



Telford & Wrekin
COUNCIL

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Date: 22 August 2014

Dear Sir Andrew

Obtaining robust and accurate estimates of the number of people unemployed is central to local authorities and their partners being able to understand and respond to pressures in their local communities.

Since 2011, whilst the Office for National Statistics (ONS) estimates of youth unemployment for Telford and Wrekin have increased from 23.1% to 33.7% in 2013, the number of claimants of Job Seekers Allowance has fallen significantly over the same period from 17.2% to 10% in 2013. Because of this clear divergence in these two datasets, I recently wrote to ONS setting out my concerns with their estimates of youth unemployment (enclosed).

I have received the enclosed response from Glen Watson, Director General for ONS which reinforces my concerns, particularly the inclusion in their estimates of those in full time education. The ONS definition of unemployed is "an individual must be out of work, seeking work and available to start work". It is hard to see how an individual who is in full time education meets this definition and it is contradictory to include them in estimates of unemployment.

There is a real need for ONS to sharpen their definition of unemployment and to invest to ensure sample sizes are large enough to ensure confidence intervals of their local area data are of a scale which enables informed policy decisions to be made at the local level.

Local authorities have a clear role in responding to challenges within their communities and, despite financial pressures, are innovating to find new, better ways of addressing these challenges. I would very much welcome your thoughts on how ONS can better support this role, in particular, around their unemployment data in terms of both the definition used and sample sizes at the local authority level.

I look forward to hearing from you.

Yours sincerely

Richard Partington
Managing Director



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July 2014

Dear Mr Partington,

Thank you for your letter dated 6 June 2014. It is always pleasing to see our statistics used and making a difference to local communities. However, your letter raises a number of issues with regard to the quality and comparability of youth unemployment statistics at local authority level.

Your initial area of concern is regarding the divergence of Claimant Count rates for 18 to 24 year olds from unemployment rates for 16 to 24 year olds, in particular for Telford and Wrekin. When considering this it is important to understand the difference between unemployment and the Claimant Count and how these differences may affect the number of young people classified to each.

Unemployment for local areas is calculated using the Annual Population Survey (APS), which is an annual dataset derived from Labour Force Survey (LFS) interviews, plus some additional interviews to boost the overall sample size. The concept of unemployment is defined for LFS and APS in line with International Labour Organisation (ILO) guidelines. To be classified as unemployed, an individual must be out of work, seeking work and available to start work.

The Claimant Count is an administrative count of the number of people with live claims for benefits principally for the reason of being unemployed. Currently this is a count of the number of people claiming Jobseeker's Allowance (JSA).

While both measures relate to the unemployed there are notable differences between the number of people meeting the general definition of unemployment and the numbers eligible and actually claiming benefits. One area where the two measures are significantly different is with regard to people in the 16 to 24 age group. As can be seen from the figures you attached, the Claimant Count for this age group is less than half of the unemployment total, for the latest period.

Some of the difference between youth unemployment and Claimant Count is due to people who are looking for work while in full-time education. Full-time students are generally not eligible for unemployment related benefits, while they may still meet the definition of unemployment, if for example they are looking for some part-time work. There are also a number of other reasons for this difference, including the general ineligibility of 16 and 17 year olds to claim unemployment related benefits and single parents who while starting to look for work and hence being unemployed, may continue to claim Lone Parent Income Support rather than Jobseeker's Allowance.

Clearly factors such as the motivations to look for work, and type of work sought, can be quite different between the various youth groups. Consequently it is very possible that the youth Claimant Count and youth unemployment may move differently and give different messages; particularly at a local level, depending on the varying labour market dynamics of these different groups and how they are represented in the local labour market.

