





June 2009	Monitoring the impact of the recession on various demographic groups
 <p>Government <b>Equalities</b> Office <small>Putting equality at the heart of government</small></p>	 <p>Equality and Human Rights Commission</p>  <p><a href="http://equalityhumanrights.com">equalityhumanrights.com</a></p>  <p><b>DWP</b> Department for Work and Pensions</p>

# Contents

Foreword .....	4
Introduction.....	7
Overview of the UK Labour Market .....	8
Labour market performance of various demographic groups .....	9
Age .....	13
Gender .....	15
Ethnic minorities .....	17
Disabled people.....	18
Lone parents .....	19
Lowest qualified.....	20
Deprived areas .....	22
Conclusion.....	23
Glossary .....	24



# Foreword

In February, the Equality and Human Rights Commission announced a joint programme of work with the Department of Work and Pensions and the Government Equalities Office; the aim of which was to monitor the impact of the recession across our mandate groups of age, gender, race and disability. We wanted also to explore how this recession was affecting the lowest qualified and most deprived in our society.

At the root of this project is the belief that the policy response to this recession should be guided by sound evidence and analysis. Money and resources need be targeted on the basis of fact, not assumption. This is the only way that government can ensure that real help reaches the people who need it most and has the greatest possible impact.

Our first joint monitoring report covers the first quarter of 2009 and reveals a labour market that is suffering from rising unemployment rates, more redundancies and fewer available jobs.

The media attention at the outset may have been focused on the revolving doors of the nation's investment banks, but it is once again groups from across society that are being hit hardest by the recession. Areas of concern for some groups emerge clearly from our review of available data.

The period covered by this monitoring report spanned a period of some of the most significant cuts in the UK's manufacturing sector. It comes as no surprise, therefore, that the unemployment rate of the UK's male population has risen by 2.4 percentage points to 8.1% in the year to March 2009. For women, unemployment has risen by 1.4 percentage points to 6.4%.

In the recession of the early 1990s, male employment rates fell steeply over a short period of time as the industries that were more adversely affected were those characterised by a largely male workforce. Our labour market now is less segregated and women, who now make up a greater proportion of the workforce, are no longer as sheltered from the impact of recession.

Historically young people have higher rates of unemployment, so relatively more young people will be affected by the recession. 16.2% of our 18-24 year olds are now out of work and young people leaving education this summer will face tougher labour market conditions. In particular, young men and less qualified young people have less chance of finding a job than anyone else.

There are, however, some less discouraging signs in this set of data. So far, employment among ethnic minorities, disabled people and older people has remained relatively stable. Employment among these groups started from a comparatively low base at the start of this recession; at the very least we need to ensure that that the gains made since the end of the last recession are maintained.

Today's recession is in many respects unprecedented. The outcomes of previous recessions tell us that we must act now to ensure that the impact of this downturn is not felt for years to come. In previous recessions, many people were unable to deploy their existing skills in a rapidly changing economy. The UK is now in a better position than ever before to retrain and upskill workers to enable them to find work in the new industries that will form the bedrock of our economy as we come out of this downturn. The quicker we can retrain, the more we can minimise the damaging impact of unemployment.

These measures are going to have to address the issues that face the people who are being hit most hard. What the data in this report tells is that, at this stage of the recession, young people, men and those in deprived areas are suffering the greatest impact. We must remember, though, that this report is just a snapshot and that the effects of the downturn could easily spread. The challenge will be not simply to see people through the harsh effects of unemployment, but to endow everyone with the right skills to survive on the other side. The labour market of the 21<sup>st</sup> century is more diverse, more global and – most importantly – more competitive. The UK needs to prepare urgently to meet those challenges.

**Trevor Phillips**  
**Chair of the Equality and Human Rights Commission**



# Introduction

1. All the major global economies are currently experiencing a steep and synchronised recession in economic growth and this includes the UK. Whilst the contraction in UK Gross Domestic Product<sup>1</sup> (GDP) is so far greater than the recessions of the 1980s and 1990s<sup>2</sup>, it is not dissimilar to that being experienced by many other countries. All of the G7 and the majority of OECD countries reported negative growth during the first quarter of 2009<sup>3</sup>. Data for the euro area and the EU27 indicate that in the first quarter of 2009 there was a decline in GDP of 2.5% on the previous quarter compared to a decline of 1.9% in the UK.
2. A contraction of the economy is likely to lead to a deterioration in the labour market. This is happening in the UK where in the first half of 2008 the number of people claiming Jobseekers Allowance started to rise followed by a deterioration in other labour market indicators. Other countries are in a similar position – the latest comparative unemployment data<sup>4</sup> show that the UK ILO unemployment rate rose by 0.6<sup>5</sup> percentage points on the quarter - broadly in line with the average increases across both G7 and OECD members.
3. Evidence from previous recessions shows that the incidence of unemployment and worklessness is not evenly spread across the population. Some groups of people fare worse than others, although each recession has had different impacts. For this reason, the Department for Work and Pensions, the Equality and Human Rights Commission and Government Equalities Office are committed to monitoring the labour market positions of different groups in the labour market. This publication looks at labour market outcomes for various demographic groups<sup>6</sup> to help inform policy. It uses the Labour Force Survey to summarise headline trends on employment, unemployment and inactivity, providing a high-level overview of the labour market impacts of the recession on various demographic groups.

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<sup>1</sup> See glossary for definitions of technical terms

<sup>2</sup> Based on latest GDP figures and subject to revision

<sup>3</sup> Organisation for Economic Co-operation and Development; OECD Quarterly National Accounts – First Quarter 2009; May 2009

<sup>4</sup> OECD harmonised unemployment rates; seasonally adjusted for June 2009

<sup>5</sup> The most recent harmonised OECD data for the UK is for February 2009 and shows a 0.6 percentage point rise on the quarter. UK national data (not harmonised) which covers January-March 2009 shows a 0.8 percentage point rise on the quarter

<sup>6</sup> The publication covers the main demographic groups monitored by DWP.

## Overview of the UK Labour Market<sup>7</sup>

- Before the onset of the current recession, the UK labour market was performing strongly both when compared internationally and with historical records – in Spring 2008 employment levels were at a record high at 29.5million<sup>8</sup>.
- Table 1 sets out the changes in the main labour market indicators summarised from the Labour Market Statistic First Release for quarter 1 2009. These indicators refer to the UK, with the exception of earnings growth (which is for Great Britain):

Table 1: Main Labour Market Indicators UK, seasonally adjusted

### UK data (unless otherwise stated)

	Reference period	Levels (thousands)	Rates (%)	Changes on the period		Changes on the year	
				Level	Rate	Level	Rate
Employment*	Jan-Mar 09	29,204	73.6	-157	-0.5	-295	-1.3
Unemployment**	Jan-Mar 09	2,215	7.1	244	0.8	592	1.8
Economically active*	Jan-Mar 09	31,419	79.3	87	0.1	296	0.2
Economically inactive***	Jan-Mar 09	7,828	20.7	-29	-0.1	-43	-0.2
Claimant count	Apr-09	1,513	4.7	57.1	0.2		
Workforce jobs	Dec-08	31,318		-203			
Vacancies****	Feb-Apr 09	455	1.7	-51	-0.2	232	-0.9
Full-time*****	Jan-Mar 09	21,669		-160		-333	
Part-time*****	Jan-Mar 09	7,535		3.0		38	
GB Average Earnings							
including bonuses	Jan-Mar 09		-0.4#		-0.6		
excluding bonuses	Jan-Mar 09		3.0#		-0.2		

