

South East Labour Market Update February 2009

Contact: Claire Hann
Research & Economics Team
Strategy & Communications Directorate
Ext. 4334
research@seeda.co.uk

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A sharp fall in vacancies, especially in manufacturing, construction and retail

Executive Summary

- In the three months to December 2008 there were 4.43 million economically active people aged over 16 in the South East, or 1,000 higher than in the previous quarter. This was the smallest increase in economic activity of any region.
- The increase in economic activity in the South East is entirely due to growth in the number of economically active men, which increased by 9,000 in the three months to December, while the number of economically active women fell by 7,000.
- The economic activity rate in the South East, at 82.9%, is still the highest in the country, and increased by 0.1% on the previous quarter, while the UK figure also rose by 0.1%, to 79.2%.
- In the three months to December employment in the South East fell by 15,000, which represented one third of the total drop in employment in the UK (45,000). There were 4.21 million people in employment in the South East in December 2008.
- Several regions saw *increases* in employment in the three months to December, including London (up 33,000) the East of England (up 8,000) and the East Midlands (+6,000). In the South East there were 7,000 more people in employment in December 2008 than in December 2007, but in London the increase was 88,000 over the year.
- Female employment has continued to fall in the South East, dropping by 14,000 in the three months to December. Only Yorkshire and the Humber saw a larger fall in female employment (down 26,000). Male employment in the South East fell for the first time since August 2008, dropping by 1,000 in the quarter to December 2008.

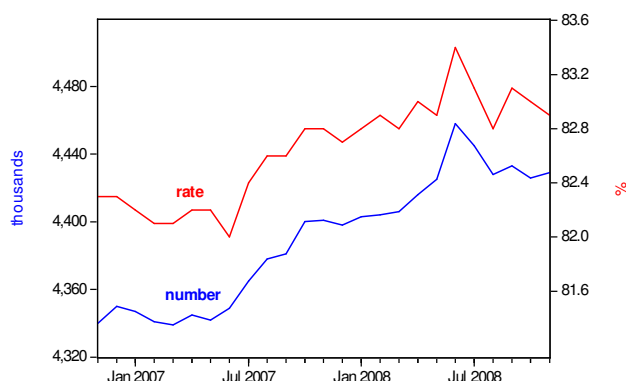
- In the three months to December there were 218,000 unemployed people in the region, or 16,000 more than in the previous quarter. This was the fourth largest increase in unemployment of any region, although over the year to December the South East saw the smallest increase in unemployment of any region, at 21,000.
- The unemployment rate in the South East increased by 0.4% to 4.9% in the three months to December. This means the South East now has the second lowest rate of any region, after the South West.
- The number of people in the South East claiming Job Seekers' Allowance (JSA) rose to 115,400 in January 2009 – the highest level since February 1998. This represents an increase of 10,200 since December 2008, and 28,500 since October.
- Between December 2008 and January 2009 the seasonally adjusted claimant count rate in the South East increased by 0.2%, to 2.3%. Over the quarter from October 2008 the rate increased by 0.6%, or 0.1% below the UK average.
- The Isle of Wight has seen the fastest growth in the percentage of people claiming JSA over the past quarter amongst all counties and unitaries in the South East (a 1.8% increase), which is also the third fastest rate of increase of any local authority in the UK. Milton Keynes, Portsmouth, Medway and Southampton have also seen increases in the claimant count rate well above the South East and national averages over the past quarter.
- There were more than 2,800 redundancy notifications in the South East between 26 January and 5 February 2009. Manufacturing was the worst affected sector, representing nearly 30% of all redundancy notifications, despite accounting for less than 9% of the total South East workforce. Retail and construction were also disproportionately affected.
- At sub-regional level, there has been significant growth in the number of redundancy notifications in Berkshire, with the county representing 30% of all notifications in the South East between 26 January and 5 February. Buckinghamshire, Hampshire and Milton Keynes also accounted for significant proportions of total redundancy notifications.
- In January 2009 the number of vacancies notified to Jobcentre Plus had dropped to 14,000, which represents a 70% fall since November 2008. The only sectors seeing a rise in vacancies between January 2008 and January 2009 were utilities and the public sector. The number of vacancies fell most markedly in the manufacturing, construction and retail sectors.

