

LABOUR MARKET OVERVIEW: JANUARY 2010

What is happening in the labour market?

The number of unemployed people has fallen on the quarter but the unemployment rate is unchanged. This is the first quarterly fall in the number of unemployed people since the three months to May 2008. The claimant count has fallen on the month. The employment rate is down 0.1 percentage point on the quarter and the number of people in employment has fallen. The working age inactivity level increased on the quarter to reach a record high of over 8 million and the rate is up 0.2 percentage points on the quarter. The number of vacancies is up on the quarter. Total pay (including bonuses) rose by 0.7 per cent on the year.

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

What happened to employment over the quarter?

The working age employment rate decreased 0.1 percentage points to 72.4 per cent. The employment level (people 16+) decreased 14,000 to 28.921 million, with men decreasing by 55,000 and women increasing by 41,000.

By age group the employment level for 16-17 year olds fell 7,000 to a record low of 0.405 million with levels for men decreasing by 26,000 to a record low of 0.165 million and levels for women increasing by 19,000 to 0.240 million. The level for those aged 18-24 fell 64,000 to 3.374 million; levels for 25-34 year olds increased by 57,000 to 6.252 million; levels for 35-49 year olds increased 19,000 to 10.902 million; those aged 50 to retirement age decreased by 30,000 to 6.574 million and those over retirement age (60/65+) rose 9,000 to a record high of 1.413 million. Comparable records of employment by age group begin in March to May 1992.

The employment rates for people aged 16-17 decreased by 0.3 percentage points to a record low of 26.3 per cent, rates for those aged 18-24 decreased 1.2 to 58.0 per cent; rates for 25-34 year olds increased 0.3 to 78.3 per cent; rates for 35-49 year olds increased 0.3 to 81.5 per cent; rates for those aged 50 to retirement age fell 0.5 to 71.0 per cent and rates for those over retirement age (60/65+) currently stands at a record high of 12.2 per cent.

What happened to weekly hours worked?

Total actual hours worked increased by 6.2 million to 910.9 million, with men increasing by 3.1 million to 556.7 million and women increasing 3.1 million hours to 354.3 million. The average actual weekly hours for all workers increased 0.2 to 31.5 hours, with men increasing 0.3 to 36.2 hours and women increasing 0.2 to 26.2 hours.

The average actual weekly hours of work for full-time workers increased 0.4 to 36.9 hours, with men increasing 0.4 to 38.7 hours and women increasing 0.5 to 33.7 hours. Average actual weekly hours for part-time workers increased 0.2 to 15.5 hours. Average weekly hours for those with second jobs decreased 0.5 to 9.3 hours.

What happened to unemployment?

The unemployment level (people 16+) decreased by 7,000 to 2.458 million, levels for men decreased 20,000 to 1.509 million and levels for women increased 13,000 to 0.949 million. The unemployment rate (people 16+) stands at 7.8 per cent, the rate for men decreased 0.1 percentage points to 8.9 per cent and the rate for women increased 0.1 percentage points to 6.6 per cent.

Unemployment for working age people decreased 10,000 to 2.422 million; levels for men decreased 23,000 to 1.490 million whilst levels for women increased 13,000 to 0.932 million. By age groups unemployment levels for 16-17 year olds decreased 4,000 to 0.199 million; 18-24 year olds decreased 12,000 to 0.728 million; 25-34 year olds decreased 2,000 to 0.532 million; 35-49 year olds decreased by 5,000 to 0.614 million; those aged 50 to retirement increased 12,000 to 0.349 million and those above retirement age (60/65+) increased 3,000 to 0.036 million. Comparable records of unemployment by age group began in March to May 1992.

Looking at duration of unemployment (people 16+) those people unemployed for up to 6 months decreased 87,000 to 1.264 million with men decreasing 61,000 to 0.726 million and women decreasing 26,000 to 0.538 million. People unemployed for between 6 and 12 months increased 52,000 to 0.563 million and those unemployed for over 12 months increased 29,000 to 0.631 million.

What happened to economic inactivity?

The level of economic inactivity (people 16+) increased 119,000 to 18.202 million, men increased 129,000 to 7.257 million and women decreased 10,000 to 10.945 million. Working age inactivity increased 79,000 to 8.046 million, levels for men increased 109,000 to 3.402 million while women decreased 30,000 to 4.643 million. The working age inactivity rate for people increased 0.2 to 21.2 per cent.

Looking at inactivity by age groups levels for 16-17 year olds remained unchanged at 0.937 million; 18-24 year olds increased 85,000 to a record high of 1.713 million, with men increasing 62,000 to a record high of 0.762 million and women increasing 22,000 to 0.951 million. The levels for 25-34 year olds decreased 11,000 to 1.204 million; 35-49 year olds decreased 36,000 to 1.862 million; those aged 50 to retirement age increased 41,000 to 2.330 million and those over retirement age (60/65+) increased 40,000 to a record high 10.156 million.

Looking at inactivity by reason, those who are students increased 81,000 to a record high of 2.239 million. Those looking after family/home fell 2,000 to 2.249 million. Those temporarily sick increased by 13,000 to 0.175 million, those on long-term sick decreased 4,000 to 2.000 million, retired people increased 34,000 to 0.599 million, discouraged workers increased by 5,000 to 0.075 million and those in the "other" category decreased 47,000 to 0.709 million.

CLAIMANT COUNT AND VACANCIES

What is happening to the claimant count?

There was a fall of 15,200 in the UK seasonally adjusted claimant count between November and December, this is the largest monthly fall since April 2007. A downward revision of 4,500 to last month's provisional level means that the change between October and November now shows a decrease of 10,800. The claimant count level has fallen to 1,606,500. The rate for December was 5.0 per cent. It has been at 5.0 per cent for four consecutive months.

The overall decrease in the claimant count for December was due to falls in the seasonally adjusted counts for men (11,700) to 1,171,300, the highest fall since November 2007, and a smaller fall for women (3,500) to 435,200.

For the second consecutive month there were increases in the claimant count in Scotland (+0.4%) and Northern Ireland (+0.9%), while all other regions saw decreases between 2.2% to 0.6%.

The seasonally adjusted claimant count series by age and duration continues to show decreases in those claiming for up to 6 months since the peak level in April 2008. Those claiming for between 6 and up to 12 months peaked six months later in October 2009, with two consecutive decreases since this peak. Meanwhile the numbers of longer term claimants continues to rise.

What do the Vacancy Survey results show?

The seasonally adjusted results show 448,000 job vacancies in the UK on average for the period October to December 2009. This shows an increase of 16,000 (3.7 per cent), from the previous quarter and a decrease of 80,000 (15.2 per cent) on the year. The monthly estimate for December 2009 shows a level of 453,000 a decrease of 1,000 (0.2 per cent) on the month.

The analysis by industry shows that the increase in the estimates over the three month comparison of the three-month average is based on small changes in most sectors. . The largest increases were seen in the distribution, hotels and restaurants sector (up 9,000) followed by the finance and business services sector (up 6,000). The remaining sectors showed little or no change.

AVERAGE WEEKLY EARNINGS

What's the latest estimate of average earnings growth?

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

Seasonally adjusted:

"Three month average" rate is the average for the three months September to November 2009

- **Including Bonuses:** "3-month average" earnings growth was 0.7 per cent, which is up 0.1 percentage point from the October rate of 0.6 per cent.
- **Excluding Bonuses:** "3-month average" earnings growth was 1.1 per cent which is down 0.1 percentage point from the October rate of 1.2 per cent.

Why are these figures so different from the figures published last month?

This month, Average Weekly Earnings (AWE) has become the lead measure of short-term earnings, replacing the Average Earnings Index (AEI). As there are a number of methodological differences between the two measures, the growth rates they produce are different.

