



Recession Report

Number 9 July 2009

Headline statistics

The latest labour market figures cover the three months to May 2009, and show:

- 28,998,000 people in work, 269,000 fewer than the previous 3 months and 543,000 fewer than the same period a year earlier. The quarterly reduction in male employment was 191,000, while the reduction in female employment was 78,000. Between March and April alone employment fell by 110,000 – almost equal to the fall of 112,000 between Dec 08 and Jan 09, which was the largest monthly drop on record (with records starting in March 1971).
- A working age employment rate of 72.9 per cent, down 0.9 percentage points on the previous quarter and 2.0 points on the same period in 2008. This is the lowest rate since the third quarter of 1997.
- Unemployment at 2,381,000 (1,458,000 men and 923,000 women), up 281,000 on the quarter and 753,000 on the year. This is higher than the largest quarterly increase on record (this was a rise of 264,000 between Q3 and Q4 of 1980).
- The increases in male and in female unemployment equivalent to the second largest respective quarterly rises on record. Male unemployment rose by 197,000 – the only larger recorded increase was 201,000

between Q3 and Q4 of 1980. Female unemployment rose by 84,000 – and the largest quarterly rise on record was 90,000 between Q4 2008 and Q1 2009.

- An unemployment rate of 7.6 per cent, up 0.9 points on the previous quarter, 2.4 on the year. Rates were last above this rate during the fourth quarter of 1996.

Long-term unemployment is continuing to rise. 528,000 people have now been unemployed for over 12 months, up 46,000 on the quarter and 123,000 up on the year. And there has been a sharp rise in those unemployed for between 6-12 months, with 435,000 people now in this position. This level is up 91,000 on the quarter – an increase of 26.4 per cent - and 171,000 on the year. It is likely that this increase will soon lead to larger rises in unemployment of over 12 months.

Figures to the end of June 2009 show:

- 421,000 job vacancies, 3,000 down on the previous month and 211,000 down on the year.
- 1,560,100 people claiming JSA, an increase of 23,800 on the month and 716,800 on the year.

These figures show that rates of increase in unemployment may not yet be slowing, and that further large monthly rises could be expected. In line with previous recessions, we do not expect

unemployment to peak until next year at the very earliest.

Economic inactivity

Economic inactivity is also going up, although so far rates of increase have been relatively slow, although they may be starting to increase.

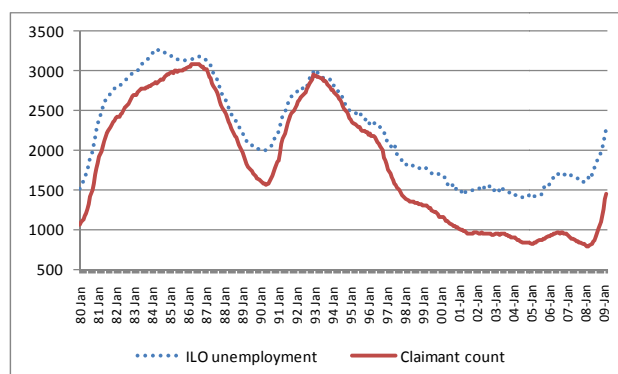
7,915,000 people of working age are economically inactive, up 64,000 on the quarter and 46,000 on the year.

The numbers of those who are inactive because they are long-term sick are showing small decreases, with a drop of 24,000 on the quarter. This trend is likely to be linked to new stricter qualification tests for Employment Support Allowance. However, the numbers defining themselves as temporarily sick have been increasing since Sept-Nov 08, with 183,000 people now in this position. The numbers of discouraged workers who want a job but are not looking for one are also rising (and have been since Q2 2008), currently standing at 58,000. This is the highest level since the third quarter of 2000.