1. Economic Activity

Data for the three months to December 2008 shows that there were 4.43 million economically active people aged over 16 in the South East – just 1,000 more than in the previous quarter.¹ This was the smallest increase in economic activity of any region, although Yorkshire and the Humber saw a fall of 36,000. In the UK as a whole, economic activity increased by 101,000 in the same period.

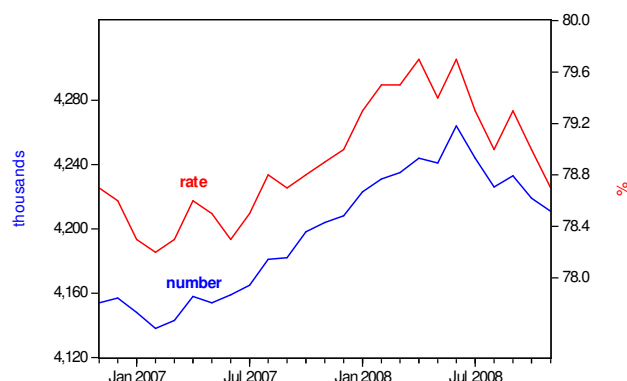
The increase in economic activity in the South East is entirely due to growth in the number of economically active men, which increased by 9,000 in the three months to December, while the number of economically active women fell by 7,000. This is a slightly better performance than the previous month's figures, which recorded a fall of 32,000 in the number of economically active women in the three months to November. The economic activity rate in the South East, at 82.9%, is still the highest in the country, and increased by 0.1% on the previous quarter, while the UK figure rose by 0.1%, to 79.2%.

Decline in economic activity shows signs of slowing



Source: National Statistics 2009

Employment continues to fall but remains higher than one year ago



National Statistics 2009

2. Employment

In the three months to December employment in the South East fell by 15,000, to 4.21 million people (aged over 16). In the UK there were 29.4 million people in employment – a fall of 45,000 on the previous quarter. In other words, the drop in employment in the South East accounted for one third of the total decrease in the UK overall. The other English regions seeing a fall in employment were Yorkshire and the Humber (down 28,000), the North West (-18,000) and the South West (-6,000).

A surprisingly large increase in employment was again recorded in London, where the number of people in employment increased by 33,000 in the three months to December – significantly higher than the increases seen in the East of England (+8,000) and East Midlands (+6,000). In London there were 88,000 more people in employment in December 2008 than in December 2007, while in the South East there were just 7,000 more people in employment than a year before. Without a breakdown of which sectors are seeing an increase in employment in London it is difficult to say with any certainty what is driving this increase, but it suggests that job losses in the capital's financial and business services sector are being offset by gains in other sectors. London's lack of a large manufacturing base may help to explain in part why it has not seen a drop in employment to the same degree as regions which depend more on manufacturing, such as Yorkshire and the Humber, the North West, and to some extent the South East.

Female employment has continued to fall in the South East, with the number of women in work dropping by 14,000 in the three months to December. However, this represents an improvement on the fall of 33,000 recorded in the three months to November. Only Yorkshire and the Humber saw a larger fall in female employment in the quarter to December (-25,000). Male employment in the South East fell for the first time since August 2008, dropping by 1,000 in the three months to December. This was the smallest fall of any region, although several regions saw an increase in male employment, including London (up 34,000), the North East (+11,000) and the East Midlands (+7,000). Since women are more likely than

¹ The economically active are those who are in employment or unemployed but available for work.

men to be employed in temporary and/or part-time jobs, it is likely that firms in the South East could be responding to the economic downturn by laying off staff working in temporary or part time positions, while trying to retain workers on permanent, full-time contracts (but in some cases reducing their hours of work).

In the three months to December the South East employment rate stood at 78.7% - 0.3% lower than in the previous quarter. Over the same period the UK employment rate also declined by 0.3% to 74.1%. The South East employment rate remains the highest of any region.

The employment rate for men in the South East was down 0.2% on the previous quarter, at 82.8% - still by far the highest in the country. The UK employment rate for men declined by 0.3% to 77.9%. The employment rate for women in the South East fell by 0.4% to 74.1%, and it is still the second highest in the country behind the South West. The UK female employment rate dropped by 0.2% to 69.9%.

