



Monthly Labour Market Report

Welcome

The Monthly Labour Market Report from the Learning and Skills Observatory Wales (LSO) aims to provide the main headlines on the Welsh labour market and is based on the latest data available at the time of writing.

This month's issue puts the spotlight on **Families in Wales**.

This report was produced by the Centre for Economic and Social Inclusion (known as *Inclusion*), commissioned by Welsh Government to blend Wales's available labour market information (LMI) (from the various sources) and produce a monthly analysis. Whilst the report is owned by Welsh Government it is not validated in terms of its specific content or interpretation.

Inclusion has an unrivalled understanding of the labour market based on over 28 years of experience of working with the range of stakeholders involved in delivering employment and skills services. We collect and analyse both national and local labour market data through our well developed Local Labour Market Information System, conduct research on employment and skills issues at the local level, run events that bring together policymakers and providers in the skills and employment sector, and produce weekly e-briefings that summarise what is new in employment and skills for our subscribers.

We currently supply monthly employment and skills data to the Greater London Authority, as well as providing labour market tools and analysis for Greater Manchester.

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Latest labour market trends

Employment

Employment data from the Labour Force Survey (LFS) – estimates obtained from a large sample quarterly rolling survey of households – show that Wales performed less well than all the other UK nations and all of the English regions in the rolling quarter January- March 2014.

The (seasonally adjusted) Labour Force Survey estimate of the number of people aged 16 and over in employment in Wales fell by 18,000 (-1.3%) compared to the previous quarter (October-December 2014) to a total of 1.369 million. The quarterly net fall in employment in Wales is comprised mainly of a fall in the number of men in employment. Male employment fell by 15,000 (-2.0%) to 713,000 while female employment fell by 3,000 to 656,000.

The total quarterly fall in employment in Wales contrasts with a corresponding increase in total UK employment of 283,000 (+0.9%). In contrast to the fall in Wales, employment increased by 270,000 (+1.1%) in England, by 29,000 (+1.1%) in Scotland and by 2,000 (+0.3%) in Northern Ireland. The net increase in England comprised an increase in employment in the North East (30,000, +2.6%), the North West (58,000, +1.8%), Yorkshire and Humberside (13,000, +0.5%), the East Midlands (15,000, +0.7%) the West Midlands (16,000, +0.7%), the East of England (27,000, +0.9%), London (39,000, +1.0%), the South East (2,000, 0.0%) and the South West (71,000, +2.8%).

The working age employment rate for Wales (i.e. the proportion of the population aged 16-64 in employment) fell by 0.8 percentage points in the quarter to 70%. This compares with an increase of 0.6 percentage points in England, 0.7 percentage points in Scotland and 0.2 percentage points in Northern Ireland. The employment rate in Wales is 2.7 percentage points lower than the UK average (72.7%) and lower than the employment rate in both England (72.9%) and Scotland (73.5%) but higher than the rate in Northern Ireland (67.8%).

The Office for National Statistics commented as follows on what was an unusually large quarterly fall in the employment rate in Wales:

“This decrease is due to an estimate for the latest quarter that shows an inconsistent story compared to other recent estimates. Since the underlying pattern has been one of employment growth, the move suggested by the latest estimate should be treated with caution, although it may be an indication that employment growth has not been as strong as shown in recent estimates, which hit record highs. Despite this latest estimate, the employment rate has still shown growth over the last year.”

Unemployment and economic inactivity

The number of people in Wales who are unemployed on the International Labour Organisation (ILO) Labour Force Survey definition fell by 5,000 to 100,000 (down by 5.2%) between the quarters October-December 2013 and January-March 2014. Total unemployment also fell by 109,000 in England (down by 5.5%), by 18,000 (down by 9.0%) in Scotland and by 1,000 (down by 1.8%) in Northern Ireland.

The quarterly fall in unemployment in Wales occurred despite the corresponding 18,000 fall in the number of people in employment because of an offsetting decrease of 23,000 in the number of people active in the labour market. Moreover there was divergence in the change in unemployment by gender. The number of unemployed men increased by 1,000 (+1.9%) to 62,000 while the number of unemployed women fell by 7,000 (-14.8%) to 38,000.