Claimant and ILO unemployment

So far during the recession the claimant and ILO unemployment trends have been broadly similar. This can be seen below:

Claimant and ILO unemployment, Q1 1980 – Q1 2009 (000s)



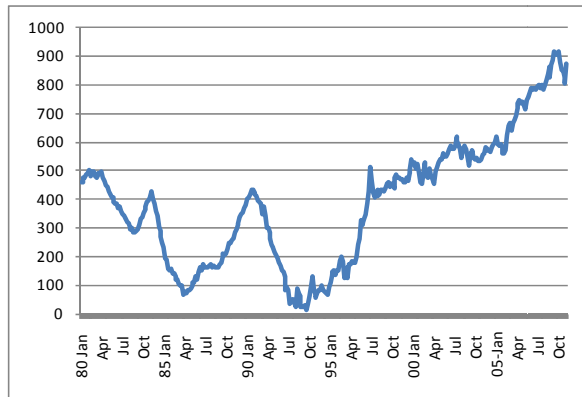
The gap between the two levels can partly be explained by the tight conditions on JSA entitlement - only those with sufficient Class 1 NI contributions qualify for contribution based JSA, which is only provided for six months. Those without sufficient contributions (who are more likely to be young workers, women workers or those who have been on self-employed contracts) will therefore only receive the benefit if their household income is below the qualifying threshold. And after six months all unemployed people, regardless of their contributions, are subject to the income test. In addition 16 and 17 year olds are not eligible for JSA.

The chart also shows a sharp increase in the gap during 1996. This is likely to reflect a change in the benefit rules, which reduced the amount of time an individual could receive contributory benefits for from 12 months to six. As can be seen, the gap between the two measures has never been greater than over the last few years – this reflects the fact that benefit entitlements are much tougher now than in previous recent recessions.

However, during recessions there is generally a convergence between the levels, as more workers with a history of NI contributions are made redundant. The proportion of unemployed workers who qualify for benefits increases, and in turn decreases during recovery, when a greater proportion of unemployed people will have been out of work for longer and will not qualify. Since October of last year the divergence between the claimant and ILO rates has been decreasing, as would be expected during a recession. But between March and April 2009 the gap between the claimant count data and ILO data increased, meaning that the ILO rate increased faster than the claimant count. This can be seen in the following chart, which documents the difference between ILO and claimant unemployment over time.

Recession Report

Difference between ILO and claimant unemployment rates, Jan 1980 – April 2009



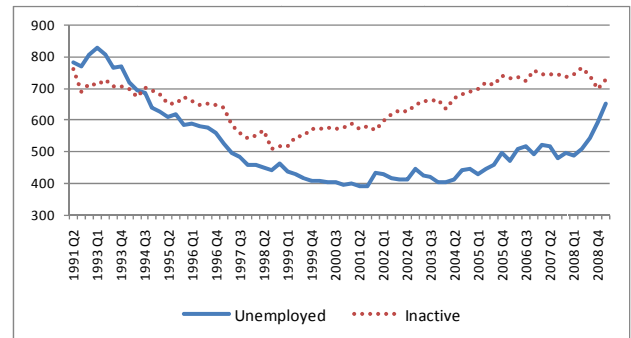
If this trend continues it would be worthy of investigation, but it is too soon to tell if this monthly change is of significance. If it is, it could indicate that tough benefit eligibility means the ILO rate is increasing at a faster speed.

Young people

Young people (aged 18-24) have seen another steep rise in their unemployment rate, which is now 17.3 per cent and has increased by 5.3 percent on the year. One in five young men are unemployed, and one in seven young women.

Of particular concern are the high levels of unemployment and economic inactivity among young people not in full-time education. 687,000 young unemployed people aged 16-25 are in this position, as are 730,000 economically inactive young people. Although this total is high, the annual increase among these groups has been much smaller than the rise in youth unemployment overall, only 171,000 or an annual increase of 13.7 per cent (compared to youth unemployment which has seen a 44.6 per cent annual rise). This is because levels of unemployment among young people not in education have been increasing since 2001, and increasing sharply since the first quarter of 2008. This can be seen below:

Numbers of young people (16-24) not in education who are unemployed and economically inactive, Q2 1991 – Q1 2009 (000s)



Regions

There is continued regional differentiation in unemployment rates. The West Midlands now has the highest regional unemployment rate, as well as having seen the highest increase on the year. The highest regional rate (West Midlands, 10.3 per cent) is over 4 percentage points higher than the lowest (South East, 6.1 per cent).

