

London labour market update

Adama Lewis, GLA Economics

June 2021



Summary of latest labour market data

- **Payrolled employees** up by almost 34,500 or 0.9% on the previous month (a third consecutive month of growth) but still down on the previous year (-1.7%).
- **Unemployment rate** estimated at 6.5% for the three months ending April 2021, down 0.7 percentage points (pp) on the previous quarter but up 1.5pp on the year (and above the UK average of 4.7%).
- **Employment rate** estimated at 74.7%, broadly stable on the previous quarter (up 0.2 percentage points) but down 1.5pp from a year earlier.
- **Workforce jobs** in London estimated at 5.8 million in March 2021 – up by 58,900 from December 2020 but still down by 245,300 jobs from March 2020.



Coronavirus and measuring the labour market

- The ONS has published its latest [labour market update](#) covering Labour Force Survey data for the three months to April 2021. This briefing presents the latest headline estimates for London.
- Please note:
 - Many of the statistics included here are estimates based on surveys, and as such have a margin of error – known as sampling variability.
 - They also cover different reference periods or count dates – and are therefore impacted differently by the coronavirus (COVID-19) social distancing and lockdown measures.
 - A comparison of the main labour market data sources used in this release can be found [here](#).
- We advise that our outputs are triangulated with other sources of information and analysis to develop a rounded statistical picture of any specific policy issues; more information and previous GLAE analysis can be found on our COVID-19 labour market analysis page.

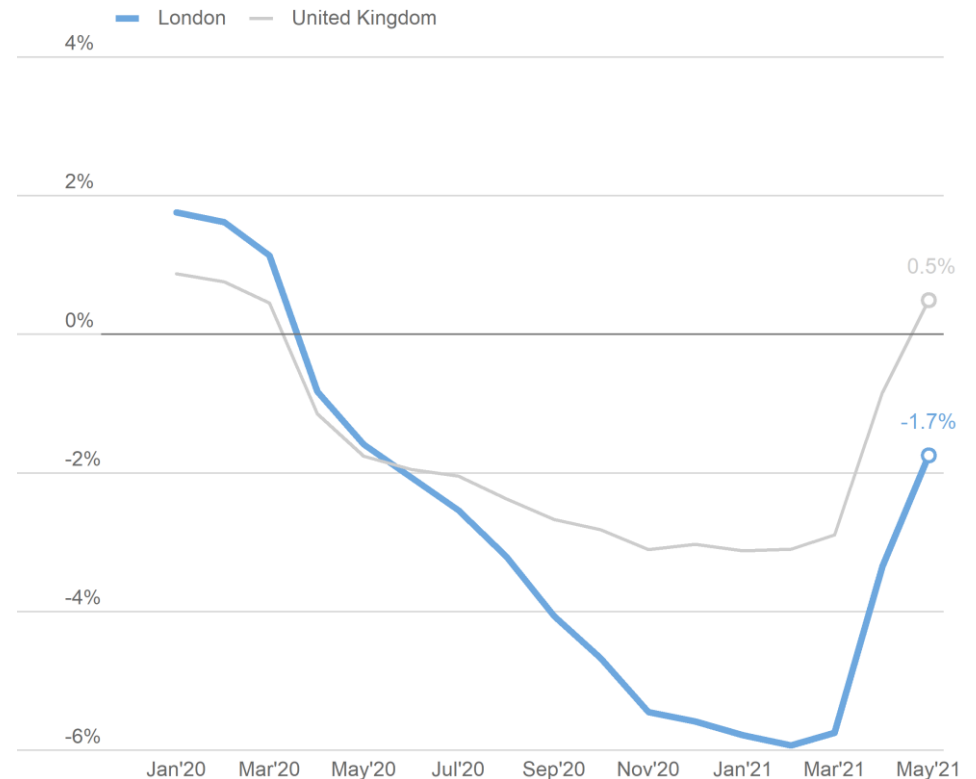
Despite a sharp increase in May, payrolled employees in **London** still down by 180,000 since March 2020

The count of payrolled employees from HMRC's Pay As You Earn (PAYE) RTI dataset offers the best single measure of resident labour market trends:

