Southampton Strategic Assessment

Southampton Economic Assessment

6. Labour market

Last Updated September 2017
Contents

6. Labour market.................................................................................................................. 3
   6.1 Economic activity and employment.............................................................................. 3
   6.2 Unemployment .............................................................................................................. 6
   6.3 Benefit Claimants ....................................................................................................... 13
   6.4 Not in Employment, Education or Training (NEET)..................................................... 15
   6.5 Economic inactivity ..................................................................................................... 17
   6.6 Summary of key points ............................................................................................... 19
6. Labour market

As well as the considering the number and makeup of businesses and jobs in Southampton, it is important to understand in detail the character of Southampton’s resident working age population; not least because this is materially important with regard to the city’s wider economic prospects.

6.1 Economic activity and employment

Figure 6.11 shows the proportion of Southampton’s resident population (aged 16 to 64) who are classed as being economically active compared to statistical neighbours. This group of people are those active in the labour force and are defined by the International Labour Organisation (ILO) as being in employment or who are unemployed. The ILO definition of unemployment covers people who are out of work, want a job, have actively sought work in the previous four weeks and are available to start work within the next fortnight; or out of work and have accepted a job that they are waiting to start in the next fortnight. The data is taken from the Annual Population Survey¹ and therefore small year on year changes may reflect sampling variability rather than actual changes to the labour market.

Figure 6.11:

![Economic Activity Rate, people aged 16 to 64, Southampton and ONS comparators: April 2016-March 2017](chart)

The economic activity rate for Southampton between April 2016 and March 2017 was 75.2%, which is lower than both England (78.2%) and the South East (80.8%).

Figure 6.12 illustrates the economic activity rate trend between 2005 and 2017. The large confidence intervals, and year on year variation at local authority level make it difficult to distinguish any real trend at the local level. However, generally speaking it appears that economic activity rates fell to a low in 2011, and have since gradually increased. It is clear that throughout the majority of the period, the rate for Southampton has been below the England and South East average. The exception was in 2016, when the rate for Southampton increased dramatically from 75.6% to 80.4% (similar to the South East average of 80.6%). However, the rate fell once more to 75.2% in 2017, suggesting this rise was a product of sampling variation between years. With two universities in the city, Southampton has a large student population in the working age group (estimated to be over 40,000) which may be expected to depress the economically active rate somewhat compared to the national average. Economic inactivity rates will be the mirror opposite of this trend (see section 6.5).

Figure 6.12:

Figure 6.13 shows employment rates for Southampton and comparator cities as at March 2017 for both the 16-64 (working age) and 16+ populations. The employment rate is made up of people aged 16 and over who are in paid work, whether as an employee or self-employed. It also includes people who are on government supported training and employment programmes, or do unpaid family work (i.e. working in a family business).

The latest data shows that there were 124,000 residents aged 16+ in employment in Southampton in 2016/17; a rate of 60.5%, which is the same as the national average and is the fourth highest rate amongst statistical neighbours. However, the employment rate for the resident population aged 16-64 in Southampton over the same period was 71.4% (169,700 people), which is significantly lower than both the England (74.4%) and South East (77.7%) average. In comparison, neighbouring Hampshire has a rate of 80.5%, and Bristol (the best performing comparator area) a rate of 76.2%.
Again, these rates for the 16-64 population may be depressed by the large student population. The difference between the 16+ and 16-64 comparisons suggests that employment rates in Southampton are higher than the national rates for people aged 65 and over, which may mean that older residents want or need to stay in employment in the city. This is against a backdrop of a rising state pension age and removal of compulsory retirement at 65 years of age.

Figure 6.13:

Figure 6.14 shows the employment rate trend for the 16-64 and 16+ populations. The impact of the recession is clearly visible in both charts, with employment rates falling to a low of 68.1% in 2010 amongst the 16-64 population. Since this point the rate has shown signs of recovery, with employment levels in 2017 similar to those pre-recession at 71.4%; a 3.3% point increase since 2010. The national and South East data follows a similar trend with a 4% point and 3% point increase in employment recorded respectively between 2010 and 2017. As was illustrated in section 5.3, growth in part-time
employment initially drove the return to employment growth, although more recent data suggests that full-time employment has steadily increased.

