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Executive Summary

- Data for the three months to September 2009 shows that there were 4.4 million economically active people in the South East – showing no change on the previous quarter. Several regions saw considerable increases in economic activity, including London and the North East of England. In the UK as a whole, the number of economically active people was up by 35,000 in the same period.
- In the three months to September employment in the South East fell by 3,000, to 4.15 million people. Surprisingly, several regions saw an increase in employment in the three months to September – including the North East of England and London. In the UK the number of people employed increased by 6,000 in the three months to September, bringing total employment to 28.9 million.
- In the three months to September there were 265,000 unemployed people in the region, or 4,000 more than in the previous quarter. In comparison, a number of regions saw decreases in the number of unemployed, including the West Midlands (down 14,000), Yorkshire and the Humber (down 4,000) and the North East (down 2,000).
- The number of people in the South East claiming Job Seekers' Allowance fell by 345 between September and October, to 154,857. However, between July and October the number of JSA claimants in the South East saw an increase of 1,301 and an increase of 70,886 over the year from October 2008.
- The claimant count rate in October remained at 3%, but was up by 1.4 percentage points on the year. The yearly increase was below the UK average (1.7 points) and one of the smallest of any region, second to the South West (up 1.2 points).
- Looking at changes in claimant count unemployment over the past year, Kent and Hampshire have seen the largest increases in unemployment in absolute terms - 12,102 and 9,118 respectively. However, Reading and Slough have seen the fastest increase in the claimant count rate over the past year. Other 'hotspots' include the coast of Hampshire and Sussex, as well as Milton Keynes and Crawley.

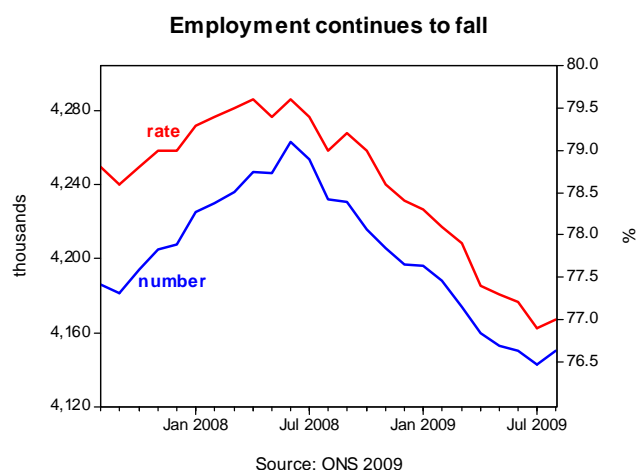
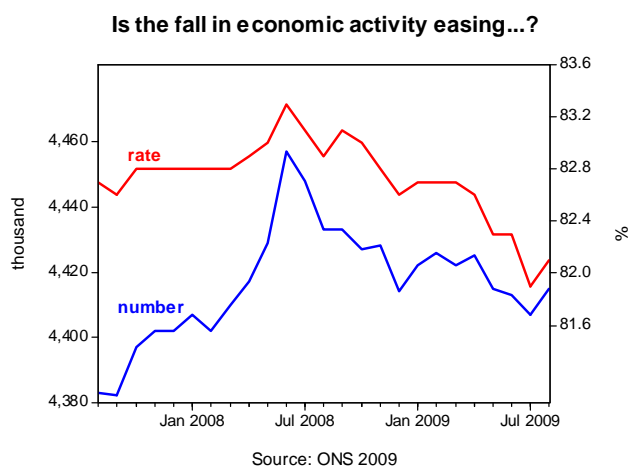
- The fastest increases in the unemployment rate over the past quarter have tended to be in the east of the region – in Kent and East Sussex – with Brighton and Hove, the Isle of Wight and parts of Berkshire also seeing a relatively rapid rise in the unemployment rate.
- Female employment has been increasing in the South East in recent months, with the number of women in work increasing by 12,000 in the three months to September. Male employment in the three months to September dropped by 15,000 in the South East. This was one of the largest falls in men's employment of any region, behind the North West (down 17,000). Unemployment amongst women has been falling, while male unemployment has continued to rise. The most likely reason for this trend is that as the recession has progressed, firms have started to lay off full-time, permanent staff, who are more likely to be male.
- In October 2009 there were 16,157 16-18 year olds not in education, employment or training in the South East, which equates to 6.5% of all 16-18 year olds – considerably lower than the rate for England (7.1%). The NEET rate remained stable over the year from October 2008 to October 2009, while the number of NEETs fell by more than 1,000 between September and October 2009.
- The number of redundancy notifications recorded in the South East increased slightly from 2,000 in October to 2,400 in November. The service sector continues to account for the greater proportion of redundancies, totalling 70% of all notifications in November.
- Between October 2008 and October 2009 the number of vacancies notified to Jobcentre Plus in the South East increased by 7,334 from 34,702 to 42,036. In October 2009, elementary occupations accounted for over 31% of these vacancies.
- The latest independent forecasts from Experian suggest that employment will continue falling, whilst unemployment is expected to continue rising in the South East until 2010. Employment is likely to rise quite strongly once it returns to growth, but the projections suggest that employment will not return to its pre-recession levels until 2013.
- The forecasts suggest that unemployment will not fall back to the levels seen in the early part of the 21st century at all, although unemployment is expected to return to the levels seen after the previous recessions of the early 1980s and early 1990s.

