

Executive Summary

Contents

- **Economic activity** 3
A rise in economic activity in the three months to May.
- **Employment** 3
Employment falling in the South East, though to a lesser extent than other southern regions.
- **Unemployment**.....4
Unemployment as measured by the Labour Force Survey continues to increase... but the claimant count fell between May and June.
- **Claimant Count**.....5
The fastest increase in the claimant count rate in the past quarter has been in parts of the Inner South East.
- **Redundancy notifications**.....11
Total notifications increased between May and June, and the business services sector appears to be worst affected.
- **Vacancies**.....12
A continued fall in vacancies, particularly in skilled trades and elementary occupations and in business services, manufacturing and construction.

- In the three months to May 2009 there were 4.43 million economically active people in the South East – an increase of 7,000 on the previous quarter.
- The economic activity rate in the South East, at 82.6%, remains the highest in the country; however the South East rate fell by -0.1% on the previous quarter, while the UK figure also decreased by -0.1%, to 79.1%.
- In the three months to May employment in the South East fell by 39,000, to 4.2 million people. Nearly all regions saw a drop in employment in the three months to May – including London (down 59,000), the South West (down 54,000) and the East of England (down 29,000). The only region to experience an increase in employment was the East Midlands, where employment rose by 2,000.
- In the UK the number of people employed fell by 269,000 in the three months to May, bringing total employment to 29 million.
- Female employment has continued to fall in the South East, with the number of women in work dropping by 8,000 in the three months to May. Male employment for the same period dropped by a significantly greater degree than female employment, falling by 31,000 in the South East. This was one of the largest falls in men’s employment of any region, behind London and the South West.
- In the three months to May there were 269,000 unemployed people in the region, or 47,000 more than in the previous quarter. This is one of the larger increases in unemployment of any region.
- The South East has the lowest unemployment rate of any region, at 6.1%.
- The number of people in the South East claiming Job Seekers’ Allowance (JSA) fell by 2,744 between May and June, to 152,124. This is the first monthly fall since April 2008.
- The number of JSA claimants in the South East increased by 2,218 over the quarter from March to June, and 82,742 over the year from June 2008. The claimant count rate in June remained the same as the previous two months at 3%, but was up by 0.1% on the quarter and 1.6% on the year.

- Over the past year Kent and Hampshire have seen the largest increases in claimant count unemployment at 13,865 and 10,592 respectively. However, Reading has seen the fastest increase in the claimant count rate over the past year- increasing by 2.6%, which is well above the South East and UK averages (1.6% and 1.9% respectively).
- Over the past quarter the unemployment rate has increased fastest in parts of the Inner South East – perhaps explained in part by job losses in London leading to commuters claiming JSA in their place of residence.
- The impact of the recession on young people's employment is of concern, as younger workers tend to be concentrated in low-wage, low skill and less secure employment, and can find it more difficult to gain employment in a more competitive jobs market. Evidence so far suggests that young people in the South East have not been disproportionately affected by the recession. The increase in the number of JSA claimants aged 18-24 was the smallest of any age group in the past year. However, the end of the academic year is likely to lead to a significant increase in the number of young people joining the JSA register.
- Compared to other regions, the South East has seen the second fastest increase in the number of JSA claimants aged 18-24 over the past year – an increase of 116%, which is well above the UK average of 80%.
- All counties and unitary authorities in the South East have seen a drop in the number of 16-18 year olds in employment over the past year, with the greatest fall being in Hampshire, Surrey and East Sussex. The number of 16-18 year olds who are not in education, employment or training (NEET) increased fastest in Oxfordshire, Buckinghamshire and the Isle of Wight over the past year.
- The recession could have a detrimental impact on the employment prospects of older workers (those aged over 50), particularly as they tend to be employed in senior positions and therefore are more expensive to employ at a time when employers face pressures to cut costs. However, the rate of increase in JSA claimants aged over 50 has been no greater than the average for all age groups over the past year.
- In June 2009 there were 4,203 redundancy notifications in the South East – considerably more than the 2,500 registered in May. Over the past few months there has been an increase in the proportion of redundancy notifications in the business services sector, with fewer redundancies being announced in the manufacturing and construction sectors relative to previous months.
- Looking sub-regionally, Hampshire and Berkshire recorded disproportionately more redundancy notifications than other sub-regions – collectively accounting for 58% of the South East total. A further 20% of notified redundancies were recorded in Surrey.
- Between June 2008 and June 2009 the number of vacancies notified to Jobcentre Plus in the South East fell from 50,475 to 29,869.¹ In June 2009, there were 5 claimants per vacancy compared to 1 claimant per vacancy in June 2008. The vast majority of the drop in vacancies over the year was accounted for by skilled trade occupations and elementary occupations, while the sectors seeing the greatest fall in vacancies were financial and business services, manufacturing and construction.

