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**University  
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Research Unit

**EAST OF ENGLAND ECONOMIC PARTICIPATION STUDY  
FINAL REPORT**

**Training and Employment Research Unit (TERU)  
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## TABLE OF CONTENTS

<b>EXECUTIVE SUMMARY</b>	<b>i</b>
<b>1. INTRODUCTION</b>	<b>1</b>
<b>2. IMPACT OF THE ECONOMIC RECESSION</b>	<b>4</b>
<b>3. KEY ECONOMIC PARTICIPATION ISSUES IN EAST OF ENGLAND</b>	<b>23</b>
<b>4. HEADLINE ECONOMIC PARTICIPATION INDICATORS</b>	<b>35</b>
<b>5. BARRIERS TO ECONOMIC PARTICIPATION</b>	<b>48</b>
<b>6. CONSEQUENCES OF LOW ECONOMIC PARTICIPATION</b>	<b>71</b>
<b>7. SUSTAINING AND PROGRESSING IN EMPLOYMENT</b>	<b>78</b>
<b>8. A FORWARD LOOK</b>	<b>87</b>

## EXECUTIVE SUMMARY

### Introduction

1. This report provides an update of the 2008 Economic Participation in the East of England study to analyse the impact of the economic recession and understand 'what is going on' in relation to economic participation.
2. Increasing economic participation levels is a central priority of the *Regional Economic Strategy for the East of England* and, as a term, encompasses employment, self-employment and participation in education and training.
3. Using statistical data and relevant studies, the report has been structured to provide a coherent narrative around the issues surrounding economic participation at the regional and LAA level.

### Impact of the Economic Recession

4. The economic recession has had, and will continue to have, a negative impact on economic participation levels in the East of England; although the region appears to have been slightly more resilient than some of England's other regions.
5. Chapter 2 assesses the recession's impact on economic participation levels by analysing available employment, redundancy, vacancy and unemployment data.
6. The demand for labour has fallen as evidenced by:
  - Approximately 54,000 jobs have been lost in the region between Q2 2008 and Q2 2009. By industry, manufacturing, construction, retail and hospitality, and business and financial services appear hardest hit.
  - Redundancies in the region have increased significantly since 2008 and redundancy levels remain high. However, the data indicates that the peak in redundancies may have been reached over winter 2008 and spring 2009.
  - Vacancies are approximately 25% down in 2009 compared with 2008 levels.
7. The reduced demand for labour has inevitably led to increased unemployment and lower economic participation levels.
  - In February 2009, there were 433,000 working age benefits claimants in the East of England, which is a 10 year high figure. This increase has predominantly been caused by the doubling of JSA claimants in the region between August 2008 and 2009.
  - By claimant group, males, younger workers and workers in construction- and manufacturing-related occupations, customer service roles and administrative and secretarial occupations have been most affected.

### Key Economic Participation Issues in the East of England

8. Notwithstanding the impact of the economic recession, Chapter 3 presents a 'story' of economic participation in the East of England and identifies the wider challenges facing the region.
9. Overall, the East of England is one of England's best performing regions but over the last five years it has not performed as well as the English trend on some key

indicators. Current performance indicates that the *Regional Economic Strategy's* economic participation targets will become increasingly difficult to achieve.

10. Reading across the indicators collated for this report, the main challenges facing the East of England appear to be:
- Low adult skills and qualifications.
  - Poor health and disability.
  - Low participation amongst young people.
  - Tackling inequalities amongst ethnic minority groups.
11. Other issues identified include the longer-term challenge of increasing the employment rate of older workers, improving access to services and employment in rural parts of the region, and small areas of low economic participation being hidden when analysing economic participation issues at larger geographies.

### **Headline Economic Participation Indicators**

12. Chapter 4 uses a range of headline economic participation indicators to show the scale of the economic participation priority in the East of England.
13. The East of England performs strongly nationally and is ranked along with London and the South East in the top three of England's regions on employment rate, economic activity rate, working age benefits claimants, VAT registrations and Total Entrepreneurial Activity. The proportion of 16 to 18 year olds 'NEET' was the only indicator where the East of England's performance was relatively weak.
14. Within the East of England, some clear differences in economic participation levels can be seen across the 11 LAAs.
- Cambridgeshire, Central Bedfordshire, and Hertfordshire were consistently ranked 1<sup>st</sup> to 4<sup>th</sup> of the region's LAAs across the headline indicators.
  - In contrast, Luton, Peterborough, Southend and Thurrock were most often ranked 8<sup>th</sup> to 11<sup>th</sup> of the region's LAAs.
  - There was mixed performance across the other LAAs.

### **Barriers to Economic Participation**

15. Chapter 5 analyses the extent to which key barriers contribute to low economic participation levels in some areas. It found that the key barriers for the region are:
- Education and skills – particularly in progressing individuals from basic and low level qualifications on to higher level qualifications.
  - Young people's participation – with the East of England having a relatively high NEET rate and a low post-compulsory education rate.
  - Ethnicity – the region's ethnic population, particularly the Pakistani/Bangladeshi ethnic group, have economic participation rates below those of the white population.
  - Rural geography – having the 3<sup>rd</sup> lowest population density of England's regions brings barriers relating to access to jobs, education and key services.
16. Within the East of England, the LAAs most often falling in 9<sup>th</sup> to 11<sup>th</sup> amongst the East of England's regions are Luton, Peterborough and Thurrock. The other LAA

which performed poorly on a number of indicators – most notably in its health profile and young people indicators – was Norfolk and its rural geography and older age profile are likely to be significant factors here.

### **Consequences of Low Economic Participation**

17. Chapter 6 uses the Index of Multiple Deprivation to identify the East of England's areas of high deprivation. The understanding being that area deprivation is a consequence of low economic participation levels.
18. Comparing the region to England's other regions, the East of England has the 2<sup>nd</sup> lowest proportion of lower super output areas (LSOAs) in England's 20% most deprived at 6% of its 3,550 LSOAs. However, by thematic domain, the East of England performs relatively poorly in terms of education and skills. The region's rural geography also impacts on residents' access to services.
19. Within the East of England, there are pockets of deprivation and the LAAs with the highest proportion of their LSOAs with high levels of deprivation are Luton, Peterborough, Southend and Thurrock.

### **Sustaining and Progressing in Employment**

20. Indicators around sustaining and progressing in employment are not readily available but Chapter 7 uses labour market turnover, earnings and levels of higher educational attainment data as a proxy. It finds:
  - Moving between employment and unemployment is highest amongst those closest to the labour market – e.g. JSA claimants rather than IB claimants.
  - Wage levels in the East of England are nationally high both for workplace-based and residence-based due to London's influence.
  - However, the East of England has relatively low levels of higher qualifications, which could have implications on the region's productivity.

### **A Forward Look**

21. Taking a forward look at the current time is risky but Chapter 8 draws on the experience of previous economic recessions and recoveries to consider the future prospects for economic participation levels in the East of England.
22. Low labour market demand and future population growth indicates that economic participation levels will remain low and potentially decrease further. There is little prospect of economic participation levels increasing until 2011 at the earliest, when the number of jobs in the region is forecast to increase.
23. Previous recessions and this report's analysis suggest the localities and groups most at risk of low economic participation levels are:
  - Long-term unemployed.
  - Young people.
  - Low- and manual-skilled males.
  - Ethnic minority groups.
  - Disadvantaged localities.

## 1. INTRODUCTION

### Introduction

The East of England is one of England's strongest regional economies and forms part of the dominant Greater South East economy along with London and the South East. The East of England's standing is reflected in the growth in its population and economy between 2002 and 2007.

- Population growth above the English average to a total of 5,661,000; constituting 11% of England's total population.
- Economic growth of 27% in its Gross Value Added – so continuing to have the third highest GVA per head figure of the English regions at £20,500.

To sustain and further the East of England's performance, the *Regional Economic Strategy for the East of England* (EEDA, 2008)<sup>1</sup> sets an ambitious direction of travel for the region. By 2031, the strategy states that the East of England will be:

- internationally competitive with a global reputation for innovation and business growth;
- a region that harnesses and develops the creativity of all; and
- at the forefront of the low-carbon and resource-efficient economy.

Taking the second element of the *Regional Economic Strategy's* vision "a region that harnesses and develops the creativity of all", a central priority of the strategy is to increase economic participation rates across the East of England. In doing so, it will help maximise the potential of its population and so contribute to the productivity and prosperity of the region. Furthermore, increasing economic participation rates will enable everyone to benefit from the region's economic growth and so achieve the objective set out in the strategy of 'opportunity for all in the sustainable economy'.

### The Economic Recession

Following the publication of the *Regional Economic Strategy*, the wider economy has entered a period of economic recession. Its impact has been widely felt throughout the United Kingdom and the East of England is no exception. While the *Regional Economic Strategy* sets out long-term ambitions for the East of England which extend beyond the current recession and subsequent recovery, there is no doubt that the *Regional Economic Strategy's* aims and objectives will prove more challenging to achieve given the current economic climate.

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<sup>1</sup> EEDA (2008) Regional Economic Strategy for the East of England

## **Aims of the Study**

It is within this context that this update of the 2008 Economic Participation in the East of England Study is undertaken. While updating the indicators collected in the 2008 baseline study, an additional aim of the study is to understand and explain the impact that the recession has had on economic participation levels across the East of England. Indeed, because of the importance of the recession, this report will begin with an analysis of the impact of the economic recession before providing an update of the indicators collected in the 2008 baseline study to explain 'what is going on' in relation to economic participation.

By means of definition, economic participation is a broad term and can be defined as an individual's participation in the labour market. As such, the term encompasses:

- Employment.
- Self-employment.
- Participation in education or training.

However, while economic participation is a broad term which encompasses a range of economic activities, there are areas and groups that are characterised by low levels of economic participation or non-participation. As a result, the analysis has sought to identify these by undertaking comparisons across geographies, groups and over time, which will help identify trends. The spatial comparisons are:

- **National:** East of England against the other English Government Office Regions and the England average.
- **Regional:** East of England's 11 LAAs against one another and the East of England average.
- **Local:** Analysis of East of England's 20% most deprived communities.

## **Report Structure**

The report has been structured to provide a coherent narrative around the issues surrounding economic participation at the three geographical levels outlined above. As explained above, the report will begin with an in-depth analysis of the impact of the economic recession before looking at economic participation more widely. The chapters contain the following:

- **Chapter 2: Impact of the Economic Recession.** Using the latest available employment, redundancy, vacancy and unemployment data, the impact of the economic recession on economic participation levels is set out.
- **Chapter 3: Key Economic Participation Issues in the East of England.** An overview of the key economic participation issues facing the East of



England has been drawn together to help present a 'story' of economic participation in the region. Two summary tables provide the basis to this overview.

- **Chapter 4: Headline Economic Participation Indicators.** A number of headline indicators have been used to show economic participation and non-participation levels in the East of England and its LAAs to understand the scale of the economic participation priority in the region.
- **Chapter 5: Barriers to Economic Participation.** A series of thematic indicators have been used to analyse the extent to which key barriers are contributing to low economic participation levels in the East of England and its LAAs.
- **Chapter 6: Consequences of Low Economic Participation.** Drawing on the Index of Multiple Deprivation, the chapter shows how low economic participation levels contribute to area disadvantage.
- **Chapter 7: Sustaining and Progressing in Employment.** Principally drawing on earnings and qualifications data, the chapter assesses the extent to which East of England workers sustain and progress in employment.
- **Chapter 8: Forward Look.** A difficult task in this economic climate, this chapter combines this analysis undertaken with forecasts from other reports to provide a forward look in relation to economic participation levels in the East of England.

In addition to the main report, the **LAA Profile Appendix** provides greater insight into the performance of each LAA. For each LAA a standard approach has been taken to show economic participation levels, understand the barriers to economic participation, identify the most deprived neighbourhoods, and assess the impact of the economic recession.

Supporting both reports is a **full statistical appendix** which provides data on all indicators used within the report for England; England's Government Office Regions; the East of England's LAAs; and the East of England's District Authorities. Data has been provided for all years where it is available.

## 2. IMPACT OF THE ECONOMIC RECESSION

### **Introduction**

To analyse the impact that the economic recession has had on economic participation in the East of England, a 'cause and effect' approach is taken. To explain, if lower economic participation resulting from higher unemployment is the 'effect', then the loss of jobs is the 'cause'. As such, this chapter will begin by analysing what has happened to jobs in the East of England, before assessing the impact that the change in jobs has had on unemployment indicators.

### **Employment and Jobs**

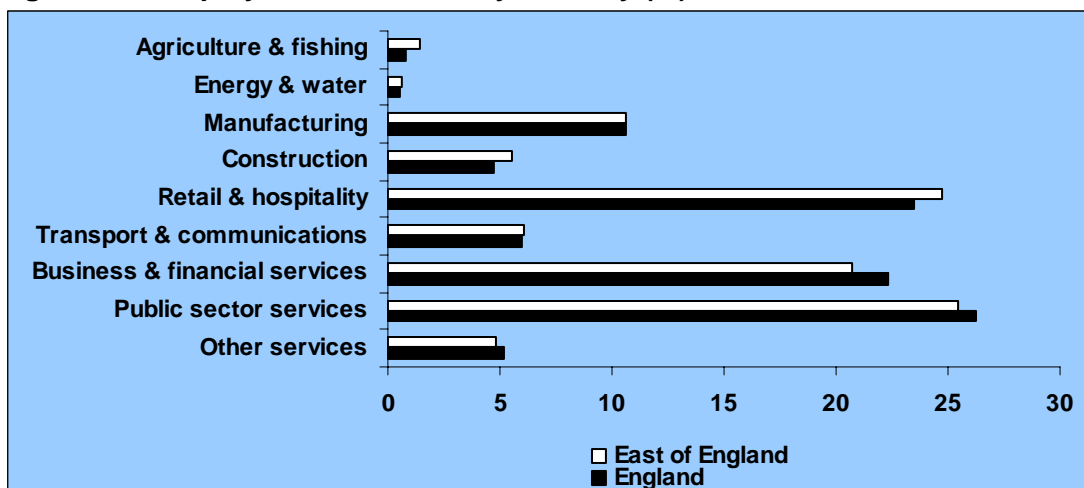
The availability of good quality, local jobs is the main driver behind high economic participation levels. This section provides an overview of how the jobs base has changed as a result of the economic recession. To begin, the change in the number of jobs will be looked at but with an acknowledgement that the latest available data for the most comprehensive employment data source – the Annual Business Inquiry – is largely out-of-date at 2007 data. However, the Annual Business Inquiry is used to provide an understanding of the East of England's jobs base before analysing more recent Labour Force Survey data. The overview will then draw on the available redundancy and vacancy data, which will collectively provide a sound understanding of how the jobs base and the demand for labour has changed.

### **Industry Profile**

In 2007, the East of England had 2,377,500 jobs and accounted for 10% of England's 23,005,000 jobs. Figure 2.1 presents the East of England's employment base by industry compared with England's employment base.

- Overall, the East of England's industry employment profile is very close to that of England as a whole.
- Public sector services, retail and hospitality, and business and financial services are the largest industries of employment in the East of England.
- In terms of over- or under-representation:
  - The East of England had proportionately more retail and hospitality jobs (25% to 24%) and construction jobs (6% to 5%) than England.
  - The East of England had slightly fewer jobs on a proportional basis in business and financial services (21% to 22%) and, by less than 1%, public sector services.

**Figure 2.1: Employment Structure by Industry (%), 2007**



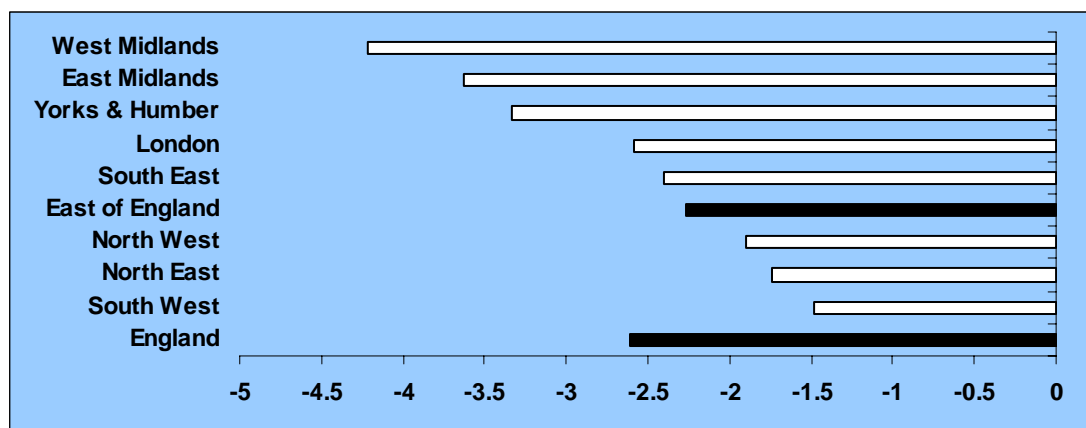
Source: Annual Business Inquiry

Commenting on the East of England's economy, Insight East (2009)<sup>2</sup> state that it is more diverse than other regions, which puts it in a solid position when recovery begins. To an extent this can also be seen with regards to the impact that the economic recession has had on the number of jobs in the region compared with other regions. Using Labour Force Survey data published by the Office of National Statistics, Figure 2.2 gives an indication of the number of jobs lost between the second quarter of 2008 and the second quarter of 2009 across England's regions. It shows:

- The East of England experienced a 2.3% fall in its jobs base. In absolute terms, jobs have decreased from 2,382,000 in the second quarter of 2008 to 2,328,000 in the second quarter of 2009 – a loss of 54,000 jobs.
- The East of England has been more resilient in terms of jobs losses than the England average and many of England's other regions – including London and the South East.

<sup>2</sup> Insight East (2009) East of England Recession Impact

**Figure 2.2: Percentage Change in Number of Jobs by English Region, 2<sup>nd</sup> Quarter 2008 to 2<sup>nd</sup> Quarter 2009**

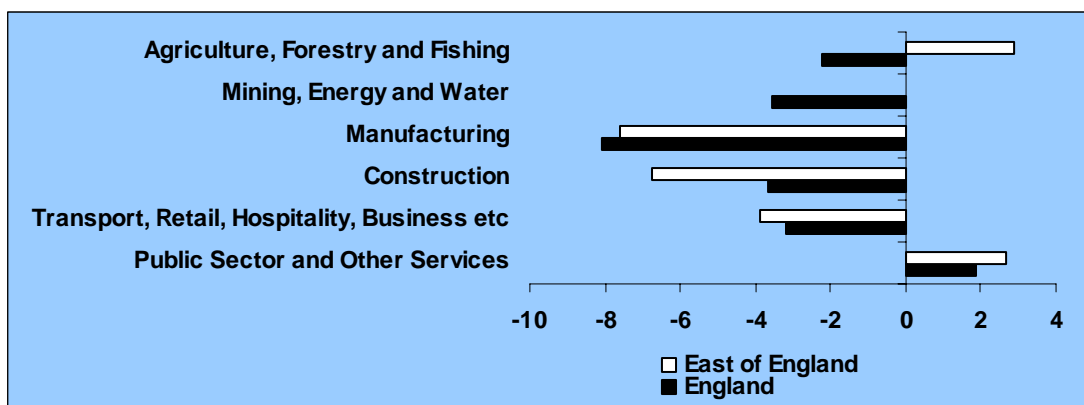


Source: ONS Labour Force Survey

Analysing the change in jobs by industry, some caution must be taken because of the quality of the employer survey data and the amalgamation of industrial groups used by the Labour Force Survey. However, with this as a caveat, Figure 2.3 charts the percentage change in the number of East of England and England jobs by industry between the second quarter of 2008 and the second quarter of 2009. It shows:

- Manufacturing and construction have seen the greatest percentage decrease in jobs in the East of England and England as a whole. Specifically:
  - 8% or 19,000 manufacturing jobs have been lost in the East of England.
  - 7% or 9,000 construction jobs have been lost in the East of England.
- The greatest absolute loss has been in the grouping that includes transport and communications, retail and hospitality, and business and financial services. Across these industries, 48,000 jobs have been lost in total across the region.
- In contrast, public sector services and other services have seen an increase or 3% or 19,000 jobs in the East of England.

**Figure 2.3: Percentage Change in Number of Jobs by Industry, 2<sup>nd</sup> Quarter 2008 to 2<sup>nd</sup> Quarter 2009**



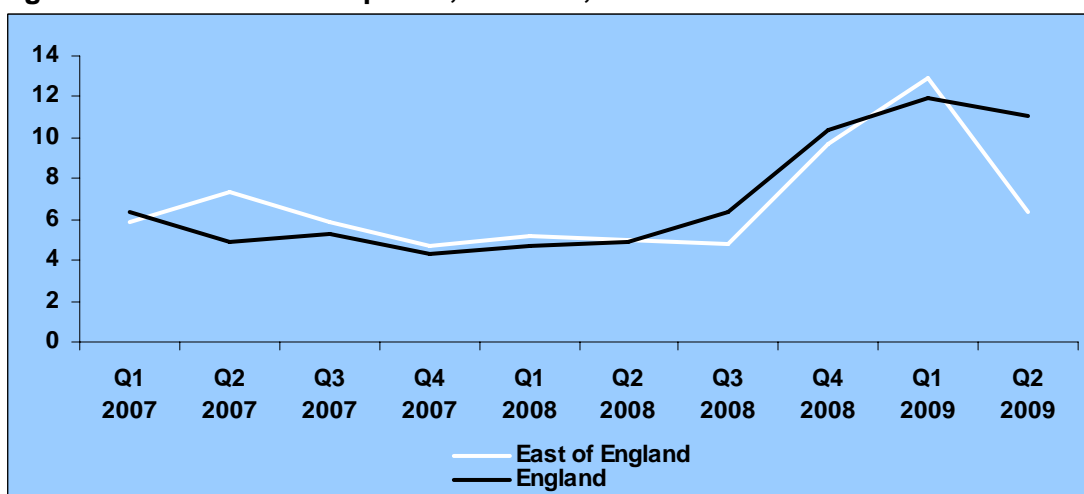
Source: ONS Labour Force Survey

### **Redundancies**

Turning to redundancies, redundancy data has been collated using the Labour Force Survey and directly from Jobcentre Plus. Using Labour Force Survey redundancy statistics published by the Office of National Statistics, Figure 2.4 presents the level of redundancies per 10,000 jobs between the first quarter of 2007 and the second quarter of 2009. It shows:

- From 4.8 redundancies per 10,000 jobs in the East of England in the third quarter of 2008, the level increased sharply to 12.9 redundancies per 10,000 jobs in the first quarter of 2009.
- Since then, the level of redundancies has dropped significantly in the East of England, while England has seen a small decrease.

**Figure 2.4: Redundancies per 10,000 Jobs, Q1 2007 to Q2 2009**



Source: Office of National Statistics Labour Force Survey

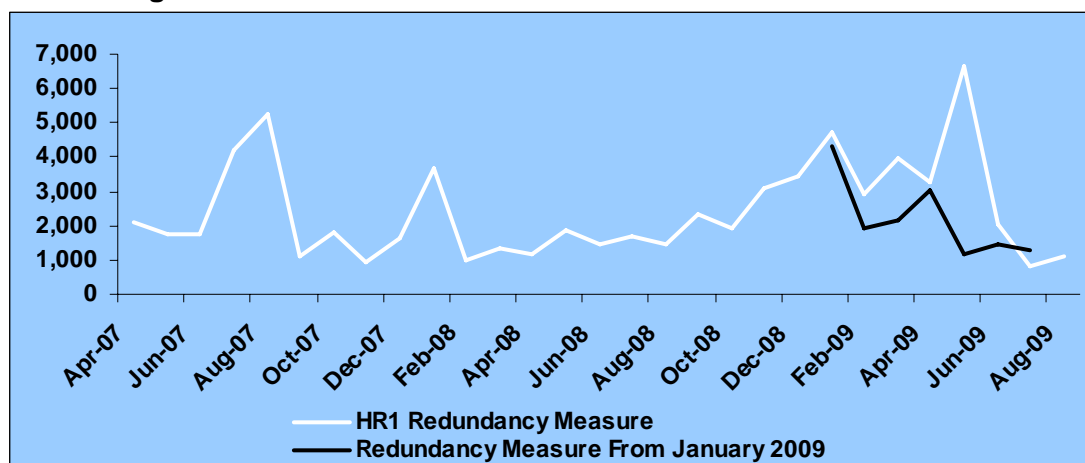
Figure 2.5 presents a similar trend to that of Figure 2.4. It uses two linked measures used and provided by Jobcentre Plus – these are:

- HR1 redundancy notifications. This data refers to where employers notify Jobcentre Plus of where there may be more than 20 redundancies made. There are, however, some drawbacks to HR1 data including notifications being registered to the region where the head office is based and the numbers quoted often being the worst case scenario.
- Redundancies Jobcentre Plus are involved in. From January 2009, Jobcentre Plus have recorded all redundancies they have been involved in – for example, HR1 notifications and other redundancies Jobcentre Plus are aware of. This data is seen to be reasonably robust as the data is validated by district teams when they make contact with employers.

Given the caveats to the data, Figure 2.5 shows:

- HR1 notifications increased significantly between mid-2008 and early-2009 and peaked again in May 2009.
- The other measure shows that since January 2009, the number of redundancies have largely fallen with the exception of a peak in April 2009 (which may correspond to that May 2009 HR1 peak).

**Figure 2.5: East of England Redundancies Notified to Jobcentre Plus, April 2007 to August 2009**



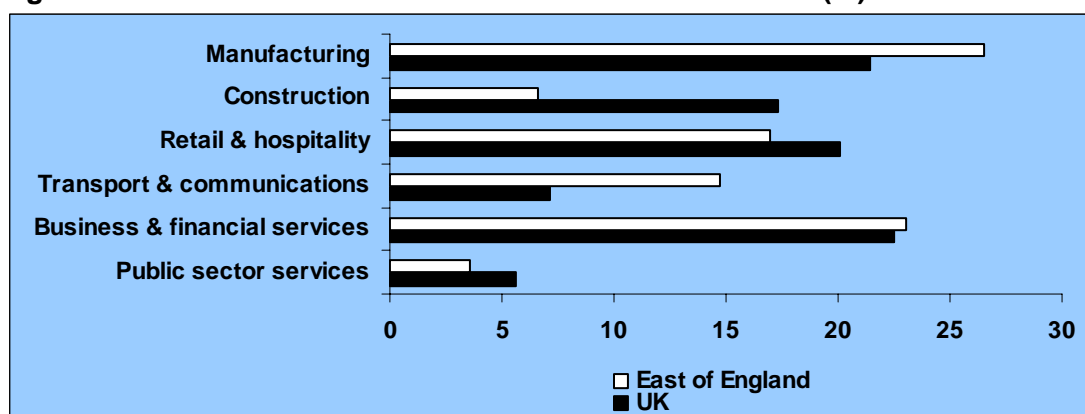
Source: Jobcentre Plus

Note: The December 2008 'peak' does not include the 3,000 Woolworths jobs lost in the East of England because the company was not registered in the region.

Breaking down redundancies by industry, Figure 2.6 presents two data sources to compare the East of England (using the second Jobcentre Plus redundancy data source) and the UK (from the Labour Force Survey). It shows:

- Manufacturing has seen the greatest number of redundancies with 27% of all notified redundancies in the East of England.
- Business and financial services constitute 23% of notified redundancies in the East of England.
- All other industries, with the exception of public sector services, have also been badly hit – though the extent to which construction and the transport and communications have been affected is not clear as the East of England pattern is at some odds with the UK pattern.

**Figure 2.6: Industrial Breakdown of Redundancies 2008/09 (%)**



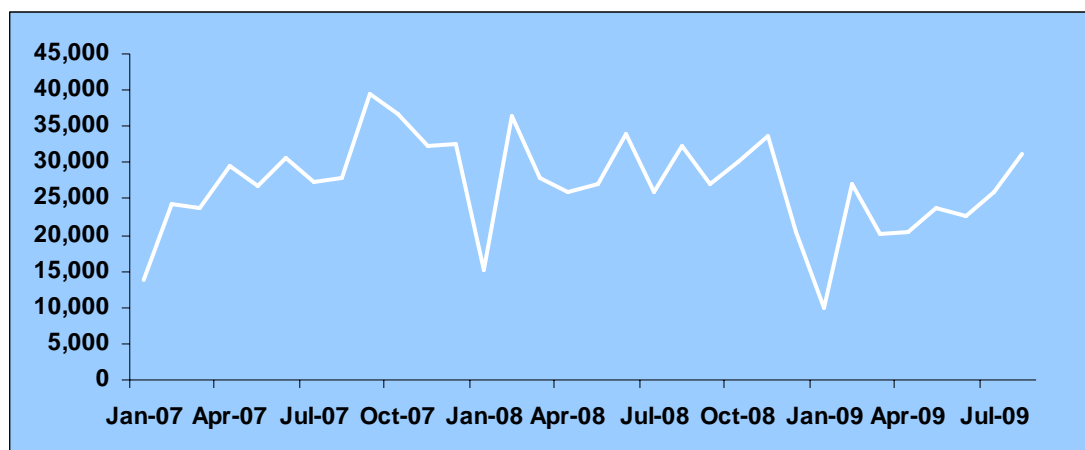
Source: UK data sourced from ONS Labour Force Survey (period Q3 2008 to Q2 2009).  
East of England data sourced from Jobcentre Plus (period January to July 2009).

### **Vacancies**

The final proxy used to identify the changing jobs base is Jobcentre Plus notified vacancy data. To provide an overall picture of the trend in notified vacancies, Figure 2.7 shows the number of notified vacancies in the East of England between January 2007 and August 2009. It shows:

- Notified vacancies fluctuate throughout the year but the number of notified vacancies has been notably fewer in 2009 than in 2008.
- Since March 2009 a gradual increase in the number of notified vacancies can be seen.
- Comparing the upturn in the number of notified vacancies with the lower number of redundancies, Figures 2.4, 2.5 and 2.7 may be an indication that the low point of the economic recession was reached in late 2008 to mid-2009.

**Figure 2.7: Notified Vacancies in the East of England, January 2007 to August 2009**



Source: NOMIS Jobcentre Plus Vacancy Data

While the low point of the economic downturn may have been reached, the reduction in vacancies has been significant and led to a large reduction in job opportunities for those looking for work. To investigate this reduction further, three different vacancy indicators have been used to identify where the reduction in vacancies has been greatest. These indicators are:

- Vacancies by geography.
- Vacancies by industry.
- Vacancies by occupation.