1. Economic Activity

Data for the three months to September 2009 shows that there were 4.4 million economically active people in the South East – showing no change on the previous quarter.¹ In comparison several regions saw considerable increases in economic activity, including London (up 23,000) and the North East of England (up 18,000). In the UK as a whole, the number of economically active people was up by 35,000 in the same period.

The number of economically active men fell by 7,000 in the three months to September 2009, while there was an increase of 7,000 in the number of economically active women in the same period. The economic activity rate in the South East, at 82.1%, is the second highest in the country behind the East of England. However, the South East activity rate fell by -0.2% on the previous quarter, while the UK figure also decreased by -0.1%, to 78.9%.

The South East and the East of England have the lowest economic inactivity rates of any region, at 17.9% and 17.3% respectively in the three months to September. However, the number of economically inactive people in the South East increased by 12,000 over the quarter; this was one of the largest increases of all regions, behind the South West (23,000) and the West Midlands (20,000). The North East of England recorded a decrease of 10,000.



2. Employment

In the three months to September employment in the South East fell by 3,000, to 4.15 million people. Surprisingly, several regions saw an increase in employment in the three months to September – including the North East of England (up 20,000) and London (up 14,000). In the UK the number of people employed increased by 6,000 in the three months to September, bringing total employment to 28.9 million.

Although an increase in employment is surprising in the middle of a recession, it is important to remember that these figures can be quite volatile, and it is more appropriate to look at longer term trends. Additionally, there is an important gender dimension to recent employment change. Almost all of the drop in employment in many regions, including the South East, has been due to a fall in men's employment, while women's has tended to increase in recent months (see Section 5 for more detail).

¹ The economically active are those who are in employment or unemployed but available for work.

Looking at the longer term trends, over the year to September 2009, all regions experienced an overall decrease in employment with the South East and the South West experiencing the largest falls in employment, of 82,000 and 71,000 respectively.

In the three months to September the South East employment rate stood at 77%, which is 0.3% lower than in the previous quarter, but the second highest of any region behind the East of England (77.2%). The South West saw the largest fall in the employment rate of any region at -0.8%. Over the same period the UK employment rate declined by 0.1% to 72.5%.

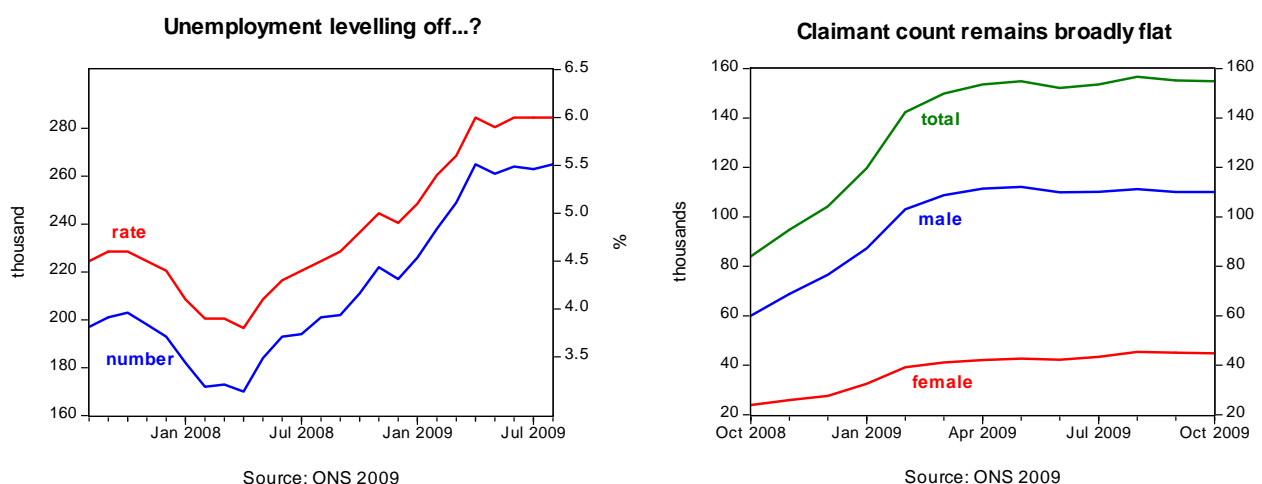
The employment rate for men in the South East was down 0.9% on the previous quarter, at 80%. The UK employment rate for men declined by 0.4% to 75.6%. The employment rate for women in the South East increased by 0.4% to 73.7% - significantly above the UK women's employment rate of 69.2%.

