

USING THE LFS: MAN AND BOY:

**FROM ACTIVATION TO ZERO HOURS CONTRACTS.
THERE'S MORE TO LIFE THAN THE LFS.**

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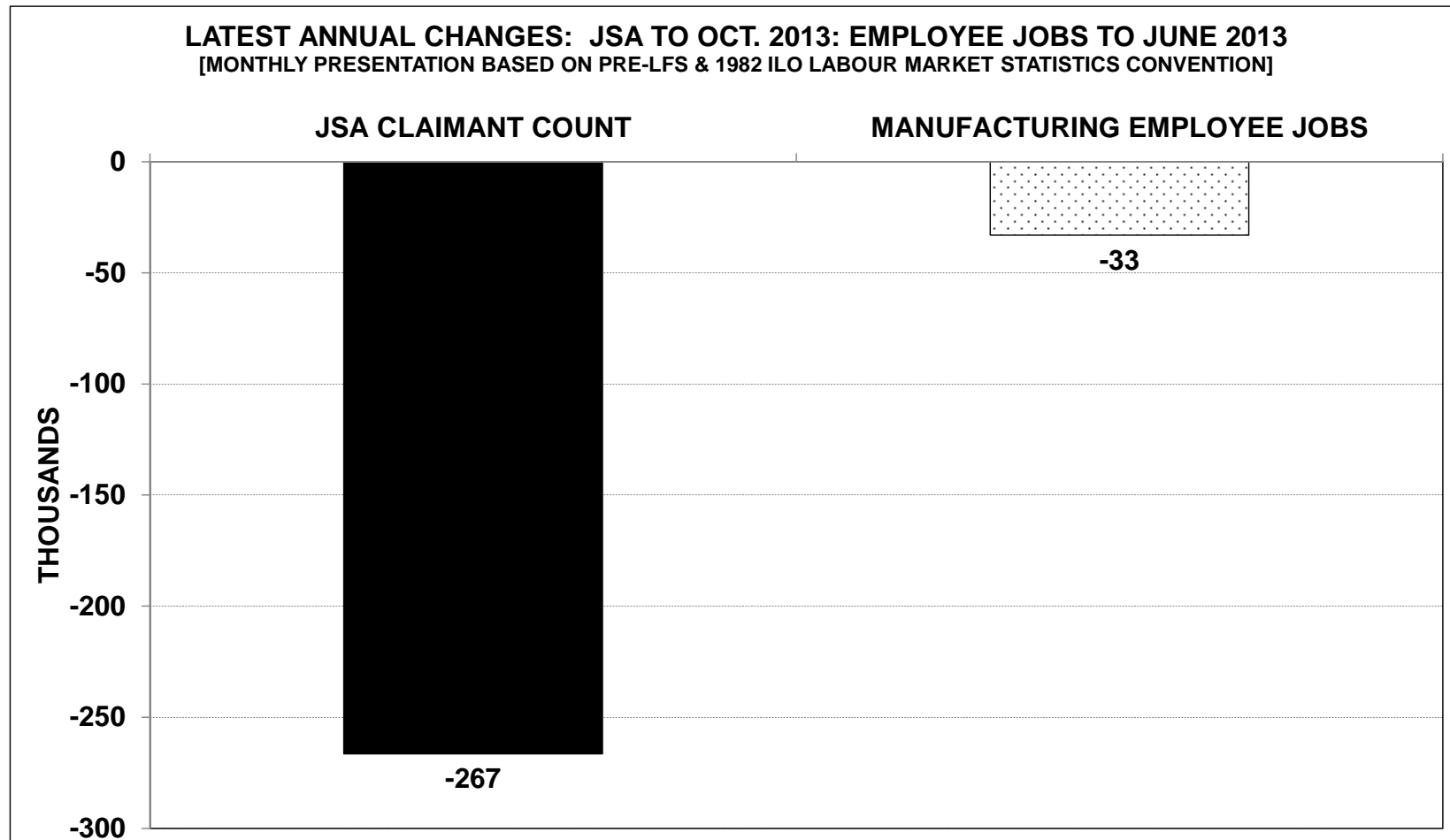
DESCRIBING DEVELOPMENTS IN THE LABOUR MARKET...

- The LFS & administrative statistics combined is greater than the sum of its parts.
- But *good news is no news*. So ONS needs to guide the public.

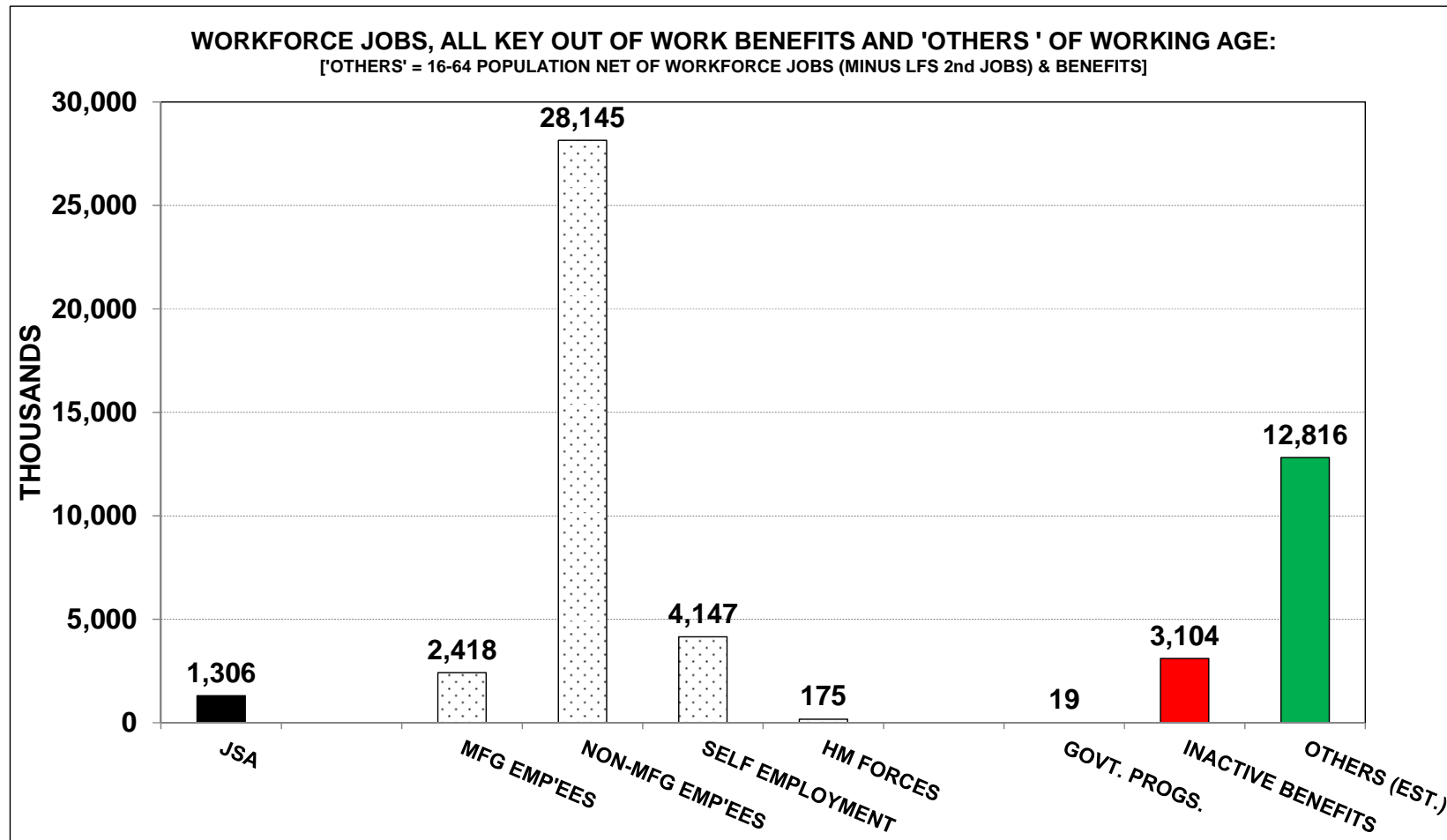
...MUST USE THE LFS. BUT ON ITS OWN IT IS NOT ENOUGH.

- You cannot rely solely on the LFS. It has some *guilty secrets*.
- And, sometimes other sources are better. For example...
...He who pays the National Minimum Wage piper must call the statistical tune.

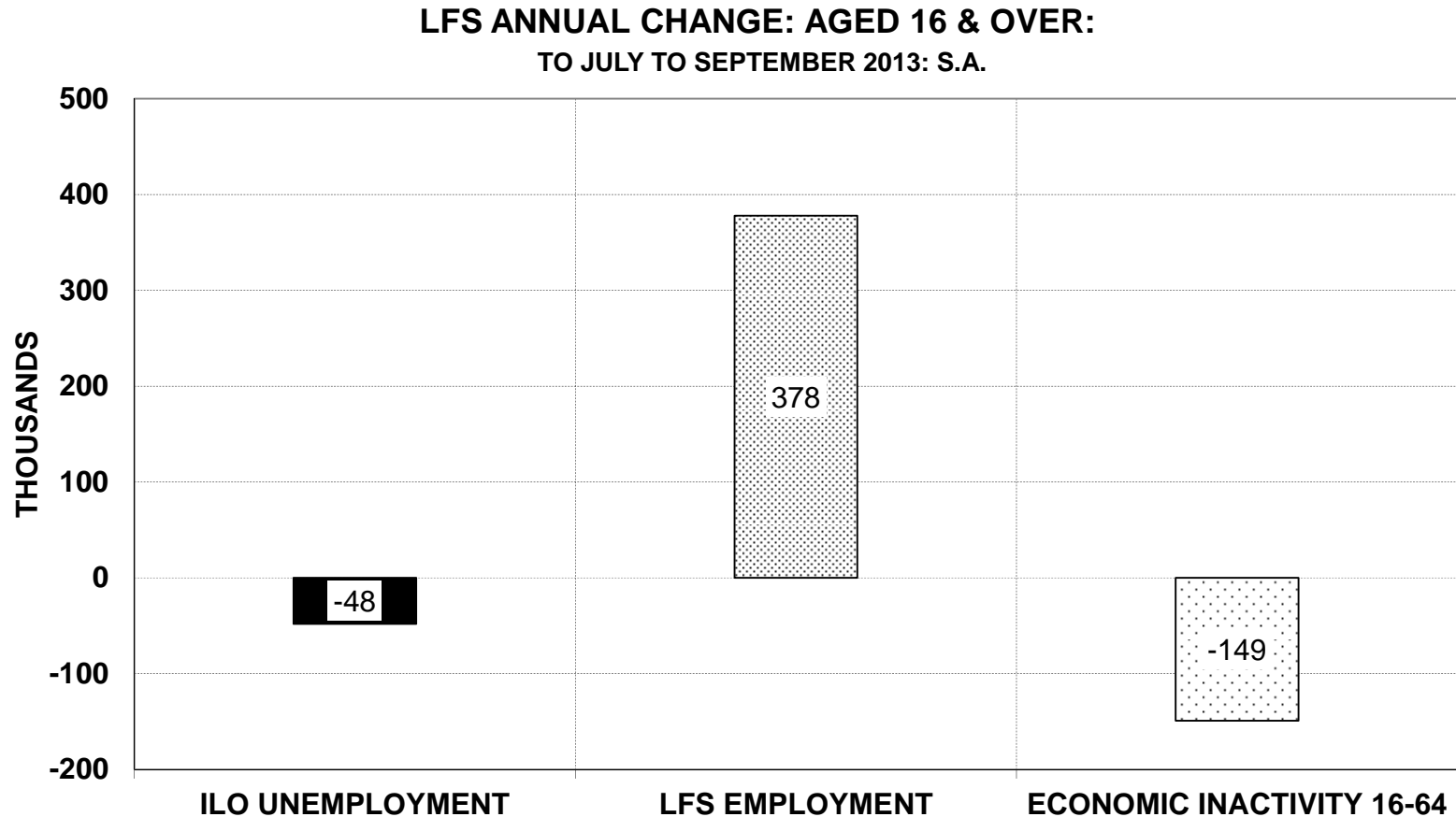
Labour market statistical presentation used to be dominated by the claimant count and manufacturing employment. Using that old system the latest figures would have been confusing (and misleading) as both unemployment and employment seemed to be falling...



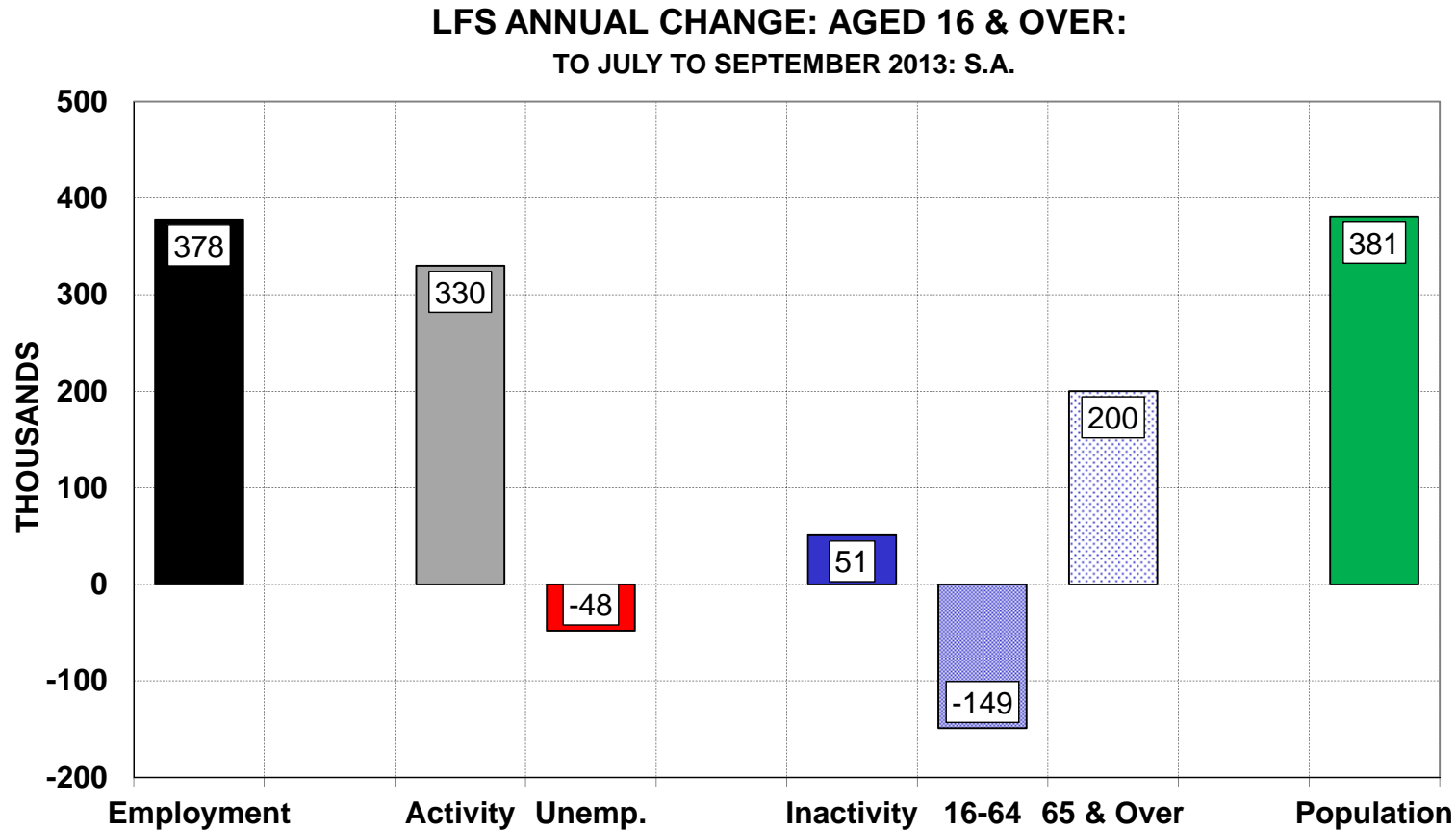
...and with the claimant count and manufacturing employment become an increasingly smaller part of the labour market the focus on these aspects becomes increasingly inadequate. In addition, the 'fiddling the figures' presentation campaign convinced people that JSA was being reduced not by moving people into work but elsewhere.



The introduction of the LFS provided the opportunity to describe labour market developments in a much more coherent fashion. However, there is still far too much focus on unemployment, little mention of employment growth and hardly any mention of activity and inactivity...



...with the most appropriate description focusing on the rise in employment and how that is divided between the growth in the numbers in the labour market (activity) and the fall in ILO unemployment. ONS should guide the public in terms of presentation.



However, it is not enough just to use the LFS. Not only does it have its own '*guilty secrets*'...

- Internationally, the LFS is comparable not harmonised.
- The LFS is a household survey. It does not cover everyone in the UK:-
 - Its coverage of communal establishments is not complete.
 - Not all short-term visitors to the UK are included.
- The LFS is not representative. There are around:-
 - 180 thousand more married men than women in the main data set.
 - 115 thousand more married women than married men in the household data set.
- The LFS is 40 years old. Yet, it is almost impossible to get information relating to pre-1992 and impossible pre-1979.
- The definitions of economically inactive due to being *discouraged* or *retired* are (marginally) incorrect in the UK LFS.

...sometimes, as in the case of the introduction of the National Minimum Wage, the use of the LFS is inappropriate.

