

## LABOUR MARKET OVERVIEW: NOVEMBER 2009

### What is happening in the labour market?

The employment rate has fallen but the number of people in employment has increased slightly. The number of vacancies is down slightly. The number of unemployed people, the unemployment rate and the claimant count have increased. The number of inactive people of working age and the inactivity rate have increased. Growth in average earnings, both excluding and including bonuses, has fallen.

### LABOUR FORCE SURVEY: estimates for the three-month period July to September 2009

#### What happened to employment over the quarter?

The working age employment rate fell by 0.1 percentage points to 72.5 per cent. The employment level (people 16+) increased 6,000 to 28.927 million, with men decreasing by 50,000 and women increasing by 56,000.

By age group the employment level for 16-17 year olds fell 29,000 to a record low of 0.410 million with levels for men decreasing 20,000 to a record low of 0.186 million and levels for women decreasing 9,000 to 0.224 million. The level for those aged 18-24 fell 60,000 to 3.398 million; levels for 25-34 year olds increased 52,000 to 6.210 million; levels for 35-49 year olds fell 14,000 to 10.898 million; those aged 50 to retirement age increased by 29,000 to a record high of 6.607 million and those over retirement age (60/65+) also showed a rise, up 29,000 to a joint record high of 1.403 million. Comparable records of employment by age group began in March to May 1992.

Employment rates for people, men and women aged 16-17 all fell to 26.5, 23.5 and 29.6 per cent respectively. Employment rates for people, men and women aged 18-24 all fell to 58.5, 59.4 and 57.6 per cent respectively on the quarter, record low levels for people and men. The employment rate for all those over retirement age (60/65+) rose to a joint record high of 12.1 per cent.

#### What happened to weekly hours worked?

The total actual hours worked decreased by 7.1 million to 910.7 million, with men decreasing by 2.2 million to 557.8 million and women decreasing 4.9 million hours to 352.9 million. The average actual weekly hours for all workers decreased 0.3 to 31.5 hours, with men remaining unchanged at 36.2 hours and women decreasing 0.5 to 26.2 hours.

The average actual weekly hours of work for full-time workers decreased 0.2 to 36.8 hours, with men decreasing 0.1 to 38.6 hours and women decreasing 0.5 to 33.5 hours. Average actual weekly hours for part-time workers decreased 0.1 to 15.4 hours. Average weekly hours for those with second jobs was virtually unchanged at 9.6 hours.

#### What happened to unemployment?

The unemployment level (people 16+) increased by 30,000 to 2.461 million, levels for men increased 34,000 to 1.524 million and levels for women decreased 4,000 to 0.937 million. The unemployment rate (people 16+) for people increased 0.1 percentage points to 7.8 per cent, the rate for men increased 0.2 percentage points to 9.0 per cent and the rate for women decreased by 0.1 percentage points to 6.5 per cent.

Looking at duration of unemployment (people 16+) those people unemployed for up to 6 months decreased 99,000 to 1.307 million with men decreasing 83,000 to 0.749 million and women decreasing 16,000 to 0.558 million. People unemployed for between 6 and 12 months increased 57,000 to 0.537 million and those unemployed for over 12 months increased 71,000 to 0.618 million.

### What happened to economic inactivity?

The level of economic inactivity (people 16+) increased 62,000 to 18.127 million, men increased 69,000 to 7.173 million and women decreased 8,000 to 10.953 million. Working age inactivity rose 41,000 to 7.997 million. The working age inactivity rate for people rose 0.1 percentage points to 21.1 per cent.

Looking at inactivity by age groups, levels for 16-17 year olds increased 28,000 to a record high of 0.941 million, 18-24 year olds increased 49,000 to a record high of 1.665 million, 25-34 year olds decreased 13,000 to 1.215 million, 35-49 year olds decreased 18,000 to 1.875 million, those aged 50 to retirement age decreased 5,000 to 2.301 million and those over retirement age (60/65+) increased 21,000 to 10.129 million.

Looking at the reason for inactivity, those who are students increased 64,000 to a record high of 2.201 million. Those looking after family/home fell 23,000 to 2.243 million. Those temporarily sick decreased by 12,000 to 0.163 million, those on long-term sick rose 26,000 to 2.011 million, retired people fell 2,000 to 0.571 million, discouraged workers increased by 13,000 to 0.073 million and those in the "other" category decreased 25,000 to 0.736 million.

### What is happening to the claimant count?

There was a rise of 12,900 in the UK seasonally adjusted claimant count between September and October. A downward revision of 200 to last month's provisional level means that the change between August and September now shows an increase of 20,600. The claimant count level (1,639,500) now shows a rise for the twentieth month in a row. The rate for October remains virtually unchanged at 5.1 per cent. The last time the count was higher was in April 1997.

The average increase in the published series has been around 18,80 per month over the past three months and 22,300 over the past six months.

The overall increase in the claimant count for October was due to rises in the seasonally adjusted counts for men (5,300), and a larger rise for women (7,600) to 445,300, the highest female level since November 1996.

There were falls in the claimant count in the East (0.2 per cent) and South West (0.7 per cent) regions; Northern Ireland remained static. All other regions saw increases between 0.4 per cent to 0.7 per cent.

The seasonally adjusted claimant count series by age and duration shows that the six and up to twelve months category is still rising for both men and women across all age bands. This has seen record highs being set within the six and up to twelve month category across all age bands for the second consecutive month. The up to three month category for women continued to increase across all age bands (except for those aged 50 and over) where it remained the same as the previous month.

### What are the latest figures for claimants in the New Deal groups ?

There has been a rise of 10,600 on the previous month to 165,700 the highest figure since May 2001. The biggest increase was in the 18-24 age band claiming over six months (up 7,100).

#### CLAIMANTS IN NEW DEAL GROUPS

MONTH - October 2009		
	TOTAL	CHANGE ON MONTH
18-24 claiming over 6 months	103,400	7,100
25 and over claiming 18 months to 2 years	39,300	2,900
25 and over claiming for more than 2 years	23,000	600
TOTAL	165,700	10,600

## **What do the Vacancy Survey results show?**

The seasonally adjusted results show 428,000 job vacancies in the UK on average for the period August to October 2009. This shows a decrease of 1,000 or 0.2 per cent from three months ago and a decrease of 154,000 or 26.5 per cent on the year. The monthly estimate for October shows a level of 421,000 an increase of 2,000 or 0.4 per cent on the month.

The analysis by industry shows that the decrease in the estimates over the three month comparison of the three-month average is based on small changes in most sectors. The largest decrease was in Education, Health and Public Administration (down 6,000 or 4.1 per cent).

## **What's the latest estimate of average earnings growth?**

The latest estimates of average earnings growth for the whole economy in September 2009 are:

### **Seasonally adjusted:**

"3-month average" rate is the average for the three months July to September 2009

- **Including Bonuses:** "3-month average" earnings growth was 1.2 per cent which is down 0.4 percentage points from the August rate of 1.6 per cent.
- **Excluding Bonuses:** "3-month average" earnings growth was 1.8 per cent which is down 0.1 percentage point from the August rate of 1.9 per cent.

## **What are the main effects on the single month growth rate?**

### **WHOLE ECONOMY: SINGLE MONTH RATE**

Pay growth including bonuses has decreased since August, due to weaker growth in private services. Pay growth excluding bonuses has increased slightly in September, with small increases in most sectors of the economy.

### **Private Sector Services**

Pay growth including bonuses has decreased, mainly due to weaker growth in financial services. Hotels & restaurants experienced an increase in pay growth including bonuses in September. Pay growth excluding bonuses increased slightly, mainly driven by stronger growth in financial services and hotels & restaurants.

### **Public Sector**

Pay growth including bonuses was unchanged in September. Pay growth excluding bonuses has increased slightly since August, mainly due to stronger growth in the health sector.

### **Manufacturing**

Pay growth including bonuses has increased slightly, with food, drink & tobacco and chemicals & man-made fibres seeing the biggest increases in wages growth. Pay growth excluding bonuses also increased, with food, drink & tobacco and basic metal manufacturing experiencing the biggest increases in wage growth.

## **What is happening to workforce jobs for the whole economy? (quarterly data)**

Workforce jobs fell by 163,000 (0.5 per cent) between March 2009 and June 2009, and by 664,000 (2.1 per cent) over the year, to a level of 30.997 million.

Over the quarter, employee jobs fell by 166,000 (0.6 per cent), and self-employment jobs fell by just 1,000. These falls were offset slightly by a rise of 3,000 (6.2 per cent) in government supported trainees and 1,000 (0.6 per cent) in HM forces.

By industry, the largest falls in workforce jobs were 67,000 (1.0 per cent) in finance and business services, 61,000 (2.7 per cent) in construction and 48,000 (1.6 per cent) in manufacturing. There was a rise of 41,000 (0.5 per cent) in education, health and public admin, driven by a rise in health in both the public and private sectors. There were also rises of 13,000 (0.6 per cent) in other services and 5,000 (0.3 per cent) in transport and communication, both driven by rises in self-employment jobs.

**What is happening to employee jobs in production industries? (monthly data)**

Employee jobs in manufacturing fell by 222,000 (7.8 per cent) in the three months to September 2009, compared with a year earlier, taking the series to a level of 2.622 million the lowest since comparable records began in 1978. All sub-sectors have shown falls over the year, with the largest falls of 49,000 (10.4 per cent) in non-metallic mineral and metal products and 30,000 (9.7 per cent) in transport equipment.

**How does the growth of public and private sector employment compare in the latest quarter?**

Employment in the private sector decreased by 212,000 (0.9 per cent) in the second quarter. This contrasts with an increase of 13,000 (0.2 per cent) in the public sector.

## **Annex 1: Comparison of LFS and WFJ statistics on jobs**

### **Background**

The Review of Employment and Jobs Statistics<sup>1</sup> recommended that comparisons between estimates of jobs produced from household and business surveys should be made on a quarterly basis. Following that recommendation, this Annex compares estimates of jobs from the Labour Force Survey (LFS) and from the Workforce Jobs series (WFJ) for June 2009. This Annex is updated on a quarterly basis, when the latest WFJ statistics are released.

The concept of employment (measured by the LFS as the number of people working at least one hour during the survey reference week) differs from the concept of jobs, since a person can have more than one job, and some jobs may be shared by more than one person. The LFS, which collects information mainly from residents of private households, is the preferred source of statistics on employment. The LFS can also be used to produce estimates of the total number of jobs in the UK, by adding together the headline employment figures (which are equivalent to main jobs) and those for workers with a second job. However, the WFJ series, which is compiled mainly from surveys of businesses, is the preferred source of statistics on jobs by industry, since it provides a more reliable industry breakdown than the LFS.

### **Comparison: June 2009**

Part A of Table 1 illustrates how the LFS estimate of total UK jobs for May to July 2009 is calculated by adding together the headline LFS figure for total employment (28.874 million) and workers with second jobs (1.118 million). Part B of the table compares this total UK jobs estimate (29.992 million) and its components with the corresponding WFJ figures for June 2009. The LFS total jobs estimate is lower than the WFJ figure by 1.005 million (3.4 per cent).

### **Reconciliation**

The Review of Employment and Jobs Statistics identified about 30 reasons why the LFS and WFJ estimates of jobs differ from each other. Some of these factors can be quantified using information from the LFS and other sources, while others are much more difficult to measure. Part C of Table 1 shows the measurable factors causing differences between the LFS and WFJ figures. A description of these factors, and how they are measured, is available at:

<http://www.statistics.gov.uk/StatBase/Product.asp?vlnk=14358>

The estimates of temporary foreign workers and over-counting of self-employed are discussed in the article "Comparison of Statistics on Jobs: September 2007" published in Economic & Labour Market Review 2(3), March 2008, and can be found on the National Statistics website at:

<http://www.statistics.gov.uk/cci/article.asp?id=1950>

The temporary foreign workers estimates are based on figures which have since been revised. The revised figures and can be found at:

[http://www.statistics.gov.uk/about/data/methodology/specific/population/future/imps/updates/downloads/STM\\_mid06.pdf](http://www.statistics.gov.uk/about/data/methodology/specific/population/future/imps/updates/downloads/STM_mid06.pdf)

The final row of Table 1 shows estimates of total UK jobs that have been adjusted to take account of the measurable factors causing differences between the LFS and WFJ statistics. Once these factors have been taken into consideration, the adjusted LFS estimate of total UK jobs is higher than the adjusted WFJ estimate, by 165,000 (0.5 per cent).

