



MARCH 2011

labour market update

Rise in unemployment supports jobless recovery predictions

The unemployment rate increased by 0.1 percentage points in the three months to January compared to the three months to December and now stands at 8 percent.

The relative stability of the headline unemployment rate over the last year bears out many commentators' predictions of a 'jobless' recovery in the UK economy. For example both hours worked and productivity have increased since early 2010. But despite this there has been a small deterioration in the number of people unemployed and only small movements in the employment rate.

Although there has been little improvement to these headline indicators it is interesting to note that the labour force (people that are 'economically active') increased by 1.2 percent over the last year. This will suppress improvements in both the employment and unemployment rates (part explaining its slight increase this month) as indeed opposite movements during the recession suppressed increases in unemployment. Economic activity is discussed further on page 3.

Table 1: Key statistics

| Indicator | Reference period | Rate |
|-----------------------------------------|---------------------|----------------------------------|
| Unemployment (ILO) | Nov 2010 - Jan 2011 | 8.0% |
| Claimant count | February 2011 | 4.5% |
| Employment | Nov 2010 - Jan 2011 | 70.5% |
| Year on year average weekly wage growth | Nov 2010 - Jan 2011 | 2.3% inc bonus 2.2% exc bonus |

Spotlight on York

Unlike many of its near neighbours, York's claimant count rate is below the national average. The city's claimant rate currently stands at 2.7 percent.

As shown in Table 2, this is well below that of cities such as Leeds and Wakefield. And at 1.3 percentage points York has also seen one of the lowest rises in its claimant count of all UK cities since the start of the downturn.

For further analysis from Centre for Cities on the York economy, see:

www.centreforcities.org/york

Table 2: Claimant Count Rates in Cities in Yorkshire and Humber

| City | Claimant count Feb 2011 | Change in claimant count (Feb 2008-2011) |
|--------------|-------------------------|------------------------------------------|
| York | 2.7% | 1.3 |
| Wakefield | 4.3% | 2.2 |
| Leeds | 4.3% | 2.0 |
| Huddersfield | 4.4% | 2.2 |
| Sheffield | 4.5% | 2.2 |
| Barnsley | 4.8% | 2.3 |
| Bradford | 5.0% | 2.2 |
| Doncaster | 5.3% | 2.4 |
| Grimsby | 6.4% | 2.9 |
| Hull | 7.8% | 3.3 |

Source: Nomis

the recession 3 years on

The impact of the recession over the last three years

It has now been three years since the economic downturn started to have an impact on unemployment in the UK.

This period can be split into two phases. Phase one, between February 2008 and February 2010, saw a sharp increase in the claimant counts of many city economies followed by a degree of stabilisation. Phase two on the other hand (from February 2010 to February 2011) witnessed a fall in the claimant counts of almost every UK city as the national economy began to recover from the recession.

It is interesting to note the impact that these two phases have had on the ranking of cities in terms of their claimant counts (see Table 3). Key points to note are:

- **Hull** has been unmoved at the top of this ranking over the three years. Not only did it enter the recession with the highest claimant count rate of all UK cities, it has also been hit hardest by the downturn in terms of the number of people claiming Jobseekers' Allowance.
- This has not been reflected by **Liverpool**, the city that had the highest claimant count rate in February 2008. It had a much smaller increase in the number of its claimants over the period, and now has the fifth highest claimant count rate overall.
- **Glasgow** and **Rochdale** are the only two cities that were not in the top ten at the start of the downturn but now find themselves there.
- **Sunderland, Coventry** and **Newcastle** have had the opposite experience. All three cities had some of the highest claimant count rates out of all UK cities at the beginning of 2008 but have since exited the top ten.

It must be noted here, however, that although the relative rankings of these cities has changed over the last three years, that claimant count rates are now significantly higher than they were at the start of the downturn.

