

UNEMPLOYMENT

July 2009

This article shows levels and trends of unemployment in Herefordshire. The Office for National Statistics (ONS) supplies data on numbers and rates¹ of unemployment, the age of those who are unemployed and duration of their unemployment. The following is a summary of the key information as of **July 2009**. All figures are unadjusted for seasonal variation unless otherwise stated.

Key findings

- The claimant count (Jobseekers Allowance) for Herefordshire saw a small decrease between June and July maintaining the relative stability seen since March. In July 2009 the count was 3,009, a 2% decrease on June, but 100% higher than in July 2008 (1,505).
 - The seasonally adjusted claimant count saw a decrease in July 2009, the first decrease since January 2008.
 - In July both the on-flow (new claimants) and off-flow (claimants leaving benefit) increased, but a higher off-flow resulted in a decrease in stock (claimant count).
 - The unemployment rate in July was 2.9%, an increase from 1.5% in July 2008, but a slight decrease from June (3.0%). This rate remains low compared to the West Midlands region (5.4%) and England as a whole (4.1%).
 - The 18-24s² had the highest age specific unemployment rate in July 2009, 7.0% compared to 2.9% for the 25-49s and 1.8% for the over 50s.
 - Below county level the wards with a consistently high unemployment rate are mostly in Hereford City (Belmont, Central, St. Martins and Hinton and St. Nicholas) but also all wards in Leominster and Ross-on-Wye (two wards in each).
 - The greatest proportion of claimants by usual occupation are those in the 'elementary trades, plant and storage related occupations'³ and the 'sales occupations' accounting for 18% and 17% of all claimants respectively.
 - In July the ratio of claimants to vacancies was 4.2, high compared to July 2008 (2.2), but lower than the West Midlands (6.4) and England as a whole (5.7).
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¹ Unemployment as measured by Claimant Count i.e. those claiming Jobseekers Allowance at Employment Service local offices. Rates are the number of claimants as a % of the working age population resident in that area (16-64 yr M/16-59 yr F).

² When calculating the unemployment rate for the younger age group claimants of 16-17 are excluded as many aren't eligible to claim and so the resulting low numbers of claimants skews the unemployment rate. 16-17 year olds only accounted for around 1% of claimants under 25.

³ 'Elementary trades, plant and storage related occupations' include; elementary trades within agriculture and construction e.g. woodworking and building labourers; elementary process plant occupations e.g. foundry workers and packers; and elementary goods storage occupations.

Measuring unemployment: claimant counts and International Labour Organisation (ILO) methodology

As noted previously the data presented here is the claimant count produced by ONS, which measures the number of people claiming Jobseekers Allowance (JSA). Nationally there has been some controversy over the use of this measure as opposed to the International Labour Organisation (ILO) measure of unemployment, which is based on data from the Labour Force Survey/Annual Population Survey. The ILO methodology measures unemployment as anyone of working age who is economically active (i.e. available for work) who reports themselves as being unemployed. This measure typically captures more unemployed people than the claimant count because there are some who aren't eligible to claim JSA and others who may simply choose not to register for JSA, for a number of reasons. There is concern, that during the current recession, this gap has widened as proportionally fewer people are choosing to claim and that therefore the claimant count is not accurately indicating what is happening in the labour market.

One example of groups who are not captured effectively by the claimant count are 16-17 year olds who have a low level of eligibility for JSA, but are counted in the ILO definition. Higher skilled professionals have been suggested as another group who may be unlikely to register for JSA, as this group is more likely to have a secondary income from financial investments. In addition there may be a perception amongst this group that the service will not meet their needs in terms of seeking further employment. This group is likely to be experiencing greater unemployment than in previous recessions. The article (link) below discusses these issues in relation to past recessions. The Department for Work and Pensions are also carrying out research to look into this issue during the current recession.

http://www.statistics.gov.uk/articles/labour_market_trends/Rev_unemployment_CC_comparisons.pdf

Unfortunately the data available at local authority level based on the ILO definition (available through the Annual Population Survey) is less timely than data from the claimant count. In addition the ILO methodology uses survey data which is modelled at local authority level and so is less accurate and provides no breakdown below local authority level either by area or for age/duration etc. For these reasons the claimant count is used for Herefordshire.

