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**Chair of the UK Statistics Authority, Sir Andrew Dilnot CBE**

Matthew Hancock MP  
House of Commons  
LONDON  
SW1A 0AA

24 July 2014

Dear Mr Hancock

**PRIVATE SECTOR JOBS CREATED IN LONDON**

Thank you for your letter dated 1 July 2014 in which you asked for the UK Statistics Authority's view on statements attributed recently to the Leader of the Opposition and the Shadow Business Secretary about the proportion of all new private sector jobs created in London. These were, we understand, based on a re-analysis of official statistics in a report published by the Centre for Cities<sup>1</sup>. We have reviewed the text of a Labour Party press release available from the Labour Party website<sup>2</sup>, and note that the Leader of the Opposition chose not to make some of the remarks around the statistics set out in that press release during his speech the following day.

The UK Statistics Authority encourages all participants in public debate to use official statistics appropriately. The Authority has previously examined issues surrounding statements around new jobs<sup>3</sup> and it is clear that changes in the volume and nature of employment in the economy are of significant political and wider public interest.

ONS publishes a large volume of official statistics about different aspects of the labour market, including the number of people employed and the number of filled jobs in the economy. However, no official statistics are available showing the number of 'new jobs'. Furthermore, the number of people employed and the number of jobs in the economy are not quite the same thing, since one person may have more than one job. As a result, official statistics provide an estimate of the net change in employment, and the net change in the number of jobs.

Official statistics on jobs also do not distinguish between public and private sectors, although ONS does publish estimates of employment in the public and private sectors. ONS's definition of the public and private sector is determined, as for National Accounts purposes, on the basis of who exercises control over the business, in line with internationally agreed

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<sup>1</sup> [http://www.centreforcities.org/assets/files/2014/Cities\\_Outlook\\_2014.pdf#page=7](http://www.centreforcities.org/assets/files/2014/Cities_Outlook_2014.pdf#page=7)

<sup>2</sup> <http://press.labour.org.uk/post/90391647579/mending-our-fractured-economy-ed-miliband-lord>

<sup>3</sup> <http://www.statisticsauthority.gov.uk/reports---correspondence/correspondence/letter-from-andrew-dilnot-to-george-eaton-new-statesman-21082012.pdf>

guidance and rules. In the Centre for Cities report, the definition of the public sector was based on an industry sector classification, so that all organisations within a particular industry sector, like residential care or health, were assumed to be in the public sector. We have compared the impact of using these different assumptions on private sector employment in different parts of Great Britain keeping the data source constant. This analysis is shown in Table 1 and Table 2 (first and second columns of data) in the annex to this letter. In Table 1, it can be seen that the National Accounts approach (as used by ONS) produces an estimated increase in private sector employment between 2010 and 2012 in Great Britain as a whole of 676,000, while the industry sector approach (used in the Centre for Cities report)<sup>4</sup> produces a figure of 208,000. While we recognise that some definitions may be subject to legitimate public debate, in this case we would advise users to follow the ONS's approach.

The Statistics Authority encourages all those engaged in political debate to be clear about the sources of their statistical statements, and to be clear on the time period being used. In this case, the time period for the statistics was referred to as 'since 2010', while the underlying data from Centre for Cities appears to relate only to the period 2010-12. This difference of time period has a small impact on the comparison, as shown by Table 2 (third and fourth columns of data) in the annex.

Taking these various factors together there is a wide difference between the statements made about London and the most recent official statistics published by ONS. These official statistics<sup>5</sup> show that 21.7 per cent of the increase in private sector employment in Great Britain between Q1 2010 and Q1 2014 was in London.

Our analysis in this case raises two wider points for ONS. First, in light of the public interest in estimates of the number of new jobs created (and by implication jobs lost), I will ask John Pullinger, the National Statistician, to explore the feasibility of producing such estimates.

We also note that, in addition to the different definitions of the public and private sectors, the most recent official statistics published by ONS and the statistics in the Centre for Cities report are based on two different data sources. These are the Public Sector Employment Quarterly Statistical release (PSE), which ONS highlights as the source of estimates of total public sector and private sector employment breakdowns at a regional level, and the Business Register and Employment Survey (BRES), which is the basis for the Centre for Cities report, and considered by ONS to be appropriate for public and private sector employment estimates at a local authority district level and above.

While ONS provides guidance to users of labour market statistics explaining the breadth of statistics available, potential uses of these statistics, and their strength and limitations<sup>6 7</sup>, this guidance could be clearer on which data source to use when, and better signposted for users.

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<sup>4</sup> As far as we have been able to reproduce them – see annex for more details.

