

This PDF is a selection from a published volume from the National Bureau of Economic Research

Volume Title: Big Data for Twenty-First-Century Economic Statistics

Volume Authors/Editors: Katharine G. Abraham, Ron S. Jarmin, Brian Moyer, and Matthew D. Shapiro, editors

Volume Publisher: University of Chicago Press

Volume ISBNs: 978-0-226-80125-4 (cloth),  
978-0-226-80139-1 (electronic)

Volume URL:  
<https://www.nber.org/books-and-chapters/big-data-twenty-first-century-economic-statistics>

Conference Date: March 15-16, 2019

Publication Date: February 2022

Chapter Title: Transforming Naturally Occurring Text Data into Economic Statistics: The Case of Online Job Vacancy Postings

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Chapter URL:  
<https://www.nber.org/books-and-chapters/big-data-twenty-first-century-economic-statistics/transforming-naturally-occurring-text-data-economic-statistics-case-online-job-vacancy-postings>

Chapter pages in book: p. 173 – 207

# Transforming Naturally Occurring Text Data into Economic Statistics

## The Case of Online Job Vacancy Postings

Arthur Turrell, Bradley Speigner, Jyldyz Djumalieva,  
David Copple, and James Thurgood

### 6.1 Introduction

This paper presents an example of converting naturally occurring<sup>1</sup> data into economic statistics for use in research and analysis. The raw data consist of millions of individual job advertisements as posted online by firms and recruitment agencies on the website Reed.co.uk in the United Kingdom. The objective is to process, clean, reweight, and use these data as a measure of job vacancies by occupation and region over time, and according to existing official statistical classifications. The methods developed for this purpose could be applied to other naturally occurring datasets. The issues

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The views in this work are those of the authors and do not represent the views of the Bank of England or its policy committees. This work was carried out while all the authors were employed by the Bank of England. We are grateful to Katharine Abraham, James Barker, David Bholat, Emmet Cassidy, Matthew Corder, Daniel Durling, Rodrigo Guimarães, Frances Hill, Tomas Key, Graham Logan, Michaela Morris, Michael Osbourne, Kate Reinold, Paul Robinson, Ayşegül Şahin, Ben Sole, Vincent Sterk, anonymous reviewers, and conference and seminar participants at the European Economic Association meeting, the American Economic Association meeting, the Royal Statistical Society meeting, the NBER Conference on Big Data in the 21st Century, the Federal Reserve Board of Governors, the ONS, and the University of Oxford for their comments. We would especially like to thank William Abel and David Bradnum for their help throughout the project. For acknowledgments, sources of research support, and disclosure of the authors' material financial relationships, if any, please see <https://www.nber.org/books-and-chapters/big-data-21st-century-economic-statistics/transforming-naturally-occurring-text-data-economic-statistics-case-online-job-vacancy-postings>.

1. As opposed to data collected for the express purpose of constructing statistics, these data are a side-product of other economic activity.

of bias that we explore apply to most vacancy data derived from online job advertisements. There have been no UK official statistics on vacancies by region and occupation since the JobCentre Plus data were discontinued and we show how these data can fill an important gap in our understanding of labor market demand.

One of the major benefits of using individual online job postings is that they are a direct measure of the economic activity associated with trying to hire workers. Another is the sheer volume they offer—of the order of  $10^5$  individual vacancies at any point in time for the UK. These large numbers allow for very granular analysis.

As well as demonstrating the creation of new economic statistics on vacancies, we make a major contribution in the method we use to transform the text of job ads into time series data labeled by official classifications (here the UK Office for National Statistics', or ONS's, Standard Occupational Classification, or SOC, codes). Our algorithm draws on methods from computer science and natural language processing and makes use of both the job title and job description.<sup>2</sup> It could be adapted and applied to the SOC classifications of other countries or regions, or to other types of text and classifications. It could also be used by employers to check what occupation their job advertisements fall under, to better target their ads or adjust compensation.

The newly created vacancy time series, split by occupation, are compared to existing data on UK job vacancies, namely the ONS Vacancy Survey and JobCentre Plus data. We consider the likely biases of the Reed-derived vacancy time series. To demonstrate the utility of processing the text of these data we use them to estimate Beveridge curves by occupation and to calculate the rate of mismatch unemployment (by occupation) for the UK, using the mismatch framework of Şahin et al. (2014).

The structure of the paper is as follows: section 6.2 sets out previous literature relevant to vacancy statistics, section 6.3 describes the online job vacancies data in the context of other data on vacancies, section 6.4 describes the algorithm we developed to assign vacancies to official statistical classifications, section 6.5 describes the processed data, section 6.6 explores some uses of these data in economic analysis, and section 6.7 concludes.

## 6.2 Literature

Vacancy data have long been collected via surveys; Abraham (1983) reviews a number of regional surveys that began this in the 1960s to 1980s, before national survey data on vacancies began to be widely collected. In the UK and US, there are now designated national statistics measuring job vacancies using surveys: the ONS Vacancy Survey and the JOLTS (Job Openings and Labor Turnover Survey), respectively.

2. Computer code available at <http://github.com/aeturrell/occupationcoder>.

The ONS Vacancy Survey was introduced in 2001 and each month surveys around 6,000 firms on their total number of open vacancies (Machin 2003)—a measure of the stock of vacancies. The firm-level data collection allows for cross-sectional data by both firm size and industry. Data are collected on the Friday between the second and eighth of each month and are thereafter available at monthly frequency with a 40-day lag. No breakdown of vacancies by region or occupation is available. These dimensions are especially difficult for survey data to collect because firms may not be familiar with occupational codes and asking them to submit, instead of a single number, up to 368 numbers reflecting each of the 4-digit UK occupational codes would be a significant change in the administrative burden imposed by the survey. Similarly, regional data are difficult to collect via this method as it is more cost effective and potentially more accurate to contact only a firm's head office for vacancy numbers. Due to the sample being drawn from a business register, new firms are underrepresented, though this bias is only estimated to create errors of  $\pm 20,000$  for vacancy levels in the hundreds of thousands. Although the scale and quality of vacancy data collection have changed substantially since the 1960s, the methodology has not. Collecting survey data is expensive, has a relatively long lag, and is ill-suited to providing occupational or regional information.

Administrative data are an alternative source of information on job vacancies that is acknowledged to be “cheap and relatively easy to produce” (Bentley 2005). These are most often vacancies notified to government employment service offices. In the UK, the main source of these data are JobCentre Plus (JCP) vacancies. They were discontinued in 2012 and underwent significant changes in 2006 so that the longest recent usable continuous time series runs from July 2006 to November 2012. The JCP had aggregate coverage of around a third of UK vacancies prior to 2003 (Machin 2003) but with large variation between regions, between sectors, and over time depending on the point in the business cycle and the policies of JCP offices. Burgess and Profit (2001) note that these vacancies have a disproportionate share of low-skilled, manual jobs and are more likely to be matched to the long-term unemployed, while Patterson et al. (2016), looking at more recent data than Machin (2003), find that they over-represent some sectors. Problems with JCP data included that a significant percentage of the entire vacancy stock was not always updated when filled or withdrawn by employers. This had the effect of biasing the stock upward by numbers as high as the multiple tens of thousands out of vacancies in the few hundreds of thousands. These data have been used in several other studies; namely Coles and Smith (1996), Smith (2012), and Manning and Petrongolo (2017). These data were not included in the ONS's labor market statistics releases between 2005 and their discontinuation because of concerns over their appropriateness as a labor market indicator (Bentley 2005). The number of ways for firms to communicate to JCP offices increased at that time, leading to structural

breaks in the series, and the reliance on firms to notify JCP offices when vacancies were filled or withdrawn made the outflow series, and therefore the stock, vulnerable to bias. Indeed, the onus was on JCP offices to follow up with employers and, as this did not happen consistently or for every position, a large amount of what has been described as “vacancy deadwood” built up.

We use job advertisements that have been generated as a result of firms attempting to hire workers, but from a privately run website, Reed.co.uk, rather than from a government-run employment office. This will have implications for the nature of the jobs advertised. The ads are run at a cost to the posting party so that concerns about an ever-growing stock of vacancies that have, in reality, been filled or withdrawn do not apply. Other job advertisement website data have been used for the analysis of vacancy statistics, including Deming and Kahn (2017) with Burning Glass data, Marinescu (2017) using data from CareerBuilder.com, and Mamertino and Sinclair (2016) using data from Indeed.com. As explained by Cajner and Ratner (2016), there have been significant discrepancies between the stock of vacancies implied by two US series, the JOLTS and the Conference Board Help Wanted Online, which may be caused by changes in the price charged to employers to post online job vacancies.

Previous work has found that online job vacancy postings can give a good indication of the trends in aggregate vacancies (Hershbein and Kahn 2018). There has been a secular trend increase in the number of vacancies that are posted online, as evidenced by the replacement in the US of the Help Wanted Index of print advertisements with the Help Wanted Online Series. Although they may not offer full coverage, online vacancy statistics can powerfully complement official statistics on vacancies, which tend to be based on surveys of firms.

Our paper adds to a growing literature on the analysis of text in job vacancies. Marinescu and Wolthoff (2016) show that job titles explain more of the wage variance in US job vacancies in 2011 than SOC codes alone do. Deming and Kahn (2017) use job vacancy descriptions that have been processed into keywords to define general skills that have explanatory power for both pay and firm performance beyond the usual labor market classifications. Azar et al. (2018) leverage online job vacancies, with job title text cleaned and standardized, to estimate the labor market concentration according to the Herfindahl-Hirschman index. And Hershbein and Kahn (2018) ask whether the within-occupation skills demanded in job vacancy text accelerate during recessions.

We show how online job advertisement text can be used to generate occupational labels. Until recently, methods that existed to label vacancy text with official classifications were proprietary, limited in the number of searches, or did not make use of the job description field. While writing up our results we became aware of similar approaches being developed for the US (Atalay

et al. 2017), Germany (Gweon et al. 2017) and for the International Labour Organisation occupational classification (Boselli et al. 2017, 2018).

