



# Private Sector Employment Indicator: Quarter 2 (May-Jul) 2013

## Introduction

As part of the Departmental Business Plan to support the Government's agenda to rebalance the economy across sectors and regions, the Department for Business, Innovation and Skills (BIS) developed an Indicator to monitor private sector employment growth in England. This indicator forms part of the performance framework for assessing the impact of the Department's policies and reforms. The Indicator shows whether, over time, dependency on the private sector for employment is increasing and how this rebalancing varies by region<sup>1</sup>. Data for the Indicator are published quarterly.

## Key Points

In Quarter 2 2013<sup>2</sup>:

- The Private Sector Employment Indicator (Indicator) for England was an estimated 59.1 per cent, an increase of 0.7 percentage points (ppts) on the same period a year ago. This is the highest level for Quarter 2 since 2009.
- Subnationally, the Indicator for the Greater South East showed an increase (62.2 per cent; up 1.4ppts); this was underpinned by a significant increase in London (up 1.7 ppts to 61.3 per cent). The Rest of England remained stable at 56.7 per cent, with only one of the constituent regions experiencing a significant increase; Yorkshire and the Humber (up 2.0 ppts to 56.7 per cent).
- All regions showed a fall in public sector employment for Quarter 2 2013 compared to the same period the previous year.

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<sup>1</sup> BIS monitors the change in the Indicator and its components of Private Sector and Public Sector Employment for England and the two regional groupings of the Greater South East (London, South East and East) and the Rest of England (North, Midlands and West); data are also published for all English regions.

<sup>2</sup> Data refers to the period May 2013 to July 2013. Comparisons are made with the same period in previous years to remove seasonal effects.

- From Quarter 2 2010, private sector employment has risen and public sector employment has fallen in each quarter when compared to the same period a year earlier. However, recent results indicate a slowing in the rate of fall in public sector employment. Since Quarter 4 2012, the rate of fall for both unemployment and inactivity have also slowed.

**Table 1: Private Sector Employment Indicator: level and change by region, Quarter 2 2013**

	Indicator	
	Share (%)	Annual change (PPTs)
England	59.1	<b>0.7</b>
Greater South East	62.2	<b>1.4</b>
Rest of England	56.7	0.1
North East	51.7	0.2
North West	55.5	-0.6
Yorkshire & the Humber	56.7	<b>2.0</b>
East Midlands	58.2	-0.4
West Midlands	55.8	0.2
East of England	62.1	1.1
London	61.3	<b>1.7</b>
South East	63.4	1.2
South West	60.5	-0.5

Source: BIS, Private Sector Employment Indicator

#### Note

1. Annual changes are relative to the same quarter a year ago.
2. Significant changes are highlighted in bold and are based on a 95% confidence level.
3. Greater South East includes London, South East and East of England.
4. The Rest of England includes North East, North West, Yorkshire and the Humber, East Midlands, West Midlands and South West.

## Economic Context

Official statistics showed the value of the UK economy – Gross Domestic Product (GDP) – was estimated to have expanded in Quarter 2 (Apr-Jun) 2013 by 0.7% when compared with Quarter 1 (Jan-Mar) 2013.<sup>3</sup> According to Eurostat, GDP rose by 0.3% in both the euro area (EA17) and the EU27 during the second quarter of 2013, compared with the previous quarter. Compared with the same quarter of the previous year, seasonally adjusted GDP fell by 0.7% in the euro area and by 0.2% in the EU27 in the second quarter of 2013, after -1.1% and -0.7% respectively in the previous quarter<sup>4</sup>.