The ILO unemployment rate in Wales fell by 0.3 percentage points to 6.8% in the quarter. The UK average rate of ILO unemployment fell by 0.4 percentage points to 6.8%. The unemployment rate in Wales was equal to that in England (6.8%), higher than in Scotland (6.4%) but lower than in Northern Ireland (7.2%). Within England, the North East (10.1%), the North West (7.7%), Yorkshire and Humberside (8.3%), the West Midlands (7.8%), and London (7.6%) had a higher unemployment rate than Wales. South East England (5.0%), the East of England (5.4%) and South West England (4.9%) had the lowest unemployment rates.

The administrative count of people unemployed and claiming Jobseeker's Allowance (JSA) is somewhat lower (61,500 in Wales in April 2014, a JSA claimant count rate of 4.2%) than ILO unemployment because non-JSA claimant jobseekers are excluded. The number of JSA claimants in Wales decreased by 600 between March and April 2014. However care should be taken in interpreting change in the claimant count since this can be influenced by changes to the benefit system as well as underlying change in the labour market.

The number of economically inactive people of working age in Wales increased by 20,000 between October-December 2013 and January-March 2014. As the LMI scorecard shows the working age rate of economic inactivity in Wales (24.8%) is 2.9 percentage points higher than the UK average (21.9%).

Within the UK nations and regions only Northern Ireland (26.8%) had a higher inactivity rate than Wales in the quarter January-March 2014. The lowest inactivity rates are in the South East (19.6%) and the East of England (19.2%).

LMI scorecard

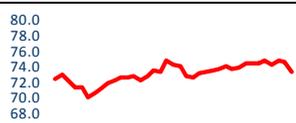
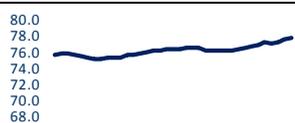
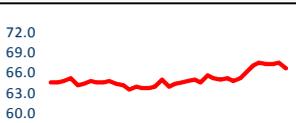
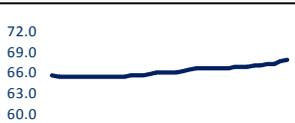
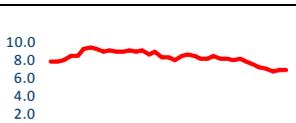
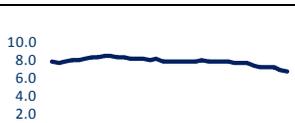
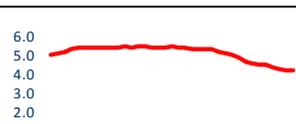
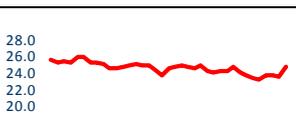
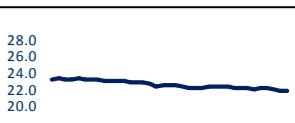
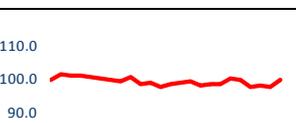
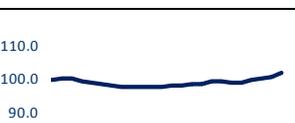
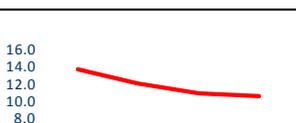
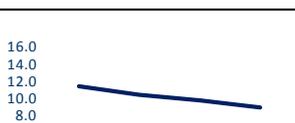
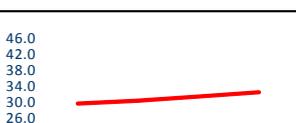
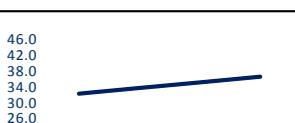
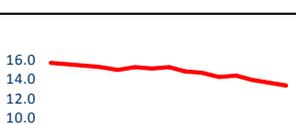
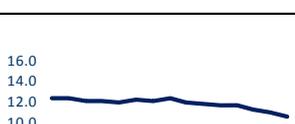
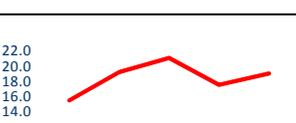
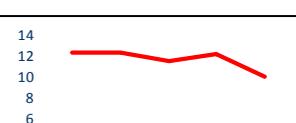
The scorecard presents recent trends and figures for a number of core labour market indicators, using a variety of different sources:

	Source
Working age employment rate	1
Working age male employment rate	1
Working age female employment rate	1
ILO unemployment rate 16+	1
Claimant count as a proportion of the working age population	2
Working age economic inactivity	1
Index of workforce jobs	3
Proportion of the working age population with no qualifications	4
Proportion of the working age population qualified to NQF4+	4
Proportion of the working age population who claim out of work benefits	5
Children living in workless households	6
Proportion of 16–18 year olds who are not in employment, education or training	7

