

PRIVATE SECTOR EMPLOYMENT INDICATOR – Q2 (MAY- JULY) 2012

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Introduction

Period:

Q2 2012

Coverage:

England;
English Regions

Frequency:

Quarterly

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Official Statistics

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This statistical release is the second in a series of quarterly publications for the private sector employment indicator. The latest data in the publication refers to conditions in Q2 (May to July) 2012.

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. Data for the indicator are published quarterly.

The indicator is formulated as follows:

$$\frac{\text{Private sector employment (16+)} * 100}{\text{Private and public sector employment(16+) + Unemployment(16+) + Inactivity(16-64)}^1$$

Data are published for England and each English region; however, changes in the indicator are 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.

¹ Inactivity is limited to those aged 16-64 to exclude people who are over 64 and are inactive.

Key Points

- In Quarter 2 2012, the private sector employment indicator for England was 58.7 per cent, a statistically significant rise of 1.9 percentage points (ppts) on the same period a year ago. This increase was driven by a large rise in private sector employment (+659,000); a small increase in unemployment (+23,000) and falls in inactivity (-331,000) and public sector employment (-357,000).
- From the 1 April 2012, English further education colleges and sixth form college corporations were reclassified as private sector, resulting in an estimated 196,000 employment moving from the public to the private sector in Quarter 2 2012. When the effects of the reclassification of the English colleges were removed, the indicator amounted to 58.2 per cent, a rise of 1.4 percentage points (ppts) on the same period a year ago.
- In the same period, the private sector employment indicator in the Greater South East stood at 61.2 per cent, a statistically significant rise of 1.7 ppts on the same period a year ago. This increase was driven by a large rise in private sector employment (+299,000) and falls in inactivity (-67,000); unemployment (-4,000); and public sector employment (-143,000).
- In the same quarter, the indicator for the Rest of England saw a statistically significant increase of 2.1 ppts to 56.9 per cent on the same quarter a year ago. This change was due to a large rise in private sector employment (+360,000); falls in inactivity (-264,000) and public sector employment (-214,000); and a small rise in unemployment (+27,000).

English Regions

In Quarter 2 2012, total employment in England amounted to 24.7 million and private sector employment rose 0.7 million to 20.2 million on the same period a year ago. When the effects of the reclassification of the English colleges are removed, private sector employment increased by 0.5 million over the same period.

The private sector employment indicator in England registered a statistically significant rise of 1.9 ppts to 58.7 per cent on the same quarter a year ago, mainly as a result of rising private sector employment (+659,000) as well as declining public sector employment (-357,000) and inactivity (-331,000). Discounting the reclassification of the English colleges from the public to private sector, the indicator was 58.2 per cent, a rise of 1.4 ppts on the same period in the previous year.

All English regions saw a rise in the indicator when compared to the same quarter a year ago, with four regions having statistically significant increases. The West Midlands saw the largest rise of 2.7 ppts to 56.0 per cent and the East of England recorded the smallest change of 0.8 ppts to 61.7 per cent.

Greater South East (London, South East and East)

In Quarter 2 2012, there were 10.9 million people employed in the Greater South East. Of these, private sector employment amounted to 9.1 million, up 0.3 million (statistically significant) on the same quarter a year ago. Rising private sector employment (+299,000) decreasing inactivity (-67,000) and unemployment (-4,000) offset the declining public sector employment (-143,000). The Private Sector Employment Indicator for the GSE group stood at 61.2 per cent, a statistically significant rise of 1.7 ppts on the same quarter a year ago.

Rest of England

The total employment in the Rest of England was 13.7 million in Quarter 2 2012, of which the private sector employed 11.0 million people, up by 0.4 million (statistically significant). The indicator for the Rest of England hit 56.9 per cent, a 2.1 ppts rise (statistically significant) on the same period a year ago. Increasing private sector employment (+360,000) and declining inactivity (-264,000) outweighed declining public sector employment (-214,000) and rising unemployment (+27,000).

Table 1: Private sector employment indicator: level and change by region, Q2 2012

	Indicator	
	Share (%)	Annual Change (PPTs)
England	58.7	1.9
Greater South East	61.2	1.7
Rest of England	56.9	2.1
North East	51.8	2.4
North West	56.1	1.9
Yorkshire and the Humber	54.8	1.2
East Midlands	58.9	1.5
West Midlands	56.0	2.7
East of England	61.7	0.8
London	59.6	2.5
South East	62.6	1.4
South West	61.8	3.1

Notes:

1. Annual Changes are relative to the same quarter a year ago.
2. Significant changes are highlighted in bold.
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.