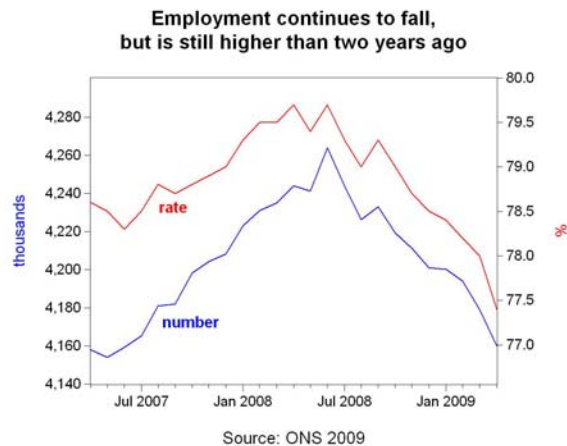
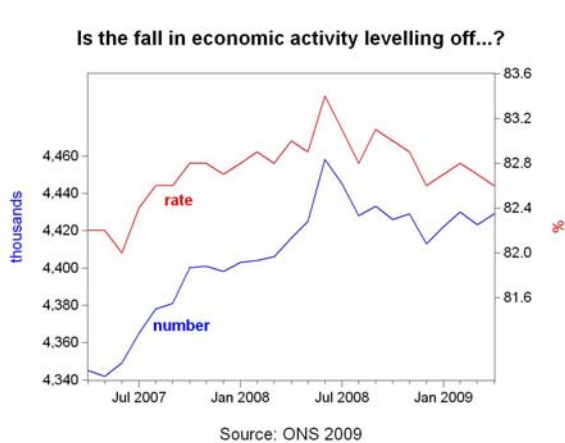
¹ Note that vacancies notified to Jobcentre Plus do not represent all vacancies in the labour market, as not all employers use the service when recruiting. In general higher-skilled jobs are under-represented in those vacancies notified to Jobcentre Plus.

1. Economic Activity

Data for the three months to May 2009 shows that there were 4.43 million economically active people in the South East – an increase of 7,000 on the previous quarter.² The South East continued to outperform other parts of the South of England which have seen considerable falls in economic activity, including the South West (down 28,000). However, several regions recorded substantial increases in economic activity, including Yorkshire and the Humber (up 39,000), the North West (up 15,000) and the West Midlands (up 27,000). In the UK as a whole, economic activity increased by 12,000 in the same period.

The number of economically active men and women in the region increased by 4,000 each in the three months to May. The economic activity rate in the South East, at 82.6%, remains the highest in the country, followed by the South West and the East of England; however the South East rate fell by -0.1% on the previous quarter, while the UK figure also decreased by -0.1%, to 79.1%.

The South East has the lowest economic inactivity rate of any region, at 17.4% in the three months to May. However, the number of economically inactive people in the South East increased by 6,000 over the quarter, while other regions in the Greater South East – London and the East of England – saw a far greater increase in economic inactivity (up by 48,000 and 23,000 respectively).



2. Employment

In the three months to May employment in the South East fell by 39,000, to 4.2 million people. Unsurprisingly, nearly all regions saw a drop in employment in the three months to May – including London (down 59,000), the South West (down 54,000) and the East of England (down 29,000). The only region to experience an increase in employment was the East Midlands, where employment rose by 2,000. In the UK the number of people employed fell by 269,000 in the three months to May, bringing total employment to 29 million.

The data suggest that the recent drop in employment in the regions of the Midlands and North of England is less severe than the decrease seen in the South of England. This could be explained by the fact that the full effects of the recession have now spread to a broader range of sectors, including the service sector which is more concentrated in the South and East of England. By contrast, the early stages of the recession saw the manufacturing, construction and transport

² The economically active are those who are in employment or unemployed but available for work.

industries, which tend to be more heavily concentrated in the north and Midlands, experiencing the severest impact.

Looking at the longer term trends, over the year to May 2009, the South East and the West Midlands experienced the largest fall in employment, of 83,000 and 88,000 respectively. The smallest falls were recorded in the North East (-25,000), while in the East Midlands there was an overall increase in employment of 17,000.

Female employment has continued to fall in the South East, with the number of women in work dropping by 8,000 in the three months to May. The East Midlands (-30,000) saw the greatest fall in women's employment in any English region, whereas the South West saw an increase in women's employment of 6,000. Male employment in the three months to May dropped by a significantly greater degree than female employment, falling by 31,000 in the South East. This was one of the largest falls in men's employment of any region, behind London and the South West. The significant decline in the South East may be due to redundancies made in the male-dominated construction and manufacturing sectors in the early part of 2009 feeding through to the employment figures.

In the three months to May the South East employment rate stood at 77.4%, which is 1% lower than in the previous quarter, but the highest of any region. The South West saw the largest fall in the employment rate of any English region at 1.6%. Over the same period the UK employment rate declined by 0.9% to 72.9%. Once again the data suggests that the northern regions of the UK are performing slightly better than the South, with a slightly smaller fall in the employment rate compared to the southern regions.

The employment rate for men in the South East was down 1.5% on the previous quarter, at 81.2%. The UK employment rate for men declined by 1.1% to 76.4%. The employment rate for women in the South East fell by 0.5% to 73.3% - still significantly above the UK women's employment rate, which dropped by 0.6 percentage points on the previous quarter, to 69.1%.

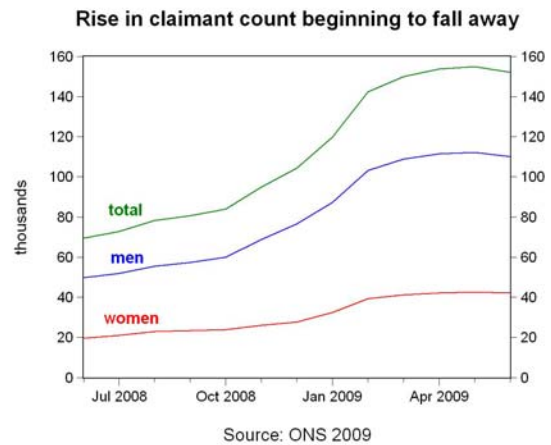
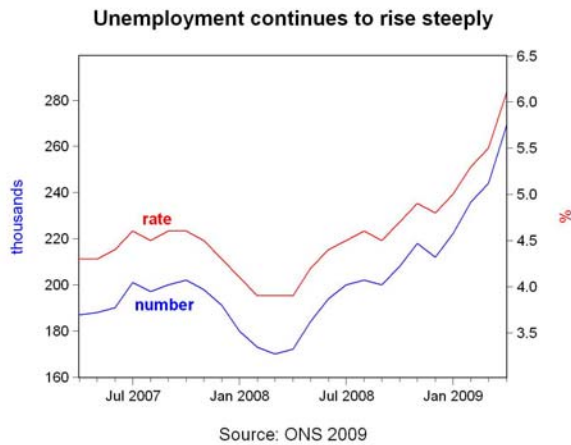
3. Unemployment

In the three months to May there were 269,000 unemployed people in the region, or 47,000 more than in the previous quarter. This is one of the larger increases in unemployment of any region, with only the West Midlands (52,000) recording a greater increase. Within the South East, the unemployment rate represents 6.1% of the total economically active population within the region, which is the lowest rate of all regions.

