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Dynamics of worklessness

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Dynamics of worklessness

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1 Introduction

The Observatory's 2009 [Baseline Report on Economic Inclusion](#) in the West Midlands provided a comprehensive review of the issues surrounding worklessness in the region. This gave us for the first time an indication of the scale of the long-term worklessness problem facing the region.

The Baseline report forms part of a programme of research on Economic Inclusion which is being undertaken by the Observatory to inform the work of the Economic Inclusion Panel and inform work to deliver the Regional Economic Strategy.

Following publication of the baseline report it was felt that further in-depth analysis of the dynamics of the worklessness problem would be worthwhile. This piece of work aims to understand to what extent individuals are moving in and out of the labour market, entering work for short but unsustainable periods, and/or making repeated benefit claims.

This report aims to answer the following research questions:

- Are there local areas where large numbers of people remain out of the labour market for prolonged periods? Where are these areas?
- At regional level, what proportion of those in employment, or unemployment, or inactivity, were in a different employment category 12 months ago?
- What are the demographics of those whose status has changed?
- What is the profile of those who have remained workless over a period of 1 year?
- At regional level, what is the prevalence of repeat JSA claims, intervals between claims by key demographic factors?

In order to answer these questions we identified various relevant data sources such as the Labour Force Survey and the Jobseekers allowance (JSA) data.

This report is structured around three main chapters. The first one presents the findings around long term employment stability; the second one focuses on the findings from the Jobseekers allowance (JSA) data; and the third one compiles the sub-regional messages from the research.

2 Stability of employment status

2.1 Introduction

This chapter uses data from the Labour Force Survey (LFS). In the LFS, each person is surveyed in five consecutive quarters and the analysis compares their responses over time. The dataset includes respondents who were first interviewed between July 2006 and June 2007 (and were last surveyed between July 2007 and June 2008). The time period analysed is deliberately pre-recession, to give an insight into long-term problems and the dynamics present in the labour market during a relatively stable period.

The sample size in the dataset is large enough to give reliable comparisons between the regional picture and the national one. It also allows us to compare certain sub-groups of the population. However, the sample size is not large enough to allow more detailed breakdowns than those presented.

During the analysis we have looked at the differences between groups with a range of demographic characteristics (split by gender, age, ethnicity, disability), by qualification levels and, for those who were workless, by the length of time they had been without a job.

In each of the charts, respondents are split into four groups

- **Employed all quarters** - Those who were employed at each of the five survey points
- **Workless all quarters** - Those who were workless (either inactive or unemployed) at each of the five survey points
- **Status changed over quarters** - Those whose status changed between workless and employed at least once during the survey period
- **Entering or leaving age range** - Those who either reached age 16 or who passed retirement age during the survey period

It is worth noting that each respondent was only asked about their employment status once in each quarter. Therefore, there may be some instances where individuals were employed at each survey point but had a short period of worklessness in between. Equally, there may be individuals who were workless at each survey point but had a short period in a job in between.

2.2 Key Messages

2.2.1 Work instability

- The snapshot employment rate contains a significant number of people whose employment is non-continuous.
- Two thirds of workless people in the West Midlands are long-term or continually workless.
- 9% of the working age population in the region are likely to switch between employment and worklessness over the course of a year.
- Although around 72% of the working age population of the region are in employment at any one time, only 63% are employed throughout a full year
- 12.5% of those in employment at any given time will experience a period of worklessness over the course of a year.

2.2.2 Region

- Fewer people in the region remained in employment throughout the course of a year than nationally and more people were workless for the whole year than nationally
- In the region, more women move between employment and worklessness than nationally but fewer men do - in both groups long-term worklessness is higher in the region than nationally
- Young people in the region are much less likely to be in steady employment throughout a year than nationally but are also less likely to remain workless. Instead they are more likely to move in and out of jobs than in other parts of the country

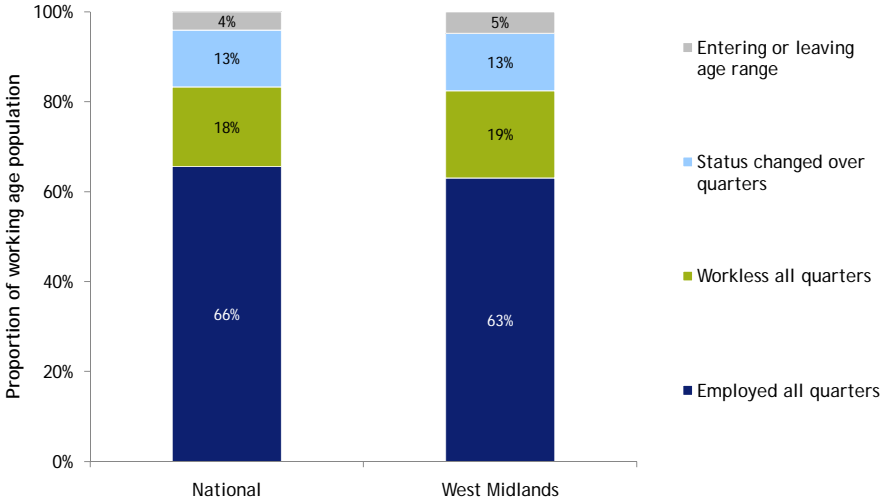
2.2.3 Demographics

- Non-white ethnic groups in the region are nearly twice as likely to be long-term workless than their white counterparts, and the rate is well above the national average for non-white groups. They are less likely to move between employment and worklessness than nationally
- People with qualifications at level 3 or above are more likely to be in continuous employment in the region than nationally. At the other end of the scale, people with no qualifications are less likely to be in continuous employment and more likely to be long-term workless than nationally

- The highest level of job instability is amongst those whose highest qualification is at level 2 - nearly one in five of them moved between employment and worklessness in a year, higher than the national average
- People with disabilities or health problems are less likely to be continuously employed and more likely to be long-term workless in the region than nationally. They are less likely to move between work and worklessness than other people

2.3 Employment stability in the region

Figure 1 Overall picture



Source: Office for National Statistics, Longitudinal Labour Force Survey

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In the West Midlands overall a smaller proportion of people were employed in all quarters than nationally, and a greater proportion were workless in all quarters (See Figure 1). The proportion of people whose status changed over the period (i.e. they moved between employment and worklessness) is similar in the region and nationally, indicating workless individuals in the region are more likely to be long-term workless rather than short-term.

