

South East Labour Market Update January 2009

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Executive Summary

- In the three months to November 2008 there were 4.43 million economically active people aged over 16 in the South East, or 18,000 lower than in the previous quarter.
- The fall in economic activity in the South East is likely to be due to significant numbers of women moving into inactivity. The number of economically active women in the South East fell by 32,000 in the three months to November, while the number of economically active men rose by 13,000.
- The economic activity rate in the South East, at 83%, is still the highest in the country, although it fell by 0.1% on the previous quarter, while the UK figure rose by 0.1%, to 79.2%.
- In the three months to November employment in the South East fell by 26,000, standing at 4.22 million people (aged over 16),
- The only region seeing a larger fall in employment than in the South East was Yorkshire and the Humber (a drop of 36,000). However, there were still 21,000 more people in employment in the South East in November 2008 than in November 2007.
- The fall in employment in the South East was accounted for entirely by a drop in female employment, which fell by 33,000 in the three months to November, while male employment increased by 7,000.
- In the three months to November unemployment in the region rose by 7,000, reaching 208,000.
- Over the year to November 2008, the South East saw by far the smallest increase in unemployment of any English region – just 6,000.

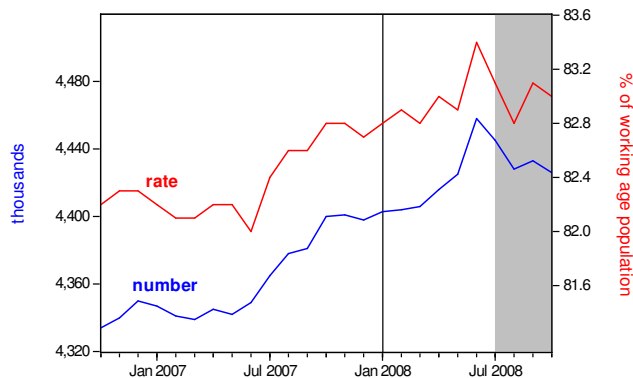
- The increase in unemployment in the South East was mostly driven by a growth in male unemployment, which increased by 6,000 while female unemployment rose by just 1,000 on the previous quarter. Economic inactivity is an important factor: significant numbers of women became inactive and therefore left the labour market rather than registering as unemployed.
- The number of people in the South East claiming Job Seekers' Allowance (JSA) has broken the 100,000 mark for the first time since April 1999, reaching more than 104,000 in December 2008.
- Over the quarter the seasonally adjusted claimant count rate in the South East increased by 0.5%, or 0.1% below the UK average. Over the past 12 months the seasonally adjusted claimant count rate increased by 0.8% against the UK average of 1%.
- Milton Keynes and Southampton have seen the fastest growth in the percentage of people claiming JSA over the past year amongst all counties and unitaries in the South East.
- The claimant count rate in Milton Keynes increased by 1.2% over the past year - faster than the UK average of 0.9% and the South East average of 0.7%.
- The claimant count rate in Thanet increased by 1.5% over the past year - the fastest increase of any local authority in the South East and one of the fastest in the country - followed by Crawley (1.4%).

1. Economic Activity

Data for the three months to November 2008 shows that there were 4.43 million economically active people aged over 16 in the South East, or 18,000 lower than in the previous quarter (Figure 1).¹ The only other English region to see a fall in economic activity was Yorkshire and the Humber (-22,000). In the UK as a whole, economic activity *increased* by 104,000 in the same period.

