Labour Market Report - Supplementary Document

Theme: Labour Market

Geographical Area: Northern Ireland

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The NI Labour Market Report (LMR) has been reviewed, where the first release in HTML format was published in September 2022, produced using reproducible analytical pipelines (RAP).

This document aims to provide additional background information for the NI LMR, including an overview of data sources used, coherence between data sources and the impact of COVID-19.

Contents

1 Overview of LMR data sources

1.1 Labour Force Survey

The Labour Force Survey (LFS) is a household sample survey carried out by interviewing individuals about their personal circumstances and work. It provides a rich source of information on the labour force using internationally agreed definitions. Estimates and rates relating to employment, unemployment, economic inactivity and hours worked, taken from the LFS, are included in the LMR. Estimates are subject to sampling error. Please see the Estimating and Reporting Uncertainty paper for more details on sampling error and survey methodology changes employed during the pandemic.

1.2 Claimant Count

The Claimant Count is a measure of the number of people claiming benefits principally for the reason of being unemployed, based on administrative data derived from Jobs and Benefits Offices systems. The Claimant Count includes Jobseeker's Allowance Claimants and those Universal Credit claimants who were claiming principally for the reason of being unemployed.

1.3 Redundancies

Under the Employment Rights (Northern Ireland) Order 1996 (amended 8 October 2006), companies are only legally required to notify the Department of impending redundancies of 20 or more employees. Companies who propose less than 20 redundancies are not required to notify the Department, therefore the figures provided are likely to be an underestimate of total job losses, however, it is not possible to quantify the extent of the shortfall. Users should also note, all other things being equal, more redundancies in sectors dominated by large businesses would be expected as collective redundancies refers to 20 or more employees. Employers are required by law to notify the Department of proposals to make 20 to 99 redundancies at least 30 days before the first dismissal, and, for 100 or more redundancies, 90 days before the first dismissal. This results in a time lag of at least a month between the redundancies being proposed and then being confirmed.

1.4 HMRC PAYE Real Time Information

HMRC PAYE RTI is the system employers use to take Income Tax and National Insurance contributions before they pay wages to employees. Data relate to employees paid by employers only, and do not include self-employment income or income from pensions, property rental or investments. Data are based on where employees live and not the location of their place of work within the UK. Data are seasonally adjusted but not adjusted for inflation. The HMRC PAYE covers the whole population rather than a sample of employees or companies. The data are classed as Experimental Statistics as the methodologies used to produce the statistics are still in their development phase. As a result, the series are subject to revisions. Background information including the methodology used to compile the statistics, strengths and limitations and a comparison with other labour market sources is available on the Earnings and employment from PAYE page on the ONS website. Detail is also available on the guide to experimental statistics page.

1.5 Quarterly Employment Survey

The Quarterly Employment Survey (QES) provides short-term employee jobs estimates for NI, which are then used by the ONS to feed into the calculation of the quarterly workforce jobs estimates for the UK as a whole. All QES data contained in the LMR are adjusted for seasonality. The seasonally adjusted series started in 2005. Public sector and private sector series are seasonally adjusted separately to the industry breakdowns. As such, the two series may differ at the NI level.

2 Coherence between data sources

Although the broad concepts are similar across sources contained within the Northern Ireland Labour Market Report, differences in reference periods, definitions, and methodology exist which impact the interpretation of the statistics.

This section provides an overview of the comparison between various sources contained within the NI LMR, as well as a section on furlough. More information is available in the comparison of labour market data sources article by the Office for National Statistics (ONS).

2.1 LFS unemployment and experimental claimant count

The Labour Force Survey (LFS) is a sample survey conducted to International Labour Organisation (ILO) definitions. It provides the official unemployment measure in NI with a time lag of six weeks between the end of data collection and publication of estimates. The experimental claimant count is a measure of the number of people claiming benefits principally for the reason of being unemployed and is derived from Jobs and Benefits Offices systems. Statistics derived from it are influenced by changes to the benefit system, such as the introduction of Universal Credit. It is a timelier labour market indicator than measures produced from the LFS, with estimates published one month after the claimant count date.

There is a similar overall trend between LFS unemployment and the claimant count for most of the twenty year period from 2000 – 2020. Recent figures, however, show a clear divergence and highlight the difference in methodology and definitions between the two measures. One important difference contributing to the divergence since April 2020 was that those furloughed under the Coronavirus Job Retention Scheme and not working would have been included within the LFS employment estimates as ‘temporarily away from work’, and not the LFS unemployed estimates. In contrast, those who were furloughed could potentially be included within the Universal Credit ‘searching for work’ conditionality and therefore be counted within the experimental claimant count.

