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The *Welsh Economic Review* is produced twice yearly, by the Welsh Economy Research Unit (WERU) at Cardiff Business School. The aim of the *Review* is to provide an authoritative and objective analysis of the Welsh economy in a manner that promotes understanding and informs decision-making. The core section of the *Review* is written by members of WERU, with feature articles contributed by academics or practitioners within or outside Wales. The *Review* is circulated widely within Wales, to both private and public sector organisations, including the education sector and the Welsh Assembly Government.

Notes for Contributors

Authors should send papers for potential publication in the *Welsh Economic Review* to the Editor at the address given below, preferably via e-mail in a Word for Windows format. Papers are welcome on any topic that would be of general interest to the readership, and should be written in a style suitable for non-specialist readers. Papers should be approximately 3,000-4,000 words, and any graphs or figures should be accompanied by the underlying data to allow reproduction.

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Labour Markets

The latest Labour Market Report for the UK, published by the ONS for the three months to April 2004, shows that the number of people in work rose by 30,000, and the numbers of unemployed fell by 9,000 to 1.43m, with an unemployment rate unchanged at 4.8%. The claimant count rate in Britain fell to 3.8% and is the lowest since May 1975.

This trend had already been reported in the Autumn Review which showed that for the three months to August 2003, Wales experienced decreasing unemployment and increasing employment. *Labour Force Survey* data for Wales for the three months to March 2004 indicated that the employment rate had levelled off at 72.6% (with very little change from 72.9% in August 2003), and the unemployment rate has now also steadied after a period of falling rates. The seasonally adjusted unemployment rate was 4.5% down 0.3 of a percentage point on a year earlier, reaching levels that have not been seen since the 1970s.

Wales had also experienced improvements in total economic activity, which was up 3.3% on the year to August 2003. However, only small changes in this indicator are observable in the latest quarter, shown in Table 2. The lowest economic activity rates continue to be recorded in Northern Ireland, followed by North East and then London – a ranking that has persisted since the last report. Meanwhile, highest activity rates are in the East, South East and South West, reflecting commuter patterns to London.

The last Review reported that Wales had also experienced significant growth in employment. These rates have tended to stabilise in the last three months, in common with the UK average. The only exception was in the North East, where employment grew by just over 2% on the year.

Despite the positive picture overall, job losses continue to occur in the manufacturing sector. Over the year to April 108,000 jobs were lost in Great Britain, with employment now down to 3.38m.

Table 3 shows the Unitary Authority unemployed claimant count in Wales as a proportion of the resident working age population for April 2004. These proportions vary widely across Wales, with the highest share of all claimants in Blaenau Gwent (3.7%), and the lowest in Ceredigion (1.5%). To Blaenau Gwent can be added a further four Unitary Authorities with claimant count shares (of resident working age population) of over 3%. These were Isle of Anglesey, Pembrokeshire, Newport and Merthyr Tydfil. These rates are however the lowest for many years.

Earnings

The *New Earnings Survey* (NES) 2003 (published in October) reported that average gross weekly earnings for all employees had increased by 2.8% since April 2002 to £476.

Part-time weekly earnings rose by 3.2% to £152. In the year to April 2003, average gross annual earnings for full-time employees on adult rates were £25,170. The male annual earnings total was 38% higher than the annual total for women at £28,065 and £20,314 respectively. By April 2003, average gross weekly earnings for males in Wales was £448.3 and females £357.3, which was 85.3% and 90.2% respectively below the GB male/female averages.

According to the May 2004 *UK Labour Market Report*, in the three months to March whole economy average earnings, including bonuses, increased by 5.2% on the year. Excluding bonuses the increase was 3.9%. Manufacturing earnings were up by 3.8%, services by 3.9%, public sector by 4.3% and the private sector increase was 3.9% (all excluding bonuses). Earnings growth over inflation reflects a tightening labour market, which bodes further gentle interest rates rises.