For demonstrating the usefulness of the data, we use the search and matching theory of the labor market (Mortensen and Pissarides 1994) in which job vacancies represent the demand for labor. Labor market tightness,  $\theta = V/U$ , where  $V$  is the stock of job vacancies and  $U$  is the unemployment level, is an important parameter in this framework. At the centre of theories of mismatch is the matching function  $h(U, V)$  that matches vacancies and unemployed workers to give the number of new jobs per unit time as described in Petrongolo and Pissarides (2001). In the applications part of the paper, we use econometric estimates of the Reed data that are published in full in Turrell et al. (2018).

### 6.3 Data

Our raw data are approximately 15,242,000 individual jobs posted at daily frequency from January 2008 to December 2016 on Reed.co.uk, a job advertisement website. The site facilitates matching between firms and jobseekers. Firms who wish to hire workers, or recruitment agencies acting on their behalf, pay Reed to take out advertisements on the site. As of February 2019, the cost of a single job ad to be posted any time in the next 12 months and remain live for 6 weeks is £150 + tax.<sup>3</sup> Reed has a direct business relationship with the firm or recruitment agency that posts the advertisement.

The fields in the raw data that are typically available include a job posted date, an offered nominal wage, a sectoral classification (similar to the ONS sectoral section classification), the latitude and longitude of the job, a job title, and a job description. Our data are unusual compared to the recent literature in that they come from a job advertisement and employee recruitment firm (a recruiter) rather than from an aggregator or a survey. There are two different kinds of websites that post job advertisements. Aggregators use so-called “spiders” to crawl the internet looking at webpages, such as firm recruitment sites that host job vacancies, and then record those job vacancies.<sup>4</sup> In contrast, firms post vacancies directly with recruiters. Recruiters may have access to private information about the job vacancy that an aggregator would not. In our case, an example of such information is the offered salary field. Additionally, the likelihood of duplicates is lower in a recruitment firm dataset because jobs are only added to the site as the result of direct contact with a firm. Aggregators are more likely to pick up the same job multiple times from different ad sites though they expend considerable effort in removing duplicate listings.

3. Unfortunately, we do not have a time series of advertisement posting costs.

4. Examples of research using datasets from aggregators include Deming and Kahn (2017) (Burning Glass), Marinescu (2017) (CareerBuilder.com), and Mamertino and Sinclair (2016) (Indeed.com).

A feature of all datasets collected online is that they tend to contain superfluous information, at least relative to survey data and, similarly to survey data, may have entries that are incomplete or erroneous. However, perhaps because of the cost of posting, there are very few incomplete entries in the Reed data. The most frequently encountered erroneous information is in the form of offered wages (not always shown to jobseekers) that appear too low (not compliant with the minimum wage law) or unrealistically high. We do not use the wage data for the creation of occupational labels.

The sectoral field of each vacancy has strong similarities to ONS Standard Industrial Classification (SIC) sections, and we constructed a manual mapping from the Reed sectors to the SIC sections. The data contain fields for latitude and longitude, which are used to map each vacancy into regions given by Nomenclature of Territorial Units for Statistics (NUTS) codes. As the data are for the UK, the NUTS characters are counted only after the “UK” designation. An example 3-character NUTS code would be “UKF13,” where the “F1” designates Derbyshire and Nottinghamshire (UK counties), and “F13” South and West Derbyshire.

We also use a number of other datasets from the ONS, including the *Labour Force Survey* (LFS) (Office for National Statistics 2017), the aforementioned *Vacancy Survey*, and sectoral productivity measures.

### 6.3.1 The Stock of Vacancies and Its Potential Bias

We consider how to estimate a stock of vacancies from the Reed job advertisements and what biases might affect this estimate. We want to turn the Reed job advertisements into a measure of job vacancies that are as close to the US JOLTS (Job Openings and Labor Turnover Survey) definition of vacancies as possible. JOLTS defines job vacancies as all positions that are open (not filled) on the last business day of the month. A job is vacant only if it meets all the following conditions:

1. A specific position exists and there is work available for that position. The position can be full-time or part-time, and it can be permanent, short-term, or seasonal; and
2. The job could start within 30 days, whether or not the establishment finds a suitable candidate during that time; and
3. There is active recruiting for workers from outside the establishment location that has the opening.

The ONS Vacancy Survey uses a similar definition but without the stipulation that the job could start within 30 days (Machin 2003). Both definitions are of job vacancies as a stock—that is all jobs that are open at a particular time, rather than newly opened within a particular time window.

The Reed job advertisements constitute a flow of new vacancies, arriving in daily time periods. In order to satisfy the JOLTS definition, we need to transform this flow of vacancies into a stock and ensure that all three con-

ditions are met. We can be fairly certain that the first JOLTS condition is satisfied. As posting a vacancy incurs a cost, it seems unlikely that firms or recruitment agencies would post vacancies for which there is not an available position, at least on any large scale.

We cannot be sure about Reed advertisements satisfying the second JOLTS condition but it seems reasonable to assume that, once filled, most positions could start within 30 days because the advertisements do not have a start date field. This suggests an implicit start date of as soon as the position is filled. Typically, for job-to-job flows, the limiting factor in a new firm-worker match is the workers' notice period.

The third JOLTS condition is satisfied by the posting of the vacancy on a third-party website. It seems very likely that most job advertisements posted on Reed will satisfy these three conditions.

Now we must consider how to transform the job advertisements, which are a flow in units of ads per day, into a stock of vacancies. As entries are removed from the site after being live for six weeks, the stock is simply the number of vacancies that were posted in the last six weeks or less. More explicitly, in discrete time, let the flow of advertisements be  $\dot{V}_d$  with  $d$  referring to a day. To retrieve stocks, the data are transformed as follows (where the time index refers to monthly frequency):

$$(1) \quad V_m = V_{m-1} + \sum_{d \in m} (\dot{V}_d - \dot{V}_{d-6 \times 7}).$$

Note that this implicitly assumes that job advertisements are filled or withdrawn by the employer after six weeks. There is no information on whether positions are filled within the Reed job advertisement data. This is typical of online vacancy data that are not matched with data on recruitment and most survey data: we cannot properly distinguish between ad outflows (that is, job advertisements that are removed from the site) that are due to employers who have decided to stop trying to recruit and those that are due to a position being filled. In the Reed case, when an ad is not reposted after six weeks, it could be for either of these two reasons. This is an outflow-type identification problem. However, because we will later work with data at the occupational level that is matched to survey data on hires also at the occupational level, we will be able to distinguish between the two cases.

Similarly, if an advertisement is reposted it could be because either the position was not filled or the firm has decided to hire additional employees. However, in this case and with all else equal, we would see whether the number of vacancies had increased or not. As with the outflow identification, it will not matter at the occupational level for which we have data on hires from surveys.

At the occupational level, then, we need not be concerned that econometric estimates of the effect of vacancies on hires estimated on Reed data will be biased by the inability to distinguish between types of outflow or inflow.



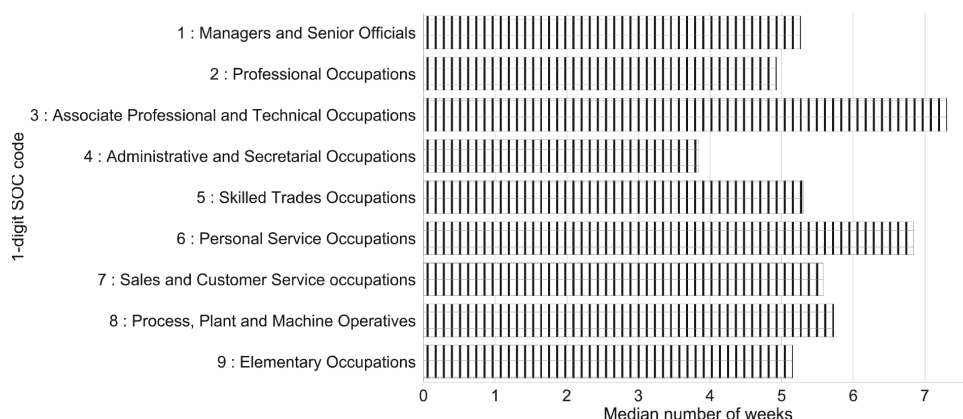
However, the JOLTS definition requires jobs to be unfilled to be a vacancy, as does the definition used in many other analyses of vacancies (Abraham 1983), which describe them as being current, unfilled job openings that are immediately available for occupancy by workers outside a firm and for which a firm is actively seeking such workers (for full-time, part-time, permanent, temporary, seasonal, and short-term work). Therefore, our assumption, enforced by the data, that the stock of vacancies is built up from equation (1) could lead to some biases in this measure of the stock.

Let us consider these stock-flow biases. The first is that posted job ads are filled before the six weeks are up, which would bias the vacancy stock derived from the Reed data upward. This is an aggregate outflow bias. The extent of this bias overall depends on the average duration of a vacancy, which is known to vary across the business cycle (Abraham 1983, 1987). The discontinued DHI-DFH Mean Vacancy Duration Measure<sup>5</sup> for the USA fell markedly during recessions, to two to three weeks, and increased to over four weeks in mid-2018 (FRED 2019). If we were to assume that vacancies were to endure for the two to four weeks implied by the US data, it would mean that our aggregate vacancy stock is biased upward. Evidence from one US firm that posts online job vacancies that require technical skills (Davis and Samaniego de la Parra 2017) implies much shorter timescales; the mean post duration is nine days and most of the attention paid by job seekers to ads occurs within the first 96 hours of an advertisement going live. However, as we will shortly adjust the mean level of vacancies in the Reed data to match the ONS's measure of overall vacancies, this aggregate upward bias will be corrected.

Vacancy durations also vary by occupation (Abraham 1983, 1987), and this poses more of a problem because it means that the stock of vacancies will be differentially biased by occupation. This is a differential outflow bias. Those occupations with short vacancy durations will have vacancy stocks that are biased upward. Despite its noted issues, we can look at the vacancy duration of the JobCentre Plus data to get an estimate of durations by occupation for the UK. The 2006 to 2012 median vacancy duration by 1-digit SOC code is shown in figure 6.1. The mean of medians is  $5.5 \pm 1.0$  weeks, suggesting that the cross-occupational differences are relatively small for the UK and that a six-week estimate for vacancy duration may not be inappropriate.