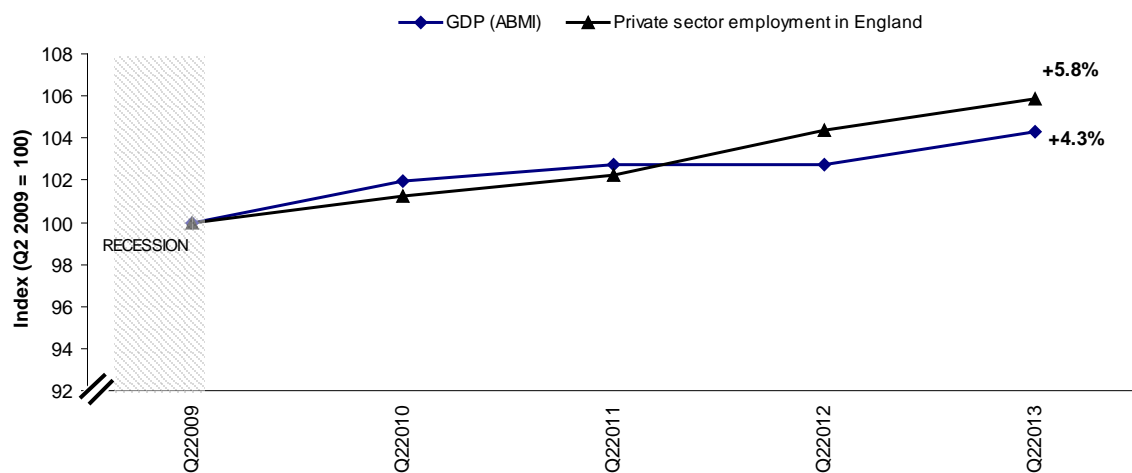
<sup>3</sup> ONS national account tables Q2 2013, revised GDP methodology - <http://www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tcM%3A77-287323>

<sup>4</sup> [Eurostat newsrelease euroindicators](#)

Official business statistics indicate an improving outlook for the economy: estimates of retail sales for July 2013 showed continued growth for sales volumes. Compared with July 2012 the quantity bought in the retail industry increased by 3.0 per cent<sup>5</sup>. However, production and manufacturing output decreased over the same period, down 1.6 per cent and 0.7 per cent respectively<sup>6</sup>. Construction output rose by 2.0 per cent<sup>7</sup> compared to July 2012 and the Consumer Prices Index (CPI) grew by 2.8 per cent in the year to July 2013, down from 2.9% in June<sup>8</sup>. This remains above the Bank of England target rate of 2.0%.

The labour market also showed some improvement in the three months to July compared to the three months to April. The employment rate for those aged from 16 to 64 for May to July 2013 was 71.6%, up 0.2 ppts from February to April 2013. Over the same period, both unemployment and inactivity rates declined by 0.1 ppts to 7.7 per cent and 22.3 per cent respectively<sup>9</sup>.

**Chart 1: Index showing Private Sector Employment in England and UK Gross Domestic Product, Quarter 2 2009 to Quarter 2 2013**



Source: BIS Private Sector Employment Indicator and ONS GDP ABMI series

### Note

1. Data are indexed to Quarter 2 2009.
2. The time periods of the two data series are slightly different: GDP data are based on calendar quarters, while employment data relates to the following periods: Quarter 1 (Feb to April), Quarter 2 (May to July), Quarter 3 (Aug to Oct) and Quarter 4 (Nov to Jan).
3. GDP data are for the UK rather than England. However, England accounts for the majority of the UK's economy – ONS' Regional Accounts indicate that England accounted for 84 per cent of the UK's Gross Value Added in 2011.
4. ONS GDP chained volume measure ABMI series.

<sup>5</sup> <http://www.ons.gov.uk/ons/rel/rsi/retail-sales/index.html>

<sup>6</sup> <http://www.ons.gov.uk/ons/rel/iop/index-of-production/index.html>

<sup>7</sup> <http://www.ons.gov.uk/ons/rel/construction/output-in-the-construction-industry/index.html>

<sup>8</sup> <http://www.ons.gov.uk/ons/rel/cpi/consumer-price-indices/index.html>

