



# 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.

This month's issue is the second part of the spotlight on **Commuting 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 published by the Office for National Statistics (ONS) obtained from a large sample quarterly rolling survey of households – show that Wales performed less well than some but not all the other UK nations and English regions in the rolling quarter July to September 2014. However, the quarter for Wales was most unusual with no change recorded in the number of people employed, unemployed or (for those of working age) economically inactive.

The (seasonally adjusted) Labour Force Survey estimate of the number of people aged 16 and over in employment in Wales was unchanged compared to the previous quarter (April to June 2014) at a total of 1,375,000 million. A quarterly net increase in the number of men in employment was exactly offset by a net fall in the number of women in employment. Male employment increased by 3,000 (+0.4%) to 723,000 while female employment fell by 3,000 (-0.5%) to 652,000.

Unchanged employment in Wales contrasts with a corresponding quarterly increase in total UK employment of 112,000 (+0.4%). In contrast to Wales, employment increased by 89,000 (+0.3%) in England, by 22,000 (+0.9%) in Scotland and by 1,000 (+0.1%) in Northern Ireland. The net increase in England comprised an increase in employment in the North West (41,000, +1.3%), Yorkshire and Humberside (24,000, 1.0%), the East of England (17,000, +0.6%), London (21,000, +0.5%) and the South West (13,000, +0.5%) and a decrease in employment in the North East (-10,000, -0.8%), the East Midlands (-3,000, -0.1%), the West Midlands (-3,000, -0.1%), and the South East (-11,000, -0.2%).

The working age employment rate for Wales (i.e. the proportion of the population aged 16-64 in employment) fell by 0.1 percentage points in the quarter to 69.1%. This compares with an increase of 0.2 percentage points in England, an increase of 0.4 percentage points in Scotland and an increase of 0.3 percentage points in Northern Ireland. The employment rate in Wales is 3.9 percentage points lower than the UK average (73.0%) and lower than the employment rate in both England (73.3%) and Scotland (73.8%) but higher than the rate in Northern Ireland (68.5%).

In keeping with recent quarterly data releases the ONS commented as follows on the latest quarterly fall in employment in Wales:

“The employment rate for Wales has been falling from record highs since late 2013, but the latest estimates suggest that this level may now be levelling off. With the exception of Wales, the other regions have employment rates that have generally been increasing recently, or are fairly flat, all having increased over the past twelve months. Over the year, the regions with the largest increase in the employment rate were London, with an increase of 2.5 percentage points, followed by the North West, with an increase of 2.2 percentage points and the East Midlands and the South West, both with an increase of 1.8 percentage points. The only decrease in the employment rate was in Wales, at 1.2 percentage points. The South East had the smallest increase of 0.4 percentage points, followed by the East of England, at 1.0 percentage point.”

## Unemployment and economic inactivity

The number of people in Wales who are unemployed on the International Labour Organisation (ILO) Labour Force Survey measure was unchanged at a total of 98,000 between the quarters April to June 2014 and July to September 2014. Total unemployment fell by 98,000 in England, by 10,000 in Scotland and by 6,000 in Northern Ireland.

The number of unemployed men in Wales fell by 1,000 (-1.5%) to 59,000 but this was offset by an increase of 1,000 (+2.0%) to 38,000 in the number of unemployed women.

The ILO unemployment rate in Wales was unchanged at 6.6% in the quarter. The UK average rate of ILO unemployment fell by 0.3 percentage points to 6.0%. The unemployment rate in Wales was higher than in England (6.0%), Scotland (5.9%) and Northern Ireland (6.0%). Within England, the North East (9.2%), the West Midlands (7.2%), and Yorkshire and Humberside (7.2%) had a higher unemployment rate than Wales. South East England (4.6%), South West England (4.7%), and the East of England (4.9%) had the lowest unemployment rates.

The administrative count of people unemployed and claiming Jobseeker's Allowance (JSA) is somewhat lower (51,900 in Wales in October 2014, a JSA claimant count rate of 3.7%) than ILO unemployment because non-JSA claimant jobseekers are excluded. The JSA claimant count rate in Wales is 0.9 percentage points higher than the UK average rate (2.8%). The number of JSA claimants in Wales decreased by 1,100 between September and October 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 was unchanged at 493,000 between the quarters April to June 2014 and July to September 2014. As the LMI scorecard shows the working age rate of economic inactivity in Wales (25.8%) is 3.6 percentage points higher than the UK average (22.2%).

Within the UK nations and regions only Northern Ireland (27.2%) had a higher inactivity rate than Wales in the quarter July to September 2014. The lowest inactivity rates are in the East of England (19.1%), the South East (19.6%) and the South West (20.0%).