Chart 1: Private sector employment indicator by region, 2011 Q2 and 2012 Q2

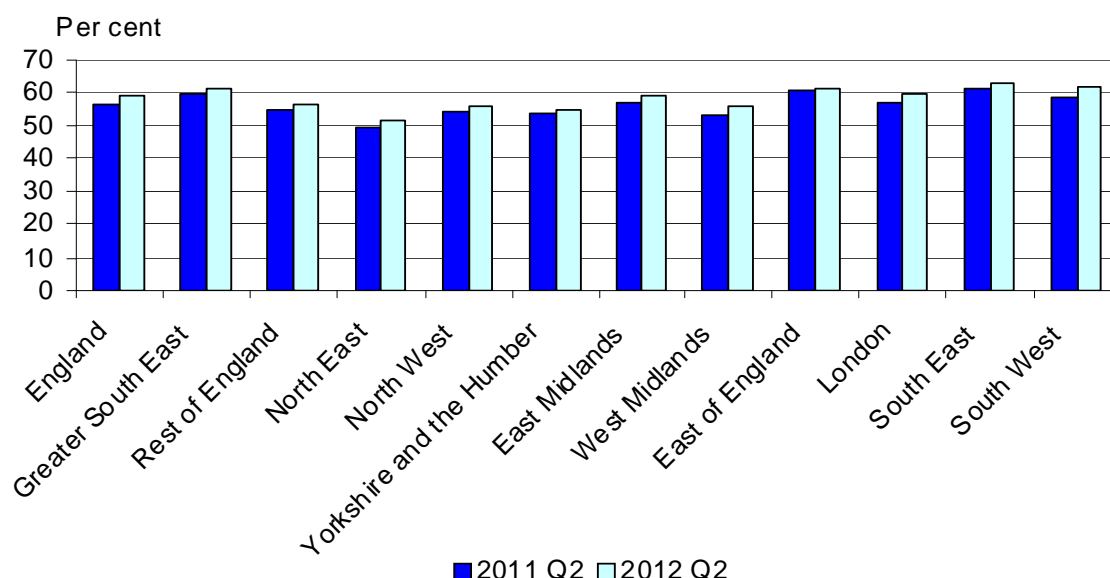


Table 2: Employment, unemployment and inactivity by regions, 2012 Q2

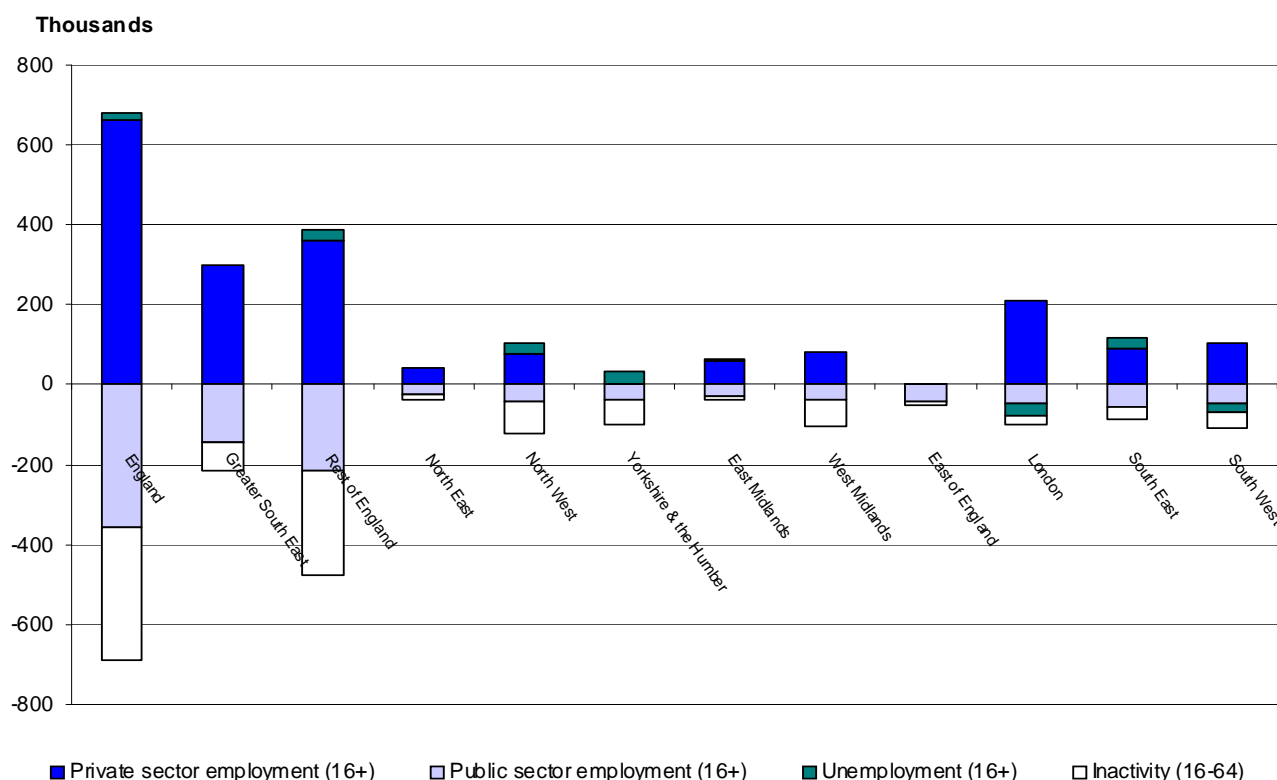
Non-seasonally adjusted (Thousands)