### Scotland

	Reference period	Levels (thousands)	Rates (%)	Changes on the quarter		Changes on the year	
				Level	Rate	Level	Rate
Employment*	Jan-Mar 09	2,521	74.9	-11	-0.5	-22	-1.6
Unemployment**	Jan-Mar 09	157	5.9	20	0.7	34	1.3
Economically active*	Jan-Mar 09	2,678	79.8	9	0.1	13	-0.6
Economically inactive***	Jan-Mar 09	650	20.2	-3	-0.1	20	0.6

### Wales

	Reference period	Levels (thousands)	Rates (%)	Changes on the quarter		Changes on the year	
				Level	Rate	Level	Rate
Employment*	Jan-Mar 09	1,332	70.4	-4	-0.3	-21	-1.6
Unemployment**	Jan-Mar 09	111	7.7	11	0.7	34	2.3
Economically active*	Jan-Mar 09	1,443	76.5	7	0.3	13	0.2
Economically inactive***	Jan-Mar 09	422	23.5	-4	-0.3	-4	-0.2

\* Levels are for those aged 16 and over, rates for those of working age (16-59/64)

\*\*Levels and rates are for those aged 16 and over. Rate is as a proportion of economically active

\*\*\*Levels and rates are for those of working age

\*\*\*\*Levels are averages for latest three months and rates are ratios of vacancies per 100 employee jobs. Changes are comparisons with three months ago

\*\*\*\*\*The split between full-time and part-time employment is based on respondents' self-classification.

# Percentage change latest three months on previous year

<sup>7</sup> Data relates to UK figures from the Labour Market Statistics First Release for Jan-Mar 2009

<sup>8</sup> Labour Market Statistics for March-May 2008; seasonally adjusted

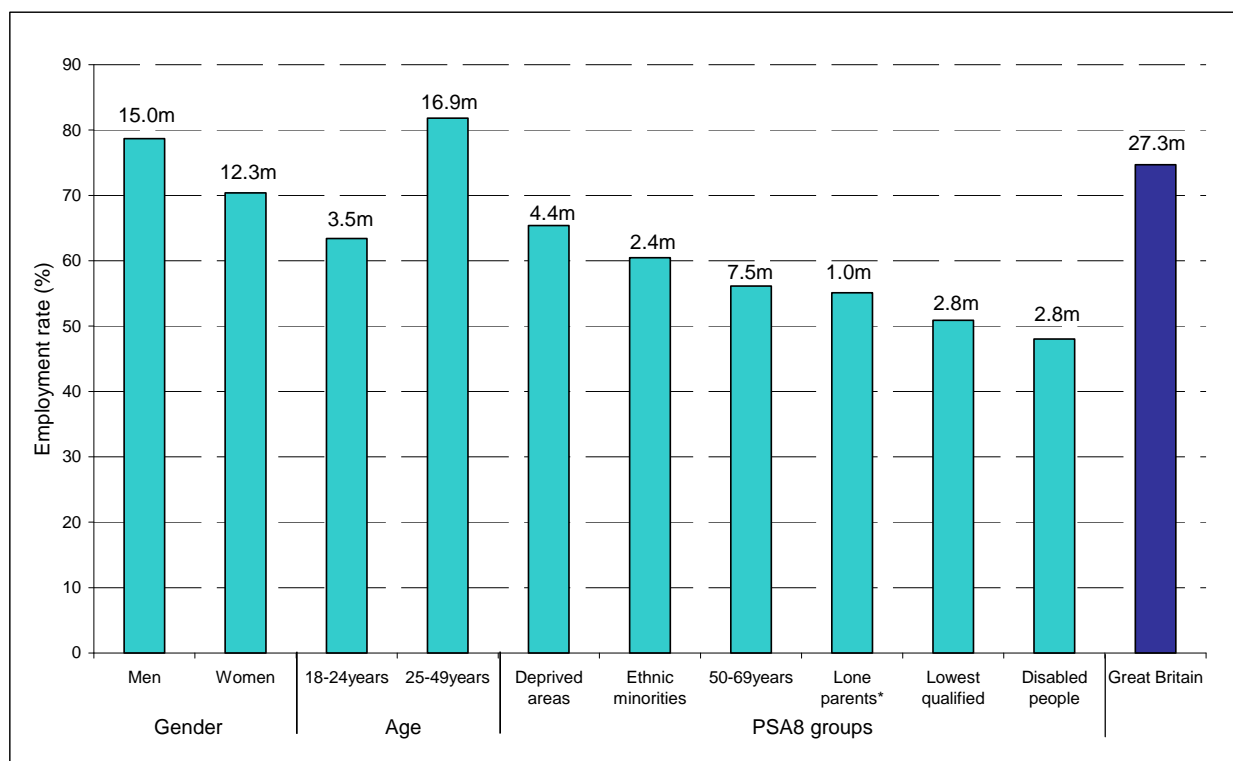


5. UK GDP started to deteriorate in quarter 3 2008, following an increase in the claimant count in the first half of 2008. The decline in these indicators was then followed by a worsening in a number of other labour market indicators such as numbers in employment, down 295 thousand on the year, and number of people unemployed on the ILO measure, up 592 thousand on the year. However, in contrast to previous recessions both the level and rate of economic inactivity has fallen slightly. The number of unfilled vacancies has fallen from over 600 thousand to around 450 thousand.
6. Part-time and full-time work: the number of people working full-time fell by 333 thousand on the year (1.5 per cent), while the number in part-time employment rose by 38 thousand (0.5 per cent). The number of men in part-time employment rose by 42 thousand on the year (2.4 per cent), while the number of women in part-time employment fell by 4 thousand (0.1 per cent). For those who gave a reason for working part-time, the largest proportion did not want a full-time job (70.5 per cent). The percentage of people that were working part time because they could not find a full-time job rose by 2.1 percentage points on the year to 11.6 percent.

## Labour market performance of various demographic groups

7. Before describing the changes that have occurred during the current recession, it is useful to look at the relative positions of each group prior to this. However, we need to be careful making comparisons because a) these groups are not mutually exclusive – all individuals fall into more than one group and b) some groups are substantially larger than others – e.g. there are 20.5m in the prime-age group compared with 1.8m lone parents. Figure 1 shows there is a large amount of variation in employment rates looking at these broad groupings.

Figure 1: Employment rates and levels for groups in quarter 1 2008



\* Lone parents employment rate refers to quarter 4 2007

8. Employment rates are highest for prime-age people between 25 and 49 years of age (81.8 per cent) and men (78.7 per cent). All other groups had an employment rate lower than the overall GB rate. The lowest employment rate was for disabled people (48.0 per cent). The other groups monitored through the PSA8<sup>9</sup> target are the lowest qualified (50.9 per cent); lone parents (55.1 per cent<sup>10</sup>); 'older' people aged 50-69 years (56.1 per cent); those from ethnic minorities (60.5 per cent) and those living in deprived areas (65.4 per cent). Additionally women (70.4 per cent) and younger people aged between 18 and 24 (63.4 per cent) are included.
9. Having noted these headline figures, we now turn in more detail to the specific experience of the various groups during the current recession. The DWP has also published a literature review conducted by the University of Nottingham<sup>11</sup> looking at how the main demographic groups monitored by the Department for Work and Pensions have performed in labour market terms in past recessions.

