



JULY 2012

# labour market update

## Labour market figures offer some good news

Today's labour market statistics offer the Government some respite from the criticism it has been under since the UK economy re-entered recession.

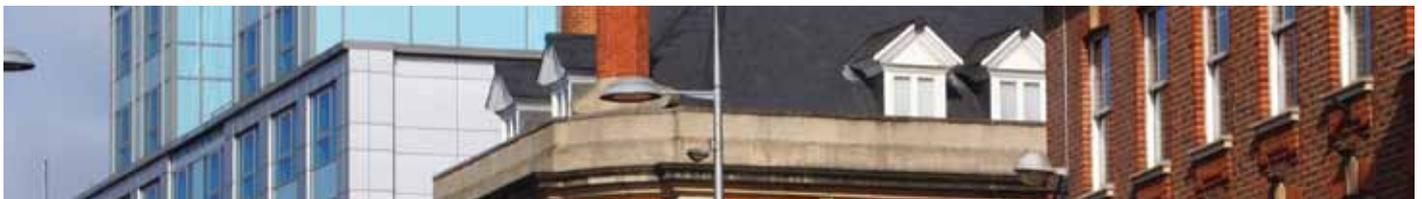
In the three months to May 2012 employment was up, hours worked were up and unemployment was down. And crucially this was driven by full time employment rather than increases in part time employment, as have been seen in the past.

The relative improvement in the labour market, despite very weak economic growth figures, continues to be somewhat of a puzzle.

The next big hurdle for the Government will be the release of GDP figures for the second quarter of 2012, which will show whether the economy really is improving, or whether the disconnect between the labour market and the economy continues.

**Table 1: Key statistics**

	Reference Period	Rate
Unemployment (ILO)	Mar - May 12	8.1%
Claimant Count	June 12	4.9%
Employment	Mar - May 12	70.7%
Y-o-Y Average Weekly Wage Growth	May 12	1.5% inc bonus 1.8% exc bonus

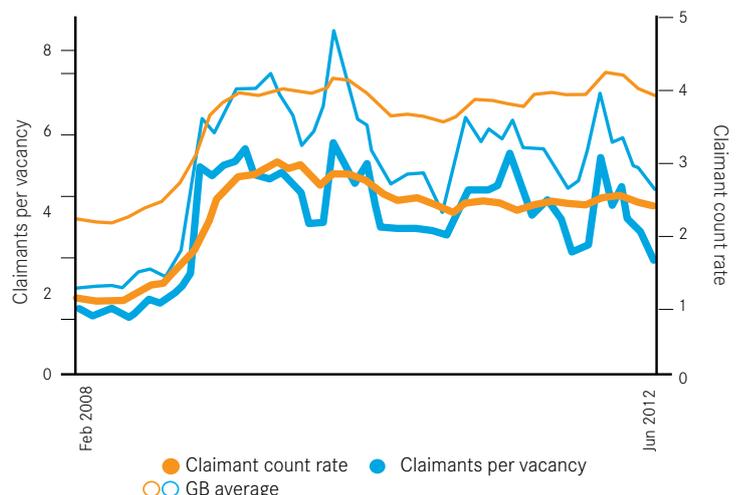


## Spotlight on Reading

As well as being one of the UK's strongest performing cities in the decade before the downturn, Reading has also been relatively insulated from the deterioration in the economy since February 2008. The city's claimant count has increased by just 1.2 percentage points over this period, the 9th lowest increase out of all UK cities.

One of Reading's strengths is its attractiveness to foreign businesses. Our recent report [Open for Business](#) showed that this was most acute for US owned businesses – the city had the highest share of American controlled companies out of all UK cities.

**Figure 1: Claimant count in Reading**



Source: ONS

## Full time job creation leads the way

Employment increased in the three months to May, while unemployment and inactivity rates both fell.

The increase in employment was driven by increases in full time employment – **73 percent of the increase in employment was accounted for by full time employment.**

Previous improvements in employment have been driven by part time work. The number of people working part time because they could not get a full time job remains at a near record high.