Nationally, the increase in the employment rate has been driven by the private sector, not least in light of the government cut-backs to reduce the deficit. Although, as section 5.4 has demonstrated, Southampton does not appear to have suffered the overall reduction in public sector jobs (up to 2015) that have been experienced elsewhere, it is still the private sector driving employment improvements; between 2011 and 2015, private sector jobs grew by 13.4% compared to the public sector which grew by 0.2%.

6.2 Unemployment

There are several different methods for looking at unemployment in the city. The Office for National Statistics (ONS) measure unemployment using the Labour Force Survey (LFS) to monitor the number of people without a job who have been actively seeking work within the last 4 weeks and are able to start work within the next 2 weeks. The unemployment rate is not the proportion of the total population who are unemployed; it is the proportion of the economically active population (those in work plus those seeking and available to work) who are unemployed. This follows the guidelines specified by the International Labour Organisation (ILO)\(^2\) and ensures that UK unemployment statistics are broadly comparable with those published with other countries.

Figure 6.21:

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Figure 6.21 illustrates how Southampton compares to comparator cities using the latest LFS data. In March 2017, 6,600 people were unemployed in Southampton, 5.0% of the economically active population. This is higher than the England (4.8%) and South East (3.8%) average, although is the fourth lowest amongst comparator cities.

Figure 6.22 illustrates how the unemployment rate in Southampton has fallen in recent years from 7.9% in 2014 to 5.0% in 2017; a fall of 2.9% points over three years. Over the same period the England rate fell by 2.4% points and the South East by 1.6% points. This follows a period of fairly high unemployment (between 2010 and 2014) following the recession, which mirrors the national trend. Throughout the majority of the period, Southampton has had an unemployment rate similar to England, although the South East rate has been consistently lower.

Data is also available for individual age groups, although as the data is based on a sample survey, the results can be unreliable at local authority level. Nevertheless, the latest unemployment by age group is presented in figure 6.23 for Southampton, England and the South East. It clearly shows that the 16-19 age group is the most at risk of being unemployed. The rate is particularly high for Southampton at around a third of the age group (33.9%) estimated to be unemployed. The small sample size and large confidence intervals means that this number is unreliable. However, an analysis over time has shown that unemployment is consistently higher than the national and South East average. In addition, data for England and the South East also show this age group to be the most at risk of unemployment, which suggests that 16-19 year olds require the most support to get into work nationally and locally.
It is also possible to look at unemployment through claimant count. This is a much narrower definition of unemployment based solely on eligibility for benefits (i.e. Jobseeker’s Allowance) and therefore the numbers tend to be lower than the more comprehensive ILO measure of unemployment. Universal Credit (UC), a single payment for people who are looking for work or are on a low income, was first piloted in 2013, and then rolled out in phases nationally to Jobcentre Plus offices (JCPs). JCPs in Southampton started to go live in April 2015. In light of this, ONS published the new experimental Claimant Counts data series. This records eligible persons claiming JSA plus new or transferred claimants who are out of work and claiming universal credit. Previous claimant count data was based on JSA data only.

Universal Credit is designed so that a broader span of claimants are required to look for work than under JSA. This means that once it is fully rolled out, the claimant count is likely to be higher than it would otherwise be under JSA. As of March 2017, ONS have decided to remove the Claimant Count series from the UK and Regional Statistical Bulletins, as it may now be providing a misleading representation of the UK labour market. Nonetheless, it has been provided in this assessment, although changes (particularly monthly variations) should be treated with some caution.

Figure 6.24 shows the proportion of the working age population, aged 16-64, who are claiming Jobseeker’s Allowance (JSA) and Universal Credit and are required to seek work and be available for work (Claimant Count) for Southampton and its comparator cities. In August 2017, the claimant count for Southampton was 2.0% or 3,395 people compared with 1.2% in the South East and 1.9% in England.

