ONS labour market statistics

Jan 2021 release

WBG note

WARNING: Two detailed reviews from academics and one think tank were released in January 2021 highlighting the potential unreliability of ONS official unemployment figures during the pandemic.

The Alliance for Full Employment claims that there are 350,000 job losses not picked up by the ONS labour market statistics relying on the Labour Force Survey. Based on the fewer 785,000 employees on payroll between March-November 2020 (PAYE data), they estimate unemployment rate in September 2020 to have been 7.2%, rather than the headline 4.9%. This would be in line with OBR's forecast of a peak in unemployment of 7.5% in mid-2021.

Jonathan Portes and Michael O'Connor, two migration experts, estimate that up to 1.3 million people have left the UK (700,000 in London) since March 2020, which would go some way to explain why job losses are not being captured by headline unemployment figures.

PAYE data seems to be more accurate, as well as timely, because it gives the total number of employees that are currently enrolled by employers paying tax. The ONS headline unemployment figures are based on a sample survey, the Labour Force Survey. Both studies, and the ONS itself, have put into question the reliability of the LFS as an accurate representation of the current UK population and the profound shifts it has suffered since the pandemic started.

We do not know if the issues with the employment headlines are skewing the employment numbers for women and men differently. We do find it counterintuitive that, as tens of thousands of redundancies are announced in sectors with a majority female workforce, economic inactivity figures for women are at a record low (0.5% down compared to the end of 2019). Given this, and the fact that women are bearing the brunt of the extra care and home-schooling during the lockdowns, it seems puzzling that women's employment figures are holding up better than men's.

We also acknowledge that there are studies coming out reporting high numbers of job losses for Black, Asian and minority ethnic workers, which suggest job losses are greater in those groups.

Caution is therefore urged when using the current un/employment headline figures.

Redundancies

There was a record-high rate of redundancies at 14.2 per thousand in the three months to Nov 2020.

The redundancy rate for men was 15.5 and for women was 12.8. In the period of Sep-Nov 217,000 men and 178,000 women were made redundant.

Unemployment

The latest headline unemployment figure is 5%. The unemployment rate for women is 4.7% (up 1.1 percentage points on same period last year) while the unemployment rate for men is 5.4% (up 1.3 pp on the year).

The ONS headline figures show 398,000 fewer people in employment than in the previous year. However, HMRC data on PAYE shows 793,000 fewer people on payroll compared to December 2019.

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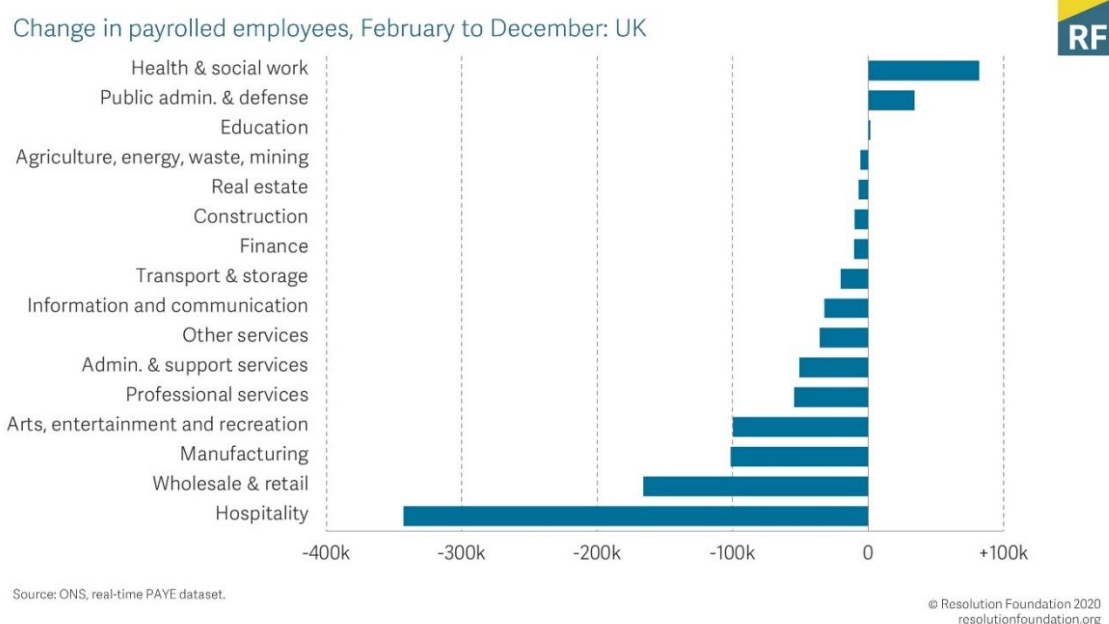
This is a huge discrepancy that the studies referenced above have flagged as worrying in terms of reliability of the headline figures. Given that these figures are reliant on sample surveys rather than absolute number of employees (as PAYE data is), the latter is likely to be more accurate.

There are implications for government policy, which relies on the headline figure, and so is likely to be grossly underestimating the number of people currently out of a job in the UK.

The PAYE data is not broken down by sex so we don't know whether there is a gender difference in the discrepancies between the two data sources.

Also worth noting PAYE data only refers to employees on payroll who pay income tax so it does not include workers on the lowest pay, which been badly hit during the pandemic.

Sector specific crisis – jobs lost and gained

Change in payrolled employees, February to December: UK

Source: ONS, real-time PAYE dataset.

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The graph above, from the Resolution Foundation based on PAYE data, illustrates well the fact that, in labour market terms, this is a sector-specific crisis.

The worst-hit sectors by the lockdowns, hospitality and wholesale & retail, lost over 500,000 jobs combined. The health & social work, as well as public administration & defense gained around 120,000 jobs.

While women make up 78% of healthcare staff and 84% of the social care workforce, and two-thirds of the public sector employees, the employment gains in these sectors are unlikely to have offset the huge job losses in hospitality and retail, where the majority of the workforce is also female.

Pay growth– compositional effect of low-paid jobs disappearing

Pay has increased 3.6% on the year. However, a large part of this growth has been driven by a fall in the number and proportion of lower-paid jobs, rather than an increase in pay across the board for employees. Once we take out this compositional effect, pay has only grown by 2%.

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