3. Unemployment

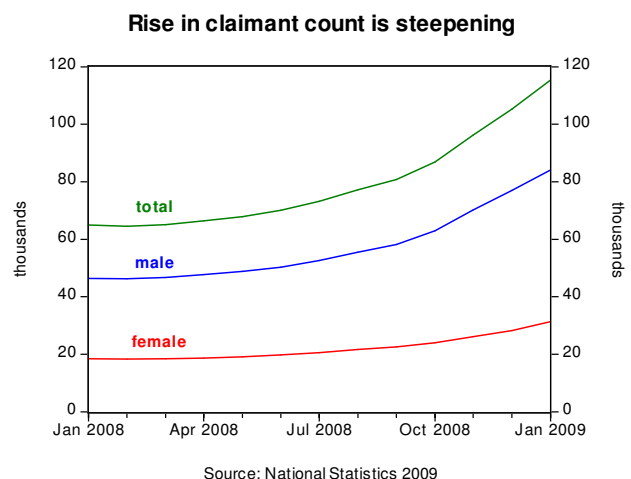
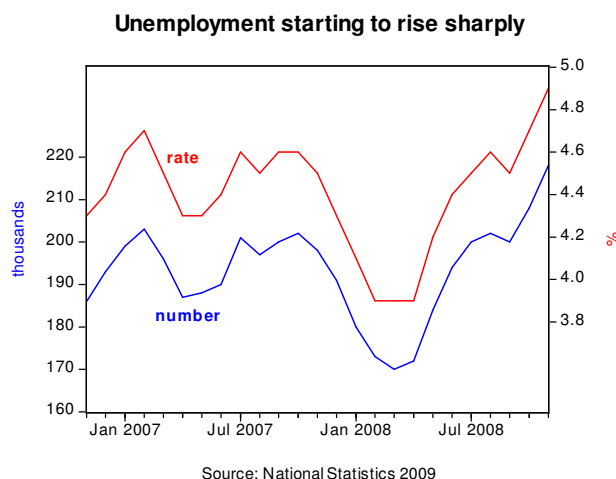
In the three months to December there were 218,000 unemployed people in the region, or 16,000 more than in the previous quarter. This is the fourth largest increase in unemployment of any region, behind the West Midlands (up 34,000), the North West (up 33,000) and the East of England (+24,000). Both Yorkshire and the Humber and London recorded small falls in unemployment. Looking at change over the year to December 2008, the South East saw the smallest increase in unemployment of any English region, at 21,000.

The number of unemployed people in the UK as a whole increased by 146,000 over the three months to December, reaching 1.97 million, which is the highest level since July 1997.

The unemployment rate for those aged 16+ in the South East increased by 0.4% to 4.9% in the three months to December. This means the South East now has the second lowest rate of any English region, after the South West. The UK unemployment rate increased by 0.4% to 6.3%.

Unlike the data reported on last month, when an increase in male unemployment was the main driver of the overall increase in unemployment, in the three months to December increases in both male and female unemployment contributed to the overall rise in unemployment. The number of unemployed women increased by 7,000 while there were 9,000 more unemployed men than in the previous quarter. This suggests that approximately half the women who have left employment have moved into unemployment, while another half have moved out of the labour market into economic inactivity.

In the three months to December the male unemployment rate increased by 0.4% to 5.3%, while the female unemployment rate also increased (by 0.4%) to 4.5%.



