

PRIVATE SECTOR EMPLOYMENT INDICATOR – Q1 (FEB- APR) 2012

18th July 2012

Introduction
Period:

Q1 2012

This statistical release is the first in a series of quarterly publications for the private sector employment indicator. The latest data in the publication refers to conditions in Q1 (Feb- Apr) 2012.

Coverage:

England; Regions

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 will be published quarterly.

Frequency:

Quarterly

Status:

Official Statistics

Issued by:

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The indicator is formulated as follows:

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

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

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

Next update:

October 2012

URN 12/P152A

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

¹ Inactivity is limited to those aged 16-64 to exclude people who are over 64 and are inactive, as the majority of this group are pensioners, and unlikely to re-enter into the Labour market.

Key Points

- In Quarter 1 2012, the private sector employment indicator in London, South East and East stood at 60.1 per cent, remaining broadly unchanged compared with the same quarter a year ago.
- In the same quarter, the indicator for the rest of England saw a statistically significant increase of 1.1 ppts to 55.1 per cent compared with the same quarter a year ago. This increase was driven by a rise in private sector employment and falls in inactivity and public sector employment.
- England as whole registered a statistically significant rise (0.8ppt) in the indicator on the same quarter a year ago, mainly as a result of rising private sector employment and declining inactivity. All English regions experienced a rise in the indicator with the North East recording the largest increase (2.4ppt, though not statistically significant).

London, South East and East

In Quarter 1 2012, there were 10.9 million people employed in London, South East and East. Of these, private sector employment amounted to 9.0 million, up 0.1 million (not statistically significant) on the same quarter a year ago. However, a rise in private sector employment only partially offset the declining public sector employment and increasing unemployment and inactivity. The Private Sector Employment Indicator for the regional group stood at 60.1 per cent, remaining broadly unchanged compared to the same quarter a year ago.

Rest of England

The total employment in the Rest of England was 13.5 million in Quarter 1 2012, of which the private sector employed 10.7 million people, up by 0.2 million (statistically significant). The indicator for the Rest of England stood at 55.1 per cent, a 1.1 ppts increase on Quarter 1 2011 (statistically significant). Increasing private sector employment and declining inactivity offset declining public sector employment.

English Regions

England as whole registered a statistically significant rise (0.8ppt) in the indicator mainly supported by rising private sector employment. Across the regions, the North East saw a large rise of 2.4 ppts in the indicator compared to the same quarter a year ago (Quarter 1, 2011), but the increase is not statistically significant. In the North East, the rising private sector employment and decreasing inactivity outweighed declining public sector employment and increasing unemployment. All other English regions reported a rise in the indicator with London recording the smallest change (0.1ppt).

Table 1 Private sector employment indicator level and change by region, Q1 2012

	Indicator	
	level	Change
London, SE & East	60.1	0.3
Rest of England	55.1	1.1
North East	50.5	2.4
North West	54.0	0.8
Y&H	53.4	1.2
East Midlands	57.9	1.2
West Midlands	54.6	1.1
East of England	61.3	0.2
London	58.2	0.1
South East	61.5	0.7
South West	58.8	0.5
England	57.3	0.8