What are the average weekly earnings in the economy?

Seasonally adjusted, average weekly earnings across the whole economy were £451 per week including bonuses, and £424 per week excluding bonuses.

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

Pay growth including bonuses has increased in November, mainly due to stronger growth in financial and business services. Pay growth excluding bonuses has decreased slightly in November, with manufacturing the main sector experiencing a fall.

Private Sector

Pay growth including bonuses increased in November. This was largely due to higher earnings growth in finance and business services.

Pay growth excluding bonuses decreased slightly in November, with the manufacturing sector experiencing the largest decline in earnings growth.

Public Sector

Pay growth including and excluding bonuses was higher in November. There was higher pay growth in public administration, with education pay growth falling by a similar amount.

Manufacturing

Pay growth including bonuses has increased in November, driven by an increase in earnings in metal manufacturing. Pay growth excluding bonuses decreased in November, with food and metal manufacturing experiencing the biggest reductions in pay growth.

JOB AND PUBLIC SECTOR EMPLOYMENT

What is happening to workforce jobs for the whole economy?

Workforce jobs fell by 127,000 (0.4 per cent) between June and September 2009, and by 649,000 (2.1 per cent) over the year, to a level of 30.861 million.

Over the quarter, employee jobs fell by 155,000 (0.6 per cent). This was offset by rises of 25,000 (0.6 per cent) in self-employment jobs, 2,000 (3.5 per cent) in government supported trainees and 2,000 (1.1 per cent) in HM forces.

By industry, the largest falls in workforce jobs were 67,000 (3.1 per cent) in construction, 44,000 (1.5 per cent) in manufacturing and 28,000 (0.4 per cent) in finance and business services. There was a rise of 36,000 (0.4 per cent) in education, health and public administration, driven by a rise in public sector health. There were also rises of 13,000 (0.2 per cent) in distribution, hotels and restaurants, and 3,000 (1.6 per cent) in energy and water, both driven by rises in self-employment jobs.

What is happening to employee jobs in production?

Employee jobs in manufacturing fell by 213,000 (7.6 per cent) in the three months to November 2009, compared with a year earlier, taking the series to a level of 2.603 million, the lowest since comparable records began in 1978. However, the decline is decelerating. All sub-sectors have shown falls over the year, with the largest falls of 47,000 (10.0 per cent) in non-metallic mineral and metal products, and 30,000 (9.5 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 increased by 29,000 (0.1 per cent) between June and September 2009. Employment in the public sector increased by 23,000 (0.4 per cent) over the same period.

Annex 1: Comparison of LFS and WFJ statistics on jobs

Background

The *Review of Employment and Jobs Statistics*¹ 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 September 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: September 2009

Part A of Table 1 illustrates how the LFS estimate of total UK jobs for August-October 2009 is calculated by adding together the headline LFS figure for total employment (28.926 million) and workers with second jobs (1.147 million). Part B of the table compares this total UK jobs estimate (30.073 million) and its components with the corresponding WFJ figures for September 2009. The LFS total jobs estimate is lower than the WFJ figure by 0.788 million (2.6 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:

<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 can be found at:

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 392,000 (1.3 per cent).

The difference between the adjusted LFS and WFJ estimates (392,000) 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*¹). 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*¹ 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 specific day.

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

Thousands and per cent

	Labour Force Survey ^a (‘000s)	Workforce Jobs ^b (‘000s)	Difference: LFS-WFJ (‘000s)	% Difference: LFS-WFJ as % of LFS
A. LFS employment and jobs estimates				
LFS total employment (main jobs) ^c	28,926	..	..	..
LFS workers with second jobs	1,147	..	..	..
Total LFS jobs	30,073	..	..	..
B. Components of LFS and WFJ total jobs				
Employee jobs ^d	25,640	26,367	-727	-2.8
Employee main jobs	24,882	..	..	..
Employee second jobs	758	..	..	..
Self-employment jobs	4,247	4,247	0	0.0
Self-employment main jobs	3,858	3,858	0	0.0
Self-employment second jobs	389	389	0	0.0
Government-supported trainees	99	48	51	51.8
Unpaid family workerse	87	..	87	..
HM Forces ^d	..	199	-199	..
Total UK jobs	30,073	30,861	-788	-2.6
C. Adjustments for survey coverage and response issues^f				
Jobs not covered by the LFS				
Temporary foreign workers ^g	130	..	..	..
Armed forces not living in private accommodation ^h	110	..	..	..
Workers living in communal establishments ⁱ	80	..	..	..
3rd and subsequent employee jobs ^l	80	..	..	..
Jobs not covered by the WFJ series				
Employee jobs in private households ^k	..	50	..	..
Unpaid family workers ^l	..	90	..	..
Employment in Managed Service Companies excluded from business survey sample frame ^m	..	120	..	..
Survey response issues				
Double-counting due to over-reporting of self-employment ⁿ	..	-480	..	..
LFS non-response bias ^o	230	..	..	..
LFS proxy response error (main jobs) ^p	150	..	..	..
LFS proxy response error (2nd jobs) ^p	80	..	..	..
ABI/STES response errors ^q	..	-100	..	..
D: Adjusted estimates of total UK jobs	30,933	30,541	392	1.3

^a Labour Force Survey estimates for Aug-Oct 2009.

^b Workforce Jobs series estimates for September 2009.

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

^d The LFS employee jobs figures include armed forces employees living in private households.

^e Unpaid family workers are not included in the WFJ estimate of total UK jobs.

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

^g Based on ONS experimental short-term migration estimates

^h WFJ armed forces figure minus LFS microdata estimate of armed forces employees in private households (Jul-Sep 2009).

ⁱ Estimate from pilot survey of communal establishments, Great Britain, autumn 2000.

^j Annual estimate from Family Resources Survey: 2007/8

^k Estimate based on LFS microdata (Jul-Sep 2009). A new method of coding the industry data was introduced in January 2009 and

^l LFS figure for unpaid family workers Aug-Oct 2009.

^m 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.

ⁿ Estimate based on LFS microdata (Jul-Sep 2009).

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

^p Estimate based on proxy response study (Dawe and Knight 1997) and LFS microdata (Jul-Sep 2009).

^q 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 increase of 81,000 jobs (0.3 per cent) and the WFJ series shows a decrease of 127,000 (0.4 per cent) between June 2009 and September 2009. The LFS series shows a decrease of 412,000 (1.4 per cent) over the year to September 2009 and the WFJ series shows a decrease of 649,000 (2.1 per cent).

Table 2: Labour Force Survey and Workforce Jobs estimates of levels and changes in total UK jobs¹

United Kingdom, September 2004 to September 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													
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	30,987	-996	-3.3	-229	-172	-57	-0.8	-0.6	-654	-673	19	-2.1	-2.1
Sep-09	30,073	30,861	-788	-2.6	81	-127	208	0.3	-0.4	-412	-649	237	-1.4	-2.1

¹ 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

¹ 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

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

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 Statistics Statistical Bulletin, which is available on the website at: <http://www.statistics.gov.uk/StatBase/Product.asp?vlnk=1944>

Annex 2

Single Month LFS Analysis for September to November 2009 (SN09)

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). For the published series, the dates shown relate to the last month of the three (e.g. July - September is shown as September).

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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 0.5 percentage points on the previous month.

