



labour market update

Public sector job cuts begin to bite

The long-awaited public sector job cuts now seem to be having an impact on the UK labour market. Excluding employment as a result of this year's census, employment in the public sector fell by 97,000 between March and June. Including census jobs, public sector employment fell by 111,000 over the three months.

The deteriorating outlook for public sector workers is reflected in other labour market indicators, such as public sector pay growth and redundancies. But it is also impacting

upon headline labour market indicators – unemployment is 0.3 percentage points higher in July than it was three months ago.

This re-emphasises the requirement for the private sector not only to replace the jobs lost during the recession but to offset those currently being cut in the private sector too. And as [Cities Outlook 2011](#) showed, the private sectors of some cities, such as Newport, are likely to find it much harder to do this than others, such as Milton Keynes.

Table 1: Key statistics

Indicator	Reference period	Rate
Unemployment (ILO)	May 2011 - Jul 2011	7.9%
Claimant count	August 2011	4.9%
Employment	May 2011 - Jul 2011	70.5%
Year on year average weekly wage growth	May 2011 - Jul 2011	2.8% inc bonus 2.1% exc bonus

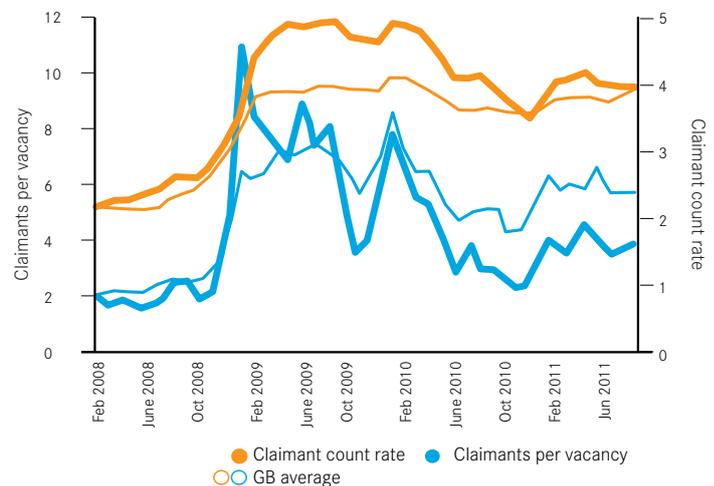
Spotlight on Northampton

While some cities have seen large increases in their claimant count rates over the last year, Northampton has seen a fall of 0.1 percentage points over the same period. The city was one of the hardest hit of all UK cities in the early stages of the recession –

Figure 1 shows its claimant count doubled between March 2008 and March 2009. But this has not been the case more recently – the reduction in Northampton's claimant count counters the experience of most other cities. Page 3 looks at this in more detail.

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

Figure 1: Claimant count and vacancy rates in Northampton, February 2008 – August 2011

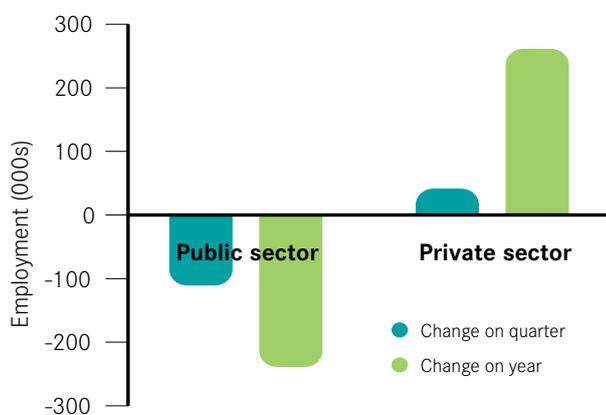


Source: Nomis

Large fall in public sector employment

Employment in the public sector (excluding those employed as a result of the UK Census) fell by 97,000 in the three months to June. As Figure 2 shows, this is a much larger fall than the corresponding 41,000 increase in private sector employment over the same period.

