

LONDON'S LABOUR MARKET DURING THE RECESSION

Introduction

- 1.1 This summary presents key Labour Market statistics showing the effects of the recession on overall unemployment numbers in London and in particular those claiming unemployment related benefits.
- 1.2 The bulk of the analysis is based on administrative data showing those claiming unemployment related benefits and JobCentre vacancies. This is supplemented by the Labour Force Survey (LFS) and Annual Population Survey (APS), a large sample survey of UK households, carried out by the Office for National Statistics – these surveys provide figures for all unemployed and not just those eligible to claim benefits.
- 1.3 The LFS and APS are designed to collect a wide range of demographic and socio-economic data about the population and is the main sources of inter-censal data about UK residents and their labour market position. Data presented below refer to the working age population¹ unless otherwise specified and all percentages are rounded to the nearest percentage point.
- 1.4 As these are sample surveys, all figures are estimates not precise measures and are subject to a degree of sampling variability. This means data need to be interpreted with some care, especially statistics relating to London boroughs.
- 1.5 JSA claimant count figures are based on a 100 per cent count from an administrative system and therefore detailed analysis by gender, age, ethnicity and occupation are possible.

Overall unemployment trends

- 1.6 Figure 1 shows overall unemployment² trends for London and the country as a whole - comparing both the LFS and claimant count side by side. The latest figures for May 2009 show that London has nearly the same rate as the country as a whole. One year ago London's claimant count proportion stood at 2.6 per cent compared to 2.2 per cent – therefore the rate for London has increased by

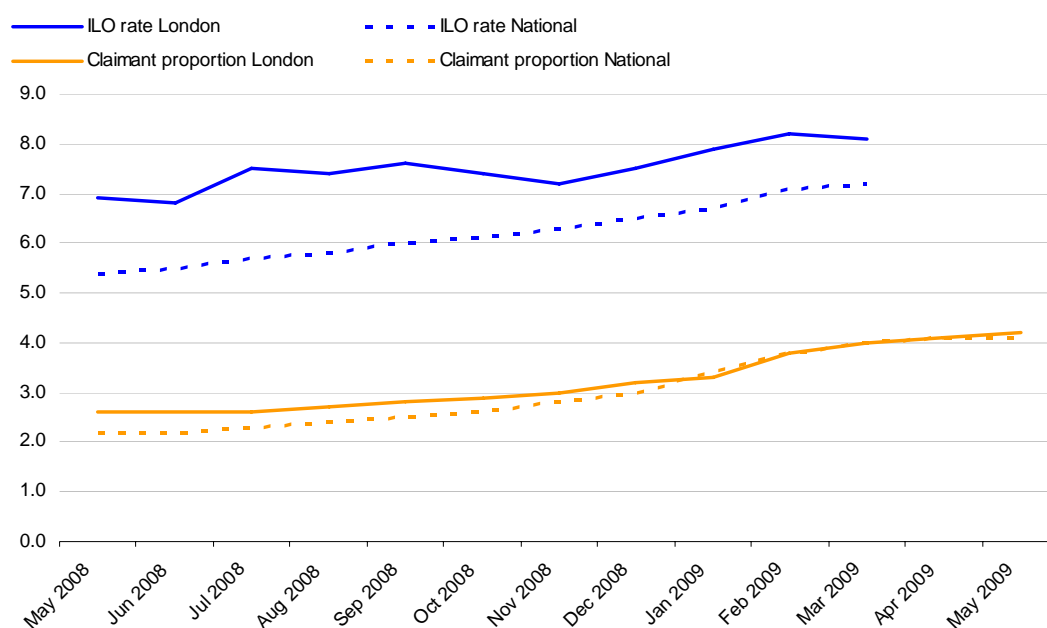
¹ 16-59 for women and 16-64 for men.

² The definition of unemployment used in the LFS is the International Labour Organisation's (ILO) measure of unemployment that refers to people without a job who were able to start work in two weeks following their LFS interview and who had either looked for work in the four weeks prior to interview or were waiting to start a job they had already obtained.

1.6 percentage points over the last year compared to national increase of 1.9 percentage points. The rate according to the LFS stood at 8.1 per cent for London for the quarter Feb-Apr 2009 compared to a rate of 7.2 per cent for the UK - a significant difference. The claimant count proportions as shown here are lower than the LFS unemployment rate as we have counted unemployment as a proportion of the population. The ONS states the claimant count rate for London as 4.2 per cent as a proportion of people who work in London plus the unemployed – but this included in-commuters in the base. A current figure for the claimant count rate that is comparable to the LFS unemployment rate is 5.3 per cent, taking only Londoners in the base. However, the change over the year is similar to that of the claimant count in that the rate for the country as a whole has increased at a slightly faster rate (see Figure 1)

Figure 1: Unemployment trends: comparison of LFS and Claimant count rates, London and national

Source: Claimant count and Labour Force Survey, ONS



Unemployment by gender

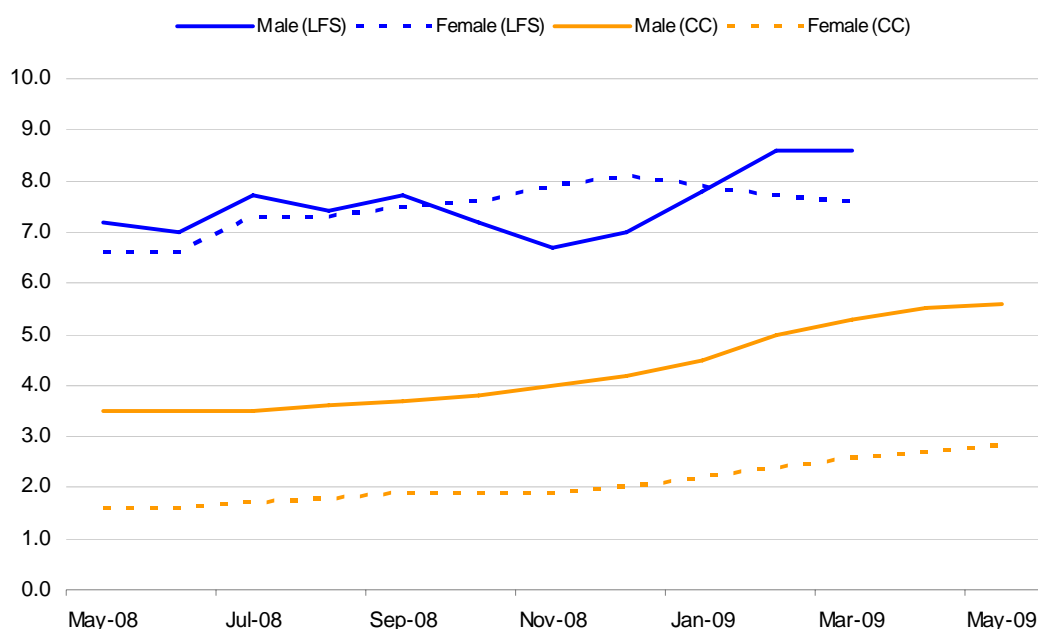
- 1.7 Figure 2 shows the rates by gender. From May 2008 to May 2009 the claimant rate increased by 2.1 percentage points for males and 1.2 points for females – again these patterns are repeated if looking at the ILO rate from the LFS. The latest ILO figures gives us rates of 8.6 per cent and 7.6 per cent for men and women respectively in London – compared to rates of 8.1 and 6.2 percent for the

country as a whole. Over the year the unemployment rate for men has increased at a faster rate than that of women – this is the case for both sources.

- 1.8 It is important to note that the unemployment rate for men and women is of a similar magnitude. However, the claimant count proportions differ strongly. This is largely an artefact of the household basis of income-based benefits meaning that unemployed women are less likely to be paid benefits, and therefore are less likely to claim.

Figure 2: Unemployment trends: comparison of LFS and Claimant count proportions, London by gender

Source: Claimant count and Labour Force Survey, ONS



Unemployment by age

- 1.9 A third of all claimants are aged 20 to 29 in both London and Great Britain. Nationally ten per cent of claimants are aged under 20 compared to seven per cent in London. In London 45 per cent of claimants are aged 30 to 49, compared to 40 per cent in Great Britain: whereas the percentage aged over 50 is roughly the same at 15 and 16 per cent respectively – see figure 3.

- 1.10 Figure 4 shows claimant rates by age for London and Great Britain. For age groups up to 40 the claimant rate is higher nationally compared to London – whereas claimant rates for older groups are higher in London. The claimant rate

for those aged 40 to 49 in London was 4.3 per cent compared to 3.5 per cent in the country as a whole. For those aged 50 to pensionable age the rate is 3.4 per cent compared to 2.7 per cent in Great Britain.

- 1.11 The percentage increase in claimants compared to one year ago is presented in figure 5. For all age groups there was a significant difference when comparing London to the rest of the country. There was an average 90 per cent increase for age groups above 20 years of age for Great Britain. The highest percentage increase in London occurred for 20 to 29 year olds with a 74 per cent increase.

