Milton Keynes Economy

The impact of the recession on Milton Keynes

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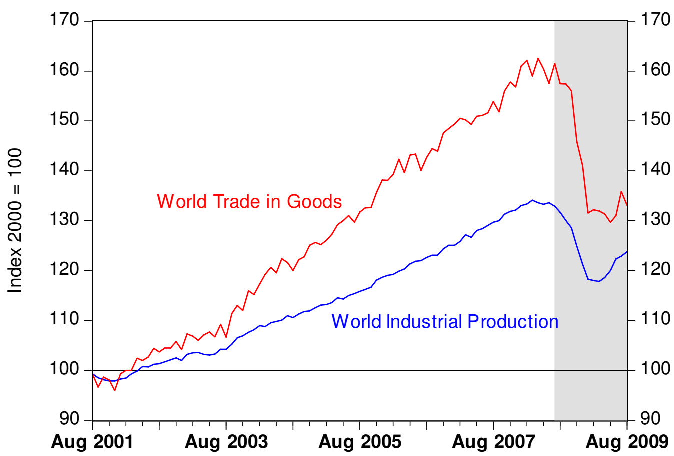
1. The global recession and its impact on the UK

The recovery returned in most advanced economies by the second and third quarters of 2009, after nearly 18 months of economic downturn. Since the summer and early autumn of 2008 a series of unexpected events has severely affected the growth of the UK and global economies. The collapse of one of the largest US investment banks (Lehman Brothers) and the near-collapse of other major banks in the developed world led to an unprecedented liquidity squeeze (also known as 'credit crunch') last seen in the early 1930s. The financial crisis soon spread out and had an immediate impact on the 'real economy' (output, trade and employment). Firms reacted to the lack of credit by holding back capital spending and consumers held back on major purchases.

The recession hit both developed and developing countries as the global integration of supply chains (particularly in the manufacturing sector) helped to transmit the shock around the world more rapidly and extensively than in previous recessions.

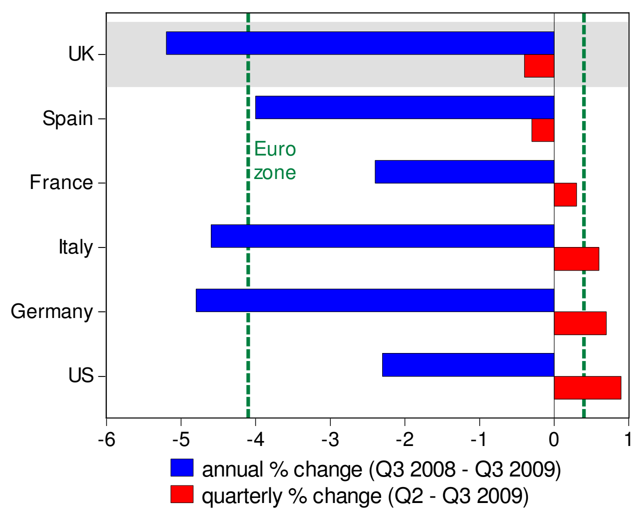
A seven-year period of world growth was suddenly interrupted in mid-2008 by a sharp and synchronised fall in global economic activity (Figure 1). World industrial production had increased by more than 30% between 2000 and 2008, before falling by around 15 percentage points in the 9 months up to March 2009. The increasing globalisation of industrial supply chains meant that the downturn had an even more severe impact on international trade. Indeed, after having grown by around 60% between 2000 and 2008, world trade in goods fell dramatically, by more than 30% in the 10 months up to May 2009.

Figure 1: World Industrial Production and World Trade in Goods (volume)



Source: CPB Netherlands Bureau for Economic Policy Analysis

Figure 2: Return to GDP growth in the developed world



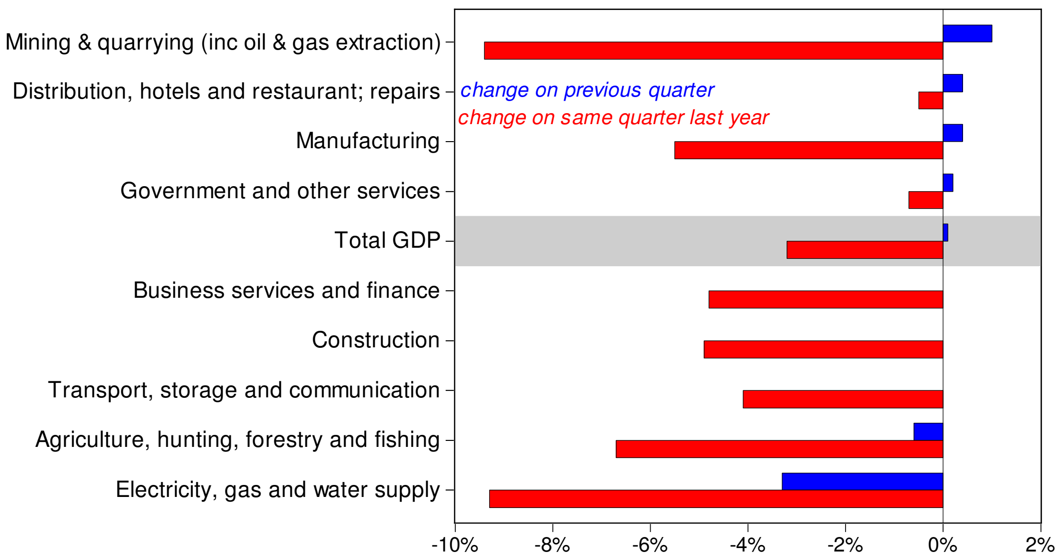
Source: EUROSTAT 2009

The UK came out of economic recession in the last quarter of 2009 with a marginal growth rate of 0.3%. A number of large advanced economies pulled out of the recession in quarter 3 2009, while the UK remained the last major economy still suffering from economic downturn by then (Figure 2). However, the latest figures from the Office for National Statistics show that UK output recorded a slightly positive growth of 0.3% in the fourth quarter of 2009, after 6 consecutive quarters of negative growth.

Although there is a lack of timely local GVA data, it is, however, expected that Milton Keynes has returned to growth alongside the UK. Moreover, given that large urban areas such as Milton Keynes tend to emerge from recession earlier than other areas (but tend to enter recessions earlier too) it could be that Milton Keynes recovers quicker than other areas in the South East.

As Figure 3 shows, most sectors of economic activity in the UK saw a very weak recovery during the fourth quarter of 2009, with a few industries recording flat or even negative growth. Mining and quarrying recorded the largest quarterly growth (1%), presumably due to seasonal factors in the oil and gas extraction industry, although it contributed only marginally to overall output growth. By contrast, output in Distribution, hotels and restaurants (including retail) grew by just 0.4% in the last quarter 2009, compared to the previous one, but became the largest contributor to the GDP growth. The growth in this sector was due mainly to the increase in retail and motor trade activities, which were boosted by the combined effect of two economic policies. On one side, the imminent VAT increase in January 2010 encouraged consumers to bring forward their Christmas spending. On the other side, the car scrappage scheme that has been implemented by the government over the past few months gave a further boost to car sales. Moreover, the distribution, hotels and restaurants (including retail) sector showed the smallest annual fall in output (-0.5%) of any sector of the UK economy.

Figure 3: UK Output Growth by Sector (fourth quarter 2009)

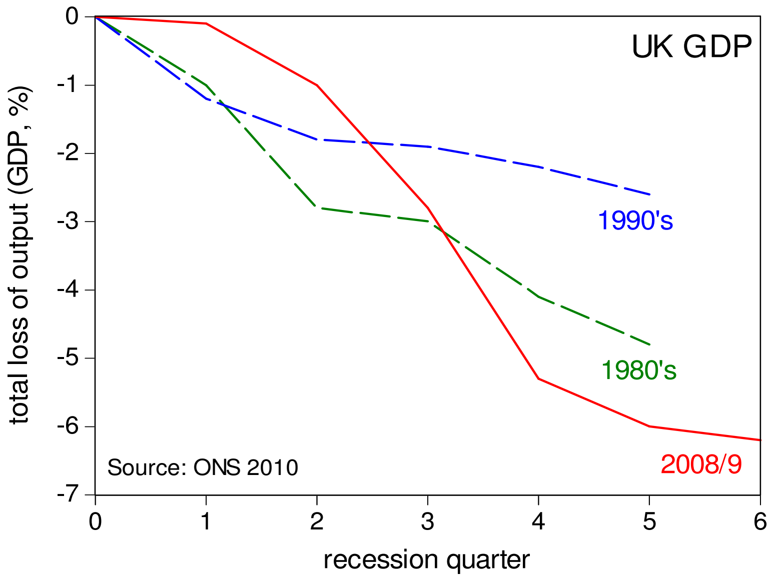


Source: National Statistics, 2009

The steepest and longest UK economic downturn over the past 60 years has dramatically affected the pre-recession projected growth path. The GDP drop in the third quarter of 2009 made the current recession the deepest and longest one since quarterly figures were first compiled in the 1950s, as the UK economy endured six consecutive quarters of negative growth before coming out of recession in the last quarter of 2009.

The difference from previous recessions is that the extent of the downturn has clearly been worse. In terms of speed, during the current downturn GDP dropped at a quarterly rate of 1%, while in the recessions of 1980-1981 and 1990-1991 output fell by an average of 0.8% and 0.4% per quarter, respectively (Figure 4). Indeed, UK GDP fell dramatically by 2.5% in the first quarter of 2009, which was as much as the entire contraction in output in the 1990-1991 recession that lasted for five quarters. In terms of length, in the previous post-war recessions GDP returned to positive quarterly growth in the sixth quarter following the onset of the downturn. By contrast, in the sixth quarter of the current recession GDP continued to fall, although the rate of decline decreased. In terms of scale, Figure 4 shows that the GDP drop from peak to trough was 6.2 per cent, well above 4.8 per cent for the same period in the 1980-1981 recession and 2.6 per cent in the 1990-1991 recession. Given that the long run growth rate for the economy is around 2.5% per annum in just six quarters we have lost some 2.5 years (10 quarters) of output growth.