The difference between the adjusted LFS and WFJ estimates (165,000) is within the bounds of the sampling variability of the difference. The approximate sampling variability (95% confidence interval) is roughly  $\pm 300,000$  to  $\pm 400,000$  (based on the estimated coefficients of variation published on page 83 of the Final Report of the Review of Employment and Jobs Statistics<sup>1</sup>). However, it should be noted that the adjustments are themselves subject to a margin of uncertainty, and there are other factors causing differences between the two sources which have not been adjusted for. There are about 20 additional factors that could explain the remaining difference between the LFS and WFJ estimates. These are described in the Final Report of the Review<sup>1</sup> but they are not shown in Table 1 because they are difficult to quantify. As well as sampling variability, they include, for example, timing effects. The LFS estimates are averages for three month periods, whereas business surveys measure the number of jobs on a particular day.

**Table 1: Labour Force Survey and Workforce Jobs statistics of jobs contributing to UK output  
June 2009, seasonally adjusted**

*Thousands and per cent*

	Labour Force Survey <sup>a</sup> ('000s)	Workforce Jobs <sup>b</sup> ('000s)	Difference: LFS-WFJ ('000s)	% Difference: LFS-WFJ as % of LFS
<b>A. LFS employment and jobs estimates</b>				
LFS total employment (main jobs) <sup>c</sup>	28,874	..	..	..
LFS workers with second jobs	1,118	..	..	..
<b>Total LFS jobs</b>	<b>29,992</b>	..	..	..
<b>B. Components of LFS and WFJ total jobs</b>				
Employee jobs <sup>d</sup>	25,575	26,533	-958	-3.7
Employee main jobs	24,845	..	..	..
Employee second jobs	731	..	..	..
Self-employment jobs	4,222	4,222	0	0.0
Self-employment main jobs	3,835	3,835	0	0.0
Self-employment second jobs	387	387	0	0.0
Government-supported trainees	105	45	60	56.8
Unpaid family workers <sup>e</sup>	90	..	90	..
HM Forces <sup>d</sup>	..	197	-197	..
<b>Total UK jobs</b>	<b>29,992</b>	<b>30,997</b>	<b>-1,005</b>	<b>-3.4</b>
<b>C. Adjustments for survey coverage and response issues<sup>f</sup></b>				
<b>Jobs not covered by the LFS</b>				
Temporary foreign workers <sup>g</sup>	130	..	..	..
Armed forces not living in private accommodation <sup>h</sup>	100	..	..	..
Workers living in communal establishments <sup>i</sup>	80	..	..	..
3rd and subsequent employee jobs <sup>j</sup>	80	..	..	..
<b>Jobs not covered by the WFJ series</b>				
Employee jobs in private households <sup>k</sup>	..	50	..	..
Unpaid family workers <sup>l</sup>	..	90	..	..
Employment in Managed Service Companies excluded from business survey sample frame <sup>m</sup>		120		
<b>Survey response issues</b>				
Double-counting due to over-reporting of self-employment <sup>n</sup>	..	-460	..	..
LFS non-response bias <sup>o</sup>	230	..	..	..
LFS proxy response error (main jobs) <sup>p</sup>	150	..	..	..
LFS proxy response error (2nd jobs) <sup>p</sup>	100	..	..	..
ABI/STES response errors <sup>q</sup>	..	-100	..	..
<b>D: Adjusted estimates of total UK jobs</b>	<b>30,862</b>	<b>30,697</b>	<b>165</b>	<b>0.5</b>

<sup>a</sup> Labour Force Survey estimates for May-Jul 2009, as revised in November 2009.

<sup>b</sup> Workforce Jobs series estimates for June 2009.

<sup>c</sup> The headline LFS employment figure comprises: employee and self-employment main jobs; government-supported trainees and unpaid family workers.

<sup>d</sup> The LFS employee jobs figures include armed forces employees living in private households.

<sup>e</sup> Unpaid family workers are not included in the WFJ estimate of total UK jobs.

<sup>f</sup> For details of each issue, see: <http://www.statistics.gov.uk/StatBase/Product.asp?vlnk=14358>

<sup>g</sup> Based on ONS experimental short-term migration estimates

<sup>h</sup> WFJ armed forces figure minus LFS microdata estimate of armed forces employees in private households (Apr-Jun 2009).

<sup>i</sup> Estimate from pilot survey of communal establishments, Great Britain, autumn 2000.

<sup>j</sup> Annual estimate from Family Resources Survey: 2007/8

<sup>k</sup> Estimate based on LFS microdata (Apr-Jun 2009). A new method of coding the industry data was introduced in January 2009 and estimates may not be entirely consistent with those of previous quarters.

<sup>l</sup> LFS figure for unpaid family workers May-Jul 2009.

<sup>m</sup> Based on IDBR estimated employment in MSCs which are removed from the sample frame to prevent distortion of detailed results as recommended by the Review of Workforce Jobs Benchmarking.

<sup>n</sup> Estimate based on LFS microdata (Apr-Jun 2009).

<sup>o</sup> Estimate based on ONS study of non-response bias (Freeth, Greenwood and Lound, 2005).

<sup>p</sup> Estimate based on proxy response study (Dawe and Knight 1997) and LFS microdata (Apr-Jun 2009).

<sup>q</sup> Estimate taken from ABI follow-up survey, 2004.

.. Not applicable

Note: The sampling variability of the difference between the LFS and WFJ estimates of jobs (95% confidence interval) is estimated to be roughly  $\pm 300,000$  to  $\pm 400,000$ .

## Comparison over time

Table 2 gives a comparison between the LFS and WFJ estimates of total UK jobs, and short-term changes in numbers of jobs. These estimates have not been adjusted for factors causing differences between the two sources because many of these factors cannot be measured on a quarterly basis. The LFS series shows a quarterly decrease of 229,000 jobs (0.8 per cent) and the WFJ series shows a decrease of 163,000 (0.5 per cent) between March 2009 and June 2009. The LFS series shows a decrease of 654,000 (2.1 per cent) over the year to June 2009 and the WFJ series shows a decrease of 664,000 (2.1 per cent).

**Table 2: Labour Force Survey and Workforce Jobs estimates of levels and changes in total UK jobs<sup>1</sup>**

United Kingdom, June 2004 to June 2009, seasonally adjusted

*Thousands and per cent*

	Total UK Jobs ('000s)				Change on quarter ('000s)			% Change on quarter		Change on year ('000s)			% Change on year	
	LFS	WFJ	Difference: LFS-WFJ	% Difference: LFS-WFJ as % of LFS	LFS	WFJ	Difference: LFS-WFJ	LFS	WFJ	LFS	WFJ	Difference: LFS-WFJ	LFS	WFJ
	DYDC													
Jun-04	29,499	30,671	-1,173	-4.0	-14	31	-46	0.0	0.1	198	321	-123	0.7	1.1
Sep-04	29,544	30,660	-1,116	-3.8	45	-11	56	0.2	0.0	179	191	-11	0.6	0.6
Dec-04	29,736	30,823	-1,087	-3.7	191	162	29	0.6	0.5	278	261	16	0.9	0.9
Mar-05	29,765	30,987	-1,222	-4.1	29	164	-135	0.1	0.5	251	347	-95	0.9	1.1
Jun-05	29,850	31,012	-1,162	-3.9	86	26	60	0.3	0.1	351	341	10	1.2	1.1
Sep-05	29,892	31,114	-1,222	-4.1	42	102	-60	0.1	0.3	348	454	-106	1.2	1.5
Dec-05	29,886	31,221	-1,335	-4.5	-7	106	-113	0.0	0.3	150	398	-248	0.5	1.3
Mar-06	30,029	31,247	-1,218	-4.1	143	27 *	117 *	0.5	0.1 *	264	260 *	4 *	0.9	0.8 *
Jun-06	30,078	31,257	-1,180	-3.9	49	10 *	39 *	0.2	0.0 *	227	245 *	-18 *	0.8	0.8 *
Sep-06	30,150	31,297	-1,148	-3.8	72	40 *	32 *	0.2	0.1 *	257	183 *	75 *	0.9	0.6 *
Dec-06	30,155	31,394	-1,239	-4.1	5	97	-92	0.0	0.3	269	174 *	96 *	0.9	0.6 *
Mar-07	30,175	31,390	-1,216	-4.0	20	-4	24	0.1	0.0	146	143 *	3 *	0.5	0.5 *
Jun-07	30,306	31,471	-1,164	-3.8	131	80	51	0.4	0.3	229	213 *	15 *	0.8	0.7 *
Sep-07	30,427	31,598	-1,170	-3.8	121	127	-6	0.4	0.4	278	301	-23	0.9	1.0
Dec-07	30,534	31,602	-1,068	-3.5	106	4	102	0.3	0.0	379	208	171	1.3	0.7
Mar-08	30,622	31,643	-1,021	-3.3	88	41	47	0.3	0.1	447	252	194	1.5	0.8
Jun-08	30,646	31,661	-1,015	-3.3	24	18	6	0.1	0.1	339	190	149	1.1	0.6
Sep-08	30,486	31,510	-1,025	-3.4	-160	-150	-10	-0.5	-0.5	58	-88	146	0.2	-0.3
Dec-08	30,482	31,286	-804	-2.6	-4	-224	220	0.0	-0.7	-52	-316	264	-0.2	-1.0
Mar-09	30,221	31,160	-939	-3.1	-261	-126	-135	-0.9	-0.4	-401	-483	82	-1.3	-1.5
Jun-09	29,992	30,997	-1,005	-3.4	-229	-163	-66	-0.8	-0.5	-654	-664	10	-2.1	-2.1

<sup>1</sup> Labour Force Survey (LFS) estimates of total UK jobs have been calculated by adding together the headline LFS employment figures (MGRZ) and the LFS figures for workers with second jobs (YCBW). The LFS figures are averages for three month periods covering February-April, May-July, August-October, November-January. The Workforce Jobs (WFJ) figures are for March, June, September and December.

\*There are significant discontinuities, which affect changes in the WFJ series between December 2005 and September 2006, as a result of changes to the ABI/1 survey used to benchmark the WFJ series. For further details see <http://www.statistics.gov.uk/StatBase/Product.asp?vlnk=9765>

## Notes

<sup>1</sup> The Final Report of the Review of Employment and Jobs Statistics is available on the National Statistics website: [www.statistics.gov.uk/about/data/methodology/quality/reviews/labour.asp](http://www.statistics.gov.uk/about/data/methodology/quality/reviews/labour.asp)

## Further Information

Further information about the revisions to the WFJ series and the 'Review of Workforce Jobs Benchmarking' is available on the National Statistics website:

[www.statistics.gov.uk/StatBase/Product.asp?vlnk=9765](http://www.statistics.gov.uk/StatBase/Product.asp?vlnk=9765)

*These single month LFS analyses have been produced as a tool to assist in understanding the movements in the published 3-month average LFS estimates. These estimates do not have National Statistics status and as such they are not suitable to be used as labour market indicators in their own right. It must be noted that they are based on only 1/3 of the usual LFS sample, and so are much more prone to the effects of sampling error. Official LFS estimates are published monthly in the Labour Market Statistical Bulletin, which is available on the website at [www.statistics.gov.uk/pdfdir/lmsuk1109.pdf](http://www.statistics.gov.uk/pdfdir/lmsuk1109.pdf)*

## **Annex 2**

### **Single Month LFS Analysis for July to September 2009**

#### **Background**

Movements in the LFS data series at the end of 2003 prompted ONS to conduct detailed analysis of the LFS data to determine the reasons behind these movements. Experimental analysis of the data, at the highest aggregate level, was carried out to break the LFS data down into single month periods. This analysis proved useful so has since been produced every month.

As the 3-month average of the single month series tracks the changes seen in the published LFS, it is possible to consider changes in the published LFS in terms of movements in the experimental single month series. This in turn makes it easier to determine whether the movements in the published LFS series are true reflections of changes in the wider economy, or whether they are movements that reflect the survey nature of the LFS and its sensitivity to factors such as sampling error.