Regional unemployment rates are set out in the table below.

Change in regional unemployment rates from March – May 2008 to March – May 2009

Region	Unemployment rate March – May 2009	Annual change
West Midlands	10.3	4.1
Yorkshire and the Humber	8.8	3.2
Scotland	6.7	2.7
South East	6.1	2.2
South West	6.2	2.2
Wales	7.5	2.2
North West	8.3	2.1
Northern Ireland	6.3	2.1
London	8.6	2
North East	9.2	1.9
East	6.3	1.8
East Midlands	7.2	1.6
UK	7.6	2.4

Pay and earnings

The latest earnings data are for the three months to May and show that the annual increase (excluding bonuses) is 2.6 per cent.

Average earnings growth remains significantly stronger in services than in manufacturing, where it has fallen to 0.7 per cent (compared to 2.9 per cent in services). This is likely to be a reflection of the increasing use of short-time hours and temporary lay-offs in the manufacturing sector.

The latest figures from IDS are for the three months to the end of May, and show that the median pay settlement has remained at 2 per cent, and that the ratio of pay freezes has stabilised as just under a third of deals.

Notes

1. IDS Press Release Thursday 2nd July 2009 *Proportion of pay freezes stabilises?* Available to download here: <http://www.incomesdata.co.uk/news/press-releases/paysettlements1028.pdf>

Recession Report part 2

The recession and disabled people

Introduction

This month's Recession Report looks at the employment of disabled people and the impact of the recession. There is strong evidence that disabled people are among the most socially excluded groups in our society and that some aspects of this exclusion – especially unequal access to housing, transport and education – increase the difficulty many disabled people face in getting and keeping a job.

This recession began after a decade of steady improvement, but the employment position of disabled people worsened dramatically between the mid 1970s and the mid 1990s; as a result, the relative disadvantage of disabled people is still more noticeable than it was 35 years ago.

Fortunately, the early evidence seems to be that the recession has not hit disabled people harder than the non-disabled. If this can be sustained, the relative advance of disabled people may continue, but a lot will depend on the direction of Government policy – large cuts in public services would be very likely to harm disabled people's prospects.

The employment disadvantage faced by disabled people

Disabled people have, for a long time, been less likely to be in employment and more likely to be unemployed than non-disabled people. The most important recent study¹ showing this was published in 2003; using data from the General Household Survey, Berthoud and Blekasaune showed that women, members of ethnic minorities, older people and disabled people were all less likely to have a job than the rest of the population. Disabled people's disadvantage had grown between the mid-1970s and the mid

1990s, though things had improved after that. The study showed that:

- Before the recessions of the 1970s, 1980s and 1990s, in 1974 just over 60 per cent of disabled people had worked 16 hours a week or more.
- There was a brief recovery when the economy improved in the late 1980s.
- But otherwise, the employment rate for disabled people dropped until it reached 45 per cent in 1995.
- During that period what is often called the “disability employment gap” (the gap between employment rates for disabled people and the rest of the population) grew from 12 percentage points to 33 points.
- Disabled people are more likely than the rest of the population to be members of other groups that are also disadvantaged in the labour market; in particular, they are likely to be older and to have poorer health.
- This means that the “employment penalty” faced by disabled people compared with those with the non-disabled is less than the employment gap.
- Even so, the study found that the disability penalty was one of the largest faced by any disadvantaged group, and between 1974 and 1995 it grew from 5 percentage points to 18.
- By the time the report was published, it was a little smaller, about 15 percentage points.

Disabled people are not a homogeneous group; Berthoud and Blekasaune noted that other studies showed that, for people with more severe impairments, the gap was even worse. Recent data show that employment rates range from just over 1 in 10 for people with mental health problems and less than 1 in 5 for people with learning disabilities to more than 6 in 10 for those with diabetes, skin conditions or

chest/breathing problems² (the employment rate for the country as whole is over 7 in 10.)