The number of unemployed people in the UK as a whole increased by 281,000 over the three months to May, with the rate increasing by 0.9% to 7.6%, bringing the total unemployed to over 2.38 million.

Male unemployment increased by 35,000 and female unemployment increased by 12,000 in the three months to May. The greater rise in men's unemployment could reflect continued job losses in both the manufacturing and construction sectors. Furthermore, the slower rise in unemployment amongst women may suggest that women are more likely than men to move into economic inactivity rather than registering as unemployed. This could be explained in part by the fact that women are less likely to be eligible for unemployment benefit (Job Seekers' Allowance) once their spouse or partner's income is taken into account.

In the three months to May the male unemployment rate increased by 1.4%, while the female unemployment rate increased by 0.6% in the South East.



The number of people in the South East claiming Job Seekers' Allowance (JSA) fell by 2,744 between May and June, to 152,124.³ This is the first monthly fall since April 2008. As of June 2009, 72% of those claiming JSA were men and 28% were women. Although the number of claimants within the South East region has slightly fallen, there were in fact 2,643 fewer people moving off the JSA register between May and June than in the previous two months.

Over the quarter from March to June the number of JSA claimants in the South East increased by 2,218, and 82,742 over the year from June 2008. The claimant count rate (percentage of residents claiming JSA) in June remained the same as the previous two months at 3%, but was up by 0.1% on the quarter and 1.6% on the year. The yearly increase was below the UK average (1.9%) and one of the smallest of any region. The claimant count rate in the South East, along with the South West, remains the lowest of any region.

4. Claimant count

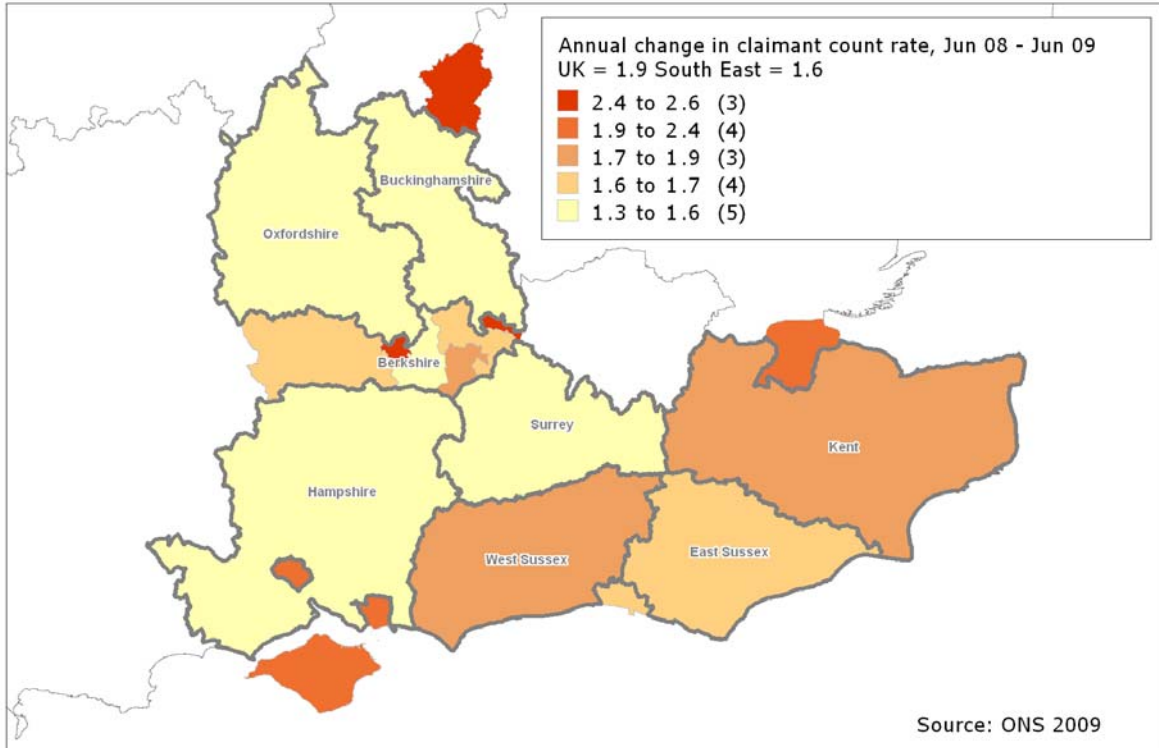
Recent trends

Looking at changes in claimant count unemployment over the past year, Kent and Hampshire have seen the largest increases in unemployment in absolute terms - 13,865 and 10,592 respectively. However, Reading has seen the fastest increase in the claimant count rate over the past year – that is the percentage of residents claiming Job Seekers' Allowance (Map 1). The claimant count rate in Reading increased by 2.6%, which is well above the South East and UK averages (1.6% and 1.9% respectively). Substantial increases in the claimant count rate were also recorded in Milton Keynes (2.5%), Medway (2.1%) and Slough (2.4%).

Local authorities in Kent and Berkshire have tended to see the fastest increase in the claimant count rate over the past year, while other 'hotspots' include the coast of Hampshire and Sussex, as well as Milton Keynes and Crawley (Map 2).

