

Data Alert: UK Labour Market

Latest ONS release

February 2011

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 better than it was a year ago but not really moving favourably in the short term.

The main message for SW business is that the regional labour market remains reasonably flexible and loose for most employers. That is not to deny skills shortages and mismatches in some occupations and sector, but it does suggest a general ability to hire where necessary.

Data Headlines

In the final three months of 2010, the standard (IFS/ILO) UK and SW employment rates were 70.5% and 74.1% respectively. The equivalent unemployment rates were 7.9% and 6.1%. As usual, the SW labour market has more jobs and fewer unemployed in proportionate terms than most other markets. In this period, the region had the second highest employment rate and the equal lowest unemployment rate (behind and with the South East in both cases).

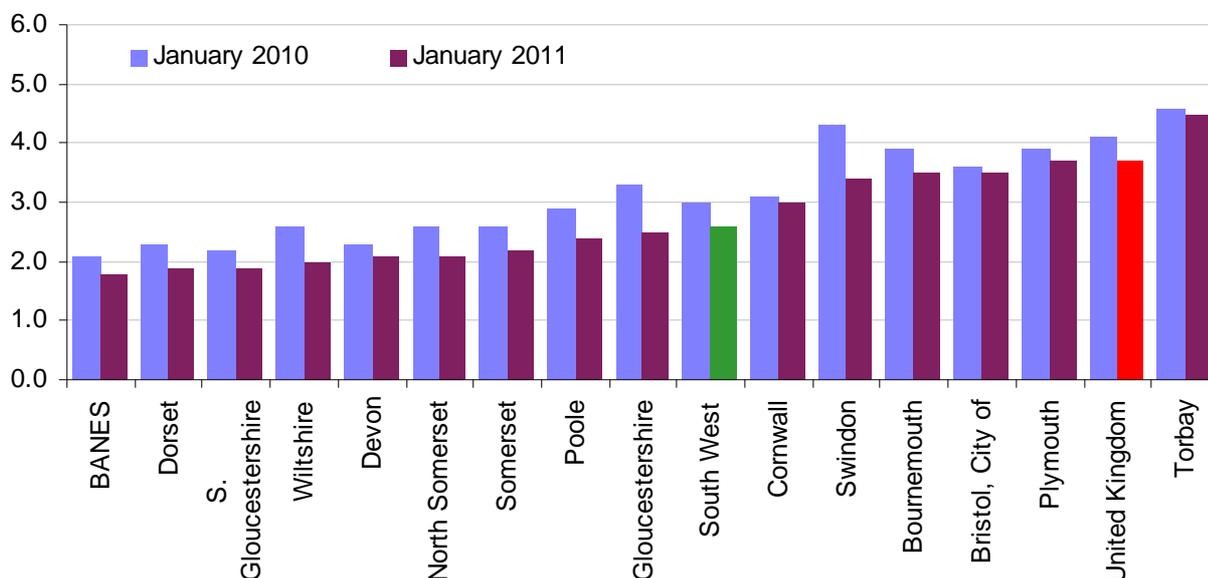
The UK employment rate was unchanged from a year earlier whilst the unemployment rate was 0.1% higher. In numbers, 29.1 million were employed and 2.5 million unemployed at the end of 2010 – in both cases, these numbers are slightly higher than a year ago but, essentially, flat. The better news is that, unlike earlier in 2010, there was some increase in the share of full time jobs in the total at the end of last year.

The SW employment and unemployment levels were 2.5 million and 165,000 respectively. The former was 0.7 percentage points (pp) higher than a year earlier and the latter 0.3pp lower.

The claimant count (CC) measure for January reveals that most places in the region have CC rates better than a year ago and below the UK average (see chart). The exception to the latter is Torbay, which had the largest percentage point increase from December to January (0.4pp compared with 0.1pp for the UK average and 0.2pp for the SW average). A larger rise in the CC rate for Devon meant that it overtook Wiltshire in the regional ranking (see chart).

In the short term, however, the rate of improvement in the regional unemployment pattern has stalled a bit. The CC level was up everywhere last month (but still lower everywhere compared with the same time last year). The level increased most in Poole, meaning it no longer had the lowest CC level in the region (honour back to BANES). Dorset's rise in its CC level took it above Swindon last month.

CC Rate



Prospects

The underlying labour market trends have been essentially flat for some time. We are now entering a period of increased redundancy, largely from the public sector. Surveys of hiring intentions suggest that the private sector will be increasing its employment levels but not by a sufficient amount to offset the losses immediately.

In 2011, then, there should be spare human resources available for employers to tap into if the economy grows, on the brave assumption that there is a reasonable skills match between leavers' supply and hirers demand.

Another factor is the net impact on wage bargaining. UK average earnings (excluding bonuses) were 2.3% higher in the last three months of 2010 than in the same period a year earlier. General inflation suggests higher wage demands may push this up this year. The balance of demand and supply in the labour market, suggests more muted pay claims, especially in the public sector and related businesses. Currently, we expect the latter force to predominate but we can not be sure.

Nigel Jump, February 2011

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