



NOVEMBER 2012

labour market update

Employment continues to rise

The recent release of GDP data for the third quarter of 2012 at last accorded with the performance of the labour market in recent months. The statistics for the three months to September once again show an improvement, with employment rate increasing and unemployment rate decreasing.

When looking at the number of people in employment an even more surprising story is revealed. As discussed in more detail on page 2, the total number

of people in employment has now returned to its pre-recessionary peak – there are now as many people in work as there were at the start of 2008. What’s more, this has been achieved in a much shorter period than previous recessions.

Given the poor performance of the economy since 2008 – it is still 3.1 percent smaller than it was at the onset of the downturn – the speed at which employment has increased since the start of 2010 is remarkable.

Table 1: Key statistics

	Reference Period	Rate
Unemployment (ILO)	Jun - Sep 12	7.8%
Claimant Count	October 12	4.8%
Employment	Jun - Sep 12	71.2%
Y-o-Y Average Weekly Wage Growth	October 12	1.8% inc bonus 1.9% exc bonus

Spotlight on Southampton

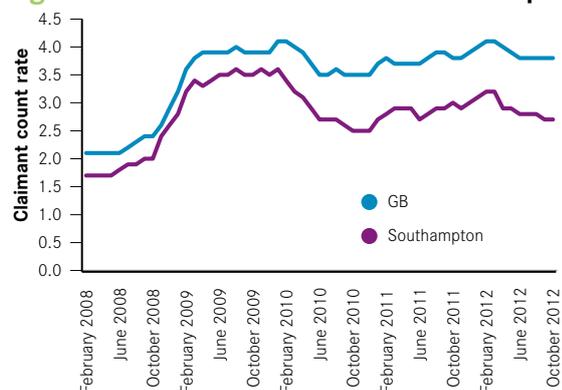
Southampton has been relatively sheltered from the worst of the downturn since it began in 2008. Its claimant count has increased by just one percentage point over that time, the sixth lowest out of all UK cities.

The recent announcement by Ford that it plans to close its Transit plant in Southampton, with the loss of 500 jobs, is a blow to the local economy.

But it is better placed than many other cities to deal with these redundancies, and the city should act quickly to link the Ford workers to the opportunities that are available in its economy.

See more city by city comparisons at www.centreforcities.org/citytracker and www.citiesoutlook.org.

Figure 1: Claimant count rate in Southampton



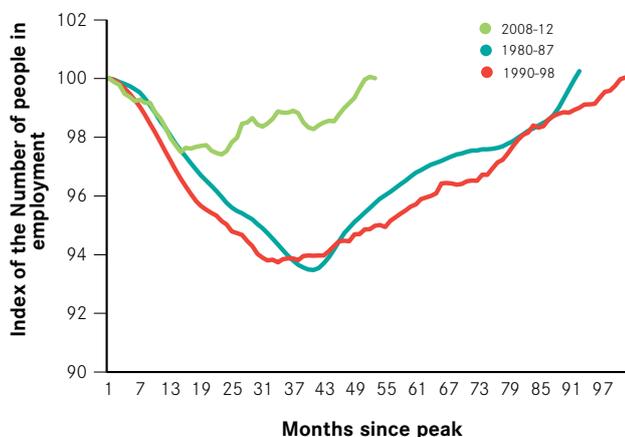
Source: Nomis

Employment returns to pre recession peak

As noted above, the number of people in employment has returned to its pre-recessionary peak. There were 29.6 million people in employment in the three months to September 2012, its highest point since the three months to May 2008.

While the employment rate is still well below its pre-recessionary pinnacle – mainly due to the increase in the size of the workforce over this period – the short time in which the labour market has regained ground on this measure is still very surprising. As Figure 2 shows, it took over seven years for the labour market do this in the recession in the mid-eighties, and over eight years during the mid-nineties recession, despite economic output recovering much more quickly over these periods.

Figure 2: Number of people in employment over recent recessions



Source: ONS

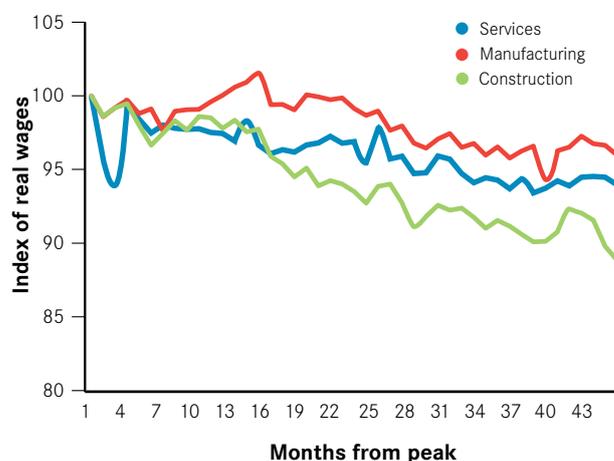
As shown in last month's analysis, this has been driven by part time rather than full time employment. But despite this it is also interesting to note that total hours worked in the economy is now also very close to its pre-recession peak even though full time employment has fallen in recent years.

This is not reflected in real wages

Part of the strong recent increase in employment is likely to be due to the weak growth of wages in recent years.

Overall real wages – the value of wages when taking inflation into account – are 6.2 percent lower than they were in 2009. And as Figure 3 shows, this fall has been most pronounced in construction, where real wages are 11.2 percent lower than they were at the beginning of 2009.

Figure 3: Profile of real wages in manufacturing and services



Source: ONS

Long term unemployment increases

Despite recent improvements in the headline indicators such as employment and unemployment, the number of people out of work remains a big problem.

Long term unemployment remains a particular concern – while the total number of unemployed people fell by 49,000 in the three months to September, the number of people unemployed for over a year increased by 12,000.

Those that have been out of work for over one year now account for 36 percent of total employment, up from 25 percent since the start of the downturn.

City labour markets

Cities and youth unemployment

Falls in unemployment over the last quarter were driven almost entirely by falls in youth unemployment. Youth unemployment (16 to 24 year olds) fell by 49,000 in the three months to September. And the youth claimant count (18 to 24 year olds) is down 1,500 on last month and 41,800 on the previous year.

Despite this improvement the youth unemployment rate remains significantly higher than rates among older workers, whether those in full time education (FTE) are included or not: the youth unemployment rate stands at 18.9 percent or 14 percent excluding those in in FTE. The scarring effects of periods of unemployment on an individual's later life make this a particular policy concern.

Youth unemployment has historically been high relative to other age groups and was rising before the recession. With the exception of Swindon, youth claimant rates were higher than total claimant rates across all UK cities.

A comparison of the latest youth claimant rate and total claimant rate provides an indication of the extent to which young people are struggling to find work relative to older age groups in different cities (see Figure 4).

Barnsley, Swindon, Wakefield and Birkenhead have the highest youth claimant rates relative to total claimant rates. The sectoral composition of these cities' economies may mean

there is a lack of suitable jobs in these areas. It may be appropriate, for example, for local stakeholders to explore how they can support young jobseekers find work further afield in areas like Manchester where the youth claimant rate is relatively low.

Figure 4: Youth claimant rates vs. total claimant rates, October 2012



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