

South East Labour Market Update March 2009

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Executive Summary

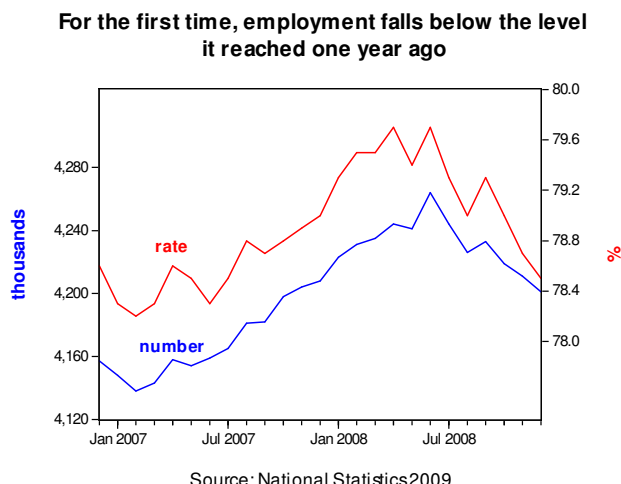
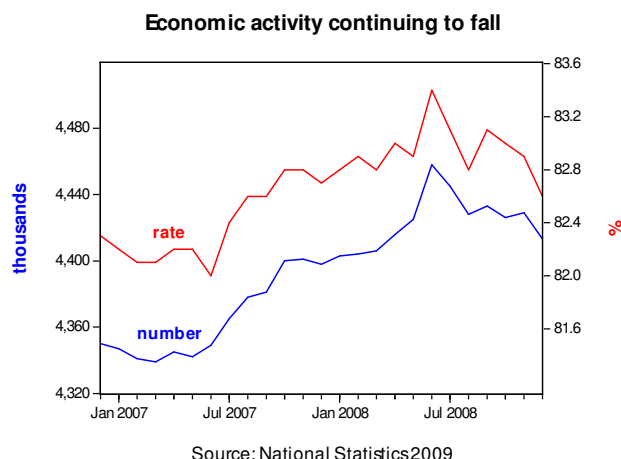
- In the three months to January 2009 there were 4.41 million economically active people aged over 16 in the South East, or 19,000 lower than in the previous quarter. This was the largest drop in economic activity of any region.
- The economic activity rate in the South East, at 82.6%, is the joint second highest in the country, and fell by 0.5% on the previous quarter, while the UK figure rose by 0.3%, to 79.4%.
- In the three months to January employment in the South East fell by 32,000, which was by far the largest fall in employment of any region. The only other English regions seeing a fall in employment were Yorkshire and the Humber (-15,000) and the North East (-5,000). There were 4.2 million people in employment in the South East in January 2009.
- A large number of regions saw *increases* in employment in the three months to January, including London (up 46,000) the North West (up 34,000) and the East of England (up 21,000). In the South East there were 6,000 fewer people in employment in January 2009 than in January 2008, but in London the increase was 80,000 over the year.
- Female employment has continued to fall in the South East, dropping by 15,000 in the three months to January, which was the largest fall of any region. The number of men in employment fell by 17,000 over the same period.
- In the three months to January there were 212,000 unemployed people in the region, or 12,000 more than in the previous quarter. This was one of the smallest increases in unemployment of any region.

- The fact that employment has fallen significantly in the South East yet unemployment has not risen as sharply suggests that a significant proportion of people leaving employment have moved straight into economic inactivity rather than registering as unemployed.
- The unemployment rate in the South East increased by 0.3% to 4.8% in the three months to January. This means the South East now has the lowest unemployment rate of any region.
- The number of people in the South East claiming Job Seekers' Allowance (JSA) rose to 135,700 in February 2009 – the highest level since May 1997. This represents an increase of 22,600 since January, and 47,500 since November.
- Between January and February 2009 the claimant count rate in the South East increased by 0.4%, to 3.1%. Over the quarter from November 2008 the rate increased by 0.9%, or 0.2% 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 one of the fastest rates of increase of any local authority in the UK. Milton Keynes, Slough and Medway 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 2,200 redundancy notifications in the South East between 6 and 19 February 2009. Manufacturing was the worst affected sector, representing almost half of all redundancy notifications, despite accounting for less than 9% of the total South East workforce. The transport sector was also disproportionately affected.
- At sub-regional level, West Sussex accounted for 40% of all redundancy notifications between 6 and 19 February, with Buckinghamshire and Hampshire each accounting for a further 20% of all redundancies.
- Between January and February the number of vacancies notified to Jobcentre Plus in the South East almost trebled, from 14,000 to 37,000. As a result, the number of claimants per vacancy has fallen, from 8 claimants per vacancy in January to 4 per vacancy in February. However, looking over the year between February 2008 and February 2009, the only sector seeing a rise in vacancies was public administration. The number of vacancies fell most markedly in the transport, construction and manufacturing sectors.

