

BY EMAIL ONLY

03 August 2010

Dear Colleague

Public Sector Redundancies: Potential Impact on the South East

In its economic forecast in June, the Office for Budget Responsibility set out its expectations for large-scale public sector job losses across the UK over the next 5 years. Attached is a paper examining the potential impact of these cuts on the South East economy, which we have provided to Government in the context of the comprehensive spending review.

Using the wide definition of the public sector which allows for comparisons across the country, one in four people across the South East are employed in the public administration, education and health sectors, so no area will escape the effects of cuts. While the share of employment in these sectors is on average slightly lower than nationally, some districts have among the highest shares in the country - of the 10 districts with the highest shares in Great Britain, 3 are in the South East. These are Oxford, with 46% of the workforce in these sectors (largely due to the presence of educational establishments), Hastings with 43% and Canterbury with 41%. Of the 50 districts with the highest shares, 9 are in the South East, of which 7 are located along the coast, reflecting a general trend of higher public sector employment in coastal areas.

In this paper we also consider a narrower definition of the public sector, based on the most accurate data from the Office for National Statistics. This shows that there are around 630,000 people working in the public sector in the South East, with over 70,000 job losses forecast to occur over the next 5 years. Since over 400,000 people living in the South East work in London, the effect on local economies is likely to be considerably greater once residency-based employment is included.

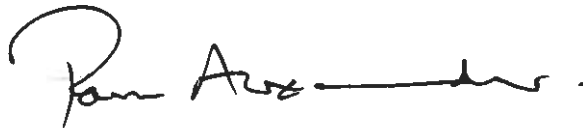
The coastal areas most at risk of large-scale redundancies are also the areas in the South East where unemployment rates tend to be higher and where private sector employment growth is expected to be more subdued. This combination of high potential exposure to public sector cuts, high unemployment and low forecast private sector employment growth means that many areas that are particularly vulnerable to public sector cuts are those that may be the least well-placed to cope without support.

I have submitted this paper to the Departments for Business and for Communities and Local Government as core material to inform the current spending review and am also sending it to all local authority Chief Executives in the South East, as I hope it will be of value as you draw up your economic plans.

We have been notified of well over 5,000 public sector redundancies in the South East in the first half of 2010 alone. As you will see from our latest monthly economic snapshot sent out today, public sector job losses accounted for 40% of all redundancies in the South East in July. SEEDA has led successful redundancy taskforces for large-scale private sector redundancies over the last eighteen months. However, our support for the public sector may need to be very different and we will be working with Jobcentre Plus and GOSE to assess whether, and how, the offer can be reshaped, bearing in mind the potential of the emerging Local Enterprise Partnerships to address these issues.

If you would like further information about this paper please contact William Lecky, economist at SEEDA on 01483 501334 or email williamlecky@seeda.co.uk. We will also continue to provide our monthly economic intelligence report, drawn from partners across the South East for the foreseeable future.

Yours sincerely



Paul Anderson