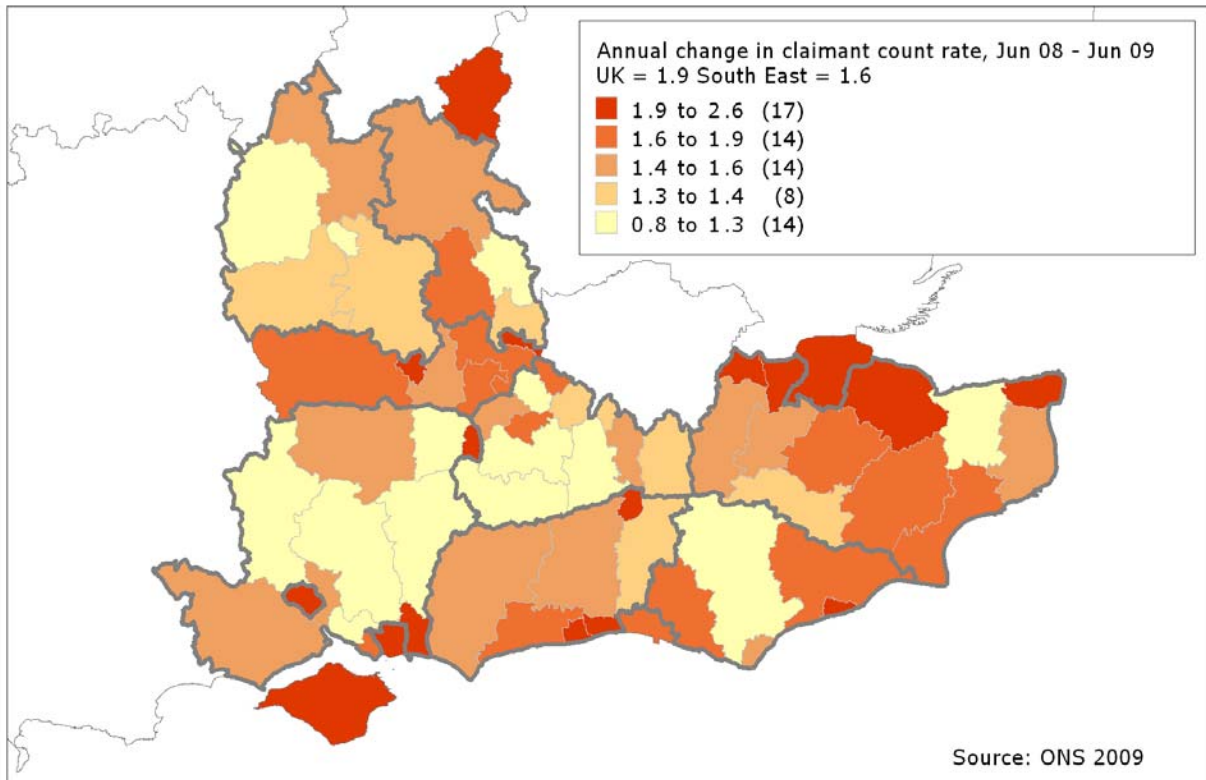
³ This is the non seasonally adjusted figure.

Map 1: Annual change in claimant count rate – county and unitary authorities (June 2008-June 2009)



© Crown Copyright Ordnance Survey. 'Boundary Line' 2008. License No. 100029140
Produced by SEEDA Research & Economics © All rights reserved 2009

Map 2: Annual change in claimant count rate – districts / unitaries (June 2008-June 2009)