We will shortly reweight the Reed data using the fact that sectoral counts are available in both the ONS's measures of vacancies and the Reed data. By doing so, we will eliminate bias that exists across sectors. This will reduce

5. This is a series that quantifies the average number of working days taken to fill vacant job positions. It had been provided by a private firm, Delivering Hire Insights (DHI), before its discontinuation. It is based on the work of Davis, Faberman, and Haltiwanger (DFH) (Davis, Faberman, and Haltiwanger 2013).



**Fig. 6.1 Median JobCentre Plus vacancy durations by 1-digit SOC code based on data from 2006 to 2012**

*Source:* National Online Manpower Information System (NOMIS).

some of the biases by occupation but, unfortunately, these biases cannot be eliminated entirely because there is no one-for-one relationship between occupation and sector. This is likely to be a problem for aggregator job advertisement sites too; if their data ultimately come from sites like Reed, who have a fixed period when a job is live, they similarly do not know if and when the vacancy was filled within that period. We also cannot exclude the possibility that some firms' hiring strategies are adapted to the method by which they post the vacancy. If they have paid for an advertisement with a duration of six weeks, they may decide to only review applications to select a preferred match once that time has expired. This strategy is typical of graduate schemes, for example.

In steady state, the aggregate vacancy inflow and the aggregate job separation rate should be approximately equal. Without any reallocation across occupations, the same should be true at the disaggregate level. In principle, these could be used as sense checks on the biases in the stocks. However, our data do not cover multiple complete business cycles and are dominated by a severe downturn followed by a weak recovery. We should therefore not necessarily expect these to match. Using the *Labour Force Survey*, we computed the aggregate combined employment to unemployment, job to job, and employment to out-of-the-workforce separation flow and found that it was, on average, 1.3 times higher than the reweighted<sup>6</sup> vacancy inflow. Given this disparity even in the case where the (aggregate) stock matches

6. This reweighting will be applied in the next section and ensures that the aggregate Reed vacancy stock matches the ONS Vacancy Survey.

the ONS's measure, it seems likely that the vacancy flows and job separations at the disaggregate level would be an imperfect indicator of the level of vacancy stocks.

Unfortunately, the differential outflow bias by occupation could also create bias in estimates of matching efficiency. Upward biases in the stocks of some occupations will bias the matching efficiency of those occupations downward. We consider which occupations may be affected by this: the DHI-DFH Mean Vacancy Duration Measure (FRED 2019) for the US offers a sectoral split which shows that more highly skilled vacancies, for example in financial services and business and professional services, have longer vacancy durations on average than leisure and hospitality and construction. This makes intuitive sense in the context of specialization. So, an important caveat of our results is that heterogeneous vacancy durations are likely to bias the matching efficiency of low-skill occupations downward. The reweighting we apply in the next section will reduce, but not eliminate, this bias.

### 6.3.2 Coverage and Representativeness Biases

We now examine bias with respect to coverage and representativeness for the Reed vacancies, as well as describing the steps we take to reduce these biases.

These two types of bias exist at the aggregate level. Vacancies posted online are unlikely to cover 100 percent of vacancies advertised in the economy, and the Reed stock of vacancies, obtained from equation (1), has aggregate coverage of around 40 percent relative to the ONS Vacancy Survey. In addition, the composition of the vacancies that are posted online is likely to be quite different from reality. These problems of bias and coverage exist for all job vacancy data based on job advertisements, including the widely used JobCentre Plus data, and have long existed in the empirical literature on job vacancies. Prior to the advent of national vacancy statistics, most previous empirical work was based on the use of vacancies advertised at job centers, which have the same problems though for different reasons.

Additionally, vacancies as posted online do not have some of the problems that data collected by surveys have. Surveys are likely to have non- or incomplete-response bias, overestimation of the vacancies posted by large firms, underestimation of vacancies from recently created firms and, when comparing vacancies and unemployment, could be biased by frequency mismatch between surveys (Abraham 1983). Nonresponse bias is not relevant for job advertisements posted online; differentials due to firm size may exist but are more likely to be caused by the ability to advertise positions (rather than size itself), and as postings are typically at daily frequency there can be no large role for frequency mismatch. The cost of posting advertisements online with a recruiter means that the problem of phantom vacancies, for which no job ever existed, is likely to be small.

There are many factors that affect the coverage of online job vacancies.

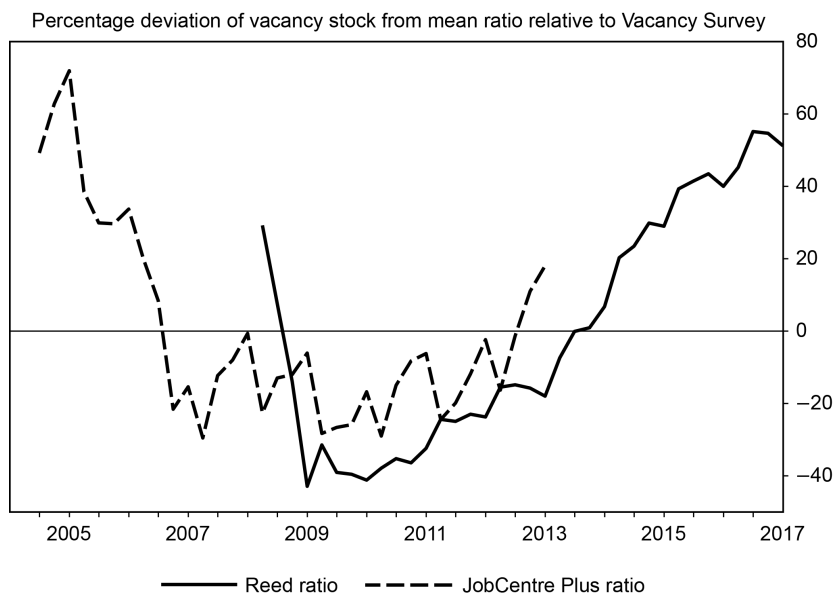
Technological diffusion is one; given that no vacancies were posted on the World Wide Web before 1990, and that newspaper circulations have fallen substantially since the 1980s, there has been a drift in job vacancies from ads in newspapers to ads placed online. Over time, the coverage of online vacancies has improved. Barnichon (2010) shows that this drift in coverage closely follows the S-shape typical of technological diffusion for the US, and that it also closely follows the similarly S-shaped fraction of internet users in that country. At the start of the period we study, 78 percent of the UK population were internet users, suggesting that the equivalent transition in the UK was already well under way by 2008.<sup>7</sup> Another reason why there are coverage differences for online ads posted with a recruiter versus surveys is the cost of posting vacancies online. Cajner and Ratner (2016) find that changes in the cost of posting vacancies online had a significant influence on the aggregate stock of vacancies as represented by online sources versus other sources. The (time-dependent) reweighting we will use will correct for both of these biases.<sup>8</sup>

The extent to which the composition of job advertisements posted online is biased relative to the composition of all vacancies in the economy is a more difficult issue to resolve. As there is a nontrivial cost to posting a job advertisement online, at least with a recruiter, those that are posted will need to have an expected return for the firm greater than that cost. Additionally, some job vacancies may get a better response if posted via other media (e.g., newspaper or shop window). There may be other pressures that determine whether vacancies appear online or not; for instance, the quality of alternative channels for matching between jobseekers and firms.

Because of being online, having a posting cost, and other factors, it is likely that Reed job advertisements are biased to overrepresent middle- and higher-skilled vacancies. This is a differential representativeness bias. The bias may not matter much for the uses demonstrated here, as long as it is reasonably fixed over time. Bias that is changing over time is the most detrimental to any analysis because (cross-section) fixed effects cannot absorb the bias effect. A fixed bias would imply that the stock of vacancies expressed as a ratio relative to the Vacancy Survey stock was also fixed over time. In figure 6.2, we show the percentage deviations of both the JobCentre Plus and Reed stocks of vacancies from their mean ratio relative to the Vacancy Survey stock of vacancies. The figure shows that neither is fixed over time and both likely suffer from a changing level of bias. On the basis of the simple measure shown in figure 6.2, bias does not seem to be more of a problem for the Reed data than for the widely used JobCentre Plus vacancy data but it nonetheless does exist.

7. World Bank series: Individuals using the Internet (% of population) International Telecommunication Union, World Telecommunication/ICT Development Report and database.

8. The cost of posting vacancies with Reed is not differentiated by sector or occupation.

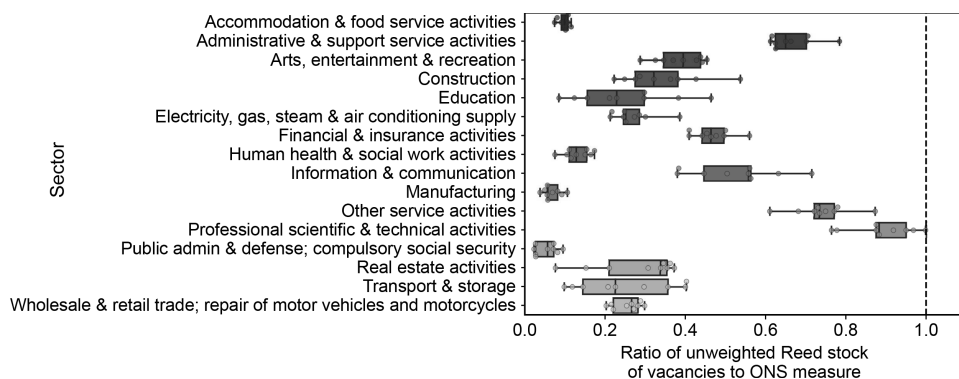


**Fig. 6.2** The percentage deviations of both the JobCentre Plus and Reed stocks of vacancies from their mean ratio relative to the Vacancy Survey stock of vacancies

*Source:* Reed, ONS, National Online Manpower Information System (NOMIS).