Figure 3: Unemployment by age: percentage of total

Source: Claimant count May 2009

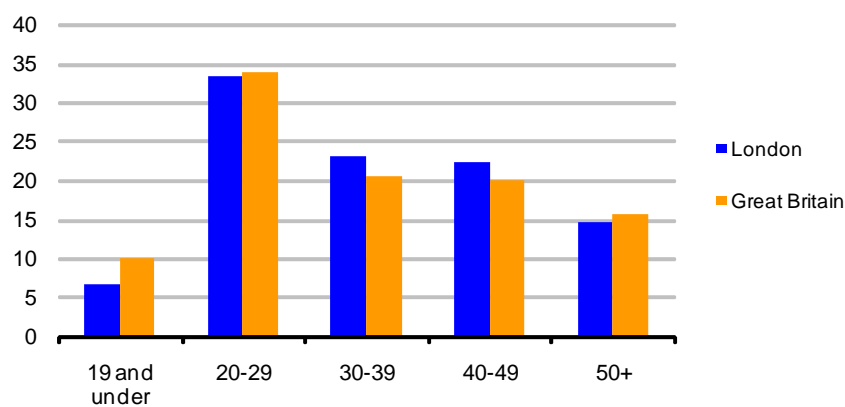


Figure 4: Unemployment by age: claimant proportions

Source: Claimant count May 2009 and ONS 2007 mid-year population estimates

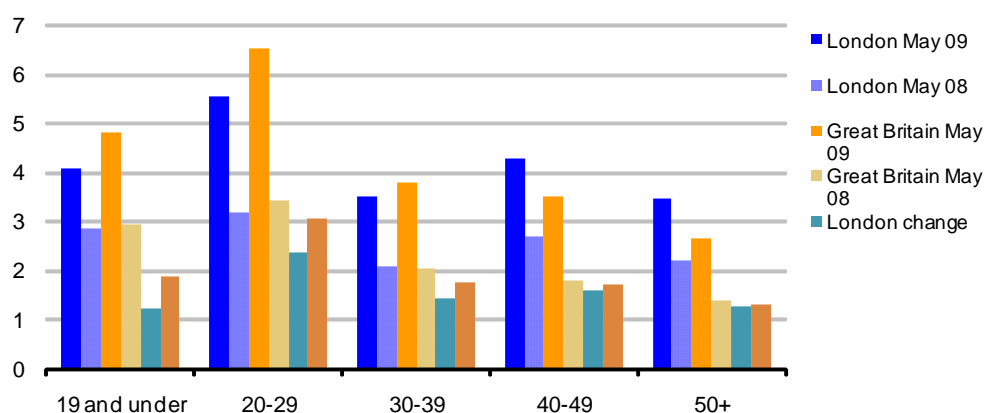
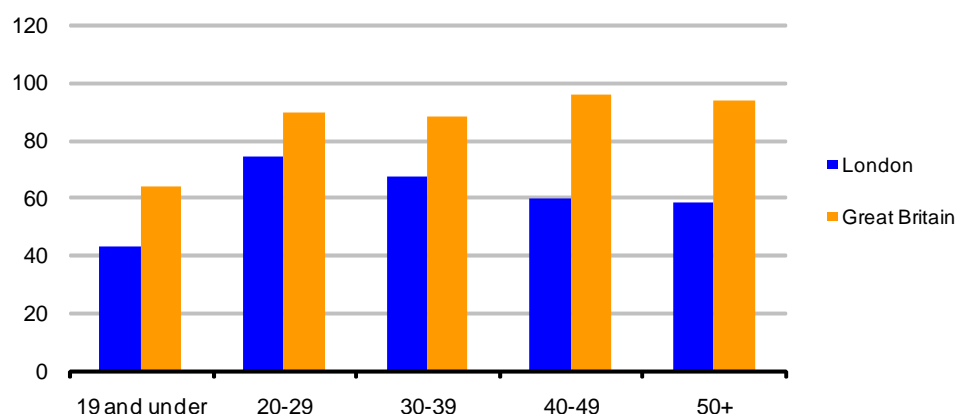


Figure 5: Unemployment by age: percentage change 08-09

Source: Claimant count May 2008 and May 2009



Unemployment by ethnic group

1.12 The Black Other group had the highest claimant count proportions in both April 2009 and 2008 – 12.2 per cent in 2009 and 8.5 per cent in 2008: a percentage increase of 38 per cent. The next highest rates were for the Black Caribbean group – see Figure 6.

1.13 The number of Asian Indians claiming increased by 98 per cent: an additional 4,175 since April 2008 – but this group still has the lowest claimant rates. Over 46,000 extra claimants were white, which is a 87 per cent increase (see Figure 7).

Figure 6: Unemployment by ethnic group: claimant rates, London

Source: Claimant count April 2008, 2009 and ONS resident ethnic population estimates

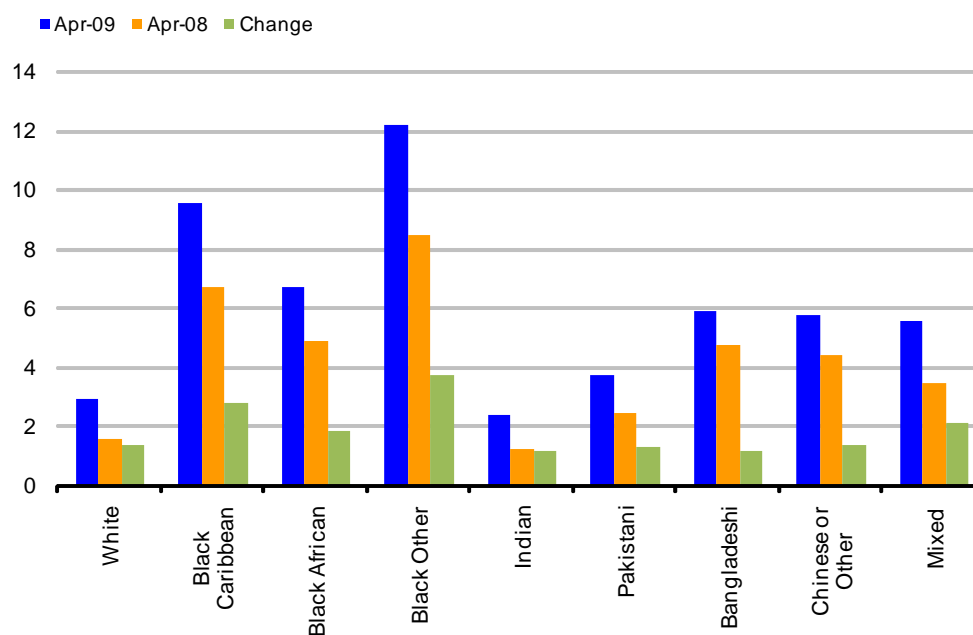
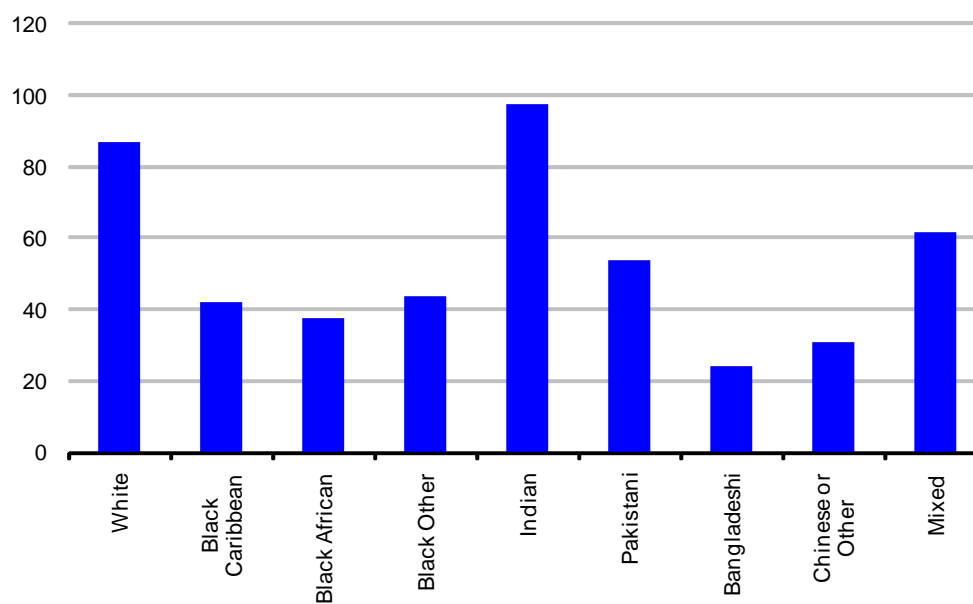


Figure 7: Unemployment by ethnic group: percentage change 08-09, London

Source: Claimant count April 2008 and April 2009



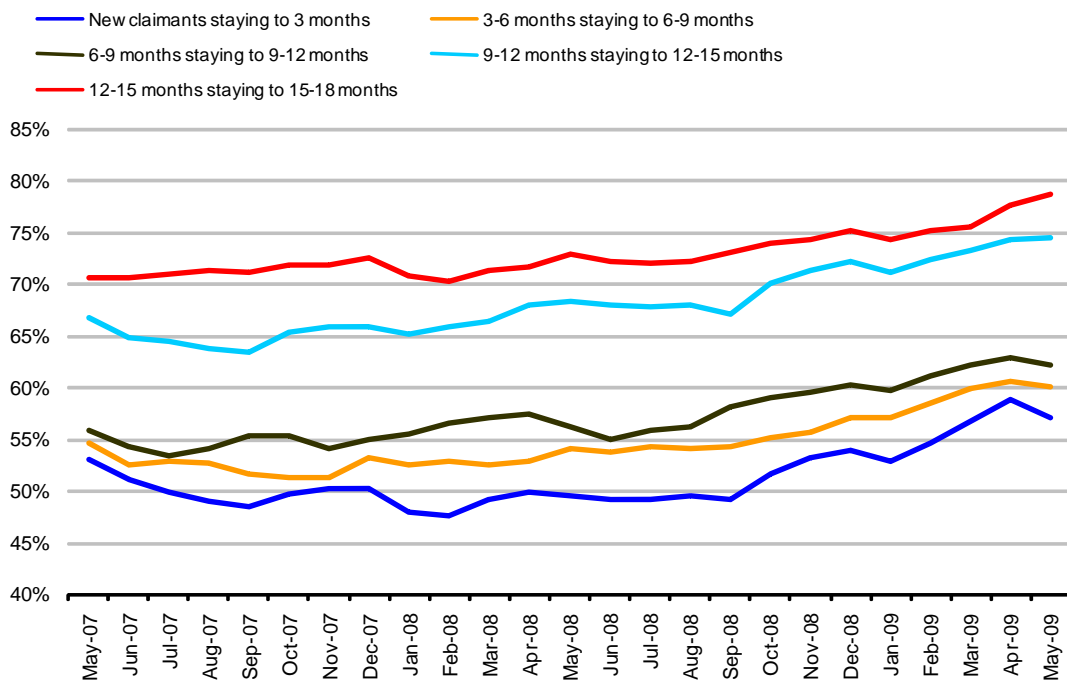
Claimant flow rates into long term unemployment, London

1.14 London has large numbers of long-term Jobseeker's Allowance claimants. This section analyses the rates of people moving through quarterly thresholds to become long-term unemployed, for London and comparing London with the UK.