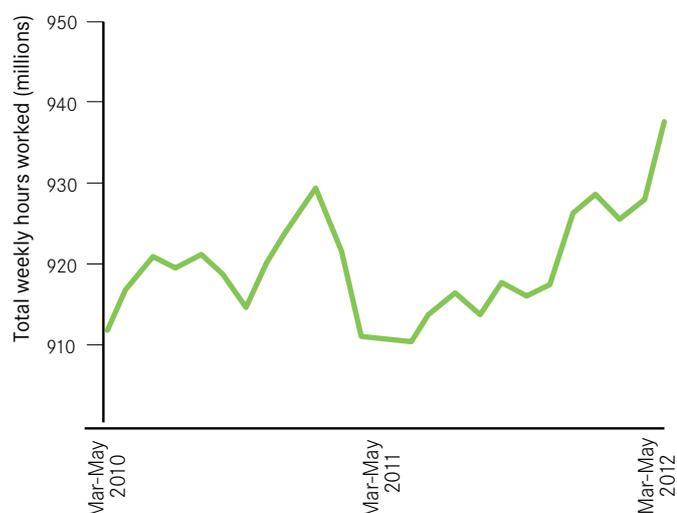
The strong increase in full time work suggests that employers are more confident about recruiting and that the current improvement in the labour market may be slightly more sustained than has been the case previously.

## Strong increase in hours worked

Despite the economy re-entering recession, total weekly hours worked have increased strongly over the last 12 months.

As Figure 2 shows, the number of hours worked per week has increased by 27 million hours in the three months to May 2012 relative to a year earlier, equating to growth of 2.9 percent.

**Figure 2: Total weekly hours worked**



Source: ONS

In line with the improved headline figures around employment, this suggests that labour demand has increased over the last year. Surprisingly, this increase was not matched with an increase in GDP – between June 2011 and March 2012 the economy contracted by 0.1 percent.

## Weak public sector pay growth brings savings to the exchequer

Last week's inflation figures showed that **inflation fell to 2.4 percent in June 2012**, its lowest since November 2009. This gives a little more room for manoeuvre for monetary policy as the Bank of England looks to further kick-start economic growth. And it is relatively good news for workers who have been squeezed by strong increases in the cost of living but poor wage growth in recent years.

Feeling the squeeze most keenly in recent months have been **public sector workers**, whose pay growth has lagged behind both inflation and growth in the private sector. Latest figures show that pay in the public sector (excluding financial services) increased by just 0.9 percent in the year to May 2012, compared to 1.5 percent in the private sector.

While this is bad news for public sector workers themselves, it is good news (in the short term at least) for the Exchequer. In real terms, the value of public sector wages is falling. This means that not only is the Government cutting the public sector wage bill directly through job cuts, but it is making further savings by holding pay increases below inflation.

## The Census & the labour market

The first release of the Census 2011 data earlier this week gave some updated insights into the size of the working age populations in cities and the number of dependents that they have.

Table 2 shows the top and bottom five cities for the percentage share of working aged people in their resident populations.

### Key findings are:

- There is a 13 percentage point difference in percentage of people of working age across the cities of England and Wales, ranging from 62 percent in Blackpool to 75 percent in Cambridge.

**Table 2: Top and bottom five cities for the percentage share of working aged people in their resident populations**

City	Percent share of working age population
<b>5 cities with largest % working age population</b>	
Cambridge	75%
Oxford	73%
Brighton	70%
Cardiff	70%
London	70%
<b>5 cities with smallest % working age population</b>	
Grimsby	65%
Southend	64%
Birkenhead	64%
Worthing	63%
Blackpool	62%

Source: Census 2011

- The presence of the universities in Oxford and Cambridge are likely to be a big driver of the size of their working age populations.

- The bottom five cities in Table 2 have many more older people than the national average. In Blackpool and Worthing, at least one in five people are aged over 65. All five cities are by the sea, suggesting that perhaps this pattern is driven by retirement decisions.

- Bradford and Birmingham have the seventh and eighth lowest share of 15-64 year olds in their population respectively. But unlike the six cities below them, this is driven by a higher percentage share of people aged under 15, rather than a large 65+ population. **Bradford, for example, has the highest percentage share of under 15 year olds of all English and Welsh cities.**

- Milton Keynes has the 14th highest proportion of working age population. Despite this it also has the 4th highest share of child dependants. This is likely to be partly explained by the city's attractiveness to young families - it also has the 4th highest share of people aged between 25 and 40.

- **These patterns have implications not only for public services in cities but also the nature of demand for goods and services from the private sector.** While businesses are likely to be more geared towards focussing on providing for an older population in Bournemouth, many more opportunities are likely to exist for family-focussed goods and services in Milton Keynes.

## Contact



Paul leads on the Centre's work on labour markets. Get in touch with him if you would like to discuss any of the points raised in this note or discuss related policy issues.

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