Developing an indicator of potential redundancies using Insolvency Service data

Quality and methodology information for weekly and monthly indicators of potential redundancies, using HR1 forms from The Insolvency Service. Experimental Statistics.

Contact:
Luis Dibdin
labour.market@ons.gov.uk
+44 1633 455400

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1 . Overview

Since the onset of the coronavirus (COVID-19) pandemic, the Office for National Statistics (ONS) has been publishing timely indicators to show the impact that UK and world events have on the economy and society. These are included in our Economic activity and social change in the UK, real-time indicators bulletin. These real-time indicators now include planned potential redundancies from The Insolvency Service (IS) HR1 forms for Great Britain.

The data are also published broken down by industry and region in our monthly Labour Market overview bulletin. When this bulletin falls on the second Tuesday of the month, data for the latest month will not be available. In this instance, we will publish these data in the next month.

ONS receive HR1 data from IS on a weekly basis. HR1 forms are filed when an employer intends to dismiss 20 or more employees.

As Experimental Statistics, these data are subject to revisions as our methodology and systems are refined.

2 . About the data source

HR1 form

Employers are required to notify The Insolvency Service's (IS's) Redundancy Payments Service of potential redundancies when they are proposing to dismiss 20 or more employees at a single establishment within a period of 90 days. They notify IS by completing an advance notification of redundancies form, also known as a HR1 form.

A separate form is required for each establishment where it is proposed that 20 or more employees will be dismissed. This means that an employer may be required to file multiple HR1 forms where redundancies are proposed at multiple establishments.

The minimum notification and consultation period for 20 to 99 redundancies at one establishment is 30 days before the first dismissal. While the minimum period for 100 or more redundancies at one establishment is 45 days before the first dismissal.

Where employers furloughed their staff and were not contemplating dismissing 20 or more staff in a single establishment, there was no requirement to carry out a formal consultation or notify the Secretary of State.

Redundancies

A redundancy is when an employer ceases to require the work of an employee, therefore no longer employs that employee.

The data provided to develop the indicator contains information on HR1 form submissions, which do not always relate to a redundancy. Reasons for submitting a HR1 form can include contractual changes, changes to pensions, or employees being transferred to new sites.

As we are only concerned with permanent dismissals, we apply an automated cleaning process to remove cases that are not planned dismissals. First, we drop all cases with less than 20 proposed dismissals, as HR1 forms should only be submitted if the employer intends to make 20 or more dismissals. Secondly, the data provides information from the employer on the reason for the proposed dismissals. An entry will be dropped if it contains any of the following words:

- pension

- contractual

- terms and conditions

- transfer

- move

- TUPE (Transfer of Undertakings (Protection of Employment))

Region

The data used to develop the indicator contain three different addresses for each entry. These are establishment, registered, and contact address.

To derive regional information for each entry in the data we first look at which address the dismissals will occur at and use that as the address. Employers do not always provide data for each address and a scenario can occur where the address where dismissals occur is not provided. If this happens, we prioritise addresses as such:

1. establishment address

2. registered address

3. contact address

For example, if dismissals occur at the establishment address but the employer has not provided this, we go to the registered address and use that instead. If that is not provided either we use the contact address, and if that is not provided, we return null.

Once the correct address has been found, we extract the postcode and use this to link with the National Statistics Postcode Lookup database to get the regional International Territorial Level 1 (ITL1) code.

These data only cover Great Britain (GB). Estimates for Northern Ireland are available from Northern Ireland Statistics and Research Agency (NISRA).

Industry

For each entry in the data, we are given the industry codes that the dismissals relate to. We can receive multiple industry codes for each entry, therefore we only use the first industry code given.

Industries that have a small number of unique employers filing HR1 forms are absorbed into other industries. This excludes agricultural businesses which have been removed from the data because of low numbers. Combined industries are made of the following industries:

- energy and water: B, D, E (B: mining and quarrying, D: electricity, gas, steam and air conditioning supply, E: water supply; sewerage, waste management and remediation activities)

- manufacturing: C (C: manufacturing)

- construction: F (F: construction)

- distribution, hotels and restaurants: G, I (G: wholesale and retail trade; repair of motor vehicles and motorcycles, I: accommodation and food service activities)

- transport and communication: H, J (H: transportation and storage, J: information and communication)

- banking and finance: K, L, M, N (K: financial and insurance activities, L: real estate activities, M: professional, scientific and technical activities, N: administrative and support service activities)

- public admin, education and health: O, P, Q (O: public administration and defence; compulsory social security, P: education, Q: human health and social work activities)

- other services: R, S, T, U (R: arts, entertainment and recreation, S: other service activities, T: private households, U: extraterritorial)

Reporting periods

Three dates are provided within the data including date of receipt, date of first proposed dismissal, and the date of last proposed dismissal. The date used in creating our aggregates is the date of receipt of the HR1 form.