- When the National Minimum Wage was introduced in 1999 the objective was to be cautious in setting the initial rate.
- However, workers believed that they earned less than businesses thought that they paid them and worked more hours.
- Therefore, as the LFS related to the views of the workers, it was inappropriate as the basis for setting the NMW. This was because the basis for the NMW was what the business paid not what the worker thought they received.
- Consequently, the NMW was set at an even more cautious level than planned and it took longer to get it to the right level. So, between 1999 and 2007 the NMW grew by more than average earnings. Since then it has grown in line with average earnings.

The 1982 ILO Convention sets out the labour market structure. Consequently, using this to define both the ‘supply’ (individual) side with the ‘demand’ (business and government) side of the labour market provides a more comprehensive view – particularly from a policy perspective.

	Workforce Jobs	JSA	Inactive Benefits	Other Aged 16-64	Other Aged 65 & Over
Employment 16 & Over					
Economically Active 16 & Over ILO					
Unemployment 16 & Over					
Economically Inactive 16 & Over					
Of which 16-64 Years					
Of which 65 & Over					
Population					

THE LFS AND POLICY DEVELOPMENTS: LESSONS FROM THE PAST AND IMPLICATIONS FOR THE FUTURE:

You won't get a job if you do not look for a job...

- ...but if you look for a job there is a good chance that you will find one...
- ...as no-one seems to be unemployable...
- ...so how far should we push the promotion of active jobsearch?

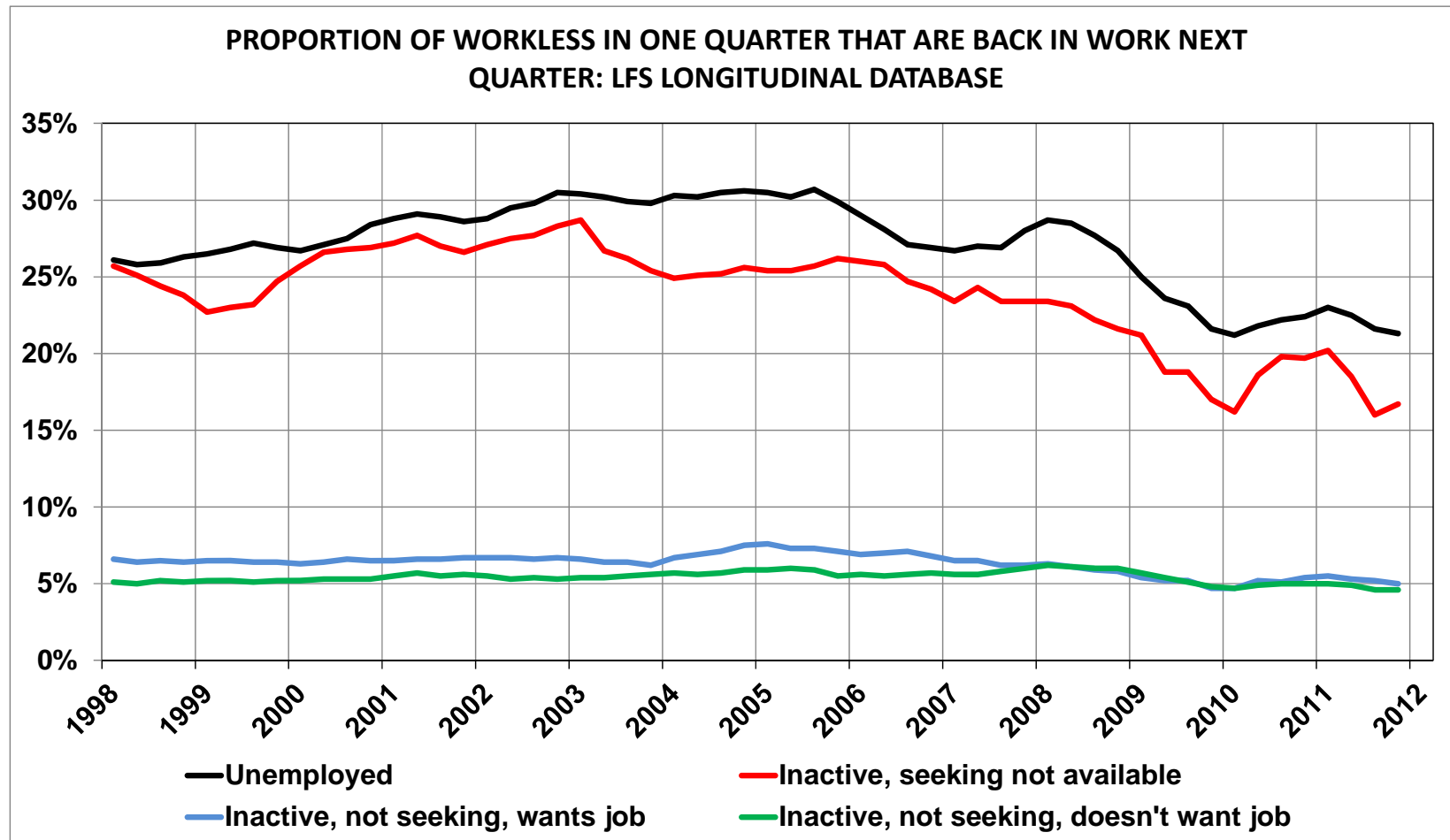
The streets of London are not paved with gold (for Londoners)...

- ...as worklessness is very concentrated in the great cities of the UK...
- ...which ironically is also where jobs are concentrated...
- ...implying that the problem is on the supply side – not a lack of jobs

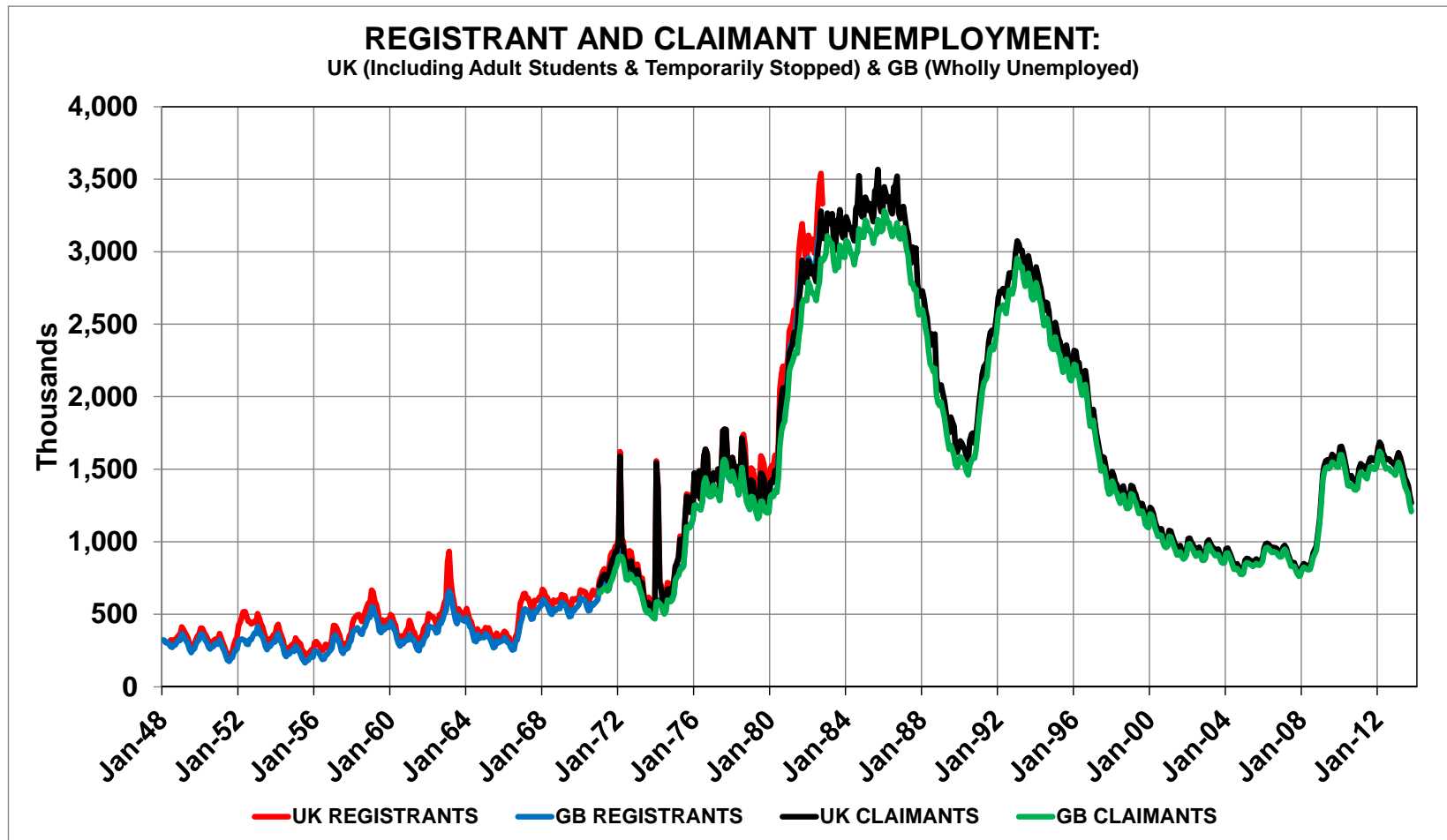
[British] People like the funniest jobs...

- ...so we need to maximise opportunities whilst minimising exploitation.

If you do not look for a job then you will not find one – even if you want one...

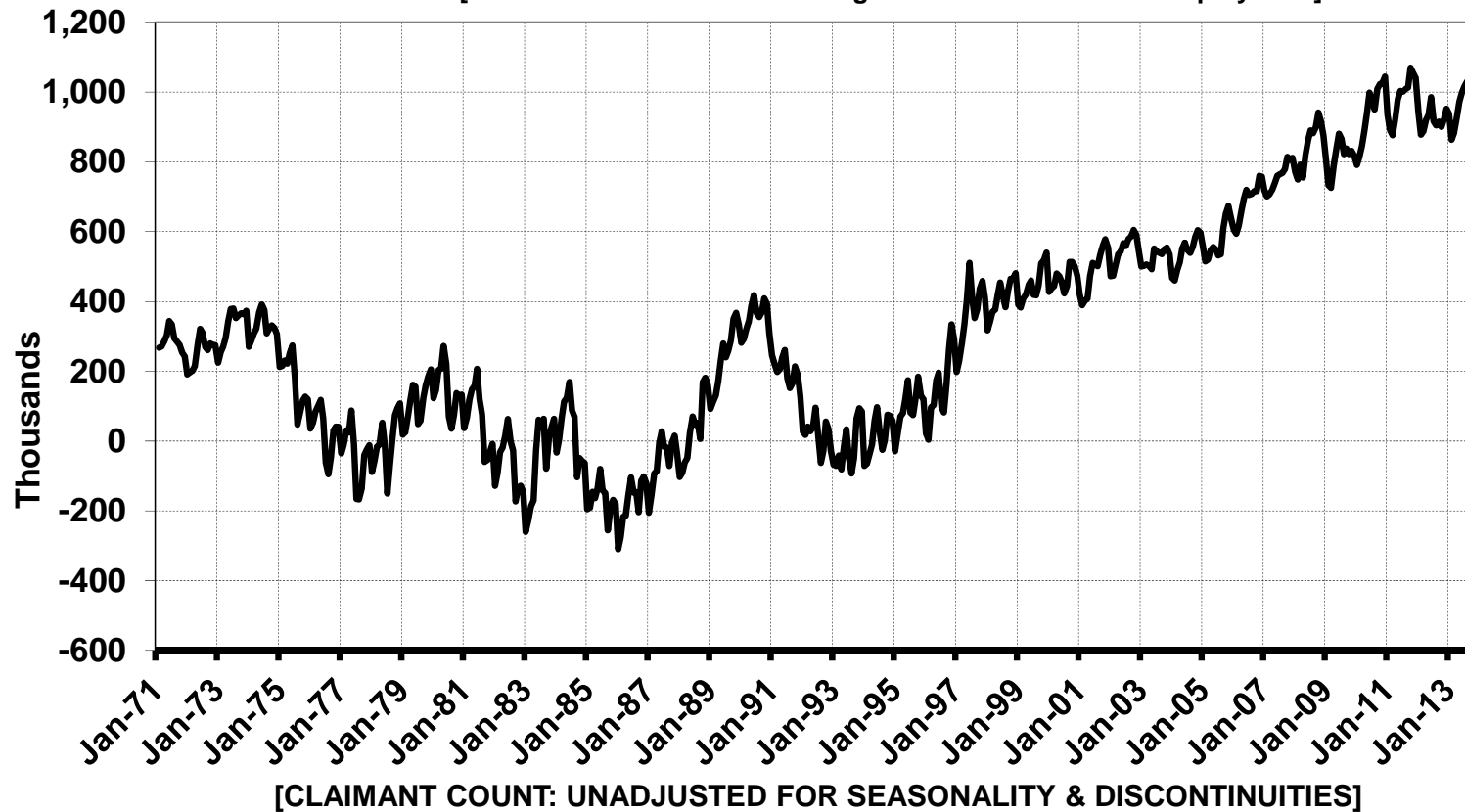


...so, whether claimants are effectively looking for work helps to explain some of the variation since 1948 - from around ¼ of a million in the mid 1950s to over 3 ½ million in the 1980s before falling to a low of around ¾ million in 2008 and it currently at around 1 ¼ million.

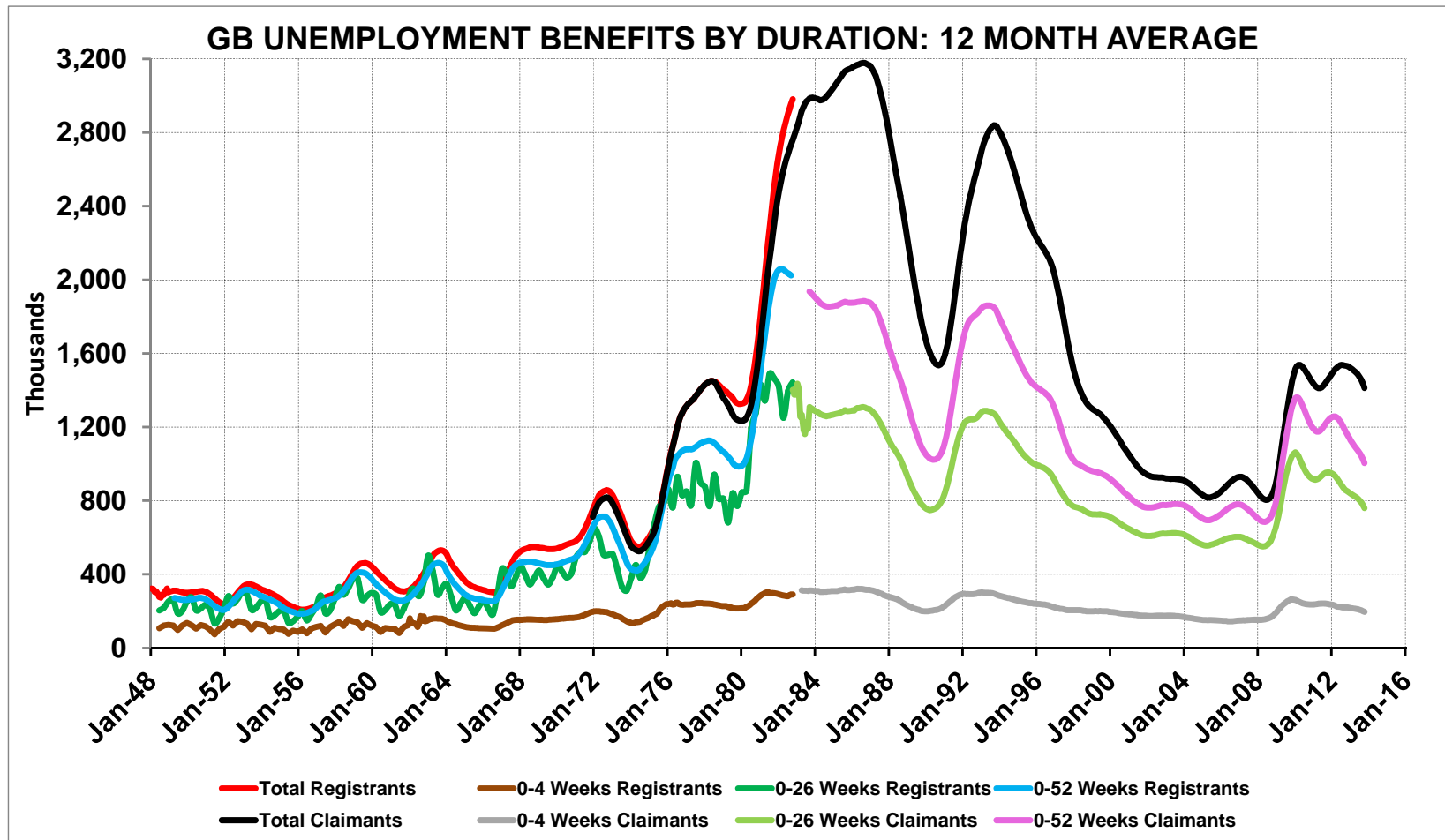


It is obvious that between the mid 1970s and late 1980s that there were people on the JSA count who were not ILO unemployed. As (only a subset of) claimant unemployment was greater than the ILO measure. Since then there has been a growing gap with ILO unemployment a million higher than the claimant count at the moment...