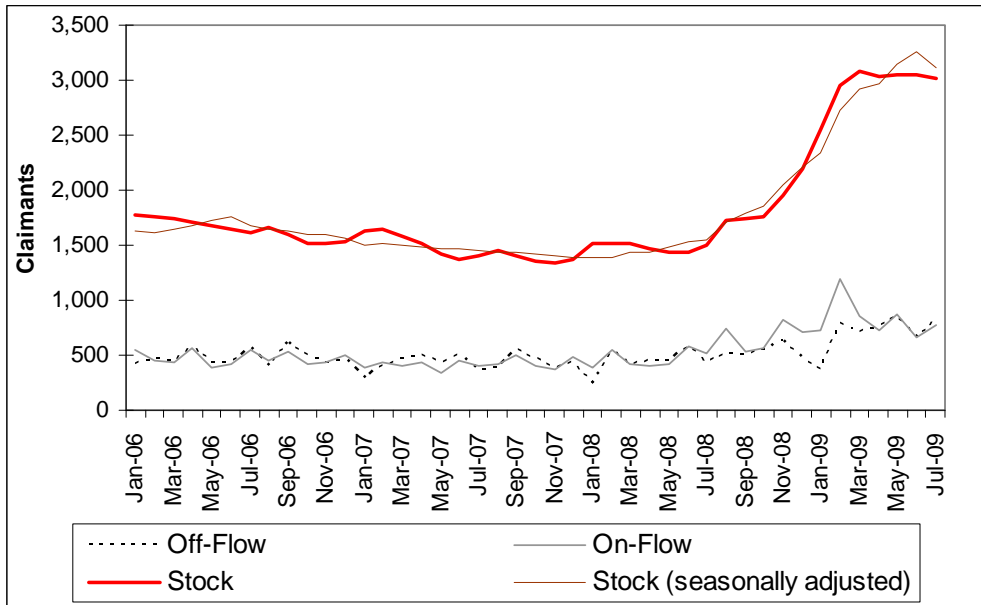
Claimant numbers and rates

The claimant count (Jobseekers Allowance) for Herefordshire saw a small decrease between June and July maintaining the relative stability seen since March. In July 2009 the count was 3,009, a 2% decrease on June, but 100% higher than in July 2008 (1,505). The claimant count for the West Midlands and England both saw modest increases of 1% between June and July.

The claimant count (stock) can also be adjusted to remove any effect of seasonal variation in unemployment (chart 1). For example in July we would normally expect unemployment levels to be on average below that for the rest of the year. The seasonally adjusted figure takes this into account by adjusting the count for July upwards. The seasonally adjusted claimant count had seen a continual increase from January 2008 until June 2009. However, in July there was a drop in this figure mirroring some of the decreases seen in the unadjusted figure since March 2009.

The on-flow (new claimants) in July was 778, an increase from 656 in June and greater than that seen in July 2008 (513). The off-flow (claimants leaving benefit) also increased in July to 826 and was higher than July 2008 (436). Because the off-flow increased beyond the on-flow this resulted in a net decrease in claimant stock (-48) in July.

Chart 1. Claimant on-flow, off-flow and stock (count) seasonally adjusted for Herefordshire, 2006-2009



Source – ONS crown copyright

The number of claimants has been high relative to the same point in the previous year since July 2008. The claimant count in July 2009 was up 100% (1,504) on July 2008, a larger increase than seen for the West Midlands (74%) and England as a whole (81%). However, this increase was lower than for the shire authorities of Worcestershire (128%), Staffordshire (113%) and Warwickshire (102%), but higher than Shropshire (97%). In contrast the metropolitan areas of the West Midlands have seen smaller percentage increases in the number of claimants, although they started from a higher base in terms of their unemployment rate.

