future of wages councils and on international labour convention No. 26.

As the House will know, I published in March a consultation paper on the future of wages councils. That canvassed two main options: either total abolition or reform of the system — including, in particular, the limitation of their powers and duties and the removal of young people from the scope of wages councils.

In addition to the report from the Select Committee on Employment, over 700 organisations and individuals responded to the consultation paper. While the TUC and individual trade unions favoured retention, the consultations confirmed that there is a widespread dissatisfaction among employers with the present wages council system. The majority of them favoured a range of substantial reforms to meet these concerns. I promised to inform the House as soon as the Government had taken decisions on those matters, following the ending of the consultative period.

The Government's overriding concern is to promote employment and to remove any excessive burdens on employers. The present system inhibits the creation of more jobs and that is especially true in the case of young

people. The present powers of wages councils also undoubtedly impose complex and unnecessary burdens on business. The Government believe that the case for radical reform is clearly made, and propose to introduce early legislation which will, first, remove all young people under 21 from any regulation by wages councils.

Hon. Members: Disgraceful.

Mr. King: Secondly, it will confine wages councils to setting only a single minimum hourly rate and a single overtime rate for those aged 21 and over.

I shall also be proposing new powers which will significantly simplify the procedures under which the Secretary of State may modify or abolish individual councils.

Following consultation, the Government have decided to derogate international labour convention No. 26 and I shall be informing the International Labour Organisation of our decision within the next few days. The window for denunciation opened on 14 June and it is necessary to give 12 months' notice before the convention ceases to apply. That will therefore mean that, subject to the progress of the necessary legislation in this House, it should be possible to bring into effect changes approved by Parliament as soon as they become law.

My right hon. and noble Friend the Minister without Portfolio, supported by my right hon. Friends and myself, published yesterday the White Paper, "Lifting the Burden". That set out clearly the Government's determination to reduce burdens on business and to seek in every way to improve the prospects for jobs. This statement today of a major package of reforms is directed to precisely those objectives, and I commend it to the House.

Mr. Trippier: I have listened carefully to the hon. Member for Colne Valley (Mr. Wainwright). I am in agreement with a number of things that he said. I accept that there is, to coin his phrase, injustice, poverty and unfairness. I agree that examples are not as glaring as they were in Victorian times for reasons which we all know, but they certainly exist. I should be foolish to stand here and deny it.

It will not have escaped the hon. Gentleman's attention that some Conservative Members believe that we should have gone much further in this part of the Bill. I would have found that reprehensible; certainly the hon. Gentleman would, as would the hon. Member for Birmingham, Ladywood (Ms. Short).

It is important to remember that we are removing only the under-21s from the purview of the wages councils, and that we are still concentrating on the most important principle enshrined in existing legislation, which is the minimum wage, although that has been forgotten in debates on various amendments. In addition, there is the overtime rate. I mention that solely because the hon. Member for Bow and Poplar (Mr. Mikardo) talked about workers who are expected to work extremely long hours. The hon. Gentleman was referring to those who work through the night.

I am convinced that exploitation exists. We have talked about it in amendments which we have considered previously. I am as anxious as all hon. Members who haven't spoken this morning to make sure that it is stamped out.

Mr. Clarke vs Mr. Trippier: 3rd Reading of Wage Bill 15 May 1986

Mr. Trippier: I am happy to do that. I am under an obligation to the right hon. Gentleman to make that commitment.

Of the Opposition's contributions, the point with which I disagreed most was made by the hon. Member for Bow and Poplar (Mr. Mikardo). That is a pity, because I have great respect for him. We had many exchanges in Committee. The hon. Gentleman implied, as did some of his hon. Friends — it was unique — that the Bill's intention was to drive wages down. That is not true. Labour Members could argue that that could have happened if the Government had gone down the route of total abolition advocated by my hon. Friend the Member for Langbaugh (Mr. Holt), but we did not.

I carefully followed the points made by my hon. Friend the Member for Langbaugh. Today, he developed his argument in a way that differed slightly from his approach in Committee. One would have to be foolish to disagree with him when he says that the wages council system does not appear to have worked. That is not open to conjecture or hypothesis. It is a fact. This Government or any Government would face a dilemma in considering whether they should go for complete abolition or whether they should try to remove youngsters under 21 from the purview of the legislation. Contrary to the comments of the hon. and learned Member for Leicester, West (Mr. Janner), no subterfuge is involved in the Government's intention to keep protection just for those over 21. We were convinced, following the consultation exercise, that protection for adult workers had to remain.

