SOUTH WEST OBSERVATORY

SOUTH WEST LABOUR MARKET REVIEW

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BUSINESS AND ECONOMY

KEY POINTS – SOUTH WEST (SW) LABOUR MARKET 2007

- The number of persons that are economically active in the SW continues to increase
- The performance of the SW's sub-regional labour market varies – generally more buoyant in the northern sub-regions and weakening as one travels south and west
- The SW labour market continues to create jobs for its growing population – primarily in the service sector
- Regional employment rates are amongst the best in England
- Unemployment rates are highest generally in urban areas and the far south west sub-regions
- The national and regional labour market has 'loosened' somewhat although the early signs are that unemployment rates may have peaked in the short term

ECONOMIC ACTIVITY

South West England (SWE) is home to over 5 million people; about 4 million people aged 16 and over, a working age population of just over 3 million and an economically active workforce of 2.5 million[1]. SW economic activity rates are comparatively high (81.2%) and well in advance of the English average (78.9%); only the South East and East England have activity rates in advanced of SWE. The healthy economic activity rates indicate that the region, in general, offers good labour market opportunities – low economic activity rates can result from increased numbers of discouraged workers[2].

In the past five years SWE has continually grown the size of its potential workforce; primarily through inward migration and return to the workforce of previously excluded groups. Over the previous twelve months (Q1 2006–Q1 2007), the economically active population grew by over 27,000, which resulted in an increase of 0.2% in its economic activity rate. As the economically active population has grown at a faster rate than the working age population, the inference that could be drawn is that the inward migration has been economically, rather than lifestyle, driven.

The higher SW economic activity rates extend across all age groups and both gender groups. The region's comparative performance in two separate groups – age category 16–19 and females were particularly strong. Female activity rates are higher in SWE than any other English region (see Figure 1).

[1] Economically active population refers to those who are either employed, self employed or registered as unemployed.

[2] Withdrawn from the workforce as they believe no jobs are available.

Figure 1: Labour Market Indicators Q1 2007

	South West (000s)			SW Rank
	Men	Women	All	
Working age population	1,629	1,554	3,180	7
Economically active	1,381	1,202	2,583	6
% of working age population	84.7	77.3	81.2	2
Employed	1,327	1,154	2,481	6
% of working age population	81.4	74.3	78.0	2
% of economically active	96.1	96.0	96.1	1
Employees	1,073	1,035	2,108	7
Self-employed	244	104	348	5
% of employed	18.5	9.0	14.1	2
Unemployed	54	48	101	2
% of economically active	3.9	4.0	3.9	1
Inactive	249	352	598	4
% of working age population	15.3	22.7	18.8	2

Source: National Statistics, Labour Force Survey

Figure 2 below demonstrates that economic activity rates are inconsistent throughout the sub-regions. The difference is approximately 10% comparing the highest and lowest scoring regions – Gloucestershire and Bath and North East Somerset (BANES). In general, higher rates are recorded in the northern parts of the region, with lower rates in the south-western and south-eastern districts. BANES and Bournemouth, interestingly, has relatively low rates of economic activity. This is more likely to be a reflection of its demographic profile and employment structure, rather than the less favourable prevailing labour market conditions that exist in some south-western areas. Differences in gender economic activity rates are also subject to variability. As represented as percentage residents of working age, the labour market in Dorset and Poole employed 10% more men than it did women. This differential was reduced to less than 4% in Bath, Plymouth and Torbay. Female employment is linked to a variety of localised social and economic factors including demographic, industrial and employment structures.

Fig 2: Economic Activity by County/Unitary Authority December 2006

	Residents of Working Age					
	Total	%	Men	%	Women	%
Bath and North East Somerset	81,600	77.1	43,300	78.4	38,300	75.7
Bournemouth	77,000	77.4	41,600	81.2	35,400	73.4
Bristol	194,700	78.5	106,400	81.8	88,400	74.9
Cornwall and Isles of Scilly	233,800	78.1	126,300	81.3	107,500	74.7
Devon	333,600	80.7	180,700	85.2	152,900	75.9
Dorset	182,100	80.4	100,400	86.1	81,700	74.3
Gloucestershire	284,800	83.1	154,000	87	130,800	78.9
North Somerset	93,200	83.2	50,200	86.7	43,000	79.4
Plymouth	116,700	78.2	61,600	79.9	55,100	76.3
Poole	68,000	80.7	37,700	86.5	30,300	74.5
Somerset	239,000	81.3	126,900	83.8	112,200	78.6
South Gloucestershire	135,400	86.7	72,900	90	62,500	83.1
Swindon	97,900	83.8	53,300	87.8	44,600	79.4
Torbay	58,200	79.2	30,200	81	28,000	77.4
Wiltshire	222,700	84.1	119,200	88.7	103,500	79.5