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

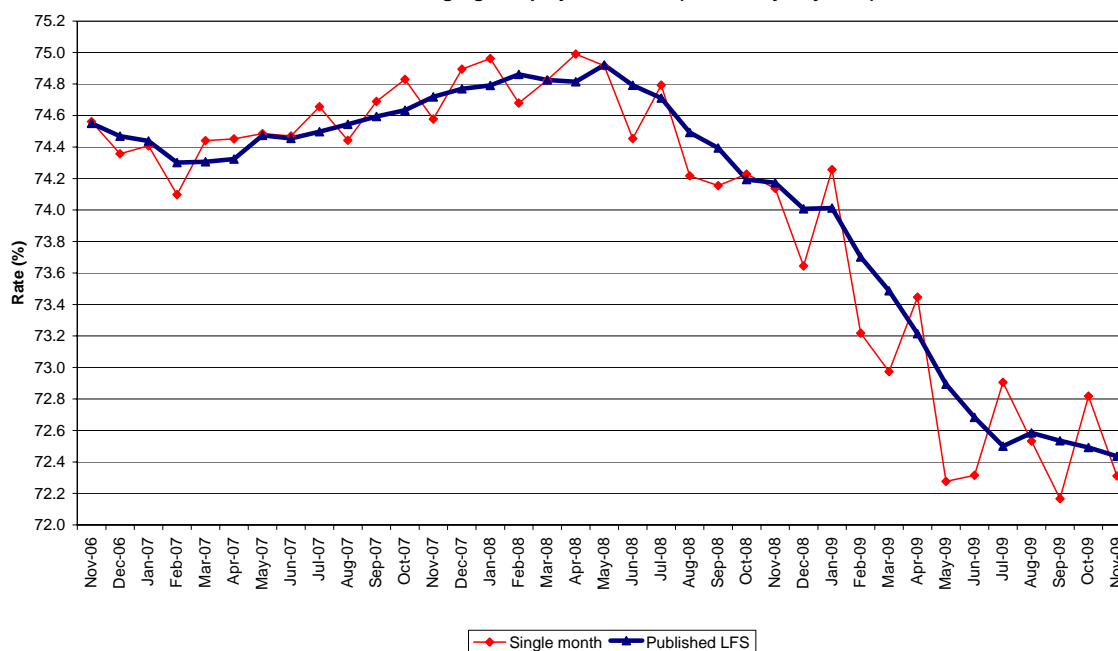
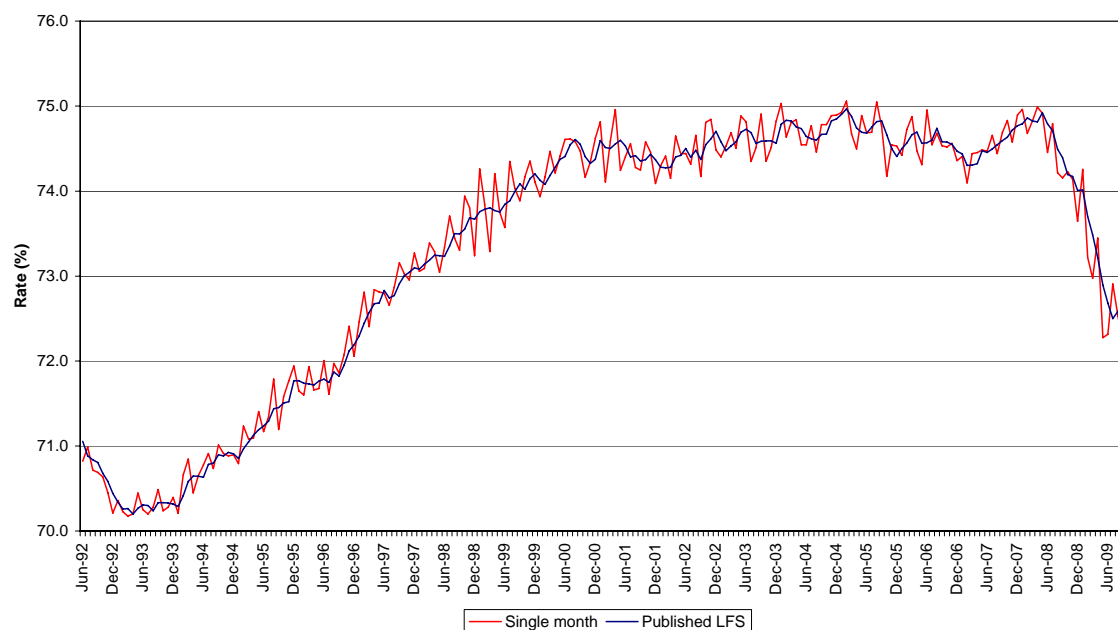


Chart 2: UK Working Age Employment Rates (Seasonally Adjusted)



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Unemployment

The single month unemployment rate (Chart 3) continues to show an increasing trend with the figure for November 2009 showing a decrease of 0.2 percentage points on the previous month.

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

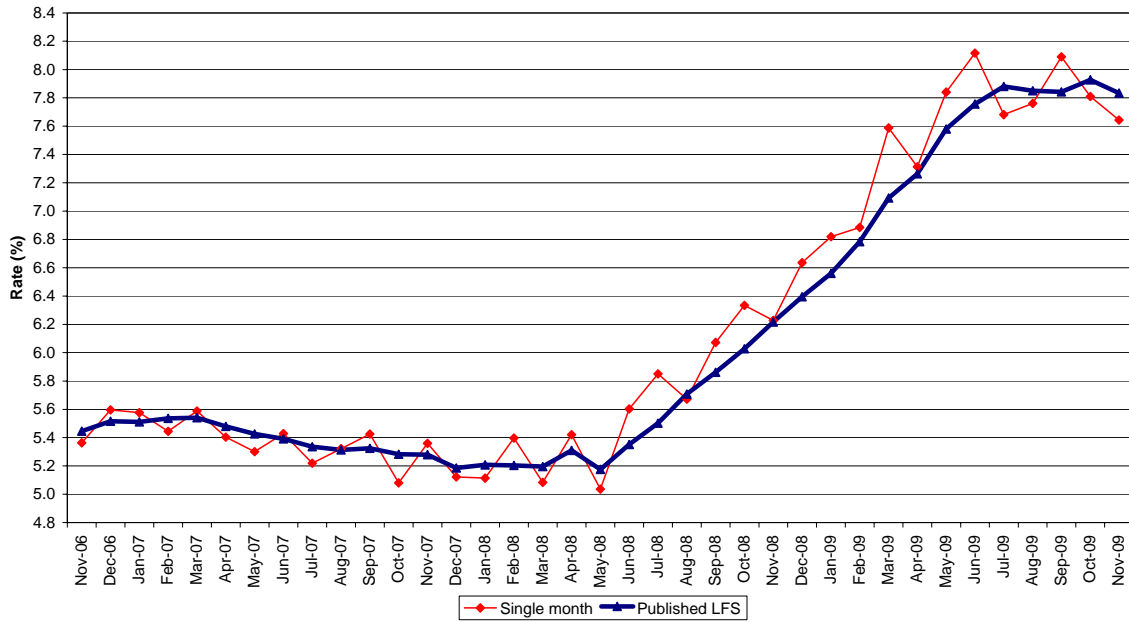
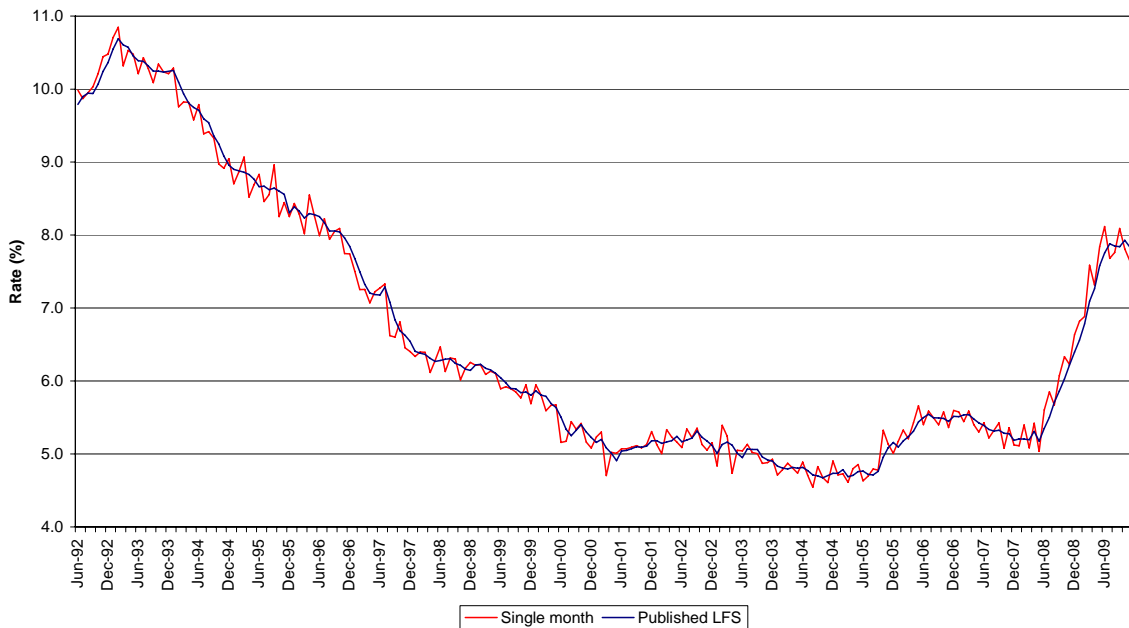