1.15 Figure 8 shows the overall pattern for London, with flow rates starting to deteriorate from the autumn of 2007 for all except the shortest-term claimants, where deterioration started in January 2008. People are least likely to remain on benefit if they have claimed for a short time, and are more likely to remain on benefit the longer they have claimed. 18-24 year-olds leave benefit to New Deal options at around 10 months after first claiming, so the rate of staying on benefit from 6-9 to 9-12 months is depressed by this administrative change. These figures have been seasonally adjusted.

Figure 8: Flow rates into long term unemployment, London

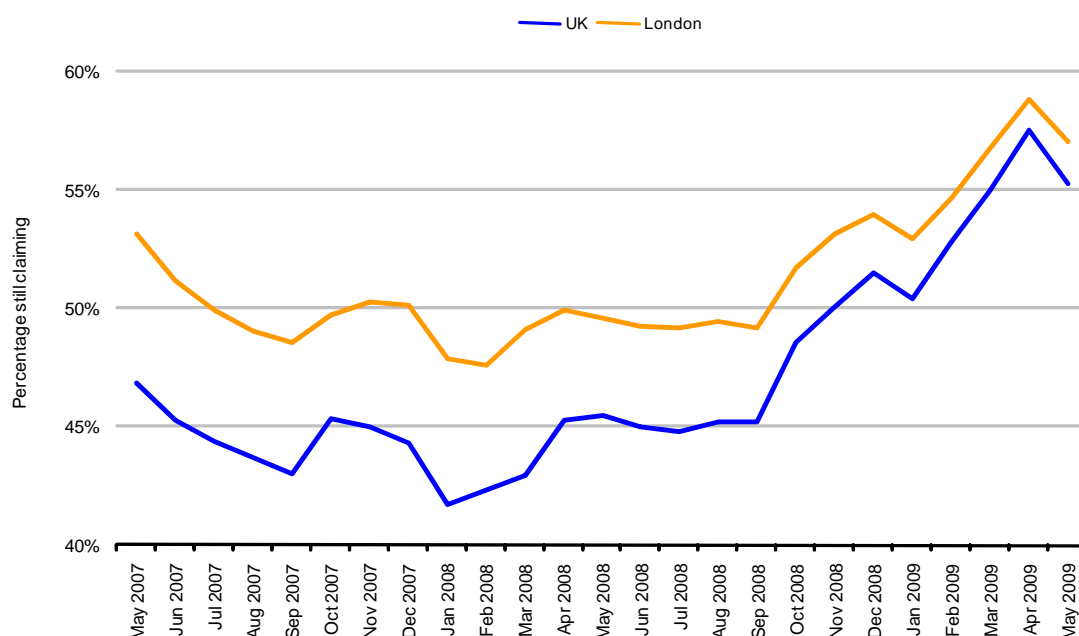
Source: Claimant count, ONS, analysis and seasonal adjustment by Inclusion



1.16 Figure 9 compares the shortest term claimant flows for London and the UK over the last two years. In 2007 and through to March 2008, London claimants were six percentage points more likely to remain on benefit from 0-3 months to 3-6 months than the UK average. The faster deterioration in the rest of the country has meant that this gap has narrowed to one percentage point at May 2009. The turning points of this series are, however, closely similar. The deterioration for Londoners has been eleven percentage points since February 2008.

Figure 9: Flow rates from 0-3 months to 3-6 months unemployment, London and UK

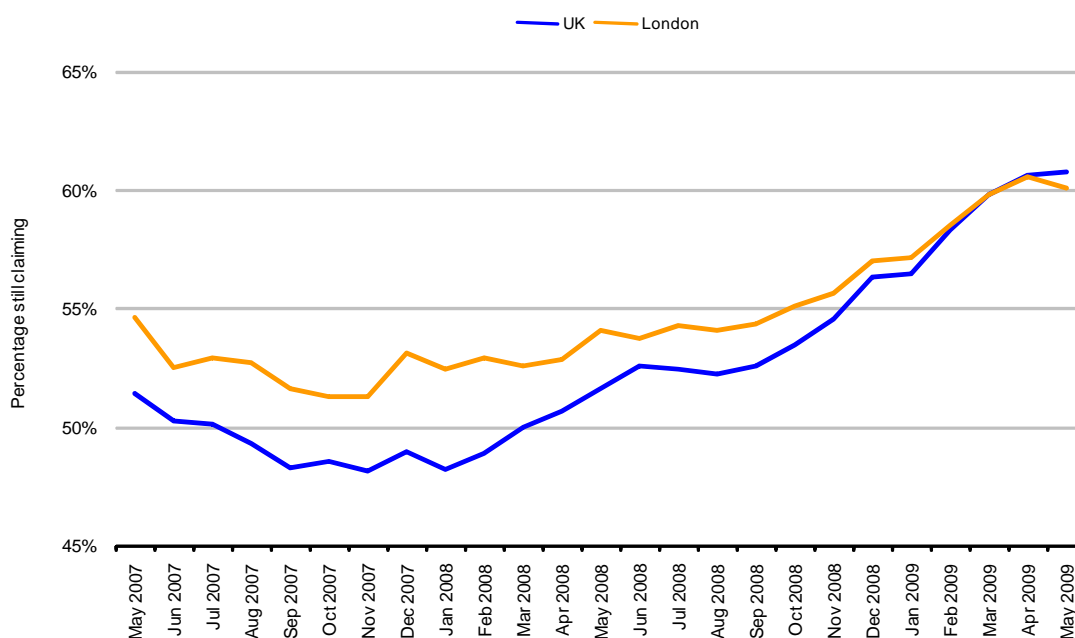
Source: Claimant count, ONS, analysis and seasonal adjustment by Inclusion



1.17 Figure 10 shows the succeeding duration pattern, for those moving from 3-6 months through 6-9 months, again comparing London with the UK. In the period when flow rates were improving, through to February 2008, Londoners were around four percentage points more likely to remain on benefit through this threshold than in the rest of the country. However, since the onset of the recession, this gap has now closed, and Londoners are now less likely than unemployed people in the rest of the country to remain on benefit for this period. The deterioration for Londoners has been ten percentage points since November 2007.

Figure 10: Flow rates from 3-6 months to 6-9 months unemployment, London and UK

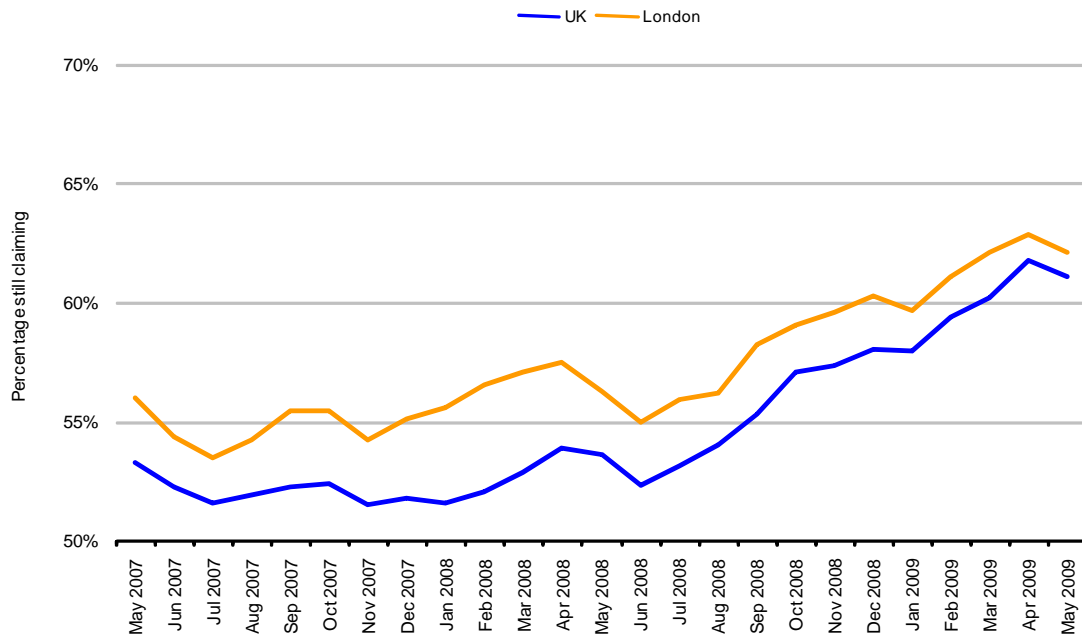
Source: Claimant count, ONS, analysis and seasonal adjustment by Inclusion



- 1.18 Figure 11 shows the duration pattern for those moving from 6-9 months claiming JSA through to 9-12 months, comparing London with the UK. In the initial period before the recession the adverse gap between London and the UK was between two and three percentage points, increasing to four percentage points in the period January-May 2008, before the gap started to close as other areas of the country deteriorated faster than London. The gap between London and the UK is now (May 2009) one percentage point. The deterioration for London has now reached nine percentage points since November 2007.