A fuller user guide setting out the differences between the experimental claimant count and LFS unemployment is available from the [differences between the ILO unemployment and claimant count page] on the NISRA website.

2.2 LFS employment and the number of paid employees from HMRC PAYE RTI

The LFS and HM Revenue and Customs' (HMRC's) Pay As You Earn (PAYE) Real Time Information (RTI) measure different things. The LFS follows the International Labour Organization (ILO) definition of employment (anyone aged 16 years and over in paid work and those who had a job that they were temporarily away from in the reference week). This is the official measure of employment in NI but also has a time lag of six weeks between the end of data collection and the publication of estimates. LFS includes unpaid family workers who were employed but not paid, those earning below PAYE threshold and the self-employed but excludes those aged under 16 years, those in communal establishments, temporary foreign workers, and employees doing certain types of seasonal work.

RTI measures the number of people who are being paid through the PAYE system via company payrolls and therefore the whole population of employees rather than a sample and not the self-employed. While those receiving pay through the PAYE scheme will include those under 16, people in communal establishments and some foreign residents, it excludes those in the undeclared economy whose income is not reported via PAYE, the self-employed and those members of PAYE schemes where no employee earns above the Lower Earning Limit for National Insurance or has another job. The data are also classed as Experimental Statistics as the methodologies used to produce the statistics are still in their development phase. As a result, the series are subject to revisions. Early estimates (flash estimates) with a two week time lag are based on around 85% of information and are subject to larger revisions in the following release, when between 98% to 99% of data are available.

A [blog published by ONS] helps to explain the differences between LFS and HMRC payroll estimates and recommends HMRC payroll data as the most timely and best single, overall indicator of the labour market.

2.3 LFS employment and Quarterly Employment Survey (QES)

The concept of employment (measured by the LFS as the number of people in work) differs from the concept of jobs, since a person can have more than one job, and some jobs may be shared by more than one person.

The LFS and the Quarterly Employment Survey (QES) measure employment in different ways. The LFS is a sample survey carried out by interviewing individuals about their personal circumstances and work. The QES is a quarterly survey of businesses which provides short term employee jobs estimates for Northern Ireland. It surveys all public sector jobs, all private sector firms with 25 or more employees, all businesses with more than one industry activity and a representative sample of smaller firms. LFS employment figures are based on a rolling three month period and QES measures the number of jobs on a particular day.

LFS employment includes those who are employed, self-employed, unpaid family workers and those on Government supported training programmes. QES employee jobs include full-time and part-time jobs and those on a training scheme and excludes self-employed.

2.4 HMRC PAYE RTI and Annual Survey of Hours and Earnings (ASHE)

Economic and Labour Market Statistics (ELMS) branch publishes earnings estimates from the Annual Survey of Hours and Earnings (ASHE) and from Pay As You Earn Real Time Information (PAYE RTI) which is supplied by HMRC. Whilst PAYE RTI data is lifted directly from the HMRC PAYE RTI system and includes everyone who had a paid employment during the reference period, ASHE is a UK wide survey based on a 1% sample of employees from HMRC PAYE records, taken in January of the same year.

A comparison document was released in December 2021 of earnings statistics from these two sources. This document details the definitional differences between the two measures, the different outputs produced from both and the strengths and limitations of each.

2.5 Quarterly Employment Survey (QES) and HMRC PAYE RTI

Economic and Labour Market Statistics (ELMS) publishes employee jobs estimates from the Quarterly Employment Survey (QES) and from Pay As You Earn Real Time Information (PAYE RTI) which is supplied by Her Majesty's Revenue and Customs (HMRC).

Employee jobs estimates are calculated from the Quarterly Employment Survey (QES) aspect of the Quarterly Business Survey (QBS). The QES has a sample size of approximately 6,000 and covers all employers with 25 or more employees, all public sector employers, all businesses with more than one industry activity and a representative sample of smaller firms. The PAYE RTI data are extracted directly from HMRC's PAYE RTI system. This is the system employers use to take Income Tax and National Insurance contributions before they pay wages to employees, and includes everyone who had a paid employment during the reference period rather than a sample of people.

A comparison document was released in December 2021 detailing the definitional differences between the two measures and the strengths and weaknesses of each.

2.6 Location of those who were furloughed

This section aims to provide an overview of the 'location' of the furloughed in the estimates during the lifetime of the scheme (March 2020 to September 2021). Those who were furloughed under the Coronavirus Job Retention Scheme (CJRS) or received a grant through the Self Employment Income Support Scheme (SEISS) were likely* to be included in the Labour Force Survey (LFS) estimates of employment and not within the LFS unemployment estimates. (*As labour market status is self-defined by respondents in the survey).