1. Economic Activity

Data for the three months to January 2009 shows that there were 4.41 million economically active people aged over 16 in the South East – a fall of 19,000 on the previous quarter.¹ This was the largest fall in economic activity of any region. Several regions recorded substantial increases in economic activity, including the North West (up 52,000), the East of England (up 50,000) and London (up 46,000). In the UK as a whole, economic activity increased by 167,000 in the same period.

There was a fall in economic activity amongst both men and women in the South East (by 9,000 and 10,000 respectively) in the three months to January. The economic activity rate in the South East, at 82.6%, is the joint second highest in the country, behind the East of England and alongside the South West, and fell by 0.5% on the previous quarter, while the UK figure rose by 0.3%, to 79.4%.



2. Employment

In the three months to January employment in the South East fell by 32,000, to 4.2 million people (aged over 16). This was by far the largest fall in employment of any region. Indeed, surprisingly, the majority of regions saw an increase in employment in the three months to January – including London (up 46,000), the North West (up 34,000), the East of England (up 21,000) and the South West (an increase of 7,000). In the UK there was an overall increase of 2,000 in the number of people employed, bringing the total to 29.4 million. The only other English regions apart from the South East seeing a fall in employment were Yorkshire and the Humber (down 15,000) and the North East (-5,000).

As these figures are based on monthly data drawn from a survey, they can be volatile. Looking at the longer term trends, over the year to January 2009, only London, the East of England and the East Midlands experienced an increase in employment, with the rise of 80,000 in London being by far the largest. The economies and labour markets of the regions in the 'Greater South East' (London, the East of England and the South East) usually tend to perform relatively similarly. However, the different experience of the South East in this case could perhaps be explained by its sectoral mix. 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. More than one third of all redundancy notifications in the South East in recent months have been in the manufacturing sector. London is also benefiting from the strength of the Euro against the pound, which is attracting more tourists to the capital, who are helping to maintain some buoyancy in its retail and hospitality sectors.

Female employment has continued to fall in the South East, with the number of women in work dropping by 15,000 in the three months to January. This was the largest fall in women's employment in any English region. Only the North East (-8,000), Yorkshire and the Humber (-9,000), as well as Scotland (-16,000) and Wales (-10,000) recorded falls in women's employment. However, this most recent drop in women's

¹ The economically active are those who are in employment or unemployed but available for work.
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employment in the South East represents an improvement on the fall of 33,000 recorded in the three months to November. Male employment dropped to a greater degree than female employment, falling by 17,000 in the three months to January in the South East – although as a proportion of total male employment this decrease was less than the fall in women’s employment. The South East saw the largest fall in male employment of any region, with several regions seeing an increase in male employment, including London (up 42,000), the East of England (up 3,000), the North East (+2,000) and the West Midlands (+1,000).