3. Unemployment

In the three months to September there were 265,000 unemployed people in the region, or 4,000 more than in the previous quarter. Areas such as the East Midlands (up 5,000), London (up 8,000) and the South West (up 5,000) also recorded increases in the number of unemployed. In comparison, a number of regions saw a fall in the number of unemployed including the West Midlands (down 14,000), Yorkshire and the Humber (down 4,000) and the North East (down 2,000). This pattern could reflect the fact that redundancies in recent months have been concentrated in the service sector, which employs a greater proportion of people in southern regions. Job losses in the production sector (including manufacturing) have lessened in recent months. This sector accounts for a greater proportion of employment in northern and midlands regions.

The number of unemployed people in the UK as a whole increased by 30,000 over the three months to September, with the rate increasing by 0.1% to 7.8%, bringing the total unemployed to 2.46 million. In the South East, the unemployment rate is still the lowest of any region, at 6%.

The number of people in the South East claiming Job Seekers' Allowance (JSA) fell by 345 between September and October, to 154,857.² This continues the trend seen in recent months of relatively little change in the claimant count, both regionally and nationally. The usual spike in claimant numbers at the end of the school and college year did not materialise this year, probably because of the introduction of a number of Government initiatives to provide training and work experience for young people, which prevents them being eligible to claim JSA.



Over the quarter from July to October the number of JSA claimants in the South East saw an increase of 1,301, and an increase of 70,886 over the year from October 2008. The claimant count

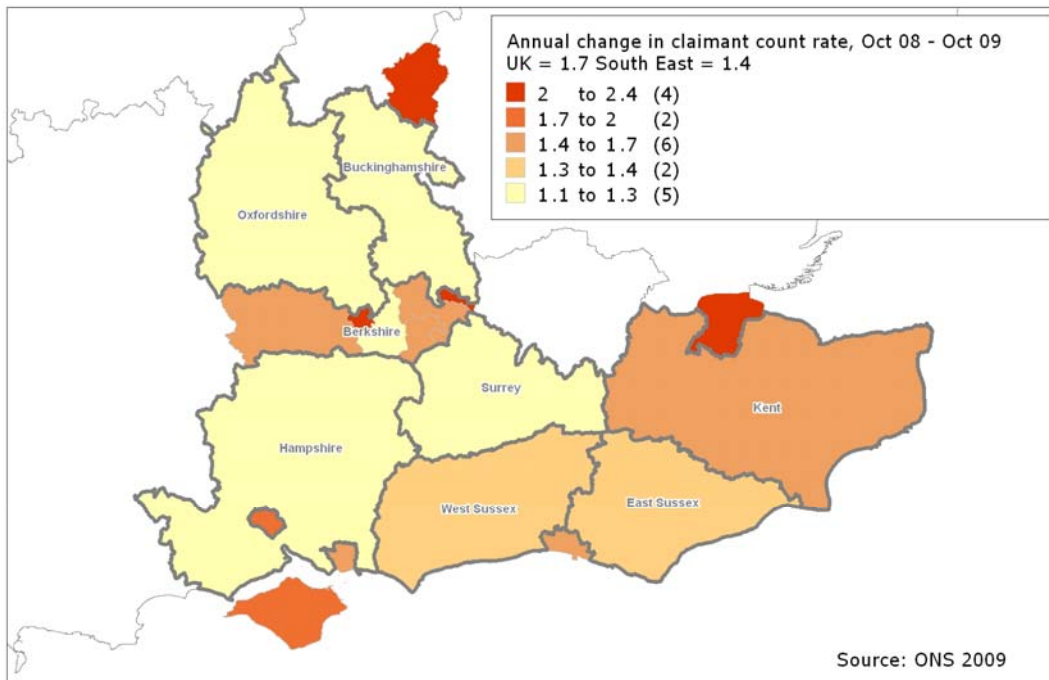
² This is the non seasonally adjusted figure.

South East Labour Market Update (cont'd)

rate (percentage of residents claiming JSA) in October remained at 3%, but was up by 1.4% on the year. The yearly increase was below the UK average (1.7%) and one of the smallest of any region, second to the South West (up 1.2%).