- 1 LFS, ONS: subject to sampling variability and should be used with caution
- 2 Claimant count seasonally adjusted, NOMIS: trends can be affected by changes to benefit rules
- 3 Employer surveys, household surveys and administrative sources, ONS
- 4 Annual Population Survey/Annual Local LFS, ONS. Data is subject to sampling variability and should be used with caution.
- 5 Department for Work and Pensions, NOMIS
- 6 Household LFS, ONS: subject to sampling variability and should be used with caution
- 7 Source: ONS, Higher Education Statistics Agency, Welsh Government Lifelong Learning Wales Record, Pupil Level Annual School Census, Annual Population Survey.

LMI Scorecard

May 2014

		Wales		Difference between Wales and National (latest figures): Better Worse	NATIONAL (UK or GB depending on indicator)	
		Trend (Three to four years)	Latest result & trend		Latest result & trend	Trend (Three to four years)
Supply of Labour	Working age employment rate (%)		70.0% ↑	-2.7 Charts cover: Jan-Mar 11 to Jan-Mar 14	72.7% ↑	
	Working age male employment rate (%)		73.3% ↑	-4.4 Charts cover: Jan-Mar 11 to Jan-Mar 14	77.7% ↑	
	Working age female employment rate (%)		66.6% ↑	-1.0 Charts cover: Jan-Mar 11 to Jan-Mar 14	67.7% ↑	
	ILO Unemployment rate 16+ (%)		6.8% ↓	0.0 Charts cover: Jan-Mar 11 to Jan-Mar 14	6.8% ↓	
	Claimant Count as a proportion of the working age population, seasonally adjusted (%)		4.2% ↓	0.9 Charts cover: Apr 11 to Apr 14	3.3% ↓	
	Working age economic inactivity (%)		24.8% ↓	2.9 Charts cover: Jan-Mar 11 to Jan-Mar 14	21.9% ↓	
Demand	Index of workforce jobs. 2008 Q1=100		97.7% →	-2.8 Charts cover: 2008 Q1 to 2013 Q4	100.5% →	
Skill gaps	Proportion of the working age population with no qualifications (%)		10.6% ↓	1.6 Charts cover: Year to Dec 09 to year to Dec 12	9.0% ↓	
	Proportion of the working age population qualified to NQF4+ (%)		32.6% ↑	-4.1 Charts cover: Year to Dec 09 to year to Dec 12	36.7% ↑	
Worklessness & NEETS	Proportion of the working age population who claim out of work benefits		13.4% ↓	2.8 Charts cover: May 10 to Nov 13	10.6% ↓	
	Children living in workless households (%)		19.1% ↑	4.1 Charts cover: Apr-Jun 2008 to 2012	15.0% ↓	
	Proportion of 16-18 year olds who are NEET (%)		10% ↓	1 Charts cover: 2008 to 2012	10% England →	

Families in Wales

Introduction

Average living standards have fallen dramatically since the recession, as income growth has failed to keep pace with the rate of inflation. According to the Institute for Fiscal Studies, real median household income in 2013/14 is more than 6% below its pre-crisis peak.

This month's report focuses on the labour market position of families in Wales in recent years, focusing on average incomes and worklessness, and highlighting how the Welsh Government is supporting families through its Tackling Poverty Programme.