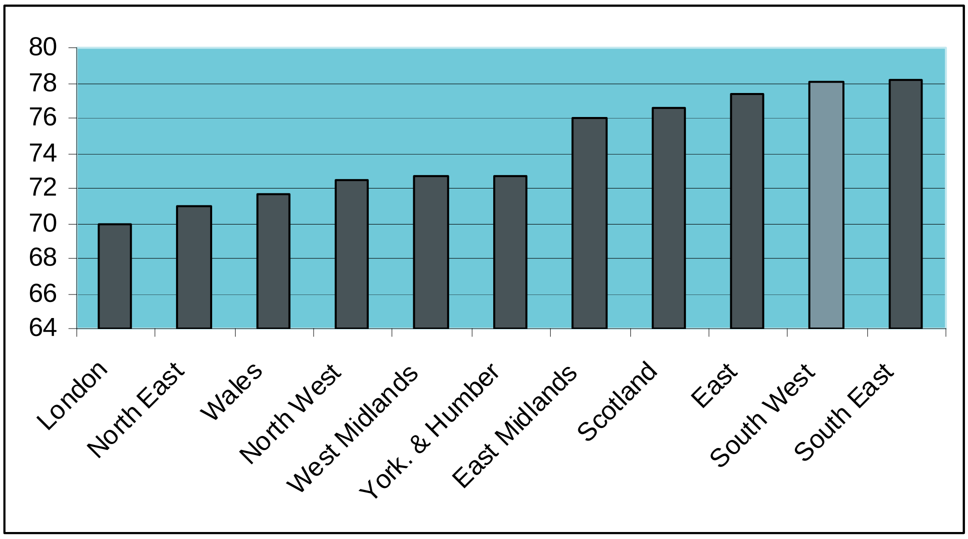
Source: National Statistics, Annual Population Survey (NOMIS)

EMPLOYMENT

2.5 million working age residents were in employment; 78% of the population and 96% of the economically active population. The region ranked second and first of all English regions in these two categories – someway in advance of the English average. Over 2.1 million of those in employment were employees (86%), the remainder being self-employed. Self-employment was much more prevalent among men than women. Employment rates vary across the age groups, with the lowest rates recorded in the two youngest age categories, 16–19 and 20–24. Employment rates in SWE are consistently above the English average for all age groups and for both genders; this was more pronounced in age category 16–19 and in females. The higher rates for these two groups reflect SW's flexible labour market – the region provides greater opportunities to work part-time, opportunities which are suited to the demands of these groups.

Since 2001, the SW has consistently created new employment opportunities although a rising population has meant that the growth in employment rate has been suppressed. In the past twelve months SWE has created over 18,000 new jobs, but with the rising population the employment rate actually reduced by 0.1% – although statistically, the rate is not significantly different from a year ago. The trend is consistent with other English regions; the best performing three regions maintained their employment rate, while the remaining six regions' rates all declined. To set the SW performance in context, England's employment rate reduced by 0.6% and Yorkshire and Humberside, which experienced the largest reduction, fell by 1.5%.

Fig 3: Employment Rate by Government Office Region Q1 2007



Source: National Statistics, Labour Force Survey

PART TIME EMPLOYMENT

SWE had the highest rate of part-time employment of any region (26.8%), considerably more than the national average (23.9%). Nearly one in every two female workers in SWE was employed part-time whereas with their male counterparts it was one in ten. This is, in some part, attributed to the family care responsibilities traditionally undertaken by women. Between December 05 and December 06, however, the number of part-time workers fell by 15,400.

Part-time working can enable excluded groups access to the jobs market, but has also been cited as a contributing factor to the SW's productivity gap with the best performing English regions. Therefore, in economic terms, the growth of full time working is more advantageous to the region's economy.

Sub-regionally, the rate of part-time work is relatively divergent. Just under a third of Torbay, Plymouth and Devon's employment is part-time, this reduced to approximately a fifth in Swindon and Bristol. Swindon and Bristol are the most productive regions of the South West and were the only two regions to have part-time rates below the national average. Bournemouth and Poole had relatively low rates, compared to other SW sub-regions, reflecting the male dominated nature of their economy. Growth rates were, if anything, more divergent across the region. Wiltshire witnessed strong growth in part-time employment (14%) compared to the previous twelve months. BANES part-time employment rate, however, declined by nearly 20%. BANES have a strongly focussed service economy, centred on tourism, which demands high rates of seasonal and part-time working. The reduction in BANES part-time (and full time) employment is a reflection of the pressures upon the tourism and hospitality sector. Dorset also experience a large shift away from part-time working although for every part time job lost it created an additional 1.2 full time jobs.