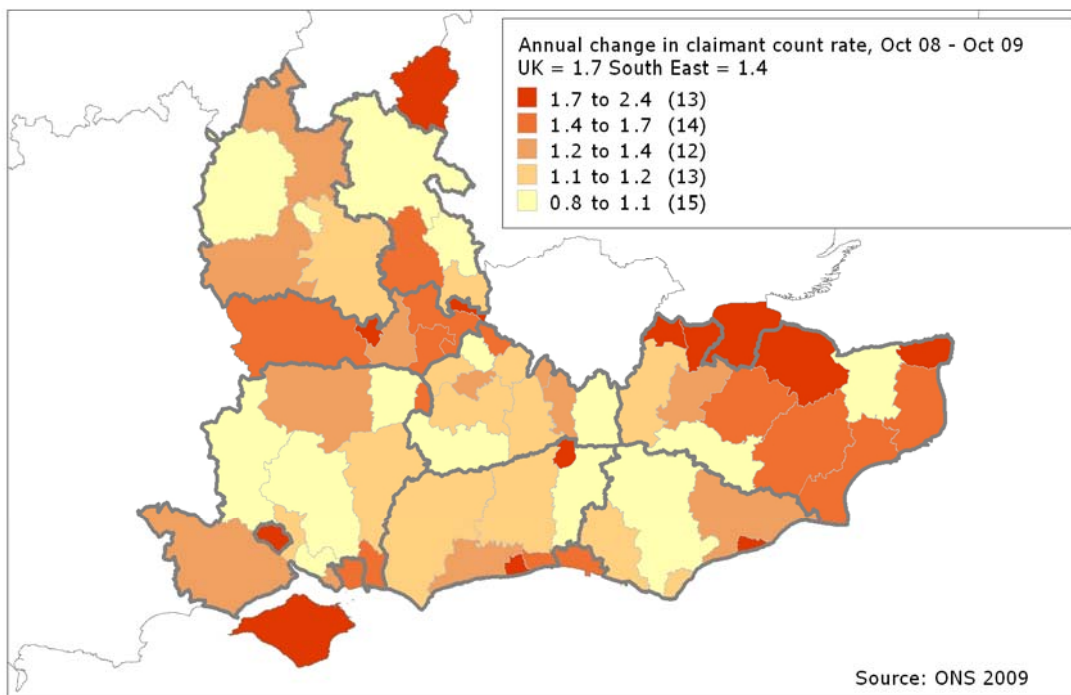
4. Sub-regional unemployment change

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



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



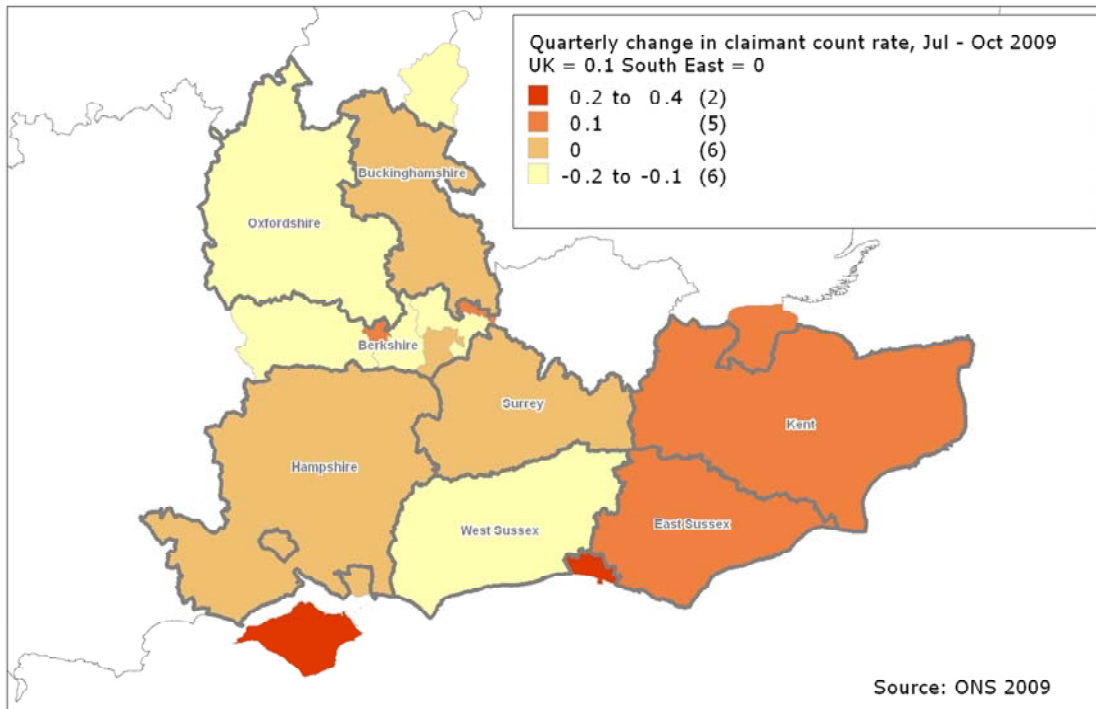
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Looking at changes in claimant count unemployment over the past year, Kent and Hampshire have seen the largest increases in unemployment in absolute terms - 12,102 and 9,118 respectively. However, Reading and Slough have seen the fastest increase in 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 and Slough increased by 2.4%, which is well above the South East and UK averages (1.4% and 1.7% respectively). Substantial increases in the claimant count rate were also recorded in Milton Keynes (2.3%) and Medway (2%). In general it is to be expected that unemployment will increase fastest in coastal areas and cities, due to the fact that there tend to be larger concentrations of lower skilled people in these parts of the South East. People with fewer skills tend to be more vulnerable to unemployment, particularly during a recession.