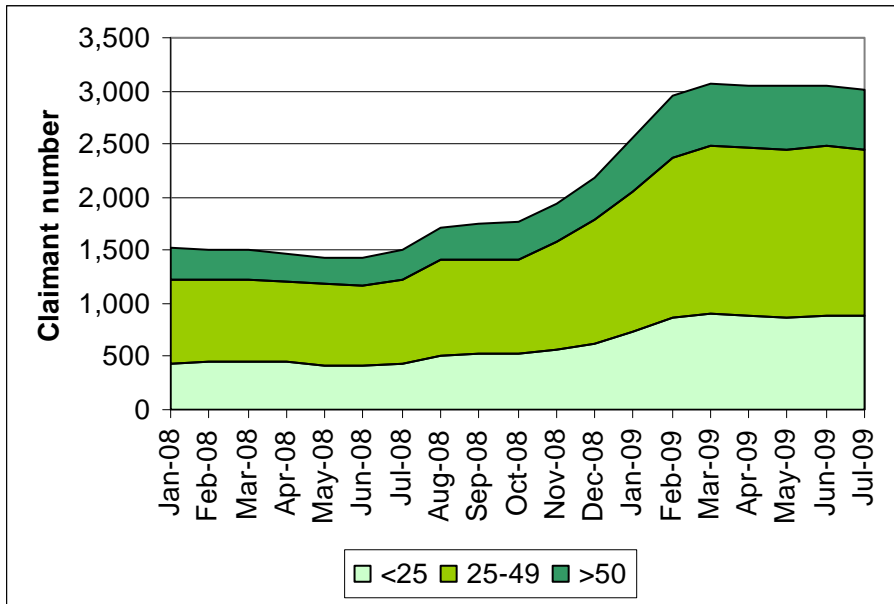
The unemployment rate⁴ in July 2009 was 2.9%, a decrease from 3.0% in June, but much higher than in July 2008 (1.5%). This rate remains low compared to that for the West Midlands region (5.4%) and England as a whole (4.1%), both of which remained static between May and June.

Age and duration

Claimants between 25 and 49 years of age accounted for the greatest proportion of claimants, 52% (1,570 claimants). Those under 25 accounted for 29% and the over 50s 19%. Claimant numbers for all three age groups have approximately doubled since July 2008; over 50s (96%); the under 25s (102%); and 25-49s (99%) (chart 2 next page).

⁴ The unemployment rate is the number of claimants as a proportion of the working age population

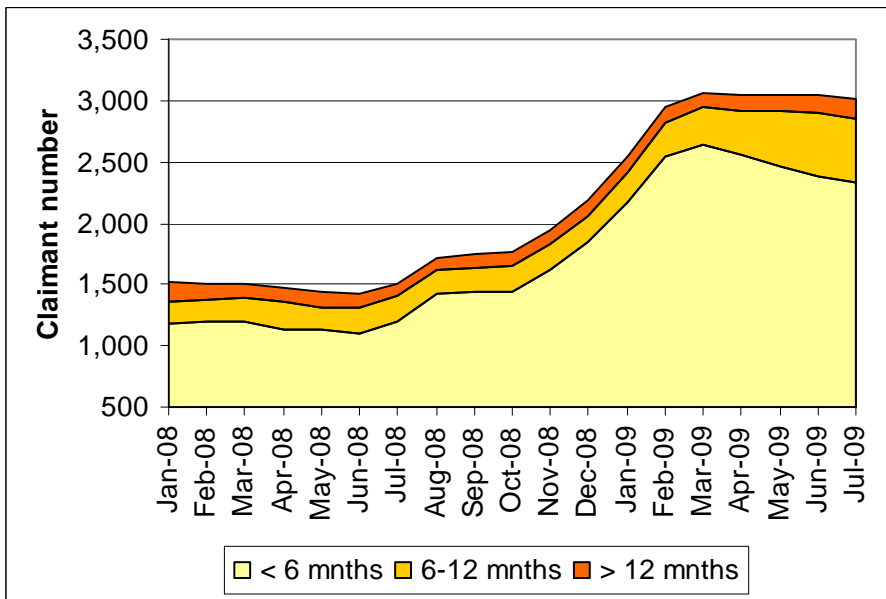
Chart 2. Number of claimants by age group of claimant, 2008-2009



Source – ONS crown copyright

Looking at the age specific unemployment rates the 18-24s⁵ had the highest rate in July 2009, 7.0% compared to 2.9% for the 25-49s and 1.8% for the over 50s. The rate for the under 18-24s also increased by the most (percentage points) since July 2008 but this was due to starting from a higher base rate.