Chart 4: UK 16+ Unemployment Rates (Seasonally Adjusted)



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Inactivity Rates (working age)

The decreasing trend from mid 2004 onwards appears to have halted in recent months (Chart 5). The November 2009 rate was 21.5 per cent, up 0.7 percentage points from the previous month.

Chart 5: UK Working Age Inactivity Rates (Seasonally Adjusted)

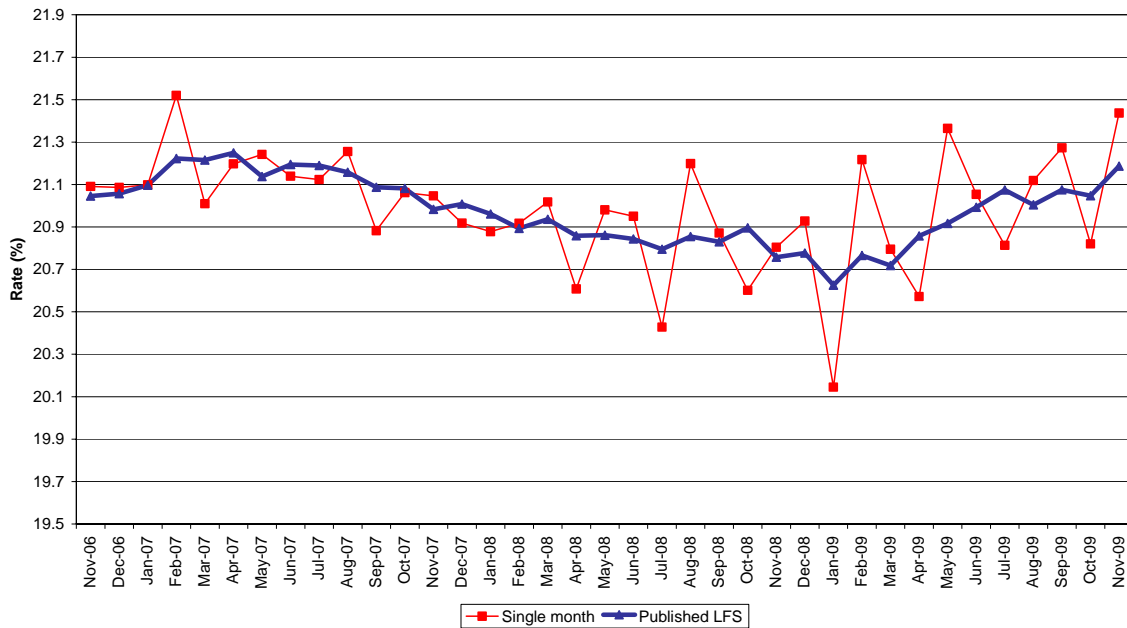
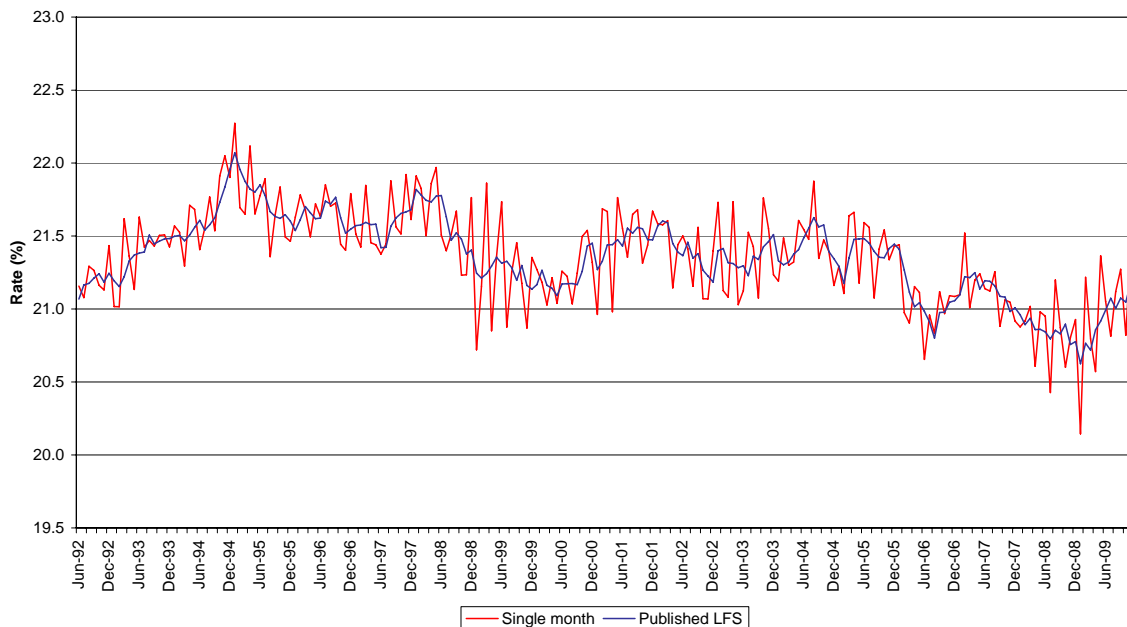


Chart 6: UK Working Age Inactivity Rates (Seasonally Adjusted)



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 Statistics Statistical Bulletin, which is available on the website at: <http://www.statistics.gov.uk/StatBase/Product.asp?vlnk=1944>

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 13th 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

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.