Figure 11: Flow rates from 6-9 months to 9-12 months unemployment, London and UK

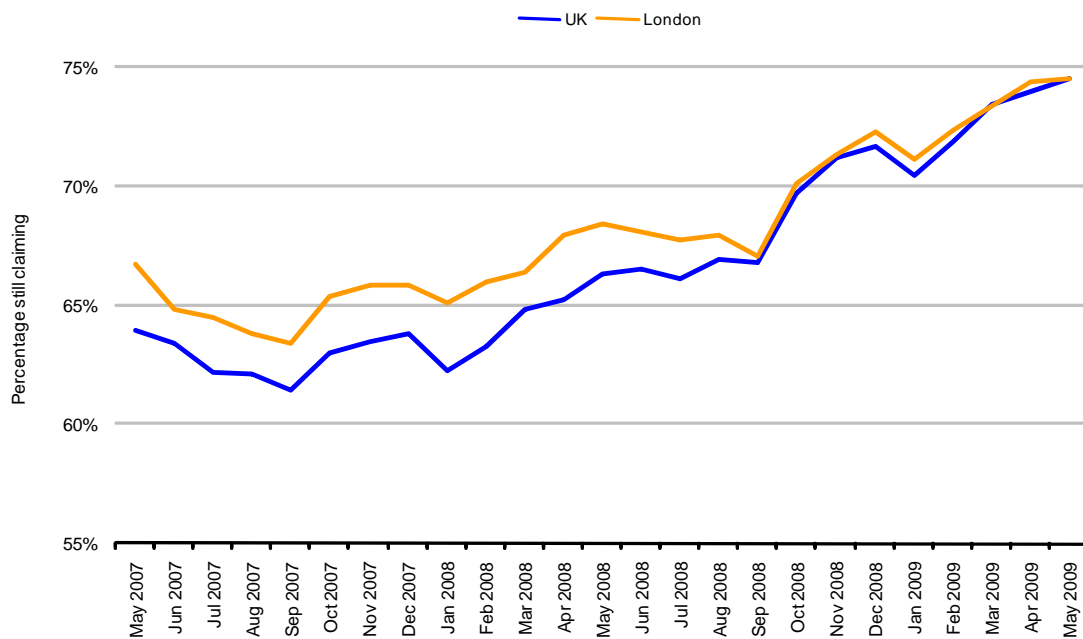
Source: Claimant count, ONS, analysis and seasonal adjustment by Inclusion



- 1.19 Figure 12 shows the pattern for JSA claimants moving from 9-12 months through to 12-15 months for London and the UK. This group should be composed only of those over 25 as the great majority of young people should have started New Deal options by this stage. Before the recession, the adverse gap for Londoners was between two and three percentage points, but this has now closed to zero. The deterioration for Londoners has been nine percentage points.

Figure 12: Flow rates from 9-12 months to 12-15 months unemployment, London and UK

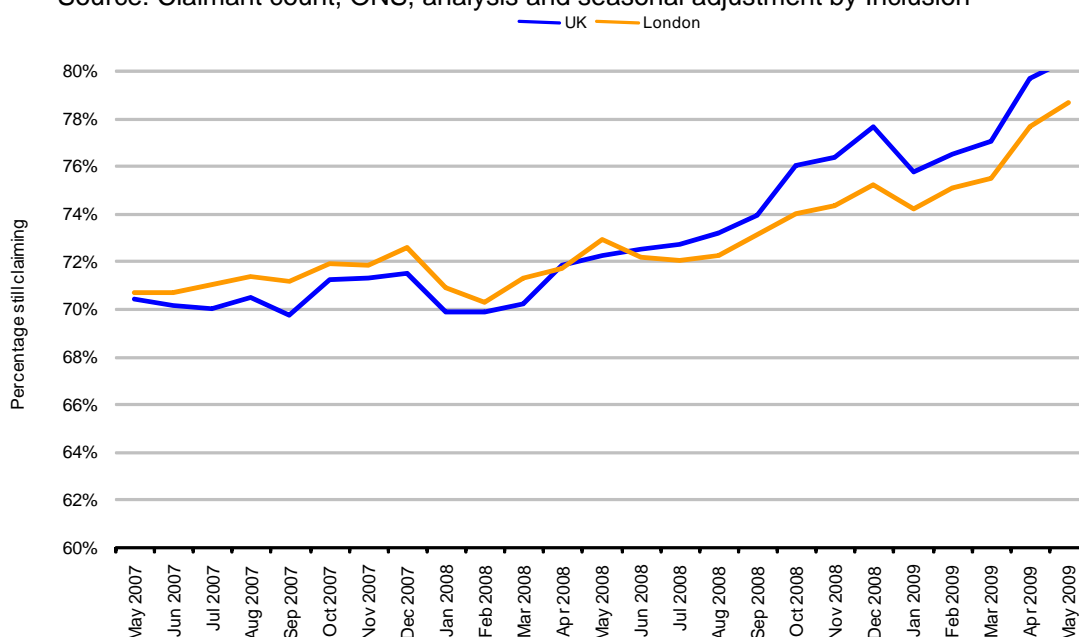
Source: Claimant count, ONS, analysis and seasonal adjustment by Inclusion



1.20 Figure 13 shows the flows through the longest duration period we are able to observe as quarterly duration groupings are not available beyond 18 months JSA claim. Before the recession, there was no difference between London and the rest of the country in the flow rates from 12-15 months through 15-18 months. Since the start of the recession, London has emerged with lower flow rates through the 15-month threshold than in the rest of the country, with a gap now (May 2009) of minus two percentage points. The deterioration for Londoners has been eight percentage points since February 2008.

Figure 13: Flow rates from 12-15 months to 15-18 months unemployment, London and UK

Source: Claimant count, ONS, analysis and seasonal adjustment by Inclusion



1.21 The major gaps between London and the rest of the country before the recession were in flows through short-term unemployment thresholds – new claimants in London were more likely to stay on benefit through and beyond six months. However, there was no gap for the longest term unemployed, implying that London was equally effective (or ineffective, given that around 70% remained on benefit between successive quarterly thresholds in the long-term phase) as the rest of the country.

1.22 The deterioration for each group within London is broadly contemporary, and equally contemporary with the country as a whole. The scale of the deterioration has been marginally worse for the shorter term claimants.

Claimant flows by usual occupation

1.23 In May 2009, 19.6 per cent of all those new customers for JSA used to be employed in Sales and Customer Service. However, this percentage has fallen since May 2008 as it has done for most occupations apart from those that were employed as Managers or another professional occupation. These usual occupations accounted for a quarter of all on-flows, whereas it nearer 18 per cent in May 2008. Nationally, these occupations accounted for a smaller percentage of on-flows whereas there were more from skilled trades and machine operative type occupations

1.24 The difference in those coming off the claimant count and those coming on was quite a bit higher in London compared to the rest of the country (i.e. more on-flows). For managerial and professional occupations there were over 47 per cent more on-flows, compared to 20 per cent more in Great Britain as a whole – see Figure 14.

Figure 14: Claimant flows by occupation. Difference between off and on flows (negative figures indicate more off flows than on)