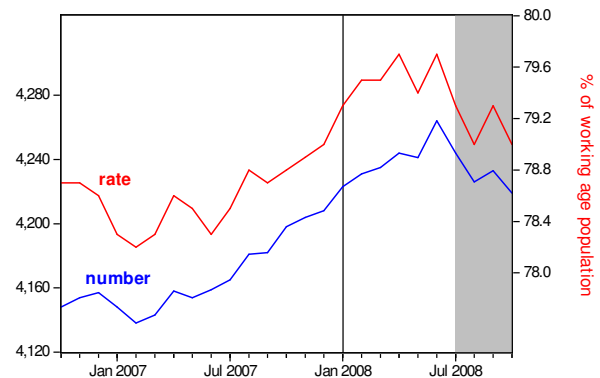
The fall in economic activity in the South East is largely due to significant numbers of women moving into inactivity. The number of economically active women in the South East fell by 32,000 in the three months to November, while the number of economically active men rose by 13,000. The economic activity rate in the South East, at 83%, is still the highest in the country, although it fell by 0.1% on the previous quarter, while the UK figure rose by 0.1%, to 79.2%.

Figure 1: Economic activity has been falling away but the rate remains high



Source: National Statistics 2009

Figure 2: Employment falling... but it remains higher than one year ago



Source: National Statistics 2009

2. Employment

In the three months to November employment in the South East fell by 26,000, standing at 4.22 million people (aged over 16), Figure 2. In the UK there were 29.4 million people in employment – overall just 26,000 fewer than in the previous quarter, since several regions (the North East, East Midlands, London, the South West and East of England) recorded *increases* in employment in the three months to November.

The only region seeing a larger fall in employment than in the South East was Yorkshire and the Humber (a drop of 36,000). However, there were still 21,000 more people in employment in the South East in November 2008 than in November 2007.

Breaking down the figures by gender reveals that the fall in employment in the South East was accounted for entirely by a drop in female employment, which fell by 33,000 in the three months to November, while male employment increased by 7,000. Since women are more likely than men to be employed in temporary and/or part-time jobs, this suggests that firms 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). Although a number of other regions (Yorkshire and the Humber, the North East and London) saw a drop in female employment, the decline was greatest in the South East. Yorkshire and the Humber was closest to the South East, with a decline of 26,000.

In the three months to November the South East employment rate stood at 79% - 0.2% lower than in the previous quarter. Over the same period the UK employment rate also declined by 0.2% to 74.2%. The South East employment rate remains the highest of any region.

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

The employment rate for men in the South East was up 0.3% on the previous quarter, at 83.5% - still by far the highest in the country. The UK employment rate for males declined by 0.3% to 78%.

The employment rate for women in the South East fell by 0.8% to 74.2%, although it is still the second highest in the country behind the South West. The UK female employment rate dropped by 0.1% to 70.1%.

3. Unemployment

In the three months to November there were 208,000 unemployed people in the region, or 7,000 more than in the previous quarter (Figure 3). This is the smallest increase in unemployment of any region, but both London and the East Midlands recorded falls in unemployment (of 6,000 and 10,000 respectively). Looking at change over the year to November 2008, the South East saw by far the smallest increase in unemployment of any English region – just 6,000.

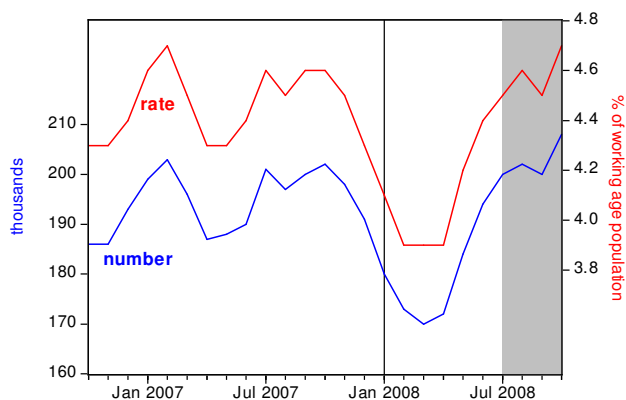
The number of unemployed people in the UK as a whole increased by 131,000 over the three months to November, reaching 1.92 million, which is the highest level since August 1997.

