

# Monthly Labour market update

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*Many of the estimates presented in these slides cover up to May 2020 and account only for the two full months of the social distance measures (more details on Slide 4). Many of the statistics presented here are estimates based on a survey, and as such have a margin of error – known as sampling variability*

# Summary of latest labour market data (1)

The Office for National Statistics (ONS) has released its latest labour market estimates. Headline figures have started to show the impact of Covid-19 but, in comparison to the 19.1% decline in GDP in the three months to May, the changes in employment and unemployment have been more modest, suggesting that the Government support is having an impact.

For **London**, in the three months to May 2020:

- The employment rate fell to 75.7% (-1.1 percentage points (pp)) on the quarter.
- The unemployment rose slightly to 5.1 % (+0.6pp on the quarter).
- The economic inactivity rate increased to 20.4% (+0.6pp on the quarter).

Experimental Claimant Count data covers claims for Jobseeker's allowance and those claimants in the Universal Credit "searching for work". Following the Government response to Covid-19, people on low incomes but still in work became eligible for unemployment related benefits and they are included in these statistics. This data shows that in **London**:

- The number of claims in the **capital** has gone up by 148% (around 274,000) since March, this was higher than the **UK** increase for the same period (112%).
- There are some early signs of stabilisation: in London, between May and June the number of claims went up by around 5,000, far fewer than the 154,490 rise seen between April and May
- Workers aged 25-29 in London saw the largest year on year increase in claims (+248%)
- All age groups in the **capital** increased by more than their **UK** counterparts.
- Among boroughs, Newham claims increased by most compared to the same period last year (+16,925).
- Among parliamentary constituencies, West Ham claims increased by most compared to the same period last year, followed by Tottenham and East Ham.

## Summary of latest labour market data (2)

The ONS has also published **UK** data on actual hours worked, number of PAYE employees, median pay and vacancies which overcome some of the data limitations that we discuss in Slide 4. These statistics, mostly available at the UK level only, show that:

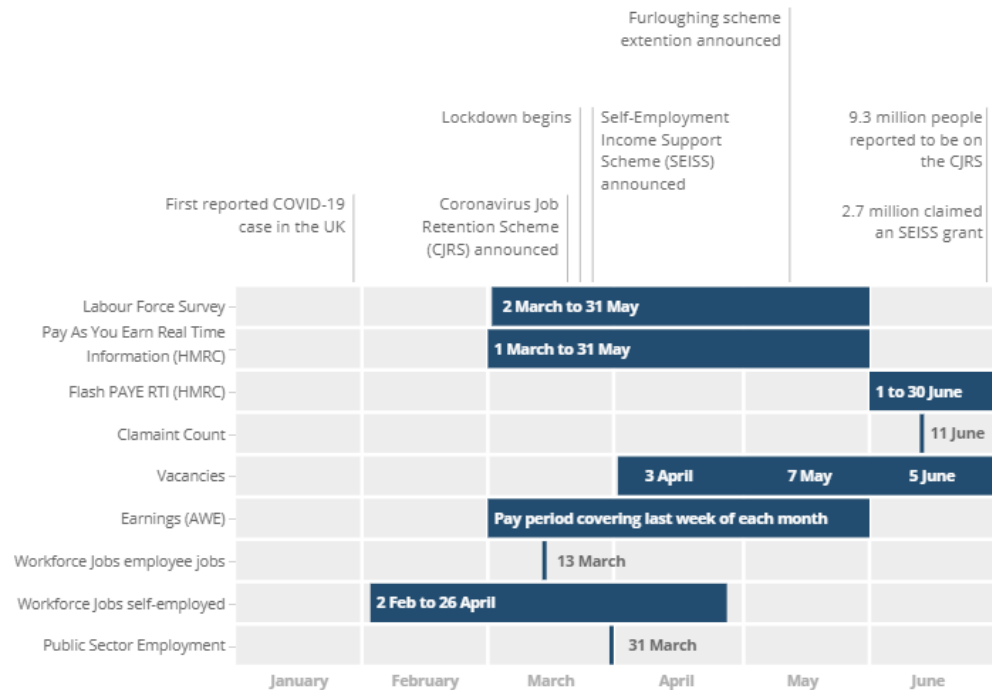
- Between March to May 2019 and March to May 2020, total actual weekly hours worked in the **UK** decreased by 175.3 million. The largest fall on record since the series began in 1971;
- The number of paid employees in the **UK** fell by 649,000 between March 2020 and June 2020;
- For March to May 2020, in the **UK** there were 463,000 fewer job vacancies than in the previous quarter.
- In the **UK**, median monthly pay fell by 0.9% in May 2020, compared with May 2019. Early estimates for June 2020 indicate that median monthly pay increased by 1.0% on the previous year.
- Compared with the same time last year, **London** experienced the third slowest median pay growth in the UK (+0.1%).