We can examine how much this bias is a problem at a more disaggregated level by taking advantage of the appearance of sectoral fields in both the Vacancy Survey and the Reed data. The mean annual ratios of the Reed to the Vacancy Survey stock of vacancies by sector are shown in figure 6.3. The annual coverage ratios of the sectoral vacancy counts of the Reed data relative to the Vacancy Survey data are closer to unity for some sectors than for others; for example, professional, scientific, and technical activities have a higher average coverage ratio than human health and social work activities. Such biases inevitably affect the stock of vacancies in the (unweighted) Reed data. For professional and scientific activities, information and communication, and administration, the Reed data are of comparable magnitude to the ONS estimates of vacancies. This could be because those sectors are well represented by the Reed data, but there could also be measurement differences that mean that the composition is different. Around 64 percent of vacancies have an annual ratio relative to the ONS survey with a median of greater than 20 percent. All are below unity, as would be expected if they were representative of the ONS equivalent sectoral counts.<sup>9</sup> The largest differences in magnitude between vacancies by sector in the Reed data and

9. If the Vacancy Survey is taken to be a true benchmark, values above unity would mean that there was duplication or misclassification in the Reed data.



**Fig. 6.3 Mean annual ratios of the Reed to Vacancy Survey stock of vacancies by sector give an indication of where the Reed data have higher coverage (first moment close to unity) and where the bias remains relatively static over time (small second moment)**

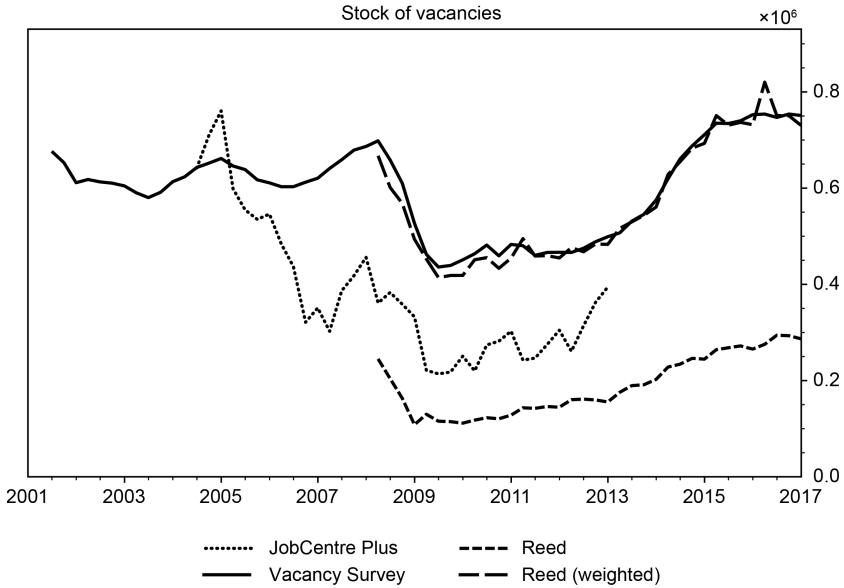
*Source:* Reed, ONS.

the ONS data are for public administration and manufacturing. Together, these account for around 9 percent of vacancies in the last quarter of 2016 according to the Vacancy Survey.

As noted, fixed biases can be absorbed by cross-section fixed effects. This does mean that there is potential for matching efficiencies calculated from these data to be biased. The Reed stock of vacancies is likely to be biased downward for lower-skill occupations, making the matching efficiencies of these occupations biased upward. This contrasts with the differential outflow bias noted earlier, which biases the same occupations' matching efficiencies downward. We do not know which dominates.

Some of these representativeness biases may be overcome or mitigated by reweighting the Reed stocks of vacancies by sector. We do this by using the monthly sectoral (Standard Industrial Classification) disaggregation of the Vacancy Survey and the fact that the Reed monthly stock of vacancies also has a sectoral breakdown. Their ratios are used as weights. Reweighting can almost completely eliminate any aggregate vacancy stock bias. It will reduce the online representativeness bias and the differential occupational representativeness bias only to the extent that sectoral differences are correlated with these other compositional differences. Both online and occupational representativeness are likely to be strongly correlated with skill level, and skill level and sector are also strongly correlated. So, we expect that reweighting by sector has a substantial effect on these two biases and the differential outflow bias of section 6.3.1 but cannot be sure of the quantitative extent of it. These biases, and others discussed in section 6.2, exist in the widely used JobCentre Plus data too.

In the reweighting, the stock weight of an individual vacancy  $v$  in sector  $i$  and month  $m$  is given by



**Fig. 6.4** The aggregate stock of vacancies from three data sources

Source: Reed, ONS, National Online Manpower Information System (NOMIS).

$$\omega_{i,m} = V_{i,m}^{vs} / V_{i,m},$$

with  $V_{i,m}^{vs}$  the monthly stock of vacancies by sector according to the Vacancy Survey, and  $V_{i,m}$  the stock of vacancies from the Reed data. Note that the correlation of the reweighted Reed data with the aggregate Vacancy Survey is just smaller than unity. This is because of small differences between the ONS's sectoral vacancy stocks and its aggregate measure of vacancies due to rounding and seasonal adjustments. In subsequent sections, we use the weighted Reed data.

The aggregate time series of the Vacancy Survey, raw Reed stock of vacancies, and JobCentre Plus vacancies are shown in figure 6.4. Neither of the latter two have the same overall level of vacancies as the official statistics. The weighted Reed data, with lower bias, has increased variance relative to the unweighted series but provides a good fit to the Vacancy Survey data. The correlations between the series, shown in table 6.1, show that the aggregate, unweighted Reed vacancy time series is better correlated with the Vacancy Survey measure than the JobCentre Plus data.

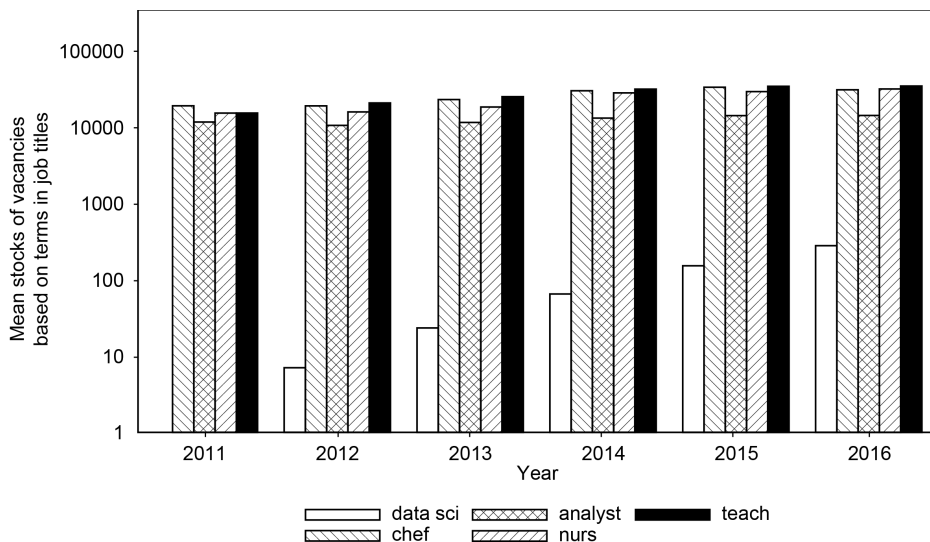
## 6.4 Matching Job Vacancy Text to Occupational Classifications

We wish to apply occupational labels to the job vacancies by making use of the text of the job title, job description, and job sector. Using the text of

**Table 6.1** Correlation matrix of aggregate vacancy data

	JobCentre Plus	Vacancy Survey	Reed	Reed (weighted)
JobCentre Plus	1	0.71	0.68	0.69
Vacancy Survey	—	1	0.93	0.98
Reed	—	—	1	0.90
Reed (weighted)	—	—	—	1

Sources: Reed, ONS, National Online Manpower Information System (NOMIS).

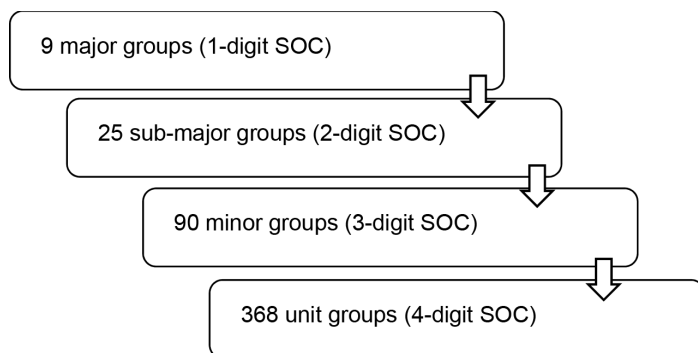


**Fig. 6.5** Counts of terms in job vacancy text designed to capture the job titles of “data scientist,” “analyst,” “chef,” “nurse,” and “teacher” (note the logarithmic scale)

Source: Reed, LFS.

the vacancies can be a powerful method to capture the stocks of different kinds of vacancies, as can be demonstrated with a simple count, by year, of the roots of the words “data scientist,” “analyst,” “chef,” “nurse,” and “teacher.” Figure 6.5 shows the results of this count and documents the rise of data science as a distinct job from 2011 to 2016. From this figure, we cannot know whether data scientist is rising due to new demand, extra terms in existing occupations, or because of substitution away from other roles (e.g., statistician). However, it would be prohibitively laborious to create a list of all possible job titles and search them individually. Ideally, we would want to count according to a well-defined and comprehensive classification that would put jobs into buckets according to a taxonomy. As long as the level of granularity is not too fine, this would put jobs like data scientist into buckets





**Fig. 6.6** Schematic of SOC code hierarchy

with jobs that require very similar skills and produce meaningful counts at the level of occupations. We develop and use an automated method for applying standardized occupational labels to job text. In order to use the Reed data most effectively for economic statistics, we label them with these standard classifications because they also exist in other official data—for example, on unemployment.

#### 6.4.1 Matching Algorithm

In this section we describe the steps required to match job advertisements in the Reed data to official Standard Occupational Classification (SOC) codes. We use the job title, job sector, and job description text as the inputs into an algorithm that outputs a 3-digit SOC code. We choose the 3-digit level rather than more granular levels because there is a trade-off between more granularity and greater accuracy in classifying jobs according to the correct SOC codes. As the SOC system is hierarchical and nested, with four levels as shown in figure 6.6, generating SOC codes at the 3-digit level also delivers vacancies labeled by 1- and 2-digit codes.