Difference Between ILO Unemployment(16-59/64)&Claimant Count
[Positive number means ILO is greater than claimant unemployment]

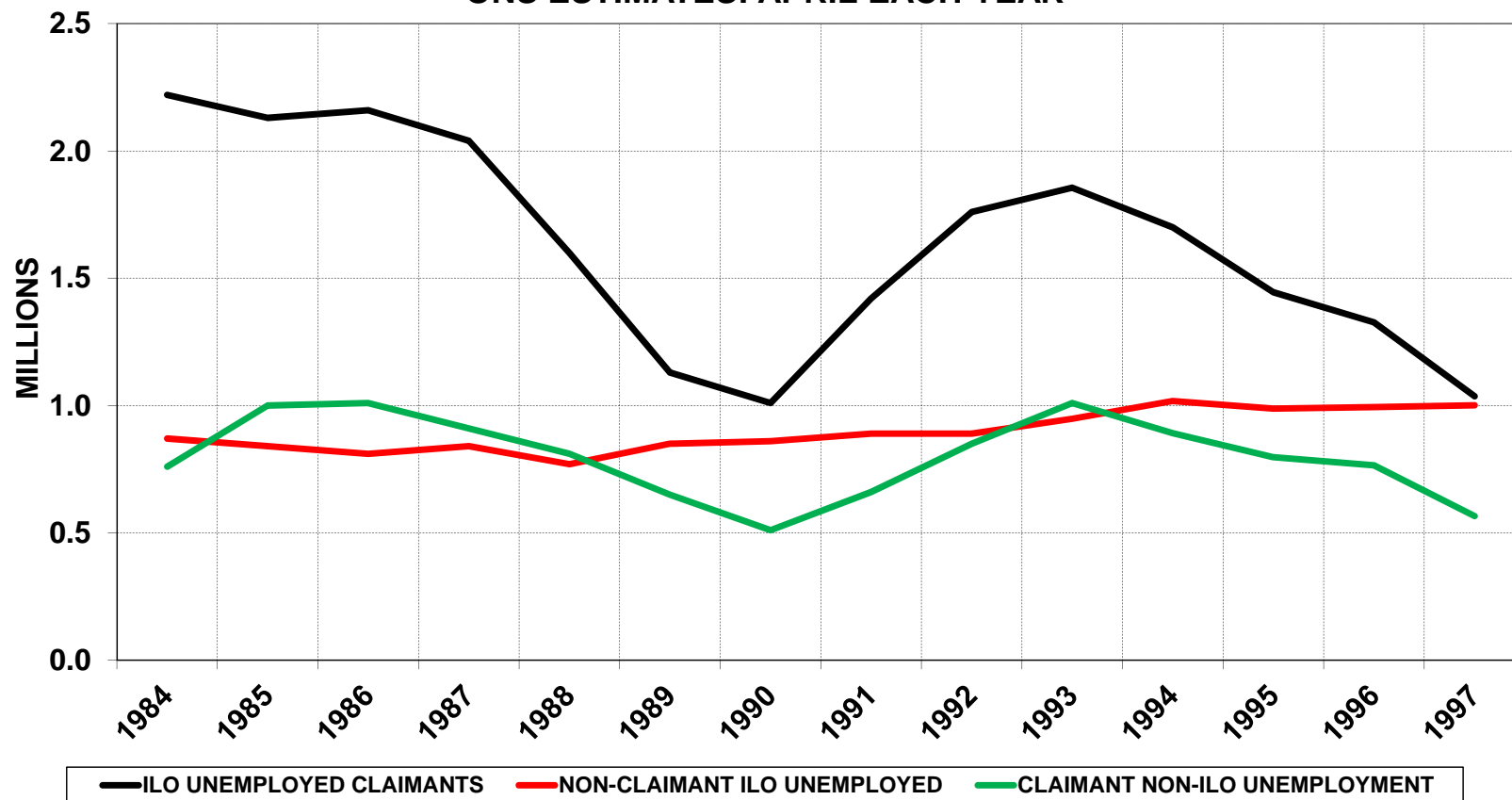


...which led to a decline between 1966 and 1986 in the rate at which people left the count. People remained on the count as they were not looking for - and hence not getting - jobs. Also, people who were ineligible were not being moved off the benefit. Both of these elements contributed to nearly 1.4 million long term claimants in the mid 1980s - even more than the total now.

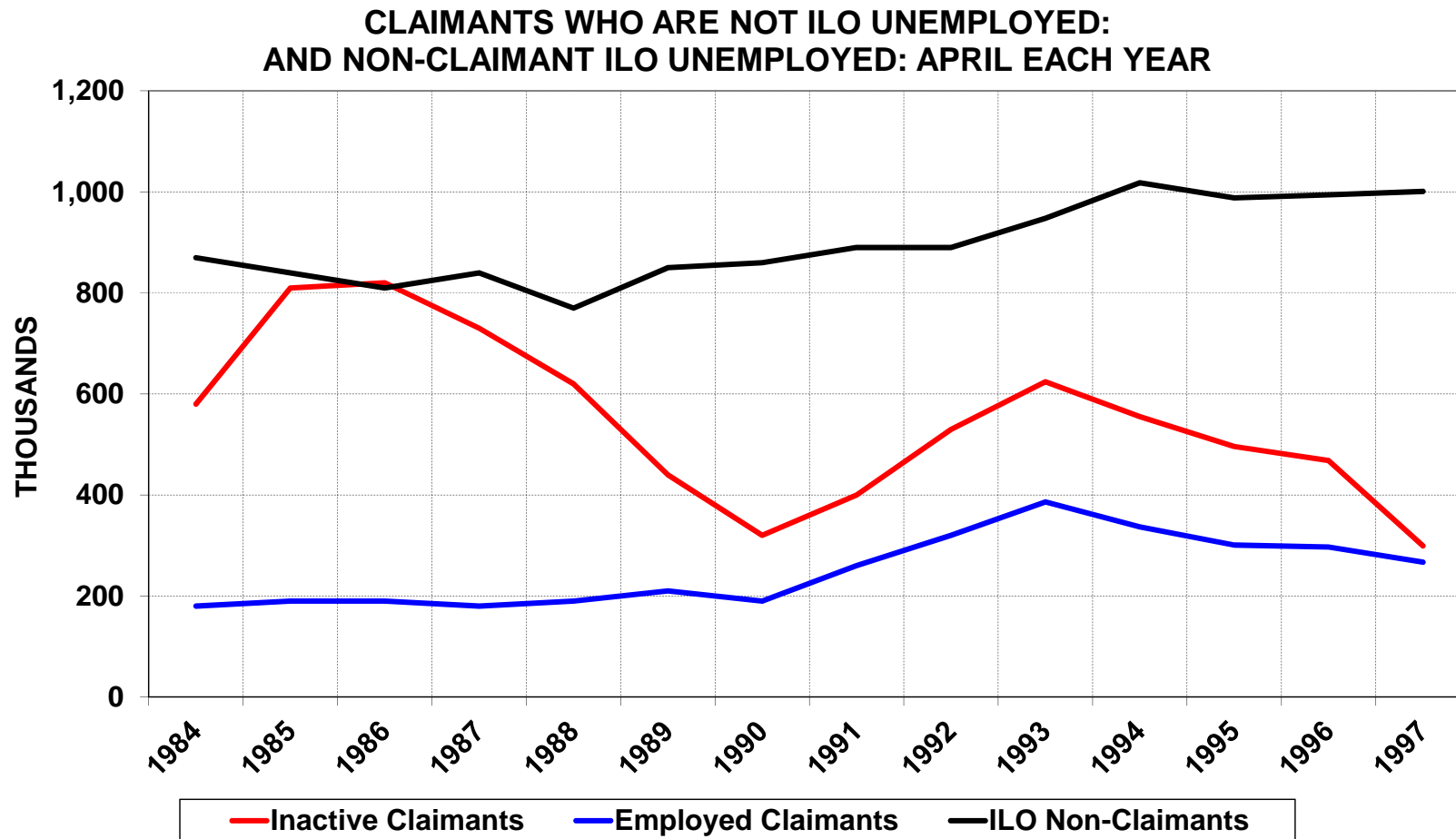


The reduction in the the job search focus within JSA & other benefits and also the abandonment of the stricter benefit regime. So, between 1982 and 1986, you did not need to visit a Jobcentre in order to receive your benefits. So, the JSA policy changes had a bigger effect on ILO unemployment than JSA – with 1 million people on the count not ILO unemployed.

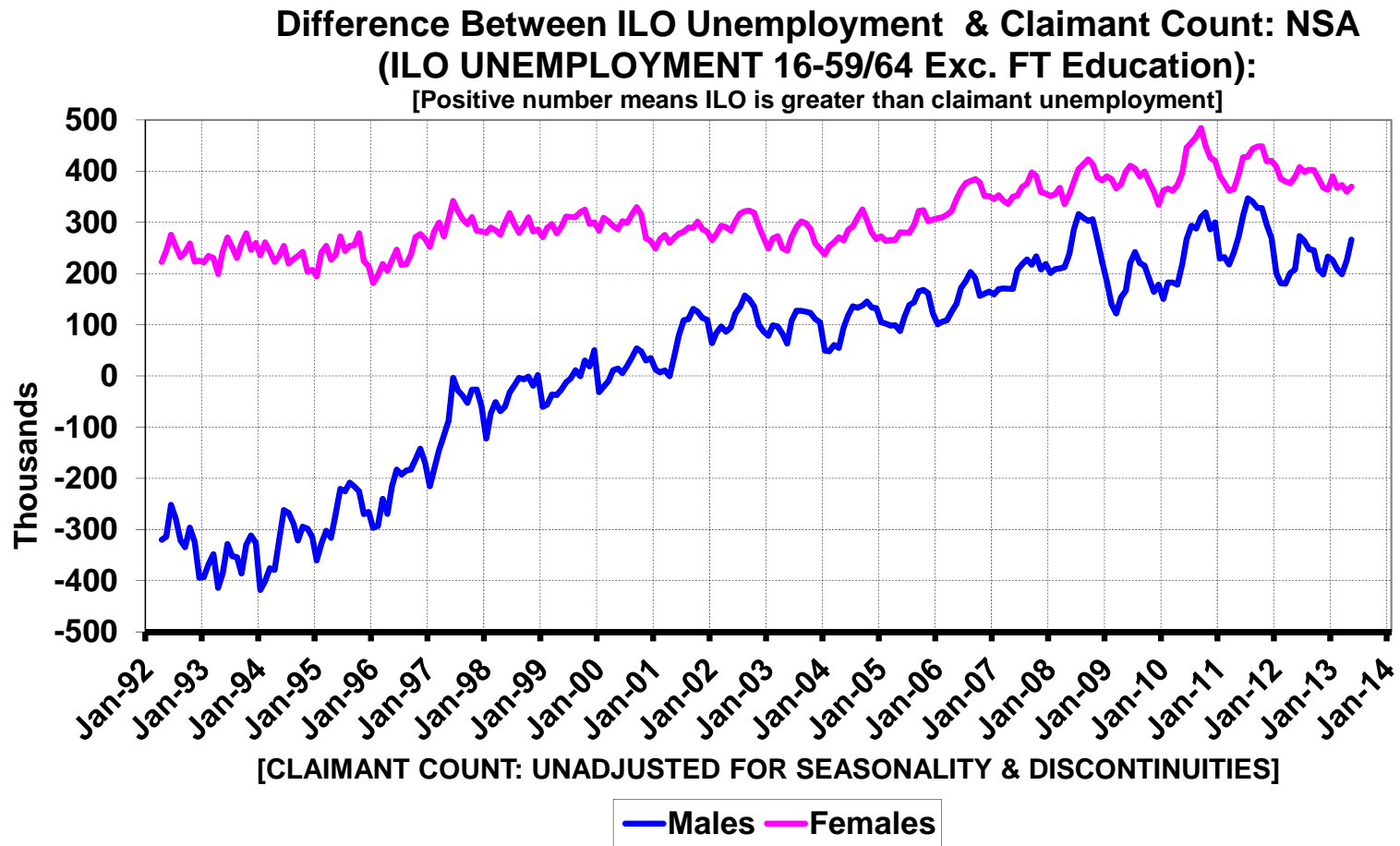
DIFFERENT MEASURES OF UNEMPLOYMENT:
ONS ESTIMATES: APRIL EACH YEAR



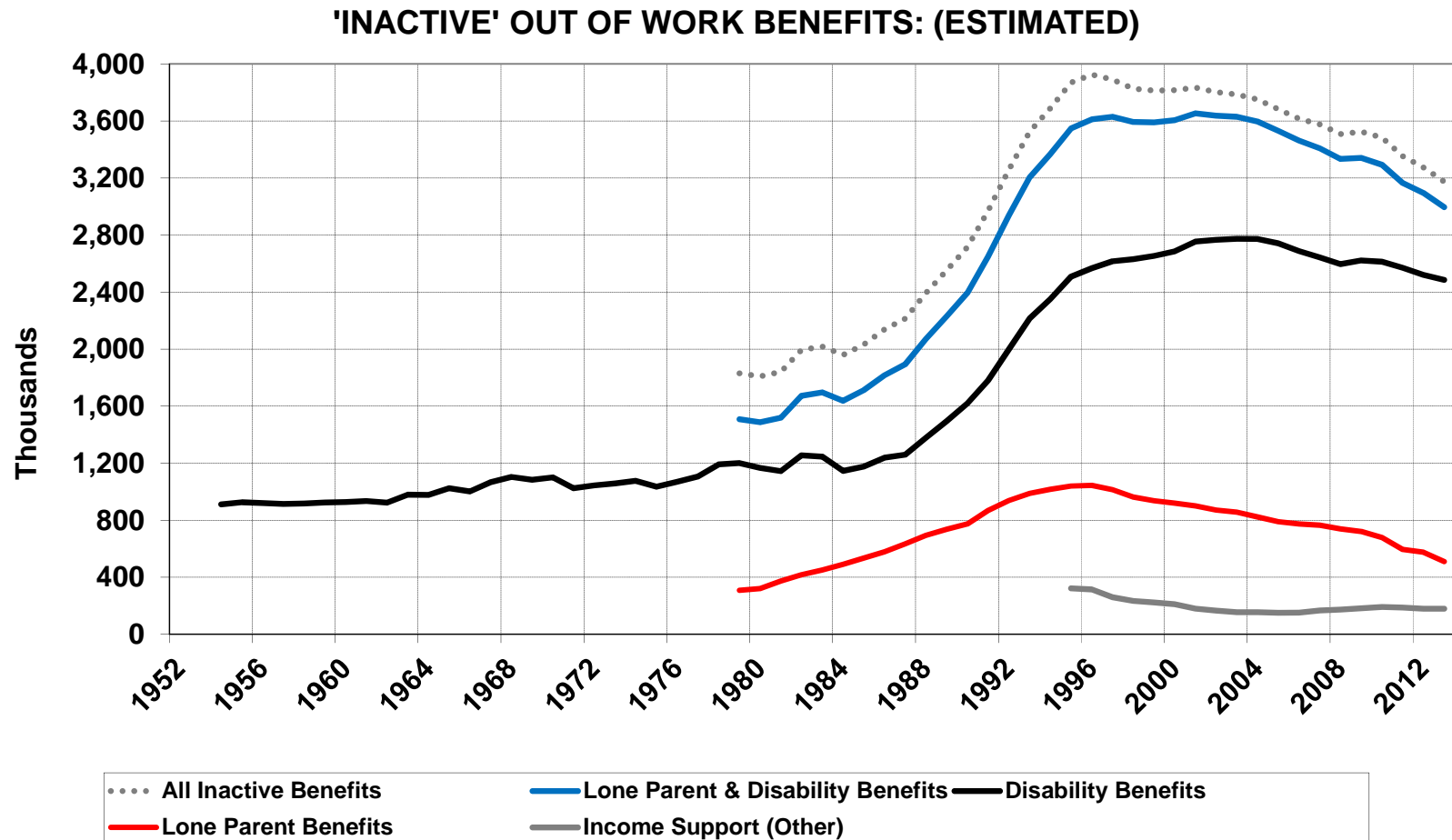
With the advent of Restart in 1986 and the general development of *'Work is the best form of welfare'* from the mid 1980s the numbers of inactive JSA claimants fell sharply and the number of ILO Non-Claimants also began to grow....



ILO unemployment continued to grow faster than claimants for both women and particularly men since the early 1990s. This was partly due to policy changes aimed at increasing jobsearch amongst people on benefits not just JSA but increasingly other benefits...