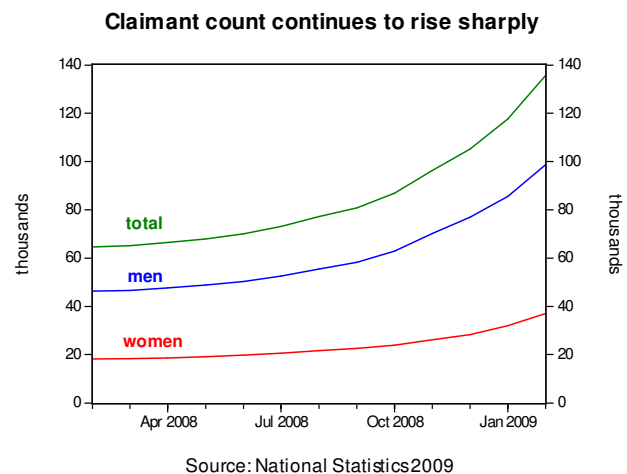
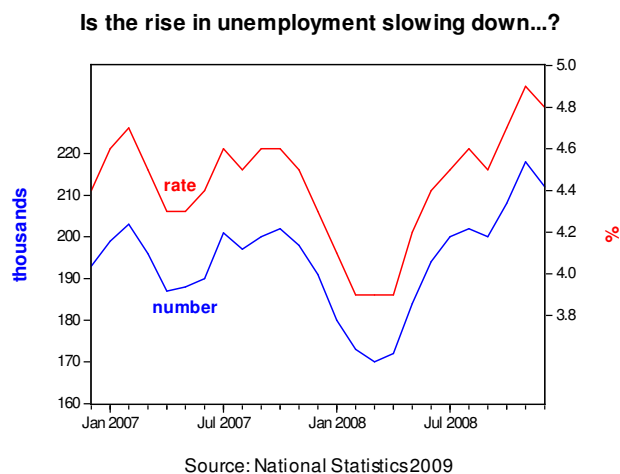
In the three months to January the South East employment rate stood at 78.5% - 0.8% lower than in the previous quarter. Over the same period the UK employment rate declined by just 0.1% to 74.1%. Despite seeing the largest quarterly fall in the employment rate of any English region, the rate in the South East remains the highest of all regions.

The employment rate for men in the South East was down 1% on the previous quarter, at 82.5% - still by far the highest in the country. The UK employment rate for men declined by 0.2% to 77.8%. The employment rate for women in the South East fell by 0.6% to 74.2% - still significantly above the UK women’s employment rate, which remained unchanged on the previous quarter, at 70.1%.

3. Unemployment

In the three months to January there were 212,000 unemployed people in the region, or 12,000 more than in the previous quarter. This is one of the smallest increases in unemployment of any region, with only the North East (+5,000) and Yorkshire and the Humber (+1,000) recording smaller increases, while in London unemployment in fact fell by 1,000.

The fact that employment has fallen significantly in the South East (by 32,000) yet unemployment has not risen as sharply suggests that a significant proportion of people leaving employment have moved straight into economic inactivity rather than registering as unemployed. In some cases this could be because they are ineligible to claim Job Seekers’ Allowance because of their financial circumstances. Indeed, the South East saw the largest increase in economic inactivity of any region (up 27,000 in the three months to January), with most regions recording a fall in inactivity. Looking at change over the year to January 2009, the South East saw the smallest increase in unemployment of any English region, at 22,000.



The number of unemployed people in the UK as a whole increased by 165,000 over the three months to January, exceeding 2 million for the first time since July 1997.

The unemployment rate for those aged 16+ in the South East increased by 0.3% to 4.8% in the three months to January. However, this is the lowest unemployment rate of any region. The UK unemployment rate increased by 0.5% to 6.5%.

The majority of the rise in unemployment in the South East in the three months to January was accounted for by an increase in unemployment amongst men, which grew by 8,000 while women’s unemployment

increased by 4,000. This suggests that, as in previous months, significant numbers of women are leaving employment but rather than registering as unemployed they are moving straight into economic inactivity.

In the three months to January the male unemployment rate increased by 0.5% to 5.2%, while the female unemployment rate also increased (by 0.3%) to 4.6%.