Disabled people who are in employment earn, on average, almost £1 an hour less than non-disabled people in employment.³

Government data shows that, in 2007, disabled people had the lowest employment rate and the highest employment rate gap of any of the large disadvantaged groups reported on in the DWP Opportunity for All report:

Employment of disadvantaged groups, Great Britain, 2007⁴

	Employment rates	Employment rate gaps (percentage points)
Over 50s	71.60%	2.7
Ethnic minority people	60.10%	14.2
Lone parents	57.20%	17.1
Lowest qualified	50.10%	24.2
Disabled people	47.20%	27.1

There are several reasons for this. Although employment discrimination against disabled people has been against the law since the Disability Discrimination Act came into effect in 1996, it is undoubtedly still commonplace. But even if no employer ever discriminated against disabled people, other features of a discriminatory society and other aspects of social exclusion would still undermine the prospects of equal employment outcomes.

Firstly, housing. The excellent report on *Improving the Life Chances of Disabled People*, produced by the Prime Minister’s Strategy Unit in 2005 noted that “much of the housing stock is physically unsuitable for people with mobility or other impairments” and there were 181,000 households containing disabled people whose accommodation was unsuitable.⁵ The employment effects of the shortage of suitable housing affect many more disabled people – those who do have suitable housing are effectively locked in to that house or

apartment, restricted in their ability to move to take up a new job.

The Strategy Unit report also noted that disabled people still face inaccessible transport systems and travel a third less than the general public, with over a third of those who do travel experiencing difficulties.⁶ For many disabled people the inability to get to a place of work is at least as much of an obstacle as the attitudes of employers.

Most importantly of all, the long history of inequality in education means that disabled people have much lower levels of qualifications than the rest of the population. In 2008:⁷

- 10 percent of non-disabled people had no qualifications, compared with 24.3 percent of disabled people.
- 21.8 percent of non-disabled people had degree level qualifications, compared with 10 percent of disabled people.
- 16.4 percent of non-disabled people have Level 2 qualifications, compared with 12.7 percent of disabled people.

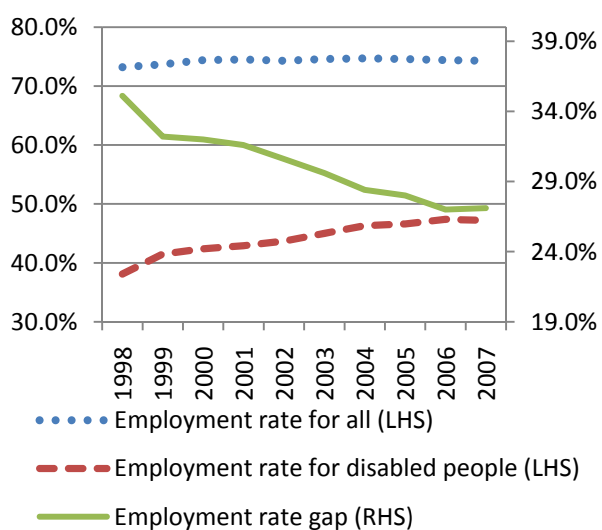
It goes without saying that the employability of many disabled people depends on the quality of the health and social care services they use. Too often, discussions about the employment of disabled people focus on employment services and benefit reforms, but all public services play a role. The current government deserves credit for recognising the need for an integrated strategy. The Strategy Unit report, the establishment of the Office for Disability Issues and the creation of a plan for disability equality by 2025 take us closer to a holistic approach than we have ever seen before.

Progress over the last ten years

On employment rates, steady progress has been made over the past decade. The DWP's Opportunity for All indicators show that the employment rate for disabled people has risen

from 38.1 percent in 1998 to 47.2 percent. The overall employment rate has also risen, but not as quickly, so the employment rate gap has shrunk, from 35.1 percent to 27.1 percent:

Employment rates and the disability employment rate gap⁸



The gap levelled off after 2006 – before the recession began. One reason for the easier progress before this point could be that there were disabled people who were more easily helped into employment, and that progress slowed as fewer of them remained. The well-publicised progress on moving towards equal rights for disabled people could have prompted people with less severe impairments to define themselves as disabled, helping to create just such a group.