#### **Method**

Briefly, single month LFS estimates were produced by taking the raw, or unweighted, LFS survey responses for each month and weighting them up to single month population estimates, using a simplified weighting method (broad age band and sex). These single month estimates were then seasonally adjusted. By constructing a 3-month average of the seasonally adjusted single month series and comparing this with the published LFS (itself a 3-month average), it was possible to show that the average of the experimental single month series tracked the changes in the published series. The two series were not identical, however, due to the relative crudity of the weighting method used to produce the single month estimates. This tended to slightly overemphasise the weighting of those with higher employment rates. To remove the differences between the single month and published LFS, the single month series was benchmarked to the published LFS series, using a set of iterative equations. Further details of the method are included in the technical note at the end of this paper.

#### **Charts**

The charts in this briefing show the published and single month estimates for the headline employment, unemployment and inactivity rates (seasonally adjusted). Additionally, this briefing includes single month estimates of employment and inactivity rates for people aged 16 and over. For the published series, the dates shown relate to the last month of the three (e.g. July - September is shown as September).

These single month LFS analyses have been produced as a tool to assist in understanding the movements in the published 3-month average LFS estimates. These estimates do not have National Statistics status and as such they are not suitable to be used as labour market indicators in their own right. It must be noted that they are based on only 1/3 of the usual LFS sample, and so are much more prone to the effects of sampling error. Official LFS estimates are published monthly in the Labour Market Statistical Bulletin, which is available on the website at [www.statistics.gov.uk/pdfdir/lmsuk1109.pdf](http://www.statistics.gov.uk/pdfdir/lmsuk1109.pdf)

### Employment Rates (working age)

The historical series (Chart 2) shows that there was a rising trend between 1993 and 2000, followed by a relatively flat trend until January 2008. Since January 2008 the series has shown a downward trend. The latest data point for the single month series shows a decrease of 0.4 percentage points on the previous month.

Chart 1: UK Working Age Employment Rates (Seasonally Adjusted)

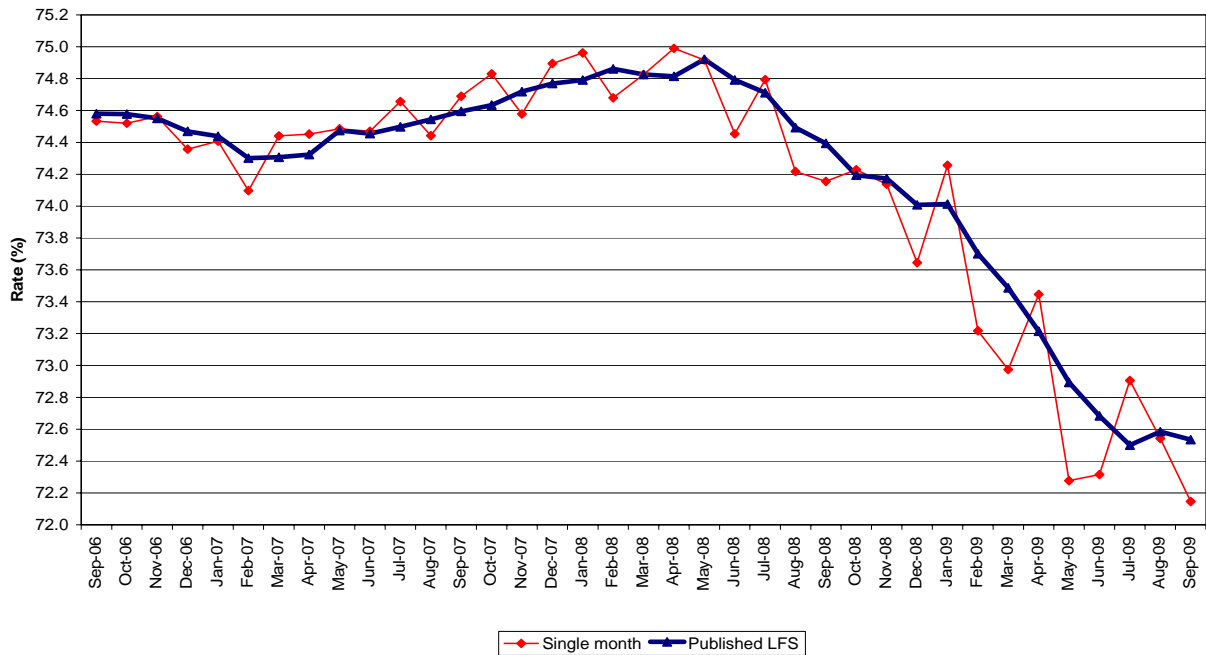
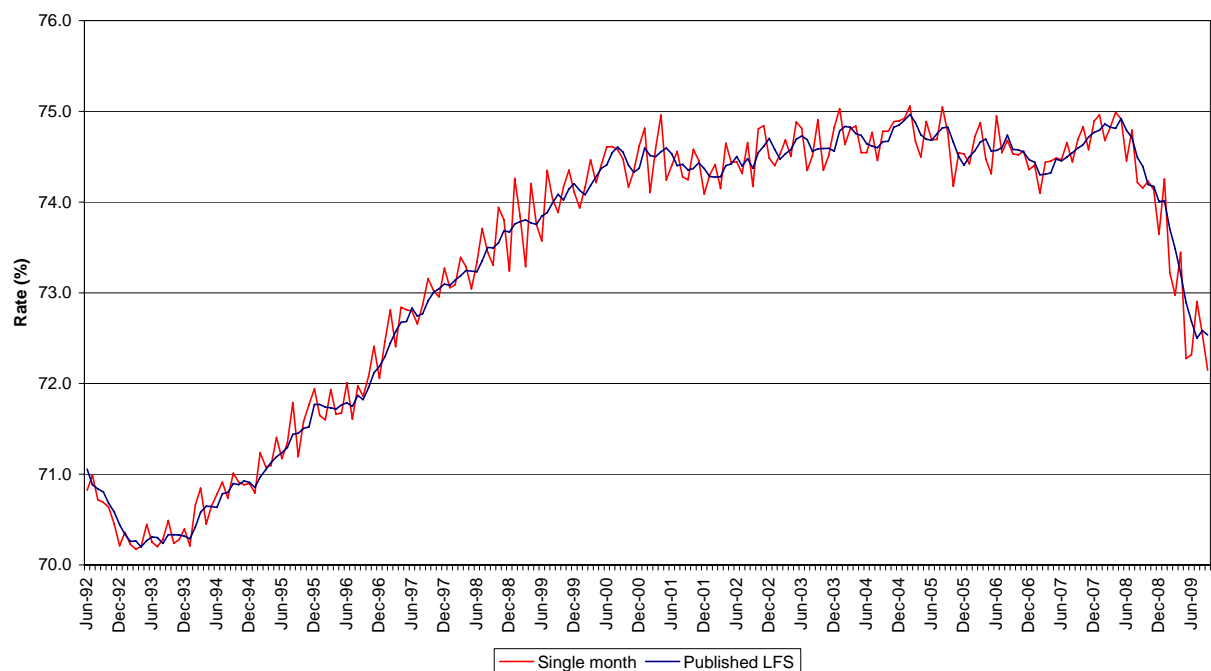


Chart 2: UK Working Age Employment Rates (Seasonally Adjusted)



These single month LFS analyses have been produced as a tool to assist in understanding the movements in the published 3-month average LFS estimates. These estimates do not have National Statistics status and as such they are not suitable to be used as labour market indicators in their own right. It must be noted that they are based on only 1/3 of the usual LFS sample, and so are much more prone to the effects of sampling error. Official LFS estimates are published monthly in the Labour Market Statistical Bulletin, which is available on the website at [www.statistics.gov.uk/pdfdir/lmsuk1109.pdf](http://www.statistics.gov.uk/pdfdir/lmsuk1109.pdf)

### Employment Rates (16+)

Single month and published LFS employment rates for people aged 16 and over (Charts 3 and 4) show a similar pattern to that for people of working age.

Chart 3: UK 16+ Employment Rates (Seasonally Adjusted)

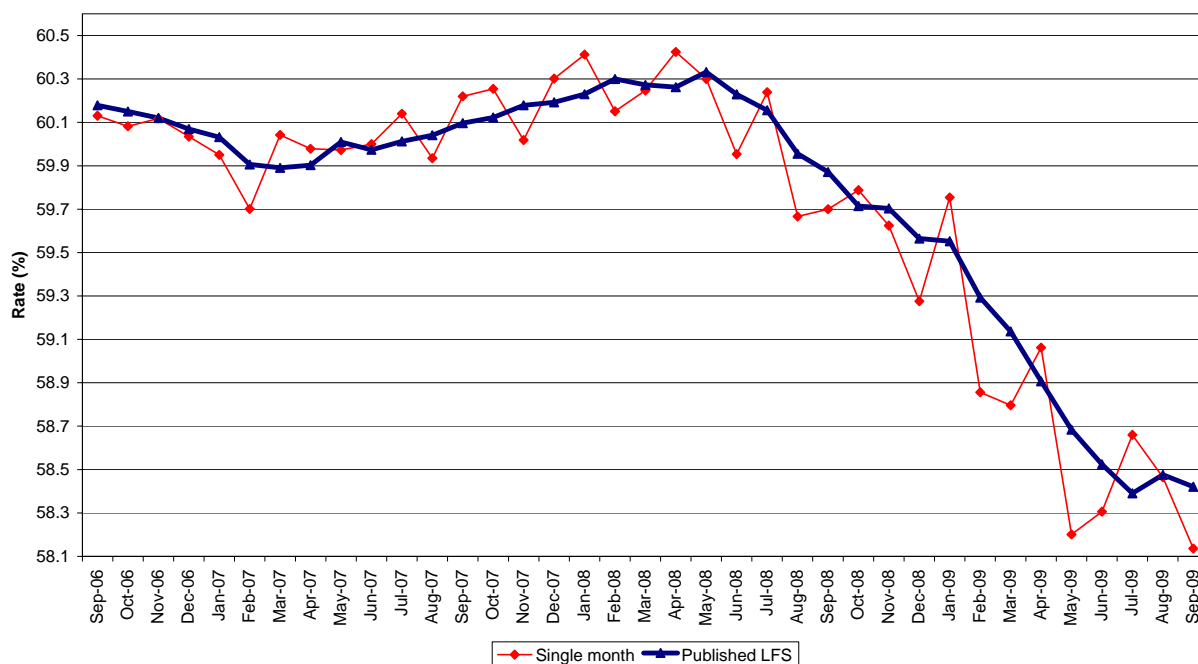
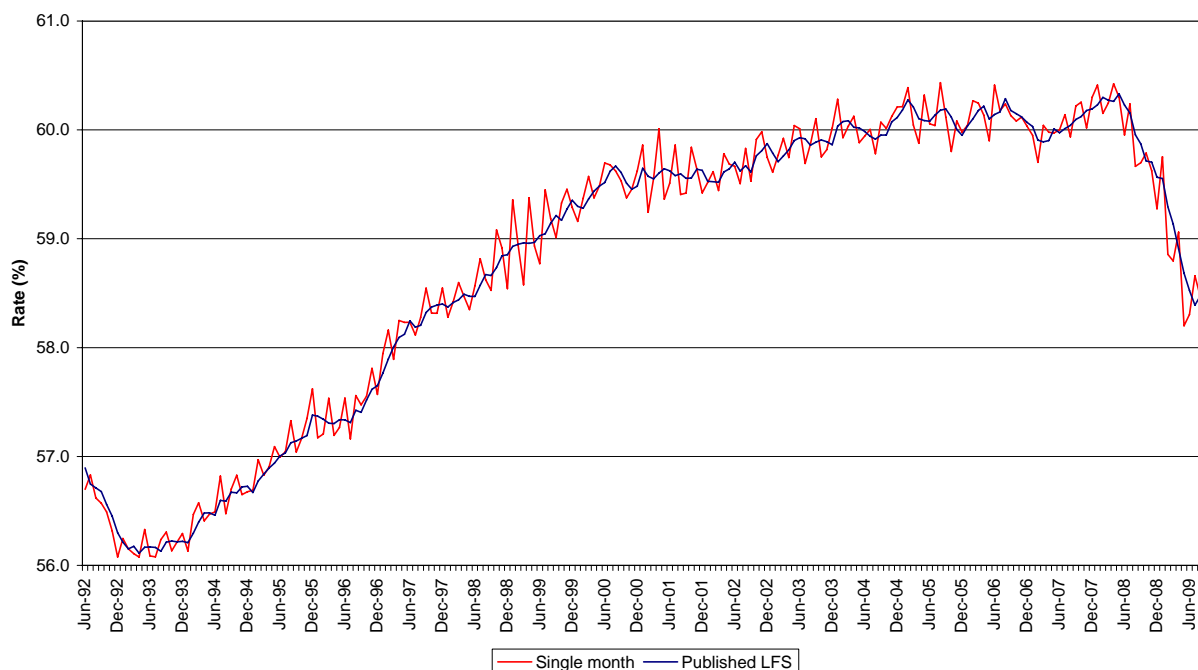


Chart 4: UK 16+ Employment Rates (Seasonally Adjusted)



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## Unemployment

The single month unemployment rate (Chart 5) continues to show an increasing trend with the figure for September 2009 showing an increase of 0.3 percentage points on the previous month.