<sup>5</sup> Office for National Statistics, Public Sector Employment Q1 2014. June 2014:

<http://www.ons.gov.uk/ons/rel/pse/public-sector-employment/q1-2014/stb-pse-2014-q1.html>

<sup>6</sup> <http://www.ons.gov.uk/ons/rel/lms/labour-market-guidance/guide-to-labour-market-statistics/guide-to-lm-statistics.html#tab-abstract>

<sup>7</sup> <http://www.ons.gov.uk/ons/guide-method/user-guidance/joined-up-data/a-brief-guide-to-sources-of-public-sector-employment-statistics.doc>

I hope this reply is useful. I am copying this to the Leader of the Opposition, Rt. Hon. Ed Miliband MP; to Chuka Umunna MP; to John Pullinger, the National Statistician; and to Ed Humpherson, the Authority's Head of Assessment.

Yours sincerely

A handwritten signature in black ink, appearing to read "Andrew Dilnot". The signature is written in a cursive, slightly slanted style.

**Sir Andrew Dilnot CBE**

## ANNEX: A comparison of private sector employment statistics

**Table 1: Change in private sector employment over time (the time period used is 2010-2012 with the exception of the last column which is 2010-2014)**

| Difference in the number of employees (thousands) |   |   |  |  |
|---|---|---|--|--|
| Region  | BRES data, 'Industry sector definition' <sup>8</sup> , change between 2010-2012 | BRES data, National Accounts definition, change between 2010-2012 | PSE data, National Accounts definition, change between 2010-2012 | PSE data, National Accounts definition, change between 2010-2014 |
| North East  | -8  | 19  | 57   | 93   |
| North West  | 25  | 70  | 78   | 199  |
| Yorkshire and the Humber                          | -27   | 20  | 134  | 236  |
| West Midlands                                     | 1   | 34  | 109  | 146  |
| East Midlands                                     | 14  | 61  | 54   | 158  |
| East of England                                   | 26  | 58  | 34   | 259  |
| London  | 179   | 287   | 210  | 567  |
| South East  | 22  | 75  | 80   | 271  |
| South West  | -47   | 11  | 47   | 266  |
| Wales   | 5.6   | 17  | 8  | 93   |
| Scotland  | 17.7  | 22  | 32   | 243  |
| Great Britain (GB)                                | 208   | 676   | 840  | 2,526  |
| United Kingdom (UK)                               | Not available   | 669   | 1,010  | 2,617  |

<sup>8</sup> Based on UK Statistics Authority's attempted re-creation of the assumptions made in the Centre for Cities report about the relationship between industry sectors and the public sector.

**Table 2: Proportional change in private sector employment in London over time (the time period used is 2010-2012 with the exception of the last column which is 2010-2014)**

|   | BRES data, 'Industry sector definition' <sup>9</sup> , change between 2010-2012 | BRES data, National Accounts definition, change between 2010-2012 | PSE data, National Accounts definition, change between 2010-2012 | PSE data, National Accounts definition, change between 2010-2014 |
|---|---|---|--|--|
| Change in London private sector employment as a proportion of GB net change | 85.8%   | 42.5%   | 25.0%  | 22.4%  |
| Change in London private sector employment as a proportion of UK net change | <i>Not available</i>  | 42.9%   | 20.8%  | 21.7%  |

Notes (Table 1 and Table 2):

1. Source BRES data: Business Register and Employment Survey (BRES) 2010 and 2012. Accessed from NOMIS for the detailed SIC breakdowns by region (NOMIS does not include UK figures) and BRES regional tables on the ONS website. Total employees statistics used. <https://www.nomisweb.co.uk>
2. Source PSE data: Public Sector Employment (PSE) Bulletin June 2014, Table 7. Accessed from the ONS website. Available at: <http://www.ons.gov.uk/ons/rel/pse/public-sector-employment/q1-2014/stb-pse-2014-q1.html>
3. Industry sector definition based on Standard Industry Classification (SIC): The Public sector is defined as those working in the industries with the following SIC codes 84, 85, 86, 87, 88 (as mentioned in the Centre for Cities report). All remaining industries are defined as the private sector.
4. National Accounts definition: Businesses (and their employees) are assigned to the private or public sector on the basis of who exercises control over the business, in line with internationally agreed guidance and rules (as used by ONS).
5. PSE data (2010-2012 change) is for Q32010 to Q32012 to match BRES timelines.
6. PSE data (2010-2014 change) is for Q12010 to Q12014.
7. In Table 1 positive employment change highlights net growth and negative change shows a net contraction.

<sup>9</sup> Based on UK Statistics Authority's attempted re-creation of the assumptions made in the Centre for Cities report about the relationship between industry sectors and the public sector.