Figure 4: UK recessions compared (1980's, 1990's, 2008/09)



2. Structure of the Milton Keynes economy

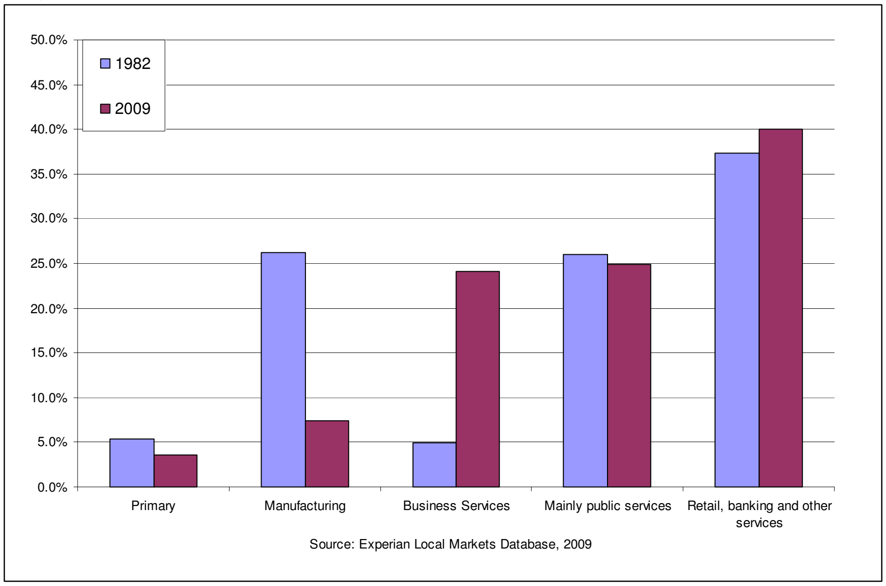
Before looking at the impact of the recession on Milton Keynes it is necessary to look at the structure of the economy and labour market and how it has changed since the early 1990s.

A sharp increase in population was a significant contributor to growth in Milton Keynes. Since the early 1980s, Milton Keynes has experienced a sharp increase in population, from an estimated 126,000 in 1981 to 238,000 in 2009, representing a 90% increase. Around 65% of the Milton Keynes population is of working age as of 2007 (the latest data available) - a slightly higher proportion than the national average (62%). This proportion has remained relatively stable over the past 10 years, though represents an increase from an estimated 61% in the early 1980s. Since an increase in working age population is an important factor that contributes to economic growth, a sharp increase in population contributed to employment growth and GVA growth in Milton Keynes.

There has been a significant structural shift in the economy over the past 25 years. This increase in the size of Milton Keynes and its workforce has been accompanied by a shift in the structure of the economy, both in Milton Keynes and in the UK as a whole. As Figure 5 shows, this shift has largely been one from manufacturing to services, particularly business services.[1] It is striking that manufacturing has gone from employing over 1 in 4 workers in 1982 to around 1 in 14 (estimated) in 2009, while over the same time period business services have gone from employing 1 in 20 workers to employing almost 1 in 4.

[1] This category includes: renting of equipment and machinery, IT and related activities, research and development, legal work, consultancy work, management activities, marketing, recruitment, cleaning services, and other miscellaneous business activities.

Figure 5: Employment trends in Milton Keynes, 1982-2009



To gain an idea of how the industrial structure of Milton Keynes differs from elsewhere in the UK we can use the concept of location quotients. These show the degree to which any given sector is over- or under-represented in an area compared to the national or regional average, with a score of 1 indicating that the sector is proportionately the same size as the national/regional average, a score below 1 indicating a relatively smaller sector, and a score above 1 a larger sector.

Table 1: Concentration of employment relative to the South East/UK average
Location quotients based on 2009 employment estimates

Sector	Milton Keynes / UK	Milton Keynes / South East
Primary	0.38	0.37
Manufacturing	0.79	0.93
Business Services	**1.66**	**1.36**
Mainly public services	0.77	0.78
Retail, banking & other services	1.16	1.13

Source: Experian Local Markets Database, 2009

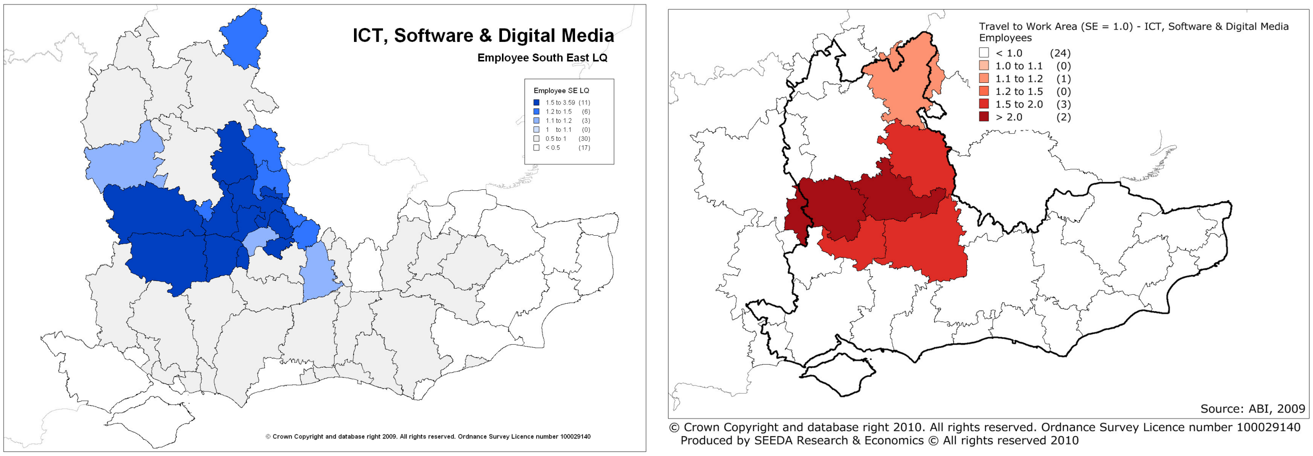
Here it is evident that business services are over-represented in Milton Keynes compared to both the South East and the UK as a whole. In general, Milton Keynes is more (private sector) service-oriented, with manufacturing and primary industries relatively smaller than elsewhere. In the first phase of the UK recession (until early Spring 2009) output in production activities (manufacturing and construction) was affected to a greater degree than output in business services. However, Milton Keynes has a high concentration of distribution activities which have been affected significantly by a sharp fall in economic activity. Furthermore, over the past six months the recession has spread to business services.

There is a high concentration of high growth/high productivity sectors in the area. As shown in Figure 6a (local authority level data) and 6b (travel to work area level data) Milton Keynes and its surrounding area have a high concentration of the ICT, Software and Digital Media which is one of the most productive and fastest growing sectors in the region.

In 2007 there were some 13,500 people within Milton Keynes employed in this sector (excluding self employed), which is some 30% above the regional and 80% above the national average.

Figure 6: ICT, Software and Digital Media – concentration of activity

a: Employment by Local Authority | **b: Employment by Travel-To-Work Areas**



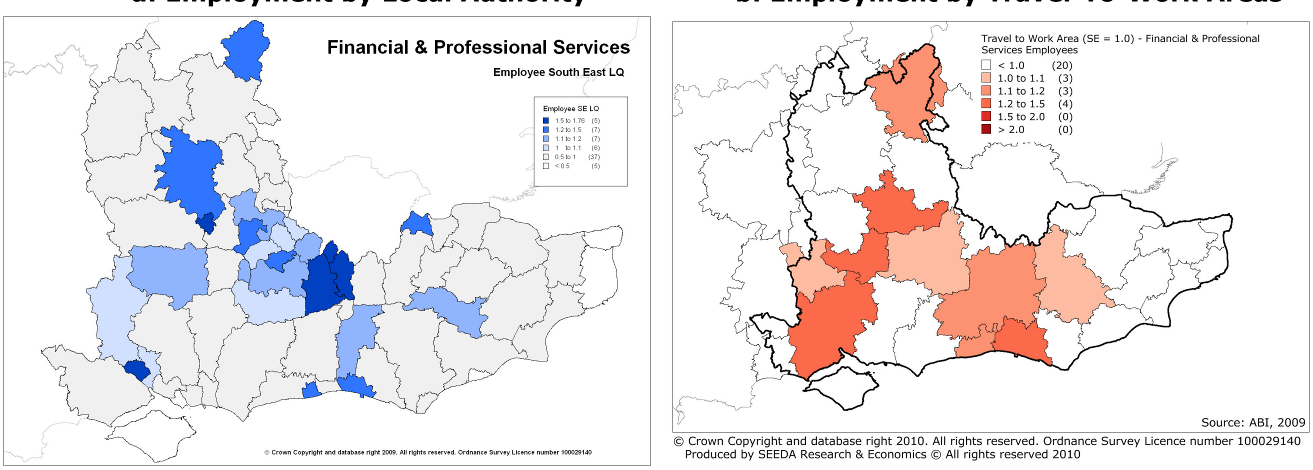
Note: The grey and white areas have a concentration of both business units and employment below the South East average.

This is a highly open sector of the economy, most of which is exposed to a sharp fall in global trade and investment. However, as the global economy recovers this sector is also expected to drive growth in the area.

Financial & Professional Services is another significant contributor to growth in the region, and as shown in Figure 7a (local authority level data) and 7b (travel to work area level data) there is a high concentration of this activity in Milton Keynes and surrounding area. In 2007 there were some 23,000 people within Milton Keynes employed in this sector (excluding self employed), which is some 30% above the regional and national average.

