



# Private Sector Employment Indicator: quarter 4 2012

## Introduction

As part of the Departmental Business Plan to support the Government's agenda to rebalance the economy across sectors and regions, the Department for Business, Innovation and Skills (BIS) developed an Indicator to monitor private sector employment growth in England. This indicator forms part of the performance framework for assessing the impact of the Department's policies and reforms. The Indicator shows whether, over time, dependency on the private sector for employment is increasing and how this rebalancing varies by region.<sup>1</sup> Data for the Indicator are published quarterly.

## Key Points

In Quarter 4 2012<sup>2</sup>:

- The Private Sector Employment Indicator (Indicator) for England was 59.0 per cent, a statistically significant rise of 2.2 percentage points (ppts) on the same period a year ago. This is the highest level for Quarter 4 in any year since the series began in 2008.
- Sub nationally, the Indicator increased for all areas; the Greater South East (61.5 per cent; up 2.1ppts), Rest of England (57.1 per cent; up 2.3ppts) and five of the nine regions had statistically significant increases; of which, London showed the largest rise (up 3.6 ppts) and North West showed the smallest rise (up 1.9 ppts).
- For the majority of areas, the changes in the indicator were driven by rises in private sector employment and falls in the remaining components of the indicator of, public sector employment, unemployment, and inactivity.

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<sup>1</sup> BIS monitors the change in the Indicator and its components of Private Sector and Public Sector Employment for England and the two regional groupings of the Greater South East (London, South East and East) and the Rest of England (North, Midlands and West); however, data are published for all English regions.

<sup>2</sup> Data refers to the period November 2012 to January 2013. Comparisons are made with the same period in previous years to remove seasonal effects.

- From Q3 2010 private sector employment has risen and public sector employment has fallen in each quarter when compared to the same period a year earlier. However, recent trends indicate a slowing in the rate of fall in public sector employment. Since Quarter 2 2012, there have also been large falls in unemployment and inactivity.

**Table 1: Private Sector Employment Indicator: level and change by region, Quarter 4 2012**

	Indicator	
	Share (%)	Annual change (PPTs)
England	59.0	<b>2.2</b>
Greater South East	61.5	<b>2.1</b>
Rest of England	57.1	<b>2.3</b>
North East	52.0	1.6
North West	55.8	<b>1.9</b>
Yorkshire & the Humber	55.7	<b>2.5</b>
East Midlands	58.4	1.7
West Midlands	57.8	<b>3.5</b>
East of England	61.8	1.0
London	61.1	<b>3.6</b>
South East	62.0	1.0
South West	61.0	<b>2.1</b>

Source: BIS, Private Sector Employment Indicator

#### Note

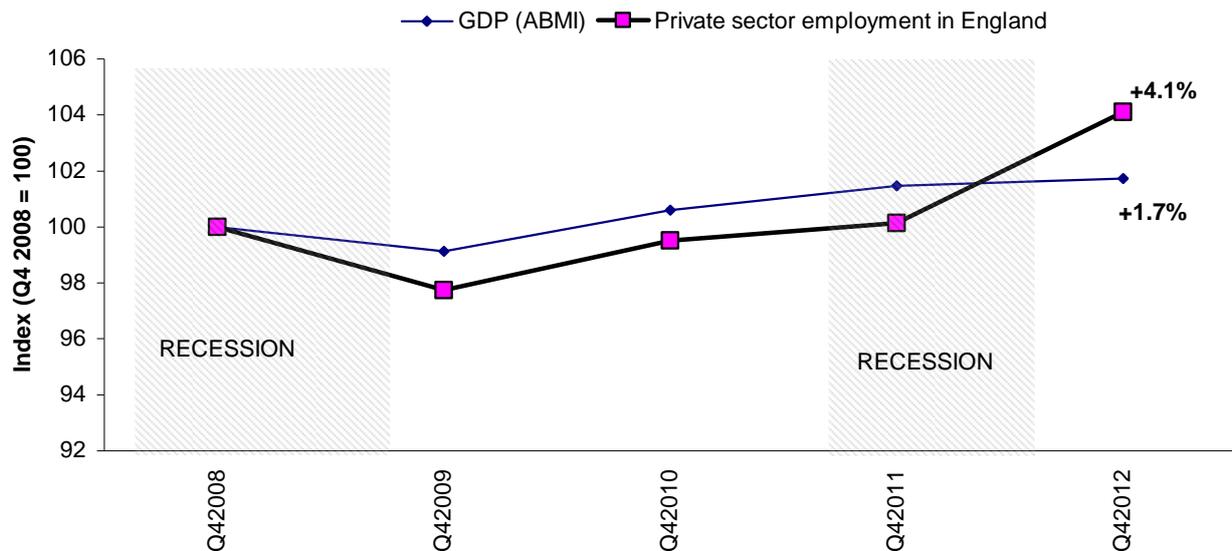
1. Annual Changes are relative to the same quarter a year ago.
2. Significant changes are highlighted in bold.
3. Greater South East includes London, South East and East of England.
4. The Rest of England includes North East, North West, Yorkshire and the Humber, East Midlands, West Midlands and South West.