## LMI scorecard

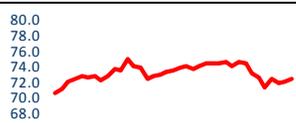
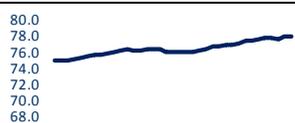
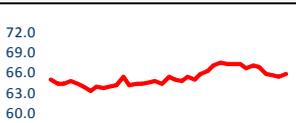
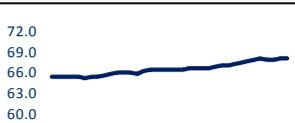
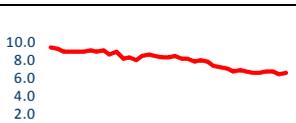
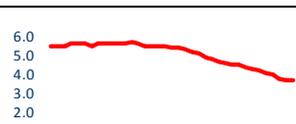
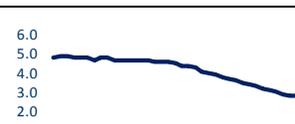
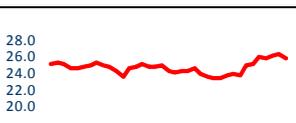
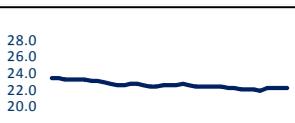
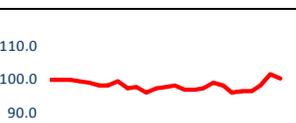
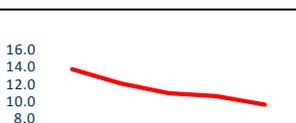
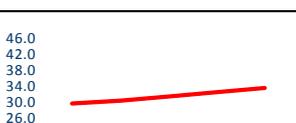
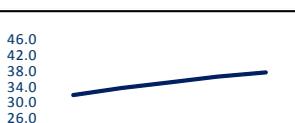
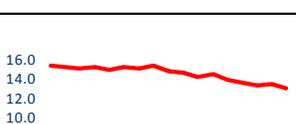
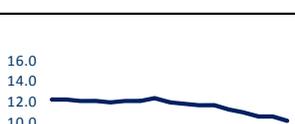
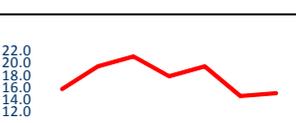
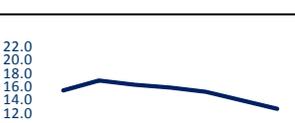
The scorecard presents recent trends and figures for a number of core labour market indicators, using a variety of different sources:

	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

November 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 (%)		69.1% ↓	-3.9 Charts cover: Jul - Sep 11 to Jul - Sep 14	73.0% ↑	
	Working age male employment rate (%)		72.5% ↓	-5.4 Charts cover: Jul - Sep 11 to Jul - Sep 14	78.0% ↑	
	Working age female employment rate (%)		65.8% ↓	-2.3 Charts cover: Jul - Sep 11 to Jul - Sep 14	68.1% ↑	
	ILO Unemployment rate 16+ (%)		6.6% →	0.6 Charts cover: Jul - Sep 11 to Jul - Sep 14	6.0% ↓	
	Claimant Count as a proportion of the workforce, seasonally adjusted (%)		3.7% ↓	0.9 Charts cover: Oct 11 to Oct 14	2.8% ↓	
	Working age economic inactivity (%)		25.8% ↑	3.6 Charts cover: Jul - Sep 11 to Jul - Sep 14	22.2% ↓	
Demand	Index of workforce jobs. 2008 Q1=100		100.3% ↑	-3.1 Charts cover: 2008 Q2 to 2014 Q2	103.4% ↑	
Skill gaps	Proportion of the working age population with no qualifications (%)		9.7% ↓	1.0 Charts cover: Year to Dec 09 to year to Dec 13	8.7% ↓	
	Proportion of the working age population qualified to NQF4+ (%)		33.6% ↑	-4.0 Charts cover: Year to Dec 09 to year to Dec 13	37.6% ↑	
Worklessness & NEETS	Proportion of the working age population who claim out of work benefits		13.0% ↓	2.8 Charts cover: May 10 to May 14	10.2% ↓	
	Children living in workless households (%)		15.1% ↓	2.4 Charts cover: Apr-Jun 2008 to Apr-Jun 2014	12.7% ↓	
	Proportion of 16-18 year olds who are NEET (%)		10% ↓	2.0 Charts cover: 2008 to 2013	8% England ↓	

## Commuting in Wales (2)

### Introduction

This month's spotlight follows on from last month's topic of commuting, and covers some related issues that can have an impact on commuting patterns, such as broadband. It will look at how communities can benefit from broadband in terms of skills, from the perspective of both employers and individuals, and will also examine the relative merits of working in both urban and rural areas.