13% of people move between employment and worklessness over the course of a year, indicating a significant number of people for whom work is not a steady long-term prospect (Figure 1).

Consequently the proportion of people employed continuously over the period is 63%, significantly lower than the snapshot employment rate over that period of around 72%.

With a higher rate of worklessness, it might be better for there to be more movement, with people at least experiencing short periods of work rather than persistent exclusion. However, we are seeing that there is a long term problem with people less likely to be long-term employed, more likely to be long-term workless and no more likely to change status than nationally.

Table 1 Key figures for the West Midlands

	Key figure	Employment status
Employment	2,403,000	People employed at once ¹
	2,103,000	People continuously employed (employed all quarters)
	300,000	People non-continuously employed ² (will experience a period of worklessness over the course of a year)
	12.5%	Proportion all people employed who are non-continuously employed
	9.0%	Proportion of working age population (WAP) who are non-continuously employed
	63%	Proportion of working age population (WAP) who are continuously employed
Worklessness	934,000	People workless at once
	646,000	People workless all quarters
	288,000	People non-continuously workless ³ (will experience a period of employment over the course of a year)
	31%	Proportion of all workless who are non-continuously workless
	69%	Proportion of workless who are long-term workless (continually workless for 1 year)
	8.6%	Proportion of working age population (WAP) who are non-continuously workless
	19%	Proportion of working age population (WAP) who are continuously workless

From the table we can highlight the following messages about durability of employment and worklessness:

- Of those in employment at any time, 12.5% were not continuously employed. This means that they will move into or from worklessness for a period over the course of a year.
- 28% of people of working age in the region are workless at any given time (934,000 people).
- 69% of the workless (or 646,000 people) are long-term workless, and remain workless over a one year period.

¹ Estimated using 72% employment rate for the West Midlands

² Calculated as the difference between the people employed at once and those employed all quarters

³ Calculated as the difference between the people workless at once and those workless all quarters

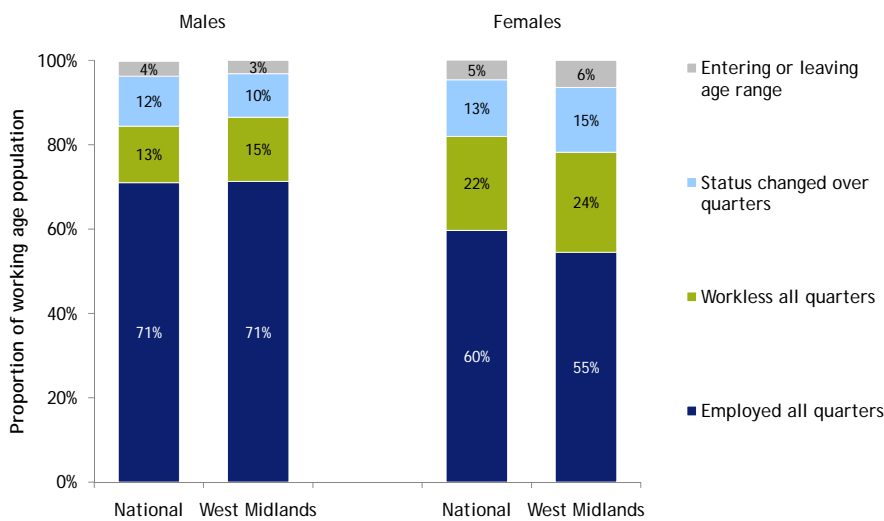
- 288,000 workless people (or 31% of the region's workless) will have been in a job at some point over a 1 year period

2.4 Gender

Figure 2 shows that for males in the region, higher proportions are workless all quarters, and fewer experience a change in status over the period than nationally. However, for females there is a different pattern, with a higher rate of movement between employment and worklessness.

The percentage of women in this region who are continuously employed is five percentage points lower than nationally, but the proportion continuously workless is more even. The proportion moving between employment and worklessness is greater. This indicates that a large proportion of the worklessness experienced by the region's female population is short-term.

Figure 2 Gender



Source: Office for National Statistics, Longitudinal Labour Force Survey

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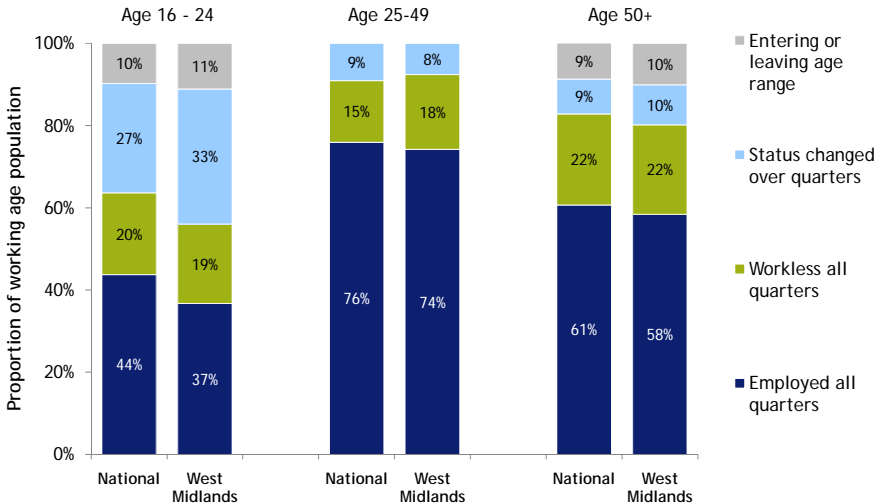
2.5 Age

For those aged between 25 and 49 the lower proportion employed continuously is not compensated for by short term employment, leading to significantly higher long-term worklessness in this region (18% compared with 15% nationally).

