

**DERBYSHIRE COUNTY COUNCIL**

**CABINET**

**13 October 2015**

**REPORT OF THE CHIEF EXECUTIVE**

**DERBYSHIRE ECONOMIC REVIEW – SEPTEMBER 2015  
(Strategic Policy, Economic Development and Budget)**

**1. Purpose of the Report**

To present the latest Quarterly Economic Review – September 2015 to Cabinet.

**2. Information and Analysis**

**Background**

The Derbyshire Economic Review is a quarterly economic update produced by the Council. The update, which is attached at Appendix A for consideration, provides an overview of the current economic conditions in Derbyshire and summarises key economic trends to support broader discussions and policy developments across the Authority. The Review also supports and facilitates the delivery of partnership activity, most notably through the Derbyshire Economic Partnership, the Local Transport Board and the D2N2 (Derby, Derbyshire, Nottingham and Nottinghamshire) Local Enterprise Partnership (LEP). The Economic Review is available electronically on the Derbyshire Observatory at the following link <http://observatory.derbyshire.gov.uk/IAS/lea/>

**Summary of Key Findings**

The key findings for the latest quarterly review are outlined below:

- Although there has been a slight dip in the rate of economic growth in Derbyshire and the East Midlands, the level for the county in the second quarter of 2015 continues the relatively strong figures seen over the last two years. Encouragingly, sales in the UK market have held up well over the past three months and export sales and orders have shown improvement. However, orders for the domestic market have fallen and the number of firms planning to recruit has dipped. Despite this the county's businesses are relatively optimistic about future turnover. Given the debate about rebalancing the national economy and the concept of the 'Midlands Engine' that has recently emerged, it will be important that Derbyshire firms continue to grow and play their part.

- Claimant unemployment<sup>1</sup> has been falling for more than three years, with the current unemployment rate of 1.3% for the county being the lowest since 1992 and below the England figure of 1.6%. However, areas with relatively high rates still remain in parts of Ilkeston, Chesterfield, Bolsover, and Buxton.
- Although the downward trend in long-term unemployment has stabilised since the early part of 2015, the proportion of the county's unemployed claimants who have been out of work for more than 12 months is lower than that for England and also lower than a year ago. However, more than 1,500 people in Derbyshire are currently long-term unemployed.
- Youth unemployment rates have been falling steadily since early 2012, with the rate for Derbyshire of 1.9% now only marginally higher than the 1.8% nationally. Encouragingly, the number of Derbyshire's wards where youth unemployment is more than double the national average has reduced from 22 in the previous quarter to 11 currently. However, youth unemployment rates are high in parts of Ilkeston, Chesterfield, Bolsover, and Unstone, and Pilsley and Morton wards in North East Derbyshire.
- The proportion of the county's residents claiming an Out-of-Work Benefit (OoWB) continues to fall as the economic recovery progresses with 2,750 fewer residents claiming an OoWB than a year ago. However, high levels remain an issue in Gamesley in High Peak; Rother, Middlecroft and Poolsbrook and Loundsley Green in Chesterfield; Shirebrook North West in Bolsover; and Ilkeston North in Erewash, where more than one in five of the working-age population are claiming an OoWB.
- There continues to be good progress on jobs in the county. For the period May to July 2015 there have been no large job losses and positive news has been reported by a number of firms. This includes the initiation of work on the £400m tourism development, Peak Resort, that will create over 1,300 jobs near Unstone when complete; a planned move by foundations specialist, Roger Bullivant Ltd, from Drakelow to Swadlincote that will secure more than 400 jobs; and the building of a jewellery design centre by CW Sellors at Carsington that will create around 20 jobs.
- The county's employment rate has historically tended to be higher than England, and whilst that remains the case, there have now been two consecutive quarters where the rate has fallen, following three years of steady increase. This has seen the gap with England narrowing to 1.4% points, one of the smallest gaps over recent years. The fall in employees has been moderated slightly by an increase in self-employment levels, but with the level of International Labour Organisation (ILO)<sup>2</sup> unemployment remaining unchanged, it points to an increase in the number of individuals leaving the labour market altogether. The issue of hidden unemployment is one that is covered in the 'In Focus' section of this edition of the Derbyshire Quarterly

---

<sup>1</sup> Claimant count unemployment is derived from administrative data generated by the system of benefits paid to people who are out of work. It is a different definition and measure of unemployment than the ILO unemployment noted below.