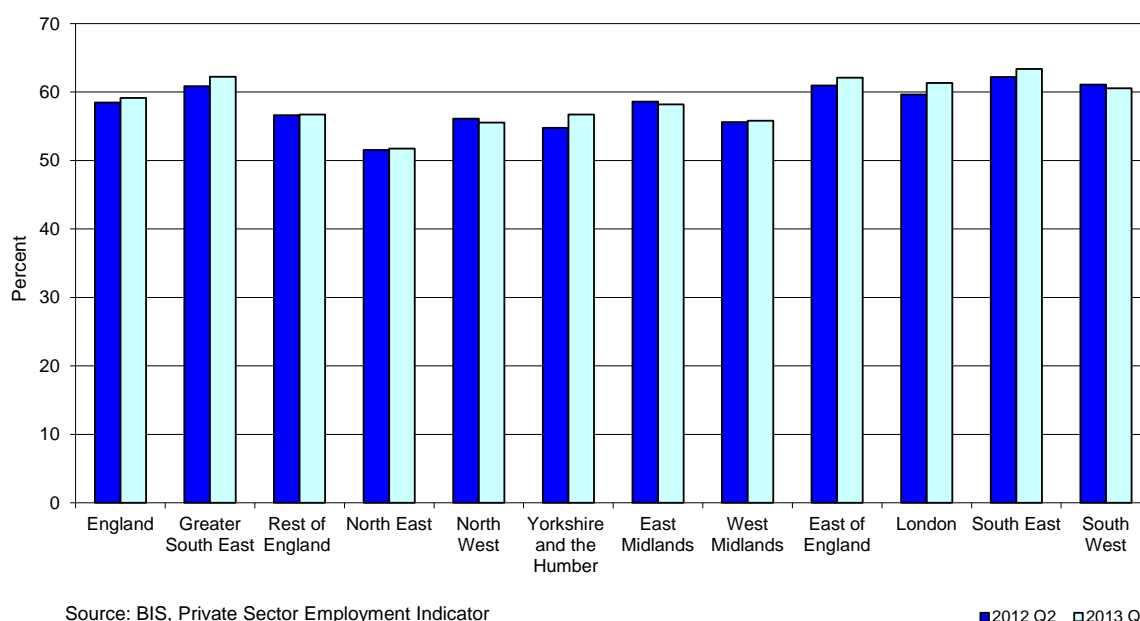
<sup>9</sup> <http://www.ons.gov.uk/ons/rel/lms/labour-market-statistics/june-2013/index.html>

## Quarter 2 2013

The Indicator in England showed an estimated increase of 0.7 ppts to 59.1 per cent on the same quarter a year ago, mainly as a result of rising private sector employment (+283,000); declining public sector employment (-100,000), unemployment (-59,000) and inactivity (-34,000). The number of people in private sector employment reached an estimated 20.3 million, the highest recorded level of employment since the series began in 2008.

Subnationally, the Indicator for the Greater South East showed an increase (62.2 per cent; up 1.4ppts); this was underpinned by a significant increase in London (up 1.7 ppts to 61.3 per cent). The Rest of England remained stable at 56.7 per cent, with only one of the constituent regions experiencing a significant increase; Yorkshire and the Humber (up 2.0 ppts to 56.7 per cent) (see Chart 2).