Chart 5: UK 16+ Unemployment Rates (Seasonally Adjusted)

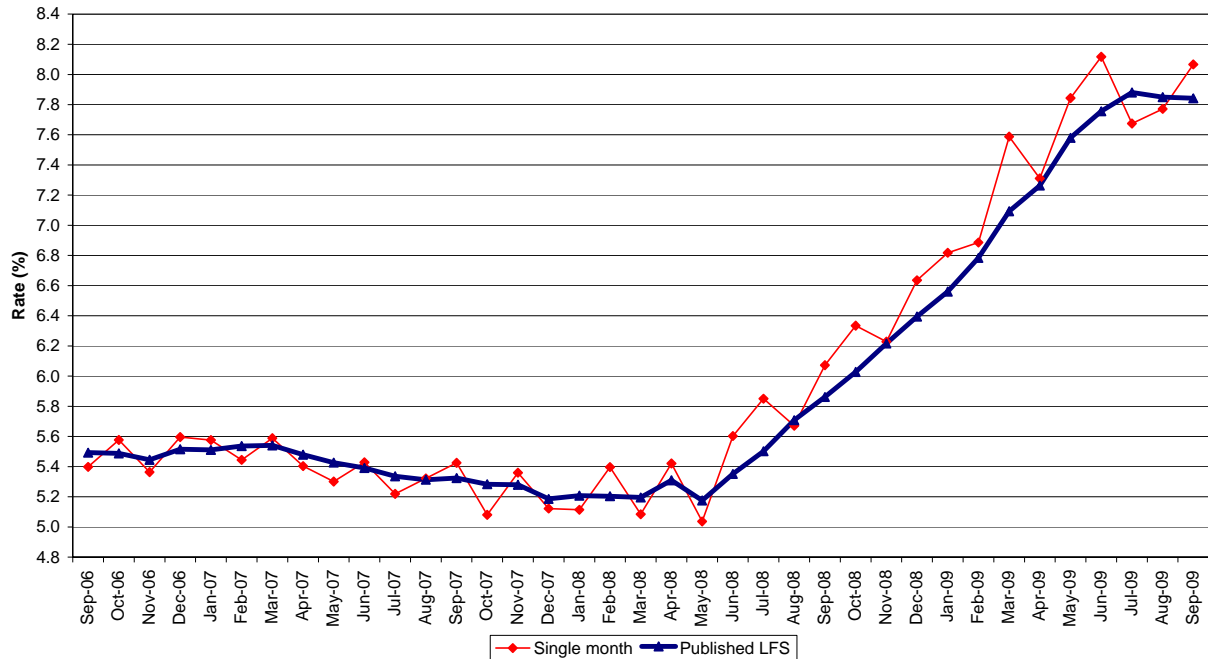


Chart 6: UK 16+ Unemployment Rates (Seasonally Adjusted)



These single month LFS analyses have been produced as a tool to assist in understanding the movements in the published 3-month average LFS estimates. These estimates do not have National Statistics status and as such they are not suitable to be used as labour market indicators in their own right. It must be noted that they are based on only 1/3 of the usual LFS sample, and so are much more prone to the effects of sampling error. Official LFS estimates are published monthly in the Labour Market Statistical Bulletin, which is available on the website at [www.statistics.gov.uk/pdffdir/lmsuk1109.pdf](http://www.statistics.gov.uk/pdffdir/lmsuk1109.pdf)

### Inactivity Rates (working age)

The decreasing trend from mid 2004 onwards appears to have halted in recent months (Chart 8). The September 2009 rate was 21.3 per cent, up 0.2 percentage points from the previous month.

Chart 7: UK Working Age Inactivity Rates (Seasonally Adjusted)

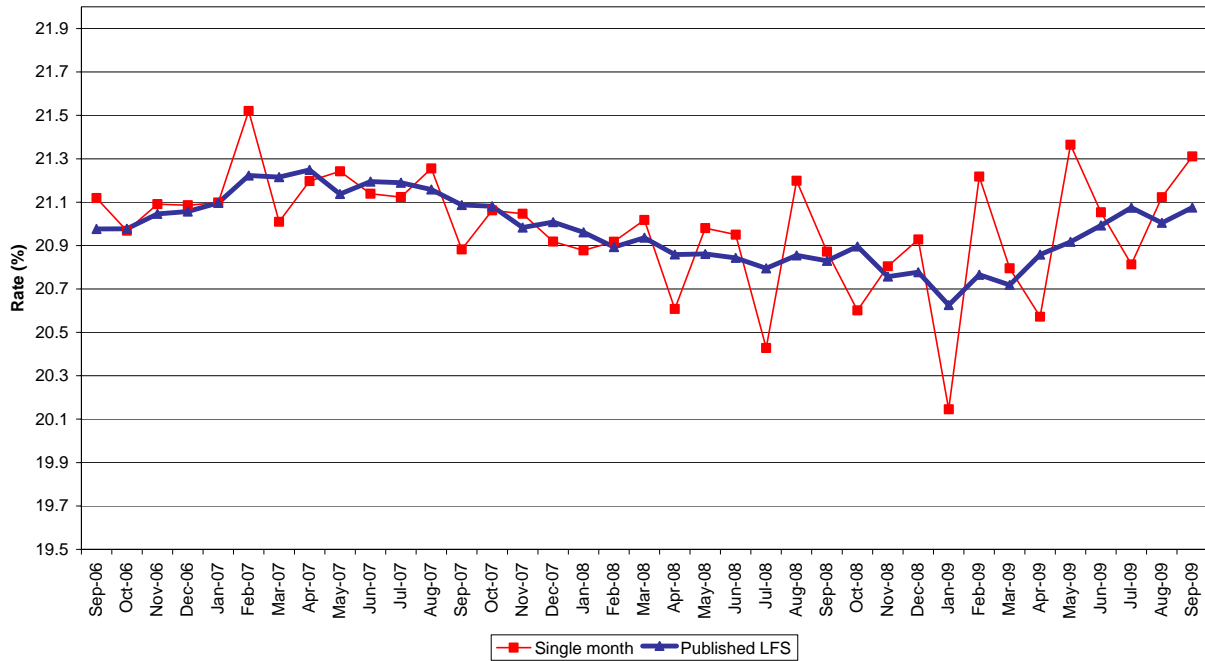
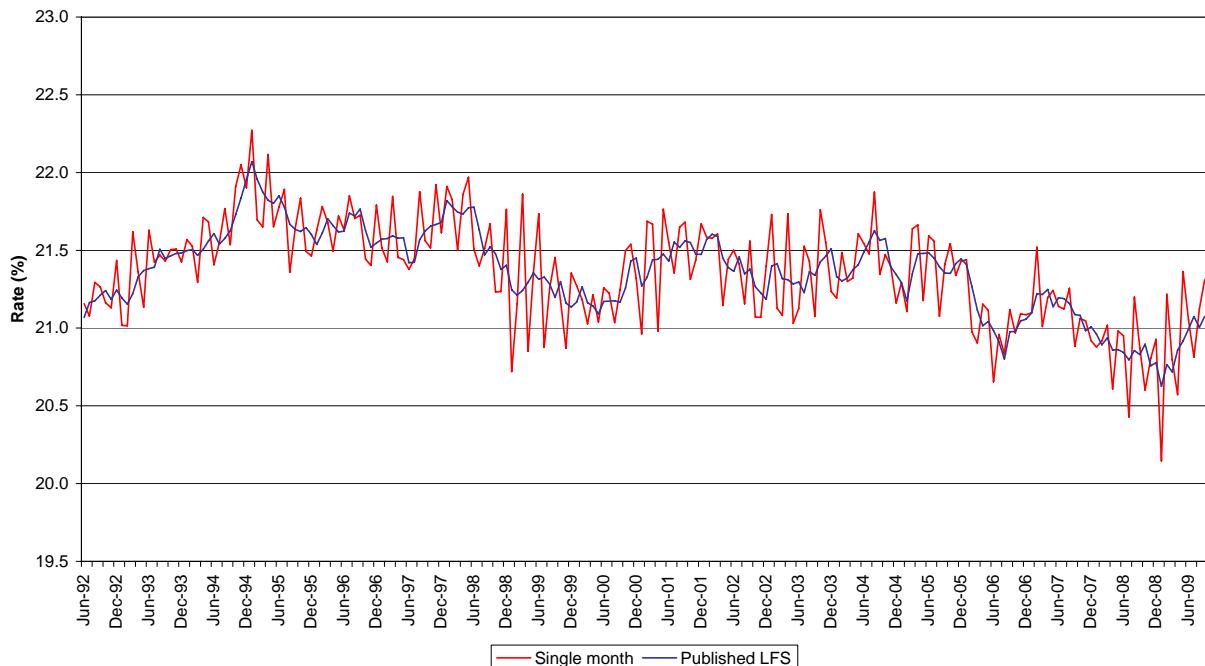


Chart 8: UK Working Age Inactivity Rates (Seasonally Adjusted)



These single month LFS analyses have been produced as a tool to assist in understanding the movements in the published 3-month average LFS estimates. These estimates do not have National Statistics status and as such they are not suitable to be used as labour market indicators in their own right. It must be noted that they are based on only 1/3 of the usual LFS sample, and so are much more prone to the effects of sampling error. Official LFS estimates are published monthly in the Labour Market Statistical Bulletin, which is available on the website at [www.statistics.gov.uk/pdfdir/lmsuk1109.pdf](http://www.statistics.gov.uk/pdfdir/lmsuk1109.pdf)

### Inactivity Rates (16+)

Inactivity rates for people aged 16 and over (Charts 9 and 10) show a similar pattern to that for people of working age.

Chart 9: UK 16+ Inactivity Rates (Seasonally Adjusted)

