



DECEMBER 2011

# labour market update

## Brief respite in continued labour market deterioration

This month's labour market data contains many fewer surprises than the large deterioration revealed in last month's figures.

It is true that unemployment in the three months to October was much higher than in the three months to July. But despite many news outlets reporting this as a fresh rise in unemployment, much of this increase was revealed in last month's data. When comparing the unemployment rate for the three months to September to the rate for the three

months to October there was no change – the unemployment rate remained at 8.3 percent.

Such a stabilisation is likely to be only a brief respite. Forward looking indicators, such as the Report on Jobs, suggest that the demand for workers is deteriorating. Given that the outlook for the UK economy is weak and public sector jobs losses are likely to continue there are likely to be further increases in unemployment in the coming months.

**Table 1: Key statistics**

Indicator	Reference period	Rate
Unemployment (ILO)	Aug - Oct 2011	8.3%
Claimant Count	November 2011	5.0%
Employment	Aug - Oct 2011	70.3%
Y-o-Y Average Weekly Wage Growth	Aug - Oct 2011	2.0% inc bonus 1.8% exc bonus

### Spotlight on Preston

The Centre for Cities released its latest Partner City report on [Preston](#) this week. The report shows that Preston has been very much Lancashire's strongest performer in the 10 years before the recession in terms of private sector jobs creation.

Claimant count data shows that Preston's stronger performance has continued since the beginning of the economic downturn. Its claimant count has increased by 1.1 percentage points since February 2008 which is the third lowest increase out of all UK cities. And as shown in Table 2, its overall claimant count rate for November 2011 was far lower than other cities in Lancashire.

**Table 2: Claimant count rate in Lancashire's cities**

City	Claimant count, November 2011
Preston	3.0%
Blackpool	4.1%
Burnley	4.3%
Blackburn	4.9%

Source: Nomis

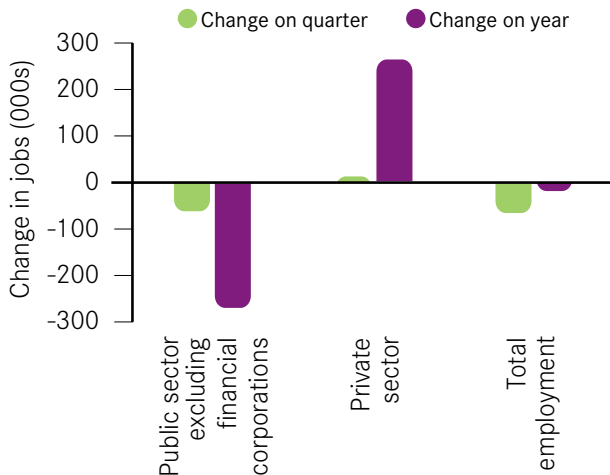
Download the full Preston report at [www.centreforcities.org/preston](http://www.centreforcities.org/preston)

See more city by city comparisons at [www.centreforcities.org/citytracker](http://www.centreforcities.org/citytracker)

## Employment data suggests the private sector is failing to absorb public sector cuts...

The latest release of public sector employment data shows that public sector job losses have outstripped private sector job creation for the second consecutive quarter. When excluding financial corporations there were 59,000 fewer public sector jobs in September 2011 than in June 2011. Meanwhile there were just 5,000 more private sector jobs over the period (see Figure 1).

**Figure 1: Change in Public and private sector employment**



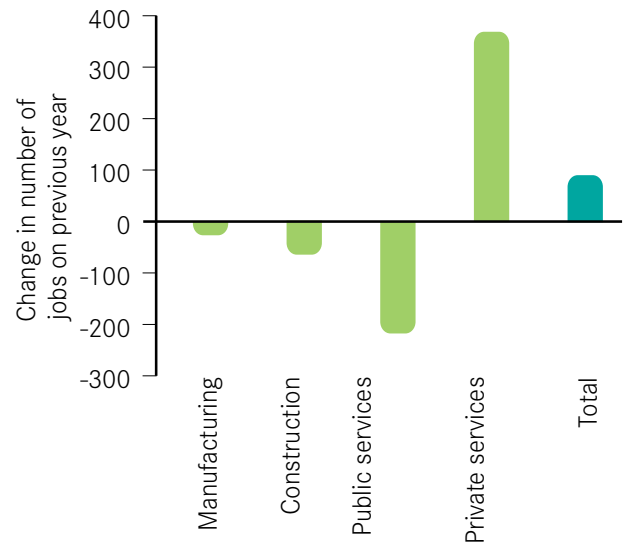
Source: ONS

This data also shows that private sector employment also failed to offset the fall in public sector employment over the last year. There were 266,000 fewer people in public sector employment in September 2011 compared to a year earlier, while there were 262,000 more people in private sector employment. This suggests that the private sector is struggling to absorb the job cuts seen in the public sector.