In order to perform matches, we need reference information about all 3-digit SOC codes. We compile all publicly available text data, consisting of all known possible job titles and a short official description, for each SOC code and create a single text string from it. We use term frequency-inverse document frequency (tf-idf) vectors to represent these SOC code strings with a matrix with dimension  $T \times D$  where  $t$  is a term from the text associated with a SOC code.<sup>10</sup> Our terms are comprised of all 1–3-grams<sup>11</sup> of salient words; that is, words that are likely to have a useful meaning in a job vacancy context (we will define this formally below). For example, the phrase “must

10. We use the scikit-learn Python package to do this.

11. An  $n$ -gram is all combinations of words with  $n$  words, so all 1–3-grams consist of all combinations of words with a length less than or equal to three words.

know how to cook Italian recipes” might reduce to a salient-words-only phrase “cook Italian recipes”. This has 2-grams “cook Italian” and “Italian recipes” as well as 1-grams “cook,” “Italian,” and “recipes.” The term frequency vector of this phrase would have entries equal to zero apart from the columns representing these five terms.

Rather than term frequency, which is defined as the pure count of the number of times a term appears, we use tf-idf to represent SOC codes. The “idf” part of tf-idf down-weights words that are common across the corpus and so less useful in distinguishing one vector from another. As an example, the word “work” may be salient as part of some n-grams but, as a single word, could also be very common in job advertisements. Let  $d$  be a document (in this case a text string corresponding to a 3-digit SOC code) with  $D$  documents (the number of unique 3-digit SOC codes) in total. The specific form of tf-idf we use is then given by

$$\text{tf-idf}(t, d) = \text{tf}(t) \times \text{idf}(t, d) = \text{tf}(t) \times \left[ \ln \left( \frac{1 + D}{1 + \text{df}(t, d)} \right) + 1 \right],$$

where the document frequency,  $\text{df}(t, d)$ , is the number of documents in the corpus that contain term  $t$  and term frequency,  $\text{tf}(t)$ , is the frequency of  $t$ . Each document can be represented as a vector of tf-idf scores,  $\vec{v}_d$ . These are normalized via the Euclidean norm so that  $\hat{v}_d = (\vec{v}_d / \|\vec{v}_d\|)$ .

The algorithm has four main stages: cleaning of vacancy text, exact matching on titles, identification of similar SOC codes, and fuzzy matching. The full flow of the algorithm is shown in figure 6A.1 of the appendix. In more detail, the steps to match each vacancy in the dataset are:

- clean and combine the text of the job vacancy title, sector, and description, expanding any recognized acronyms in the process
- check whether the job title matches any known 3-digit SOC code titles (if so, use this as an exact match)
- express the given vacancy as a vector using tf-idf
- identify the five 3-digit SOC code vectors “closest” to the vacancy vector by cosine similarity
- choose from among these five the best fuzzy match between the vacancy job title and all known 3-digit SOC code job titles

The cleaning process for text converts plural forms to singular forms (with some exceptions), expands abbreviations, removes stop words<sup>12</sup> and non-salient words, and removes digits, punctuation, and extra spaces.

Real job vacancies are represented in the vector space by calculating their tf-idf score in the space of terms from the original corpus of SOC code descriptions and titles. A job vacancy is expressed as  $\hat{v}'$ . In our algorithm,

12. Words that are not informative, typically conjunctions such as “and.”

an arbitrary 3-digit SOC code is represented by  $\hat{v}_d$ . To calculate which SOC codes are closest to  $\hat{v}'$ , we solve

$$\arg \max_d \{\hat{v}' \cdot \hat{v}_d\}$$

for the top five documents. This process allows us to estimate how “close” a given posted job vacancy is to the “golden image” jobs defined by each 3-digit SOC code string. Of the top five matches found in this way, the known title with the closest fuzzy match is chosen. This is implemented via the Python package *fuzzywuzzy*, which is based on Levenshtein distance (Levenshtein 1966). We experimented with just taking the closest SOC code match by cosine similarity but using the Levenshtein distance to select among the five closest SOC code vectors provided better performance. We did not experiment with alternatives to Levenshtein distance.

In order to implement the algorithm, it was necessary to create three look-up dictionaries. The *known titles dictionary* represents known job titles and their associated SOC codes as tf-idf vectors and is also used to identify any exact job title matches, and for fuzzy matching. The text that is used to create the vectors for each 3-digit SOC code combines all the known possible job titles for that SOC code in addition to a short official job description of it. The job titles are drawn from a set of around  $10^4$  possible titles covering all SOC codes. Publicly available ONS resources were used to generate this dictionary; the ONS Standard Occupational Classification, an extract from which may be seen in table 6.2, and the Standard Occupational Classification 2010 Index, an extract from which is shown in table 6.3. As shown in figure 6.6, the ONS Standard Occupational Classification system is a hierarchical structure with four levels, and includes descriptions of each job. The Stan-

**Table 6.2**                      **An extract from the ONS occupational classification structure that forms the basis of our *known titles dictionary***

Major group	Submajor group	Minor group	Unit group	Group title
3	31	311		Associate professional and technical occupations
				Science, engineering and technology associate professionals
				Science, engineering and production technicians
			3111	Laboratory technicians
			3112	Electrical and electronics technicians
			3113	Engineering technicians
			3114	Building and civil engineering technicians
			3115	Quality assurance technicians
			3116	Planning, process and production technicians
		312	3119	Science, engineering and production technicians n.e.c.
				Draughtspersons and related architectural technicians
			3121	Architectural and town planning technicians
			3122	Draughtspersons

**Table 6.3** An extract from Standard Occupational Classification Index 2010 that forms part of our *known titles dictionary*

SOC 2010	INDEXOCC	IND	ADD
1221	Manager, centre, holiday		
1225	Manager, centre, leisure		
1139	Manager, centre, mail	(postal distribution services)	
1181	Manager, centre, postgraduate	(health authority: hospital service)	
1251	Manager, centre, shopping		
1259	Manager, centre, skills		
1225	Manager, centre, sports		
1251	Manager, centre, town		
1259	Manager, centre, training		
1133	Manager, chain, supply		
2424	Manager, change, business		
2134	Manager, change, IT		
2134	Manager, change		(computing)
2134	Manager, change	(telecommunications)	
2424	Manager, change		
3545	Manager, channel		
1139	Manager, charity		
7130	Manager, check-out		
1225	Manager, cinema		
1225	Manager, circuit		(entertainment)
1190	Manager, circulation		
1225	Manager, circus		
3538	Manager, claims		
6240	Manager, cleaning		
1255	Manager, cleansing		
3545	Manager, client		(marketing)
3538	Manager, client	(bank)	
2462	Manager, client	(British Standards Institute)	
3538	Manager, client	(financial services)	

dard Occupational Classification Index 2010 extends the ONS occupational classification to capture around 30,000 alternative job titles across all unit groups. The *known titles dictionary* combines descriptions and all known titles from both sources to act as a reference list to match “raw” job vacancy titles against. Example entries are given in table 6.4.

We compiled an *acronym expansion dictionary* for processing the raw job title and job sector. It takes common within-occupation acronyms and expands them for clarity and to improve the quality of matches to the *known titles dictionary*. An example is the expansion of “rgn” to “registered general nurse.” The abbreviations were drawn from those commonly found in the job vacancies. The dictionary consists of a list of 219 abbreviations. Replacing acronyms with their expansions increases the likelihood of an exact match or a strong fuzzy match. The abbreviations were initially collected from a

**Table 6.4**                      **An extract from the *known titles dictionary***

SOC code	Titles
214	conservation and environment professionals conservation professionals environment professionals conservation adviser countryside adviser environmental chemist marine conservationist coastal nature conservationist conservationist ecological consultant environmental consultant ecologist environmental engineer geoenvironmental engineer contaminated land engineer landfill engineer . . .
215	research and development managers research and development managers head research and development analytics manager creative manager research and development design manager process development manager manufacturing development manager research and development information manager research and development consumer insights manager insights manager laboratory manager passenger link manager government product manager . . .

**Table 6.5**                      **An extract from the *acronym expansion dictionary***

Term	Replace with
rgn	registered general nurse
ifa	independent financial adviser
nqt	newly qualified teacher
flt	fork lift truck
ce	community employment
rmn	registered mental nurse
eyfs	early years foundation stage teacher

sample of 100,000 postings, where the set of words used in that sample was compared to the set of words in the official classification reference corpus. The abbreviations were detected by checking for words that existed in the raw job postings but were not present in the set of the official classification words. Those that occurred at least five times were investigated by searching for likely elaborations based upon the raw job titles and descriptions. Table 6.5 shows an extract from the *acronym expansion dictionary*.

We also created a *known words dictionary* that contains all words present in the ONS reference corpus (official and alternative ONS job titles and job descriptions). It is used to remove extraneous information from the titles of job vacancies; any term that is not in the dictionary is treated as a custom stop word and removed from the job vacancy titles before matching. This defines what we mean by salient terms. If a term does not exist in our ONS reference corpus, then we cannot use it for exact or fuzzy job title matching. This means that the term does not help in matching and may hinder it by preventing the detection of an exact title match or strong fuzzy title match. This dictionary is generated from the known titles dictionary but excludes official minor and unit group descriptions. These descriptions were excluded

because they tend to contain more general words that might be irrelevant to a job. While descriptions are used when calculating cosine similarities, for exact and fuzzy job title matching it was decided to use a stricter list of stop words in order to increase the quality of the matches. Several additional words are deleted from the dictionary (and therefore from the job vacancy titles during matching). These words are “mini,” “x,” “London,” “nh,” “for,” “in,” “at,” “apprentice,” “graduate,” “senior,” “junior,” and “trainee.” There were two reasons for this. First, words that only qualify the level of seniority, but do not change the occupation, may inhibit matching; so we wished to have “senior financial analyst” classified in the same way as “financial analyst.” Second, there are words that are not common stop words and also exist in the official ONS titles but that do occur very frequently in job titles and so are not particularly informative. These were identified via our exploratory analysis.

