

Labour Market Statistics, May 2020: Analysis of Claimant Count data

19 May 2020

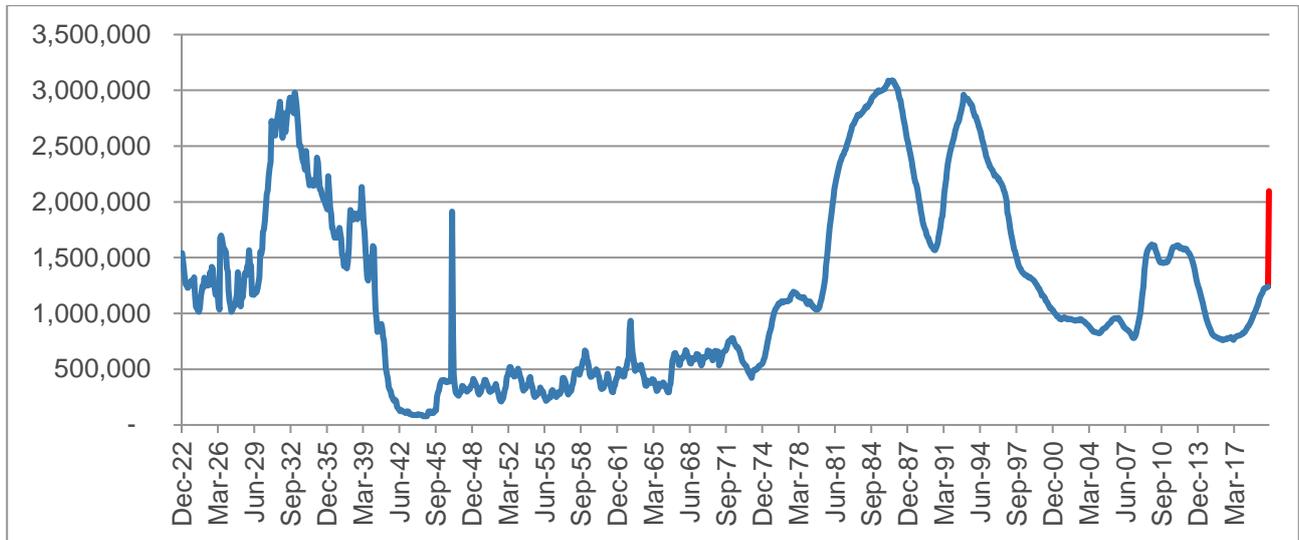
This briefing note sets out analysis of the Claimant Count data published this morning (19 May). The Claimant Count is a measure of the number of people claiming benefits principally for the reason of being unemployed. It is compiled from Jobseeker's Allowance and Universal Credit data. The Claimant Count is not an official measure of unemployment, but it generally follows the same trends as the official survey-based unemployment measure, and provides more timely and granular data. The statistics released today relate to claimants as at 9 April 2020, so approximately three weeks after the Covid-19 crisis began.

This briefing sets out changes in claimant unemployment overall, by age, gender and then area. It shows that we have seen a faster rise in claimant unemployment than at any point since 1947, with those living in the most disadvantaged areas seeing the most significant impacts.

Claimant unemployment rose at its fastest since 1947

Between March and April, claimant unemployment rose by 860 thousand, from 1.24 million to 2.10 – an increase of 69%. This is the fastest rise in administrative unemployment since the winter of 1947. Claimant unemployment is now at its highest since August 1996. This is set out in Figure 1 below.