Source: Claimant count, ONS

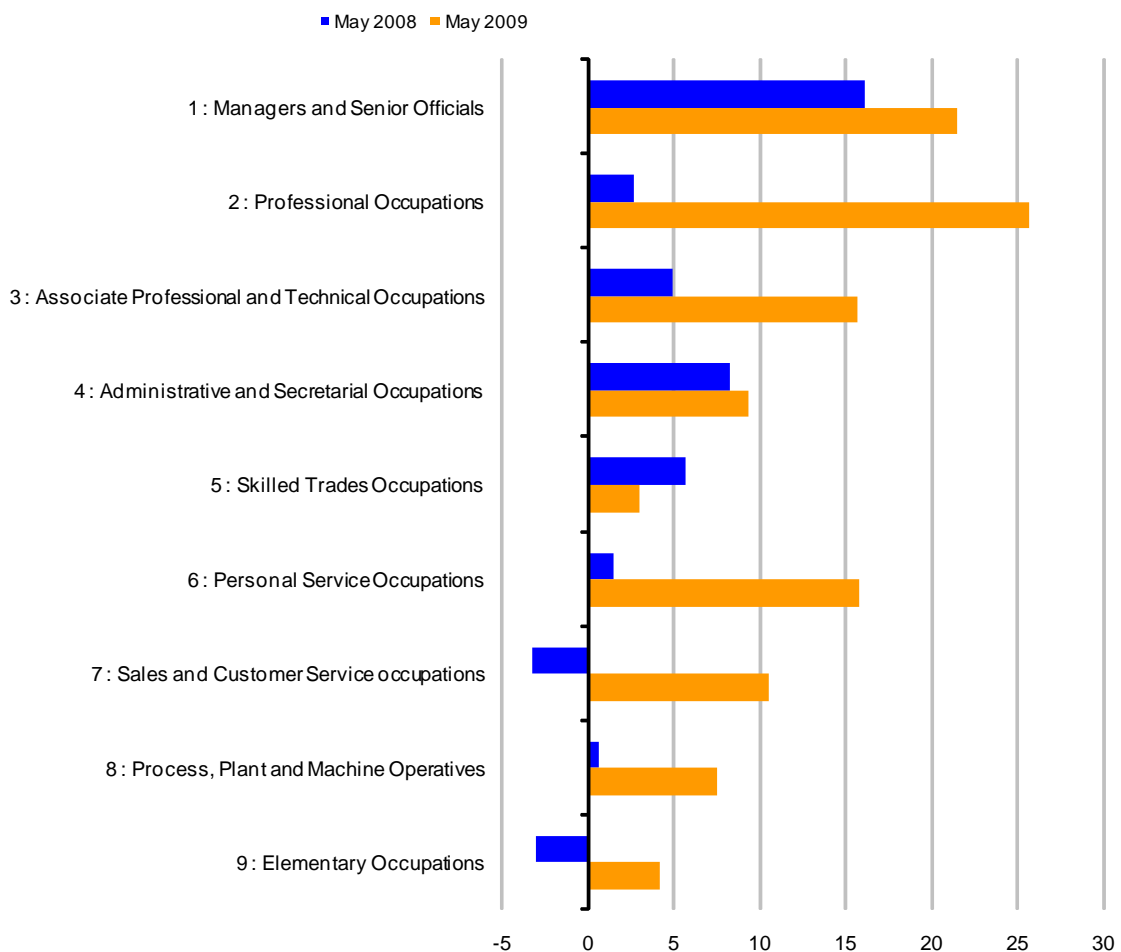
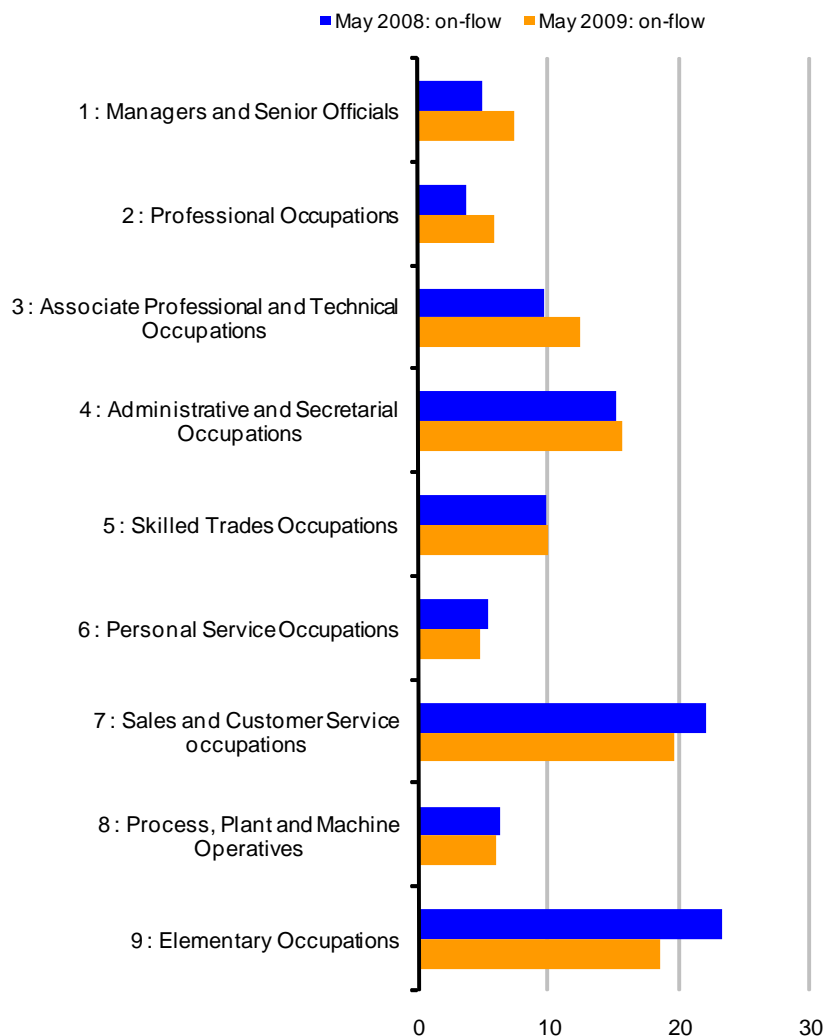


Figure 15: Claimant on-flows by occupation. Percentage of total on-flows by occupation

Source: Claimant count, ONS



Vacancies

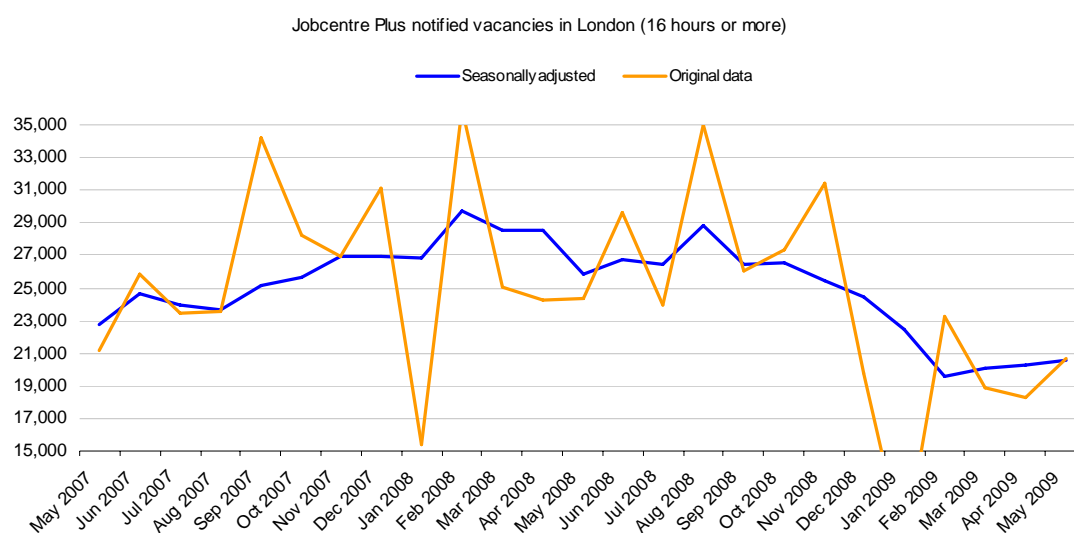
1.25 It should be noted that JobCentre vacancies are only a fraction of total vacancies and some occupation types, such as managers and professionals, are less likely to be posted at JobCentres than occupations such as Sales and Customer services.

1.26 Figure 16 shows a time series for Jobcentre Plus new (notified) vacancies in London. The vacancies shown are restricted to those for jobs of 16 hours a week or more. This hours limit is the line between being still able to claim Jobcentre Plus benefits and those whose pay may be supplemented by Tax Credits if their incomes are sufficiently low. Figure 16 shows both the raw data and a seasonally adjusted series prepared by Inclusion. The raw data shows how variable the time

series has been over the last two years, and the seasonally adjusted series shows the trends. The recent improvement in vacancies (a 5% rise since February) is not shared elsewhere in the country. Only the South West elsewhere shows an increase on a similar basis, but a smaller one, of 1.2%. Over the same period there was a national fall of 6.3% in Jobcentre Plus vacancies.

Figure 16: Jobcentre Plus notified vacancies over 16 hours

Source: NOMIS, seasonal adjustment by Inclusion



- 1.27 Figure 17 shows the number of new vacancies notified by occupation as a percentage of the total. There has been an increase in new vacancies notified for professional occupations compared to 2008, however the percentage of new vacancies notified for Managerial posts has fallen slightly – see Figure 17.
- 1.28 The main differences in regards to unfilled vacancies are again in Professional Occupations – with a higher percentage of unfilled vacancies in 2009 compared to 2008 (see Figure 18). The opposite is true for Elementary Occupations.