### Broadband Policy in Wales

The Welsh Government is investing heavily in ICT and broadband infrastructure for communities and businesses across Wales to support its economic and digital inclusion objectives, across a number of different projects.

The Welsh Government and BT are working in partnership on the Superfast Cymru programme to develop a nationwide superfast broadband infrastructure, which aims to deliver high speed fibre broadband to 96% of homes and businesses in Wales by 2016. This major infrastructure investment that will take around three years to complete, with £205m of funding provided by Welsh Government, the UK Government and the European Regional Development Fund, with BT contributing a further £220m.

Latest figures show the number of premises now able to access superfast broadband thanks to Superfast Cymru is 276,320, showing the project is set to deliver its objectives on schedule. In terms of impact, the Welsh Government have estimated that up to 2,500 further full time jobs could be created throughout the Welsh economy over time.

The Access Broadband Cymru scheme provides grants to help improve broadband in Wales. Grants are available to individuals, businesses, third sector organisations and communities suffering from slow broadband connections, and complements the Superfast Cymru programme. The scheme offers a Welsh Government funded grant to the value of 90% of the cost of the proposed installation, with a maximum grant of £900 available to eligible premises in Wales.

The FibreSpeed network connects to 14 business parks in north Wales and has the capacity to provide businesses with fast broadband. FibreSpeed is a fibre optic network that runs across north Wales from Manchester to Caernarfon and Holyhead providing fast broadband (speeds from a minimum of 10Mbps scalable to ultra-fast multi gigabits services).

The Superfast Cymru Infill Project will bring fast fibre broadband to areas not covered by either Superfast Cymru or by telecommunications companies' own fast fibre programmes. The Welsh Government have identified 45,887 premises that are not in the scope of Superfast Cymru or any commercial roll-out planned within the next three years.

The Ultrafast Connectivity Voucher Scheme offers grants to businesses based within most of Wales' Enterprise Zones and Local Growth Zones to obtain an ultrafast broadband connection. The scheme offers grants of up to a maximum value of £10,000 and is open to businesses within the Enterprise Zones and Local Growth Zones, with the exception of the Central Cardiff Enterprise Zone. Businesses within the Central Cardiff Enterprise Zone may be eligible for support through the Super Connected Cardiff project.

### The impact of broadband

Upgrading the UK's broadband infrastructure is one area into which substantial public funds are being invested. The Department for Culture, Media & Sport has therefore initiated a UK Broadband Impact Study,

to develop a better understanding of the impacts of faster broadband and the returns on public sector investment. A consortium led by SQW, developed a detailed broadband impact model, and reported in late 2013 on the measurable economic, social and environmental impacts.

## Economic impacts

In terms of economic impacts, SQW estimated that the availability and take-up of faster broadband speeds will add about £17 billion to the UK's annual Gross Value Added (GVA) by 2024, contributing an average of 0.07 percentage points to real annual GVA growth over this period. The GVA impacts attributable to the current set of publicly funded interventions rise to about £6.3 billion a year by 2024, which is equivalent to an uplift of 0.03 percentage points on the UK's real annual GVA growth. This impact is made up of:

- improvements in the productivity of broadband-using firms;
- safeguarding employment in areas which would otherwise be at a disadvantage; productivity-enhancing time-savings for teleworkers; and
- increased participation in the labour force.

SQW estimate that these interventions could return approximately £20 in net economic impact for every £1 of public investment. The total net employment impacts from faster broadband rise to about 56,000 jobs at the UK level by 2024, and about 20,000 jobs are attributable to the publicly funded intervention.

In addition (and excluded from the Benefit Cost Ratio cited above), the work involved in constructing the subsidised networks, including multiplier effects, is expected to account for a short-term total gross GVA impact of about £1.5 billion, with approximately 35,000 job-years created or safeguarded over the period to 2016.

