

The impact of the recession on the labour market

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Impact of the recession on the labour market

ONS figures published in January 2009 showed Gross Domestic Product (GDP) contracting in the third and fourth quarters of 2008. The preliminary estimate published on 24 April 2009 for GDP for quarter 1 2009 showed a further contraction of 1.9 per cent on the previous quarter.

This publication looks at changes in the labour market since the onset of the recession in 2008. Each chapter looks at a different aspect of the labour market, beginning with an overview of aggregate indicators and comparisons with previous recessions. This is followed by chapters describing changes in indicators by region, sex, age groups, and types of household.

The chapters use data consistent with the Labour Market First Release published on 13 May 2009. This means that the last three calendar quarters of labour market data cover the three quarters of economic output contraction since quarter 3 2008. Where possible, each chapter presents estimates up to the three months to March 2009, apart from the chapter on households where estimates are only available to quarter 4 2008.

Chapter 1 shows that claimant count and redundancy levels increased in quarter 2 2008, but employment levels were slower to react to the economic slowdown. It also shows that, of the largest sectors, the number of jobs in the Finance and Business Services Sector fell the most on the year to quarter 4 2008. Chapter 2 shows that changes in the unemployment rate in the first three calendar quarters of this recession followed a similar path to the 1980s recession. In Chapter 3, the changes in employment and unemployment across the countries and regions in the UK are presented. The West Midlands has been hardest hit with falls in vacancies, increases in unemployment, the claimant count and redundancies.

Chapter 4 shows that the changes in employment rates have been different for men and women, with men showing larger decreases in the year to March 2009. There have also been larger increases in unemployment and redundancy rates for men than women. Chapter 5 shows that the largest decreases in employment rates have been for young people in the year to March 2009. Increases in the unemployment rates have also been highest for young people although the percentage growth in the levels of unemployment for people below state pension age have been largest for people aged 25-34. The final chapter shows that there has been an overall increase in workless households in the year to December 2008. Of those households that are workless, there was a large increase over the year for couple households with dependent children while for lone parents with dependent children there was a decrease.

Recent changes in the UK labour market

Chapter 1

- The first changes in the UK labour market that signalled the onset of the recession were in quarter 2 2008. They were evident in the claimant count (an increase on the previous quarter of 3.6 per cent), vacancy levels (a fall on the previous quarter of 5.6 per cent) and redundancy levels (an increase on the previous quarter of 14 per cent).
- Compared to other indicators Labour Force Survey (LFS) employment levels moved relatively slowly in response to the recession. Employment levels fell by 0.3 per cent on the quarter in quarter 3 2008, but it took a second quarterly fall for them to be lower on the year (by 0.1 per cent). In quarter 3 2008 Workforce jobs fell by 0.4 per cent on the quarter (and 0.2 per cent on the year).
- The impact of the credit crisis on the labour market was indicated by a record fall in jobs of 3.3 per cent on the year in the 'Finance and Business Services' sector in quarter 4 of 2008. This equated to a fall of 220,000.
- Since economic output fell before there were large reductions in employment, output per worker was on a downward trend throughout 2008. By quarter 3 2008 it was 0.2 per cent lower than a year earlier reflecting that employment had not adjusted as quickly as output.
- Growth in average earnings (excluding bonuses) has slowed in both the public and private sectors. However, the largest differences appear when comparing the manufacturing and services sectors. Average earnings (excluding bonuses) increased by 1.1 per for manufacturing and 3.3 for services in March 2009.

This chapter examines headline labour market indicators following the consecutive periods of economic contraction recorded in quarters 3 and 4 of 2008, and quarter 1 of 2009. It does this by following labour indicators from shortly before the onset of negative economic growth up to the latest available data. The majority of data are presented on the basis of calendar quarters, where quarter 1 denotes the three months to March each year, quarter 2 denotes the three months to June and so on. In all relevant figures, periods of consecutive economic contraction in GDP (see **Box 1**) are denoted by shaded areas, and for the purposes of convention are referred to as recessions.

UK Economy in Recession

The UK economy experienced almost 16 years of unbroken gross domestic product (GDP) growth up to quarter 2 2008. The contraction of GDP in quarters 3 and 4 of 2008 was the first time the economy had recorded negative growth in consecutive periods since 1991.

Reduced aggregate demand usually feeds through to employment as lower demand means that firms do not need the same labour input as before to produce goods and services. The exact timing of changes and the focus of the impact in the labour market varies according to the causes of a recession. In this chapter there are indications of how the financial crisis has characterised this recession.

Labour Market Turns into Recession

Business confidence began to decline in 2007, as shown by several of the business confidence indices published by the British Chamber of Commerce (BCC) and Confederation of Business and Industry (CBI). The CBI Industrial trends optimism series fell by 39 index points between quarter 1 2007 and quarter 1 2008.

For nearly all labour market estimates, quarter 3 2008 represented quarterly changes consistent with an economic contraction. This contrasts with quarter 2, when the picture was more mixed. But some labour market indicators had already begun to point to the worsening economic situation: vacancy levels, claimant count, and redundancy levels.

The CBI and BCC forward looking indices help explain the reduction in the vacancy levels that took place from quarter 1 2008 onwards. Redundancy and employment levels were slower to react. This could have been because the costs incurred from hiring and firing workers mean it can be more efficient to retain workers, and defer redundancies for a period.

Box 1: Gross Domestic Product

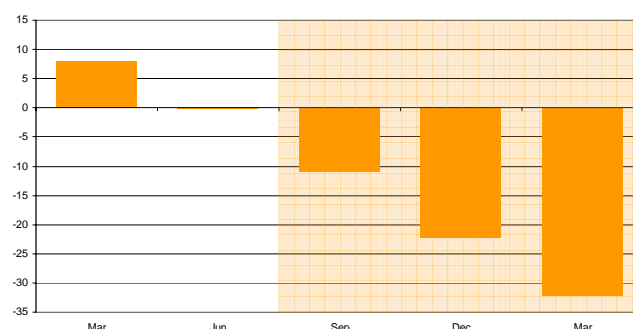
Gross Domestic Product (GDP) is the market value of goods and service produced by an economy. It is calculated by ONS in stages. The first estimate of GDP is called the preliminary estimate. This is produced about three and a half weeks after the end of the quarter, and is based solely on estimates of the economy's output. The second estimate is produced eight weeks after the end of the quarter, and is based on output, income and expenditure data from the economy. The third estimate is the full national accounts, and is produced 12 weeks after the end of the quarter.

Firms adjusted to restricted access to credit and expectations of the future path of the economy by scaling back the number of employment opportunities available in the UK. Vacancy levels peaked at 687,000 in quarter 1 2008, an increase of 8 per cent over quarter 1 2007. This was followed by a 5.6 per cent reduction on the quarter, in quarter 2 2008. This meant vacancy levels were the same as in quarter 2 2007. By the end of quarter 3 2008 (the first quarter of recession), vacancy levels had fallen to 598,000 - 11 per cent lower than in quarter 3 2007 (see **Figure 1.1**) and were lower than any point since quarter 3 2006. In quarter 1 of 2009, vacancies had fallen further to 466,000 - 22 per cent lower than in the first quarter of the recession.

The vacancy ratio (the number of vacancies per 100 employee jobs) fell from a record high of 2.6 in quarter 1 2008 down to 2.5 vacancies per 100 employee jobs in quarter 2 2008. Each subsequent quarter showed larger points reductions, and since employee jobs also began to fall in quarter 3, this emphasises the severe reduction in vacancies. In the first quarter of 2009, the vacancy ratio was 0.2 points down compared to quarter 4 2008 at 1.8, and 0.8 points down on the year.

Figure 1.1
Vacancy Levels¹, 2008 to 2009

United Kingdom, seasonally adjusted
Per Cent change on previous year



Source: Vacancy Survey, Office for National Statistics

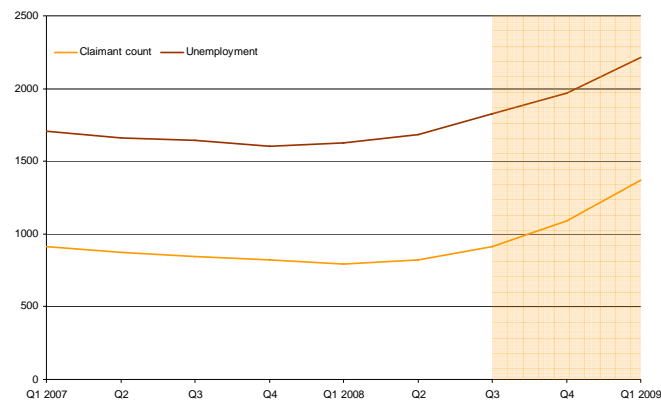
¹ Vacancy levels are three month averages.

² Vacancy estimates exclude the agriculture and fishing sector.

Like vacancy levels, the claimant count and unemployment levels changed direction in quarter 2 2008; the claimant count showed quarter on quarter increases of 3.6 per cent, while the unemployment level increased by 3.7 percent. For both claimant count and unemployment levels, large increases in the final two quarters of 2008 were surpassed in the first quarter of 2009 when the claimant count grew by 23.8 per cent and unemployment by 12.4 per cent on the previous quarter as shown in **Figure 1.2**. This also shows the difference between the classification of unemployment in the LFS and eligibility to claim Jobseekers allowance (JSA). Not all people who are classified as unemployed are eligible to claim JSA. In addition, the jobcentre system is not always the preferred place for job searches for some occupations. However, the correlation between the two series underlines their importance in tracking economic developments.

Figure 1.2 Claimant Count and Unemployment¹ Levels, 2007 to 2009

United Kingdom, seasonally adjusted
Levels, 000s



Source: LFS and JobCentrePlus administrative data

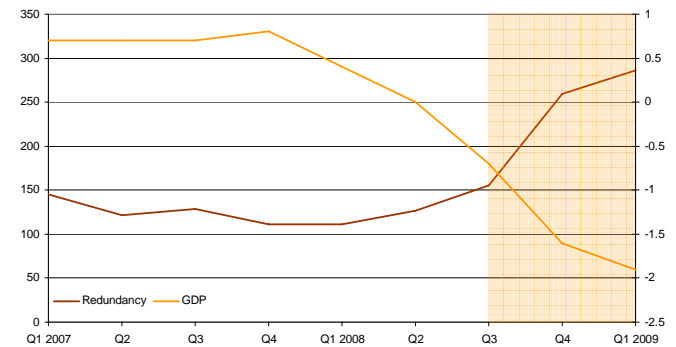
¹ Unemployment levels are for people aged 16 and over. Claimant count levels are for all persons registered.

The first increase in the rate of unemployment for over eight quarters occurred in quarter 2 2008, rising from 5.2 to 5.4 per cent.

In quarter 3 2008, redundancy levels rose sharply to 156,000. The change between quarter 3 and quarter 4 2008 was even more marked, an increase of over 100,000 redundancies to 259,000 (over 100 per cent higher than quarter 4 2007). However, in quarter 1 of 2009, a new figure of 286,000 showed that the trend continued - though the rate of increase had declined. In **Figure 1.3**, it can be seen that the decline in GDP and increases in redundancy levels began to turn in opposite directions in the past year. The record high number of redundancies in quarter 4 2008 came only two quarters after a record low (since records began in 1995), demonstrating that firms did not restructure their workforce in the first half of 2008.

Figure 1.3 Redundancy Levels and GDP¹, 2008 to 2009

United Kingdom
Levels, 000s and Per Cent change on quarter



Source: Labour Force Survey, National Accounts Office for National Statistics

¹ The preliminary GDP series is based only on output.

The fact that the levels and rates for redundancies, unemployment and the claimant count all recorded increases in quarter 1 2009, suggests that a large proportion of people being made redundant are moving into unemployment and the claimant count.

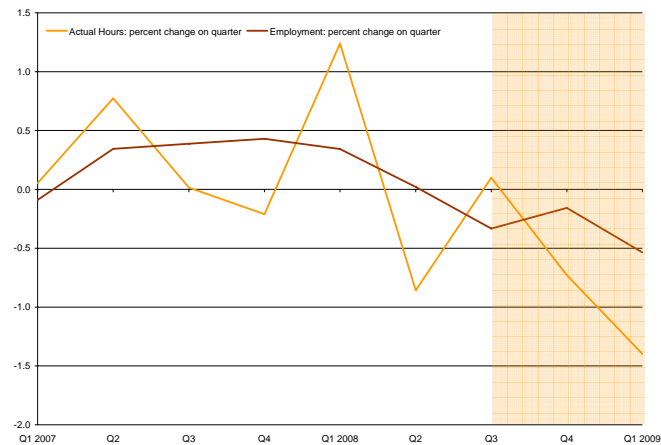
Reducing recruitment, hours, employee earnings, making people redundant or implementing part-time working are the main options available to businesses looking to reduce input costs, when faced by increased economic uncertainty. Over the 2008/09 Christmas and New Year period, some UK firms reported negotiating or recommending reduced hour contracts with their workforce, and some decided to close down for extended periods of the holidays.

There is limited evidence of the reduction in hours taking place from the Labour Force Survey, as can be seen from **Figure 1.5**. Throughout 2007, the LFS recorded quarterly increases in total actual hours and employment.

In 2008, actual hours fluctuated between positive and negative quarter on quarter changes. However, this took place at the same time as employment also fell on the quarter, which will have contributed to the fall in hours worked. In the final quarter of 2008, actual hours fell both on the quarter and the year by 0.7 and 0.3 per cent respectively. This continued in quarter 1 2009, with a 1.4 reduction on the quarter and a 2.9 per cent fall on the year.

Figure 1.5 Total Hours and Employment, 2007 to 2009

United Kingdom, seasonally adjusted¹
Per Cent Change on quarter



Source: LFS, Office for National Statistics

Employment, Unemployment and Inactivity

Each person in the UK can be classified according to an economic status: employed, unemployed or inactive. However, as circumstances change people can move from their existing status into one of the two alternative categories. **Box 2** explains the relationship further.

While some labour market indicators changed direction as economic growth slowed, others only began to change once the economy began to contract. The headline employment rate was not as quick to change as the unemployment indicators already discussed. It lagged the changes in unemployment by a quarter, when it fell by 0.3 percentage points on the previous quarter to 74.4 per cent in quarter 3 2008. The alternatives to making people redundant mentioned in the previous section may partially help explain why employment levels remained stable. It is also plausible that firms were looking to maintain the investments (in terms of skills and training) they had made in their workforce.

Box 2: Employment, Unemployment and Inactivity

The population can be classified according to one of three economic status descriptions: employment, unemployment or inactive. The LFS employed population covers people who said they were in paid employment in the reference period. This is consistently the largest group. The unemployed population covers people who: are without a job; want a job and are actively seeking work; and people who have found work, but not yet started. The unemployed are the smallest group of the three categories. Finally, the inactive population, the second largest group, includes people who: want a job, but are not seeking work or are not available to start work; and people who do not want a job. This last group includes retirees and the long-term sick.

Employment levels of people aged 16 and over in the UK peaked in quarter 2 2008 at 29.5 million. The series then recorded successive quarter on quarter falls of 0.3 and 0.2 per cent. This meant that the employment levels at the end of the year were only 0.1 per cent lower than they had been at the end of 2007. The fact that the first two quarters of the recession only reversed the employment growth of the first half of 2008 suggests that the onset of the recession was not accompanied by the immediate shedding of labour. This is supported by **Figure 1.6** which shows positive growth in employment levels for the first three quarters of 2008.

Figure 1.6 Employment and Unemployment¹ Levels, 2008 to 2009

United Kingdom, seasonally adjusted¹
Per Cent Change on year



Source: LFS, Office for National Statistics

¹ Employment and Unemployment levels are for people aged 16+.

The headline employment rate (calculated on the basis of people aged between 16 and 59/64) peaked at 74.8 per cent, (recorded in quarter 4 2007 and quarter 1 2008). In quarter 1 2009, the employment rate was 73.6 per cent, down 1.2 percentage points from the peak and down 1.1 percentage points since the beginning of the recession.

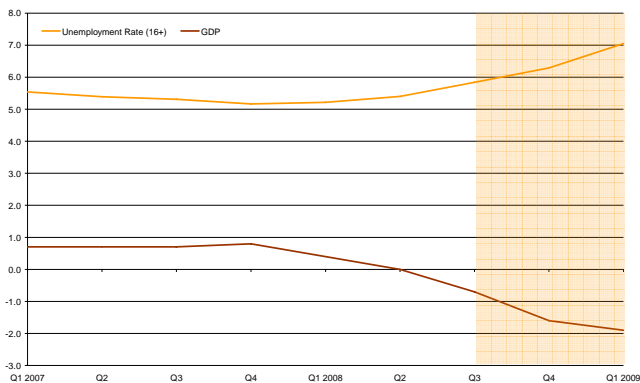
The LFS shows that self-employment in the UK has remained close to 3.8 million since quarter 1 2007, suggesting that self employment has remained stable rather than providing new opportunities for people looking for work. Full time employment fell by 0.5 per cent, which equated to 100,000 employees, between quarter 4 2007 and quarter 4 2008, and over the same period part-time employment increased by 0.8 per cent or 63,000. In quarter 1 2009, full-time employment continued to fall (1.5 per cent on the year) as part-time continued to increase (by 0.5 per cent on the year).

As can be seen from Figure 1.6, unemployment levels responded immediately and noticeably to the fall in GDP. Unemployment levels increased 146,000 between quarter 3 and quarter 4 2008. In the first quarter of 2009, the unemployment level stood at 2.2 million, an increase of 244,000 on the quarter demonstrating the continued increase in unemployment levels.

The unemployment rate, which presents the number of people classified as unemployed as a proportion of all economically active people aged over 16, fell throughout 2007 as shown in **Figure 1.7**. The rate responded to the slow-down in the economy by 'bottoming out' for two quarters at 5.2 per cent (quarter 4 2007 and quarter 1 2008). The figure clearly shows how the changes in GDP and unemployment mirrored each other, as the unemployment rate increased from quarter 2 2008 onwards. By quarter 4 2008, the rate reached 6.3 per cent. In quarter 1 2009, the unemployment rate was 7.1 per cent, a rate not attained since 1997.