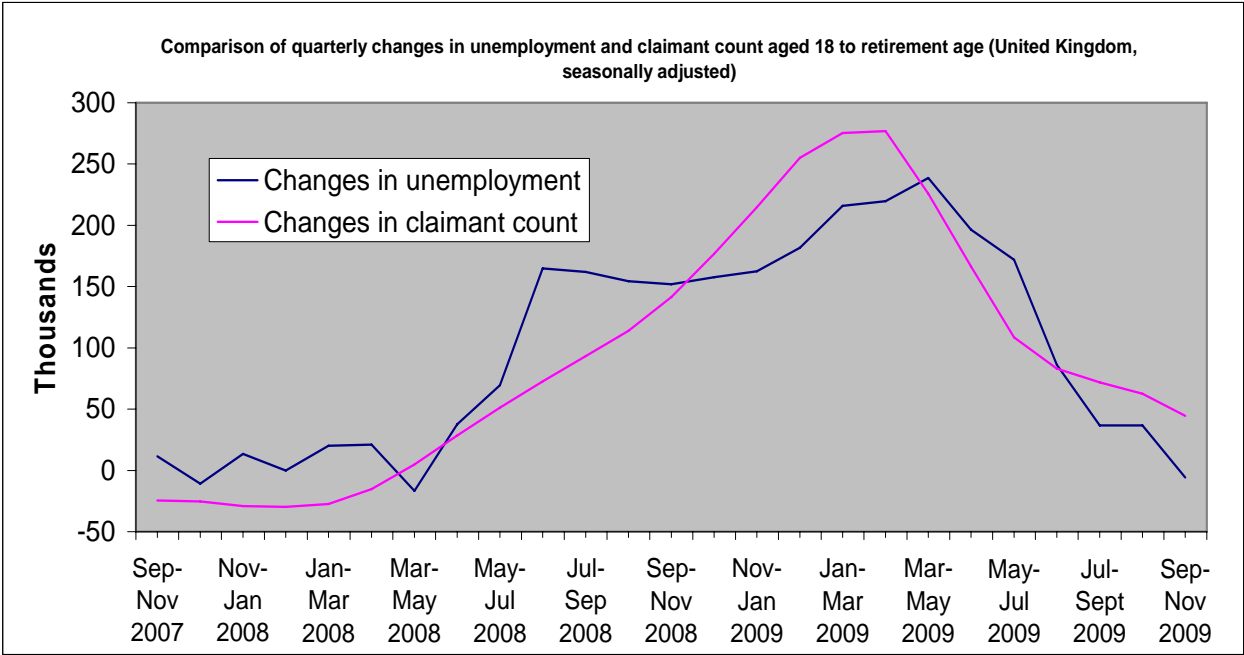
- The claimant count is a count of the number of people claiming Jobseeker's Allowance (JSA) on a particular day of the month and the headline change is the change since the previous month. It is more up to date than unemployment as it is derived from administrative data which can be collated quicker 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 June-August 2009 and September-November 2009, unemployment decreased by 6,000 and the claimant count increased by 45,000 as shown in the table below.

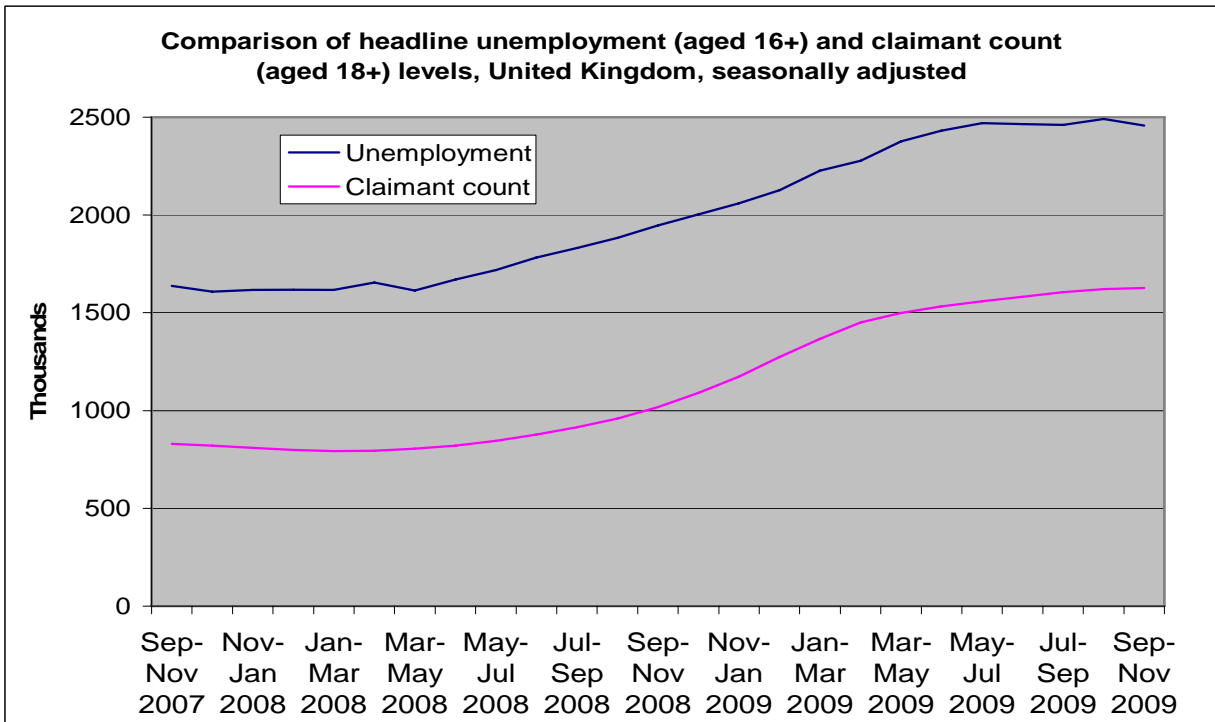
The table and chart below compare unemployment and the claimant count for people aged from 18 to state pension age for the last two years.

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
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
Aug-Oct 2009	2258	1622	636	37	63	-26
Sep-Nov 2009	2223	1627	596	-6	45	-50



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.

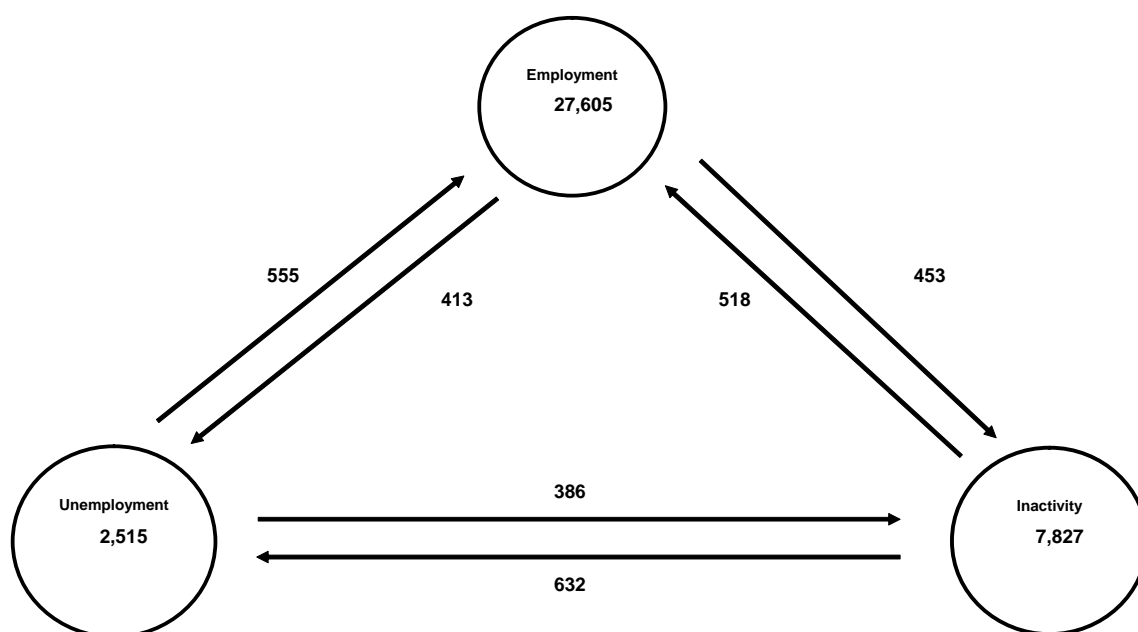
These estimates of labour market flows are experimental statistics which have been produced as an aid to understanding the movements in the published Labour Force Survey aggregate estimates. They do not have National Statistics status and are not suitable as labour market indicators in their own right. 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 age¹ flows
Jul-Sep 2009
United Kingdom, not seasonally adjusted (thousands)



¹Men aged between 16-64 and women aged between 16-59.