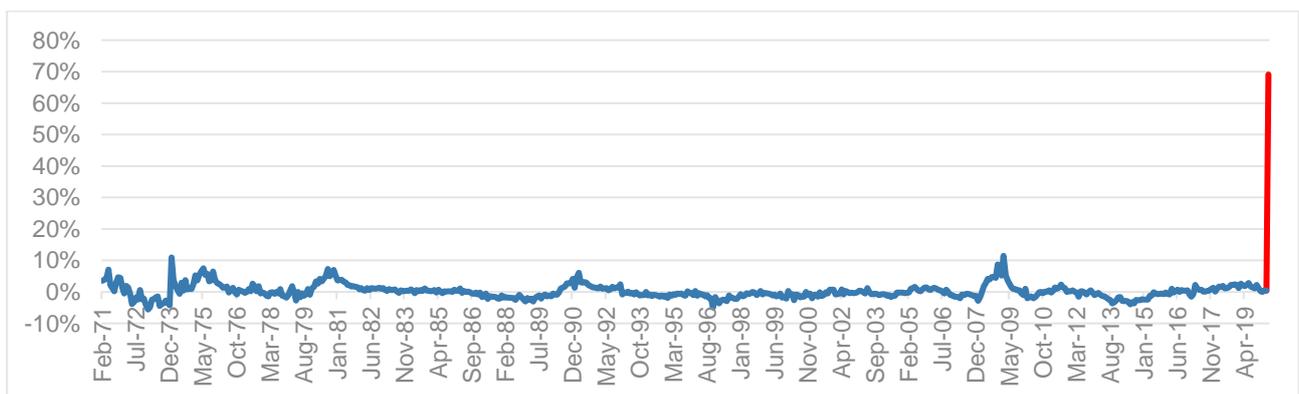
Figure 1: Administrative and Claimant Unemployment, 1922-present



Source: IES analysis of Bank of England and Office for National Statistics data. The figure presents Administrative Unemployment for 1922-1971, and the Claimant Count for 1971-2020. Red line indicates the change in claimant unemployment between March and April 2020.

Figure 2 below shows the monthly change in claimant unemployment since the claimant count was introduced in 1971. This shows that the rise in the count in the last month has been nearly six times greater than for any month in the last fifty years.

Figure 2: Monthly change in claimant unemployment, %



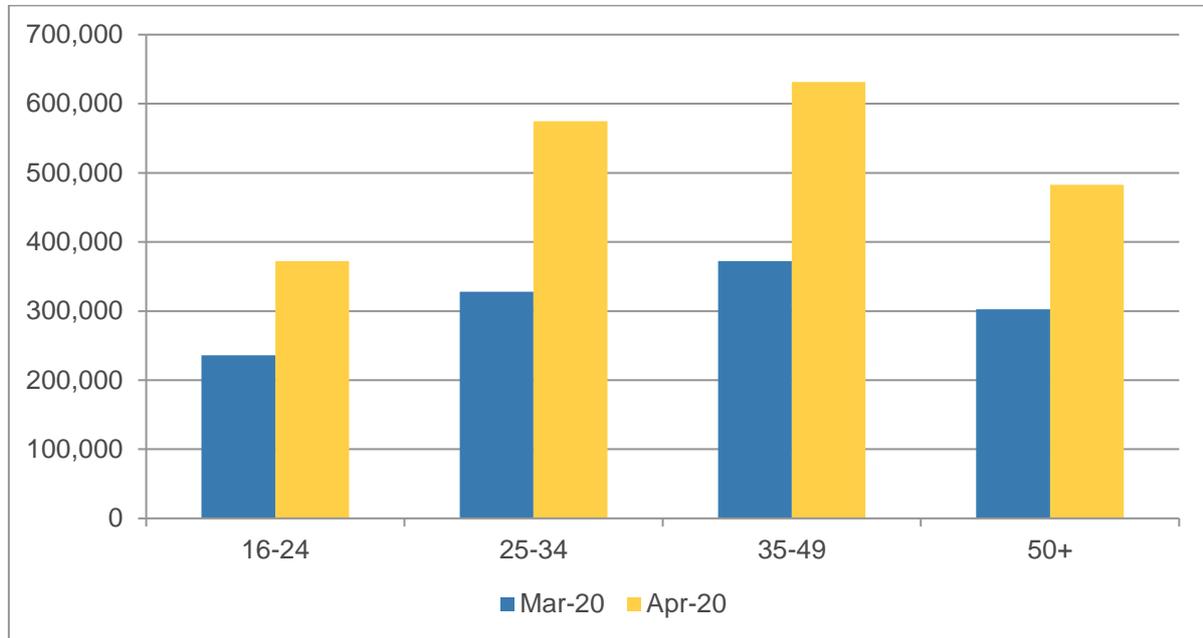
Source: IES analysis of Office for National Statistics claimant count data. Red line indicates the change in claimant unemployment between March and April 2020.