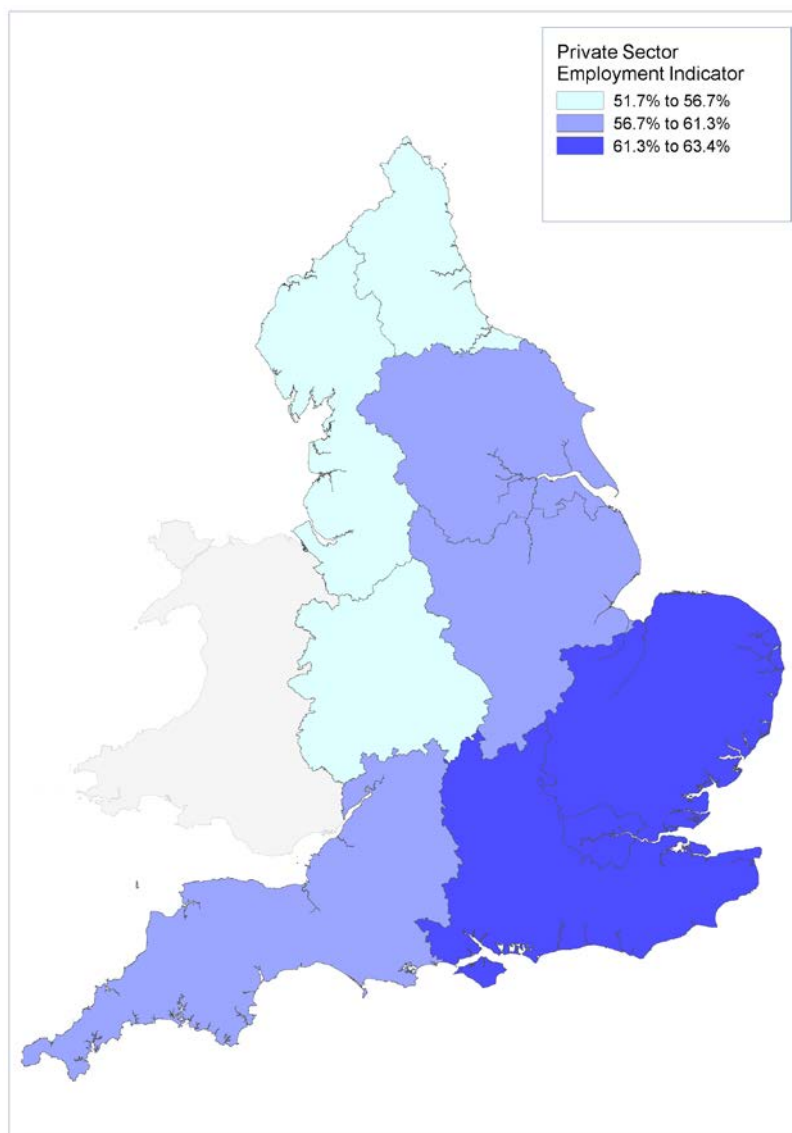
**Chart 2: Private Sector Employment Indicator by region, Quarter 2 2012 and Quarter 2 2013**



### Notes:

1. Workplace based employment excludes those working outside of the UK and some respondents who do not give a region of workplace. This is made up of both part-time and full-time employment and self-employment.
2. Greater South East includes London, South East and East of England.
3. The Rest of England includes North East, North West, Yorkshire and the Humber, East Midlands, West Midlands and South West.

**Figure 1: Private Sector Employment Indicator, English regions, Quarter 2 2013**



Source: BIS, Private Sector Employment Indicator

### Greater South East (London, South East and East)

In Quarter 2 2013, the Indicator for the Greater South East reached an estimated 62.2 per cent, a rise of 1.4 ppts on the same quarter a year ago. There were an estimated 11.2 million people employed in the Greater South East, of which the private sector employed 9.3 million, an increase of 0.3 million on the same quarter a year ago. Increasing private sector employment (+259,000) outweighed the decline in public sector employment (-25,000). Unemployment (-26,000) and Inactivity (-122,000) also fell.

### Rest of England

The Indicator for the Rest of England remained virtually unchanged at 56.7 per cent, an increase of 0.1 ppts on the same period a year ago. Employment in the Rest of England stood at 13.7 million in Quarter 2 2013, of which the Private sector employed an estimated 11.0 million people (unchanged from the same period the previous year). Private sector employment rose modestly (+24,000) whilst public sector employment declined (-74,000). Over the same period unemployment fell (-33,000) but Inactivity rose (+87,000). See Table 2 and Chart 3 for more information.