The picture has been a little more mixed if we compare unemployment rates. A chart in an article in the *Economic and Labour Market Review* earlier this year revealed that the gap between the unemployment rates of disabled and non-disabled people shrank between 1998 and 2005, but after that grew to the start of the current recession.⁹

Economic inactivity

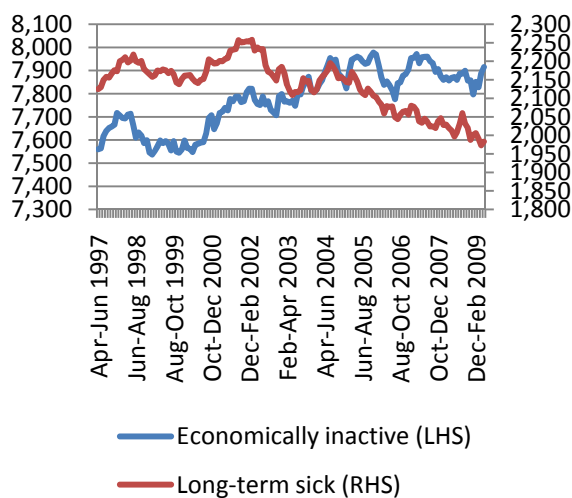
In labour market statistics, people of working age (over 16, under 60 for women, under 65

Recession Report

for men) are divided into two main groups. One is the ‘economically active’ – people who are either employed or unemployed – to be counted as unemployed you must be looking for work and able to start soon after being offered a job. The other main group are the ‘economically inactive’, which includes people who are outside the labour market because they are retired, because they are looking after their family and those who are categorised as ‘long-term sick’ – a group which captures a lot of disabled people.

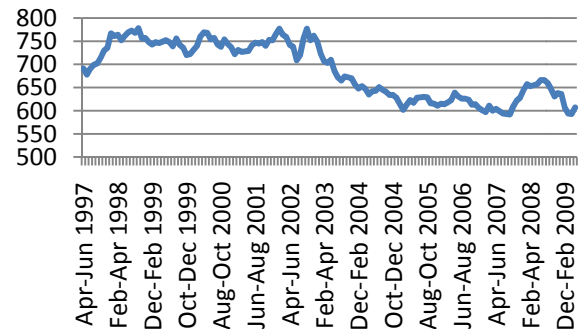
Since 1997 the overall number of economically inactive people has risen (mainly because of an increase of more than 50% in the number who are in this group because they are students). The number of economically inactive people classified as long-term sick, however, has been falling since 2001:

Economically inactive and long-term sick people, 1997 – 2009



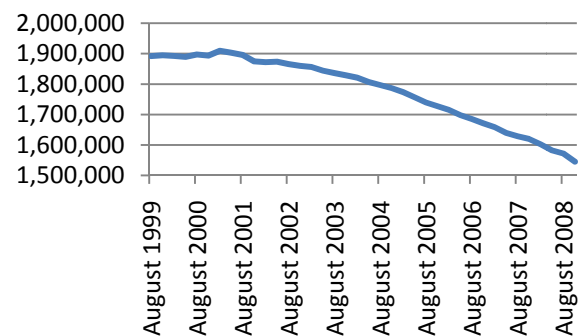
Economically inactive people are also surveyed to distinguish those who want a job. The number of people who are economically inactive because of long-term sickness and who want work came down rapidly in the early years of the century, but started rising again at the end of 2007. The number then came down rapidly as the recession began to bite:

Economically inactive long-term sick people who want work (000s)



The declining number of people who are economically inactive because of long-term sickness mirrors the decline in the number of working age people who receive Incapacity Benefit or Severe Disablement Allowance (replaced by Employment and Support Allowance at the end of 2008):

Numbers receiving IB or SDA, GB, 1999 - 2008¹⁰



What has been happening in this recession?