Work instability among young people (aged between 16 and 24) is higher in the West Midlands than nationally. The region also has a lower proportion of young people continuously employed than nationally over the same period. However, the proportion of young people who were continuously workless is slightly lower in the region.

Older people are slightly more prone to moving between employment and worklessness in the region than nationally, with 10% of those aged 50+ changing status at some point over the course of a year. Worklessness among older people is not particularly worse in this region though, with a similar rate of long-term worklessness here as nationally.

Figure 3 Age



Source: Office for National Statistics, Longitudinal Labour Force Survey

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2.6 Ethnicity

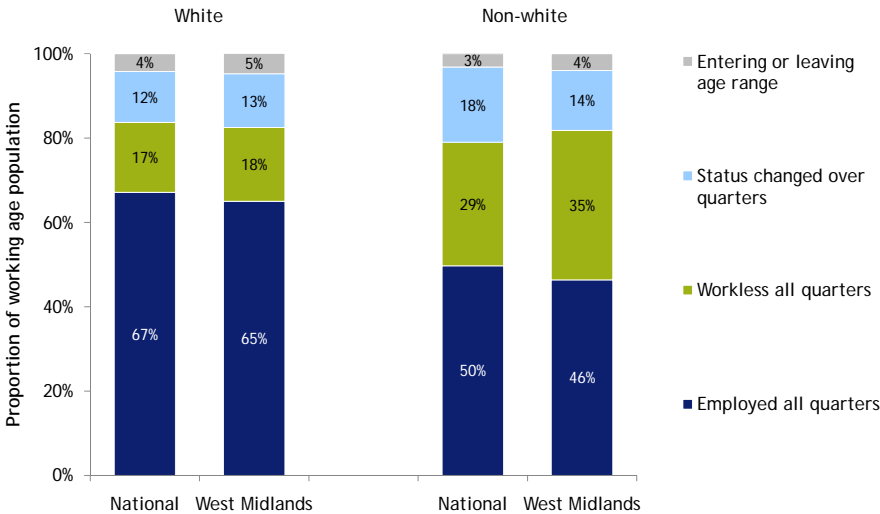
When comparing between the white and non-white groups in the West Midlands⁴, the proportion in continuous employment is considerably higher for the white population (65% against 46%). The proportion of the non-white population who are in long-term worklessness is much higher for the non-white population.

In the West Midlands the white population has slightly lower levels of continuous employment when compared to nationally. This group also has slightly higher long-term worklessness and work instability.

⁴ More detailed ethnic breakdowns are not possible due to small sample sizes.

For the non-white population the picture is different with the gaps between the West Midlands and the nation being greater. The non-white population within the region has lower levels of continuous employment and higher rates of long-term worklessness than nationally: For non-white groups long-term worklessness is twice as high as for white groups. Non-white groups are also 6 percentage points more likely to be long-term workless in this region than nationally. Work instability is lower in the West Midlands for this group than nationally, indicating a more static picture of worklessness.

Figure 4 Ethnicity



Source: Office for National Statistics, Longitudinal Labour Force Survey

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2.7 Qualifications

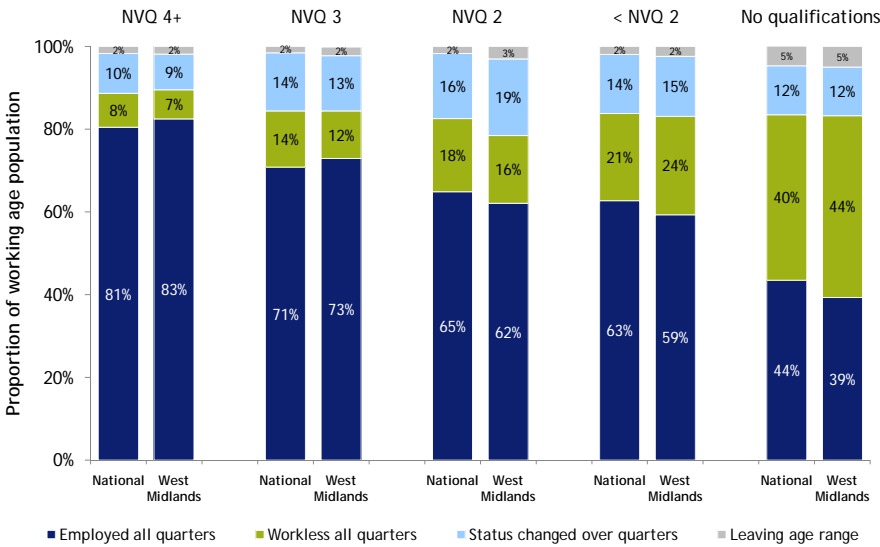
In the West Midlands worklessness and work instability are much less of an issue for those with intermediate or high levels of qualifications (NVQ3 and above). Indeed, the proportion of those with level 4+ qualifications (degree level) in continuous employment in this region is above the national level (83% against 81%).