Between late 2011 and the most recently published LFS figures the UK level of youth unemployment has fallen by less than 20%, while the level of the Claimant Count for those aged between 18 and 24 years has fallen by more than 40%. One area where we can see a clear difference is between those who are and are not in full-time education. There has been very little change in the number of youth unemployed in full-time education, while those not in full-time education has reduced significantly. Since those in full-time education would not be included in the Claimant Count, this is an example of how one subset is causing youth unemployment overall to show a different pattern to those who would be eligible for JSA.

	Unemployment (LFS)				Claimant Count (JSA)
	18-24 Total	18-24 In full time education	18-24 Not in full time education		18-24 Total
Oct – Dec 2011	821,800	158,000	663,800	Nov 2011	485,500
Feb – Apr 2014	677,400	149,200	528,200	Mar 2014	284,300
Change	-144,400	-8,800	-135,600		-201,200
Percent	-17.6%	-5.6%	-20.4%		-41.4%

The second point you raise is with regard to the overall quality of estimates produced from the APS. These estimates are produced using methodology in line with agreed International Labour Organisation (ILO) guidelines, which are adopted across EU member states.

APS estimates are used in a wide range of different ways by different users. The estimates are released with accompanying quality measures, allowing users to make decisions about the suitability of the statistics for their specific purposes. Whilst the quality of some estimates may not fully meet all users' requirements, they are designated as National Statistics, emphasizing their overall fitness for purpose.

Yours sincerely



Glen Watson
Director General for ONS



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Date: 6th June 2014

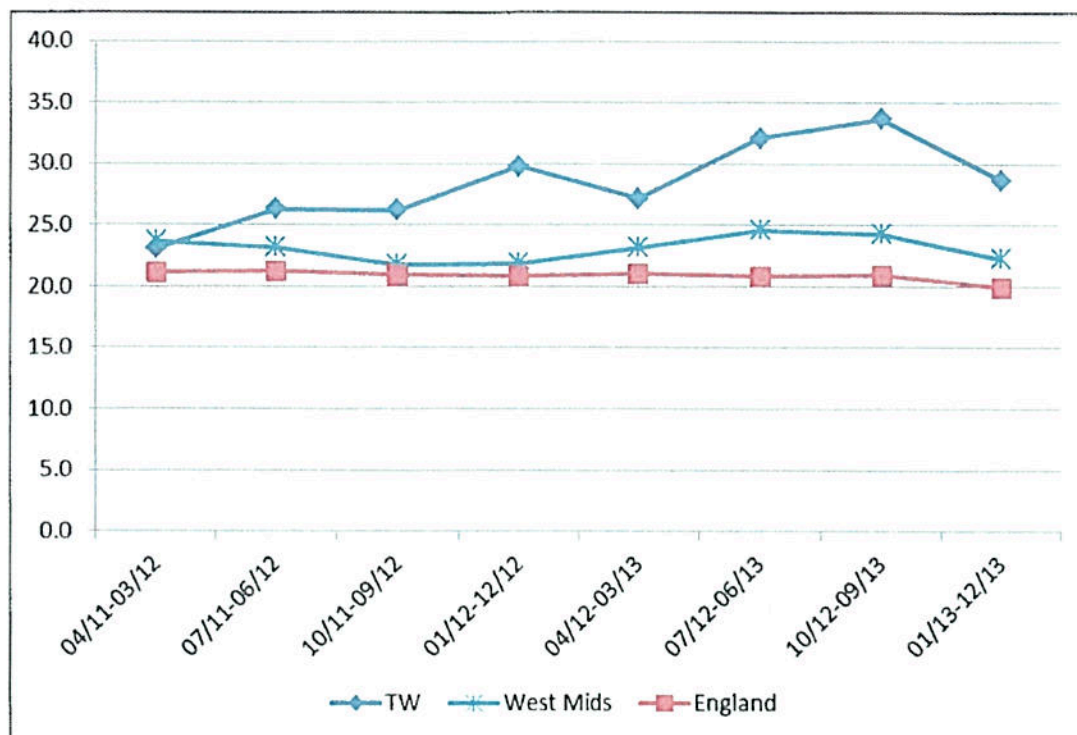
Dear Mr Watson

Throughout the economic recession and subsequent recovery, Telford & Wrekin Council and its partners has monitored the Office for National Statistics (ONS) unemployment rates and Department of Work and Pensions (DWP) Job Seekers Allowance (JSA) data to inform our understanding of the local labour market. Over this period, ONS estimates have shown that youth unemployment (16 to 24 year olds) has risen significantly and remains higher than both the regional and national rates.