<sup>9</sup> Public Service Agreement 8; Maximise employment opportunity for all aims to drive further progress on raising the overall employment rate, as well as narrowing the gap between employment rates of disadvantaged groups (such as disabled people or lone parents) and the overall rate. The PSA will also drive reductions in the numbers on out-of-work benefits and the time spent on out-of-work benefits

<sup>10</sup> Lone parent figure refers to quarter 4 2007

<sup>11</sup> Professor Bruce Stafford and Deirdre Duffy (2009), Review of evidence on the impact of economic downturn on disadvantaged groups, DWP Working Paper No 68

Table 2: Main labour market changes over the last twelve months for various demographic groups<sup>12</sup>.

Groups; Great Britain; Seasonally Unadjusted; Rates (%)	Q1 2008	Q1 2009	Change on year
<b>Great Britain</b>			
Employment rate	74.7	73.5	-1.2
ILO Unemployment rate*	5.4	7.3	1.9
Inactivity rate	21.0	20.7	-0.3
<b>Age</b>			
<b>18-24years</b>			
Employment rate	63.4	59.5	-3.9
ILO Unemployment rate*	12.0	16.2	4.2
Inactivity rate	27.9	29.0	1.1
<b>25-49years</b>			
Employment rate	81.8	81.0	-0.8
ILO Unemployment rate*	4.0	5.7	1.6
Inactivity rate	14.7	14.1	-0.6
<b>50-69years</b>			
Employment rate	56.1	56.0	-0.1
ILO Unemployment rate*	3.0	4.3	1.3
Inactivity rate	42.1	41.4	-0.7
<b>Gender</b>			
<b>Women</b>			
Employment rate	70.4	69.6	-0.8
ILO Unemployment rate*	5.0	6.4	1.4
Inactivity rate	25.9	25.7	-0.2
<b>Men</b>			
Employment rate	78.7	77.0	-1.7
ILO Unemployment rate*	5.7	8.1	2.4
Inactivity rate	16.5	16.2	-0.3
<b>Ethnic minorities</b>			
Employment rate	60.5	60.9	0.4
ILO Unemployment rate*	11.1	11.6	0.5
Inactivity rate	32.0	31.1	-0.9
<b>Disabled people</b>			
Employment rate	48.0	47.7	-0.3
ILO Unemployment rate*	8.5	9.5	1.0
Inactivity rate	47.5	47.3	-0.2
<b>Lowest qualified</b>			
Employment rate	50.9	49.3	-1.6
ILO Unemployment rate*	12.0	16.2	4.2
Inactivity rate	42.2	41.1	-1.0
<b>Deprived areas</b>			
Employment rate	65.4	63.8	-1.6
ILO Unemployment rate*	8.7	11.3	2.6
Inactivity rate	28.3	28.1	-0.2
	<b>Q4 2007</b>	<b>Q4 2008</b>	<b>Change on year</b>
<b>Lone parents</b>			
Employment rate	55.1	57.6	2.5
ILO Unemployment rate*	10.8	12.4	1.6
Inactivity rate	38.3	34.3	-4.0

\* Rates are for those of working age (16-59/64) and is a proportion of the economically active

<sup>12</sup> Figures are from the Labour Force Survey (January 2009 – March 2009) and relate to the working-age population except for those aged 18-24years, 25-49years and 50-69years

## Labour Force Survey

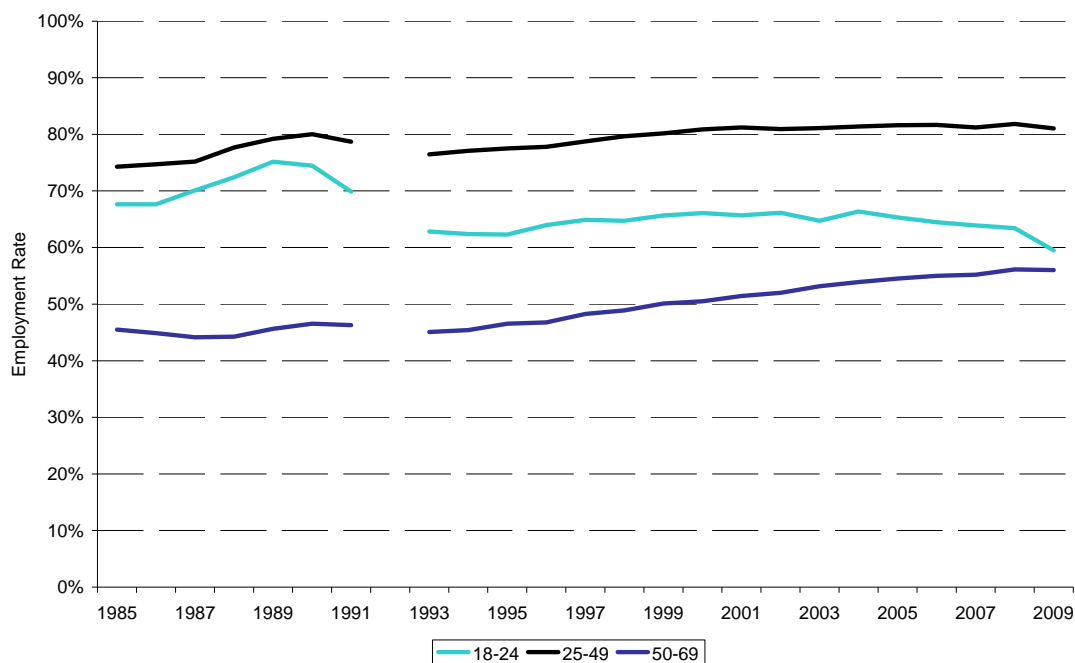
10. The statistics presented here are from the Labour Force Survey which is the main source of information on the UK's labour market. It is a random household survey of approximately 53,000 households conducted every three months by the Office for National Statistics. As well as private households, the survey includes people living in student residence halls and National Health Service accommodation. The figures reported are based on a sample of individuals and therefore for a change between years to be statistically significant the amount must exceed the appropriate confidence interval. The figures reported in the main body of this report refer to Great Britain (the introductory section referred to the UK for consistency with the monthly ONS released Labour Market Statistics). The figures presented in this report are seasonally unadjusted so we can only compare the same quarters of each year (i.e. quarter 1 2008 data to quarter 1 2009).

## Overall changes

11. The first quarter of 2008, used here as a baseline, saw the initial signs of a recession with a moderate rise in the claimant count; this accelerated in the last quarter of 2008 and the first quarter of 2009. The overall employment rate in Great Britain fell from 74.7 per cent in quarter 1 2008 to 73.5 per cent in quarter 1 2009. The ILO unemployment rate rose by 1.9 percentage points to 7.3 per cent and the level of economic inactivity fell marginally by 0.3 percentage points to 20.7 per cent over this time period.
12. This section includes headline labour market figures available for each of the demographic groups. Information on redundancy rates is not available for all the groups because of small sample sizes for some of the groups.