Source: Labour Force Survey

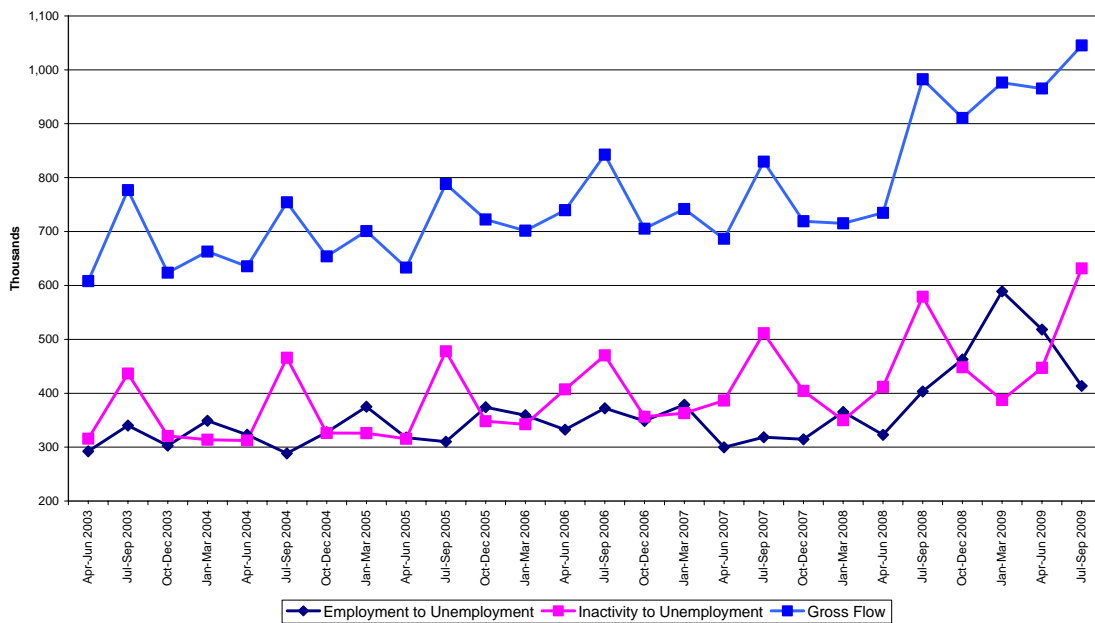
We welcome feedback on the presentation of longitudinal data and how this can help illustrate complex changes in the labour market. Please forward any comments to Nick Palmer (Tel 01633 455839, Email nicholas.palmer@ons.gov.uk).

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

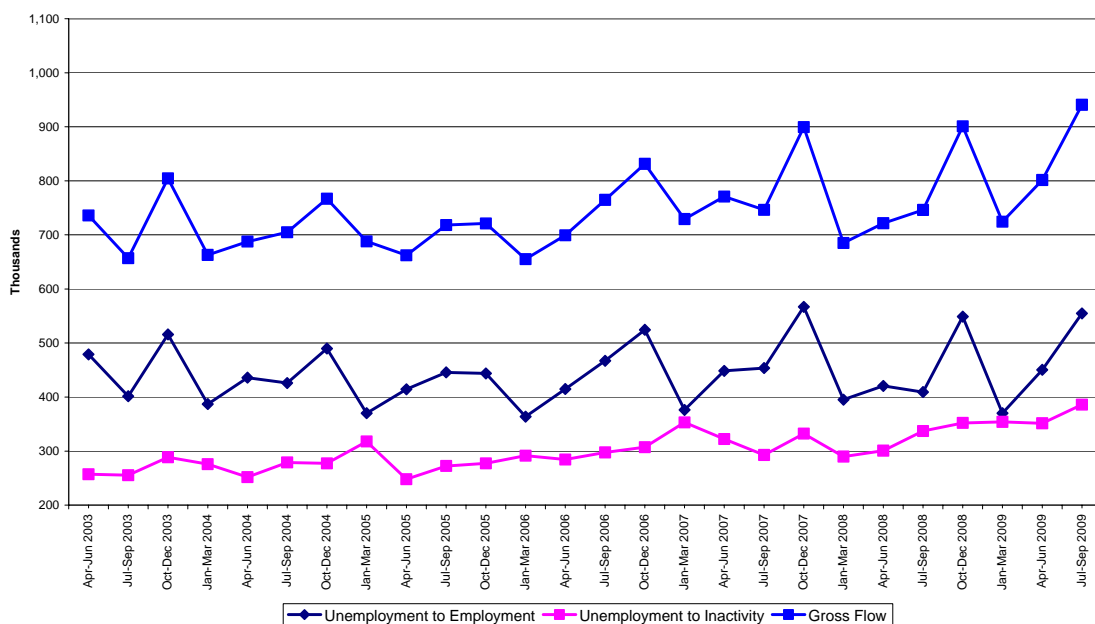
Gross inflows (chart 1) to unemployment show a sharp increase from quarter 2 2008 onwards in the flow from employment. The inflow from inactivity has been on an upward trend since 2004, with the latest quarter sharply up.

Chart 1: Inflow to Unemployment (Working age)



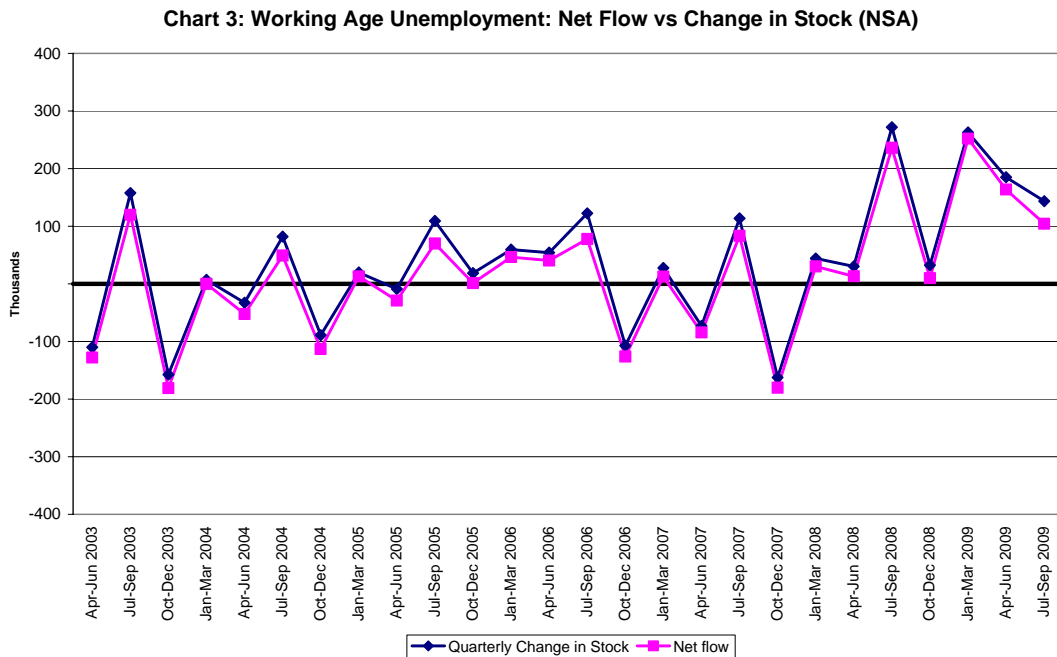
Gross outflows (chart 2) from unemployment to employment have remained fairly constant, with the latest quarter significantly higher than the same period a year ago.