**Table 2: Employment, unemployment and Inactivity by regions, Quarter 2 2013**

*Non-seasonally adjusted (Thousands)*

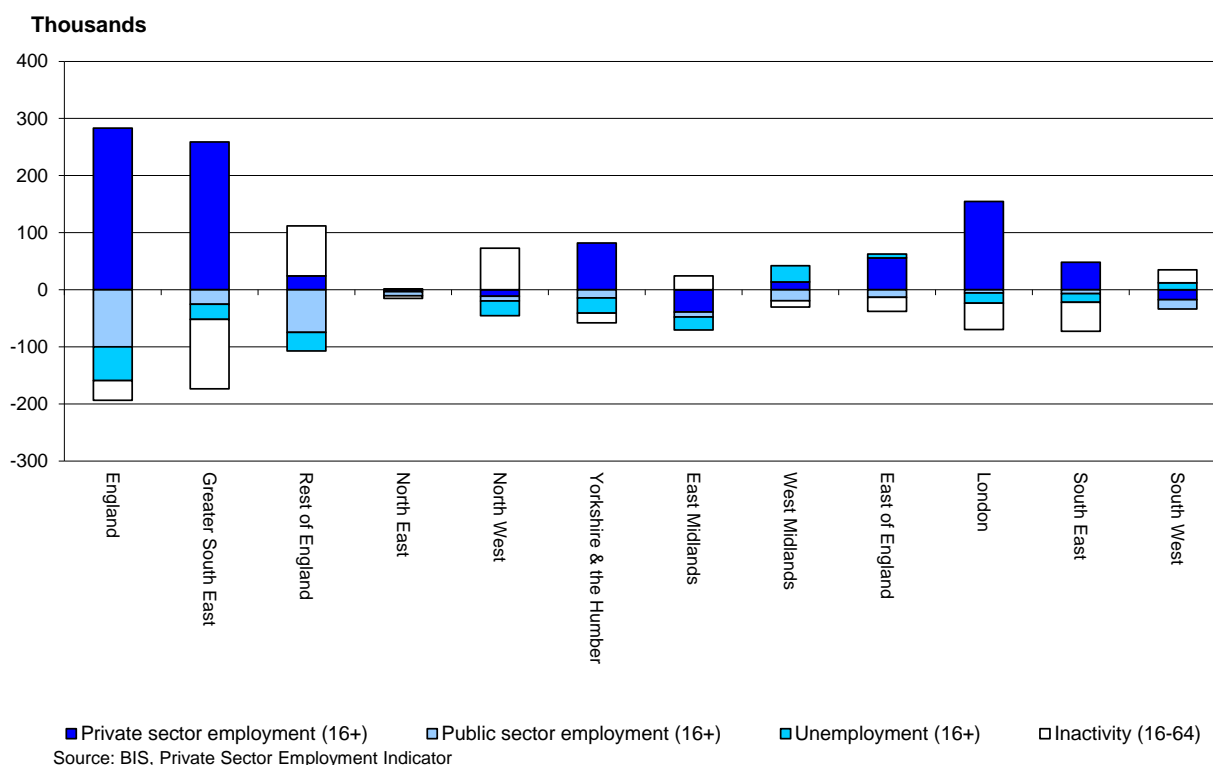
	Private sector employment (16+)		Public sector employment (16+)		Unemployment (16+)		Inactivity (16-64)		Total	
	Level	Change	Level	Change	Level	Change	Level	Change	Level	Change
England	20,338	<b>283</b>	4,502	-100	2,122	-59	7,430	-34	34,392	89
Greater South East	9,343	<b>259</b>	1,824	-25	832	-26	3,011	-122	15,011	85
Rest of England	10,994	24	2,678	-74	1,290	-33	4,419	87	19,381	4
North East	870	-3	251	-7	139	2	422	-5	1,681	-14
North West	2,524	-11	639	-8	288	-26	1,094	73	4,545	27
Yorkshire & the Humber	1,974	<b>82</b>	496	-14	254	-27	756	-17	3,480	24
East Midlands	1,641	-39	359	-9	172	-23	649	24	2,820	-46
West Midlands	1,941	14	463	-19	268	28	806	-11	3,477	11
East of England	2,214	56	430	-13	211	7	711	-25	3,566	25
London	3,737	<b>155</b>	739	-6	357	-18	1,260	-46	6,092	85
South East	3,393	48	656	-7	264	-15	1,040	-51	5,353	-24
South West	2,044	-17	471	-16	170	12	692	23	3,377	1