Fig 4: Part-time Work December 2005- December 2006

Region	Part time work	% of total work	Change 05-06	Growth rate (%)
Bath and North East Somerset	21,900	27.9	-4,900	-18.3
Bournemouth	18,500	25	-300	-1.6
Bristol	40,400	21.7	-3,700	-8.4
Cornwall and Isles of Scilly	64,400	28.6	2,300	3.7
Devon	96,800	30	-2,700	-2.7
Dorset	44,000	24.8	-8,900	-16.8
Gloucestershire	67,700	24.6	-5,400	-7.4
North Somerset	23,900	25.9	1,900	8.6
Plymouth	33,600	30.9	1,700	5.3
Poole	16,000	24.5	500	3.2
Somerset	65,100	28.7	-3,600	-5.2
South Gloucestershire	34,300	26.3	400	1.2
Swindon	19,900	21.4	-600	-2.9
Torbay	17,400	31.7	800	4.8
Wiltshire	58,800	27.3	7,100	13.7
South West	**622,700**	**26.8**	**-15,400**	**-2.4**
England	**5,443,100**	**23.9**	**-59,000**	**-1.1**

Source: National Statistics, Annual Population Survey (NOMIS)

EMPLOYMENT BY INDUSTRY

Manufacturing provides the SW labour market with one in every eight jobs. The importance of manufacturing, to both the regional and national economies, has slowly been diminishing as competitive global pressures push low cost manufacturing off-shore. Over 2,000 SW manufacturing jobs were lost in the last twelve months, although the rate of decline was only half that nationally.

The largest sector of the SW's economy is services, accounting for three in every four SW jobs. Comparatively however, the services sector is marginally less important to the regional economy (75.8%) than it is to the English economy (76.9%). This statistic is somewhat misleading since it includes the Greater South East[3] regions which skew the results considerably. Within the services sector the public sector accounted for approximately 4 in every 10 jobs, and distribution 2.5 in every 10.

Employment increased at double the rate regionally than it did nationally. Public administration, education and health created the largest number of new jobs (13,600) Distribution hotels and restaurants experienced the largest decline in job numbers (-19,600) and also the largest decline in proportionate terms (-3.8%). Energy and water experienced the strongest growth in proportionate terms, growing overall sector employment by 7.6%. The regional 'banking etc' sector grew substantially in the region, creating 13,600 new jobs and increasing overall sector employment by 4% -

[3] London, South East and East England.

nationally the sector grew by just 0.5%. The agriculture and fishing sector experienced strong growth nationally (4.3%) but experienced a moderate decline regionally (-0.2%) – this was the only sector to grow at the national level whilst decline at regional level.

Fig 5: Employment by Industry December 2005- December 2006

	South West Total	South West % of total industry	South West Change	South West Growth rate (%)	England England Growth rate (%)
Agriculture & Fishing	49,300	2	-100	-0.2	4.3
Energy & Water	25,500	1	1,800	7.6	8.0
Manufacturing	301,900	12.3	-2,200	-0.7	-1.4
Construction	213,000	8.7	4,100	2.0	0.5
Distribution Hotels and restaurants	494,900	20.2	-19,600	-3.8	-1.3
Transport and communications	131,100	5.4	-5,000	-3.7	-1.5
Banking, finance and Insurance	350,600	14.3	13,600	4.0	0.5
Public admin., Education & Health	718,500	29.4	16,900	2.4	1.5
Other services	155,600	6.4	7,800	5.3	4.0
Total Services	**1,850,700**	**75.7**	**13,700**	**0.7**	**0.5**
All Jobs	**2,440,400**	**99.7**	**17,300**	**0.7**	**0.3**

Source: National Statistics, Annual Population Survey (NOMIS)

EMPLOYMENT BY OCCUPATION

The most common occupation group, both regionally and nationally, is ‘managers and senior officials’. When combined with the two categories of ‘professional occupations’, it is estimated that these three highly productive occupational groups provide approximately 42% of all employment. This also reflects the general move to a service sector based economy. Although considerable, the percentage is below the national average, again this average being skewed by the dominance of employment in the Greater South East. SWE has a higher proportion of employment in managers and senior officials, skilled trades, personnel services and elementary occupations than nationally. The concern is that although the region has a workforce strong in trade specific skills it has less so in the more productive ‘professional occupations’. It is difficult to know to what extent the occupational structure of the region has developed in response to the demands of industry, or to the supply of skills. The region’s comparative position, however, has strengthened in terms of all three managerial and professional occupation groupings over the previous twelve months – i.e. it has grown at a proportionately higher rate than nationally, and hence the gap between national and regional rate is reducing.