The unemployment rate for those aged 16+ in the South East increased by 0.2% to 4.7% in the three months to November. This remains the lowest rate of any region (except Northern Ireland). The UK unemployment rate increased by 0.4% to 6.1%.

The increase in unemployment in the South East was mostly driven by a growth in male unemployment, which increased by 6,000 while female unemployment rose by just 1,000 on the previous quarter. This suggests that most of the large number of women who have left employment are likely to have become economically inactive (and are therefore outside the labour market) rather than moving into unemployment.

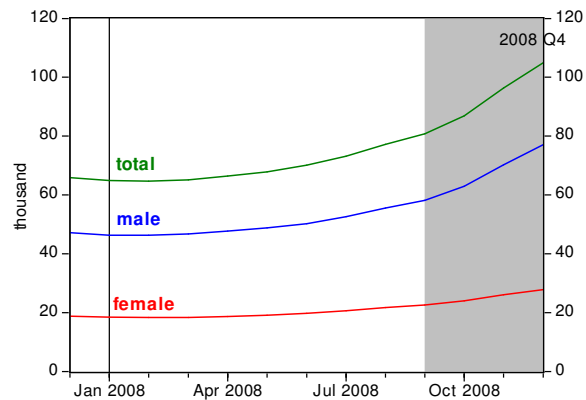
In the three months to November the male unemployment rate increased by 0.2% to 5.1%, while the female unemployment rate also increased (by 0.1%) to 4.2%.

Figure 3: Unemployment is on the increase



Source: National Statistics 2009

Figure 4: Claimant count rises above one hundred thousand



Source: National Statistics 2009

The number of people in the South East claiming Job Seekers' Allowance (JSA) broke the 100,000 mark in December 2008, for the first time since April 1999, reaching more than 104,000 (Figure 4).² This represents an increase of 8,600 since November, 24,100 over the quarter and 39,000 since December 2007. The claimant count rate (percentage of residents claiming JSA) increased by 0.2% to 2.1% between November and December. Over the quarter the claimant count rate in the South East increased by 0.5%, or 0.1% below the UK average. Over the past 12 months the claimant count rate increased by 0.8%

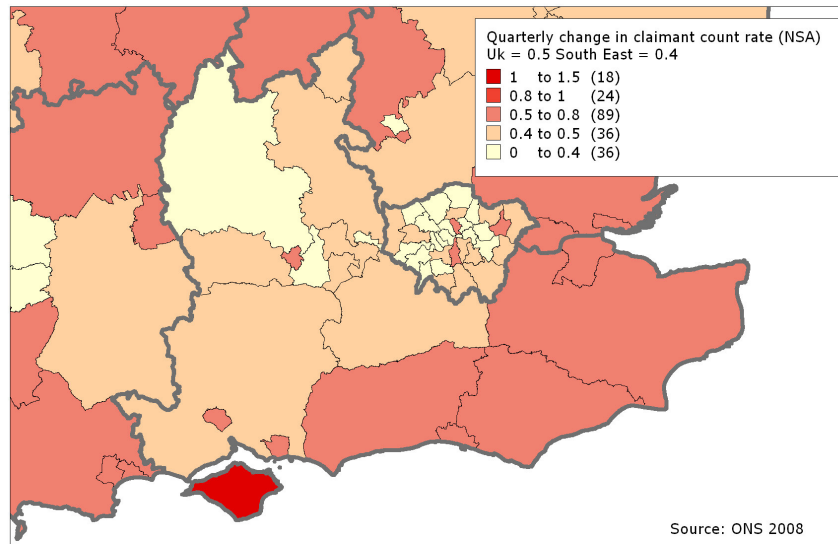
² Note that the claimant count figures quoted in this section are seasonally adjusted, as it is preferable to use adjusted figures when comparing different regions.

against the UK average of 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 almost 7,000 between November and December and the number of female claimants by around 1,700. There were 1.15 million people in the UK claiming JSA, and the number increased by 77,900 between November and December.