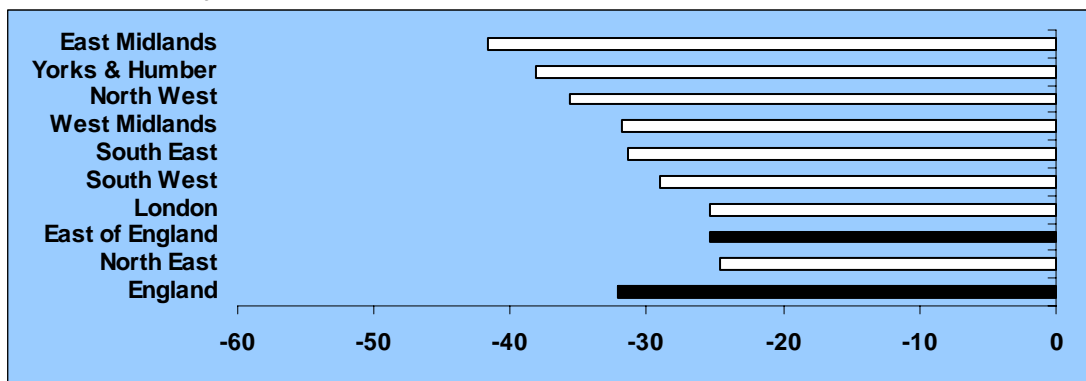
For each indicator, the same approach has been taken of comparing the cumulative number of vacancies between January and June 2008 (i.e. pre-recession) to January and June 2009 (recession). Comparing the change in the number and nature of vacancies between the two six month periods highlights where the recession has hit hardest in terms of geographies, industries and occupations.

To begin, the change in total notified **vacancies by English region** between January-June 2008 and January-June 2009 is looked at. Figure 2.8 shows:

- The cumulative number of vacancies between the two six-month periods fell by 25% in the East of England from 166,360 to 124,200 vacancies.
- The 25% decrease is the 2<sup>nd</sup> lowest decrease of England's regions and below the 32% decrease across England as a whole. Again this suggests that the region has been relatively resilient.
- London was also more resilient than the England average with a 25% decrease, which is important given that many East of England residents commute to work in London.



**Figure 2.8: % Change in Notified Vacancies by English Region January-June 2008 to January-June 2009**

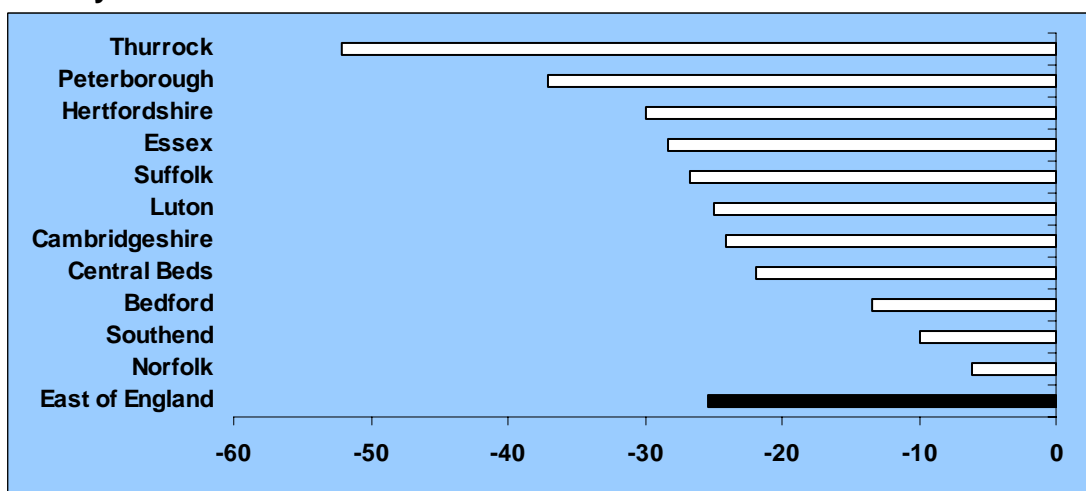


Source: NOMIS Jobcentre Plus Vacancy Data

The change in the number of vacancies by LAA between January-June 2008 and January-June 2009 shows significant variations within the East of England. Figure 2.9 shows:

- The largest decreases were seen in Thurrock (52%) and Peterborough (37%).
- The majority of LAAs experienced decreases of between 22% and 30%.
- Norfolk, Southend and Bedford were most resilient with decreases of less than 14%.

**Figure 2.9: % Change in Notified Vacancies by LAA, January-June 2008 to January-June 2009**



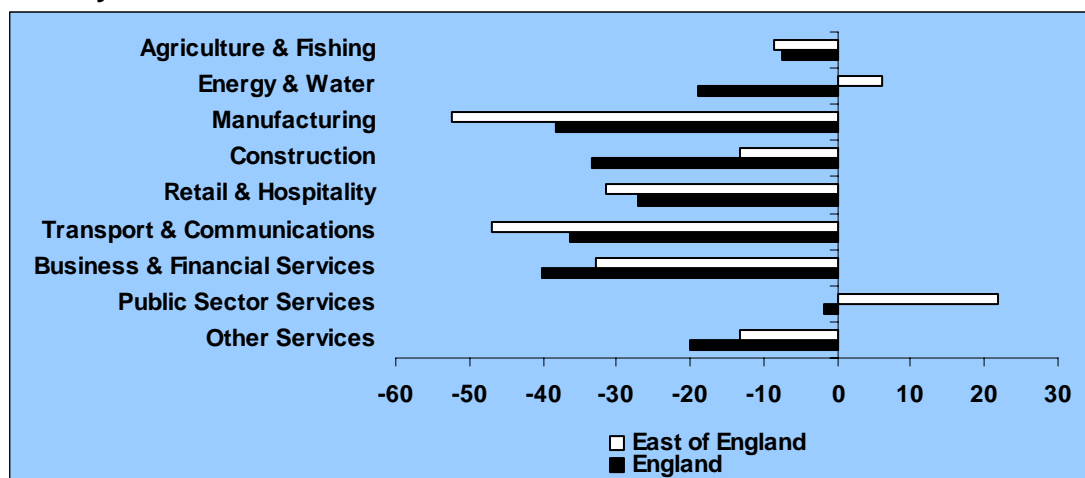
Source: NOMIS Jobcentre Plus Vacancy Data

Returning to the regional analysis, the East of England’s 25% decrease in total vacancies is broken down by industry and occupation to see what components of the region’s economy have been hit hardest. For a comparative position, the England

average has also been presented. Looking at the **industry breakdown** first, Figure 2.10 shows:

- The East of England has seen the greatest percentage decrease in vacancies in manufacturing (53%) and this reflects the increase in the number of redundancies reported in Figure 2.6.
- Other industries with over a 30% decrease in vacancies are transport and communications, retail and hospitality and business and financial services which again reflect the redundancy data. Looking specifically at retail and hospitality, the East of England decrease is not particular to either retail or hotels and restaurants:
  - Retail saw a 34% decrease in notified vacancies.
  - Hotels and restaurants saw a 28% decrease in notified vacancies.
- Construction appears to be more resilient in the East of England. This could be a consequence of the three national growth areas planned or underway in (or neighbouring) the East of England, namely the Milton Keynes South Midlands (MKSM) area, the Thames Gateway and the London – Stansted – Cambridge – Peterborough area. However, it should also be noted that the construction industry is also characterised by high levels of self-employment. As a result, the impact the economic recession has had on the construction industry may not be clearly evident from vacancy data.
- Public sector services vacancies have increased by 22%, while the England average has been relatively stable. The 22% increase within the East of England can be found across the public sector with:
  - 49% increase in education.
  - 28% in public administration, defence and compulsory social security.
  - 16% increase in health, which is the largest public employment sector.

**Figure 2.10: % Change in Notified Vacancies by Industry, January-June 2008 to January-June 2009**

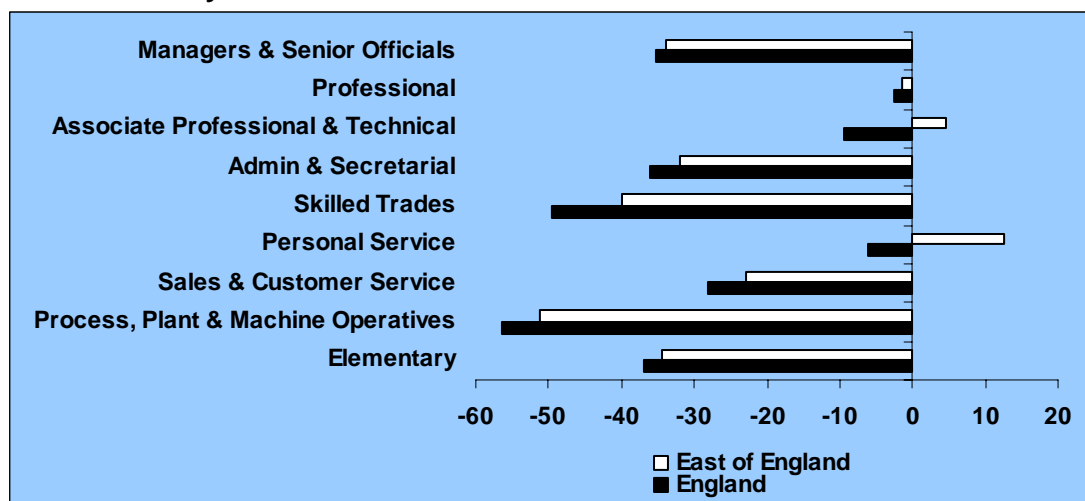


Source: NOMIS Jobcentre Plus Vacancy Data

Turning to the **occupational breakdown of vacancies**, Figure 2.11 shows that:

- The number of notified vacancies has fallen significantly across all occupations with the exception of professional, associate professional and technical, and personal service occupations.
- Percentage and absolute decreases have been greatest in the manual occupational groups of process, plant and machine operatives (51%), skilled trades (40%) and elementary occupations (35%). These occupations are predominantly found in the manufacturing and construction industries.
- Clerical and office-based jobs vacancies have also decreased with managers and senior officials and administrative and secretarial occupational groups experiencing decreases of 35% and 32% respectively in the East of England. This may be a result of downturn in the business and financial services industry.
- In the main, the change in vacancies is in line with the England average – although the 13% increase in the number of personal service occupation vacancies in the East of England is at odds with the national 6% decrease.

**Figure 2.11: % Change in Notified Vacancies by Occupation, January-June 2008 to January-June 2009**



Source: NOMIS Jobcentre Plus Vacancy Data

### **Economic Participation and Unemployment**

Figures 2.2 to 2.11 have shown how the number and nature of the jobs base has changed in the East of England. The number of jobs has fallen, redundancies have increased and the number of vacancies has decreased across all industries – but most significantly in manufacturing, retail and hospitality, and business and financial services. The effect of these labour market changes is not only an increase in the number of individuals who are unemployed but also fewer opportunities for the unemployed and recently redundant to find work. As a result, economic participation levels are likely to decrease.

To investigate the ways in which economic participation and, more specifically, unemployment levels have been affected by the changing jobs market, two indicators are analysed in depth. They are:

- DWP Working Age Benefit Claimants.
- JSA Claimant Count.

#### ***DWP Working Age Benefit Claimants***

The DWP Work and Pensions Longitudinal Survey provides quarterly data on the working age population claiming DWP benefits. The latest available data is for February 2009 when there were 433,000 claimants in the East of England. By statistical group, the 433,000 claimants break down to:

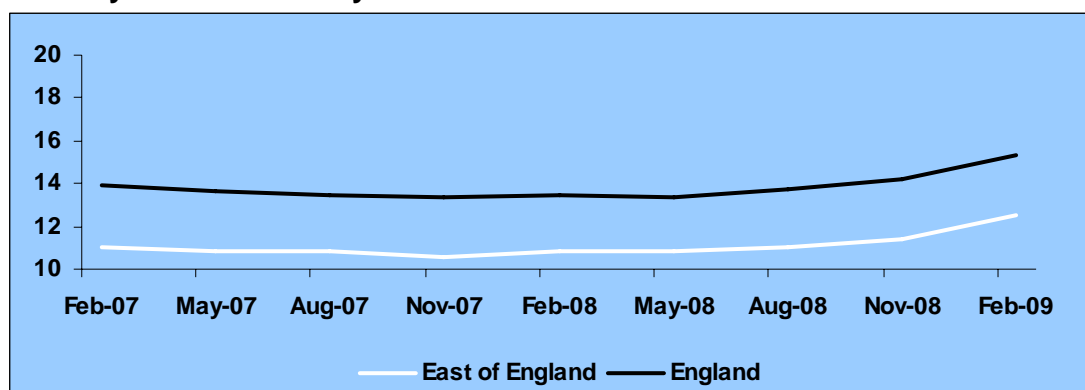
- 113,000 or 25% Job Seekers Allowance (JSA) claimants.
- 179,800 or 43% Incapacity Benefits/Employment Support Allowance claimants.

- 55,800 or 13% lone parents claiming Income Support.
- 84,500 or 19% other claimant groups, which include carers, the bereaved and others on income related benefits.

In terms of the impact that the economic recession has had, the following analysis investigates the change in the number of total working age claimants along with any changes in the claimant statistical group, gender, age and duration of claim profile. To begin, Figure 2.12 shows the proportion of working age benefit claimants in the East of England and England between February 2007 and February 2009. It shows:

- Claimant levels fell to a low in November 2007/February 2008 before increasing to the latest available February 2009 date. In the East of England, this represents an increase from 11% to 13%; for England 14% to 15%.
- Between February 2008 and February 2009, the East of England increase equates to an absolute increase of 59,700 working age claimants. This increase has made the February 2009 total of 433,000 the highest number of claimants in the last ten years.

**Figure 2.12: Working Age DWP Claimants as a % of Working Age Population, February 2007 to February 2009**



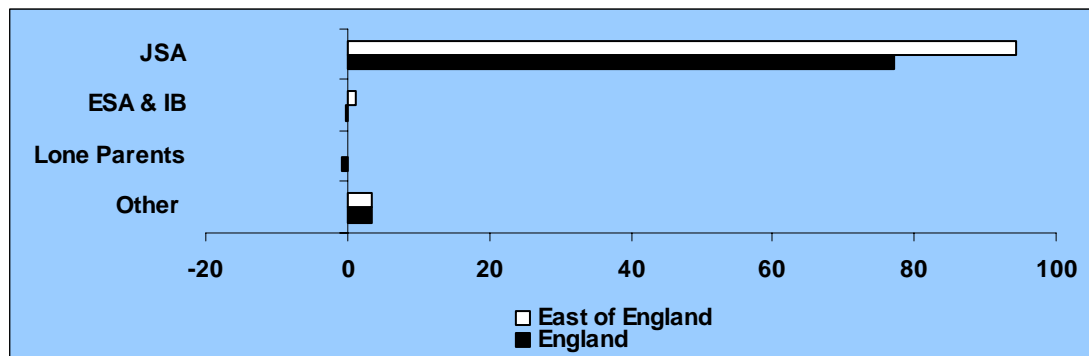
Source: DWP Work and Pensions Longitudinal Survey

Having shown the increase in the number of working age claimants, Figures 2.13 and 2.14 analyse whether the increase is made up of specific subsets of the working age population. For all indicators used in this analysis, the annual percentage change between February 2008 (pre-recession and the date of lowest claimant numbers) and February 2009 (recession) is used.

Figure 2.13 begins by charting the percentage change in number of claimants by the four statistical groups outlined earlier. It clearly shows:

- The increase in the total working age claimants between February 2008 and February 2009 is almost entirely the result of the increase in JSA claimants.
- In the East of England, the number of JSA claimants increased by 94% from 58,130 JSA claimants to 112,940 – an increase of 54,800 JSA claimants.

**Figure 2.13: % Change in Number of Working Age Claimants by Statistical Group, February 2008 to February 2009**

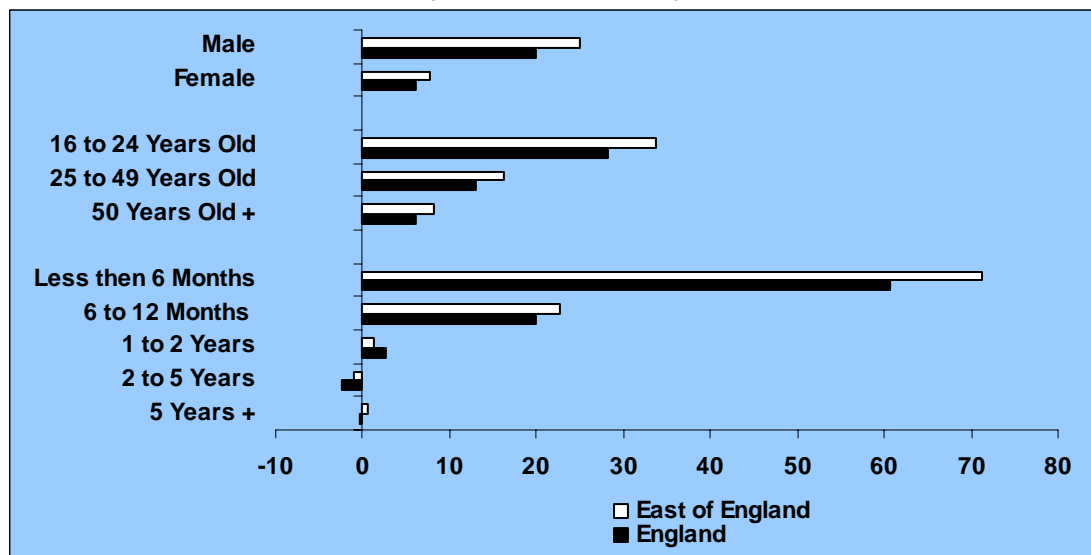


Source: DWP Work and Pensions Longitudinal Survey

Recognising that the increase in working age claimants is predominantly the result of increasing JSA claimants, Figure 2.14 looks at the gender, age and duration of claim characteristics of the claimants. It shows:

- By gender. The percentage increase in male working age claimants has been significantly greater than the increase in female claimants.
- By age. The 16 to 24 year old age group has seen the greatest percentage increase in claimants. This is to be expected as the lack of entry level jobs for new labour market entrants disproportionately affects young workers and they are often the most vulnerable during an economic downturn.
- By duration of claim. As would be expected, the increase is almost entirely from new claimants – i.e. less than 12 months.

**Figure 2.14: % Change in Number of Working Age Claimants by Gender, Age and Duration of Claim, February 2008 to February 2009**



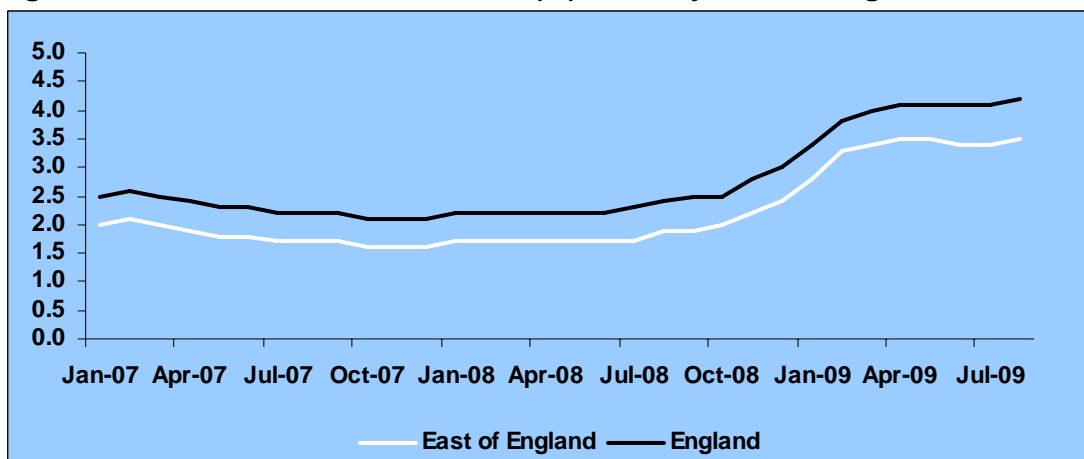
Source: DWP Work and Pensions Longitudinal Survey

### ***JSA Claimant Count***

DWP claimant statistics show that the increase in working age claimants is almost entirely made up of the increase in JSA claimants. Figures 2.15 to 2.19 therefore look in greater depth at the JSA claimant count and the characteristics of claimants. As an overview of the scale of change, Figure 2.15 presents the JSA claimant count rate for the East of England and England between January 2007 and August 2009. It shows:

- The JSA claimant count was at a stable, low level from summer 2007 to summer 2008 at around 1.7% in the East of England and 2.2% across England as a whole.
- Between autumn 2008 and spring 2009, the JSA claimant count rates increased sharply.
- From April 2009, the JSA claimant count rates in the East of England and England have begun to stabilise and are fluctuating around 3.5% and 4.2% respectively.

**Figure 2.15: JSA Claimant Count Rate (%), January 2007 to August 2009**

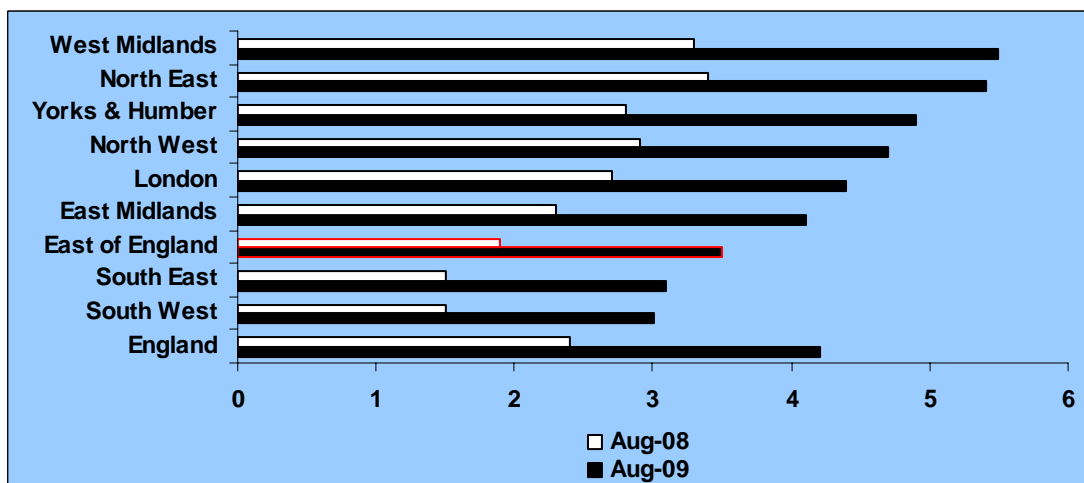


Source: NOMIS Claimant Count

Comparing the increase in the JSA claimant count across England between August 2008 and August 2009, Figure 2.16 shows that all regions have seen a significant increase in JSA claimants.

- The East of England continues to have the 3<sup>rd</sup> lowest claimant count rate of England's regions, with only the South East and the South West having lower.
- In absolute terms, the increase in the East of England equates to 56,760 additional JSA claimants bringing the total to 120,900 in August 2009.

**Figure 2.16: JSA Claimant Count Rate by English Region, August 2008 and 2009**



Source: NOMIS Claimant Count

Figure 2.16 showed that every English region has seen their JSA claimant count rate increase dramatically between August 2008 and 2009. Within the East of England

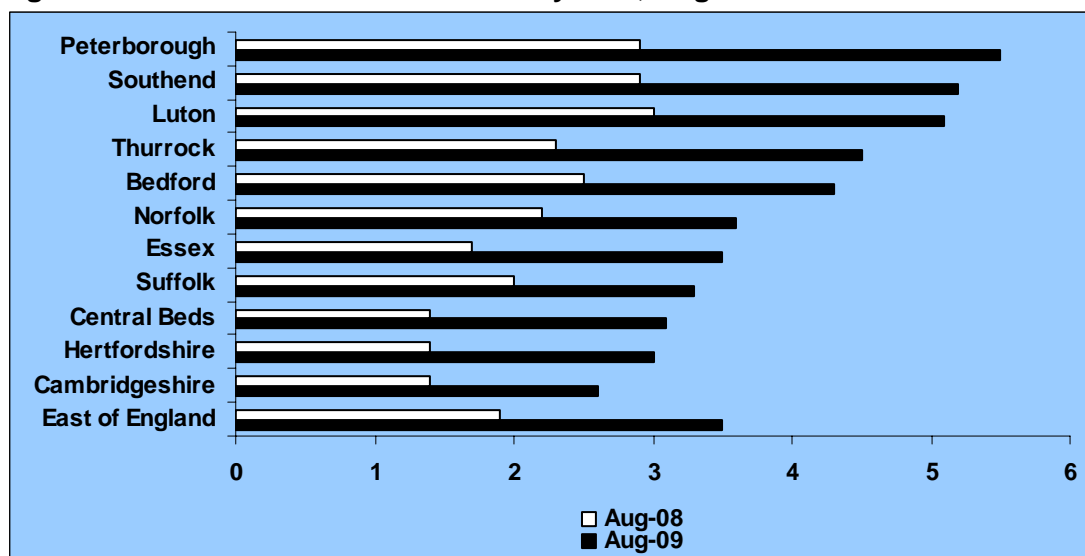


the pattern is the same with each LAA seeing a significant increase in JSA claimants.

Figure 2.17 shows:

- Peterborough, Southend and Luton had JSA claimant count rates above 5% in August 2009.
- Thurrock and Bedford had JSA claimant count rates above 4% in August 2009.

**Figure 2.17: JSA Claimant Count Rate by LAA, August 2008 and 2009**



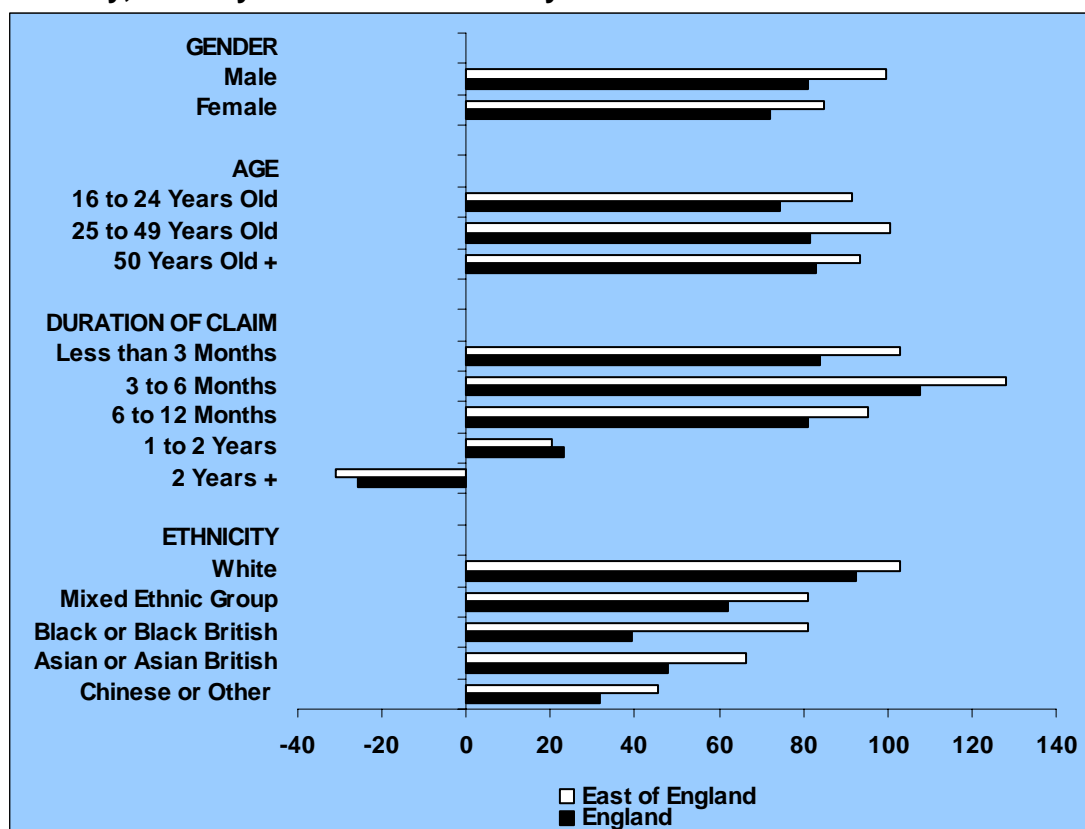
Source: NOMIS Claimant Count

Finally, Figures 2.18 and 2.19 look at the characteristics of the JSA claimants. Figure 2.18 begins by looking at the gender, age, duration of claim and ethnicity characteristics of claimants. It shows:

- **By gender.** The percentage increase in male JSA claimants is greater than the increase in female JSA claimants.
- **By age.** The 25 to 49 year old age group has seen the biggest percentage increase at 100% between January-June 2008 and January-June 2009. However, 18-24 year olds and 50 years and over age groups have also seen a similar percentage increase at over 90%.
- **By duration of claim.** The greatest percentage increases have been in JSA claimants of up to 1 year, with a 128% increase in East of England claimants of between 3 and 6 months claim. The number of claimants of between 1 and 2 years claim duration has also increased but the number claiming for more than 2 years has decreased.
- **By ethnicity.** The greatest percentage increase has been in white JSA claimants with a 103% increase in the East of England. This would indicate that ethnic groups have not been disproportionately affected by local

redundancies. However, there are typically disproportionately more ethnic workers who are unemployed at any given time. As a result, the fear is that in the economic recession ethnic workers are at a further disadvantage in finding employment compared with other 'white' job seekers.

**Figure 2.18: % Change in Number of JSA Claimants by Gender, Age and Ethnicity, January-June 2008 to January-June 2009**

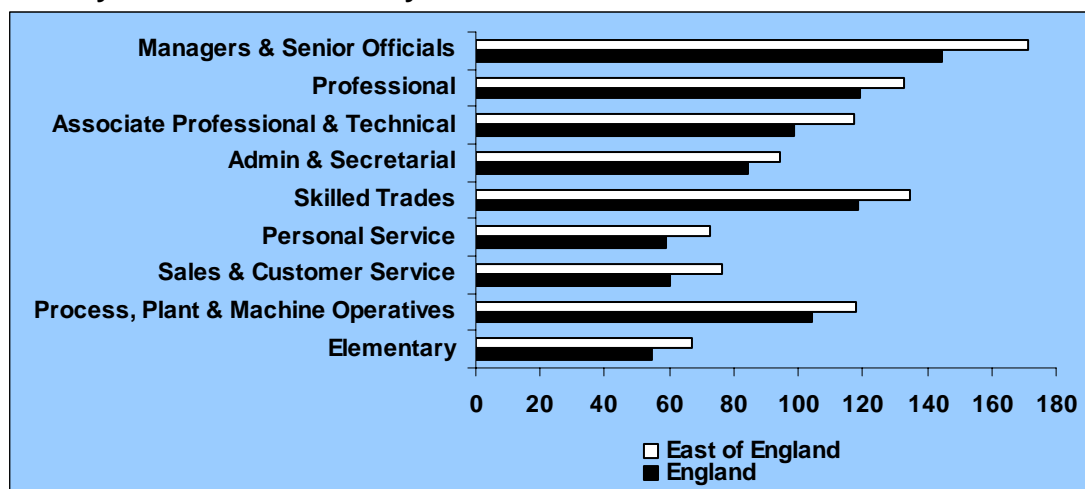


Source: NOMIS Claimant Count

Turning to the **usual occupation of JSA claimants**, which is often their previous occupation, Figure 2.19 shows the percentage increase across all occupations has been significant and, to an extent, reflects the reduction in vacancies by occupation outlined in Figure 2.11. Figure 2.19 shows:

- Managers and senior officials have seen the greatest increase but this is from a low base. As a result, the absolute increase is relatively small in real terms.
- The largest absolute increases have been in those occupations most closely associated with the hardest hit industries – namely skilled trades, process, plant and machine operatives and elementary occupations (manufacturing and construction), administrative and secretarial occupations (business and financial services) and customer service occupations (retail and hospitality).