- Early estimates indicate that there were around 3.97 million payrolled employees living in London in May 2021.
- Compared with the previous month, the number of employees paid through payroll rose by almost 34,500 or 0.9% (a third consecutive month of growth). This was the highest month-on-month increase since July 2014 and exceeded the rate of increase nationally (+0.7%).
- Despite this increase on the previous month, the number of payrolled employees living in London remains 1.7% below May 2020 levels, a fall of 70,500 employees. This compares to a 0.5% rise across the UK.
- And compared with March 2020 (the pre-pandemic peak in London), the number of payrolled employees living in London is still down by 180,600 or 4.3%. This compares to a 1.7% decline across the UK.

Payrolled employees, change on previous year

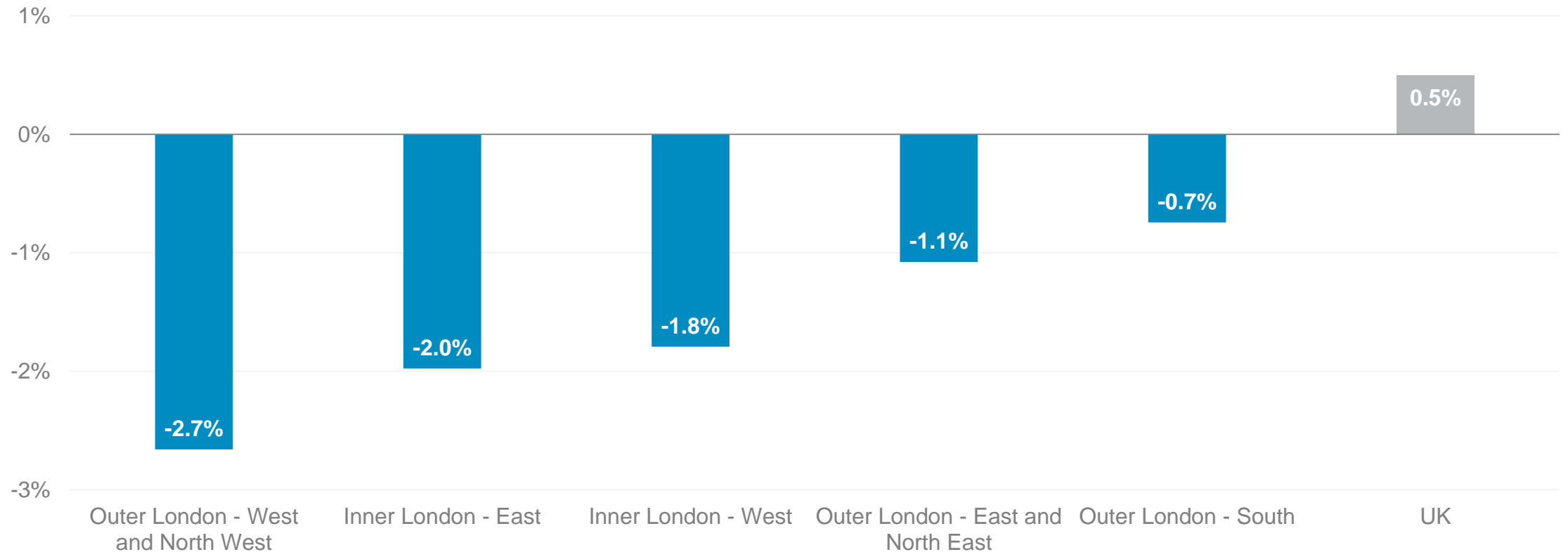
Latest data for period May 2021



Unlike the UK as a whole, the number of payrolled employees has declined on the previous year across the capital

Payrolled employees, change on previous year by NUTS2 region

Latest data for period May 2021



Source: HM Revenue and Customs – Pay As You Earn Real Time Information. Note: estimates are based on where employees live.