Fig 6: Employment by Occupation December 2005- December 2006

	South West				England	
Occupation	Total	% of total occupations	Change 05-06	Growth rate 05-06	% of total occupations	Growth rate 05-06
Managers and senior officials	380,800	15.6	12,000	3.3	15.3	0.9
Professional occupations	304,600	12.5	15,600	5.4	13.1	4.1
Associate professionals and technical occupations	338,200	13.8	18,300	5.7	14.4	1.8
Administrative and technical occupations	294,200	12	-900	-0.3	12.1	-3.4
Skilled trades occupations	293,000	12	-3,900	-1.3	10.8	-1.6
Personal service occupations	203,100	8.3	1,200	0.6	7.9	2.6
Sales and customer service occupations	178,500	7.3	-21,200	-10.6	7.6	0.5
Process, plant and machine operatives	165,300	6.8	1,400	0.9	7.2	-2.8
Elementary occupations	284,300	11.6	-3,000	-1.0	11.3	0.7

Source: National Statistics, Annual Population Survey (NOMIS)

UNEMPLOYMENT

The region has experienced a ‘loosening’ of the labour market as unemployment rates have slowly risen over recent years, yet [counter intuitively] the numbers in employment have also grown consistently. This is as a result of growing the economically active population at a faster rate than employment. This has occurred at two levels; inward migration, both domestic and intra-regional; and the return to the economically active population of previously excluded groups – such as those with health problems. It has been argued that the increasing unemployment rate is the result of the region’s and nations' strong economy. Good labour prospects are acting as a draw to economic migrants. Higher rates of unemployment may also partially reflect the success of the government’s new deal initiative aimed at getting excluded groups back into the labour market. Often, the first step to getting a job for individuals from previously excluded groups is to join the ranks of the unemployed, the unemployed forming part of the economically active population.

The unemployment rate is measured by two separate sources, data collected and published by using the ILO definition[4], and the narrower claimant count definition[5].

Of all the English regions, SWE has the lowest unemployment rate. In Q1, 2007 over 101,000 people were registered as ILO unemployed – the first time since Q4, 2005 the unemployed number has gone above 100,000. Although the unemployment rate is relative low, 3.9% compared to 5.7% nationally, the rate has steadily been increasing. Over the past twelve months the rate has increased by 0.3% resulting in an additional 9,000 people being registered as unemployed. Although the trend is increasing the latest rate is not significantly different from a year ago. The increase in unemployment is not region specific, all regions have seen a 'ticking up' of their unemployment rate in recent years. In the past year all regions, except London and East England, have experienced a growth in the rate of unemployment. Although starting from a higher base, the national growth in unemployment has been at a faster pace than regionally, and hence the regional and national unemployment gap has widened marginally.

Figure 7: ILO Unemployment by Region: Q1 2006- Q1 2007

	Total	Rate	Change 06-07	% change
North East	84,856	6.8	2,915	0.2
North West	193,976	5.7	29,228	0.8
Yorkshire & the Humber	156,297	6.2	20,499	0.8
East Midlands	122,207	5.5	10,040	0.5
West Midlands	172,478	6.4	33,453	1.2
East	136,438	4.7	-1,910	-0.1
London	293,005	7.3	-11,290	-0.4
South East	198,973	4.6	7,014	0.2
South West	101,350	3.9	9,137	0.3
England	1,459,579	5.7	99,087	0.4