**Figure 2.19: % Change in Number of JSA Claimants by Usual Occupation, January-June 2008 to January-June 2009**



Source: NOMIS Claimant Count

### Chapter Summary

The economic recession has had, and will continue to have, a significant negative impact on economic participation levels. While the East of England appears to have been slightly more resilient than some of England's other regions, the recession has led to the number of jobs and vacancies falling and redundancies and unemployment increasing. This Chapter has sought to analyse the scale of these impacts on the region and found:

- Between Q2 2008 and Q2 2009, approximately 54,000 jobs have been lost in the region. By industry, manufacturing, construction, retail and hospitality, and business and financial services appear hardest hit.
- Redundancies have increased significantly and redundancy levels remain high. However, the data indicates that the peak in redundancies may have been reached over winter 2008 and spring 2009.
- Vacancies are approximately 25% down in 2009 compared with 2008 levels.
- The reduced demand for labour has inevitably increased unemployment levels. In February 2009, there were 433,000 working age benefits claimants in the East of England, which is a 10 year high figure.
- The increase has primarily been the result of the increase in JSA claimants. The number has effectively doubled between August 2008 and 2009 with an additional 56,000 JSA claimants in the region.
- By characteristic, males and younger workers appear to have most widely affected.

- By occupation, workers in construction- and manufacturing-related occupations, customer service roles and administrative and secretarial occupations have been most affected.

### 3. KEY ECONOMIC PARTICIPATION ISSUES IN EAST OF ENGLAND

#### Introduction

Notwithstanding the negative impact the economic recession has had on economic participation levels, this chapter sets out the wider economic participation challenges facing the East of England identified in Chapters 4 to 7. In so doing, the chapter reads across the indicators presented in the following chapters to identify the key messages and present a 'story' of economic participation in the East of England.

#### Economic Growth

At its core, the *Regional Economic Strategy* aims to increase the region's economic growth so that GVA per capita is above trend. In 2007, GVA per capita in the East of England was the third highest of England's regions at £20,500 and makes the region an important contributor to the national economy. However, between 2002 and 2007, growth in GVA per capita in the East of England has lagged growth in the Greater South East (London, South East and East of England) and England as a whole. To reverse this trend the two most immediate drivers behind GVA per capita are:

- To increase employment or economic participation rates.
- To increase productivity.

Identifying and tackling the barriers to economic participation are therefore a key priority – not just to increase the economic participation rate but also to increase productivity through enhancing the skills of the East of England population. The challenge facing the East of England is that on many of the key indicators (see Figure 3.1), the trend suggests that the East of England is falling behind the progress made across England as a whole. While the East of England remains one of the strongest performing regions it is progressively falling behind London and the South East, while other regions are catching it up.

To provide a summary picture, before discussing the key issues in more depth, Figure 3.1 shows for a selection of key indicators:

- East of England performance by indicator 5 years prior to latest date.
- East of England performance by indicator for latest available date.
- East of England comparative standing against the England average 5 years prior to latest available date.
- East of England comparative standing against the England average for the latest available date.

- East of England progress in that 5 year period compared with the progress made by England as a whole.
  - ▲ indicates that the East of England is performing above trend.
  - ▼ indicates that the East of England is performing below trend.

**Figure 3.1: East of England Performance on Key Economic Participation Indicators Against England Average**

Indicator	5 Years Previous	Latest Year	% of England Average 5 Years Previous	% of England Average Latest Year	Progress against England 5 Year Trend
<b>ECONOMIC PARTICIPATION</b>					
Employment Rate (%)	79	77	105	104	▼
Economic Activity Rate (%)	82	81	104	103	▼
W/Age Benefits Claimants as % of W/Age Population	11	13	78	82	▼
16-18 yr olds NEET (%)	7	6	90	93	▼
% in Employment Self-Employed	13	14	106	107	▲
VAT Registrations per 10,000 adults	43	43	102	99	▼
Early Stage Entrepreneurial Activity	5	7	84	133	▲
Lower Quartile Earnings as % Average Earnings	59	57	98	97	▼
<b>EDUCATION AND SKILLS</b>					
% W/Age Population with NVQ Level 4 or above	23	26	93	91	▼
% W/Age Population with NVQ Level 3 or above	41	43	95	93	▼
% W/Age Population with NVQ Level 2 or above	61	63	100	97	▼
Functional Literacy (%)	NA	87	NA	104	
Functional Numeracy (%)	NA	84	NA	108	
<b>ILL HEALTH AND DISABILITY</b>					
W/Age Population with Disability (%)	16	18	88	98	▼
W/Age Population with Limiting Long-Term Illness (%)	NA	11	NA	86	
Employment Rate of Disabled W/Age Population (%)	58	58	114	112	▼
<b>BARRIERS SPECIFIC TO YOUNG PEOPLE</b>					
16-17 yr olds Participation in Education & Training (%)	78	82	99	99	—
19 yr olds Achieving NVQ Level 3 Qualifications (%)	46	52	109	105	▼
<b>ETHNICITY</b>					
Employment Rate Non-White (%)	58	69	104	114	▲
<b>GENDER</b>					
Female Employment Rate (%)	73	73	105	104	▼
<b>ATTITUDE TO WORK</b>					
Economically Inactive 'Who do not want a job' (%)	75	74	101	101	—
<b>INDEX OF MULTIPLE DEPRIVATION</b>					
% of LSOAs in England's 20% most deprived		6		32	

Note: Shading indicates where a low value is good. Values have been rounded up.

### **Driver 1: Increasing Employment or Economic Participation Rates**

To consider where the East of England stands in relation to this driver, this section provides an overview of the level of economic participation in the region and sets out where there are opportunities to increase the economic participation rates amongst particular groups to support the region as a whole. Principally, the overview draws on:

- Employment rate.
- Unemployment indicators.
- 16-18 year olds not in education, employment or training (NEET).
- Self-employment indicators.

The main economic participation indicator is the **employment rate** and the *Regional Economic Strategy* has set the target of achieving an 80% employment rate by 2031. The latest available data is from 2008 but, while it largely pre-dates the onset of the economic recession, a number of key challenges can still be identified. Indeed, these challenges are only likely to become more deeply engrained on account of the recession. Nationally, the East of England performs well with an employment rate in 2008 of 77%, which is above the England rate of 74% and ranks it third of England's regions. However, between 2003 and 2008, the employment rate has fallen back slightly compared with England as a whole and the target of an 80% employment rate is becoming increasingly distant.

To increase the employment rate, much relies on the availability of local, good quality jobs and the economy as whole. However, in analysing the employment rates of specific groups, there are inequalities that exist and should continue to be tackled to increase the regional employment rate as a whole. This is not to say that the East of England has greater employment inequalities than other regions (indeed the opposite is true) but the following findings suggest that these inequalities are key challenges to address. Set against the East of England average employment rate of 77%:

- **Disability.** The employment rate of those with a disability is 58% and falls to 50% amongst those with a learning or mental health problem.
- **Ethnicity.** The employment rate of the non-white population is 69% and is lowest amongst the Pakistani and Bangladeshi working age population at 47%. The employment rate amongst Pakistani and Bangladeshi females is just 28%.
- **Gender.** The female employment rate is 73%.
- **Age.** The 16-24 year old employment rate is 60%, although this should be considered alongside the national objective of increasing the number of

young people staying on in education. The employment rate of those aged 50 to retirement age is 76%, which is close to the overall rate but could be increased given the gradual ageing of the population. An additional 34,000 workers aged 50 to retirement age would increase the employment rate of this age group to 80%.

Turning to **unemployment indicators**, the proportion of the working age population claiming DWP out-of-work benefits gives the best sense of the scale of the unemployment/worklessness challenge. Nationally, the East of England performs well with 13% of its working age population claiming DWP out-of-work benefits in February 2009, which is lower than the England proportion of 15% and is the second lowest of England's regions. The percentage figures can, however, hide the scale of the challenge because 13% of the working age population equals 433,000 people. Analysing this further:

- 43% of the 433,000 are claiming Incapacity Benefits/Employment Support Allowance – a group which are often further from the labour market and require more time and resources to increase their economic participation. For example, 42% of IB/ESA claimants have a mental health condition.
- 38% of the 433,000 have been claiming out-of-work benefits for at least 5 years, which again reflects their distance from the labour market.
- Over the last 12-15 months, the number of JSA claimants has effectively doubled due to the recession. This puts at a further disadvantage those who were already out-of-work as JSA claimants tend to be closer to the labour market and more employable.

Looking at new entrants to the labour market, reducing the number of **young people who are not in education, employment or training** (NEET) is important as being NEET is a major predictor of future economic and social exclusion. Nationally, the East of England performs better than the England average but NEET appears to be a key challenge for the region.

- The East of England's 2008 rate of 6.2% of 16-18 year olds NEET ranks the region fifth amongst England's regions, compared with second on unemployment/worklessness measures.
- Furthermore, although the East of England continues to have a lower NEET rate than England, the gap between the two has narrowed between 2006 and 2008 meaning that the rate of improvement in the East of England has not been as strong.



The employment, unemployment and NEET indicators suggest that there are some clear challenges for the East of England but in terms of **self-employment** the picture is encouraging. The self-employment and entrepreneurial indicators available do pre-date the onset of the economic recession but, given that enterprise and self-employment is an important stimulus to economic recovery, the East of England would appear well-placed in relation to this component of economic recovery. Self-employment is often higher in rural areas and the rural geography characterising many parts of the East of England is likely to be a contributory factor to its strong self-employment and entrepreneurial indicators.

- A higher and growing proportion of those in employment are self-employed in the East of England compared with the England average.
- The number of business start-ups, measured as VAT registrations, has continued to steadily increase – though the East of England does continue to lag London and the South East.
- Early stage entrepreneurial activity in the East of England, as measured by the Global Entrepreneurship Monitor, is highest of England's regions.

## **Driver 2: Increasing Productivity**

Increasing the skills and qualifications of the population is not only important in enabling individuals to compete for and access employment but also in supporting the workforce and region to become more productive. As a result, tackling issues of low skills and qualifications has a dual purpose: increasing economic participation rates and supporting increased productivity. The importance placed on skills is reflected in the targets set by the *Regional Economic Strategy* following the Leitch Review of Skills (2006)<sup>3</sup>. These are to achieve:

- 95% functional literacy and numeracy amongst the working age population.
- Over 90% of the 19 to retirement age population qualified to at least NVQ Level 2 by 2020.
- 68% of the 19 to retirement age population qualified to at least NVQ Level 3 by 2020.
- 40% of the 19 to retirement age population qualified to at least NVQ Level 4 or above by 2020.

In meeting these targets, the East of England must look to redress the imbalance in its working age skills profile. Analysing **adult qualification levels**, the East of England performs well in terms of lower level skills.

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<sup>3</sup> Leitch, S (2006) Prosperity for All in the Global Economy – World Class Skills

- The 2003 Skills for Life Survey found that the East of England has high levels of functional literacy and numeracy.
- By working age qualifications, the East of England has of the English regions:
  - The highest proportion with NVQ Level 1 qualifications.
  - The 3<sup>rd</sup> lowest proportion with no formal qualifications.

However, while the low level skills base is strong, the East of England's higher skills profile becomes progressively weaker the higher the qualification level. Comparing the East of England to the national average, it has:

- 97% of the English average at NVQ Level 2 or above.
- 93% of the English average at NVQ Level 3 or above.
- 91% of the English average at NVQ Level 4 or above.

There is no clear explanation why there is this imbalance except for there being a high proportion of jobs located in the region that do not require high level skills. As a result, the demand for higher level skills is weak. The problem is that there is now a clear qualification gap emerging with the England average, with the gap even wider when looking at the Greater South East average. Furthermore, the gap has been widening over the last five years. The impacts of this are significant as lower skilled individuals are not only less competitive in the labour market but, for the region as a whole, a lower skills profile can deter potential inward investment and company expansions and hinder productivity increases – as skills is a key determinant of increased productivity.

Statistics on the **participation in education or training** amongst the adult population are not available but there are indicators focusing on participation amongst young people. In addition to the percentage of 16-18 year olds NEET, where the East of England remains below the England average but the difference in rates has closed, two further indicators have been used: 16-17 year olds participating in education or training, and 19 year olds achieving NVQ Level 3 qualifications. Reading across these, there is a mixed but seemingly improving picture in the East of England.

- 16-17 year old participation in education or training has increased over the last five years but still lags the England average.
- The East of England has the 2<sup>nd</sup> highest proportion of 19 year olds achieving NVQ Level 3 qualifications by English region but its rate of increase is less than that of England and the Greater South East. The progression rate from

L2 qualifications to L3 qualifications is also lower in the East of England than the leading region – the South East.

To summarise the scale of the challenges facing the East of England on both drivers, Figure 3.2 presents the region's performance to date on the *Regional Economic Strategy's* key targets and the scale of the gap that needs to be closed to achieve the target.

**Figure 3.2: East of England Performance on Key Targets**

	Current Performance		Target (%)	Scale of Gap		Trend
	5 years previous (%)	Latest (%)		Number	%	
<b>Employment Rate</b>	79	77	80	95,000	4%	Widening
<b>Functional literacy</b>	NA	87	95	280,000	8%	NA
<b>Functional numeracy</b>	NA	84	95	385,000	12%	NA
<b>NVQ Level 2</b>	64	67	90	735,000	26%	Closing
<b>NVQ Level 3</b>	42	46	68	698,000	32%	Closing
<b>NVQ Level 4</b>	24	28	40	394,000	30%	Closing
<b>Lower quartile earnings</b>	59	57	60	NA	5%	Widening

*Source:* Annual Population Survey; Skills for Life Survey; ONS/DCSF and Annual Survey of Hours and Earnings.

### Challenges within the East of England

The East of England's is one of the strongest English regions economically but has not performed as well as the English trend on some indicators over the last five years. With this in mind, this section considers performance within the East of England and highlights the key messages across the 11 LAAs in the region. As an overview, Figure 3.3 summarises how the LAAs have performed on four selected indicators over the last 5 years before returning to the key challenges discussed above and asking where these challenges are greatest within the East of England.

Figure 3.3 charts the performance of each LAA on four selected indicators. These are: employment rate; working age population claiming DWP out-of-work benefits claimants; 16-18 year olds NEET; and working age population with NVQ Level 2 qualifications or above. For each indicator, Figure 3.3 presents:

- LAA performance by indicator 5 years prior to latest date.
- LAA performance by indicator for latest available date.

- LAA progress in that 5 year period compared with the progress made by East of England as a whole.
  - ▲ indicates that the LAA is performing above trend.
  - ▼ indicates that the LAA is performing below trend.

**Figure 3.3: East of England LAA Performance on Selected Economic Participation Indicators**

LAA	Employment Rate			W/Age Benefits Claimants (%)			16-18 Yr Olds NEET			W/Age with NVQ Level 2 (%)		
	5 Years Back	Latest	Up/Down versus East	5 Years Back	Latest	Up/Down versus East	5 Years Back	Latest	Up/Down versus East	5 Years Back	Latest	Up/Down versus East
Bedford	79	74	▼	12	14	▼	7	6	▲	71	60	▼
Cambridgeshire	81	78	▼	8	10	▼	5	5	▼	66	68	▼
Central Beds	83	84	▲	8	10	▼	7	6	▲	68	70	▲
Essex	78	77	▼	11	13	▼	7	7	▼	58	62	▲
Hertfordshire	82	79	▼	9	10	▼	5	5	▼	68	69	▼
Luton	73	68	▼	15	16	▲	9	7	▲	54	48	▼
Norfolk	75	74	—	13	15	▲	8	5	▲	58	61	▲
Peterborough	78	74	▼	15	18	▼	10	9	▼	59	56	▼
Southend	76	75	▲	16	18	▲	7	7	▼	58	61	▲
Suffolk	78	81	▲	11	13	▲	8	8	▼	56	59	▲
Thurrock	75	75	▲	13	15	▼	8	7	▼	49	52	▲
<b>EAST OF ENGLAND</b>	<b>79</b>	<b>77</b>		<b>11</b>	<b>13</b>		<b>7</b>	<b>6</b>		<b>61</b>	<b>63</b>	

*Note:* Shading indicates where an LAA performs better than the East of England or the East of England 5 year trend.

Returning to the main challenges facing the East of England, the key challenges can be identified as: low adult skills and qualifications; poor health and disability; low participation amongst young people; and tackling inequalities amongst ethnic minority groups. Having identified these as the main challenges, the following section assesses where the challenges are greatest in the region. To structure this overview, and there is a more detailed analysis of each LAA in the accompanying LAA Profiles, two key questions will be considered:

- In which LAAs is the challenge greatest?
- Which LAAs have performed above or below trend on each challenge?

### ***Low Adult Skills and Qualifications***

Reading across the adult skills qualifications indicators and the education indicator of the Index of Multiple Deprivation, Luton, Peterborough and Thurrock have the lowest adult skills profile of the LAAs. Essex and Southend have been the two LAAs that have shown the greatest improvement over the last five years.

### ***Poor Health and Disability***

A poor health profile is a key determinant of low economic participation levels. Reading across the main health-related indicators, namely the proportion of the working age population with a disability, the proportion with a limiting long-term illness, the proportion of IB/ESA claimants and the health indicator of the Index of Multiple Deprivation, Norfolk, Peterborough, Southend and Thurrock appear to have the poorest health profiles.

### ***Young People***

In terms of young people, the three indicators used to assess the East of England nationally are all relevant here, namely 16-18 year olds NEET, 16-17 year olds participating in education or training, and 19 year olds achieving NVQ Level 3 qualifications. Reading across these three indicators, Peterborough, Suffolk and Thurrock face the greatest challenge in increasing young people's economic participation levels. Luton and Norfolk have performed above trend on these indicators.

### ***Ethnic Minority Groups***

Identifying where economic participation issues exist amongst ethnic minority groups below English regional level is difficult because of the small statistical sample sizes. As such there is little reliable Annual Population Survey data on ethnic minority issues at LAA level. The 2001 Census found that Luton, Bedford and Peterborough

had the largest non-white population of the East of England's LAAs. Since then, the increase in migrant labour following the Accession States joining the European Union has impacted most on Peterborough, Luton and (to a lesser extent) Cambridgeshire as these LAAs have had the highest proportion of National Insurance Number (NINo) registrations by overseas nationals per head of population. From this data, ethnic minority issues would therefore appear to be greatest in Bedford, Luton and Peterborough.

### **Other Issues**

Tackling the four challenges above would appear to be the priority for the East of England and the LAAs. However, there are other issues that are also important in the East of England. These are:

- **Rural geography.** Norfolk, Suffolk, Cambridgeshire and other parts of the East of England have very low population densities and this inevitably impacts on residents' access to jobs and education, training and employability services. Furthermore, low population densities can hide disadvantage in rural areas making it difficult to identify need.
- **Local challenges hidden within LAA averages.** Much of the LAA analysis in this report find the unitary authorities (such as Luton, Peterborough, Southend and Thurrock) to be performing below the other LAAs. This can be misleading as the unitary authorities are smaller geographically and, while several district authorities in the larger LAAs have many of the same challenges, these can be hidden by the LAA average. For example, and this is explored further in the LAA Profiles, district authorities that are hidden within the LAA average include:
  - Fenland in Cambridgeshire.
  - Basildon, Harlow and Tendring in Essex.
  - Great Yarmouth and Norwich in Norfolk.
  - Ipswich and Waveney in Suffolk.

### **Chapter Summary**

This Chapter has sought to present a 'story' of economic participation in the East of England and identify the main challenges facing the region.

- Overall, the East of England is one of England's best performing regions but over the last five years it has not been performing as well as the English trend on some key indicators. The East of England's current level of performance therefore suggests that achieving the *Regional Economic*

*Strategy's* economic participation-related targets is becoming increasingly challenging.

- Reading across the indicators collated for this report, the main challenges facing the East of England appear to be:
  - Low adult skills and qualifications
  - Poor health and disability
  - Low participation amongst young people
  - Tackling inequalities amongst ethnic minority groups.
- Other issues identified include the longer-term challenge of increasing the employment rate of older workers, access to services and employment in rural parts of the region, and smaller areas of low economic participation being hidden when analysing economic participation issues at larger geographies.



## 4. HEADLINE ECONOMIC PARTICIPATION INDICATORS

### Introduction

This chapter assesses the scale of the economic participation priority in the East of England. This has been done by charting the East of England's performance against England's other regions and comparing the performance of each of the region's LAAs against the economic participation indicators set out in the *Regional Economic Strategy*. Where possible, performance has also been analysed over a five year period to identify any trends. The indicators include:

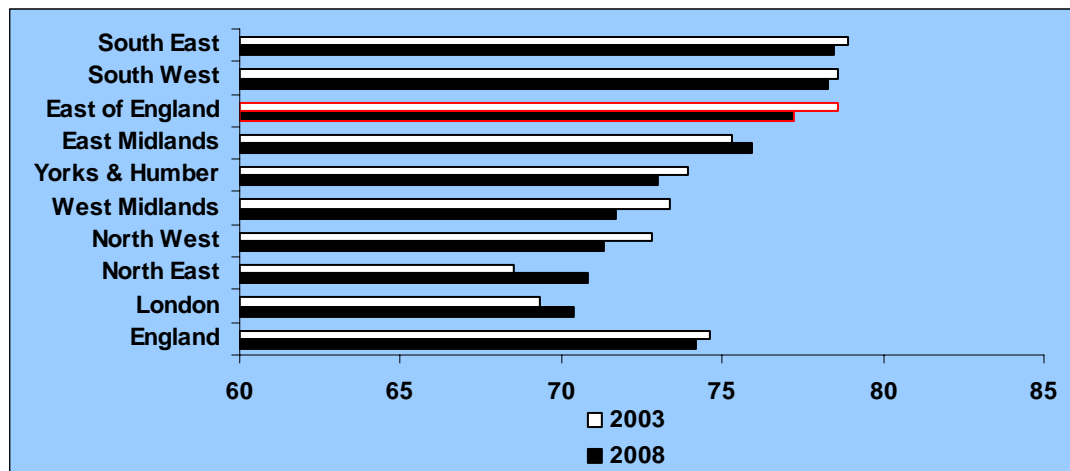
- Employment rate.
- Economic activity rate.
- Working age benefits claimants.
- Young people not in education, employment or training.
- Self-employment and enterprise.
- Income inequality.

### Employment Rate

The employment rate measures the number in employment as a proportion of the working age population. The employment rate is a key indicator for the *Regional Economic Strategy* and it sets the target of 80% employment by 2031. Comparing the East of England against England's regions, Figure 4.1 shows:

- The East of England had a 77% employment rate in 2008.
- This ranked it 3<sup>rd</sup> of England's regions and above the England rate of 74%.
- However, between 2003 and 2008 the East of England rate has fallen from a high of close to 79%.
- For the East of England to achieve the 80% employment rate based on 2008 data, the number employed would have to increase by 95,000 from 2,654,000 to 2,750,000 working age residents.

**Figure 4.1: Employment Rate by English Region (%), 2003 and 2008**

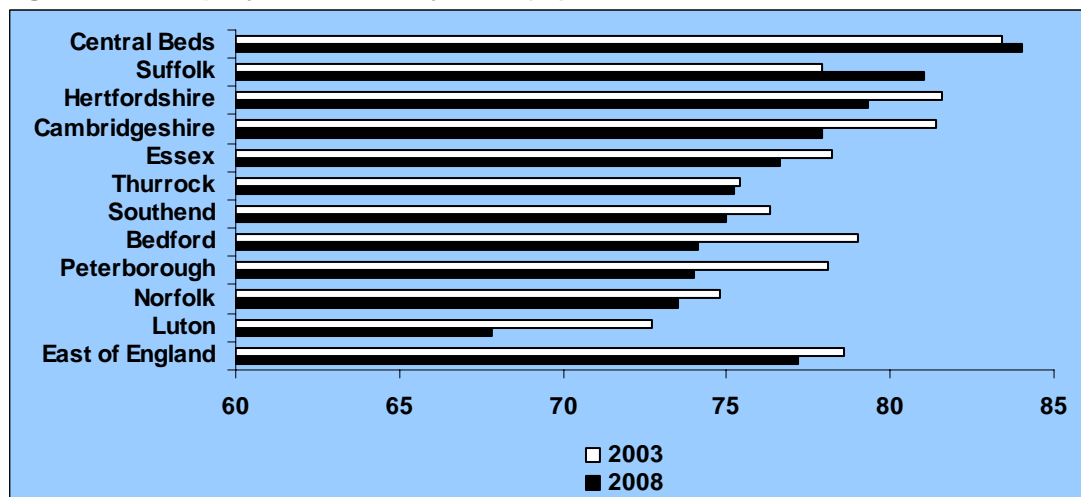


Source: Annual Population Survey; Labour Force Survey

Nationally the East of England has one of the highest employment rates but there are variations within the region. Figure 4.2 shows that in 2008:

- Central Bedfordshire, Hertfordshire and Suffolk all had employment rates in excess of 78%.
- Luton, Norfolk, Peterborough and Bedford had the lowest rates with all having employment rates of below 75%. Luton was the only LAA to have an employment rate below 70%.

**Figure 4.2: Employment Rate by LAA (%), 2003 and 2008**



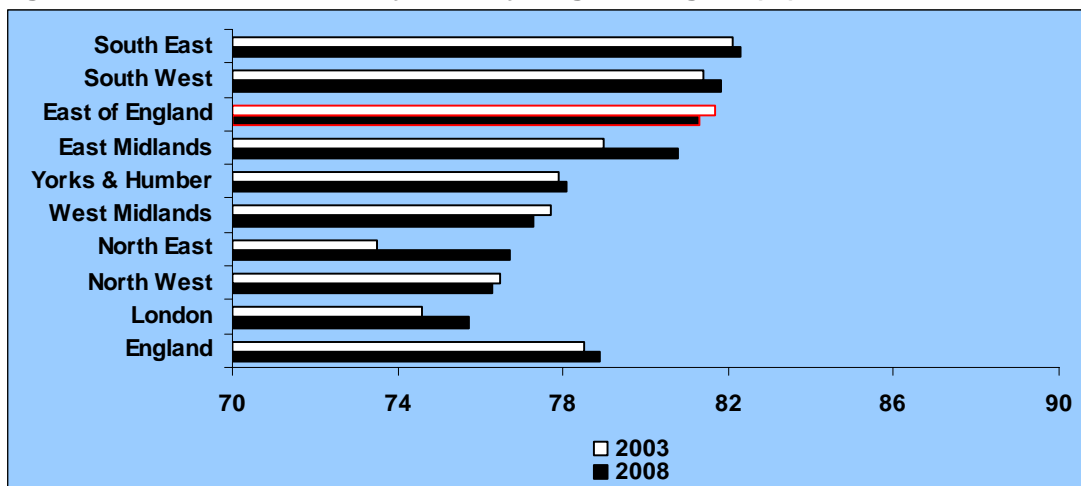
Source: Annual Population Survey; Labour Force Survey

### Economic Activity

The economic activity rate measures the number in work or looking for work as a proportion of the working age population. Figure 4.3 shows a similar pattern to Figure 4.1:

- The East of England had an economic activity rate of 81% in 2008.
- This ranked it 3<sup>rd</sup> of England's regions and above the England rate of 79%.
- Between 2003 and 2008, the East of England experienced a small decrease in its rate from a high of close to 82%.

**Figure 4.3: Economic Activity Rate by English Region (%), 2003 and 2008**

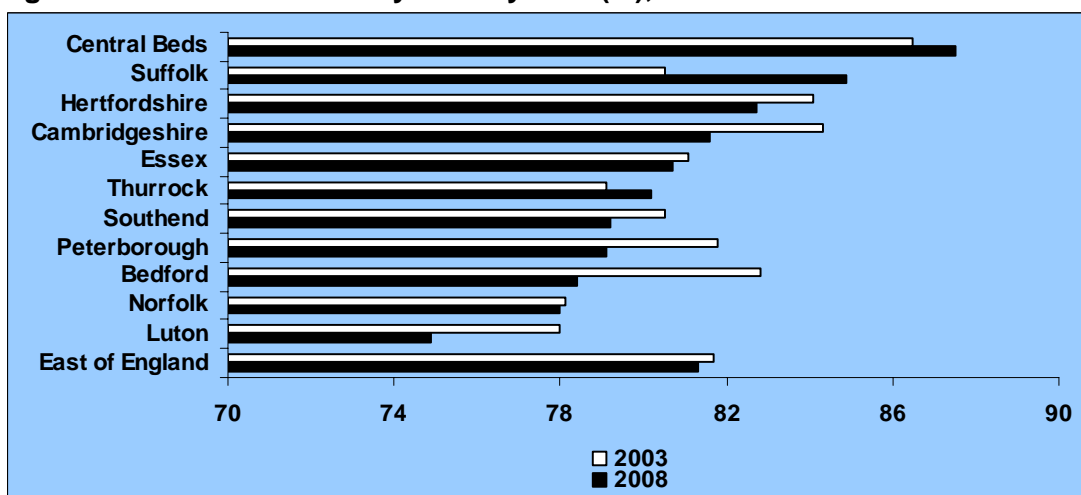


Source: Annual Population Survey; Labour Force Survey

Within the East of England, Figure 4.4 shows:

- Central Bedfordshire, Suffolk, Hertfordshire and Cambridgeshire outperform the East of England average.
- Luton, Norfolk, Bedford, Peterborough and Southend are the lowest performers with economic activity rates below 80%.