## Age

Figure 2: Employment rates by age group 1985-2009<sup>13</sup>



13. Historically prime-age workers have the highest employment rates - at 81.0 per cent for 25 to 49 year olds in quarter 1 2009. Young people, those aged 18 to 24 years have a lower employment rate at 59.5 per cent; in part this reflects the choice of many young people to remain in full-time education. Older workers aged 50-69 years have the lowest employment rate of the three age groups at 56.0 per cent as many people over State Pension Age (SPA) have left employment<sup>14</sup>.

14. In the 1990s recession the employment rates for young people fell faster than for any other age group and recovered more moderately. For older people employment rates were largely unaffected in the 1990s recession. Since the 1990s recession the employment rates for older workers have improved; from 45.1 per cent in 1993 to 56.0 per cent in 2009.

15. Over the last twelve months younger workers have seen a fall in their employment rate of 3.9 percentage points and a rise in the ILO unemployment rate of 4.2 percentage points. Putting this in perspective, the change in the employment rate and ILO unemployment rate are more than double the deterioration for the population as a whole. The ILO

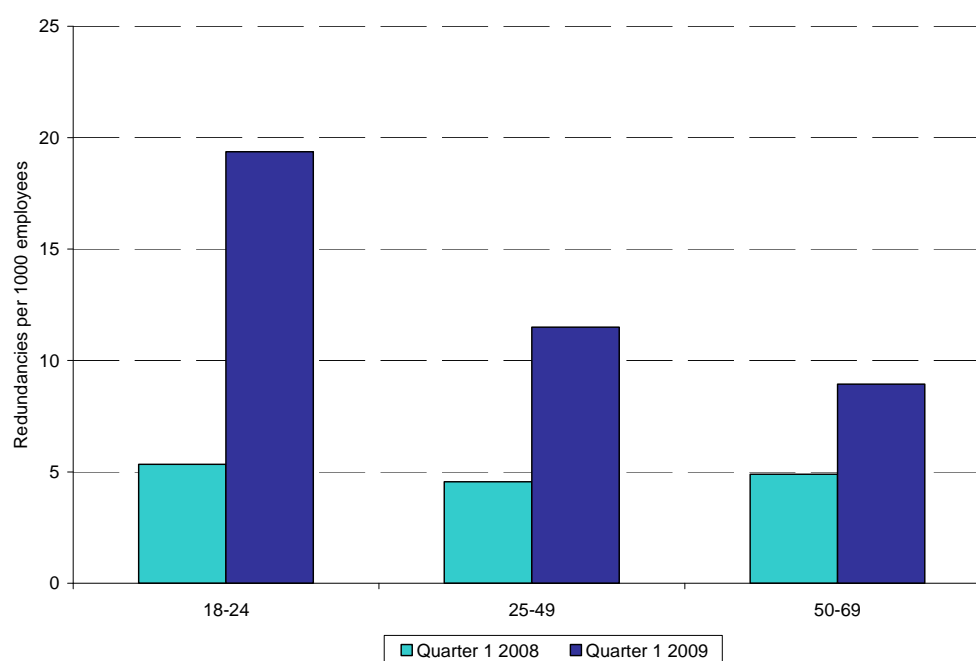
<sup>13</sup> Labour Force Survey; figures are published annually prior to 1992. Data point for 1992 is March-May calendar quarter. From 1993 onwards quarter 1 of each year is shown but direct comparisons should not be made before and after 1992

<sup>14</sup> Between 2010 and 2020, the State Pension Age for women will rise to 65, equal to that of men. Reform will also raise the State Pension Age to account for increased longevity - to 66 in 2026, 67 in 2036 and 68 in 2046.

unemployment rates for young people now stand at 16.2 per cent, compared with 5.7 per cent for prime-age and 4.3 per cent for older people. However looking at the percentage increase in the unemployment rate of young people it is slightly lower than for those of prime-age, reflecting the higher base that youth unemployment started from before the recession.

16. Increases in ILO unemployment for prime-age and older people are broadly in line with the population as a whole and these rates remain lower than the overall ILO unemployment rate. The inactivity rates for young people have increased over the last year. In contrast inactivity rates for prime-age people and older people fell slightly between quarter 1 2008 and quarter 1 2009. Older people have the highest inactivity rates at 41.4 per cent compared to prime-age people (14.1 per cent) and young people (29.0 per cent) largely due to retired individuals being included in this group.

Figure 3: Redundancy rates by age<sup>15</sup>

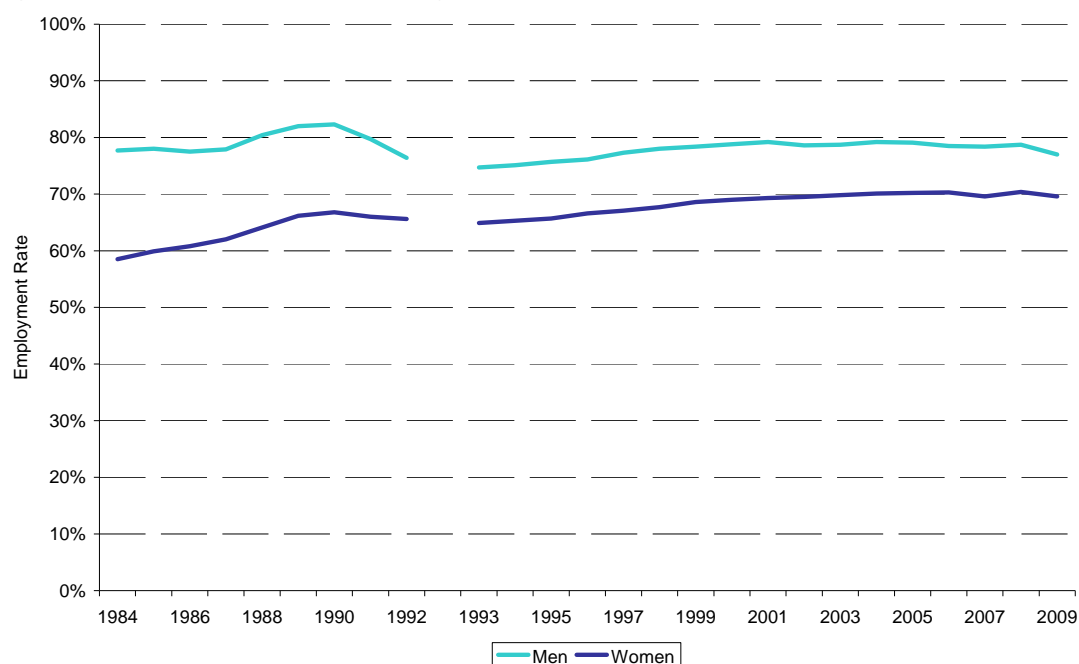


17. Redundancy rates in quarter 1 2008 were very similar for all three age groups. The latest figures for quarter 1 2009 show that the redundancy rate (as measured by the number of redundancies per 1000 employees) is now much higher for those aged 18-24 years and is more than double that for those aged 50-69 years.