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

Chart 1 Private sector employment indicator by region, Q1 2011 and Q1 2012

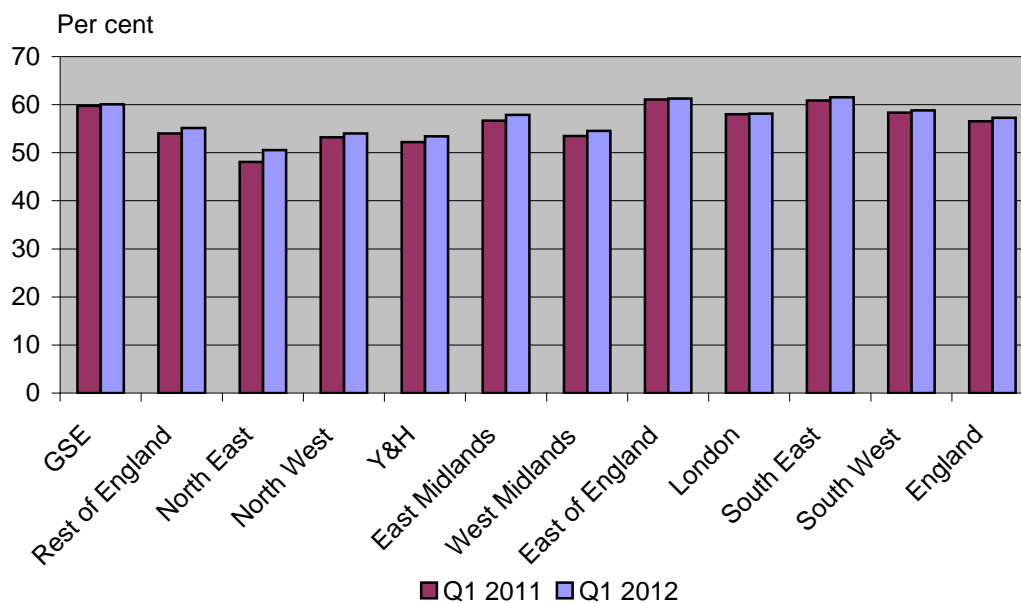


Table 2 Employment, unemployment and inactivity by region, Q1 2012

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
London, SE & East	9,001	96	1,895	-92	885	74	3,200	3	14,981	81
Rest of England	10,666	197	2,832	-158	1,271	67	4,580	-131	19,349	-25
North East	852	55	268	-17	142	28	424	-37	1,686	29
North West	2,440	39	674	-33	324	47	1,080	-47	4,518	6
Y&H	1,839	15	526	-27	241	9	836	-47	3,442	-50
East Midlands	1,647	51	381	-17	182	8	636	-13	2,846	29
West Midlands	1,901	27	495	-25	220	-14	867	-10	3,483	-22
East of England	2,161	-21	437	-34	205	16	725	-7	3,528	-46
London	3,562	75	781	-26	392	23	1,390	45	6,125	117
South East	3,278	41	677	-32	288	35	1,085	-35	5,328	9
South West	1,984	6	491	-36	161	-12	736	23	3,372	-19
England	19,668	292	4,727	-250	2,156	141	7,780	-128	34,331	55

Note: 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 while unemployment and inactivity are residence based.

Background Note

Methodology and Data Source

The publication is compiled from a mix of administrative and survey data. Regional Employment, Unemployment and Inactivity are based on the ONS quarterly Labour Force Survey (LFS). The source of public sector employment data is the National Statistics Public Sector Employment (PSE) series. This is published quarterly by ONS and the Scottish Government to provide employment estimates for national, English regions as well as each Devolved Administration.

Employment data and PSE series used to derive the indicator are workplace based, whereas unemployment and inactivity data are residency based. Due to the different basis (workplace/residence), a loss of jobs in one region may lead to an increase in unemployment in another.

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.

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 consistent quarterly averages for Feb-Apr, May-Jul, Aug-Oct and Nov-Jan. Annual estimates are based on 4 quarter averages. Employment and unemployment figures are derived for all aged 16+. The changes in employment, unemployment and inactivity are also 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. Inactivity is limited to those aged 16-64 to exclude people who are over 64 and are inactive.

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

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, classification 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.

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 release.

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 over time.

Accessibility

The publication is publicised through the BIS statistics websites and the ONS publication hub. Statistical First Releases, data tables and supporting documentation for the indicator can 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. They are not seasonally adjusted, and therefore each quarter should only be compared with the same quarter of the previous year. Annual comparisons will be largely unaffected by the seasonality. The reclassification of large organisations like banks between public and private sectors may cause 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 derived by ONS and directly supplied to BIS, so it 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

Accuracy

PSE 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 by a carefully developed methodology, taking into account sampling weights in line with sound scientific principles. The confidence intervals would allow for precise identification of significant changes in the indicator.

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 would cause discontinuity 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 is still not perfect and has inherent limitations arising from underlying data sources and the definition:

- Falling public sector employment is one of factors driving a rise in an 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 also 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 the North East. So a small change in a large region is more likely to be identified as significant compared to a region with a small sample size.

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