**Figure 4.4: Economic Activity Rate by LAA (%), 2003 and 2008**



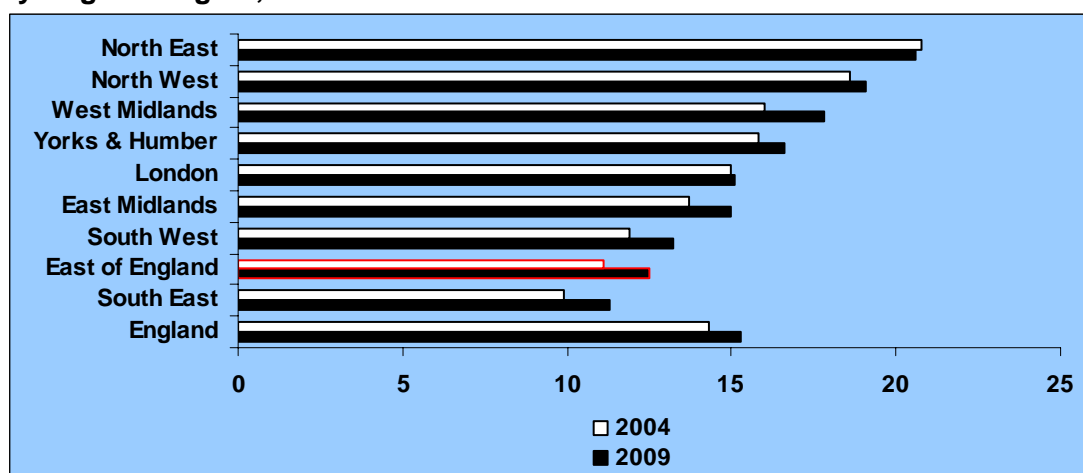
Source: Annual Population Survey; Labour Force Survey

### Working Age Benefits Claimants

The working age benefits claimants indicator measures the proportion of the working age population claiming DWP out-of-work benefits. This includes Job Seekers Allowance, Incapacity Benefit, Income Support and Employment Support Allowance. As a proportion of the working age population, Figure 4.5 shows:

- The East of England has the 2<sup>nd</sup> lowest proportion of England's regions at 13% in 2009, which is below England's 15%.
- Between 2004 and 2009, as can be seen across England, the proportion of claimants has increased as a result of the economic recession. The scale and nature of this increase has been explored in greater depth in Chapter 2.

**Figure 4.5: Working Age Benefits Claimants as a % of Working Age Population by English Region, 2004 and 2009**



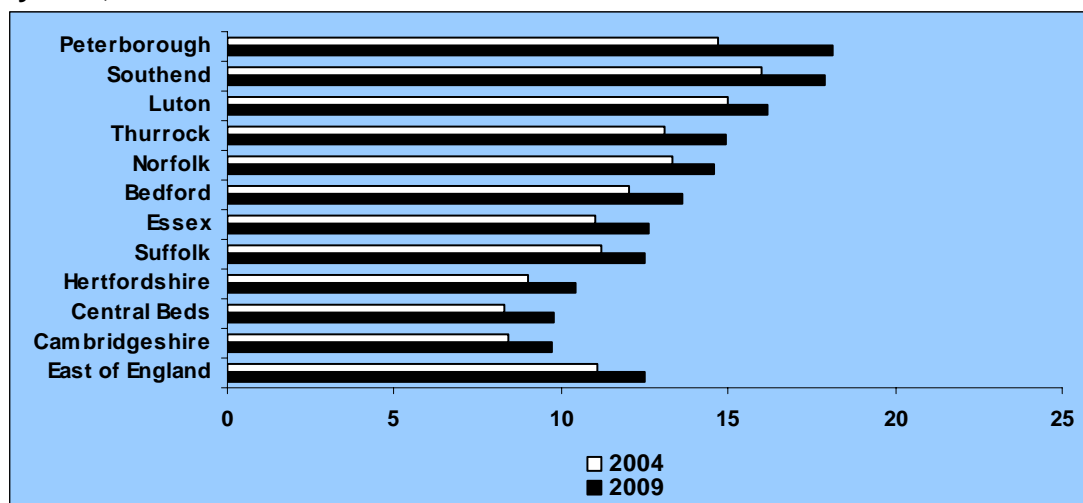
Source: DWP Work and Pensions Longitudinal Survey.

Note: Data refers to February figures.

Within the East of England, Figure 4.6 shows:

- Cambridgeshire, Central Bedfordshire and Hertfordshire have the lowest worklessness rates at below 11% of the working age population.
- Peterborough, Southend and Luton have the highest proportions at over 16%.
- All LAAs have seen an increase in the proportion of claimants as a result of the economic recession.

**Figure 4.6: Working Age Benefits Claimants as a % of Working Age Population by LAA, 2004 and 2009**



Source: DWP Work and Pensions Longitudinal Survey.

Note: Data refers to February figures.

In February 2009, there were 433,000 claimants in the East of England. Figure 4.7 helps to break this down by looking at the size of each statistical group. These are:

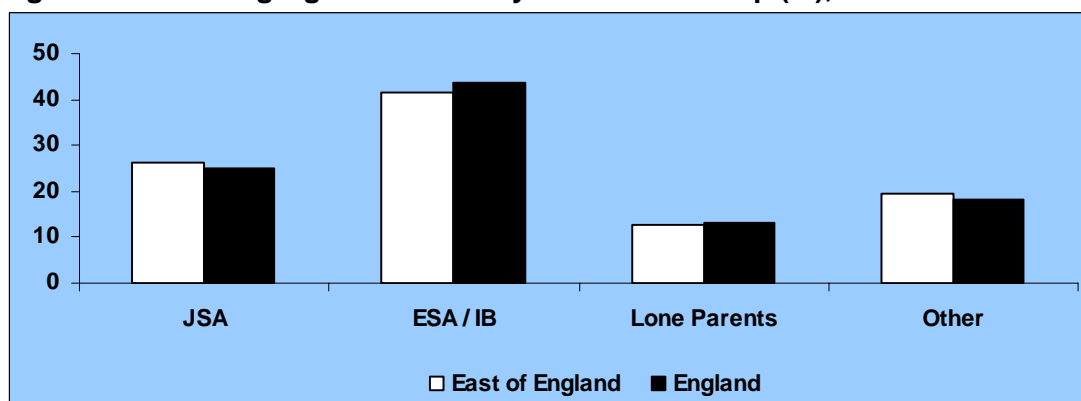
- Job Seekers Allowance (JSA) claimants.
- Incapacity Benefits/Employment Support Allowance claimants.
- Lone parents claiming Income Support.
- Other claimant groups, which include carers, the bereaved and others on income related benefits.

With little difference between the East of England and England, Figure 4.7 shows that broadly:

- 43% of claimants are on Incapacity Benefits;
- 25% of claimants are JSA claimants;
- 13% of claimants are lone parents; and
- 19% of claimants are claiming other benefits.

Of note, and as discussed in Chapter 2, the proportion of JSA claimants has increased from 16% in 2008 to 25% in 2009 due to the impact of the economic recession. Nevertheless, the fact that 43% of claimants are on Incapacity Benefits/ESA is significant as these individuals are often further from the labour market and require more time and resources to increase their economic participation. Furthermore, the increase in JSA claimants, who tend to be closer to the labour market, intensifies the competition for job opportunities and puts those further from the labour market at a greater disadvantage.

**Figure 4.7: Working Age Claimants by Statistical Group (%), 2009**



Source: DWP Work and Pensions Longitudinal Survey.

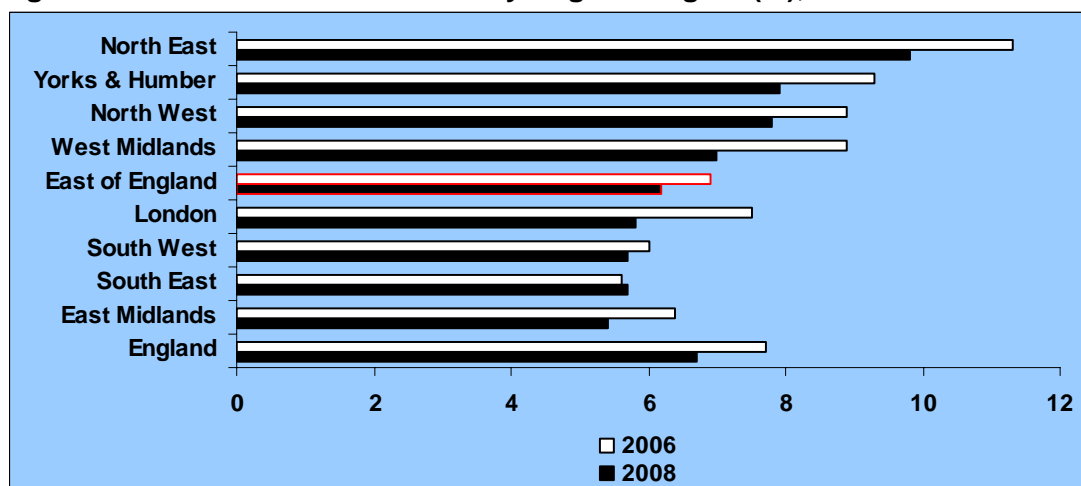
### Young People Not in Education, Employment or Training

Reducing the proportion of young people who are not in education, employment or training (NEET) is a key priority for the Government. Being NEET between the ages of 16 and 18 is a major predictor of later unemployment, low income, teenage motherhood, depression and poor physical health. Figure 4.8 shows:

- 6.2% of 16 to 18 year olds in the East of England were NEET in 2008, which is better than the England average of 6.7%.
- However, while the East of England has the second lowest proportion of working age benefit claimants across England's regions (see Figure 4.5), it is ranked 5<sup>th</sup> in terms of the percentage of 16 to 18 year olds who are NEET.

As Chapter 5 sets out in greater depth, the East of England performs relatively poorly in relation to educational attainment and barriers faced by young people.

**Figure 4.8: 16-18 Year Olds 'NEET' by English Region (%), 2006 and 2008**

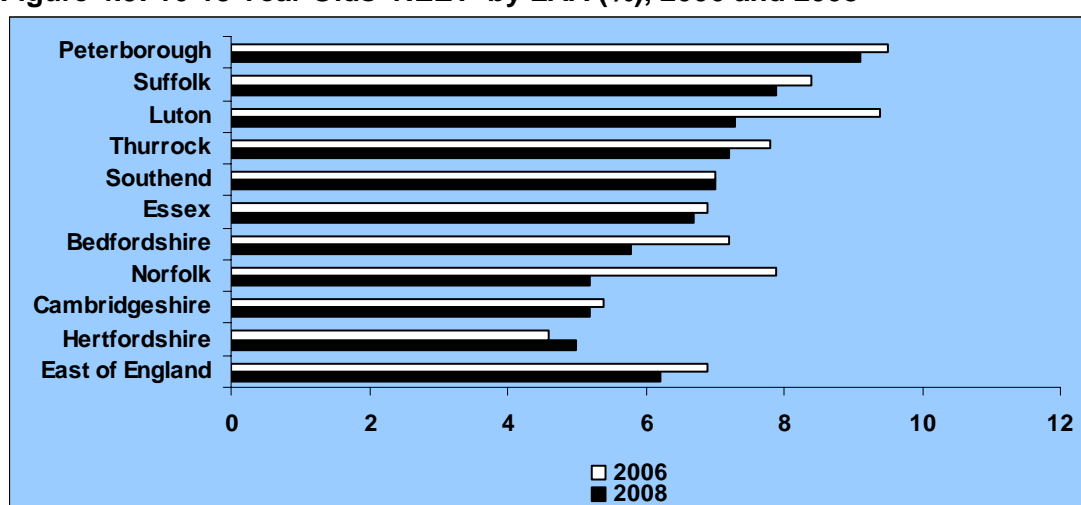


Source: Connexions

Within the East of England, there are significant variations. Figure 4.9 shows:

- Hertfordshire, Cambridgeshire, Norfolk and Bedfordshire have low NEET rates of less than 6%.
- In contrast, Peterborough, Suffolk, Luton, Thurrock and Southend have high rates of 7% or above.
- Charting the change in the percentage NEET over a five year period is not possible due to data availability. However, between 2006 and 2008, Luton and Norfolk have seen significant decreases in the percentage of their 16-18 year old residents who are NEET.

**Figure 4.9: 16-18 Year Olds 'NEET' by LAA (%), 2006 and 2008**



Source: Connexions

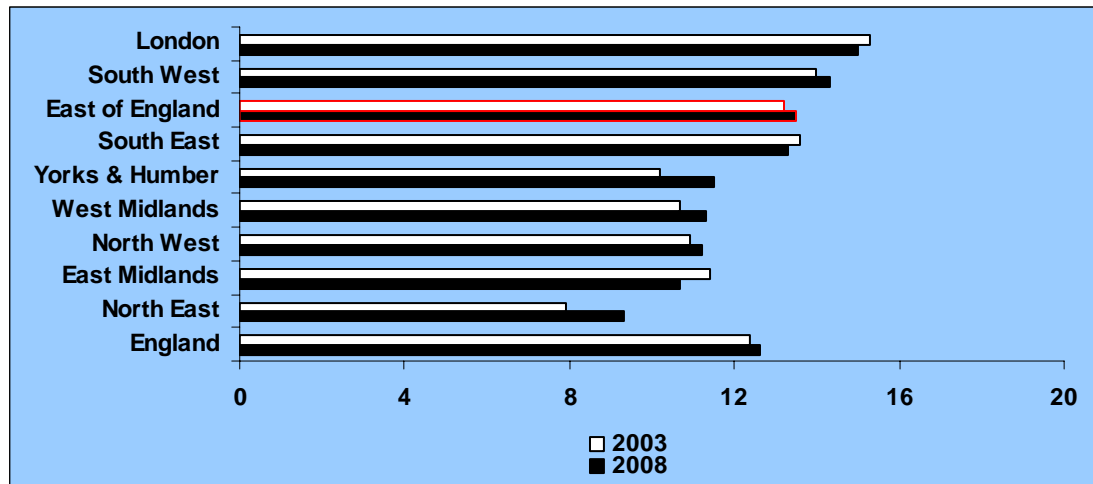
Note: Data below Bedfordshire level to Bedford and Central Bedfordshire is not available.

### Self-Employment and Enterprise

Self employment and entrepreneurship is a further form of economic participation and reflects an area's wider attitude to enterprise. In terms of **self-employment**, Figure 4.10 shows:

- In the East of England, 14% of those in employment were self-employed in 2008.
- This ranked it 3<sup>rd</sup> of England's regions and above the England rate of 13%.
- Between 2003 and 2008, the proportion self-employed across England has varied. Most, including the East of England, have seen a small increase, while others have seen a small decrease.

**Figure 4.10: % in Employment who are Self Employed by English Region, 2003 and 2008**

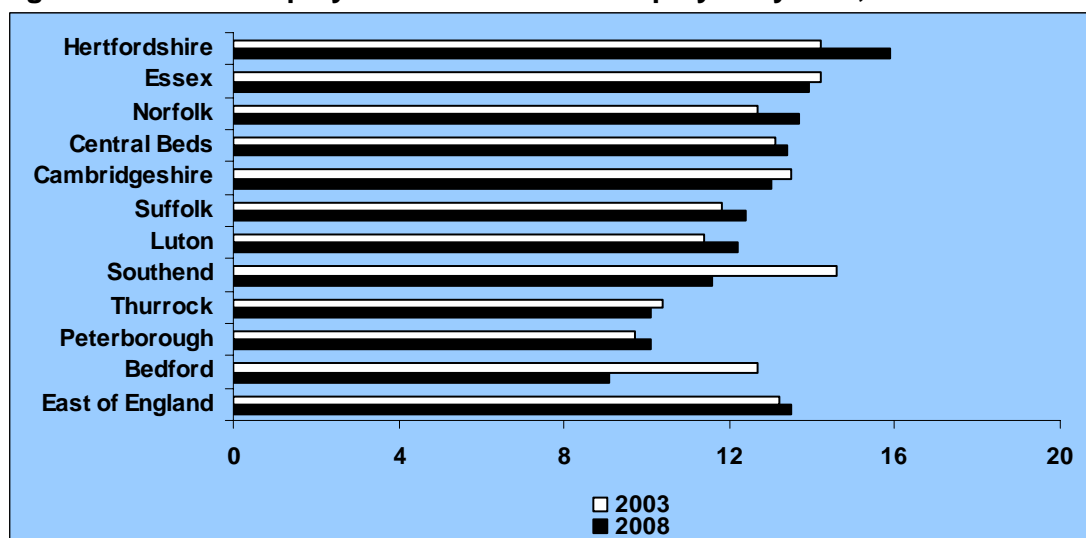


Source: Annual Population Survey; Labour Force Survey

Within the East of England, and some caution should be taken when analysing the data due to the relatively small data sample size, Figure 4.11 shows:

- Hertfordshire, Essex, Norfolk, Central Bedfordshire and Cambridgeshire have the highest levels of self-employment at 13% or above of those in employment in 2008.
- Bedford, Peterborough and Thurrock have the lowest levels of self-employment at 10% or less of those in employment.
- The degree of rurality is likely to be a contributory factor as self-employment rates are often higher in rural areas than in urban areas.

**Figure 4.11: % in Employment who are Self Employed by LAA, 2003 and 2008**



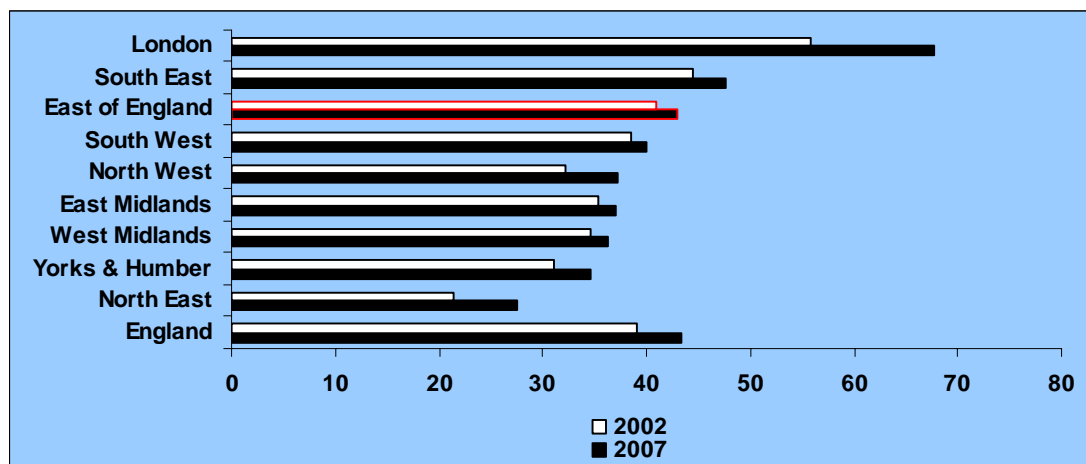
Source: Annual Population Survey; Labour Force Survey



Increasing business start ups and entrepreneurship levels are both key targets of the *Regional Economic Strategy*. By stimulating higher levels in both, the intention is to increase employment opportunities and boost low incomes. Looking first at **business start ups**, the target is for VAT-registered start up rates to increase to 60 per 10,000 resident adults by 2031. As Figure 4.12 shows, this will require a significant increase in start up volumes.

- The East of England had 19,700 VAT registrations in 2007, which equates to 43 start ups per 10,000 adults – the same as the England average.
- This ranked it 3<sup>rd</sup> amongst England’s regions behind London and the South East.
- To reach the 2031 target of 60 start ups per 10,000 adults an additional 8,000 VAT registered start-ups would have been required. The increase required is above the percentage increase achieved between 2002 and 2007.

**Figure 4.12: VAT Registrations per 10,000 adults by English Region, 2002 and 2007**



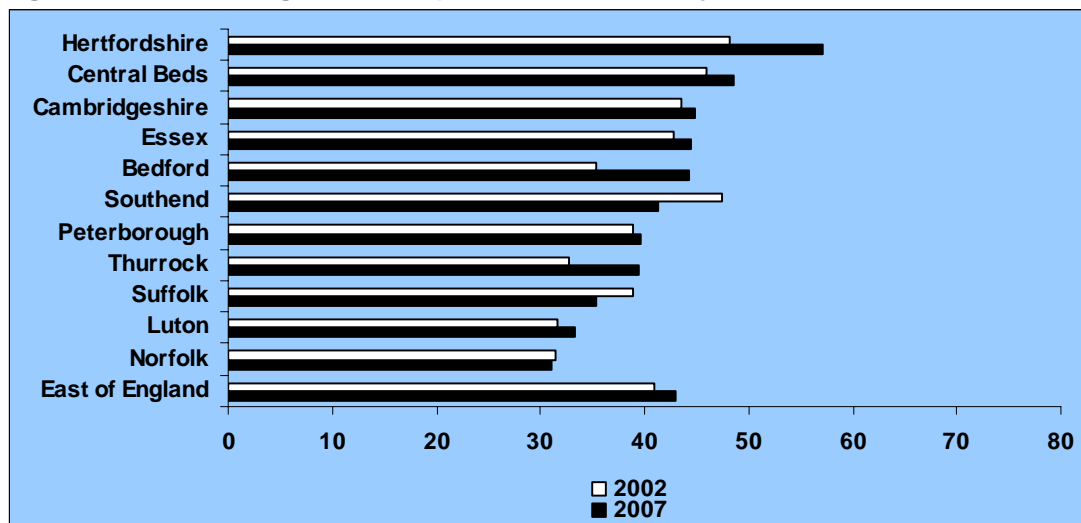
Source: VAT Registrations/Deregistrations data

Within the East of England, Figure 4.13 shows that all LAAs will require a significant increase in the number of business start ups to reach the *Regional Economic Strategy* target.

- Hertfordshire had the highest start-up rate at 57 VAT registrations per 10,000 adults in 2007. Central Bedfordshire, Essex, Cambridgeshire and Bedford also performed well at close to 45 VAT registrations per 10,000 adults.
- The lowest start-up rates were found in the East of England’s most rural LAAs of Norfolk and Suffolk, along with Luton. This indicates that whilst self-employment rates may be greater in rural areas, these businesses are often

small and do not exceed an annual turnover of £67,000, which is the figure at which businesses are required to register for VAT.

**Figure 4.13: VAT Registrations per 10,000 adults by LAA, 2002 and 2007**



Source: VAT Registrations/Deregistrations data

In terms of **business survival rates**, ONS Business Demography Statistics show that the East of England has one of the lowest one year survival rates of newly born enterprises amongst England's regions. That said, there is little to differentiate between the regions as the East of England's one year survival rate was 96.1% in 2006 and ranked it 8<sup>th</sup>; yet the highest rate was 97.0% in the South East.

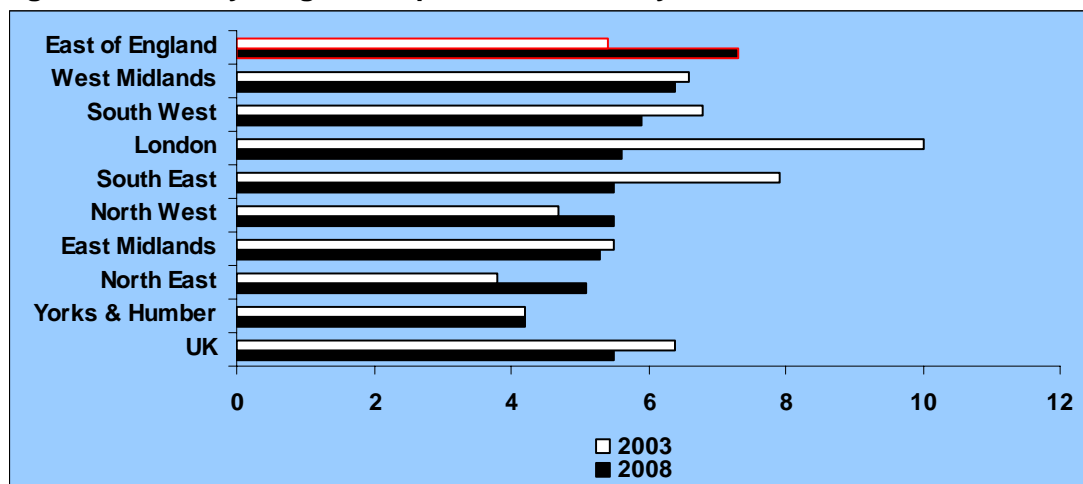
In terms of **entrepreneurship**, the *Regional Economic Strategy* has set three targets around total entrepreneurship activity (TEA) rates for 2031:

- To have higher TEA rates in 2031 than 2008.
- To have higher TEA rates than the UK average.
- Female entrepreneurship rates to be closer to the male rate.

Using Global Entrepreneurship Monitor data, which only provides data down to England regional level, Figure 4.14 shows that the East of England is leading the way. 7.3% of the East of England's working age population were involved in early stage entrepreneurial activity in 2008, ranking it 1<sup>st</sup> of England's regions. No clear explanation for the East of England's increase and London and the South East's decreases between 2003 and 2008 are given by the Global Entrepreneurship Monitor report<sup>4</sup>.

<sup>4</sup> Levie, J. and Hart, M. (2009) Global Entrepreneurship Monitor: United Kingdom 2008 Monitoring Report.

**Figure 4.14: Early Stage Entrepreneurial Activity, 2003 and 2008**



Source: Global Entrepreneurship Monitor

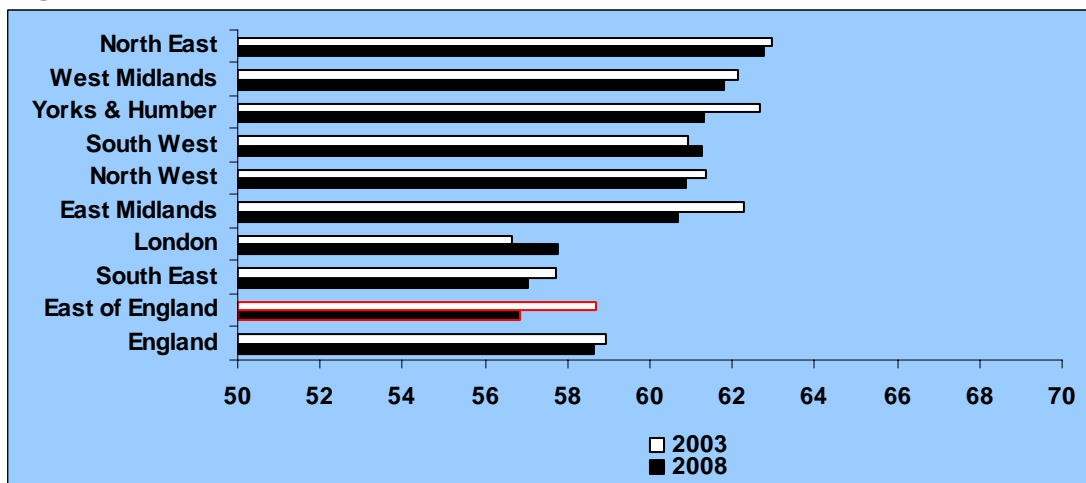
Note: UK figure used as England figure not available.

### Income Inequality

The final headline indicator to be analysed is the scale of income inequality for those in work. This will set the context to Chapter 7 which looks at sustaining and progressing in employment and examines pay and earnings data in greater depth. The income inequality target set by the *Regional Economic Strategy* is to increase lower quartile (residence-based) earnings to 60% of average earnings by 2031. On first glance, this would not appear to be a significant challenge as the East of England has lower quartile earnings at 57% of average earnings. However, in analysing Figure 4.15:

- Lower quartile earnings in the East of England have fallen between 2003 and 2008 from 59% to 57%. Achieving the 60% target would require a reversal of this trend.
- London and the South East also have increasing income inequality, which means that if the East of England follows the Greater South East trend the 60% target would be harder to achieve.
- Based on 2008 data, for the East of England to achieve the 60% target, gross full-time weekly lower quartile earnings would have to increase by £20 per week from £350 to £370.

**Figure 4.15: Lower Quartile Earnings as a % of Average Earnings by English Region, 2003 and 2008**



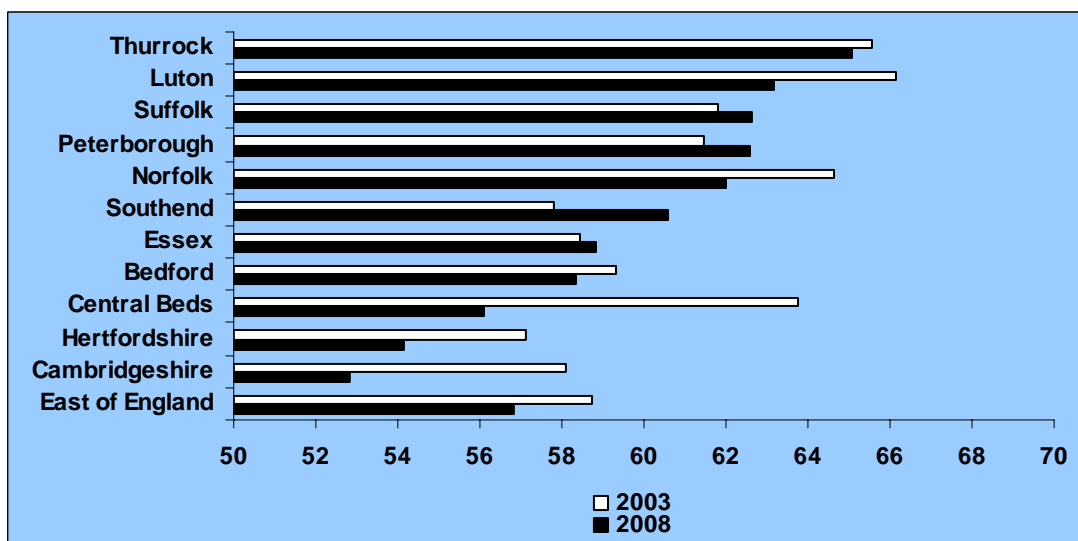
Source: Annual Survey of Hours and Earnings (Residence Based Earnings)

Within the East of England, Figure 4.16 shows:

- Wage inequalities are greatest in the region’s most affluent LAAs, namely Cambridgeshire, Hertfordshire and Central Bedfordshire, which all have lower quartile earnings of 56% or less of average earnings.
- In contrast, six LAAs have lower quartile earnings of at least 60% and these all have amongst the lowest average earnings.

Income inequality would therefore appear to be directly related to an area’s average earnings levels.

**Figure 4.16: Lower Quartile Earnings as a % of Average Earnings by LAA, 2003 and 2008**



Source: Annual Survey of Hours and Earnings (Residence Based Earnings)

## Chapter Summary

Using a range of headline economic participation indicators, the scale of the economic participation priority in the East of England is not as great as in some of England's other regions.

- The East of England performs strongly nationally (along with London and the South East) ranked in the top three of England's regions on employment rate, economic activity rate, working age benefits claimants, VAT registrations and Total Entrepreneurial Activity.
- The only indicator where performance was relatively weaker was in the proportion of 16 to 18 year olds who are 'NEET' where the East of England was ranked 5<sup>th</sup>. While it continues to have a lower NEET rate than England as a whole, the gap has narrowed meaning the East of England's rate of improvement is less than the national average.