Figure 2: Change in public and private sector employment, March-June 2011

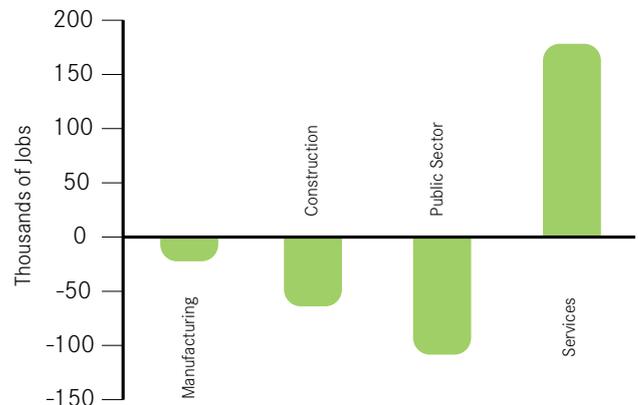


Source: ONS

The story is somewhat healthier when looking over a longer time period. Although there were 240,000 fewer people in public sector employment compared to a year earlier, the private sector has been able to offset this loss at a national level – there were 264,000 more people in private sector employment over the same period (a net increase in employment of 24,000). This suggests that the private sector is keeping pace of public sector job losses, but the margin is slim.

Looking at workforce jobs data (which is slightly different to employment data as a worker can hold more than one job) gives the sectoral composition of job creation over the last year. As Figure 3 shows, the services sector has driven overall private sector jobs growth in the year to June, while manufacturing and construction have both seen a net reduction in their number of jobs.

Figure 3: Changes in workforce jobs, June 2010 - June 2011



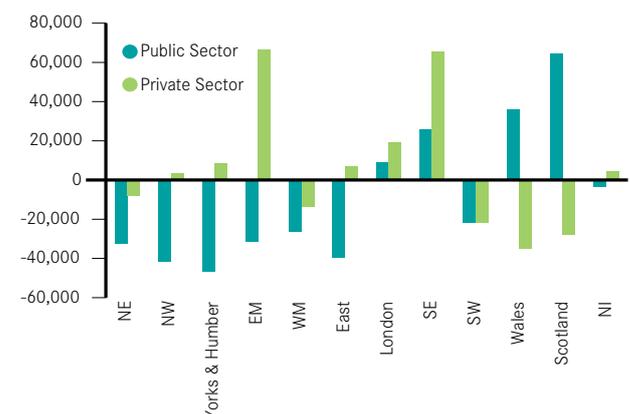
Source: ONS

Regional data shows strong variation in employment

Unfortunately timely data is not available at a city level to judge how these national patterns play out across our cities. However, regional data is available to give some impression of how these trends play out spatially. As Figure 4 shows, London and the South East have seen an increase in both public and private sector employment in the year to June 2011. Meanwhile, the East Midlands has also seen very strong growth in private sector employment.

In contrast the North East has seen a contraction in both public and private sector employment. This suggests that Sunderland, Newcastle and Middlesbrough are likely to be struggling to create new employment.

Figure 4: Change in employment by region, June 2010 – June 2011



Source: ONS

The rising claimant count – a city breakdown

The movement of the claimant count over the last year has not matched movements in the headline rate of employment. While the ILO unemployment rate (measuring 7.9 percent for the three months to July 2011) is comparable to the same reading a year earlier, the claimant count has risen from 4.5 percent to 4.9 percent between August 2010 and August 2011.

Part of the reason for this rise is the reclassification of single mothers in the benefits system, rather than as a result of rising

unemployment. But Table 2 below shows that there is a marked spatial variation in the national increase in the claimant count. Bradford has seen by far the largest increase, with its claimant count increasing by 0.9 percentage points in the last year.

Bristol is the only city in the South of England to feature in the top 10 cities for increases in the claimant count. Conversely York, Leeds and Northampton are the only cities outside of the south of England to feature in the bottom ten cities for increases in the claimant count.

Table 2: Increase in claimant count, August 2010 – August 2011

Top ten cities

Rank	City	PP Change
1	Bradford	0.9
2	Blackburn	0.7
3	Blackpool	0.7
4	Dundee	0.7
5	Hull	0.7
6	Newport	0.7
7	Grimsby	0.7
8	Birmingham	0.6
9	Nottingham	0.6
10	Bristol	0.6

Bottom ten cities

Rank	City	PP Change
55	Brighton	0.1
56	Southend	0.1
57	Leeds	0.1
58	Cambridge	0.0
59	Reading	0.0
60	Swindon	0.0
61	Bournemouth	-0.1
62	Crawley	-0.1
63	Northampton	-0.1
64	York	-0.1

Contact:

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