



MAY 2011

labour market update

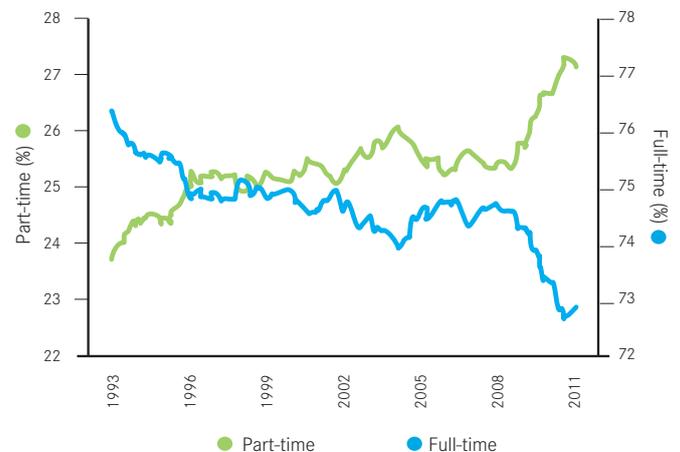
The Coalition (almost) 12 months on

There has been a great deal of coverage in the press in the last couple of weeks about the impact of the Coalition on its first year anniversary. Today's data release doesn't quite give us data for the entire twelve months. But there are three interesting things to note for Government policy – issues which mark a departure from the behaviour of the labour market during the recovery from the last recession in the 1990s:

1. There has been a large change to the composition of full time and part time working since the recession, with a large jump in part-time working (see Figure 1). This means that policy should both be mindful that there will be some correction to this (as people move from part-time back to full-time work) but also tailor policy to be more aware of the rise in part time working.
2. Partly as a result of this the labour market has not responded in the way that many people expected. Whereas it could have been feasible that the Government would have had to battle against rising unemployment, the unemployment rate has been very stable over the last 12 months. This means it will be even more difficult to predict both the labour market and the impact of policy over the coming years.

3. The size of the youth unemployment problem is difficult to measure. 935,000 young people are unemployed, but around one third of these are full time students. This means that policies to reduce youth unemployment need to account for both low skilled young people and those that have recently qualified but are struggling to find employment. Each scenario is likely to require a different policy approach.

Figure 1: Part time and full time employment



Source: Labour Force Survey

Table 1: Key statistics

| Indicator | Reference period | Rate |
|---|---------------------|----------------------------------|
| Unemployment (ILO) | Jan 2011 - Mar 2011 | 7.7% |
| Claimant count | April 2011 | 4.6% |
| Employment | Jan 2011 - Mar 2011 | 70.7% |
| Year on year average weekly wage growth | Jan 2011 - Mar 2011 | 2.3% inc bonus 2.1% exc bonus |

Signs of growth in the services sector?

Recent editions of the Labour Market Update have focussed on how the recovery has benefited men more than it has women. This month's data brings more positive news for women. Although the number of female claimants rose for the tenth consecutive month (outstripping the rise for men once again), there was an increase in female full time employment (54,000). This rise outstripped the rise in male employment (40,000) for the three months to March.

This has two implications. The first is that the majority of the increase in female employment was due to women re-entering the labour market – existing female unemployment fell by only 5,000. The second is that the change in the gender employment pattern hints at a change in the structure of the recovery. Men have benefited from the recovery to date due to the strong bounceback of manufacturing and construction. But the increase in female employment suggests that the outlook for the services sector is looking brighter as this sector tends to be more female dominated.

Peace breaks out in the labour market

Despite inflation continuing to run comfortably above the Bank of England's inflation target (prices increased by 4.5% for April), workers still appear to be showing restraint when it comes to wage negotiations. Average total pay increased by 2.3% in the three months to March. Despite workers in finance and business services receiving an average increase of 6.2% to their pay packets, economy wide wages increased by only 2.3%.

The continued trend of wages rising below inflation, squeezing living standards, has not prompted a rise in agitation in the labour market however. In the twelve months to March 2011 145,900 working days were lost due to strike action – this is the lowest twelve month total since records began in 1931.