Within the East of England, some clear differences in economic participation levels can be seen across the 11 LAAs.

- **Cambridgeshire, Central Bedfordshire, and Hertfordshire** were consistently ranked 1<sup>st</sup> to 4<sup>th</sup> of the region's LAAs across the headline indicators.
- In contrast, and to varying extents, **Luton, Peterborough, Southend and Thurrock** were most often ranked 8<sup>th</sup> to 11<sup>th</sup> of the region's LAAs.
- There was mixed performance across the other LAAs.

## 5. BARRIERS TO ECONOMIC PARTICIPATION

### Introduction

Chapter 4 showed that the East of England has high economic participation rates with the region consistently amongst the three best performing English regions. However, there are variations in the East of England with Luton, Peterborough, Thurrock and other LAAs characterised by lower levels of economic participation. This chapter will help explain why economic participation rates are low by identifying the key barriers that impact on the East of England population and assessing how prevalent each barrier is. The barriers to be investigated are:

- Education and skills.
- Ill health and disability.
- Barriers specific to young people.
- Ethnicity.
- Gender.
- Age.
- Rural geography.
- Attitude to work.

### Education and Skills

Low skills levels have a negative effect on individuals, society, businesses and the wider economy. Individuals with low skills levels are limited in their employment opportunities, which in turn inhibit income levels; the links between low skills and poor health, crime and social cohesion impact on society; and low skills impact on the productivity and competitiveness of businesses and economies. As the Leitch Review of Skills (2006) states, “*where skills were once a key driver of prosperity and fairness, they are now **the** key driver*”.

The *Regional Economic Strategy* recognises the importance of increasing the region’s skills levels and has set targets consistent with the Leitch Report. The targets that focus on achieving a minimum skills level are:

- Over 90% of the working age population (19 to retirement age) to be qualified to at least NVQ Level 2 by 2020 and maintained to 2031.
- 95% of adults with functional literacy and numeracy (basic skills) by 2020 and maintained to 2031.

### Qualifications

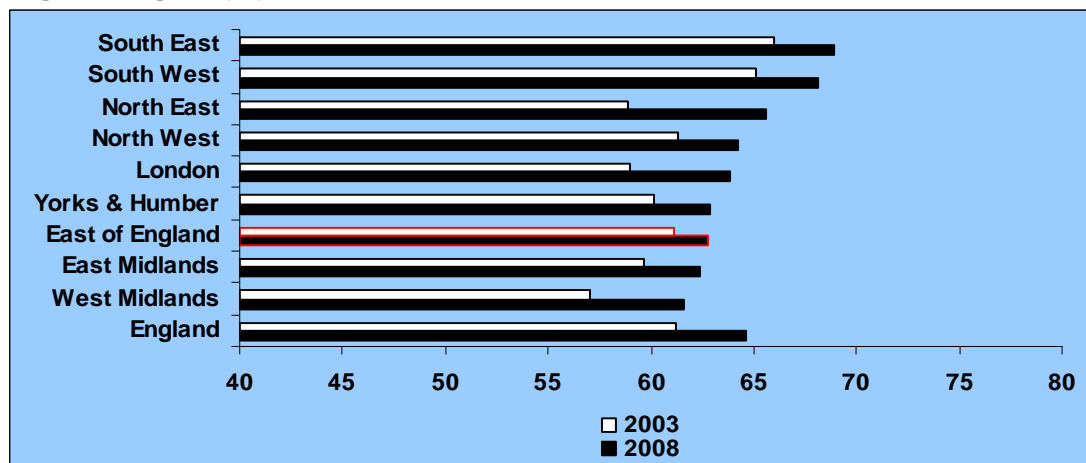
The *Regional Economic Strategy* target is to increase the proportion of the 19 to retirement age population qualified to at least NVQ Level 2 to over 90% by 2020. While data informing the progress towards this target is published by the Office of National Statistics/Department for Children, Schools and Families, the latest available data is for 2007. This found that:

- 67% of the East of England's 19 to retirement age population were qualified to NVQ Level 2 or above in 2007. This is an increase from 64% in 2002.
- However, the East of England rate in 2007 is below the England average of 69% and the 7<sup>th</sup> lowest of England's regions.
- To achieve the *Regional Economic Strategy* target, an additional 735,000 East of England residents aged 19 to retirement age would need to achieve an NVQ Level 2 qualification.

To provide a more up-to-date picture, Figure 5.1 shows the working age population (16 to retirement age) qualified to at least NVQ Level 2 in 2003 and 2008. As Figure 5.1 shows, the findings are very much the same.

- In 2008, 2,159,300 or 63% of the East of England's working age population were qualified to at least NVQ Level 2.
- This ranks it 7<sup>th</sup> of England's regions (down from 4<sup>th</sup> in 2003) and below the England average of 65%.
- Furthermore, the increase in the number qualified to NVQ Level 2 between 2003 and 2008 in the East of England has been less than the increase for England as a whole. This means that the region's skills and educational profile could become less competitive over time.

**Figure 5.1: Working Age Population Qualified to at least NVQ Level 2 by English Region (%), 2003 and 2008**

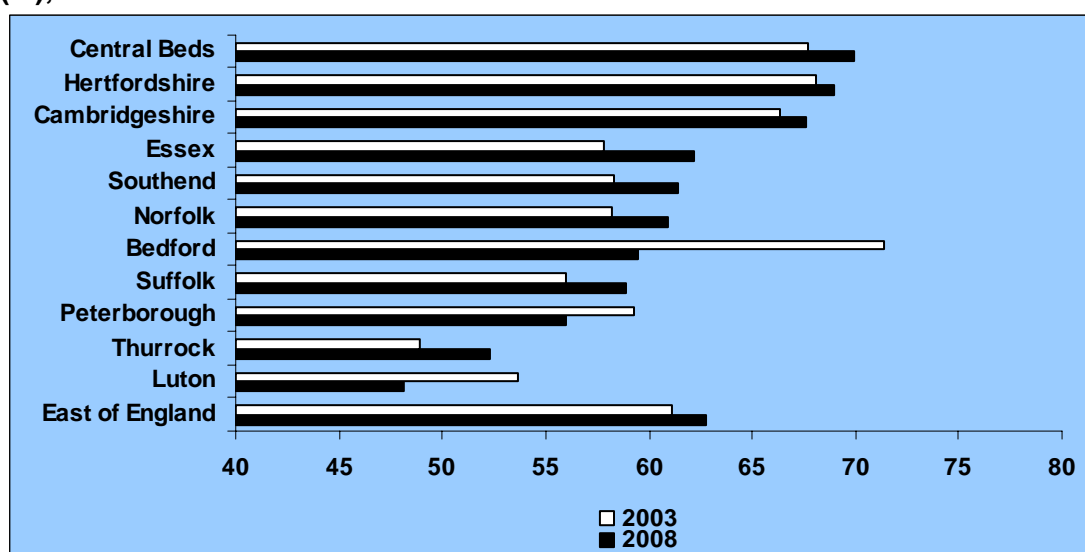


Source: Annual Population Survey; Labour Force Survey

Reducing the inequalities in skills attainment between the East of England's most deprived local authorities and the regional average is a *Regional Economic Strategy* priority. This is a challenge as there are significant variations in educational attainment within the region. Figure 5.2 shows:

- Central Bedfordshire, Hertfordshire and Cambridgeshire have in excess of 67% of their working age population qualified to NVQ Level 2.
- In contrast, Luton, Thurrock, Peterborough, Suffolk and Bedford have less than 60% qualified to NVQ Level 2. Luton has the lowest rate at just 48%.

**Figure 5.2: Working Age Population Qualified to at least NVQ Level 2 by LAA (%), 2003 and 2008**



Source: Annual Population Survey; Labour Force Survey

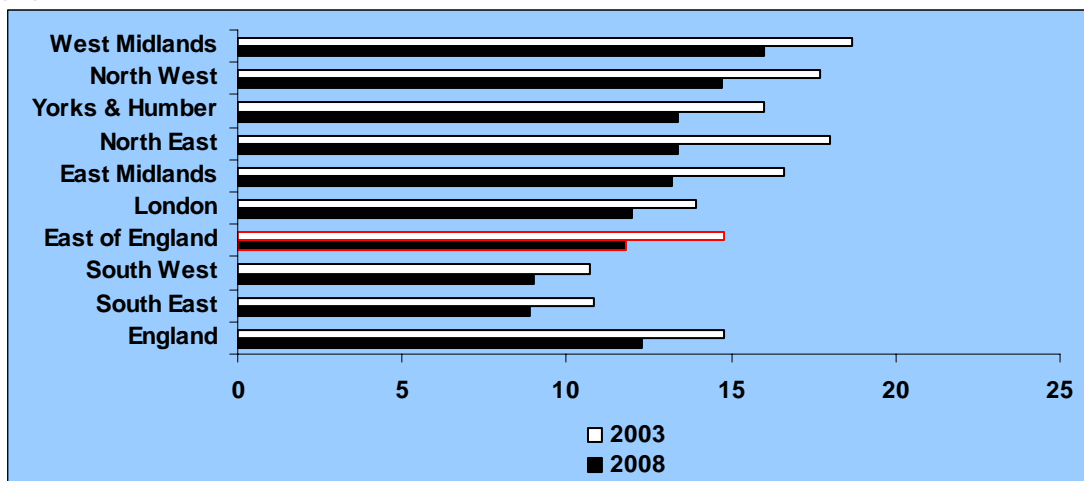
Note: The change in Bedford's proportion is likely to be due to statistical sampling error.

Economic participation rates tend to be lowest amongst those with no qualifications. On this educational measure, the East of England performs better than on the NVQ Level 2 measure with Figure 5.3 showing:

- In 2008, 12% or 407,000 of the East of England's working age population had no formal qualifications.
- At 12% with no formal qualifications, the East of England has the 3<sup>rd</sup> lowest proportion of England's regions and has a marginally lower proportion than the England average.



**Figure 5.3: Working Age Population with No Qualifications by English Region (%), 2003 and 2008**

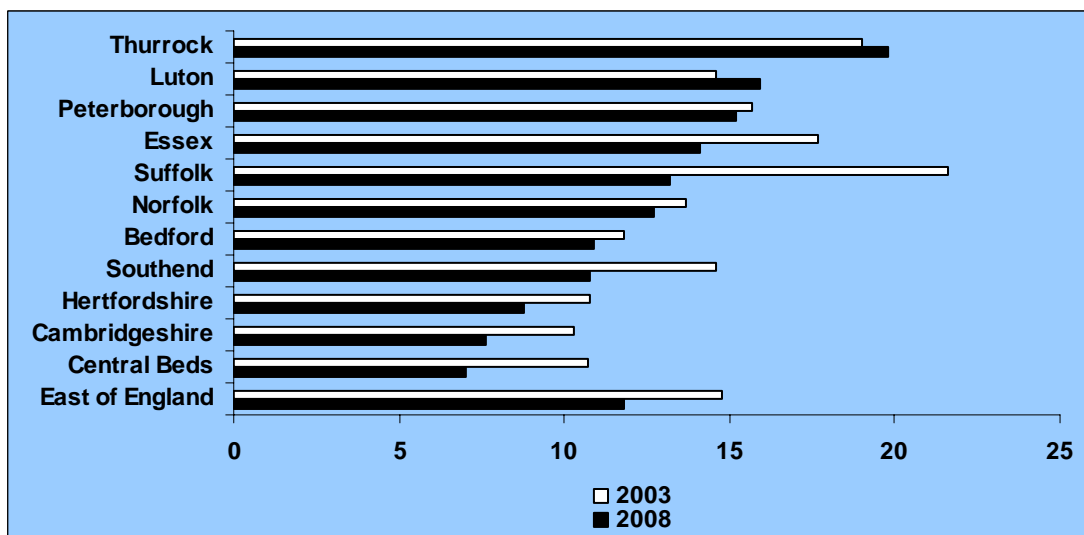


Source: Annual Population Survey; Labour Force Survey

Reducing the inequalities in skills attainment between the East of England's most deprived local authorities and the regional average is a *Regional Economic Strategy* priority. As Figure 5.4 shows:

- Thurrock, Luton and Peterborough have the highest proportion of their working age populations with no qualifications at over 15%.

**Figure 5.4: Working Age Population with No Qualifications by LAA (%), 2003 and 2008**



Source: Annual Population Survey; Labour Force Survey

Arguably the key finding from the qualifications data is that the East of England has both a low proportion qualified to NVQ Level 2 and a low proportion with no qualifications. Therefore, the East of England has a disproportionately high number

of working age residents qualified to NVQ Level 1 or equivalent qualifications. Indeed, the East of England has the highest proportion qualified to this low level of all the English regions at 25% in 2008; the England average is 23%.

### **Basic Skills**

The second target set by the *Regional Economic Strategy* aims to increase basic skills attainment in the East of England. Derived from the *Skills for Life Survey*, there are two key measures:

- Functional literacy – defined as achieving Level 1 in Literacy.
- Functional numeracy – defined as achieving Entry Level 3 in Numeracy.

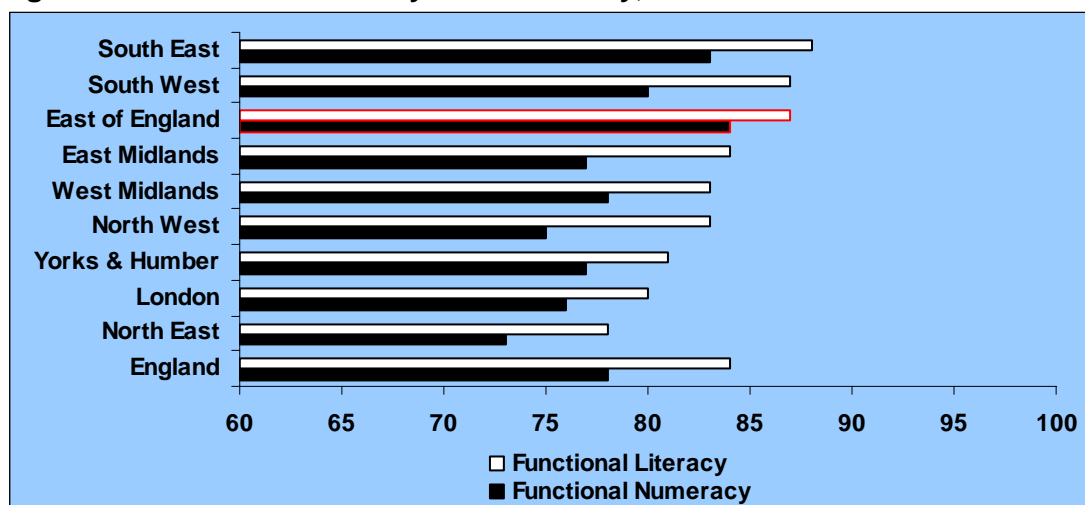
Set against the target of 95% of the working age population to be functionally literate and numerate, Figure 5.5 shows the results of the 2003 Skills for Life Survey.

- On the **functional literacy** indicator, the East of England is ranked 2<sup>nd</sup> at 87% with only the South East above.
- On the **functional numeracy** indicator, the East of England is ranked 1<sup>st</sup> of England's regions at 84%.

To achieve the *Regional Economic Strategy* targets of 95% functional literacy and numeracy, based on 2007 population estimates:

- An increase of 280,000 working age residents would be needed to achieve the functional literacy target.
- An increase of 385,000 working age residents would be needed to achieve the functional numeracy target.

**Figure 5.5: Functional Literacy and Numeracy, 2003**



Source: DCSF (2003) Skills for Life Survey

### III Health and Disability

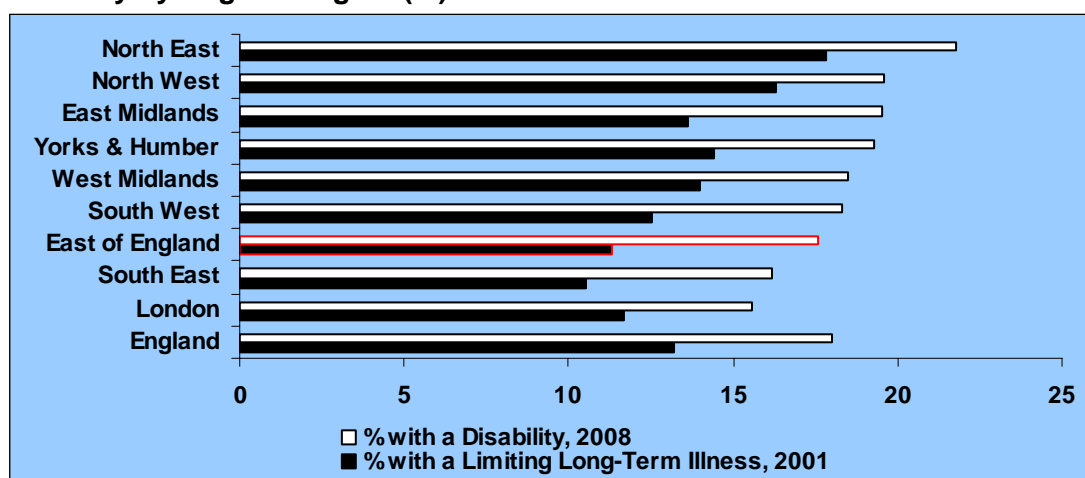
The links between health, employment, productivity and poverty mean improving the health of the working age population is critically important in achieving both greater social justice and higher economic growth. The health of the working age population is therefore important for everyone (Black, 2008)<sup>5</sup>:

- For individuals and their families, because it impacts on the quality and length of life people lead, affecting their capacity to work and provide for their family.
- For employers, because a healthier workforce is a more productive workforce.
- For society as a whole, because the consequences of ill health lead to social exclusion, lower output and reduced tax revenues.

Figure 5.6 shows the proportion of the working age population who have a **limiting long-term illness** and the proportion who have a **disability**. In theory, there should be no difference in the proportions across England's regions but, in practice, the regions with the stronger economies have lower ill health and disability.

- In 2001, there were 364,000 or 11% of East of England working age residents with a limiting long-term illness. As such, the East of England had the 2<sup>nd</sup> lowest proportion amongst England's regions.
- In 2008, there were 605,000 or 18% of East of England working age residents with a disability; which was the 3<sup>rd</sup> lowest proportion amongst England's regions.

**Figure 5.6: Working Age Population with a Limiting Long-Term Illness and a Disability by English Region (%)**



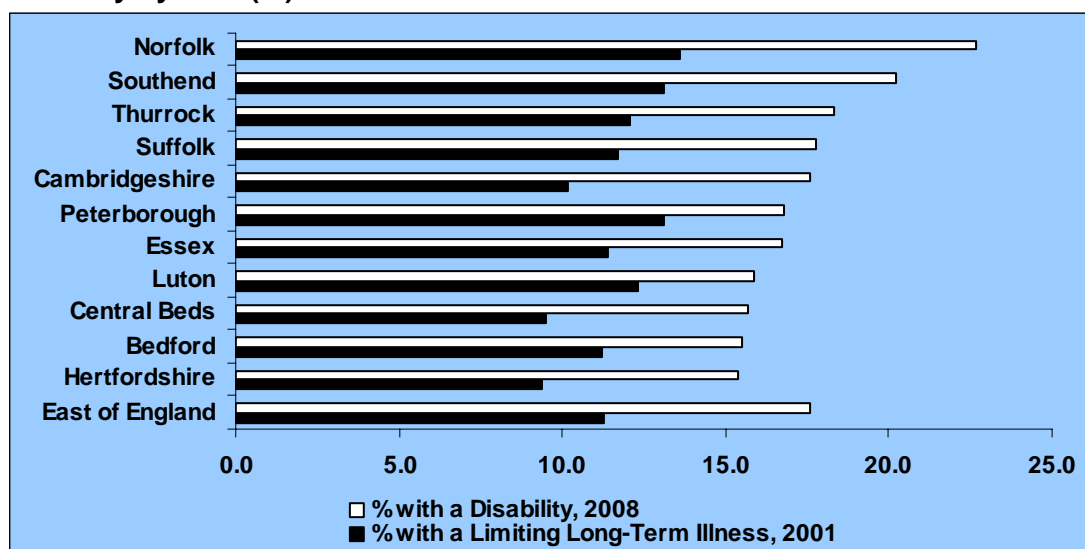
Source: Census; Annual Population Survey

<sup>5</sup> Black, C (2008) Working for a Healthier Tomorrow

Reducing the inequalities in health between the East of England's most deprived local authorities and the regional average is a *Regional Economic Strategy* priority. To tackle the inequalities, recognition of the relationship between an area's economic strength and its health profile is required. Figure 5.7 shows:

- Hertfordshire, Bedford and Central Bedfordshire, three of the region's more prosperous LAAs, have the better health profiles.
- Norfolk, Southend, Thurrock and Suffolk have the worst health profiles. In the case of Norfolk and Suffolk their rural geographies and slightly older population profiles are likely to be contributory factors here.

**Figure 5.7: Working Age Population with a Limiting Long-Term Illness and a Disability by LAA (%)**



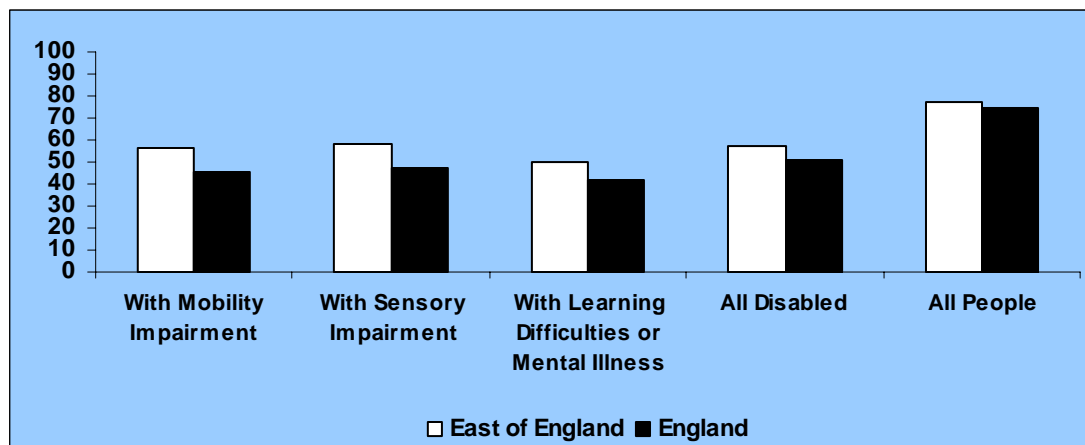
Source: Census; Annual Population Survey

Looking in more depth at those with a disability, Figure 5.8 shows the **employment rates by broad type of disability** for the East of England and England. For comparison, the employment rate for all working age people is also given as the *Regional Economic Strategy* aims to increase economic activity rates amongst disadvantaged groups closer to the regional average.

- The employment rate of the 605,000 people with a disability was 58% in the East of England in 2008. This was well above the England average of 51% and ranked the East of England 2<sup>nd</sup> amongst England's regions.
- By type of disability, where data is available, each respective employment rate is above the England average at:
  - 58% for the 183,500 people with a sensory impairment;
  - 57% for the 147,000 people with a mobility impairment; and
  - 50% for the 30,700 with learning difficulties or a mental illness.

- All rates were well below the region's total employment rate of 77%.

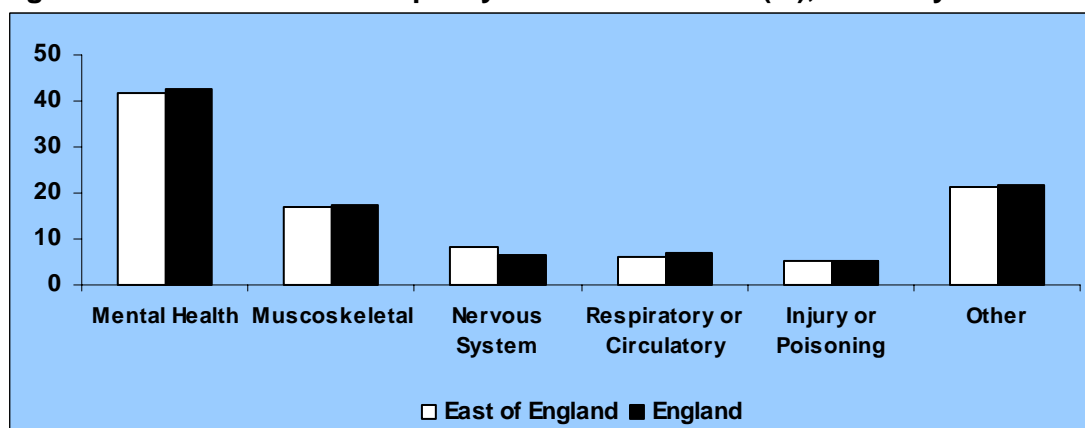
**Figure 5.8: Employment Rates of Working Age People with a Disability (%), 2008**



Source: Annual Population Survey

Turning to those with a disability who are economically inactive, 37% or 225,000 of the 605,000 were found to be economically inactive in 2008. To better understand the health barriers they face, the conditions of the East of England's 170,000 Incapacity Benefits claimants analysed as IB claimants are a close proxy for the 225,000 economically inactive. Figure 5.9 shows that those with a mental health condition constitute the largest group at 42% of all claimants.

**Figure 5.9: Conditions of Incapacity Benefit Claimants (%), February 2009**



Source: DWP Work and Pensions Longitudinal Survey

### Barriers Specific to Young People

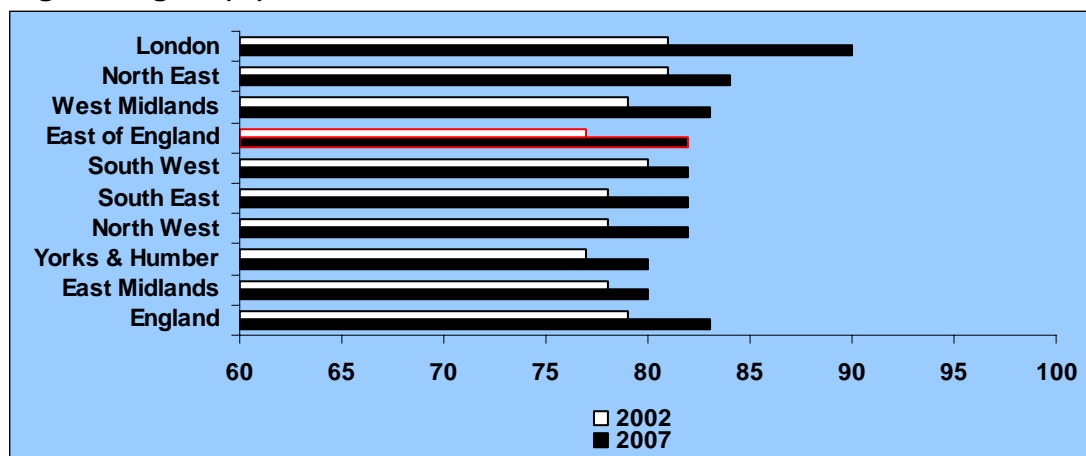
Higher level qualifications and education beyond the age of 16 are becoming increasingly important to gaining reward in the workplace and instrumental in maximising the full potential of the UK economy. Their importance is reflected in the

*Regional Economic Strategy* which aims to increase the number of young people participating in post-compulsory education and training.

Chapter 4 presented the headline indicator used in relation to young people's economic participation: the proportion of 16 to 18 year olds not in education, employment or training (NEET). Figure 4.8 showed that in the East of England the proportion NEET is 6.2%, which is lower than the 6.7% England average. A linked indicator is the proportion of **16 and 17 year olds in education or training** – i.e. the proportion in post-compulsory education. Increasing the number of young people participating in post-compulsory education or training is a *Regional Economic Strategy* priority and Figure 5.10 shows:

- 82% of 16 and 17 year olds in the East of England participate in education or training, which ranks the East of England joint 4<sup>th</sup> amongst England's regions.
- 82% is a significant increase on the 77% participating in 2002, which was the joint lowest proportion across England's regions. At that time, local players named this fall off between school education to post-compulsory education as the 'skills cliff'.

**Figure 5.10: 16 and 17 Year Olds Participation in Education or Training by English Region (%), 2002 and 2007**



Source: Department for Children, Schools and Families

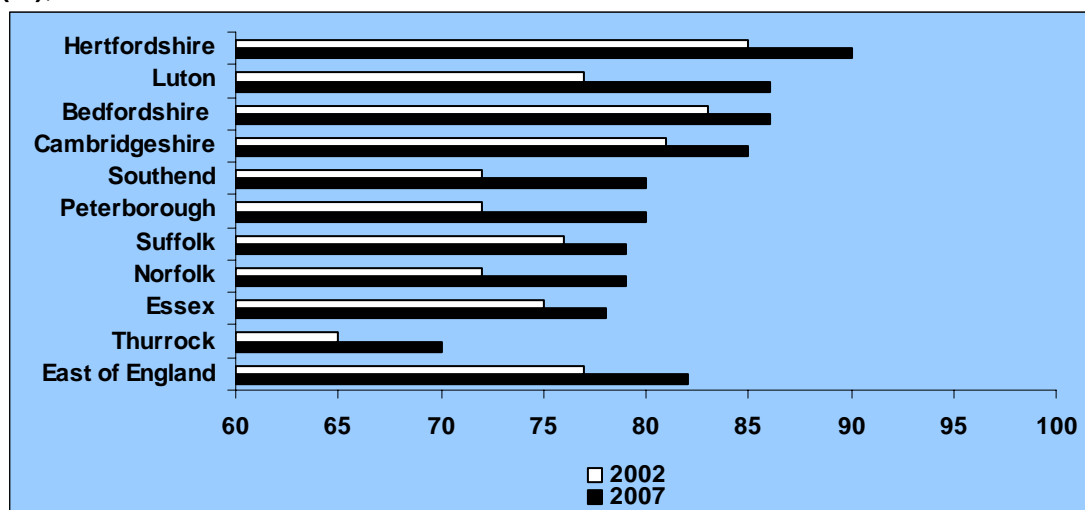
Within the East of England, Figure 4.9 showed that Peterborough and Thurrock had the highest NEET rates. This is again reflected in the proportion of 16 and 17 year olds in education or training. Figure 5.11 shows:

- Hertfordshire, Cambridgeshire and Bedfordshire have consistently had post-compulsory education rates above the East of England average. Luton has

seen a significant increase with an increase from 83% in 2006 to 86% in 2007.

- In contrast, Thurrock has by far the lowest proportion at just 70% of 16 and 17 year olds in 2007.
- Norfolk, Essex and Suffolk all have proportions below 80%.

