

EDS Briefing Note No 13

THE ANNUAL BUSINESS INQUIRY 1999

The Annual Business Inquiry is a new business survey that collects employment and financial information. It replaces the Annual Employment Survey as the official source of information on employee jobs and the business population. It is the latest in a series of rationalisations in the methods used by the Office for National Statistics for collecting quarterly and annual economic and labour market data.

Background

The Annual Business Inquiry (ABI) replaces the Annual Employer Survey (AES) as the Government's chief source of employment data. It has so far produced new data for 1999 and revised data for 1998 that was originally collected using the AES. Re-scaled figures from the AES are also available for the three surveys from 1995 to 1997.

The ABI, unlike its predecessor, collects both employment and financial information from the same sample of firms. It means that the burden of form filling on companies is less spread out over the year and data on productivity, turnover and output is more reliable. It also allows the UK to meet the requirements of the new EC Regulation on Structural Business Statistics, which formalises the obligation to generate and supply employment and economic data.

Methodology

The key difference between the ABI and AES is in the way data is collected. Both surveys use employer sampling and estimating procedures, but while the AES sent forms to each workplace, the ABI asks for the total number of jobs over the whole business. Jobs are then apportioned across an organisation's known sites.

The ABI proved to be more accurate in testing than the AES, because of a lower level of non-return from sites. The new figures and the revisions all show an increase in the number of employees when compared with the previous methods of collection. The estimated effect of the AES undercounting was about 500,000 jobs nationally.

The surveys use different methods to make estimates for non-sampled firms. The ABI also collects some additional categories of employment, including working proprietors and unpaid workers. Consultation is under way as to how to include this potentially valuable information in the future.

The ABI takes place in December of each year, rather than September under the previous arrangements, for reasons of consistency with the collection of financial information.

Comparisons of Data for Kirklees 1998

EDS Briefing Note 5 analysed AES data for Kirklees for 1998. Now that ABI data has been released for the same year, it is useful to compare the two sets of data.

Table 1: COMPARISON OF EMPLOYEE TOTALS FROM ANNUAL EMPLOYER SURVEY AND ANNUAL BUSINESS INQUIRY: KIRKLEES 1998

	AES	ABI	Num. change
Manufacturing	45,323	43,935	-1,388
Construction	5,753	5,409	-344
Distribution; Hotel & Catering	29,115	32,121	3,006
Transport & Communications	5,478	5,544	66
Banking, Finance & Insurance	15,475	15,728	253
Public Admin; Education & Health	35,166	38,586	3,420
Other Services	5,807	6,466	659
All Industries & Services	142,769	148,864	6,095

Source: Office for National Statistics

As Table 1 shows, the number of jobs in the Kirklees economy increases when using the ABI methodology. However, increases were confined to the service sector. It is ironic that, whilst the local manufacturing sector had continued to suffer job losses during the 1990s, it appears that the actual number of people in work was even lower than official statistics were showing.

The reasons for the distinct sector patterns are not clear. However, the industry divisions where the difference between the two surveys is the greatest – distribution; hotel and catering and public sector services – are likely to have suffered under the AES methodology of under-returning from non-central sites.

Whilst the changes in counting resulted in an upward revision in the overall number of jobs in the Kirklees economy, the same process resulted in fewer businesses across all but the very small primary production sector, as Table 2 shows.

Table 2: COMPARISON OF BUSINESS TOTALS FROM ANNUAL EMPLOYER SURVEY AND ANNUAL BUSINESS INQUIRY: KIRKLEES 1998

	AES	% of Totals	ABI	% of Totals	Num. change
Primary Production	45	0.3	53	0.2	+2
Manufacturing	1,955	14	1,824	15	-131
Construction	1,367	10	1,207	10	-160
Services	10,289	75	9,516	76	-773
All Industries & Services	13,656	100	12,600	100	-1056

Source: Office for National Statistics

Again, it is difficult to know exactly why this pattern emerges. However, the largest discrepancies between the surveys are in sectors where smaller firms are more numerous. A more detailed analysis of the data shows that firms with between one and four employees account for the bulk of the difference. The ABI shows nearly 1,150 fewer micro firms than the AES. Extensive cross checking by the Office for National Statistics suggests that the ABI total is probably a more reliable estimate than the AES.

The Current Picture

1999 is the first year for which the Annual Business Inquiry is the only source of official data for the number of firms in the local economy and the number of employee jobs. Table 3 gives totals for 1999 and a comparison with 1998 data.

Table 3: BUSINESS AND EMPLOYEE TOTALS FROM ANNUAL BUSINESS INQUIRY: KIRKLEES 1999 AND 1998

	Firms		Employees	
	1999	1998	1999	1998
Primary Production	48	53	1,016	1,074
Manufacturing	1,779	1,824	41,613	43,935
Construction	1,202	1,207	6,432	5,409
Distribution; Hotel & Catering	4,468	4,437	32,999	32,121
Transport & Communications	592	566	5,655	5,544
Banking, Finance & Insurance	2,569	2,349	20,273	15,728
Public Admin; Education & Health	985	980	42,742	38,586
Other Services	1,152	1,184	6,852	6,466
All Industries & Services	12,795	12,600	157,581	148,864

Source: Office for National Statistics

Despite the new methodology, the well-established patterns of manufacturing decline and service sector growth continue.

