Economy Module

Data Alert: UK & SW labour markets

Latest ONS release

March 2011

SOUTH WEST OBSERVATORY

South West RDA

Introduction

These data alerts highlight key economic statistics as they are released and relate the messages they convey to the SW economy.

This particular alert considers the UK and SW labour market statistics just released. The key finding is that the employment and unemployment picture in the South West is still better than it was a year ago but worse than in the fall.

The main message for SW business is that the regional labour market remains reasonably flexible and loose for most employers. There may be skills shortages and mismatches in some occupations and sectors but, generally, labour availability and cost should not be a constraint on growth for some time.

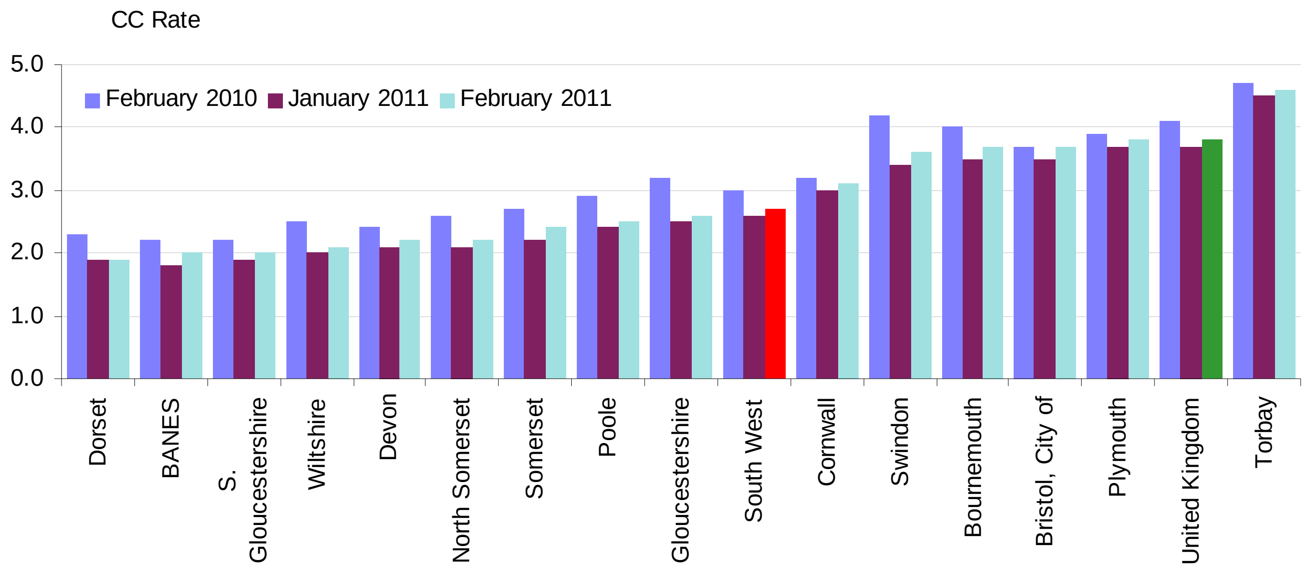
Data Headlines

In the three months to January 2010, the standard (IFS/ILO) UK and SW employment rates were 70.5% and 74.0% respectively. The equivalent unemployment rates were 8.0% and 6.3%. In the region, there were 169,000 unemployed, 16,000 more than in the previous three month period and 5,000 more than a year ago. Moreover, in the latest period, 27,000 less were employed in the region than in the August-October period; 47,000 more than at the end of the recession a year earlier.

This pattern of the labour market being looser than it was in the summer and autumn of 2010 but tighter than during the previous winter is repeated in the claimant count (CC) series (see chart below). In other words, the improvement in job creation after the end of the recession was temporary and may be petering out.

Across the region, the CC level increased everywhere for February, with rises above the UK average in most areas (except Dorset). Year on year, the levels fell everywhere, except Bristol, where it rose slightly. Dorset and Swindon swapped places in the rankings from January to February, (due to the rising CC level in Swindon), as did Devon and Cornwall (due to a slightly higher rise in CC level in Devon).

The CC measure for last month reveals that most places in the region have CC rates better than a year ago and below the UK average (see chart). Torbay continues to have a CC rate above the UK average and Plymouth now equals the UK rate. Only Dorset and BANES (Bath and NE Somerset) switched places in the rankings - due to a rising CC rate in BANES compared with no change in Dorset.



Prospects

The underlying labour market trends have been flattish for some time but unemployment is now showing signs of starting to pick up.

The risk is that we are now into a second wave of rising unemployment for this downturn; a trend that may be exacerbated by public sector lay offs in the months ahead. It remains to be seen whether the South West's private sector can compensate for that. In the long run, it is almost a truism that the private sector will, indeed, soak up spare capacity in the labour market as the economy grows. But, with growth forecasts for the next few years being rather low, we may see a repeat of the 1990s when it took a long time for the unemployment rate to fall back to its pre-recession level.

Meanwhile, the business survey and anecdotal evidence for 2011 to date does not make one very hopeful that the recent widening of the gap between labour availability and use will be reversed soon.

Nigel Jump, March 2011

The Economy Module of the South West Observatory provides a dynamic source of economic and business research and intelligence, with comprehensive data and analysis to support regional development and evidence based decision making. To improve the availability of regional data the Economy Module has developed a set of Regional Accounts which are freely available to all. For further information please visit the Economy Module website (**www.swo.org.uk/economy**).

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