Employment rates in **London** and the **UK** broadly stable on the previous quarter

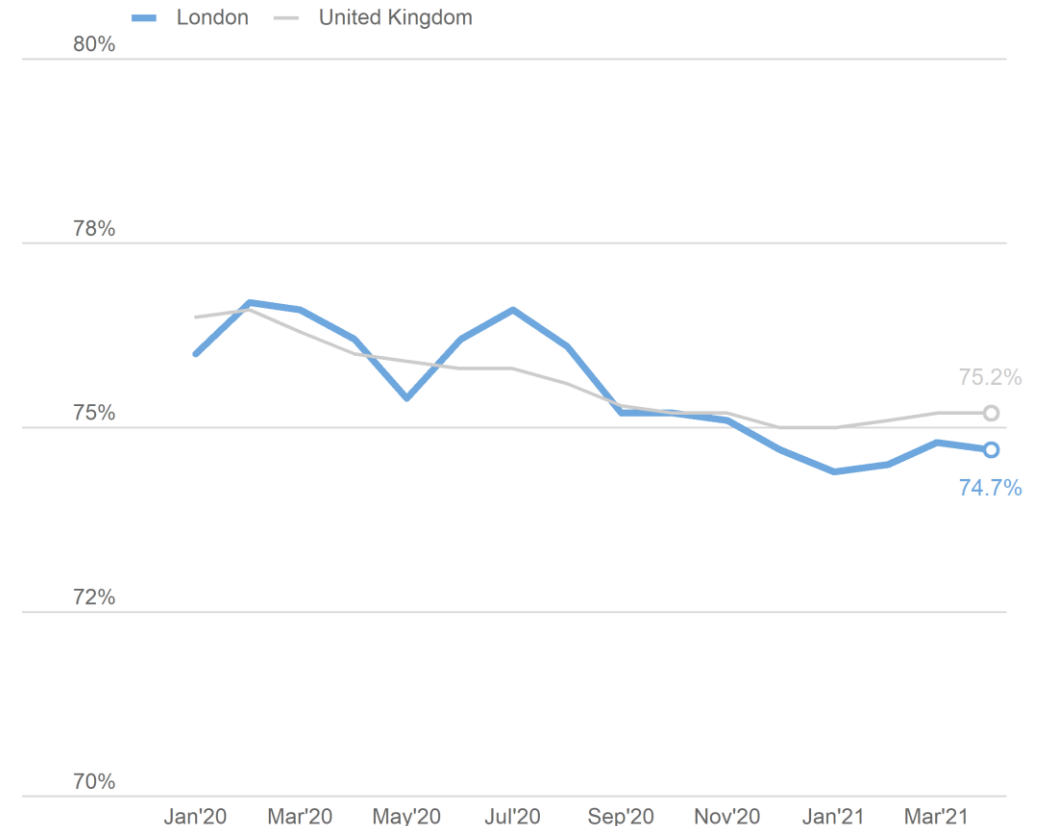
Employment measures the number of people aged 16 and over in paid work and those who had a job that they were temporarily away from. The employment rate is the proportion of people aged between 16 and 64 years who are in employment.

For February to April 2021:

- The 16-64 employment rate in **London** was estimated at 74.7%. This was up 0.2 percentage points (pp) on the previous quarter and down 1.5pp from a year earlier.
- The overall **UK** employment rate was estimated at 75.2% – up 0.2pp on the quarter and down 0.9pp on the year.

Employment rate (% of working age population)

Latest data for period Feb 2021-Apr 2021



Source: ONS Labour Force Survey. Note: the margin of error for employment rate estimates is +/- 1.4% for London and +/- 0.5% for the UK.