## ...But workforce jobs tell a different story

But data for workforce jobs\* contradicts this story. It shows that the private sector created 89,000 more jobs than were lost in the public sector in the year to September 2011. This was driven by the growth of private sector services – 368,000 net jobs were created over the period, driven by employment in scientific and technical activities.

**Figure 2: Change in unemployment by industry**



Source: ONS

The contrasting story from the two data sets means that it is unclear whether the private sector is managing to absorb public sector job cuts.

However, the poor outlook for the labour market (forward looking indicators such as the Report on Jobs suggest employer demand is falling) is likely to mean that the private sector will find it increasingly difficult to absorb jobs lost in the public sector.

## Self employment sees strong increase

One thing the two data sources can agree on is that there has been a strong increase in self employment in recent months. Using the employment measure, self employment is now at its highest since the data was first collected in 1992. This suggests that in an ever more difficult labour market people are turning to self employment to make a living.

\*Workforce jobs data is collected using a different survey and measures jobs rather than those employed – people that hold more than one job are only represented once in employment data. The definition used for public sector jobs also varies slightly between workforce jobs and employment data.

## Schooling and skills for the future

We recently launched a report exploring the role of intermediate skills in city economies and how policy can ensure people are equipped with the skills they need to access jobs and progress in work. [Learning Curve](#) – supported by ICAEW – found upwards of 60 percent of young people in some cities are leaving school without five GCSE A\* to C grades including Maths and English.

While there has been a general improvement in school performance across the country, struggling cities still fall some way behind buoyant cities on attainment in Maths and English. This is a particular concern as employers increasingly demand workers have good numeracy and literacy skills. As such, cities with low rates of educational attainment in Maths and English are more likely to have high rates of youth unemployment. The report also found that pupils

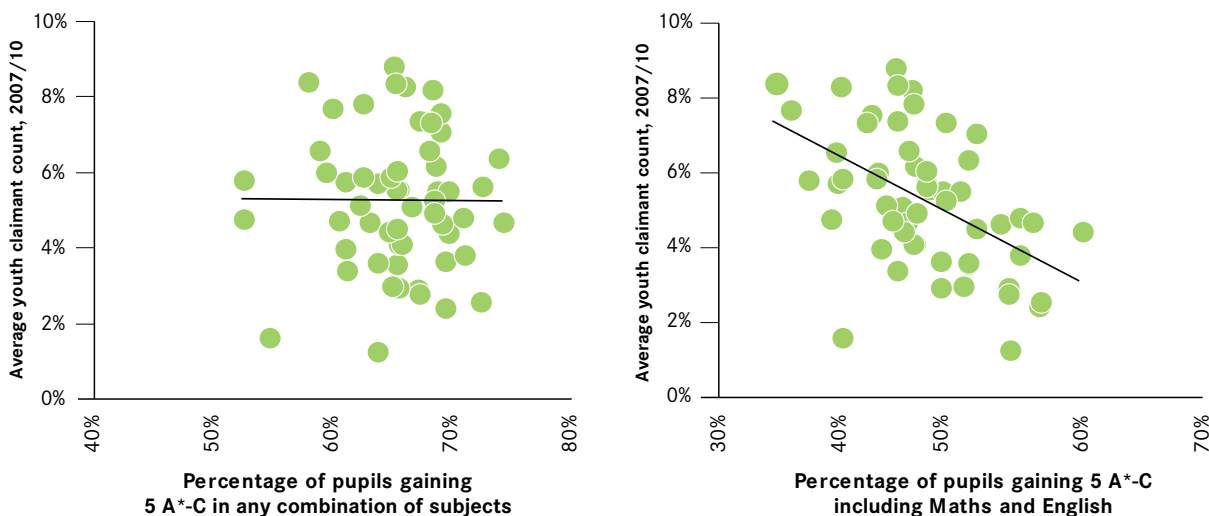
with low educational attainment in these core subjects were less likely to move on to further education or to access job-related training.

These patterns serve to reinforce existing patterns of deprivation across our cities, impacting on individuals' employment prospects and on business productivity. The report recommends more support is given to pupils who are struggling with Maths and English through the Government's Pupil Premium and that Free Schools in particular should use their freedoms to focus on these core subjects.

For further details please contact [Paul Swinney](#) or [Naomi Clayton](#).

The full report is available from [www.centreforcities.org/learningcurve](http://www.centreforcities.org/learningcurve)

**Figure 4: Correlation between GCSE attainment and youth unemployment in cities, average 2007 to 2010**



Source: NOMIS 2011, claimant count 2007 to 2010 data; Neighbourhood Statistics 2011, GCSE and Equivalent Results for Young People by Gender, Referenced by Location of Educational Institution, 2006/07 to 2009/10 data. Cities in England only.

## Contact: Paul Swinney



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.

[p.swinney@centreforcities.org](mailto:p.swinney@centreforcities.org)  
020 7803 4305



© Centre for Cities 2011

Enterprise House  
59 - 65 Upper Ground  
London SE1 9PQ

[www.centreforcities.org](http://www.centreforcities.org)