At the other end of the scale the picture is quite different. Among those with no qualifications the proportion in continuous employment is around 4 percentage points lower in the West Midlands when compared to the national level. The proportion long-term workless is also 4 percentage points higher in the West Midlands compared to the national figure. Work instability is the same in the region and nationally.

This indicates that whilst we know worklessness levels are higher for those with no qualifications, they are also more likely to long-term workless, and less likely to be experiencing short-term employment.

The proportion of the population with the greatest work instability in the region is those with NVQ 2: 19% of those with their highest qualification at level 2 will move between worklessness and employment over the course of a year. This is 3 percentage points higher than nationally, and more than double the rate for those with a level 4+ qualification.

Figure 5 Qualifications



Source: Office for National Statistics, Longitudinal Labour Force Survey

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2.8 Long-term health problem / disability

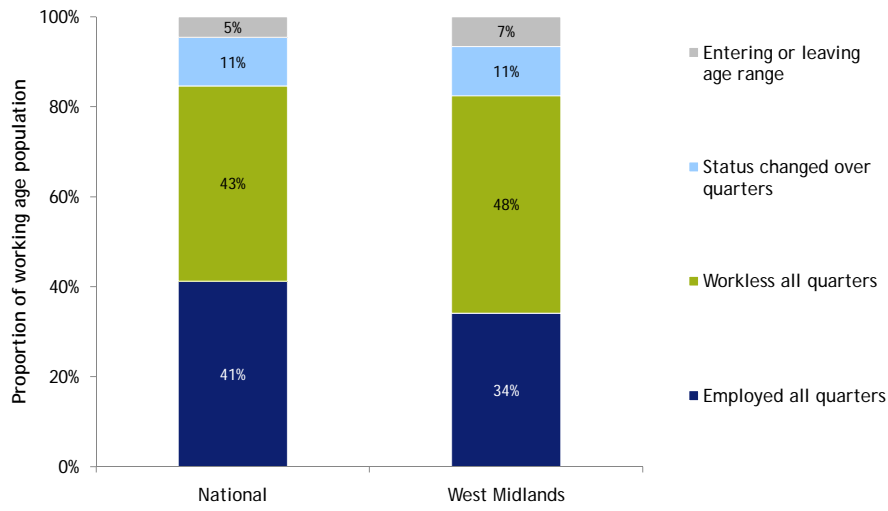
The proportion of people with long-term health problems / disability continuously employed over a year is a low 34%, and is 7 percentage points less in the West Midlands than nationally.

Long-term worklessness is also an issue for those with long-term health problems or disability. In the West Midlands 48% stayed workless all quarters while nationally it was 43%.

Those with health problems are less likely to change status than the general population, with 11% moving between employment and worklessness both regionally and nationally.

This indicates that a higher proportion of worklessness for people with health problems is long-term.

Figure 6 Long-term health problem / disability



Source: Office for National Statistics, Longitudinal Labour Force Survey

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3 Movements on and off benefits

This chapter is based on analysis of Jobseekers' Allowance (JSA) claimants. It looks at the proportion of JSA claimants who stop claiming each month (the 'leavers rate'). In most cases claimants leave because they have found work, although some may be because they transfer to other benefits, or a range of other reasons. The results give us an idea of how much movement there is between unemployment and work. We looked at data from June 2007 to May 2008. As with the previous section this time period was deliberately chosen because it was before the recent recession.

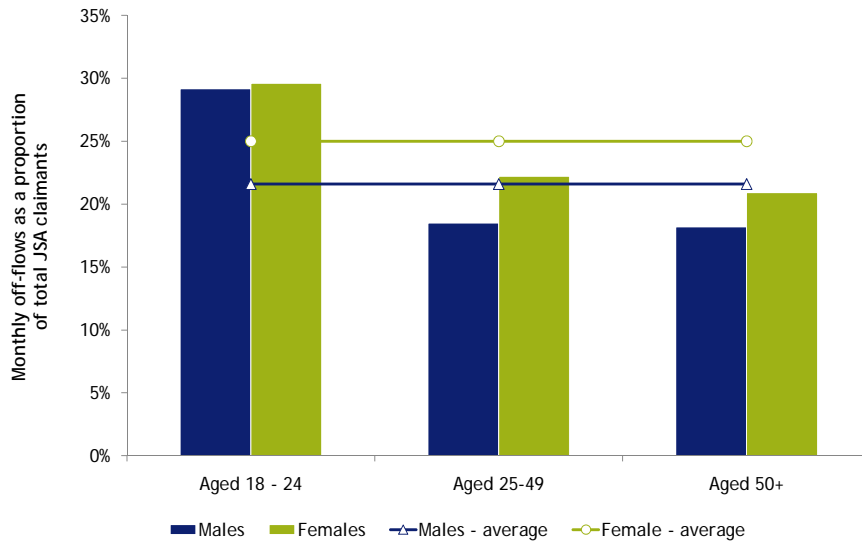
Key messages:

- 75% of claimants of jobseekers allowance claim for less than 6 months, but 69% have made a previous claim.
- 31% of JSA claimants are first time claims, while 22% had 5 or more previous claims. 37% had 3 or more previous claims.
- Gaps between claims are often short, with 23% of claimants having had a previous claim less than 4 weeks previously.
- People from black ethnic groups have leavers rates at least 6 percentage points below the average.

3.1 Gender and age

The average 'leavers rate' for males in the region is 22% compared to 25% for women (see figure 8). This means that in the year to May 2008 on average just over 1 in 5 men claiming JSA left the benefit each month compared to 1 in 4 women. Women are therefore slightly more likely to change status than men, although this will be partly explained by complex benefit rules around partners' income.

