2007 Annual Business Inquiry (ABI) Employment Estimates

The 2007 ABI/1 has been produced using the same methods as for the 2006 revised figures.

As announced last year, the 2006 ABI/1 is subject to three discontinuities. Two of the discontinuities are the first phase in the transition to the introduction of the Business Register Employment Survey (BRES), which will replace the ABI/1 in 2009 bringing various benefits to users. In respect of the 2006 ABI/1 this represents an improvement to the detailed industry and regional employment estimates. The third discontinuity represents a methodological improvement to the apportionment of the lower level estimates.

It is not possible to measure the impact of the changes made precisely, however the scale of the overall discontinuity between the 2005 and 2006 ABI/1 is estimated to be in the range of 150,000 to 350,000 (0.6 to 1.3 per cent of the total number of employees) in a downward direction.

Users should use caution when comparing the ABI employment figures over time due to these discontinuities. Further information on the discontinuities can be found in the document: https://www.nomisweb.co.uk/articles/news/files/ABI 2006 discontinuities.doc

Managed Service Companies

Managed Service Companies (MSCs) are intermediary companies through which the services of a worker are provided to an end client. The worker in a MSC is almost invariably not in business on their own account and is not exercising control over the business. This control lies with the scheme provider. MSC scheme providers are businesses (usually companies) that provide generic company structures and administer the schemes. MSC providers emphasise that the worker is not involved in running the company and will receive payments in a similar way to if they were an employee. The workers are all registered at the MSC scheme provider's address and are given the same industrial classification, which skews the industrial and geographical breakdown. Therefore the decision has been made to remove all MSCs from ONS business surveys. The Workforce jobs review provides further information (see http://www.statistics.gov.uk/StatBase/Product.asp?vlnk=9765).

For the ABI/1 all identified MSCs have been removed from the 2005, 2006 and 2007 estimates. However, there are some MSCs included in the results for both years that were subsequently identified at a later time. MSCs are not removed from the 2004 ABI/1 as the impact was smaller and had not then been identified. The table below estimates the amount of employment attributable to MSCs.

<table>
<thead>
<tr>
<th>Year</th>
<th>Estimated employment of MSCs excluded from the ABI/1</th>
<th>Estimated employment of MSCs included within the ABI/1*</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>80,000</td>
<td>between 14,000 and 38,000</td>
</tr>
<tr>
<td>2006</td>
<td>120,000</td>
<td>between 4,000 and 38,000</td>
</tr>
<tr>
<td>2007</td>
<td>135,000</td>
<td>between 4,000 and 36,000</td>
</tr>
</tbody>
</table>

*The estimate of employment of MSCs included within the ABI/1 results is an estimate of those businesses that have since been identified as a MSC but were not identified at the time the ABI/1 was defined for the specific year. It is difficult to give an exact value of employment attributable to MSCs within the ABI/1 due to identifying those that have since ceased trading and those that started trading after the ABI/1 was defined for the year in question.

The increase in the number of MSCs is due to the increase in workers signing up to this scheme though this number has begun to tail off due to a legislation change. The number of MSCs currently identified on the register has fallen by almost a third since the beginning of the year which should be reflected in the 2008 figures. Another reason for the perceived increase in the number of MSCs is partly due to improved knowledge about them making these businesses easier to identify.
The inclusion of returns from the BRS has meant that local site employment data can be used directly in the ABI/1 results. As a result those sites that have ceased trading can be identified and are accounted for within the results. Likewise if new local sites have started trading then these are also taken account of in the total employment.

The workplace analysis provides counts of businesses as at the time the ABI/1 selection is defined. That is an extract of all live businesses (within the scope of the ABI) from the register (IDBR) at a set point in time, which for the 2006 ABI/1 results is September 2006. Whilst the ABI/1 employment estimates take account of the births and deaths (new local sites and those sites that have ceased trading) within the estimation process the workplace analysis, which provides counts of data units (local sites), does not remove any or add in any sites that are newly created or have ceased trading. The workplace analysis is purely a count of local sites from the register at the time the ABI/1 was defined.

Any queries regarding the above information and any other related ABI/1 queries should be directed to: Annual.Employment.Figures@ons.gov.uk