Recent Trends

Trends in Real Wages

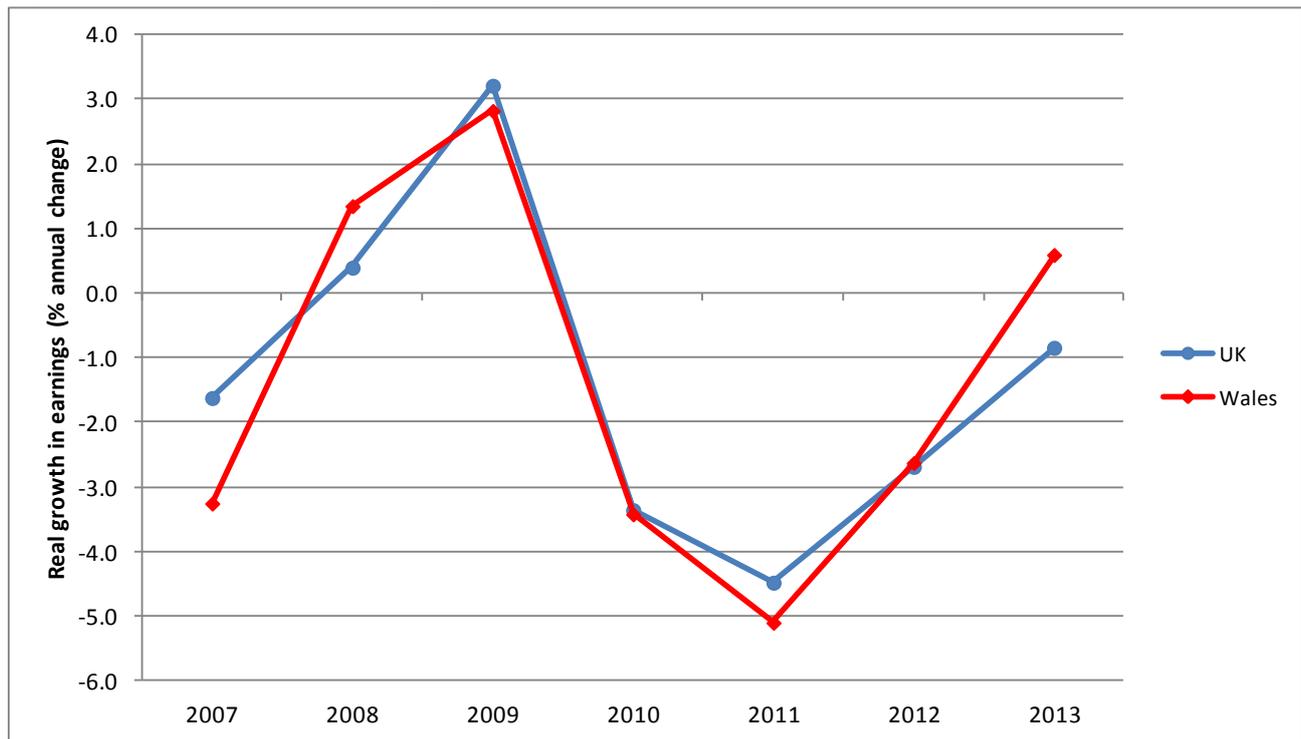
Figure 1 shows that there was a sharp fall in real earnings from 2009, where inflation was outstripping wage growth. According to Income Data Services, UK pay deals at that time were 'failing to keep up with the cost of living, especially for public sector workers'¹. Data from ONS indicate that the recession and subsequent lacklustre recovery have had a significant impact on the financial position of households. They have been 'affected by modest growth in earnings, reduced access to borrowing and falls in house prices and equity markets, compounded by the effect of high inflation which has eroded the real spending power of their incomes'².

However, more recently, falling inflation together with signs of a pick-up in earnings growth suggest that the fall in real earnings may be coming to an end. In Wales, there was a slight increase in real earnings in 2013 (of just 0.6%), while the UK as a whole continued to see a decline, albeit at a slower rate than the previous three years. This may have been driven by higher than average pay awards in the manufacturing sector³, which accounts for a higher than average proportion of employee jobs in Wales. Even so, the Office for Budget Responsibility forecasts that real incomes won't return to their pre-crisis level until 2018/19.

¹ BBC (2011) Pay Deals 'lag behind inflation', online article, 27th October 2011 <http://www.bbc.co.uk/news/business-15477736>

² ONS (2011) The impact of the recession on household income, expenditure and saving, 25th October 2011

³ IDS (2013) Pay awards centred on 2.5% for the first half of 2013, Press Release <http://www.incomesdata.co.uk/news/press-releases/paysettlements1115.pdf>