Figure 1.7
Unemployment Rate¹ and GDP², 2007 to 2009

United Kingdom, seasonally adjusted¹
Per Cent



Source: LFS, National Accounts, Office for National Statistics

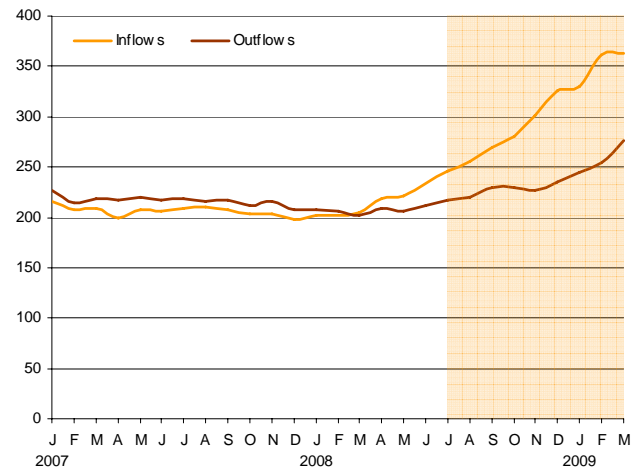
- 1. Based on the economically active population.
- 2. The preliminary GDP series is based only on output.

The claimant count series allows analysis of flows into and out of the JSA system. In **Figure 1.8** it can be seen that during 2007 (positive economic growth) the number of outflows from the system were greater than the inflows. Since March 2008, inflows (new claimants) have exceeded outflows (people finding jobs or coming off JSA for other reasons). In April 2008 the inflows increased by 6.6 per cent on the quarter, compared to an increase of 3.0 per cent in the outflows on the quarter, since then the gap between the two has grown progressively wider. In March 2009, 362,500 people joined the claimant count, the highest level since 1993. At the same time 279,100 people left the claimant count.

An aim of government labour market policy is to prevent the 'queue' lengthening (more people joining the longer duration groups). This is because gaining employment becomes more difficult the longer a person is unemployed. When the outflows (people finding jobs or no longer claiming benefit) do not keep pace with the inflows, the inevitable consequence is an increase in claimant count numbers and duration.

Figure 1.8
Claimant Count Flows, 2007 to 2009

United Kingdom, seasonally adjusted¹
Levels, 000s

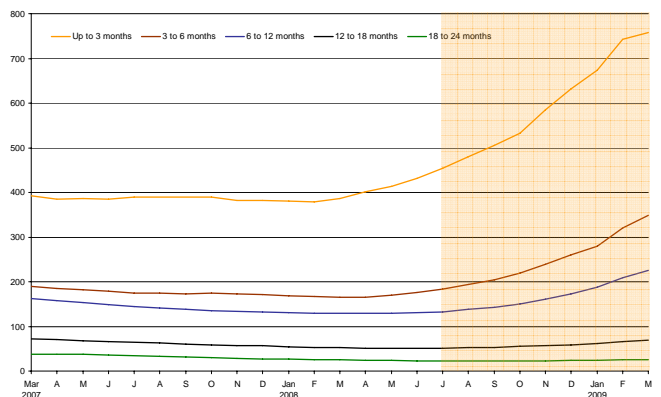


Source: Jobcentre Plus administrative data, DWP

Towards the end of 2008 there were record increases in numbers of claimants who had been on JSA for short periods. This can be seen in **Figure 1.9**. The 'up to three months' and 'three to six months' duration levels began increasing in February 2008. The monthly changes in levels of people on the claimant for these periods increased from October onwards. At the time of publication, in December 2008 the 'up to three months' category increased by 8.1 per cent on the month and the 'three to six months' increased by 8.9 per cent on the month.

Figure 1.9
Claimant Count Duration¹, 2007 to 2009

United Kingdom, seasonally adjusted¹
Levels, 000s



Source: Jobcentre Plus administrative data, DWP

- 1 . All persons aged 18 and over.

Employment and Jobs

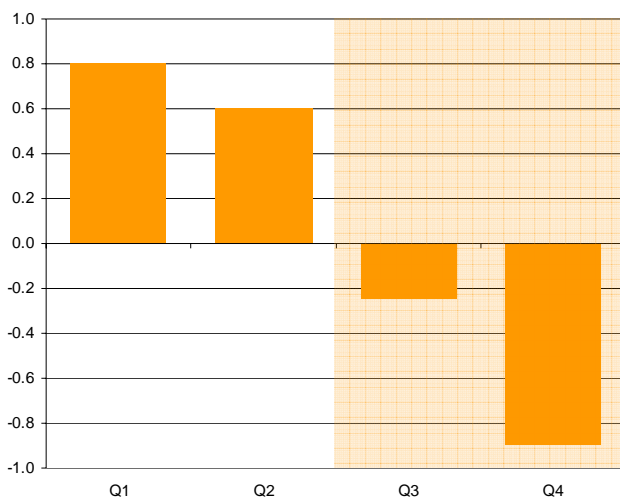
Workforce Jobs estimates (an employer based survey) are used to assess the impact of the recession on job opportunities by industry sector, rather than the LFS (a household survey).

The two sources have important differences. When assessing the overall employment rate and levels, the LFS estimates of the number of people in employment are used. The workforce jobs series provides estimates of the number of jobs in the economy. In the LFS, a person can only be recorded as being in employment, or not. However, if a person holds two jobs with different employers they could be recorded twice in the workforce jobs series. Furthermore, respondents to the LFS provide their own definition of the industry they work in, which may differ from how their employer and ONS classify the industry.

Total workforce jobs estimates in quarters 3 and 4 of 2008 showed both quarter on quarter reductions and year on year reductions. The year on year changes for total jobs in **Figure 1.10** are different to the changes in employment in Figure 1.6. Reasons for this include the differences mentioned in the last paragraph as well as movements to full/part-time and temporary employment. The workforce jobs series also peaked in quarter 2, but then showed large reductions in subsequent quarters of 0.2 and 0.9 per cent, relative to previous years. The reduction in the fourth quarter was the largest reduction since 1993, the end of the last recession.

Figure 1.10
Workforce Jobs¹, 2008

United Kingdom, seasonally adjusted
Per Cent change on year



Source: Workforce Jobs

¹ Workforce Jobs come from a variety of sources, and where possible from the employer rather than the individual.

It is likely that the timing and impact of this recession will vary between sectors of the economy. Of the three largest sectors in

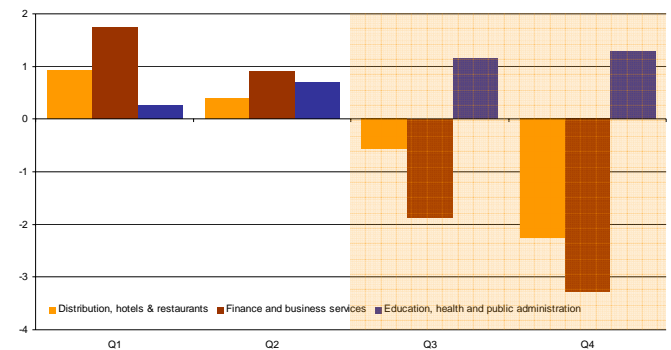
terms of jobs, only 'education, health and public administration' continued to grow after the onset of the recession in quarter 3 2008 (see **Figure 1.11**). In the last quarter of 2008, the jobs estimate was 1.3 per cent higher than the last quarter of 2007. This sector overlaps considerably with the public sector, but is not a complete match as there are private sector jobs within this sector and public sector jobs in other industry sectors.

In the past decade, there has been strong growth in public sector employment, which has been accompanied by real terms increases in public spending. During a recession there will be increased demand on some public services, for example jobcentres, and a continued need for health service workers and people working in education. This could explain some of the resilience of jobs growth in the public sector.

Turning to the next largest sector, 'Distribution, Hotels and Restaurants', in the last two quarters of 2008 the number of jobs fell by 0.6 and 2.3 per cent on the previous year. Gross value added (GVA) in this sector fell by 0.4 index points on the quarter in quarter 2, then fell by over 2 index points in quarters 3 and 4. In quarter 1 2009, the sector continued to shrink with a reduction of 1.3 index points.

Figure 1.11
Workforce Jobs¹, 2008

United Kingdom, seasonally adjusted
Per Cent change on year



Source: Workforce Jobs, Office for National Statistics

¹ This figure shows jobs for education, health and public admin, Distribution, Hotels and Restaurants and Finance and Business Services

Figure 1.11 shows the falls in jobs in the Finance and Business Services sector that took place from quarter 3 onwards. Gross Value Added for 'Business services and Insurance' output began to fall in quarter 3 as it responded to the 2008 credit crisis. The fourth quarter reduction in jobs in the sector was the largest on record since quarter 2 1978, and particularly important given the contribution of the sector to the jobs total.

Because manufacturing jobs and output have generally been falling since the series began in 1978, the reductions observed in the last

two quarters are difficult to separate from the trend. The fall of output in manufacturing, as measured by Gross Value Added, in quarter 3 and quarter 4 was the most severe in the last thirty years. This was then surpassed in quarter 1 2009 with a fall of 5.9 index points. This will undoubtedly have repercussions for jobs numbers within the sector.

Earnings and Productivity

Since early 2007, nominal average earnings growth in the private sector including bonuses was on a downward trend, while average earnings growth excluding bonuses remained steady.

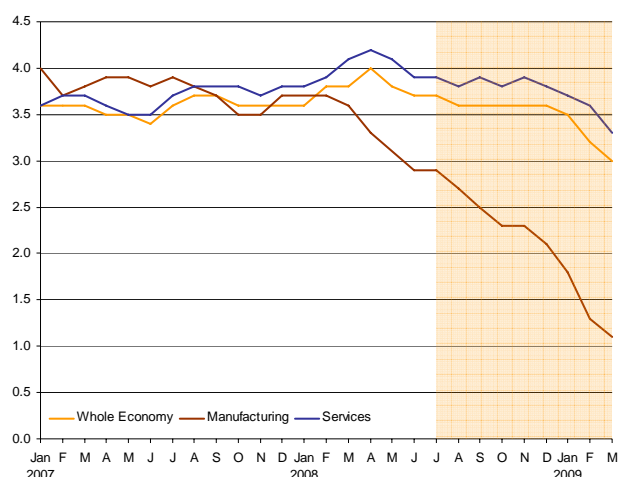
Nominal average earnings (excluding bonuses) in both the public and private sector continued to show growth after quarter 3 2008. However, growth in public sector earnings in the first three calendar quarters of this recession have decreased from 3.9 per cent in the three months to September 2008 to 3.6 per cent in the three months to March 2009. In contrast, private sector earnings growth was 3.6 and 2.9 per cent respectively.

Figure 1.12 shows that growth in earnings excluding bonuses, for the whole economy and for services, have remained relatively stable. However, since January 2008 the percentage increase in average earnings for manufacturing has declined. The three month average earnings to March 2009 for the service sector increased by 3.3 per cent on the year, while average earnings in the manufacturing sector increased by 1.1 per cent on the year.

Figure 1.12

Average Earnings Excluding Bonuses by sector¹, 2007 and 2008

United Kingdom, seasonally adjusted
Per Cent change on year



Source: *Monthly Wages & Salaries Survey, Office for National Statistics*

¹ Earnings measure money received for work done, gross of tax. They include salaries, but not unearned income, benefits in kind or arrears of pay.

Even though earnings in manufacturing have been growing more slowly than the service sector, manufacturing unit wage costs have still increased dramatically throughout 2008. This shows that firms were unable to adjust their input costs by the same extent to which they reduced output. Unit wage costs did not increase on the year at all in January 2008, but by December 2008 had increased by 8.2 per cent on the year.

Nominal earnings do not fully capture the incentive to work, nor the economic circumstances faced by firms. Using the RPI to deflate the whole economy earnings growth rate, labour (as an input to production) became cheaper in real terms as the recession started. In fact, there were six consecutive months of negative growth in real earnings from May 2008 to October 2008. After October 2008 real earnings returned to positive growth.

Productivity declined at the whole economy level throughout 2008. Output per worker fell consecutively from a 2.4 per cent increase in quarter 3 2007 to a negative figure in December 2008 of 1.8 per cent reduction on the year. This confirms the evidence in previous sections that employers either chose or had to hold on to workers while output declined in 2008.

Conclusion

This chapter illustrates the time lag between changes in business confidence indicators, output of the economy and the labour market in a recession. Business confidence began to weaken in 2007. In early 2008, some labour market indicators altered direction, and finally as economic output contracted, the majority of labour market estimates showed reduced labour demand. The decline in employment levels and rates was initially slower.

The labour market indicators which responded quickest to this recession have been related to unemployment; the sub-set of unemployed people who claim job seekers allowance (JSA); redundancies and vacancies. However, as the recession took hold the number of jobs showed falls at both an aggregate level and for most industry sectors. Of particular note, given the financial crisis, is the reduction in financial and service sector jobs.

Earnings growth has slowed across the whole economy, both in real and nominal terms. Real earnings fell in the first quarter of this recession, but since have shown positive growth. Manufacturing earnings have continued to experience weaker growth than the service sector in the current recession.

Falling output and slower changes in employment levels have meant that productivity has fallen for the whole economy. This has been particularly acute in the manufacturing sector.

UK labour market: a comparison with previous recessions

Chapter 2

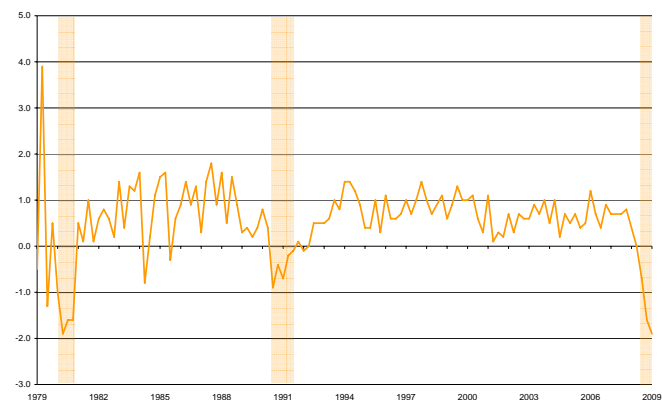
- In the first three calendar quarters of this recession the change in unemployment rate has been similar to the first three calendar quarters in the 1980s recession. The unemployment rate increased by 1.3 percentage points: from 5.8 per cent in the first quarter of negative GDP growth to 7.1 per cent in the third quarter of each recession. In the first quarter of the 1990s recession the unemployment rate was already 7.1 per cent, showing it started from a higher point. By the third calendar quarter of the recession it was 8 per cent, an increase of 0.9 percentage points.
- The 1.3 percentage point increase in the unemployment rate in the first three calendar quarters of this recession indicated a larger increase in numbers of unemployed people (530,000) than the first three calendar quarters of the 1990s (304,000) or 1980s (434,000) recessions.
- After the 1980s recession, unemployment levels and rates did not return to their pre-recession position at any point before the beginning of the next recession in the early 1990s. Following the 1990s recession, the economy recorded positive economic growth in quarter 4 1991, but it took until 1997 for unemployment levels and rates to return to their pre-recession positions.

This chapter looks at how UK headline labour market indicators have responded to previous recessions. By presenting a longer time series of the indicators, the chapter aims to shed light on differences between this recession (that began in quarter 3 2008), and those in the 1980s and 1990s.

UK recessions are shown in **Figure 2.1** in the 1980s, 1990s and the current recession. Earlier periods of recession are not explored. The 1980s recession began in quarter 1 1980, and lasted four calendar quarters, but was preceded by single quarters of negative GDP growth in 1979. From quarter 3 1990 onwards the economy recorded five successive quarters of negative growth, marking the 1990s recession.

Figure 2.1
Gross Domestic Product¹, 1979 to March 2009

United Kingdom
Per Cent change on quarter



Source: LFS and GDP, Office for National Statistics

- 1 This figure uses the preliminary estimates of GDP.
- 2 The shaded areas on the Figure represent consecutive quarters of negative GDP growth.

Employment, Unemployment and Inactivity

Figure 2.2 shows the changes in levels of employment and unemployment have corresponded closely with previous recessions compared to changes in levels of inactivity. Labour Force Survey (LFS) calendar quarter estimates pre-1992 are modelled from the available annual estimates (see Doyle 2003), so the exact timing of the changes may be obscured.

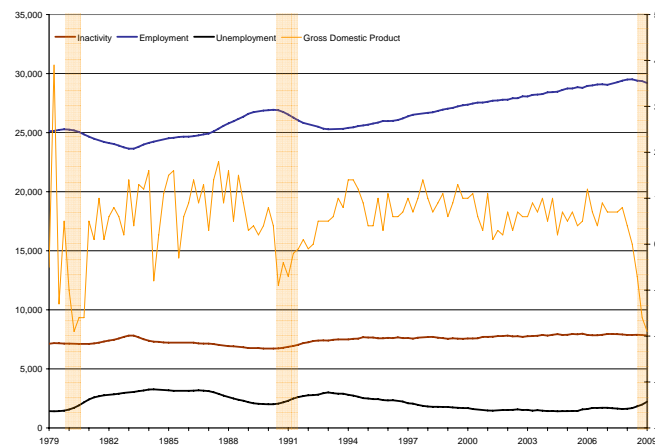
Unemployment

In past recessions, unemployment levels have responded immediately to falls in GDP, and continued to rise after the economy has returned to positive output growth. Claimant count also follows a cyclical pattern related to the state of the economy. Although both series responded to the negative growth at the same time, they remained high for several quarters after GDP growth had returned to a positive position. This is shown in **Figure 2.2** for

unemployment. In 1982 and 1993 GDP growth was positive, but the claimant count and unemployment figures still rose.

Figure 2.2
Employment, Unemployment¹, Inactivity² and GDP³, 1979 to March 2009

United Kingdom, seasonally adjusted¹
Levels, 000s and Per Cent Change on quarter



Source: LFS and GDP, Office for National Statistics

- 1 Employment and Unemployment levels are for people aged 16+.
- 2 Inactivity levels are for people aged 16 to 59/64 years.
- 3 This figure uses the preliminary estimates of GDP.

In the first three quarters of the current recession (quarter 3 2008 to quarter 1 2009), unemployment levels have increased by 530,000. This is 1.7 times higher than the increase of 304,000 in the first three quarters of the 1990s recession, and 1.2 times higher than the increase of 434,000 in the 1980s recession. In quarter 1 2009, the unemployment level increased by 12.4 per cent on the quarter to stand at 2.2 million. This was the largest quarter on quarter increase since the fourth quarter of the 1980s recession. Of course, absolute level changes are influenced by the size of the population, which is larger now than in the past.

Of particular importance to the labour market is the length of time before unemployment levels (and rates) begin to fall again. This is depicted in both Figure 2.2 and 2.3. In quarter 2 1990, the unemployment level stood at 2.0 million for people aged 16 and over. It increased by 2.4 per cent in quarter 3 and increased in the subsequent ten quarters. The unemployment level only returned to 2.0 million in quarter 1 1997. Similarly, it took until quarter 3 1997 for the unemployment rate to fall below 6.9 per cent, the rate in the quarter before the start of the 1990s recession.