<sup>2</sup> International Labour Organisation (ILO) unemployment has a much wider definition than the monthly claimant count of unemployment and includes people who are out of work and claiming Job Seekers Allowance (JSA) as well as those who are actively looking for work but not necessarily claiming unemployment related benefits. It can therefore produce different levels and patterns of unemployment to the claimant count.

Economic Review, and it will be important to monitor the employment rate in future quarters to establish whether there are any emerging patterns being formed.

- The average house price in the county in June 2015 was £128,571, £53,000 lower than the £181,619 across England and Wales. House prices have been rising steadily for two years, peaking in Summer 2014, but the latest figures show that the growth rate is slowing. Prices nationally exceeded their pre-recession peak for the first time, whilst prices in Derbyshire are still 9.5% below their high point of £142,024 in September 2007. This means that people who bought houses around this time may find it difficult to move.

### **‘In focus’ topic – ‘Hidden unemployment’**

Unemployment rates are amongst the lowest they have been for many years, however, they do not tell the whole story. The ‘In focus’ topic in this Economic Review looks into what has been termed ‘hidden’ unemployment and explores whether unemployment is underestimated by official figures (the Claimant Count and the headline estimate of ILO). Sheffield Hallam University has been investigating the concept of ‘hidden’ unemployment for a while, and the most recent data suggests that the ‘real’ level of unemployment locally is more than twice that of claimant unemployment. The Sheffield report draws on the two official measures of unemployment but also factors in a proportion of individuals claiming incapacity benefit (IB). The analysis, which uses data from April 2012 prior to the replacement of IB with Employment Support Allowance (ESA), argues that there are likely to be IB claimants who could potentially secure employment, in addition to those who are unemployed according to the claimant and ILO measures. The report suggests that with the IB benefit payment rate being higher than Job Seekers Allowance (JSA), some people with health problems or disabilities who are out-of-work, legitimately claim incapacity benefits over JSA. Additionally, in a competitive labour market, where discrimination remains a factor, IB claimants can also be put off looking for work because they don’t feel there is any suitable work available or employers may not want to take them on. Potentially, some IB claimants can therefore become ‘hidden’ from the official measures.

More recent analysis, since the introduction of ESA, further supports ‘real’ unemployment being underestimated. In November 2014, there were 6,810 (26.9%) of ESA claimants in Derbyshire falling into the Work Related Activity Group (WRAG), where work is seen as feasible in the short to medium term. Whilst there is no data on the extent to which those claiming ESA could potentially access the labour market, it is likely that a proportion will be able to at some point. However, as they are claiming ESA they won’t appear on the JSA claimant count and if they are not actively looking for work they won’t feature on the ILO measure either. Another area whereby out-of-work individuals may not appear in the main unemployment measures is through sanctions imposed if a claimant is deemed not to have followed the rules. Although there is no information on the degree to which sanctioned claimants will leave the claimant count or cease looking for work, Citizen’s Advice has identified that sanctions can take people further away from the

job market. In 2014, over 500 JSA claimants per month in the county had their benefit stopped or cut through JSA sanctions, and DCC's welfare rights team are in the process of exploring the impact of the sanctions process locally.