Weekly data for redundancies are based on weeks commencing Mondays and ending Sundays, therefore aligning with the Office for National Statistics (ONS) Labour Force Survey (LFS) reference periods.

Monthly data are based on months commencing on the first day of that month and ending on the last day of the month.

3 . Comparisons with other data

## Insolvency Service HR1 and Office for National Statistics HR1

The Insolvency Service (IS) publish monthly [data on the total number of potential dismissals outlined in HR1 forms](link). IS published data has had limited treatment to remove dismissals and re-engagement, while ONS data has had some cleaning applied (see Section 2). For this reason, we expect our data to be below IS published data but still follow a similar trend.

Figure 1: Office for National Statistics (ONS) HR1 data follows a similar trend to Insolvency Service (IS) data but is consistently lower

Monthly redundancy figures from January 2020 to February 2022, Great Britain

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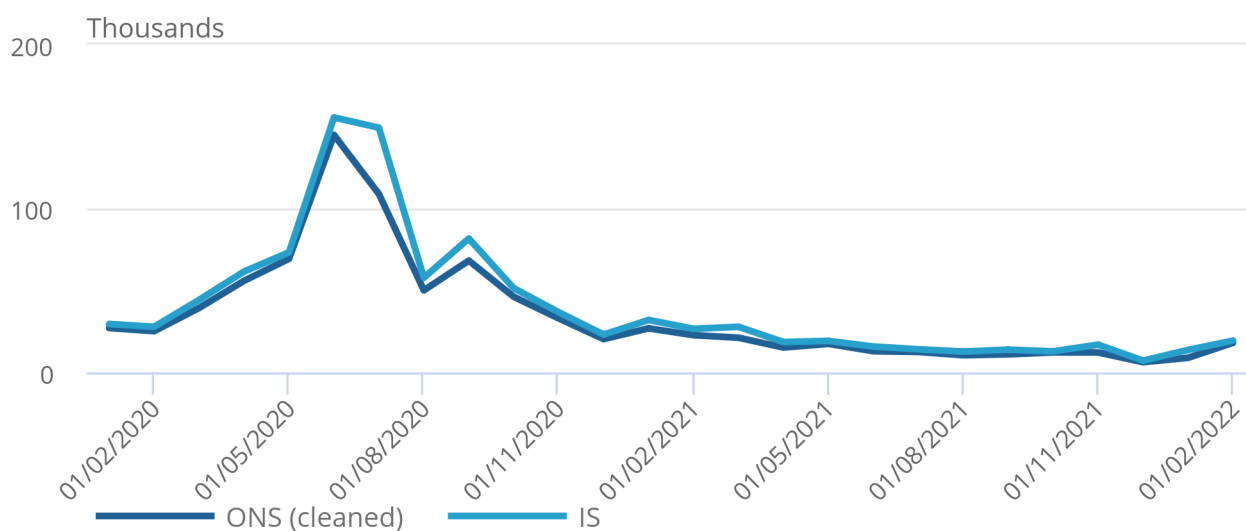
Source: The Insolvency Service – HR1 forms

To compare our HR1 data with the Labour Force Survey (LFS) redundancy data we create a rolling three-month time series. This is because headline LFS estimates are published on a rolling three-monthly basis. The LFS asks respondents whether they were made redundant in the last three months, that is, during the reference month or the previous two months. Therefore, the three-month rolling estimate covers a five-month period. For example, the January to March 2021 estimate would cover the period November 2020 to March 2021. These data are then published at a two-month lag; for example, January to March 2021 estimates are published in May 2021.

The HR1 data peaks earlier than LFS redundancy data. This is to be expected as HR1 is a notification of intention to dismiss (which do not always happen), whereas the LFS picks up redundancies that have occurred. The HR1 data are consistently lower than the LFS redundancy data, but this is also to be expected as the LFS picks up redundancies from smaller businesses as well.

