



labour market update

Surprise rise in unemployment triggers further questions about growth

There was a surprise increase in the unemployment rate in the three months to June. Compared to the three months to March, the unemployment rate increased by 0.2 percentage points.

Other labour market indicators have also seen a deterioration. Redundancies increased by 32,000 over the quarter. And the claimant count continued its recent upward trend in July, rising by 0.1 percentage points to 4.9 percent.

A further 37,100 people claimed Jobseeker's Allowance over the month, and the claimant count is now 0.3 percentage points higher than a year earlier.

But using this data as further evidence of a slowdown in the UK's economic recovery must be done with caution. Despite increases in unemployment, the number of people in employment **increased** in the three months to June too. And as page 2 shows, employer demand for workers may actually be increasing despite the headline increase in unemployment.

Table 1: Key statistics

Indicator	Reference period	Rate
Unemployment (ILO)	Apr 2011 - Jun 2011	7.9%
Claimant count	July 2011	4.9%
Employment	Apr 2011 - Jun 2011	70.7%
Year on year average weekly wage growth	Apr 2011 - Jun 2011	2.6% inc bonus 2.2% exc bonus

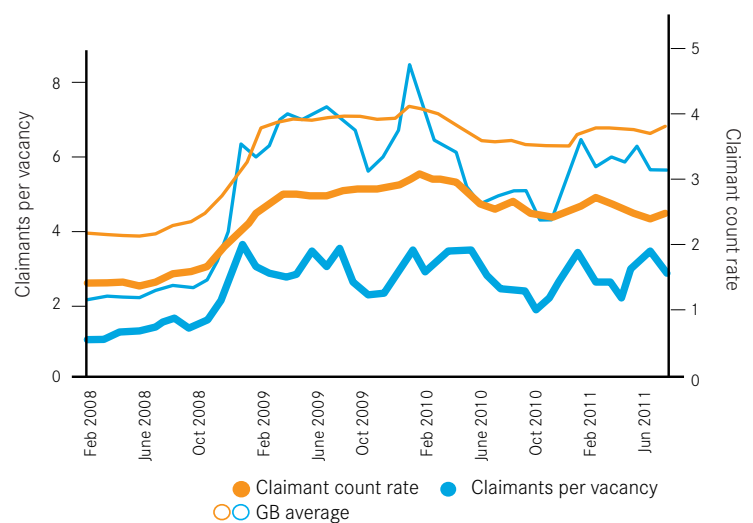
Spotlight on York

York offers a good counter example to the reopening of the North South divide debate by the OECD this week. While the claimant count has increased slightly in many other cities in recent months, the number of people claiming Jobseeker's Allowance has remained pretty stable in York.

At 2.5 percent, York's claimant count is well below the Great Britain average of 3.8 percent. And the outlook for York also looks more positive than for many other cities - [Cities Outlook](#) showed that the city is likely to be one of the cities least hardest hit by decreases in Government spending.

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

Figure 1: Claimant Count Rate in York



Source: Nomis

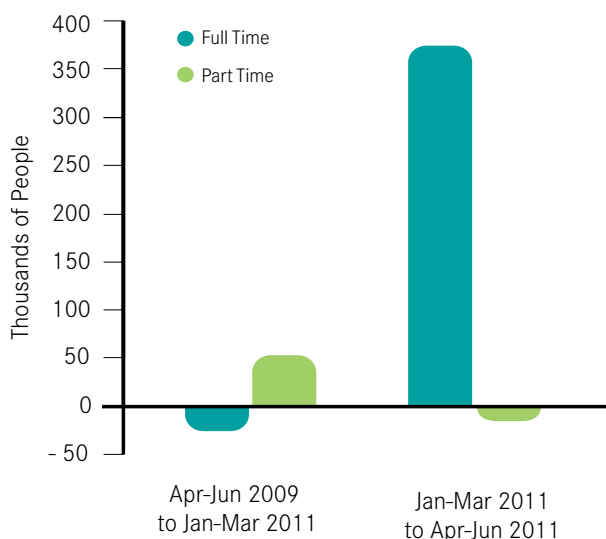
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As noted in last month's update, the share of total employment accounted for by part time working has risen sharply since the onset of the recession.

However, despite employment increasing in the three months to June, the number of people in part time work decreased by 24,000 people (see Figure 2). This offers somewhat of a paradox. While the economy has seen sluggish growth over the last three quarters (expanding by only 0.3 percent), the greater appetite of employers to take on more full time staff over part time workers suggests an even stronger increase in employer demand than the overall increase in employment suggests.

The headline increase in unemployment is likely to be used as further evidence of the UK's seemingly anaemic recovery. But the underlying trend of employment does not back this story up – employers appear to be continuing to hire. Providing that recent turbulence in global financial markets does not have any long term impact on the UK economy, this data offers hope for UK economic growth in the coming quarters.

Figure 2: Change in Employment Structure



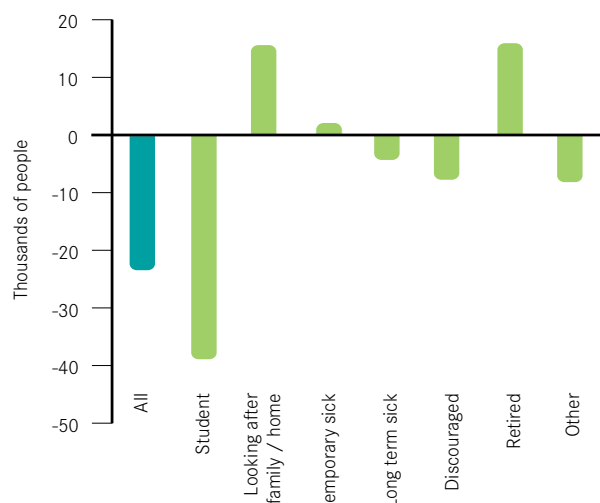
Source: ONS

Large decrease in students

Part of the discrepancy between employment and unemployment is due to a reduction in the inactivity rate. The number of people classed as 'inactive' in the three months to June was 23,000 people lower than in the three months to March. Interestingly, this change was almost completely accounted for by men re-entering the labour market.

Figure 3 shows the change in the underlying reasons for people being inactive in the three months to June. The number of people not working because of study saw by far the largest fall (39,000 fewer people), followed by a reduction in the number of discouraged workers (8,000 fewer people).

Figure 3: Reasons for inactivity - change on quarter



Source: ONS

But again, these changes were not consistent for men and women. The reduction in the number of people studying instead of working was wholly accounted for by women – the number of male students actually increased slightly. Meanwhile, the reduction in the overall number of discouraged workers was wholly accountable to men – there was a slight increase in the number of female discouraged workers.

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