## Economic Context

Since Quarter 2 2008 the UK economy has contracted, suffering a double dip-recession during 2008/09 and 2011/12. However, the latest Gross Domestic Product (GDP) figures for Quarter 4 2012 show that UK economic output is 1.7 per cent higher than in Quarter 4 2008. Between Quarter 4 2008 and Quarter 4 2011 private sector employment and GDP showed similar changes (see Chart 1); however, between Quarter 4 2011 and Quarter 4 2012, private sector employment increased by 4.0 per cent while GDP rose by 0.3 per cent.

GDP<sup>3</sup> growth in Q4 2012 was down 0.3 per cent on the previous quarter. Over the calendar year (2012) GDP increased by 0.3 per cent and was 2.9 per cent smaller than it was immediately prior to the 2008-09 recession. Official statistics indicate that the economy was weak in Quarter 4 2012: retail sales<sup>4</sup>; construction output<sup>5</sup>; and, manufacturing<sup>6</sup> all fell; annual inflation<sup>7</sup> was estimated to have stayed at 2.7 per cent in January 2013, unchanged for the fourth month and above the Bank of England target rate of 2.0 per cent.

**Chart 1: Index showing Private Sector Employment in England and UK Gross Domestic Product, Quarter 4 2008 to Quarter 4 2012**



Source: BIS Private Sector Employment Indicator and ONS GDP ABMI series

**Note**

1. Data are indexed to Quarter 4 2008 – Quarter 4 2008 equals 100.
2. The time periods of the two data series are slightly different: GDP data are based on calendar quarters, while employment data relates to the following periods: Quarter 1 (Feb to April), Quarter 2 (May to July), Quarter 3 (Aug to Oct) and Quarter 4 (Nov to Jan).
3. GDP data are for the UK rather than England. However, England accounts for the majority of the UK's economy – ONS' Regional Accounts indicate that England accounted for 84 per cent of the UK's Gross Value Added in 2011.

<sup>3</sup> <http://www.ons.gov.uk/ons/rel/elmr/economic-review/march-2013/index.html>

<sup>4</sup> <http://www.ons.gov.uk/ons/rel/rsi/retail-sales/index.html>

<sup>5</sup> <http://www.ons.gov.uk/ons/rel/construction/output-in-the-construction-industry/january-2013/stb-construction-output-jan-2013.html>