Figure 6.25 illustrates the trend in the claimant count between July 2005 and July 2017. It also shows the point at which Universal Credit was added to the JSA claimant count. The chart clearly shows the
impact of the recession and the period of recovery. The number of claimants increased from 3,585 (2.3%) in July 2008 to 6,651 (4.2%) by July 2009; a 1.9% point increase. This was followed by a fall in the claimant rate from 3.2% in July 2012 to 1.4% in July 2016, a 1.8% point fall. This is similar to the trend for both England and the South East. However, over the last year the claimant rate increased slightly to 1.8% in July 2017; similar to the rate for England (1.9%).

Figure 6.24:

Claimant count for working age population: Southampton and ONS
Comparators August 2017

Source: www.nomisweb.co.uk

Figure 6.25:

Claimant count - Southampton, South East and England trend:
July 2005 to July 2017

Source: Department for Work and Pensions www.nomisweb.co.uk
Figure 6.26 shows a more detailed trend by month; this further illustrates how the claimants may be increasing in the city, with rates consistently rising over the last 4 months from 1.4% in April 2017 to 2.0% in August 2017. This trend does not appear to be replicated for England or the South East.

Figure 6.26:
Claimants by working age population (Aged 16-64): Southampton, South East and England monthly trend - January 2013 to August 2017

Source: Department for Work and Pensions

Figure 6.27 shows the annual trend in claimant count in Southampton by age group. All age groups saw a fall in the number of claimants between 2013 and 2015. However, 2016 and 2017 data suggest an increase in the number of claimants in all age groups. This is most notable in the 50+ age group, which has seen a 58% increase between August 2016 and August 2017, compared to 42% for all aged (16+). The over 50 age group now account for over 25% of all claimants in 2017, compared to around 17% in 2013.

Figure 6.27: Claimant count in Southampton by age group: August 2013 to August 2017

<table>
<thead>
<tr>
<th>Month</th>
<th>Aged 16+</th>
<th>Aged 16-24</th>
<th>Aged 25-49</th>
<th>Aged 50+</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Claimants</td>
<td>Annual % Change</td>
<td>Claimants</td>
<td>Annual % Change</td>
</tr>
<tr>
<td>Aug-13</td>
<td>4575</td>
<td>N/A</td>
<td>1070</td>
<td>N/A</td>
</tr>
<tr>
<td>Aug-14</td>
<td>2835</td>
<td>-38.0%</td>
<td>620</td>
<td>-42.1%</td>
</tr>
<tr>
<td>Aug-15</td>
<td>2300</td>
<td>-18.9%</td>
<td>500</td>
<td>-19.4%</td>
</tr>
<tr>
<td>Aug-16</td>
<td>2385</td>
<td>3.7%</td>
<td>505</td>
<td>1.0%</td>
</tr>
<tr>
<td>Aug-17</td>
<td>3395</td>
<td>42.3%</td>
<td>665</td>
<td>31.7%</td>
</tr>
</tbody>
</table>

These recent increases should be treated with some caution; ONS have suggested that as Universal Credit Full Service is rolled out, the number of people recorded as being on the Claimant Count is likely to rise as a broader span of claimants are required to look for work than under Jobseeker’s Allowance.
The changes introduced as part of Universal Credit make it very difficult to interpret the recent trend in increased claimants. As shown previously in this section, the latest 2017 data from the LFS does not suggest an increase in unemployment, although the claimant count data only shows an increase since April 2017, so we will need to wait for the publication of the 2018 LFS data to see if this trend is reflected in the official unemployment figures; for now they should be treated with some caution.

Figure 6.28:

Claimant data is also available at sub-local authority level, allowing a more detailed analysis of claimants within Southampton. Figure 6.28 shows the claimant rates for Southampton electoral wards; Bitterne ward has the highest claimant count at 3.1%, whilst Bassett ward has the lowest at 0.9%. This is perhaps unsurprising given that these wards contain some of the most and least deprived neighbourhoods in the city respectively. This is further demonstrated by the second chart in figure 6.28, which shows a clear deprivation gradient; in other words, as deprivation levels increase, so does the level of claimants.

Claimant data is also available at neighbourhood (LSOA) level, which allows an analysis of ‘hotspots’ in the city. The first map in figure 6.29 shows the claimant rate at LSOA level within Southampton for the latest period (August 2017). The red areas represent the areas with the highest claimant rates, whilst the blue represent those with the lowest rates.