There has always been debate about the true level of unemployment, but DCC is focused on addressing the barriers individuals face, irrespective of whether they appear on the main unemployment measures or not. The priorities to 'tackle disadvantage and help hard to reach individuals and communities into economic activity' outlined in the proposal for a Combined Authority for Derby and Derbyshire, and to 'ensure that disadvantaged communities/those living in poverty experience the benefits of economic growth' identified in the Derbyshire Anti-Poverty Strategy 2014-2017 both aim to play a part in this.

### **3. Equality and Diversity Considerations**

Although overall and youth unemployment is currently relatively low, there is variation across the county, for example the proportion of young unemployed claimants who are long-term unemployed varies from 19.0% in Chesterfield down to 4.5% in South Derbyshire. Additionally, recent analysis by the Joseph Rowntree Foundation outlines that labour market entry and progression can be a real challenge for individuals aged under 25. DCC's emerging 'Youth Employment Strategy 2015-2020' is therefore important. This will set out five priorities to guide the actions and investments of the County Council and stakeholders over the next five years. These include equipping young people with the skills and qualifications to successfully enter the labour market, developing a better understanding of employers' skill needs, and influencing the employment and skills system to ensure it is more responsive to the needs of young people and employers.

### **4. Other Considerations**

In preparing this report the relevance of the following factors has been considered: financial, legal, prevention of crime and disorder, human resources, environmental, health, property and transport considerations.

### **5. Key Decision**

No

### **6. Call-in**

Is it required that call-in be waived in respect of the decisions proposed in this report? No.

## **7. Background Papers**

Files and supporting papers are held in the Policy and Research Division, Chief Executive's Office.

## **8. Officer's Recommendation**

That Cabinet note the information presented within the Derbyshire Economic Review – September 2015 and that the findings be used to support future service planning and policy development.

**Ian Stephenson**  
**Chief Executive**

## Derbyshire Economic Review - September 2015

### Introduction

This document gives a brief overview of the latest statistics and news on the Derbyshire<sup>1</sup> economy both in a national and local context. The report provides a “snapshot” of the Derbyshire economy, to help inform the development and delivery of future economic strategies in the area. It is primarily based on evidence available from the Derbyshire Observatory, which is a single information source for partners and organisations across the county. The update also provides information on an ‘In focus’ topic, in this edition: ‘Hidden Unemployment’.