<sup>15</sup> The redundancy rate is based on the ratio of the redundancy level for the given quarter to the number of employees in the previous quarter, multiplied by 1,000

## Gender

Figure 4: Employment rates by gender (1984-2009) <sup>16</sup>

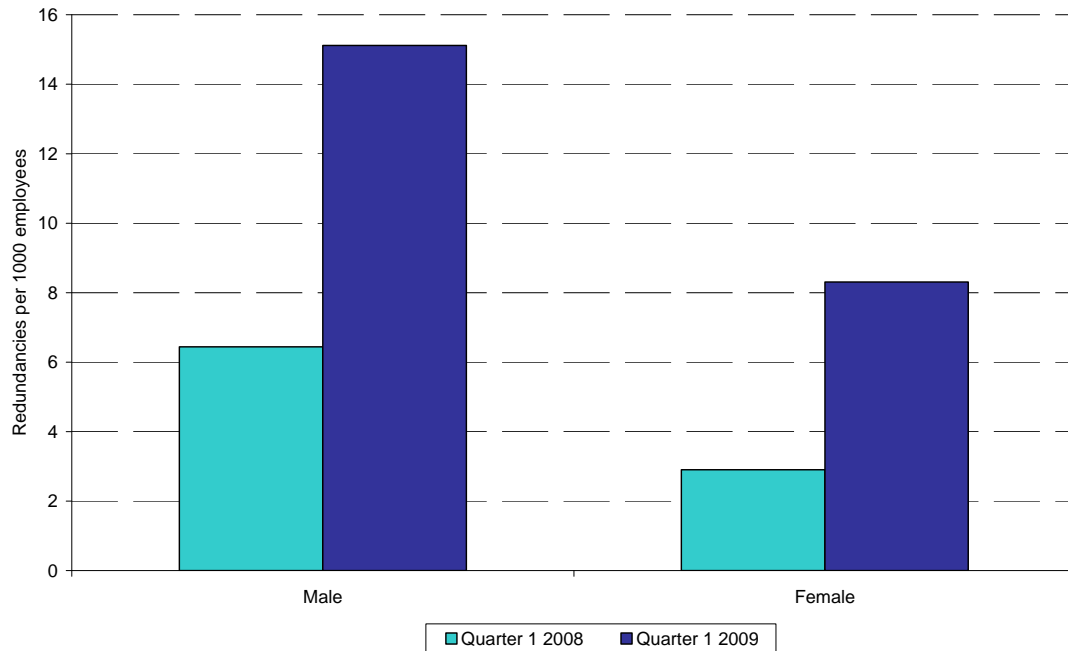


18. Historically men have had higher employment rates than women although the gap has narrowed significantly since the 1970s. Employment rates for men and women have followed a similar trend since the mid-1990s and have remained broadly stable since 2000, with just under 80 per cent of men and around 70 per cent of women in paid employment.
19. Figure 4 shows that in the 1990s recession, the employment rates of men were more adversely affected than the rate for women. This was mostly explained by the concentration of men in industries that were more severely affected such as manufacturing whilst women were concentrated in sectors such as education and health that are more resilient to economic cycles. As more women are now employed than in the past they may feel the effects of the current recession more in absolute terms than they did in either the 1980s and 1990s recessions.
20. Key labour market indicators over the last twelve months show that both men and women are being adversely affected in the current recession. The decline in the male employment rate, at 1.7 percentage points, is greater than the fall in the overall population, whereas the fall in the female employment rate is smaller, at 0.8 percentage points. In quarter 1 2009, the female employment rate was 69.6 per cent and the male employment rate was 77.0 per cent. ILO unemployment rates have risen for both men and women; the ILO unemployment rate for men in quarter 1 2009 was 8.1

<sup>16</sup> Labour Force Survey; figures are published annually prior to 1992. Data point for 1992 is March-May calendar quarter. From 1993 onwards quarter 1 of each year is shown but direct comparisons should not be made before and after 1992

per cent and for women it was 6.4 per cent. Redundancy rates have more than doubled for men and women in the last year – to 15.1 and 8.3 per thousand respectively in quarter 1 2009.