Source: National Statistics, Labour Force Survey

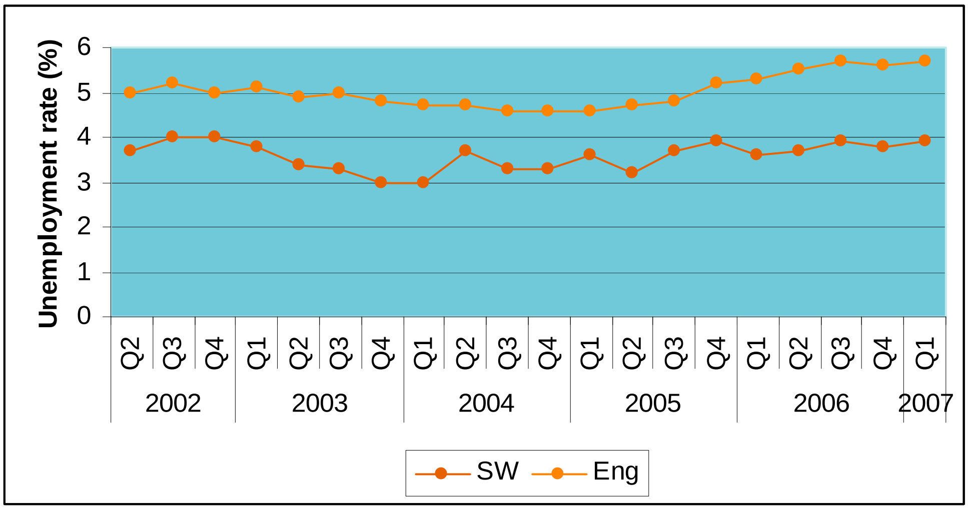
Both nationally and regionally, the overall trend in unemployment rates since 2001 was downwards until 2003, after which rates began to rise – although not consistently. The SW rate of increase, which starting from a lower base, was slower than the national rate of increase. This has resulted in currently the largest differential between SWE and English unemployment rates since 2003. Regional unemployment rates are similar to those at the start of 2002, 3.9% before falling to around the 3% mark in 2003–04. SW rates then slowly increased to the current high of 3.9%. In reality the regional trend has been fairly benign since Q3 2005, hovering around the 3.8%–3.9% mark. The national rate since Q3 2005 however, continued to experience growth, although the most recent data does also suggest that national unemployment growth rates are starting to flatten

[4] ILO unemployed – residents aged 16 and above who are currently not in employment but who are actively seeking work.

[5] The number of people claiming unemployment related benefits.

out. The lower levels of the SW unemployment will be to some extent as a result of its industrial structure as well as flexible working practices such as part-time working. It has benefited from strong growth in service sector jobs whilst has been somewhat protected from the large scale redundancies that the manufacturing sector has experienced nationally as a result of the pressures of globalisation.

Figure 8: ILO Unemployment, 5 Year Trend Q2, 2002 - Q1, 2007



Source: National Statistics, Labour Force Survey

CLAIMANT COUNT

Claimant count data record the numbers of people claiming unemployment related benefits of Jobseeker's Allowance and National Insurance Credits. As with the ILO unemployment rate, SWE has the lowest claimant count unemployment rate of any region, equal with South East England. Approximately 39,094 people were claiming unemployment related benefit in September 2007 – two out of every three claimants were male. The overall rate was 1.3% of the population, being a reduction of 0.3 percentage points on the same time the previous year. The national figure also reduced by 0.3 percentage points during the same time period.

Fig 9: Claimant Count Unemployment September 2006- September 2007

	Total	Rate (%)	% change
Bath & North East Somerset	962	0.9	-0.2
Bournemouth	1,493	1.5	-0.5
Bristol	5,345	1.9	-0.5
Cornwall and Isles of Scilly	3,939	1.3	-0.5
Devon	4,672	1.1	-0.2
Dorset	1,727	0.8	-0.2
Gloucestershire	5,223	1.5	-0.2
North Somerset	1,167	1.0	-0.2
Plymouth	3,297	2.1	-0.3
Poole	778	1.0	-0.2
Somerset	3,219	1.1	-0.2
South Gloucestershire	1,296	0.8	-0.3
Swindon	1,935	1.6	-0.7
Torbay	1,579	2.1	-0.5
Wiltshire	2,462	0.9	-0.1
South West	**39,094**	**1.3**	**-0.3**
England	**693,583**	**2.2**	**-0.3**

Source: National Statistics, Annual Population Survey (NOMIS)

The labour market conditions vary across the region and the claimant count statistics are no different. Claimant count statistics are comparatively low in general; only Plymouth and Torbay have claimant count rates approaching the national average. However, across the region there is considerable variation and trends are evident. Urban areas and south-western sub-regions tend to have higher rates of unemployment. The lowest rates are recorded in the rural and eastern areas of the region. The most recent district data is encouraging, as with the national and regional trend, all sub-regions have experienced a reduction with their claimant count rate.

With the consistent reductions in claimant count rates experienced at the national, regional and sub-regional level, combined with the evidence of a relatively benign ILO unemployment rate, the question it raises is have unemployment rates peaked for the foreseeable future?

A cloud on the horizon, however, is that inflation is still a potential problem. The Bank of England, in order to dampen inflationary pressures have increased the interest rate to its recent record high of 5.75% – the effects of the current America sub prime mortgage market, however, means that in the short term any interest rate rises are unlikely.

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