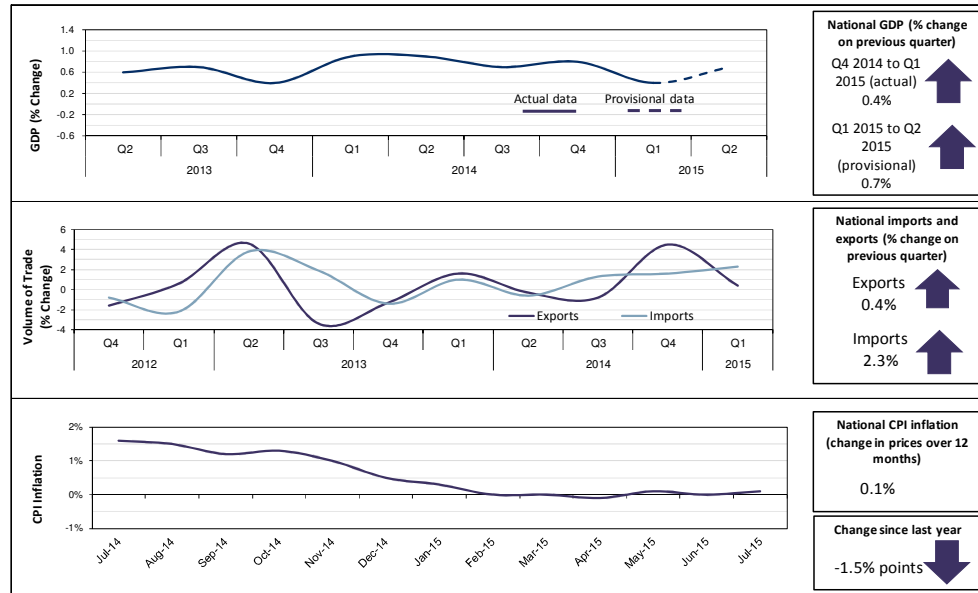
### Contents

<b>Overview</b>	<b>2</b>	<i>Labour Market Continued</i>	
<b>National Economic Context</b>	<b>3</b>	Claimant Unemployment Rate	8
Gross Domestic Product	3	Long-term Unemployment Rate	9
Volume of Trade	3	Youth Unemployment Rate	10
Consumer Prices Index	4	Out of Work Benefits	10
Bank of England Interest Rate	4	<b>Housing Market</b>	<b>12</b>
<b>Local Economic Context</b>	<b>5</b>	Average House Prices	12
Business Conditions	5	House Sales Index	12
Investment	5	<b>In Focus</b>	<b>13</b>
Job Losses and Gains	6	Hidden Unemployment	13
<b>Labour Market</b>	<b>7</b>	<b>End Notes</b>	<b>15</b>
Economic Activity Rate	7		
Employment Rate	7		
Unemployment Rate (ILO)	8		
Self Employment Rate	8		

### Overview

- The UK economy expanded by 0.7% in the second quarter of 2015, boosted by growth in business services and finance, and oil and gas production. This is the tenth consecutive quarter of growth and means that GDP is 5.2% higher than the pre-downturn peak of quarter 1 of 2008, with levels of GDP per head having returned to levels prior to the recession. The current growth in the UK economy is broadly expected to continue although there are some concerns about the potential impact of a slowing in the Chinese economy on world markets.
- The Consumer Prices Index (CPI) inflation rate monitors changes in the price of goods and services purchased by households. The CPI rate is 0.1% for the 12 months to July 2015, and the rate has now been flat for the last six months.
- The economic performance in the county continues to be relatively strong, despite a slight dip in the second quarter of 2015, according to the Derbyshire, Nottinghamshire and Leicestershire Chamber of Commerce's State of the Economy Index. The Derbyshire figure remains slightly below that regionally.
- The employment rate in the county was at 74.3%, higher than the 72.9% for England, however the figure has dipped for the second quarter in succession, narrowing the gap nationally.
- The overall claimant count unemployment rate in Derbyshire remains at 1.3%, the lowest since 1992, and below the 1.6% for England. However, hotspots still exist across the county where unemployment levels are relatively high e.g. Cotmanhay (4.1%), Ilkeston North and Ilkeston Central (both 3.3%) in Erewash; Rother (3.4%) and Middlecroft and Poolsbrook (2.9%) in Chesterfield; Elmlton-with-Cresswell in Bolsover; and Barms in High Peak (both 2.8%).
- 24.8% of all unemployment claimants in Derbyshire have been out of work for more than a year, slightly less than the national average (27.6%).
- The youth unemployment rate in the county stands at 1.9%, similar to the England rate of 1.8%. However, the problem is particularly acute in 11 out of 177 wards, where youth unemployment is more than double the national rate.
- Annual house price growth in Derbyshire was 3.2%, and remains below that for England and Wales (5.4%).

## National Performance Indicators



According to provisional data, national Gross Domestic Product (GDP), the main national indicator of economic growth, is estimated to have increased by 0.7% in the first quarter of 2015<sup>2</sup>, although growth was limited to two of the four main industrial sectors. Services increased by 0.7%, up on the 0.4% in the previous quarter, mainly due to growth in business services and finance. Production increased by 1.0%, an increase on the 0.2% in quarter one of 2015, with mining and quarrying leading the way. The recent tax changes in the March Budget are thought to have been a factor here, although manufacturing showed a slight dip. Construction growth was flat, whereas agriculture decreased by 0.7%, although both of these sectors showed some improvement on the previous quarter. The service sector showed the biggest contribution of 0.52% points to GDP growth, with production contributing 0.14% points. Construction and agriculture made a net zero contribution.