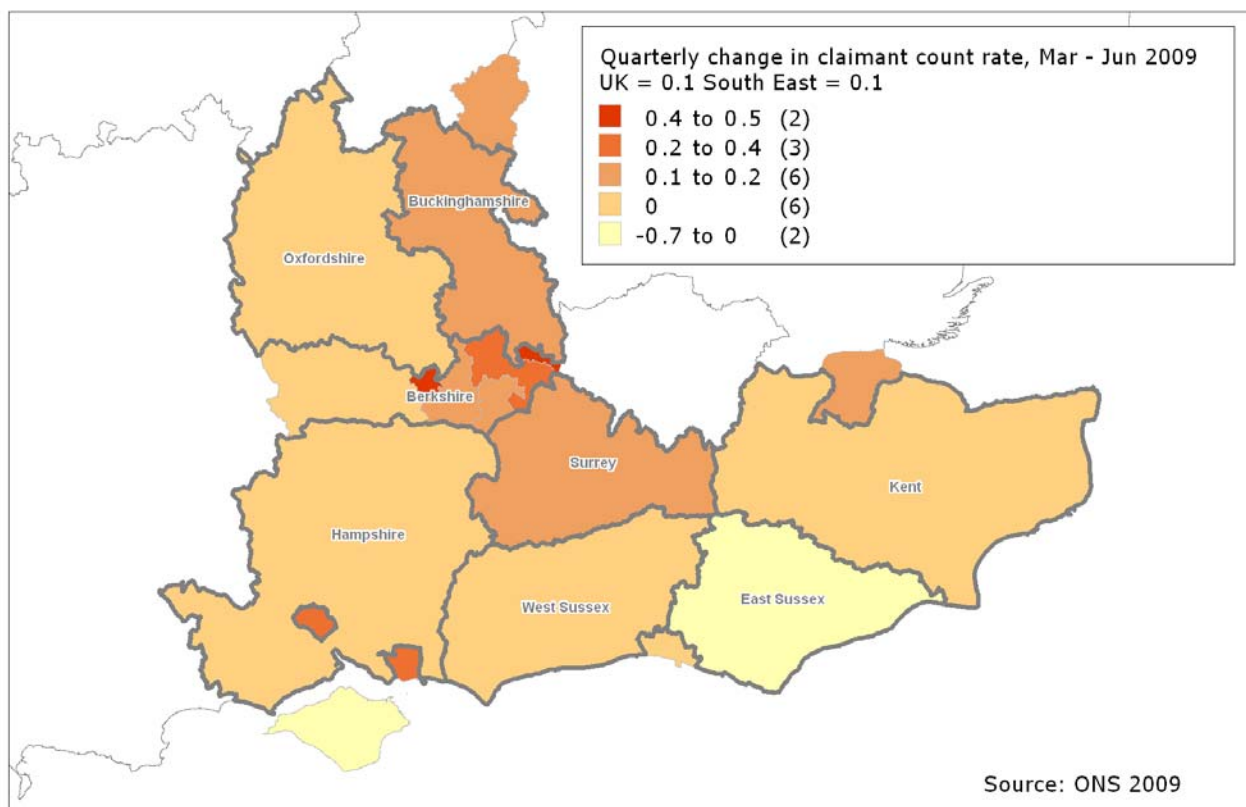


© Crown Copyright Ordnance Survey. 'Boundary Line' 2008. License No. 100029140
Produced by SEEDA Research & Economics © All rights reserved 2009

Looking at more recent change, over the past quarter the largest increase in claimant count unemployment, in absolute terms, has been in Surrey (+721), although this is significantly smaller than previous quarterly increases. Several counties and unitary authorities in fact recorded a drop in unemployment over the past three months, including the Isle of Wight (down 573), East Sussex (down 476) and Kent (-342). Looking at the claimant count rate,⁴ over the past quarter the fastest increases in the unemployment rate have been in Slough (up 0.5%) and Reading (+0.4%). This is significantly higher than the 0.1% increase in the South East and UK. Indeed, the increases in the unemployment rate in Slough and Reading were amongst the fastest of any county or unitary authority in the UK. Most other counties and unitary authorities in the South East have seen relatively small increases in the unemployment rate (no more than 0.2%) – Map 3.

As Map 4 shows, the fastest increases in the unemployment rate over the past quarter have tended to be in parts of the Inner South East. Because of their proximity to London, these areas tend to have larger numbers of commuters to the capital. If they lose their jobs in London, commuters will register for JSA in their place of residence. This means that any increase in job losses in London can help to explain a rise in the unemployment rate in areas close to London. A rise in the number of notified redundancies in the Inner South East in recent months could also help to explain the increase in unemployment here. Similarly to last month, urban areas have tended to see the fastest quarterly increases in the claimant count rate, with Portsmouth, Southampton and Windsor and Maidenhead, as well as Slough and Reading all seeing increases in the unemployment rate above the regional and UK averages.

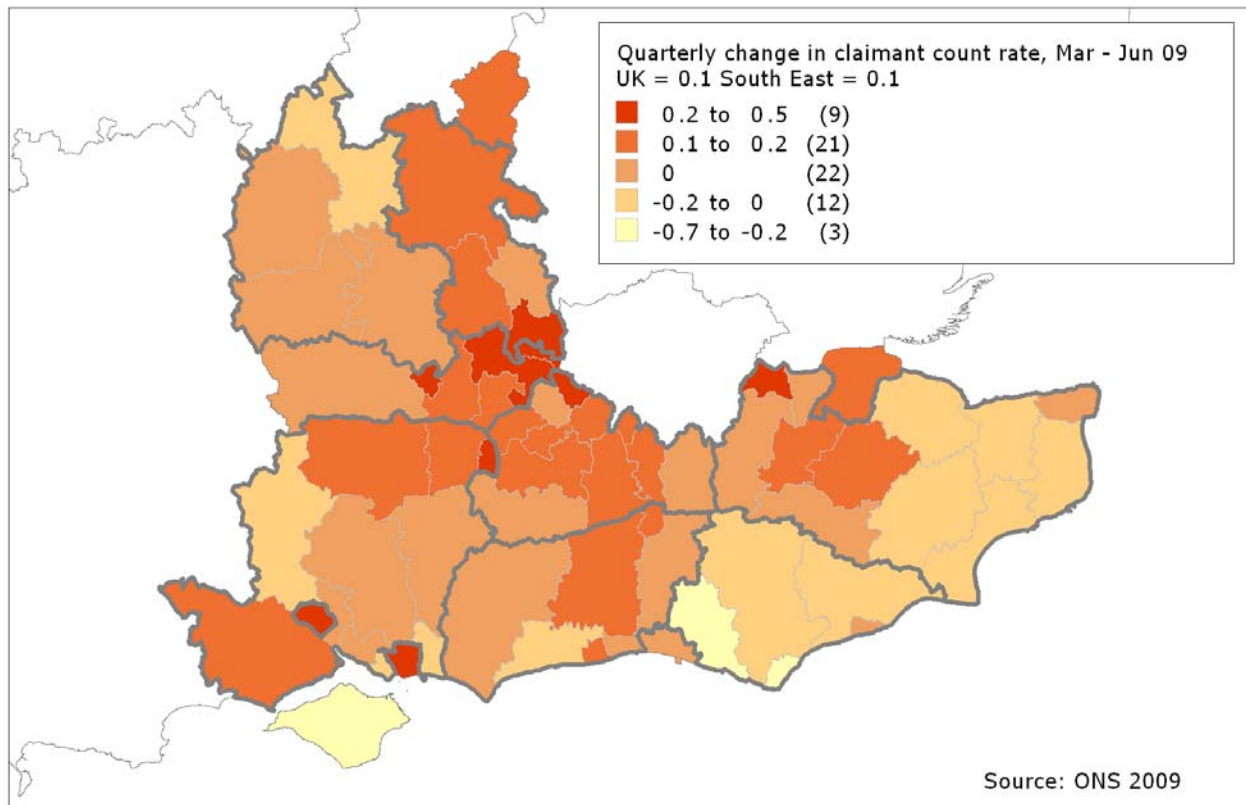
Map 3: Quarterly change in claimant count rate (March-June 2009) – county and unitary authorities



© Crown Copyright Ordnance Survey. 'Boundary Line' 2008. License No. 100029140
Produced by SEEDA Research & Economics © All rights reserved 2009

⁴ This approach is favourable to simply looking at the percentage change (as recently used by the national press), since some areas have a low base (low claimant count) so even a small change in unemployment could result in an apparently 'significant' percentage change.