7.15 pm

I am sure that hon. Members listened carefully to my hon. Friend the Member for Langbaugh. If we scrapped the whole of the wages council system, as he suggested,

we would be taking an incredible risk. Labour Members would never be prepared to take such a risk and, on this occasion, I agree with them. It would be too big a risk.

I return to the point that I made to the right hon. Member for Morley and Leeds, South. One either believes that we are helping youngsters under 21 to obtain jobs and to take that essential first step on the employment ladder, or one does not. We can argue for hours on this subject. Indeed, I suggest that we have already done so in Committee. We are talking about not a slight division but a massive chasm between us. It does not please me to say to the right hon. Member for Morley and Leeds, South that we are talking about a massive divide, but we believe that we are right and that the evidence is that youth employment will increase as a result of the legislation.

We accept—I do not think that any hon. Member mentioned this—that there will be some displacement, and it would be silly to deny that. We have always acknowledged that there would be some displacement, but believe that, on balance, there will be an increase in employment among those under 21 in the wages council industries.

Mr. Kenneth Clarke: If we are to maintain the present growth in the economy and in employment opportunities, we have to continue to work at being a modern labour market. The Bill is a useful package of reforms that takes away various obsolete legal requirements, and will improve employment opportunities for a number of people and young people in particular.

I point out to my hon. Friend the Member for Langbaugh (Mr. Holt) that the repeal of the Truck Acts of 1831 is a little overdue, and, if it had been done before today, it would have enabled us to move towards more sensible methods of making payments. We have introduced new protection for those who are liable to deductions from pay in the retail trade, and I do not share his fear about the working of the industrial tribunal system.

By ending the rebate system, we shall be taking off the statute book an outdated law. It is no longer necessary to make it cheaper and easier to make people redundant, and public money can be spent on employment measures in more positive ways.

Our aim is to improve employment opportunities. We are not abolishing wages councils. We are retaining protection for adult workers and making the orders more simple. We are taking away the present complex and sometimes unintelligible rigmarole that surrounds the details of wages orders, whereby every aspect of employment for every employee is fixed by a panel of people in terms that are difficult to apply in practice. We shall still enforce it with the inspectorate, although there will be fewer inspectors because fewer workers will be covered, and the orders will be simpler. The method of enforcing the law will be exactly the same as that used by the previous Government, and so will the style of the wages inspectorate. Labour party spokesmen have argued for an approach to this legislation that they never followed when they were in power.

There has been a welcome reduction in the rate of youth unemployment. During the past three or four years, there has been a reduction in the rate of unemployment among young people compared with the adult rate. That has arisen because we have a more sensible understanding of the

relationship between the wages earned by young people in their first jobs out of school and the wages earned by more experienced adults.

The wages councils have no contribution to make in that area. Far from exposing youngsters to risk, we are ensuring that their employment opportunities will be increased.

It is the tradition on Third Reading to make short speeches. Usually the Minister says that this is the finest piece of legislation to pass through the House in modern times. Usually the Labour spokesman says that he cannot, in his entire Parliamentary career, remember a worse case of grinding the faces of the poor. In reality, and considering the contents of the Bill, this is a sensible and, in most cases, a much overdue reform of obsolete bits of present employment law, and I commend it to the House.

Question put, That the Bill be now read the Third time:—

cols 912, 913

cols 992, 993

2.50 p.m.

Working Conditions: Statutory Protection

Lord Graham of Edmonton: My Lords, I beg leave to ask the Question standing in my name on the Order Paper.

The Question was as follows:

To ask Her Majesty's Government whether they are satisfied that the part-time, lowly-paid sector of the workforce, and women in particular, have adequate statutory protection in respect of pay and conditions of work.

The Secretary of State for Trade and Industry (Lord Young of Graffham): My Lords, statutory protections on matters of pay and health and safety do not normally distinguish between full- and part-time workers, or between men and women. However, where some other protections are concerned some minimum qualification in terms of hours worked is necessary if employers are not to be prevented by excessive regulation from running their businesses effectively and thus creating jobs.

col 456

In the course of debate:

Lord Young of Graffham: My Lords, I believe that wages councils today do an adequate job. They get the balance right between conditions which allow jobs to grow in the community and the necessary protections for those in employment. We have seen employment continue to grow. We still have unemployment today at 2,950,000. We shall be doing what we can to see that more jobs grow, not the other way.

col 458

and:

Lord Young of Graffham: My Lords, I am informed that prosecutions in the past have been historically few, and in fact rarely reach double figures under any government. What is important is that we ensure that the effects of the wages councils' orders, in respect of the workers they cover, are known and that we maintain an inspectorate which maintains checks.

col 459