

# Data Alert: UK & SW labour markets

Latest ONS release

May 2011

## Introduction

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

This alert considers the UK and SW labour market statistics just released. The key finding is that while the employment and unemployment rates for the region remain better than the UK, this advantage may have started to be eroded. Within the South West there is growing disparity in claimant counts, with some areas falling sharply and others not falling at all.

The main message for SW business remains that the regional labour market is 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 output growth for some time.

## Data Headlines

In the three months to March 2010, the standard (International Labour Organization) UK and SW employment rates were 70.7% and 73.4% respectively. The equivalent unemployment rates were 8.0% and 6.3%. In the region, there were 176,000 unemployed, 11,000 more than in the previous three month period also 11,000 more than a year ago. Moreover, in the latest period, 26,000 fewer people were employed in the region than in the September-December period; but 17,000 more than at the beginning of 2010.

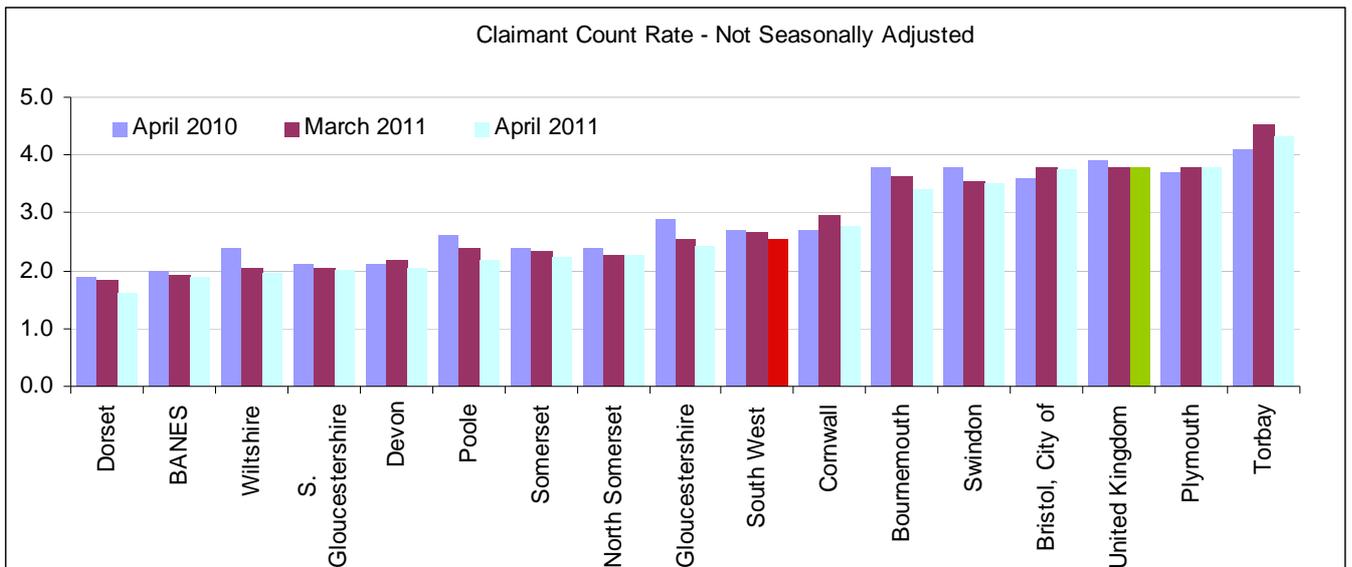
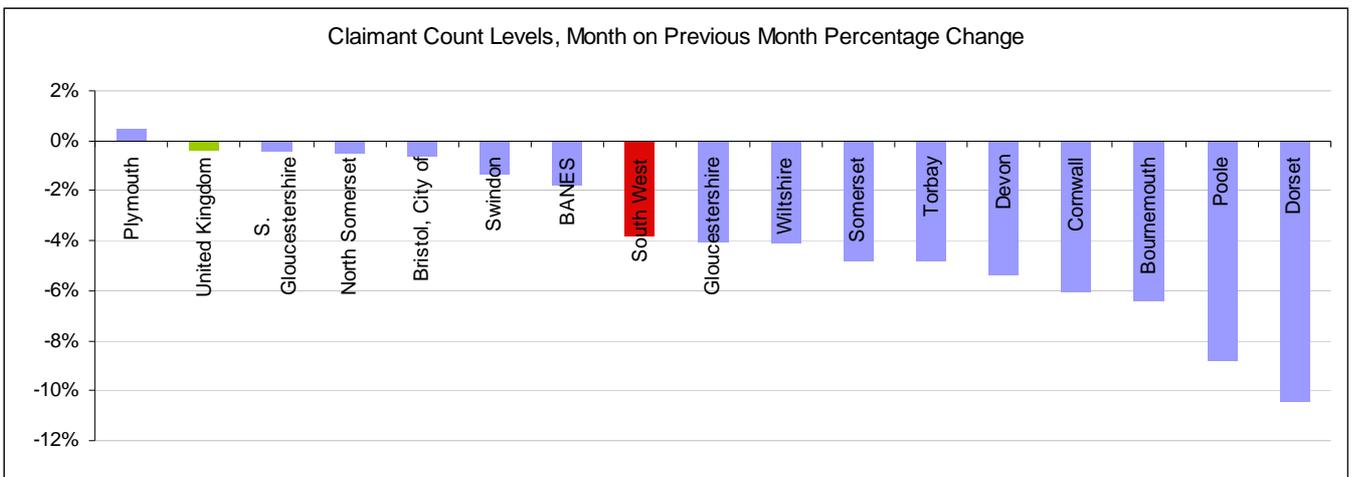
Although this survey-based data can be a little volatile month on month, looking over the reports since last August it seems safe to conclude that the labour market has loosened in the region whilst remaining very stable in the UK, thus eroding the South West's position of relative strength. The employment rate has drifted down from close to 75% while the unemployment rate has drifted up from 5.5%. By the end of this period some 40,000 fewer men were in employment but the figure for women was unchanged.