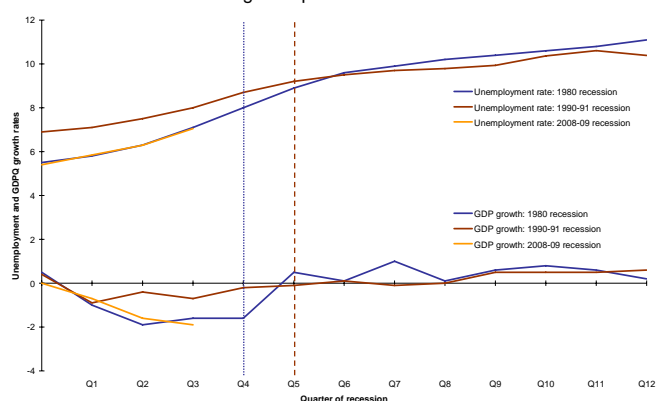
The unemployment rate in this current recession was comparable to the 1980s recession, but lower than the 1990s recession. In the first quarter of the current recession (quarter 3 2008) the unemployment rate was 5.8 per cent, the same as in the 1980s recession (quarter 1 1980). In both recessions it increased by 1.3 percentage points to 7.1 per cent by the third quarter. In the first quarter of the 1990s recession it was 7.1 per cent, and increased to 8 per cent in the third

quarter (a 0.9 point increase). This is shown in **Figure 2.3**. An important point to note is that the population has grown since the 1980s, so the same unemployment rate affects a larger number of people.

Figure 2.3 shows that the economy, as measured by GDP contracted more in the first three calendar quarters of the 1990s, than the 1980s or current recession. Like the unemployment rate, the path of GDP in this recession is similar to the 1980s recession, thus far. The dotted vertical lines in figure 2.3 show the last negative contraction of output in each recession. The first line in quarter 4 depicts the final contraction in the 1980s, the second line in quarter 5, the final contraction in the 1990s.

Figure 2.3 Unemployment Rate¹ and GDP

United Kingdom, seasonally adjusted¹
Per Cent and Per Cent Change on quarter



Source: LFS and GDP, Office for National Statistics

1 Unemployment Rates are for people aged 16+.

2 This figure uses the preliminary estimates of GDP.

Unemployment levels and rates after the 1980s recession did not return to pre-recession levels before the start of the 1990s recession. This indicates that the economy did not provide employment opportunities to counter the growth in the labour supply and people who became unemployed as a result of the recession.

Employment

Employment levels have clearly been responsive to changes in output in past recessions, as shown by Figure 2.2. Before the start of the 1980s recession (quarter 4 1979) employment stood at 25.3 million. After three quarters of recession it was 25.0 million, a fall of 0.9 per cent. Employment continued to fall until the end of quarter 2 1983, at which point it was 23.6 million (or 6.5 per cent lower than in quarter 4 1979). Between quarter 2 1990 and quarter 1 1991, the first three quarters of the 1990s recession, employment levels reacted in a similar pattern, falling from 26.9 million to 26.5 million (a reduction of 1.5 per cent). Again employment levels continued to fall after the initial period of economic contraction (quarter 3 1991) until 1993 quarter 2, when they reached 25.2

million (6.1 per cent below quarter 2 1990). In the first three quarters of this recession employment levels have fallen by 1 per cent from 29.5 million (quarter 2 2008) to 29.2 million.

In quarter 2 2008, the employment rate was 74.7 per cent. After the first three quarters of the current recession, the employment rate had fallen to 73.6 per cent, fall of 1.1 percentage points. In the first three quarters of the 1990s recession the employment rate fell from 75 per cent to 73.8 per cent, a fall of 1.2 percentage points. In the first three quarters of the 1980s recession, the employment rate fell from 74 to 72.9 per cent, a fall of 1.1 percentage points.

Inactivity

Changes in inactivity levels have not been as consistent across the recessions presented. Between quarter 1 and quarter 4 1980, inactivity levels recorded quarter on quarter falls. This suggests that, during this recession people reported that they were looking for work despite the rising unemployment and falling employment. However, the series did show a spike in 1983 quarter 2 (lagging the last quarter of economic contraction by over a year) which can be seen in Figure 2.2. Unfortunately, the LFS did not record the reasons for inactivity during this period, preventing more detailed analysis.

In the 1990s recession, inactivity levels responded to a sustained fall in GDP by increasing 0.3 per cent on the quarter. Inactivity then continued to rise throughout the economic contraction as employment levels fell and unemployment rose. The first three quarters of this recession have been more consistent with the 1980s recession than the 1990s, with inactivity falling on the quarter in quarter 4 2008 and quarter 1 2009 by 0.4 per cent in both quarters.

Claimant Count Flows

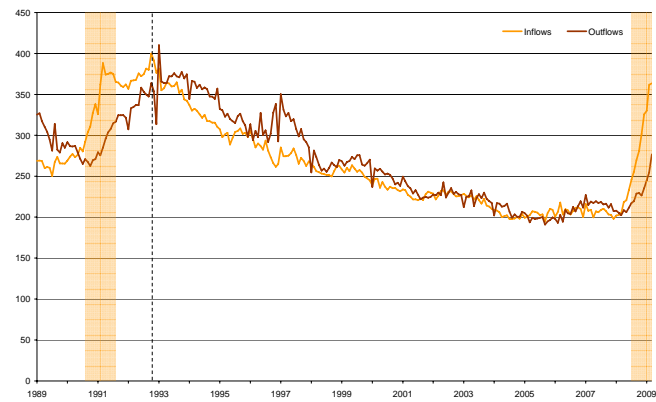
Figure 2.4 shows that both outflows and inflows increased in the 1990s and the current recession. Outflows caught up with inflows in 1992 after the last recession. This fits with the resumption of positive GDP growth shown by the vertical dotted line in figure 2.4. In the following 16 years of positive economic growth, outflows were higher than inflows, as people moved off the claimant count or found employment quicker than people joining the claimant register.

The sustained increase of inflows above outflows in this recession is similar to the 1990s recession, with an increasing gap between the two series.

Figure 2.4

Claimant Count flows 1998 to 2009

United Kingdom³, seasonally adjusted
Levels, 000s



Source: Jobcentre administrative data

1 Dotted line depicts second quarter of positive growth.

Hours Worked

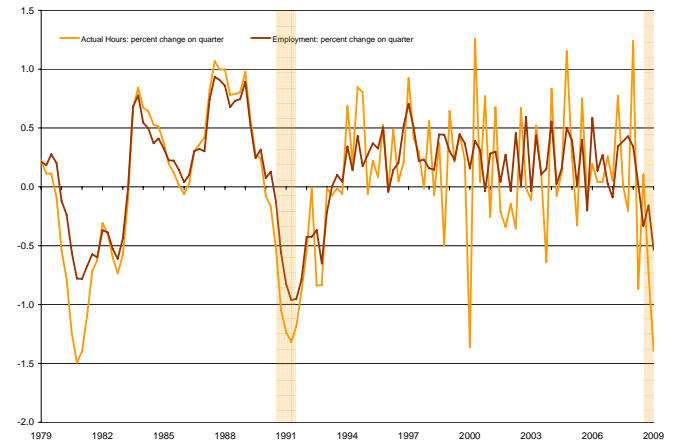
Hours worked can be used by firms to vary their labour input, without varying the numbers employed. However, **Figure 2.5** shows that, during previous recessions, total actual hours worked and employment levels have both fallen. From figure 2.5 it can be seen that, at present the largest reductions in hours took place in the 1980s recession. In the first three quarters of the 1980s and 1990s recessions, total hours fell by 2.5 and 2.8 per cent respectively. Over the first three quarters of this recession total hours have fallen by 2.0 per cent. The latest estimate for quarter 1 2009 for total actual hours showed a fall of 1.4 per cent on the quarter, and a fall of 2.9 per cent on the year.

Figure 2.5 shows that the last 16 years of consistent positive economic growth have not been characterised by the same strong relationship between quarterly changes in total hours and employment as previously. Although the two series are generally positive or negative at the same time, there are notable exceptions. The change in total hours was negative, and the change in employment positive, a number of times between 2000 and 2001, a period which included the September 11th attacks, the bursting of the ‘dot-com bubble’ and comparatively weak GDP growth in the UK (quarter on quarter increases below 0.5 per cent). These divergences in the series could be firms adjusting their labour input by reducing hours, while expecting the path of the UK economy to remain strong.

Figure 2.5

Total Actual Hours worked and employment¹, 1979 to March 2009

United Kingdom, seasonally adjusted
Percentage change on quarter



Source: Labour Force Survey

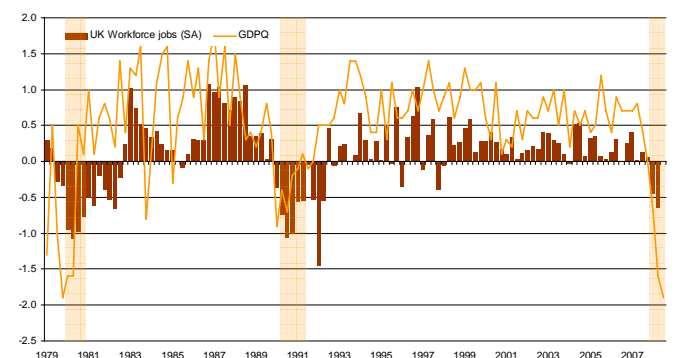
Jobs and Employment by industry

A person can hold more than one job, but will only be counted as employed once in the LFS. The relationship between jobs and economic growth is shown in **Figure 2.6**. It can be seen that in the 1980s and 1990s recessions, the per cent change on quarter in jobs was negative at the same time as GDP growth was negative, but then lagged output by several quarters as the economy began to grow again. As discussed earlier in this chapter, this is likely to be because firms look to expand first through using the labour force they have retained through the recession. In the 1980s, it took two years before workforce jobs showed an increase, following resumption in economic growth. In the 1990s it took two quarters. Since the last recession economic growth has broadly been associated with an upward trend in the number of jobs.

Figure 2.6

Workforce Jobs¹ and GDP, 1979 to 2008

United Kingdom, seasonally adjusted²
Per cent change on quarter³



Source: Workforce Jobs series, GDP, Office for National Statistics

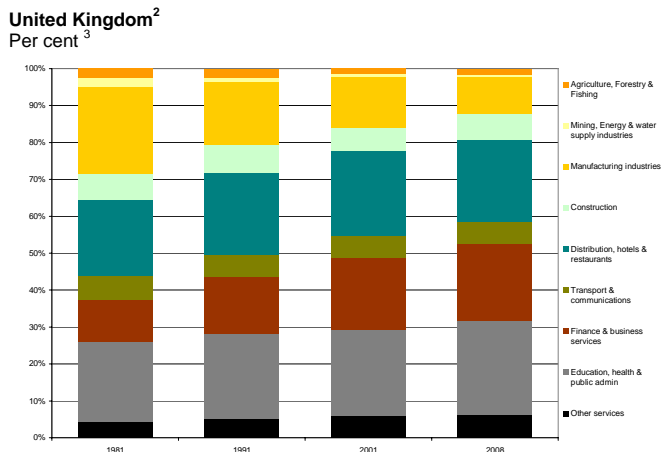
1 This figure uses preliminary GDP (GDPQ) estimates.

Employment by industry is best presented using workforce jobs figures, because as a business survey the industry classification can be more accurate. This means that jobs in each industry sector can be compared other sectors, and also compared with industry output indicators. In 2008, the three largest job sectors were: 'finance and business services'; 'education, health and public administration'; and 'hotels, distribution and restaurants'.

For the past thirty years the finance and business services sector has grown both in terms of its contribution to GDP and its contribution to the jobs total. (see **Figure 2.7** for jobs contribution). In 1981, 'finance and business services' accounted for 11.3 per cent of jobs in the UK economy; in 2008 this figure was 21.1 per cent.

Jobs growth in the sector was affected by the 1980s and 1990s recessions. However, in the first two quarters of negative GDP growth in the 1980s recession, jobs in the sector still increased by 0.4 and 0.7 per cent on the quarter. In the first two quarters of the 1990s recession, the sector experienced quarterly falls in jobs immediately, with quarter on quarter falls of 0.1 and 0.6 per cent. This time the reduction has been more severe in the first two quarters, with the last two quarter on quarter falls of 1.3 and 1.5 per cent.

Figure 2.7
Contribution of sector to Total Workforce Jobs¹, 1981, 1991, 2001, 2008



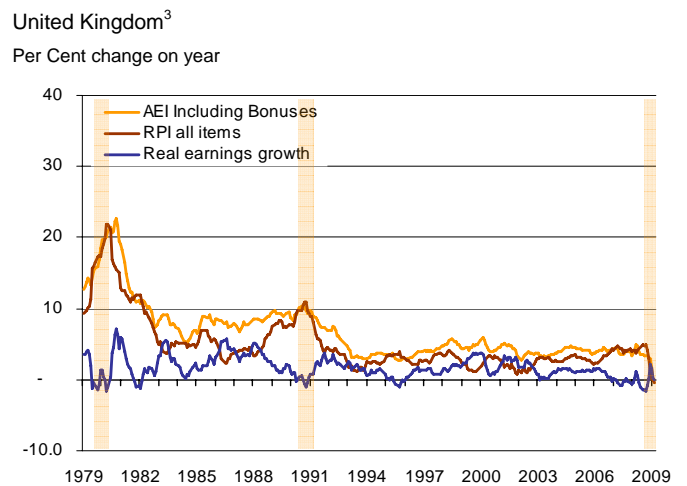
Source: *Workforce Jobs Series, Office for National Statistics*

Comparing year on year jobs growth across the recessions, in the first two recessions finance and business services continued to grow, while in this latest recession the year on year reduction in quarter 4 of 2008 was 3.3 per cent. At the same time the gross value added measure of output for the 'finance and business services' sector has fallen more in the first two quarters of this recession than in the 1990s recession. The financial crisis of the past year has contributed to these larger decreases in jobs and output for the sector than in previous recessions. Given the jobs growth in this sector in the last twenty years, these percentage falls represent large absolute losses in terms of jobs.

Wages and Productivity

Deflating earnings by the Retail Prices Index (RPI) provides comparable estimates of real earnings over time. In **Figure 2.8** bonuses are included in the analysis. It can be seen that real earnings growth has been positive since January 1996, during the uninterrupted period of positive GDP growth. The figure also shows that real earnings growth has generally been negative during the first two quarters of a recession, before returning to positive growth. This is because recessions can cause falls in inflation, and this is shown in the first three quarters of this recession.

Figure 2.8
AEI Whole economy growth rate¹ (inc bonuses), RPI (all items) and derived real earnings growth, 1979 to 2009



Source: *Monthly Wages & Salaries Survey, RPI Office for National Statistics*

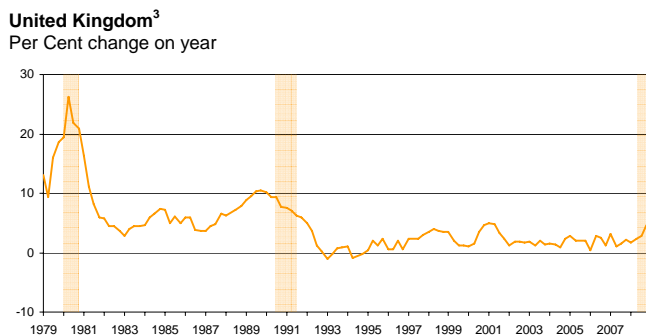
1. AEI estimates pre-1991 are not National Statistics.

Unit wage costs give an indication of how much a worker costs per unit of output. The spikes in unit wage costs in **Figure 2.9** that occurred in 1980 and 1990/91 correspond with the increases in the AEI shown in Figure 2.8. However, unit wage costs are also driven up by the fall in output. When output falls rapidly in a recession and levels of employment and wages do not adjust as quickly, a consequence is increasing unit costs for firms.

The quarter 3 and quarter 4 2008 increases on year in whole economy unit wage costs were 2.9 and 4.7 per cent respectively. The quarter 4 increase of 4.7 per cent was equal to quarter 1 2001, and quarter 1 1991. This last period was in the middle of the 1990s recession. However, as pointed out earlier, inflation was much higher in previous recessions which will have influenced wages, and therefore unit wage costs. Unit wage costs were 9.3 per cent in the first quarter of the 1990s recession and 19.4 per cent in the first quarter of the 1980s recession. The unit wage costs faced by firms affect their ability to make profit. If firms are not able to pass on increased input costs to consumers because of weaker demand for goods, although inflation may remain lower, firms will struggle to

maintain an acceptable profit to operate. On the other hand, lower inflationary expectations may prevent unit wage costs increasing to the same heights as in the 1980s and 1990s recessions.

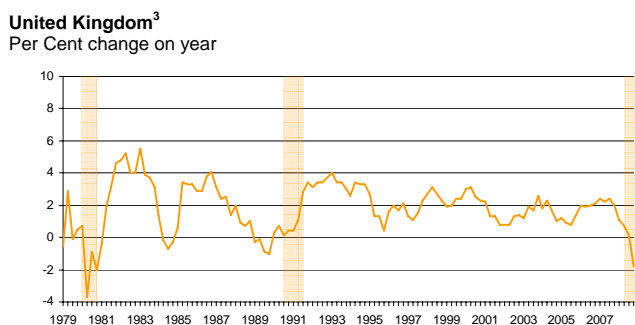
Figure 2.9 Whole Economy Unit Wage Costs, 1979 to 2008



Source: *Whole Economy – National Accounts & Productivity Jobs, Office for National Statistics.*

Output per worker is a ratio of gross value added at basic prices and total employment. **Figure 2.10** shows the percentage change in output per worker for the whole economy. The downward trend since quarter 3 2007 reflects a slowdown in output, with less output produced in quarter 4 2008 than in the same period in 2007 (-1.8 per cent). This negative output per worker is characteristic of the previous recessions, as can be seen in the troughs of 1980 and 1989/90. However, unlike other indicators, output per worker has increased back to positive growth quickly in previous recessions, demonstrating its importance as a signal of economic growth.

Figure 2.10 Whole Economy Output per worker, 1979 to 2008



Source: *Whole Economy – National Accounts & Productivity Jobs, Office for National Statistics.*

In the second quarter of positive GDP growth, after the end of the 1980s recession, output per worker increased on the year by 1.9 per cent (quarter 2 1981). During the 1990s economic contraction, output per worker remained weakly positive: in the second and third quarters, the series recorded increases of 0.4 per cent on the year. However, in the fourth quarter of recession it had already begun to

increase by 1.1 per cent on the year and continued to increase for over a year.

Conclusion

The changes in unemployment rates so far in this recession are of a similar order of magnitude to the 1980s recession, but lower than in the 1990s recession. However, because the working population is larger now than in the 1980s, the unemployment rate equates to a larger number of people becoming unemployed. The population size and the impact of this recession help explain that the change in unemployment levels has been 1.7 times higher than the 1990s and 1.2 times higher than the 1980s recession.