Two thirds of the rise in claimant unemployment was among those aged 25-49

As Figure 3 below sets out, the claimant count rose significantly for all age groups between March and April 2020. Those aged 25 to 49 accounted for nearly two thirds of the rise (62%). The large increases for those over 50 however should be a particular

cause for concern, as previous recessions have shown that older people are much less likely to leave unemployment and get back to work than others.

Figure 3: Claimant unemployment by age, March-April 2020



Source: IES analysis of NOMIS claimant count data

It is also possible to estimate a claimant unemployment rate by age, by dividing the level of unemployment for each age group by the estimated number of people who are economically ‘active’¹ from the Labour Force Survey. This is set out in Figure 4², which also shows the percentage point changes in unemployment rates by age. This illustrates that once the size of the labour force is taken into account, younger people have seen larger rises than older people – with the employment rate for those aged under 35 rising by 3.1 percentage points in a single month.

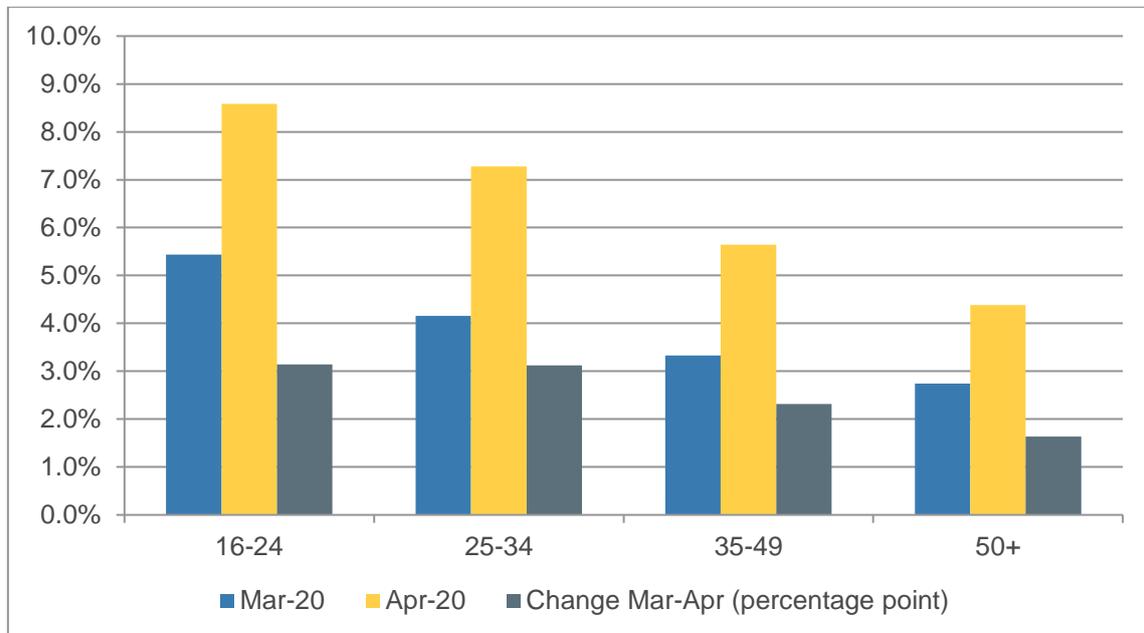
Because these are measures of claimant unemployment, they are also likely to significantly under-estimate unemployment for younger people (those aged 18-24) as we know that young people are far less likely to claim benefits than other age groups. The official, survey based measure of youth unemployment was approximately double the claimant rate on the eve of the crisis, with two thirds of this difference explained by young unemployed people who were not eligible for benefits either due to being in full-time

¹Meaning that they are either employed or unemployed – so excluding those who are out of work but not actively looking or available for work.