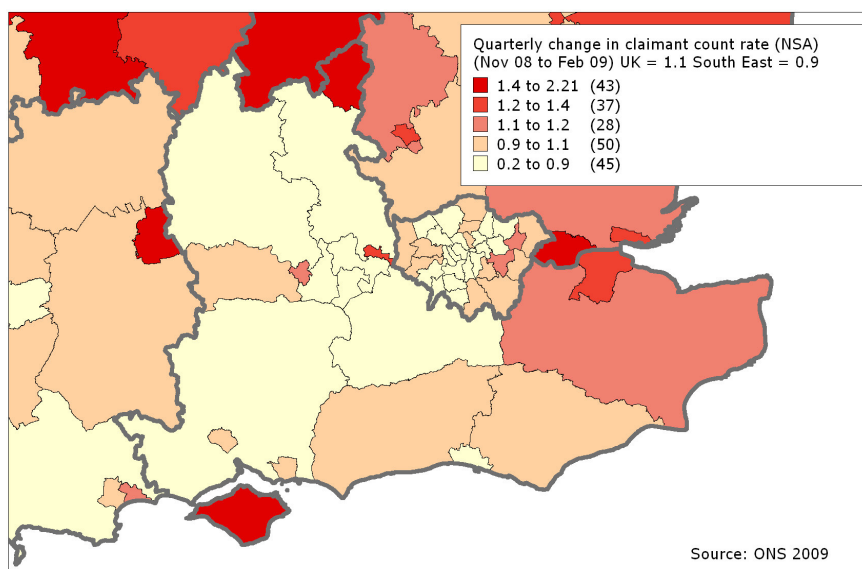
The number of people in the South East claiming Job Seekers' Allowance (JSA) rose to 135,700 in February 2009, which is the highest figure since May 1997 (Figure 4).² This represents an increase of 22,600 since January, 47,500 over the quarter and 72,500 since February 2008. In other words, the number of people claiming JSA has almost doubled in the past year. The claimant count rate (percentage of residents claiming JSA) increased by 0.4% to 3.1% between January and February. Over the quarter the claimant count rate in the South East increased by 0.9%, or 0.2% below the UK average. Over the past 12 months the claimant count rate increased by 1.4%, against the UK average of 1.7%. 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 13,100 between January and February, while the number of female claimants increased by around 4,300. In both cases, these are by far the largest monthly increases recorded in the past year. There were 1.39 million people in the UK claiming JSA in February, and the number increased by 138,400 on January's figure. This is a significantly larger increase than in the previous month.

Sub-regional changes in unemployment

Quarterly change

Map 1: Quarterly change in claimant count rate (November 2008-February 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 8,700 and 6,200 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 0.9% in the South East as a whole and 1.1% in the UK (Map 1). In

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.

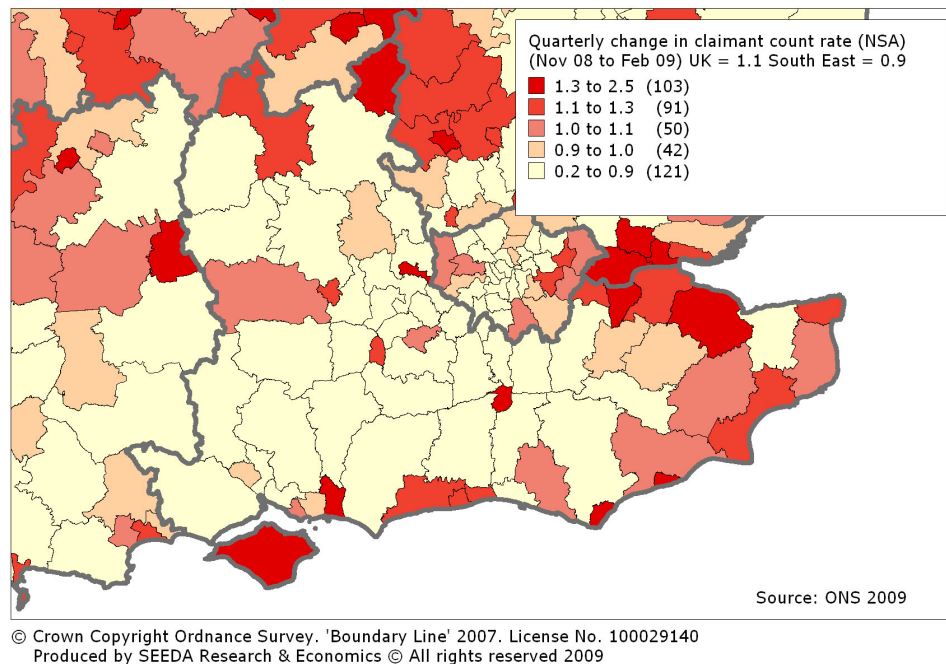
³ This approach is favourable to simply looking at the percentage change (as recently used by the national press), since some areas have a low base (low claimant count) so even a small change in unemployment could lead to a 'significant' percentage change.

fact the increase in unemployment in the Isle of Wight was one of the fastest of all counties and unitaries in the country.

Milton Keynes (+1.5%), Slough (+1.3%) and Medway (+1.2%) have also seen significant increases in the claimant count rate over the past quarter. This suggests that the significant numbers of notified redundancies in the past few months in these areas 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).