<sup>6</sup> <http://www.ons.gov.uk/ons/rel/iop/index-of-production/index.html>

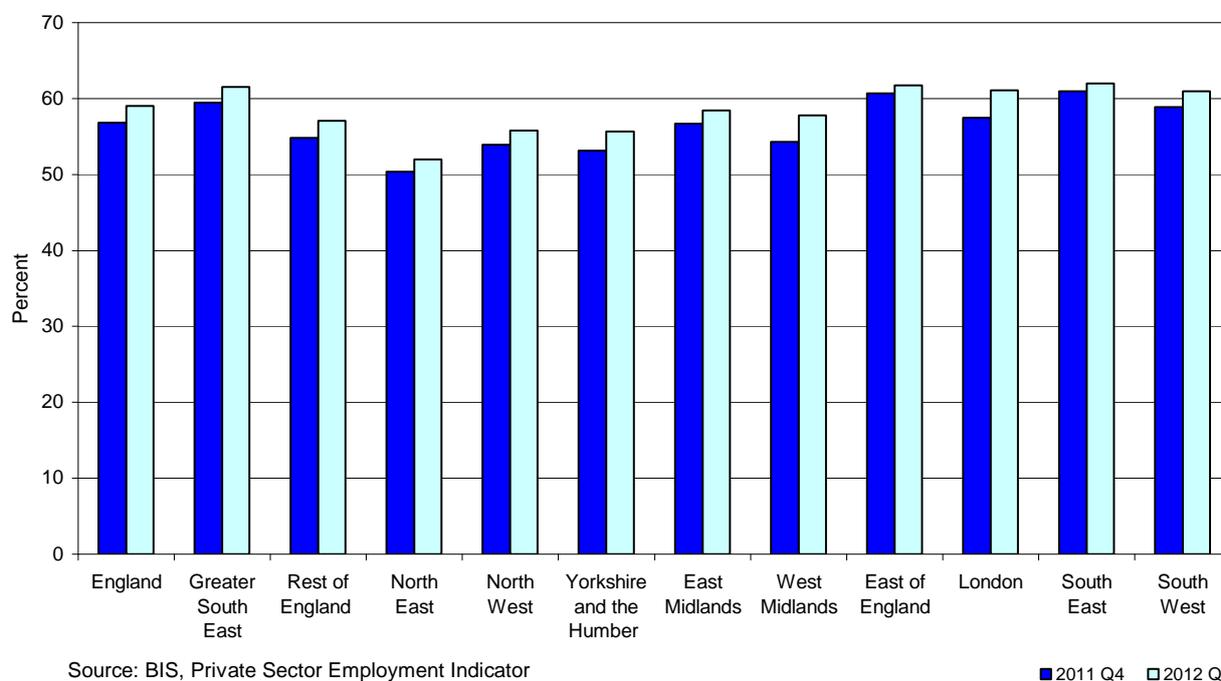
<sup>7</sup> <http://www.ons.gov.uk/ons/rel/cpi/consumer-price-indices/february-2013/index.html>

## Quarter 4 2012

The Private Sector Employment Indicator in England registered a statistically significant rise of 2.2 pts to 59.0 per cent on the same quarter a year ago, mainly as a result of rising private sector employment (+773,000); declining public sector employment (-297,000), unemployment (-107,000) and inactivity (-339,000).

All English regions saw a rise in the Indicator when compared to the same quarter a year ago (see Chart 2), with five regions having statistically significant increases<sup>8</sup>. London saw the largest rise of 3.6 pts to 61.1 per cent and the North West recorded the smallest change up 1.9 pts to 55.8 per cent. See Figure 1 for more information.

