



FEBRUARY 2012

# labour market update

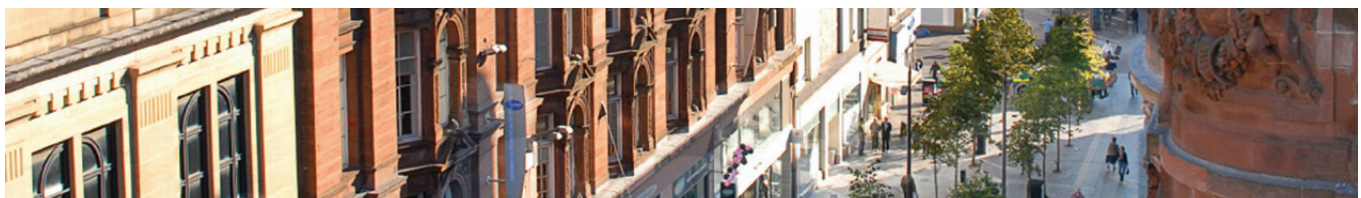
## Unemployment data offers some hope

This month's unemployment data supports survey data that despite contracting in the last quarter of 2011, the UK economy picked up in December. Unemployment in the three months to December fell slightly relative to the three months to November

after its sharp rise through 2011. And the Purchasing Manager's Index, trade and industrial production data all point to an improvement to the economy (albeit marginal) going into 2012.

### Table 1: Key statistics

	Reference Period	Rate
Unemployment (ILO)	Oct-Dec 11	8.4%
Claimant Count	January 2012	5.0%
Unemployment	Oct-Dec 11	70.3%
Y-o-Y Average weekly wage growth	Oct-Dec 11	2.0% inc bonus 2.0% exc bonus



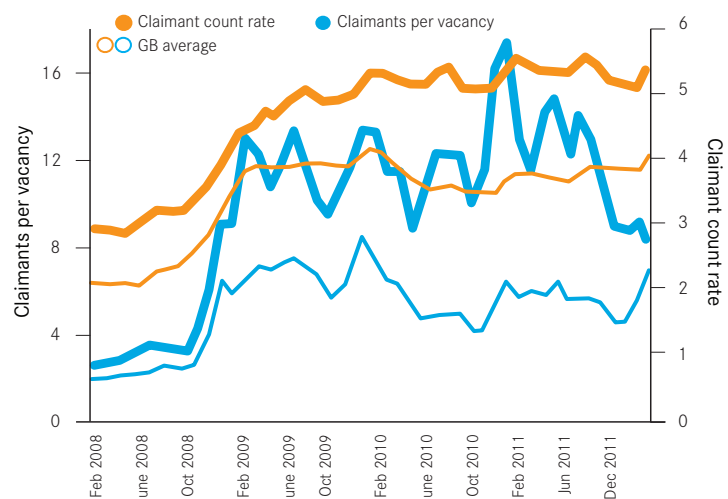
## Spotlight on Glasgow

Although Glasgow has a claimant count rate that is significantly higher than the UK average (see Figure 1), it has been the best performing city in terms of the change in its claimant count over the last year.

**Glasgow was the only city to see a fall in the number of claimants between January 2011 and January 2012, recording fall of 0.1 percentage points.**

For further data on Glasgow and all other UK cities, see [www.citiesoutlook.org](http://www.citiesoutlook.org)

Figure 1: Claimant count rate in Glasgow

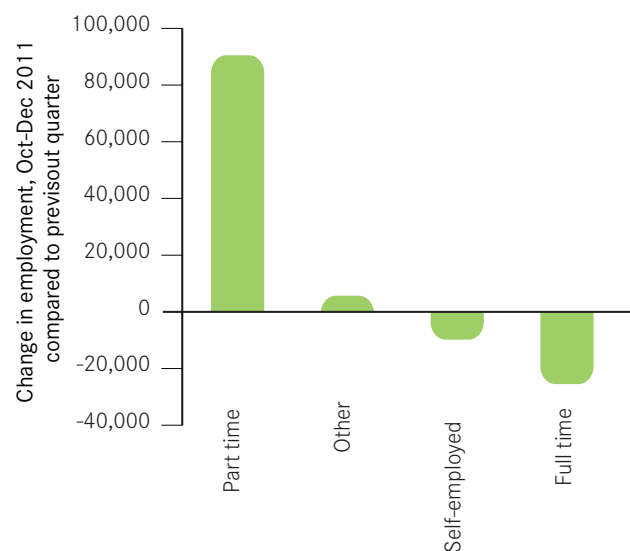


Source: Nomis

## Part time employment up, full time employment down

The employment rate in the three months to December 2012 was up by 0.1 percentage points compared to the three months to September 2011, despite the contraction in GDP over this period. This increase was mainly driven by an increase in part-time workers – while the number of people working part time increased by 90,000, the number of full time workers fell by 26,000.