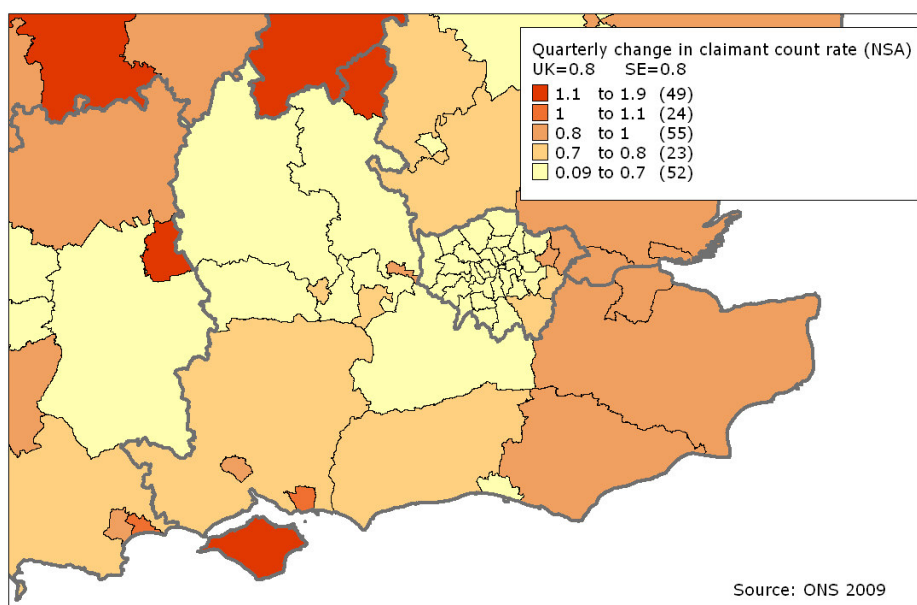
The number of people in the South East claiming Job Seekers' Allowance (JSA) rose to 115,400 in January 2009, which is the highest figure since February 1998 (Figure 4).² This represents an increase of 10,200 since December 2008, 28,500 over the quarter and 50,500 since January 2008. The claimant count rate (percentage of residents claiming JSA) increased by 0.2% to 2.3% between December 2008 and January 2009. Over the quarter the claimant count rate in the South East increased by 0.6%, or 0.1% below the UK average. Over the past 12 months the claimant count rate increased by 1% against the UK average of 1.1%. When compared to other UK regions, the South East has seen one of the slowest increases in claimant count unemployment in the country over the year (second after London).

The number of men claiming JSA increased by 7,200 between December 2008 and January 2009 and the number of female claimants by around 3,000. This is double the increase in female claimants recorded between November and December 2008, which bears out the suggestion that more women are now moving into unemployment as well as becoming economically inactive. There were 1.23 million people in the UK claiming JSA in January 2009, and the number increased by 73,800 on December's figure. This is a smaller increase than in the previous month.

Sub-regional changes in unemployment

Quarterly change

Map 1: Quarterly change in claimant count rate (October 2008-January 2009) – county and unitary authorities



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Over the past quarter the largest increases in claimant count unemployment, in absolute terms, have been in Kent and Hampshire: increases of 6,800 and 4,700 respectively. However, this is not surprising given that these are the largest counties in the South East. A more appropriate approach to looking at changes in unemployment is to consider the change in the percentage of people claiming Job Seekers' Allowance (the claimant count rate).³ Over the past quarter the claimant count unemployment rate in the Isle of Wight has increased by 1.8% - faster than in any other county or unitary authority in the South East and well above the increase of 0.8% in both the South East as a whole and UK (Map 1). In fact the increase in unemployment in the Isle of Wight was the third fastest out of all counties and unitaries in the country.

Milton Keynes (1.1%), Portsmouth (1.0%), Medway (0.9%) and Southampton (0.9%) have also seen significant increases in the claimant count rate over the past quarter. In the case of Milton Keynes, the