In quarter 1 of 2015, the UK's trade balance widened from -£10.6 billion to -£13.4 billion<sup>3</sup> meaning that the trade balance has made a negative contribution to GDP

growth. Imports of goods rose by 4.6% outweighing growth in exports, which were 3.8%. The strength of sterling relative to the Euro and protracted weakness of the eurozone are affecting demand for British exports.

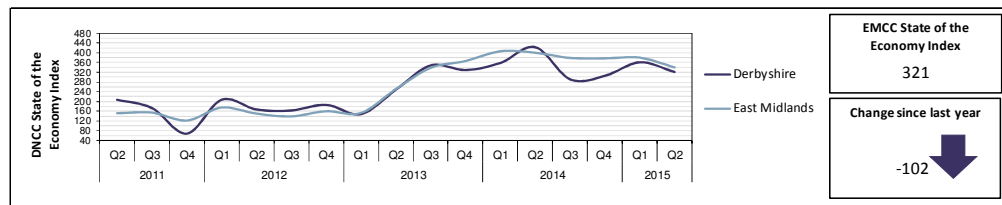
The annual CPI inflation rate currently stands at 0.1% for the 12 months to July 2015<sup>4</sup>. A smaller fall in clothing prices compared with a year ago was the main contributor to the rise. Falling prices for food and non-alcoholic drinks, and transport partially offset the rise. CPI has been almost flat for the past six months, having turned negative in April for the first time since 1960 and the rate for July 2015 was higher than expected. Some analysts say the rate could fall back again, partly due to the drop in the price of oil, which has fallen by nearly 25.0% in the past two months.

The Bank of England (BoE) interest rate remains at 0.5%<sup>5</sup>. Fears that the BoE is poised to start raising the rate have receded, with just one of its nine policy committee members voting to increase borrowing costs. A renewed fall in oil prices, linked partly to weakened demand in China, the world's second largest economy, a possible easing in business hiring rates and the strong pound, mean that the need to increase interest rates has receded. Analysts forecast that the first rate rise since 2007 will not now be in 2015. However, the Money Advice Trust, has warned mortgage-holders to start preparing themselves for future rate rises. The BoE highlighted the following national trends as at July 2015<sup>6</sup>:

- Retail sales values growth has been steady, with consumer services turnover easing slightly.
- Housing market activity has been stronger than at the start of the year.
- Investment intentions have edged down for manufacturing, but remain consistent with moderate growth overall.
- Business services turnover has remained robust and broad-based.
- Manufacturing output growth has been steady.
- Construction output growth has edged up slightly.
- Employment intentions have eased slightly, however, recruitment difficulties are at their highest level since 2007.

More information can be found at: <http://www.bankofengland.co.uk/publications/Pages/agentssummary/default.aspx>

### Business Conditions



Across both Derbyshire and the East Midlands there has been a slight dip in the rate of economic growth during quarter 2 of 2015, according to the East Midlands Chamber of Commerce's (EMCC) most recent Quarterly Economic Survey<sup>7</sup>. Although EMCC's State of the Economy Index for Derbyshire decreased from 361 to 321 points, sitting just below the regional figure, the level remains steady, continuing the relatively strong figures seen over the last two years.

Orders for the domestic market have fallen and the number of firms planning to recruit has dipped. Despite this, sales in the UK market have held up well over the past three months and export sales and orders have shown improvement, which is encouraging, although Derbyshire's exporters remain less positive than their regional counterparts. The county's businesses are relatively optimistic about future turnover. The concept of the 'Midlands Engine' has recently emerged in the narrative about rebalancing the national economy and it will be important to ensure that Derbyshire firms can play their part in this.

### Investment

The Derbyshire Economic Partnership received a total of nine enquiries from firms seriously looking to invest in the county<sup>8</sup> between May and July 2015. Although this is below the 23 received in the corresponding quarter a year ago, the year to date figure of 32 is similar to that of 36 in 2014.