Map 4: Quarterly change in claimant count rate (March - June 2009) – District/Unitary authorities



© Crown Copyright Ordnance Survey. 'Boundary Line' 2008. License No. 100029140
Produced by SEEDA Research & Economics © All rights reserved 2009

Claimant count by age

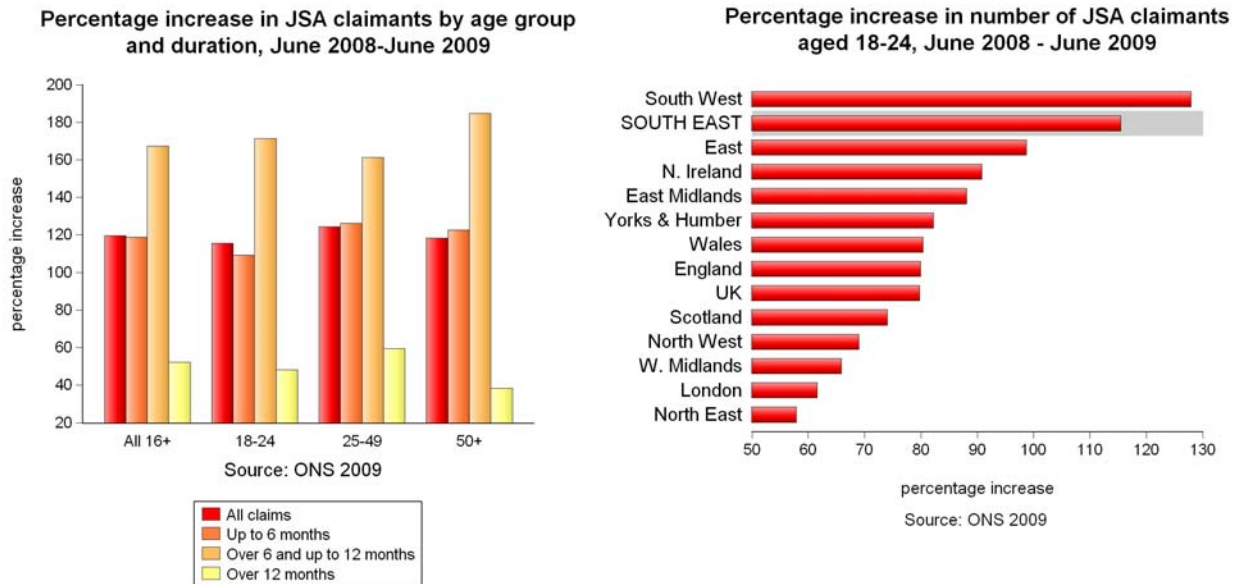
The extent to which the recession has had a disproportionate impact on young people is a subject of considerable interest and concern. It is important to note that long before the recession unemployment amongst young people was on the increase. The most significant influence on this has been the reduction in demand for young people's labour due to industrial restructuring and changes in the nature of employment. The long-term decline of the manufacturing sector, for example, has meant that there are fewer apprenticeship opportunities for young people in this sector (particularly young men).

The type of work that young people do makes them particularly vulnerable in the labour market. Younger workers now tend to be concentrated in low-wage, low skill and less secure employment in a narrow range of service industries. In 2008, 12% of 18-24 year olds in the UK were employed in temporary jobs, and of those not in education, 40% could not find permanent work. More than a third (36%) of 18-24 year olds worked in the distribution, hotels and restaurants sector, while around half of young people in this age group were employed in personal services, sales and customer service and elementary occupations.⁵ Job cuts in the service sector have not yet been as severe as in the manufacturing or construction sectors, although in recent months the number of redundancy notifications in the service sector has started to increase. Moreover, within the service sector it is the industries employing most young people (such as hotels and restaurants) that have seen the severest impacts.

There is also concern that the recession could have a detrimental impact on the employment prospects of older workers (usually defined as employees aged over 50), particularly as they tend to be employed in senior positions and therefore are more expensive to employ at a time when

⁵ ONS, 'Young people and the labour market', in *Economic and Labour Market Review* Vol. 3 No. 4 (April 2009).

employers face pressures to cut costs. Additionally, the qualification levels of older workers 'on paper' tend to be lower than those of younger workers. However, many older workers possess a valuable wealth of experience and expertise built up over their working lives, which can make them difficult to replace. They also have well developed 'softer skills' (such as negotiation, communication and influencing) which can be lacking in younger recruits, even if they appear more skilled on the basis of their qualifications alone.



As the chart above shows, in the South East, the age group that has seen the fastest percentage increase in claimant count unemployment in the past year has been those aged 25-49, while the increase for young people aged 18-24 has been the slowest of all age groups. The number of 18-24 year olds who have been claiming JSA for a relatively short time (up to 6 months) has increased at a slower rate than for other age groups, which suggests that young people have not been joining the JSA register at a faster rate than any other age group. However, it is very likely that there will be a sharp increase in the number of young people registering for JSA this summer once term finishes for schools, colleges and universities. With fewer vacancies available, and some employers still reporting that graduates and young people often do not have the skills and attitude required for the workplace,⁶ there are likely to be more young people on the unemployment register.