Figure 8 JSA leavers rates by age and gender



Source: Office for National Statistics, claimant count (June 07 - May 08 average)

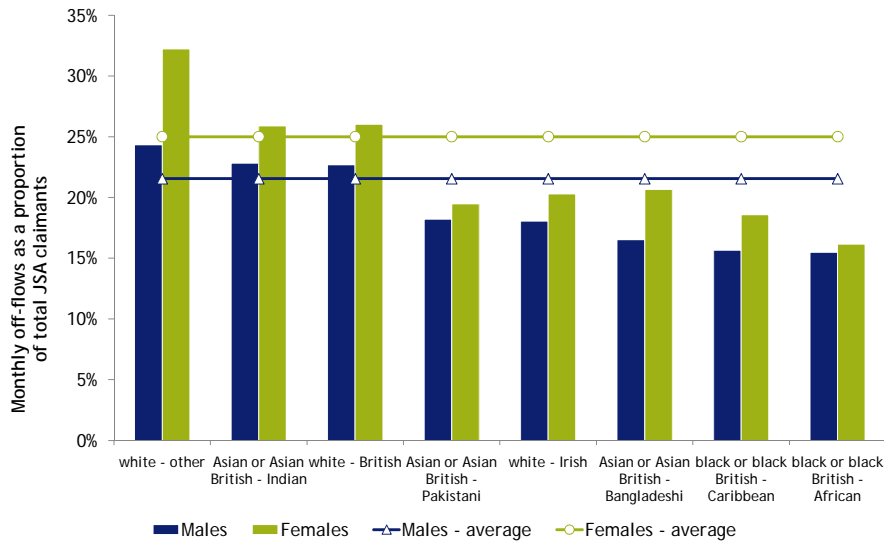
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Younger people of both sexes have higher leavers rates than people aged over 25; just under 30% of young people claiming JSA leave the benefit each month compared to around 20% of people aged between 25 and 64.

3.2 Gender and ethnicity

Females are more likely to leave the JSA count across all ethnic groups, but there are significant differences between the various ethnic groups. The ethnic groups with the highest leavers rates are white other, Asian or Asian British Indian and white British. People in the black ethnic groups have leavers rates at least 6 percentage points below the average.

Figure 9 JSA leavers rates by ethnicity and gender



Source: Office for National Statistics, claimant count (June 07 - May 08 average)

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3.3 Recurring claimants

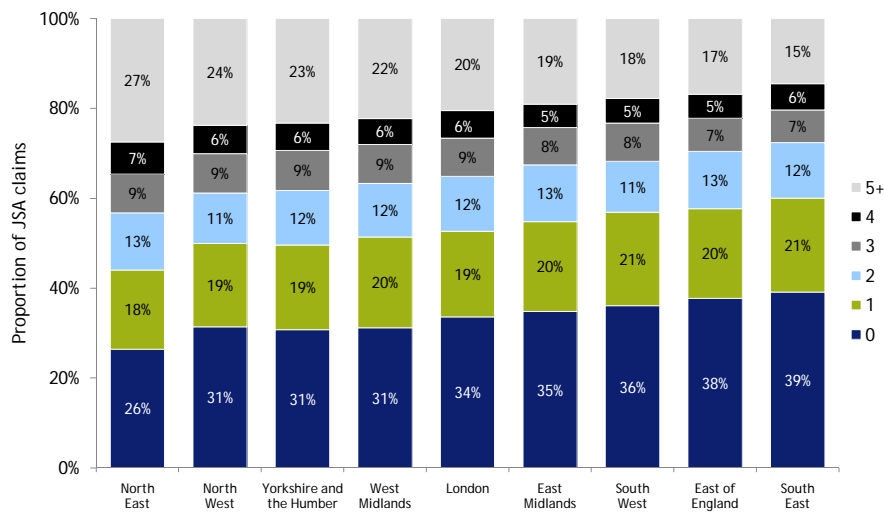
The Office for National Statistics compiles statistics on claimant unemployment from which it has established a database of longitudinal information. The database comprises a 5% sample of all claims for unemployment related benefits registered in the national unemployment benefits payments systems (NUBS). Among the data collected there is an identification number which allows separate claims made by the same individual to be linked⁵.

With this information we were able to analyse the proportion of people claiming benefits more than once and produce comparable figures for all the English regions.

In the West Midlands, 31% of JSA claimants are first time claims, while 22% had 5 or more previous claims. 37% had 3 or more previous claims. The best performing region is the South East with almost 40% claiming JSA for the first time and only 15% claiming more than 5 times.

