

**REPORT TO:** Employment, Learning, Skills and  
Community PPB

**DATE:** 12 November 2012

**REPORTING OFFICER:** Strategic Director, Economy, Enterprise &  
Property

**PORTFOLIO:** Economic Development

**SUBJECT:** Hidden Unemployment

**WARDS:** Borough-wide

## **1.0 PURPOSE OF THE REPORT**

1.1 To advise the Policy Performance Board of a report produced by Sheffield Hallam University entitled the "Real level of Unemployment".

## **2.0 RECOMMENDATION:**

2.1 **The Policy Performance Board notes the content of the report.**

## **3.0 SUPPORTING INFORMATION**

### 3.1 Details of the report

3.2 In September 2012, Sheffield Hallam University's Centre for Regional Economic and Social Research produced a report titled 'The real level of unemployment'; this is the fourth report in the series and attempts to identify 'hidden' groups of unemployed in addition to those groups that are officially counted. Overall, the real level of unemployment is estimated to be higher in 2012 than at any point since 1997.

3.3 The report looks at three groups of unemployed, and it is the sum of these three groups which acts as the 'real level of unemployment', the groups are:

- Claimant Count – this is the count of people claiming Jobseekers Allowance benefit. This measure is released monthly and is kept up-to-date.
- Additional Unemployed from the Labour Force Survey (now called the Annual Population Survey) – this is a large sample survey of households across England and includes many of the unemployed who are ineligible to receive Jobseekers allowance but are still looking for work (it is these additional unemployed who are included in the 'real level of unemployment' measure). This dataset is available about three months in arrears. However, as this is based on a sample survey, the local authority level data is poor.

- Some claimants of Incapacity Benefits (those deemed to be able to return to work eventually) – this is for people deemed too ill or disabled to look for work. However, rules state that people may only claim either Incapacity benefit or Jobseekers Allowance, therefore if an unemployed person also suffers from health problems and is eligible to claim Incapacity benefits then the differential in benefit payment shows that it is beneficial to claim this than the lower payment (and means tested) Jobseekers allowance. (from April 2012, those claiming Incapacity benefits, but deemed fit to eventually return to work, will be means tested. This will eventually have a big impact on numbers claiming Incapacity benefits).

## 4.0 POLICY IMPLICATIONS

### 4.1 Estimated real level of unemployment for Halton, April 2012

- 4.2 The report shows that in April 2012, Halton's real level of unemployment was estimated at 11,200 people (14.4% of the working age population); this is the 15<sup>th</sup> highest in the country. The breakdown of these claimants is shown below for the Liverpool City Region local authorities:

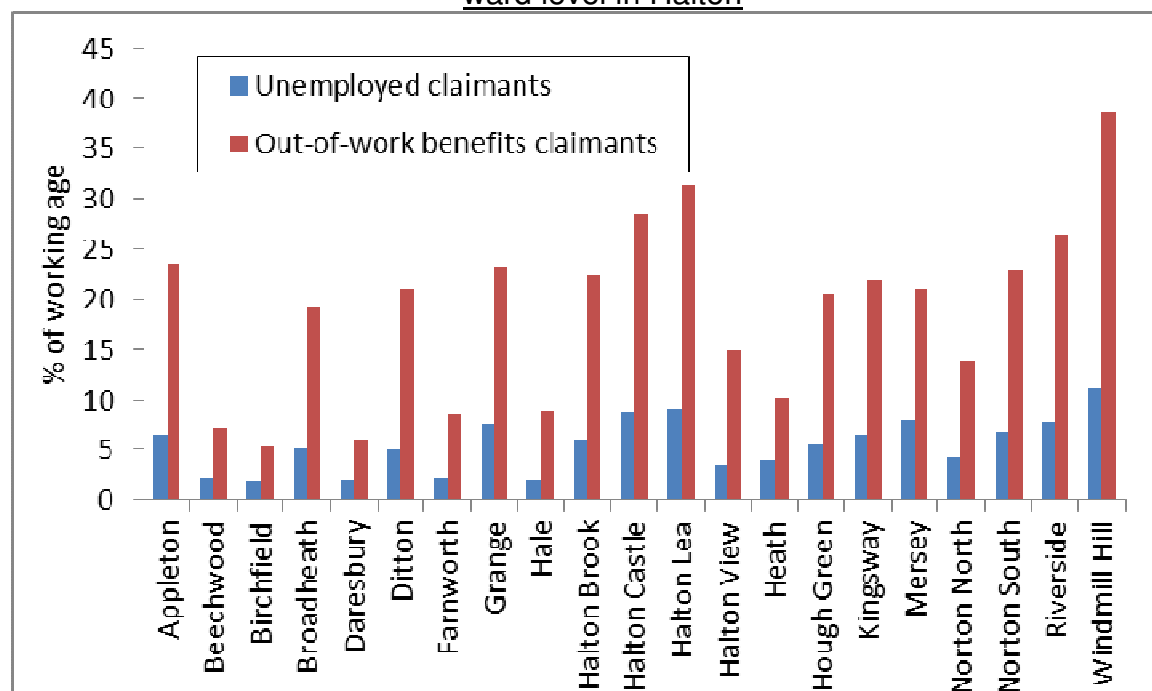
	Claimant Count		Hidden unemployment		Real unemployment	
	No.	As % of working age	Additional unemployed from Annual Population Survey	Diverted to incapacity benefits	No.	As % of working age
Halton	4,420	5.7	2,100	4,700	11,200	14.4
Knowsley	6,480	6.7	2,600	7,100	16,200	16.8
Liverpool	21,720	7.1	8,400	19,400	49,500	16.1
Sefton	5,760	5.1	3,100	5,500	14,400	12.7
St. Helens	8,850	5.2	4,600	7,400	20,800	12.3
Wirral	9,030	4.7	5,200	10,500	24,800	13.0