The monthly Wages and Salaries Survey, another source of data on pay, shows that in **Great Britain**:

- Growth in average total pay (including bonuses) among employees slowed sharply in March to May to become negative for the first time since April to June 2014.
- Pay tended to decline more in industries where furloughing was used the most with many of these already being among the lowest paying sectors. For example, Accommodation and Food Service Activities has experienced the largest annual decline (-12.6%).

# ONS headline indicators are still not capturing the full impact of CV-19

Data source reporting periods; reference periods and count dates alongside main coronavirus (COVID-19) dates



Overall, the headline indicators do not yet show the full impact Covid-19 for two reasons:

- The first relates to the way the data is collected. The Labour Force Survey (LFS) is the main source of employment data. This is the largest household survey that the ONS publishes – aside from the census – and interviews almost 80,000 adults every quarter to ask how much they have worked, how much they earn and whether those out of work are actively seeking a job. This is an extremely rich dataset but unfortunately it is not as timely as we would like it to be. The chart on the LHS shows how much of the data in the LFS and other key datasets were impacted by the social distancing measures.
- The second relates to the measures used in relevant data. For example, the International Labour Organization (ILO) definition of employment used in the LFS includes those who worked in a job for at least one hour and those temporarily absent from a job. Workers furloughed under the CJRS or who are self-employed but temporarily not in work have a reasonable expectation of returning to their jobs after a temporary period of absence. Therefore they are classified as employed under the ILO definition and ONS estimates.

# Employment rate in **London** started to fall

In the three months to May 2020, **London's** 16-64 **employment rate** was estimated at 75.7%. This was down by 1.1 pp on the previous quarter and 0.7 pp on the year. This was the largest quarterly fall since May-July 2009 quarter.

For the **UK**, the employment rate rose by 0.3 pp on the previous year, reaching 76.4%.

Looking at the changes in employment by gender shows that in the **capital**, women accounted for 60% of the quarterly fall in employment (-61,480 for women; -41,750 for men).

ONS also published estimates of employment rate by age (although this data is not seasonally adjusted and so comparisons are made on the same month in the previous year (rather than on the quarter)). For **London** these show that:

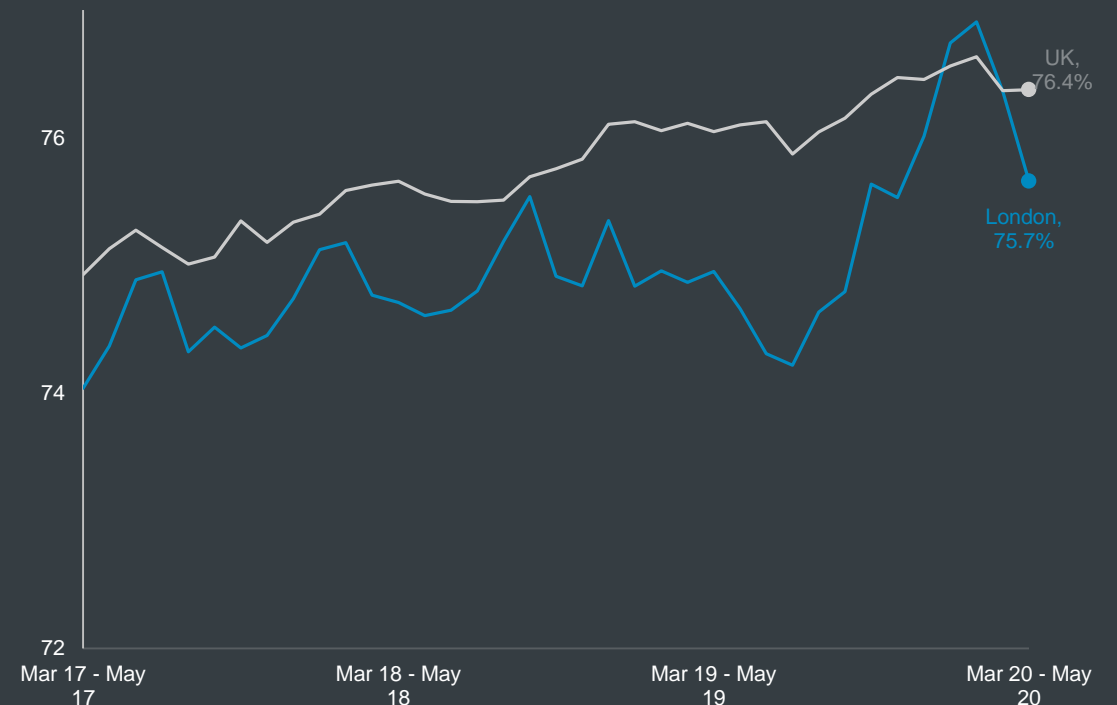
- The 35-49 age group experienced the largest fall (-1.0pp).
- The 18-24 group saw the largest increase on the year (+2.5pp), followed by those aged 25-34 (+2.1pp).

## Employment rate (% of working age population)

### London and UK

London Sampling variability  $\pm 1.2\%$

UK Sampling variability  $\pm 0.5\%$



# Unemployment rate in the **capital** rose

The **unemployment rate** in the **capital** was 5.1% in the three months to May 2020, 0.6 pp up on the previous quarter and 0.8 pp up on the year. This was the largest quarterly increase since the May-July 2011 quarter.

The **UK** unemployment rate was estimated at 3.9%, virtually unchanged compared against the previous quarter.

Looking at changes in unemployment by gender in the capital shows that while unemployment for men went down by 4,130 on the quarter, unemployment for women increased by 31,280.

ONS also published estimates of unemployment rates by and age (not seasonally adjusted) . For **London** these show that:

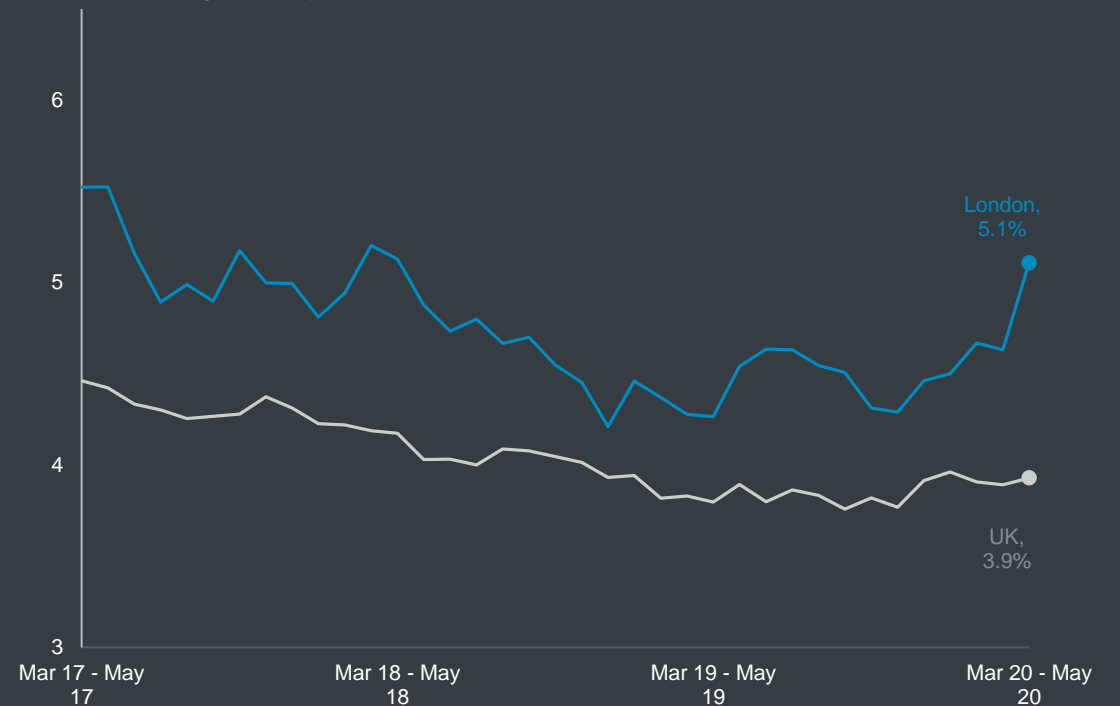
- Londoners aged 18-24 were the only age group to see a fall on the year (-2.3pp).
- The 25-34 age group experienced the largest increase (+1.8pp).

## Unemployment rate (% of economically active)

### London and UK

London Sampling variability  $\pm 0.6\%$

UK Sampling variability  $\pm 0.3\%$



# And there was also an increase in **London's** inactivity rate

In the three months to May 2020, the rate of **economic inactivity** in **London** (the proportion of 16 to 64 year olds not in work and not looking for or not able to work) was 20.2%, up 0.5 pp on the previous quarter but 1.4 pp down on the year.

The **UK's** rate of economic inactivity was slightly higher at 20.4%, up 0.2 pp on the previous quarter but down 0.4 pp on the year.

Looking at the changes in inactivity by gender shows that in the **capital**, men accounted for 60% of the quarterly increase in economic inactivity (+53,530 for men; +36,600 for women).

ONS also published estimates of economic inactivity rate by age (again, not seasonally adjusted). For **London**, these show that:

- Those aged 25-34 saw the largest fall on the year (-3.9pp), followed by those aged 50-64 (-2.2pp).
- The 35-49 age group was the only one to see an increase (+0.4pp).

Source: ONS Labour Force Survey 2020

## Economic inactivity (% of working age population)

### London and UK

London Sampling variability (not published)

UK Sampling variability  $\pm 0.4\%$



# The overall claimant count in **London** is up 274k on March

Since March 2020, the number of claims by residents aged 16+ in the **capital** has gone up by 148% (274,790), reaching a total of 459,840 claims. This was the third highest regional proportional increase. In the **UK**, the claimant count has increased by 112% (1,391,260) since March. The **capital** accounted for a fifth of this increase.

Looking at the change between May and June suggests some signs of stabilisation:

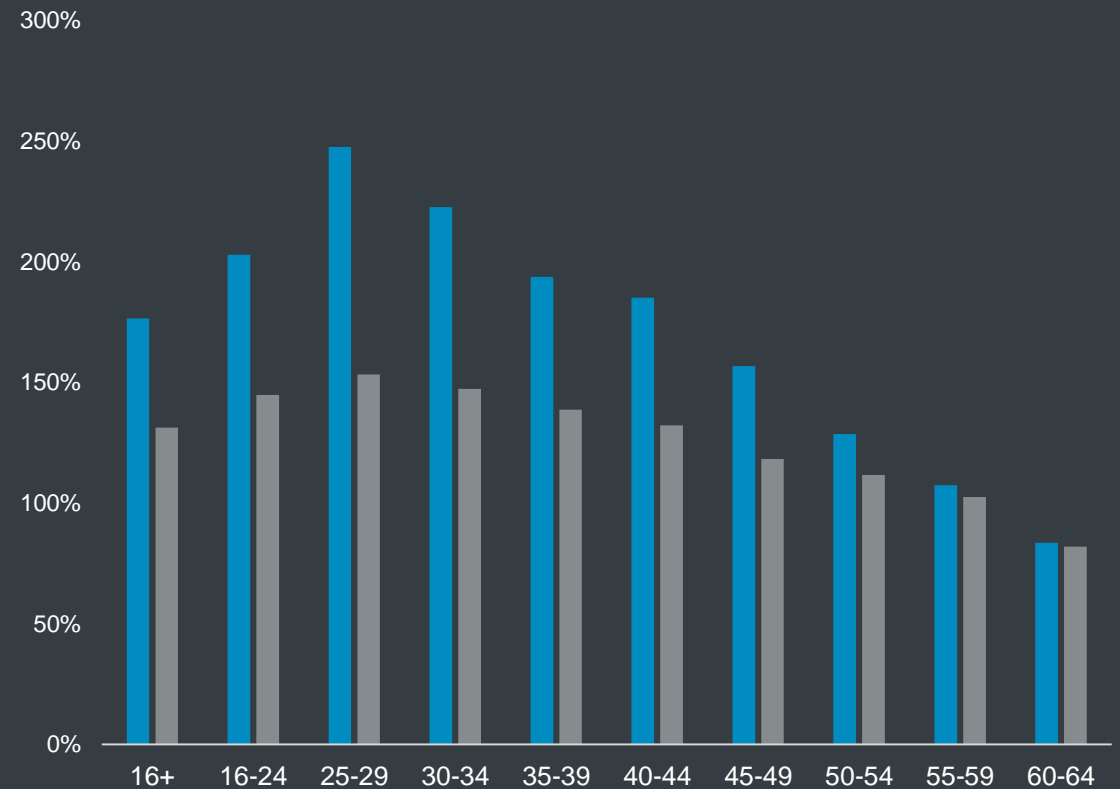
- The number of claims in **London** increased by 4,860 – 149,634 fewer than the rise seen between April and May (154,490).
- However, **London**, Scotland and Northern Ireland were the only **UK** regions in to see an increase in the number of claims between May and June.

The number of claims by men in the **capital** went up by 160% (+162,690) since March – only 0.4% of this increased seen between May and June (+630). Claims by women rose by 134% (+112,100) since March – 3.8% of that occurring between May and June (+4,230).

Comparing June 2020 against June last year, workers aged 25-29 saw the largest increase in claims in the **capital** (+248%), followed by those in the 30-34 (223%) age group. All age groups in **London** experienced a larger proportional increase than their **UK** counterparts (see chart).

Source: ONS Labour Market Statistics

Claimant count change by age groups, June 2019 June 2020 , **UK** and **London**



Note that an increasing number of people became eligible for unemployment-related benefit support, although still employed. Consequently changes in the Claimant Count will not be due wholly to changes in the number of people who are unemployed.



# Newham saw the largest increase in the number of claims

Data on claimant count by local authority shows that within **London**, Newham had the largest year on year change (+16,925) and Richmond had the smallest (+3,540) (excluding the City of London).

Looking at the data by parliamentary constituency shows that:

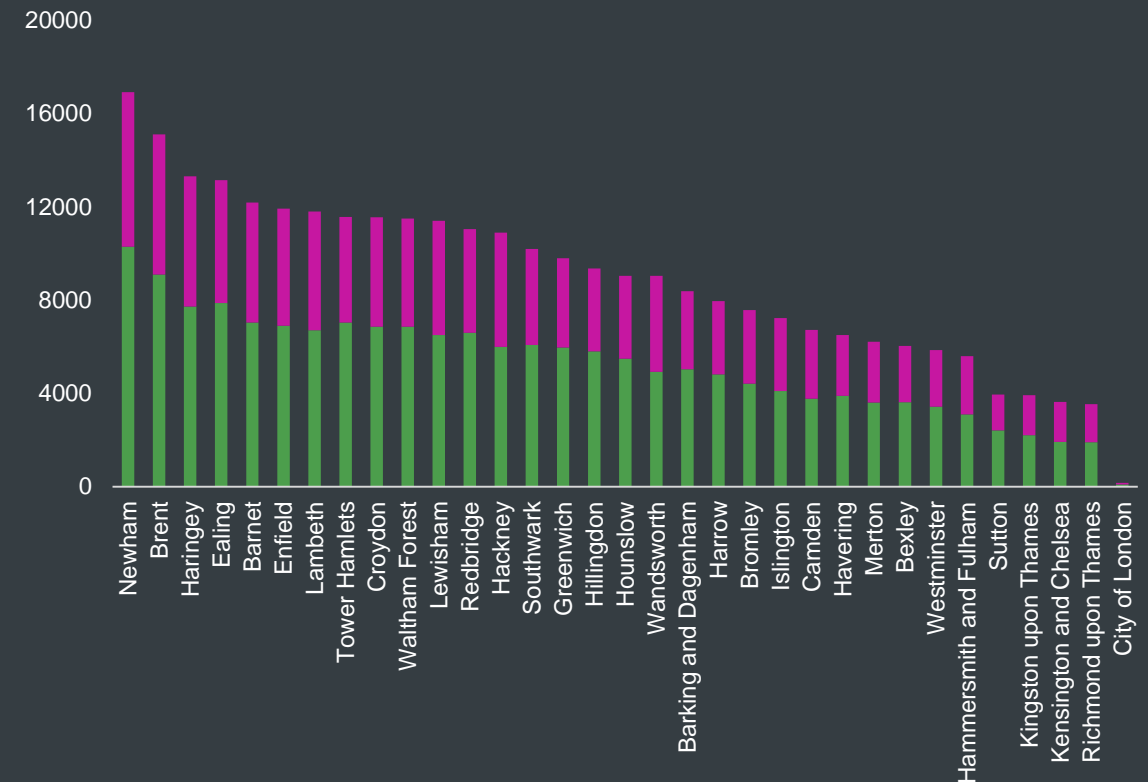
- West Ham (+9,015) was the parliamentary constituency with the largest year on year increase, followed by Tottenham (+8,210), and East Ham (+7,910). Orpington was the parliamentary constituency with the smallest increase (+1,765).
- Tottenham saw the largest year on year increase in the share of working age residents claiming benefits (+8.2pp), followed by Brent Central and East Ham. Richmond Park saw the smallest increase (+2.6pp) over the same period – this is after excluding City of London & Westminster.

Looking at the number of claims by parliamentary constituency and age shows that:

- West Ham saw the largest increase in the number of claims by 18-24 year old residents, followed by East Ham and Tottenham
- The same parliamentary constituencies also saw the largest increases in claims by 25-49 year old residents;
- Brent Central experienced the largest increase in claims by residents aged 50+, followed by West Ham and Tottenham.

Source: ONS Labour Market Statistics

Year on year change in claimants for June 2020, by borough (Men/Women)



Note that an increasing number of people became eligible for unemployment-related benefit support, although still employed. Consequently changes in the Claimant Count will not be due wholly to changes in the number of people who are unemployed.

# Top 5 Parliamentary constituencies with largest increase in claims

Change in number of claims and % of 16-64 residents claiming unemployment benefits, June 19 – June 20, by parliamentary constituency and age, Top 5/Bottom 5