**Chart 2: Private Sector Employment Indicator by region, Quarter 4 2011 and Quarter 4 2012**

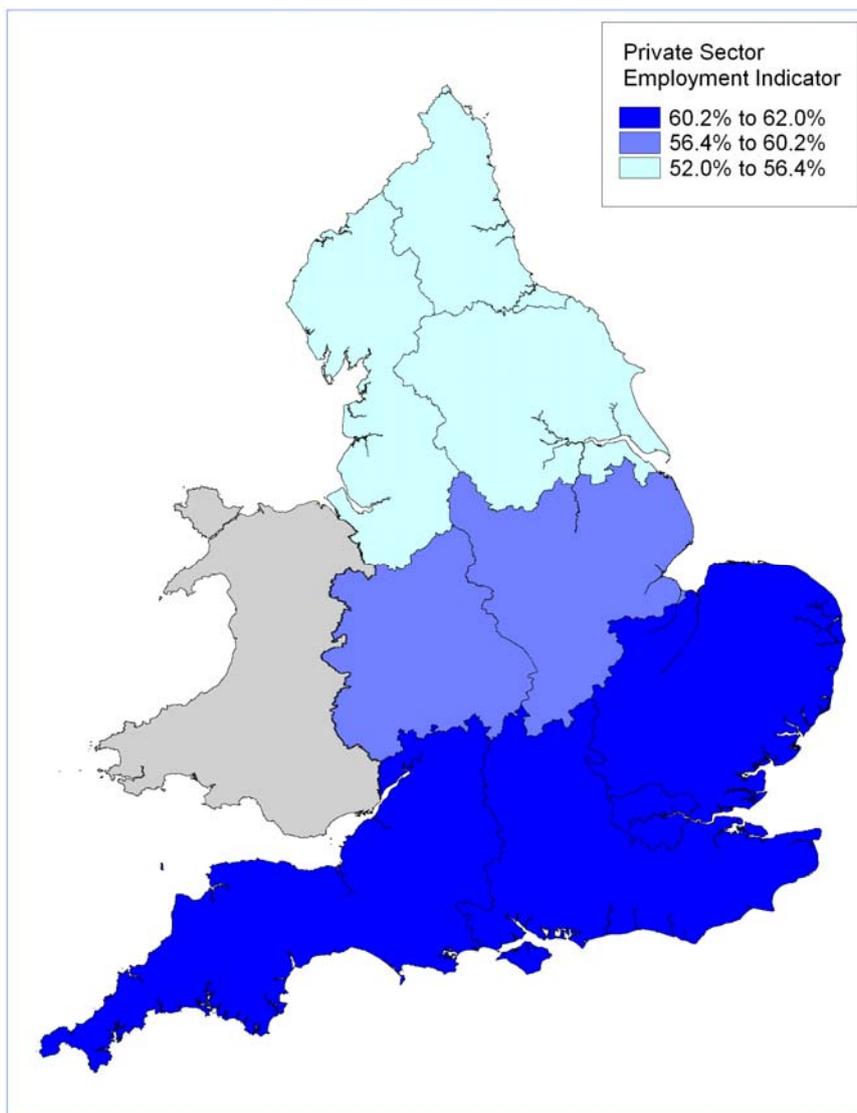


### Notes:

1. Workplace based employment excludes those working outside of the UK and some respondents who do not give a region of workplace. This is made up of both part-time and full-time employment and self-employment.
2. Greater South East includes London, South East and East of England.
3. The Rest of England includes North East, North West, Yorkshire and the Humber, East Midlands, West Midlands and South West.

<sup>8</sup> Regions with statistically significant changes in the Indicator between Quarter 4 2011 and Quarter 4 2012 were: North West, Yorkshire and the Humber, West Midlands, London and the South West.

**Figure 1: Private Sector Employment Indicator, English regions, Quarter 4 2012**



Source: BIS, Private Sector Employment Indicator

### **Greater South East (London, South East and East)**

In Quarter 4 2012, the Private Sector Employment Indicator for the Greater South East stood at 61.5 per cent, a statistically significant rise of 2.1 ppts on the same quarter a year ago. There were 11.0 million people employed in the Greater South East, of which the private sector employed 9.2 million, up 0.3 million (statistically significant) on the same quarter a year ago. Increasing private sector employment (+347,000) outweighed the decline in public sector employment (-107,000). Inactivity (-132,000) and unemployment (-43,000) also fell.

### **Rest of England**

The Indicator for the Rest of England reached 57.1 per cent, a 2.3 ppts rise (statistically significant) on the same period a year ago. The total employment in the Rest of England was 13.8 million in Quarter 4 2012, of which the private sector employed 11.1 million people, up by 0.4 million (statistically significant). Increasing private sector employment (+426,000) outweighed the decline in public sector employment (-190,000). Inactivity (-207,000) and unemployment (-64,000) also fell. See Table 2 and Chart 3 for more information.