Earlier this year the Department for Work and Pensions published a very useful review¹¹ of the impact of the last three recessions on disadvantaged groups, including disabled people as described in contemporary academic research. The authors found that, during recessions, disabled people faced an increase in unemployment, which lasted longer.

- In 1980 a study found that the proportion of disabled people among the ‘stock’ of unemployed people was higher than the

proportion of those becoming unemployed because “while a relatively small percentage of people with a health condition or impairment flow onto unemployment, they tend to remain unemployed for longer.”

- A survey of eight metropolitan authorities in the early 80s revealed an “almost uniform picture of declining opportunity.”
- The same study found that the lack of employment opportunities for disabled people was leading to Day Centres and Adult Training Centres shifting away from ‘work-centred’ activities to ‘creative pursuits and social skills’.
- A 1990 study found that unemployment duration for non-disabled men averaged 57 weeks, compared with 149 weeks for those registered as disabled.

The authors of the 2009 review concluded that, during recessions, disabled people faced an increase in unemployment, which lasted longer. Berthoud and Blekasaune showed that, during the period from the mid-70s to the mid-90s, the relative position of disabled people worsened, the only respite being during the economic recovery of the late 1980s.

It was therefore reasonable to be concerned that the current recession could lead to the employment gap between disabled and non-disabled people widening again. The (tentative) good news is that this does not seem to be happening.

Of course, we have to be careful in describing a recession that is still in its early stages and when most of the figures only take us up to the spring of this year. But the early signs suggest that the relative position of disabled people is one of the few chinks of light in a very sombre overall picture. The most up-to-date study of the subject,¹² by the Equality and Human Rights Commission and the Department for Work and

Pensions, found that, between the first quarter of 2008 and the first quarter of 2009 the disability employment and unemployment gaps had both narrowed:

Employment and unemployment rates and gaps (%), 2008 - 9¹³

Groups	Q1 08	Q1 09
Employment rate - all working age	74.7	73.5
Employment rate - disabled people	48.0	47.7
Employment gap	26.7	25.8
Unemployment rate - all working age	5.4	7.3
Unemployment rate - disabled people	8.5	9.5
Unemployment gap	3.1	2.2

As the EHRC/DWP study notes: “the decline in the employment rate is far smaller than the fall for the overall population. The ILO unemployment rate increased for disabled people by a smaller amount than for the overall population...”¹⁴

This is good news, but it is not the whole story.

- Firstly, as the study also notes, the unemployment rate for disabled people is still significantly higher and the unemployment rate far lower.
- Secondly, the gaps may have declined but the number of disabled people who are unemployed has still risen and the number of disabled people in employment has still fallen.

Thousands of disabled people will lose their jobs in this recession and thousands more will fail to move into employment, policies to promote the employment of disabled people are still a necessity.

The policy agenda

The Government has important achievements to its credit. A series of reforms of the Disability Discrimination Act have made it a far more

effective weapon in the fight against disability discrimination than it was in 1997. Unions report that the Disability Equality Duty has been particularly useful in encouraging public sector employers to pay extra attention to disability issues.

These legislative initiatives have been backed up by investment in campaigns to counter prejudice against disabled people, such as the “Employ Ability” campaign, which aimed to improve employers’ understanding of disability and challenge negative assumptions about the skills and talents of disabled job applicants.

The Government can also take pride in record investment in the Access to Work programme. Access to Work provides financial support to enable employers to recruit or retain disabled workers needing support or adjustments. The Government has announced that the overall budget will be doubled (from £69 million to £138 million) over the next five years. The intention is to target greater resources at small and medium size employers, currently under-represented among those using the scheme, and to focus more support on people with mental health issues (where a pilot scheme in London has been extended) and those with learning difficulties (something which has not yet really begun). Additional funds have been found specifically to support SMEs during 2009/10. Other steps are being taken to improve the delivery of AtW, including posting AtW advisers in Jobcentre Plus district and regional offices.