⁵ <http://www.statistics.gov.uk/STATBASE/Source.asp?vInk=111&More=Y>

Figure 10 Number of previous JSA claims as percentage of all claims

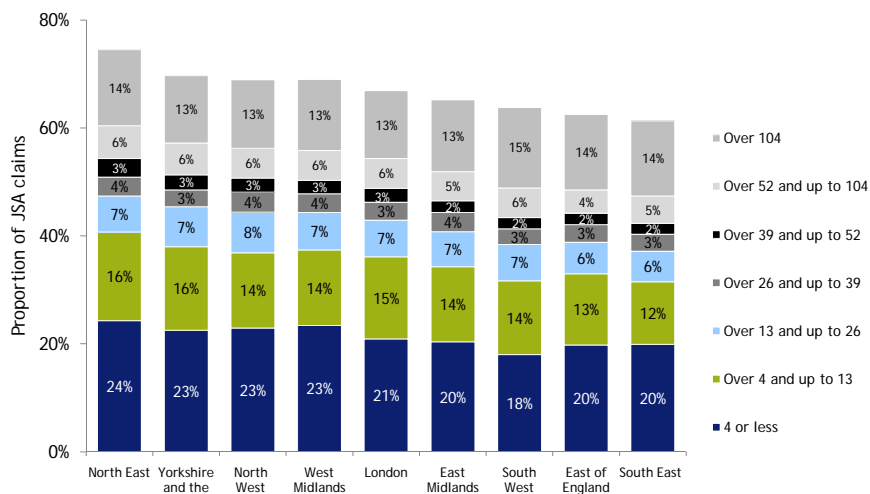


Source: Office for National Statistics

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Figure 11 shows the period in weeks since the previous JSA claim was made. Of those with a previous claim, it is most likely that the gap between claims is less than four weeks across all regions (ranging from 18% to 24%). The West Midlands sits in the middle of the range with 23% of claimants having gaps between claims lasting less than four weeks. A further 14% have a gap of between 4 and 13 weeks since their last claim.

Figure 11 Length in weeks since previous JSA claim



Source: Office for National Statistics

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4 Sub-regional dynamics

To examine the dynamics of worklessness within the West Midlands' sub-regions and localities we used benefit claimant data. This is the only data source available to look at dynamics below regional level and enables us to look at areas where there are high proportions of claimants staying on benefits for a prolonged period.

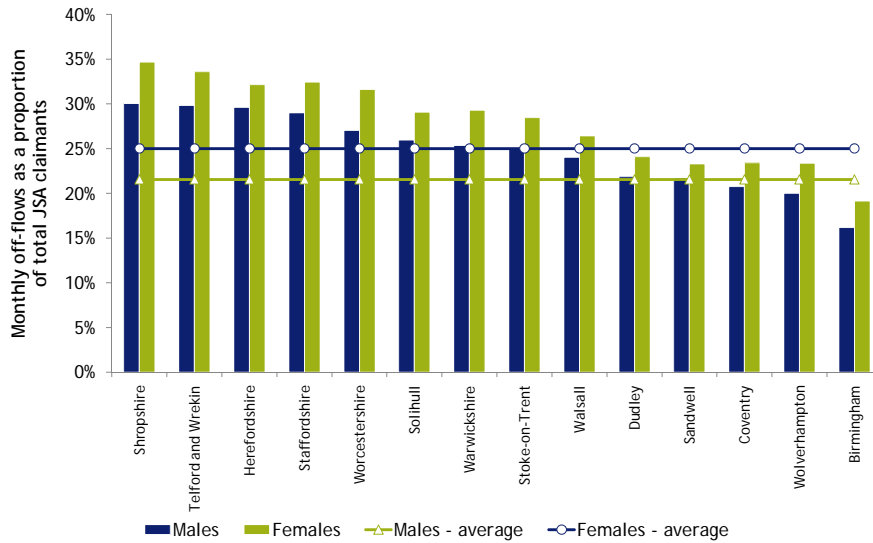
Key Messages:

- The leavers rate varies significantly between areas: In Shropshire, male claimants are almost twice as likely to leave the benefit as in Birmingham.
- There is a strong inverse correlation between an area's claimant rate and its leavers rate. This means that the higher the claimant rate, the lower the leavers rate, leading to pockets of static worklessness.
- Long term claimants of incapacity benefits are less concentrated than jobseekers allowance. Long term jobseekers claimants are heavily concentrated in the urban core of the region. Claimants in Birmingham are much more likely to claim for longer than 6 months than claimants elsewhere.

4.1 Leavers rates

Figure 12 shows the leavers rates by local authority and gender. Females are more likely to leave benefit than males across all the local authorities, although as noted previously this will be partly explained by complex benefit rules around partners' income. Five local authorities fall below the average: Dudley, Sandwell, Coventry, Wolverhampton and Birmingham, with Birmingham having a significantly lower leavers rate than elsewhere.

Figure 12 JSA leavers rates by Local Authority and gender



Source: Office for National Statistics, claimant count (June 07 - May 08 average)

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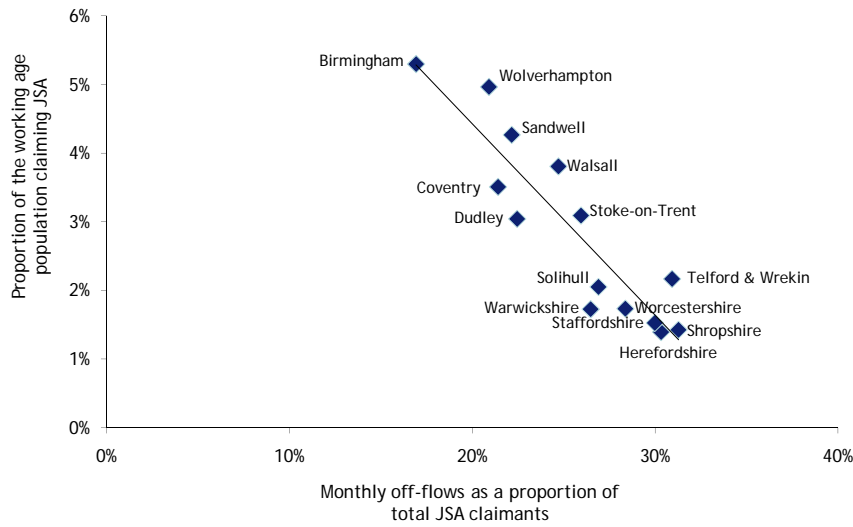
We have also compared the leavers rates by local authority alongside their proportion of the working age population claiming jobseekers allowance. This enables us to see whether there is a link between high rates of claimants and low numbers of people leaving the benefit.