**Figure 5.11: 16 and 17 Year Olds Participation in Education or Training by LAA (%), 2002 and 2007**



Source: Department for Children, Schools and Families

Note: Data below Bedfordshire level is not available

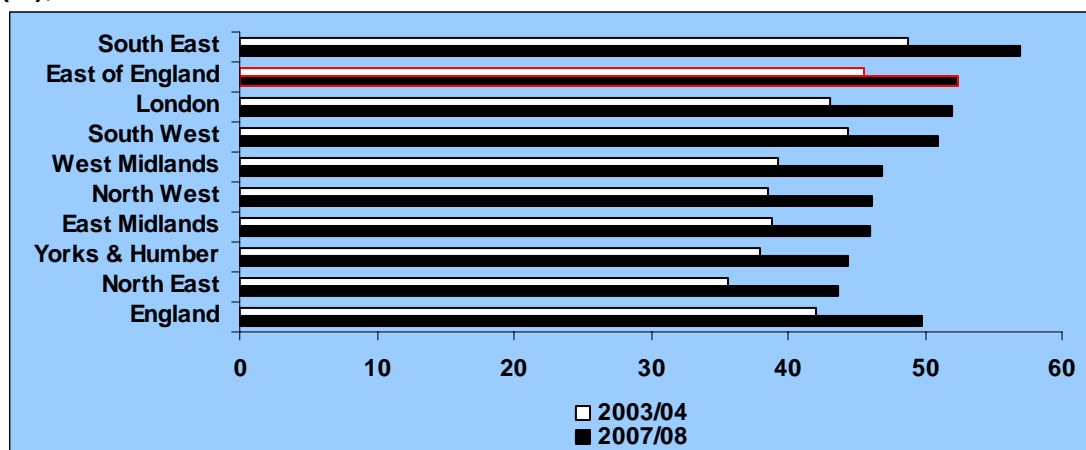
**Looked after children** often face a wide range of barriers and their economic participation rates are lower as a result. In 2007/08, the East of England had 500 looked after children at Year 11 equivalent (i.e. 16 or 17 year olds) and their economic participation is much lower than for all Year 11 children:

- 84% of the Year 11 looked after children were in education, employment or training, which is the same as the England average.
- In contrast, 96% of all Year 11 children were in education, employment or training.

Looking at **educational attainment**, the *Regional Economic Strategy* aims to increase the number of 19 year olds achieving NVQ Level 3 qualifications, which is the equivalent of 4 AS or 2 A-Levels. Figure 5.12 shows performance on this indicator in 2003/04 and 2007/08.

- 52% of the East of England's 19 year olds achieved Level 3 qualifications in 2007/08 – above the 50% England average and 2<sup>nd</sup> of England's regions.
- The South East had the highest rate at 57%.

**Figure 5.12: 19 Year Olds Achieving Level 3 Qualifications by English Region (%), 2003/04 and 2007/08**

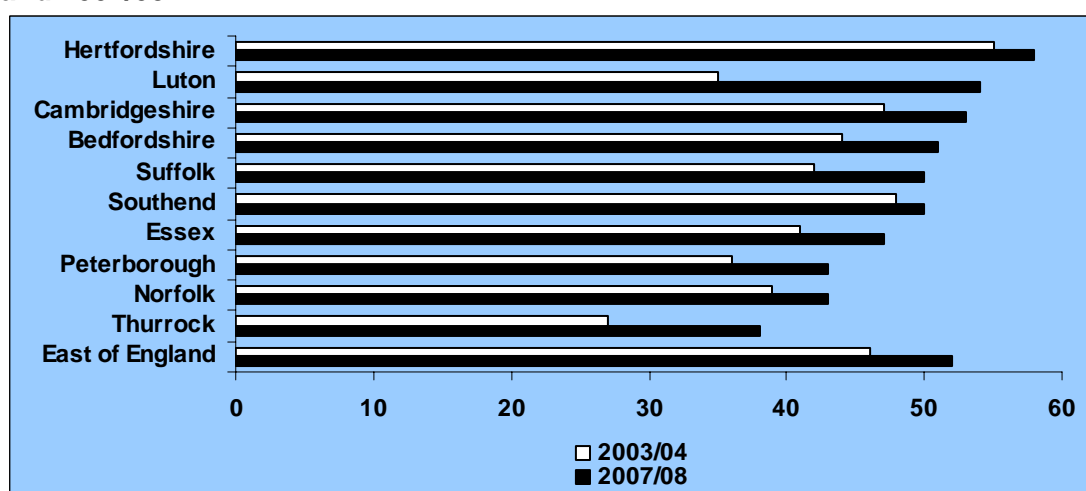


Source: Learning and Skills Council

Within the East of England, the proportion of 19 year olds achieving Level 3 qualifications closely reflects the other young people indicators. Figure 5.13 shows:

- Hertfordshire, Luton and Cambridgeshire have the highest proportions with 53% or above.
- In contrast, Thurrock, Norfolk and Peterborough have the lowest proportions with less than 44% of 19 year olds achieving Level 3 qualifications.

**Figure 5.13: 19 Year Olds Achieving Level 3 Qualifications by LAA (%), 2003/04 and 2007/08**



Source: Learning and Skills Council

Note: Data below Bedfordshire level is not available

To achieve the *Regional Economic Strategy* target to increase the proportion of 19 year olds achieving Level 3 qualifications, there is scope for greater progression from Level 2 to Level 3 qualifications in the East of England. For example:



- 77% of the East of England's 19 year olds were qualified to Level 2 and 52% to Level 3. Therefore, there is a 68% progression from Level 2 to Level 3.
- In contrast, the South East had 80% of its 19 year olds qualified to Level 2 and 57% to Level 3. Its progression rate was therefore higher at 71%.

### **Ethnicity**

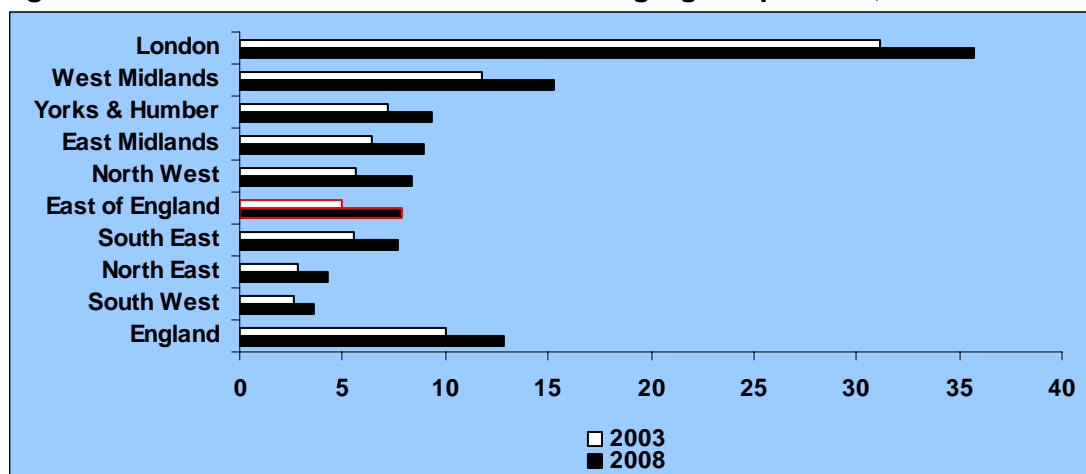
Increasing economic participation levels amongst the growing ethnic minorities population is vital in achieving greater social justice and higher economic growth. Maximising their economic potential is of particular importance but there are often challenges here. On one side, language barriers and cultural issues can make it difficult for individuals to engage in economic activity; on the other, inflexible provision allied with cultural misconceptions can limit the opportunities available.

Figures 5.14 to 5.18 look at the ethnic minority population and its economic participation levels in the East of England. The data is predominantly drawn from the Annual Population Survey which, due to the survey's small sample size, means ethnic minority data is statistically unreliable at LAA level so only England regional data has been provided.

In 2008, the East of England's non-white working age population was 273,400, which is an increase of 108,000 since 2003. Figure 5.14 shows how the size of the non-white population compares with England's other regions.

- The non-white population made up 8% of the East of England's working age population in 2008. This was up from 5% in 2003.
- The proportion is smaller than the England average of 13% and significantly smaller than London's 36%.

**Figure 5.14: Non-Whites as % of Total Working Age Population, 2003 and 2007**

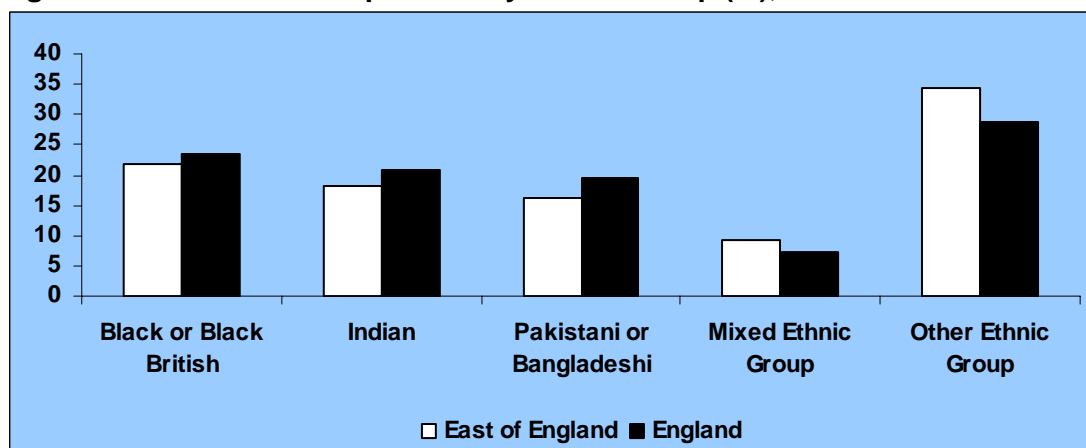


Source: Annual Population Survey

In terms of which ethnic groups make up the 273,400 non-white working age population, Figure 5.15 shows the ethnicity breakdown that is available using the Annual Population Survey.

- Other ethnic group, which includes the Chinese ethnic group, is the largest ethnic group in the East of England at 35% of the non-white working age population.
- Black or Black British, Indian, and Pakistani/Bangladeshi ethnic groups all make up between 16% and 22% of the non-white working age population.

**Figure 5.15: Non-White Population by Ethnic Group (%), 2008**



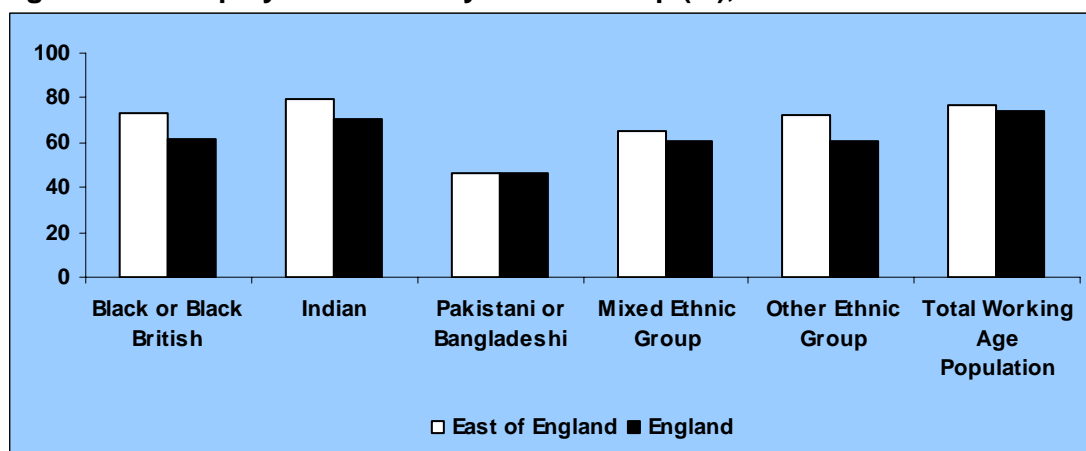
Source: Annual Population Survey

There are clear variations in employment rates across different ethnic groups. Figure 5.16 uses the total East of England employment rate of 77% as a benchmark

because the *Regional Economic Strategy* aims to increase economic activity rates amongst disadvantaged groups closer to the regional average. Figure 5.16 shows:

- Black or Black British, Indian and Other ethnic groups all have rates close to the East of England average at 72% or more.
- The lowest rate is amongst the Pakistani and Bangladeshi ethnic group at just 47%. This rate becomes lower still when looking by gender as just 28% of Pakistani/Bangladeshi working age females are in employment.
- Overall, the East of England has higher employment rates for each ethnic group than the England average.

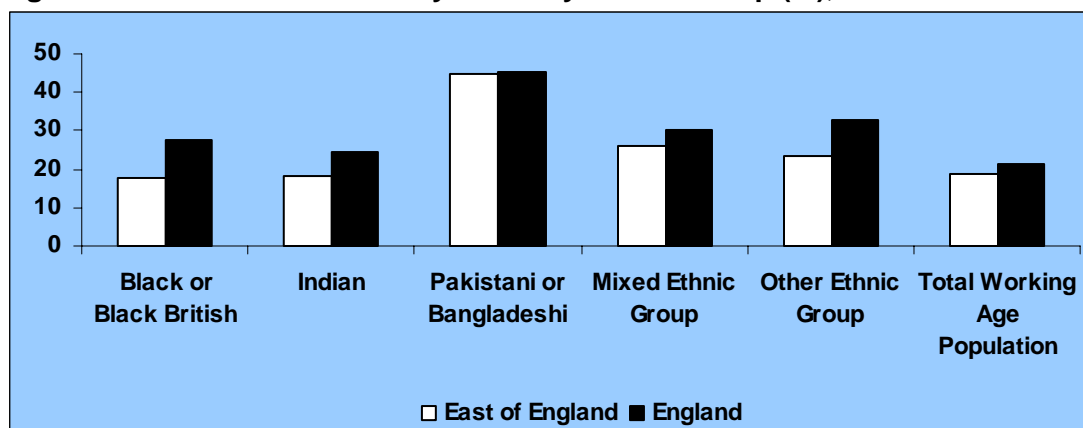
**Figure 5.16: Employment Rates by Ethnic Group (%), 2008**



Source: Annual Population Survey

The economic inactivity rate by ethnic group shows a similar pattern to the employment rate with the Pakistani and Bangladeshi ethnic groups again performing poorly. 45% of the Pakistani and Bangladeshi working age population are classified as economically inactive and this rises to 66% amongst females. Cultural specific issues must therefore be considered when seeking to increase economic participation rates amongst Pakistani and Bangladeshi ethnic groups.

**Figure 5.17: Economic Inactivity Rates by Ethnic Group (%), 2007**



Source: Annual Population Survey

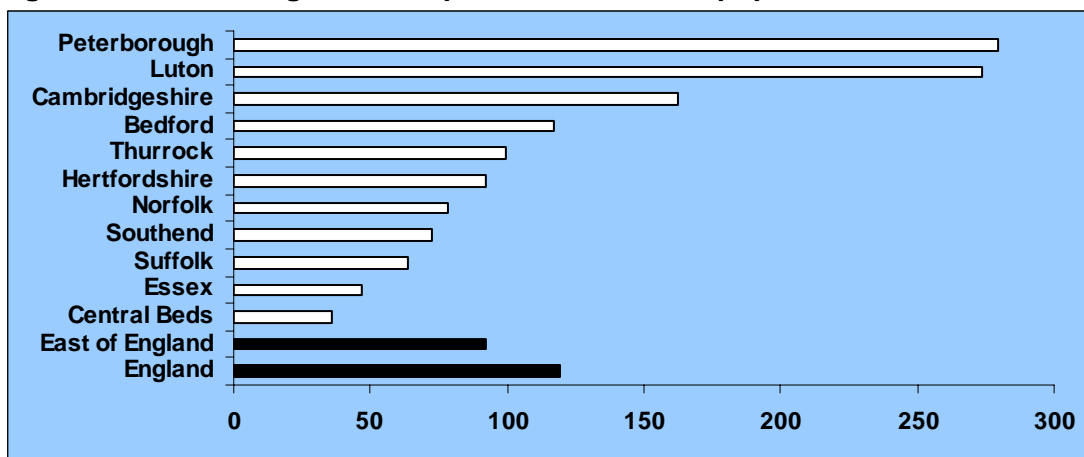
The increase in the number of **migrant workers** following the Accession States joining the European Union is a further dimension to consider when looking at ethnicity. Economic participation levels amongst migrant workers are generally high but language skills can be a barrier to gaining and progressing in employment. Using the number of National Insurance Number (NINo) registrations as a proxy for the number of migrant workers, in the five years between 2004/05 and 2008/09, there were:

- 244,130 NINo registrations in the East of England, which was 9% of the total NINo registrations across England.
- In 2008/09, there were 52,200 NINo registrations in the East of England, which equates to 92 NINo registrations per 10,000 population. On this measure, the East of England has the third highest concentration of migrant workers across England's regions with only London (365) and the South East (93) having higher.

Within the East of England, Hertfordshire and Cambridgeshire have had the most NINo registrations between 2004/05 and 2008/09 at 43,000 and 41,000 respectively. However, this can be misleading as the smaller LAAs such as Bedford, Luton, Peterborough, Southend and Thurrock may have had fewer NINo registrations in total but per head of population have received disproportionately more than larger LAAs. As Figure 5.18 shows:

- Peterborough and Luton have by far the highest ratio at around 275 NINo registrations per 10,000 population in 2008/09.
- Cambridgeshire and Bedford are the only other LAAs to have a ratio at or above the England average.

**Figure 5.18: NINo Registrations per 10,000 resident population, 2008/09**



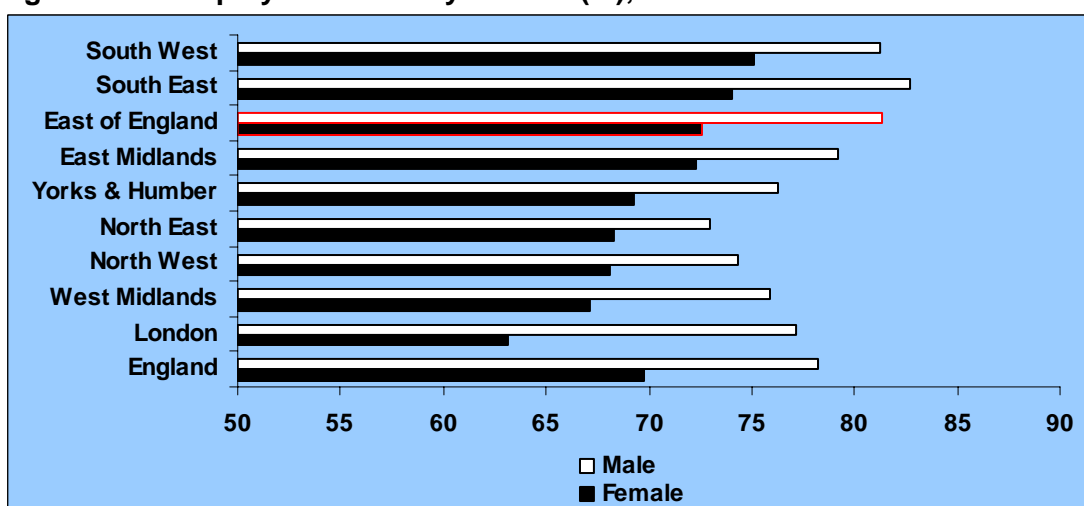
Source: DWP NINo registrations data

### Gender

As a barrier to economic participation, gender does not appear to be a greater issue in the East of England than in other parts of England. As Figure 5.19 shows, the East of England female employment rate is lower than the male employment rate but the discrepancy is in line with the English regions. Figure 5.19 shows:

- The East of England female employment rate is 73% compared with the male employment rate of 81%. As a result, the female employment rate is a factor of 0.89 of the male employment rate.
- The England female employment rate is 70% compared with the male employment rate of 78%. The factor is therefore also 0.89.

**Figure 5.19: Employment Rate by Gender (%), 2008**



Source: Annual Population Survey

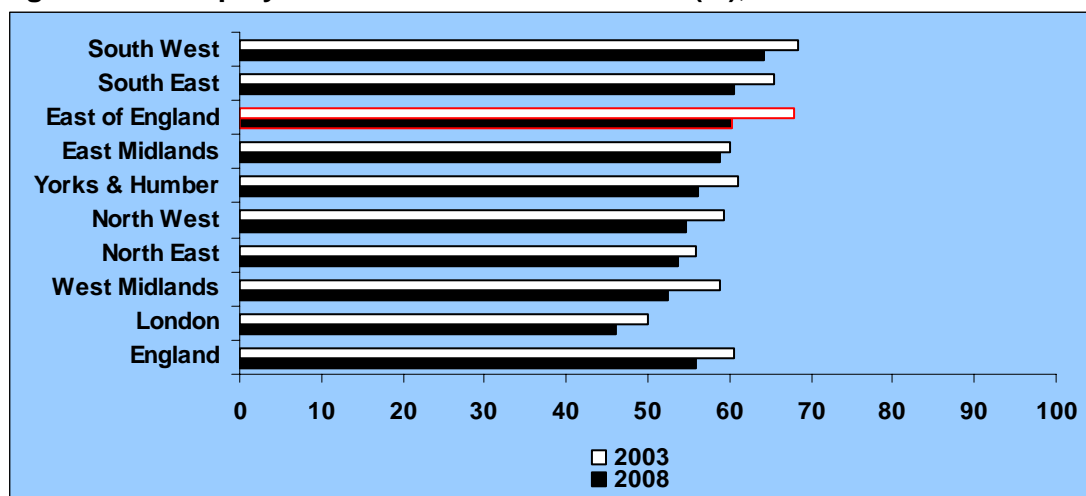
## Age

Age is a further potential barrier to economic participation. Indeed, given the gradual ageing of the population, there is an increasing emphasis placed on encouraging and supporting older workers to remain in work up to state retirement age. Figures 5.20 to 5.22 analyse age as a barrier to economic participation by looking in turn at the employment rates of 16-24 year olds, 25-49 year olds, and those aged 50 to retirement age. At all ages, the East of England is ranked amongst the highest three or four regions.

Figure 5.20 begins by looking at the employment rates of 16-24 year olds. It shows:

- 60% of the East of England's 16-24 year olds were in employment in 2008, which is higher than the England average of 56%.
- Across all regions, there has been a reduction in the proportion in employment between 2003 and 2008 and this is likely to be a consequence of government policy to increase the proportions of young people staying on in education and entering higher education.

**Figure 5.20: Employment Rate of 16-24 Year Olds (%), 2003 and 2008**

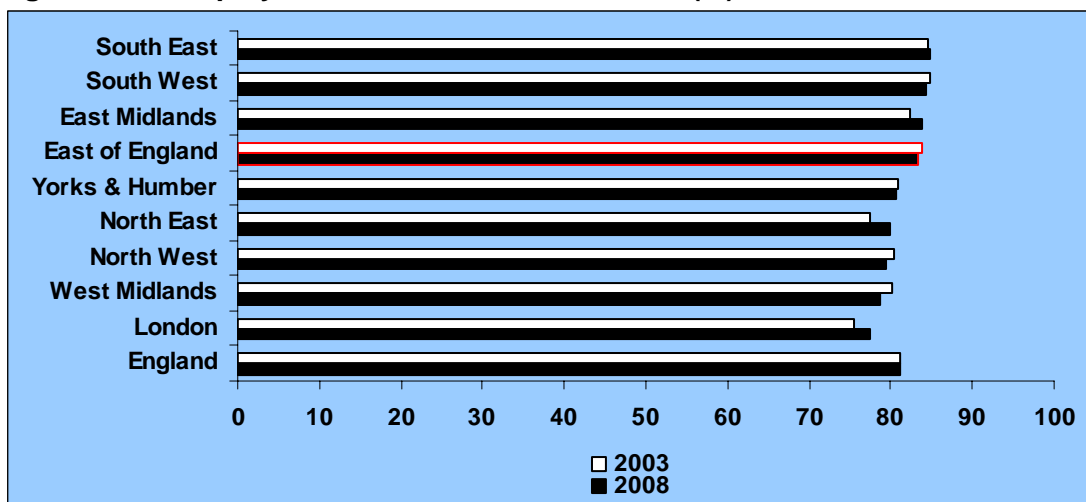


Source: Annual Population Survey; Labour Force Survey

Figure 5.21 looks at the employment rate of the bulk of the workforce: the 25-49 year old age group. It shows:

- 83% of the East of England's 25-49 year olds were in employment in 2008. This ranked it 4<sup>th</sup> of England's regions but above the England average of 81%.
- Between 2003 and 2008, the East of England's 25-49 year old employment rate has seen a small decrease.

**Figure 5.21: Employment Rate of 25-49 Year Olds (%), 2003 and 2008**

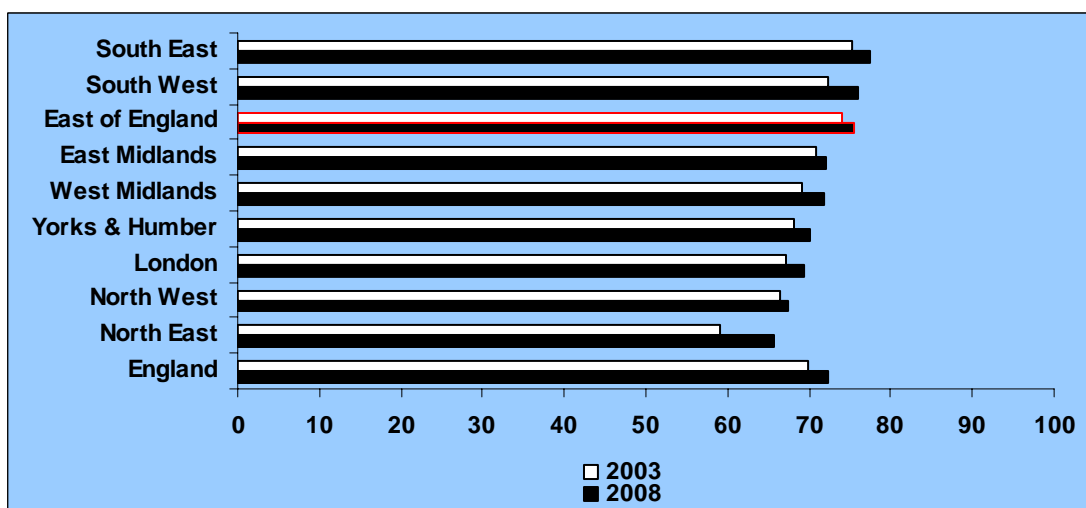


Source: Annual Population Survey; Labour Force Survey

Turning to the 50 to retirement age employment rate, Figure 5.22 shows:

- The employment rate for this age group has increased across all regions by approximately two percentage points between 2003 and 2008.
- In the East of England, the 50 to retirement age employment rate was 76% in 2008, ranking it 3<sup>rd</sup> of England’s regions. However, given the priority placed on 16-24 year olds continuing full-time education, there is arguably a need to increase the 50 to retirement age employment rate further if the *Regional Economic Strategy* target of 80% employment is to be achieved.

**Figure 5.22: Employment Rate of Those Aged 50 to Retirement Age (%), 2003 and 2008**



Source: Annual Population Survey; Labour Force Survey

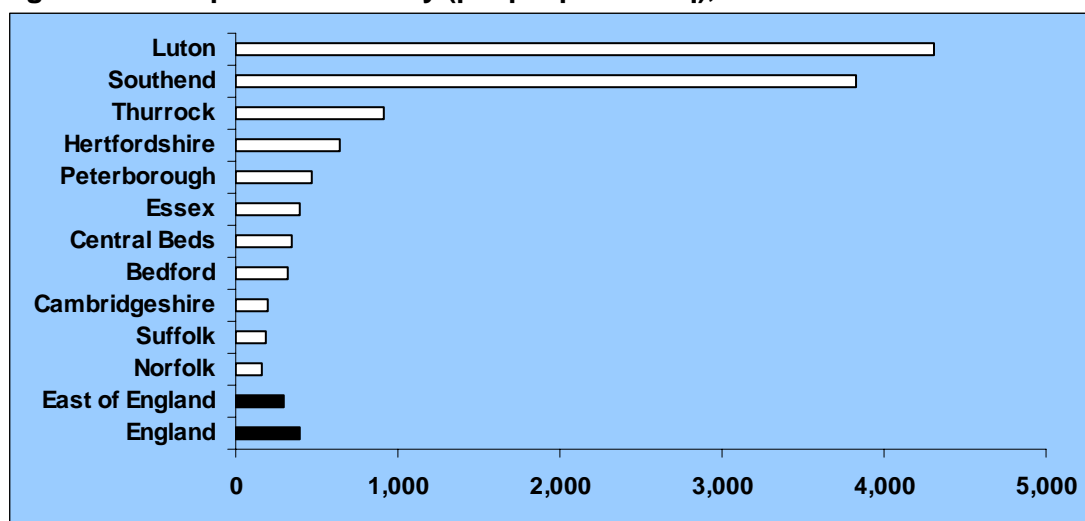
## Rural Geography

Rural communities can be characterised by low levels of economic participation due to the lack of local opportunities. Limited access to jobs and education, training and employability services means individuals without access to private transport and on low incomes are particularly affected. Such vulnerable groups would include those with a disability or poor health, lone parents, young people and older people. In the case of young people, many move away from rural areas due to greater opportunities elsewhere.

The East of England has 293 people per km sq, which makes it the 3<sup>rd</sup> most rural English region with only the South West and the East Midlands having a lower **population density**. However, it is within the region that rural geography becomes a more significant barrier. Figure 5.23 shows:

- Norfolk, Suffolk and Cambridgeshire can be classed as rural LAAs with all having fewer than 200 people per km sq.
- In contrast, Luton and Southend are the most urbanised of the East of England's LAAs with around 4,000 people per km sq.