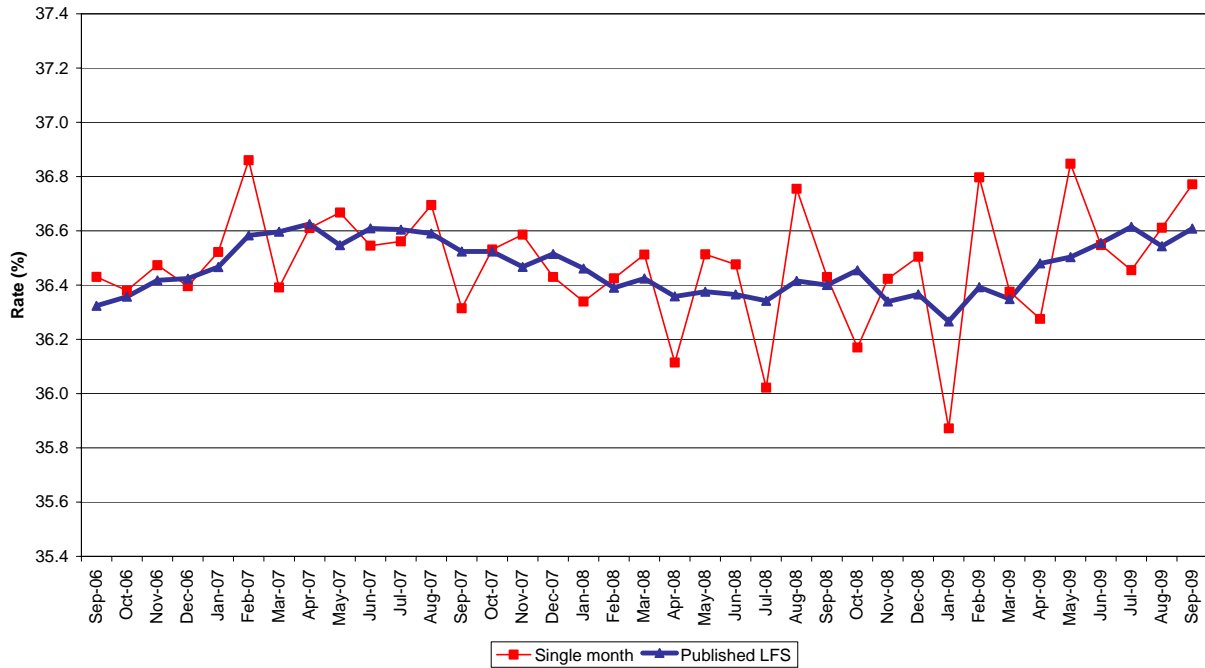
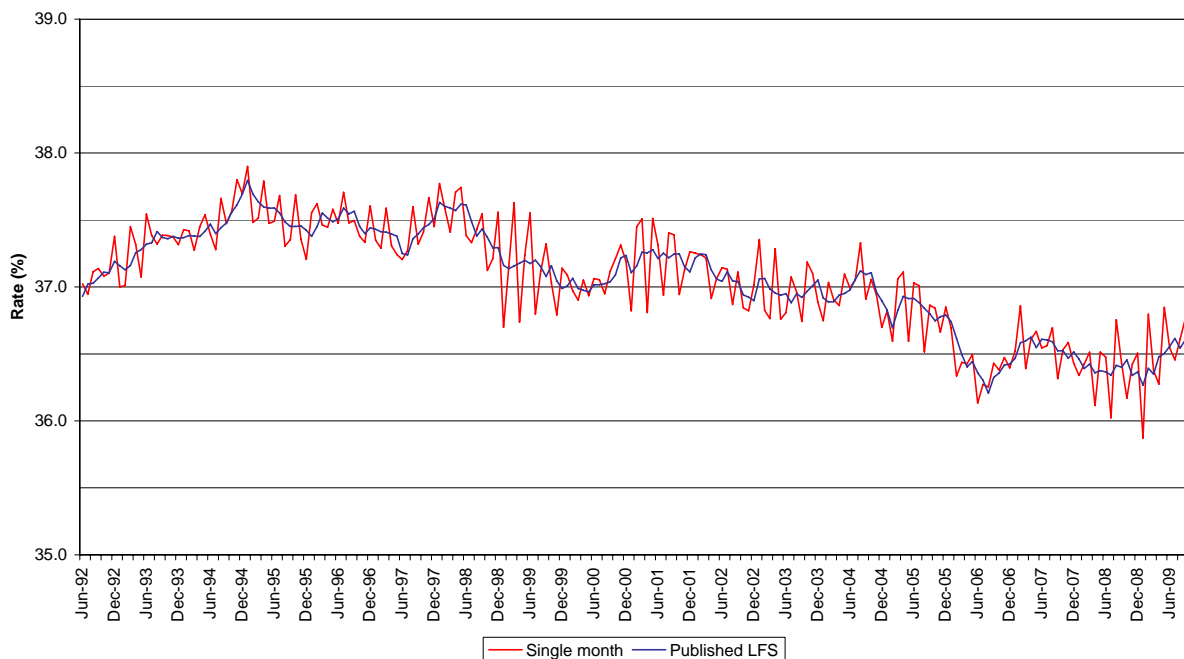


Chart 10: UK 16+ Inactivity Rates (Seasonally Adjusted)



*These single month LFS analyses have been produced as a tool to assist in understanding the movements in the published 3-month average LFS estimates. These estimates do not have National Statistics status and as such they are not suitable to be used as labour market indicators in their own right. It must be noted that they are based on only 1/3 of the usual LFS sample, and so are much more prone to the effects of sampling error. Official LFS estimates are published monthly in the Labour Market Statistical Bulletin, which is available on the website at [www.statistics.gov.uk/pdffdir/lmsuk1109.pdf](http://www.statistics.gov.uk/pdffdir/lmsuk1109.pdf)*

### Technical Note

The annex describes the method used to produce the single month estimates.

1. Unweighted LFS survey estimates of main economic status, by broad age bands, sex and region were aggregated for each week from the microdata files. These data by week were then aggregated to form 4- or 5-week months based on the survey calendar.

2. As part of the response to the Census 2001 population revisions, ONS had previously developed an interim reweighting methodology, designed to adjust LFS estimates at the aggregate level. The method involves constructing a matrix of adjustment factors by broad age band and sex for each region and the UK, and applying this matrix to the LFS aggregate series based on the old population estimates. For the single month estimates, this process was taken one step further, with adjustment factors calculated for and applied to the unweighted LFS aggregate data. In essence this represents a simplification of one of the major stages of the LFS weighting method.

3. The single month estimates were then seasonally adjusted (SA) using X11Arima, using the same parameters as those used for the standard LFS estimates. To ensure additivity across age, economic status and region, the single month estimates were constrained, using the standard (top down) LFS constraining methods.

4. As described above, the averages of the single month series and the published LFS series were not identical, due to differences in the weighting regime used. The difference between the two series is considered to be caused by the "over-weighting" of responses in the experimental series. The difference has been almost entirely removed through benchmarking the experimental series to the published LFS series. This was done by applying the differences between the published series and the average of the single month series to each single month point contributing to any given average. Although this method caused the differences between the two series to approach zero over time, multiple iterations (currently 40) are needed to reduce the differences below a significant level. A single iteration of the benchmarking process is shown in table 1:

**Table 1**

Single month	Experimental 3-month average	Published LFS	Difference ( $I_n - E_n$ )	Adjusted single month
$M_1$	...	...	...	$AM_1 = M_1 + d_1$
$M_2$	...	...	...	$AM_2 = M_2 + Av(d_1 + d_2)$
$M_3$	$E_1 = Av(M_1 + M_2 + M_3)$	$I_1$	$d_1$	$AM_3 = M_3 + Av(d_1 + d_2 + d_3)$
$M_4$	$E_2 = Av(M_2 + M_3 + M_4)$	$I_2$	$d_2$	$AM_4 = M_4 + Av(d_2 + d_3 + d_4)$
$M_5$	$E_3 = Av(M_3 + M_4 + M_5)$	$I_3$	$d_3$	$AM_5 = M_5 + Av(d_3 + d_4 + d_5)$

5. The method used to benchmark the single month includes an element of forecasting. As the accuracy of the latest data points increases with more data available the final three data points are subject to revision each month, but these revisions are all very small.

## Annex 3

### Unemployment and the claimant count

#### Background

Unemployment measures all people who meet the internationally agreed definition of unemployment. It is different from the claimant count, which measures only those people who are claiming unemployment-related benefits (Jobseeker's Allowance). The number of unemployed people in the UK is substantially higher than the claimant count. Not everyone who is unemployed is eligible for, or claims, Jobseeker's Allowance (JSA). Many unemployed people (especially women) are not eligible for JSA because they have a partner who is in work and/or because of their financial position. While most recipients of JSA would be classified as unemployed, some would fall into the "employed" or "economically inactive" categories.

#### Unemployment

Unemployment is measured using the Labour Force Survey and estimates are published for three month periods. These are published once a month, moving the three month reference period forward by a month each time.

The definition of unemployment in the UK is consistent with the internationally agreed definition recommended by the International Labour Organisation (ILO) at the 13<sup>th</sup> International Conference of Labour Statisticians in October 1982.

Unemployed people in the UK are:

- without a job, want a job, have actively sought work in the last four weeks and are available to start work in the next two weeks or;
- out of work, have found a job and are waiting to start it in the next two weeks

Not all people out of work are classified as unemployed. Those who have not actively sought work in the last four weeks and/or are not available to start work in the next two weeks are classified as economically inactive, rather than unemployed, in accordance with ILO guidelines.

#### Claimant count

The claimant count measures the number of people claiming unemployment-related benefits; since October 1996 this has been the number of people claiming Jobseeker's Allowance (JSA).

People who are out of work or working less than 16 hours a week on average may be eligible to claim JSA if they are:

- capable of working
- available for work
- actively seeking work
- below state pension age (currently 65 for men and 60 for women)

Further information on eligibility for JSA is available on the DirectGov website at:

[http://www.direct.gov.uk/en/MoneyTaxAndBenefits/BenefitsTaxCreditsAndOtherSupport/Employedorlookingforwork/DG\\_10018757](http://www.direct.gov.uk/en/MoneyTaxAndBenefits/BenefitsTaxCreditsAndOtherSupport/Employedorlookingforwork/DG_10018757)

#### Changes in unemployment and claimant count for those aged from 18 to retirement age

The changes in the headline unemployment and claimant count estimates published in the Labour Market Statistical Bulletin are not directly comparable because:

- Unemployment estimates are averages for three-monthly time periods and the headline change is the change since the previous non-overlapping three-monthly time period. For example, estimates for April-June are compared with estimates for January-March.
- The claimant count is a count of the number of people claiming Jobseeker's Allowance (JSA) on a particular day of the month and the headline change is the change since the previous month. It is

more up to date than unemployment as it is derived from administrative data which can be collated quicker than survey data.

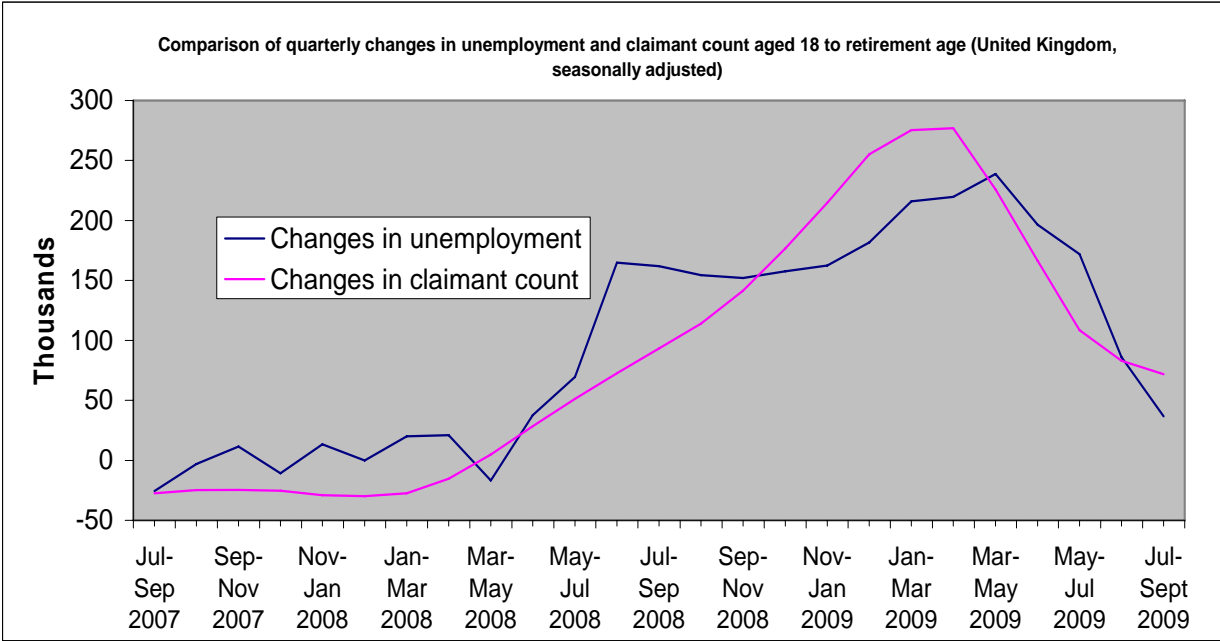
- Unemployment estimates include 16-17 year olds whereas the headline claimant count estimates do not include people below 18 years of age. 16-17 year olds are not usually able to claim JSA.
- There is no upper age limit on unemployment but people above state pension age are not usually eligible to claim JSA.

When the two series are compared for the same time periods (three-monthly averages), and for the same age groups (people aged 18 to state pension age), the movements in the two series are fairly similar. For this age group, between April-June 2009 and July-September 2009, unemployment increased by 37,000 and the claimant count increased by 72,000 as shown in the table below.