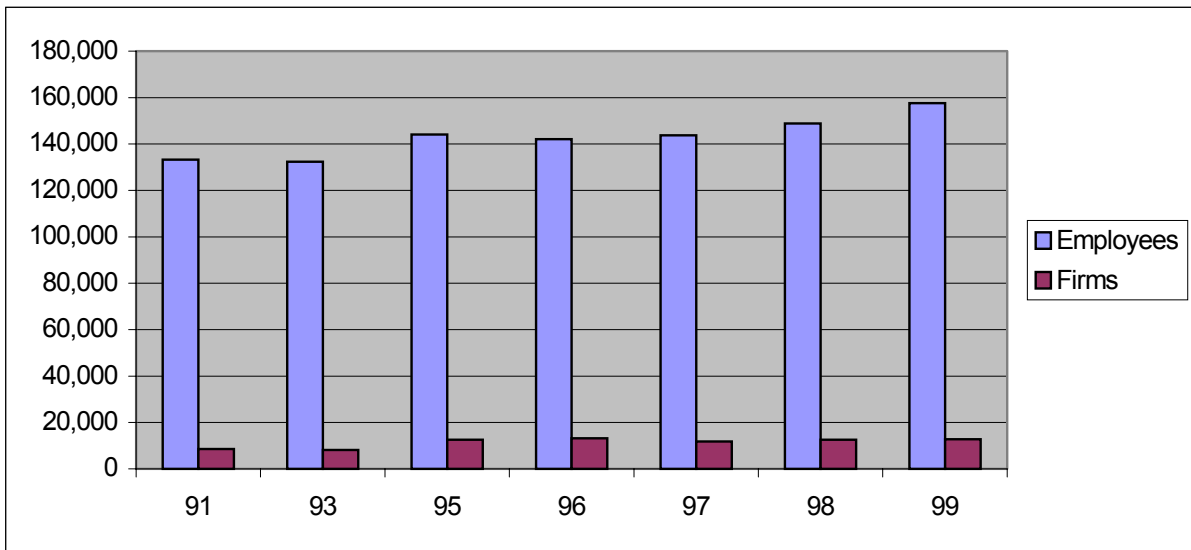
The Longer Term Trend

The changes in methodology used to calculate employment and business trends during the 1990's (there was also an earlier change in 1995) make it difficult to analyse the longer-term trend. However, according to available data, it is clear that the number of businesses and employees increased during the 1990s.

In Kirklees between 1991 and 1999, the number of employees in employment increased by 18%, whilst there was a very significant 50% increase in the number of firms. Most of the growth was amongst smaller firms. This pattern broadly mirrored the national one. The growth in the number of employees in Great Britain, at 15%, was a little lower than in Kirklees. The growth in businesses, however, was by some way higher - 63%.

Whatever the methodology used to collect it, the data continues to remind us that Kirklees has been less successful than other parts of the country in developing its business base, although its record on non-manufacturing job growth has been encouraging.

Chart 1: TREND IN EMPLOYMENT AND BUSINESS TOTALS: KIRKLEES 1991-1999



Source: Office for National Statistics

Chart 1 shows the upward trend in both businesses and jobs during the 1990s. As Table 4 shows, the number of businesses grew significantly in all but one industry division, but particularly so in the finance related industries, retailing and hospitality and construction.

Reflecting the growing strength of finance related industries during the 1990s, they showed the largest percentage growth both in the number of firms and in jobs.

In both primary production and manufacturing, growth in the number of firms was accompanied by overall job losses.

The one area where the number of businesses fell was in public administration, education and health. Closer analysis shows that changes were largely due to rationalisation in health, social work services and public administration and were accompanied by overall job growth.

Table 4: PERCENTAGE CHANGE IN BUSINESS AND EMPLOYEE TOTALS BY INDUSTRY: KIRKLEES 1991-1999

	Firms	Jobs
Primary Production	71	-21
Manufacturing	25	-12
Construction	95	13
Distribution; Hotel & Catering	72	22
Transport & Communications	63	41
Banking, Finance & Insurance	123	69
Public Admin; Education & Health	-29	36
Other Services	17	32
All Industries & Services	50	18

Source: Office for National Statistics

When the Census data for 2001 is released in August 2002, it will shed light on the occupational changes that have accompanied the industrial changes of the past decade. They are likely to show a growth in higher level, professional and personal service occupations and fewer people working in manual occupations, particularly at semi skilled and unskilled levels.

This is one of a continuing series of Briefing Notes produced by the Economic Development Service on key economic and labour market issues. For further information please contact:

Graham Lindsay or Muz Mumtaz, Economic Development Service, Kirklees Metropolitan Council, Civic Centre 3, Huddersfield HD1 2EY

Tel: 01484 221548/1547 Fax: 01484 221655 email: graham.lindsay@kirkleesmc.gov.uk