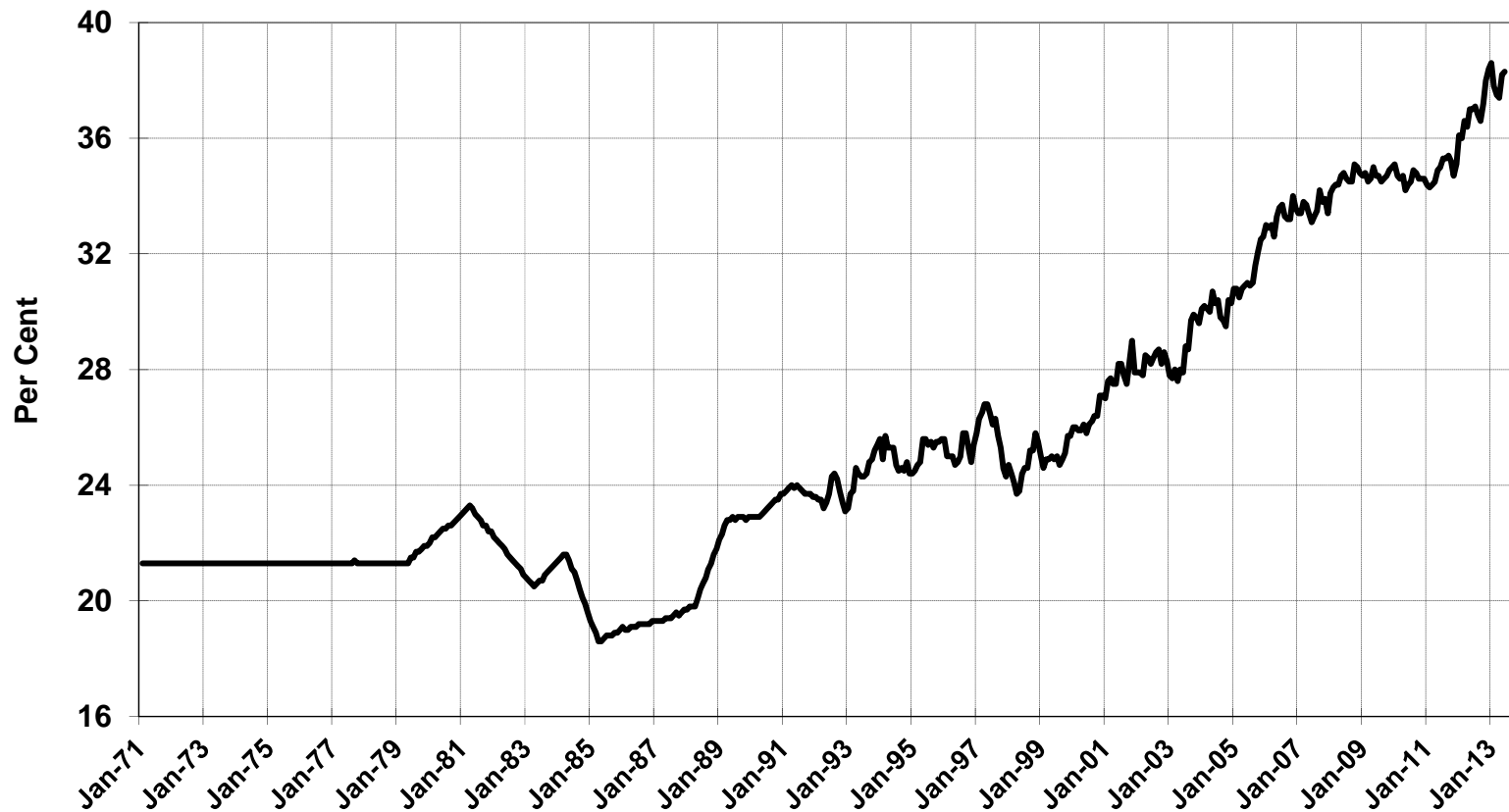


...as welfare to work 'activation' policies were extended to 'inactive' benefits in the 1990s and they have been ramped up since then. The numbers are now at a 20 year low and the rate of fall is getting faster.



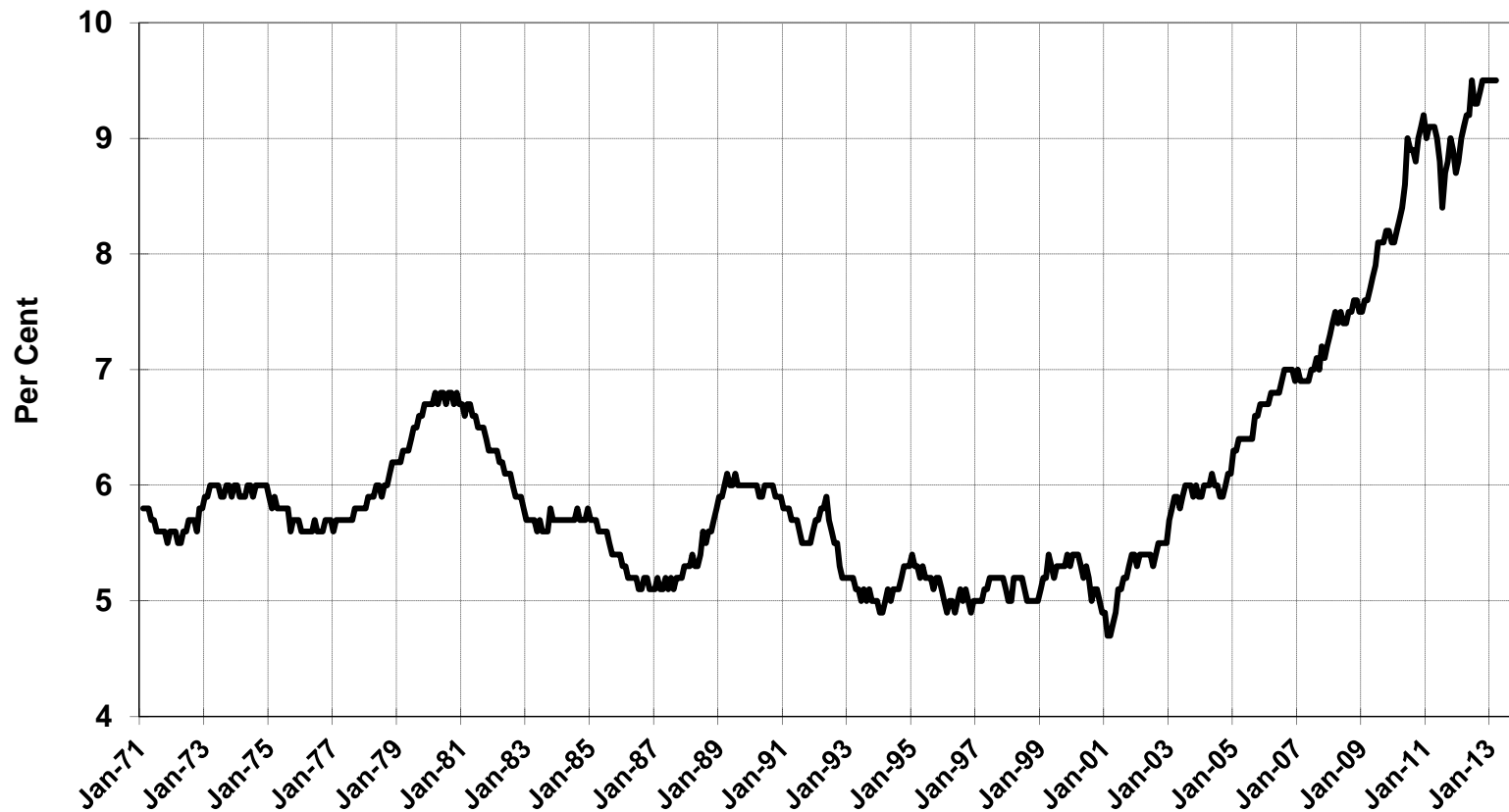
Also, the major extension of working age is the equalisation of state pension age for women at 65 by November 2018. Women will, therefore, be covered by the JSA regime where job search is compulsory instead of the state pension age where it is not...

ECONOMIC ACTIVITY RATE: FEMALES AGE 60-64 YEARS: LFS

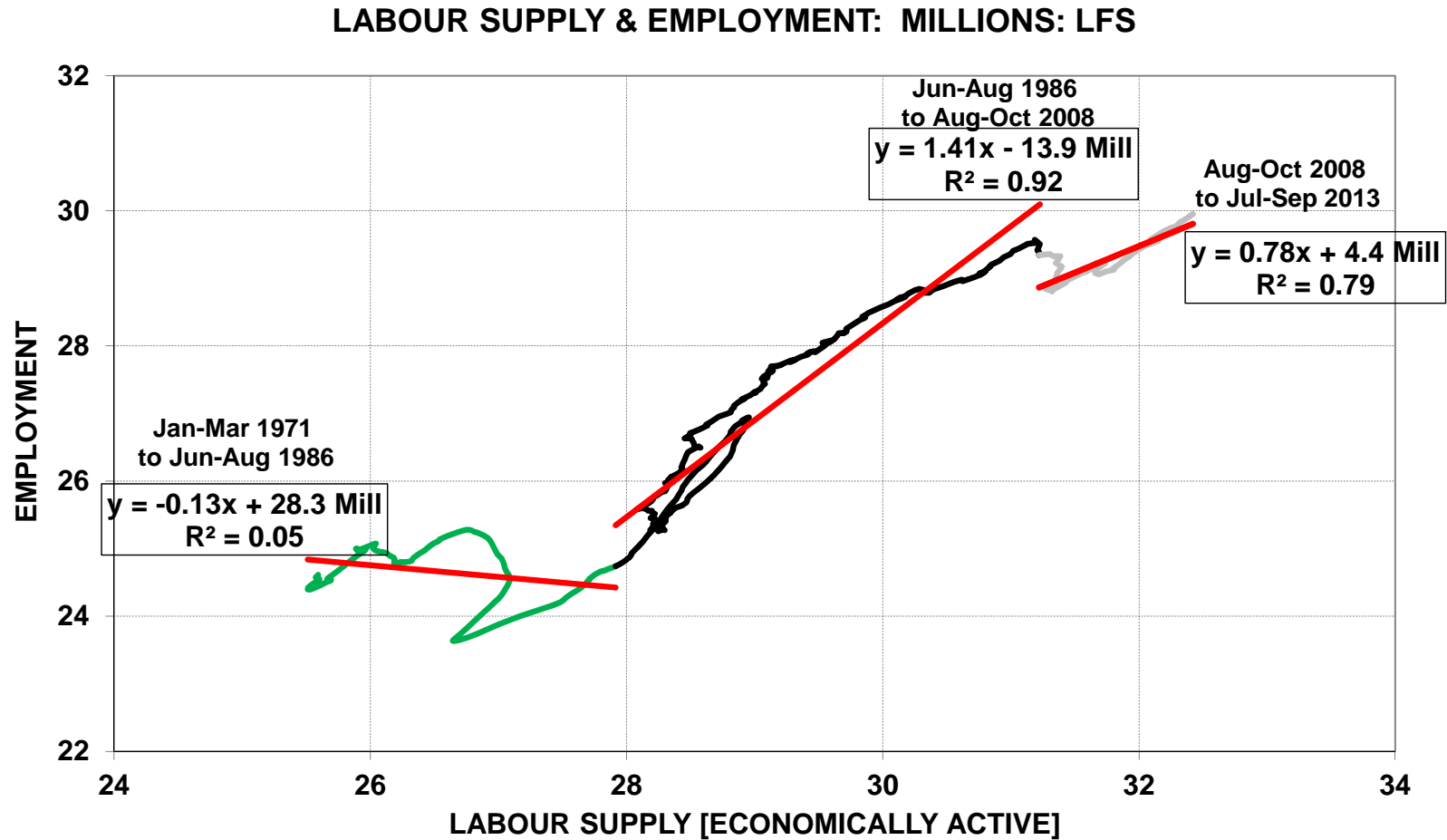


...and there are plans to initially raise the state pension age to 66 from October 2020. This will combine with the removal of barriers in the benefit and pension system to working after 65 to increase the activity rates of older workers. There are, however, questions about whether it will be enough.

ECONOMIC ACTIVITY RATE: AGE 65 YEARS & OVER: LFS

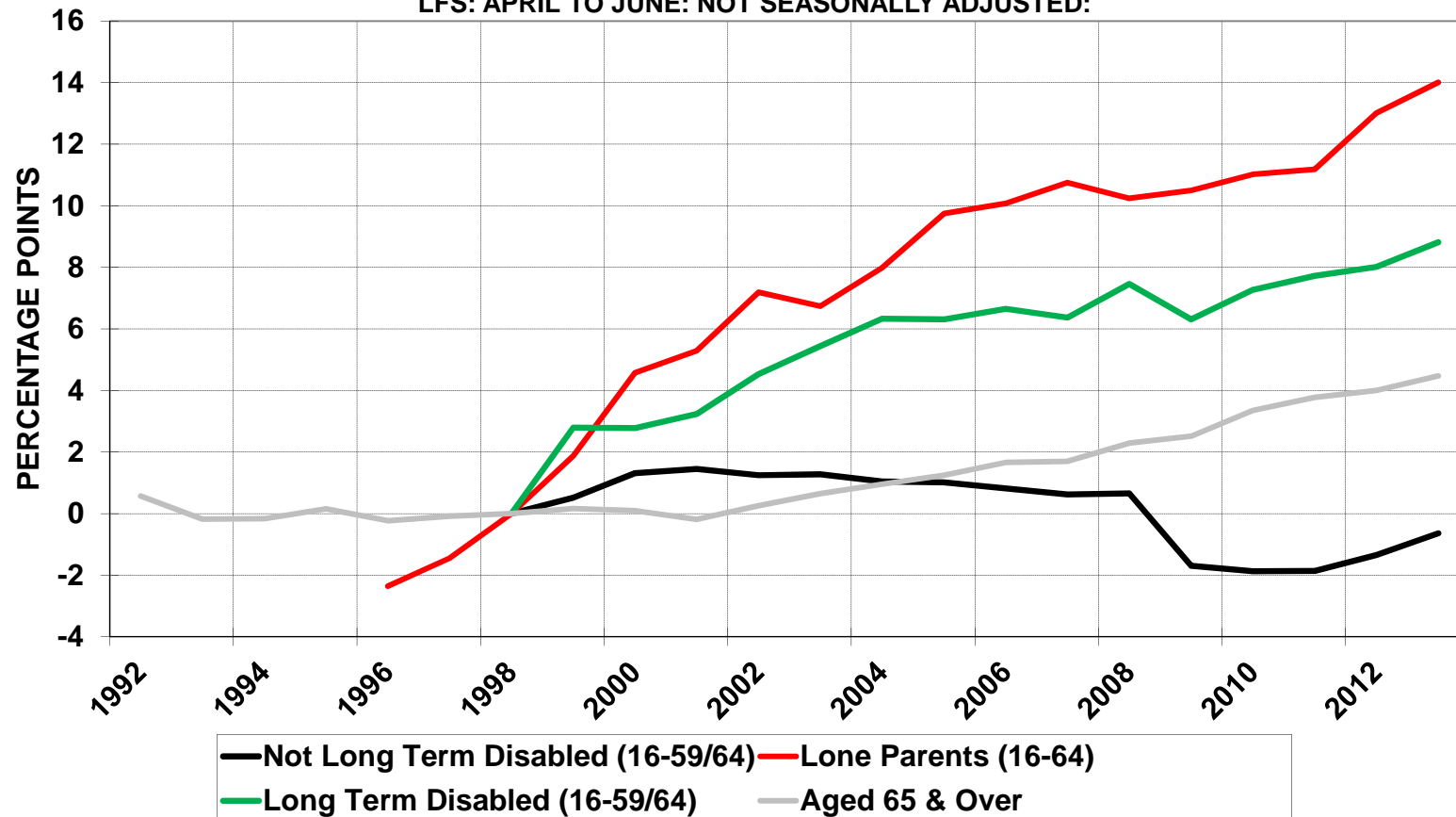


And, as well as 'cleaning up' JSA so that the claimants are ILO unemployed, the general policy of increasing labour supply also generates more employment – even during the recession...

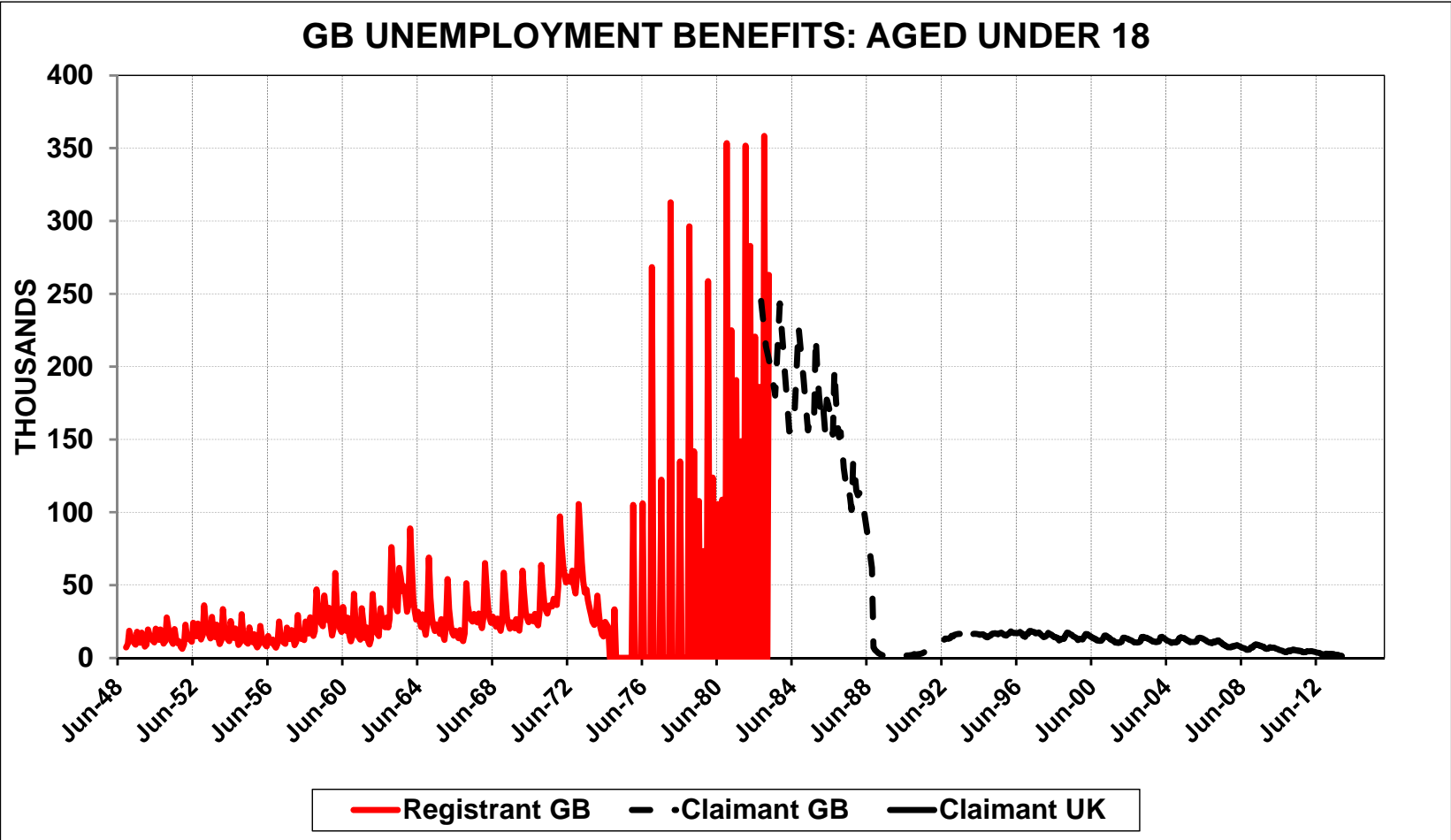


...and this has led to a good employment performance, including increases in employment rates for lone parents, the disabled & older workers – even during the recession. This has improved living standards for the most disadvantaged.