Sub-regional changes in unemployment

Figure 5: Quarterly change in claimant count rate (September-December 2008) – NUTS3 areas

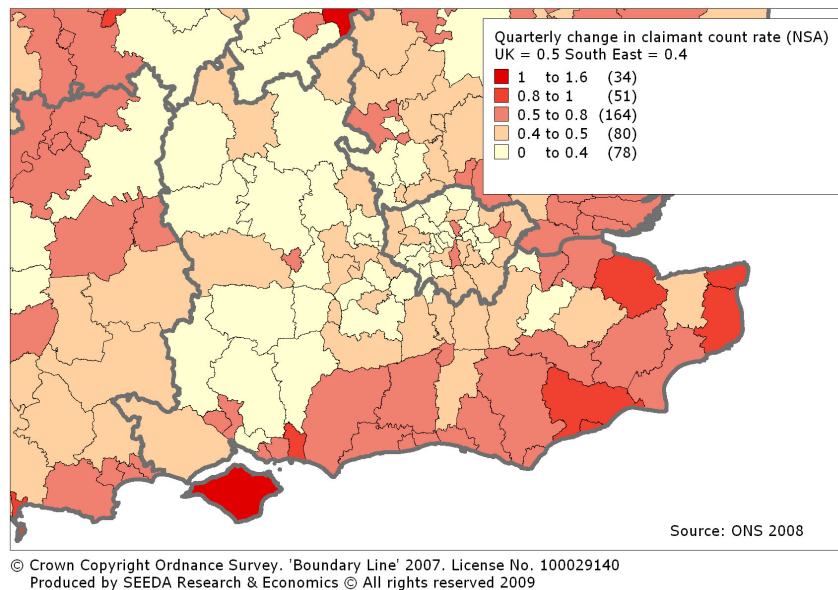


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Over the past quarter claimant count unemployment in Kent and Hampshire has increased by 4,600 and 2,800 respectively. However, a relatively large increase in absolute terms is not surprising given that these are the largest counties in the South East. 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 unemployment in the Isle of Wight has increased by 1.1%, faster than in any other County/Unitary Authority in the South East and well above the national increase of 0.5% and the South East increase of 0.4% (Figure 5). The increase in unemployment in the Isle of Wight was the joint 8th fastest increase in the country (out of 229 NUTS3 areas – i.e. counties and unitaries). East Sussex, Kent, Medway and Southampton have seen an increase of 0.6% (ranked joint 74th nationally).