**Figure 5.23: Population Density (people per km sq), 2006**



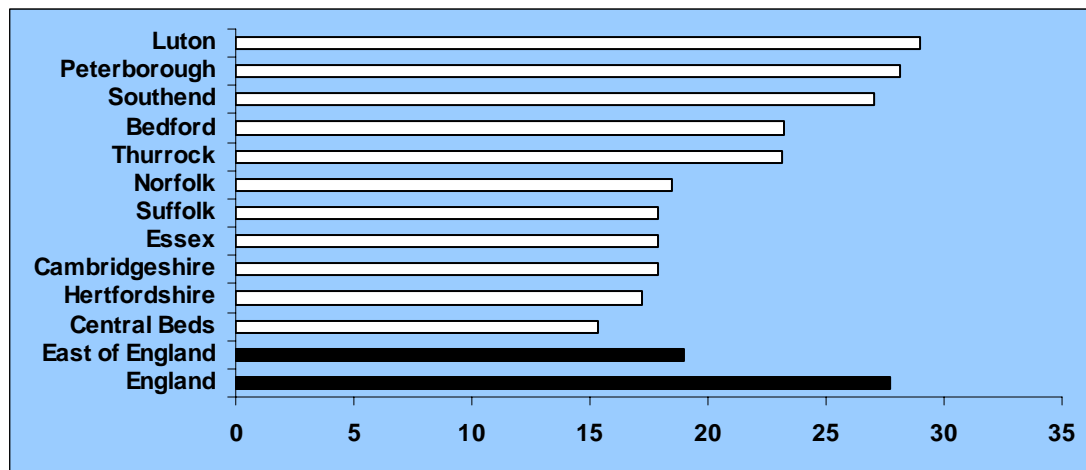
Source: Office of National Statistics

In rural areas, access to private transport is of greater importance due to distances to key services and limited public transport provision. Figure 5.24 uses Census data to show the proportion of economically inactive 16 to 74 year olds who do not have **access to a car**. The key finding is that while less people in the rural LAAs of Norfolk, Suffolk and Cambridgeshire do not have access to a car, the proportion is



not significantly less than other LAAs. This means that in these rural LAAs access to transport is likely to be a key barrier to their economic participation.

**Figure 5.24: Economically Inactive 16 to 74 year olds living in Households without Access to a Private Car or Van (%), 2001**



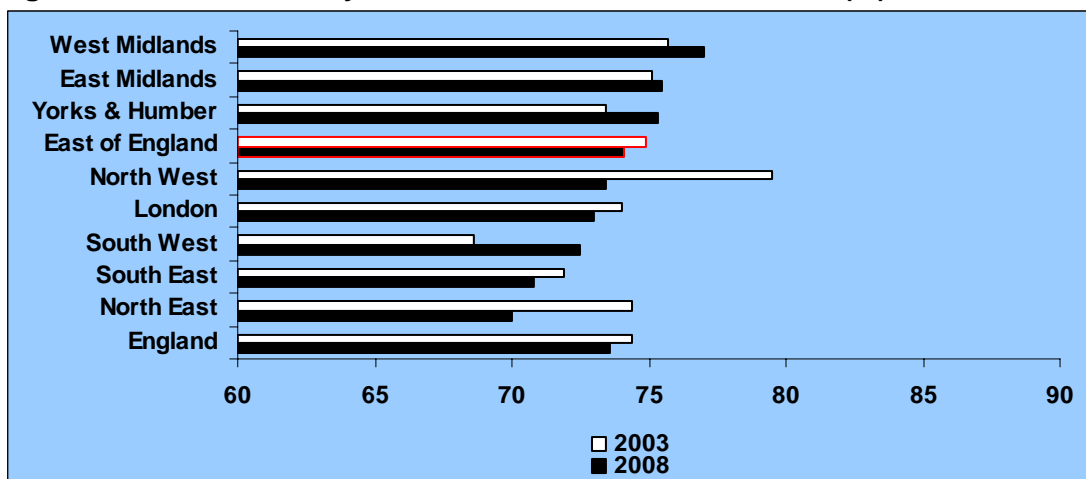
Source: Census

### Attitude to Work

The final barrier to economic participation to be assessed is an individual's attitude to work. Economic participation as a concept is wider than simply employment but looking at an individual's attitude to work is a useful indicator. Therefore, Figure 5.25 shows the proportion of each region's economically inactive **'who do not want a job'**. The findings are important as no matter how effective interventions are to tackle other barriers, there will still be a sizeable proportion of the working age population who are not interested in working. Figure 5.25 shows:

- 74% or 478,000 of the East of England's 644,800 economically inactive working age population do not want a job.
- The East of England proportion is the same as the England average and ranks it 4<sup>th</sup> amongst England's regions.

**Figure 5.25: Economically Inactive ‘Who Do Not Want a Job’ (%), 2003 and 2008**

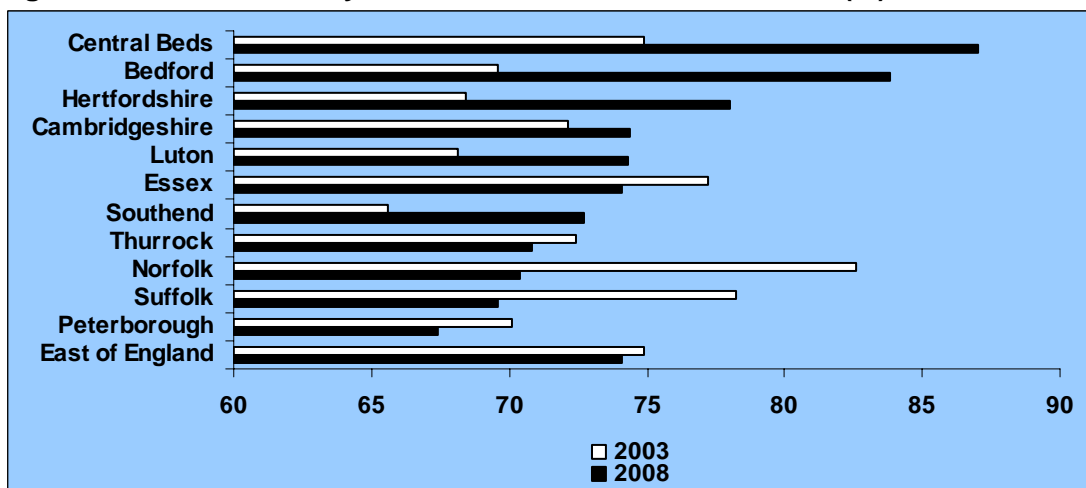


Source: Annual Population Survey

Within the East of England, there are notable variations in the proportion who do not want a job but generally the proportions are highest in the more affluent LAAs. Figure 5.26 shows:

- The more prosperous LAAs of Central Bedfordshire, Bedford and Hertfordshire have a higher proportion who do not want a job – possibly due to early retirement or lifestyle reasons.
- In contrast, the more rural LAAs of Suffolk and Norfolk and the more deprived LAAs of Southend, Thurrock and Peterborough have fewer economically inactive ‘who do not want a job’.

**Figure 5.26: Economically Inactive ‘Who Do Not Want a Job’ (%), 2003 and 2008**



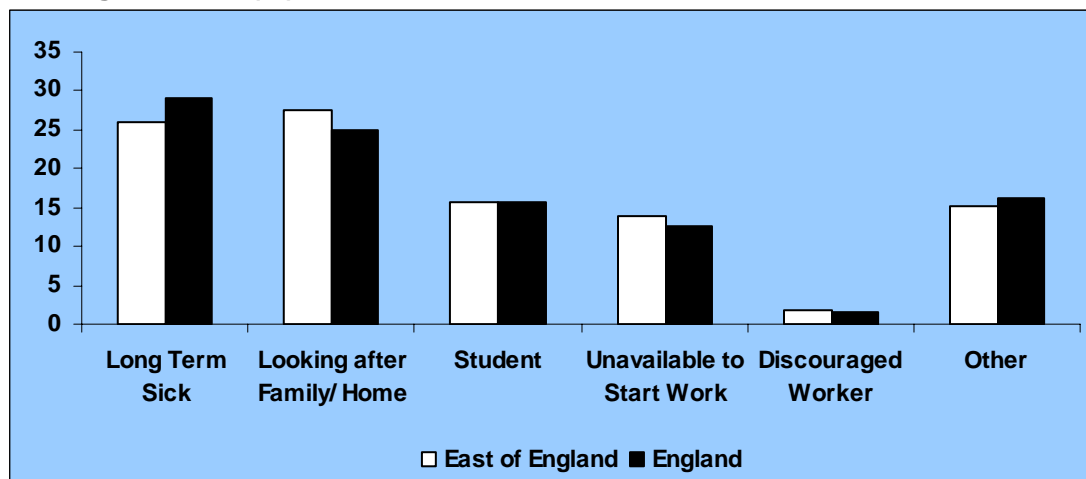
Source: Annual Population Survey

Understanding why people do not want to work is crucial in being able to tackle their barriers to work. While the reasons behind the East of England’s 478,000 working

age residents who do not want to work are not available, the reasons behind the East of England's 168,000 'who do want a job but are not currently looking' are. Figure 5.27 shows:

- 26% want a job but are not looking because they are long-term sick.
- A further 28% want a job but are not looking because they are looking after their family or home.
- 16% want a job but are not looking because they are students.
- 14% want a job but are not looking because they are unavailable to start work.

**Figure 5.27: Economically Inactive 'Who Do Want a Job' – Reasons for Not Looking for Work (%), 2008**



Source: Annual Population Survey

## Chapter Summary

This chapter analysed the extent to which key barriers are contributing to the low economic participation levels in some areas. Looking first at the East of England region as a whole, the key barriers for the region appear to be:

- **Education and skills** – particularly in progressing individuals from basic level and NVQ Level 1 qualifications on to higher level qualifications.
- **Young people's participation** – with the East of England having a relatively high NEET rate and a low post-compulsory education rate.
- **Ethnicity** – while economic participation rates amongst the East of England's ethnic population are relatively high, they are still below the economic participation levels of the white population. This is particularly the case amongst the Pakistani/Bangladeshi ethnic group.
- **Rural geography** – having the 3<sup>rd</sup> lowest population density of England's regions brings barriers relating to access to jobs, education and key services.

Within the East of England, the LAAs most often falling in 9<sup>th</sup> to 11<sup>th</sup> amongst the East of England's regions are **Luton**, **Peterborough** and **Thurrock**. The other LAA which performed poorly on a number of indicators – most notably in its health profile and young people indicators – was **Norfolk** and its rural geography and older age profile are likely to be significant factors here.

## 6. CONSEQUENCES OF LOW ECONOMIC PARTICIPATION

### Introduction

This chapter predominantly draws on the Index of Multiple Deprivation to show the scale of deprivation in the East of England. The Index of Multiple Deprivation measures how well England's 32,482 lower super output areas (LSOAs) score on six indicator domains, namely:

- Employment
- Education, skills and training
- Income
- Health
- Housing and Access to Services
- Living Environment.

By taking these indicator scores, each LSOA is ranked against each other to identify the most deprived localities in England.

### Index of Multiple Deprivation

*Transforming Places; Changing Lives: A Framework for Regeneration* (DCLG, 2008)<sup>6</sup> considers the priority areas for regeneration to be those LSOAs that fall within England's 10% most deprived. Using this benchmark:

- 83 or 2% of the East of England's 3,550 LSOAs are in England's 10% most deprived – showing that nationally the region has comparatively few areas with high levels of deprivation.

This study takes a wider benchmark and recognises that there are areas of high deprivation that fall outside of the above benchmark. Therefore, using those LSOAs that fall within England's 20% most deprived as a benchmark, Figure 6.1 shows:

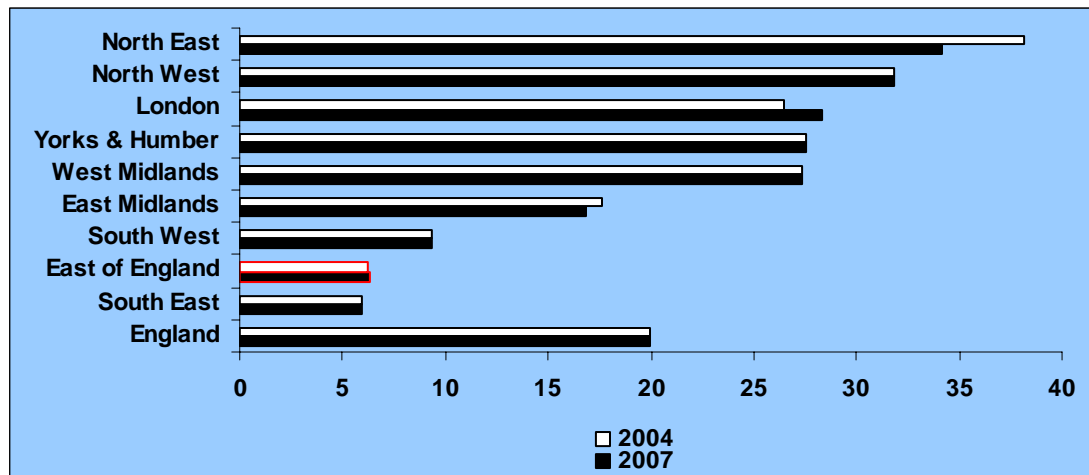
- The East of England has 223 or 6% of its 3,550 datazones in England's 20% most deprived.
- Against England's regions, the East of England has the 2<sup>nd</sup> smallest proportion of its LSOAs in England's 20% most deprived. Only the South East has a lower rate.

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<sup>6</sup> DCLG (2008) *Transforming Places; Changing Lives: A Framework for Regeneration*

In terms of change over time, there is generally little change in the overall composition of the Index of Multiple Deprivation between 2004 and 2007. As a result, only the latest (2007) data will be presented in the remainder of this chapter.

**Figure 6.1: % of English Regions' LSOAs in England's 20% Most Deprived, 2004 and 2007**



Source: DCLG Index of Multiple Deprivation

However, within the region there are pockets of deprivation. Two different benchmarks will be used to illustrate this:

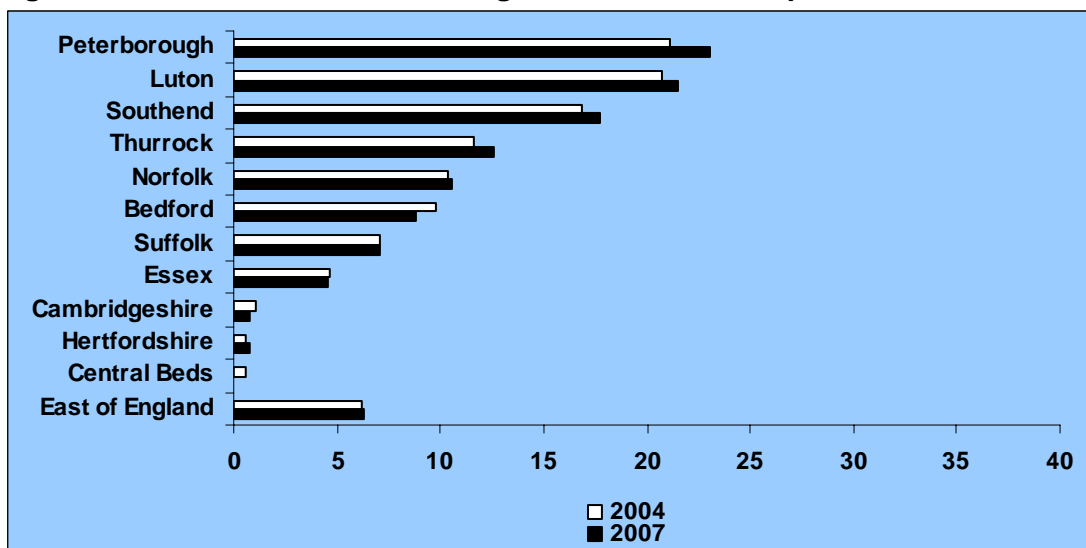
- National benchmark: Figure 6.2 shows the proportion of each LAA's LSOAs that fall within England's 20% most deprived.
- Regional benchmark: Figure 6.3 shows the proportion of each LAA's LSOAs that fall within the East of England's 20% most deprived.

### ***National***

Taking the national 20% benchmark, Figure 6.2 shows:

- Peterborough and Luton are the only LAAs that have more of their LSOAs in England's 20% most deprived than the 20% national benchmark.
- Three LAAs have more than 10% of their LSOAs in England's 20% most deprived and these are Southend, Thurrock and Norfolk.

**Figure 6.2: % of LAAs' LSOAs in England's 20% Most Deprived, 2004 and 2007**



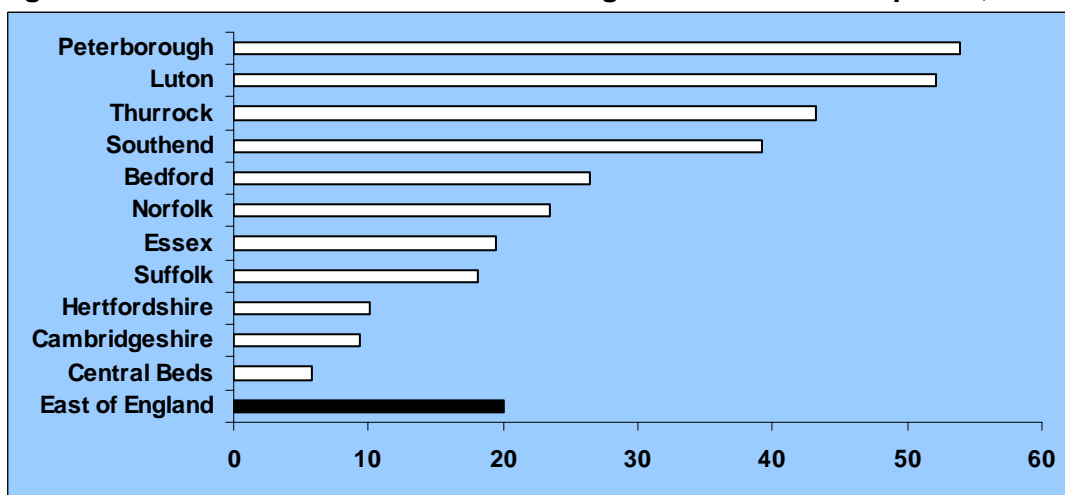
Source: DCLG Index of Multiple Deprivation

**Regional**

The regional benchmark shows which LAAs have the highest proportion of their LSOAs in the East of England's 20% most deprived LSOAs. As would be expected, Figure 6.3 closely mirrors Figure 6.2 and shows:

- Peterborough and Luton have the largest proportion of their LSOAs in the East of England's 20% most deprived with over 50% of their LSOAs.
- Thurrock, Southend, Bedford and Norfolk are the other LAAs to have more than 20% of their LSOAs in the region's 20% most deprived.

**Figure 6.3: % of LAAs' LSOAs in East of England's 20% Most Deprived, 2007**



Source: DCLG Index of Multiple Deprivation

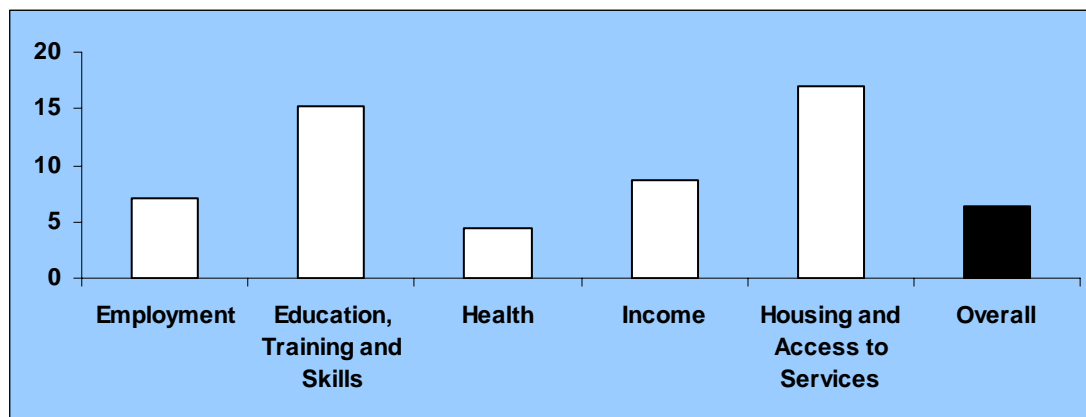
### **Thematic Analysis**

Analysing the domains that impact on economic participation levels, Figure 6.4 shows the proportion of the East of England's LSOAs that fall within England's 20% most deprived on each indicator domain (the Living Environment domain has not been used in this analysis as it does not touch on an economic participation issue). Again using the national 20% benchmark, Figure 6.4 shows:

- The East of England performs well nationally on the health, employment and income domains with less than 9% of its LSOAs falling within England's 20% most deprived.
- However, while still better than the national 20% benchmark, the region performs less well on the education domain (15%) and the housing and access to services domain (17%), which can be used as a proxy of rural geography.

Figure 6.4 therefore reflects the findings of other indicators within this report – namely that the East of England performs relatively poorly in relation to education and skills and also has a number of rural areas.

**Figure 6.4: % of East of England's LSOAs in England's 20% Most Deprived by Domain, 2007**



Source: Index of Multiple Deprivation

To show where the scale of deprivation is greatest within East of England by indicator domain, Figure 6.5 ranks each LAA on the proportion of their LSOAs that fall within England's 20% most deprived. Figure 6.5 shows:

- Luton, Peterborough, Southend and Thurrock are consistently ranked in the four most deprived LAAs in the East of England on most measures.



**Figure 6.5: East of England's Most Deprived LAAs by Domain, 2007**

	Employment	Education, Training and Skills	Health	Income	Housing and Access to Services	Overall Index of Multiple Deprivation
1	Southend 22%	Thurrock 44%	Southend 20%	Luton 36%	Norfolk 23%	Peterborough 23%
2	Peterborough 17%	Peterborough 26%	Peterborough 15%	Peterborough 30%	Suffolk 22%	Luton 22%
3	Luton 17%	Luton 25%	Luton 13%	Southend 22%	Essex 19%	Southend 18%
4	Thurrock 15%	Southend 20%	Norfolk 8%	Bedford 18%	Cambridgeshire 17%	Thurrock 13%
5	Norfolk 13%	Norfolk 19%	Bedford 7%	Thurrock 16%	Peterborough 17%	Norfolk 11%
6	Bedford 12%	Suffolk 18%	Thurrock 6%	Norfolk 10%	Bedford 15%	Bedford 9%
7	Suffolk 8%	Essex 18%	Suffolk 4%	Suffolk 8%	Hertfordshire 15%	Suffolk 7%
8	Essex 5%	Bedford 17%	Essex 3%	Essex 6%	Luton 11%	Essex 5%
9	Cambridgeshire 1%	Central Beds 7%	Cambridgeshire 1%	Hertfordshire 4%	Thurrock 8%	Cambridgeshire 1%
10	Central Beds 1%	Cambridgeshire 6%	Hertfordshire 1%	Cambridgeshire 3%	Central Beds 7%	Hertfordshire 1%
11	Hertfordshire 1%	Hertfordshire 6%	Central Beds 0%	Central Beds 2%	Southend 0%	Central Beds 0%

Source: DCLG Index of Multiple Deprivation

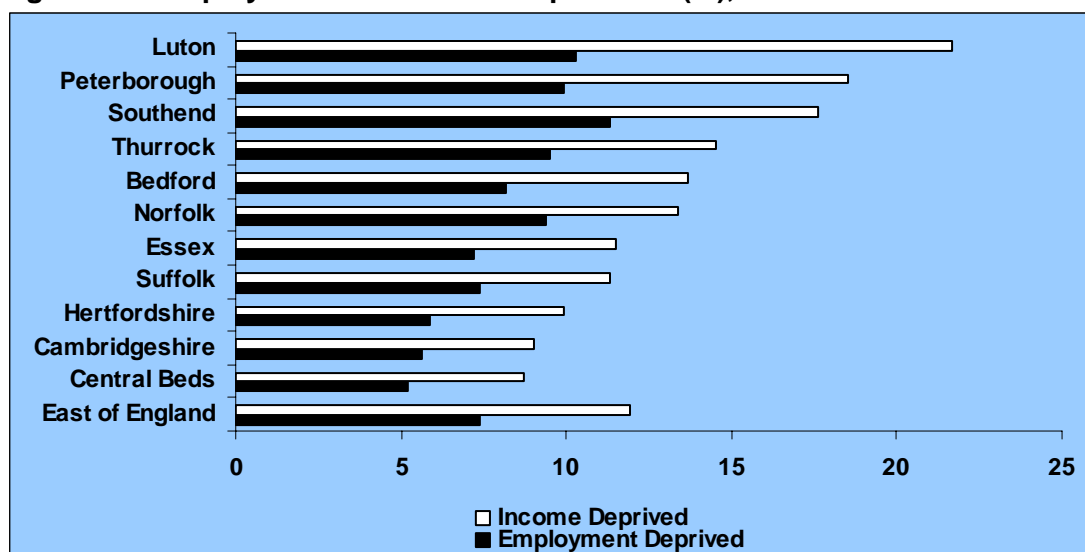
Two further indicators that can be derived from the Index of Multiple Deprivation are:

- The proportion of the working age population who are **employment deprived** – defined as JSA and IB/SDA claimants and New Deal participants.
- The proportion of the total population who are **income deprived** – defined as where adults or children live in Income Support, JSA, Pension Credit, Working Families Tax Credit, Child Tax Credit or National Asylum Support Service receiving households.

Nationally, the East of England has the 2<sup>nd</sup> best employment and income deprivation rates of England's regions, with only the South East performing better. Within the East of England, Figure 6.6 shows:

- In line with Figure 6.5, Luton, Peterborough, Southend and Thurrock are the most deprived on both measures.
- Bedford and Norfolk are the other LAAs to have deprivation levels above the East of England average.

**Figure 6.6: Employment and Income Deprivation (%), 2007**



Source: DCLG Index of Multiple Deprivation

A further consequence of low economic participation and wider deprivation is **financial exclusion**. Data to compare the East of England at a national level are not available; however the Rocket Science (2008)<sup>7</sup> *Financial Inclusion in the East of England* report provides data at East of England LAA level. Sourcing data through CACI, the report shows the size of the working age population who are financially excluded in terms of access to a set of different financial products. For the East of England as a whole:

- 28% of the working age population have no savings account;
- 4% have no current account;
- 13% have been refused credit in the past; and
- 29% have no home contents insurance.

At the East of England LAA level, Figure 6.7 ranks each LAA against one another for each of the four financial inclusion measures. It shows:

- Luton has the highest levels of financial exclusion using all four measures.
- Peterborough, Thurrock and Southend also have high levels of financial exclusion.

<sup>7</sup> Rocket Science (2008) *Financial Inclusion in the East of England*

**Figure 6.7: Ranking of Economic Exclusion in East of England's LAAs (% of working age population), 2007**

	<b>% with No Savings Account</b>	<b>% with No Current Account</b>	<b>% Refused Credit in the Past</b>	<b>% with No Home Contents Insurance</b>
1	Luton 35%	Luton 6%	Luton 18%	Luton 34%
2	Thurrock 34%	Norfolk 6%	Peterborough 16%	Peterborough 33%
3	Southend 33%	Peterborough 5%	Thurrock 16%	Thurrock 32%
4	Peterborough 32%	Thurrock 5%	Southend 15%	Hertfordshire 31%
5	Essex 30%	Suffolk 5%	Norfolk 14%	Southend 30%
6	Norfolk 28%	Southend 5%	Bedford 14%	Bedford 30%
7	Bedford 28%	Bedford 5%	Suffolk 14%	Cambridgeshire 28%
8	Hertfordshire 27%	Essex 4%	Essex 13%	Norfolk 28%
9	Cambridgeshire 26%	Cambridgeshire 4%	Hertfordshire 13%	Suffolk 27%
10	Central Beds 25%	Hertfordshire 4%	Central Beds 12%	Essex 27%
11	Suffolk 25%	Central Beds 4%	Cambridgeshire 12%	Central Beds 25%

*Source: CACI data in Rocket Science (2008) Financial Inclusion in the East of England*

### Chapter Summary

Area deprivation is a consequence of low economic participation levels. As a result, this chapter's findings would be expected to mirror the broad findings of the economic participation indicators in Chapters 4 and 5. Benchmarking the East of England and its LAAs against England's 20% most deprived LSOAs, the key findings are:

- The East of England has the 2<sup>nd</sup> lowest proportion of LSOAs in England's 20% most deprived at 6% of its 3,550 LSOAs.
- However, by individual domain, the East of England performs relatively poorly in terms of education and skills. The Index of Multiple Deprivation also reaffirms that the regions' rural geography impacts on residents' access to services.
- Within the East of England, there are pockets of deprivation and the LAAs with the highest proportion of their LSOAs with high levels of deprivation are **Luton, Peterborough, Southend and Thurrock**.
- **Norfolk** and **Bedford** also have higher proportion of their LSOAs with high levels of deprivation than the East of England average.

## 7. SUSTAINING AND PROGRESSING IN EMPLOYMENT

### Introduction

To maintain economic participation levels and to contribute to the region's economic competitiveness, it is important for individuals to both sustain and progress into more highly skilled and better paid jobs. Indicators around sustaining and progressing in employment are not widely available. As a result, this chapter has used a number of key indicators to assess the following key issues:

- The degree of 'cycling' between employment and unemployment.
- Wage levels which act as an incentive to entering and sustaining employment.
- Levels of higher educational attainment which enable individuals to progress into better jobs.

### Labour Market Turnover

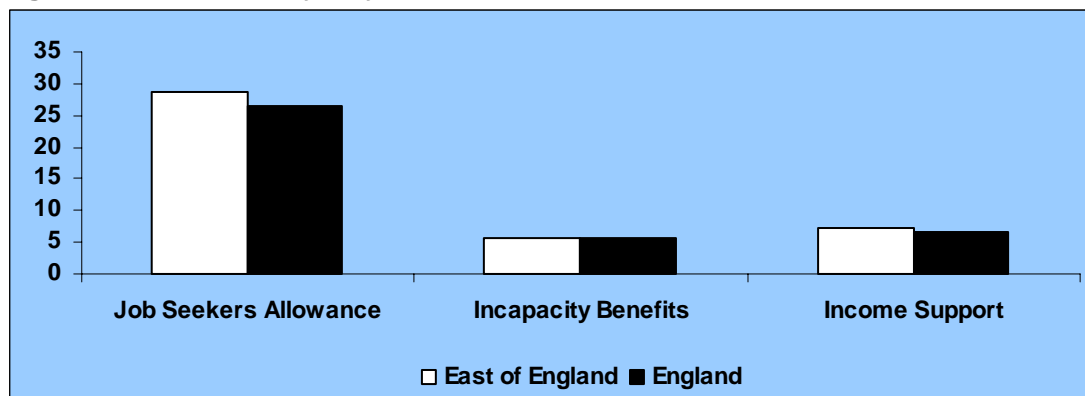
Chapter 4 presented a number of indicators that showed the scale of employment and unemployment – most importantly the employment rate and the proportion of the working age population claiming DWP out of work benefits. However, such indicators are a snapshot of the labour market at any one time; it does not show the movement or churn within the labour market either between jobs or 'cycling' between employment and unemployment.

To help illustrate this, the churn on and off key benefits is shown in Figure 7.1. While this helps indicate the scale of the 'cycling' between employment and unemployment, churn off benefits does not necessarily mean an individual has entered employment – rather they might have changed benefit claim, turned of pensionable age or another destination. Figure 7.1 presents the latest available data for the churn of the three main DWP statistical groups: Incapacity Benefit; Job Seekers Allowance; and Income Support claimants.