Figure 7: Financial & Professional Services – concentration of activity

a: Employment by Local Authority | **b: Employment by Travel-To-Work Areas**

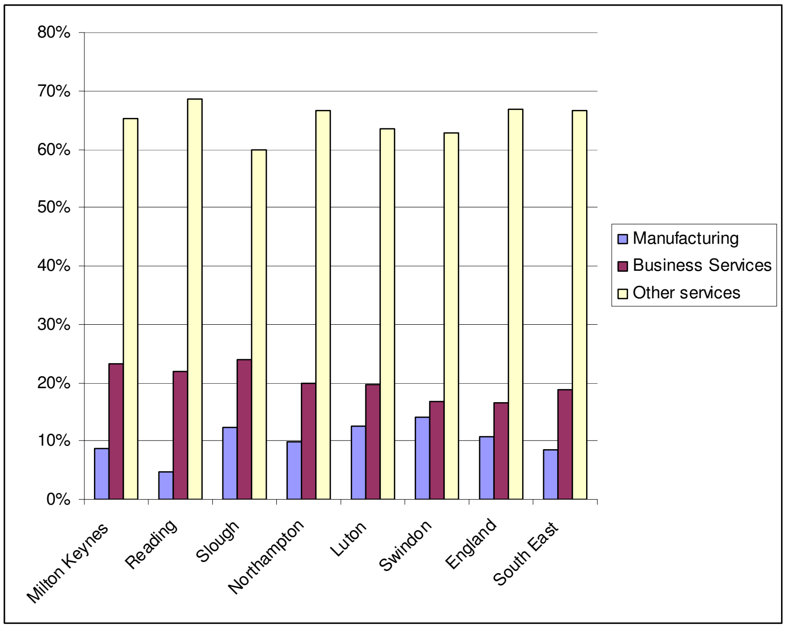


Note: The grey and white areas have a concentration of both business units and employment below the South East average.

Employment in Milton Keynes is relatively exposed to any restructuring in the financial services sector over the short term, but over the medium to long term this sector is expected to be a major contributor to GVA and employment growth.

There is a high degree of similarity in industrial structure amongst large urban areas. Other towns in the South East and in the UK more generally have certain similarities with Milton Keynes in terms of their industrial structures, population, and/or population growth trends. We can gain insights into the extent to which Milton Keynes has been affected by the recession relative to a number of comparator towns by looking at industrial structure (Figure 8).

Figure 8: Industrial structure by employment (2007) Selected towns

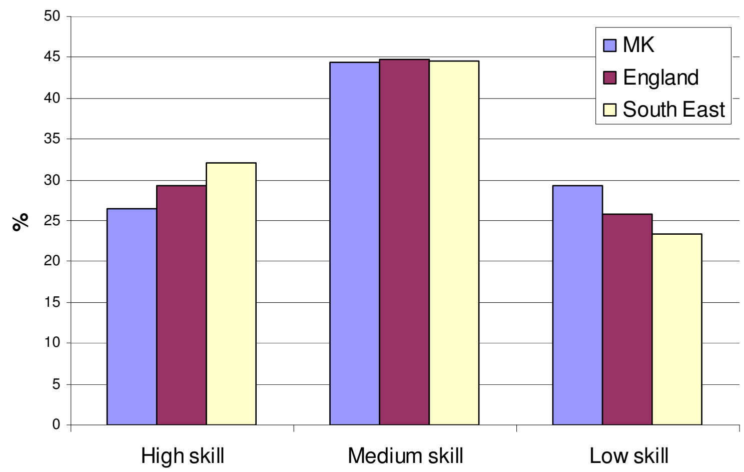


Source: ONS ABI 2008

Northampton, Luton, Reading and Slough are all similar in the sense that business services are more important in these towns than is average for the South East or the UK. There are also similarities in geography, with Northampton and Luton within 20 miles of Milton Keynes. Swindon and Northampton have similarities with Milton Keynes in that they are both 'expanded towns', while Milton Keynes is a new town, and the skills profile of residents is broadly similar.

There is a significant concentration of low skilled employment in Milton Keynes relative to the South East and UK averages. We can look at data for educational attainment, occupation and average earnings to get an idea of the skills profile of residents and workers in Milton Keynes. Figure 9 shows that Milton Keynes residents are more likely to be engaged in 'low skill' work, compared to both the South East and England averages. Here, low skill corresponds to jobs in sales and customer service occupations, process, plant and machine operatives, and those in elementary occupations. Similarly, there are proportionately fewer workers in Milton Keynes in high skill occupations - managers, senior officials and professionals.

Figure 9: Employment by skill level[2] – Milton Keynes residents



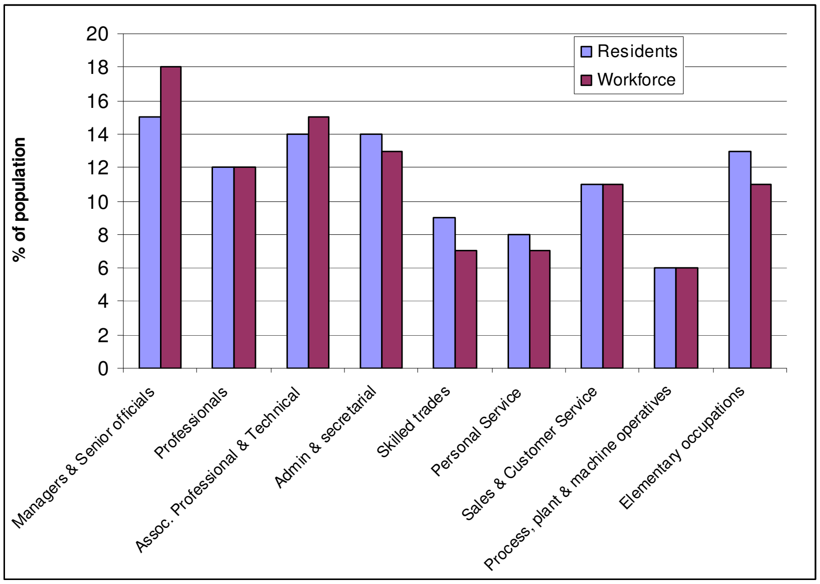
Source: Annual Population Survey, 2008 data

However, it is important to note that these figures are based on Milton Keynes residents, and do not include those who commute into Milton Keynes for work. Commuters make up a significant proportion (37%) of the workforce and are, on average, more highly skilled and in more senior posts than workers resident in Milton Keynes. This means that the average skill level of the Milton Keynes workforce as a whole will be underestimated when we look at residents only. For example, 18% of the workforce in Milton Keynes is employed in managerial and professional occupations, compared to 15% of residents, while 13% of residents are employed in elementary occupations compared to 11% of workers. Figure 10 shows the difference in the occupational profile of residents and the workforce as a whole.

On the other hand, when we look at claimant count unemployment data, this is on a residence rather than workplace basis – as a result, the advantage of only looking at residents' skill levels rather than the workforce is that we can gain a better understanding of what is driving unemployment trends in Milton Keynes.

[2] The categories used here are (ONS occupational codes in brackets): High skill (1-2): Managers and senior officials, Professional occupations. Medium skill (3-6): Associate Professional and Technical Occupations, Administrative and Secretarial Occupations, Skilled Trades Occupations, Personal Service Occupations. Low skill (7-9): Sales and Customer Service occupations, Process, Plant and Machine Operatives, Elementary Occupations.

Figure 10: Occupational profile of working age residents in employment and workforce in Milton Keynes, 2008

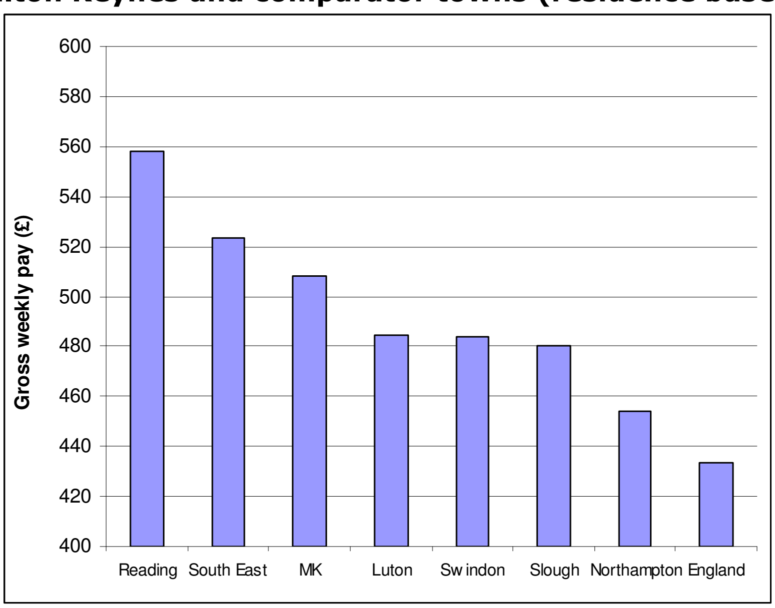


Source: ONS Annual Population Survey 2008

Milton Keynes has very high residence self-containment – that is, a very large proportion of residents in employment (83%) work in Milton Keynes. Generally speaking, people working in lower skilled (and often lower paid) jobs tend not to commute as far as those working in higher skilled (usually better paid) occupations, since the cost of commuting represents a larger proportion of income for those on lower salaries. Moreover, people with higher skills often need to travel further in order to access employment which matches their skills.

Average earnings of residents in Milton Keynes (in full time employment) are lower than the regional average, but above those of many of the towns which have similarities with Milton Keynes (Figure 11).

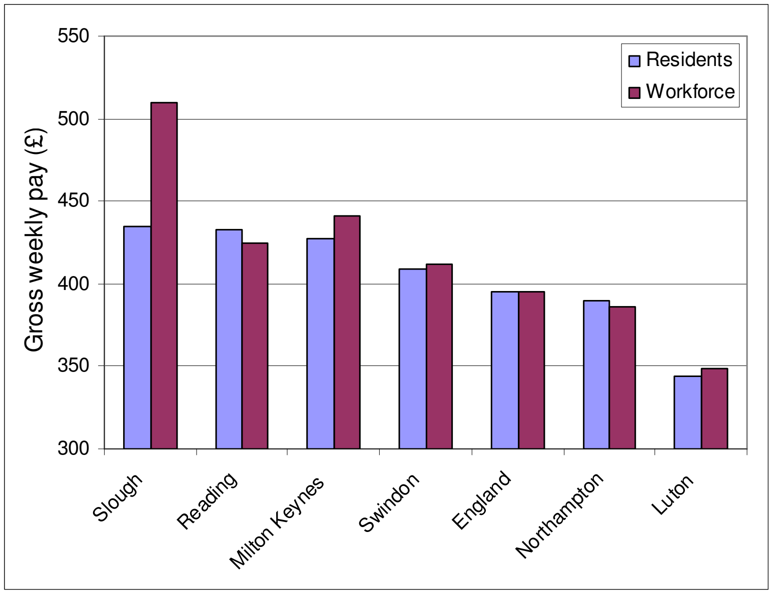
Figure 11: Average (median) earnings per full time worker, Milton Keynes and comparator towns (residence based)



Source: ONS Annual Survey of Hours and Earnings, 2008

When we consider all workers (i.e. not just full time), we can see that median earnings for residents in Milton Keynes are slightly less than median earnings for workers, indicating again the difference between residents and commuters. However, the difference is much smaller than in Slough, where resident income is clearly much lower than income amongst commuters (Figure 12).