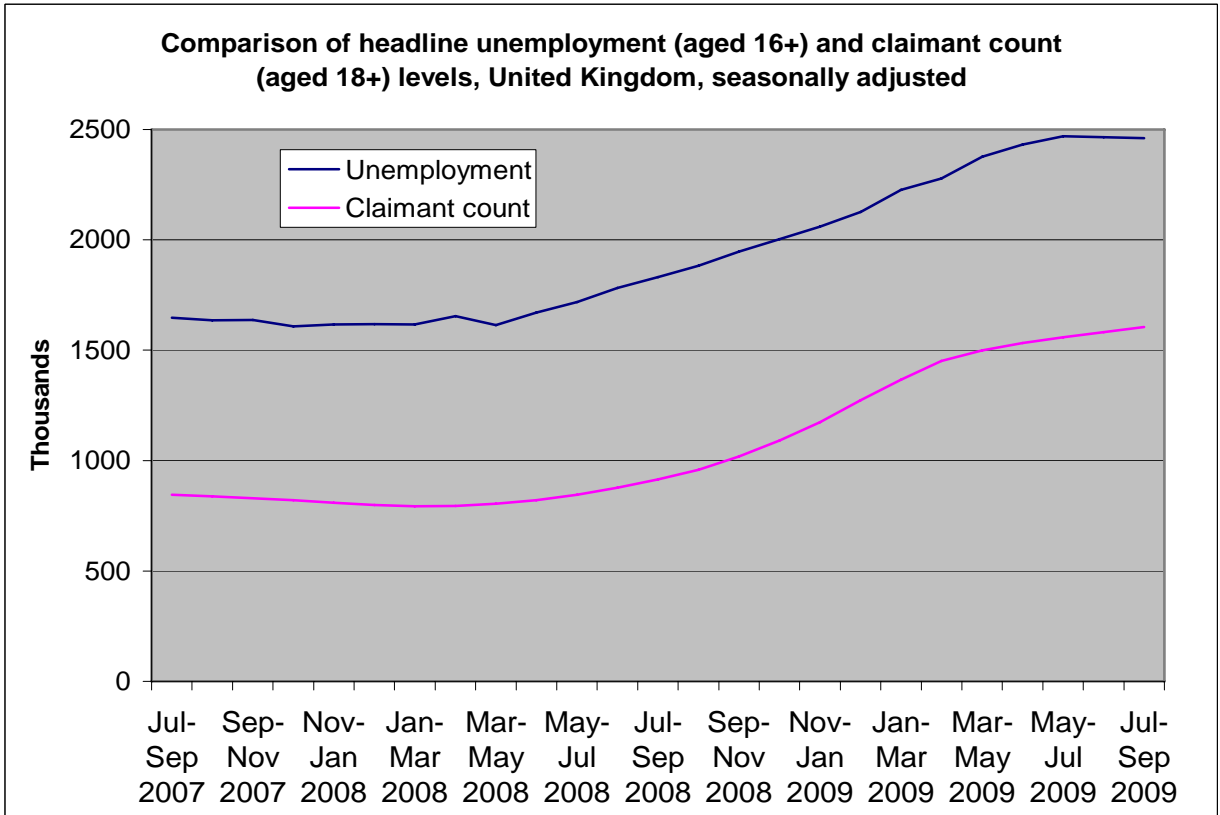
The table and chart below compare unemployment and the claimant count for people aged from 18 to state pension age for the last two years.

### Unemployment and Claimant Count 3 month averages and changes.

United Kingdom (thousands) seasonally adjusted						
3 Month Time Period	3 Month Average			Changes on Quarter		
	Unemployment 18 - 59/64	Claimant Count 18+	Difference	Unemployment	Claimant Count	Difference
Jul-Sep 2007	1412	846	566	-26	-27	2
Aug-Oct 2007	1408	839	570	-3	-25	22
Sep-Nov 2007	1422	829	593	11	-25	36
Oct-Dec 2007	1401	820	581	-11	-25	14
Nov-Jan 2008	1422	809	612	14	-29	43
Dec-Feb 2008	1422	799	623	0	-30	30
Jan-Mar 2008	1421	793	628	20	-27	47
Feb-Apr 2008	1443	794	649	21	-15	36
Mar-May 2008	1405	804	601	-17	5	-22
Apr-Jun 2008	1459	821	637	38	28	9
May-Jul 2008	1513	845	667	70	51	18
Jun-Aug 2008	1570	877	693	165	73	92
Jul-Sep 2008	1621	915	706	162	93	69
Aug-Oct 2008	1667	959	708	154	114	41
Sep-Nov 2008	1722	1018	704	152	141	11
Oct-Dec 2008	1779	1091	687	158	177	-19
Nov-Jan 2009	1829	1174	656	162	215	-52
Dec-Feb 2009	1904	1273	631	182	255	-73
Jan-Mar 2009	1994	1367	628	216	275	-59
Feb-Apr 2009	2049	1451	599	220	277	-57
Mar-May 2009	2143	1499	643	239	226	13
Apr-Jun 2009	2191	1533	658	197	167	30
May-Jul 2009	2221	1559	662	172	108	64
Jun-Aug 2009	2229	1582	647	86	83	3
Jul-Sep 2009	2228	1605	623	37	72	-35



The chart below compares the headline figures of unemployment (aged 16+) and the claimant count (aged 18+) for the last two years.



*These estimates of labour market flows are experimental statistics which have been produced as an aid to understanding the movements in the published Labour Force Survey aggregate estimates. They do not have National Statistics status and are not suitable as labour market indicators in their own right. The official LFS estimates are published in the monthly Labour Market Statistical Bulletin, which is available at <http://www.statistics.gov.uk/StatBase/Product.asp?vlnk=1944>*

## **Annex 4: Labour Force Survey: Labour Market Flows: July to September 2009**

### **Background**

In the Labour Force Survey (LFS) respondents are interviewed for five consecutive quarters over a 12 month period, with 20 per cent of the sample being replaced at each quarter. This allows for a longitudinal dataset to be created over a limited time interval, where respondents' characteristics can be tracked over their time in the survey.

The ONS publishes population-weighted longitudinal datasets for each calendar quarter. These are available for each quarter since 1997 and can be used to analyse changes in labour market characteristics over two or five quarters. The datasets include "flow" variables, which estimate the sizes of the movements between the three main labour market statuses of employment, unemployment and economic inactivity.

Monitoring changes in the labour market status of respondents to the LFS aids the understanding of the quarterly changes in the levels of employment, unemployment and economic inactivity. These indicators are published as stocks for a given period, with changes expressed as the difference between successive quarters. These quarterly comparisons represent the net changes between the three labour market statuses. The underlying gross flows are usually considerably larger and may not correspond with those implied by the net changes. Estimates of the gross flows between the statuses can be derived from the LFS Longitudinal Datasets and are summarised in this Annex.

### **Method**

There are two types of LFS longitudinal datasets: two-quarter and five-quarter. These are weighted using the same population estimates as those used in the main quarterly LFS datasets, although the weighting methodology differs (see technical note). Consequently the estimates are broadly consistent with the published aggregates, but not entirely. Also, the datasets are limited to working age people.

Both types of dataset contain a flow variable with eleven categories, with all combinations of employment, unemployment and economic inactivity accounted for, plus two categories for those entering and leaving the working age population over the quarter. For the purpose of this analysis, those entering or leaving the working age population are excluded from the measured sample. The stock of the employed, unemployed and inactive at each quarter can therefore be estimated by summing the corresponding flow categories.

For this analysis, the two-quarter datasets have been used in order to gain some insight into the quarterly changes in the headline published aggregates. Also, the sample is more robust and less subject to sampling variation than the five-quarter counterparts (see Technical Note).

### **The charts**

The charts show the estimated gross flows, that is the total inflow or outflow for working age employment, unemployment and inactivity from one calendar quarter to the next. They are not seasonally adjusted. Analysis of the net flows, that is the difference between the total inflow and outflow, are also included and these are compared with the quarterly changes in the published aggregates, partly to give an indication of the robustness of the flows analysis.

### **Key messages:**

- There are large flows between each labour market status each quarter.
- Gross flows to unemployment has continued to be higher than at the same time a year ago, although the difference is much smaller for the latest quarter.

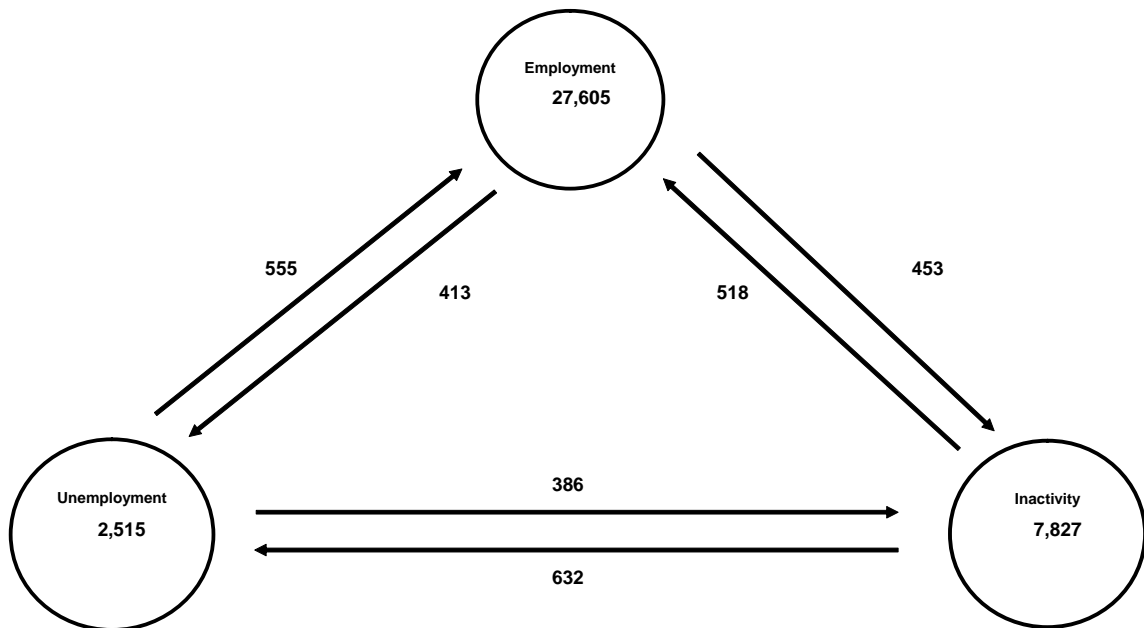
These estimates of labour market flows are experimental statistics which have been produced as an aid to understanding the movements in the published Labour Force Survey aggregate estimates. They do not have National Statistics status and are not suitable as labour market indicators in their own right. The official LFS estimates are published in the monthly Labour Market Statistical Bulletin, which is available at <http://www.statistics.gov.uk/StatBase/Product.asp?vlnk=1944>

- There is a large increase in the total unemployment outflow in the latest quarter, which has been mainly driven by those who became employed.
- The total flow into employment in the latest quarter is higher than at the same time a year ago whereas for the three preceding quarters it was lower than a year earlier.
- The flow from inactivity to employment is much smaller than a year ago.

### Quarterly working age gross flow

The diagram below shows the gross flow between each economic status between April-June 2009 and July-September 2009. The stocks for each status represent the latter period and are non-seasonally adjusted aggregates for the working age population as published in the Statistical Bulletin.

Quarterly working age<sup>1</sup> flows  
Jul-Sep 2009  
United Kingdom, not seasonally adjusted (thousands)



<sup>1</sup>Men aged between 16-64 and women aged between 16-59.

Source: Labour Force Survey

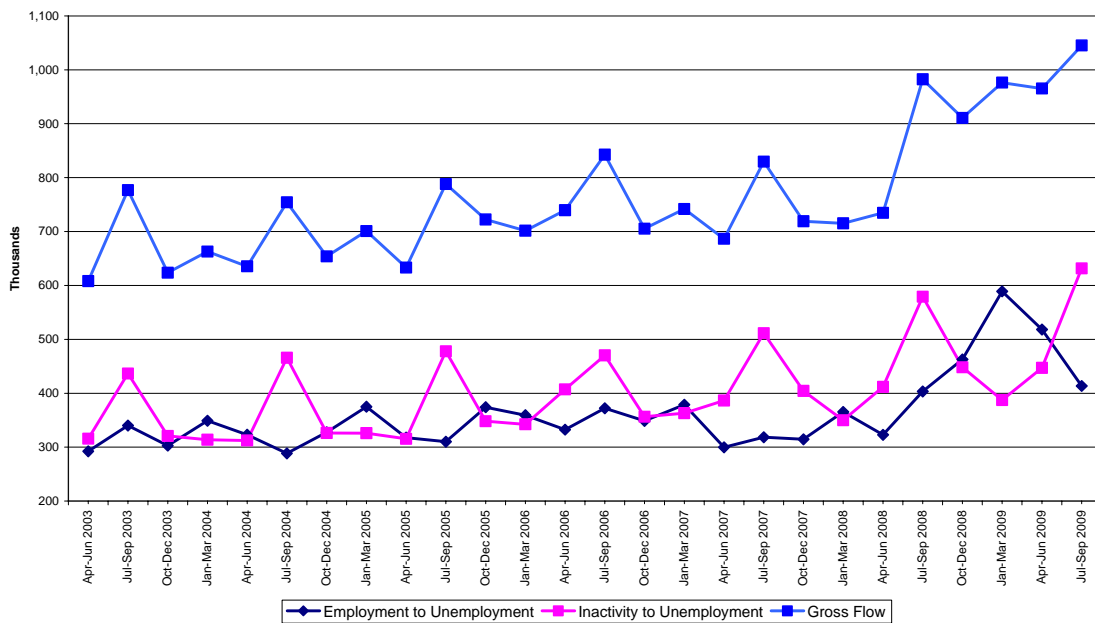
We welcome feedback on the presentation of longitudinal data and how this can help illustrate complex changes in the labour market. Please forward any comments to Nick Palmer (Tel 01633 455839, Email [nicholas.palmer@ons.gov.uk](mailto:nicholas.palmer@ons.gov.uk)).