#### 6.4.2 Evaluating the Performance of the Occupation Coding Algorithm

There is no perfect metric against which to score the quality of SOC code assignment by our algorithm. Official classifications can be applied inconsistently. Schierholz et al. (2018) survey disagreements amongst those who code job titles into occupational classes, finding that the agreement overlap between coders is around 90 percent at the first digit of the code (the highest level, for instance “Managers, Directors and Senior Officials”) but reduces to 70–80 percent at the 3-digit level that we work with for SOC codes (for instance, “Managers and proprietors in agriculture related services”). Automated approaches that use job title alone have even lower levels of agreement; Belloni et al. (2014) showed that algorithms that use job title alone agree on only 60 percent of records even at the top, 1-digit level of the International Standard Classification of Occupations. Other evidence of poor consistency in coding comes from Mellow and Sider (1983), who find an agreement level of only 57.6 percent for 3-digit occupational classifications, and Mathiowetz (1992). Additionally, not all job titles can be unambiguously assigned to an occupation. The algorithm that we contribute to match job vacancies (using both title and description) to SOC codes appears to reach at least the same level of agreement as do human coders.

To evaluate the quality of the labeling algorithm we developed, we asked the ONS to code a randomly chosen subset of our data using their proprietary algorithm. This algorithm is designed to process the responses to survey questions. The naturally occurring vacancy data contain job titles that often have superfluous information (for instance, “must be willing to travel”), which can confuse a naive algorithm. Proprietary algorithms and algorithms used by national statistical offices are typically designed for survey data, in which job title entries tend to be easier to parse and there is less extraneous information. Our algorithm must cope with a more challenging environment. We submitted  $2 \times 10^5$  example vacancies to the ONS to run

**Table 6.6**                      **Summary of evaluation of SOC coding algorithm against ONS coding (3-digit level)**

	Manually assigned	Proprietary algorithm
Sample size	330	67,900
Accuracy	76%	91%

*Source:* ONS.

through their automated SOC code labeling process. Due to superfluous or missing information in the job title of the kind that would be unlikely to occur in survey data, their algorithm could only confidently produce a label for around 34 percent of these. Note that our algorithm similarly uses the job title to determine the SOC code to apply, but that it additionally uses the job description. Of the 34 percent that the ONS's approach could confidently give labels to, our method of coding based on job title and job description found the same label for 91 percent of the vacancies.

We also performed a smaller evaluation with manually assigned SOC codes. Volunteers, some associated with the project, were given parts of a list of 330 randomly chosen job titles from vacancies posted in 2016. Job titles were manually entered into the ONS online occupation coding tool, which returns a short list of the most relevant SOC codes, and volunteers then make a subjective selection of the most relevant SOC code. This is then compared with the output of our algorithm, with only a match at the 3-digit level being counted as accurate. The results from both are shown in table 6.6. The results are similar to the levels of agreement seen between human coders. This algorithm is used in all applications of SOC codes to the Reed data.

In creating the algorithm, several areas of possible future improvement became clear. It always assigns a SOC code, but it could instead assign a probability or confidence level to each SOC code and so allow for a manual coder to judge marginal cases. Historical data on vacancies and employment might also be used in marginal cases. We also found that occupations often come with both a level (e.g., manager) and a role (e.g., physicist). Better SOC assignment might result from explicitly extracting these two different types of information, and perhaps distinguishing between the higher and lower levels using offered salaries.

In interpreting the results based upon our SOC coding algorithm, it is useful to note that the less granular levels of classification are likely to have fewer incorrect classifications. There is a trade-off, as going to more aggregate classifications loses some of the rich heterogeneity that we find in the data.

Since we developed our approach, we became aware of several recent similar approaches. Atalay et al. (2017) label job vacancy advertisements appearing in US newspapers with SOC codes. Their approach shares some

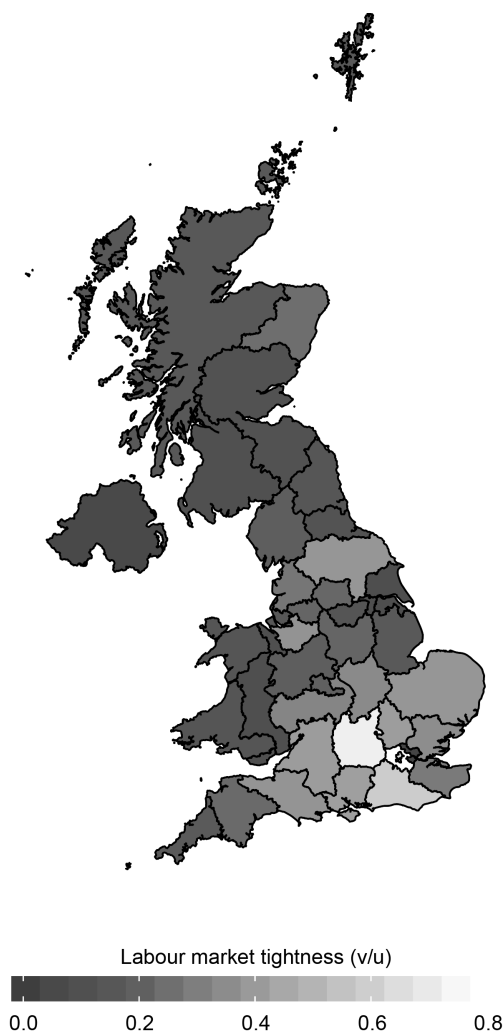
similarities with ours, including the use of cosine similarity, but is also different in several respects: our model is created from the official job category descriptions, while theirs is created from the vacancy text; while we use tf-idf to create a vector space, they use continuous-bag-of-words; and finally, they match to US SOC codes, while we match to UK SOC codes. We think that one advantage of creating the vector space from the official descriptions of SOC codes is that it only retains words or terms that are relevant to solving the problem of finding the right SOC code and discards all other words. This is not true when the vector space is created from the vacancy text. The vector space created the former way is inherently limited by the cardinality of SOC codes, which is a benefit, rather than potentially growing indefinitely as more job advertisements are added in the latter approach. Working with self-reported job title data from the German General Social Survey, Gweon et al. (2017) develop three different statistical approaches to apply occupational classifications. Boselli et al. (2017, 2018) take a different approach and manually label around 30,000 vacancies to then use a supervised machine learning algorithm to classify a further 6 million vacancies using ISCO (International Standard Classification of Occupations) codes. We believe that the use of supervised machine learning to train a model could potentially produce more accuracy in matching (where accuracy is measured relative to the labels that a human coder would select). However, the maintenance cost of the supervised approach is higher; if the SOC code standard changes, our approach would be trivial to update with the new master descriptions of each SOC code, but a supervised machine learning approach would need to be retrained with presumably 30,000 more vacancies labeled by humans. Similarly, applying the same approach in different countries would require model retraining. Future work could usefully compare or combine all these methods on the same SOC matching problem.

## 6.5 Analysis of Processed Data

Once labeled with both regional NUTS codes and occupational SOC codes, the data allow for an entirely new perspective on the heterogeneity of labor demand within the UK. In this section, we report assorted summary statistics that illustrate this. Figure 6.7 shows the labor market tightness,  $\theta = v/u$ , by 2-character NUTS code. Unemployment data come from the *Labour Force Survey*. The picture reflects regional incomes, with the South East having higher tightness than Northern Ireland. However, there are isolated regions of tightness outside of the South East.

We can also look at changes in tightness that occur at an extremely disaggregated level, although some caution should be taken in inferring too much from changes at the lowest possible levels of disaggregation given that the data have been reweighted from a biased source. In figure 6.8 we plot the rolling two-quarter means of the three highest mean tightnesses

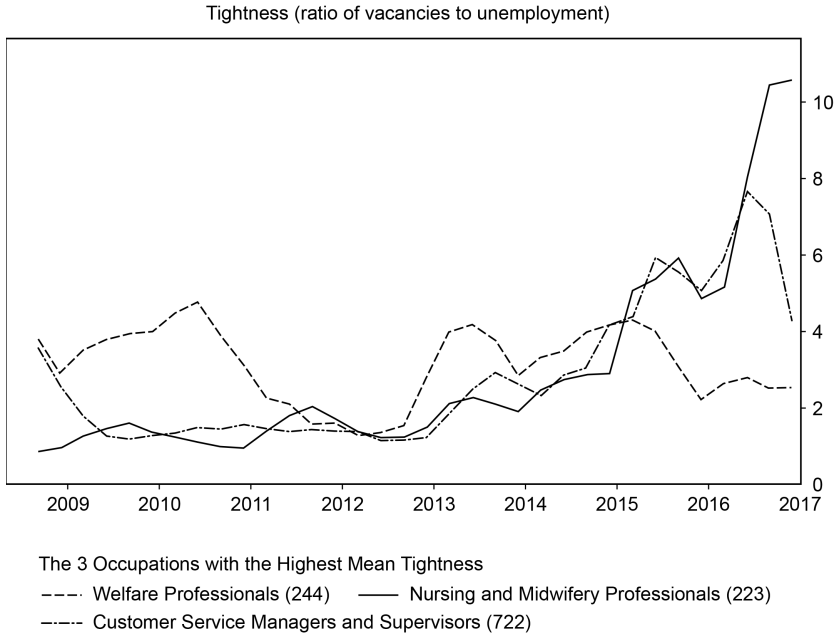




**Fig. 6.7 Map of mean UK labor market tightness**

*Note:*  $\theta = ulu$  by 2-character NUTS code over the period 2008Q1–2016Q4. Some of the NUTS classifications are different in the ONS data relative to the NUTS2010 standard (EUROSTAT 2011). This causes problems for London (UK1). We map UK11 to UK13 and UK12 to UK15. This neglects the UK16 and UK17 categories in NUTS2010. These are shown as white in the plot.

for 3-digit SOC codes. The appearance of nurses and welfare professionals in the three most tight occupations is consistent with the UK government’s “Shortage Occupation List.” Not shown are the bottom three occupations, which were elementary sales occupations, process operatives, and elementary agricultural occupations. While these are likely to have low tightnesses



**Fig. 6.8 The 3-digit SOC codes with the three highest mean tightnesses over the full time period**

Source: Reed, LFS.