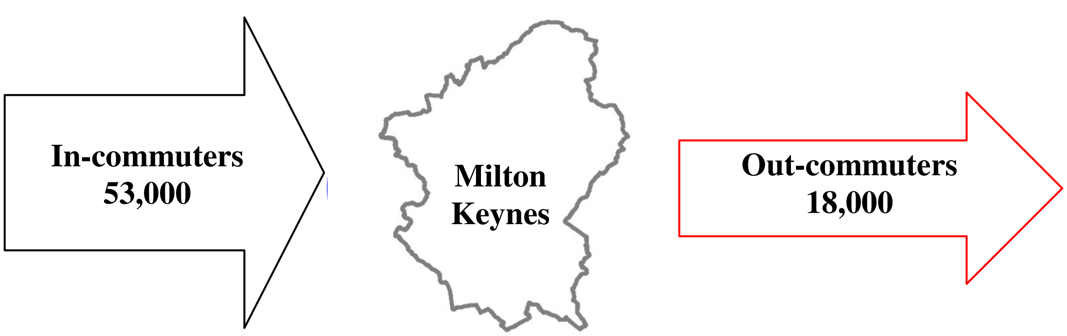
Figure 12: Average (median) earnings, all workers, Milton Keynes and comparator towns (workplace based)



Source: ONS Annual Survey of Hours and Earnings, 2008

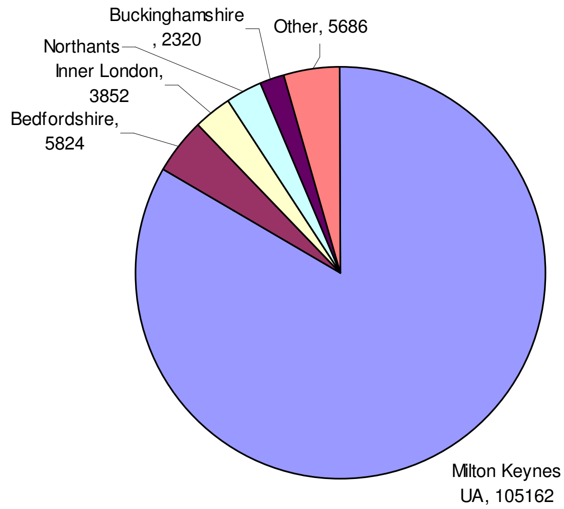
Milton Keynes has relatively low workplace self-containment. There is a high degree of in-commuting into Milton Keynes. Some 37% of those who work in the city commute from neighbouring areas (Figure 13). The origins of the Milton Keynes workforce show that the area has somewhat stronger labour market links to the East (Bedfordshire and Luton) and East Midlands (Northamptonshire) than it does with the rest of the South East. Around 25% of the Milton Keynes workforce come from the East and East Midlands compared to just 8% commuting in from somewhere in the South East. Amongst out-commuters, the strongest links are to Bedfordshire, Inner London and Northamptonshire (Figures 14 and 15).

Figure 13: Milton Keynes commuting patterns



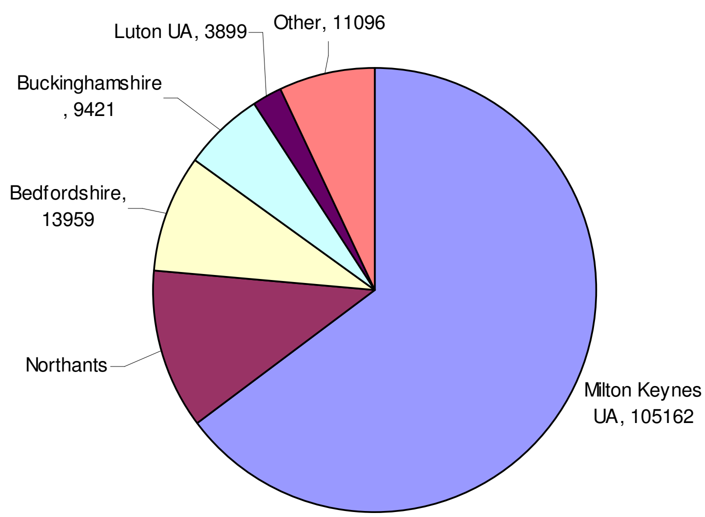
Source: ONS 2009

Figure 14: Place of work of Milton Keynes residents, 2008



Source: ONS Annual Population Survey 2008

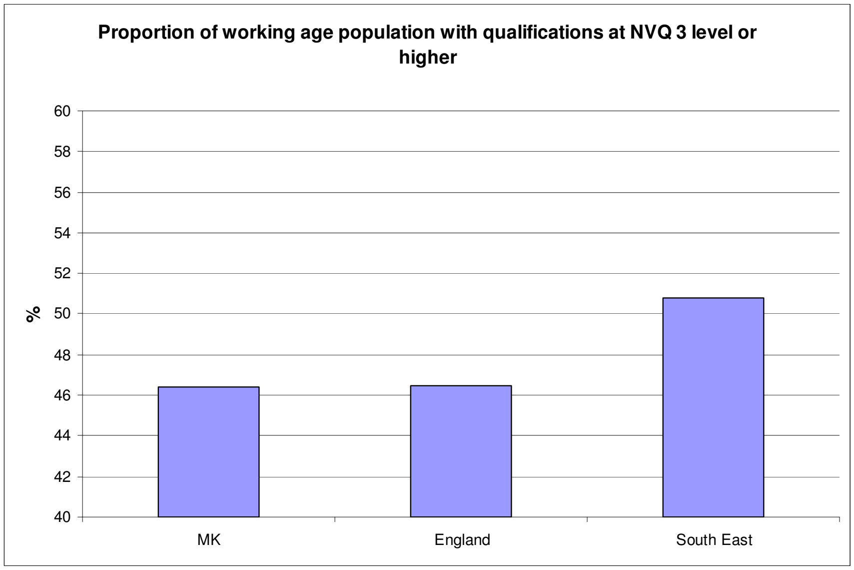
Figure 15: Place of residence of Milton Keynes workers, 2008



Source: ONS Annual Population Survey 2008

Milton Keynes has a skills deficit relative to the regional and national averages. Qualification levels are lower in Milton Keynes than in the rest of the South East. For example, 1 in 10 of the working age population has no qualifications compared to less than 1 in 11 regionally. Similarly, a lower proportion of the population is educated to at least NVQ3 level (A-Level equivalent) than is the case in the wider South East, as Figure 16 shows. This lack of skills could potentially explain why Milton Keynes has been a regional hotspot for unemployment.

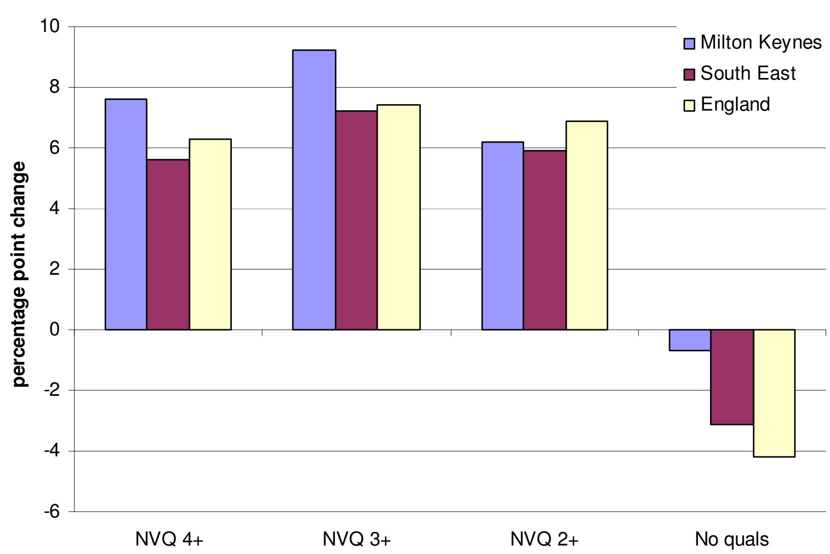
Figure 16: Skill levels - Qualifications



Source: ONS Annual Population Survey 2009

Looking at longer-term trends, Milton Keynes has seen greater improvement in the qualifications profile of its population at higher levels and relatively limited improvement at lower levels. As Figure 17 shows, the proportion of people with a minimum qualification at NVQ 3 and NVQ 4 saw a greater increase in Milton Keynes than in the South East or England (and indeed the comparator towns) between 1999 and 2008. By contrast, the increase in the proportion of people qualified to NVQ 2 as a minimum was smaller than in England and only marginally greater than in the South East during this period. Meanwhile the proportion of people with no qualifications fell only marginally in Milton Keynes compared to the regional and national averages. This implies the persistence of a 'core group' of lower skilled residents in Milton Keynes over recent years, while progression to higher qualifications amongst people who were already relatively well qualified has been better.

Figure 17: Change in proportion of residents qualified to different levels, 1999-2008



Summary

In general, the Milton Keynes economy is extremely service-based (over 85% of employment), with business services in particular accounting for a large share of output and employment. In terms of skills, Milton Keynes lags behind the rest of the South East, with workers more likely to be in low skill jobs, median earnings below the regional average, and average qualification levels similar to national levels but well below the South East average as a whole.