Unemployment and claimant count levels in past recessions have remained high even after the economy has returned to positive growth. In the 1980s, unemployment levels and rates did not return to their levels from immediately prior to recession before the start of the next recession. It took over six years for the rates and levels to fall back to pre-recession levels after the 1990s recession.

In the first three quarters of the 1980s recession employment rates fell by 1.1 percentage points. In the 1990s recession they fell by 1.2 percentage points in the 1990s. In this recession, the employment rate has fallen by 1.1 percentage points to 73.6 per cent. In the first three quarters of the 1980s and 1990s recessions, employment levels fell by 0.9 per cent and 1.5 per cent respectively. For the same period in this recession they have fallen by 1.0 per cent. In both previous recessions, the levels fell by more than 6.0 per cent before beginning to recover.

In this recession, the real earnings indicator and productivity measures (unit wage costs and output per worker) have demonstrated changes consistent with previous recessions. Real earnings have fallen, but as inflation has fallen they have shown some positive growth. The unit wage costs and output per worker in past recessions have responded quickly to upturns in output. This fits with the slower falls of unemployment and claimant count as firms look to use spare capacity first, as the economy expands.

References

1 Doyle, P (2003) Consistent Historical Time Series of Labour Market Data, Office for National Statistics. www.statistics.gov.uk/articles/labour_market_trends/Consistent_Time_Series_web_article.pdf

Impact by region

- Between the three months to March 2008 and the same period in 2009, the West Midlands had the largest fall in the employment rate, down 3.0 percentage points (Table 3.1).
- Redundancies have increased sharply over the period of the current recession. In the three months to March 2009, the North East had the highest redundancy rate at 16.9 per thousand employees. Between the three months to September 2008 and the three months to March 2009, the rate increased most in the West Midlands, up from 7.2 per thousand employees to 16.6 per thousand employees (Figure 3.2).
- Between the three months to March 2008 and the same period in 2009, unemployment rates increased across all regions. The largest increase was in the West Midlands at 3.0 percentage points and the lowest in London and Scotland at 1.3 percentage points (Table 3.3).
- Over the last year, the claimant count has converged towards unemployment across all regions. Between March 2008 and 2009, for three regions, the East of England, the South East and the South West, the claimant level more than doubled. Over the same period the North East had the largest increase in the claimant rate, up by 2.8 percentage points (Table 3.5).
- Vacancies have fallen across all regions, with the exception of the East Midlands (which includes all UK armed forces vacancies). The vacancy rate was highest in the South West at 63 vacancies per ten thousand resident population. Between March 2008 and 2009, the West Midlands had the largest fall in the vacancy rate, down 70 per ten thousand resident population, from 119 to 49 vacancies per ten thousand resident population (Table 3.6).
- Between the three months to March 2008 and the same period in 2009, the East region has had the largest fall in the inactivity rate, down 1.2 percentage points. However, in Northern Ireland there was an increase of 1.8 percentage points (Table 3.7).

Chapter 3

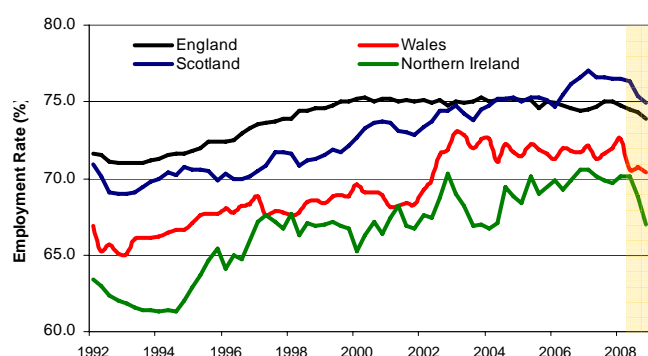
So far this article has considered the impact of the recent recession at the aggregate level. However economic conditions differ across the English regions and devolved countries of the UK and changes in the labour market can also vary.

This chapter considers how the labour market has changed over recent times and through the recent recession for the regions and countries of the UK. First it will consider employment trends since 1992 for countries within the UK and discuss variations by Government Office Region in England. It will show how employment levels and rates have changed over the last twelve months. Secondly, it will consider redundancies and describe how these have varied in more recent times. Thirdly, it will show how unemployment rates have changed for each country since 1992 and changes over the past twelve months. Then it describes changes in the claimant count, looks at changes in vacancies and how the number of claimants for each vacancy has changed. Finally, it will look at inactivity levels and rates. Regional analysis of the labour market for households can be found in **Chapter 6**.

Employment

As discussed in **Chapter 2**, employment has been generally rising in the UK over the past three decades with reductions in recession periods. **Figure 3.1** shows the employment rate for each of the four countries of the UK from 1992. At the start of the period, which coincides with the end of the last recession, employment rates fell for all four countries, with the low point around the third quarter of 1993. However, Northern Ireland took longer (second quarter of 1994) before the employment rate started to increase.

Figure 3.1
Employment rate¹ by country, April - June 1992 to January - March 2009
Seasonally adjusted



Source: Labour Force Survey

¹ Employment rate is for men aged 16 to 64 and women aged 16 to 59.

The employment rate for England reached a peak in the third quarter of 2000 at 75.3 per cent and fluctuated around this point

before falling back to 73.8 per cent in the first quarter of 2009. For Wales there was a large increase in the employment rate from the back end of 2001 to 2003, where it reached a peak in the second quarter of 2003 at 73.0 per cent. Since then it has fluctuated to stand at 70.4 per cent in the first quarter of 2009. The Scottish employment rate reached a peak in the second quarter of 2007 (77.0 per cent) and has fallen since to stand at 74.9 per cent in the first quarter of 2009. For Northern Ireland there was a large increase in the employment rate from the back end of 1994 to 1997. From its peak of 70.6 per cent in the first quarter of 2007, it has fallen to stand at 66.9 per cent in the first quarter of 2009. Note the employment rate for England follows a smoother path than that of the other countries. This is because the sample size in the Labour Force Survey for England is larger than that for the other countries and thus the series is less volatile.

Within England there are large variations in the employment rate between the nine Government Office Regions. Since 1992, the South East has generally had the highest employment rate, reaching 80.6 per cent in the second quarter of 2002, and in the first quarter of 2009 it was still the highest at 78.2 per cent. The lowest employment rate for most of the period was in the North East. The rate stood at 69.8 per cent in the first quarter of 2009 following a peak of 72.1 per cent in the third quarter of 2007.

Table 3.1 shows the employment level and rate for the Government Office Regions in England, Wales, Scotland and Northern Ireland in 2008 and 2009, for the three months to March. Over the year, the employment level fell by 1.0 per cent for the UK as a whole, to stand at 29.2 million in the three months to March 2009. In England the level fell by 0.9 per cent, while in Wales it fell by 1.5 per cent, and in Scotland by 0.8 percentage points. Northern Ireland had the biggest fall in the employment level at 3.7 per cent. Within England the largest fall in the employment level was in the West Midlands (3.5 per cent) followed by Yorkshire and The Humber (2.4 per cent). However the East region had an increase in the employment level, up by 0.7 per cent over the year.

Increases in employment levels can be through increases in the population levels for regions, so comparing the employment rate is a more useful indicator of change. For the UK there was a 1.3 percentage point fall in the employment rate over the year, from 74.8 per cent in the three months to March 2008 to 73.6 per cent in the three months to March 2009. Of the countries, Northern Ireland had the largest fall, 2.7 percentage points, while the rate fell by 1.6 percentage points in both Wales and Scotland, and 1.2 percentage points for England. Within England the West Midlands had the largest fall in the employment rate (3.0 percentage points) followed by Yorkshire and The Humber at 2.2 percentage points. The East region was the only one not to experience a fall in the employment rate over the year, standing at 77.7 per cent in both periods.

Table 3.1**Employment level¹ and rate² by region, January - March, 2008 and 2009***Seasonally adjusted*

	Level (thousands)			Rate (percentage)		
	2008	2009	% change	2008	2009	% point change
United Kingdom	29,499	29,204	-1.0	74.8	73.6	-1.3
Great Britain	28,714	28,453	-0.9	75.0	73.8	-1.2
England	24,818	24,599	-0.9	75.0	73.8	-1.2
North East	1,155	1,149	-0.6	70.2	69.8	-0.5
North West	3,168	3,145	-0.7	72.4	71.5	-1.0
Yorkshire and The Humber	2,473	2,414	-2.4	74.0	71.7	-2.2
East Midlands	2,163	2,159	-0.2	76.2	75.5	-0.7
West Midlands	2,504	2,416	-3.5	73.2	70.3	-3.0
East	2,811	2,829	0.7	77.7	77.7	0.0
London	3,734	3,720	-0.4	71.1	70.4	-0.7
South East	4,231	4,194	-0.9	79.5	78.2	-1.3
South West	2,579	2,574	-0.2	79.0	78.0	-1.0
Wales	1,353	1,332	-1.5	72.0	70.4	-1.6
Scotland	2,543	2,521	-0.8	76.5	74.9	-1.6
Northern Ireland	785	756	-3.7	69.7	66.9	-2.7

Source: Labour Force Survey

1 Levels are for those aged 16 and over.

2 Employment rate is for men aged 16 to 64 and women aged 16 to 59.

Considering the year on year changes in employment for the first quarter in each year disguises regional differences of changes in employment rates over the period of the recession. **Table 3.2** shows the quarterly and annual change in the employment rate for the three quarters covering the recent recession. This is useful in demonstrating at which point employment rates changed markedly over the period.

For the first quarter of the recession, which covers the three months to September 2008, the largest annual falls in the employment rates were in the North East (1.7 percentage points) and West Midlands (1.2 percentage points). However, the North East did experience a small increase (0.2 percentage points) in the quarter on quarter change in the employment rate up to the three months to September 2008. Wales experienced a large quarter on quarter fall, down 2.0 percentage points. Moving into the second quarter of the recession, which covers the three months to December 2008, the North West had the largest annual fall in the employment rate, down by 1.9 percentage points. Over the same annual period, the employment rate increased by 1.2 percentage points in London, fuelled by a 0.6 percentage point increase from the previous quarter. Yorkshire and The Humber had the largest quarter on quarter fall in the

employment rate up to the three months ending December at 0.9 percentage points. Following a strong performance in the final quarter of 2008, London experienced a sharp decline in the employment rate in the first quarter of 2009. For the three months to March 2009, the annual rate fell by 0.7 percentage points, fuelled by a 1.2 percentage point fall from the previous quarter. The West Midlands experienced the largest quarter on quarter fall, down by 1.5 percentage points.

Redundancies

Chapter 1 described record numbers of redundancies, since the series began in the mid 1990s, for the UK, in the three months to March 2009. Redundancies can be an early indicator of the impact of a recession, increasing by 179 thousand over the year to stand at 299 thousand in the three months to March 2008. There was a sharp rise between the third and fourth quarters of 107 thousand. This is based on the 'non-seasonally adjusted' series as a regional breakdown is only available unadjusted. For the UK the seasonally adjusted series showed a similar pattern, increasing by 175 thousand over the year.

Since redundancies are still relatively rare within the Labour Force

Table 3.2

Quarterly and annual change in employment rates¹ by region, July - September 2008 to January - March 2009

Seasonally adjusted

	Change on quarter			Change on year		
	Three months to September 2008	Three months to December 2008	Three months to March 2009	Three months to September 2008	Three months to December 2008	Three months to March 2009
United Kingdom	-0.4	-0.3	-0.5	-0.2	-0.7	-1.3
Great Britain	-0.4	-0.2	-0.5	-0.2	-0.7	-1.2
England	-0.3	-0.2	-0.5	-0.2	-0.6	-1.2
North East	0.2	-0.2	-0.4	-1.7	-1.5	-0.5
North West	-0.6	-0.7	0.5	-0.8	-1.9	-1.0
Yorkshire and The Humber	-0.1	-0.9	-0.6	-0.1	-1.5	-2.2
East Midlands	0.4	0.1	-0.7	0.4	0.4	-0.7
West Midlands	-0.7	0.0	-1.5	-1.2	-1.5	-3.0
East	-0.3	0.1	0.1	0.2	-0.6	0.0
London	-0.5	0.6	-1.2	0.3	1.2	-0.7
South East	-0.4	-0.3	-0.5	0.2	-0.3	-1.3
South West	0.0	-0.6	-0.2	0.1	-1.2	-1.0
Wales	-2.0	0.1	-0.3	-0.8	-0.9	-1.6
Scotland	-0.2	-0.9	-0.5	-0.3	-1.1	-1.6
Northern Ireland	0.0	-1.2	-1.9	0.0	-1.0	-2.7

Source: Labour Force Survey

1 Employment rate is for men aged 16 to 64 and women aged 16 to 59.

Survey sample, in particular for periods just before the current recession, it is not possible to produce reliable estimates for the three months to March 2008 for many of the Government Office Regions of England, Wales, Scotland and Northern Ireland. Therefore it is not possible to provide estimates of growth over the year. However because of the sharp rise in redundancies in the latter part of 2008 it is possible to describe the regional changes since the start of the current recession.

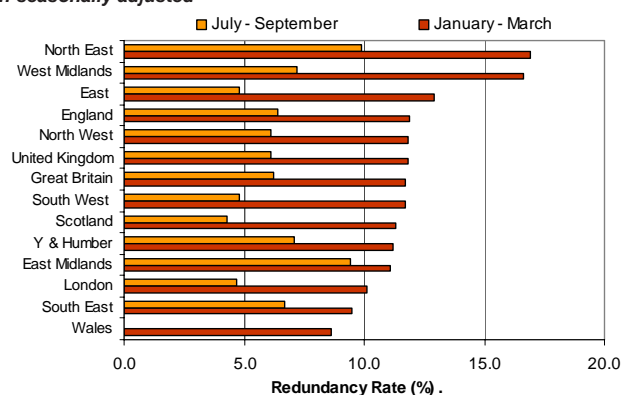
Figure 3.2 shows the redundancy rate for the regions within the UK for the three months to September 2008 and three months to March 2009. Information is not available for Northern Ireland for either period or for Wales in the first period because of inadequate sample sizes.

In the three months to March 2009 the North East had the highest redundancy rate at 16.9 per thousand employees. The lowest redundancy rate was in Wales at 8.6 per thousand employees. All regions had an increase in the redundancy rate over the three quarters, with the sharpest increase in the West Midlands, up from 7.2 per thousand employees to 16.6 per thousand employees. The

Figure 3.2

Redundancy rate¹, July - September 2008 and January - March, 2009

Non-seasonally adjusted



Source: Labour Force Survey

- 1 The redundancy rate is based on the ratio of the redundancy level for the given quarter to the number of employees in the previous quarter, aged 16 and over, multiplied by 1,000.
- 2 Information not available for Wales in July to September due to insufficient sample sizes for the number made redundant

Table 3.3

Unemployment¹ level and rate by region, January - March, 2008 and 2009

Seasonally adjusted

	Level (thousands)			Rate (percentage)		
	2008	2009	% change	2008	2009	% point change
United Kingdom	1,624	2,215	36.4	5.2	7.1	1.8
Great Britain	1,585	2,166	36.7	5.2	7.1	1.8
England	1,386	1,899	37.0	5.3	7.2	1.9
North East	80	105	30.3	6.5	8.3	1.8
North West	203	271	33.7	6.0	7.9	1.9
Yorkshire and The Humber	131	209	58.9	5.0	8.0	2.9
East Midlands	125	164	31.3	5.5	7.1	1.6
West Midlands	166	246	48.1	6.2	9.3	3.0
East	134	178	33.3	4.5	5.9	1.4
London	276	333	20.6	6.9	8.2	1.3
South East	173	236	36.6	3.9	5.3	1.4
South West	98	157	60.7	3.7	5.7	2.1
Wales	77	111	44.1	5.4	7.7	2.3
Scotland	123	157	27.9	4.6	5.9	1.3
Northern Ireland	38	49	30.0	4.6	6.1	1.5

Source: Labour Force Survey

1 Levels and rates are for those aged 16 and over.

industrial breakdown of each region affects redundancy rates.

Chapter 4 (Table 4.3) shows a higher concentration of redundancies in the construction and manufacturing industries. Estimates of employee jobs in 2008 suggest around 1 in 5 jobs in the North East and West Midlands are in production and construction industries, the two regions with the highest redundancies.

Unemployment

Chapter 2 described how unemployment levels and rates vary in line with the economic cycle, reaching peaks of around 3 million during the recessions of the mid-1980s and 1990s. Figure 3.3 shows the unemployment rate for each of the four countries of the UK from 1992. The rate is the proportion of the economically active population who are unemployed.

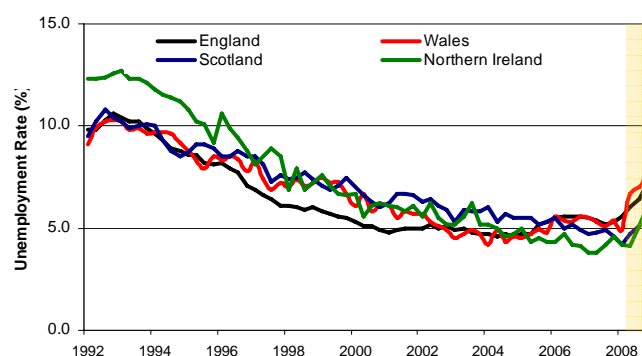
The unemployment rate for all four countries fell, in general, from 1992 to the mid 2000's. Northern Ireland had the highest unemployment rate at the start of the period at 12.3 per cent in the three months to June 1992. This was over three percentage points higher than the lowest unemployment rate of 9.1 per cent in Wales. The unemployment rate in England reached its lowest point in the

latter part of 2004 at 4.6 per cent, and has steadily increased since, except for a small fall between 2006 and 2007. In the three months

Figure 3.3

Unemployment rate¹ by country, April - June 1992 to January - March 2009

Seasonally adjusted



Source: Labour Force Survey

1 Proportion of the economically active population aged 16 and over who are economically active.

to March 2009 it was 7.2 per cent. In Wales the rate was lowest in 2004, and in the three months to March 2009 it was 7.7 per cent.