Figure 1: Real Growth in Earnings, Wales vs UK, 2007 - 2013

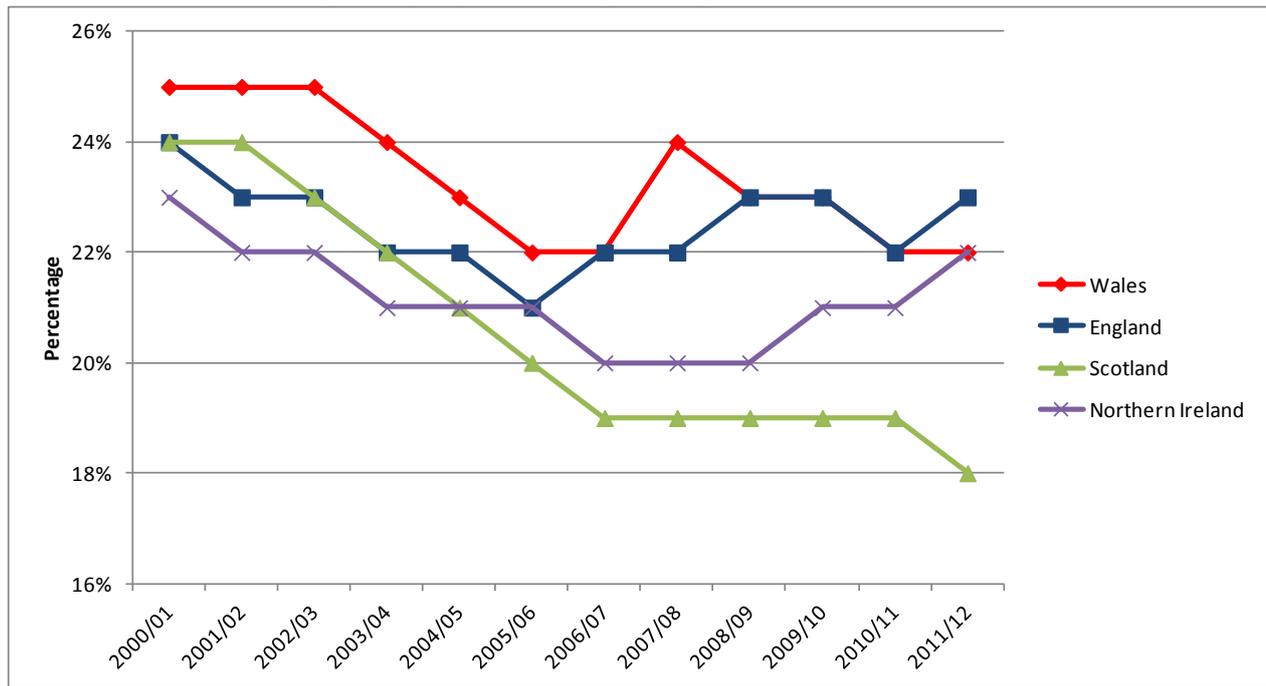
Source: ONS Consumer Price Indices (<http://www.ons.gov.uk/ons/rel/cpi/consumer-price-indices/april-2014/stb---consumer-price-indices---april-2014.html>) and Statswales (<https://statswales.wales.gov.uk/Catalogue/Business-Economy-and-Labour-Market/People-and-Work/Earnings/AverageWeeklyEarnings-by-UKCountryEnglishRegion-Year>)

The IFS Green Budget 2014 also highlighted big differences in the way that economic adjustments have impacted on different groups. Households experience inflation in different ways, which leads to wide variations in changes to living standards. On average, low income households have benefited a good deal less from the effect of quantitative easing on asset prices and mortgage interest rates. They have also been hit harder by cuts to benefits and by high food and energy price inflation, than better-off households.

Below average household income

The Welsh Government defines people whose income is below 60% of the median UK income after housing costs as living in relative income poverty. Figure 2 shows that, in recent years, Wales' poverty rate has decreased in line with that of England, but has risen slightly in the latest data, which estimates that 23% of people in Wales are living in poverty using this measure. The poverty rate for Wales has remained consistently higher than for Scotland and Northern Ireland.