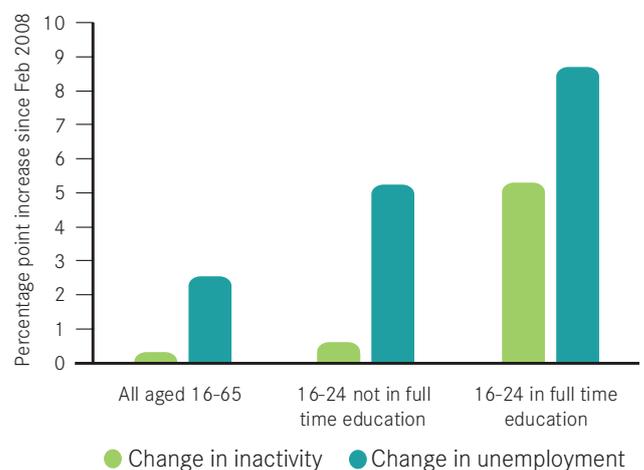
The Bank of England's Monetary Policy Committee (MPC) continues to be reluctant to increase the interest rate from its historic low of 0.5% for fear of choking the economy's recovery. But it needs to balance this against a rise in prices, which an increase in wage growth could fuel. This data is likely to further reinforce the majority view on the MPC to leave the interest rate unchanged for now.

Students find the going tough

The Centre for Cities' recent report on universities (*Starter for Ten*) found that the biggest impact that higher education institutions have on their local economies is through their employment and the spending of their students.

The recession has had a big impact on 16-24 year olds that are in full time education, as shown in Figure 2. While unemployment rates for 16-24 years olds has increased by 5.2 percentage points since February 2008, it's increased by 8.7pp for those in full time education. But this only tells part of the story – the inactivity rates of students has increased by 5.2pp in contrast to just 0.6pp for those not in full time study. This could have implications for cities dependent on student spending.

Figure 2: Student activity in the labour market



Source: ONS

LEPs & unemployment

Sink or swim?

The Centre for Cities will launch a short report tomorrow assessing the impact that LEPs have had to date and looking at the challenges that LEPs will face.

The paper will highlight the different economic challenges that LEPs face. In the labour market alone there are substantial differences between them. Table 2 below shows the impact of the recession on the claimant counts of the LEPs.

The Black Country LEP has been hit the hardest – the claimant count has risen by 2.8 percentage points since February 2008. It is followed by the Tees Valley LEP. Unsurprisingly, the two LEPs also have the highest claimant count rates in April 2010 at 6.6 percent and 6.2 percent respectively.

At the other end of the scale, it's the Oxford City Region, York and North Yorkshire and Enterprise M3 that have had the smallest increases in claimant count.

The clear message from this is that LEPs need to prioritise what is most important for their economies, and tackling unemployment should be high up the agenda for the Black Country and Tees Valley LEPs.

You can download the report from 19 May 2011 at:

www.centreforcities.org/leps

Table 2: Claimant counts by LEP

| LEP | Claimant count Feb 08 | Claimant count Apr 11 | Pp change in claimant count (Feb 08- Apr 11) |
|---|-----------------------|-----------------------|--|
| Black Country | 3.8 | 6.6 | 2.8 |
| Tees Valley | 3.7 | 6.2 | 2.5 |
| Sheffield City Region | 2.4 | 4.5 | 2.1 |
| Greater Manchester | 2.5 | 4.5 | 2 |
| Greater Birmingham & Solihull | 3.9 | 5.8 | 1.9 |
| Leeds City Region | 2.2 | 4.1 | 1.9 |
| Derby, Derbyshire, Nottingham & Nottinghamshire | 2.1 | 3.9 | 1.8 |
| Liverpool City Region | 3.9 | 5.6 | 1.7 |
| North Eastern | 2.9 | 4.6 | 1.7 |
| Pan London | 2.5 | 4.2 | 1.7 |
| South East Midlands | 1.6 | 3.2 | 1.6 |
| West of England | 1.2 | 2.8 | 1.6 |
| Kent, Greater Essex & East Sussex | 1.7 | 3.2 | 1.5 |
| Leicester & Leicestershire | 2 | 3.5 | 1.5 |
| Stoke & Staffordshire | 1.9 | 3.4 | 1.5 |
| Worcestershire | 1.7 | 3.2 | 1.5 |
| Coast to Capital | 1.5 | 2.9 | 1.4 |
| Lincolnshire | 1.8 | 3.2 | 1.4 |
| The Marches | 1.6 | 3 | 1.4 |
| Lancashire | 2 | 3.4 | 1.4 |
| Cheshire and Warrington | 1.6 | 2.9 | 1.3 |
| Coventry and Warwickshire | 2.3 | 3.6 | 1.3 |
| Hertfordshire | 1.2 | 2.5 | 1.3 |
| Thames Valley Berkshire | 1.1 | 2.4 | 1.3 |
| Cornwall & the Isles of Scilly | 1.6 | 2.8 | 1.2 |
| Cumbria | 1.6 | 2.8 | 1.2 |
| Greater Cambridge & Greater Peterborough | 1.4 | 2.6 | 1.2 |
| Heart of the South West | 1.4 | 2.6 | 1.2 |
| New Anglia | 1.9 | 3.1 | 1.2 |
| Solent | 1.5 | 2.6 | 1.1 |
| Enterprise M3 | 0.8 | 1.8 | 1 |
| York & North Yorkshire | 1.4 | 2.4 | 1 |
| Oxford City Region | 0.9 | 1.8 | 0.9 |