Table 3.4**Quarterly and annual change in unemployment rates¹ by region, July - September 2008 to January - March 2009***Seasonally adjusted*

	Change on quarter			Change on year		
	Three months to September 2008	Three months to December 2008	Three months to March 2009	Three months to September 2008	Three months to December 2008	Three months to March 2009
United Kingdom	0.4	0.4	0.8	0.5	1.1	1.8
Great Britain	0.5	0.4	0.8	0.5	1.1	1.8
England	0.4	0.4	0.8	0.6	1.2	1.9
North East	0.5	0.4	0.0	1.8	2.6	1.8
North West	0.5	0.9	0.2	0.8	1.9	1.9
Yorkshire and The Humber	0.8	-0.2	1.3	1.5	1.4	2.9
East Midlands	0.2	0.3	0.9	0.2	0.9	1.6
West Midlands	0.2	1.2	1.6	0.1	1.9	3.0
East	0.2	0.8	0.4	-0.3	1.1	1.4
London	0.4	-0.1	1.0	1.3	0.6	1.3
South East	0.4	0.4	0.4	0.1	0.4	1.4
South West	0.4	0.5	1.0	0.2	1.0	2.1
Wales	1.7	0.3	0.7	1.3	1.9	2.3
Scotland	0.5	0.4	0.7	-0.1	0.3	1.3
Northern Ireland	-0.1	1.0	1.0	0.2	1.0	1.5

Source: Labour Force Survey

1 Employment rate is for men aged 16 to 64 and women aged 16 to 59.

The Scottish unemployment rate continued to decrease until the three months to June 2008, where it was 4.2 per cent. Since then it has increased, and in the three months to March 2009 the rate was 5.9 per cent. Northern Ireland had its lowest unemployment rate in the middle of 2007 at 3.8 per cent, and in the three months to March 2009 it was 6.1 per cent.

Table 3.3 shows the unemployment level and rate for the Government Office Regions in England, Wales, Scotland and Northern Ireland in 2008 and 2009 for the three months to March. For the UK as a whole the unemployment level has increased by 36.4 per cent from 1.62 million to 2.22 million in the three months to March 2009. The percentage increase for England was 37.0 per cent. Of the other countries, Wales had a large increase in the unemployment level, up by 44.1 per cent to reach 111 thousand unemployed individuals in the three months to March 2009. For Northern Ireland the level increased by 30.0 per cent to stand at 49 thousand, while in Scotland, unemployment increased by 27.9 per cent over the year to stand at 157 thousand. Within England the South West had the largest percentage increase (60.7 per cent) in the unemployment level to stand at 111 thousand in the three

months to March 2009. All regions had increases in the number of people unemployed with the smallest, of 20.6 per cent in London.

Allowing for population changes, and using the unemployment rate, UK unemployment increased by 1.8 percentage points over the year to stand at 7.1 per cent in the three months to March 2009. There was an increase of 1.9 percentage points in the rate for England, in Wales an increase of 2.3 percentage points, in Scotland an increase of 1.3 percentage points and in Northern Ireland an increase of 1.5 percentage points. Within England, the West Midlands had the biggest increase in the unemployment rate. At 9.3 per cent the rate was 3.0 percentage points higher than a year earlier. London (1.3 percentage points) had the smallest increase in the unemployment rate.

As with employment, considering the year on year changes in unemployment for the first quarter in each year disguises regional differences of changes in unemployment rates over the period of the recession. **Table 3.4** shows the quarterly and annual change in the unemployment rate for the three quarters covering the recent recession. For the first quarter of the recession, the largest annual

Table 3.5

Claimant count¹ level and rate² by region, March, 2008 and 2009

Seasonally adjusted

	Level (thousands)			Rate (percentage)		
	2008	2009	% change	2008	2009	% point change
United Kingdom	792	1,456	83.8	2.4	4.5	2.1
Great Britain	768	1,412	83.8	2.4	4.5	2.1
England	660	1,218	84.5	2.4	4.5	2.1
North East	47	80	69.8	3.9	6.7	2.8
North West	106	183	72.9	3.0	5.2	2.2
Yorkshire and The Humber	76	142	87.7	2.9	5.4	2.5
East Midlands	53	104	97.3	2.4	4.7	2.3
West Midlands	95	167	76.0	3.4	6.0	2.6
East	54	112	109.7	1.9	3.9	2.0
London	129	198	53.3	2.6	4.1	1.5
South East	65	142	118.9	1.4	3.1	1.7
South West	37	90	145.7	1.3	3.3	2.0
Wales	39	75	91.5	2.8	5.3	2.5
Scotland	69	119	72.5	2.5	4.2	1.7
Northern Ireland	24	44	86.1	2.7	5.1	2.4

Source: Jobcentre Plus administrative system

1 All claimants aged 18 and over.

2 The number of claimants resident in an area as a percentage of claimants and workforce jobs in the area.

increases in the unemployment rates were in the North East (1.8 percentage points) and Yorkshire and the Humber (1.5 percentage points), with the latter being driven by a 0.8 percentage points rise in the quarter on quarter change for the three months to September 2008. Moving into the second quarter of the recession, which covers the three months to December 2008, again the North East had the largest annual increase in the unemployment rate, up by 2.6 percentage points over the year. This was followed by the North West, West Midlands and Wales, with increases of 1.9 percentage points over the same period. Of the change over the quarter, the West Midlands had the largest increase, up by 1.2 percentage points, with marginal falls for Yorkshire and The Humber (0.2 percentage points) and London (0.1 percentage point). However, the unemployment rate rose sharply in London in the first quarter of 2009, up by 1.0 percentage points on the previous quarter, giving an annual change of 1.3 percentage points.

Claimant Count

The claimant count is a count of claimants of Jobseeker's Allowance and is based on the administrative records of people

claiming this benefit. Generally, the claimant count series follows the unemployment series, although there are periods of divergence and convergence. During a time of an economic recession the claimant count converges to unemployment as happened during the recession of the early 1990s. Over the last decade the claimant count has fallen more sharply than the survey measure.

Table 3.5 shows the claimant count level and rate for the Government Office Regions in England, Wales, Scotland and Northern Ireland in 2008 and 2009 for the month of March. In 2009 the claimant count for the UK stood at 1.46 million, up by 83.8 per cent from a year earlier. The count increased by the largest percentage in Wales at 91.5 per cent. In England the increase was 84.5 per cent, followed by Northern Ireland at 86.1 per cent, and lowest in Scotland at 72.5 per cent. Within England there were three regions where the claimant count more than doubled. The South West had the largest increase over the year at 145.7 per cent, followed by the South East at 118.9 per cent, and the East of England at 109.7 per cent. Despite being the region with the largest number of claimants, through its large population size, the smallest increase occurred in London at 53.3 per cent.

Table 3.6

(i) Vacancy rate¹ and (ii) claimants per vacancy² by region, March, 2008 and 2009

Not seasonally adjusted

	Vacancy rate			Claimants per vacancy		
	2008	2009	Difference	2008	2009	Difference
Great Britain	108	63	-45	2.1	6.4	4.3
England	109	65	-44	2.0	6.1	4.1
North East	112	55	-57	2.8	9.6	6.8
North West	116	54	-62	2.3	8.3	6.0
Yorkshire and The Humber	125	57	-68	2.0	8.1	6.1
East Midlands ³	211	213	2	1.0	1.9	0.9
West Midlands	119	49	-70	2.5	10.8	8.3
East	85	49	-36	2.0	7.0	5.0
London	67	41	-26	3.9	9.7	5.8
South East	90	50	-40	1.5	5.9	4.4
South West	103	63	-40	1.3	4.9	3.6
Wales	118	56	-62	2.0	7.9	5.9
Scotland	95	45	-50	2.4	8.6	6.2

Source: Jobcentre Plus administrative survey and ONS mid-year population estimates

- 1 Total number of Jobcentre Plus advertised vacancies per ten thousand resident population of men aged 16 to 64 and women aged 16 to 59.
- 2 The ratio of the number of Jobseeker Allowance claimants resident in an area to the number of Jobcentre plus vacancies in the area.
- 3 Estimates for the East Midlands are distorted by UK armed forces vacancies. These are allocated to Lincoln Orchard Street Jobcentre although the vacancies are available nationally.

Allowing for population changes, and using the claimant count rate, for the UK it increased by 2.1 percentage points to 4.5 per cent in March 2009. The rate is the number of claimants resident in an area as a percentage of the sum of claimants and workforce jobs in the area. There was a similar increase in the rate for England. As for the claimant level, Wales had the largest increase (2.5 percentage points) in the rate and Scotland the lowest (1.7 percentage points). For Northern Ireland the rate increased by 2.4 percentage points over the year. Within England, the North East had the largest percentage point increase at 2.8 percentage points to stand at 6.7 per cent in March 2009. The West Midlands had the next highest increase at 2.6 percentage points with London (1.5 percentage points) and the South East (1.7 percentage points) the lowest.

Comparing the claimant count for March 2008 with unemployment in the three months to March 2008, the total number of claimants was 48.8 per cent the unemployment level. Over the year this has converged and in the corresponding periods a year later this stands at 66.1 per cent.

Vacancies

Statistics on job vacancies provide important information about

the demand for labour and how this is changing. Chapter 1 described how vacancies for the UK have fallen over the year to the three months to March, using the ONS Vacancy Survey

This survey provides the most comprehensive estimates on the number of job vacancies in the UK. However the survey does not provide regional estimates. Statistics of Jobcentre Plus vacancies, which are job openings reported by employers to Jobcentre Plus, provide estimates of vacancies at a regional level. They do not cover all vacancies as some are filled without reference to Jobcentre Plus. Typically Jobcentre vacancies account for around a half of all vacancies. Some regions advertise a higher proportion of vacancies with Jobcentre Plus than others.

Table 3.6 shows the number of Jobcentre Plus vacancies per ten thousand resident population of men aged 16 to 64 and women aged 16 to 59 (the vacancy rate) for the Government Office Regions in England, Wales and Scotland in 2008 and 2009 for the month of March. Information for Northern Ireland is not available. For Great Britain the vacancy rate fell from 108 to 63 vacancies per ten thousand resident population. The East Midlands region had the highest number of vacancies and was the only region to have an increase on the year. However, care must

be taken when interpreting the East Midlands estimate as all UK armed forces vacancies, which are available nationally, are recorded in this region. Of the remaining regions, the South West had the highest vacancy rate at 63 vacancies per ten thousand resident population. The lowest vacancy rate was in London where there were 41 vacancies per ten thousand resident population. Over the year the West Midlands had the largest fall in the vacancy rate, down 70, from 119 to 49 vacancies per ten thousand resident population. The smallest fall was in London, down 26, from 67 to 41 vacancies per ten thousand resident population, but this still represents a fall of around 40 per cent in the rate.

Table 3.6 also shows the ratio of the number of Jobseeker's Allowance claimants per Jobcentre Plus vacancy. This is a useful indicator of regions where it is becoming more difficult for individuals to find a job. In March 2008 there were 2.1 claimants for each vacancy in Great Britain as a whole, and over the year the ratio increased by 4.3 to 6.4 claimants for each vacancy. This shows there were more than three times as many claimants chasing each job vacancy in March 2009 than a year earlier.

In March 2009 the highest ratio was in the West Midlands where there were 10.8 claimants for each vacancy, and this region also had the largest increase over the year. With 8.3 more claimants per vacancy than a year earlier, there are now more than four times as many claimants chasing each vacancy than a year earlier. The lowest ratio was in the East Midlands at 1.9 claimants for each vacancy, due to the high number of vacancies in the region (including all UK armed forces vacancies). Apart from the East Midlands, the lowest ratio was in the South West at 4.9 claimants for each vacancy.

Inactivity

So far this chapter has commented on regional patterns of employment and unemployment. Individuals who are neither in employment nor unemployment are inactive. If rates of employment and unemployment both rise, as is the case for London and the East Midlands, this implies a fall of individuals who are inactive. Individuals who are inactive include those who are students, those looking after the family or home and many who are retired. When considering inactivity levels and rates, only men aged 16 to 64 and women aged 16 to 59 are considered, which excludes many of those inactive because of retirement.

Table 3.7 shows the inactivity level and rate for the Government Office Regions in England, Wales, Scotland and Northern Ireland in 2007 and 2008 for the three months to March. For the UK as a whole, the number of individuals who are economically inactive has fallen by 0.5 per cent, from 7.87 million to 7.83 million in the three months to March 2009. For Great Britain the percentage decrease was 0.9 per cent, while for England it decreased by 1.3

per cent, and in Wales by 0.8 per cent. Of the other countries, Scotland and Northern Ireland had increases in the inactivity level. It rose by 3.1 per cent from 630 thousand to 650 thousand in Scotland and by 7.3 per cent from 291 thousand to 313 thousand in Northern Ireland. Within England, three regions had increases in inactivity levels, with the remaining six having decreases. The largest increase was in the West Midlands, up 2.8 per cent to 727 thousand in the three months to March 2009. The East region had a decrease of 5.7 per cent in the inactivity level, a fall of 36 thousand, to 598 thousand at the end of 2008.

Allowing for population changes, and using the inactivity rate, for the UK it decreased by 0.2 percentage points over the year to 20.7 per cent in the three months to March 2009. This shows that a smaller proportion of the population is inactive, so a larger proportion over the year became economically active (employed or unemployed). The fall in the inactivity rate was 0.4 percentage points in England and 0.2 percentage points in Wales. Scotland (0.6 percentage points) and Northern Ireland (1.8 percentage points) both had increases in the inactivity rate over the year. Within England the largest increase in the inactivity rate was in the West Midlands at 0.6 percentage points, with the largest decrease in the East region at 1.2 percentage points.

Conclusion

Over the past twelve months, employment rates have fallen across all regions, except for the East where they remained the same. However, the timing of changes in employment rates has differed across the many regions. Employment rates fell sharply in the North East and West Midlands at the start of the current recession, while in London employment remained relatively strong towards the end of 2008. However, in the first quarter of 2009, Employment rates fell sharply in London while they have continued to fall at a faster rate in the West Midlands. All regions have experienced increases in redundancy levels, impacting on the level of unemployment. The North East and West Midlands had the largest redundancy levels, and in the West Midlands the largest increase in the unemployment rate over the year. Unemployment and the claimant count has increased in all regions and as the case with previous recessions, the claimant level is converging towards the unemployment level in each region. The North East and West Midlands have experienced the largest increases in the claimant count rate. The vacancy rate decreased most in the West Midlands and the region also had a large increase in the number of claimants per vacancy available, where there are now more than four times as many people chasing each vacancy than a year earlier. All of these indicators combined suggest the West Midlands has been the region hardest hit by the current recession, with high levels of redundancies combined with high unemployment and the larger fall in vacancies. The inactivity rate has also increased for the West Midlands suggesting that individuals are withdrawing from the labour market.

Table 3.7**Inactivity¹ level and rate by region, January - March, 2008 and 2009***Seasonally adjusted*

	Level (thousands)			Rate (percentage)		
	2008	2009	% change	2008	2009	% point change
United Kingdom	7,871	7,828	-0.5	20.9	20.7	-0.2
Great Britain	7,582	7,512	-0.9	20.7	20.4	-0.3
England	6,526	6,440	-1.3	20.7	20.3	-0.4
North East	393	375	-4.4	24.8	23.7	-1.1
North West	959	936	-2.3	22.8	22.2	-0.6
Yorkshire and The Humber	706	708	0.2	22.0	21.9	-0.1
East Midlands	521	507	-2.8	19.2	18.5	-0.7
West Midlands	707	727	2.8	21.7	22.3	0.6
East	634	598	-5.7	18.5	17.3	-1.2
London	1,189	1,182	-0.5	23.5	23.2	-0.3
South East	866	873	0.9	17.1	17.2	0.1
South West	552	534	-3.3	17.9	17.2	-0.7
Wales	425	422	-0.8	23.8	23.5	-0.2
Scotland	630	650	3.1	19.6	20.2	0.6
Northern Ireland	291	313	7.3	26.9	28.6	1.8

Source: Labour Force Survey

1 Levels and rates are for men aged 16 to 64 and women aged 16 to 59.

References

1. Employment, unemployment and inactivity available in the regional labour market summary at http://www.statistics.gov.uk/elmr/03_09/downloads/Table2_19.xls
2. Redundancies by Government Office Region available at http://www.statistics.gov.uk/elmr/03_09/downloads/Table6_27.xls
3. Claimant Count and Vacancies on Nomis Web at <https://www.nomisweb.co.uk/Default.asp>

Impact by sex

- The recent recession has so far impacted more on men in employment than women. The employment rate for men was 1.7 percentage points lower in the three months to March 2009 compared with the same period a year earlier, while the female employment rate was 0.8 percentage points lower on the year.
- The different ways that the recession has impacted on men and women in employment can be partly explained by the fact that men are more likely to work in the private sector than women and the types of industries they work in and occupations they have also vary.
- Estimates also show that men are more likely to have been made redundant than women during this recession. The redundancy rate for men in the three months to March 2009 was 14.1 per 1,000 employees, compared with women which was 8.3 per 1,000 employees.
- The recession has so far affected men's unemployment more than women's. The unemployment rate for men was 7.8 per cent in the three months to March 2009, up 2.3 percentage points on the same period the year before. In contrast, the unemployment rate for women which stood at 6.1 per cent was up 1.3 percentage points on the year.

Chapter 4

So far this publication has considered the impact of the recent recession on the labour market at the aggregate level. However, there is also interest in looking at the impact on different groups of people. This chapter considers how the recent recession has affected the labour market experiences of men compared with women. It also puts these changes in context by looking at long term trends in men and women's labour market participation and how previous recessions have affected them in different ways.

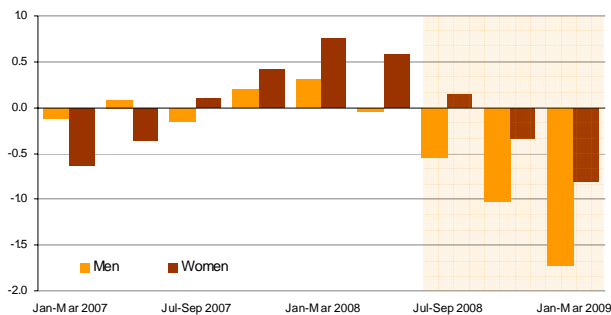
Employment

The current recession has so far impacted more on men in employment than women. The employment rate for men was 77.2 per cent in the three months to March 2009, 0.7 percentage points lower than the previous quarter and 1.7 percentage point lower than the same period a year ago. This compares to the employment rate for women that was 69.6 per cent in the three months to March 2009, 0.3 percentage points lower than the previous quarter and 0.8 percentage points lower than the same period a year ago (see **Figure 4.1**).

Figure 4.1

Annual change in employment rate: by Sex¹

United Kingdom
Percentage point change, seasonally adjusted



Source: Labour Force Survey

¹ Men aged 16 to 64 and Women aged 16 to 59

The difference between the reduction in men and women's employment may, in part, be explained by the fact that men are more likely to work in sectors affected by the downturn.

According to ONS's preferred measure of public and private sector employment, private sector employment declined by 105,000 (0.4 per cent) while public sector employment increased by 30,000 (0.5 per cent) between December 2007 and December 2008.¹

The main ONS source of public sector employment does not provide a gender breakdown and is only available to December 2008. However, non-seasonally adjusted Labour Force Survey

(LFS) micro data indicates that 84 per cent of men in employment worked in the private sector compared with 66 per cent of women (for the three months to December 2008)².