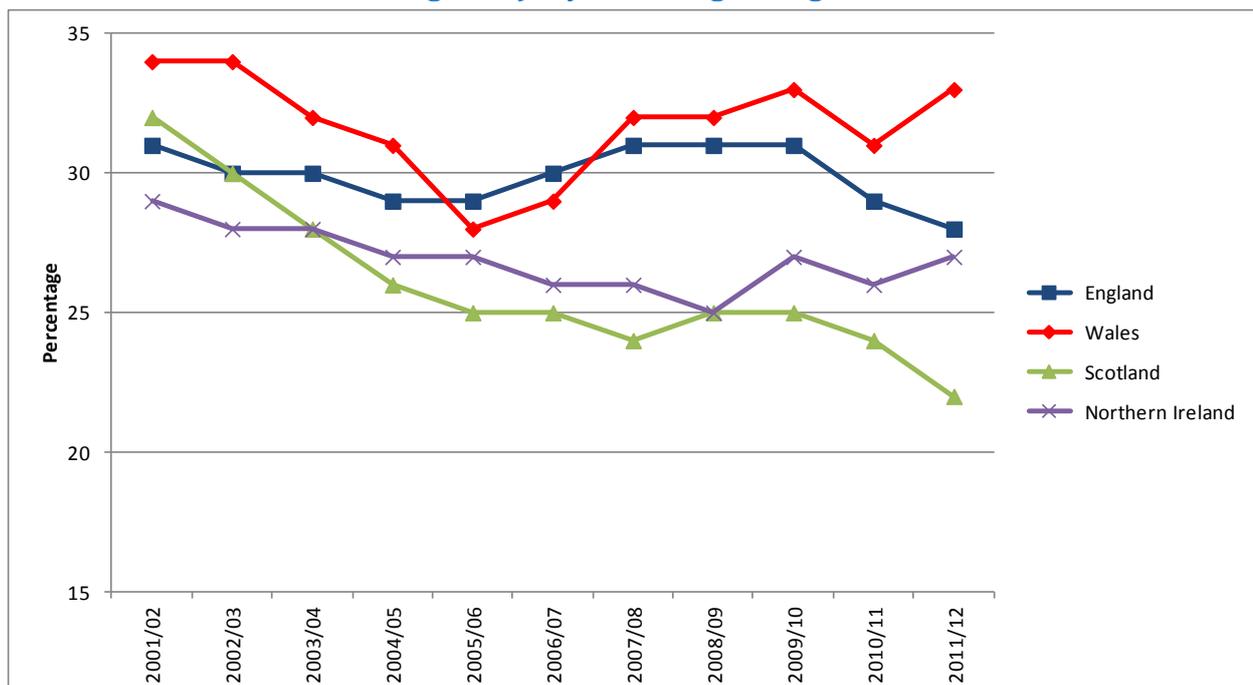
Figure 2: Percentage of people living in relative income poverty, (defined as 60% of the median UK income after housing costs), 3 year rolling average



Source: Welsh Government Tackling Poverty Performance Data <http://wales.gov.uk/about/programmeforgov/poverty/performance?code=OU064&lang=en> and DWP HBAI report 2013 <https://www.gov.uk/government/publications/households-below-average-income-hbai-199495-to-201112>

In terms of children in low income households, Figure 3 shows that 33% of children in Wales were living in poverty, using the same definition as above. This equates to approximately 200,000 children, and is significantly higher than any other part of the UK.

Figure 3: Percentage of children living in relative income poverty, (defined as 60% of the median UK income after housing costs), 3 year rolling average



Source: DWP HBAI report 2013 <https://www.gov.uk/government/publications/households-below-average-income-hbai-199495-to-201112>

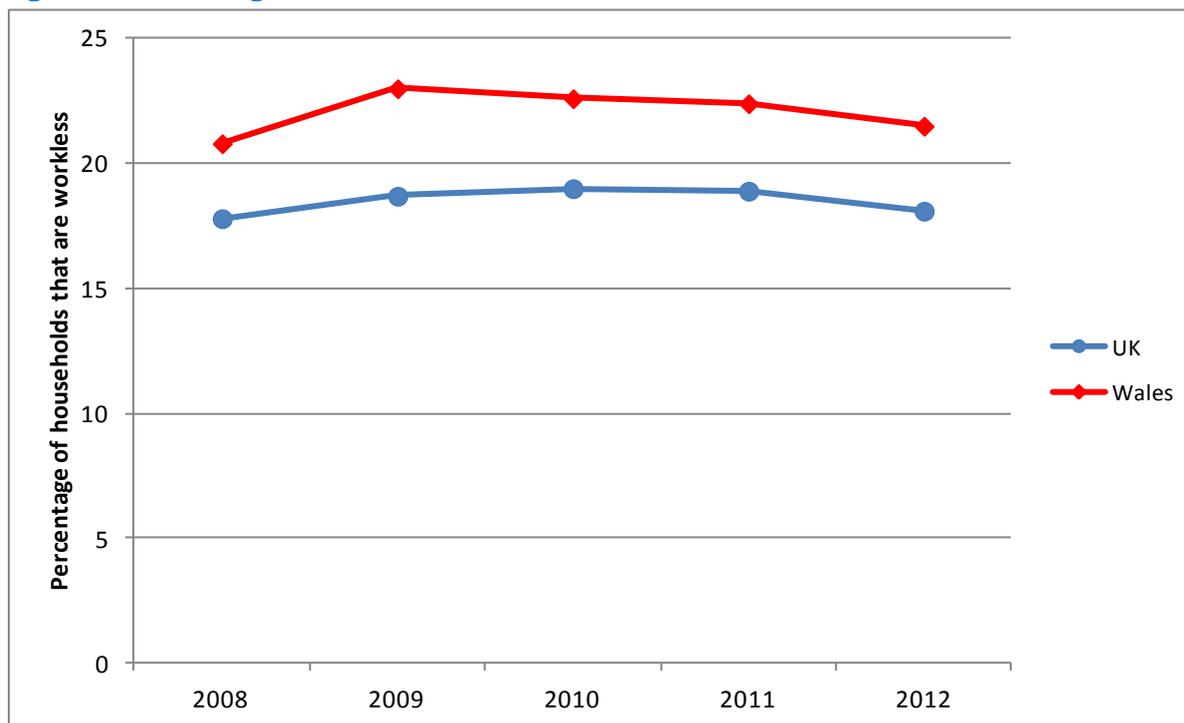
As well as considering below average incomes, it may also be helpful to consider the 'minimum income standard' (MIS), developed by the Joseph Rowntree Foundation. The standard is based on asking members of the public to identify the items and services a household would require to reach a minimum acceptable standard of living, covering essential needs and allowing household members to participate in society. It offers a unique way to assess at what point tougher times prevent households from living at a socially acceptable level.