Once again, it is not surprising that those areas with the highest claimant rates are amongst the most deprived neighbourhoods (LSOAs) in England. This is illustrated by making comparisons to the second map in figure 6.29, which shows the deprivation deciles for the same neighbourhoods, based on the Index of Multiple Deprivation (IMD 2015).
Figure 6.29:
6.3 Benefit Claimants

Another way of looking at unemployment and worklessness is to look at working age benefit claimants; these include people claiming JSA, Employment Support Allowance (ESA) or Incapacity Benefits (prior to October 2008), lone parents and others on income related benefits. These groups have been chosen to best represent a count of all those benefit recipients who cannot be in full-time employment as part of their condition of entitlement.

The latest data available is for November 2016 and shows that 14,080 people in Southampton of working age (16-64) are claiming these benefits. Figure 6.31 benchmarks the city against its statistical neighbours; 8% of the working age population are claiming these benefits, which is slightly lower than the England average of 8.1% but higher than the South East figure of 6.1%. Southampton also has the lowest claimant rate amongst its comparator cities, although still higher than neighbouring Hampshire (5.2%). Of those people claiming out of work benefits 3.4% (6,030), in Southampton, have been claiming these benefits for over 5 years, compared to 2.8% in the South East and 3.6% in England.

Figure 6.31:

Out-of-work benefits, people aged 16-64: Southampton and ONS Comparators November 2016

Source: DWP benefit claimants

Figure 6.32 shows the trend in out of work benefit claimants between November 2005 and November 2017. In 2005, 10.6% of working age people in Southampton, were claiming out of work benefits. By November 2009, in the height of the recession, this had increased to 12.6%. Since then the number of people, claiming out of work benefits has fallen to 8% (November 2016); a fall of 5% points, or just over 6,100 people. This is very similar to the trend seen elsewhere. In the south east, although the
figures are lower, there has only been a decrease of 3% points over the same period (November 2009 and November 2016). In England, there was a decrease of 4.2 percentage points; from 12.3% to 8.1% between 2005 and 2016.

**Figure 6.32:**


Employment and Support Allowance (ESA) is for people who are unable to work due to illness or disability. The ESA work-related activity group is for claimants who are considered not well enough to work at the moment but who the DWP believes could move into work if given enough support. Claimants in the work-related activity group have to attend a series of work-focused interviews.

**Figure 6.33:**

Total Employment Support Allowance (ESA) claimants, percentage of people aged 16 to 64 - Southampton and ONS comparators: Feb 2017

Source: Department for Work and Pensions
In Southampton, in February 2017, 5.9% (10,030) of the working age population were claiming ESA, which is higher than the South East (4.3%) and England (5.6%) average. However, this is the second lowest amongst comparator areas; only Portsmouth is lower at 5.6% (see figure 6.33).

Nearly 53% of ESA claimants in Southampton have been claiming ESA for between 2 and 5 years and 14.1% have been claiming it for more than 5 years. In addition, nearly 43% of ESA claimants are aged over 50 (see figure 6.34). The majority of ESA claimants (53.8% - 5,400 people) are suffering from mental health or behavioural disorders. The next largest cause of ESA claims was for diseases of the musculoskeletal system (11.9%).

Figure 6.34:

6.4 Not in Employment, Education or Training (NEET)

Traditionally, a young person is classified as NEET if they are aged between 16 and 18 and not in education, employment or training. Information on the number and proportion of young people NEET in each local area is collected by and maintained by local authorities. However, the way NEET is measured has changed recently; it now only includes 16-17 year olds and includes the NEET and ‘unknowns’ together (those whose NEET status is unknown). This was in order to capture a truer picture of all of the young people classified as NEET; previously ‘unknowns’ were not accounted for which may have depressed the true number of NEETs in an area. The old methodology included all 16-18 year olds not in Education, Employment or Training, and showed those people who are NEET and unknown separately.