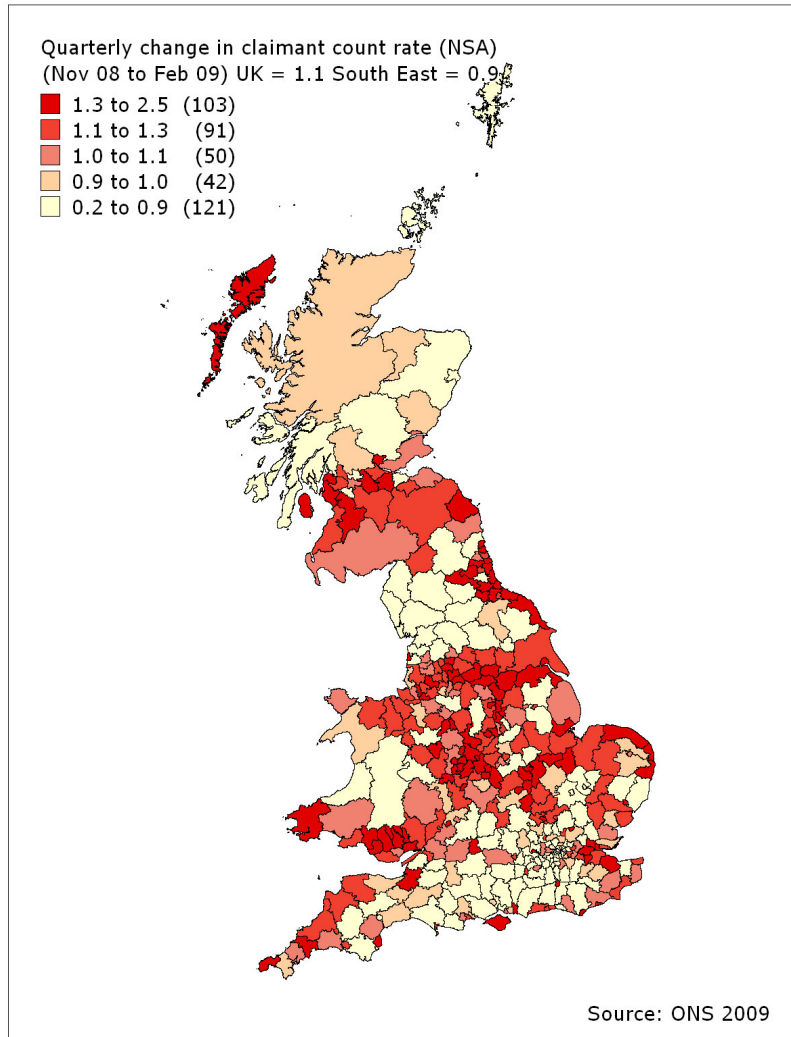
Map 2: Quarterly change in claimant count rate (November 2008-February 2009) – District/Unitary authorities



The contrasting experiences of coastal/peripheral and urban local authorities on the one hand and inland, rural areas on the other is clear from Map 2. 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, Gravesham and Swale increased by 1.4%, in Eastbourne and Havant by 1.3% and in Dartford, Thanet and Worthing by 1.2%. 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). Moreover, 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 an increase in the number of notified redundancies in this part of the region and London and this should feed through to unemployment figures over the coming months. Nevertheless, most areas in the Inner South East have relatively tight labour markets, which could mean that employers are trying to 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 (November 2008-February 2009)



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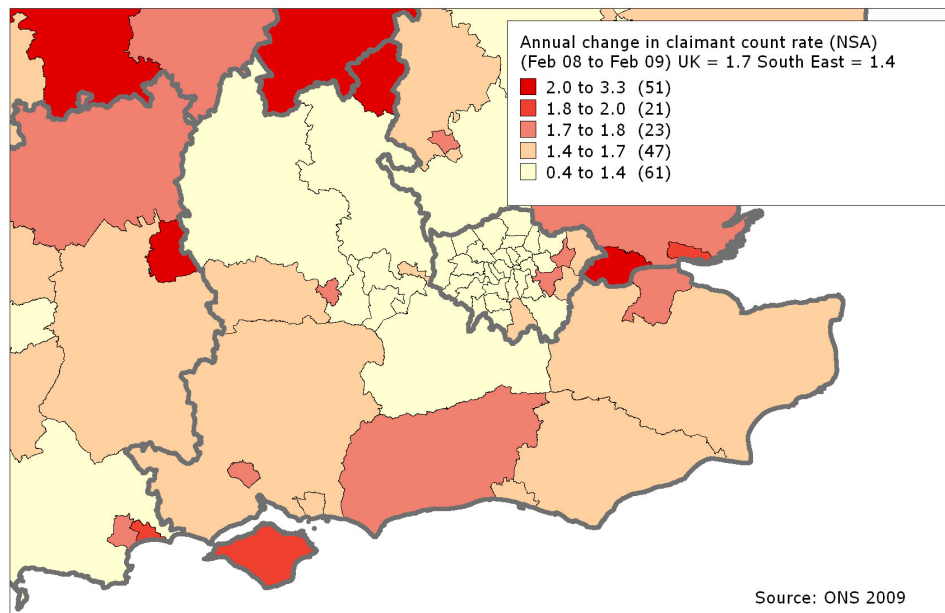
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The increase in unemployment in the South East is still relatively modest compared to much of the country, with the fastest rises in the claimant count rate being in the Midlands and north of England along with parts of the South West, Wales and southern Scotland. (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