	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	20,151	659	4,505	-357	2,181	23	7,465	-331	34,302	-6
Greater South East	9,132	299	1,802	-143	859	-4	3,133	-67	14,926	85
Rest of England	11,019	360	2,703	-214	1,322	27	4,332	-264	19,376	-91
North East	877	42	254	-23	137	-4	426	-12	1,694	3
North West	2,536	75	647	-41	314	27	1,021	-83	4,518	-22
Yorkshire and the Humber	1,895	4	508	-36	280	28	773	-63	3,456	-67
East Midlands	1,687	58	360	-31	194	5	625	-5	2,866	27
West Midlands	1,939	82	470	-36	239	-3	817	-66	3,465	-23
East of England	2,185	1	416	-42	204	2	736	-8	3,541	-47
London	3,579	207	747	-48	375	-30	1,306	-25	6,007	104
South East	3,368	90	639	-53	280	24	1,091	-34	5,378	27
South West	2,086	101	463	-48	158	-25	669	-36	3,376	-8

Notes:

1. Changes are relative to the same quarter in the previous year.
2. Significant changes are highlighted in bold.
3. Workplace based employment 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. English further education colleges and sixth form college corporations (previously public sector) were classified to the private sector from 1 April 2012.
6. Greater South East includes London, South East and East of England.
7. The Rest of England includes North East, North West, Yorkshire and the Humber, East Midlands, West Midlands and South West.

Chart 2: Annual Changes in Employment, Unemployment and Inactivity by regions, 2012 Q2



Notes:

1. Changes are relative to the same quarter in the previous year.
2. Workplace based employment 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. English further education colleges and sixth form college corporations (previously public sector) were classified to the private sector from 1 April 2012.
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.

Background Note

Methodology and Data Source

The publication is compiled from a mix of administrative and survey data. Public Sector Employment statistics are based on administrative data that is 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 2012, 268,000 people worked outside the UK, or did not give a workplace address.

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

Data Source	Q1	Q2	Q3	Q4
LFS	Feb-Apr	May-July	Aug-Oct	Nov- Jan (following year)
PSE	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/guide-method/surveys/list-of-surveys/survey.html?survey=Quarterly+Public+Sector+Employment+Survey>

ONS LFS Release:

<http://www.ons.gov.uk/ons/guide-method/surveys/list-of-surveys/survey.html?survey=Labour+Force+Survey>

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 data collection methodology 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

This release contains revised statistics for August to October, 2009. Statistics have been revised to reflect the LFS data (employment, unemployment and inactivity) being re-weighted to take account of the latest population estimates. However the impact on the indicator is negligible as illustrated in the revisions analysis contained in the accompanying tables.

Relevance

The indicator was developed and published to monitor private sector employment growth in England as part of the Government's rebalancing agenda. Initially data will mainly be used by BIS to provide a timely impact indicator for the rebalancing process. The indicator is also part of the Scorecard for assessing departmental performance

(<http://www.bis.gov.uk/transparency/quarterly-data-summary>). With the publication evolving over time, there will be possibly more users from other government departments, public bodies and research institutes. We welcome feedback from users and potential users to improve the relevance of this publication.

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:

<http://www.bis.gov.uk/analysis/statistics/sub-national-statistics/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 year as annual comparisons will be largely unaffected by the seasonality. The reclassification of large organisations like 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 rising 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.

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 impacted by reclassifications of businesses from the public to the private sector. For example, the Royal Bank of Scotland and Lloyds Banking group were re-classified 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 efforts and care have been applied when developing the indicator, the method has limitations arising from underlying data sources and the definition used:

- Falling public sector employment is one of factors that may cause a rise in the indicator, and thus an increasing indicator does not necessarily reflect improved labour market conditions in all cases. Users should read the figures for indicators together with underlying components defining the indicator. The accompanying 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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