Source: BIS, Private Sector Employment Indicator

**Notes:**

1. Changes are relative to the same quarter in the previous year.
2. Significant changes are highlighted in bold and are based on a 95% confidence level.
3. Workplace based employment includes part-time and full-time employment and self-employment. It excludes those working outside of the UK and some respondents who do not give a region of workplace.
4. Unemployment and inactivity are residence based.
5. Greater South East includes London, South East and East of England.
6. The Rest of England includes North East, North West, Yorkshire and the Humber, East Midlands, West Midlands and South West.
7. Tables may not sum due to rounding.

**Chart 3: Annual Changes in Employment, Unemployment and Inactivity by regions, Quarter 2 2013**



**Notes:**

1. Changes are relative to the same quarter in the previous year.
2. Workplace based employment includes both part-time and full-time employment and self-employment. It excludes those working outside of the UK and some respondents who do not give a region of workplace.
3. Unemployment and inactivity are residence based.
4. Greater South East includes London, South East and East of England.
5. The Rest of England includes North East, North West, Yorkshire and the Humber, East Midlands, West Midlands and South West.

**Historical Analysis**

The Indicator for all regions declined between Quarter 2 2008 and Quarter 2 2009 mainly due to the impact of the 2008/09 recession. The Indicator for England began to recover steadily from Quarter 2 2010 onwards. However, the Greater South East had a slightly lagged recovery which began in Q2 2011. Over the same period The Rest of England showed modest signs of recovery. Across English regions, the North East, Yorkshire and the Humber and London, all began their recovery at the same time as England, slightly earlier in Quarter 2 2010 (See Tables 3).

**Table 3: Private Sector Employment Indicator, Quarter 2 2008 to Quarter 2 2013**

	<b>Q2 2008</b>	<b>Q 2 2009</b>	<b>Q 2 2010</b>	<b>Q 2 2011</b>	<b>Q 2 2012</b>	<b>Q 2 2013</b>
England	59.4	56.8	57.1	57.3	58.5	59.1
Greater South East	62.4	59.6	59.4	59.9	60.9	62.2
Rest of England	57.2	54.7	55.4	55.2	56.6	56.7
North East	51.5	47.5	50.8	50.0	51.5	51.7
North West	55.7	53.9	54.7	54.8	56.1	55.5
Yorkshire & the Humber	56.6	53.7	53.7	54.2	54.8	56.7
East Midlands	58.8	58.1	56.3	57.8	58.6	58.2
West Midlands	56.4	53.6	55.5	53.7	55.6	55.8
East of England	61.3	59.9	59.3	61.1	60.9	62.1
London	60.7	57.2	57.5	57.8	59.6	61.3
South East	65.1	62.0	61.5	61.6	62.2	63.4
South West	62.1	58.8	59.6	58.9	61.1	60.5

Source: BIS, Private Sector Employment Indicator

**Notes:**

1. The latest quarter of the data can only be compared with corresponding quarters in previous years, because the labour market data here is not seasonally adjusted.
2. Greater South East includes London, South East and East of England.
3. The Rest of England includes North East, North West, Yorkshire and the Humber, East Midlands, West Midlands and South West.



## Background Note

### Official Statistics

This publication is produced by statisticians working in the Enterprise and Economic Development Analysis (EEDA) Team in the Department for Business, Innovation and Skills (BIS). These data are experimental official statistics working towards full compliance with the Code of Practice for Official Statistics. See the link below for further information about the [Code](#).

### Data Sources and Methodology

The Indicator is formulated as follows:

$$\text{Private sector employment (16+)} * 100$$

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$$\text{Private and public sector employment(16+) + Unemployment(16+) + Inactivity (16-64)}$$

Data are published for England and each English region; however, changes in the Indicator are also monitored for two regional groups in England:

- Greater South East (London, South East and East)
- Rest of England (North, Midlands and West)

The two English groups have been selected to minimise the distortions due to high levels of commuting between London, South East and East.