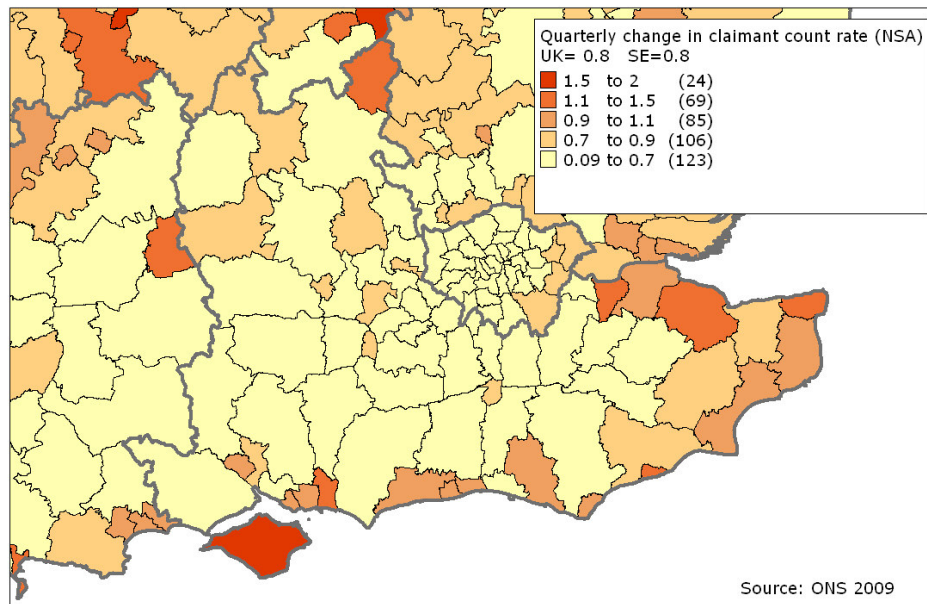
² Note that the claimant count figures quoted in this section are seasonally adjusted, as it is preferable to use adjusted figures when comparing different regions.

³ This approach is favourable to simply looking at the percentage change (as recently used by the national press), since some areas have a low base (low claimant count) so even a small change in unemployment could lead to a 'significant' percentage change.

claimant count rate has increased significantly since last month's figures were reported. In the three months to December 2008, the claimant count rate in Milton Keynes increased by 0.4%, while in the three months to January 2009, the increase was 1.1%. This is likely to reflect the fact that the large number of notified redundancies in the past few months in Milton Keynes are starting to feed through into the unemployment data.

Amongst local authority districts/unitary authorities in the South East the Isle of Wight has seen the fastest increase in the claimant count rate over the past quarter (Map 2).

Map 2: Quarterly change in claimant count rate (October 2008-January 2009) – District/Unitary authorities