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 coasts of Hampshire and Sussex, as well as Milton Keynes and Crawley (Map 2).

Looking at more recent change, over the past quarter the largest increase in claimant count unemployment, in absolute terms, has been in Kent (+718). Several counties and unitary authorities in fact recorded a drop in unemployment over the past three months, including Milton Keynes (down 231) and West Berkshire (down 166). Looking at the claimant count rate,³ over the past quarter there has been little change for many counties, with the Isle of Wight (up 0.3%) seeing the fastest increase in the unemployment rate. The majority of other counties and unitary authorities in the South East have seen relatively small changes in the unemployment rate, with West Berkshire seeing a decrease of 0.2 percentage points– Map 3.

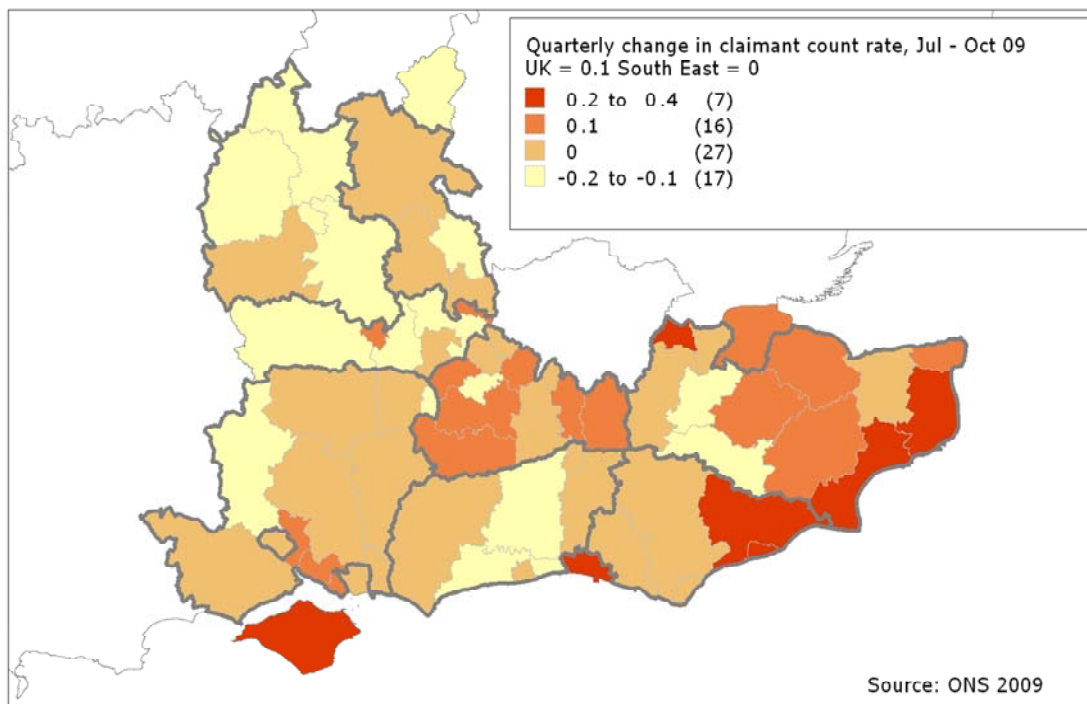
Map 3: Quarterly change in claimant count rate (July-October 2009) – county and unitary authorities



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³ 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 (July - October 2009) – District/Unitary authorities