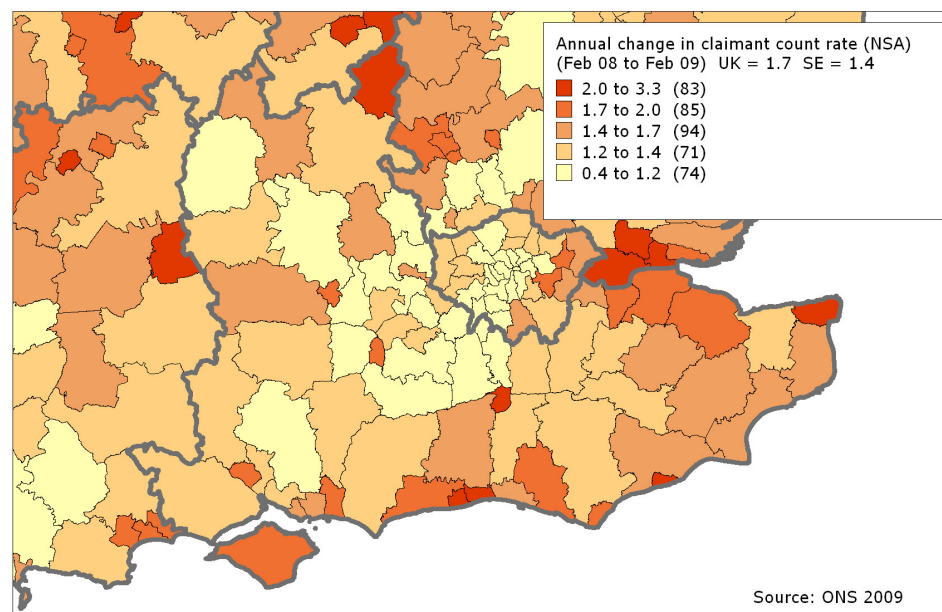
Map 4: Annual change in claimant count rate (February 2008-February 2009)



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Kent and Hampshire have seen increases in unemployment of almost 12,800 and 10,100 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 2.2%, which is well above the South East and UK averages (1.4% and 1.7% respectively). Substantial increases in the claimant count rate were also recorded in the Isle of Wight (+1.9%), Medway, Reading, Southampton and West Sussex (+1.7%).