Figure 2: Office for National Statistics (ONS) HR1 data peaks earlier and is consistently lower than Labour Force Survey (LFS) data

Weekly redundancy figures from 2 June 2019 to 2 September 2021 from the LFS, UK, and rolling three-monthly ONS HR1, Great Britain

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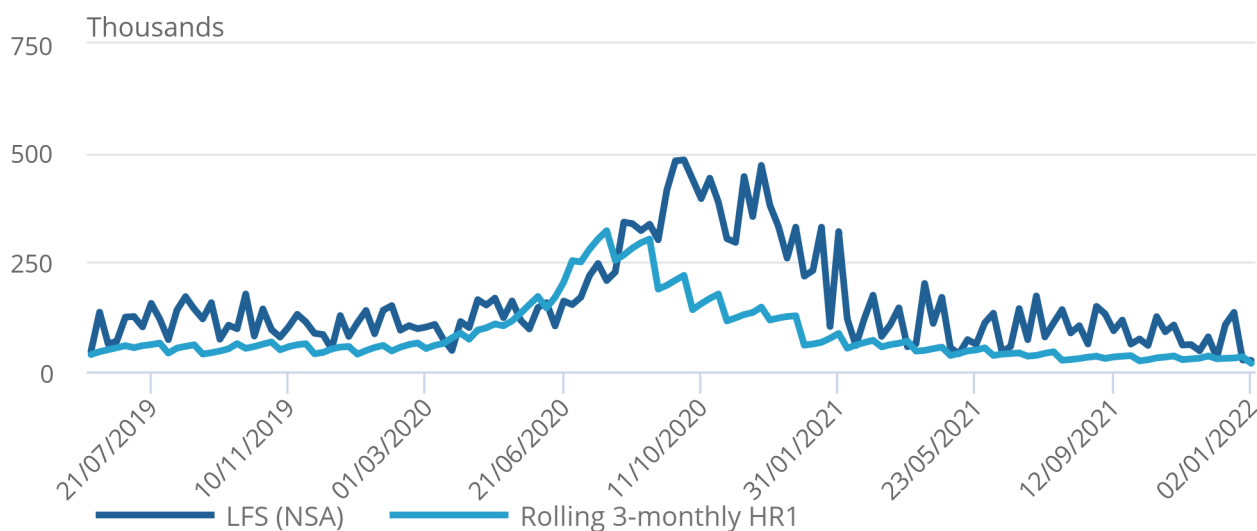
Source: Office for National Statistics – Labour Force Survey, The Insolvency Service – HR1 forms

Notes:

1. The Labour Force Survey (LFS) data is missing for 04/10/2020 due to the introduction of a leap week to realign 'LFS quarters' with calendar quarters.

4 . Strengths and limitations

Strengths

- The data present a high frequency and timely indicator of potential redundancies in Great Britain.

- Data follow broadly consistent trends with other indicators based on available data (see Section 3).

- A separate form is required for each establishment where it is proposed that 20 or more employees will be dismissed.

- Monthly breakdowns are available by industry and region.

Limitations

- HR1 forms only show potential redundancies, not the total number of redundancies that have occurred.

- As HR1 forms are only filed if there are more than 20 proposed redundancies, the data will not pick up potential redundancies from smaller businesses.

- The reference date in the data is the date of receipt of the HR1 form, not when the dismissal will take place; the form must be submitted a minimum of 30 days before the first dismissal and within a period of 90 days or less.

5 . Related links

Management information on Advanced Notification of Redundancy Scheme
Web page | Monthly release
Management information from The Insolvency Service on the Advanced Notification of Redundancy Scheme.

RED01 SA: Redundancies levels and rates (seasonally adjusted)
Dataset | Monthly release
Number of people (levels), men and women made redundant and redundancy rates, not seasonally adjusted. These estimates are sourced from the Labour Force Survey, a survey of households.

X07: Labour Force Survey weekly estimates
Dataset | Monthly release
Labour Force Survey (LFS) weekly estimates of employment, unemployment, economic inactivity and hours in the UK. All estimates are calculated from highly experimental weekly Labour Force Survey datasets.

HR1 potential redundancies
Dataset | Monthly release
Number of potential redundancies from HR1 forms and the number of employers submitting them by region and industry. Experimental statistics.

Advanced notification of potential redundancies
Dataset | Weekly release
Number of potential redundancies from Insolvency Service HR1 forms and number of employers proposing redundancies, UK.