Figure 13 shows these two dimensions together. This demonstrates that there is a very strong link between the JSA claimant rate and the leavers rate: the higher an area's claimant rate, the lower its leavers rate.

Birmingham therefore has both the highest claimant rate and the lowest leavers rate, while Shropshire has both the lowest claimant rate and highest leavers rate. In Birmingham the duration of claims is longer, and the proportion of claimants leaving benefit is lower, contributing to the city's higher overall claimant rates. The unemployed in Birmingham are therefore less likely to move in and out of work than elsewhere.

It is perhaps worth noting that many of the areas with low leavers rates (and high claimant rates) also have large numbers of jobs. This reinforces the concern that the problem is the mismatch between the skills or aspirations of JSA claimants and the jobs available.

Figure 13 JSA leavers rates versus claimant rate



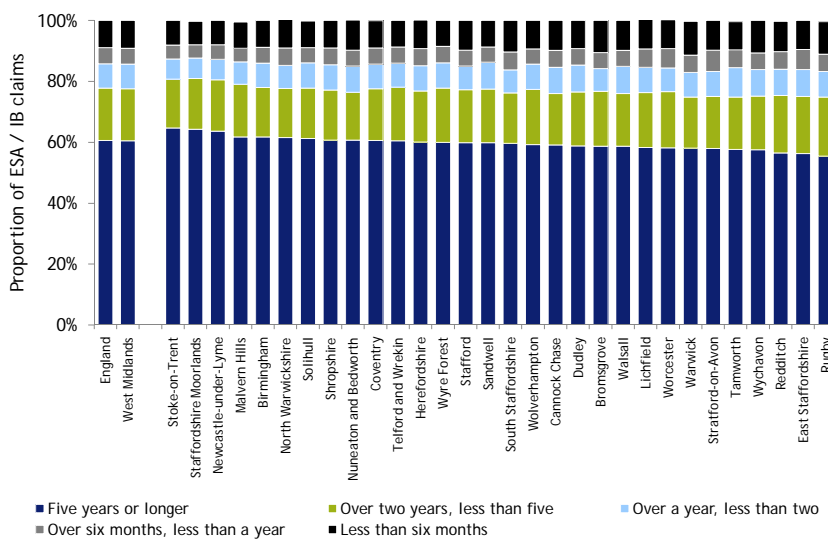
Source: Office for National Statistics, claimant count (June 07 - May 08 average)

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4.2 Duration of claims

Figure 14 shows the breakdown by length of time on incapacity benefits (IB) or employment and support allowance (ESA). People claiming this type of benefit are more likely to claim it for more than five years and there is relatively little variation between places.

Figure 14 Length of time on ESA / IB



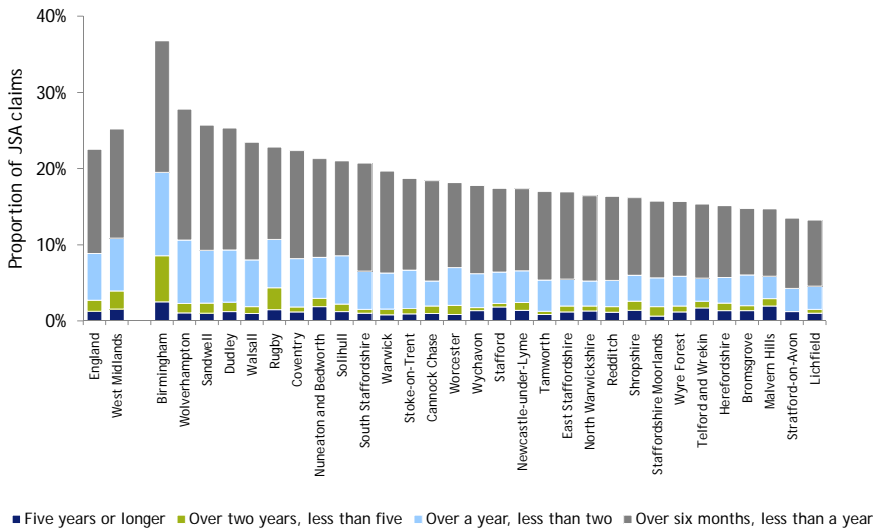
Source: Office for National Statistics, Benefit claimants (February 2009)

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The picture changes when analysing Jobseekers Allowance (JSA) across the region. This type of benefit is more dynamic with the majority of people claiming for less than six months but likely to make repeat claims.

Figure 15 shows the breakdown by length of time on JSA and shows considerable variation in duration of claim throughout the region. The total length of the bars shows the proportion of claimants claiming for 6 months or more. The majority claim for shorter periods, but the proportion claiming for longer than 6 months ranges from 37% in Birmingham to 13% in Lichfield and Stratford. Birmingham’s proportion of long-term claimants is 9 percentage points higher than the next highest, Wolverhampton.