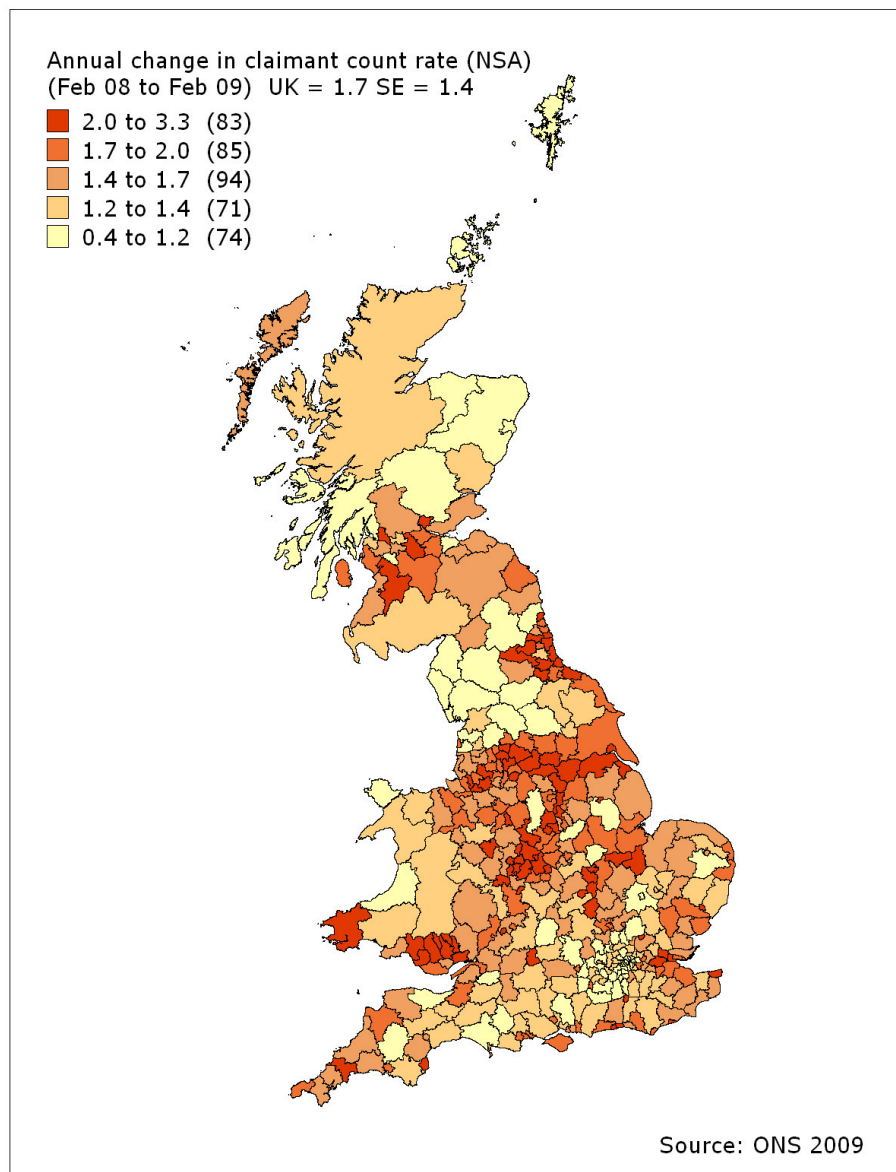
Map 5: Annual change in claimant count rate (February 2008-February 2009)



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Coastal, peripheral local authorities have tended to see the fastest increase in the claimant count rate over the past year, although Crawley recorded the most rapid increase (2.3%), Map 5. The claimant count rate in Thanet increased by 2.2% and in Hastings, Adur and Worthing by 2%.

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



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Over the past 12 months, the largest increases in the claimant count rate across the UK have been mainly in coastal areas and in the north and Midlands (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 6 February and 19 February 2009 there were 2,230 redundancies notified to BERR, though some of these are not scheduled to take place until December 2010. This compares to 2,870 redundancies announced in the fortnight ending 5 February.⁴ The sector most affected in this two week period was manufacturing - accounting for nearly 46% of all redundancy notifications, despite representing less than 9% of total employment in the South East. The transport sector also accounted for a significant proportion of all redundancy notifications (30%).

Looking sub-regionally, the most notable change since early February was the growth in the number of redundancy notifications in West Sussex, which accounted for 40% of all redundancies between 6 and 19 February. This is mainly due to the announcement of 600 job losses at Virgin Atlantic in Crawley. 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 10% in the period 6 to 19 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 January and February the number of vacancies notified to Jobcentre Plus in the South East almost trebled, from 14,000 to 37,000. This follows a significant fall in the number of vacancies between December 2008 and January 2009. These large changes are likely to be mostly due to seasonal factors.⁵ As a result of the increased availability of vacancies in February, the number of Job Seekers' Allowance claimants per notified vacancy has fallen, from 8 claimants per vacancy in January to 4 claimants per vacancy in February. As the monthly vacancies data can be quite volatile, it is difficult to be sure whether this is a 'blip' in the data or a trend that will continue.

Looking over the year from February 2008 to February 2009, the only sector seeing a rise in vacancies was public administration, where the number of vacancies almost trebled over the year. This could be explained in part by the recent recruitment of a large number of new posts at Jobcentre Plus. The most significant falls in vacancies were in transport and communication (where vacancies fell by more than 66%), construction (a 51% fall) and manufacturing (a 49% drop). This is not surprising given that these are the sectors which have been shedding jobs most rapidly in recent months.

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.