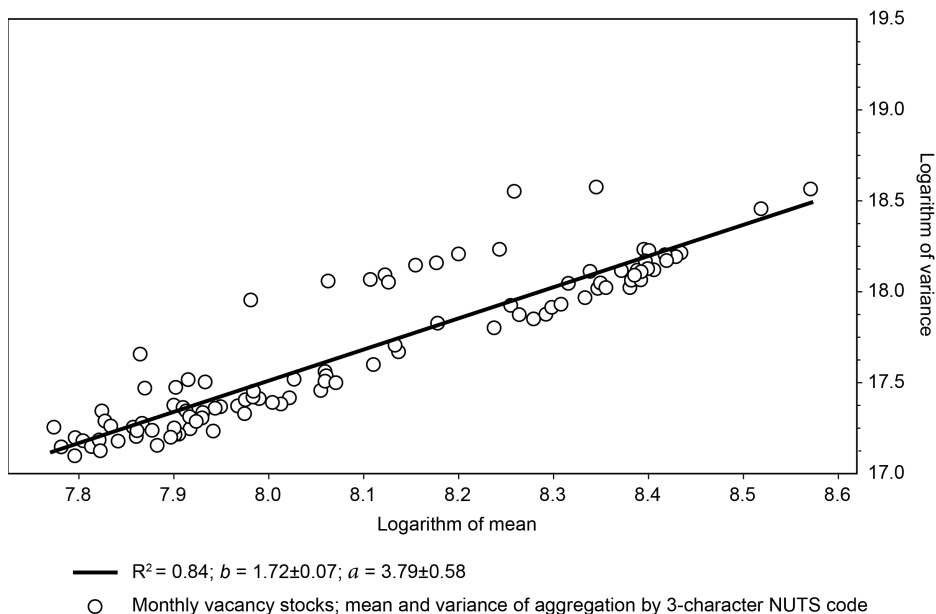
in part due to genuinely low demand, it is also likely that these jobs are not commonly posted online by firms.

Another useful check on the newly compiled vacancy data is that they satisfy similar stylized facts to the official data produced by the ONS. One such stylized fact is that the monthly sectoral vacancy stocks follow a Taylor power law (Taylor 1961). Firm sizes have also been shown to satisfy this law (Gaffeo et al. 2012). Let  $i$  represent a region, occupation, or sector with  $\bar{V}_i = (1/I) \sum_i V_{ti}$ . Then the monthly mean and monthly variance,  $\sigma_t^2$ , are related to each other as

$$\sigma_t^2 = a \bar{V}_i^b,$$

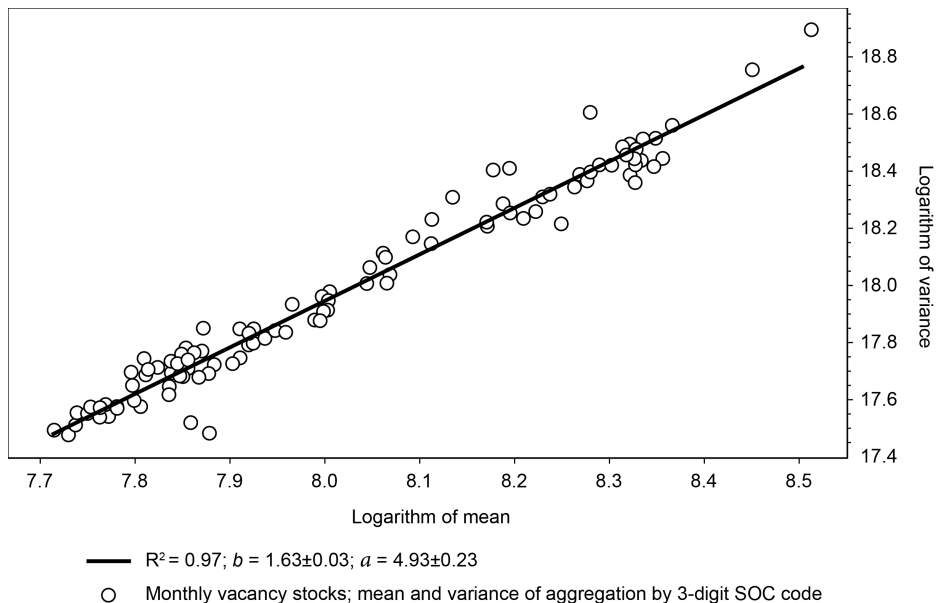
where the power,  $b$ , is sometimes called the index of aggregation.<sup>13</sup> The ONS vacancies by sector strongly follow a Taylor power law with  $R^2 = 0.857$  and  $b = 2.037 \pm 0.061$ . We show, in figures 6.9 and 6.10, that the breakdowns by NUTS and SOC respectively do both strongly follow Taylor power laws, giv-

13.  $1 < b < 2$  indicates that the variation falls with increasing size of region, occupation, or sector relative to what would be expected from a relationship with constant per vacancy variability, which is  $b = 2$  (Kilpatrick and Ives 2003).



**Fig. 6.9** Monthly vacancy stocks, when aggregated by region into mean and variance, show a clear Taylor power law relationship

Source: Reed.



**Fig. 6.10** Monthly vacancy stocks, when aggregated by occupation into mean and variance, show a clear Taylor power law relationship

Source: Reed.

ing confidence in the methods used to produce these statistics. We also highlight the existence of these Taylor power laws in vacancy data as they could be useful for the calibration of heterogeneous models of the labor market.

The descriptive statistics of the Reed data at the disaggregated level seem to provide a plausible representation of vacancies by both occupation and region.

## 6.6 Use of Reed Vacancy Data

We demonstrate potential uses of these new economic statistics.

By combining Reed vacancy data labeled by occupation with data on unemployment and hires from the *Labour Force Survey*, we are able to estimate Beveridge curves.<sup>14</sup> These track the relationship between unemployment and vacancies over time. By utilizing vacancy data labeled by the text analysis technique developed, we are able to create Beveridge curves at the occupational level.

At the aggregate level, we assume a matching function  $M$  that takes the level of vacancies and unemployment in discrete time as inputs and outputs the number of hires (per unit time) as in the comprehensive survey by Petrongolo and Pissarides (2001). Define the aggregate number of hires,  $h$ , and matching function,  $M$ , with constant returns to scale (homogeneous of degree 1) as

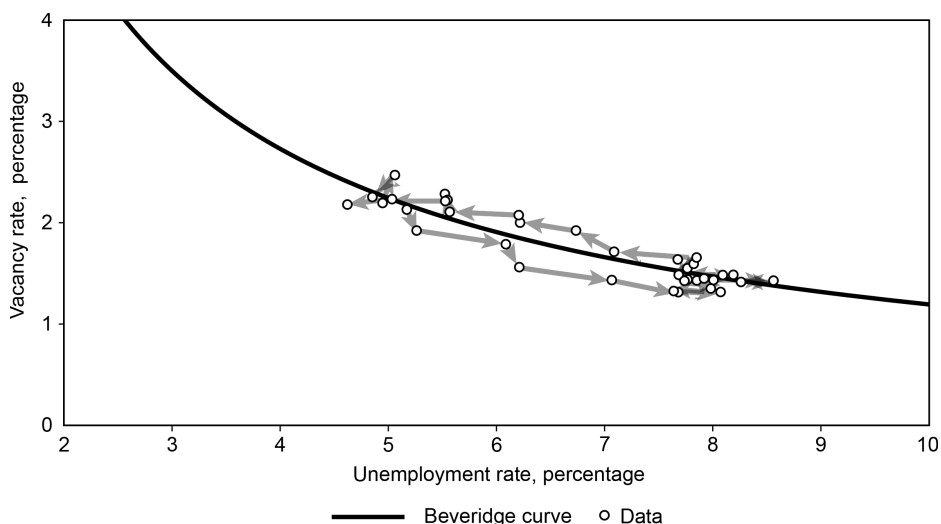
$$h(U, V) = \phi M(U, V) = \phi U^{1-\alpha} V^\alpha,$$

where  $\phi$  is the matching efficiency and  $\alpha$  is the vacancy elasticity of matching. These are structural parameters. Matches and new hires from unemployment are equivalent. At the disaggregated level, hires are given by  $h_i$ . Hires based upon the theoretical matching function and a segment-specific matching efficiency are given by

$$(2) \quad h_i = \phi_i M(U_i, V_i) = \phi_i U_i^{1-\alpha} V_i^\alpha.$$

The key structural parameters are the scale parameter of the matching function,  $\phi$ , and the vacancy elasticity parameter,  $\alpha = (V/M)(\partial M / \partial V)$ . The scale parameter is often interpreted as an indicator of the level of efficiency of the matching process; hence we refer to it as the “matching efficiency.” The elasticity parameter contains information about the severity of the congestion externalities that searchers on either side of the labor market impose on each other. Econometric estimates are reported in full in Turrell et al. (2018). When the number of hires is equal to the job destruction rate and  $dU/dt = 0$ , the combinations of possible  $U$  and  $V$  values for a given set of matching parameters trace out a locus of points in  $U - V$  space. This is the Beveridge curve, and its empirical counterpart may be seen by plotting observed  $U$  and  $V$  values against one another.

14. See Elsby, Michaels, and Ratner (2015) for a comprehensive review.



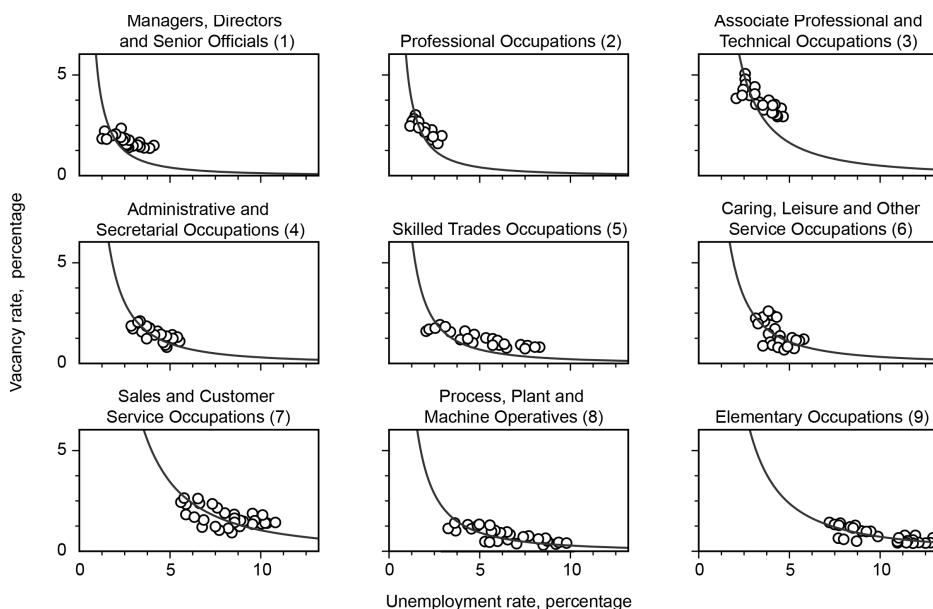
**Fig. 6.11 Beveridge curve (line) vs. aggregate  $u-v$  data at quarterly frequency**

Source: Reed, ONS.