London unemployment rate down on the quarter but still up on the previous year

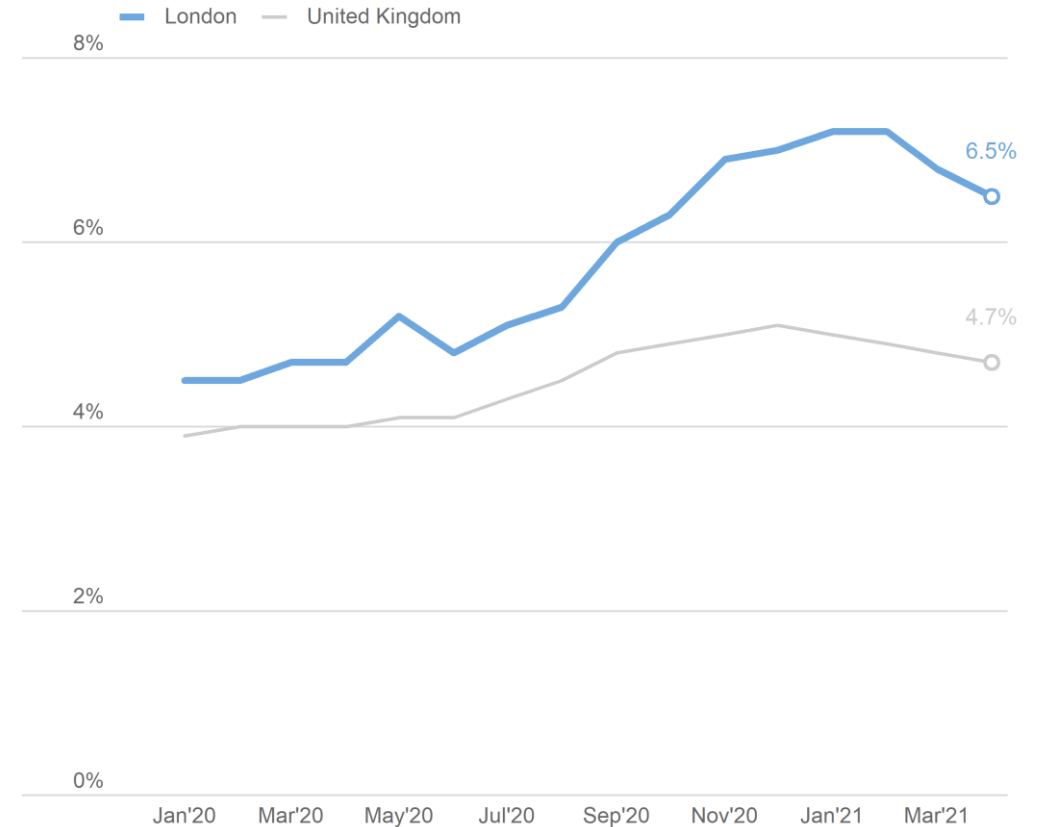
Unemployment measures people without a job who have been actively seeking work within the last four weeks and are available to start work within the next two weeks. The unemployment rate is the proportion of the economically active population who are unemployed.

For February to April 2021:

- The unemployment rate for **London** was 6.5% – down 0.7pp on the quarter and up 1.5pp from a year earlier.
- The **UK** unemployment rate was estimated at 4.7%, down 0.3 pp from the previous quarter and up 0.7pp on the year.

Unemployment rate (% of economically active)

Latest data for period Feb 2021-Apr 2021



Source: ONS Labour Force Survey. Note: the margin of error for unemployment rate estimates is +/- 1% for London and +/- 0.3% for the UK.