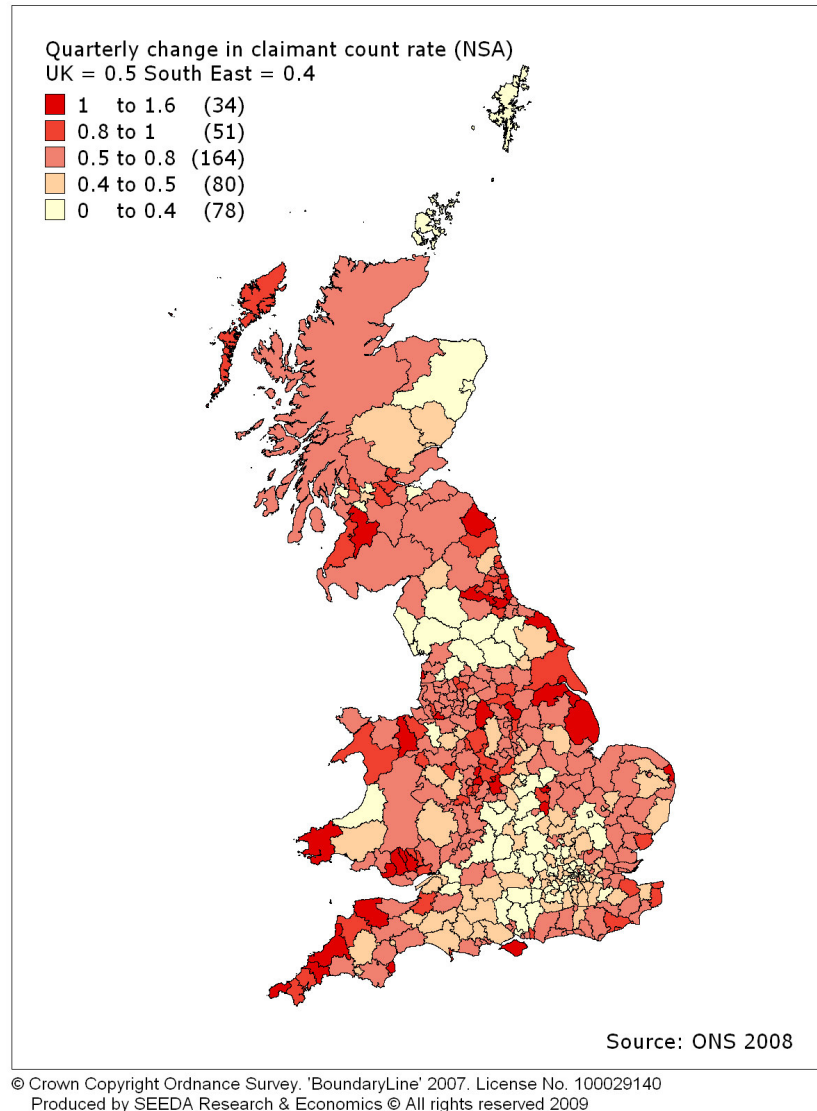
Amongst local authority districts/unitary authorities in the South East the Isle of Wight has seen the fastest increase in the claimant count rate (Figure 6).

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.

Figure 6: Quarterly change in claimant count rate (September-December 2008) – District/Unitary

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 Hastings, Rother, Havant, Dover and Thanet has increased by 0.8%, above the South East and national average and joint 61st fastest increase in the country. 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.

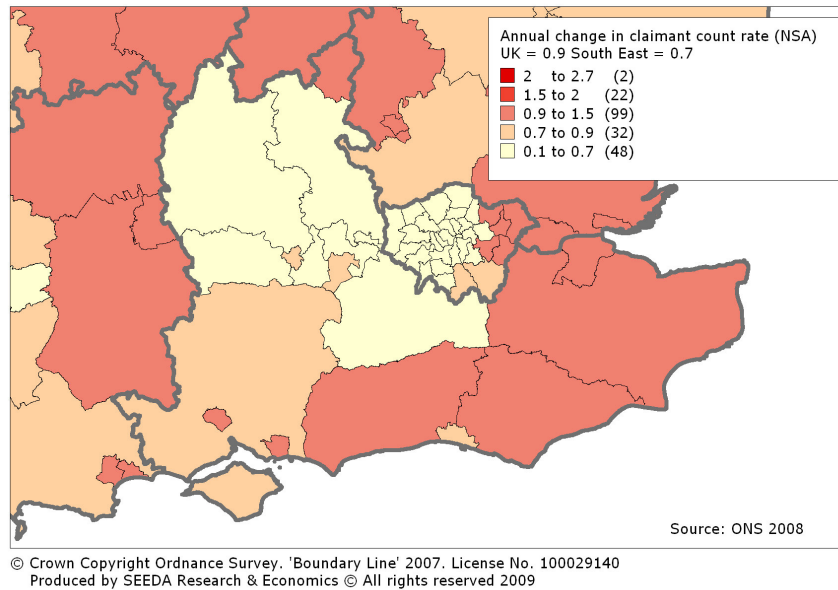
Most of the local authorities in the Inner South East have seen increases in unemployment below the South East average over the past quarter. However, since September 2008 we have seen a sharp increase in the number of notified redundancies in this part of the region and London and this will feed through 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).