A 2013 survey of rural businesses by the Wales Rural Observatory highlighted the importance of broadband to the rural economy and the benefits that improvements to broadband availability can bring:

*'some businesses viewed the Internet as a boon, while others saw it as a problem, in that either their competitors were able to use the Internet to reduce costs or that these businesses were not able to maximize its potential, often because of inadequate broadband provision. While access to broadband and the Internet will not solve all of the problems of the rural economy, the evidence suggests that it would go a long way to address them. For example, evidence discussed in this report suggests rural businesses are utilizing the Internet to widen both their customer and supplier bases, and for recruitment and advertising. In general, Welsh rural businesses appear to be gaining expertise and experience and achieving a degree of maturity in their usage of ICT for business delivery. There should be an increased focus on improved broadband delivery and the maintenance of the broadband service to further assist businesses in rural Wales to achieve their potential.'*

Improved broadband also offers potential benefits to communities and individuals in terms of skills development through the increased availability of online learning opportunities, which offer flexible study options for people who can't commit to full-time study (either through work or home commitments), or don't have access to a nearby college or university. Research by the CIPD shows that online learning has grown significantly in recent years and is the third most commonly used method of learning adopted by organisations in the UK .

## Social impacts

Beyond its economic impacts, broadband has, of course, become an integral part of modern life, affecting various aspects of our day-to-day activities as individuals, families and communities, and there are a number

of potential social impacts associated with the availability and usage of faster broadband.

Although the complex and changing nature of the interactions between people and technology mean that many social impacts are impossible to forecast with real confidence, the SQW research quantified some social impacts associated with changes in teleworking. It estimated that the increase in teleworking facilitated by faster broadband will save about 60 million hours of leisure time per annum in the UK by 2024 (of which about 10 million hours are attributable to publicly funded intervention). By avoiding commuting costs, the additional teleworking enabled by faster broadband will lead to total household savings rising to £270 million per annum by 2024 (£45 million of which are attributable to intervention).

### Environmental impacts

The availability and use of faster broadband will also have significant environmental impacts. SQW estimate that, by 2024, it will save a total of:

- 2.3 billion km in annual commuting, predominantly in car usage, through enabling increased telework for a proportion of the workforce. This is in the order of 2% of the current total annual UK commuting distance.
- 5.3 billion km in annual business travel, predominantly in car usage, through the increased use of video and online collaboration tools by broadband-using firms. This is in the order of 9% of the current total annual UK business travel distance.
- 1 billion kWh of electricity usage per annum, through broadband-using firms shifting part of their server capacity onto (more energy-efficient) public cloud platforms.

Allowing for rebound effects (in particular, teleworkers needing to heat their homes in the winter), we estimate that faster broadband will account for about 1.6 million tonnes of carbon dioxide equivalent (CO<sub>2</sub>e) savings per annum, by 2024. This is equivalent to about 0.3% of the UK's current greenhouse gas emissions.

### Urban versus rural working

Commuting decisions can often be influenced by the characteristics of local labour markets, with some significant differences between urban and rural areas of Wales. Research by the University of Swansea found that the most obvious difference between rural and urban working was the gap in average earnings.

Latest statistics on average earnings suggest that average gross weekly earnings in the Cardiff, Newport and the Vale of Glamorgan area (£562.40) were around 15% higher in 2013 than in the Powys and Monmouthshire area (£489.70). Over time, this wage gap has shown no consistent sign of closing.

The University of Swansea research also highlighted that the rural economy has higher levels of self-employment, informal and seasonal work and a smaller average size of business, and states that 'the concentration of low paid employment in less dynamic sectors and occupations with an absence of formal channels of progression appears to be having particular impact on young people in rural areas. As a result the rural labour market is increasingly vulnerable to out-migration of its most talented individuals.'

Although average wages are lower in rural areas of Wales, rural local authorities also tend to have lower levels of congestion and shorter journeys to work, which can also be significant factors in choosing where to work. Commuting statistics published by the Welsh Government showed that the lowest average commuting to work times were in Gwynedd, Ceredigion and Pembrokeshire (at 18 minutes), all areas with an above average percentage of working residents working in their home authority. The longest average commute time was 26 minutes in Rhondda Cynon Taf, followed by 25 minutes for Monmouthshire, The Vale

of Glamorgan and Blaenau Gwent, areas which tend to have high levels of commuting into Cardiff.

## Summary

This month's spotlight has focused on issues related commuting to work in Wales. It has shown that the rollout of superfast broadband will have significant economic, social and environmental benefits for Wales, particularly for the rural economy. As well as job creation and productivity gains, improved access to broadband will also offer greater possibilities for home-based working (and a reduction in commuting) and open up further opportunities for businesses and individuals to access online learning opportunities.

In terms of the labour market factors that have a significant influence on commuting, the average wage differential between jobs in urban and rural areas is a significant reason for large scale commuting into Wales' major urban centres. However, quality of life considerations also play a part, with lower levels of congestion and shorter journey to work times observed in a number of rural authorities.

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