Men are also more likely than women to be working in industries that have been affected more by the recession, which explains why the differences in the net changes in aggregate jobs figures have been larger for men than women so far.

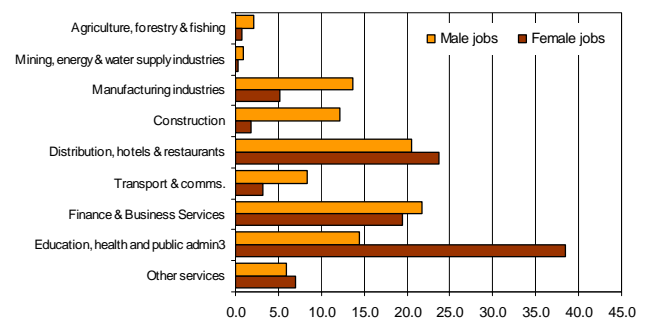
Figure 4.2 shows that men are more likely than women to work in manufacturing, construction, transport and communication. Similar shares of men and women have jobs in distribution, hotels and restaurants, finance and business services and other services. However, women are much more likely to work in the education, health and public administration industries than men.

Figure 4.2

Percentage share of workforce jobs¹ by industry² and sex; December 2008

United Kingdom

Percentages, seasonally adjusted



Source: Workforce Jobs Series

1. Workforce Jobs figures are a measure of jobs rather than people. For example, if a person holds two jobs, each job will be counted in the Workforce Jobs total. Workforce Jobs figures come from a variety of sources, and where possible, from the employer rather than the individual. Employee Jobs (which is much the largest component of Workforce Jobs) come from quarterly surveys of employers carried out by ONS, and administrative sources.

2. Standard Industrial Classification 2003.

3. Education health and public administration includes both public and private sectors.

The largest falls in GVA in the fourth quarter of 2008 were in manufacturing, construction, distribution hotels and catering and business and financial services. The reductions in output in these sectors fed through into reductions in the number of jobs in these industries.

Table 4.1 shows the largest net falls on the year in the number of jobs filled by men were in finance and business services, manufacturing and in distribution, hotels and restaurants. There was also a smaller net reduction in the number of male jobs in the transport and communications industry.

Table 4.1

Workforce jobs¹ by industry² and sex

United Kingdom

Thousands, seasonally adjusted

	All jobs A-O	Agriculture, forestry & fishing A,B	Mining, energy & water supply industries C,E	Manufacturing industries D	Construction F	Distribution, hotels & restaurants G-H	Transport & comms. I	Finance & Business Services J-K	Education, health and public admin ³ L-N	Other services O	Total services G-O
Male jobs											
Dec 07	16,868	337	142	2,373	2,002	3,495	1,412	3,729	2,412	965	12,014
Dec-08	16,660	363	146	2,277	2,026	3,408	1,396	3,633	2,417	994	11,848
Change on year	-208	26	4	-96	23	-86	-16	-97	5	29	-166
Change %	-1.2	7.7	3.0	-4.0	1.2	-2.5	-1.1	-2.6	0.2	3.0	-1.4
Female jobs											
Dec 07	14,734	122	49	789	235	3,555	460	2,972	5,550	1,001	13,539
Dec-08	14,658	118	51	758	259	3,483	464	2,848	5,647	1,030	13,473
Change on year	-76	-4	2	-32	24	-72	4	-124	97	29	-66
Change %	-0.5	-3.2	3.1	-4.0	10.2	-2.0	0.9	-4.2	1.7	2.9	-0.5

Source: WorkforceJobs Series

- 1 Workforce Jobs figures are a measure of jobs rather than people. For example, if a person holds two jobs, each job will be counted in the Workforce Jobs total. Workforce Jobs figures come from a variety of sources, and where possible, from the employer rather than the individual. Employee Jobs (which is much the largest component of Workforce Jobs) come from quarterly surveys of employers carried out by ONS, and administrative sources.
- 2 Standard Industrial Classification 2003.
- 3 Education, health and public administration includes both public and private sectors.

Table 4.2

Employment by occupation¹ and sex

United Kingdom

Thousands, not seasonally adjusted

	All ^{2,3}	Managers & Senior Officials	Professional Occupations	Associate Professional & Technical	Admin & Secretarial	Skilled Trades	Personal Services	Sales & Customer Services	Process, Plant & Machine Operatives	Elementary Occupations
Men										
Jan-Mar 08	15,876	2,960	2,166	2,140	682	3,019	374	743	1,865	1,928
Jan-Mar 09	15,622	2,956	2,226	2,148	720	2,898	404	699	1,793	1,777
Change on year	-254	-4	60	8	38	-121	30	-43	-72	-151
Change %	-1.6	-0.1	2.8	0.4	5.6	-4.0	8.0	-5.9	-3.9	-7.8
Women										
Jan-Mar 08	13,534	1,562	1,662	2,186	2,641	253	1,971	1,470	259	1,530
Jan-Mar 09	13,474	1,582	1,697	2,095	2,579	232	2,113	1,470	229	1,476
Change on year	-60	19	35	-90	-62	-21	142	0	-30	-54
Change %	-0.4	1.2	2.1	-4.1	-2.3	-8.2	7.2	0.0	-11.6	-3.5

Source: Labour Force Survey

- 1 Standard Occupational Classification 2000.
- 2 Includes people who did not state their occupation.
- 3 On the 14 May 2008, ONS published national and regional Labour Force Survey (LFS) aggregate estimates that are consistent with reweighted LFS microdata. Further details can be found at: <http://www.statistics.gov.uk/cci/article.asp?id=2011>

For jobs filled by women, the largest net falls were also in finance and business services, distribution hotels and restaurants and manufacturing. However, the only industry with larger net reductions on the year to December 2008 in female jobs than male jobs was in finance and business services sector. The net reduction in female jobs on the year in manufacturing was three times lower than the net reduction in male jobs in this industry, reflecting the fact that men are three times more likely to work in this industry than women.

There were net increases in the number of jobs in education and health and public administration and the vast majority of these were jobs filled by women (see Table 4.1). The increases in these jobs have partly offset the reductions to female jobs in other industries. However, with only a small increase in male jobs in this sector, men do not seem to have benefited from the continued growth in this area.

The workforce jobs series also estimates small increases in the construction industry on the year to December 2008, but the increases for men were predominantly driven by self-employed jobs in this sector. If employee jobs are looked at only for this sector, there was a small reduction of 11,000 on the year to December 2008 for men but an increase of around 18,000 for women.

Table 4.2 shows the differences in the changes in employment for men and women by occupational group. Analysis of non-seasonally adjusted LFS data for the three months to March 2009 indicates that so far, this recession has impacted most on men's employment levels in elementary occupations, skilled trades and plant and machine operative occupations. Between the three months to March 2008 and the same period in 2009 employment in elementary occupations fell by 151,000, skilled trades fell by 121,000 and plant and machine operative occupations fell by 72,000. There was also a smaller fall in employment in sales and customer services occupations for men of 43,000.

Women's employment levels fell most in associate professional and technical occupations (90,000), administration and secretarial occupations (62,000) and elementary occupations (54,000). There were smaller reductions on the year for women's employment in process, plant and machine operative occupations (30,000) and skilled trades (21,000).

The LFS also indicates that there were increases in employment of professionals of both sexes as well as increases of people employed in personal service occupations. The increase for women was much larger in personal service occupations (142,000 on the year to January to March 2009) than the reductions in women's employment seen in other occupations. This fits with the increase seen in jobs in the education, health and public administration industry for women, as the personal services

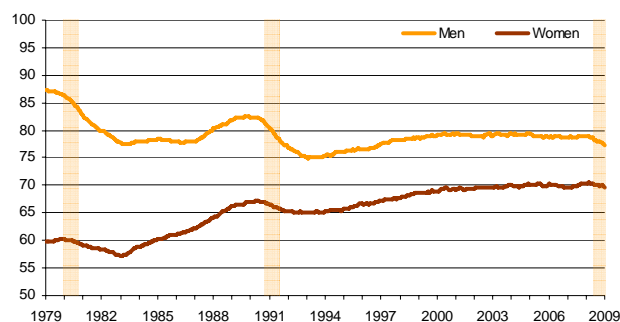
occupational group includes, amongst others, jobs related to healthcare, childcare and education.

Over the past three decades there have been significant changes in the composition and structure of the workforce. The proportion of men employed has reduced substantially, whilst the proportion of women employed has increased by a similar amount (around 10 per cent). **Figure 4.3** shows that at the start of 1979 the proportion of men below state pension age who were in employment was 87.3 per cent whilst the employment rate for women was 59.7 per cent, a difference of 27.6 percentage points. In the three months to March 2009 the employment rate for men was 77.2 per cent while for women it was 69.6 per cent, a difference of 7.7 percentage points.

Over the period, most of the narrowing between male and female employment rates occurred in the 1980s but the trend continued, albeit at a lesser rate, in the 1990s and in more recent years.

Figure 4.3 Employment rate: by Sex¹, January to March 1979 to January to March 2009

United Kingdom
Percentages, seasonally adjusted



Source: Labour Force Survey

¹ Men aged 16 to 64 and Women aged 16 to 59

The impact of previous recessions on men and women's employment rates can also be seen in Figure 4.3. For example, in the period of economic growth between the recessions of the 1980s and the early 1990s the male and female employment rates both increased. However, the recession of the early 1990s caused the employment rate to fall more for men than it did for women. The employment rate for men peaked at 82.5 per cent in the three months to February 1990 and fell by 7.5 percentage points to a low of 75.0 per cent in the three months to September 1993, before it started to pick up again as the economy recovered. In contrast, the female employment rate fell from 67.2 in the three months to August 1990 to 65.0 per cent in the three months to March 1993, a 2.2 percentage point fall.

Table 4.3

Redundancy rates¹ by industry² and sex

United Kingdom

Per thousand employees, not seasonally adjusted

	All jobs A-Q	Agriculture, forestry & fishing A,B	Mining, energy & water supply industries C,E	Manufacturing industries D	Construction F	Distribution, hotels & restaurants G-H	Transport & comms. I	Finance & Business Services J-K	Education, health and public admin ³ L-N	Other services O-Q	Total services G-Q
Men											
Jan-Mar 08	6.4	*	*	9.1	11.9	6.6	*	6.8	*	*	5.0
Jan-Mar 09	15.1	*	*	22.5	34.4	15.1	13.5	15.0	*	*	10.3
Change on year	8.7	*	*	13.4	22.5	8.5	*	8.2	*	*	5.2
Women											
Jan-Mar 08	2.9	*	*	*	*	*	*	5.7	*	*	2.6
Jan-Mar 09	8.3	*	*	17.2	*	13.2	*	15.6	*	*	7.4
Change on year	5.4	*	*	*	*	*	*	9.9	*	*	4.8

Source: Labour Force Survey

1 The redundancy rate is based on the ratio of the redundancy level for the given quarter to the number of employees in the previous quarter, aged 16 and over, multiplied by 1,000.

2 Standard Industrial Classification 1992

3 Education health and public administration includes both public and private sectors.

* Sample size too small for reliable estimate.

Redundancies

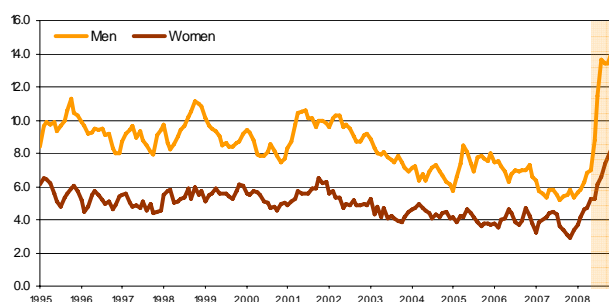
The shedding of jobs over the past year has affected both men and women but estimates so far indicate that a higher proportion of men have been made redundant than women during the recession. The redundancy rate for men in the three months to March 2009 was 14.1 per 1,000 employees, compared with that of women's which was 8.3 per 1,000 employees. This compares to redundancy rates of 5.8 per cent in the three months to March 2008 for men and 2.9 per cent for women (see Figure 4.4). The increase on the year for redundancy rates for men was therefore 8.3 per 1,000 employees but for women it was 5.4 per 1,000 employees.

Figure 4.4

Redundancy rate: by Sex¹

United Kingdom

Per 1,000 employees, seasonally adjusted



Source: Labour Force Survey

1 Male and female employees aged 16 and over

The latest quarterly increases in redundancy rates do, however, show that the men's redundancy rate increased at a slower rate

than men's. The redundancy rate for men increased by 0.5 per 1,000 employees between the three months to December 2008 and the three months to March 2009 whilst for women it increased by 1.7 per 1,000 employees.

Job losses have been seen across the entire economy, but estimates of redundancies show that they have been highest concentrated in the construction and manufacturing industry where men are more likely to work than women. Table 4.3 shows the redundancy rates and the change between the three months to March 2008 and 2009 by industry and sex.

Unemployment

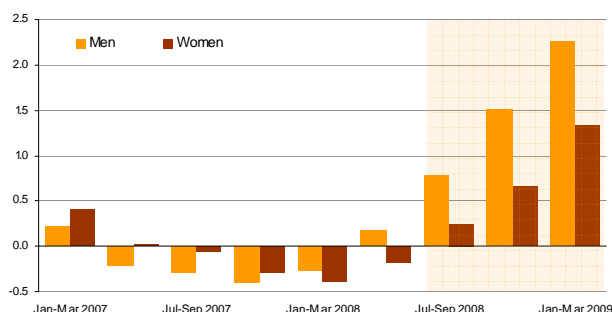
During 2008 and early 2009, unemployment rates for men grew at a faster pace than for women. The unemployment rate for men was 7.8 per cent in the three months to March 2009, up 0.9 percentage points on the previous quarter and up 2.3 percentage points on the same period the year before. This contrasts with the unemployment rate for women which stood at 6.1 per cent, up 0.6 percentage points on the previous quarter and up 1.3 percentage points on the year (see Figure 4.5).

The increase in the unemployment rate in recent months has mainly been driven by people who have only been unemployed for a short period of time. The largest increase in the unemployment rate has been in the up to 6 months category, which contributed almost two thirds of the change for the three months to March 2009 compared with the same period a year before. The largest increases were for men rather than women; men made up 70 per cent of the increase on the year in the number of people unemployed for less than six months.

Figure 4.5

Annual change in unemployment rate: by Sex¹

United Kingdom
Percentage point change, seasonally adjusted



Source: Labour Force Survey

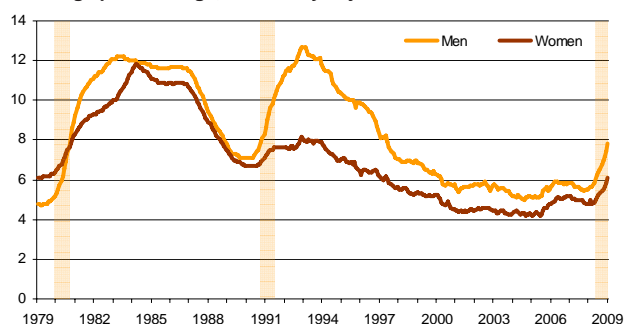
¹ Men and Women aged 16 and over

Unemployment rates for men and women over the past three decades have followed similar cyclical trends, but the recessions of the 1980s and 1990s had a greater impact on men. The 1980s recession resulted in a sharp increase in the unemployment rate for men, which overtook the rate for women in the latter half of 1980 and has stayed above it ever since. The 1990s recession resulted in male unemployment rates increasing more than female unemployment rates to a much higher level (see Figure 4.6). Men's unemployment rates increased from 7.1 per cent in the three months to July 1990 to 12.7 per cent in the three months to March 1993. This compares with women's unemployment rates that increased from 6.7 per cent in the three months to September 1990 to 8.1 per cent in the three months to February 1993.

Figure 4.6

Unemployment rate: by Sex¹, January to March 1979 to January to March 2009

United Kingdom
Percentage point change, seasonally adjusted



Source: Labour Force Survey

¹ Men and women aged 16 and over

Notes and further reading:

1. Estimates of public and private sector employment are taken from Table 4 in the Labour Market Statistics First Release. These estimates are ONS's preferred measure of public sector employment as they are taken from employers records and are in line with National Accounts definitions.
2. Estimates of public sector employment from the Labour Force Survey (LFS) are available from the LFS historical quarterly supplement. The LFS is known to overestimate the number of people in the public sector according to National Accounts definitions due to misreporting from respondents.

Inactivity

In the three months to March 2009 the working age economic inactivity rate for men was 16.1 per cent whilst for women it was 25.7 per cent. The rates for both men and women have remained fairly stable in the past year with only small changes when compared with changes in unemployment and employment rates. During periods of economic decline it is possible for workers, pessimistic about their job chances, to become discouraged from actively seeking work. Estimates from the LFS do not yet indicate that workers have become discouraged. Only a very small proportion 0.6 per cent of workers gave 'discouragement' as the reason for their inactivity. This can be explained by the fact that most of the increases in unemployment have been for the short term unemployed (see above). Other reasons for inactivity include, looking after the family / home, student, temporary and long term sick and retirement. Whether there will be an increase in inactivity because of the discouraged worker effect and whether it impacts more on men than women remains to be seen.

Over the last four decades economic inactivity rates for men have increased while for women they have declined. Estimates indicate that the recessions of the early 1980s and early 1990s increased the inactivity rates for both men and women, but the increases were larger for men than women. Men's working age inactivity rates increased from 11.2 per cent in the three months to April 1990 to 14.5 per cent in the three months to October 1993. This compares with women's working age inactivity rates that increased from 27.9 per cent in the three months to September 1990 to 29.3 per cent in the three months to July 1992.

Conclusion

Overall, the changes in the labour market in the most recent recession have, so far, impacted more on men than women. The changes in the employment rate have been different for men than women, with men showing larger decreases in the year to March 2009. This can be partly explained by the fact that men are more likely to work in the private sector than women and also the types of industries they work in and occupations they have vary. There have also been larger increases in the redundancy and unemployment rates for men compared with women in the past year.