Figure 15 Length of time on JSA



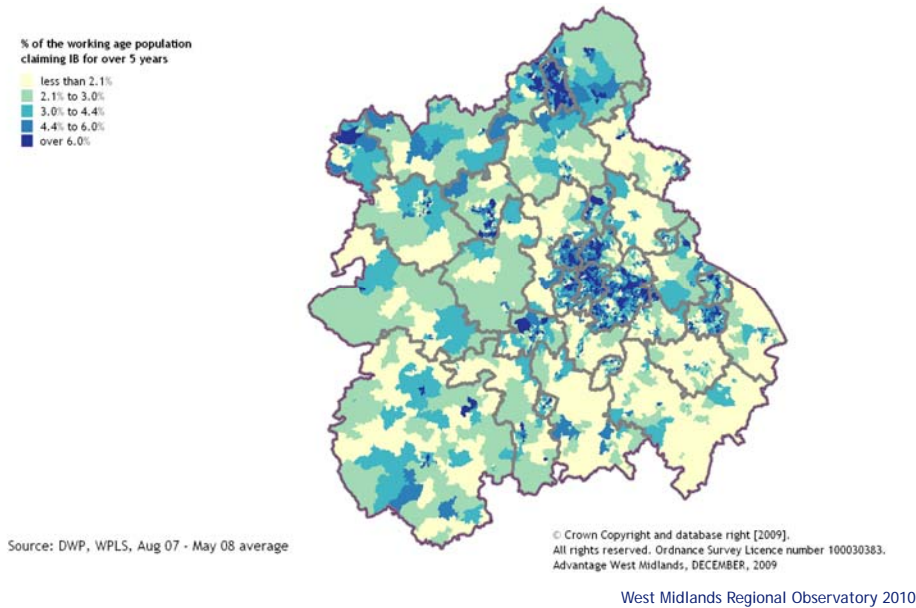
Source: Office for National Statistics, Benefit claimants (February 2009) West Midlands Regional Observatory 2010

4.3 Geographical distribution of long-term claims

Claimants of incapacity benefit are less concentrated than claimant of jobseekers allowance, and as the map below shows, this pattern is replicated when we look at long-term claimants.

While the duration of IB claims is consistent across the region, as seen in chart 15, long-term IB claimants (over five years claiming) are mainly concentrated in Birmingham, Stoke-on-Trent and the Black Country. Other relevant areas identified include in Newcastle-under-Lyme, Wyre Forest, Nuneaton, Coventry and south of Telford and Wrekin. However, there are small pockets of high concentration throughout the region. This reflects the fact that these areas have high rates of IB benefit claimants overall.

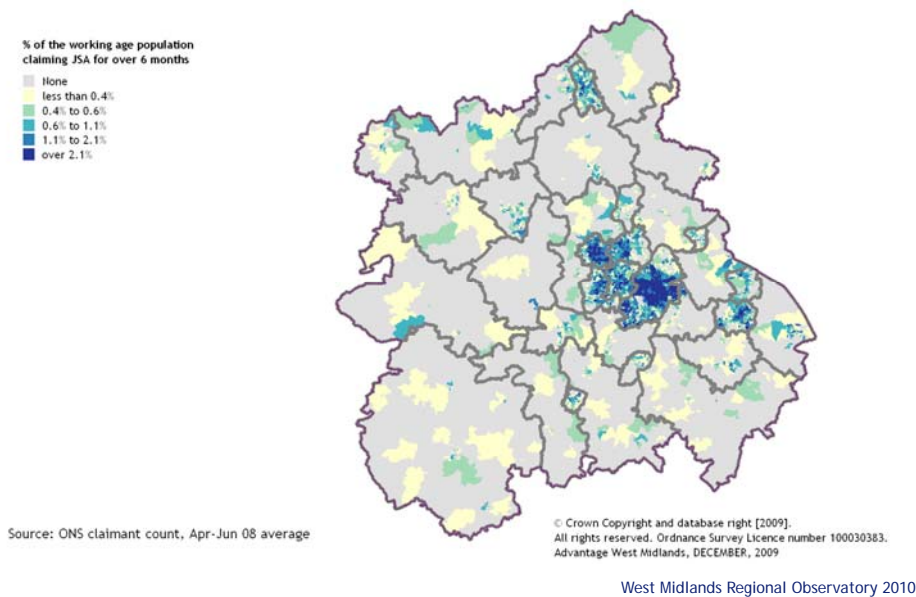
Figure16 Long-term incapacity benefit claimants



This is a very different pattern to that shown by the distribution of long-term jobseekers allowance claimants, shown in figure 17. This shows much greater concentration of long-term JSA claimants in the urban core of the region, in Birmingham and the Black Country. Stoke-on-Trent and Coventry also have small areas of concentration.

This illustrates that there are areas in the region where people are much less likely to move between work and benefits, indicating a more static workless population.

Figure17 Long-term Jobseekers Allowance claimants



5 Conclusions

The region has high rates of worklessness and there are also a large number of people who when employed are unlikely to sustain employment in the long term: 12.5% of those in employment at any given time will experience a period of worklessness over the course of a year.

Although around 72% of the working age population of the region are in employment at any one time, only 63% are employed throughout a full year.

Some key demographic groups are at increased risk of worklessness, and long-term worklessness:

- People from non-white ethnic groups and people with health problems are likely to be subject to long-term exclusion from the labour market. Both of these groups are more likely to be long-term workless in the West Midlands than nationally.
- People with no qualifications are more likely to be subject to long-term worklessness than people with qualifications. Also, in this region the proportion of people with no qualifications who are long-term workless is higher than nationally.
- Those whose highest qualification is at level 2 have higher levels of job instability than other people - nearly one in five of them moved between employment and worklessness in a year, higher than the national average

Among claimants of unemployment benefit there are significant movements on and off the benefit:

- 75% of claimants of jobseekers allowance claim for less than 6 months, but 69% have made a previous claim.
- Gaps between claims are often short, with 23% of claimants having had a previous claim less than 4 weeks previously.

Labour market movements vary significantly between areas:

- In Shropshire male claimants are almost twice as likely to leave the benefit as in Birmingham.
- Claimants in Birmingham are much more likely to claim for longer than 6 months than claimants elsewhere.

- Long term claimants of incapacity benefits are less concentrated than jobseekers allowance. Long term jobseekers claimants are heavily concentrated in the urban core of the region.

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