²These figures should be treated with caution, as they use estimates of the economically active population between January and March 2020 which are likely to over-state economic activity and so under-estimate the unemployment rate. This is because some of those who left employment since March 2020 will have become economically ‘inactive’ rather than unemployed, so reducing the level of economic activity.

education or aged under-18. It is very likely that the official measure of unemployment for young people is now closer to 20%. This would be consistent with previous recessions, where for example unemployment rose three times faster for young people than for other groups in the last downturn.

Figure 4: Estimated claimant unemployment rate by age, March-April 2020



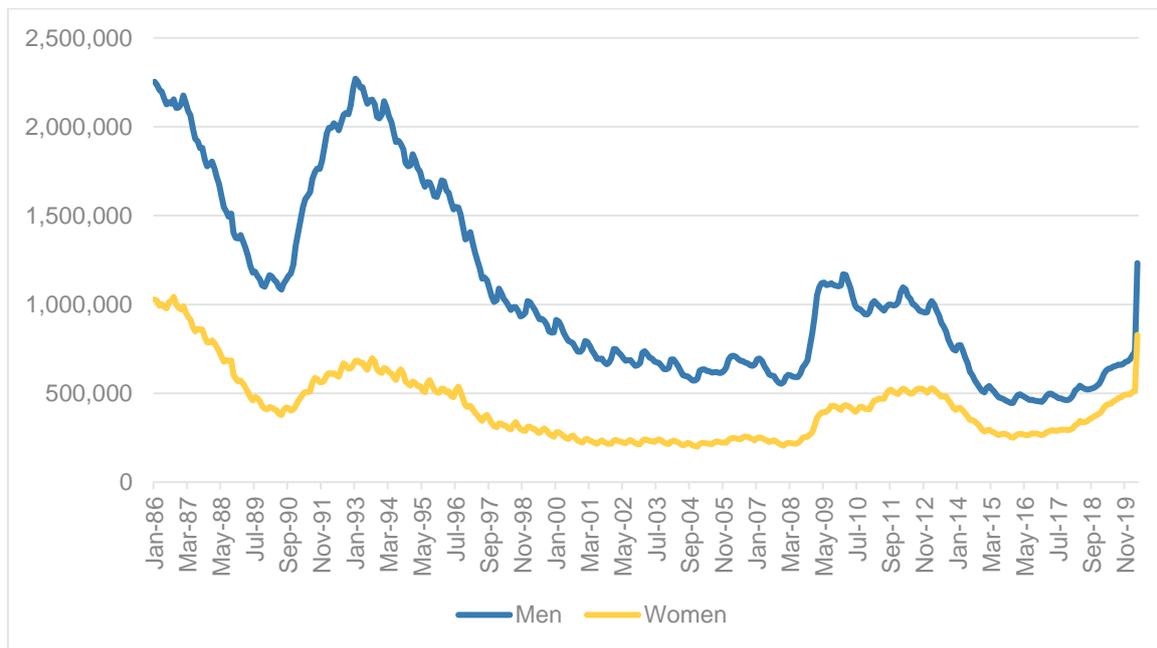
Source: IES analysis of NOMIS claimant count and ONS Labour Force Survey data

Men accounted for three fifths of the increase in claimant unemployment

Figure 5 shows that the difference between the numbers of men and women claiming benefits for unemployment has narrowed significantly since data started being collected in 1986. This mainly reflects increased labour market participation by women, as well as changes in entitlements to benefits for lone parents. On the eve of the downturn, 59% of claimants were men and 41% women.