Impact by age group

- Employment rates for young people not in full-time education have fallen more steeply than for those in full-time education, although employment rates for both groups have been falling since before the start of the recession.
- Employment rates for people over state pension age have continued to rise, driven by increasing employment rates for women: over the year to March 2009, rates for women aged 60 and 60 increased by 0.5 percentage points.
- Young people have experienced the largest percentage point increase in unemployment rates compared with other age groups: in the year to March 2009, unemployment rates for 18-24 year olds increased by just under 4 percentage points to 16.1 per cent. However, people aged 25-34 experienced the largest percentage increase in unemployment levels, compared with other age groups below state pension age.
- Claimant proportions have increased for all age groups but young people were still the most likely to be claiming Jobseekers Allowance: in March 2009, 7.6 per cent of 18-24 year olds were claiming.
- Redundancy rates for young people have increased more than for older age groups: in the three months to March 2009, the rate for 16-24 year olds was 12.7 points higher than the previous year compared to a rise of 7.6 points for 25-34 year olds.
- Graduates and others with higher education qualification were the least likely to be made redundant and for most age groups, redundancy rates were relatively high among people with no qualifications.

Chapter 5

The previous chapter examined the impact of the current recession on men and women. This chapter looks at the impact on different age groups.

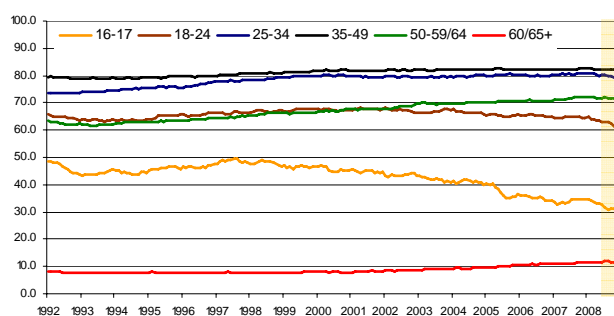
Employment

Estimates of employment rates by age group are available from the Labour Force Survey (LFS) on a seasonally adjusted basis for each rolling three month period back to 1992. These show that employment rates have decreased for each age group below state pension age during the current recession (see **Figure 5.1**).

Figure 5.1

Employment rates by age: March to May 1992 to January to March 2009

United Kingdom
Percentages, seasonally adjusted



Source: Labour Force Survey

Young people

Young people have experienced the largest decrease in employment rates, compared with other age groups. In the three months to March 2009, employment rates for 16-17 and 18-24 year-olds were down 3.9 percentage points on the previous year, at 30.6 per cent and 60.6 per cent respectively. However, it is important to note that employment rates for young people had already been following a downward trend for several years before the recession. The employment rate for 16-17 year-olds has been declining since the late 1990s while the rate for 18-24 year-olds has been declining since 2002 (see **Figure 5.1**). This partly reflects an ongoing upward trend in the number and proportion of young people participating in full-time education, bearing in mind that full-time students are more likely to be economically inactive and less likely to be in employment than those who are not full-time students.

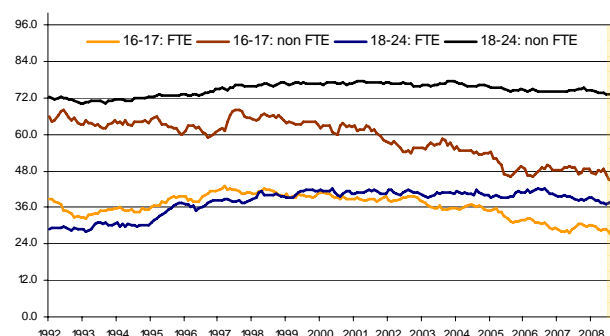
A breakdown by education status shows that employment rates both for full-time students and for those who are not full-time students have decreased during the current recession. In the three months to March 2009, the employment rate for 16-17 year-olds not in full-time education was 5.2 percentage points lower than

the previous year and the rate for 18-24 year-olds not in full-time education was down 3.6 percentage points. Over the same period, employment rates for 16-17 and 18-24 year-olds in full-time education decreased by 2.9 and 3.8 percentage points respectively. However, it is important to note that employment rates for each of these subgroups were already following a downward trend before the current recession, as illustrated in **Figure 5.2**. It is therefore unclear to what extent the recent fall in employment rates for young people is caused by the current recession, or whether other factors are involved.

Figure 5.2

Employment rates for young people by education status and age: March to May 1992 to January to March 2009

United Kingdom
Percentages, seasonally adjusted



Source: Labour Force Survey

People aged 25 to state pension age

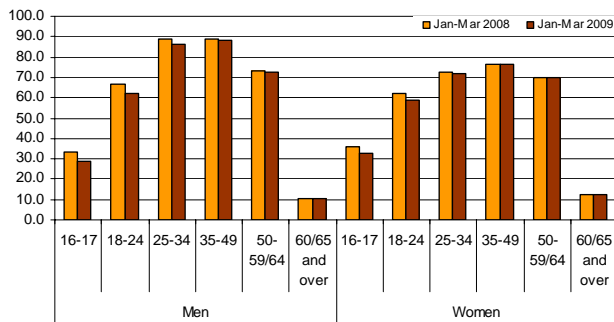
Employment rates for people aged between 25 and State Pension age had been increasing fairly steadily since the early 1990s but this upward trend has started to reverse during the current recession. In the three months to March 2009, the employment rate for 25-34 year-olds (at 79.3 per cent) was down 1.5 percentage points on the previous year. Employment rates for 35-49 and 50-59/64 year olds (at 82.1 per cent and 71.7 per cent respectively) were each down 0.4 percentage points over the same period (see **Figure 5.1**). The change figures for these age groups mainly reflect a fall in employment rates among men, as illustrated in **Figure 5.3**. In the three months to March 2009, the employment rate for men aged 25-34 was down 2.2 percentage points on the previous year, while the employment rate for women in this age group decreased by 0.7 percentage points. The employment rate for men aged 35-49 was down 0.8 percentage points on the previous year, while the employment rate for women aged 35-49 decreased by 0.1 percentage points. Among people aged between 50 and State pension age, the employment rate for men was down 0.6 percentage points on the previous year while

the employment rate for women increased by 0.1 percentage points.

Figure 5.3

Employment rates by age and sex: January to March 2008 and January to March 2009

United Kingdom,
Percentages, seasonally adjusted



Source: Labour Force Survey

People aged over state pension age

In contrast to the recent downward trend in employment rates for the working-age population, the proportion of people over state pension age in employment has continued to rise. In the three months to March 2009 the employment rate for this age group increased by 0.2 percentage points on the previous year to reach 11.8 per cent (see **Figure 5.1**). This was driven by an increase in employment among women. The employment rate for women aged 60 and over increased by 0.5 percentage points over the year, while the employment rate for men aged 65 and over decreased by 0.3 percentage points (see **Figure 5.3**).

Unemployment

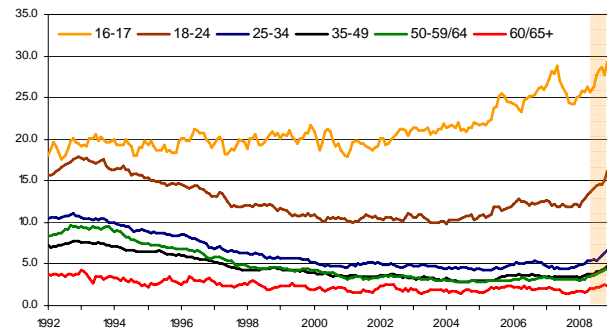
Estimates of unemployment rates by age group are available from the Labour Force Survey (LFS) on a seasonally adjusted basis for each rolling three month period back to 1992. These show that the overall rise in unemployment rates during the current recession reflects an increase in unemployment across all age groups (see **Figure 5.4**). Young people experienced the largest increase in unemployment rates in percentage point terms, compared with other age groups. The unemployment rates for 16-17 year-olds had fallen during the second half of 2007 but has increased again since then. In the three months to March 2009, over a quarter of economically active 16-17 year olds (29.3 per cent) were unemployed. This figure is 5.1 percentage points higher than the previous year. The unemployment rate for 18-24 year-olds had been fairly stable for about two years leading up to the current recession but has increased since then. In the three months to

March 2009, the unemployment rate for this age group (at 16.1 per cent) was up 3.9 percentage points on the previous year.

Figure 5.4

Unemployment rates by age: March to May 1992 to January to March 2009

United Kingdom
Percentages, seasonally adjusted



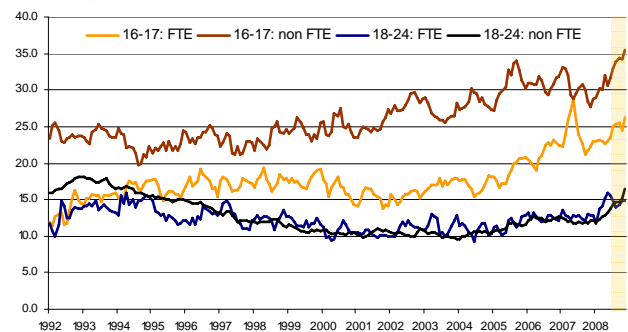
Source: Labour Force Survey

A breakdown by education status shows that unemployment rates have increased both for young people who are full-time students and for those who are not full-time students. In the three months to March 2009, the unemployment rate for 16-17 year-olds not in full-time education (at 35.4 per cent) was 7.8 percentage points higher than the previous year and the rate for 18-24 year-olds not in full-time education (at 16.4 per cent) was up 4.3 percentage points. Over the same period, unemployment rates for 16-17 and 18-24 year-olds in full-time education increased by 3.9 and 2.0 percentage points respectively (see **Figure 5.5**).

Figure 5.5

Unemployment rates for young people by education status and age: March to May 1992 to January to March 2009

United Kingdom
Percentages, seasonally adjusted



Source: Labour Force Survey

Unemployment rates among people aged 25 and over have also increased during the current recession, but to a lesser extent than for younger people. For example, in the three months to March 2009, the unemployment rate for 25-34 year-olds (at 6.7 per cent) was up 2.1 percentage points on the previous year, while unemployment rates for those aged 35-49 (4.7 per cent), 50-59/64

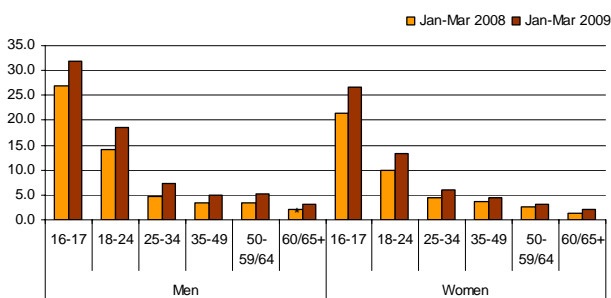
(4.5 per cent) and 60/65+ (2.4 per cent) increased by 1.3 percentage points, 1.4 percentage points and 0.9 percentage points respectively. Prior to the current recession, unemployment rates for these age groups had been either stable or falling (see **Figure 5.4**).

Although young people experienced the largest percentage point increase in unemployment rates, the percentage increase in unemployment levels for young people was smaller than for others below state pension age. In the three months to March 2009, unemployment levels for 16-17 year-olds and 18-24 year-olds increased by 13.3 per cent and 32.1 per cent on the previous year, while the unemployment level for all people below state pension age increased by 36.1 per cent. People aged 25-34 experienced the largest percentage increase in unemployment levels, compared with other age groups below state pension age, at 47.1 per cent.

As mentioned in the previous chapter, unemployment rates have increased for both men and women during the current recession but the increase has been greater for men than for women. This applies to most age groups below State Pension age, as illustrated in **Figure 5.6**. The 16-17 year-old age group is an exception to the general pattern. In the three months to March 2009 the unemployment rate for women aged 16-17 was 5.2 percentage points higher than the previous year, while the unemployment rate for men in this age group rose by 5.1 percentage points.

Figure 5.6 Unemployment rates by age and sex: January to March 2008 and January to March 2009

United Kingdom
Percentages, seasonally adjusted



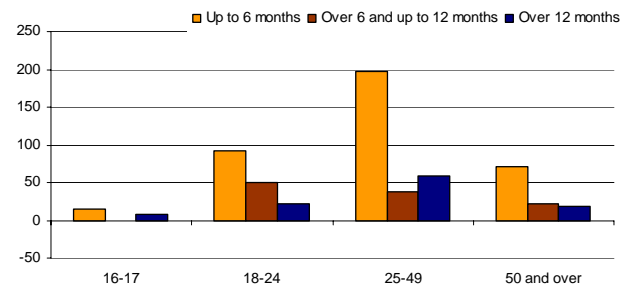
Source: Labour Force Survey

Within each age group, the recent increase in unemployment mainly reflects an increase in the number of people who have been unemployed for less than 6 months (see **Figure 5.7**). In the three months to March 2009, 72.4 per cent of unemployed 16-17 year-olds had been unemployed for less than 6 months. The equivalent figures for people aged 18-24, those aged 25-49 and those aged 50 and over were 63.4 per cent, 58.4 per cent and 52 per cent respectively. People aged 50 and over were more likely than those in other age groups to be long-term unemployed (31

per cent). This proportion is 6.9 percentage points lower than the previous year.

Figure 5.7 Annual change in unemployment levels by age and duration: change on year to January to March 2009

United Kingdom
Thousands, seasonally adjusted

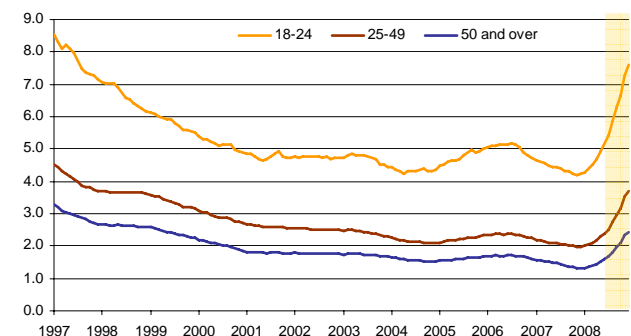


Source: Labour Force Survey

The proportion of people of all age groups claiming Jobseekers' Allowance had been falling over the previous couple of years but have increased since early 2008 (see **Figure 5.8**). In March 2009 the claimant proportion for 18-24 year olds was 7.6 per cent, an increase of 3.4 percentage points from March 2008. The claimant proportions for 25-49 year olds and for those aged 50 and over, at 3.7 per cent and 2.4 per cent in March 2009, were up by 1.7 and 1.1 percentage points respectively compared with the previous year.

Figure 5.8 Claimant count¹ proportions by age: April 1997 to March 2009

United Kingdom
Thousands, computerised claims, seasonally adjusted



¹ Count of claimants of unemployment-related benefits, ie. Jobseeker's Allowance as a proportion of resident population. Clerically processed claims (which currently amount to around 0.5 per cent of the total claimant count) are not included.

Source: ONS Claimant Count

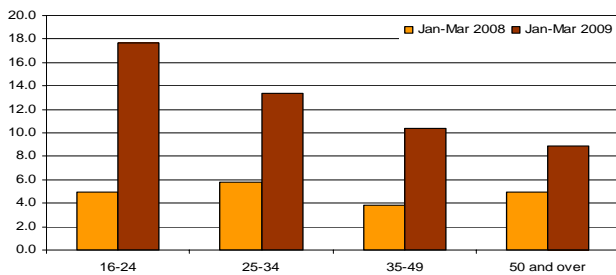
Redundancies

The overall increase in redundancy levels and rates during the current recession reflects an increase in redundancies across all age groups.

Young people have experienced the highest redundancy rates, and the largest increase in redundancy rates, compared with older age groups. In the three months to March 2009, the redundancy rate for 16-24 year-olds was 17.7 per 1,000 employees (12.7 points higher than the previous year). The redundancy rate for 25-34 year-olds was also relatively high, at 13.4 per 1,000 employees (7.6 points higher than the previous year). This compares with redundancy rates of 10.4 per 1,000 employees for people aged 35-49 and 8.9 per 1,000 employees for those aged 50 and over (see **Figure 5.9**).

Figure 5.9
Redundancy rates¹ by age: January to March 2008 and January to March 2009

United Kingdom
Per 1,000 employees, not seasonally adjusted



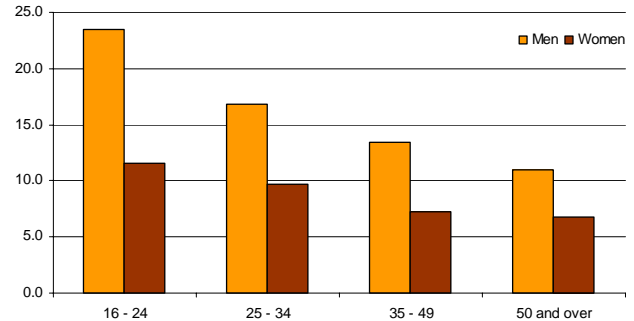
¹ The redundancy rate is based on the ratio of the redundancy level for the given quarter to the number of employees in the previous quarter, multiplied by 1,000.

Source: Labour Force Survey

As mentioned in the previous chapter, the latest estimates from the LFS indicate that fewer women than men have been made redundant during the current recession. This appears to be the case across all age groups, as illustrated in **Figure 5.10**. The difference between male and female redundancy rates for the 16-24 age group is particularly large. In the three months to March 2009, the redundancy rate for men aged 16-24 was 23.5 per 1,000 employees, compared with a rate of 11.6 per 1,000 employees for women in this age group.

Figure 5.10
Redundancy rates¹ by age and sex: January to March 2009

United Kingdom
Per 1,000 employees, not seasonally adjusted



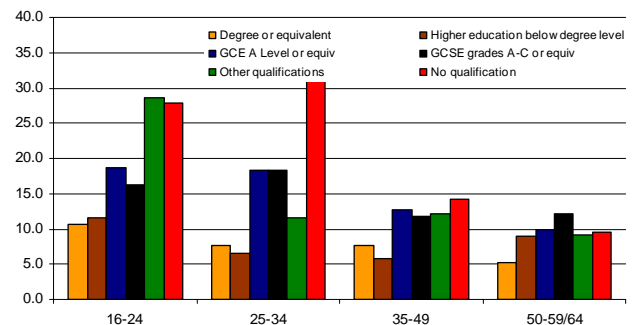
¹ The redundancy rate is based on the ratio of the redundancy level for the given quarter to the number of employees in the previous quarter, multiplied by 1,000.

Source: Labour Force Survey

Estimates of redundancy rates by highest qualification level, covering the working-age population, are available from the LFS microdata. Results for the three months to March 2009 indicate that, for each age group below state pension age, graduates and others with higher education qualifications were the least likely to have been made redundant. For most age groups, redundancy rates were relatively high among people with no qualifications. People aged 25-34 with no qualifications had the highest redundancy rates, at 33.6 per 1,000 employees (see **Figure 5.11**).

Figure 5.11
Redundancy rates¹ by age and highest qualification level: January to March 2009

United Kingdom
Per 1,000 employees, not seasonally adjusted



¹ The redundancy rate is based on the ratio of the redundancy level for the given quarter to the number of employees in the previous quarter, multiplied by 1,000.