**Table 2: Employment, unemployment and Inactivity by regions, Quarter 4 2012**

*Non-seasonally adjusted (Thousands)*

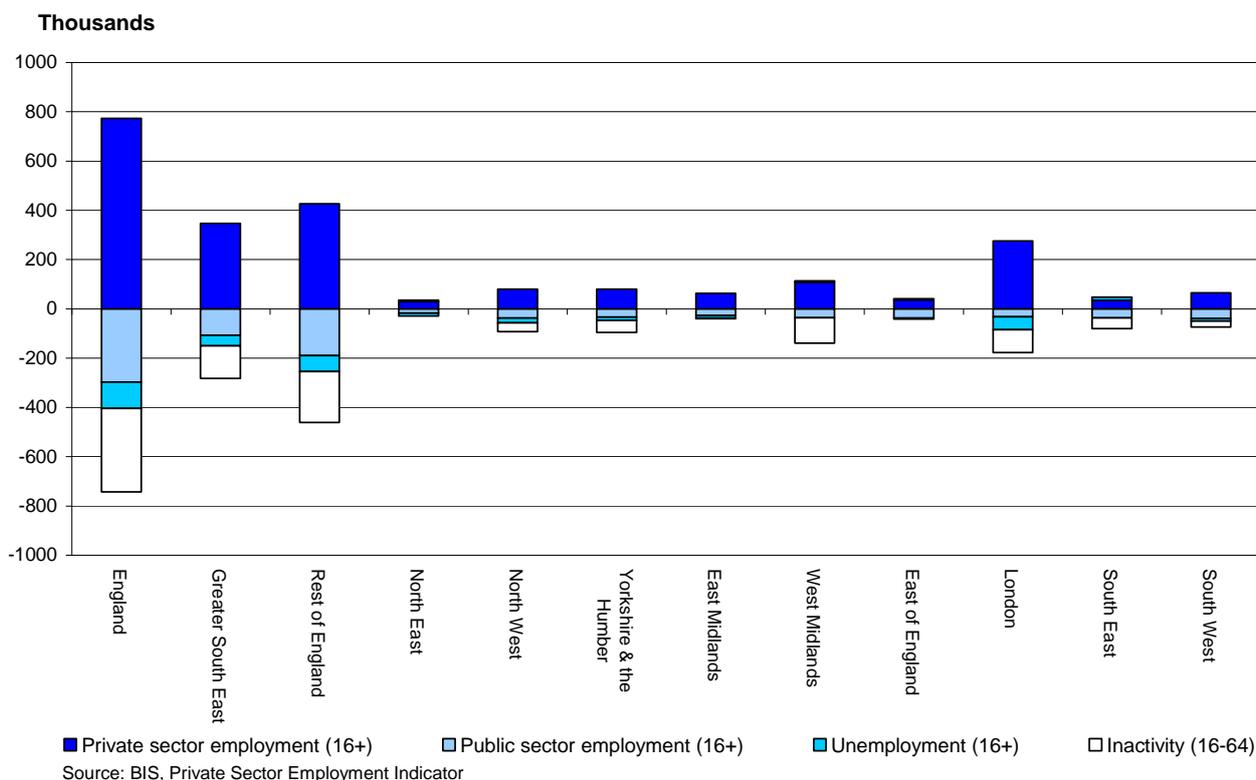
	Private sector employment (16+)		Public sector employment (16+)		Unemployment (16+)		Inactivity (16-64)		Total	
	Level	Change	Level	Change	Level	Change	Level	Change	Level	Change
England	20,286	<b>773</b>	4,582	-297	2,069	-107	7,426	-339	34,363	30
Greater South East	9,200	<b>347</b>	1,840	-107	851	-43	3,057	-132	14,948	65
Rest of England	11,086	<b>426</b>	2,742	-190	1,218	-64	4,369	-207	19,415	-35
North East	880	30	257	-17	124	-12	433	5	1,694	6
North West	2,529	<b>80</b>	648	-38	290	-19	1,065	-35	4,532	-12
Yorkshire & the Humber	1,938	<b>80</b>	510	-33	237	-14	795	-49	3,480	-16
East Midlands	1,679	<b>63</b>	368	-27	175	-11	651	-2	2,873	23
West Midlands	2,008	<b>108</b>	477	-36	241	6	747	-103	3,473	-25
East of England	2,192	37	429	-38	195	-3	734	4	3,550	0
London	3,710	<b>275</b>	747	-32	362	-52	1,257	-93	6,076	98
South East	3,298	35	664	-37	294	12	1,066	-43	5,322	-33
South West	2,053	<b>65</b>	482	-39	153	-11	678	-24	3,366	-9

Source: BIS, Private Sector Employment Indicator

**Notes:**

1. Changes are relative to the same quarter in the previous year.
2. Significant changes are highlighted in bold.
3. Workplace based employment includes part-time and full-time employment and self-employment. It excludes those working outside of the UK and some respondents who do not give a region of workplace.
4. Unemployment and inactivity are residence based.
5. Greater South East includes London, South East and East of England.
6. The Rest of England includes North East, North West, Yorkshire and the Humber, East Midlands, West Midlands and South West.
7. Tables may not sum due to rounding.