Provisional figures using the new methodology show that 7.6% of 16 and 17 years olds in Southampton were NEET (including ‘unknowns’) in 2016/17. This is higher than the England average of 6%, although at this time no additional data is available at local authority level to benchmark against. It is necessary to go back to 2015 to get benchmarkable data; this was collated using the old methodology so is not comparable with the latest 2016/17 data, but has been included for benchmarking purposes (see figure 6.41).
In Southampton in 2015 there were 320 (4.7%) people aged 16-18 who were NEET and approximately 590 (8.7%) who were unknown. In the South East 3.9% of 16-18 year olds where NEET and 10.1% were unknown and in England 4.2% were NEET and 8.4% were unknown. Figure 6.42 illustrates how the trend in the proportion of NEET has reduced from 7.4% in 2011 to 4.7% in 2015; a 2.7% point reduction, compared to a 1.9% point reduction for England over the same period.

**Figure 6.42:**

Percentage of 16-18 year olds not in education, employment or training (NEET): Southampton and England trend - 2011 to 2015

Source: Public Health Outcomes Framework
6.5 Economic inactivity

People who are economically inactive are those who are neither in employment nor unemployed. This group includes people who are caring for their family or retired (as well as those aged under 16).\(^3\) In Southampton, between April 2016 and March 2017, 24.8% of people aged 16 to 64 were economically inactive; around 42,000 people. This is higher than both the England (21.8%) and South East (19.2%) average (see figure 6.51).

*Figure 6.51:*

<table>
<thead>
<tr>
<th>Local neighbours</th>
<th>ONS comparators</th>
</tr>
</thead>
<tbody>
<tr>
<td>Southampton</td>
<td>24.8</td>
</tr>
<tr>
<td>Portsmouth</td>
<td>23.7</td>
</tr>
<tr>
<td>Salford</td>
<td>22.3</td>
</tr>
<tr>
<td>Leeds</td>
<td>22.6</td>
</tr>
<tr>
<td>Salford</td>
<td>20.1</td>
</tr>
<tr>
<td>Hampshire</td>
<td>19.2</td>
</tr>
<tr>
<td>Isle of Wight</td>
<td>19.2</td>
</tr>
<tr>
<td>South East</td>
<td>21.8</td>
</tr>
<tr>
<td>England</td>
<td>21.8</td>
</tr>
<tr>
<td>Salford</td>
<td>22.3</td>
</tr>
<tr>
<td>Leeds</td>
<td>22.6</td>
</tr>
<tr>
<td>Portsmouth</td>
<td>23.7</td>
</tr>
<tr>
<td>Southampton</td>
<td>24.8</td>
</tr>
<tr>
<td>Kingston upon...</td>
<td>25.3</td>
</tr>
<tr>
<td>Salford</td>
<td>26.6</td>
</tr>
<tr>
<td>Coventry</td>
<td>27.6</td>
</tr>
<tr>
<td>Newcastle upon...</td>
<td>28.3</td>
</tr>
<tr>
<td>Birmingham</td>
<td>29.3</td>
</tr>
<tr>
<td>Liverpool</td>
<td>30.0</td>
</tr>
<tr>
<td>Nottingham</td>
<td>33.9</td>
</tr>
<tr>
<td>ONS comparators</td>
<td>21.8</td>
</tr>
</tbody>
</table>
| Source: Annual Population Survey, Office for National Statistics

The trend in the economic inactivity rate, presented in figure 6.52, is the mirror opposite to the economic activity rate presented earlier. Similarly, the year on year changes should be treated with some caution due to the annual variations in sampling and the relatively large confidence intervals at the local level. Since the end of the recession in 2011, the economic inactivity has dropped from a high of 23.8% to 21.8% nationally; a 2% point reduction. The trend for Southampton is much more variable from year to year, but has also fallen over the same period from 26.6% to 24.8%; a 1.8% point reduction. Nonetheless, the rate in Southampton remains above both England and the South East. The dramatic fall in the rate in 2016 to 19.6% is likely to be a blip due to sampling variation.