These estimates of labour market flows are experimental statistics which have been produced as an aid to understanding the movements in the published Labour Force Survey aggregate estimates. They do not have National Statistics status and are not suitable as labour market indicators in their own right. The official LFS estimates are published in the monthly Labour Market Statistical Bulletin, which is available at <http://www.statistics.gov.uk/StatBase/Product.asp?vlnk=1944>

## Unemployment

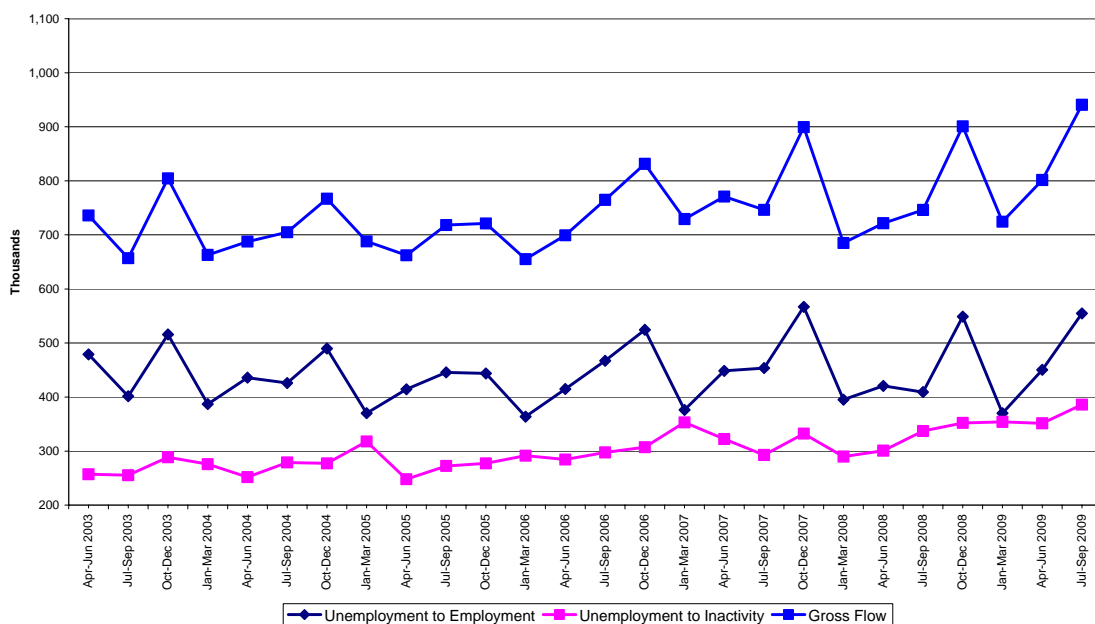
Gross inflows (chart 1) to unemployment show a sharp increase from quarter 2 2008 onwards in the flow from employment. The inflow from inactivity has been on an upward trend since 2004, with the latest quarter sharply up.

Chart 1: Inflow to Unemployment (Working age)



Gross outflows (chart 2) from unemployment to employment have remained fairly constant, with the latest quarter significantly higher than the same period a year ago.

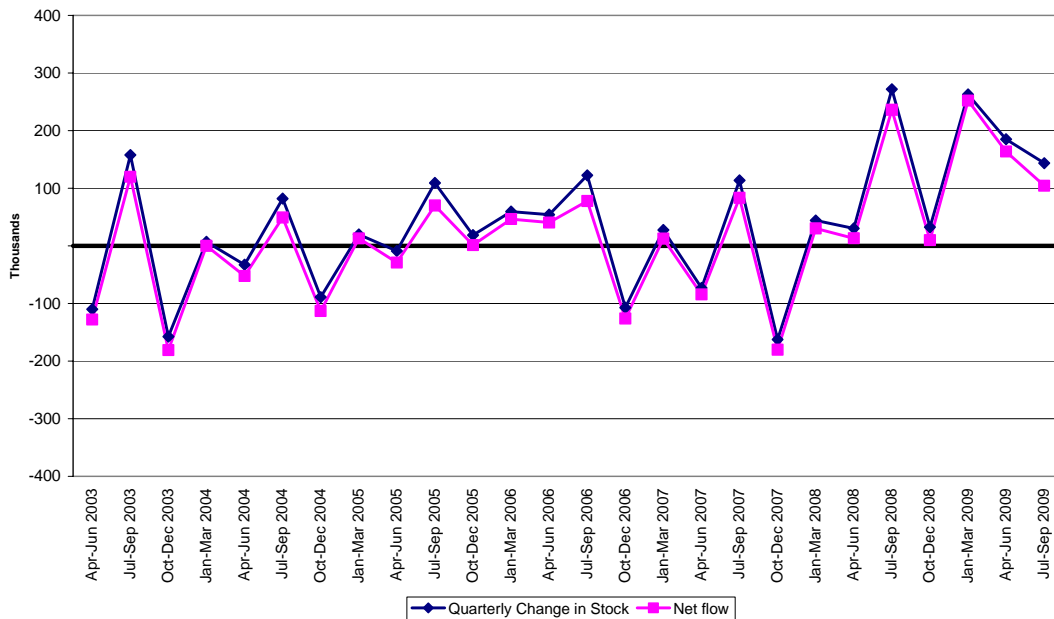
Chart 2: Outflow from Unemployment (Working Age)



These estimates of labour market flows are experimental statistics which have been produced as an aid to understanding the movements in the published Labour Force Survey aggregate estimates. They do not have National Statistics status and are not suitable as labour market indicators in their own right. The official LFS estimates are published in the monthly Labour Market Statistical Bulletin, which is available at <http://www.statistics.gov.uk/StatBase/Product.asp?vlnk=1944>

Chart 3 shows the net flow for unemployment staying positive over the year. Typically during quarter 1 the net flow is close to zero, as outflows match inflows. Net flows for recent quarters have been around 200,000 higher than those seen prior to quarter 2 2008. However, the net flow for quarter 3 2009 is similar to quarter 3 2007 and earlier estimates. As the chart shows, the unemployment net flow tracks the quarterly change in the published aggregate stock closely.

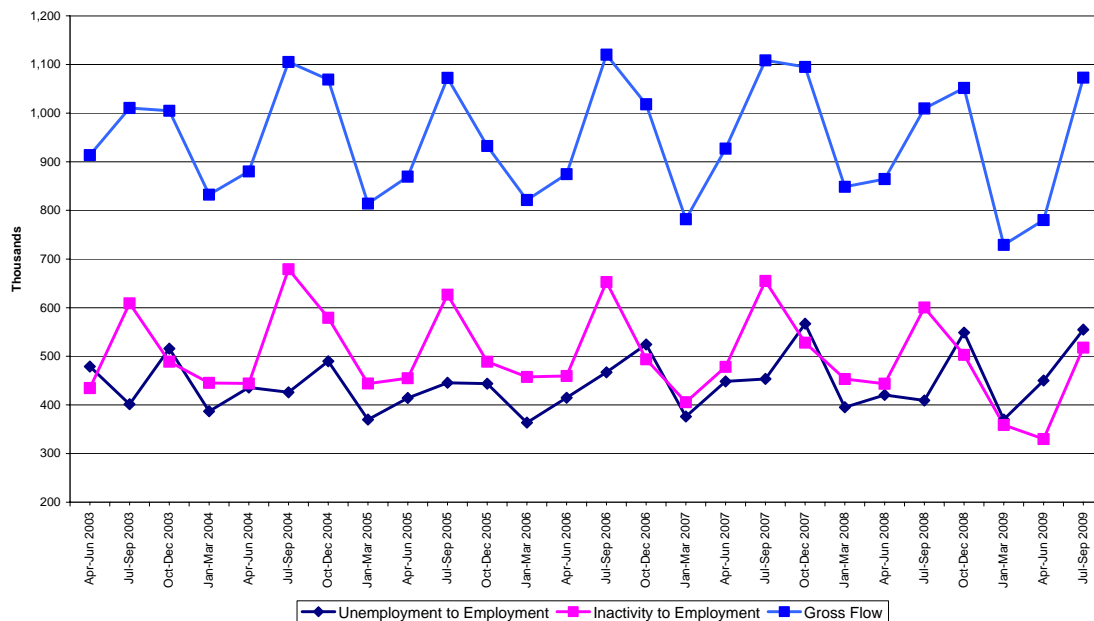
**Chart 3: Working Age Unemployment: Net Flow vs Change in Stock (NSA)**



## Employment

Gross inflows (chart 4) to employment from inactivity have been falling since 2008. The flow from unemployment has remained constant during this time. Both flows show a pronounced seasonality.

**Chart 4: Inflow to Employment (Working Age)**



These estimates of labour market flows are experimental statistics which have been produced as an aid to understanding the movements in the published Labour Force Survey aggregate estimates. They do not have National Statistics status and are not suitable as labour market indicators in their own right. The official LFS estimates are published in the monthly Labour Market Statistical Bulletin, which is available at <http://www.statistics.gov.uk/StatBase/Product.asp?vlnk=1944>

Gross outflows (chart 5) from employment to unemployment increased strongly after quarter 2 2008. Flows to inactivity remained flat throughout 2008; however recent quarters are below trend.

