

Employment Structure and Economic Vulnerability: Analysis of the impact of economic structure on unemployment levels during the economic downturn

Version Control

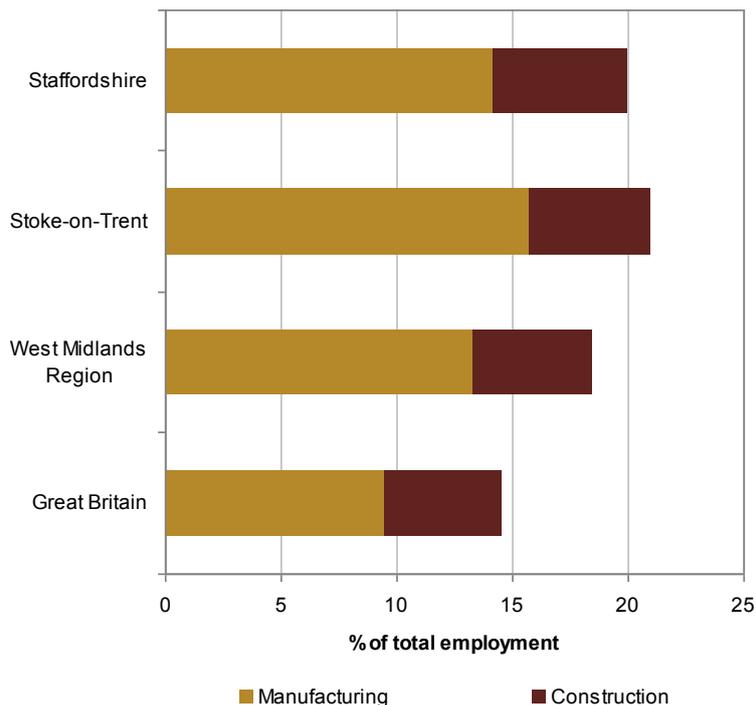
Version	Author	Date of amendment
Version 1.0	Matt Shufflebotham	29 th July 2011

1. At the start of the recent economic downturn, Public and Corporate Economic Consultants (PACEC) produced a paper on behalf of the Local Government Association (LGA) entitled 'From Recession to Recovery: The Local Dimension'.¹ This paper looked at past recessions and how employment was affected in different industrial sectors in order to try and predict what impact the downturn would have on overall employment levels.
2. Despite the common belief being that the economic downturn originated within the banking and financial sectors, the paper suggested that the most vulnerable employment sectors would be manufacturing and construction. Staffordshire and Stoke-on-Trent were shown to have greater than average levels of employment within these sectors, as shown in figure 1. The employment structure of the County may therefore be a major factor behind the significantly higher increases in Jobseeker's Allowance (JSA) claimants in Staffordshire during the downturn.

¹ From Recession to Recovery: The Local Dimension, Local Government Association, November 2008, <http://www.lga.gov.uk/lga/aio/1215871>



Figure 1 – Employment in construction and manufacturing

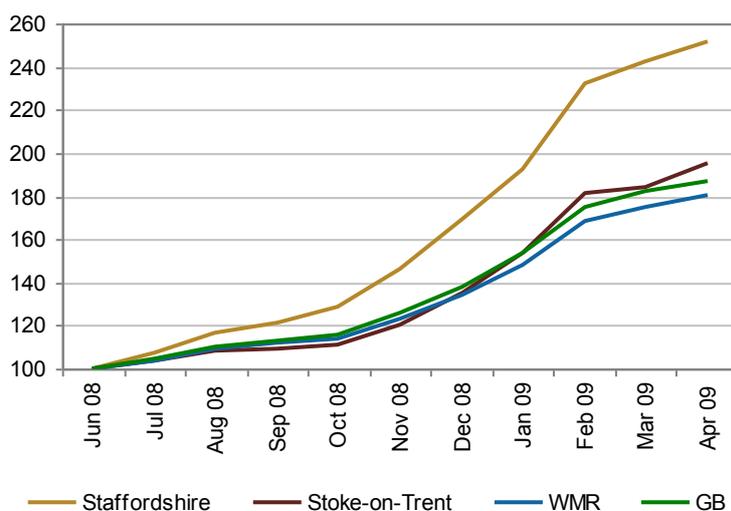


Source: Annual Business Inquiry 2008

3. At the beginning of the recession, 20% of all employment in Staffordshire was within the manufacturing and construction sectors, a greater proportion than both the regional and national averages. This suggested at the time that Staffordshire would be harder hit during the downturn than the region and nation as a whole. Information on JSA claimant numbers shows that Staffordshire did indeed experience greater increases in unemployment than regional and national averages at the start of the recession, as shown in figure 2. While it is important to remember that the economic structure of the County is likely to be only one factor behind the severity of the economic downturn, it does appear to have been a major reason behind the large unemployment increases in the area.