Source: Labour Force Survey

Within most age groups, redundancy rates are highest in the construction industry. In the three months to March 2009, the redundancy rate for construction workers aged 16-24 was particularly high, at 46.4 per 1,000 employees. The redundancy rate for 16-24 year-olds in the manufacturing sector was also relatively high, at 32.8 per 1,000 employees.

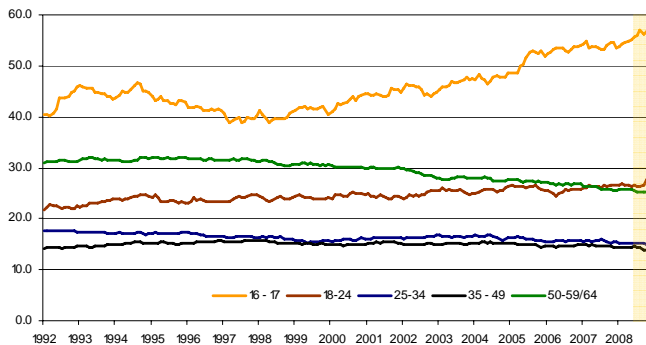
Economic inactivity

So far, the recession has had little or no impact on economic inactivity rates for the working-age population as a whole and this appears to be the case for individual age groups also. Inactivity rates for young people were following an upward trend before the current recession started and have continued to rise since then, partly due to an ongoing upward trend in the number and proportion of young people participating in full-time education. Inactivity rates among other age groups were following a downward trend before the current recession and have continued on that path since then (see **Figure 5.12**).

Figure 5.12

Working age economic inactivity rates by age: March to May 1992 to January to March 2009

United Kingdom,
Percentages, seasonally adjusted



Source: Labour Force Survey

Conclusion

Looking at patterns of employment, unemployment and inactivity by age has highlighted some long term trends by age. These include a decline in employment rates for young people, influenced by the increasing participation in full-time education, and an increase for older people, driven by more women working. Young people have experienced the largest percentage point rise in unemployment rates over the past year, reflecting the fact that young people are historically more likely to be unemployed than other age groups. However, 25-34 year-olds have experienced the largest increase in unemployment levels, compared with other age groups below state pension age. Clearly recent changes in key indicators have been occurring across all age groups and it is perhaps too early to tell whether some groups are fairing better than others.

Impact by households

Chapter 6

- Between the three months to December 2007 and the same period in 2008, the number of households where all adults are working increased by 88 thousand. The number of households where no adults are working increased by 100 thousand and there was a fall of 125 thousand in households that include a mixture of working and non-working adults (Table 6.1).
- In the three months to December 2008 the workless rate, which is the percentage of total households that are workless stood at 16.2 per cent, up 0.5 percentage points from a year earlier (Table 6.1). The trend in the workless rate follows that of the unemployment rate (Figure 6.1).
- Of the increase in workless households, couple households without dependent children had the biggest increase over the year (up 5.8 per cent). For the sub-groups of households with dependent children, there was an increase of 0.9 percentage points in the workless rate of couples with dependent children. Over the same period, the workless rate for lone parents with dependent children fell by 2.9 percentage points, continuing the trend of the last decade (Table 6.2).
- Most of the increase in the working household rate between 2007 and 2008 was in London, where the percentage of households in which every adult works increased by 3.8 percentage points. The North East and East Midlands had the biggest rises in the workless household rate (1.3 percentage points). London and Wales were the only regions to experience a fall in the workless rate (Table 6.3).
- The increase in working households between 2007 and 2008 occurred particularly in rented and rent-free households, up by 1.7 percentage points. Owner-occupied households had an increase in the workless rates of 0.6 percentage points over the same period (Table 6.4).
- Of households in the sample in both years of the survey, the increases in working and workless households were mostly from those that were previously a mixed household where at least one adult worked and others were inactive (Figure 6.2).

So far this publication has considered the impact of the recession on individuals. However considering individuals alone does not assess the full impact on households and families as the distribution of employment, unemployment and inactivity can be uneven. With rising unemployment, more families find the main breadwinner looking for a job and there are more workless households (where no adults are in work). Also those already in workless households are likely to find it even harder to get into training and work. This can cause long-term social damage as more households are disconnected from the world of work and communities. Another outcome is that more households can become reliant on benefits.

This chapter considers information from the Labour Force Survey (LFS) household datasets, designed specifically to provide statistics at the household and family level. Calculating estimates based on the household reference person identifies unique households. Most of the analysis will compare the changes between the three months to December 2008 and the same period in 2007.

First this chapter considers the number of households in the United Kingdom by the working status of the household. Secondly it focuses on households that are workless, comparing the workless rate with the unemployment rate, and then it looks at how the distribution of workless households differ among the many different types of household. Thirdly it looks at variations in working status by region and by housing tenure. Finally it looks at households which are in the sample for both years of the survey to identify flows between working, mixed and workless households.

Unlike the main person datasets, which are available quarterly, the household datasets only cover the second (April to June) and fourth (October to December) quarters of each year. Therefore unlike the other chapters in this publication, there is no information for the three months to March 2009. In the three months to December 2008 there were 25.8 million households, of which 19.4 million (75.4 per cent) included at least one person below state pension age. Throughout the rest of this article, analysis will only cover these below state pension age households, and 16 and 17 year olds will be included as adults.

There are three categories of households:

- all adults working (working household)
- no adults working (workless household)
- a mixture where some are working and some are not (mixed household).

For some households the economic status for all individuals is unknown because of non-response by one or more members of the household. To overcome this, an adjustment (see technical note) of estimates by household type is made so they sum to the total number of households.

Table 6.1 shows the number and percentage of households by the working status of individuals living within them. Comparing the three months to December 2007 and the same period in 2008, the number of workless households has increased by 100 thousand to reach 3.2 million. There has also been an increase of 88 thousand in the number of working households, to 11.3 million. There was a large fall of 125 thousand in the third group, where some adults are working and some are not, to stand at 5.0 million. This group can be further subdivided to those containing individuals who are:

- employed and unemployed (a)
- employed and inactive (b)
- employed, unemployed and/or inactive (c)

There have been increases in the number of households within groups (a) and (c) while the employed and inactive group (b) has fallen by 237 thousand. This would suggest that over the twelve month period, more individuals are choosing to move from the inactive group and either look for work or enter employment. If all individuals find employment they would move to the working household group, explaining the rise in the working households.

As the number of households can vary from one period to the next, a rate is a useful statistic to compare periods. The rate is the percentage of households in each group compared to the total number of households of that group. For example the workless rate is the percentage of households with no adults in work. Between 2007 and 2008, the working rate increased by 0.3 percentage points, to 58.0 per cent in the three months to December 2008.

Box 1: Definitions used in the LFS

A **household** is defined as a single person or a group of people living at the same address that have the address as their only or main residence, and either share one main meal a day or share the living accommodation or both.

A **below state pension age** household is one that includes at least one man aged 16 to 64 or a woman aged 16 to 59.

A **working household** is one that includes at least one person of working age and all individuals aged 16 and over are in employment.

A **mixed household** is one that includes at least two people of working age and at least one person aged 16 and over is in employment, with at least one other being unemployed or inactive.

A **workless household** is one that includes at least one person of working age and no one aged 16 and over is in employment.

The **household reference person (HRP)** is the person who owns the accommodation, or is legally responsible for the rent, or has the accommodation tied to a job or has the accommodation under a relationship to the owner who is not a member of the household.

Table 6.1

Below state pension age¹ households by working status

United Kingdom

	All adults working	At least one adult is working	No adults working	Total Households
<i>Levels (thousands)</i>				
April - June 1997	9,834	4,971	3,241	18,046
October - December 2007	11,175	5,130	3,054	19,359
October - December 2008	11,263	5,005	3,154	19,422
<i>Change on year</i>	88	-125	100	63
<i>Percentages (%)</i>				
April - June 1997	54.5	27.5	18.0	100.0
October - December 2007	57.7	26.5	15.8	100.0
October - December 2008	58.0	25.8	16.2	100.0
<i>Change on year</i>	0.3	-0.7	0.5	0.0

Source: Labour Force Survey Household datasets

1 A below state pension age household is one that includes at least one man aged 16 to 64 or a woman aged 16 to 59

2 Figures have been adjusted to include estimates for households with unknown economic activity

The mixed rate reduced by 0.7 percentage points to 25.8 per cent, and the workless rate increased by 0.5 percentage points to 16.2 per cent.

Workless rate and unemployment

Figure 6.1 shows the household workless rate (left-hand scale) and the person unemployment rate (right-hand scale) of individuals from 1997 to 2008, covering the three months to June and the three months to December. The trends are similar for both series.

In the three months to June 1997 the percentage of workless households stood at 18.0 per cent. There was a sharp drop to the three months to June 2000, a smaller drop for the same period between 2002 and 2003 and it has fluctuated since then. Considering more recent times, the percentage of workless households has increased, from 15.8 per cent in the three months to December 2007 to 16.2 per cent in the three months to December 2008. This is the largest year on year increase over the past decade.

Types of workless household

Falling demand for labour and the resulting increases in workless households can impact on society in many ways depending on which households are in the workless category. For example, children living in workless households are more susceptible to falling into child poverty, and the Government has a Public Service Agreement to reduce the number of children in poverty. There are also initiatives aimed at helping lone parents back into

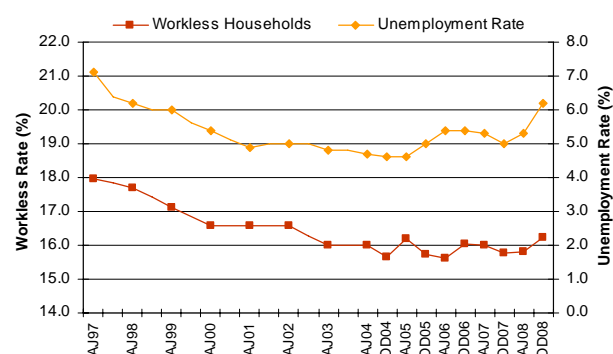
work, and one way of monitoring this is the number of lone parents in workless households.

Table 6.2 shows the number and percentage of workless households by the type of household that people live in, for the three months to December 2007 and 2008. Around a third of workless households are one-person households, a third are households with dependent children, and the remainder are couple

Figure 6.1

Workless household rate¹ and unemployment rate², April - June 1997 to October³ - December 2008

United Kingdom



Source: Labour Force Survey Household and Person Datasets

- 1 Number of below state pension age workless households as a percentage of all households
- 2 Number of people aged 16 and over unemployed as a percentage of the total economically active population.
- 3 October to December data not available prior to 2004

Table 6.2

Workless below state pension age households¹ by type of household

United Kingdom	Levels (thousands)			Percentages (%)		
	2007	2008	% change	2007	2008	% change
All workless households	3,054	3,154	3.3	15.8	16.2	0.5
One-person households	1,064	1,066	0.2	28.3	28.8	0.5
Couple households without dependent children²	646	684	5.8	10.1	10.6	0.6
Couple only (no children or other family units)	547	547	-0.1	12.0	12.1	0.0
Couple with non-dependent children ² and/or other family units	99	137	38.6	5.3	7.2	1.9
All households with dependent children²	1,001	1,024	2.3	13.5	13.6	0.1
Couple households with dependent children	253	306	21.0	4.6	5.6	0.9
Couple with dependent children only (no others)	214	263	22.8	4.7	5.6	1.0
Couple with dependent children, non-dependent children and/or others	39	43	10.7	4.5	5.1	0.6
Lone parents with dependent children	729	696	-4.6	41.2	38.2	-2.9
Lone parents with dependent children only	652	629	-3.5	45.5	42.5	-3.0
Lone parents with dependent children, with non dependent children and/or others	77	67	-13.3	22.8	19.5	-3.2
Others with dependent children	19	22	16.4	53.3	89.4	36.2
Other household types	343	380	11.0	19.3	21.4	2.1

Source: Labour Force Survey Household datasets

1 A below state pension age household one that includes at least one man aged 16 to 64 or a woman aged 16 to 59.

2 Dependent children are children under 16 and those aged 16 to 18 who have never married and in full-time education.

3 Figures have been adjusted to include estimates for households with unknown economic activity.

households without dependent children and other household types. The latter group contains households where there are two or more people but in different families, lone parents without dependent children or two or more families in the household.

For the main groupings, the largest increase in workless households was for couples without dependent children, rising from 646 thousand to 684 thousand (5.8 per cent) over the year. The workless rate increased by 0.6 percentage points to stand at 10.6 per cent. Most of this increase is in households where the household reference person is aged 50 and over. For households that consist of couples only, with no children or other family units, the number of workless households has remained relatively stable.

There was an increase of 2.3 per cent in the number of workless households with dependent children. Within this group, there was a large increase in the number of workless households consisting of couples with dependent children. With 53 thousand more households that are workless over the year, the number increased

by 21 per cent, to 306 thousand in the three months to December 2008. The workless rate increased by 0.9 percentage points. Despite the overall increase in workless households, the number of workless lone parent households with dependent children fell from 729 thousand to 696 thousand (4.6 per cent) over the year. The workless rate fell by 2.9 percentage points to 38.2 per cent and this continues the trend of the last decade (in the three months ending June 1997 it stood at 50.8 per cent).

Region

Economic conditions can differ across the English regions and devolved countries of the UK and any changes in the labour market can also vary. **Table 6.3** shows the percentage of households by working status for Government Office Regions in England, Wales, Scotland and Northern Ireland in 2007 and 2008 for the three months to December. Most of the increase in working households has been in London. Between 2007 and 2008 the percentage of households in which every adult works has increased by 3.8 percentage points to stand at 56.0 per cent. The increase was larger in Inner London than Outer London.

Table 6.3
Below state pension age households¹ by working status and region

Percentages

	All adults working			At least one adult is working			No adults working		
	2007	2008	% change	2007	2008	% change	2007	2008	% change
United Kingdom	57.7	58.0	0.3	26.5	25.8	-0.7	15.8	16.2	0.5
Great Britain	58.0	58.3	0.3	26.3	25.5	-0.8	15.7	16.2	0.5
England	58.1	58.5	0.4	26.6	25.7	-0.9	15.4	15.9	0.5
North East	54.1	55.0	0.9	27.0	24.9	-2.1	18.8	20.1	1.3
North West	56.6	55.1	-1.5	24.9	25.9	1.0	18.5	19.0	0.5
Yorkshire and the Humber	57.9	57.3	-0.6	25.5	25.9	0.5	16.7	16.8	0.1
East Midlands	59.1	60.8	1.7	26.9	23.9	-3.0	14.0	15.3	1.3
West Midlands	55.6	55.1	-0.5	27.7	27.7	0.0	16.7	17.2	0.5
East of England	61.2	61.4	0.1	26.6	26.0	-0.7	12.2	12.7	0.5
London	52.2	56.0	3.8	29.1	26.6	-2.5	18.7	17.4	-1.3
Inner London	52.2	56.9	4.7	25.1	22.5	-2.6	22.7	20.6	-2.1
Outer London	52.1	55.3	3.1	32.1	29.7	-2.4	15.7	15.0	-0.7
South East	62.6	62.5	-0.1	26.5	25.5	-1.1	10.9	12.1	1.2
South West	62.1	61.8	-0.3	24.5	23.7	-0.7	13.5	14.5	1.0
Wales	52.5	53.8	1.3	28.0	27.0	-0.9	19.5	19.2	-0.4
Scotland	60.2	59.4	-0.8	23.3	23.2	-0.1	16.5	17.4	0.9
Northern Ireland	48.8	46.3	-2.5	32.0	34.3	2.3	19.2	19.4	0.2

Source: Labour Force Survey Household datasets

1 A below state pension age household is one that includes at least one man aged 16 to 64 or a woman aged 16 to 59.

2 Figures have been adjusted to include estimates for households with unknown economic activity.

The North East and East Midlands have seen the biggest rises in the workless household rate, up by 1.3 percentage points. The largest fall was in London (1.3 percentage points) with Wales (0.4 percentage points) the only other part of the UK to show a fall in workless households.

Note that **Chapter 3** presents regional analysis at the person level up to the three months to March 2009. For the first quarter of 2009, unemployment rose sharply in London, which would impact on the number of households that are working and workless.

Housing Tenure

Housing tenure refers to the type of arrangement under which someone has the right to live in their home. The number of working, mixed and workless households varies significantly by housing tenure. Owner-occupied households, either outright or through a mortgage or loan, have high working rates and low

workless rates. Rented or rent-free households have much lower working rates and higher workless rates.

Table 5.4 shows the percentage of households by working status and type of housing tenure in 2007 and 2008 for the three months to December. Of those owner-occupied households, around two thirds were working households, with just 7.9 per cent (in 2008) being a workless household. Around a third of rented or rent-free households were workless with 45.5 per cent (in 2008) being working households. Rates of working and workless households vary by the type of rented accommodation. Socially rented households are more than twice as likely to be a workless household as those in privately rented accommodation, with the opposite pattern for working households.

The increase in working households between 2007 and 2008 occurred particularly in rented and rent-free households, up by 1.7 percentage points. Owner-occupied households had an increase in

largest net flows were from the mixed (inactive) to both the working and workless states. The next largest flow was from the working to workless state.

All of the increase to the working state, among the matched group, is from households previously in the mixed (inactive) and mixed (both) states. For around 9 in 10 households who moved from the mixed (inactive) state to working, there was only one inactive adult in the household, who moved into work alongside the other adult in the household. Looking further at the reasons for inactivity for the individuals who began working, around 80 per cent were inactive in the previous year because 'they did not want to work'. The increase in workless households is driven by net flows from the working, and each of the mixed groups, although the mixed (inactive) group provides the largest net flow.

Conclusion

Over the year, which covers two quarters of the recent recession, there was a fall in the number of mixed households, where some adults are working and some are not. This has brought increases in the number of households where all adults are working and where no adults are working. Of the increase in working households this was predominantly in those that were rented or rent free, while owner occupied households had the largest increase in workless households.

Of those households that are workless, there was a large increase over the year for couple households with dependent children while for lone parents with dependent children there was a decrease. Regionally, London had the largest increase in households where all adults are working and also a fall in households where no adults are working. Although the analysis in this chapter only covers up to the end of 2008, Chapter 3 described how unemployment rose sharply in London during the first quarter of 2009.

Technical note - Adjustment for unknown economic activity

In the LFS household datasets some households include people with unknown economic activity status. Not adjusting for these will underestimate the numbers of working, mixed and workless households. An investigation into the effect of treating households with unknown economic activity has on the estimates showed the characteristics of 'unknown' households were similar to 'known' households with each household type category. The adjustment method involves dividing all households according to household type and within each household type category, assigning the unknown households to the same distribution of the known households.

Sources and further reading

Work and worklessness Among Households First Release at www.statistics.gov.uk/statbase/Product.asp?vlnk=8552