**Chart 5: Outflow from Employment (Working Age)**

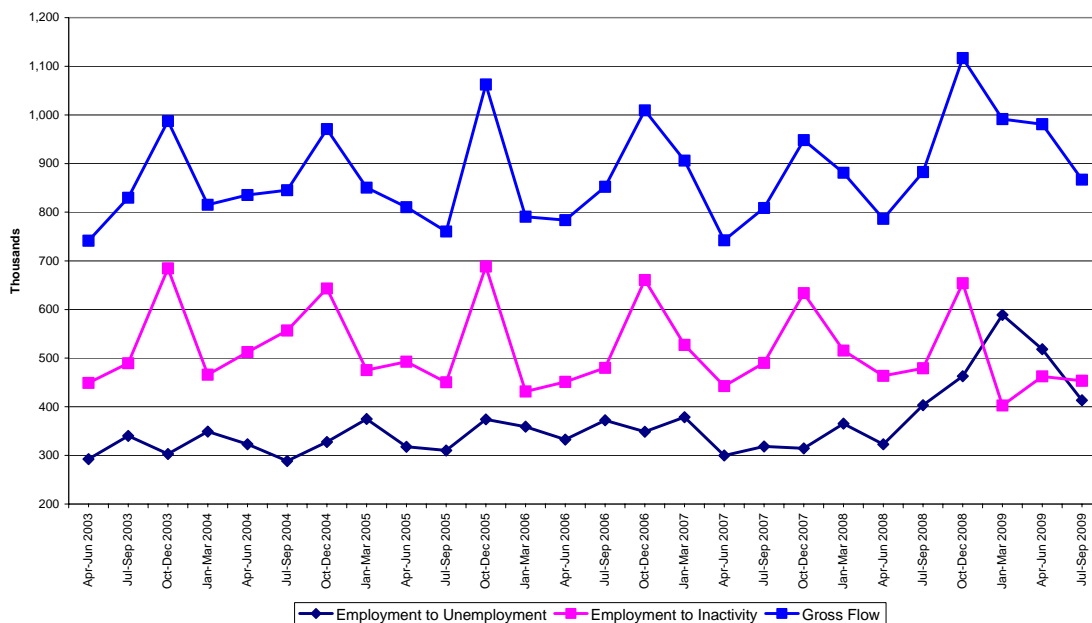
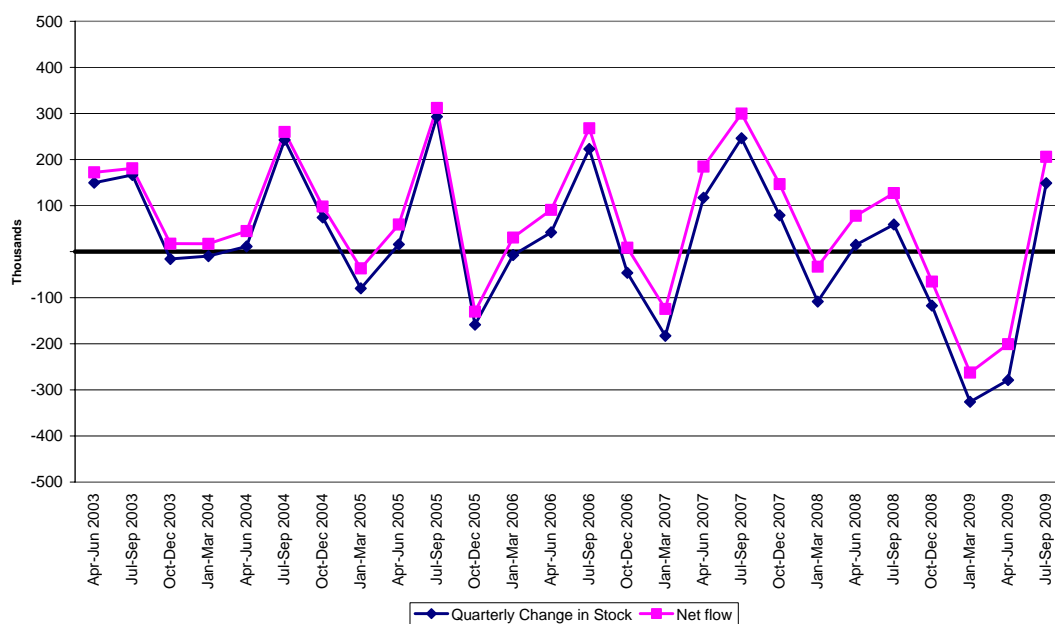


Chart 6 shows the net flow for employment was negative between quarter 4 2008 and quarter 2 2009, but is positive for quarter 3 2009 and higher than for the same period in 2008. As the chart shows, the employment net flow tracks the quarterly change in the published aggregate broadly.

**Chart 6: Working Age Employment: Net Flow vs Change in Stock (NSA)**

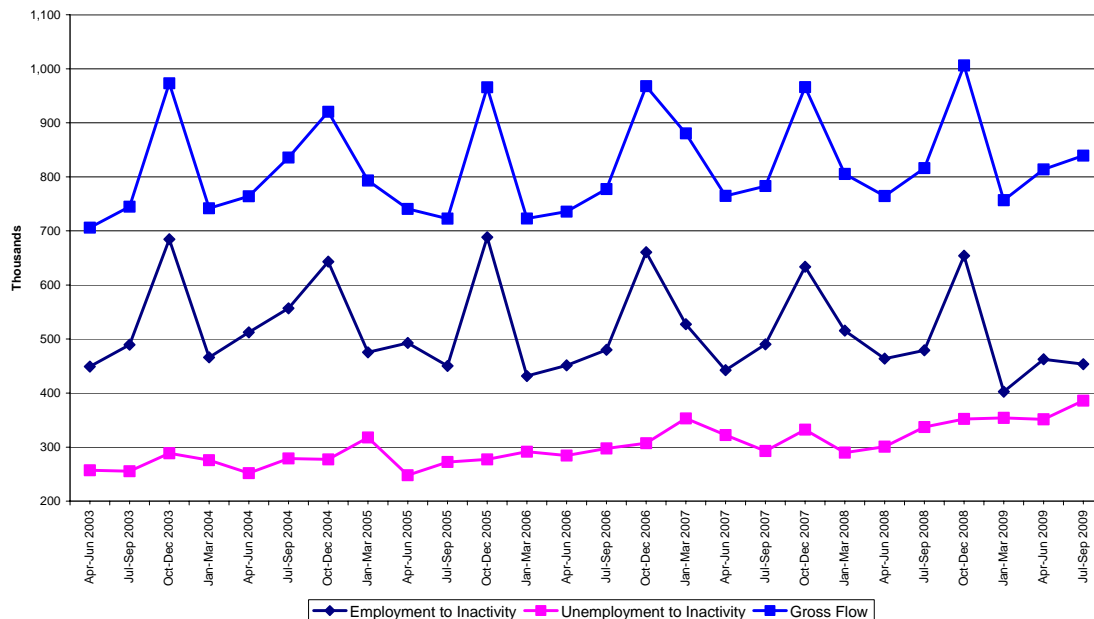


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## Inactivity

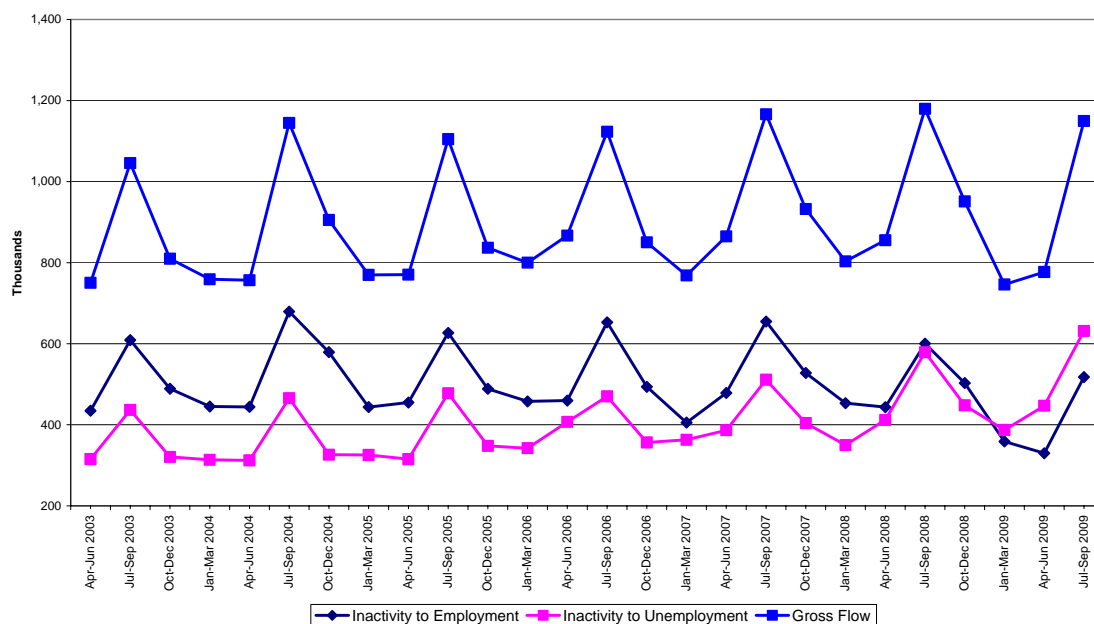
The gross flow (chart 7) to inactivity from employment has remained fairly constant. The flow from unemployment has been gradually increasing since 2005.

Chart 7: Inflow to Inactivity (Working Age)



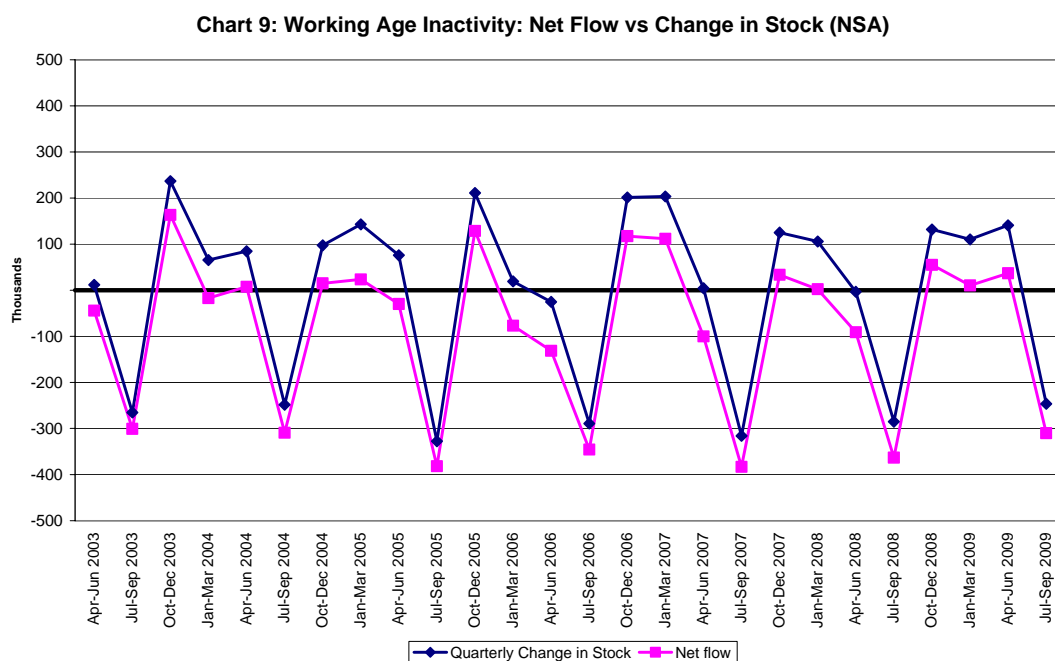
Gross outflow (chart 8) from inactivity to employment fell over the first two quarters of 2009 and are lower in quarter 3 2009 than in quarter 3 2008. Outflows to unemployment have continued the long period of upward growth and are now driving the overall outflow, rather than the flow to employment, as in the past. Total outflows are lower than a year ago.

Chart 8: Outflow from Inactivity (Working Age)



These estimates of labour market flows are experimental statistics which have been produced as an aid to understanding the movements in the published Labour Force Survey aggregate estimates. They do not have National Statistics status and are not suitable as labour market indicators in their own right. The official LFS estimates are published in the monthly Labour Market Statistical Bulletin, which is available at <http://www.statistics.gov.uk/StatBase/Product.asp?vlnk=1944>

Chart 9 shows that the seasonal trough in quarter 3 2009 is similar to that of previous years. The more pronounced differences in changes for the inactive net flow and the stock are explained in Technical Note 3.



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### **Technical Note**

There are differences between the data used for the published LFS aggregate estimates and the longitudinal data used to estimate the gross flows:

1. Flows are currently adjusted for non-response bias through special calibration weights in the longitudinal datasets. These aim to account for the propensity of certain types of people to drop out of the LFS between one quarter and the next. For example, housing tenure features in the weighting of the longitudinal data because, historically, households in rented accommodation have been more likely to drop out of the survey than owner-occupiers.
2. There is some evidence that the longitudinal datasets are affected slightly by response error which causes a slight upward bias in the estimates of the gross flows. For example, if it was erroneously reported that someone had moved from unemployment to employment then, in addition to the outflow from unemployment being overestimated, so would the inflow to employment. In the main quarterly LFS dataset, any such mis-reporting errors tend to cancel each other out.
3. The differences in the net flows for inactivity shown in Chart 9 are mainly the result of excluding the entrants to, and leavers from, the working age population in the flows estimates contained in this piece of analysis. This effect is normally one that increases the number of people who enter inactivity. This is because the increase in activity from those people turning 16 is greater than those leaving inactivity due to reaching state pension age.
4. The stocks derived from the longitudinal datasets differ from those obtained from the quarterly LFS datasets due to their being based on a subset of the main LFS sample. The restriction to measuring only those who are commonly of working age across successive quarters discounts those entering or leaving the working age population and also those above state retirement age. All such people are accounted for in the headline LFS aggregates.

### **References**

Barham C and Brook AK, 'Labour market gross flows data from the Labour Force Survey'  
[http://www.statistics.gov.uk/articles/labour\\_market\\_trends/gross\\_flows.pdf](http://www.statistics.gov.uk/articles/labour_market_trends/gross_flows.pdf)