In 2013, JRF's MIS update was based on inflation and changes in tax and benefit entitlements, and showed a continuing squeeze on incomes relative to rising costs, only partly alleviated by increased tax allowances. JRF's key findings included:

- Single people need to earn at least £16,850 a year before tax in 2013 for a minimum acceptable living standard. Couples with two children need to earn at least £19,400 each.
- Through inflation, the 'minimum' household budget of goods and services rose by around 4% in the year to April 2013, compared with 2.4% on the Government's measure, the Consumer Price Index (CPI). Over the past decade, minimum household budgets have risen by 45%, against the CPI's 30%.
- Out-of-work benefits remain well below the MIS level, but pensioners claiming Pension Credit receive incomes close to minimum requirements. Over the past five years, working-age benefits have deteriorated substantially relative to MIS.
- The picture is less positive for families with children. Earnings needed to make ends meet have risen by over 5%. Higher tax allowances have been offset by Child Benefit freezes and below-inflation tax credit rises. In recent years, families' earnings needed to achieve MIS have been rising rapidly, while actual wages have stagnated.

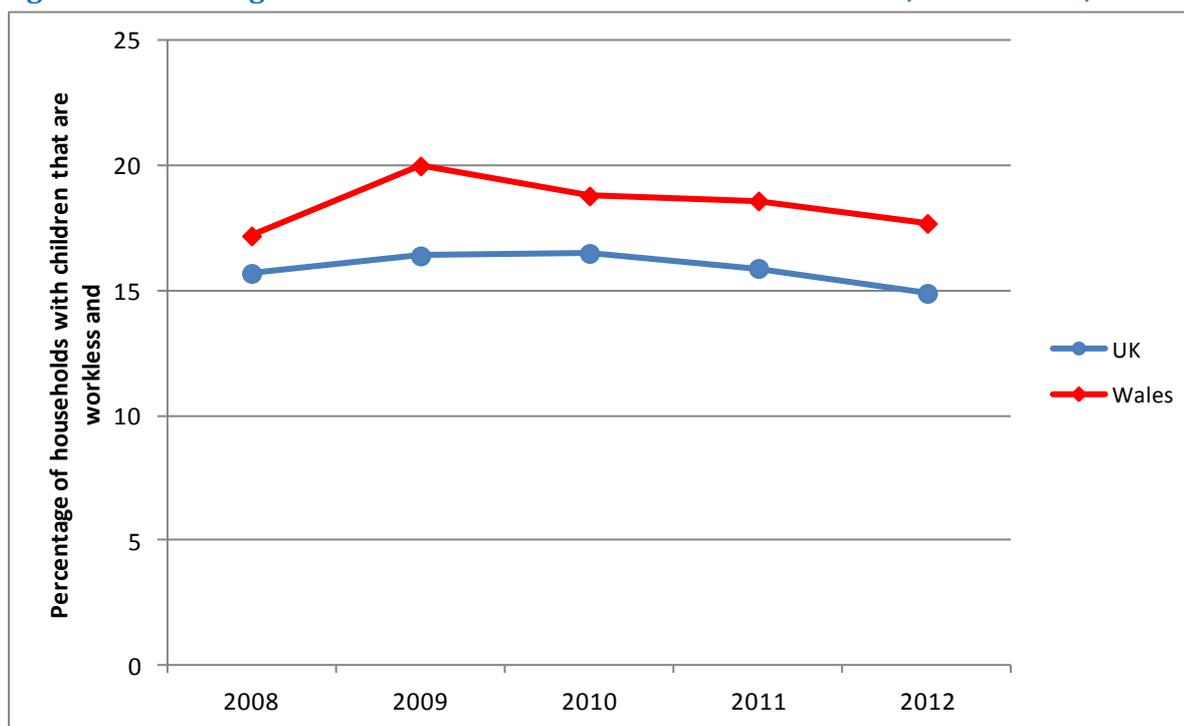
Workless Households

In addition to low incomes, the proportion of workless households is another useful indicator of labour market conditions and living standards for families. Figure 4 shows that, at the end of 2012, 21.5% of Welsh households were workless (approximately 205,200 households), well above the UK average of 18.1%. The recent trend has been for a slight reduction in the overall proportion of workless households, with Wales following a similar pattern to the UK as a whole.

Figure 4: Percentage of Households who are workless, Wales vs UK, 2008-2012

Source: Statswales Workless Households Dataset <https://statswales.wales.gov.uk/Catalogue/Business-Economy-and-Labour-Market/People-and-Work/Workless-Households/WorklessHouseholds-by-Area-Variable-HouseholdStatus>

The proportion of households with children who are workless is somewhat lower, at 17.7% in Wales at the end of 2012 (approximately 92,100 households). Again, this is higher than the UK average of 14.9%, and the recent trend is for falling numbers of workless households with children from its peak in 2009.

Figure 5: Percentage of households with children that are workless, Wales vs UK, 2008-2012

Source: Statswales Workless Households Dataset <https://statswales.wales.gov.uk/Catalogue/Business-Economy-and-Labour-Market/People-and-Work/Workless-Households/WorklessHouseholds-by-Area-Variable-HouseholdStatus>

Policy Responses