Chart 3. Number of claimants by duration of claim, 2008-2009



Source – ONS crown copyright

Looking at the duration of claimants the initial increase in the proportion of short term claimants (less than 6 months) since July 2008 has now reversed as some of those claimants become medium term claimants (6-12 months) (chart 3). Since January

⁵ When calculating the unemployment rate for the younger age group claimants of 16-17 are excluded as many aren't eligible to claim and so the resulting low numbers of claimants skews the unemployment rate. 16-17 year olds only accounted for around 1% of claimants under 25.

2009 the number of claimants that have been claiming between 6 and 12 months has been increasing. Longer term claimants (over 12 months) also saw an increase in July. Although, short term claimants currently account for 75% of the increase seen since July 2008, this group has decreased by 12% since March. In contrast to this claimants of 6-12 months currently account for 21% of the increase since July 2008, but have increased by 65% since March. Longer term claimants account for 4% of the increase since July 2008 and have increased by 38% since March.

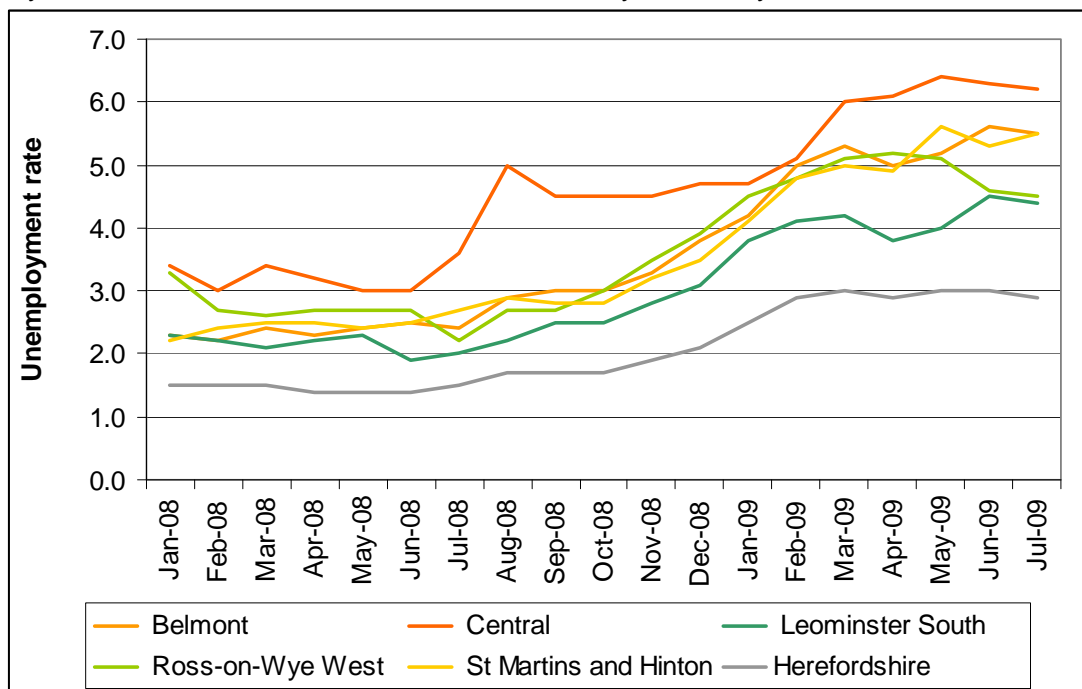
Below county

Below county level the wards with a consistently high unemployment rate are mostly in Hereford City (Belmont, Central, St. Martins and Hinton and St. Nicholas) but also all wards in Leominster and Ross-on-Wye (two wards in each).

The wards with the highest unemployment rate in July 2009 were Central (6.2), Belmont (5.5), St Martins and Hinton (5.5), Ross-on-Wye West (4.5) and Leominster South (4.4). As is the case for Herefordshire as a whole these five wards have in general showed some stabilisation in the claimant rate since March (chart 4). The exception to this is Ross-on-Wye West, which has seen a considerable decrease in its rate since March.

The greatest increases in the number of claimants since July 2008 were in St Martins and Hinton (194), Belmont (189) and Three Elms (116). Between June and July only St. Martins and Hinton saw an increase in claimants (13), Belmont and Three Elms both saw modest decreases. Overall between June and July, 13 wards saw an increase, 3 saw no change and 24 decreased.