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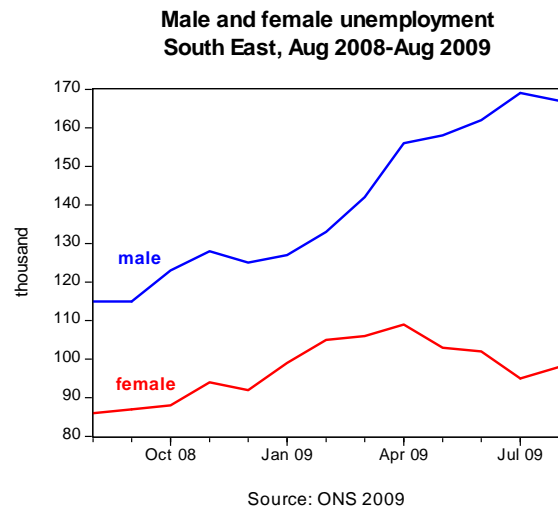
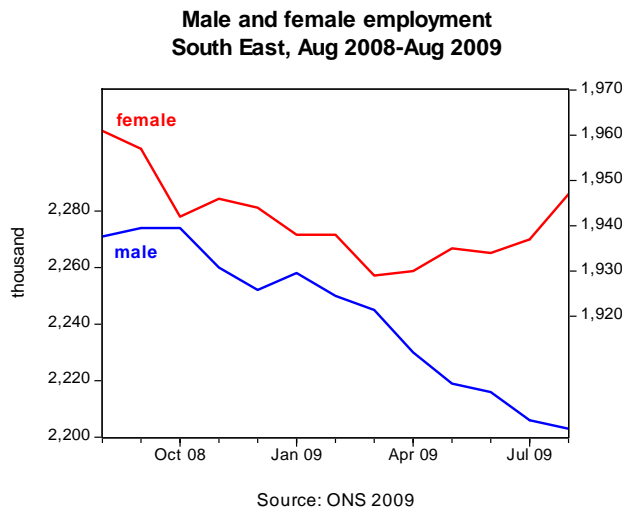
As Map 4 shows, the fastest increases in the unemployment rate over the past quarter have tended to be in the east of the region – in Kent and East Sussex– with Brighton and Hove, the Isle of Wight and parts of Surrey also seeing a relatively rapid rise in the unemployment rate. This is partly due to seasonal factors, as there tends to be an increase in unemployment in the winter months in coastal parts of the region where tourism and other seasonal industries account for a larger proportion of employment. Elsewhere in the region, a number of local authorities have seen a drop in the unemployment rate over the past quarter – most notably in West Berkshire, West Sussex, Wokingham and Oxfordshire.

5. Gender Disparities

The extent to which the recession has had a disproportionate impact on male and female employment and unemployment levels is becoming more evident. In recent months, male employment has continued to decline quite rapidly in the South East, while women’s employment has remained broadly stable or in some cases even increased. For the three months to September 2009, the number of women in work in the South East increased by 12,000. The East Midlands (down 3,000) saw the greatest fall in women’s employment of any English region, whereas Yorkshire and the Humber (up 15,000) saw the largest increase in women’s employment for the third consecutive month. However, male employment in the three months to September dropped by 15,000 in the South East. This was one of the largest falls in men’s employment of any region, behind the North West (down 17,000).

The significant decline in men’s employment in comparison to the increase in female employment could be due to the fact that as the recession has progressed firms have started to lay off full-time, permanent staff, who are more likely to be male. Initially, businesses tried to hold on to their more established employees as they are more costly to make redundant and replace. However, the need for continued cost-cutting has meant that redundancies amongst permanent, full time staff have become more prevalent. At the same time, we have seen increasing numbers of people employed in professional and managerial positions claiming unemployment benefit in recent months. Men are more likely than women to be employed in these occupational groups. The increase in employment amongst women could be a result of the growing number of employers

recruiting to part-time and temporary roles as they undergo restructuring or recruitment freezes during the recession. Women are more likely to work in these positions.



In a similar light, unemployment amongst men has been rising at a faster rate than amongst women, with almost the entire rise in unemployment in the South East being accounted for by men in recent months. In the three months to September, male unemployment increased by 8,000, while female unemployment in the South East fell by 5,000. The slower rise in unemployment amongst women may suggest that women who lose their jobs 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 September the male unemployment rate increased by 0.4%, while the female unemployment rate fell by 0.3% in the South East.

6. NEETs

Connexions data for October 2009 shows that there were 16,157 16-18 year olds not in education, employment or training (NEET) within the South East - a decrease of 1,051 on the previous month. The NEET rate (proportion of 16-18 year olds who are not in education, employment or training) currently stands at 6.5%, considerably lower than the rate for England as a whole (7.1%). In relation to other regions, the South East performs considerably better than the North East which has a NEET rate of 9.6%; however the South East figure is higher than the NEET rate in the South West and London of 6.1% for October 2009.