**Figure 2: Change in employment by type, Oct-Dec 2011**



Source: ONS

The majority of this increase in part time working was because of people being unable to find full time employment. There was an increase of 83,000 in the number of people working shorter hours because they could not find a full time job to reach 1.35 million reflecting the continued weakness of the national economy.

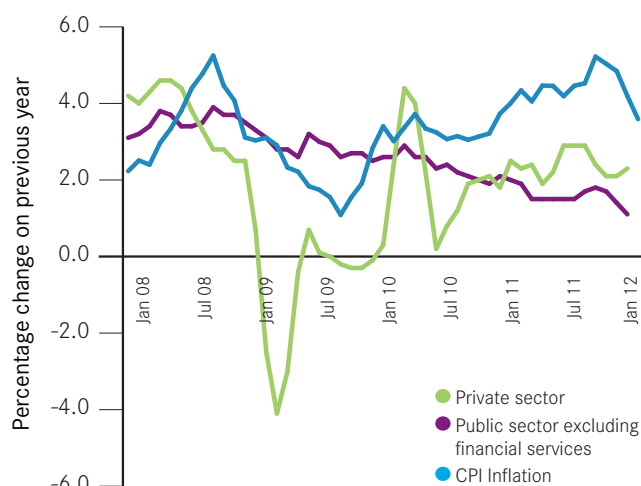
## Spending cuts hit public sector pay...

The sharp fall in inflation in January has given some hope that real incomes may start to increase before the end of 2012. Today's Inflation Report from the Bank of England projects inflation to fall below two percent by the end of the year.

But given the Chancellor's commitment to cap public sector pay increases to one percent until

2015 the real value of public sector pay is likely to continue to be squeezed. When excluding financial corporations, public sector pay growth (including bonuses) fell from 1.4 percent to 1.1 percent from November to December 2011. This compares to a 0.2 percentage point increase to 2.3 percent in the private sector.

**Figure 3: Change in pay in the public and private sector**



Source: ONS

Figure 3 illustrates that while public sector pay growth held up during the recession, it has gradually declined and has been below private sector pay growth since 2011. And despite the prospect of falling inflation, public sector spending cuts are likely to mean that public sector pay growth will remain below inflation into 2013.

## ...and welfare reform begins to have an impact

The Government's reforms to welfare are feeding through to reductions in labour market inactivity. Overall the number of people classed as 'inactive' (either not in employment or searching for a job) fell by 72,000 people in the three months to December. Of this total, 70 percent had been inactive because of long term illness.

There are now **2.1 million people** not looking for work due to long term sickness, the lowest number since the three months to May 1995.

## Bradford sees largest labour market deterioration in the last year

The most recent release of GDP data showed that the UK economy grew by a relatively weak 0.9 percent in 2011. This national level growth will have played out very differently across our cities. Although we don't have city level GDP data, looking at the change in the claimant count can give some indication as to what impact the weakness of the national economy means for different cities.

Table 2 shows those cities that have had the highest and lowest increases in claimant count since January 2011.

Bradford has seen the largest increase, with its claimant count increasing by 1.1 percentage points. It is followed by Hull, Derby and Ipswich.

The Scottish cities have been amongst the strongest performers in the last year. As noted, Glasgow was the only city to see a fall in its claimant count, while Aberdeen and Dundee have also seen little change.

**Table 2: Percentage point change in claimant count, January 2011 - January 2012**

### 10 cities hit hardest

Rank	City	Percentage point change in claimant count, Jan 11- Jan 12
1	Bradford	1.1
2	Hull	1.0
3	Derby	0.9
4	Ipswich	0.8
5	Doncaster	0.8
6	Blackpool	0.8
7	Grimsby	0.8
8	Peterborough	0.8
9	Nottingham	0.8
10	Blackburn	0.8

### 10 cities faring better

Rank	City	Percentage point change in claimant count, Jan 11- Jan 12
55	Oxford	0.1
56	Aldershot	0.1
57	Reading	0.1
58	Bournemouth	0.1
59	Dundee	0.1
60	Crawley	0.1
61	York	0.1
62	Cambridge	0.1
63	Aberdeen	0.0
64	Glasgow	-0.1

## Contact:

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Paul leads on the Centre's work on labour markets. Get in touch with him if you would like to discuss any of the points raised in this note or discuss related policy issues.

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