Over the last month, claims have spiked for both men and women, with men accounting for most of the rise. However, this has been broadly in line with their share of claimants (up by 61% for men and 39% for women).

Figure 5: Claimant unemployment for men and women, 1986-present



Source: IES analysis of NOMIS claimant count data

More disadvantaged places have seen larger rises in claimant unemployment

Of most concern in today’s data however is that areas that were most disadvantaged before the crisis appear to have fared worst over the last month.

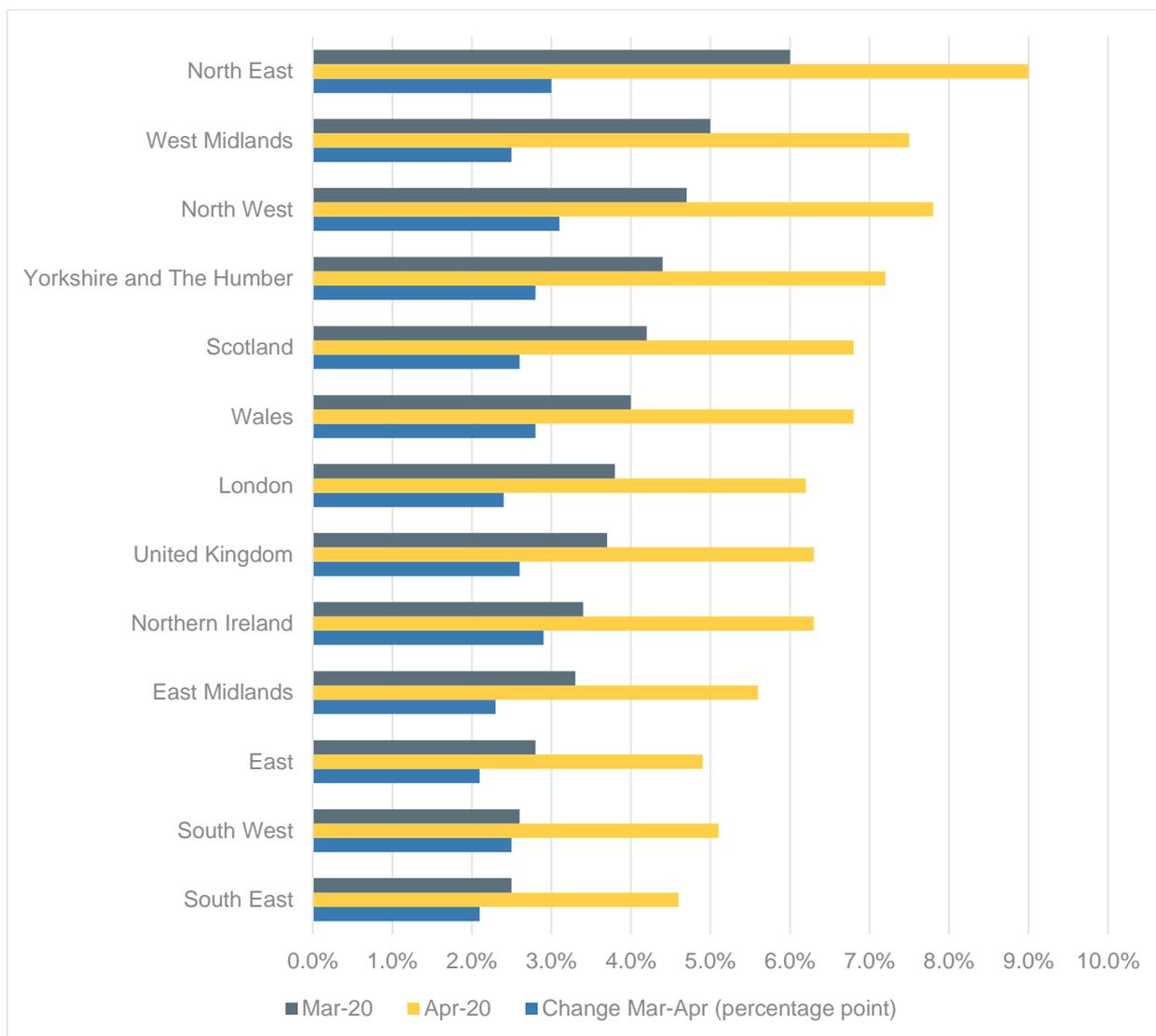
Analysis of the nations and regions of the UK shows that those regions with higher unemployment have seen the largest percentage point rises. This is illustrated in