- 4.3 When compared to the unemployment figure which is most commonly quoted for Halton (just Jobseekers allowance claimants) the real unemployment figure is more than double. This trend mirrors that found within all North West local authorities, as well as at regional and national levels.
- 4.4 There is a clear relationship shown within the analysis of the report, that the higher the claimant unemployment rate of an area, the greater the scale of hidden unemployment. Therefore, the hidden unemployment is greatest in the weakest local economies where claimant unemployment is already highest. For Halton this means that 8.7% of the working age population are classed as 'hidden unemployed' – this is the tenth highest in the country.

## 5.0 OTHER IMPLICATIONS

- 5.1 Looking ahead we can expect to see a sharp fall in the number of unemployed hidden on incapacity benefits. This is due to the combination of more rigorous medical testing introduced in 2008, applied to both existing and new claimants, and the introduction of means testing on incapacity benefits (now called Employment and Support Allowance) for the first time. For many, this will remove the incentive for claiming incapacity benefits ahead of jobseekers allowance. This fall in numbers will be felt most in areas with high numbers of incapacity claimants and therefore high hidden unemployment. The resulting increase in claimant unemployment is also foreseen to be much smaller than the reduction in incapacity claimants.
- 5.2 One main limitation in using this method for calculating unemployment levels for the future is that it is not possible to examine local levels of unemployment (such as ward level), as the Annual Population Survey is not available smaller than local authority areas.
- 5.3 An alternative method used to gain a better understanding on the overall levels of worklessness within Halton can be provided by using the 'out-of-work benefits' dataset released by the Department for Work and Pensions on a quarterly basis. This dataset combines jobseekers allowance claimants with those claiming incapacity benefit, lone parents and others on income related benefits. Although this combination will include some people who are not fit for work, it has been deemed suitable to provide a feel for the state of the local economy, and can be provided down to ward level by the Council's Research and Intelligence team. The chart below shows the comparison between unemployment claimants and out-of-work benefits claimants at ward level in Halton.

Unemployed claimants (Aug-12) and out-of-work benefit claimants (Feb-12) at ward level in Halton



## **6.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES**

6.1 Worklessness impacts across all Council and partner priorities

## **7.0 RISK ANALYSIS**

7.1 The real level of unemployment needs to be considered when assessing budgets and targeting service delivery for tackling unemployment and worklessness in the borough.

## **8.0 EQUALITY AND DIVERSITY ISSUES**

8.1 Understanding is important when examining claimant levels of reasons why people are claiming and any impacts changes in legislation, such as introduction of Universal Credit, will have on vulnerable groups – such as those with health related issues, who may subsequently cease claims and 'fall off' government datasets.

## **9.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972**

9.1 A copy of the Sheffield Hallam Report is available to view on the 5<sup>th</sup> Floor of the Municipal Building: Contact Wesley Rourke.