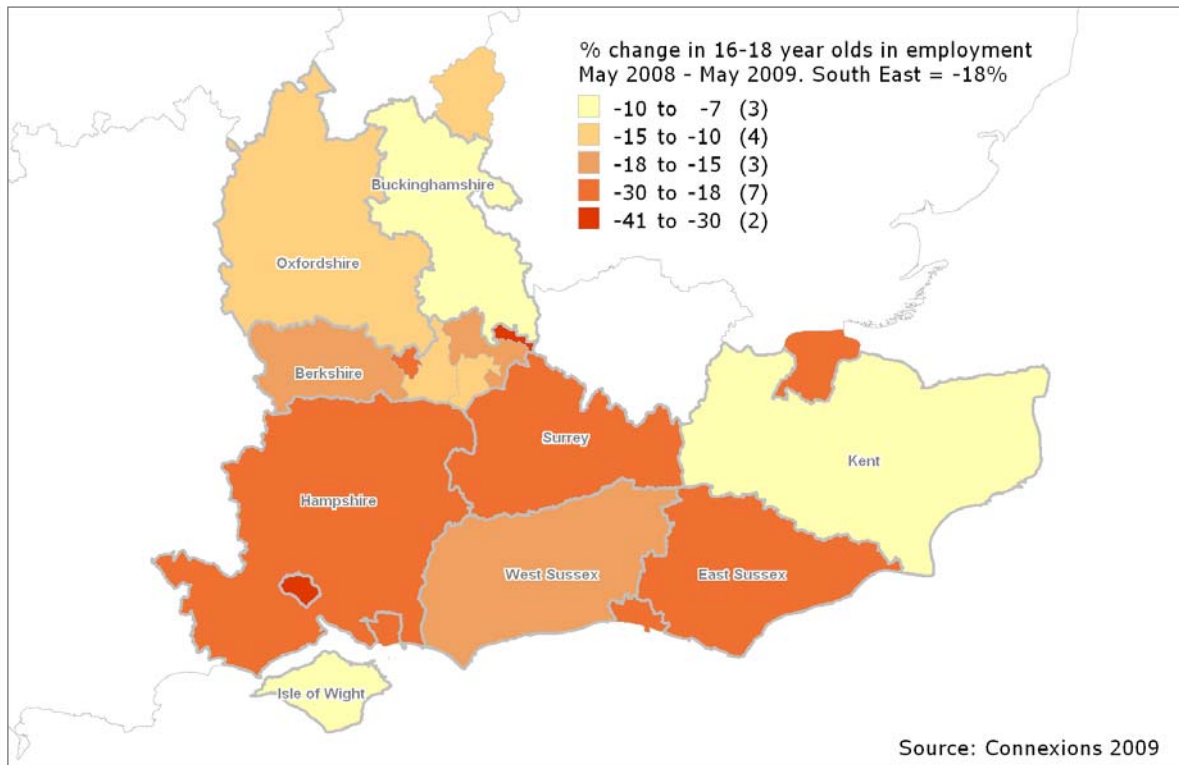
If we look at the performance of other regions, the South East has seen the second fastest increase in the number of JSA claimants aged 18-24 over the past year – an increase of 116%, which is well above the UK average of 80%. (See chart above). It is difficult to explain this with any certainty. It could be because there is greater demand from employers for highly skilled workers in the South East compared to many other regions. New graduates or school leavers may therefore find themselves competing for a relatively small number of lower-skilled jobs which are more suited to new entrants to the labour market. As a result, finding suitable employment could be more difficult for young people in the South East.

The increase in unemployment amongst those aged 50 and over in the past year has been in line with the average for all age groups, while the growth in the number of claimants aged 50 plus who have been on the JSA register for more than a year was the lowest of all age groups. In the recessions of the early 1980s and early 1990s large numbers of older workers who were made redundant remained on benefits for a lengthy period and many never got back into work. It will be important to try to avoid a repeat of that situation this time around, and ensure that long-term unemployment amongst the over 50s does not rise significantly.

⁶ Evidence from Economic Partnerships submitted to SEEDA for Monthly Intelligence Snapshot (May 2009).

The extent to which young people's employment has been affected by the recession varies across the South East. All counties and unitary authorities have seen a drop in the number of 16-18 year olds in employment over the past year, but the fall was greatest in Hampshire, Surrey and East Sussex (more than 18%). Kent and Buckinghamshire have performed best on this measure, recording falls of -8% and -9% respectively (Map 5).