Figure 7: Quarterly change in claimant count rate (September-December 2008)

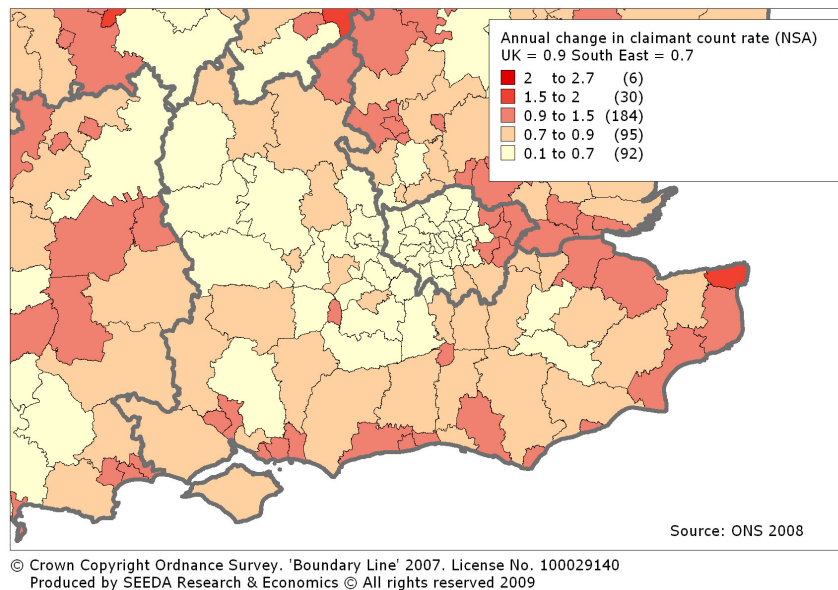
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The change in unemployment in the South East still compares favourably to much of the country, although coastal, relatively isolated economies have seen faster increases in unemployment than elsewhere in the UK (Figure 7).

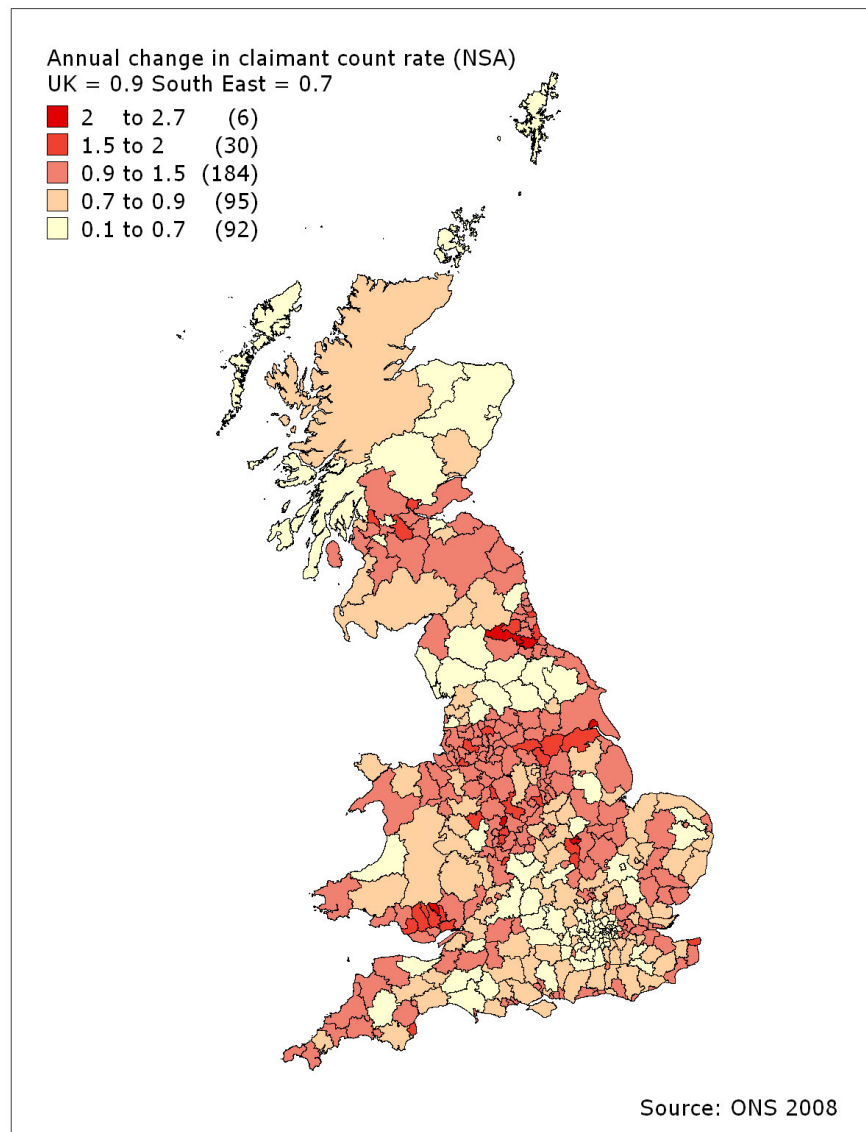
Since sub-regional claimant count data doesn't take seasonal variations in unemployment into account, it is useful to look at changes in the claimant count rate over a whole 12 month period.