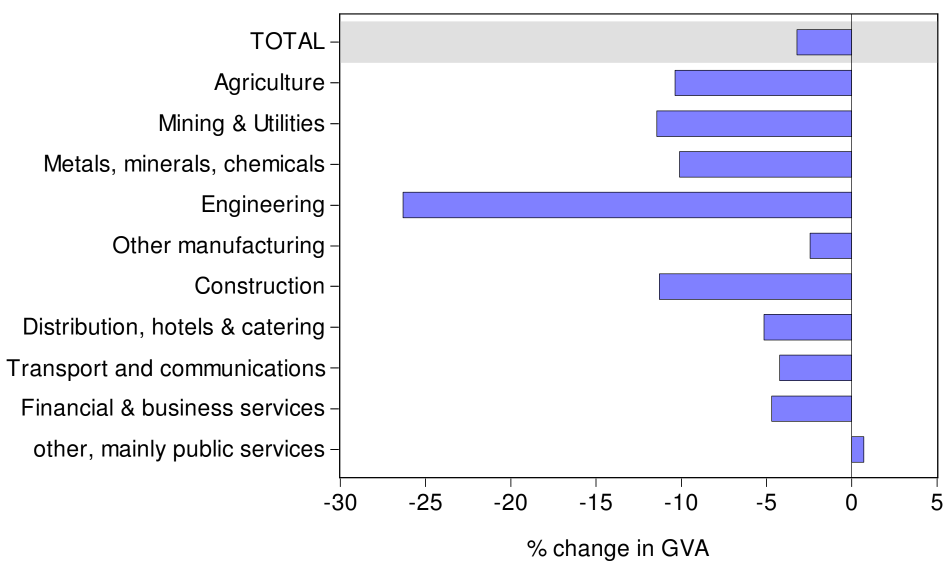
Milton Keynes is a regional employment hub, with many workers commuting from outside Milton Keynes to their jobs. In general, commuters are more likely to be employed in higher skilled jobs than Milton Keynes residents. However, as unemployment figures are recorded on a residence rather than workplace basis, the effect of the recession on employment in Milton Keynes will largely be picked up in data relating to residents.

3. Impact of the recession on Milton Keynes

The latest independent estimates point to a sharp contraction in GVA in 2009, but return to growth in 2010. It is difficult to reliably assess the impact of the recession on output in Milton Keynes, given that official local level statistics are not published until around two years after the date to which they refer. This means that we must use independent estimates. However, these estimates are not necessarily accurate, and any conclusions drawn from the data should be treated cautiously. This is particularly true when looking at local level statistics broken down by industry. The current economic climate makes forecasting particularly challenging, since the speed and depth of growth/decline could change rather unexpectedly and depends on a range of factors (especially at local level). More attention should be paid to the general direction of travel and overall magnitude of change than to the actual numbers.

Bearing this in mind, Figure 18 shows the estimated rate of contraction in output (GVA) in various sectors in 2009 in Milton Keynes.

Figure 18: Estimated GVA growth in 2009, by industry, Milton Keynes



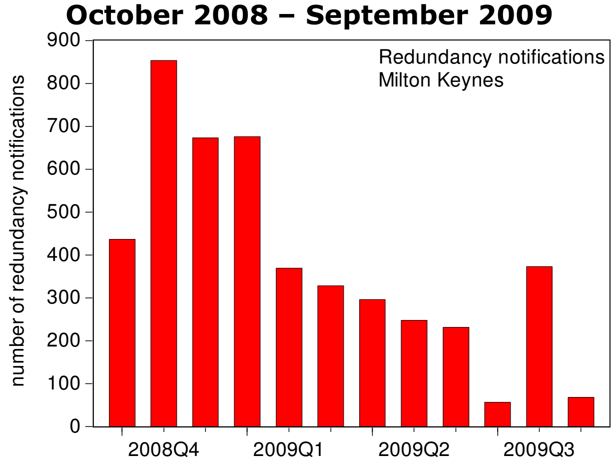
Source: Experian, Autumn 2009

The notable forecast from this is that output in the manufacturing sector (especially engineering) has contracted sharply, and the construction sector is estimated to have contracted by around 12% in 2009. However, Milton Keynes has a lower concentration of production activities than the region as a whole or most comparator towns, which could imply that the impact on GVA might not be as severe as elsewhere. However, as stated earlier, Milton Keynes has a high concentration of business services. Overall financial and business services in Milton Keynes are estimated to have contracted by -4.7% in 2009. Given that this sector is highly over-represented in Milton Keynes, the impact of the recession could still be severe.

Rather than perform an in-depth analysis using potentially unreliable estimates, we can use redundancy and unemployment data to get a better idea of the effect of the recession on Milton Keynes.

There was a sharp increase in redundancy notifications in Milton Keynes in the last quarter of 2008 and the first quarter of 2009. There have been 4,600 redundancy notifications in Milton Keynes between October 2008 and September 2009, which is 9% of the South East total (or well above Milton Keynes' share of total regional employment). Redundancy notifications in Milton Keynes reached their peak at the end of 2008, with 840 in November and 670 in December. Since then, the rate of increase has slowed (Figure 19). In September 2009 the number of redundancies in Milton Keynes dropped to 68 notifications (although August had seen the highest number since the beginning of the year, which can mainly be attributed to the transport and distribution sector).[3]

Figure 19: Redundancy notifications in Milton Keynes, October 2008 – September 2009



Source: BIS 2009

In sectoral terms, transport and distribution, retail and manufacturing have been affected most by redundancies in Milton Keynes. Transport and distribution accounted for almost a quarter (23%) of all redundancies in Milton Keynes between October 2008 and September 2009, and retail and manufacturing for a fifth each (or significantly above their share of total employment).

However, if we compare the composition of redundancy notifications by sector in Milton Keynes with the South East as a whole, we find some interesting differences (Table 2). In Milton Keynes, construction has accounted for 4% of all redundancies since October 2008 - less than half the proportion in the South East as a whole (9%). On the other hand, retail accounted for 20% of all redundancies in Milton Keynes in this period, while in the South East the proportion was 8%.

[3] Note that this data only captures redundancies of more than 20 employees; some of the job losses are not scheduled to take place until later in 2009; and in some cases the redundancies are happening in another region but are registered in the South East because it is home to the company's headquarters. This is in particular relevant to Milton Keynes and other large urban areas in the South East.

Furthermore, transport accounted for 23% of all redundancies in Milton Keynes, which compares to only 7% in the South East as whole. This clearly mirrors Milton Keynes' industrial structure, with a higher share of output in these sectors (see industrial structure chapter).

Table 2: Redundancy notifications in Milton Keynes, October 2008 – September 2009

	number	% of total notifications	
Sector	**Milton Keynes**	**Milton Keyes**	**South East**
Computer and Related Activities	33	1%	6%
Construction	191	4%	9%
Education	141	3%	6%
Health	27	1%	1%
Manufacturing	852	**19%**	23%
Mining and Utilities	141	3%	2%
Motor Vehicles (Retail)	37	1%	1%
Other Business Activities	437	10%	10%
Printing and publishing	26	1%	1%
Real Estate	82	2%	1%
Retail Trade	906	**20%**	8%
Telecommunications	658	**14%**	11%
Transport	1076	**23%**	7%
Total	4607		

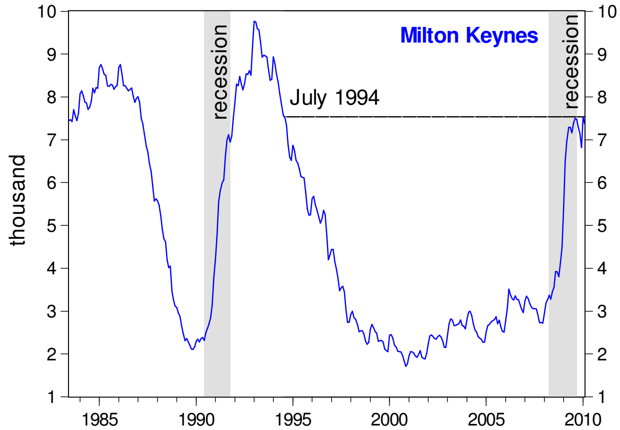
Source: SEEDA estimates derived from BIS and JC+ data

Looking at redundancy notifications data is useful as it is a workplace-based indicator of unemployment, i.e. it captures the effect on the Milton Keynes local economy and workforce as a whole, rather than just focusing on residents as is the case with claimant count unemployment data. However, there is a significant 'head office' problem with redundancies data in Milton Keynes – many redundancies made throughout the country are recorded at businesses' head offices; as Milton Keynes is home to a number of head offices, a significant proportion of redundancies may actually relate to job losses elsewhere. Though this does not render this data useless, it should be kept in mind. We can gain a more complete picture by also looking at claimant count unemployment data, which captures the effect of the recession on Milton Keynes residents.

Claimant count unemployment in Milton Keynes increased sharply during the recession, but the level is still below the level of the 1990s recession.

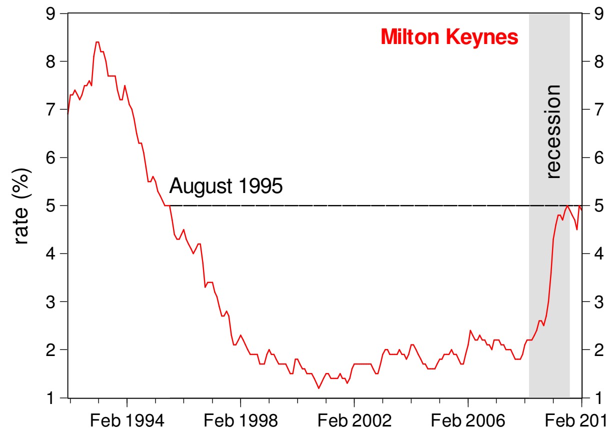
Since April 2008 the number of people claiming Job Seekers Allowance in Milton Keynes has increased by 4,000 to 7,367 in February 2010. Although unemployment in the town is now back to July 1994 level, it is still below the level of the early 1990s (Figure 20). Over the same period the unemployment rate has increased by 2.7 percentage points to 4.9%, which is above the regional and national averages. Although high, the rate is still well below the level reached in the 1990ss (Figure 21). The unemployment rate in Milton Keynes has increased faster than the regional and UK average and well above the rate of increase for Buckinghamshire. Over the same period the proportion of people who claim JSA in Buckinghamshire increased by 1.4 percentage points to 2.3% which is well below the regional average (3.2%) and the UK average (4.4%).