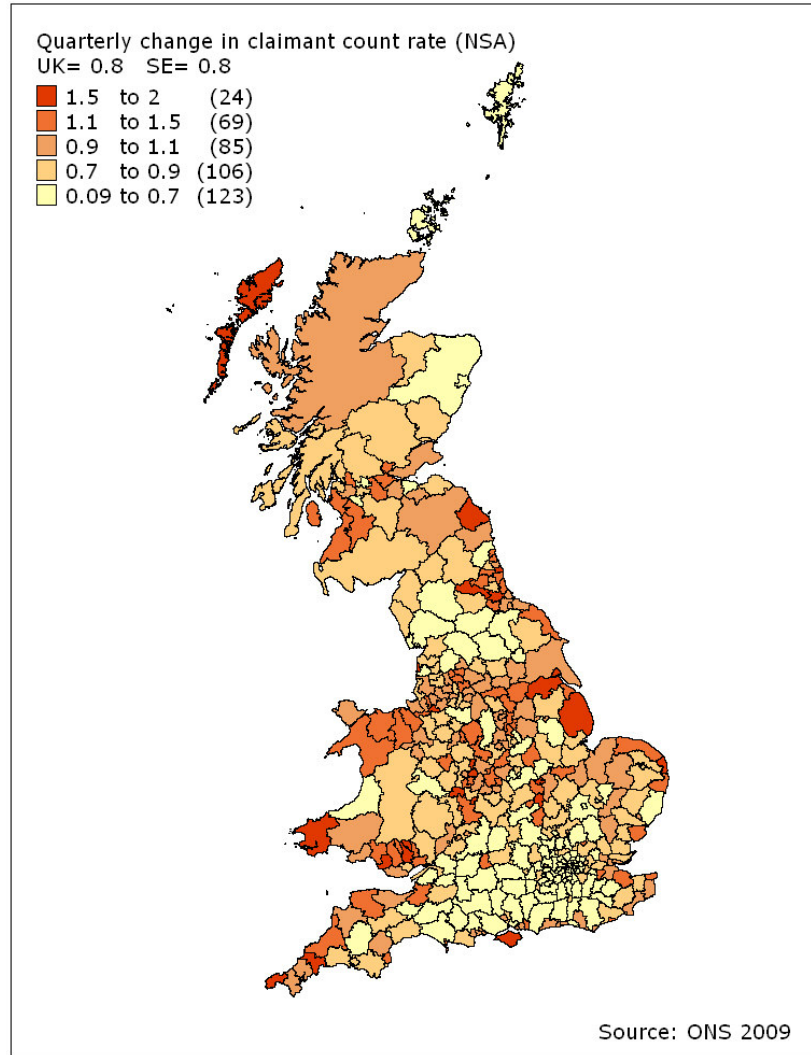


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A number of coastal districts have seen increases in unemployment above the regional and national averages over the past quarter. The claimant count rate in Havant and Swale increased by 1.2%, in Hastings, Gravesham and Thanet by 1.1%, and in Portsmouth, Dover and Shepway by 1%. These large increases in unemployment in a number of coastal areas can be explained by their industrial structure and the impact of seasonal factors. Since sub-regional data is not adjusted for seasonal influences, quarterly or monthly changes in unemployment can be significantly affected by seasonality (especially in the tourism sector). Furthermore, a number of local authorities along the coast have an above average concentration of manufacturing, construction and distribution and transport related activities which have been significantly affected by the downturn in economic activity in the last quarter.

Most of the local authorities in the Inner South East have seen increases in unemployment below the South East average over the past quarter. However, since September 2008 we have seen a sharp increase in the number of notified redundancies in this part of the region and London and this will feed through to unemployment figures over the coming months. Furthermore, most of the areas in the Inner South East have relatively tight labour markets, which could have an impact on staff retention (as employers aim to try and retain staff because the pool of available labour from which to recruit when the upturn comes is relatively small).

Map 3: Quarterly change in claimant count rate (October 2008-January 2009)



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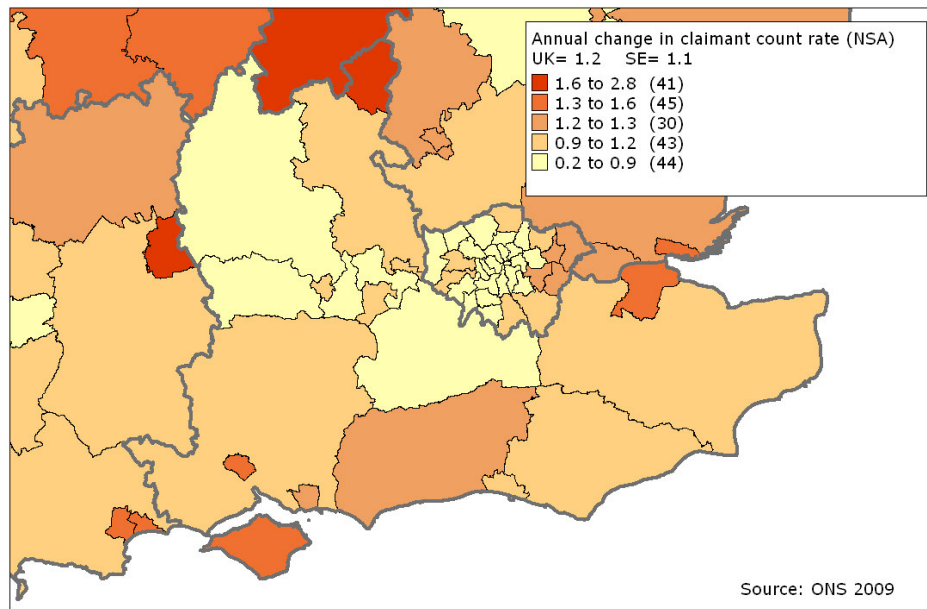
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The change in unemployment in the South East still compares favourably to much of the country, although coastal, relatively isolated economies have seen faster increases in unemployment than elsewhere in the UK (Map 3).

Since sub-regional claimant count data doesn't take seasonal variations in unemployment into account, it is useful to look at changes in the claimant count rate over a whole 12 month period.