Table 3:
Highest JSA claimant rates in February 2008, February 2010 & February 2011

| February 2008 Rank | Claimant count rate | February 2010 Rank | Claimant count rate | February 2011 Rank | Claimant count rate |
|--------------------|---------------------|--------------------|---------------------|--------------------|---------------------|
| 1 | Hull 4.5% | 1 | Hull 8.9% | 1 | Hull 7.8% |
| 2 | Liverpool 4.4% | 2 | Birmingham 7.5% | 2 | Birmingham 6.5% |
| 3 | Birmingham 4.2% | 3 | Grimsby 7.0% | 3 | Grimsby 6.4% |
| 4 | Middlesbrough 3.7% | 4 | Liverpool 6.9% | 4 | Middlesbrough 6.4% |
| 5 | Grimsby 3.5% | 5 | Hastings 6.9% | 5 | Liverpool 6.3% |
| 6 | Dundee 3.5% | 6 | Middlesbrough 6.7% | 6 | Dundee 5.9% |
| 7 | Hastings 3.4% | 7 | Doncaster 6.1% | 7 | Hastings 5.6% |
| 8 | Sunderland 3.3% | 8 | Rochdale 6.1% | 8 | Glasgow 5.5% |
| 9 | Coventry 3.2% | 9 | Sunderland 6.0% | 9 | Rochdale 5.5% |
| 10 | Newcastle 3.2% | 10 | Coventry 5.9% | 10 | Newport 5.4% |

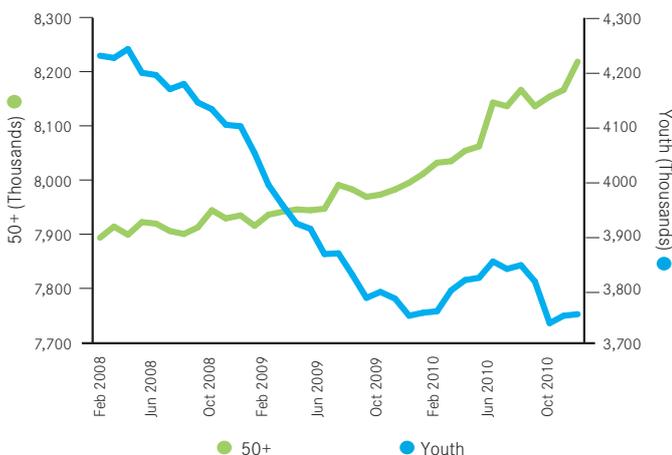
Source: Nomis

Employers look to experience

Rising youth unemployment has received much attention since the onset of the recession, and was looked at in detail in last month's edition. Youth unemployment now stands at 974,000 people, the highest figure since records began in 1992.

The sharp rise in youth employment contrasts sharply with the fortunes of those aged over 50, as shown in Figure 1. Whereas youth employment has decreased by over 11 percent since February 2008 (the point at which the labour market began to deteriorate), employment for those aged 50 plus increased by 4 percent. This increase is remarkable when contrasted to the fortunes of the labour market over this period.

Figure 1:
People in employment

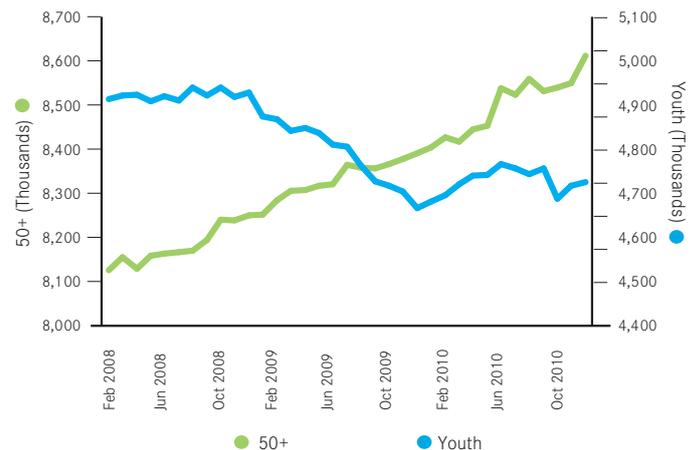


Source: ONS

These trends in employment are reflected in the economic activity rates of the two age groups (see Figure 2). The increased difficulty in finding a job has meant that many young people have stopped searching for employment. This in

turn has served to limit the increase headline youth unemployment. If these people had continued to look for a job then youth unemployment could now be well over one million.

Figure 2:
Economic activity rates



Source: ONS

In contrast, there has been a strong increase in the number of people aged over 50 in the labour market since February 2008; the labour market participation of this age group increased by 6 percent between February 2008 and December 2010.

These patterns suggest two interesting points. Firstly, employers appear to be putting a greater emphasis on experience in their hiring decisions. Secondly, greater economic uncertainty appears to be encouraging older people to work longer. This is emphasised by the increase in the economic activity rate of those aged over 65; the number of people over State retirement age either in employment or searching for a job has increased by 32 percent since February 2008.

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