Informed by this data, Telford & Wrekin Council has invested £1.3m over the next 2 years to work with schools, local training providers and businesses to support young people into work and address the issue of unemployment amongst our young people.

In monitoring ONS and DWP data, we have identified that there has been a divergence in Labour Force Survey (LFS) estimates of 16 to 24 year old unemployment rates and 18 to 24 year old JSA claimant counts since 2011 (figure 1). The overall trend in the LFS 16 to 24 year old unemployment rate from 2011 has been upward – rising to 33.7% October 2012-Sep 2013. Since April 2011, the rate has risen more quickly than the national and regional rate and for October 2012-September 2013 was more than 50% higher than the national rate (33.7% vs 20.9%).

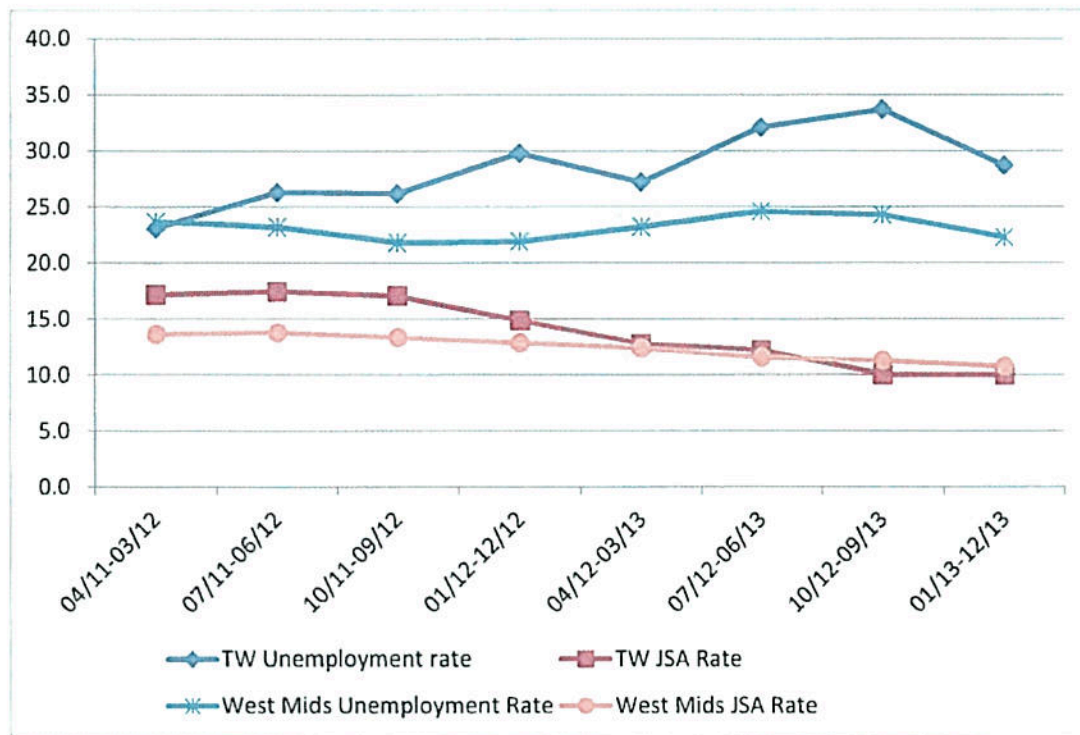
Figure 1: 16 to 24 year old LFS Unemployment rates: Telford & Wrekin, West Midlands and England



Over a similar period, the picture for the 18 to 24 Job Seeker Allowance claimant count shows an overall downward trend over this period. Based on 12 month averages and expressed as a percentage of the LFS rate denominators (accepting that there is a mismatch in age cohorts for this denominator), there has been a fall in the 18 to 24 year olds claiming JSA (figure 2 and Appendix One for data tables). The Telford & Wrekin rate has fallen faster than the West Midlands rate and is now at a broadly comparable level.