The national and regional claimant figures, which are seasonally adjusted, will have benefited from the uncharacteristically warm and dry weather throughout April and the one-off boost coming from temporary employment for the UK Census. The national claimant count has hovered at 1.460m +/- 10,000 since June 2010 and in April stood at 1.468m, an increase of 12,000 on March. In the South West the claimant count has hovered within +/- 500 of 81,000 since June 2010 and the latest numbers, at 80,300, show the region pushing the lower end of the range.

It has been one of the characteristics of this recession and recovery that it has been hard to interpret the often contradictory movements in different labour market data series. Although the region's claimant data does temper the picture a little, the evidence is that the improvement in SW job creation after the end of the recession was temporary and has been largely reversed, leaving the labour market back where it was at the end of the recession.

Within the region, the claimant count (which is not seasonally adjusted below regional level) dropped in most areas in April, extending the falls reported in the previous month. Those areas with a particularly significant tourism and leisure sector will have seen the normal pattern of taking on seasonal workers boosted by the good weather. By contrast the region's more urban areas saw very little movement in the number of claimants.

In spite of a solid improvement in April, Torbay remains the only sub-region with a CC rate significantly above the national average. Torbay, Plymouth, Bristol and Cornwall share the unwelcome characteristic of having CC rates higher than a year ago while Bournemouth, Poole, Dorset, Wilshire and S. Gloucestershire have all managed significant improvements.



## Prospects

The underlying labour market trends have been flattish and at the national level this latest data release adds very little to the picture. There is just enough employment growth to be shaving a fraction off the national unemployment rate but there is no sign of the kind of acceleration in job creation that would be needed to make serious inroads into the unemployment and claimant totals.

This lack of forward momentum exposes a risk that we may drift into a second wave of rising unemployment as the long heralded public-sector lay offs actually start to happen in larger numbers in the months ahead. In the South West the labour market may already be in retreat, bringing falling local consumer demand into the calculation. It remains to be seen whether the South West's private outward-facing sector can compensate for that.

Donald Barr, May 2011



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