Figure 17: Vacancies notified by occupation. Percentage of total, London

Source: ONS

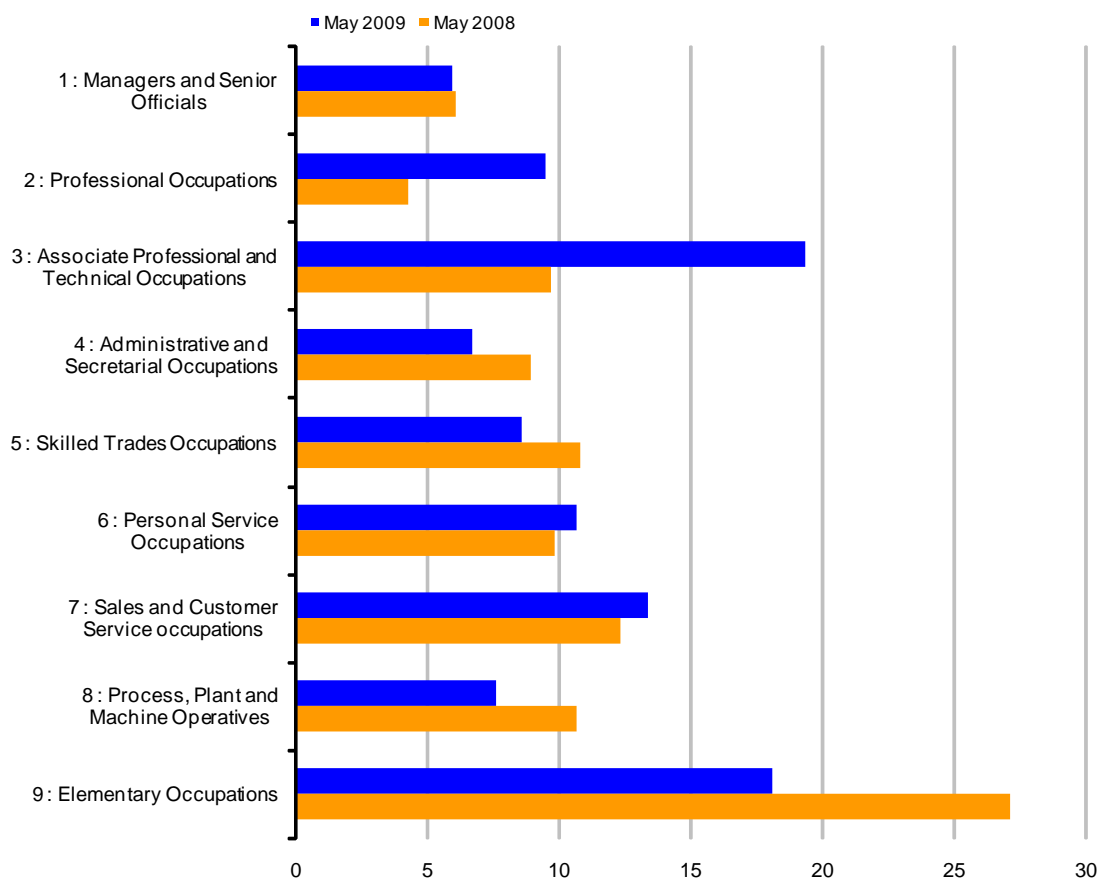
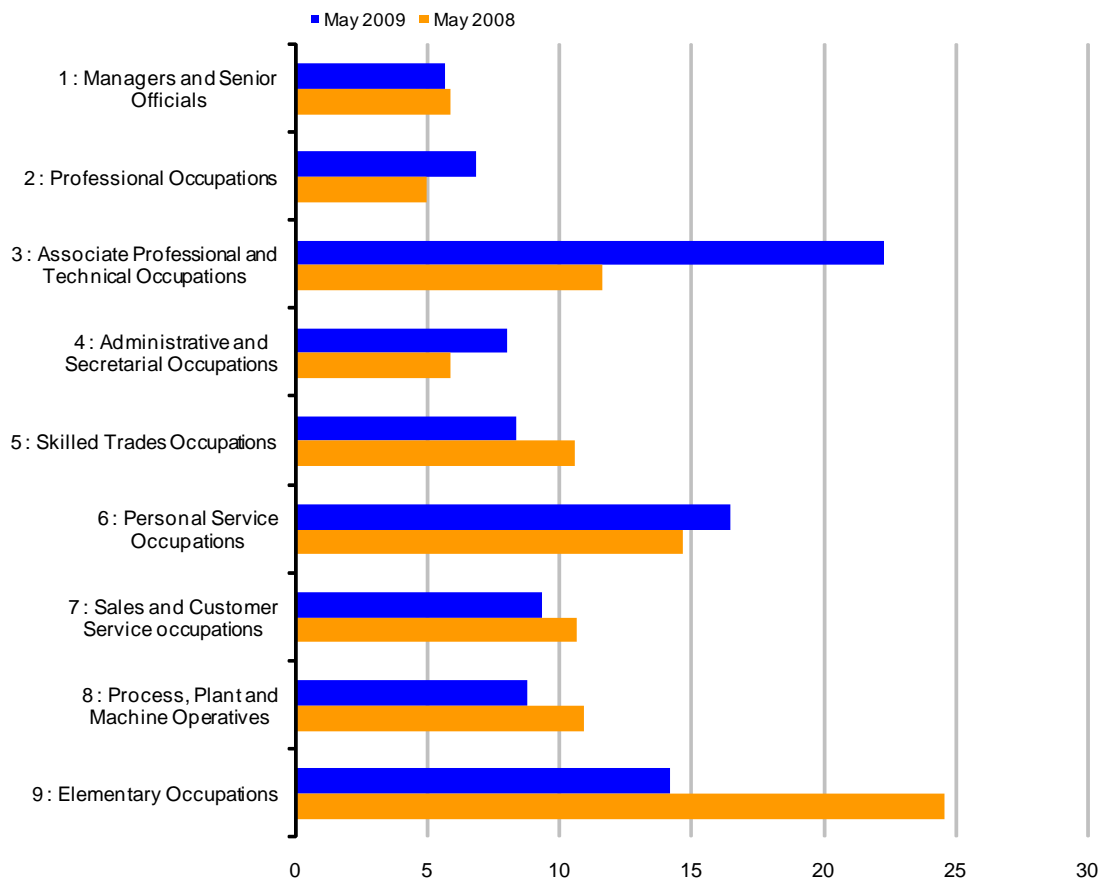


Figure 18: Vacancies unfilled by occupation. Percentage of total, London

Source: ONS



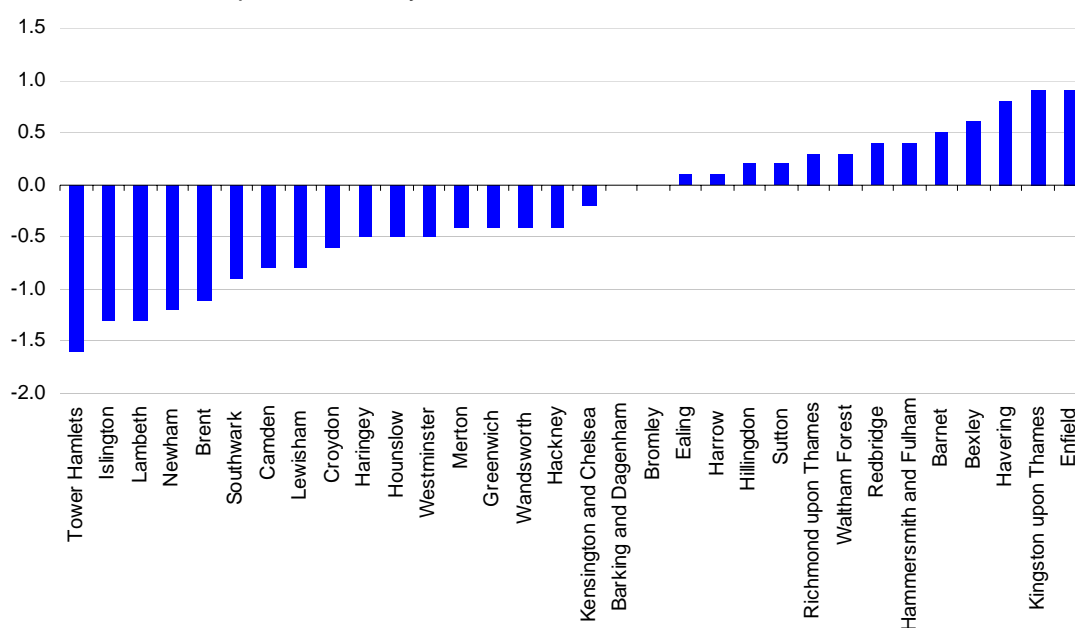
Borough 'headlines'

Unemployment aged 16+, by gender: London Boroughs (Annual Population Survey) – see Figure 19.

- Highest Unemployment rate 16+: Tower Hamlets (11.3%), October 2007 to September 2008. Down from 12.9 per cent for the period October 2006 to September 2007.
- Highest percentage point increase was in Enfield and Kingston upon Thames: both with a 0.9 point increase.
- Hackney, Newham and Tower Hamlets all had rates over 10%.
- Care needed with interpretation as 12 month average cancels out large increases during the year.

Figure 19: Unemployment, aged 16+: plus or minus percentage point difference from Oct 06-Sept 07 to Oct 07-Sept 08

Source: Annual Population Survey, ONS



Claimant Count Unemployment proportions, working age, by gender: London Boroughs

- Highest Claimant Count proportion: Tower Hamlets (6.7%), May 2009. Up from 5.0 per cent in May 2008.
- Highest changes in claimant count proportion: Barking and Dagenham, Greenwich, Hackney, Havering and Waltham Forest - annual rises of 2.0 or more percentage points.
- Highest percentage increase was in Havering (+129%).
- Lowest percentage increase was in Tower Hamlets (+34%)

- Highest male proportion: Tower Hamlets (9.2%), up from 7.0% in May 2008. Barking and Dagenham had a proportion of 7.9%, up from 4.7% in 2008.
- Highest female proportion: Hackney (4.2%), up from 2.7% in May 2008.

Figure 20: Unemployment rates aged 16+ (Oct 07-Sept 08), London boroughs, sorted by highest rate