Figure 6.11 shows an aggregate fitted Beveridge curve against aggregate vacancy-unemployment points at quarterly frequency for 2008 to 2017.<sup>15</sup> The aggregate matching efficiency is  $\phi = \exp\{0.554 \pm .037\}$  (significant to 1 percent). Arrows indicate movements over time, and a shift toward higher unemployment during the Great Recession is evident, as is the high tightness in the last quarter of 2016.

Figure 6.12 shows the disaggregated equivalent of figure 6.11, with Beveridge curves and quarterly  $u-v$  points for each 1-digit SOC code. The submarket-level Beveridge curves show that a single, aggregate Beveridge curve hides a great deal of important variation in  $u-v$  space across SOC codes. There are significant differences between the apparent curves as separated by skill, with the curve for associate professional and technical occupations shifted up relative to other occupations. There are also differences in spread. The driver of the spread varies by occupation; for the Caring, Leisure and Other Service occupation (1-digit SOC code 6), it is largely driven by vacancies, while what variation there is for Managers, Directors and Senior Officials (1-digit SOC code 1) is driven by unemployment. We do not allow matching efficiency or job destruction rates to vary over the time period here so that the Beveridge curve is fixed. In practice there are shifts in

15. In the LFS data, there are discrepancies between the stocks implied by the flows in the longitudinal data and the stocks in the cross-sectional data. Due to this, we calibrate the job destruction rate in the Beveridge curves to give the best fit to the data.



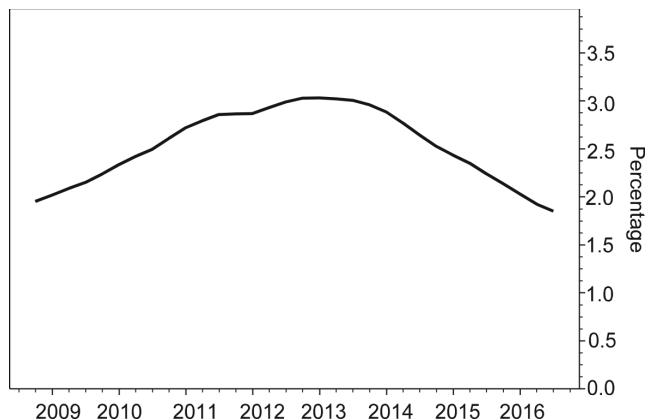
**Fig. 6.12** Beveridge curves (lines), estimated with Reed data, and Reed data (points) in  $uv$ -space for each 1-digit SOC code at quarterly frequency

Source: Reed, ONS.

Beveridge curves, certainly at the aggregate level, and these are documented for the US in Barnichon et al. (2012). They find that a break in the hires per vacancy shifted the curve so that the implied unemployment rate was 2.8 percentage points lower than the actual unemployment rate. Our short time series makes a similar analysis difficult here but the estimated Beveridge curves at the occupational level provide a good fit for the entire period.

The patterns shown here could be affected by the biases discussed in sections 3.1 and 3.2. The vacancy stocks of higher numbered occupations are subject to both an upward bias, due to the likelihood of having vacancy durations shorter than the average across occupations and the six weeks assumed for the Reed data, and a downward bias, due to their being under-represented amongst online vacancies posted at cost.

We now turn to the mismatch framework of Şahin et al. (2014) which, for heterogeneous labor markets, can determine the extent of unemployment that arises due to mismatch between jobseekers and job vacancies. Mismatch arises when there are barriers to mobility across distinct parts of the labor market, which we refer to as submarkets or market segments. Mismatch lowers the overall efficiency of the labor market; given the aggregate level of unemployment and vacancies, it lowers the rate of job finding. The mismatch



**Fig. 6.13 Mismatch unemployment,  $uu-vv^*$  (seasonally adjusted)**

Source: ONS, Reed.

framework is also used by Smith (2012), Patterson et al. (2016), and Turrell et al. (2018)—from which the econometric estimates used here are drawn.

The Şahin et al. (2014) model provides counterfactuals due to a social planner who allocates the unemployed to search in submarkets so as to optimize output. The social planner takes into account the matching efficiency and tightness of each submarket. Mismatch unemployment is defined as the gap between actual unemployment,  $u$ , and counterfactual unemployment,  $u^*$ . We compute this mismatch unemployment rate in figure 6.13 using 1-digit SOC codes. The biases that affect the stock of vacancies also affect estimates of the matching efficiency, producing a bias both upward and downward for occupations with short vacancy durations and low online representation, respectively. Upward and downward bias in matching efficiency make mismatch unemployment seem lower or higher, respectively. While these biases mean that the level of mismatch unemployment could be shifted relative to its true level, they are likely to be less important for following the trend in mismatch unemployment as they are relatively fixed over the period under consideration. Following the recession caused by the Great Financial Crisis, mismatch unemployment gradually rose. The maximum inflection point at the end of 2012 coincides with the UK's last negative quarter-on-quarter GDP growth within the time period under consideration; mismatch unemployment subsequently falls more steeply during the recovery. Mismatch between jobseekers and firms has been implicated as one driver of the UK's productivity puzzle (Patterson et al. 2016) but the trend in mismatch unemployment seen here suggests that, while that could have been a factor up until 2013, the role it has played fell substantially between 2013 and 2017.

## 6.7 Conclusion

We mapped naturally occurring vacancy data into official occupational classifications in order to construct new economic statistics. The algorithm we have developed is especially useful for firms, recruitment agencies, and other researchers seeking to apply consistent occupational labels to freeform job descriptions. The tools and processes developed can be deployed on other vacancy data but could also be adapted to other types of naturally occurring text data.

We have considered the limitations due to bias and coverage in the Reed vacancy data presented. While there is undoubtedly bias in the data, we have provided a qualitative description of it and how it might affect the estimates of the stock of vacancies. We also quantified the biases by sector and reweighted the data in order to reduce the overall bias and increase the effective coverage of the data. The bias we find is no worse than in other widely used UK vacancy microdata. Example applications demonstrate the utility of these data for analysis.

These datasets are a complement, not a replacement, for existing survey-based approaches to constructing economic statistics because those existing statistics are required to assess the extent of bias and coverage in new datasets, and to create weighting schemes. We have shown that the Reed data, transformed by text analysis, can augment existing official statistics because they can give estimates of vacancies by occupation and region that survey data do not, and because of their vast scale. That scale permits very disaggregated analysis that can substantially benefit labor market research.



## Appendix

### Detailed Occupation-Coding Algorithm Flow Diagram

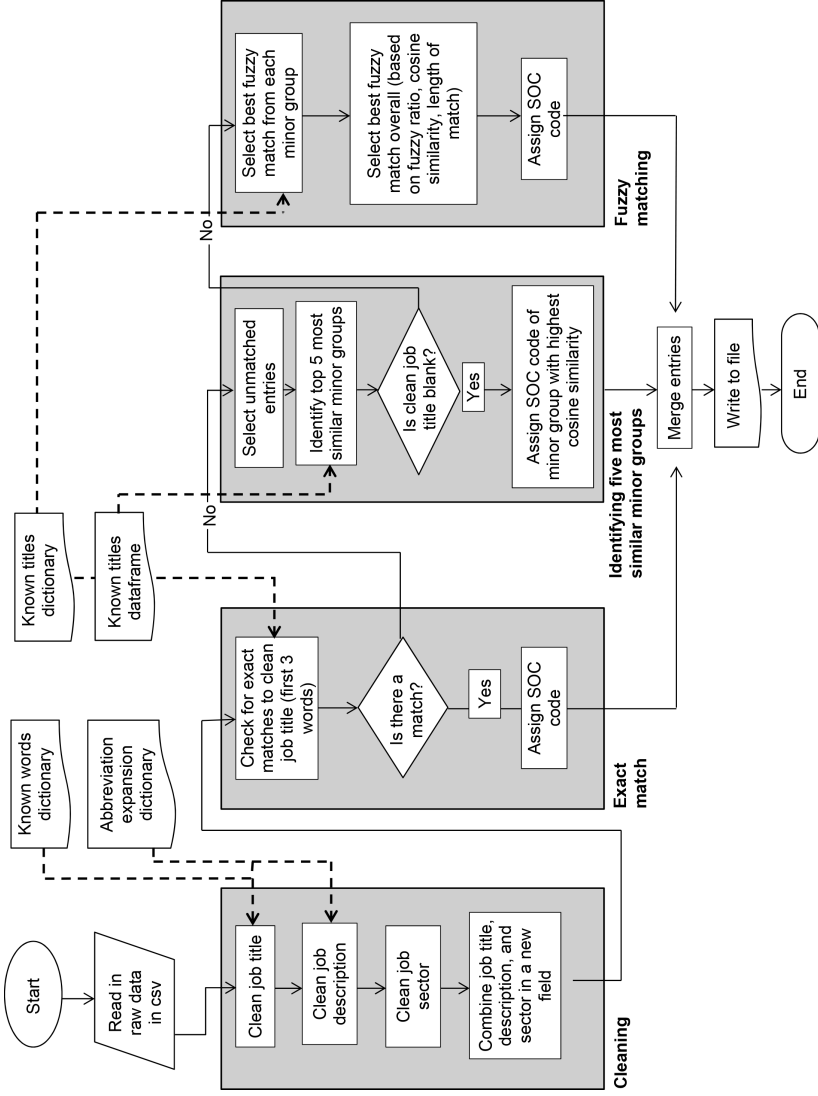


Fig. 6A.1 A more detailed overview of the algorithm that matches job vacancies to SOC codes at the minor group level (3-digit SOC code)

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