Claimant unemployment has increased fastest in the North West (up by 3.1 percentage points), the North East (3.0) and Northern Ireland (2.9). It has increased least in the South East and the East of England (both up by 2.1%).

Figure 6 below, which shows the claimant unemployment rate in March and April 2020, and the percentage point change between those two months.

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Figure 6: Claimant unemployment rate by region or nation, March-April 2020



Source: IES analysis of NOMIS claimant count data

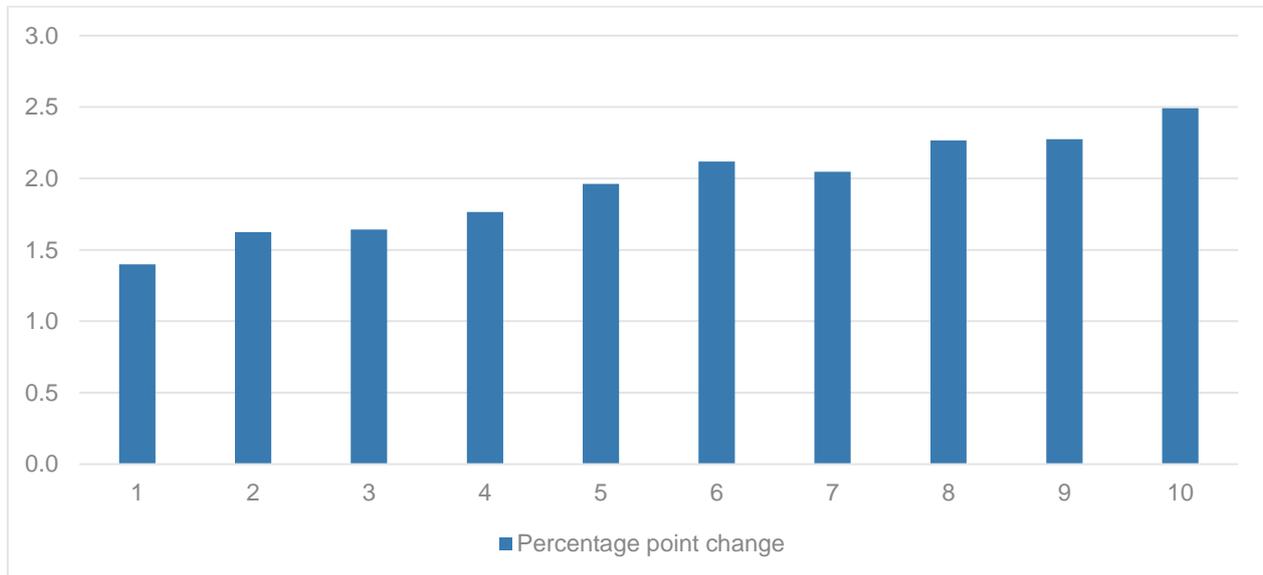
However, the differences within regions are even greater than those between them, and it is here that we can most clearly see that areas that are more disadvantaged have been worst affected by the crisis. This again is consistent with previous recent recessions.