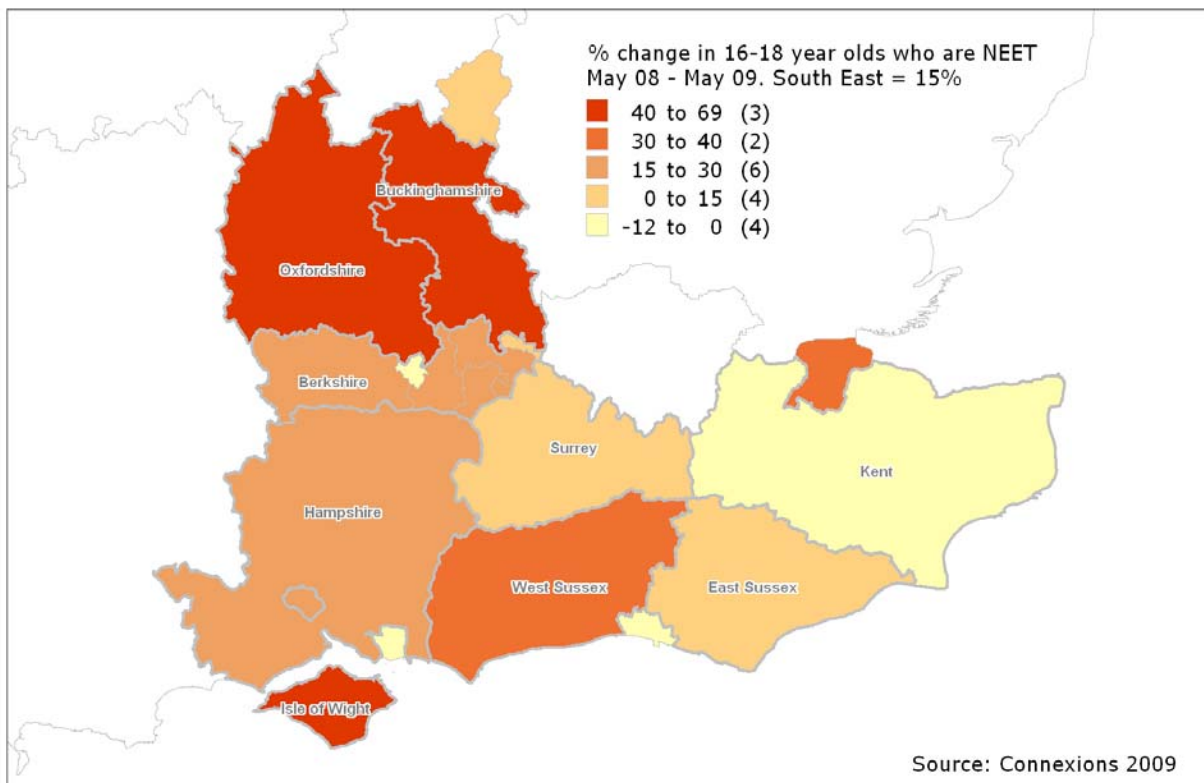
Map 5: Percentage change in the number of 16-18 year olds in employment, May 2008 to May 2009



© Crown Copyright Ordnance Survey. 'Boundary Line' 2009. License No. 100029140
 Produced by SEEDA Research & Economics © All rights reserved 2009

The picture is somewhat different when we look at changes in the percentage of 16-18 year olds who are not in education, employment or training (NEET). Those parts of the region which saw the smallest drop in the proportion of young people in employment have tended to experience the largest increase in the proportion of young people who are NEET – that is, Oxfordshire, Buckinghamshire and the Isle of Wight. Kent is the only county which has experienced both a relatively small drop in young people's employment and a relatively small increase in the number of NEETs (Map 6). A number of factors could explain these sub-regional differences. These include the availability and take up of training for young people – for example, in the past year Kent has seen the fastest growth in recruitment of apprentices. It could also be related to the nature of available employment opportunities in a particular area – in Kent and Sussex for instance the demand from employers for workers in elementary roles (suitable for new entrants to the labour market) tends to be greater than in other parts of the region such as Oxfordshire and Berkshire.

Map 6: Percentage change in the number of 16-18 year olds not in education, employment or training (NEET), May 2008 to May 2009



© Crown Copyright Ordnance Survey. 'Boundary Line' 2009. License No. 100029140
Produced by SEEDA Research & Economics © All rights reserved 2009

5. Redundancy notifications

One of the most up-to-date sources of information on the impact of the recession on employment is the number of redundancy notifications. There are significant caveats around this data, but it gives an indication of the growing number of job losses being seen in the South East. Only firms making more than 20 staff redundant have to give notification of their intentions; in some cases the company's headquarters is in the South East, but the actual redundancies are taking place in another region; some of the redundancies are not scheduled to take place until a later date; sometimes employees changing contracts are recorded as 'redundancies', even if they are moving into new employment.

Bearing these caveats in mind, in June 2009 there were 4,203 redundancy notifications in the South East – considerably more than the 2,500 registered in May. Over the past few months there has been an increase in the proportion of redundancy notifications in the business services sector, with fewer redundancies being announced in the manufacturing and construction sectors relative to previous months. The telecommunications sector accounted for 24% of all redundancy notifications in June. However there were relatively few redundancy notifications in the retail and transport sectors in June (each representing less than 5% of total redundancies).

Looking sub-regionally, Hampshire and Berkshire recorded disproportionately more redundancy notifications than other sub-regions – collectively accounting for 58% of the South East total. A further 20% of notified redundancies were recorded in Surrey. Redundancy notifications in the telecommunications sector contributed to a significant proportion of the total redundancies in Berkshire, whilst the redundancy notifications in Hampshire were mostly in business services.

6. Vacancies

Between June 2008 and June 2009 the number of vacancies notified to Jobcentre Plus in the South East fell from 50,475 to 29,869.⁷ In June 2009, there were 5 claimants per vacancy compared to 1 claimant per vacancy in June 2008. The vast majority of the drop in vacancies over the year was accounted for by skilled trade occupations and elementary occupations, where the number of available vacancies fell by more than 10,650 combined. This is related to falling demand in the manufacturing and construction sectors, which are major employers of people in these occupational groups. The only occupational group seeing an increase in the number of vacancies was professional occupations, where vacancies increased by 160. This may be explained by the recruitment of graduates that usually increases during the summer months.

All industrial sectors saw a fall in the number of vacancies in the past year, with the most significant decreases (of over 40%) being in the financial and business services sector, manufacturing and construction – unsurprising given that these sectors have been hit hardest by the recession so far and have tended to see the greatest reduction in staff numbers. Public services and the utilities sector have seen the smallest falls in vacancies (a drop of around one fifth over the year).

⁷ Note that vacancies notified to Jobcentre Plus do not represent all vacancies in the labour market, as not all employers use the service when recruiting. In general higher-skilled jobs are under-represented in those vacancies notified to Jobcentre Plus.