The Indicator is compiled from a mix of administrative and survey data. Public Sector Employment statistics are based on administrative data that are used to compile the Public Sector Employment (PSE) series. Regional Employment, Unemployment and Inactivity are survey data, sourced from the ONS quarterly Labour Force Survey (LFS).

Employment and PSE data used to derive the Indicator are workplace based, whereas unemployment and inactivity data are residency based. Due to the different basis (workplace or residence), a loss of jobs in one region may lead to an increase in unemployment in another, as a person might reside in a different region from where they worked.

Regional Workplace Employment is derived by ONS from the LFS and directly supplied to BIS each quarter. Private Workplace Employment is derived as the difference between Total Workplace Employment and Public Sector Employment. Workplace based employment excludes those working outside the UK and some respondents who do not give a workplace address. In Quarter 2 2013, 379,000 people worked outside the UK or did not give a workplace address. Private sector employment used for this publication includes both part-time and full-time employment and self-employment.

To ensure the periods to which the data relate are as closely aligned as possible, the data used in this publication align as follows (and is summarised in Table 3):

- Public sector data are obtained from administrative data for the months of March, June, September and December.
- LFS estimates for Total Workplace Employment, Unemployment and Inactivity are based on quarterly averages for the periods: February to April; May to July; August to October; and November to January. Annual estimates are based on 4 quarter averages.

**Table 3: Reference Period of Data Sources**

<b>Data Source</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>
<b>LFS</b>	Feb-Apr	May-July	Aug-Oct	Nov- Jan (following year)
<b>PSE</b>	March	June	September	December

To ensure that the data, as closely as possible, covers the same population:

- Employment and unemployment figures are derived for all aged 16+.
- Inactivity is limited to those aged 16 to 64 to exclude people who are over 64 and are inactive.

This coverage means that changes in employment, unemployment and inactivity can be affected by migration; movements of 15 year olds into the work force (mainly in education and classified as inactive) and movements of those aged over 64 from employment or unemployment into inactivity.

Further information on the data sources can be found at the following websites:

**ONS PSE Release:**

<http://www.ons.gov.uk/ons/rel/pse/public-sector-employment/index.html>

**ONS LFS Release:**

<http://www.ons.gov.uk/ons/rel/lms/labour-market-statistics/index.html>

## Alternative data sources

The Indicator is compiled from a range of data sources that allow timely monitoring of the rebalancing of England's economy across the English regions and from the Public to the Private sectors. Alternate sources of Public Sector and Private Sector employment data are published, but have not been used to compile this Indicator, these include:

- Business Register Employment Survey, which provides annual estimates of regional private and public sector employment. This data are not suitable for regular monitoring as they are only available annually. For further information on the Business Register Employment Survey see link: <http://www.ons.gov.uk/ons/rel/bus-register/business-register-employment-survey/index.html>
- The Labour Market Statistics release provides quarterly estimates of employment in both the private and the public sectors, but this information is not available for UK countries or English regions. For further information on labour market statistics see link: <http://www.ons.gov.uk/ons/rel/lms/labour-market-statistics/may-2013/statistical-bulletin.html>

## Revisions

### Policy

It is BIS' policy to be open and transparent with users about the reasons for revisions and how they are handled.

Revisions will be mainly due to changes in methodologies and source data. The Indicators are derived from surveys and administrative data sources. Changes to the underlying methods will cause revisions. These include changes in statistical methods, definitions, classifications and geographic coverage.

If revisions arising from changes to methodologies and source data are found to be insignificant, they will be published in the next planned publication. However, if these revisions are expected to have a large impact, then they will be introduced and published more quickly. A note will be added to the release to explain the revision and its impact.