- Churn on and off benefits is much higher for JSA claimants at over 25% of total claimants. Churn is higher amongst this client group as they tend to be closer to the labour market and also actively looking for employment.
- Churn is lower amongst Incapacity Benefits claimants at 6% and this reflects their greater distance from the labour market in terms of poor health and low employability. It is also important to re-state that IB claimants make up 50% of all out-of-work claimants – meaning there is a persistently large proportion remaining on Incapacity Benefits.

- Churn is also low at 7% amongst lone parents (Income Support claimants) with caring responsibilities a key barrier.

**Figure 7.1: % Churn by Key DWP Benefit, 2007**



Source: Work and Pensions Longitudinal Study

### Sustaining Employment

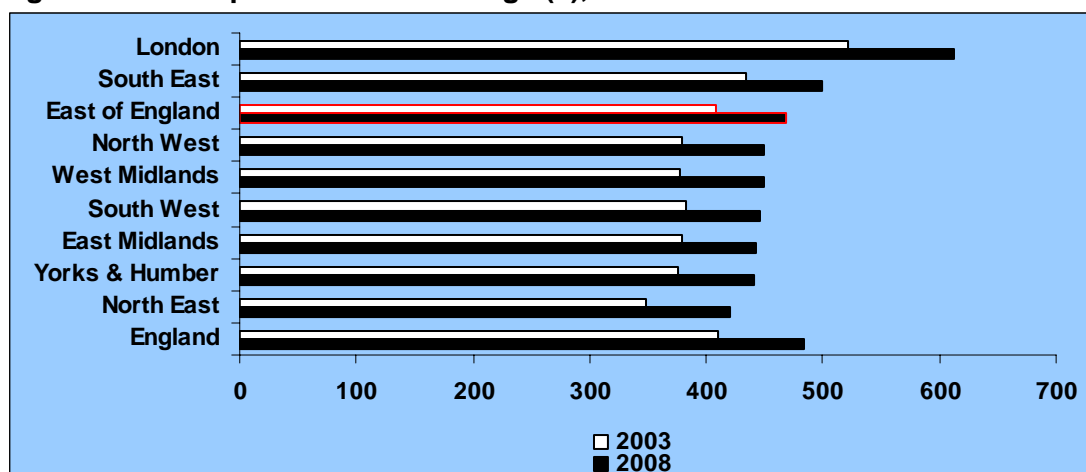
Pay and earnings are a key determinant for people in their choice of whether to enter and sustain employment. The rationale being that the higher the pay, the more attractive the job is to the individual – so acting as an incentive to starting or staying in a job. Pay and earnings vary from job to job, but at a regional level there are two key indicators:

- Workplace-based earnings – what is the pay of jobs located in an area.
- Residence-based earnings – what do residents of an area earn.

Looking first at workplace-based earnings to analyse the level of pay offered in the East of England, Figure 7.2 shows:

- Jobs in the East of England on average pay the 3<sup>rd</sup> highest of England's regions at £468 per week.
- Only London at £613 and the South East at £500 per week pay more.
- However, between 2003 and 2008, wage increases in the East of England and the South East were the lowest of England's regions at 15% compared with the England average increase of 18%.

**Figure 7.2: Workplace-Based Earnings (£), 2003 and 2008**



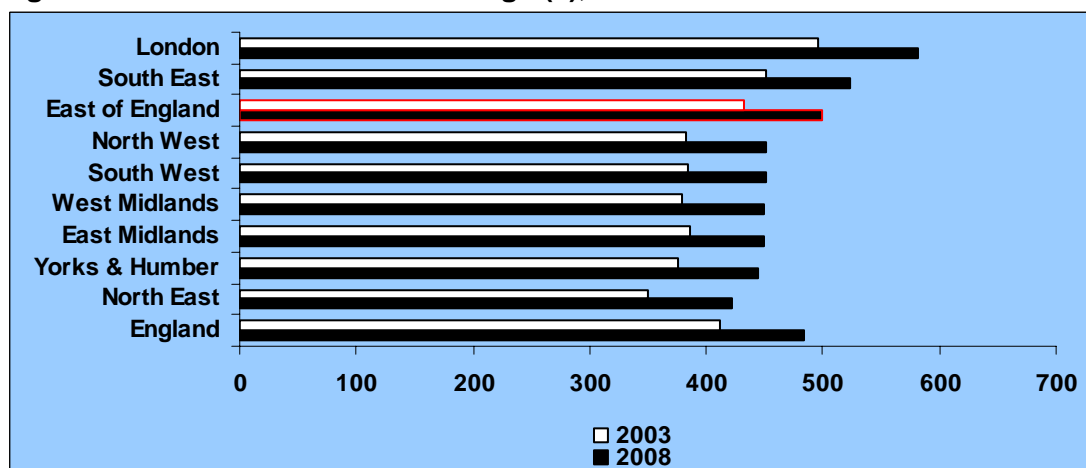
Source: Annual Survey of Hours and Earnings

Note: Median full-time gross weekly wages shown

In terms of residence-based earnings, Figure 7.3 shows:

- On average the earnings of East of England residents are higher than the pay offered by jobs in the region at £499 per week compared with £468. This can be attributed to the higher wages earned by commuters working in London.
- Overall, the East of England residents earn the 3<sup>rd</sup> highest earnings of England's regions. Again, only London and the South East have higher earnings levels.

**Figure 7.3: Residence-Based Earnings (£), 2003 and 2008**



Source: Annual Survey of Hours and Earnings

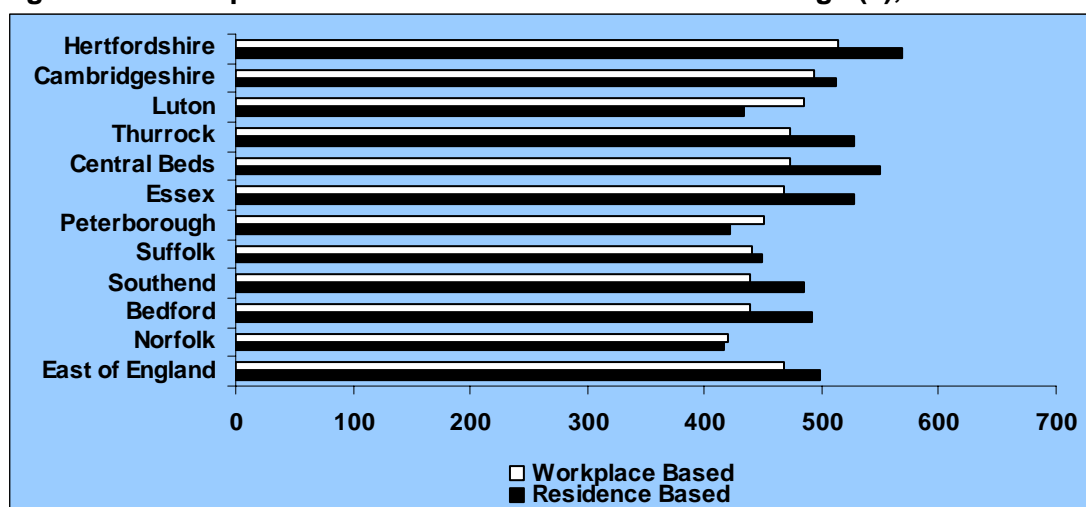
Note: Median full-time gross weekly wages shown

Looking at earnings levels within the East of England, there is a clear pattern of earnings being higher if closer to London. In the case of workplace-based earnings,

this will be due to employers having to offer wages that are competitive with London wages. In the case of residence-based earnings, this will be due to commuters to London. Figure 7.4 shows:

- Hertfordshire and Cambridgeshire have the highest earnings levels on both measures. In the case of Cambridgeshire, a significant factor in its higher earnings will be its higher skilled and higher paid local jobs base.
- Norfolk, Bedford and Southend have the lowest earnings levels offered locally.

**Figure 7.4: Workplace-Based and Residence-Based Earnings (£), 2008**



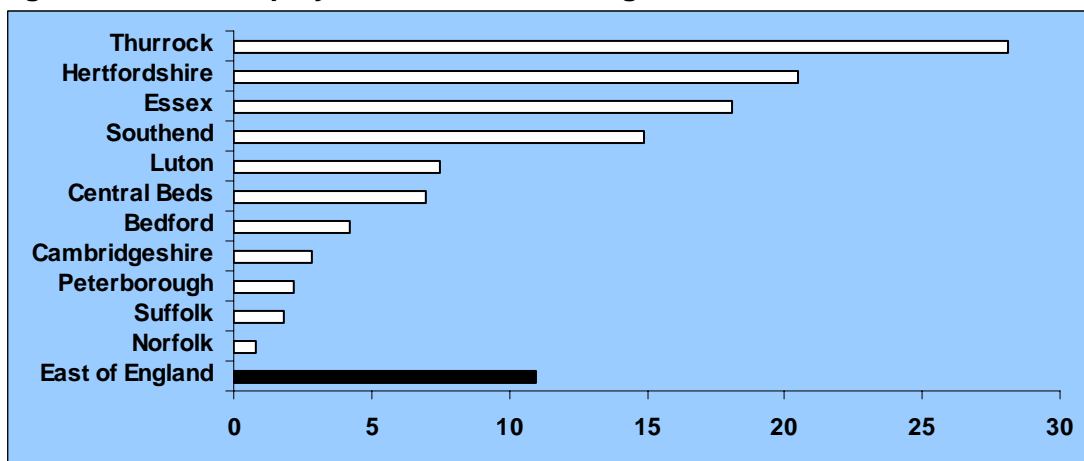
Source: Annual Survey of Hours and Earnings

Note: Median full-time gross weekly wages shown

To put Figures 7.2 to 7.4 in context, Figure 7.5 shows the scale of London commuting by the East of England's employed residents. Using 2001 Census data:

- London commuter levels as a proportion of an LAA's total employed residents are highest in Thurrock, Hertfordshire, Essex and Southend.
- The LAAs furthest from London – Norfolk, Suffolk, Peterborough and Cambridgeshire – have the lowest commuter levels to the capital.

**Figure 7.5: % of Employed Residents Working in London, 2001**



Source: Census 2001

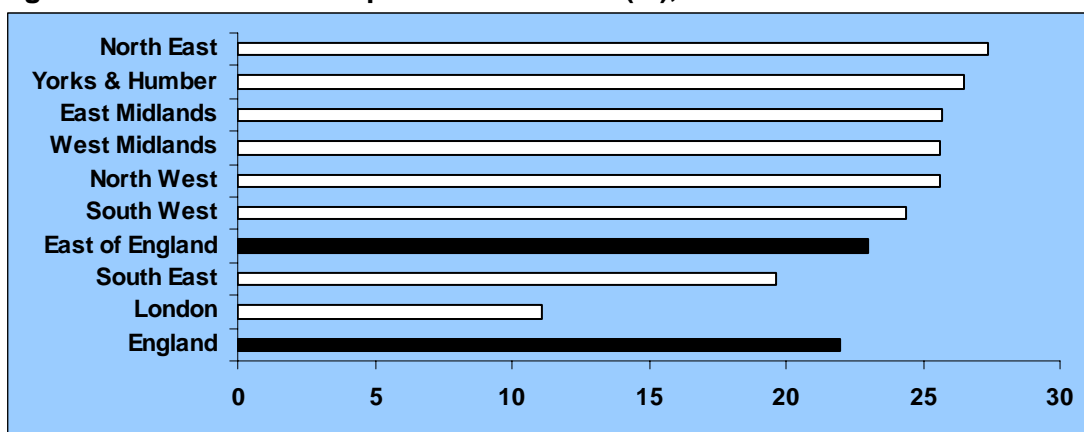
Figures 7.2 to 7.4 show average earnings levels but in terms of raising economic participation levels and encouraging individuals to move off benefits into employment, a key indicator is the proportion of **low paid jobs**. If the local jobs base has a high proportion of low-paid jobs there is less incentive for individuals to enter and sustain employment. Therefore, Figures 7.6 and 7.7 analyse the proportion of jobs that pay 60% or less than full-time median earnings. Using data from the IPPR (2007)<sup>8</sup> *Working Out of Poverty project*, Figure 7.6 compares the East of England with England's other regions and shows:

- The East of England has the 3<sup>rd</sup> lowest proportion of low-paid jobs of England's regions at 23%.
- However, while only London and the South East have lower proportions, the East of England proportion is above the England average of 22% and not markedly smaller than England's other regions.

<sup>8</sup> IPPR (2007) *Working Out of Poverty*



**Figure 7.6: Low-Paid Workplace-Based Jobs (%), 2007**



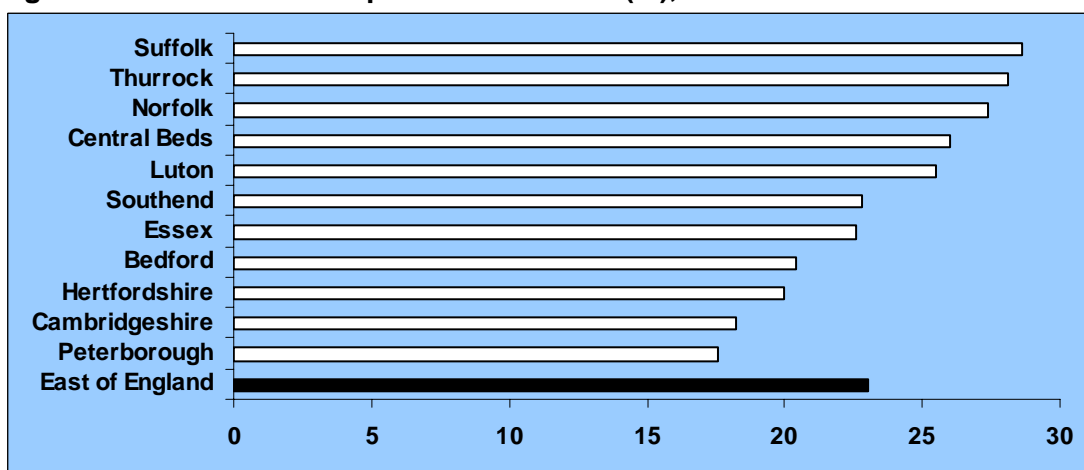
Source: IPPR (2007) *Working Out of Poverty* project

Note: Low-paid defined as 60% of full-time median hourly pay excluding overtime

Within the East of England, there are significant variations between the region's LAAs. Figure 7.7 shows:

- Suffolk, Thurrock and Norfolk have the highest proportion of low-paid jobs with all exceeding 27%.
- In contrast, Peterborough and Cambridgeshire have the lowest proportions at 18%.

**Figure 7.7: Low-Paid Workplace-Based Jobs (%), 2007**



Source: IPPR (2007) *Working Out of Poverty* project

Note: Low-paid defined as 60% of full-time median hourly pay excluding overtime

### Progressing in Employment

Skills development and lifelong learning are seen as key ways for individuals to progress in employment. Chapter 5 looked at the lack of qualifications and key skills as a barrier to economic participation. In this chapter, the lack of higher educational attainment will be taken as a barrier to progressing in employment. Recognising the

importance of higher skills, the *Regional Economic Strategy* has set the *Leitch Report* targets of:

- 68% of 19 year old to pensionable age adults qualified to at least NVQ Level 3 by 2020, and maintained to 2031.
- Over 40% of 19 year old to pensionable age adults qualified to at least NVQ Level 4 by 2020, and maintained to 2031.

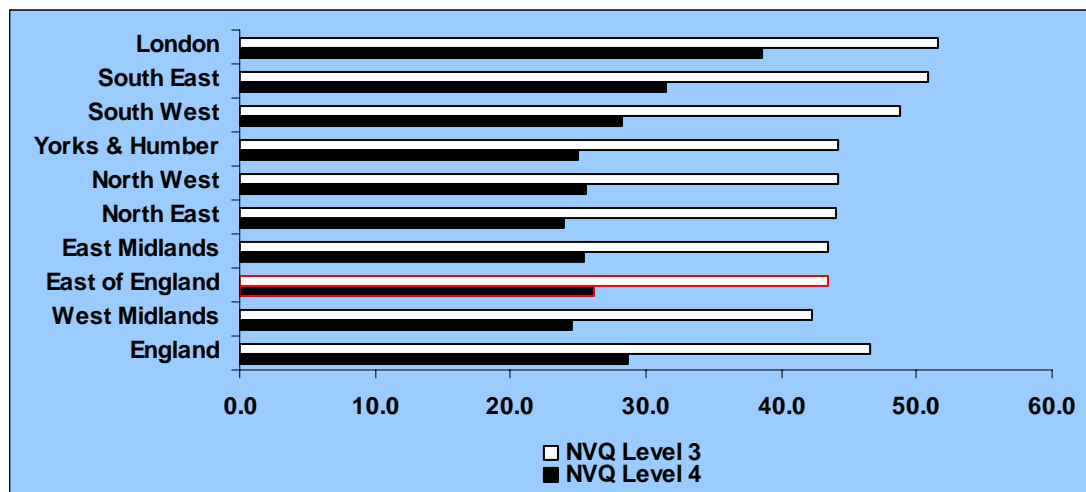
Again using the 2007 data published by the Office of National Statistics/Department for Children, Schools and Families:

- 46% of the East of England's 19 to retirement age population were **qualified to NVQ Level 3 or above** in 2007. This is an increase from 45% in 2002. However, the East of England rate is below the England average of 49% and the 7<sup>th</sup> lowest of England's regions. To achieve the *Regional Economic Strategy* target, an additional 698,000 East of England residents aged 19 to retirement age would need to achieve an NVQ Level 3 qualification.
- 28% of the East of England's 19 to retirement age population were **qualified to NVQ Level 4 or above** in 2007. This is an increase from 24% in 2002. However, the East of England rate is again below the England average of 30% but on this measure is ranked 4<sup>th</sup> of England's regions. To achieve the *Regional Economic Strategy* target, an additional 394,000 East of England residents aged 19 to retirement age would need to achieve an NVQ Level 4 qualification.

To provide a more up-to-date picture, Figures 7.8 and 7.9 chart the proportion of the working age population (16 years old to pensionable age rather than 19 year olds to pensionable age) who are **qualified to NVQ Level 3 and Level 4 qualifications**. Looking first at the East of England's standing in an England context, Figure 7.8 shows:

- The East of England is 8<sup>th</sup> amongst England's regions with 43% qualified to NVQ Level 3 or above.
- In terms of those qualified to NVQ Level 4 or above, 26% of the working age population are qualified to this level – ranking the region 4<sup>th</sup> amongst England's regions.
- Both proportions are below the England average and significantly below the proportions in London (52% and 39% respectively) and the South East (51% and 32% respectively).

**Figure 7.8: Working Age Population with NVQ Level 3 and 4 Qualifications (%), 2008**

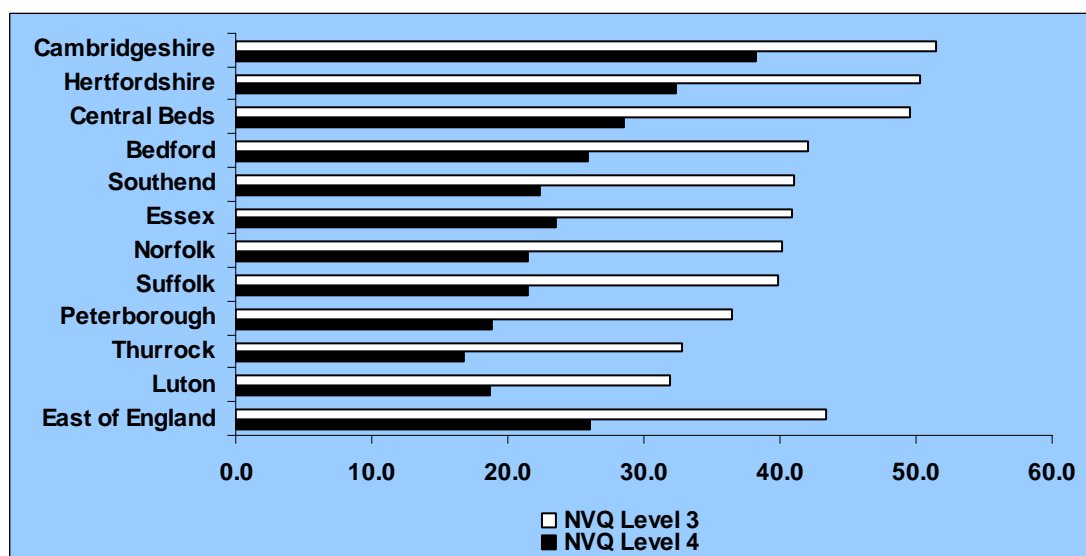


Source: Annual Population Survey

Within the East of England, the differences between LAAs are significant. Figure 7.9 shows:

- Cambridgeshire, Hertfordshire and Central Bedfordshire have proportions in line with London. All have at least 50% of their working age populations qualified to NVQ Level 3 and 29% to NVQ Level 4.
- In contrast, Luton, Thurrock and Peterborough all have less than 37% of their working age populations qualified to NVQ Level 3 and less than 19% to NVQ Level 4.

**Figure 7.9: Working Age Population with NVQ Level 3 and 4 Qualifications (%), 2008**



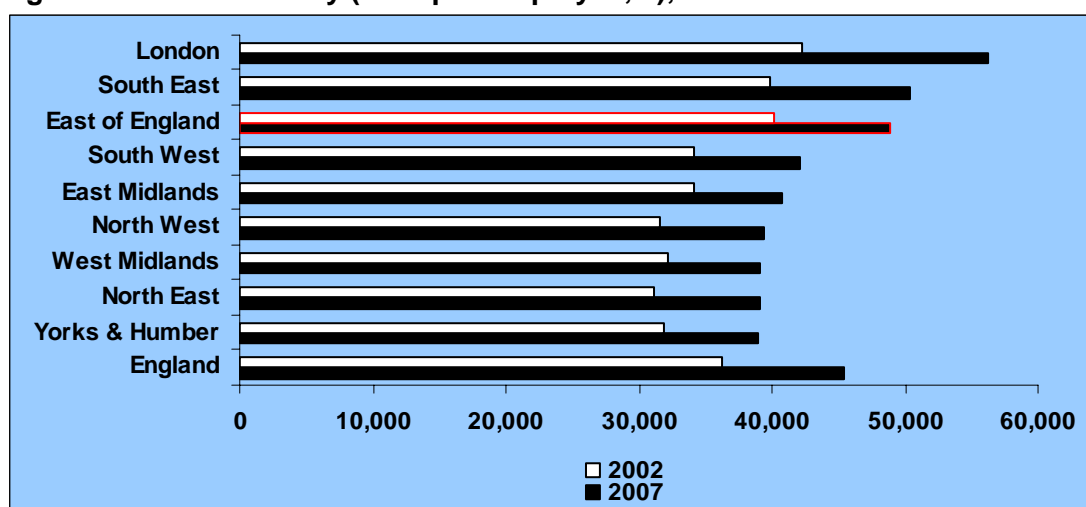
Source: Annual Population Survey

## Productivity

The East of England's relatively low skills profile can impact on its economic competitiveness and its productivity. In terms of employee productivity (GVA per employee), Figure 7.10 shows:

- The East of England has the 3<sup>rd</sup> highest GVA per employee figure of England's regions at £48,900 in 2007.
- However, in 2002 the East of England had the second highest productivity behind London but has since been overtaken by the South East. The region's skills profile could be a contributory factor here.

**Figure 7.10: Productivity (GVA per Employee, £), 2002 and 2007**



Source: Office of National Statistics

## Chapter Summary

Using the indicators that are available around entering, sustaining and progressing in employment, the key findings from Chapter 7 are:

- In terms of individuals entering employment, churn is highest amongst those closest to the labour market.
- Wage levels in the East of England are nationally quite high both for workplace-based and residence-based due to London's influence.
- However, the East of England has relatively low levels of higher qualifications – and this could have implications on the region's productivity.

Due to the limitations of the data, there needs to be some caution taken at the LAA level. However, the LAAs which were at the bottom of the indicators used were:

- **Southend, Norfolk, Suffolk and Thurrock** in terms of low-wage levels.
- **Thurrock, Luton, Peterborough and Southend** around higher educational attainment.

## 8. A FORWARD LOOK

### Introduction

Taking a forward look at the current time is risky. Across the UK as a whole, there is much debate around whether the economic recession will continue to grow worse or whether the first shoots of economic recovery have begun. Given the largely unpredictable nature of months and years ahead, the forward look has to predominantly draw on recently published economic forecasts and speculate what these mean for economic participation.

Fundamentally, the two key issues for any economy in relation to economic participation are what is likely to happen with regard to the economy and to labour supply. More specifically:

- To what extent will the economy grow or decline and what are the implications of this in terms of the subsequent demand for labour?
- What will happen to the supply of labour, in terms of volume and quality?

In 2008, to help illustrate the impact that a change in the economy or labour supply would have, four scenarios were constructed within a simple matrix (see Figure 8.1).

**Figure 8.1: Potential Scenarios for the East of England**

		<b>Expanding</b>	<b>1</b> Buoyant economy, with stable or contracting labour supply	<b>2</b> Buoyant economy, with expanding labour supply
		<b>Static or declining</b>	<b>3</b> Static or declining economy, with stable or contracting labour supply	<b>4</b> Static or declining economy, with expanding labour supply
			<b>Static or declining</b>	<b>Expanding</b>
			<b>Labour supply</b>	

Scenario 4 was identified as the worst case scenario in the 2008 study as a static or declining economy would restrict jobs growth yet the labour supply continues to expand. Under these conditions it is very challenging to increase economic participation levels. Investing in the skills levels of the labour supply would help but mainly help those already in or close to the labour market. Investing in the skills of disadvantaged groups or areas would be unlikely to improve their economic participation levels as they are likely to become less competitive in and further detached from the labour market.

As events have panned out, scenario 4 has become a reality with the UK experiencing a severe recession. **The UK and East of England economies have contracted**, impacting on businesses and leading to a reduction in labour market demand. Chapter 2 showed the extent to which labour market demand has fallen by showing the increase in redundancies and the reduction in the number of vacancies. The East of England Forecasting Model and other forecasting models project that the economy may continue to contract to the end of 2009 before sluggish growth in 2010 and more healthy growth rates from 2011 onwards. Specifically, the East of England Forecasting Model (Insight East, 2009) projects that economic output using the GVA measure will:

- Decrease by 4.1% in the East of England in 2009.
- Increase by 0.3% in the East of England in 2010.
- Progressively increase from 2011 onwards with growth peaking at 3.9% in 2013.
- However, using these projections, it would take until 2012 for GVA to recover to pre-recession 2008 levels.

Economic recovery and growth will in time increase the demand for labour. However, the experience of previous recessions indicates that the demand for labour will lag economic growth. Indeed, past recessions show that unemployment continues to increase even after the recession has officially ended (Insight East, 2009).

- The 1980 recession involved four quarters of negative growth (Q1 to Q4 1980) but the unemployment rate continued to rise until Q2 1984. In total, the unemployment legacy is perceived to have lasted 10 years.
- The 1990/1991 recession with five quarters of negative growth (Q3 1990 to Q3 1991) led to the unemployment rate to continue to rise until a peak in Q1 1993.

These trends mean that unemployment from the current recession could continue to rise over the next two or three years, if not beyond. Adding weight to this, the East of England Forecasting Model projects that the number of jobs in the region will decrease by 167,000 between 2008 and 2011. Employment will then begin to increase but pre-recessionary employment levels will not be achieved again until 2015 (Insight East, 2009).

Turning to labour supply, there are two key components to consider: volume and quality. In terms of **volume**, the East of England's population has experienced strong growth in recent years and this is expected to continue. Between 2002 and 2007, the East of England's total and working age population both grew by 4%. This growth has been driven by internal migration from other parts of the UK and from overseas:

- Between 2002/03 and 2007/08 the region has attracted on average 17,000 net migrants each year from other parts of England and Wales.
- Between 2005/06 and 2008/09, there has been a consistent level of approximately 52,000 NINo registrations by overseas nationals in the East of England. While there is not the reciprocal analysis to state how many overseas nationals have subsequently returned to their native country, population growth from overseas nationals is expected to continue though perhaps more slowly given the fewer economic opportunities on offer. For example, a Home Office (2008) publication<sup>9</sup> on the UK Workers Registration Scheme for A8 nationals finds that there has been a downward trend in applications to the scheme from the fourth quarter of 2007 to its latest available date (third quarter of 2008) with a fall in Polish applications the main contributory factor.

Continued population growth is expected to increase the volume of labour supply. However, the increase is likely to progressively slow due to an overall ageing of the population. This means that total population will continue to grow but the relative size of the working age population will decrease, which in turn puts greater pressure on the working age population to become economically active.

The **quality** of the labour supply is the second component. Raising the skills levels of the labour force is a crucial component of the region's economic competitiveness, along with attracting and retaining high quality jobs. This is because there is a clear connection between the skills base of the population and rates of productivity.

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<sup>9</sup> Home Office UK Border Agency (2008) Accession Monitoring Report: May 2004 – September 2008.

Therefore, in order to drive up economic productivity and grow the economy, there is a need for enhanced skills. As stated above, increasing the skills levels of the working age population is a key priority of the *Regional Economic Strategy* and this is appropriate given the region's poor skills profile relative to London and the South East. Looking forward, the East of England's skills profile is expected to improve but the challenge is to not only increase qualification levels but to also close the gap on London and the South East.

### **Prospects for East of England Economic Participation**

Drawing on the experience of previous economic recessions and recoveries, lower economic participation levels can be expected across the East of England in the next two to three years. The combination of limited labour market demand and continued population growth indicates that unemployment rates will remain persistently high and likely increase further. Indeed, there is little prospect of economic participation levels increasing until the demand for labour increases, which current forecasts suggest will be in 2011. However, as this report has shown, economic participation levels do differ across areas and different groups of society. As such, economic participation levels are likely to be lower across specific localities or groups. Learning from previous recessions and this report's analysis, those most at risk are:

- **Long-term unemployed.** Due to the increase in JSA claimants who tend to be closer to the labour market and fewer job opportunities, the long-term unemployed and individuals with multiple barriers to employment will find it harder to enter employment and risk becoming economically inactive.
- **Young people.** Young people and other labour market entrants are at a disadvantage because of the reduction in the number of entry level jobs. The 16-18 NEET group is therefore likely to increase.
- **Low- and manual-skilled males.** Due to the decline of the manufacturing and construction industries, the number of traditional male jobs in skilled trades, machine operatives and elementary occupations has fallen.
- **Ethnic minority groups.** Previous recessions have shown that ethnic minority workers are particularly vulnerable to rising unemployment with the employment rate gap between the 'white' and 'non-white' employment rates increasing (TUC, 2009<sup>10</sup>).
- **Disadvantaged localities.** Local areas that do not have a diverse jobs base or are poorly connected to surrounding labour markets will likely see economic participation rates decrease. Such areas would include coastal districts and deprived urban areas.

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<sup>10</sup> TUC (2009) Black Workers and the Recession