EMPLOYMENT RATES: % POINT CHANGE SINCE 1998:
LFS: APRIL TO JUNE: NOT SEASONALLY ADJUSTED:

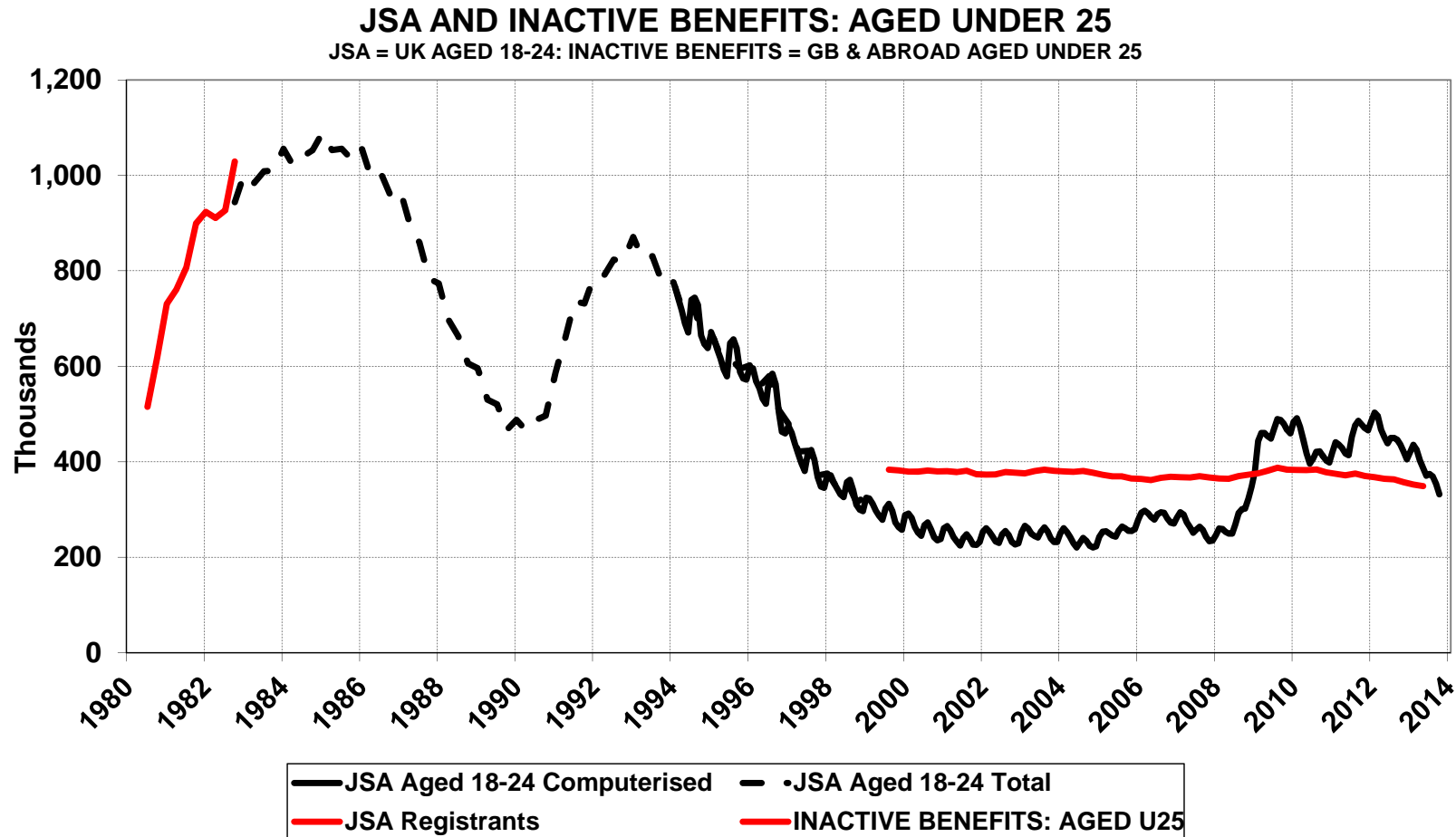


The main group where there remains a major labour market problem is amongst young people. It is not, however, amongst young people aged under 18 on JSA as they were (virtually) excluded from JSA from 1988 when the YT Guarantee was introduced...



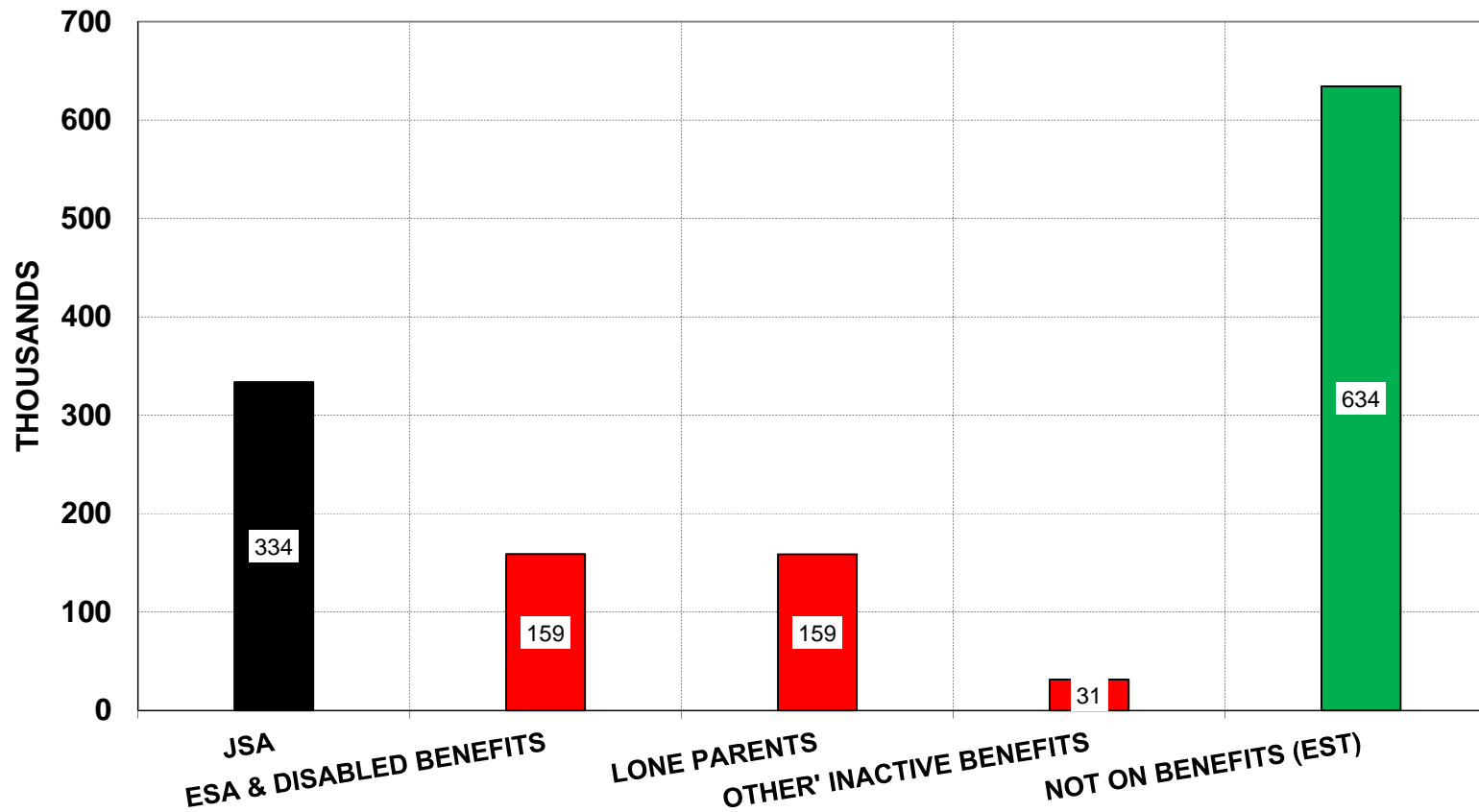
...and similarly, the numbers of 18-24 year olds on JSA are moving close to pre-recessionary levels which in turn was the lowest levels since the 1970s.

There are now as many under 25s on inactive benefits as on JSA and they have remained roughly constant all this century at just under 400 thousand...



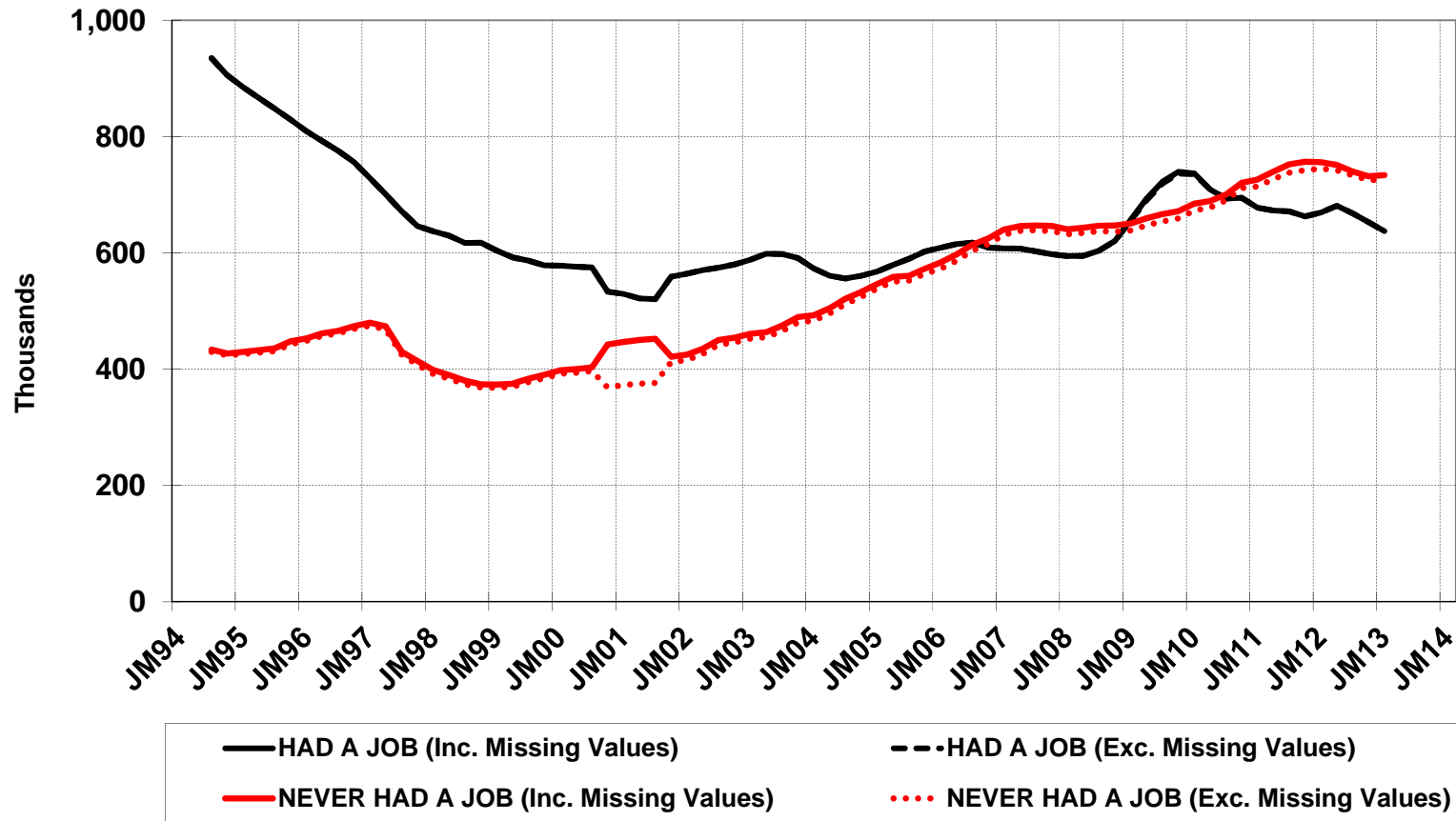
... so the workless amongst the under 25s are concentrated amongst the groups where it is difficult to promote job search (or indeed transitions into further education) as they are on 'inactive' benefits or not on benefits at all.

**UNDER 25s WORKLESS NOT IN FULL-TIME EDUCATION:
ON BENEFITS AND NOT ON BENEFITS [ESTIMATED]**



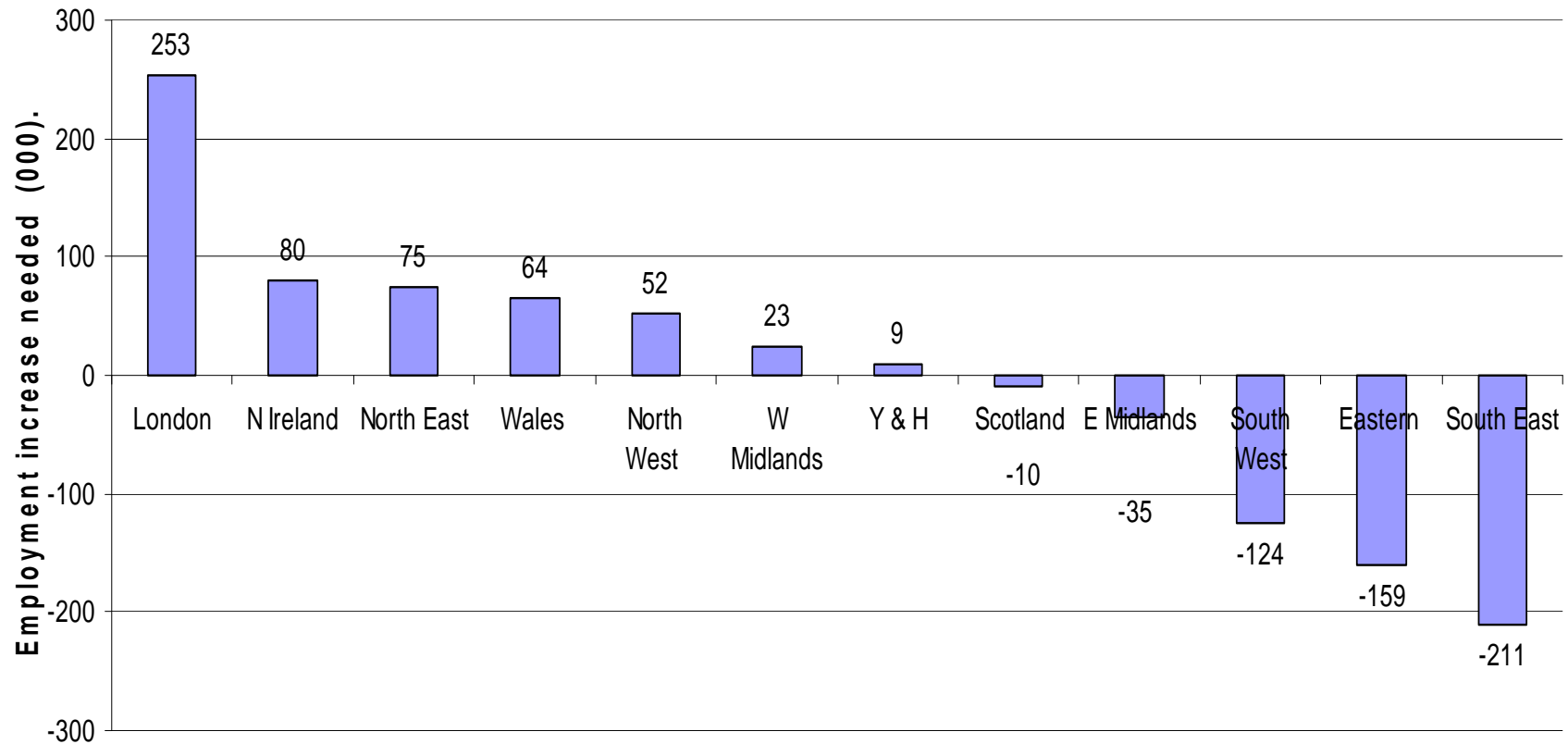
...so, the biggest problem is activating for young people who are taking longer moving from education to work or further education – having fallen through the cracks in the education and the benefit systems. By contrast, the number of workless young people who are already in the labour market are close to pre-recessionary lows.