Chart 2: Outflow from Unemployment (Working Age)



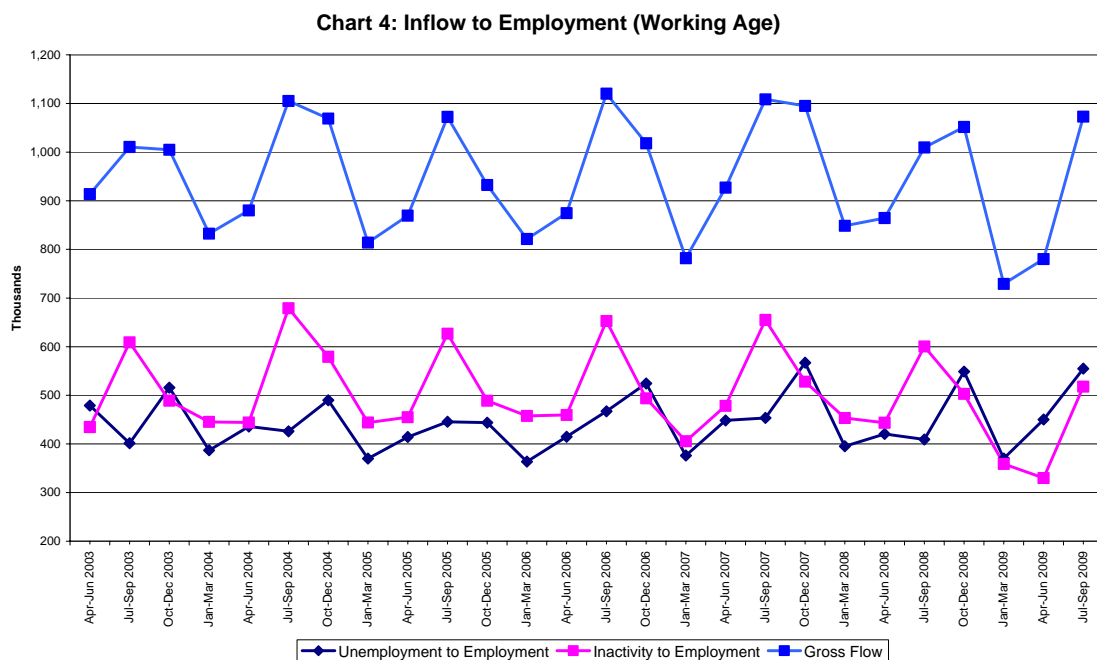
These estimates of labour market flows are experimental statistics which have been produced as an aid to understanding the movements in the published Labour Force Survey aggregate estimates. They do not have National Statistics status and are not suitable as labour market indicators in their own right. 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.



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.



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)

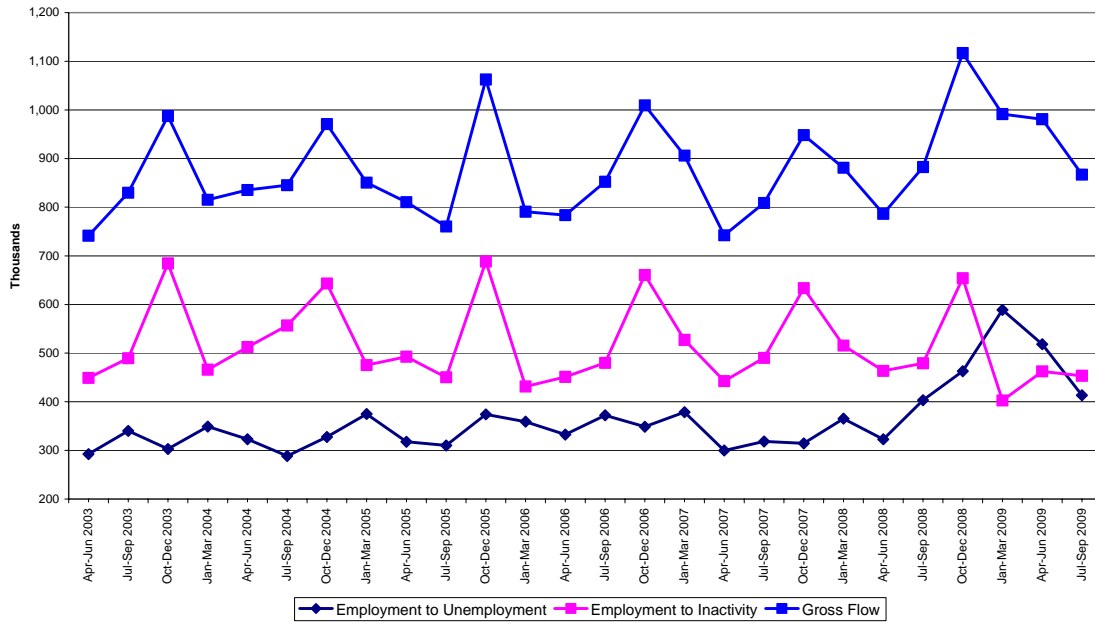
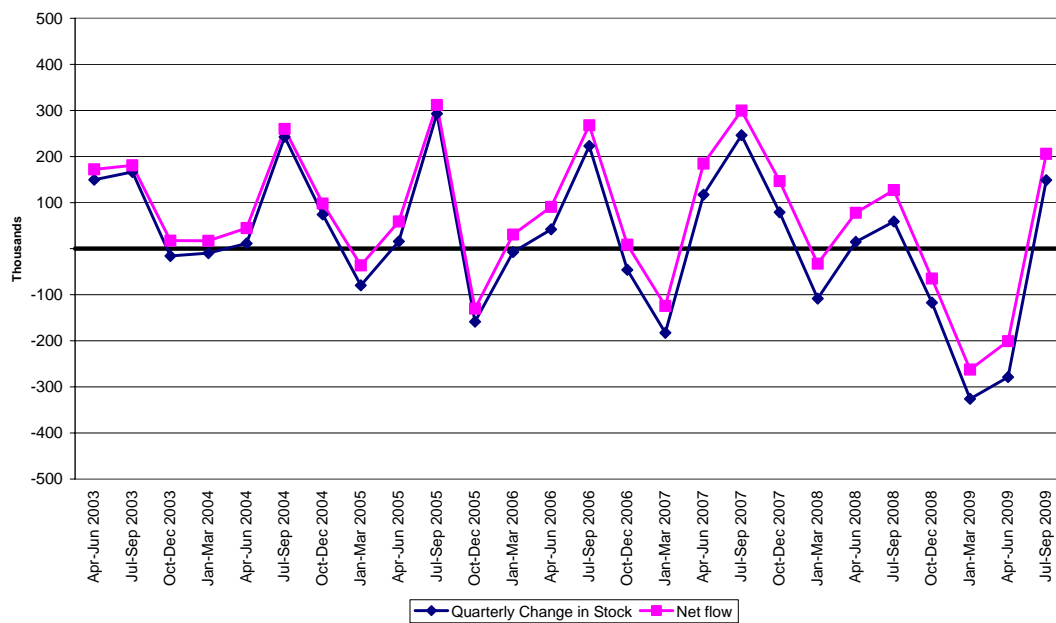


Chart 6 shows the net flow for employment was negative between quarter 4 2008 and quarter 2 2009, but is positive for quarter 3 2009 and higher than for the same period in 2008. As the chart shows, the employment net flow tracks the quarterly change in the published aggregate broadly.