London inactivity rose on the quarter but remains below the UK level

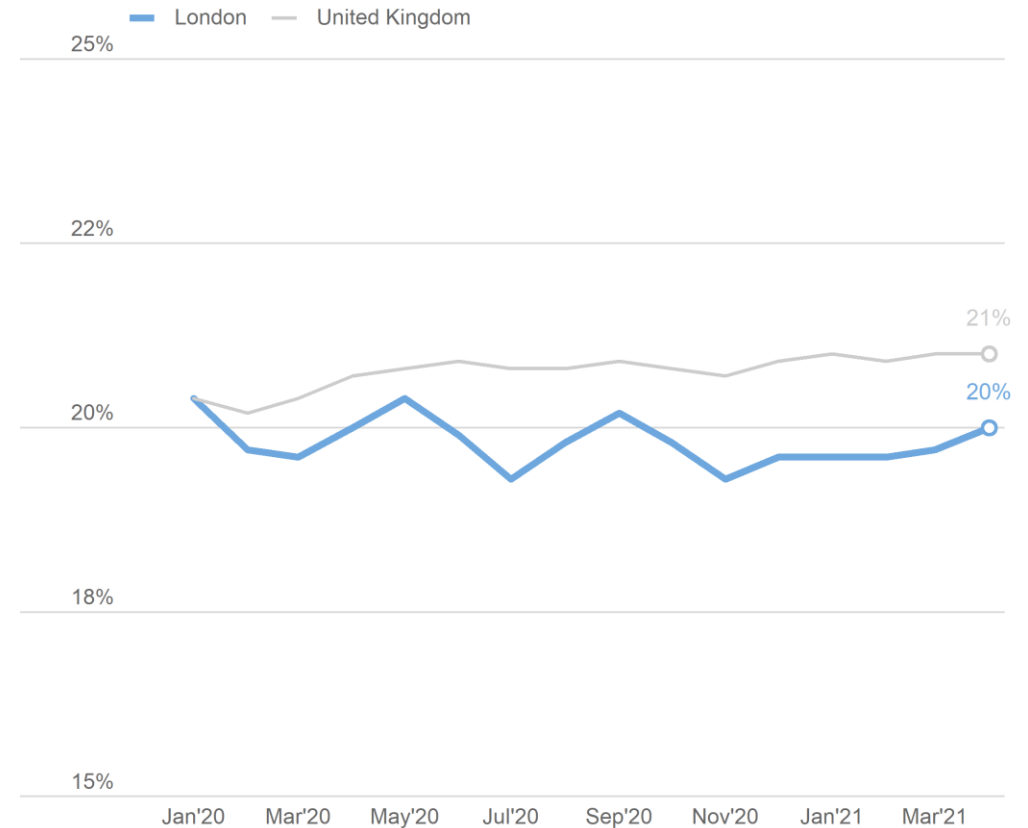
The economic inactivity rate is the proportion of 16 to 64-year olds not in work and either not looking for or unable to work.

For February to April 2021:

- The rate of economic inactivity in **London** was 20.0%. This was up 0.4pp on the previous quarter and unchanged on the year.
- The **UK** rate of economic inactivity was slightly higher at 21.0%. This was unchanged on the previous quarter and up 0.3pp compared with the previous year.

Economic inactivity (% of working age population)

Latest data for period Feb 2021-Apr 2021



Source: ONS Labour Force Survey. Note: the London margin of error is not published for economic inactivity rates, the UK margin is +/- 0.4%.

Workforce jobs in **London** up on the previous quarter but still below pre-pandemic peak

The Workforce Jobs series provides quarterly estimates of the number of jobs in the UK and is the ONS' preferred source of jobs broken down by region of workplace and industry.

The latest data for March 2021 shows that:

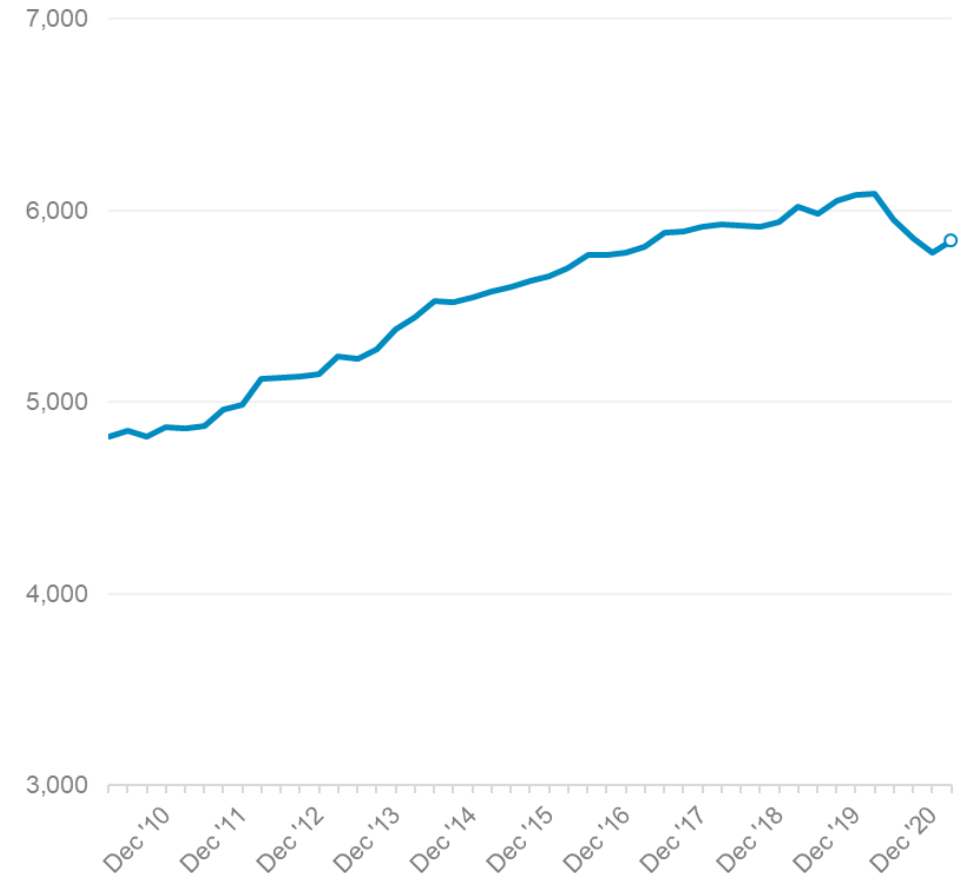
- The total number of workforce jobs in London was estimated at 5.8 million – an increase of 58,900 or 1% from December 2020. This marks the first quarterly increase in jobs in London since March 2020.
- Despite the recent quarterly increase, the latest estimate still represents a fall of 245,300 jobs (or 4%) from March 2020.
- Total jobs includes both employees and self-employment jobs. The latest employee jobs estimate is 146,200 (-3%) below March 2020 levels while the self-employed estimate is down by 95,400 (-12%).
- By comparison, the total number of workforce jobs at the UK level has fallen by 1.1 million or 3% since March 2020, and rose by almost 151,000 or 0.4% between December 2020 and March 2021 .