Change over the past 12 months

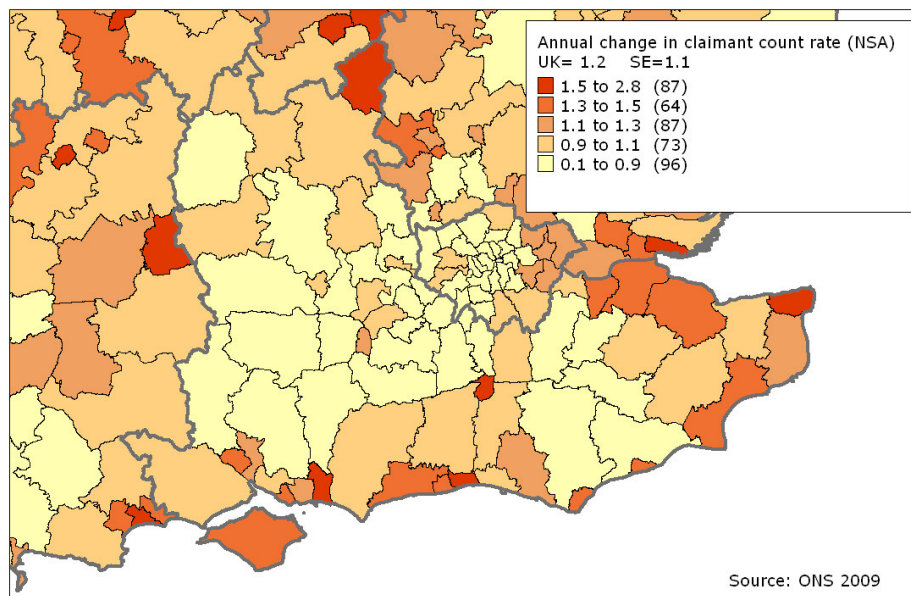
Map 4: Annual change in claimant count rate (January 2008-January 2009)



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Kent and Hampshire have seen increases in unemployment of almost 9,000 and 7,500 respectively over the past 12 months. However, Milton Keynes has seen the fastest increase in the claimant count *rate* over the past year (Map 4). The claimant count rate in Milton Keynes increased by 1.6% and the Isle of Wight by 1.4%. Medway and Southampton also saw significant increases – both 1.3%.

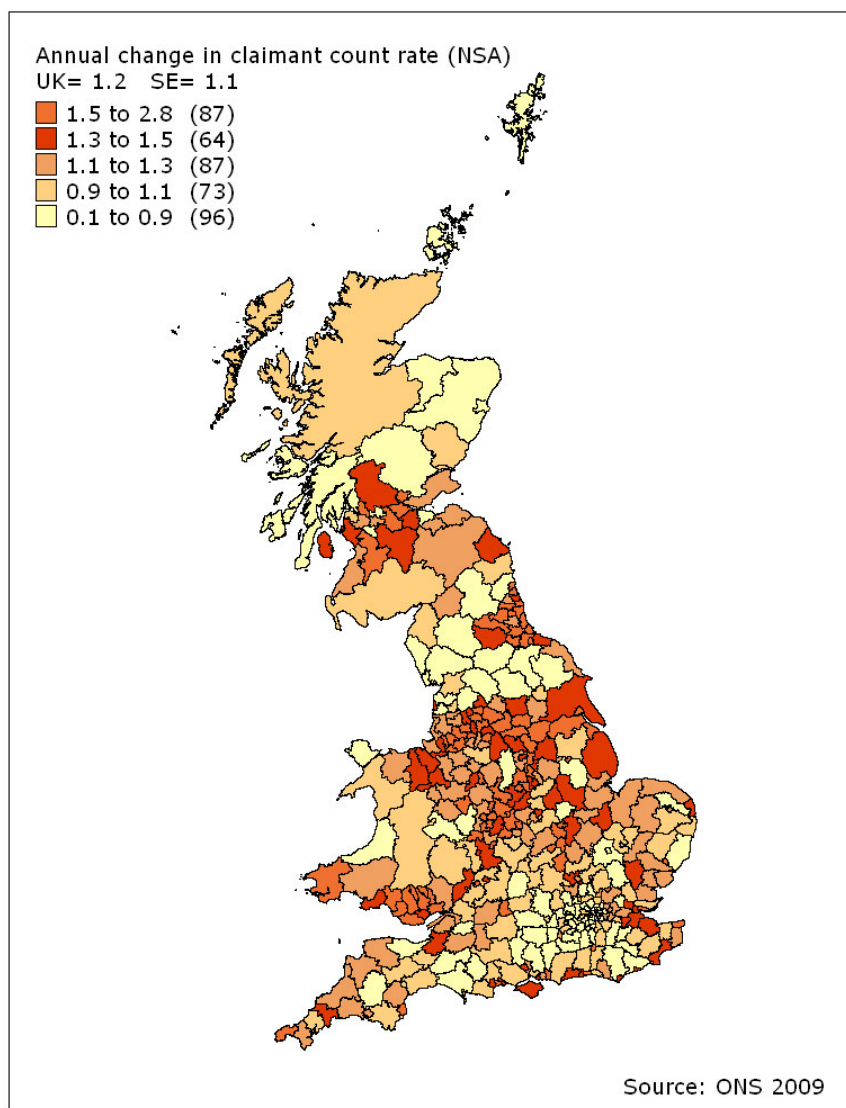
Map 5: Annual change in claimant count rate (January 2008-January 2009)