**LFS WORKLESSNESS: BY WHETHER THEY HAVE HAD A PAID JOB OR NOT:
16-24 YEARS EXCLUDING THOSE IN FULL-TIME EDUCATION: FOUR QUARTER AVERAGE**

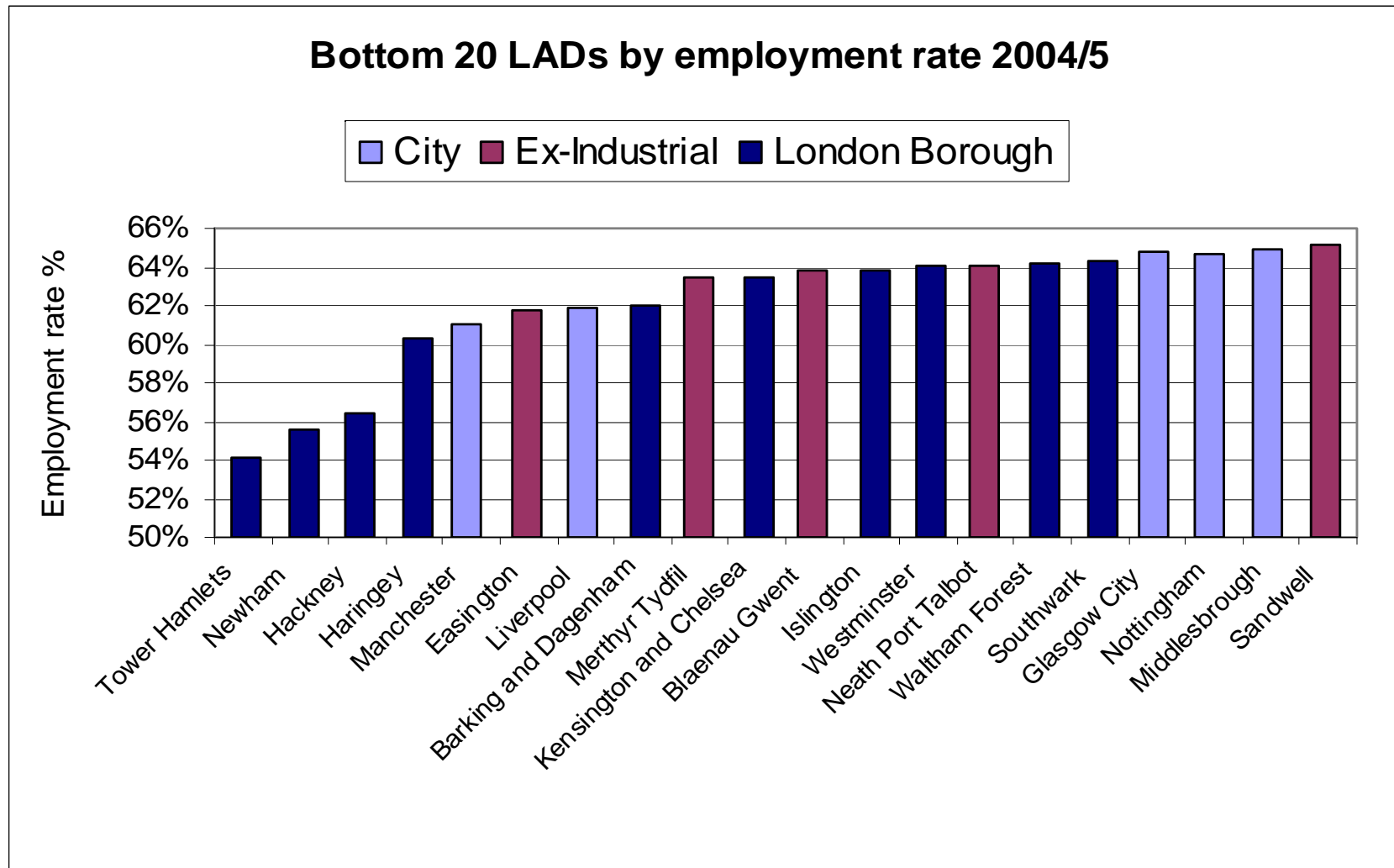


In 2004/05 the proportion of Londoners in employment was below the national average. So, given its size, in order to have the biggest effect on the national average, it suggests a focus on London...

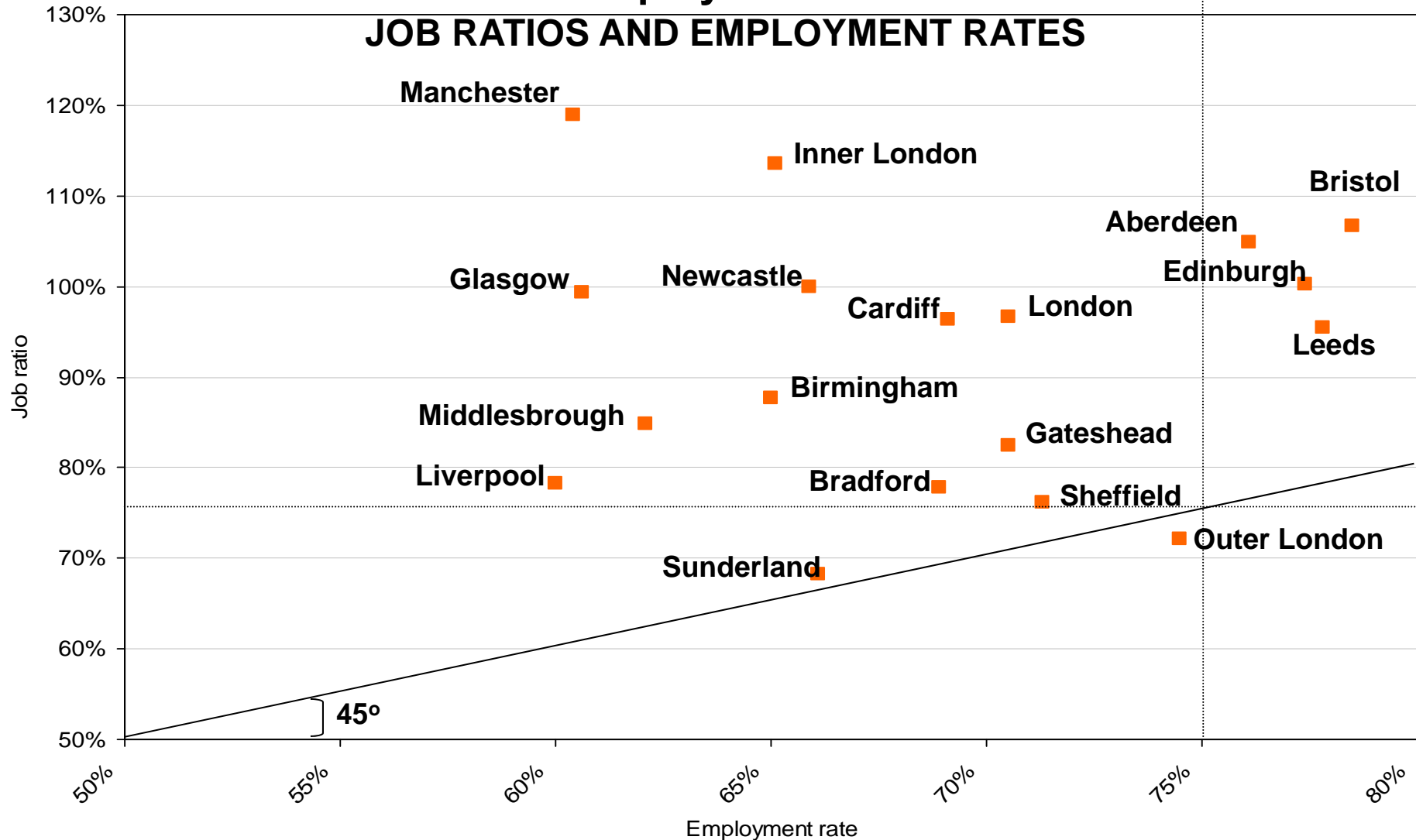
Increase in Employment needed to reach national average



...and this is symptomatic of the problems across the country. The lowest employment rates were in the great cities, London Boroughs and some, but by no means all, ex-industrial areas...



However, the problem in cities was not a lack of jobs. Rather it is that the residents of the cities were not getting the jobs. They are being taken up by commuters.



Note: Job ratios constructed using 2000 data. Employment rates obtained from 2001 Local Area Labour Force Survey.

UK product & labour markets are characterised by near- '*Perfect Competition*'...

UK product & labour markets are amongst the most open and competitive in the world with 'light and even' regulatory regimes...

- 1st in the OECD Product Market Regulation Index; and
- 3rd in the OECD Employment Protection Regulation Index.

...and they are becoming increasingly individualistic and decentralised.

Product Market

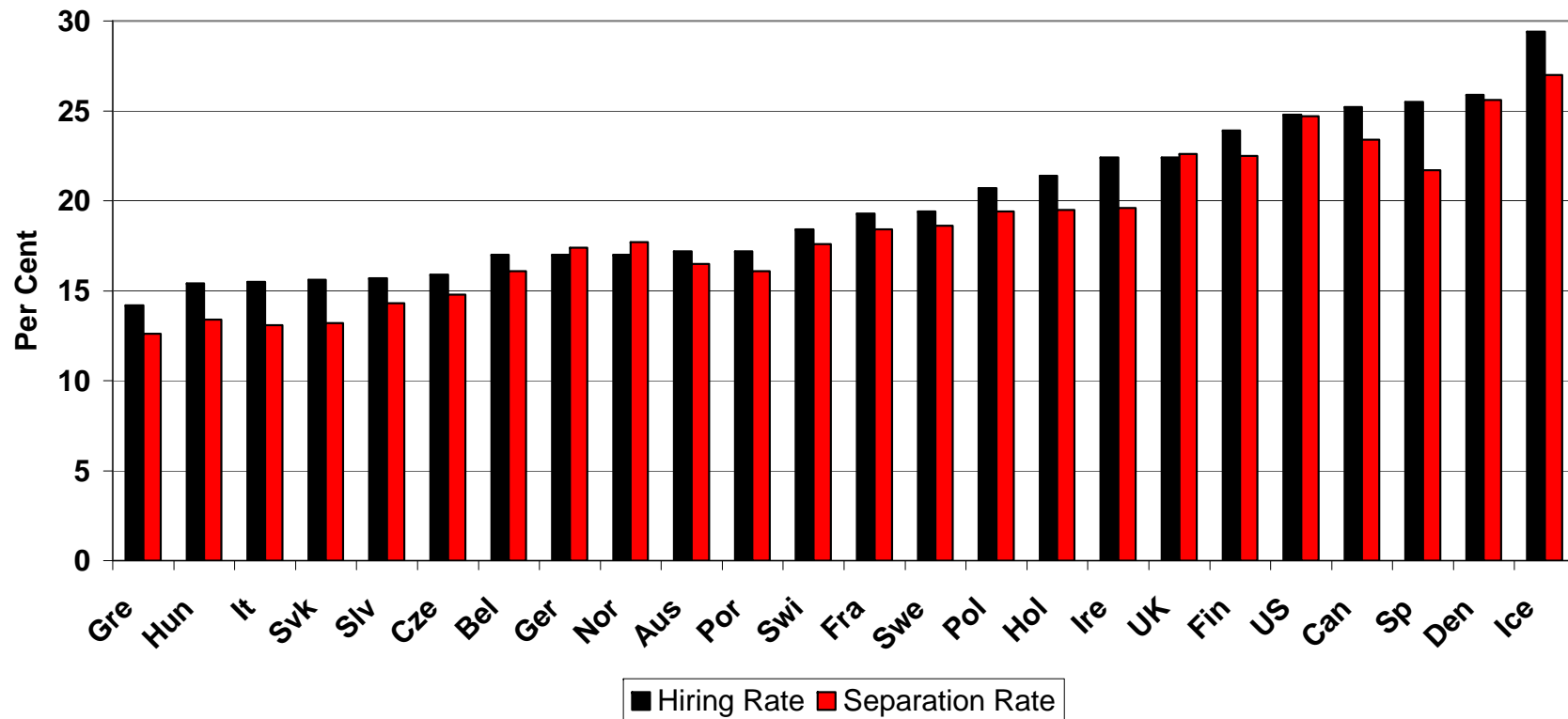
- 2.1 Million Vat Businesses: Up nearly ¼ since 1984
- 4.2 Million Self Employed Jobs: More than doubled since 1979

Labour Market

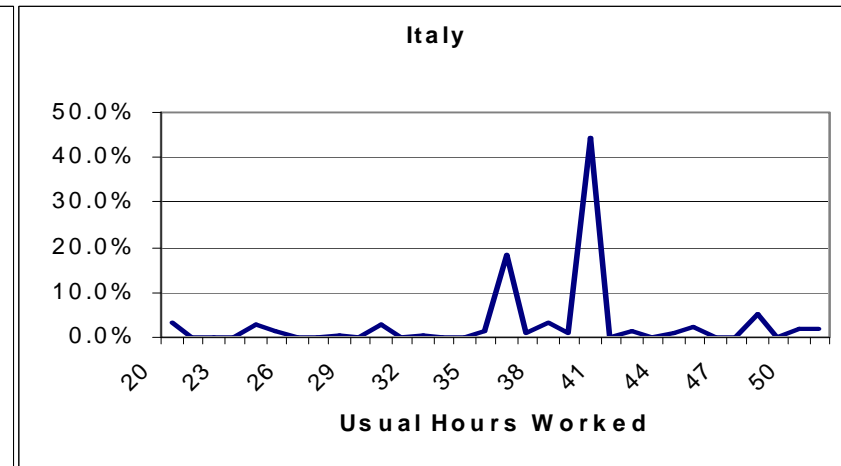
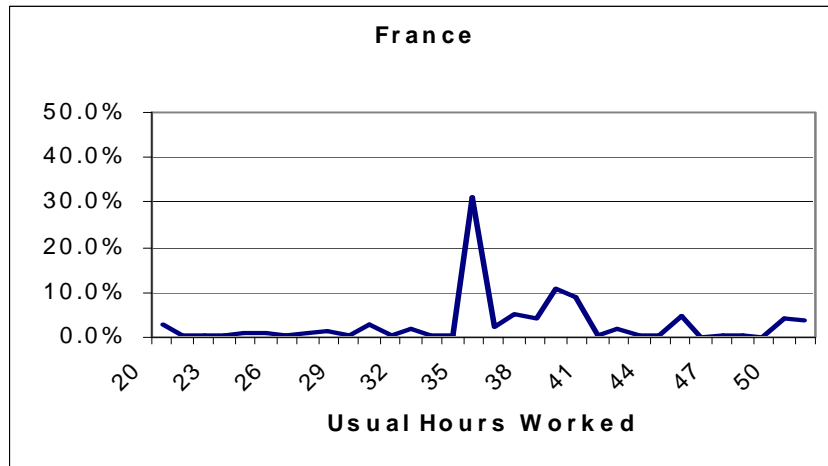
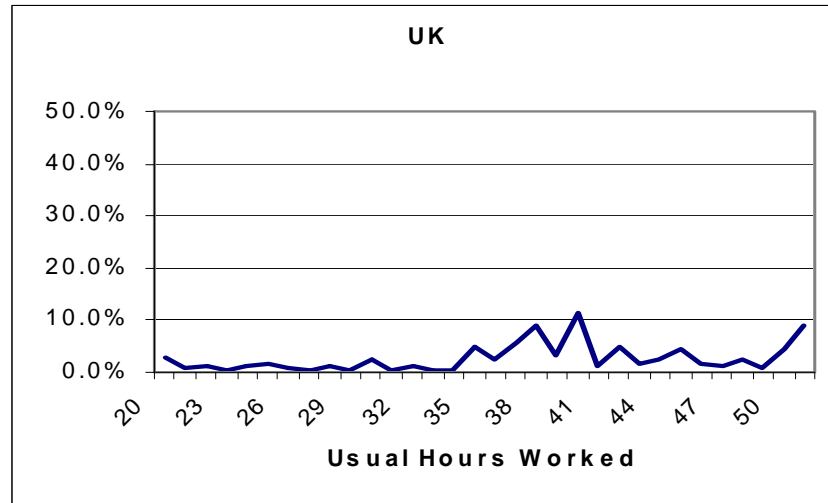
- 23.3 Million Non-Union Workers: Almost doubled since 1979 (95%)
& up from < ½ to > ¾ of all LFS employment (47% to 79%)

The UK's 'light and even' employment regulation regime enables workers to move in and out of work easily. Consequently, there are always vacancies coming up as part of the high natural turnover in the UK...

