



FEBRUARY 2011

labour market update

Youth unemployment at record high

Despite the relatively benign nature of the labour market recently, youth unemployment now stands at a record high.

The number of 16-24 year olds seeking work has reached 965,000 after increasing by 66,000 in the three months to December. And the youth unemployment rate increased by 1.5 percentage points to 20.5 percent in the three months to December. Both figures are the highest since comparable records began in 1992.

Research has found that youth unemployment has long lasting impacts on the employment chances of those affected.

The Work Programme, the Government's new approach to welfare to work which is due to be launched in the Summer, will need to pay particular attention to helping young people back into the labour market to prevent the scarring impacts of long term youth unemployment.

Table 1: Key statistics

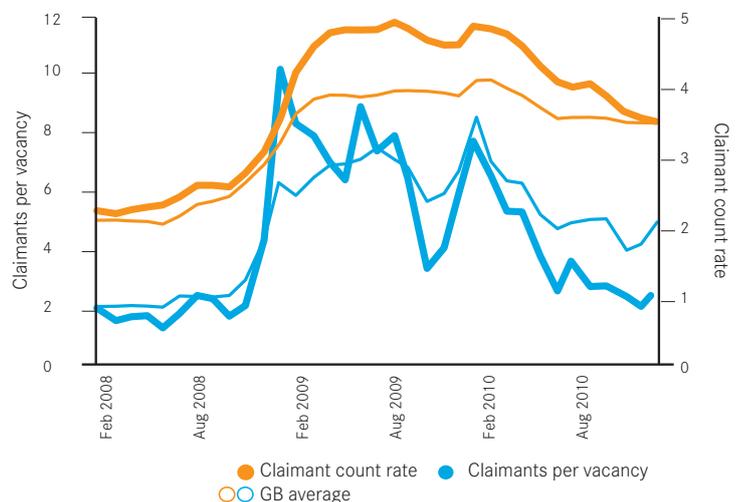
Indicator	Reference period	Rate
Unemployment (ILO)	Oct - Dec 2010	7.9%
Claimant count	January 2011	4.5%
Employment	Oct - Dec 2011	70.5%
Year on year average weekly wage growth	Oct - Dec 2011	1.1% inc bonus 2.3% exc bonus

Spotlight on Cambridge

Cambridge has been the city that has been least impacted by the recession in terms of the increase in its claimant count. The number of Jobseekers' Allowance claimants in the city in January 2011 was just 0.6 percentage points higher than in February 2008.

Cambridge perhaps best reflects the impact of the recession on the labour market. Cities with higher percentages of low skilled workers and manufacturing and construction employment were hardest hit by the downturn. In 2007, just before the onset of the recession, manufacturing and construction made up the smallest share of employment in Cambridge out of all of Britain's cities. And the city had the highest number of high skilled jobs.

Figure 1:
Cambridge claimant count



Source: Nomis

Full time up, part time down

A strong theme since the onset of the recession in the labour market has been the strong rise in part time working. It has been this trend that has partly attributed for the smaller than expected increases in unemployment over the last three years.

But this trend reversed in the three months to December. The number of part time employees fell by 62,000, while the number of people in full time employment increased by 66,000.

The recovery continues to benefit men

These figures could reflect people converting their part time positions into full time employment. This would indicate a strengthening of demand for labour. But looking at the gender breakdown of these changes in employment suggests that this isn't the case. The fall in the number of part time employees was completely accounted for by a fall in female part time employment, whereas both men and women saw increases in full time employment.

The continued increase in the number of people working part time because they could not get a full time job also backs this up.

The deteriorating position of women in the labour market can also be seen in the data for the claimant count. Whereas the number of male claimants has fallen month on month for the last year, the number of female claimants has increased continually over the last seven months.

Real wages continue to decline

The increase in the inflation rate to 4 percent in January has dominated the news in recent days. And today's inflation report shows that the Bank of England expects inflation to remain above 4 percent for the rest of 2011.

This has implications for the real value of wages over the next year. Figure 2 shows that wage growth has been below the growth of prices for 28 of the last 31 months, so meaning that take home pay has been squeezed over this period. If wage inflation is not to rise over the next year (something which would give both the Government and the Bank of England a real headache) then take home pay will continue to decline in value throughout 2011.

Figure 2:
Total pay growth and inflation (year on year)



Source: ONS

Clearly this is not good news for individuals currently in work. But for the labour market this isn't a bad thing. Ever cheaper labour is likely to increase demand for workers. This is likely to have a positive impact on employment.

For more city-by-city data and analysis, see City Tracker:

www.citytracker.org.uk

The spatial distribution of youth unemployment

As shown on page one, youth unemployment is now at record levels; close to one million 16 to 24 year olds are now unemployed.

Table 2 below gives an indication of the spatial distribution of the youth unemployed. In Grimsby, almost one in ten young people are claiming Jobseekers' Allowance, closely followed by Middlesbrough. Grimsby has also seen the second largest percentage point increase in the number of youth claimants since the onset of the recession.

At the other end of the table it is cities such as Aberdeen, Reading and Cambridge that have the lowest youth claimant rates, and have also seen some of the lowest increases

in the number of young people claiming Jobseekers' Allowance.

Our recent publication, **Cities Outlook 2011**, showed the likely spatial implications of public sector job cuts. It found that Aldershot, Reading and Aberdeen should be fairly insulated from reductions in public sector employment.

But it showed that Middlesbrough, Hull, Sunderland and Newport were all very vulnerable to public sector job losses. The result is that the labour markets in these cities could deteriorate further in the coming years. This is likely to compound the already high levels of youth unemployment in these economies.

Table 2:
Top and bottom ten cities for youth JSA claimant rates

City	Youth claimant count Jan 2011 (as % of all young people)	Percentage point change since Feb 2008*
1 Grimsby	9.1	3.5
2 Middlesbrough	8.7	2.7
3 Hull	8.4	2.2
4 Barnsley	8.3	3.4
5 Hastings	8.3	2.5
6 Birmingham	8.2	2.4
7 Rochdale	8.1	3.2
8 Sunderland	8.0	2.5
9 Doncaster	7.9	3.2
10 Newport	7.7	3.0

City	Youth claimant count Jan 2011 (as % of all young people)	Percentage point change since Feb 2008*
55 Portsmouth	3.4	1.1
56 Bristol	3.3	1.5
57 Aldershot	3.3	1.8
58 Bournemouth	3.2	1.5
59 Aberdeen	3.0	1.4
60 Southampton	2.8	0.6
61 York	2.7	1.1
62 Reading	2.6	1.2
63 Oxford	1.8	0.8
64 Cambridge	1.4	0.3

Source: Nomis

*February 2008 - the lowest point on the UK claimant count series - is used here as the initial measurement point to take into account the extended duration of the recession.

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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