**Figure 2 – Claimant count change at the start of the recession
(June 2008 = 100)**

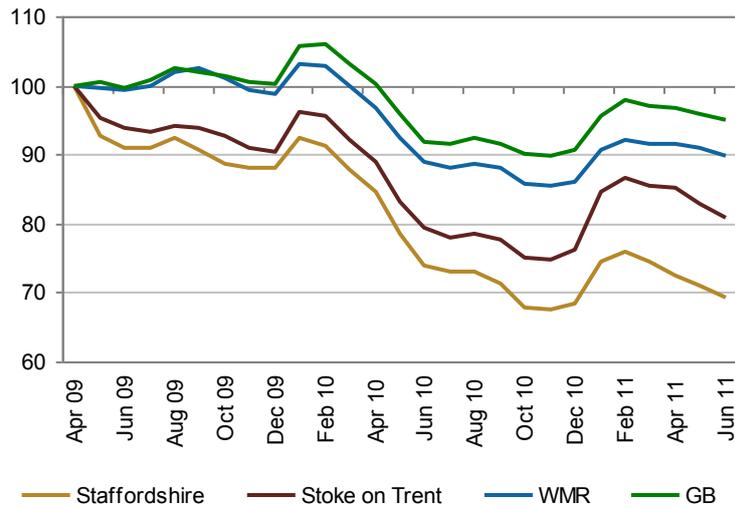


Source: NOMIS

4. The type of companies that made significant redundancies during the recession also adds some weight to the argument that the reliance on certain employment sectors may make the County more vulnerable to economic shocks. For example, JCB made around 1,800 people redundant during the recession, Wedgwood lost around 400 jobs and around 380 people are believed to have been made redundant at ThyssenKrup Tallent. These are just three examples of major employers within the County that made people redundant during the recession.
5. Since unemployment levels in Staffordshire peaked in April 2009, the number of JSA claimants in the County has decreased at a much faster rate than the regional and national averages, as shown in figure 3. It may be that the employment sectors that were affected to the greatest extent during the economic downturn have since recovered at a faster rate than all other employment sectors, although this is difficult to prove due to data on employee jobs having a two year time lag, meaning that the full impact of the recession on the economic structure of the County cannot yet be seen.



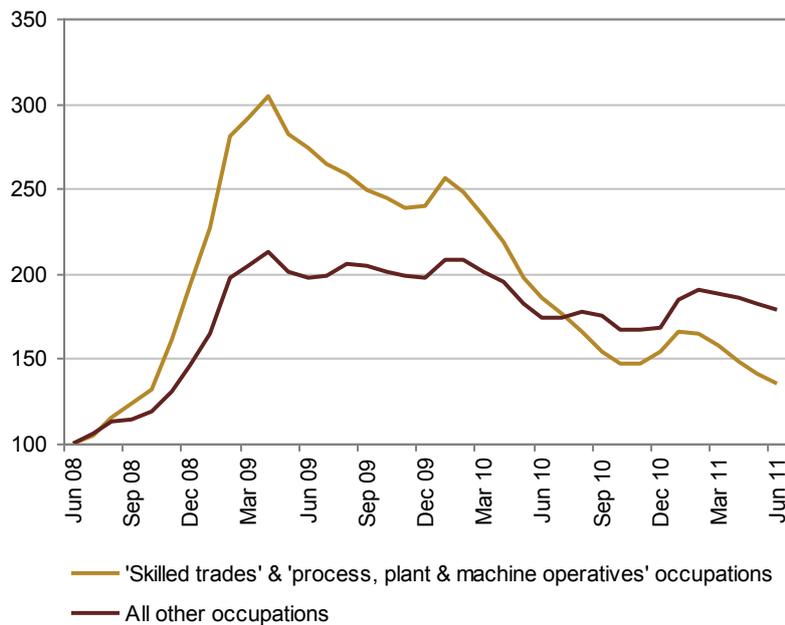
Figure 3 – Claimant change since April 2009 (April 2009 = 100)



Source: NOMIS

- 6. Information on the usual occupation of JSA claimants does provide an indication as to the type of industries and occupations that were hardest hit and which have since recovered, as shown in figure 4.

Figure 4 – Change in the number of claimants that usually work within the 'skilled trades' and 'process, plant & machine operatives' occupations, Staffordshire & Stoke-on-Trent, (June 2008 = 100)



Source: NOMIS



7. In Staffordshire and Stoke-on-Trent, the greatest increases in claimant numbers at the start of the recession occurred in the 'skilled trades' and 'process, plant and machine operatives' occupations. These may be considered to be the more 'blue collar' type jobs, a great deal of which are likely to be found within the construction and manufacturing industries that were affected greatly during the start of the downturn. Since the number of claimants from these 'blue collar' occupations peaked in April 2009, the number of claimants that usually work within these types of occupations has decreased significantly and at a much faster rate than for claimants that usually work in any other of the occupation types. This suggests that the faster rate of reduction in the overall number of claimants in the County since April 2009 may indeed be due to the recovery of companies that made redundancies during the recession.
8. A media story in June 2011 reported that employee numbers at JCB's nine Staffordshire factories have returned to pre-recession levels for the first time. Around 1,800 people were made redundant at JCB during the economic downturn, while employee numbers are now believed to be back up to 5,000. ThyssenKrup Tallent also took on 100 new employees at the start of 2010 and a further 150 at the start of 2011. It does therefore appear that the companies that were hit hard by the recession have now started to recover, although it should be remembered that this may just be one reason why Staffordshire has experienced a faster reduction in the number of claimants than the regional and national averages.
9. Overall, it appears that Staffordshire and Stoke-on-Trent have a number of major employers that are vulnerable when the economy takes a turn for the worse, but recover quickly when the economy starts to pick up. The vulnerability of a large number of employers which employ a vast number of local residents highlights the need to diversify the types of companies that are present within the County. This could potentially make the area less susceptible to large increases in unemployment levels when the economy goes into recession.