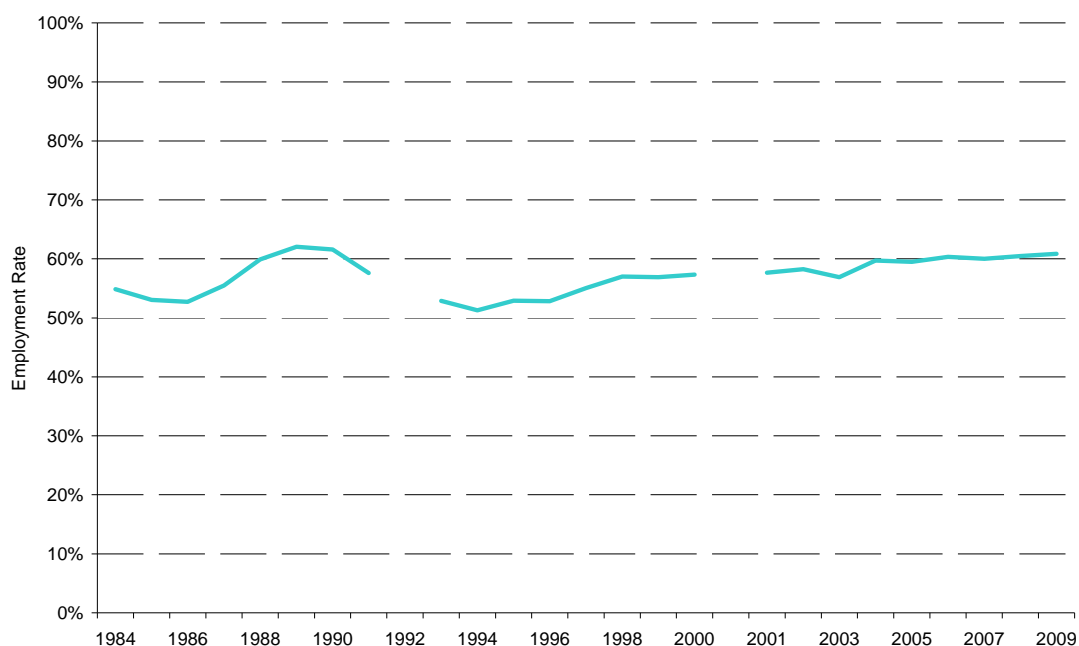
Figure 5: Redundancy rates by gender





## Ethnic minorities

Figure 6: Ethnic minorities employment rate (1984-2009)<sup>17</sup>



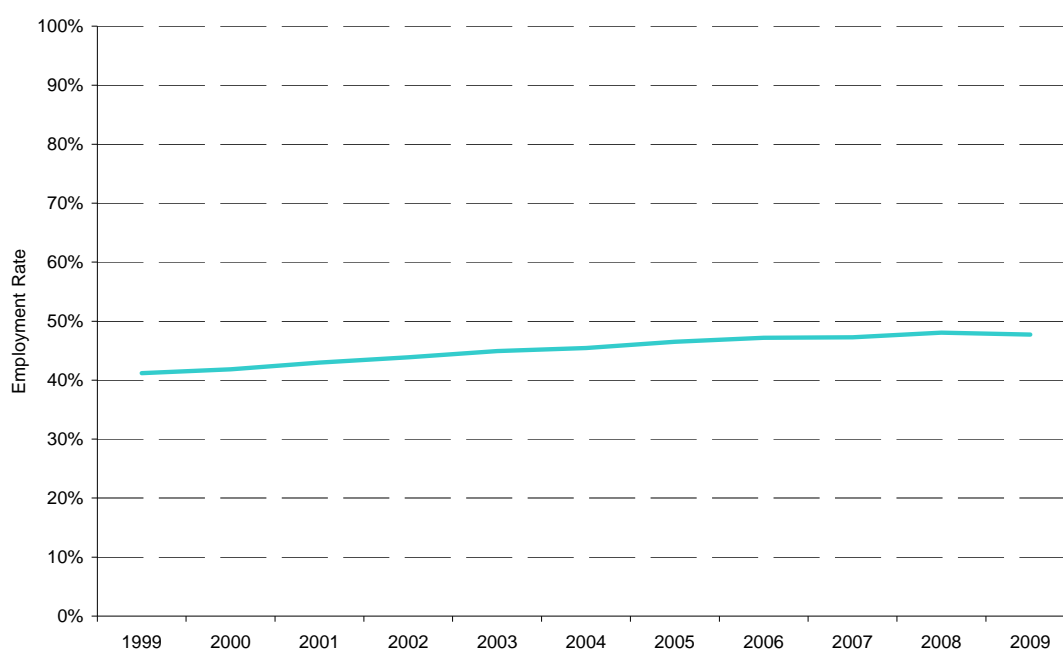
21. Ethnic minorities are considered as individuals who classify themselves to be any ethnic background other than white. The term ethnic minority is used to cover a number of different ethnic groups: Black African, Black Caribbean, Other Black, Indian, Chinese, Pakistani, Bangladeshi, Other Asian, and Mixed.
22. Historically the employment rate for ethnic minorities has remained below that of the overall population as a whole. The gap between the two has closed by 4.9 percentage points between 2001 and 2009, and the employment rate now stands at 60.9 per cent. During the early 1990s recession the employment rate for ethnic minorities dropped significantly more than the overall population leading to a substantial increase in the employment gap.
23. Over the last twelve months, the employment rate for ethnic minorities has risen very slightly, which is in contrast to the decline seen for the overall population's employment rate. These movements have led to the gap closing by 1.7 percentage points between the ethnic minority employment rate and the overall population between quarter 1 2008 and quarter 1 2009.

<sup>17</sup>Labour Force Survey; figures are published annually prior to 1992. From 1993 onwards quarter 1 of each year is shown but direct comparisons should not be made before and after 1992. A definitional change for ethnic minorities occurred in 2001 which means direct comparisons should not be made before and after 2001

24. There has been a small rise in the ILO unemployment rate of 0.5 percentage points, which is a smaller increase than seen in the overall population. However ILO unemployment now stands at 11.6 per cent for ethnic minorities, which is much higher than the 7.3 per cent for the overall population. Inactivity rates have fallen by 0.9 percentage points over the last year, however the inactivity rate for ethnic minorities at 31.1 per cent is higher than the overall population rate at 20.7 per cent.

## Disabled people

Figure 7: Disabled people employment rates (1999-2009)<sup>18</sup>



25. Disabled people are defined here as individuals who are disabled in accordance with the Disability Discrimination Act (DDA). The DDA defines a disabled person as 'a person with a physical or mental impairment which has a substantial and long term adverse effect on his ability to carry out normal day-to-day activities'. Data on disabled people from the Labour Force Survey only go back to 1998<sup>19</sup> on a consistent definitional basis.

26. Disabled people have the lowest employment rate of the demographic groups considered here at 47.7 per cent. Since 1999 there has been a considerable improvement in the employment rate for disabled people, up 6.5 percentage points from 41.2 per cent to 47.7 per cent.

27. Over the last twelve months, the employment rate for disabled people has fallen slightly, to 47.7 per cent. The decline in the employment rate is far

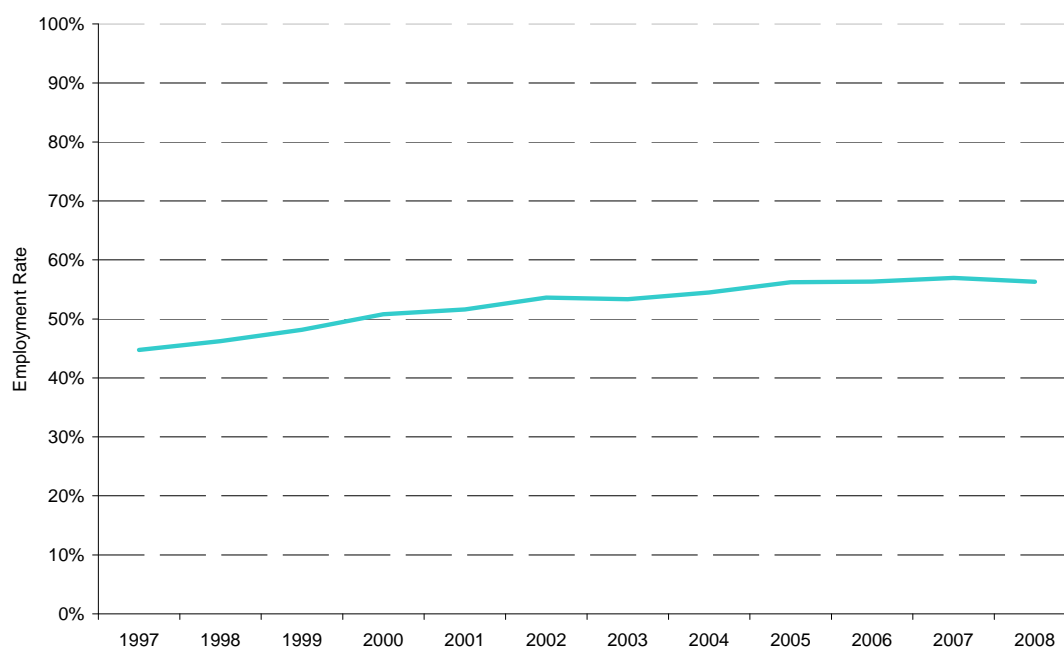
<sup>18</sup> Labour Force Survey; figures refer to quarter 1 of each year

<sup>19</sup> Labour Force Survey data for quarter 1 is not available for 1998

smaller than the fall for the overall population. The ILO unemployment rate increased for disabled people by a smaller amount than for the overall population and now stands at 9.5 per cent, but it is still higher than the rate for the overall population of 7.3 per cent.

## Lone parents

Figure 8: Lone Parents employment rates (1997-2008)<sup>20</sup>



28. Lone parents are identified as a person of working age caring for a dependent child<sup>21</sup>, without a partner who is also a member of the same household. The majority of lone parents (over 90 per cent) are female.

29. Comparable information is not available on previous recessions - the Labour Force Survey only has information on lone parents going back to 1992, and the demographics of the lone parent population are very different today. Earlier evidence is available on lone mothers (not lone parents) and show that their employment rate declined significantly during the 1980s recession, but they fared slightly better in the 1990s recession.