**Chart 3: Annual Changes in Employment, Unemployment and Inactivity by regions, Quarter 4 2012**



**Notes:**

1. Changes are relative to the same quarter in the previous year.
2. Workplace based employment includes both part-time and full-time employment and self-employment. It excludes those working outside of the UK and some respondents who do not give a region of workplace.
3. Unemployment and inactivity are residence based.
4. Greater South East includes London, South East and East of England.
5. The Rest of England includes North East, North West, Yorkshire and the Humber, East Midlands, West Midlands and South West.

**Historical Analysis**

The Indicator for England was 59.0 per cent, a statistically significant rise of 2.2 (ppts) on the same period a year ago. This is the highest value for quarter 4 in any year since the series began in 2008. The Greater South East, Rest of England and the English regions show a similar pattern when comparing the two periods (see Table 3).

In Quarter 4 2009, the Indicator declined for the Greater South East and the Rest of England mainly due to the impact of the 2008/09 recession. The Indicator remained relatively stable across most English regions between Quarter 4 2009 and Quarter 4 2012. However, there was variation in the performance of English regions over this period.

All nine regions saw an increase in the Private Sector Employment Indicator for Quarter 4 2012 compared to Quarter 4 2011, with five regions showing a statistically significant increase in private sector share. (see Tables 1 & 3).

**Table 3: Private Sector Employment Indicator, Quarter 4 2008 to Quarter 4 2012**

	<b>Quarter 4 2008</b>	<b>Quarter 4 2009</b>	<b>Quarter 4 2010</b>	<b>Quarter 4 2011</b>	<b>Quarter 4 2012</b>
England	57.8	56.1	56.7	56.8	59.0
Greater South East	60.9	58.7	59.7	59.5	61.5
Rest of England	55.5	54.1	54.4	54.8	57.1
North East	49.8	48.7	48.9	50.4	52.0
North West	54.0	52.8	54.0	53.9	55.8
Yorkshire & the Humber	54.1	53.2	53.0	53.1	55.7
East Midlands	58.5	56.8	56.2	56.7	58.4
West Midlands	54.5	54.0	53.1	54.3	57.8
East of England	61.2	59.0	60.3	60.7	61.8
London	59.5	56.7	57.9	57.5	61.1
South East	62.2	60.7	61.1	60.9	62.0
South West	60.1	57.4	59.0	58.9	61.0

Source: BIS, Private Sector Employment Indicator

**Notes:**

1. The latest quarter of the data can only be compared with corresponding quarters in previous years, because the labour market data here is not seasonally adjusted.
2. Greater South East includes London, South East and East of England.
3. The Rest of England includes North East, North West, Yorkshire and the Humber, East Midlands, West Midlands and South West.

## Background Note

### Official Statistics

This publication is produced by statisticians working in the Enterprise and Economic Development Analysis (EEDA) Team in the Department for Business, Innovation and Skills (BIS). These data are experimental official statistics working towards full compliance with the Code of Practice for Official Statistics. See the link below for further information about the [Code](#).

### Data Sources and Methodology

The Indicator is formulated as follows:

$$\text{Private sector employment (16+)} * 100$$

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$$\frac{\text{Private sector employment (16+)}}{\text{Private and public sector employment(16+) + Unemployment(16+) + Inactivity}^2(16-64)}$$

Data are published for England and each English region; however, changes in the Indicator are monitored for two regional groups in England:

- Greater South East (London, South East and East)
- Rest of England (North, Midlands and West)

The two English groups have been selected to minimise the distortions due to high levels of commuting between London, South East and East.

The Indicator is compiled from a mix of administrative and survey data. Public Sector Employment statistics are based on administrative data that are used to compile the Public Sector Employment (PSE) series. Regional Employment, Unemployment and Inactivity are survey data, sourced from the ONS quarterly Labour Force Survey (LFS).