During the quarter, a legal agreement with KFC was completed with the aim of starting the construction of a drive-thru restaurant in August, which when complete will create 30 jobs. Additionally, construction of the 100,000 sqft unit for Inspirepac was completed as was the 50,000 sq ft unit for Chesterfield based Gould Alloys, who

have cited better transport links as a key factor in their move. An extension to the existing Environment Centre was completed creating additional workshops and office accommodation for companies operating in the environmental technology sectors. Eight new enquiries were received by the Markham Vale team, with one progressing to detailed discussions.

### Job Losses and Gains

The following job losses and gains information relates to organisations in Derbyshire (including Derby City), and is drawn from articles in the local press between May and July 2015.

#### Job Losses

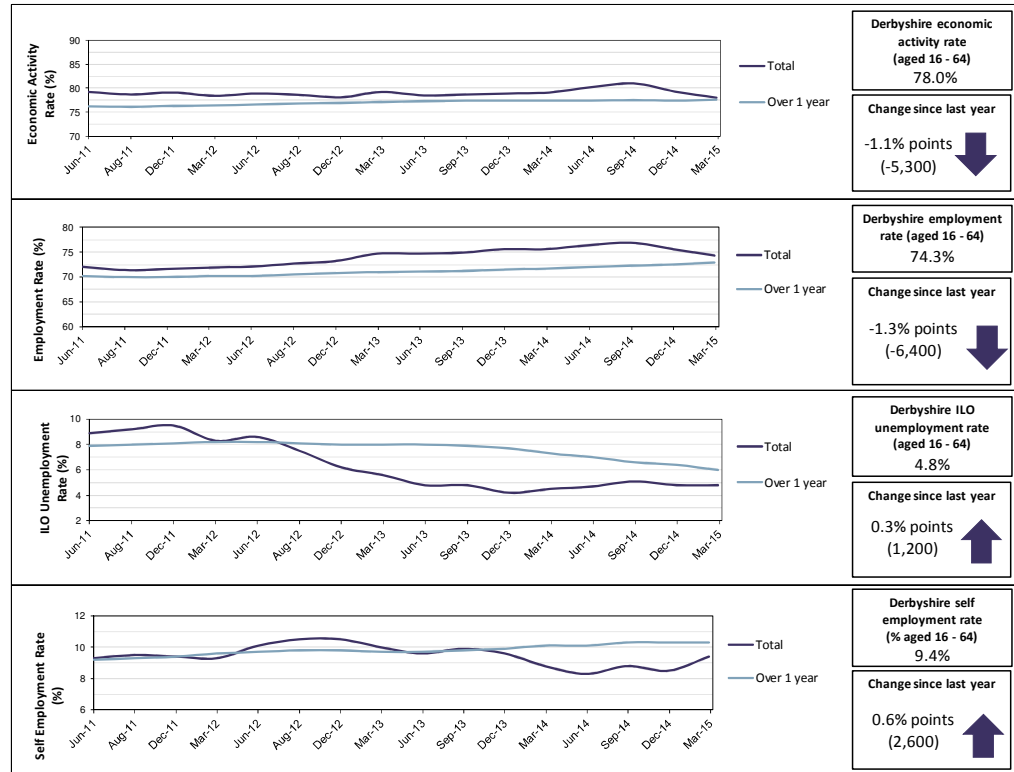
- No large job losses were reported during this recording period.