Chart 4. Unemployment rate for Central, Belmont, St. Martins and Hinton, Ross-on-Wye West and Leominster South wards, January 2008-July 2009



Source – ONS crown copyright

Occupation

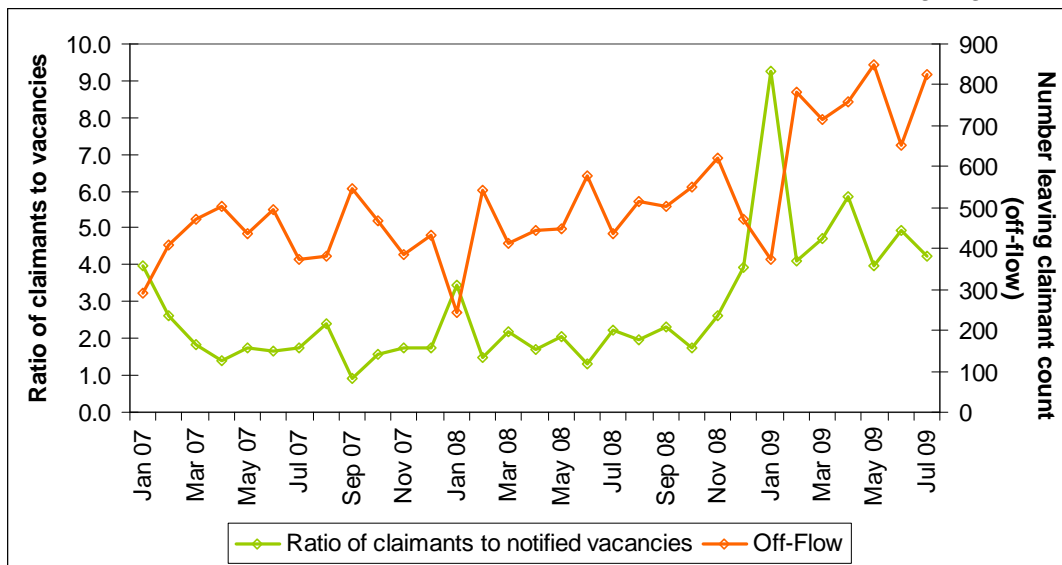
When looking at the usual occupation of claimants, the greatest proportion are in the 'elementary trades, plant and storage related occupations'⁶ and the 'sales occupations' accounting for 18% and 17% of all claimants respectively. The 'sales occupations' saw an increase of 300 claimants since July 2008, whilst the 'elementary trades, plant and storage related occupations' increased by 245 claimants. Other groups that saw large increases in the number of claimants were 'elementary administration and service occupations' (140), 'process, plant and machine operatives' (125), 'skilled construction and building trades' (100) and 'transport and mobile machine drivers and operatives' (95).

Vacancies

The number of vacancies notified to Jobcentre Plus in July 2009 (709) was greater than for June 2009 (620) and July 2008 (678).

By looking at the ratio of claimants to vacancies we can see how likely claimants are to have found work in a given month. Chart 5 shows the ratio of claimants to vacancies alongside the off-flow of claimants. This clearly demonstrates that an increase in this ratio is closely mirrored by a decrease in the off-flow. In July the ratio of claimants to vacancies was 4.2 i.e. there were on average 4.2 claimants to every vacancy. This was high compared to July 2008 (2.2), but lower than the West Midlands (6.4) and England as a whole (5.7).

Chart 5. Ratio of claimants to vacancies and number of claimants leaving register



Source – ONS crown copyright

When looking at occupation, the greatest proportion of notified vacancies in July 2009 were in the 'elementary administration and service occupations' (17%), 'caring personal service occupations' (14%) and 'sales occupations' (13%). It is worth noting that although Jobcentre is a service which can be used by any employer wishing to advertise, higher end professional jobs tend not to be advertised through Jobcentre.