Other success stories have included the New Deal for Disabled People and the Pathways to Work scheme, which have succeeded in discovering routes to employment for disabled people.

Not all the Government’s employment policies for disabled people have been a success. The ‘modernisation’ of Remploy – provider of most sheltered employment in this country – is a prime example. In effect, the reform programme

set the company on the road to becoming an employment broker for disabled people instead of a direct provider of factory-based employment. After a long struggle, 29 factories were closed, with the loss of 2,500 jobs. A March 2009 survey by the company of former workers found that just 28 percent were in work. Under the terms of the redundancy agreement, 232 former factory employees were still employed by Remploy, of whom just 47% were working for a host company on a permanent contract – the others were either on a placement or looking for work.¹⁵

Since the factory closures, Remploy has been further hit by the recession, though the TUC has not heard of any redundancies that have resulted. The work done by the supported employment factories and workshops run by local authorities has also been hit by the recession, but there have been so far no factory closures and no job losses.

Disabled people have a vital interest in the direction that economic policy takes over the coming years. Cutting public sector employment would reduce job opportunities for disabled people – according to the DWP, “public administration, education and health” have the highest employment rate of any industry.¹⁶

Direct public sector employment is not the only concern - we have already seen that the employability of disabled people is determined by the quality of such services as housing, health, transport and education. A radical programme of cuts will have the most severe impact on those most in need; the more severe the cuts the worse the impact on disabled people’s prospects of equality in employment would probably be. For anyone who cares about disability equality, the debates about public spending cuts will be the most important policy decision for a generation.

Notes

¹ *Persistent Employment Disadvantage, 1974 to 2003*, Richard Berthoud and Morten Blekesaune, ISER Working Paper 2006-9, 2006, downloaded from

<http://www.iser.essex.ac.uk/publications/working-papers/iser/2006-09.pdf> on 14-7-09.

² *Factsheet – Employment*, ODI, n.d., downloaded from

<http://www.officefordisability.gov.uk/research/facts-and-figures.php> on 15-7-09.

³ Ibid.

⁴ Data taken from the DWP *Opportunity for All* website, <http://www.dwp.gov.uk/publications/policy-publications/opportunity-for-all/indicators/table-of-indicators/people-of-working-age/indicator-19/> on 14-7-09.

⁵ Op cit, p 49.

⁶ Ibid, p. 50.

⁷ *Annual Report 2008*, Office for Disability Issues, indicator B8, downloaded from <http://www.officefordisability.gov.uk/docs/res/annual-report/indicators/b8.pdf> on 15-7-09.

⁸ Data taken from the DWP *Opportunity for All* website, <http://www.dwp.gov.uk/publications/policy-publications/opportunity-for-all/indicators/table-of-indicators/people-of-working-age/indicator-19/> on 15-7-09.

⁹ “Unemployment Trends since the 1970s”, Debra Leaker, *Employment and Labour Market Review*, vol 3 no 2, Feb 2009, fig 8.

¹⁰ Source: downloaded from NOMIS, ONS, on 14-7-09. Figures are for GB, numbers in receipt of IB or SDA (excludes credits-only claims), and of working age.

¹¹ *Review of evidence on the impact of economic downturn on disadvantaged groups*, Bruce Stafford and Deirdre Duffy, DWP, Working Paper 68, 2009.

¹² *Monitoring the impact of the recession on various demographic groups*, EHRC and DWP for the Government Equalities Office, June 2009, downloaded from

<http://dwp.gov.uk/docs/monitoring-impact-recession-demographic-groups.pdf> on 16-7-09.

¹³ Ibid, p 11. Figures are LFS, GB, NSA, working age.

¹⁴ Ibid, p 19.

¹⁵ Commons *Hansard*, 11 June 2009, col. 976W.

¹⁶ *Department for Work and Pensions: Secretary of State Report on Disability Equality*, DWP, 2008, p 37, downloaded from <http://dwp.gov.uk/docs/sos-report-on-disability-equality.pdf> on 17-7-09.