Employment and PSE data used to derive the Indicator are workplace based, whereas unemployment and inactivity data are residency based. Due to the different basis (workplace or residence), a loss of jobs in one region may lead to an increase in unemployment in another, as a person might reside in a different region from where they worked.

Regional Workplace Employment is derived by ONS from the LFS and directly supplied to BIS each quarter. Private Workplace Employment is derived as the difference between Total Workplace Employment and Public Sector Employment. Workplace Based Employment excludes those working outside the UK and some respondents who do not give a workplace address. In Quarter 4 2012, 359,000 people worked outside the UK, or did not give a workplace address. Private sector employment used for this publication includes both part-time and full-time employment and self-employment.

To ensure the periods to which the data relate are as closely aligned as possible, the data used in this publication align as follows (and is summarised in Table 3):

- Public sector data are obtained from administrative data for the months of March, June, September and December.
- LFS estimates for Total Workplace Employment, Unemployment and Inactivity are based on quarterly averages for the periods: February to April; May to July; August to October; and November to January. Annual estimates are based on 4 quarter averages.

**Table 3: Reference Period of Data Sources**

<b>Data Source</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>
<b>LFS</b>	Feb-Apr	May-July	Aug-Oct	Nov- Jan (following year)
<b>PSE</b>	March	June	September	December

To ensure that the data, as closely as possible, covers the same population:

- Employment and unemployment figures are derived for all aged 16+.
- Inactivity is limited to those aged 16 to 64 to exclude people who are over 64 and are inactive.

This coverage means that changes in employment, unemployment and inactivity can be affected by migration; movements of 15 year olds into the work force (mainly in education and classified as inactive) and movements of those aged over 64 from employment or unemployment into inactivity.

Further information on the data sources can be found at the following websites:

**ONS PSE Release:**

<http://www.ons.gov.uk/ons/rel/pse/public-sector-employment/index.html>

**ONS LFS Release:**

<http://www.ons.gov.uk/ons/rel/lms/labour-market-statistics/index.html>

## Alternative data sources

The Indicator is compiled from a range of data sources that allow timely monitoring of the rebalancing of England's economy across the English regions and from the Public to the Private sectors. Alternate sources of Public Sector and Private Sector employment data are published, but have not been used to compile this Indicator, these include:

- Business Register Employment Survey, which provides annual estimates of regional private and public sector employment. This data are not suitable for regular monitoring as they are only available annually.
- The Labour Market Statistics release provides quarterly estimates of employment in both the private and the public sectors, but this information is not available for UK countries or English regions.

## Revisions

### Policy

It is BIS' policy to be open and transparent with users about the reasons for revisions and how they are handled.

Revisions will be mainly due to changes in methodologies and source data. The Indicators are derived from surveys and administrative data sources. Changes to the underlying methods will cause revisions. These include changes in statistical methods, definitions, classifications and geographic coverage.

If revisions arising from changes to methodologies and source data are found to be insignificant, they will be published in the next planned publication. However, if these revisions are expected to have a large impact, then they will be introduced and published more quickly. A note will be added to the release to explain the revision and its impact.

Although robust procedures are in place to minimise errors in producing the statistics, errors may occasionally occur. When errors are found after the publication, their impact will be assessed. If these changes are significant, a corrigendum will be issued as soon as practicable, while minor corrections will be included in the next planned release. In all cases a full explanation will be included as part of the next release.

### Latest revisions

The Public Sector employment estimates used to compile the Indicator estimates have been revised in order to incorporate more accurate data in line with ONS' revision policy. PSE data for Q3 2012 and Q4 2011 have been revised. The change has resulted in a small increase (+1,000) in Public Sector employment and a corresponding decrease in Private Sector employment, for Q3 2012 split across all regions. However, the revision has not affected the indicator values at the England level.

The effect of the revision across the time series has been quantified and published in the tables that accompany this release and summarised in Table 4 below. The revisions analysis shows that the change in Public Sector employment has changed the Indicator for the North East and North West by (-0.1) and South West by (+0.1) in Quarter 3 2012. All other areas remain unchanged.