The Welsh Government's Tackling Poverty Programme aims to reduce poverty, especially persistent poverty amongst some of Wales' poorest people and communities, and reducing the likelihood that people will become poor. The Welsh Government understands that achieving this aim will require concerted action over time and over the range of functions of Welsh Government. We understand the scale of action necessary to break cycles of poverty within families and communities and that is why our response is holistic, from giving children the right start in life, to improving skills allowing access to work, to mitigating the effect of reducing benefits.

According to the Welsh Government, encouraging progress is being made through a number of specific initiatives aimed at tackling the long term, deep seated causes of poverty:

- The LIFT Programme is targeting the 5,000 longest term workless households.
- The target of 19,000 for the number of children benefitting from the Flying Start programme for the financial year 2012-13 has been exceeded. During 2013-14 the programme was expanded to reach almost 28,000.
- The Communities First programme has been refocused and 52 local partnerships are working to improve health, education and economic outcomes. Progress is being managed through a new results-focused performance framework.
- Through the Arts Council's Reach the Heights programme and outreach work by the National Museum and Cadw, young people growing up in poverty are being inspired to achieve in education and life. It is important that young people growing up in poverty are not deprived of access to culture.
- As ethical providers of basic financial services, the Welsh Government considers credit unions to be key contributors to its objectives on tackling poverty and financial exclusion. Good progress is being made towards the ambitious target of 143,000 members of credit unions in Wales by 2020.

Summary

The analysis presented above shows that households and families continue to face difficult times despite the gradual recovery of the economy. Research from the JRF suggests that couples with two children need to earn a total of £38,800 a year just to reach a minimum acceptable living standard. On a positive note, real earnings have grown in Wales for the first time in since 2010, and the proportion of people in Wales earning below 60% of the UK average has returned to pre-recession levels. Overall the proportion of workless households and the proportion of households with children that are workless have fallen slightly in recent years, but remain above the UK average.

Of more concern for Wales is the persistently high level of children living in poverty (again, using 60% of the UK average as a benchmark). Latest figures suggest that this is around a third of all children, a rate well above the rest of the UK. Despite the range of initiatives put in place by the Welsh Government to support families and children, significant long-term reductions in child poverty and increases in living standards will be more dependent on the sustained availability of high quality, skilled employment opportunities that offer good wages.

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