HIRING & SEPARATION RATES: OECD ESTIMATES:
Annual Average: 2000-2007

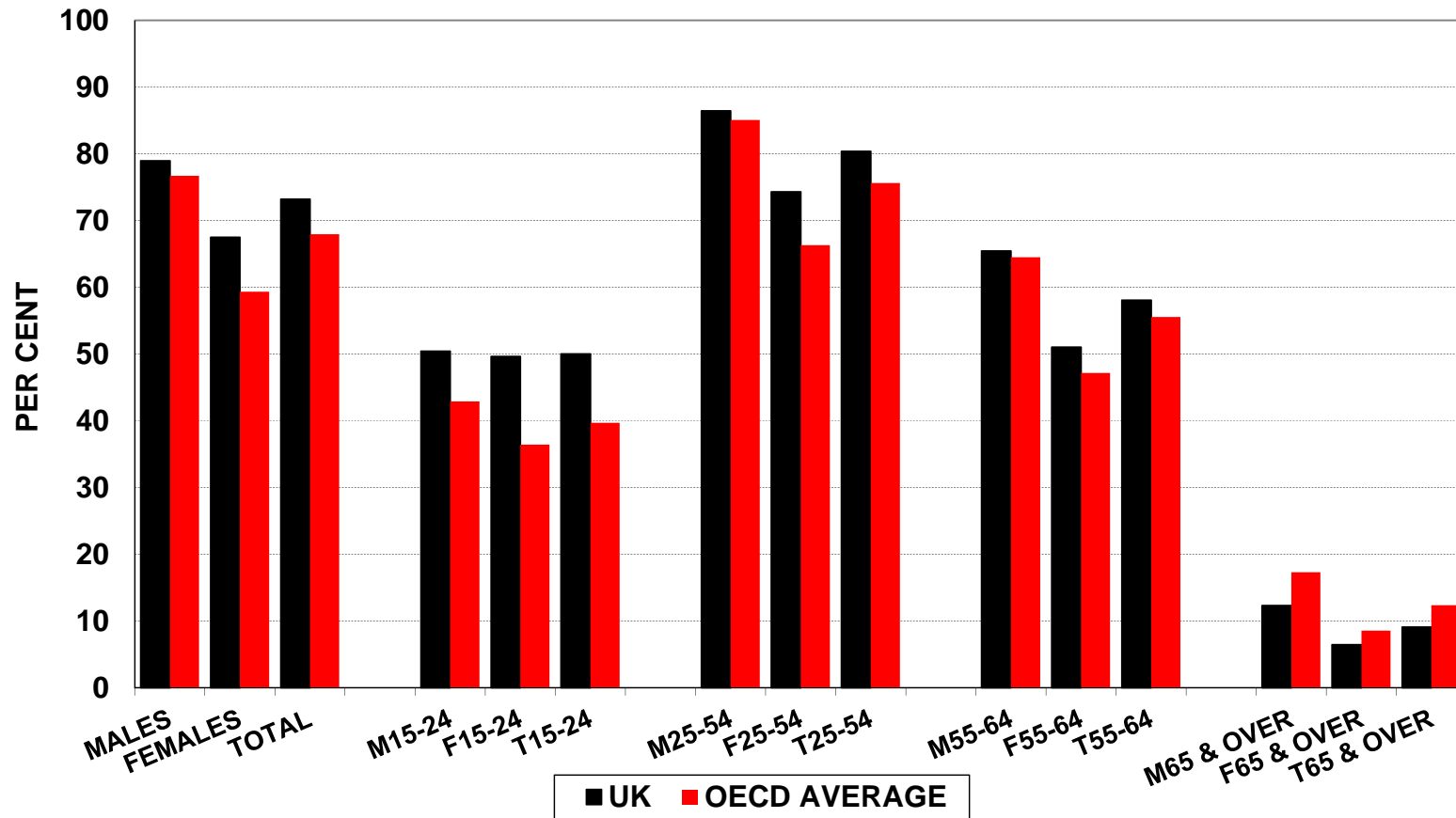


...and because there are few legislative restrictions on types of work the UK has a greater range in work patterns . This diversity means that workers have more opportunities to find a job that suits then and their personal circumstances...



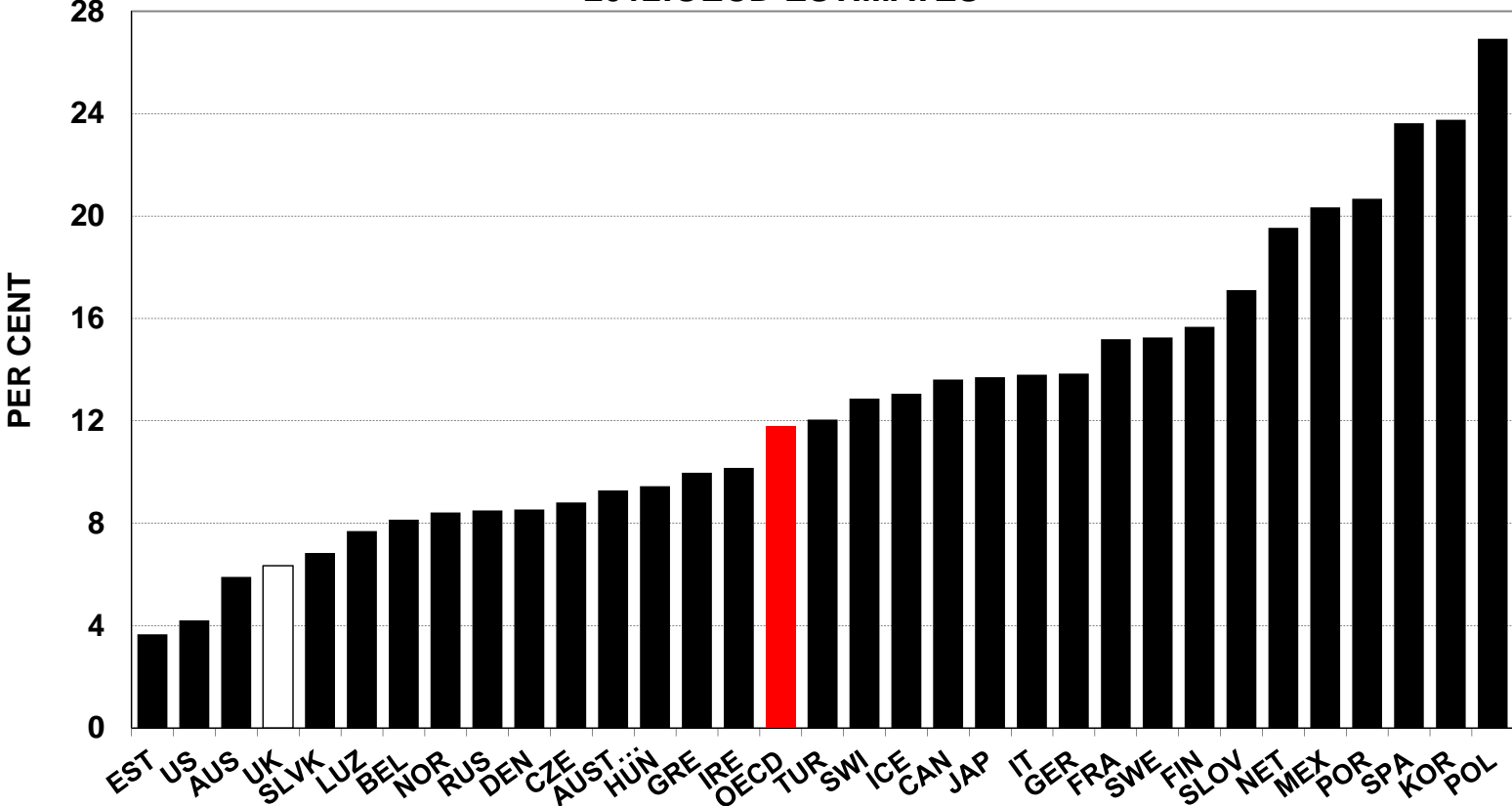
...and the range of opportunities provided by the UK's 'light and even' employment regulation system has delivered not only a high overall employment rate but also generally higher rates for all age and sex groups (except the oldest)...

EMPLOYMENT RATES BY AGE AND SEX: 2012: OECD ESTIMATES

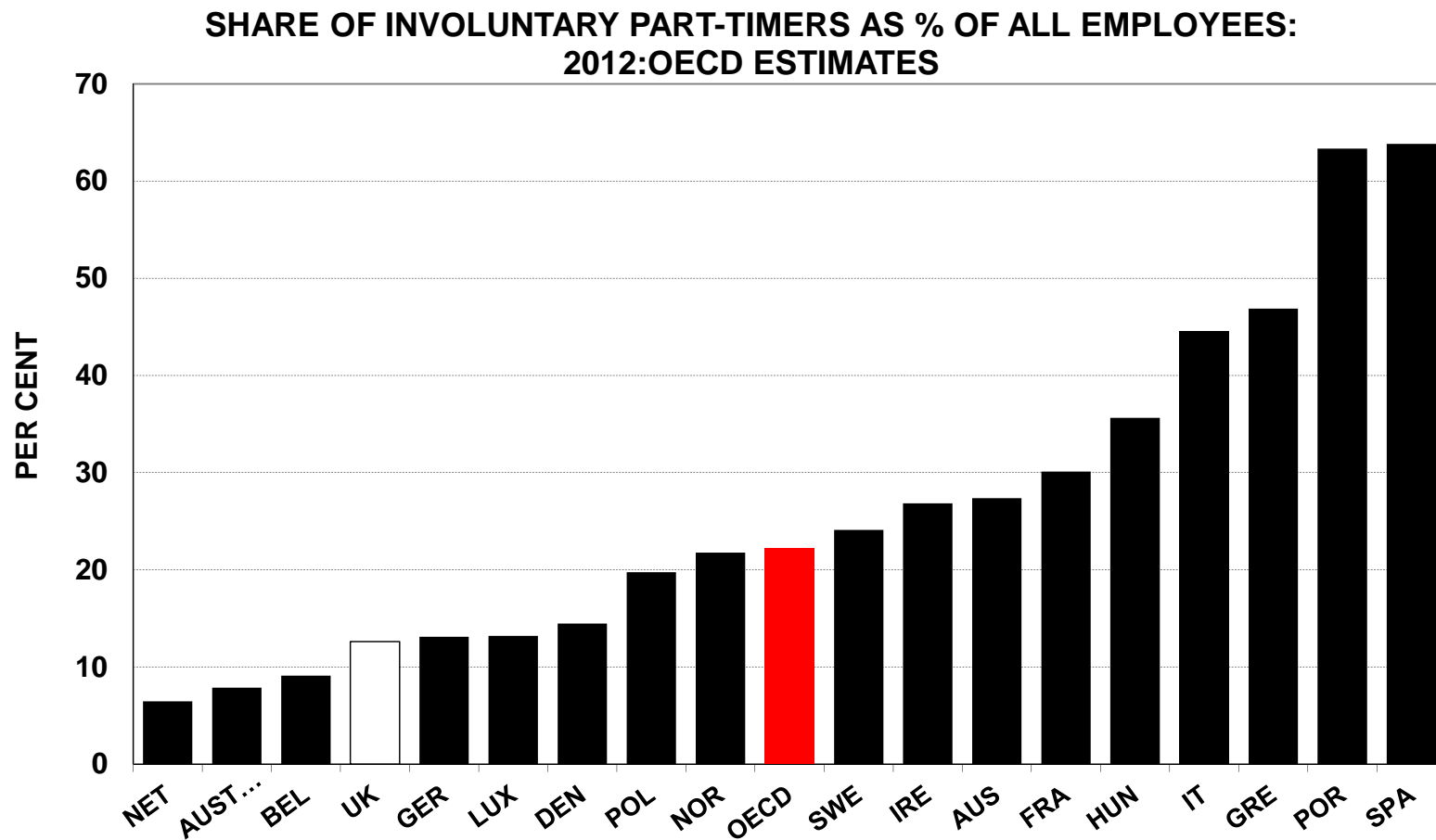


...and not only that, but the UK has relatively few workers who are in forms of work that are generally not well regarded by the people in them – here temporary work...

PERCENTAGE OF EMPLOYEES THAT ARE TEMPORARY:
2012:OECD ESTIMATES

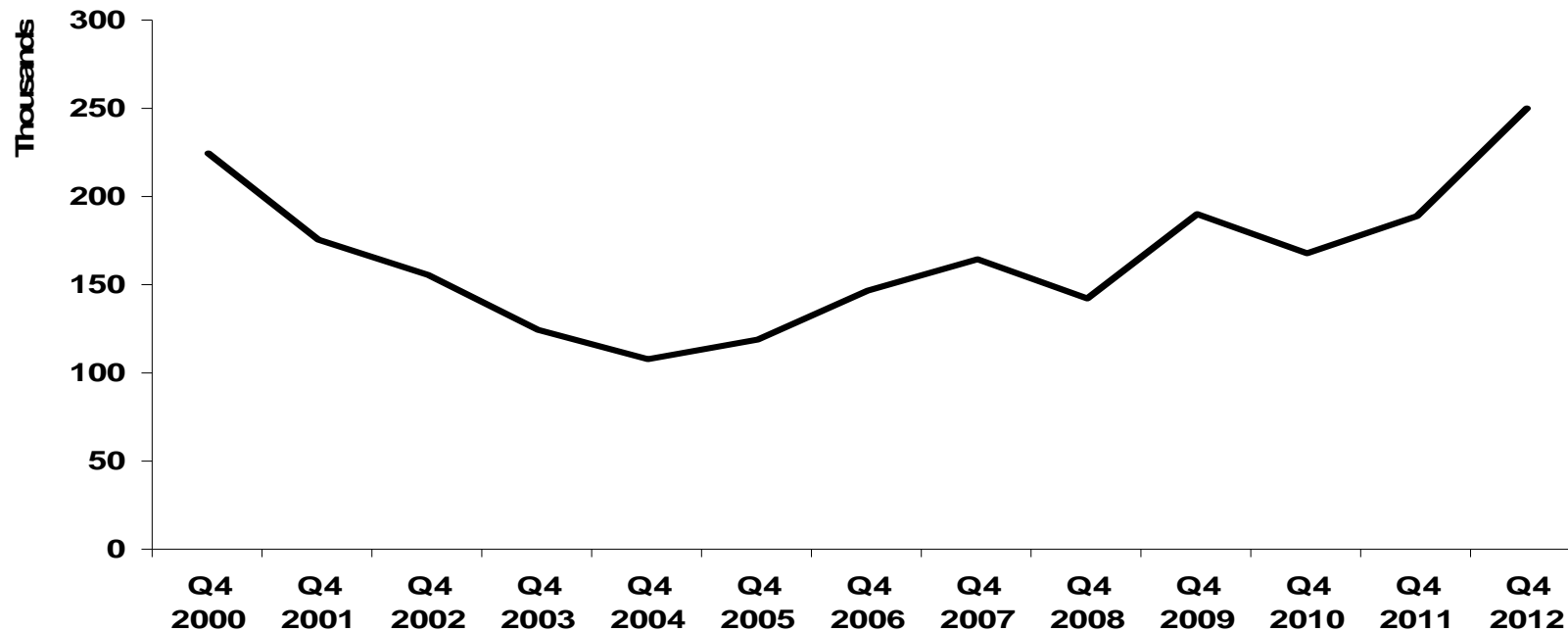


...and not only that, but the range of jobs also seems to deliver jobs that suit the workers. The proportion of involuntary part-timers is low and there are similar results for most other groups.



However, there is still more to do. There is concern that there is exploitation associated with zero hours contracts. As it concerns exploitation the most appropriate official statistic is the LFS because it reflects what the individual thinks. According to the workers themselves there are a ¼ million people on such contracts...

Estimated number of people on zero hours contracts, UK

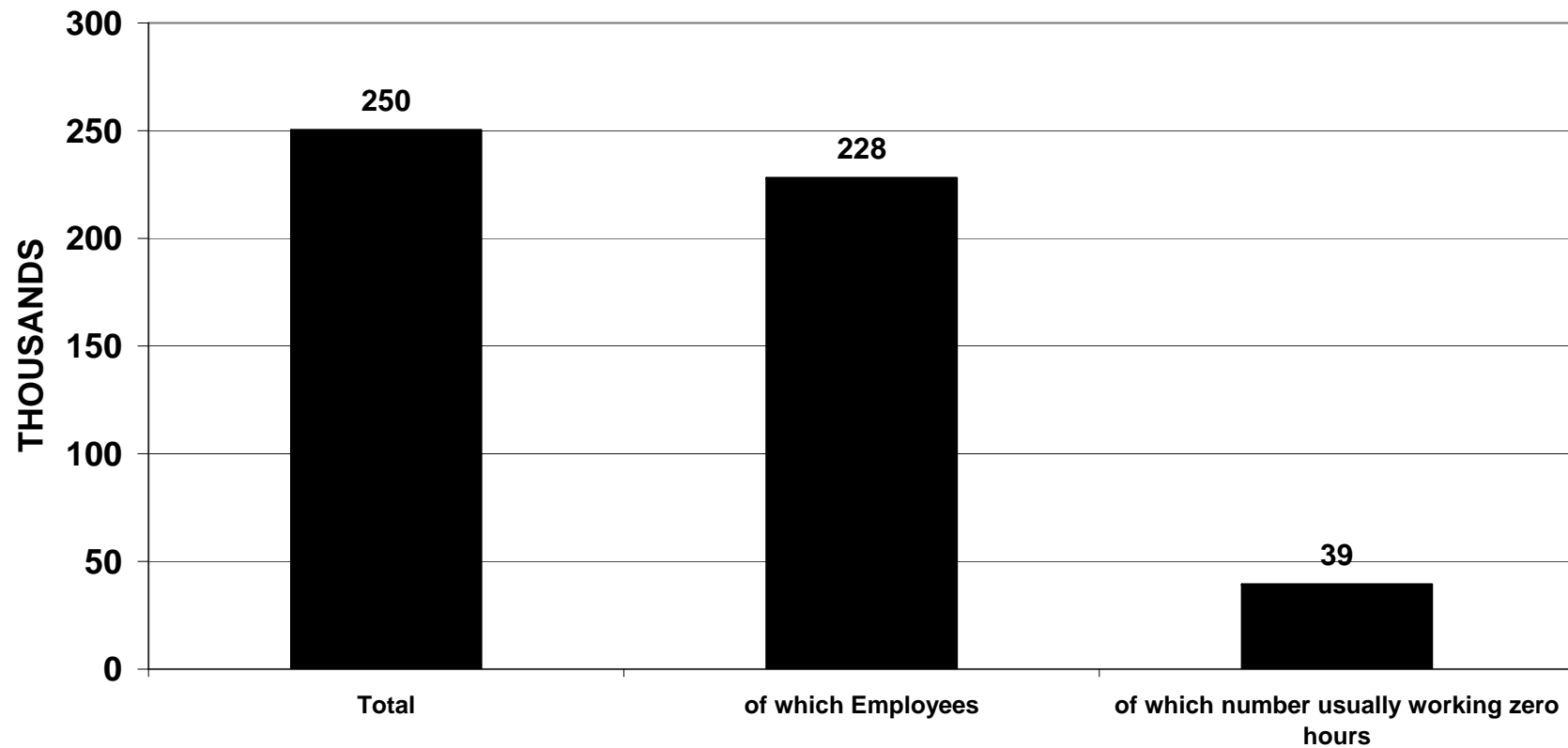


Source: BIS estimates based on Labour Force Survey data

...and of the ¼ million on zero hours contracts around 90% are employees and only around 1 in 6 usually work zero hours each week ...