Source: ONS Workforce Jobs. Note: the London margin of error for all jobs is +/- 0.9%, the UK margin is +/- 0.3%.

Total number of Workforce Jobs in London

Seasonally adjusted, latest data for March 2020

Thousands



Some industry groups in **London** showing stronger signs of recovery than others

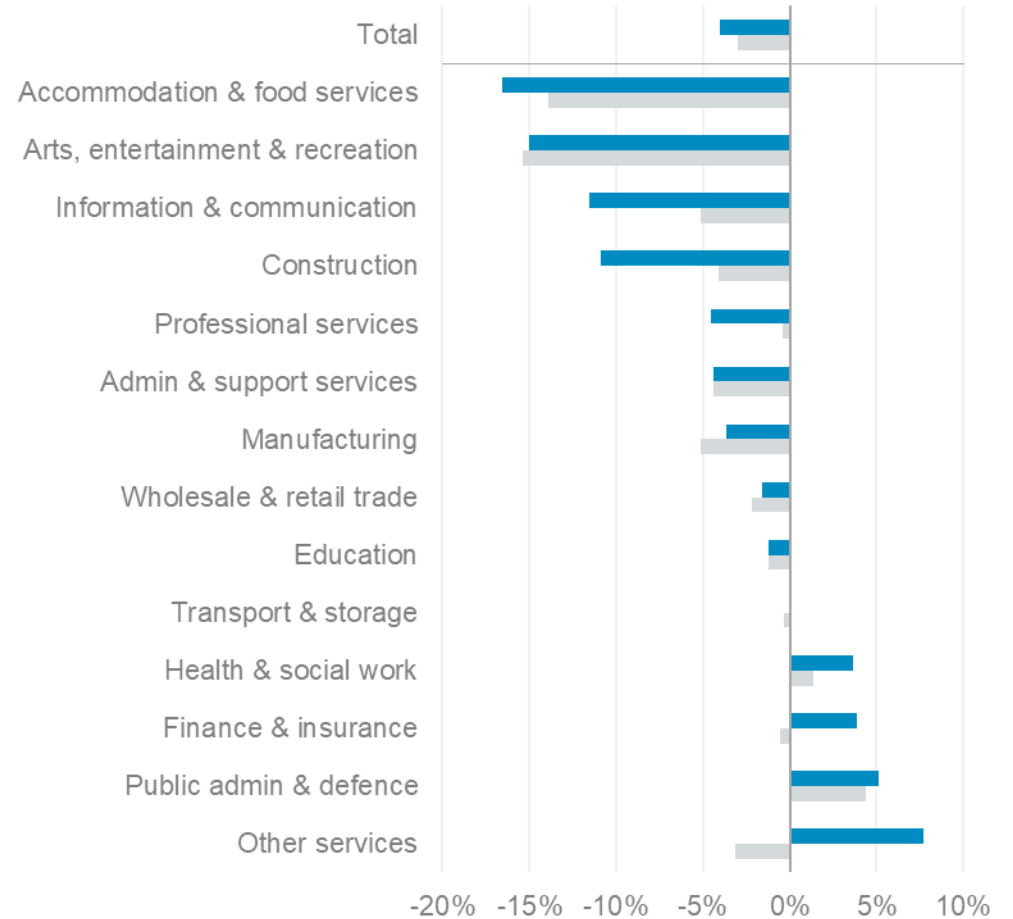
Between March 2020 and March 2021:

- Accommodation & food services recorded the largest fall in jobs in London, down by 75,900 or 17%. This was followed by Arts, entertainment and recreation (down 31,800 or 15%).
- Five industry groups recorded an increase in jobs in London. This includes Other services (12,000 or 8%), Public administration & defence (up 12,900 or 5%), Finance & insurance (up 15,700 or 4%).

Some industry groups in London have shown stronger signs of recent recovery than others. Only half of sectors recorded an increase in jobs between December 2020 and March 2021. The rate of growth was relatively strong in Other services (+21,900 or 5%) and Health and social work (+27,100 or 4%) while Arts & entertainment recorded a relatively sharp drop in workforce jobs (-4,800 or 7%).

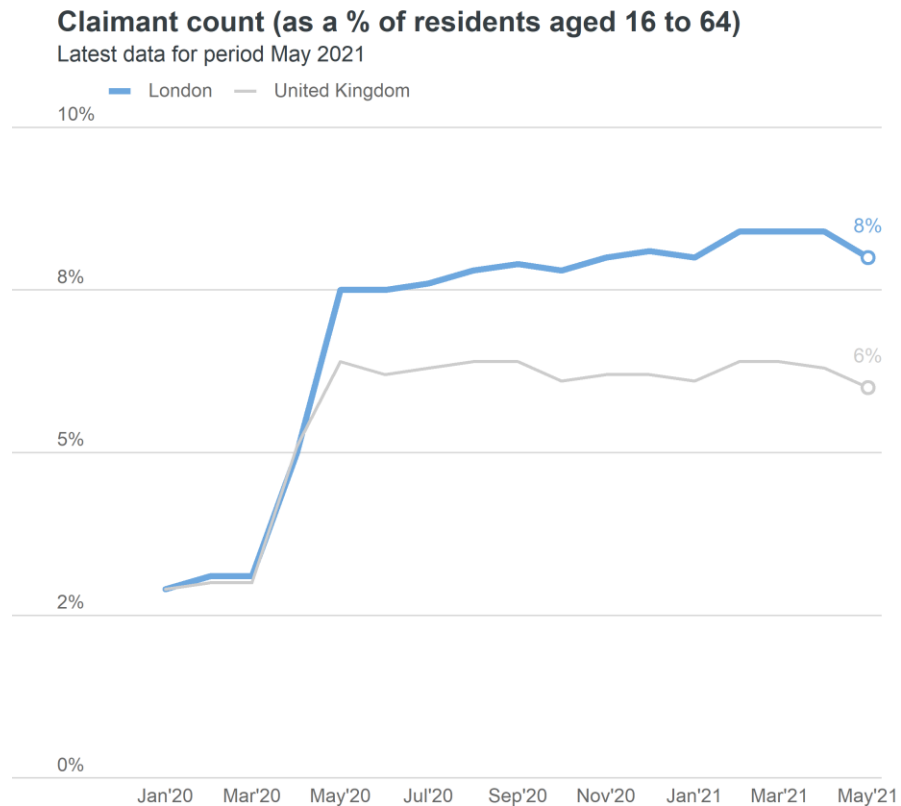
Percentage change in Workforce Jobs by selected industry groups between March 2020 and March 2021