Source: Annual Population Survey, ONS

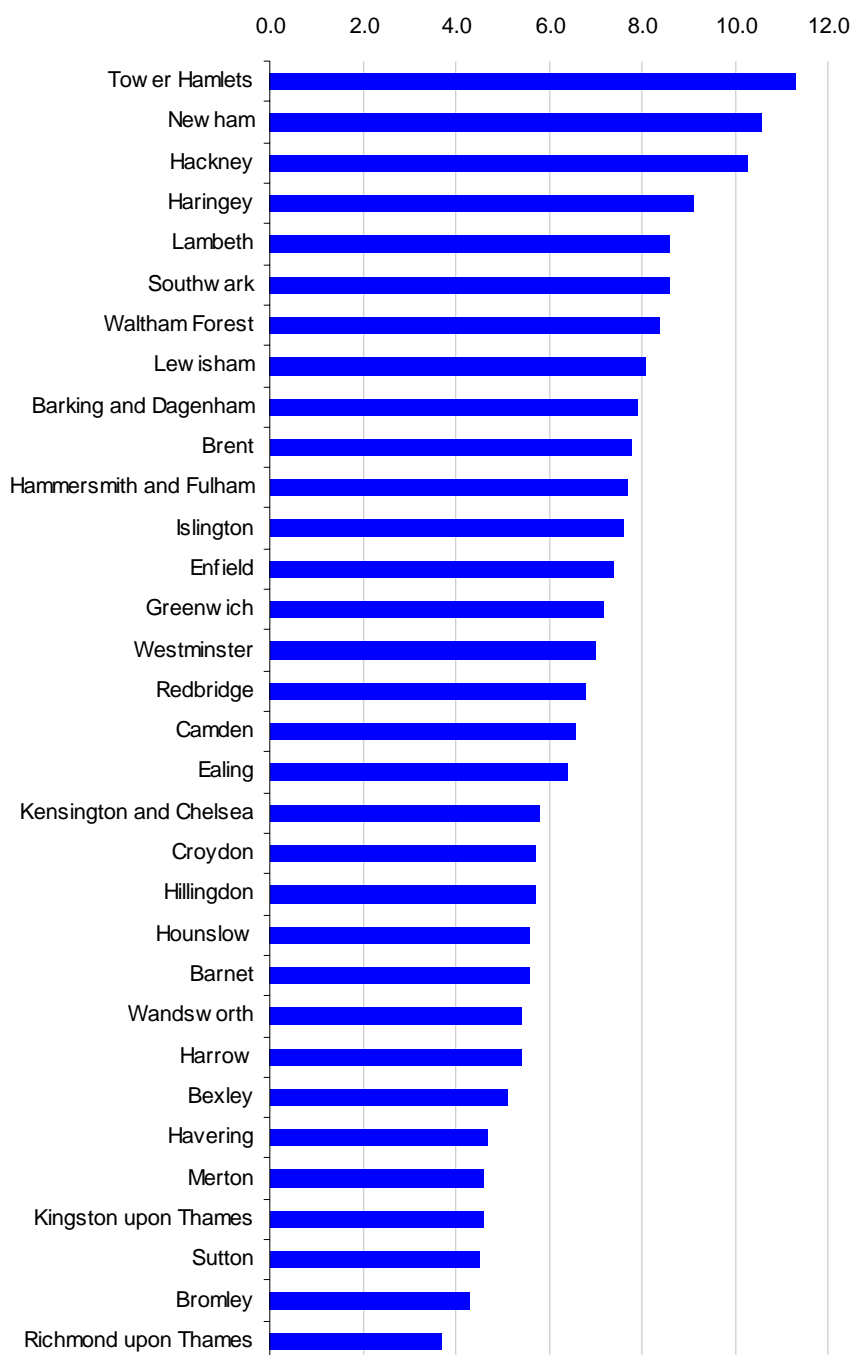


Figure 21: Claimant count proportions May 2009, London boroughs, sorted by highest Source: ONS

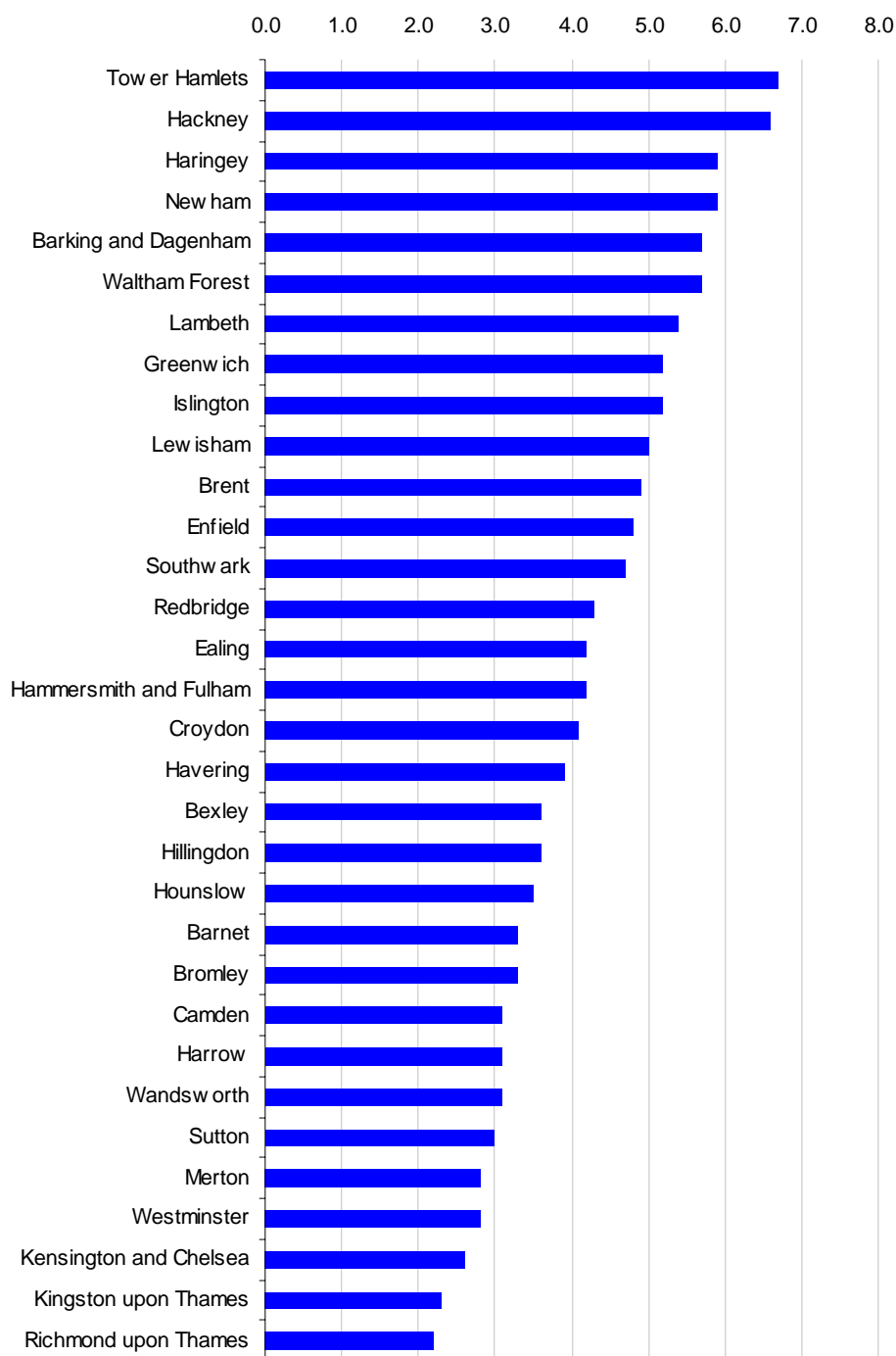


Figure 22: Claimant count proportions change May 2008-2009 in percentage points, London boroughs, sorted by change Source: ONS