Similarly, employees who were furloughed under the CJRS are included in the HMRC count of employees paid through payroll, and the Quarterly Employment

Survey (QES) estimate of employee jobs. In contrast, a proportion of those receiving grants through CJRS and SEISS may have accessed Universal Credit unemployment benefits as a 'top-up' payment, and are included in the experimental Claimant Count.

3 Impact of COVID-19 on data collection and production

3.1 LFS data collection

NISRA suspended all face to face household interviews from March 2020 onwards due to the COVID pandemic and all LFS interviews since then have been conducted by telephone. This change initially resulted in a reduction in the achieved sample size, when compared to pre-pandemic levels, which in turn affected the precision of the estimates during the pandemic. For example, the confidence interval around the employment rate increased by +/-0.3pps between the November-January 2020 and May-July 2021 estimates. The achieved sample size has returned to pre-pandemic levels and, as such recent employment rate confidence intervals are similar to confidence intervals prior to the pandemic.

Since July 2021, NISRA survey interviewers returned to the field on LFS deploying a Knock to Nudge strategy. This involved them calling at sampled addresses, gaining co-operation and completing a telephone interview at a later stage. This has resulted in a considerable increase in Wave 1 response rates, almost reaching pre-pandemic levels. This improvement in response at Wave 1 from July 2021 has also increased the number of households participating in the longitudinal aspect of the survey (Waves 2-5) in subsequent quarters.

3.2 LFS Production

Typically, the Office for National Statistics (ONS) would reweight the LFS every two years to take account of updated population estimates and projections. Since the onset of the pandemic, the ONS have been monitoring the impact and as a result, there have been three LFS reweightings to improve the estimates and an overview of each is provided below.

- **October 2020**: Investigations by ONS during 2020 showed the proportion of households where people own their homes in the sample had increased whilst the proportion of rented accommodation households had decreased, because of the change in survey methods introduced in response to the COVID-19 pandemic. As such, in October 2020 ONS revised the weighting methodology to include tenure type and provided a consistent reweighted time series back to January-March 2020.
- **July 2021:** The LFS from January 2020 was reweighted to take into account changes in the working population at UK level. More information on the changes can be found in the Impact of reweighting document or in the LFS Revision note on the background information page of the NISRA website.
- **June 2022**: The LFS estimates were reweighted from January-March 2020 to January-March 2022 using updated PAYE Real-Time Information data and with the introduction of the non-response bias adjustment to NI data. ONS published an article on the impact of reweighting on 23rd May 2022,

containing indicative estimates of the impact. An overview of the impact of reweighting on the NI estimates of unemployment, employment, and economic inactivity is available on the NISRA website.

3.3 QES data collection

Due to restrictions in place for businesses, COVID-19 impacted on the data collection and validation of employee jobs data, which are collected on the Quarterly Business Survey. As a result, employee jobs estimates may be subject to higher revisions than normal over the coming quarters. These can be tracked through the revisions triangle on the Quarterly Employment Survey Revisions page. Comparisons of provisional employee jobs estimates at lower industry levels in particular (e.g. 2 digit Standard Industrial Classification level), should be treated with caution.

It should be noted that from Quarter 2 2020 to Quarter 3 2021 the QES estimates included those who were furloughed under the Coronavirus Job Retention Scheme (CJRS).

An analysis of the furlough data collected on QES and a comparison to the official estimates produced by HMRC was published on 14 June 2022.

3.4 Alternative release time

The NI Labour Market Report is released at 7am. This is an alternative release time agreed by the Office for Statistics Regulation (OSR) and differs from the standard 9.30am release time for the majority of statistical reports.

Due to a change in ONS release and briefing practices in light of COVID-19, from April 2020 NISRA market sensitive statistics have been released at 7am and not the standard release of 9.30am. NISRA requested the temporary change in time from the Office for Statistics Regulation. Correspondence between NISRA and OSR is available on the OSR website.

The OSR carried out a consultation on the release time of official statistics and the findings from this consultation were published on 24th March 2022. ONS subsequently published a response to the proposed change to 9.30am release practice on 25th March 2022.

Following the OSR consultation, the Code of Practice for Statistics was updated and edition 2.1 came into effect on 5th May 2022. The May 2022 change enabled alternative release times (ARTs) to be used, when granted by the Director General for Regulation. Release time exemptions that were granted before May 2022 have been converted to alternative release times.