**Table 4: Impact of revisions on the Private Sector Employment Indicator, Quarter 3 2012**

	<b>Published January 12</b>	<b>Published April 13</b>	<b>Change (PPTs)</b>
England	58.9	58.9	0.0
Greater South East	61.0	61.0	0.0
Rest of England	57.2	57.2	0.0
North East	52.9	52.9	-0.1
North West	55.7	55.6	-0.1
Yorkshire & the Humber	56.3	56.3	0.0
East Midlands	59.0	59.0	0.0
West Midlands	56.5	56.6	0.0
East of England	61.0	61.0	0.0
London	60.1	60.1	0.0
South East	62.1	62.1	0.0
South West	61.4	61.6	0.1

Source: BIS, Private Sector Employment Indicator

**Note:**

1. Greater South East includes London, South East and East of England.
2. The Rest of England includes North East, North West, Yorkshire and the Humber, East Midlands, West Midlands and South West.
3. Tables may not sum due to rounding.

## Relevance

The Indicator is used to monitor private sector employment growth in England as part of the Government's rebalancing agenda and is part of the Scorecard for assessing departmental performance. See the link below:

<http://webarchive.nationalarchives.gov.uk/20121205150610/http://www.bis.gov.uk/about/performance-reports/performance-indicators>

With the publication evolving over time, the level of use may increase, with additional users from other government departments, public bodies and research institutes. We welcome feedback from users and potential users to improve the relevance of this publication; when providing feedback, please use the contact details at the end of the Release.

## Accessibility

The publication is available through the BIS statistics website and the Publication Hub. Statistical First Releases, data tables and supporting documentation for the Indicator can be found on the BIS website: <https://www.gov.uk/government/publications/private-sector-employment-indicator>

## Comparability

The data time series start from Q1 2008. Data are not seasonally adjusted, and therefore each quarter should only be compared with the same quarter of the previous, or earlier year, as annual comparisons will be largely unaffected by the seasonality. The reclassification of large organisations, such as banks, between public and private sectors may cause a discontinuity in the time series. Notes for such reclassifications will be published alongside the data.

## Coherence

As outlined in the 'Methodology and Data Source' Section, Workplace Employment is used to calculate the Indicator and differs from residency based LFS employment data published by ONS. Differences between regional workplace and residency based employment are more pronounced in some regions due to commuting and travel to work patterns. For example, many workers in London reside outside of London, giving rise to a high commuting flow between London and those regions.

## Accuracy

Public Sector Employment statistics are mainly derived from a census of public sector organisations, so are not subject to sampling errors. However there is a potential small amount of non-response error. The Labour Force Survey is a household survey with sampling errors. Confidence intervals for the Indicators have been provided to enable significant changes to be identified given the methodology used to compile the data and the time period considered. More information on quality of the Public Sector Employment statistics and Labour Force Survey can be found by accessing the following link:

<http://www.ons.gov.uk/ons/guide-method/method-quality/quality/quality-information/labour-market/index.html>

## Strengths and Limitations

This publication utilises the best data sources available to compile a timely indicator to monitor the rebalancing process in terms of private sector job growth. Both the private sector and public sector employment data are workplace based, providing a consistent basis for calculating the Indicator. Confidence intervals have been produced to allow significant changes in the Indicator to be identified.

There are some limitations and caveats that should be understood before the data are used. Data can be affected by reclassifications of businesses from the public to the private sector. For example, the Royal Bank of Scotland and Lloyds Banking group were reclassified in October 2008 from the private to the public sector. This gave a small increase in the public sector employment compared to the period prior to the reclassification. These changes caused discontinuities in the time series. When large reclassifications occur these are highlighted in the footnotes accompanying the data.

Though effort and care have been applied when developing an appropriate Indicator, the method has limitations arising from underlying data sources and the definition used:

- Falling public sector employment is one of the factors that may cause a rise in the Indicator, and therefore an increasing Indicator does not necessarily reflect improved labour market conditions in all cases. Users should read the figures for the Indicator together with underlying components. The statistical release will explain the underlying causes for a change in the Indicator, highlighting any caveats.
- Whether a change is significant is determined by the magnitude of the change and the underlying sampling variances. The latter is also affected by the sample size. An area like England tends to have a large sample, leading to a relatively small sample variation compared to regions like North England. So a small change is more likely to be identified as significant compared to a region with a small sample size.

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