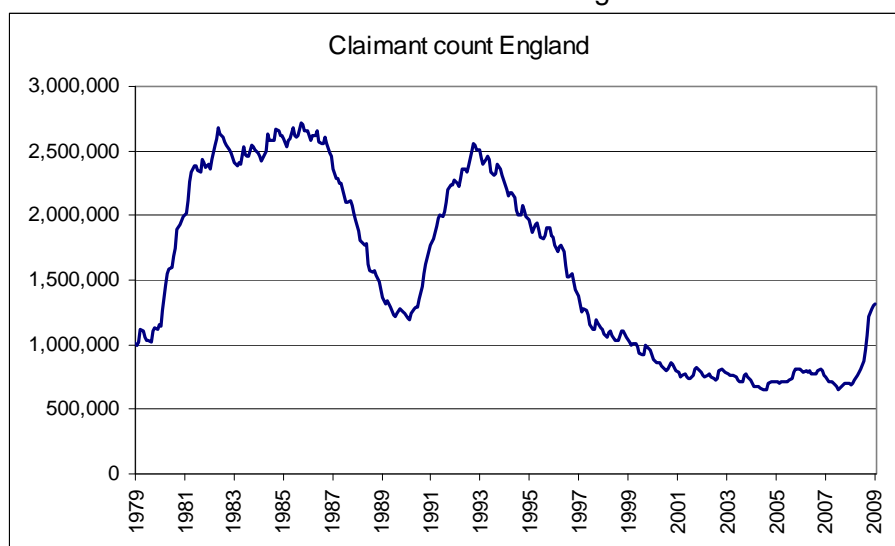
⁶ 'Elementary trades, plant and storage related occupations' include; elementary trades within agriculture and construction e.g. woodworking and building labourers; elementary process plant occupations e.g. foundry workers and packers; and elementary goods storage occupations.

The number of unfilled vacancies in July 2009 (448)⁷ was considerably less than in July 2008 (654), with the greatest proportion being in the 'caring personal service occupations' (19%), 'elementary administration and service occupations' (17%) and 'sales occupations' (12%).

Recovery

The following section is an analysis carried out by the Research Team that uses historical unemployment data covering previous recessions to try and give an indication about the rate of recovery (in unemployment) that we might expect from the current recession. In doing this some basic assumptions have been made about the nature of this recession compared to those that have gone before. For example this study takes no account of what is driving the current recession and what impact this may have on the rate of recovery and indeed how it differs from previous recessions. Having said this, it can give some indication of the timing of recovery in terms of unemployment.

Chart 6. Jobseekers Allowance claimant count for England 1979-2009



Source – ONS crown copyright

Chart 6 above shows the claimant count for England as a whole. Data for England is used here as a longer time series is available. Looking at the two previous peaks in unemployment between 1981 and 1987 and in 1993 it seems unemployment decreases at a slower rate than it increases.

- 1981-1987: The claimant count increased by 100% over the 14 month period from May 1980 to July 1981. To achieve the same decrease at the end of the unemployment peak (Jan 1987 to Aug 1989) took 32 months, 129% longer.
- 1993: The claimant count increased by 100% over the 30 month period from August 1990 to January 1993. It took till June 1997 for the unemployment count to reduce by the same amount (54 months), 80% longer.

⁷ Any differences between the total number of vacancies and those that are unfilled are due to the way in which they are counted. Total vacancies are taken to be the total number of vacancies notified to Jobcentre Plus between count dates, whereas unfilled vacancies are just a count of any live unfilled vacancy on the count date. Unfilled vacancies can be for any duration.

If we apply these ratios to the current situation we might expect levels to return to those seen in July 2008 somewhere between November 2011 and August 2012. This assumes that the claimant count will peak in December 2009 and be similar in nature to the peak seen in 1993 i.e. decrease as soon as it has peaked rather than like in 1981-1987 when it increased rapidly then continued to increase at a slower rate with much variation.

This is what we might expect nationally based on more optimistic⁸ forecasts of when unemployment might peak. Currently (July 2009) Herefordshire seems to be showing some divergence from the trend nationally where the claimant count continues to increase. If the decreases seen locally continue then it's possible that unemployment levels in the county will return to normal levels before they do nationally. It is also worth noting that the claimant count to date has not reached anything like it has in the two previous downturns.

For further information on the data in this article, please contact the Research Team on 01432 260 893, or e-mail researchteam@herefordshire.gov.uk

⁸ *"Melanie Baker of Morgan Stanley, whose forecasts were already at the optimistic end of the spectrum, said she expected unemployment to peak at 8.8 per cent, or about 2.7m, by the end of this year."* Source: <http://www.ft.com/cms/s/0/97607416-56c9-11de-9a1c-00144feabdc0.html>