Seasonally adjusted, **London** and UK



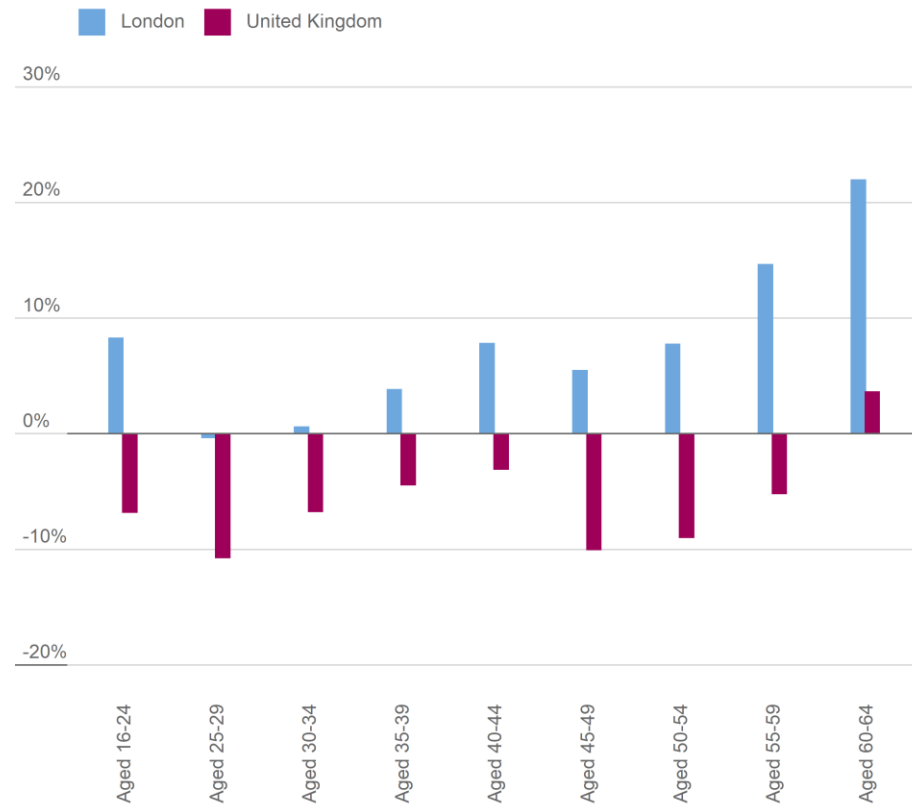
Source: ONS Workforce Jobs. Note: the London margin of error for all jobs is +/- 0.9%, the UK margin is +/- 0.3%.

The rate of **Londoners** claiming unemployment related benefits remains higher than in the rest of the country



Year-on-year percentage increase in claimant count

Latest data for period May-2021



Source: ONS Claimant Count by sex and age (NSA). Note: an increasing number of people recently became eligible for unemployment-related benefit support, although still employed. Changes in the claimant count will not be due wholly to changes in unemployment.

Summary of headline indicators for **London** and the **UK**

Headline estimates for February - April 2021	Number (16+, thousands)					Rate*				
	Latest Estimate	Change on Quarter		Change on Year		Latest Estimate	Change on Quarter		Change on Year	
Employment										
London	4,763	26	▲	-53	▼	74.7	0.2	▲	-1.5	▼
UK	32,487	113	▲	-353	▼	75.2	0.2	▲	-0.9	▼
Unemployment										
London	329	-38	▼	90	▲	6.5	-0.7	▼	1.7	▲
UK	1,613	-90	▼	246	▲	4.7	-0.3	▼	0.7	▲
Economic inactivity (16 - 64)										
London	1,229	25	▲	10	▲	20.0	0.4	▲	0.0	◆
UK	8,726	17	▲	144	▲	21.0	0.0	◆	0.3	▲

Source: ONS Labour Force Survey. Notes: *All figures are seasonally adjusted. Rates are based on working age population (16 – 64 male and female), except for the unemployment rate which is age 16+. LFS responses are weighted to official population projections. As the current projections are 2018-based they are based on demographic trends that pre-date the COVID-19 pandemic. The rates published from the LFS remain robust but levels and changes in levels should be used with caution.