Within the South East there are clear disparities in the NEET rate for October; Surrey recorded the lowest NEET rate of the region at 4.8%, whereas Southampton and Portsmouth saw far greater rates of 11.6% and 11.1% respectively.

Over the year from October 2008 to October 2009, the greatest percentage increases in the number of NEETs within the South East were in Wokingham (+22.4%), Surrey (+17.1%) and West Berkshire (+17.2%). However, the South East was the only region in England to see no change in the NEET rate over the year, with all other regions recording a decrease including the North West (down 10.2%) and the West Midlands (down 10.4%).

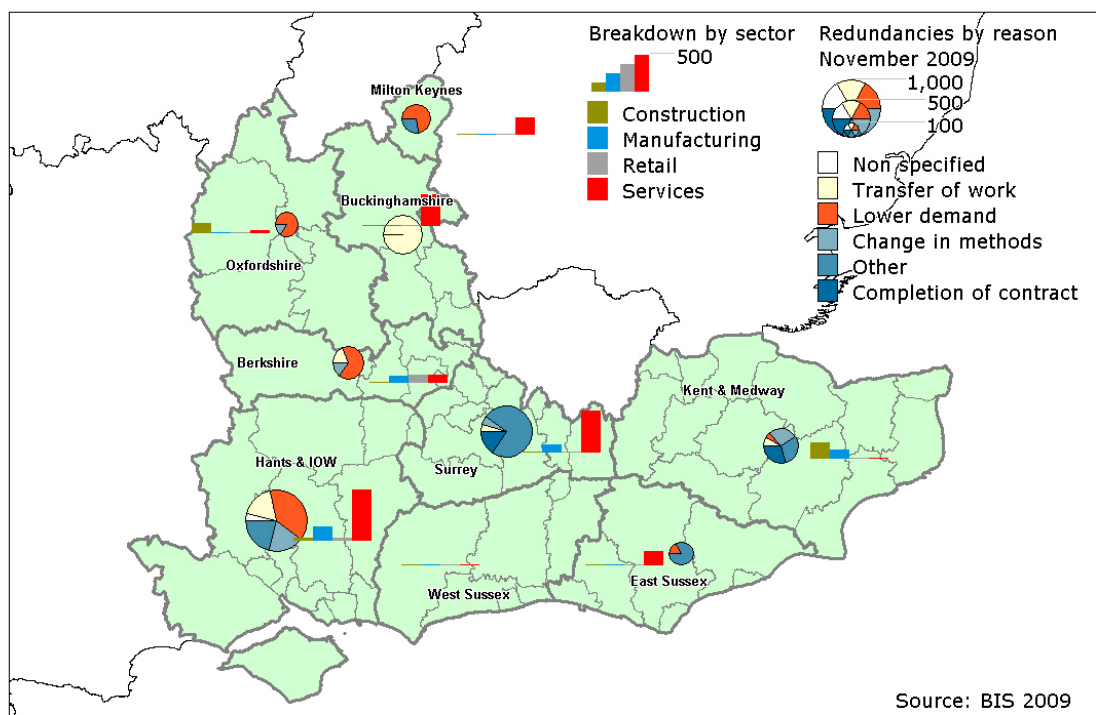
7. Redundancy notifications

According to HR1 data, the level of redundancy notifications increased marginally in November. There were approximately 2,000 redundancy notifications in the South East in October (full month) against approximately 2,400 in November 2009.⁴

The service sector continues to account for the greater proportion of redundancies, totalling 70% of all notifications in November (an increase from 60% in October). The service sector accounts for around 70% of employment in the South East, so in effect the proportion of redundancy notifications in the service sector, though increasing, is now in balance with the share of total employment in this sector. Notifications in the manufacturing and service sectors saw an increase in November, with the construction and retail sectors reporting a decrease.

For the first time in three months East Sussex recorded some large redundancy notifications – approximately 150 job losses in total, all of which were in the service sector. The number of notifications in Berkshire fell significantly in November compared to the previous two months. In November Berkshire accounted for 10% of all large notifications compared to approximately one third in October and almost half in September. Hampshire and the Isle of Wight reported a significant increase, from 5% of all redundancies reported in October to almost 30% in November.

**Redundancy notifications by sub-region, volume, reason and sector
November 2009 (Source: HR1 data via BERR / Job Centre Plus)**



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8. Vacancies

Between October 2008 and October 2009 the number of vacancies notified to Jobcentre Plus in the South East increased by 7,334 from 34,702 to 42,036.⁵ In October 2009, elementary

⁴ 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.