| Top 5    |                           |       |                                  |       |                           |       |                   |       |                                  |     |
|----------|---------------------------|-------|----------------------------------|-------|---------------------------|-------|-------------------|-------|----------------------------------|-----|
| Ranking  | 16+                       |       | 18-24                            |       | 25-49                     |       | 50+               |       | % of 16-64 residents             |     |
| 1        | West Ham                  | 9,015 | West Ham                         | 1,540 | West Ham                  | 5,980 | Brent Central     | 1,660 | Tottenham                        | 8.2 |
| 2        | Tottenham                 | 8,210 | East Ham                         | 1,375 | Tottenham                 | 5,435 | West Ham          | 1,485 | Brent Central                    | 7.7 |
| 3        | East Ham                  | 7,910 | Tottenham                        | 1,340 | East Ham                  | 5,160 | Tottenham         | 1,440 | East Ham                         | 7.2 |
| 4        | Brent Central             | 7,755 | Brent Central                    | 1,235 | Brent Central             | 4,855 | East Ham          | 1,370 | Edmonton                         | 6.7 |
| 5        | Ilford South              | 6,120 | Barking                          | 1,110 | Bethnal Green and Bow     | 4,000 | Ilford South      | 1,150 | West Ham                         | 6.6 |
| Bottom 5 |                           |       |                                  |       |                           |       |                   |       |                                  |     |
| Ranking  | 16+                       |       | 18-24                            |       | 25-49                     |       | 50+               |       | % of 16-64 residents             |     |
| 69       | Carshalton and Wallington | 2,000 | Carshalton and Wallington        | 345   | Carshalton and Wallington | 1,260 | Vauxhall          | 750   | Carshalton and Wallington        | 3.1 |
| 70       | Old Bexley and Sidcup     | 1,950 | Wimbledon                        | 345   | Sutton and Cheam          | 1,245 | Walthamstow       | 875   | Sutton and Cheam                 | 3   |
| 71       | Sutton and Cheam          | 1,950 | Orpington                        | 340   | Old Bexley and Sidcup     | 1,100 | West Ham          | 1485  | Twickenham                       | 2.9 |
| 72       | Beckenham                 | 1,835 | Cities of London and Westminster | 325   | Beckenham                 | 1,035 | Westminster North | 700   | Cities of London and Westminster | 2.6 |
| 73       | Orpington                 | 1,765 | Sutton and Cheam                 | 300   | Orpington                 | 1,015 | Wimbledon         | 350   | Richmond Park                    | 2.6 |

Source: ONS Labour Market Statistics. Note that an increasing number of people became eligible for unemployment-related benefit support, although still employed. Consequently changes in the Claimant Count will not be due wholly to changes in the number of people who are unemployed

# The UK saw the largest annual decrease in actual hours worked on record

UK total actual weekly hours worked (people aged 16 years and over), seasonally adjusted, between March to May 1992 and March to May 2020



Source: Office for National Statistics – Labour Force Survey

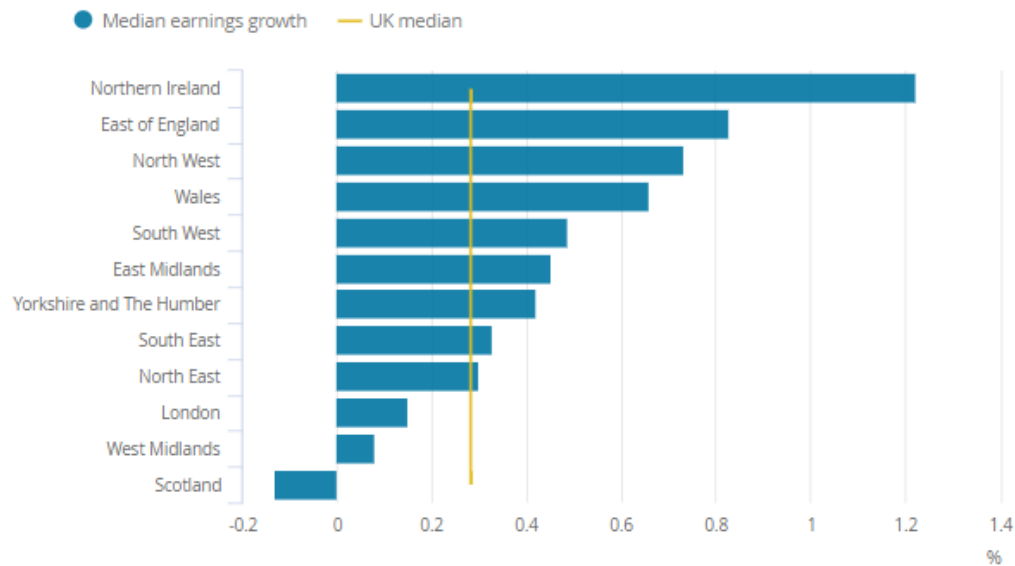
Source: ONS Labour Force Survey

ONS has published data on actual hours worked, number of employees on payroll, pay and vacancies:

- Between March to May 2019 and March to May 2020, total actual weekly hours worked in the UK decreased by 175.3 million (16.7%) to 877.1 million. This was the largest fall on record since the beginning of the series in 1971 and the lowest level since May to July 1997. The Accommodation & Food Services sector saw the biggest fall in average actual weekly hours, down 12.0 hours to a record low of 16.0.
- Experimental monthly estimates of paid employees and their pay using HMRC PAYE data show that the number of payroll employees in the UK fell by 649,000 between March 2020 and June 2020 (-74,000 between May and June).
- For March to May 2020, there were an estimated 333,000 vacancies in the UK, the lowest level since the series began in 2001. This is 463,000 fewer than in the previous quarter and 497,000 fewer than the previous year. The Wholesale & Retail and Accommodation & Food Services sectors saw the largest falls.

# Londoner's pay growth was amongst the lowest of UK regions

Percentage change on same three months last year, seasonally adjusted, UK, three months to May 2020



Source: HM Revenue and Customs – Pay As You Earn Real Time Information

Experimental monthly estimates of paid employees and their pay using HMRC PAYE data show that:

- **London** had the third slowest growth (+0.1pp) in median pay over the three months to May (see chart).
- Early estimates for June 2020 indicate that median monthly pay in the **UK** reversed its year on year decline to increase by 1.0%. According to the ONS, this can be explained in part by the decrease in inflows to paid employment that has eased the downward pressure on pay growth.

ONS Monthly Wages and Salaries Survey shows that between March and May 2020 in **Great Britain**:

- Pay tended to decline more in industries where furloughing was used the most, with many of these already being among the lowest paying sectors. For example, Accommodation and Food Service Activities experienced the largest annual decline (-12.6%).

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

| March 2020 - May 2020                  | Number (16+, thousands) |                   |   |                |   | Rate*          |                   |   |                |   |
|--|-------------------------|-------------------|---|----------------|---|----------------|-------------------|---|----------------|---|
|  | Latest Estimate         | Change on Quarter |   | Change on Year |   | Latest Estimat | Change on Quarter |   | Change on Year |   |
| <b>Employment</b>                      |                         |                   |   |                |   |                |                   |   |                |   |
| London                                 | 4,763                   | -103              | ▼ | 77             | ▲ | 75.7           | -1.1              | ▼ | 0.7            | ▲ |
| UK                                     | 32,948                  | -126              | ▼ | 199            | ▲ | 76.4           | -0.2              | ▼ | 0.3            | ▲ |
| <b>Unemployment</b>                    |                         |                   |   |                |   |                |                   |   |                |   |
| London                                 | 256                     | 27                | ▲ | 48             | ▲ | 5.1            | 0.6               | ▲ | 0.8            | ▲ |
| UK                                     | 1,347                   | -17               | ▼ | 55             | ▲ | 3.9            | 0.0               | ▲ | 0.1            | ▲ |
| <b>Economically Inactive (16 - 64)</b> |                         |                   |   |                |   |                |                   |   |                |   |
| London                                 | 1,233                   | 33                | ▲ | -75            | ▼ | 20.2           | 0.5               | ▲ | -1.4           | ▼ |
| UK                                     | 8,462                   | 92                | ▲ | -157           | ▼ | 20.4           | 0.2               | ▲ | -0.4           | ▼ |

*\*All figures are seasonally adjusted. Rates are based on working age (16 – 64 male and female), except for the unemployment rate which is age 16+.*