Figure 20: Claimant count unemployment



Source: ONS 2010

Figure 21: Unemployment Rate

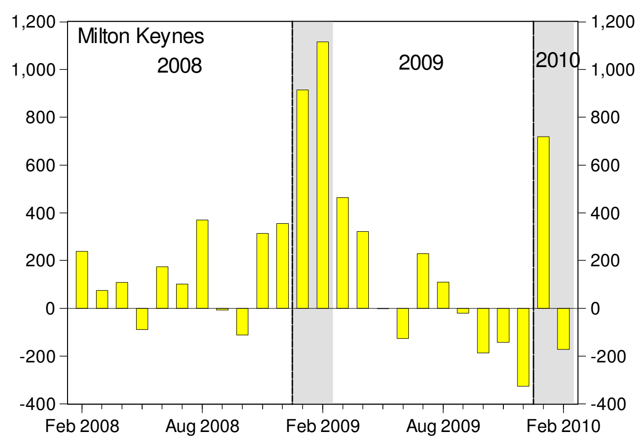


Source: ONS 2010

It is important to note that the 'true' level of unemployment is probably significantly higher in Milton Keynes and Buckinghamshire than indicated by the JSA data, since at any time a significant proportion of the unemployed population is not eligible to claim JSA.

In common with other towns in the region Milton Keynes experienced a sharp increase in unemployment in the early part of 2009 (shaded area in Figure 22). However, the latest data shows that the increase in January 2010 was below the increase observed at the same time last year and that the trend actually reversed in February 2010.

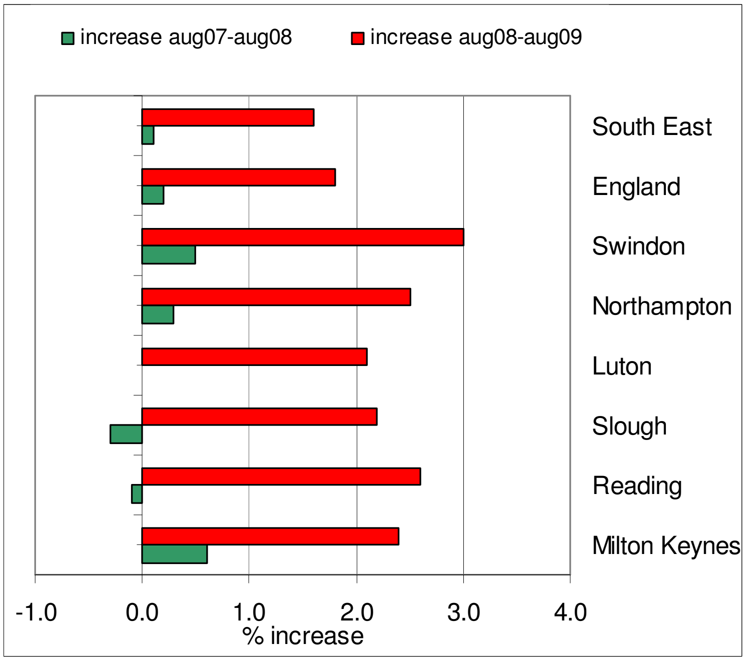
Figure 22: JSA claimants (monthly change)



Source: ONS 2010

A sharp increase in unemployment but the rate of increase is similar to a number of comparator towns in the region and elsewhere. Unemployment in Milton Keynes has increased by more than the regional and national averages (Figure 23). However, this disguises a more general trend, in which urban areas tend to be worse affected in recessions than rural areas. If we compare Milton Keynes to other similar towns, we can see that while the increase in unemployment is significant, it is smaller than the rise recorded in Swindon, similar to Northampton, and not much larger than Reading.

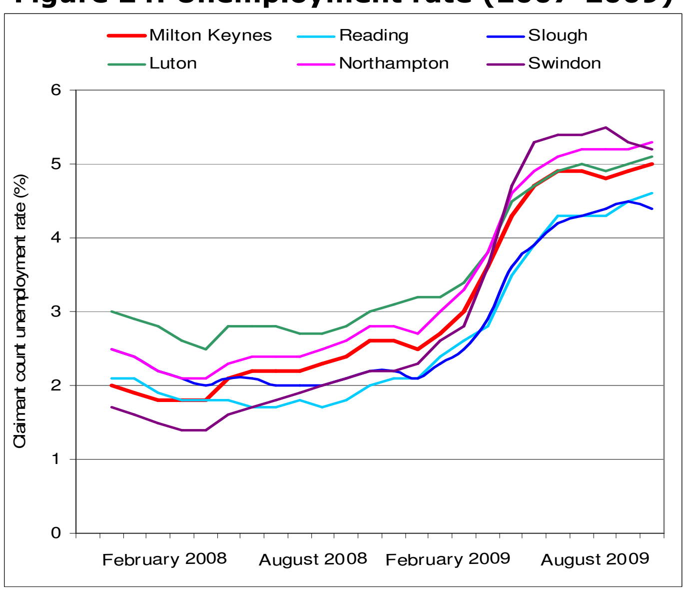
Figure 23: Unemployment - % increase in claimant count rate



Source ONS 2009

When we look at the unemployment rate (Figure 24), we can again see that unemployment in Milton Keynes is lower than in a number of other similar towns. In particular, Swindon, Northampton and Luton all have higher unemployment rates than Milton Keynes.

Figure 24: Unemployment rate (2007-2009)



Source: ONS 2009

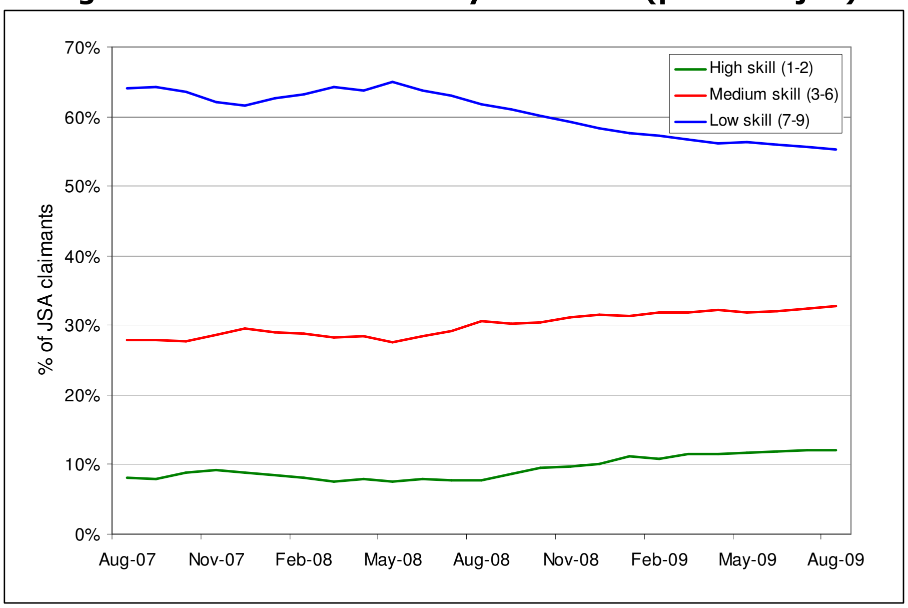
There is higher unemployment and there have certainly been more redundancies in Milton Keynes than the regional/national average, but much of this is due to the different effect of recessions on rural and urban areas. A better picture can be seen by comparing Milton Keynes to other broadly similar towns – when we do this (as indicated above) there appears to be little evidence to support the hypothesis that Milton Keynes has been particularly badly affected, as all of these towns have seen similar trends.

Nevertheless, even if the level of redundancies and unemployment in Milton Keynes is not so different from other towns, it still represents a significant increase and is worthy of further investigation to see which sectors have been worst-hit, the characteristics of those affected, and implications for the future development of the Milton Keynes economy.

Workers employed in lower skill jobs are generally at higher risk of losing their jobs in recession. Unsurprisingly, a high proportion of JSA claimants in Milton Keynes were formerly working in sales and customer service occupations, as process, plant and machine operatives, or in other elementary occupations.

During the first 12 months of the recession lower skilled workers were at a greater risk of becoming unemployed. However, one feature of this recession has been that higher skilled workers have also become heavily exposed. Much of the rise in unemployment over the past six months has been accounted for by people employed at more senior levels, who usually remain relatively unscathed. Figure 25 shows that as time has passed since the start of the recession, high skill workers have come to account for a larger proportion of total JSA claimants.

Figure 25 – JSA claimants by skill level (previous job)

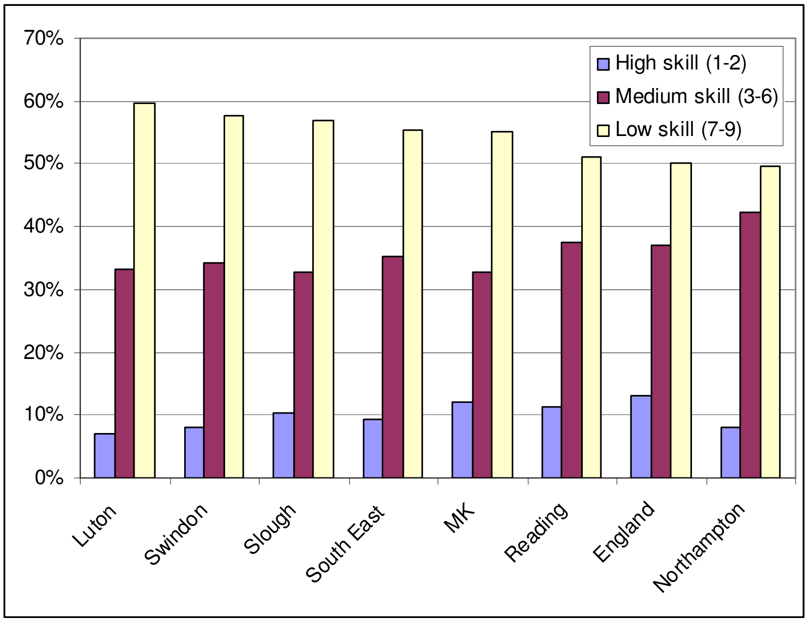


Source: ONS 2009

However, despite this trend, workers formerly engaged in low skill occupations still account for the majority of JSA claimants. Given that Milton Keynes has a higher proportion of workers employed in these occupations, this is likely a major driver behind the rise in unemployment in Milton Keynes.