Whilst these two data sets are derived from very different sources and methodologies, it is of concern that the trend in the JSA claimant count is not mirrored in the LFS estimates of youth unemployment.

Figure 2: Estimates of Youth Unemployment: LFS 16 to 24 year olds and JSA Claimant Count 18 to 24 year olds*



* See Appendix One for data

ONS has acknowledged that there is a relationship between JSA claimant counts and estimates of unemployment by using JSA data to “add strength” to their modelled unemployment rate for 16 to 64 year olds and so improve statistical reliability (confidence intervals are typically around 1.4% for Telford & Wrekin). This is not the case for ONS estimates of the 16 to 24 year old unemployment rates derived from the LFS which are not modelled and, as a result, confidence intervals at a local authority level are large enough to raise doubts over the usefulness of the data (typically around 9% for Telford & Wrekin).

Whilst statistical data should always be interpreted carefully, it is important that data published by ONS is meaningful and adds value to the understanding of social and economic circumstances across the country – particularly at a local authority level. The ONS LFS 16 to 24 unemployment rate data is not currently achieving this goal and the quality, methodology and publication of this data should be reviewed as a matter of urgency.

I look forward to your response.

Yours sincerely

Richard Partington
Managing Director

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cc: Mark Pritchard MP
David Wright MP
Jil Matheson, National Statistician

APPENDIX ONE: DATA TABLES 12 MONTH JSA RATE FOR TELFORD & WREKIN AND WEST MIDLANDS

Telford & Wrekin

	Telford & Wrekin					
	Labour Force Survey 16 to 24 year old Unemployment				JSA Count 18 to 24 Year Old	
	Numerator	Denominator (c)	Rate	Confidence Interval	12 month average claimant count	JSA Rate*
04/11-03/12	2,100	8,900	23.1	9.5	1,528	17.2
07/11-06/12	2,300	8,900	26.3	9.8	1,555	17.5
10/11-09/12	2,400	9,100	26.2	9.6	1,553	17.1
01/12-12/12	3,000	10,200	29.8	9.8	1,515	14.8
04/12-03/13	3,100	11,400	27.2	9.1	1,453	12.7
07/12-06/13	3,700	11,500	32.1	9.4	1,401	12.2
10/12-09/13	4,400	13,200	33.7	8.8	1,325	10.0
01/13-12/13	3,600	12,400	28.7	8.3	1,238	10.0

West Midlands

	West Midlands					
	Labour Force Survey 16 to 24 year old Unemployment				JSA Count 18 to 24 Year Old	
	Numerator	Denominator (c)	Rate	Confidence Interval	12 month average claimant count	JSA Rate*
04/11-03/12	89,800	378,300	23.7	2.2	51,416	13.6
07/11-06/12	87,400	376,700	23.2	2.2	51,747	13.7
10/11-09/12	83,400	382,400	21.8	2.1	50,873	13.3
01/12-12/12	83,900	383,200	21.9	2.1	49,168	12.8
04/12-03/13	88,700	382,600	23.2	2.2	47,139	12.3
07/12-06/13	97,000	394,000	24.6	2.3	45,459	11.5
10/12-09/13	93,200	383,100	24.3	2.3	43,255	11.3
01/13-12/13	84,000	376,400	22.3	2.2	40,501	10.8

* Calculated using column c, the denominator for LFS 16 to 24 year old unemployment rate