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\(^3\) Definition of economically inactive

[https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/methodologies/aguidetolabourmarketstatistics#economic-inactivity](https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/methodologies/aguidetolabourmarketstatistics#economic-inactivity)
As previously mentioned in section 6.1, the large student population in the city may be one reason why economic inactivity is higher than average in the city. Figure 6.53 may give some additional weight to this argument, as it shows the main reason why people are economically inactive in Southampton is because they are a student; 41.9% reported this as being the main reason for being inactive in 2016/17. 24.2% reported the reason as looking after family/home, 19% as long term sickness and 6.5% as retirement. Figure 6.53 also shows that women are more likely to be at home looking after the family than men, whilst men are more likely to be inactive due to being a student or having a long term sickness.
6.6 Summary of key points

- In 2016/17, three quarters (75.2%) of the working age population in Southampton was classified as being economically active, which is lower than both the England (78.2%) and South East average (80.8%). Following a low in 2011, economic activity rates have gradually increased in the city, although they have continually been lower than average. However, the large student population in the city may be one reason why this rate is comparatively low; 42% of economically inactive people reported the main reason as being a student in 2016/17.

- The recession clearly impacted upon employment rates in the city, as they fell to a low of 68% in 2010 amongst the 16-64 population. Since this point the rate has shown signs of recovery, with employment levels in 2017 similar to those pre-recession at 71.4%; a 3.3% point increase since 2010. However, this is still below the England (74.4%) and South East (77.7%) average. Again this might be impacted by the large student population.

- However, employment amongst the over 16 age group in 2016/17 was 60.5% which is similar to the national average and the fourth highest amongst comparator cities. The difference between the 16+ and 16-64 comparisons suggests that employment rates in Southampton are higher than the national rates for people aged 65 and over, which may mean that older residents want or need to stay in employment in the city. This is against a backdrop of a rising state pension age and removal of compulsory retirement at 65 years of age.

- Growth in part-time employment initially drove the return to employment growth, although more recent data suggests that full-time employment has steadily increased. In addition it is the private sector driving employment improvements; between 2011 and 2015, private sector jobs grew by 13.4% compared to the public sector which grew by 0.2%.

- Following changes to the benefits system, the Labour Force Survey (LFS) is the most reliable source of unemployment data. Following a period of fairly high unemployment (between 2010 and 2014), unemployment in the city has improved in line with the national trend. In March 2017, 6,600 people were estimated to be unemployed in Southampton, 5.0% of the economically active population. This is higher than the England (4.8%) and South East (3.8%) average, although is the fourth lowest amongst comparator cities. However, the fall in unemployment appears to be slightly greater in Southampton, falling by 2.9% points over the last three years, compared to England (2.4% pts) and the South East (1.6% pts) average.

- The 16-19 age group is the most at risk of being unemployed. The rate is particularly high for this age group in Southampton, with around a third (33.9%) estimated to be unemployed. However, the small sample size and large confidence intervals means that this number is unreliable. Nonetheless, analysis over time and at a higher geography confirm this age group to be the most at risk of unemployment, which suggests that 16-19 year olds require the most support to get into work nationally and locally.

- Claimant count data mirrors the trend from the LFS for the recession and recovery periods. In August 2017, the claimant count for Southampton was 2.0% or 3,395 people compared with 1.2% in the South East and 1.9% in England. However, monthly data suggests that claimants
may be increasing in the city, with rates consistently rising over the last 4 months from 1.4% in April 2017 to 2.0% in August 2017. This trend does not appear to be replicated for England or the South East. However, this increase should be treated with some caution due to the unknown impact of Universal Credit on claimant count data.

- Claimant count rates are not equally spread throughout the city. Unsurprisingly, the rates are clearly higher in wards and neighbourhoods in the city with higher levels of deprivation. At neighbourhood (LSOA) level the rates range significantly from 0% to 7.5%, with the highest being located in Bargate with a rate of 7.5%.

- The proportion of 16-18 years olds not in employment, education or training (NEET) has reduced from 7.4% in 2011 to 4.7% in 2015; a 2.7% point reduction, compared to a 1.9% point reduction for England over the same period. Although this was above the national average (4.2%), it was the lowest amongst comparator cities. However, recent methodological changes to the way NEETs are calculated has meant that the NEET figure for Southampton has increased to 7.6% in 2016/17, which is higher than the England average of 6%. However, this data is provisional and further comparator data is not yet available.