Source: ONS

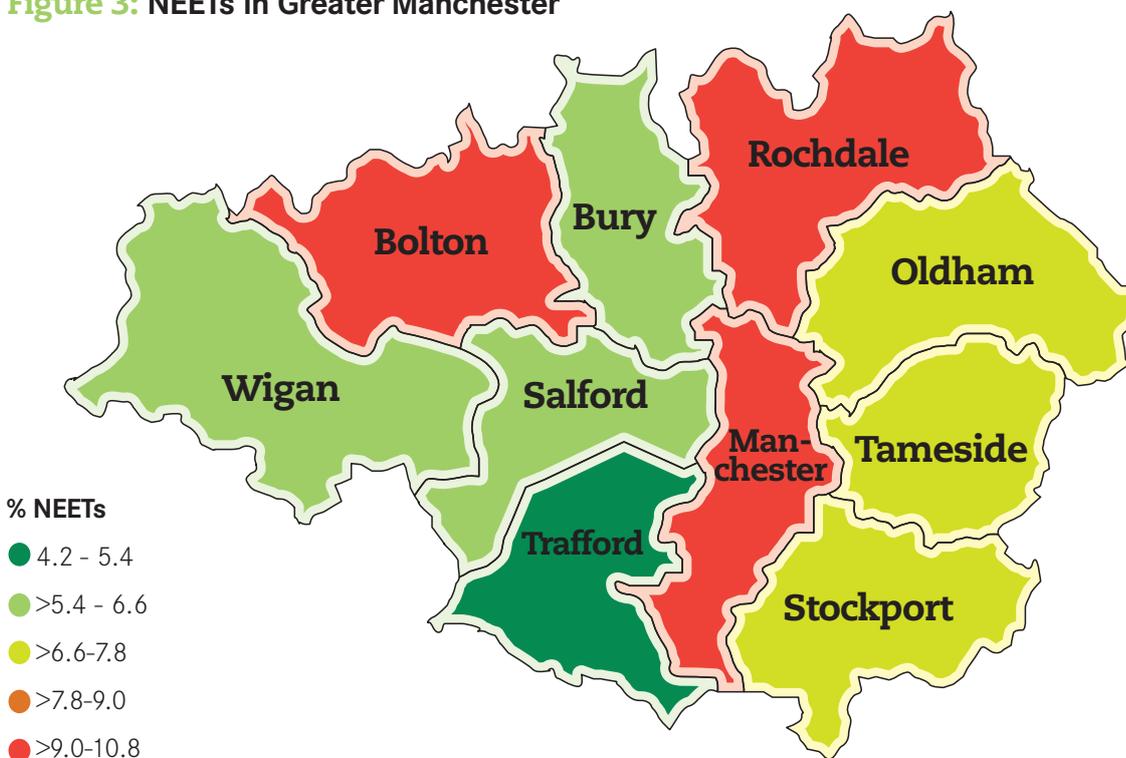
Spotlight on Greater Manchester

Figure 3 below shows the spatial distribution of people aged 16-18 that are not in education, employment or training (NEET) for Greater Manchester.

Bolton, Rochdale and Manchester local authorities have the largest proportion of NEETs, where around one in ten 16-18 year olds are NEET. Stockport has the lowest proportion – its NEET rate is 7.5%.

Page 3 explores the difference between LEPs and the different policy approaches required between them. The example of Greater Manchester illustrates that some LEPs will have differing spatial challenges within their boundaries too.

Figure 3: NEETs in Greater Manchester



Source: Gavurin

Contact:

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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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