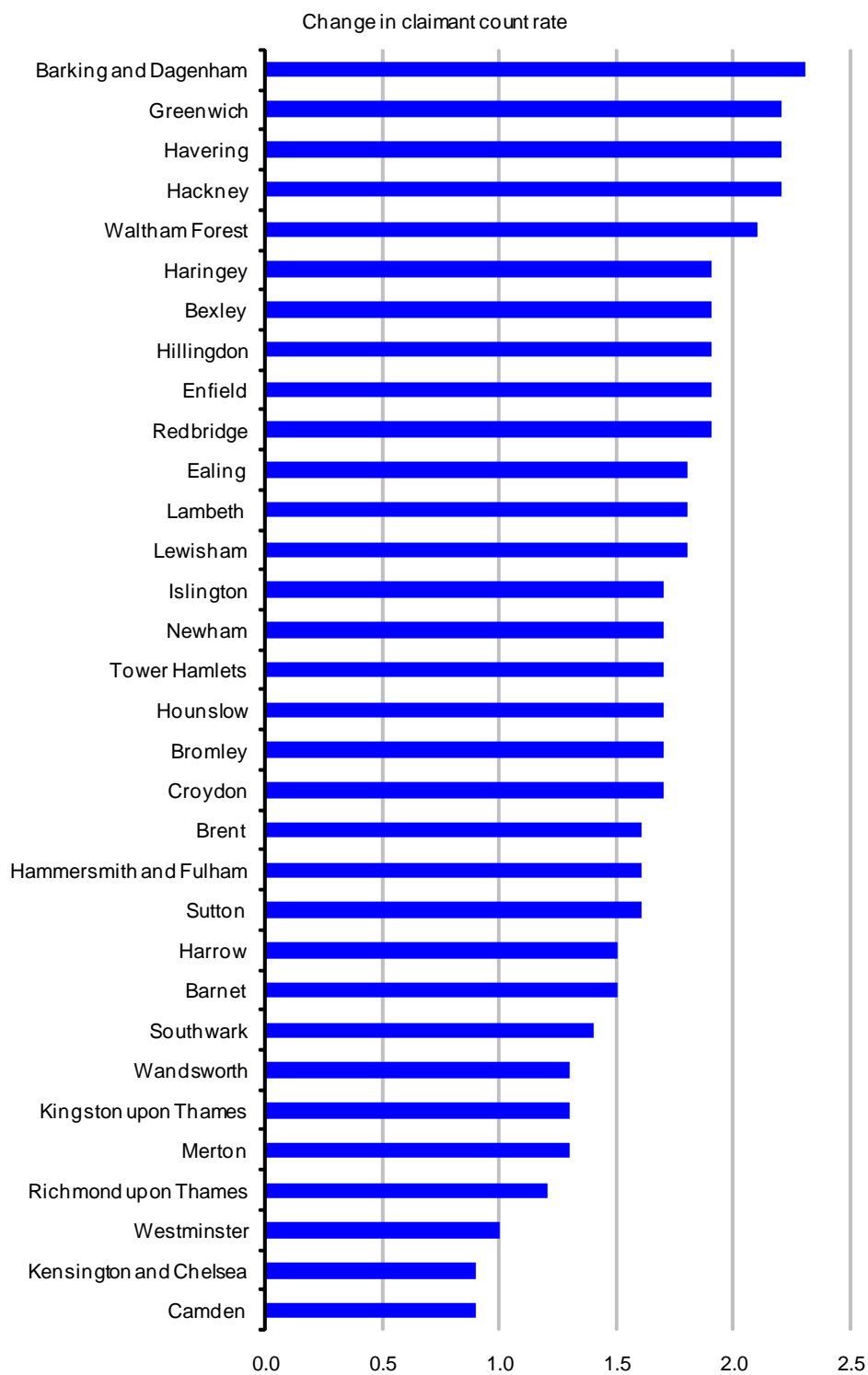


Figure 23: Claimant count proportions for males, London boroughs

Source: ONS

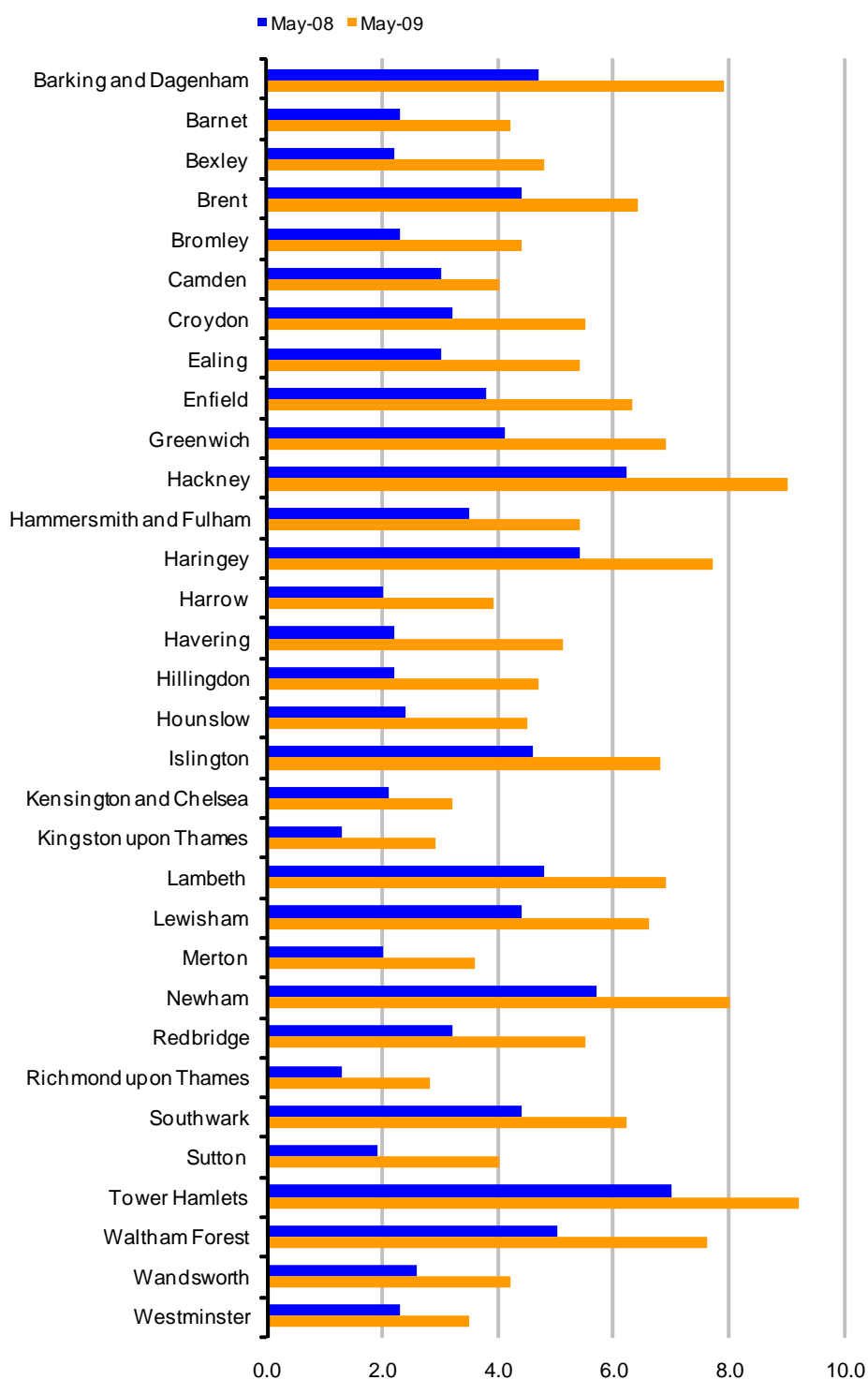
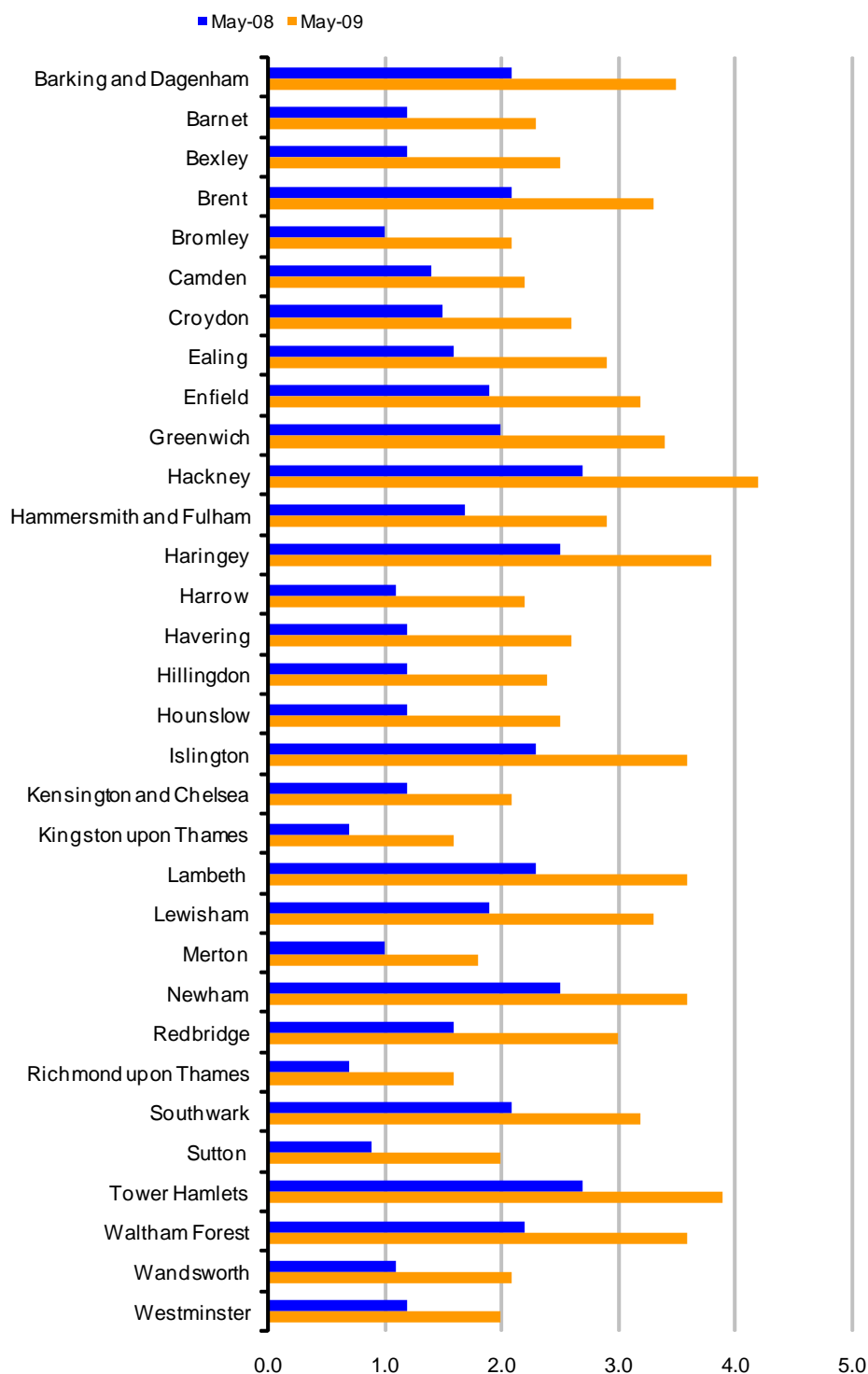


Figure 24: Claimant count proportions for females, London boroughs

Source: ONS



Claimant Count unemployment by age: London Boroughs

- Highest Claimant Count proportions:
- Aged 19 and under: Tower Hamlets (7.2%), up from 5.8 per cent in May 2008.
- Aged 20 to 29: Hackney (8.7%), up from 5.3% in May 2008.
- Aged 30 to 39: Hackney (5.6%), up from 3.5% in May 2008.
- Aged 40 to 49: Tower Hamlets (8%), up from 6.4% in May 2008.
- Aged 50+: Tower Hamlets (7.2%), up from 5.8% in May 2008.

Claimant Count unemployment by ethnicity: London Boroughs

- Highest Claimant Count proportions:
- White: Barking and Dagenham (4.8% in April 2009), up from 2.8 per cent in April 2008
- Black Caribbean: Tower Hamlets (15.3% in April 2009), up from 12.3 per cent in April 2008
- Black African: Tower Hamlets (16.4% in April 2009), up from 13.2 per cent in April 2008
- Black Other: Hillingdon (23% in April 2009), up from 8.8 per cent in April 2008.
- Indian: Hillingdon (3.5%) in April 2009. Hackney had the highest rate in April 2008 with 2.8%
- Pakistani: Barking and Dagenham (5.6% in April 2009). Tower Hamlets had the highest rate in April 2008 with 4.3 per cent.
- Bangladeshi: Tower Hamlets (8.9% in April 2009), up from 7.7 per cent in April 2008
- Chinese or other: Enfield (15.1%), up from 12.2%
- Mixed: Newham (8.1%), up from 4.8%