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The claimant count rate in both Thanet and Crawley increased by 1.7% over the past year, which was the fastest increase in the South East (Map 5). The claimant count rate in Milton Keynes and Havant increased by 1.6% and 1.5% respectively.

Map 6: Annual change in claimant count rate (January 2008-January 2009)



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Over the past 12 months, increases in the claimant count rate across the UK have been largely concentrated in coastal areas and in the north of the country (Map 6).

4. Redundancy notifications

One of the most up-to-date sources of information on the labour market is the number of notified redundancies. There are significant caveats around this data, but it gives an indication of the growing number of job losses being seen in the South East. Only firms making more than 20 staff redundant have to give notification of their intentions; in some cases the company's headquarters is in the South East, but the actual redundancies are taking place in another region; some of the redundancies are not scheduled to take place until a later date; sometimes employees changing contracts are recorded as 'redundancies', even if they are moving into new employment.

Bearing these caveats in mind, between 26 January and 5 February 2009 there were 2,870 redundancies notified to BERR, though some of these are not scheduled to take place until April 2009. This compares to

1,900 redundancies announced in the first two weeks of January.⁴ The sector most affected in this two week period was manufacturing - accounting for nearly 30% of all redundancy notifications, despite representing less than 9% of total employment in the South East. Retail and construction also accounted for a significant proportion of redundancy notifications.

Looking sub-regionally, there has recently been significant growth in the number of notified redundancies in Berkshire. Over the period 26 January to 5 February, almost 30% of all notified redundancies were registered in Berkshire, compared to just 3% in the period 13-20 January. Buckinghamshire and Hampshire each accounted for a further 20% of all redundancy notifications in the South East. Milton Keynes continues to account for a significant proportion of all redundancy notifications, at 12.5% in the period 26 January to 5 February – well above its share of the South East workforce (3.7%). Well over one half of all notified redundancies were caused by lower demand, which suggests that falling consumer spending is causing firms to cut costs by laying off workers.

5. Vacancies

Between December 2008 and January 2009 there was a significant drop in the number of vacancies notified to Jobcentre Plus in the South East, from 26,600 to 14,000. This represents a 70% drop in vacancies since November 2008.⁵ With fewer jobs available in the economy, and increasing numbers of people being made redundant, it is very likely that unemployment in the South East will continue to rise in the coming months. As evidence that the competition for jobs is intensifying, in January 2009 there were 9 Job Seekers' Allowance claimants per notified vacancy in the South East – up from 4 claimants per vacancy in December 2008 and 3 claimants per vacancy in January 2008.

The only sectors seeing a rise in vacancies between January 2008 and January 2009 were utilities, where the number of vacancies more than doubled over the year. Public sector vacancies were also up, though with the exception of health and social work. The most significant falls in vacancies (more than a 50% drop over the year) were in manufacturing, construction and retail. There were also significant falls in vacancies in the hotels and restaurants and business services sectors.

⁴ Source: BERR, HR1 data, January 2009.

⁵ Note that these figures should be interpreted with some caution as month-by-month movements can be quite volatile, and generally higher-skilled job vacancies are under-represented in those vacancies notified to Jobcentre Plus.

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Note: delete before publishing externally, keep for internal release and SEEDANET (it will allow easy location of documents, charts, maps and data).

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