For comparison, Figure 26 shows the occupational group of JSA claimants in August 2009. Clearly Milton Keynes is not particularly unique in any of these categories, with high skill claimants accounting for a similar proportion to the national average, and medium and low skill claimants similar to the comparator towns. Many of these differences will be influenced by structural differences between towns, or by specific large employers being based in one area.

Figure 26: Milton Keynes and comparator towns – Former occupational group of claimants, August 2009

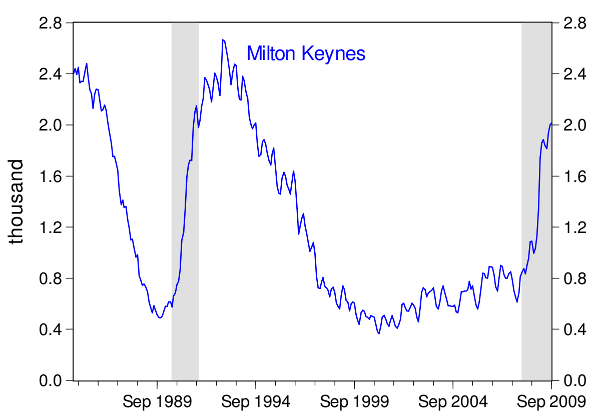


Source: ONS 2009

More than one in four JSA claimants in Milton Keynes are young people, but the figure is below the regional average. 72% of JSA claimants in August 2009 were male. This peaked at 74% in December 2008, likely due to manufacturing and construction job losses, but has since declined as many redundancies have occurred in more mixed-gender occupations such as business services.

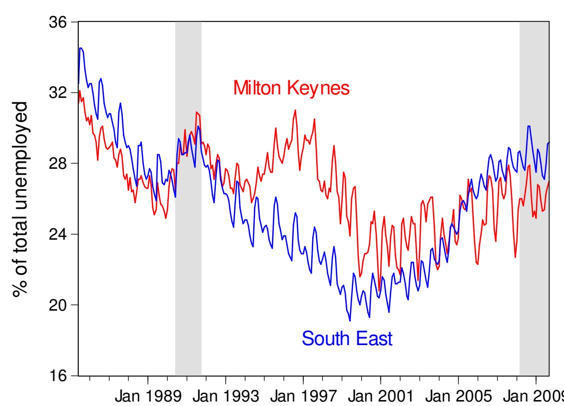
There has been a sharp increase in unemployment amongst young people (Figure 27). More than one in four (27%) of JSA claimants were aged 18-24 in August 2009. This is slightly lower than the South East average (29%), and it probably reflects higher redundancy rates in manufacturing and transport/distribution activities (sectors that tend to employ older workers). However, younger people in particular remain at risk, especially given their concentration in service led activities - often in temporary, low-skilled employment.

Figure 27: Unemployment amongst young people (18-24 year olds)



Source: ONS 2009

Figure 28: Unemployment amongst young people as % of total unemployment



Source: ONS 2010

Furthermore, unemployment amongst young people in Milton Keynes usually persists longer after recessions than in the region as a whole (Figure 28).

Milton Keynes has a higher proportion of long-term unemployed than other areas – compared to the regional/national average and comparator towns, a higher proportion of claimants in Milton Keynes have been claiming for a long period of time, with more than one in ten claimants having been claiming for more than a year (as of August 2009). This is likely to be related to the relatively low-skill profile of the Milton Keynes population, which suggests that tackling long-term unemployment could prove to be more difficult over the coming years.

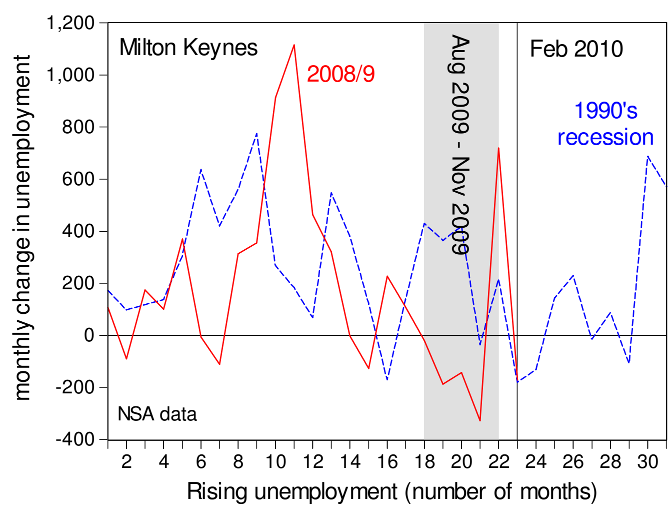
Table 3: Long-term unemployed

	Milton Keynes	**Reading**	**Slough**	**Luton**	**N'hampton**	**Swindon**	**England**	**S. East**
claiming for over 6 months	**34.6%**	32.5%	27.6%	33.6%	33.1%	33.9%	32.2%	29.4%
claiming for over 12 months	**10.5%**	9.4%	6.3%	9.2%	9.8%	8.1%	9.8%	8.0%

Source: ONS 2009

In the recession of the 1990s unemployment in Milton Keynes continued to increase for more than 30 months. However, the impact of the 2008/9 recession on the labour market has been less severe than feared. After some 17 months of almost continuous increase in unemployment there was a fall in the number of claimants in Milton Keynes between August and November 2009 and again in February 2010 (Figure 29) which could suggest that unemployment now moves alongside output (it is less of a lagging indicator now than during previous recessions). However, given the spare capacity in the economy it is more likely that we will see further increases in unemployment in Milton Keynes, the region and UK in the first half of 2010.

Figure 29: Claimant count unemployment in recessions of the 1990s and 2008/9



Source: SEEDA 2009 estimates derived from ONS data

We have seen a sharp increase in unemployment in Milton Keynes during the recession, but the rate of increase has not been dissimilar to other large urban areas in the region or elsewhere. Unemployment and redundancies have certainly been higher in Milton Keynes than the regional or UK averages. However, Milton Keynes is not alone; one of the features of the current recession has been a faster increase in unemployment in urban areas within the South East and elsewhere. Evidence suggests that Milton Keynes has not seen a particularly unusual increase, compared at least to other towns with similar characteristics. However, the recovery in large urban areas usually starts earlier than elsewhere in the region.

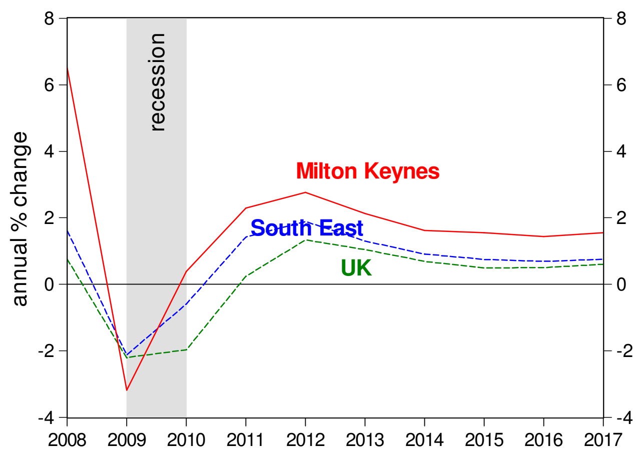
The majority of JSA claimants were formerly engaged in relatively low skill occupations – since residents of Milton Keynes (but not commuters) are more likely than elsewhere to be engaged in these low skill occupations, the local labour market has been hit hard. However, a distinction should be drawn between the effect of the recession on the Milton Keynes economy, and the effect on the local labour market – over a third of the workforce commutes from outside Milton Keynes, and given that commuters are on average more highly skilled than Milton Keynes residents and are less likely to have been made redundant, claimant count data will pick up a 'concentration' of low skilled unemployed as it only considers residents.

This issue of low skills is a major driver of labour market performance in Milton Keynes.

4. Economic Vision

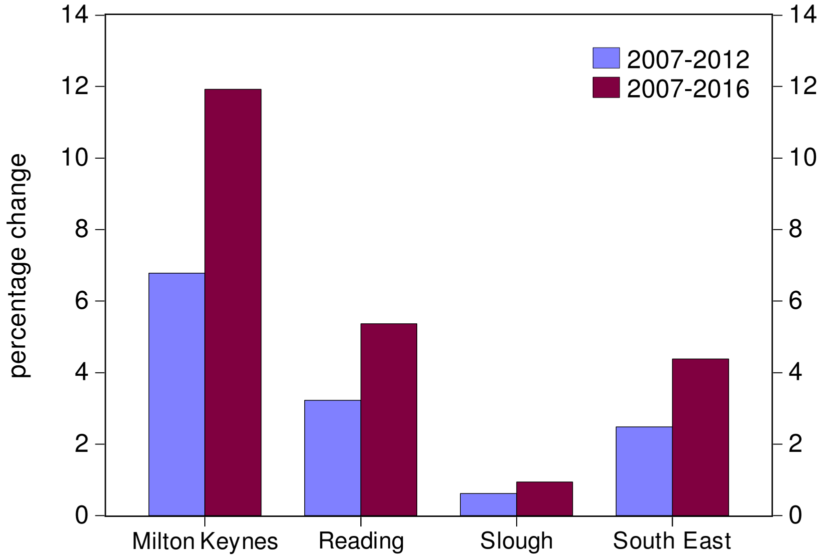
Although Milton Keynes has been hit relatively hard by the recession in unemployment terms, **independent projections suggest that employment numbers in the area are likely to be affected less by the recession than the comparator towns in the South East and the region as a whole.** Additionally, over the medium term employment in Milton Keynes is forecast to increase at a faster rate than the South East average (Figure 30).