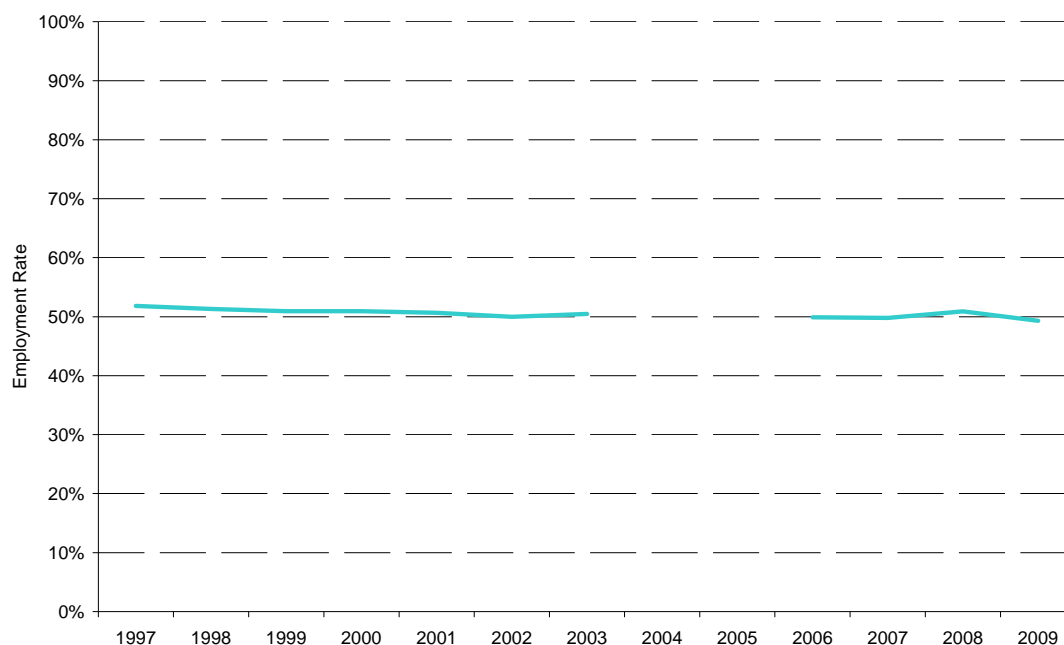
30. Over the last twelve months, the economic activity of lone parents has increased – the employment rate increased by 2.5 percentage points from 55.1 per cent to 57.6 per cent and the ILO unemployment rate increased by 1.6 percentage points to 12.4 per cent. The increase in both the employment and ILO unemployment rates has contributed to a large fall in inactivity of 4.0 percentage points.

<sup>20</sup> Labour Force Survey; figures refer to quarter 2 of each year as quarter 1 data is not available

<sup>21</sup> A dependent child is defined as a person under 16 years and those aged 16-18 who have never married and are in full time education

## Lowest qualified

Figure 9: Lowest qualified employment rates (1997 – 2009)<sup>22</sup>



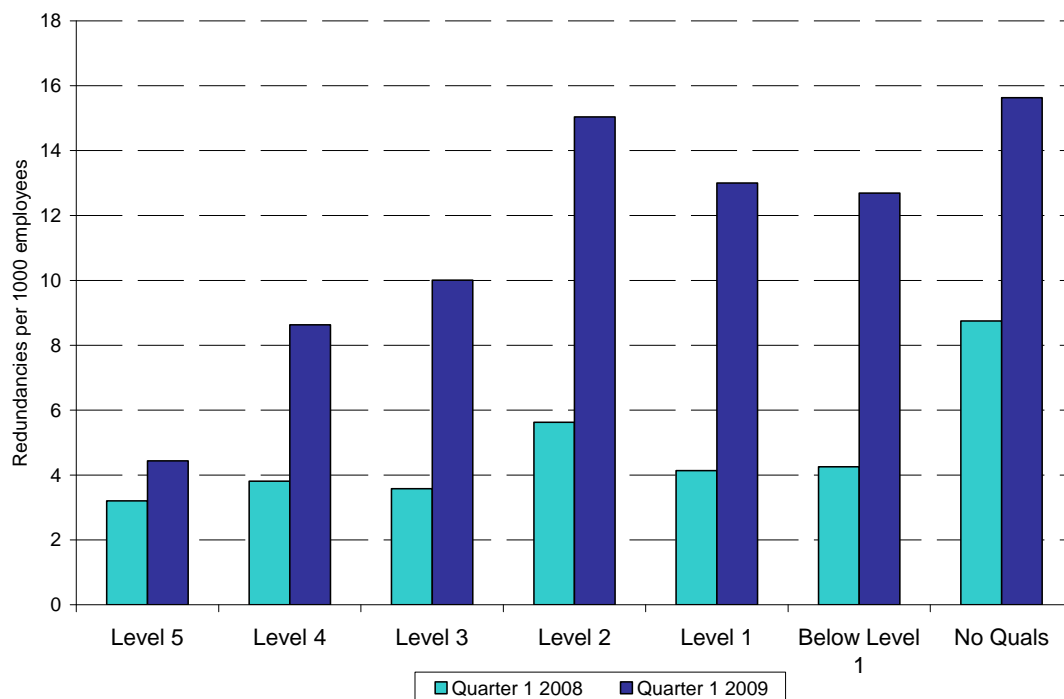
31. The 15 per cent lowest qualified group is made up of two main sub-groups, those with no qualifications (who make up the majority of this group) and those with some low-level qualifications<sup>23</sup>. Data from the Labour Force Survey only go back to 1996<sup>24</sup> on a consistent definitional basis.
32. The employment rate for the 15 per cent lowest qualified has declined slightly over the last decade falling by 2.5 percentage points between 1997 and 2009. Over the same period, there has been a small increase of 3.6 percentage points in the employment gap of the 15 per cent lowest qualified and the overall population.
33. Over the last twelve months, the employment rate for those with the lowest qualifications fell by 1.6 percentage points, which is more than the decline in the employment rate for the population overall; the rate now stands at 49.3 per cent. Over the same period, there was a marked rise in the ILO unemployment rate for the lowest qualified, rising by 4.2 percentage points to now stand at 16.2 per cent.

<sup>22</sup> Labour Force Survey; figures refer to quarter 4 of each year; data is not available for quarter 1 2004 and quarter 1 2005 this is due to a change in variables and a re-alignment of datasets from seasonal to calendar quarters, however data before and after 2006 is comparable

<sup>23</sup> Low level qualifications are considered as level 1 or below

<sup>24</sup> Labour Force Survey data for quarter 1 is not available for 1996

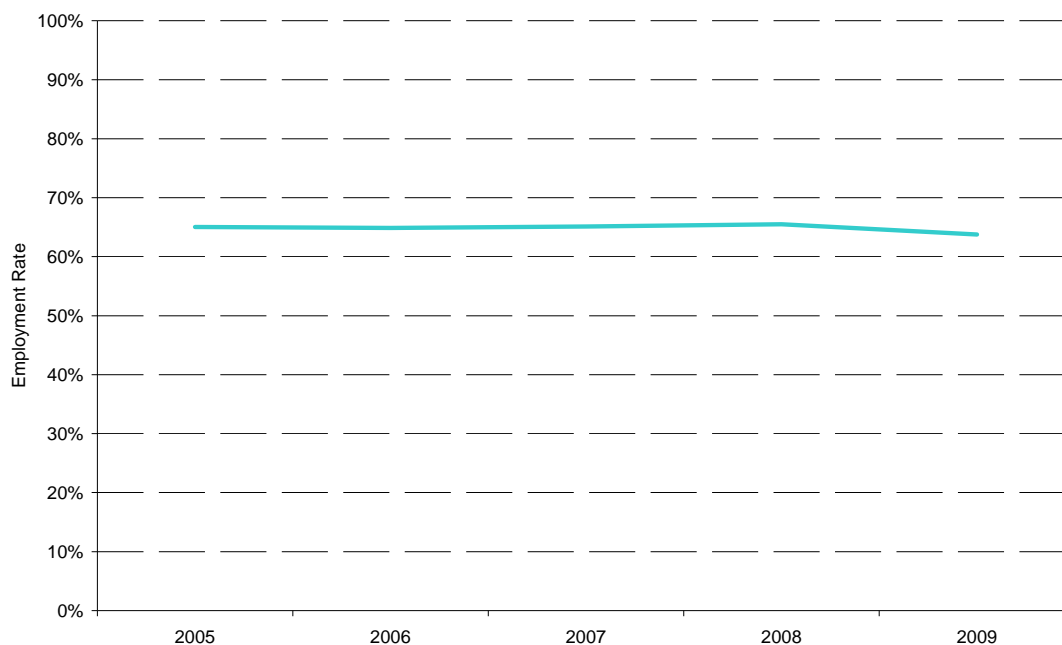
Figure 10: Redundancy rates by highest qualifications