#### Job Gains

- Ground clearing started in mid May to transform a reclaimed opencast site in Unstone into a £400m tourism development, Peak Resort, that will create over 1,300 jobs.
- A total of 1,300 jobs are to be created at the Boots warehouse in Burton it was revealed in May.
- At the end of May, foundations specialist firm, Roger Bullivant Ltd, said that it was re-locating to Swadlincote in a move that will secure more than 400 jobs.
- A takeover deal by Joseph Clayton and sons, Chesterfield, announced at the beginning of May, will create the biggest vegetable tanning group in the UK with a possible turnover of £6m and secure 60 jobs.
- At the end of May, PH Flexible Packaging, bubble wrap manufacturer, purchased a unit at Gresley Business Park, Swadlincote with the aim of increasing its workforce and growing the company by 30% over the next two years.
- The opening of a new Pizza Express at South Normanton at the end of May has created 30 new jobs.
- Planning permission was granted in July to turn the Trumpeter pub, Chesterfield, in to a retail centre with the creation of up to 30 jobs.
- Jewellers, CW Sellors, announced at the end of June that a new jewellery hub will be built at Carsington which will create up to 21 new jobs.



## Labour Market Participation



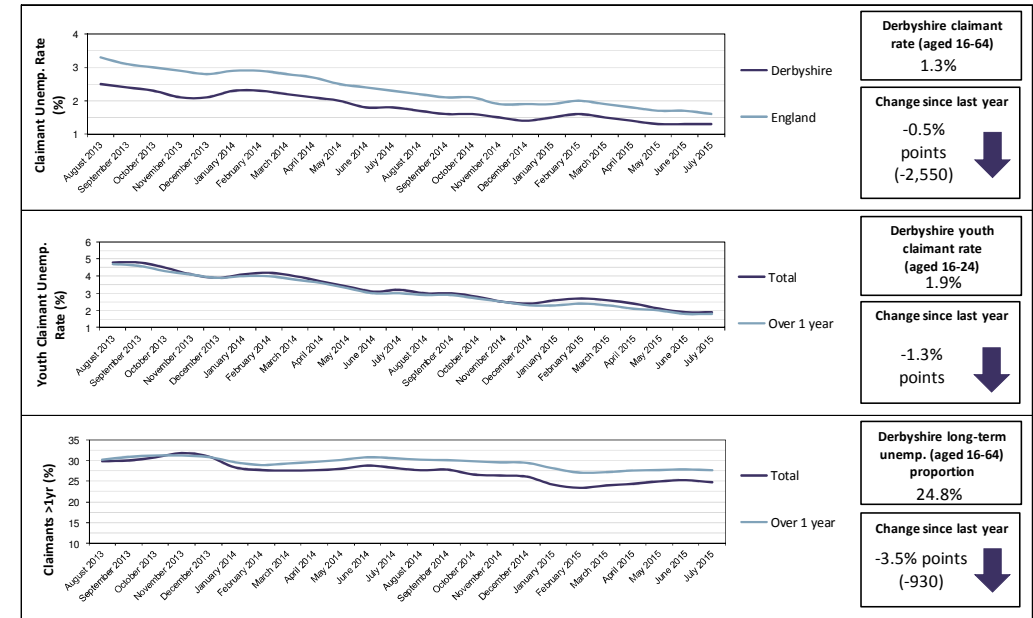
Source: Annual Population Survey, April 2014-March 2015, ONS (Nomis) © Crown Copyright.

Although the economic activity rate in Derbyshire is, at 78.0%, slightly higher than the 77.6% for England<sup>9</sup>, it has fallen for two successive quarters. The employment rate has also fallen in the county, with the figure of 74.3%, only 1.4% points above the England figure. Economic activity and employment rates have historically been high in Derbyshire so it will be important to monitor this trend.

International Labour Organisation (ILO)<sup>10</sup> unemployment is regarded as the official measure of unemployment. It has a much wider definition than the monthly claimant count of unemployment and includes people who are out of work and claiming Job Seekers Allowance (JSA) as well as those who are actively looking for work but not necessarily claiming unemployment related benefits.

The ILO unemployment rate in Derbyshire in March 2015 remained unchanged, at 4.8%, slightly lower than the 6.0% for England<sup>11</sup>. However, with the national rate having declined by 1.3% points over the past year, the gap has narrowed.