Figure 8: Annual change in claimant count rate (December 2007-December 2008)

Kent and Hampshire have seen an increase in unemployment of almost 7,000 and 6,000 respectively over the past 12 months. However, Milton Keynes and Southampton have seen the fastest increase in the claimant count *rate* over the past year (Figure 8). The claimant count rate in Milton Keynes increased by 1.2% - the joint 55th fastest increase in the country and faster than the UK average of 0.9% and the South East average of 0.7%. The claimant count rate in Southampton increased by 1.1% (78th fastest increase in the country), followed by Medway and West Sussex (1% respectively) and East Sussex, Kent and Portsmouth (0.9% respectively).

Figure 9: Annual change in claimant count rate (December 2007-December 2008)

The claimant count rate in Thanet increased by 1.5% over the past year, which was the fastest increase in the South East and joint 27th fastest increase in the country (out of 434 local authorities), followed by Crawley (1.4%), Figure 9. The claimant count rate in Milton Keynes, Hastings and Arun increased by 1.2% - above the national average of 0.9% and the South East average of 0.7%.

Figure 10: Annual change in claimant count rate (September-December 2008)

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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 (Figure 10).

4. Notified redundancies

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.⁴ In the first two weeks of January 2009 there were almost 2,000 redundancies announced by firms in the region, which is 11% higher than in the same period in 2008.⁵ Almost three quarters of these notified redundancies were in the manufacturing, retail, construction and financial services sectors. Relative to its share of total employment in the South East,

⁴ 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 taking place until a later date; sometimes employees changing contracts are recorded as 'redundancies'.

⁵ Source: BERR, HR1 data, January 2009.

financial services has been affected by job losses to a greater extent than any other sector in the first half of January.

Looking sub-regionally, Kent, Berkshire and Oxfordshire accounted for almost two thirds of all notified redundancies in the South East in the first half of January. Relative to its share of regional employment, Oxfordshire was affected disproportionately more than other sub-regions. There has recently been an increase in the number of notified redundancies caused by lower demand, which suggests that falling consumer spending is causing firms to cut costs by laying off workers.

5. Vacancies

Between November and December 2008 there was a significant drop in the number of vacancies notified to Jobcentre Plus in the South East, from 45,500 to 26,600.⁶ 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.

The only sectors seeing a rise in vacancies between December 2007 and December 2008 were public administration and education. Almost all other sectors are now being affected by the downturn, which is now being seen in falling demand for new staff. The most significant falls in vacancies (more than a 50% drop over the year) were in manufacturing, construction, hotels and restaurants and transport.

⁶ 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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