Although robust procedures are in place to minimise errors in producing the statistics, errors may occasionally occur. When errors are found after the publication, their impact will be assessed. If these changes are significant, a corrigendum will be issued as soon as practicable, while minor corrections will be included in the next planned release. In all cases a full explanation will be included as part of the next release.

### Latest revisions

The Public Sector employment estimates used to compile the Indicator estimates have been revised in order to incorporate more accurate data in line with ONS' revision policy. PSE data for Quarter 2 2012 and Quarter 1 2013 have been revised. The change has resulted in a small increase (+4,000) in Public Sector employment and a corresponding decrease in Private Sector employment, for Q1 2013 split across all regions. However, the revision has not affected the Indicator values at the England or subnational level.

## Relevance

The Indicator is used to monitor private sector employment growth in England as part of the Government's rebalancing agenda and is part of the Scorecard for assessing departmental performance. See the link below:

<http://webarchive.nationalarchives.gov.uk/20121205150610/http://www.bis.gov.uk/about/performance-reports/performance-indicators>

The publication may be used by other government departments, public bodies and research institutes to monitor the change in the labour market. We welcome feedback from users to improve the relevance of this publication; when providing feedback, please use the contact details at the end of the Release.

## Accessibility

The publication is available through the BIS statistics website and the Publication Hub. Statistical First Releases, data tables and supporting documentation for the Indicator can be found on the BIS website: <https://www.gov.uk/government/collections/private-sector-employment-indicator>

## Comparability

The data time series start from Q1 2008. Data are not seasonally adjusted, and therefore each quarter should only be compared with the same quarter of the previous, or earlier year, as annual comparisons will be largely unaffected by seasonality. The reclassification of large organisations, such as banks, between public and private sectors may cause a discontinuity in the time series. Notes for such reclassifications will be published alongside the data.

## Coherence

As outlined in the 'Methodology and Data Source' Section, Workplace Employment is used to calculate the Indicator and differs from residency based LFS employment data published by ONS. Differences between regional workplace and residency based employment are more pronounced in some regions due to commuting and travel to work patterns. For example, many workers in London reside outside of London, giving rise to a high commuting flow between London and those regions.

## Accuracy

Public Sector Employment statistics are mainly derived from a census of public sector organisations, so are not subject to sampling errors. However there is a potential small amount of non-response error. The Labour Force Survey is a household survey with sampling errors. Confidence intervals for the Indicators have been provided to enable significant changes to be identified given the methodology used to compile the data and the time period considered. More information on quality of the Public Sector Employment statistics and Labour Force Survey can be found by accessing the following link:

<http://www.ons.gov.uk/ons/guide-method/method-quality/quality/quality-information/labour-market/index.html>

## Strengths and Limitations

This publication utilises the best data sources available to compile a timely indicator to monitor the rebalancing process in terms of private sector job growth. Both the private sector and public sector employment data are workplace based, providing a consistent basis for calculating the Indicator. Confidence intervals have been produced to allow significant changes in the Indicator to be identified.

There are some limitations and caveats that should be understood before the data are used. Data can be affected by reclassifications of businesses from the public to the private sector. For example, the Royal Bank of Scotland and Lloyds Banking group were reclassified in October 2008 from the private to the public sector. This gave a small increase in the public sector employment compared to the period prior to the reclassification. These changes caused discontinuities in the time series. When large reclassifications occur these are highlighted in the footnotes accompanying the data.

Though effort and care have been applied when developing an appropriate Indicator, the method has limitations arising from underlying data sources and the definition used:

- Falling public sector employment is one of the factors that may cause a rise in the Indicator, and therefore an increasing Indicator does not necessarily reflect improved labour market conditions in all cases. Users should read the figures for the Indicator together with underlying components. The statistical release will explain the underlying causes for a change in the Indicator, highlighting any caveats.
- Whether a change is significant is determined by the magnitude of the change and the underlying sampling variances. The latter is also affected by the sample size. An area like England tends to have a large sample, leading to a relatively small sample variation compared to regions like North England. So a small change is more likely to be identified as significant compared to a region with a small sample size.

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