This is illustrated in Figure 7 below, which shows the percentage point change in the proportion of residents who are claimant unemployed, by decile of unemployment immediately before the crisis began. Those areas in the first decile had the lowest unemployment (averaging just 1.3% of residents), while those in the tenth had the highest unemployment (averaging 5.3% of residents).

A clear pattern emerges in this analysis that the rises in claimant unemployment have been greatest in those areas that had the highest unemployment before the crisis began. Those areas with highest unemployment have seen rises of on average 2.5 percentage points, to 7.7%; while those areas with lowest unemployment have seen a rise of just 1.4 points, to 2.6%. This means that the gap between the lowest and highest areas has also

widened, from 4.0 to 5.1 percentage points. This is an increase of more than a quarter in just one month.

Figure 7: Percentage point change in proportion of residents claimant unemployed, by decile of unemployment in March 2020 (1=lowest)



Source: IES analysis of NOMIS claimant count data

Looking at individual local authority areas, parts of the North East and North West stand out in particular, but there are significant rises in some other parts of the country too.

In Blackpool, one in nine residents (11%) are now claimant unemployed, up from 7% in March. One in eleven residents are claimant unemployed in Middlesbrough, South Tyneside, Birmingham, Wolverhampton and Thanet.

Conclusions and implications

The data published this morning provides the first official insight into the labour market impacts of the Covid-19 crisis, with the Claimant Count data giving us the most timely indicators of the impacts on different areas and groups. As expected, this crisis has seen unemployment rise at a speed that is unprecedented in our lifetimes, and these impacts have been greatest for those living in the most disadvantaged areas. The widening of the gap between more and less advantaged areas is of particular worry, and needs to be an urgent priority for action. This is consistent with previous recessions, but the scale of the impacts far exceeds those that we have seen in any recent downturn.

Separately, we have been publishing [weekly analysis of real-time vacancy data](#) which has shown that new job creation has also fallen faster year-on-year than at any point in modern times. With claimant unemployment now at 2.1 million, and vacancies at 329 thousand, there are now 6 claimants for every vacancy – compared with around 1.5

before the crisis began. This is a tougher labour market for jobseekers than at any point in living memory.

In our view the government now needs to prioritise the rapid scaling up of one-to-one support for those out of work to begin to prepare for a return to work as the economy recovers – mobilising recruitment services, local government, the voluntary and community sector and wider employment services. Alongside this, we need to begin to develop more intensive active labour market programmes in preparation for the large rises in long-term unemployment that are likely later in the year, including through a guaranteed offer of a job or training place for all long-term unemployed young people.

Our [Getting Back to Work](#) report last month set out further proposals in this space, while today we are also publishing a new report – [Help Wanted](#) – co-authored by 13 individuals from nine different employment and social policy organisations, making more detailed proposals for how the employment response to this crisis could be taken forward. This sets out action in five areas:

1. Targeted tapering of the government's emergency support for workers. Providing support to find new work for furloughed workers who lose their jobs as the Coronavirus Job Retention Scheme is withdrawn between August and October.
2. Investing up to £800 million to scale up back-to-work support for the newly unemployed. This would mobilise Jobcentre Plus work coaches, the recruitment industry and local and voluntary sector employment and training services.
3. Ensuring that the long-term unemployed and disadvantaged are not left behind. Investing up to £2.4 billion in personalised support alongside access to training, volunteering and other specialist help.
4. Education and employment promise for young people. Everyone leaving education this year should be guaranteed support to find work or a place in education or training; with intensive employment support for all unemployed young people, underpinned by a £1 billion Jobs Guarantee for those out-of-work for the longest.
5. Building for the future. We should plan now for how to level up access to well paid, high quality work based on understanding the future of the labour market, and ensure world class employment and skills services for all young people and adults.

About IES

The Institute for Employment studies is an independent, apolitical centre of research and consultancy in employment policy and human resource management. It works with employers, government departments, agencies and professional and employee bodies to support sustained improvements in employment policy and practice.

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