Figure 30: Projected employment growth, 2008-2017



As Figure 31 shows, growth in the working age population in Milton Keynes is projected to be significantly faster than in the South East as a whole and the comparator towns in the region (Reading and Slough) over both the short and medium term. The working age population of Milton Keynes is projected to increase at almost three times the rate of the South East between 2007 and 2012 (7% compared to 2.5% in the South East) and between 2007 and 2016 (12% compared to 4.4%). This reflects the town's designation as part of a Growth Area, with significant growth in housing development expected in the coming years.

Figure 31: Projected rates of growth in working age population



Source: Experian, Autumn 2009

Employment is projected to grow faster in Milton Keynes than in the South East as a whole, but the rate of growth is not expected to be as rapid as the growth in the size of the working age population. This casts doubt on the ability of Milton Keynes to provide sufficient jobs for its resident population in the future and suggests that out-commuting may become more of a feature of the labour market than it has up to now. As Table 4 shows, over the medium term (2007-2016) the working age population in Milton Keynes is projected to grow at a faster rate year-on-year than employment (1.3% p.a. compared to 0.8% p.a.). In the comparator towns in the South East – Reading and Slough – the rate of population growth is forecast to be better matched by the rate of employment growth between 2007 and 2016.

Table 4: Forecast change in working age population and employment (average annual growth rates)

	working age population		employment (workplace based)	
	2007-2012	2007-2016	2007-2012	2007-2016
Milton Keynes	**1.3**	**1.3**	**0.3**	**0.8**
Reading	0.6	0.6	-0.3	0.3
Slough	0.1	0.1	-0.8	0.0
South East	0.5	0.5	-0.1	0.3

Source: Experian Business Strategies, Autumn 2009

Employment in Milton Keynes is not expected to be as severely affected by the recession as in the South East as a whole and the comparator towns in the region. In the years between 2008 and 2012 employment is forecast to grow at a faster rate in Milton Keynes than in these comparator areas. The forecasts suggest that employment will return to growth in 2010, and Milton Keynes will see a faster rate of growth than Reading, Slough and the South East (Table 5). As Table 4 showed, the average annual rate of growth in employment over the periods 2007-2012 and 2007-2016 is projected to be substantially faster in Milton Keynes than in the comparator areas.

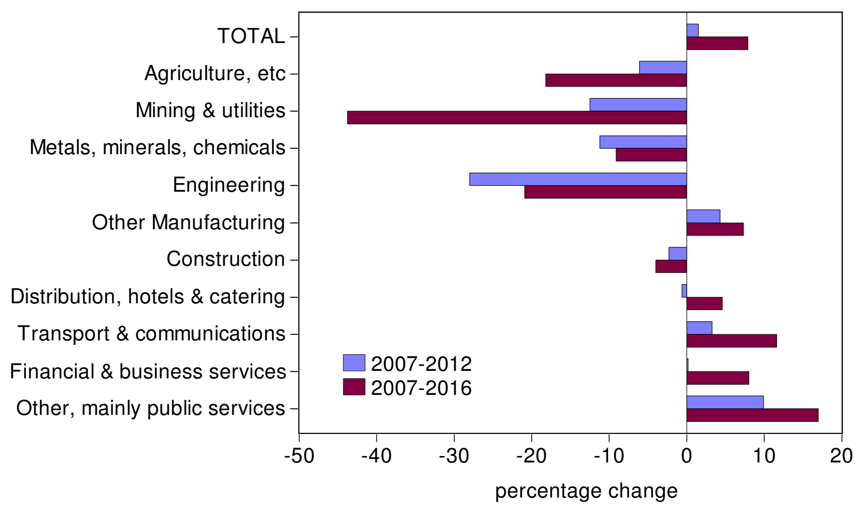
Table 5: Projected rate of change in employment (% growth on year before, workplace based)

	2008	2009	2010	2011	2012
Milton Keynes	**0.1**	**-0.9**	**0.3**	**0.5**	**1.4**
Reading	-0.1	-3.4	0.0	0.9	1.1
Slough	-0.3	-3.9	-0.9	0.5	0.8
South East	0.1	-2.1	-0.1	0.5	1.1

Source: Experian Business Strategies, Autumn 2009

Although jobs growth is expected to be strong in Milton Keynes in the coming years, what is important is the quality of these jobs and the ability of local residents to access them. Employment growth in Milton Keynes over both the short and medium term will be entirely due to growth in service sector employment, thereby perpetuating the current industrial structure which is heavily skewed towards services. The fastest growth in employment is expected to be seen in relatively low value sectors – public services, hotels and catering, transport and communications – as well as financial and business services to a lesser extent. In a continuation of recent trends, the engineering sector is forecast to see the fastest employment decline, along with utilities, agriculture and other parts of manufacturing. As a likely reflection of the recession, construction and property related activities are forecast to see a decline in employment, particularly over the short term (2007-2012), Figure 32.

Figure 32: Forecast employment growth by sector, Milton Keynes



Source: Experian, Autumn 2009

Mirroring the projections for employment, the economy in Milton Keynes is estimated to have contracted more slowly than the South East average and over the short to medium term it is projected to expand faster than the regional average. The Milton Keynes economy is expected to contract by -3.2% in 2009, lower than the South East as a whole (-4.2%), according to the latest forecast by Experian. However, if we compare this to the previous forecast (Spring 2009), it becomes obvious that projections have been revised downwards. In Spring 2009, total 2009 GVA in Milton Keynes was expected to decline at a much slower rate, of -2.8%.

On the other hand, the outlook for Milton Keynes' economy is comparatively better, Experian expect total GVA to increase by 2.2% in 2010, significantly higher than the South East as a whole (1.6%), see Table 6.

Output is forecast to be affected most in the manufacturing (particularly engineering) and construction sectors in Milton Keynes during the recession, and recovery is expected to be slow in these sectors. On the other hand, distribution, retail, hotels & catering, although badly hit by the recession, are projected to return to growth faster than other sectors. The one exception is public services, which is projected to be the only sector to continue growing throughout the recession (Table 6).

Similarly, if we compare output growth with the last recession in the early 1990s, Milton Keynes recovered at a faster rate than the South East as a whole. Whilst there was nil output growth in the South East in 1992, GVA in Milton Keynes had already increased by 2.2%.

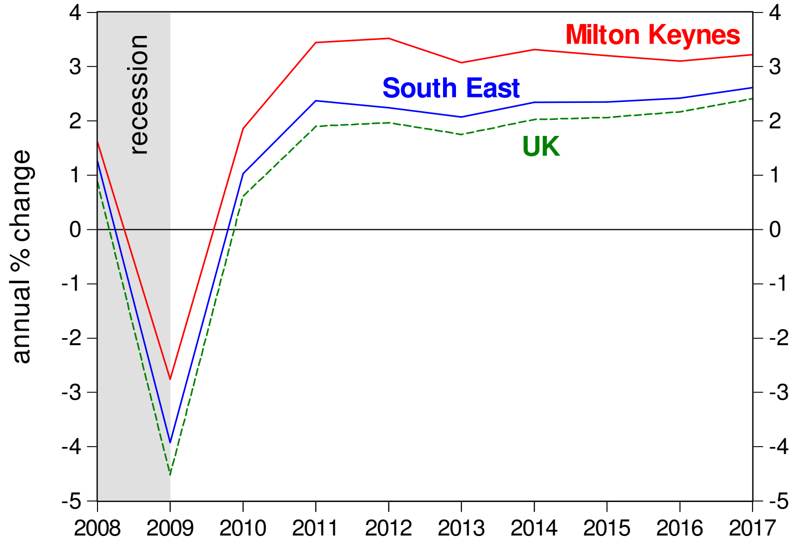
Table 6: Projected GVA growth in Milton Keynes and the South East (2009-2011)

	Milton Keynes (% change)			**South East (% change)**		
	2009	**2010**	**2011**	**2009**	**2010**	**2011**
Total Output (GVA) (£mns, 2005 prices)	**-3.2**	**2.2**	**2.7**	**-4.2**	**1.6**	**2.3**
Agriculture, Forestry & Fishing	-10.4	-2.6	-0.5	-8.6	-0.7	1.3
Mining & Utilities	-11.4	-8.3	-9.6	-14.0	-5.4	-3.6
Metals, Minerals & Chemicals	-10.1	3.3	3.7	-7.5	1.9	3.8
Engineering	-26.3	-0.9	2.7	-16.4	0.3	2.4
Other Manufacturing	-2.5	1.1	2.9	-4.7	0.8	2.5
Construction	-11.3	0.8	2.0	-10.6	0.3	1.5
Distribution, Hotels & Catering	-5.2	2.2	3.0	-5.1	1.8	2.7
Transport & Communications	-4.2	0.9	3.4	-5.2	0.0	2.5
Financial & Business Services	-4.7	2.3	3.1	-7.7	1.5	3.6
Other (mainly public) Services	0.7	0.8	0.9	-0.3	0.2	0.5

Source: Experian Local Markets Database, Autumn 2009

Looking over the medium term (2008-2017), growth in GVA is projected to be faster in Milton Keynes than in the South East (Figure 33).

Figure 33: Projected GVA growth 2008-2017 (annual % change)



Source: Experian 2009

5. Implications for policy priorities in Milton Keynes

- The resident population generally has a lower skills profile than the workforce. There is a large proportion of in-commuters (many highly skilled) while a significant proportion of Milton Keynes residents work locally (often in lower value jobs). Lower skilled residents have generally seen more limited improvement in their skill levels in recent years compared to higher skilled residents.

- The structure of the economy and the low skills profile of the resident population has been a key driver of the rapid rise in unemployment in Milton Keynes, since lower skilled workers tend to be more vulnerable to job losses in a recession. However, the rise in unemployment in Milton Keynes has been no worse than several other towns with similar characteristics, so it appears that it has not been uniquely badly affected.

- Growth in the working age population is likely to outstrip employment growth in Milton Keynes over the next 5-10 years, despite the latter being faster than the South East average and comparator towns in the South East. This suggests that out-commuting and/or local pockets of unemployment could be a feature of the Milton Keynes labour market in future. The lower skilled population could imply that higher unemployment could persist longer than during the last two recessions.

- Future employment growth is projected to be overwhelmingly in the service sector, which is where the bulk of employment growth has taken place in recent years. According to Experian much of this growth is expected to be in lower value services, which could expose the labour market in Milton Keynes to future economic shocks.