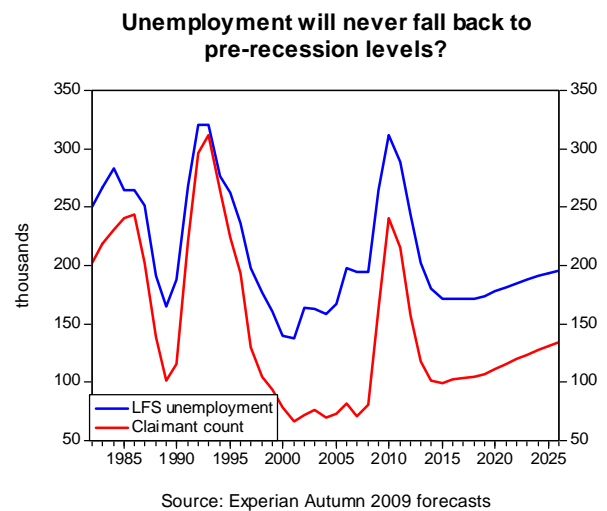
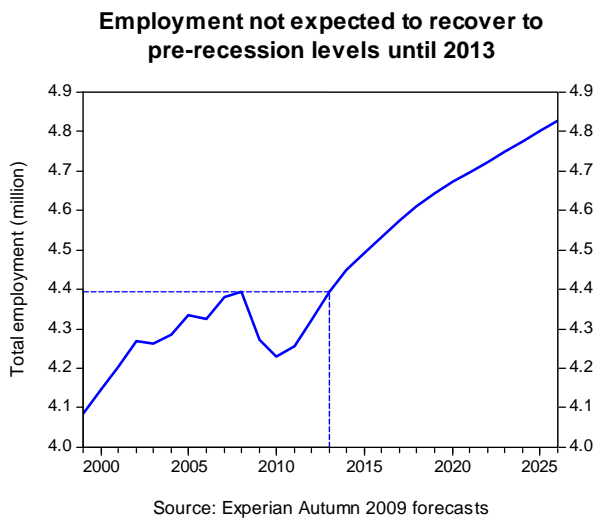
occupations accounted for over 31% of these vacancies. The trend in vacancies in England as a whole tends to follow that of the South East, with elementary occupations making up over 28% of listed vacancies.

Over the year, the greatest fall in vacancies has been seen in Elementary and Personal Service occupations, which saw a fall of 2,995 and 1,368 vacancies respectively between October 2008 and October 2009 in the South East. However, the number of available vacancies increased in some occupations, with Sales and Customer Service, and Professional occupations seeing the largest increase on the year (up 1,368 and 252 respectively).

9. Employment Forecasts

With some tentative signs of recovery in the economy in general, it is an appropriate time to consider the prospects for employment and unemployment in the South East in the short to medium term. It is important to remember that the labour market is a lagging indicator of economic activity, which means that we often continue to see a fall in employment even once the economy has returned to growth.

The latest independent forecasts from Experian suggest that employment will continue falling, whilst unemployment is expected to continue rising in the South East until later in 2010. Employment is likely to rise quite strongly once it does return to growth, but the projections suggest that employment will not return to its pre-recession levels until 2013. This is similar to what happened in previous recessions.



Employment forecasts vary significantly between sectors. Over the short-term (2008-11), Experian suggest that all sectors with the exception of public services are expected to see either no growth or a decline in employment. The most significant decline is expected in production activities (manufacturing, engineering and mining). In the medium to long term (2011-2021), employment is projected to continue to decline in these sectors. All parts of the service sector are forecast to see an increase in employment in the medium to long term, with the strongest growth being in the Transport and Communications sector. Since services account for a significant proportion of the South East economy, the relatively strong performance of this sector should help to sustain economic growth in the South East over the medium to long term.

⁵ 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.

South East Labour Market Update (cont'd)

The forecasts suggest that unemployment will not fall back to the levels seen in the early years of this century. There are a number of reasons for this. The early part of the 21st century was an exceptional time, with strong support for job creation in both the public and private sectors, helped by unusually strong economic growth. Following the current recession there are likely to be fewer opportunities for job creation, as staff cuts in the public sector are likely to be implemented and restructuring in industries like financial services means that fewer new jobs will be available than in the pre-recession years. Moreover, the population of the South East is projected to continue growing strongly, and at a faster rate than the UK average. This means that employment growth may not always keep pace with the rise in population. As a result, there could be an increase in the number of people registering as unemployed in future years.

However, it is important to put these trends in a longer-term perspective. While unemployment may not reach the lows seen in the early years of the 21st century again, Experian forecasts suggest that it will fall back to the levels seen after the previous recessions of the early 1980s and early 1990s. Additionally, it is worth remembering that forecasting at a time of economic uncertainty is particularly difficult, and these forecasts are likely to be subject to revision in 2010.