34. Redundancy rates for those with no qualifications were higher than all other groups in quarter 1 2008. Large increases have been seen in redundancy rates across all qualifications. The largest increases have been for those with lower qualifications. Redundancy rates are now highest for those with level 2 as well as those with no qualifications.

## Deprived areas

Figure 11: Deprived areas employment rates (2005-2009)<sup>25</sup>



35. Deprived areas cover wards with the highest benefit claim rates. These wards are selected using data on the receipt of key benefits<sup>26</sup>. In England deprived areas<sup>27</sup> are defined as wards within Local Authorities that are eligible for the Working Neighbourhoods Fund (WNF) while in Scotland and Wales deprived areas are the wards which have the highest claim rates for key benefits. These wards were selected using data on receipt of key benefits.

36. By definition, deprived areas will always have lower employment rates than the rest of the country. However, we know that while some areas of the country have improved, some areas have seen a relative decline and other areas have consistently had lower employment rates for several years.

37. Over the last twelve months, there has been a fall in the employment rate of 1.6 percentage points and a greater rise in the ILO unemployment rate of 2.6 percentage points in deprived areas than for the overall population.

<sup>25</sup> Labour Force Survey; figures refer to quarter 1 in each year

<sup>26</sup> Key benefits; this includes the main out-of-work client group categories (unemployed people on Jobseekers Allowance, Lone Parents on Income Support, ESA and incapacity benefits customers, and others on income-related benefits with the exception of carers who are not subject to activation policies in the same way as other groups)

<sup>27</sup> See PSA Delivery Agreement 8; Maximise Employment Opportunity for All; December 2008; HM Government; for a technical definition of deprived areas

The employment rate in deprived areas now stands at 63.8 per cent, almost ten percentage points below the overall rate. The ILO unemployment rate is now at 11.3 per cent, up from 8.7 per cent a year earlier.

## Conclusion

38. Set out in this report are the changes in key labour market indicators during this recession for different groups. It also brings attention to the labour market position of these groups before the recession took hold. Compared to the population overall, most of the groups reported on already had significantly lower employment rates; higher ILO unemployment rates; and much higher levels of economic inactivity. We might expect many inactive people to remain largely unaffected by changes in the labour market. However through job loss we might also expect some people to leave the workforce and move into inactivity.
39. Data in this report considers the first quarter of 2009 compared to the position one year earlier. The recession started to have a labour market impact in early 2008, and accounting for the lags in the economy, we might expect further changes.
40. For young people, the lowest qualified and those living in deprived areas, the fall in the employment rate over the past year has been higher than the fall in the overall rate. It also shows that both men and women have been adversely affected in the current recession – with bigger changes in labour market outcomes for men. All of these groups have also seen a greater rise in their ILO unemployment rate compared to the overall population, suggesting that the early impacts of the recession have had a disproportionate impact on these groups. Most other groups have seen increases in ILO unemployment which are comparable with the increase in overall ILO unemployment.
41. It is important to stress that every recession is different and that no one group is always worse off. There have been significant demographic and policy changes over the last decade making it difficult to use past experience as a predictor of what might happen now. Clearly it is important to monitor these trends throughout the course of the recession, and into the recovery – and we will continue to do so. Government is also monitoring the announcements made in the budget as to their impact on employment and unemployment for different groups. Work is also ongoing to understand more about individuals who fall into two or more of the groups, and to the differences within groups, for example the range of different ethnic minority groups, health conditions and disabilities, and areas of the country.

## Glossary

**Claimant Count:** The number of claimants of Jobseeker's Allowance resident in an area as a percentage of the sum of claimants and workforce jobs in the area.

**Earnings:** A measure of the money people receive in return for work done, gross of tax. It includes salaries and, unless otherwise stated, bonuses but not unearned income, benefits in kind or arrears of pay.

**Economic activity:** The proportion of working age people who are in the labour force; this includes those that are in employment, and those that are ILO unemployed.

**Economic inactivity:** The proportion of working age people who are neither in *employment* nor *unemployed*. This includes those who want a job but have not been seeking work in the last four weeks, those who want a job and are seeking work but not available to start work, and those who do not want a job.

**Employment:** The number of people with jobs is measured by the *Labour Force Survey* (LFS) and includes people aged 16 or over who did paid work (as an employee or self-employed), those who had a job that they were temporarily away from, those on government-supported training and employment programmes, and those doing unpaid family work.

**GDP:** Gross Domestic Product (GDP) provides a measure of the total economic activity in a region. GDP is often referred to as one of the main 'summary indicators' of economic activity and references to 'growth in the economy' (or 'economic growth') are quoting the growth in GDP during the latest quarter. In the UK three different theoretical approaches are used in the estimation of one GDP estimate:

- GDP from the output or production approach - GDP(O) measures the sum of the value added created through the production of goods and services within the economy (our production or output as an economy).
- GDP from the income approach - GDP(I) measures the total income generated by the production of goods and services within the economy.
- GDP from the expenditure approach - GDP(E) measures the total expenditures on all finished goods and services produced within the economy.

**ILO Unemployment:** The number of unemployed people in the UK is measured through the *Labour Force Survey* following the internationally agreed definition recommended by the International Labour Organisation (ILO) – an agency of the United Nations. Unemployed people are:

- without a job, want a job, have actively sought work in the last four weeks and are available to start work in the next two weeks or;



- out of work, have found a job and are waiting to start it in the next two weeks.

**Seasonally (un)adjusted:** Smooths time-series data to eliminate seasonal effects. Unadjusted data can only be compared with like quarters.

**Recession:** Two consecutive quarters of negative economic growth (falls in GDP).

**Redundancies:** The number of people, whether working or not working, who had been made redundant or had taken voluntary redundancy in the month of the Labour Force Survey reference week or in the two calendar months prior to this.

**Vacancies:** The estimates are based on ONS's Vacancy Survey, a survey of businesses designed to provide comprehensive estimates of the stock of vacancies across the economy, excluding Agriculture, Forestry and Fishing. Vacancies are defined as positions for which employers are actively seeking recruits from outside their business or organisation.

**Workforce Jobs:** A measure of the number of jobs; the sum of employee jobs (as measured by surveys of employers), self-employment jobs from the LFS, those in HM Forces, and government-supported trainees. Vacant jobs are not included.