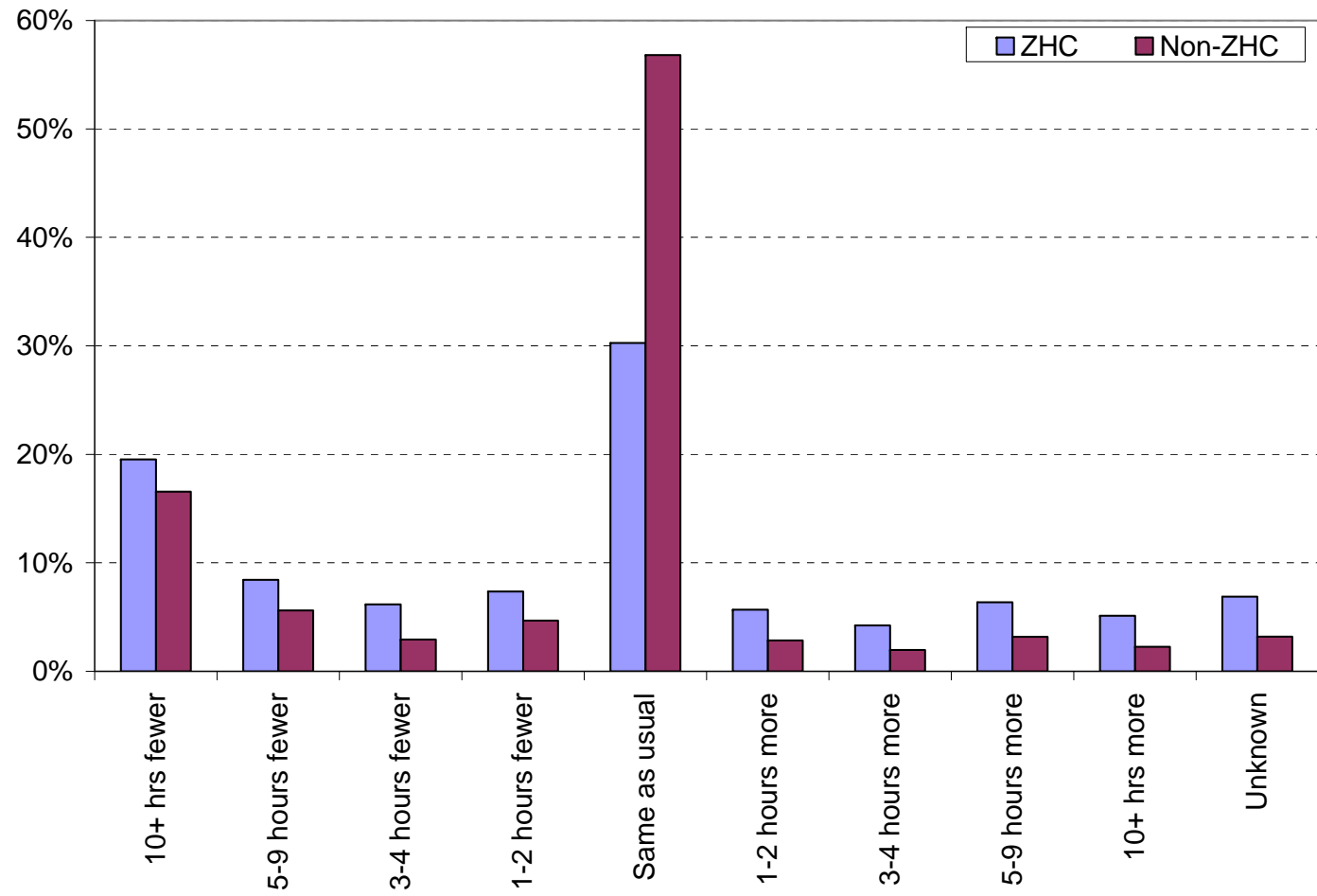
[This and subsequent information kindly provided by DWP. Any errors are, however, my responsibility.]

NUMBERS ON ZERO HOURS CONTRACTS: LFS: Q4 2012

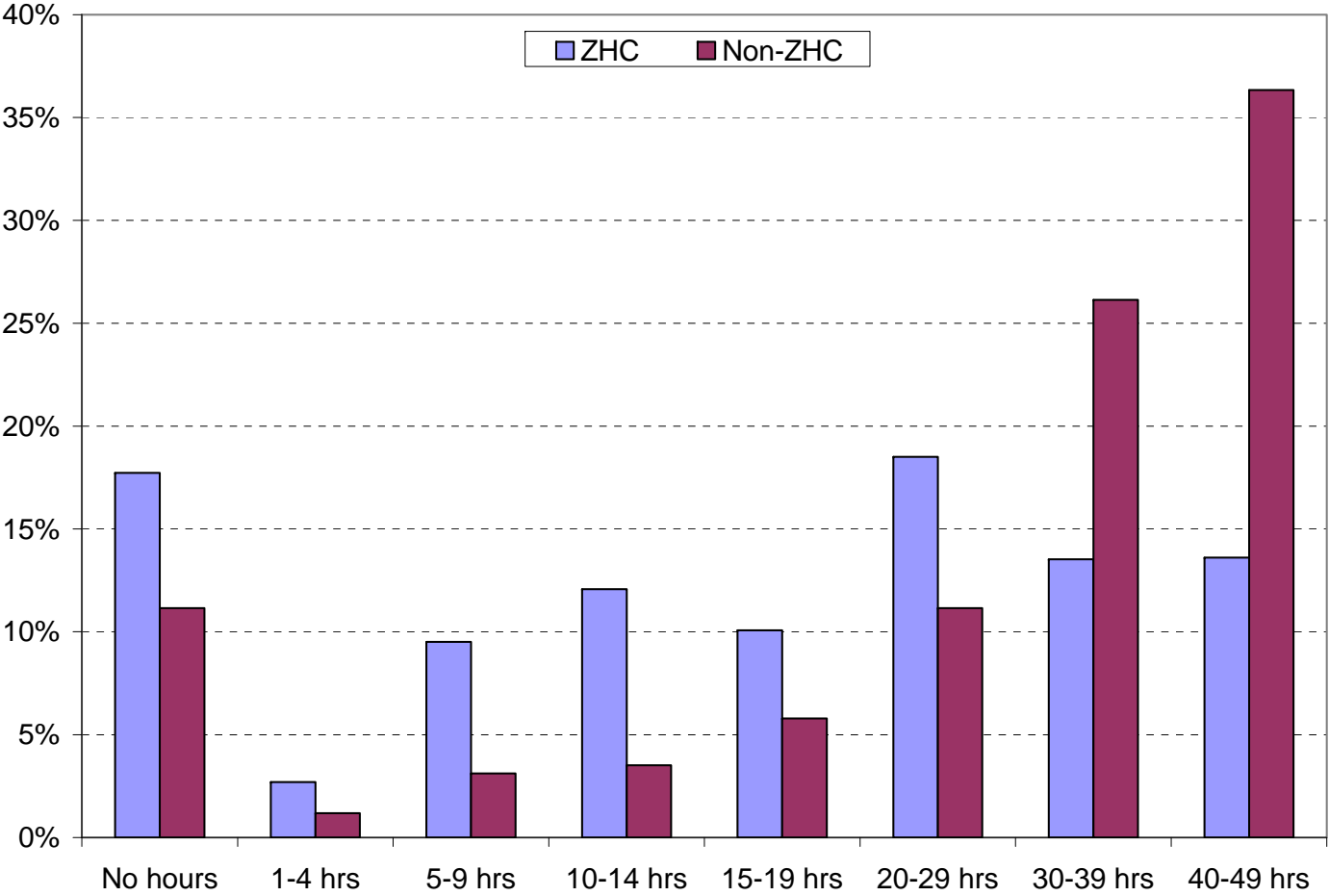


However, only 30% of ZHC cases worked their usual hours in the reference week (but the remainder were just as likely to work more hours than fewer hours) and there are also other forms of contracts with variable hours.

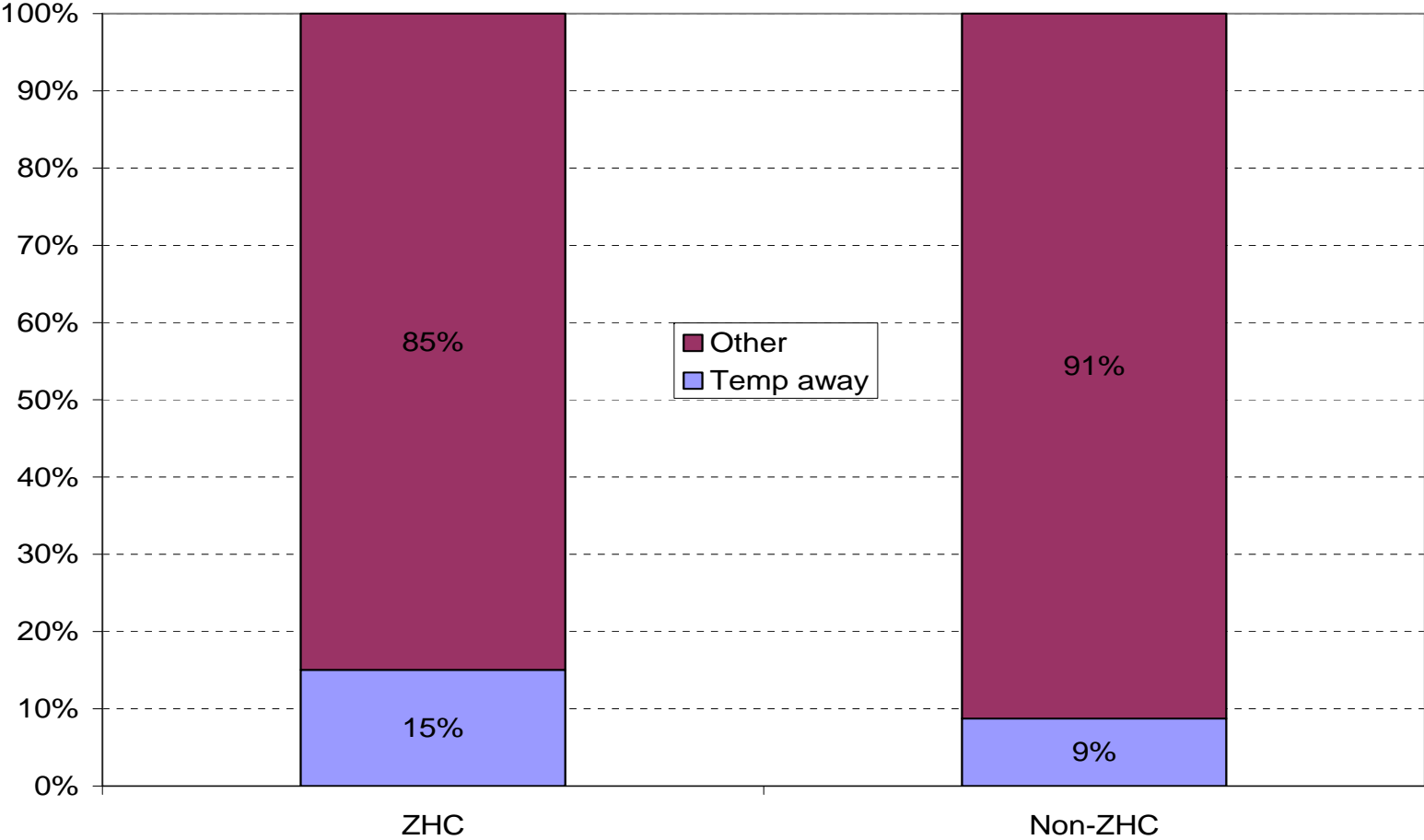
Actual compared with usual hours



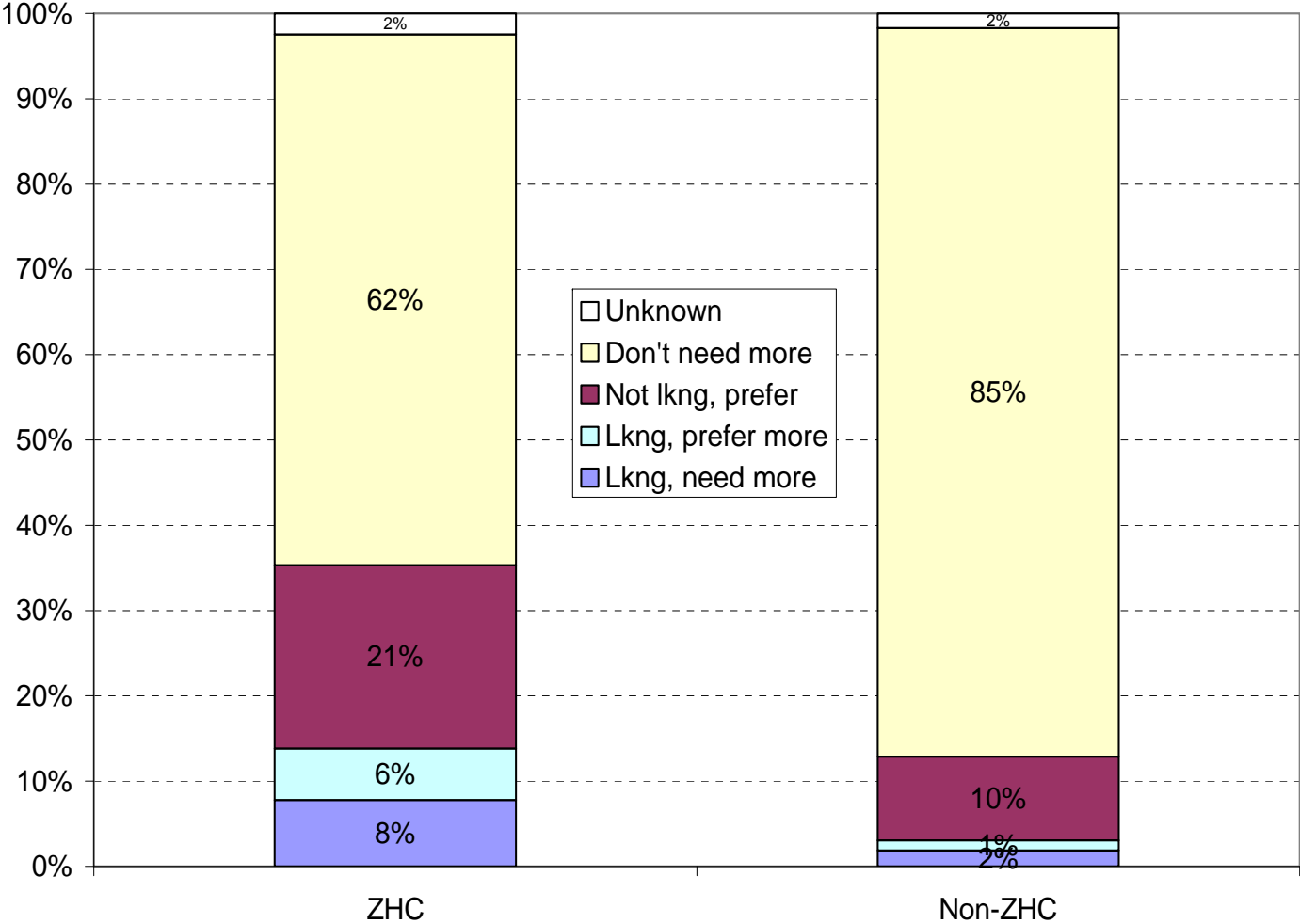
Around 18% of ZHC are *actually* working zero hours as are around 10% of other workers. However, many of these will be due to events such as holidays...



Of the 18% of ZHC contracts with zero hours (around 10% of non-ZHC cases) around 15% (9%) are temporarily away from work [the category we think is likely to contain the most exploitation]



There are greater signs of problems with the current situation in ZHC cases. They are more likely to want more hours but it is still only a minority (35%), including 14% who are actively looking...



...and not many people on zero hours contracts have succeeded in getting a second job – although it is greater than other workers. We do not, however, know whether this is due to restrictions associated with exclusivity contracts.