Table 2: National Labour Market Summary, January 2004 to March 2004

	Economic Activity Rate	Change on year	Employment Rate	Change on year	ILO Unemployment Rate	Change on year
North East	74.3	1.5	70.2	2.1	5.3	-1.0
North West	77.5	0.2	73.9	0.5	4.6	-0.4
Yorks & Humber	78.0	0.0	74.3	0.4	4.7	-0.5
East Midlands	80.4	0.6	76.5	0.1	4.7	0.6
West Midlands	78.2	-0.7	73.8	-0.4	5.5	-0.5
East	82.5	0.8	79.7	1.8	3.4	-1.2
London	75.8	0.4	70.5	0.4	6.9	0.0
South East	81.8	-0.9	78.5	-0.9	3.9	0.0
South West	81.9	0.0	79.5	0.8	2.9	-0.8
Wales	76.2	0.5	72.6	0.7	4.5	-0.3
Scotland	79.1	-0.1	74.5	0.0	5.7	-0.1
Northern Ireland	70.8	-3.5	67.0	-3.4	5.2	0.0
UK	78.7	0.0	74.9	0.3	4.7	-0.3

Source: Labour Force Survey

As a result of small sample sizes NES data at the sub-regional level is less reliable. However, Table 4 shows male and female average gross weekly earnings by industry group for Great Britain (NES, 2003). The lowest male average weekly earnings were in the hotels/restaurant sector followed by agriculture; both sectors having relative prominence in Wales. Meanwhile, the highest average weekly earnings were in financial intermediation (banking).

The third and fifth columns of table 4 index male and female average earnings for each sector to the all sector average for Great Britain, showing that male earnings in financial intermediation were more double those in the lowest paid sectors. Meanwhile, female earnings in that sector, while still the highest, were well over a third lower than male wages. This analysis demonstrates the potential economic significance of whether banking jobs in

Wales, for example, have the same occupational and gender profile as those reflected in this national table. Part-time opportunities in the sector which are often most attractive to females make a lower contribution to gross value added. Gender differences in pay within sectors do have serious policy implications, in the context of which sectors are currently growing fast or have traditional importance, in Wales and in Great Britain as a whole.

Table 3: Unemployment in Wales; Claimant Count by Unitary and Local Authority on 8 April 2004, % of Population (not seasonally adjusted)

	Men	Women	People
Wales	3.6	1.2	2.5
Blaenau Gwent	5.5	1.8	3.7
Bridgend	3.5	1.3	2.4
Caerphilly	4.3	1.5	2.9
Cardiff	4.1	1.1	2.6
Carmarthenshire	3.1	1.1	2.1
Ceredigion	2.1	0.9	1.5
Conwy	3.2	1.1	2.2
Denbighshire	2.8	1.0	1.9
Flintshire	2.5	0.9	1.7
Gwynedd	3.9	1.4	2.7
Isle of Anglesey	4.7	1.6	3.2
Merthyr Tydfil	4.9	1.6	3.3
Monmouthshire	2.3	1.0	1.7
Neath Port Talbot	3.9	1.5	2.8
Newport	4.6	1.3	3.0
Pembrokeshire	4.9	1.6	3.3
Powys	2.2	1.0	1.7
RCT	3.8	1.3	2.6
Swansea	4.2	1.3	2.8
Torfaen	3.5	1.4	2.5
Vale of Glamorgan	3.6	1.0	2.3
Wrexham	2.4	1.0	1.7

Source: Benefits Agency Administrative Service

Table 4: Average Gross Weekly Earnings (male and female) by Sector, April 2003, Great Britain

	Male	All sector (male) = 100	Female	All sector (female) = 100
Agriculture fishing	350.4	66	272.0	68
Manufacturing	496.4	94	365.2	92
Energy and Water	568.9	108	399.0	100
Construction	498.5	94	367.3	92
Wholesale/retail	453.7	86	316.8	79
Hotels/restaurants	343.0	65	262.5	66
Transport	474.9	90	404.6	102
Financial intermediation	788.1	150	451.6	114
Business Services	614.3	117	432.9	109
Public administration	499.2	95	384.2	97
Education	520.1	99	442.2	111
Health	565.8	107	390.2	98
Other	564.9	107	385.7	97
All sectors	525.0	100	396.0	100

Source: New Earnings Survey