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

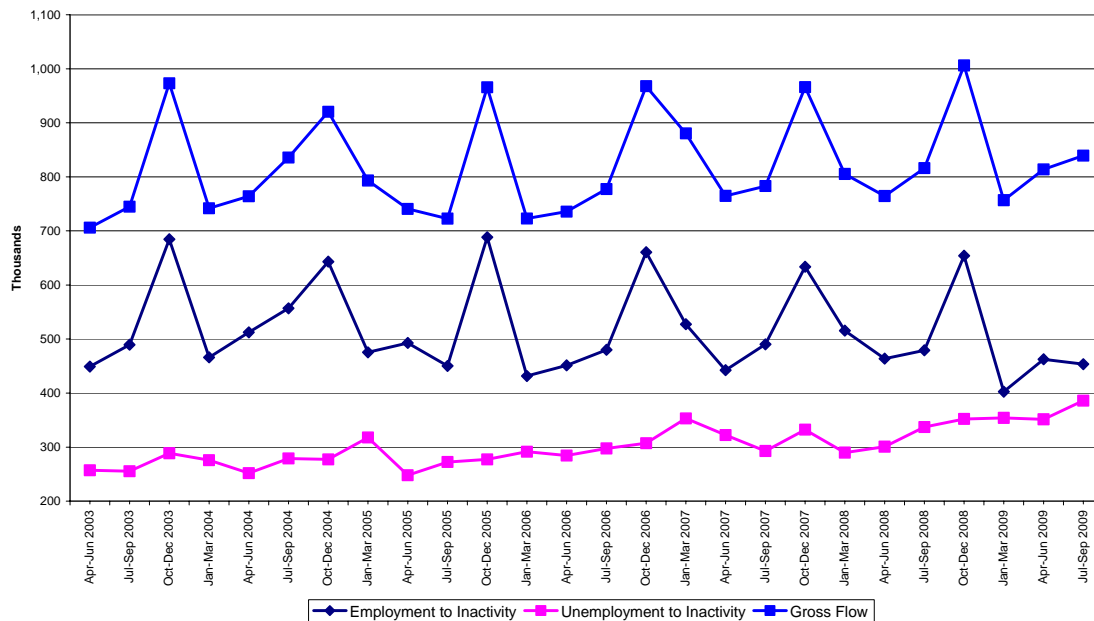


These estimates of labour market flows are experimental statistics which have been produced as an aid to understanding the movements in the published Labour Force Survey aggregate estimates. They do not have National Statistics status and are not suitable as labour market indicators in their own right. 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>

Inactivity

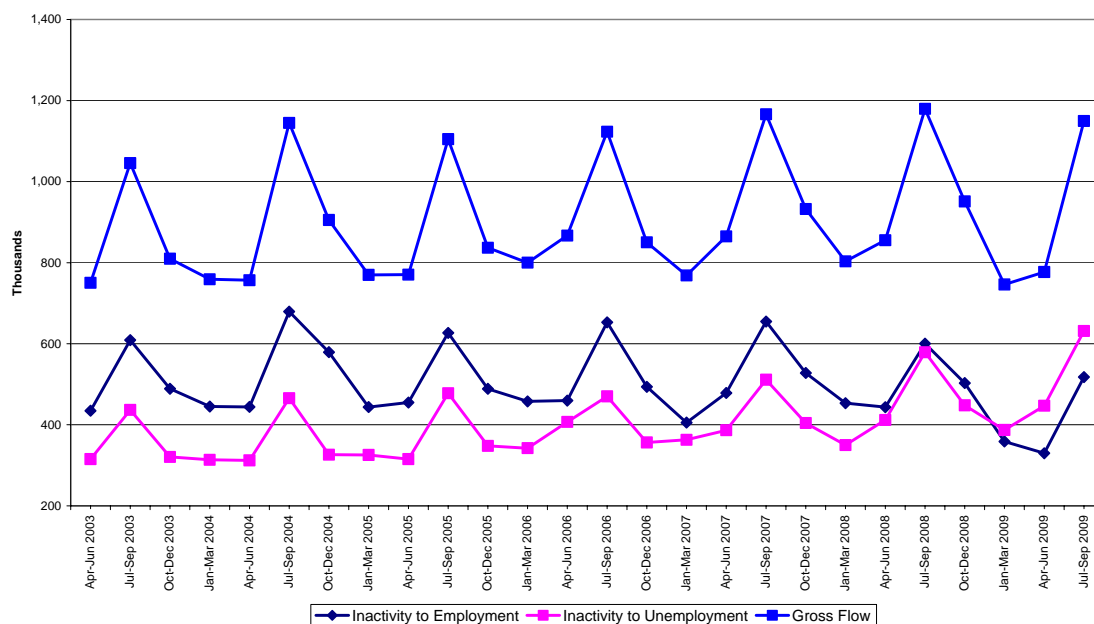
The gross flow (chart 7) to inactivity from employment has remained fairly constant. The flow from unemployment has been gradually increasing since 2005.

Chart 7: Inflow to Inactivity (Working Age)



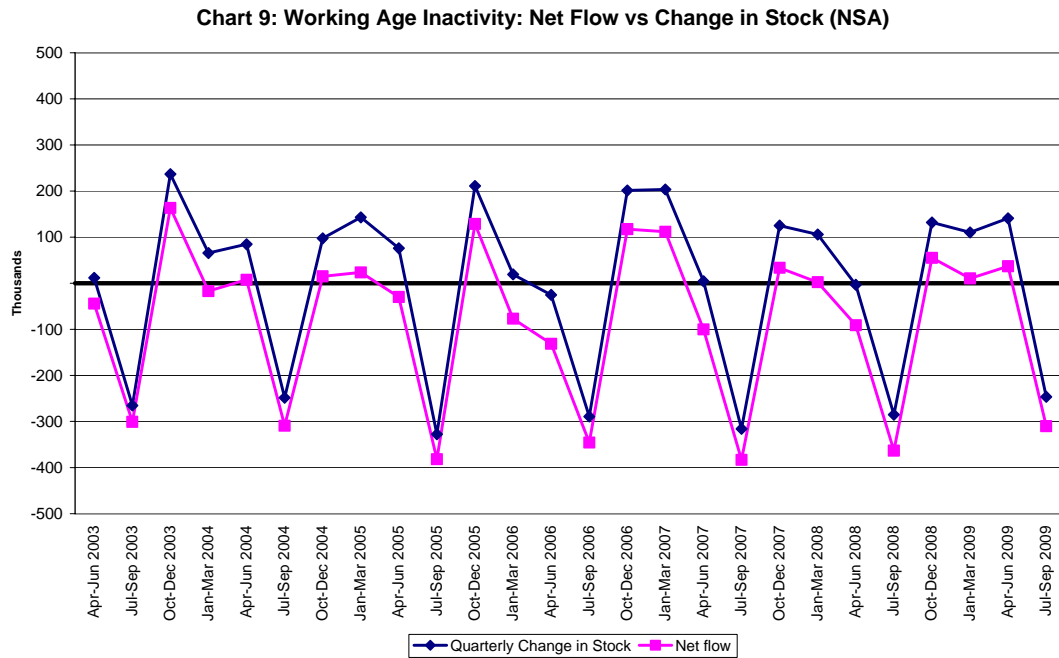
Gross outflow (chart 8) from inactivity to employment fell over the first two quarters of 2009 and are lower in quarter 3 2009 than in quarter 3 2008. Outflows to unemployment have continued the long period of upward growth and are now driving the overall outflow, rather than the flow to employment,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



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>

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