Although the self-employment rate stands at 9.4%, below the 10.3% for England, the last quarter has seen the level increase by 0.9% points, so that the gap with England is the closest it has been in over a year.



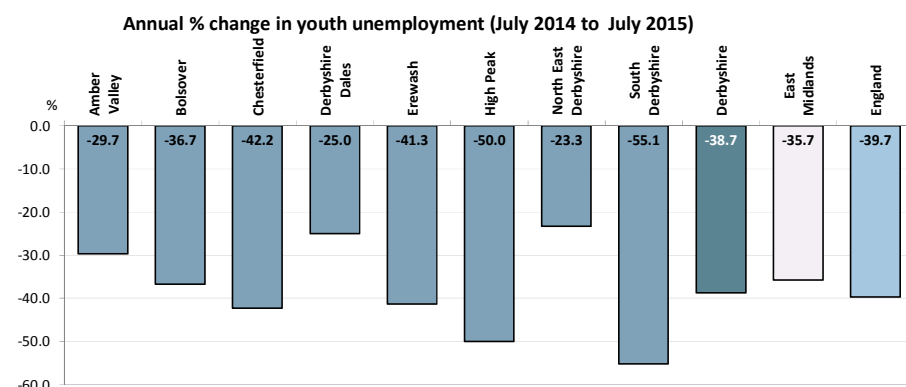
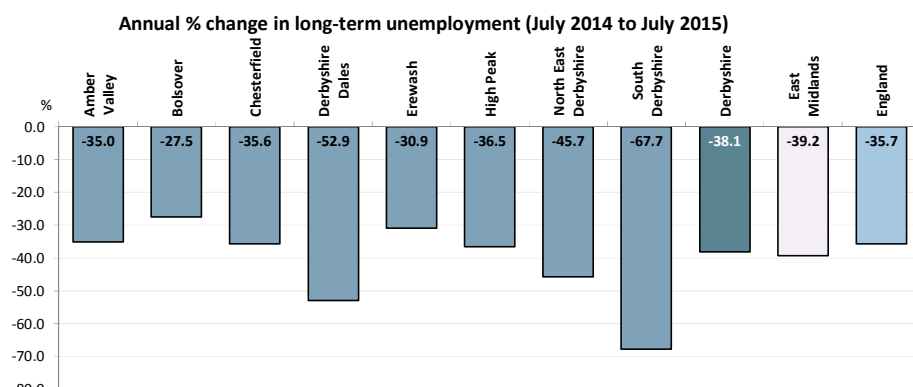
Source: Claimant Count, July 2015, ONS (Nomis) © Crown Copyright.

The claimant count unemployment rate in Derbyshire, based on a count of all people claiming Job Seekers Allowance, is currently 1.3%, lower than the England rate of 1.6%<sup>12</sup>. The rate has been on a downward path for more than three years and is at its lowest level since the current series began in 1992. In the county the trend has levelled, with the rate remaining unchanged for the last three months. Despite this low level there are hotspots in the county including the wards of Ilkeston North, Ilkeston Central and Cotmanhay in Erewash; Rother, and Middlecroft and Poolsbrook in Chesterfield; Elmtown-with-Creswell in Bolsover; and Barms in High Peak.

## Labour Market

Almost a quarter (24.8%) of Derbyshire's unemployment claimants have been out of work for more than a year, representing 930 fewer long term claimants than this time last year when the rate was 28.2%, and less than the 27.6% for England. However, over the past six months the downward trend has stabilised.

Analysis by district can highlight which areas are contributing most to the changes county-wide. All districts have shown a decrease in the number of people who have been unemployed for over a year in the last 12 months. The greatest annual percentage decline is once again shown by South Derbyshire (-67.7%) and the lowest by Bolsover (-27.5%). In Bolsover, Chesterfield, Erewash and High Peak, the rate of decline is lower than the East Midlands and England averages.



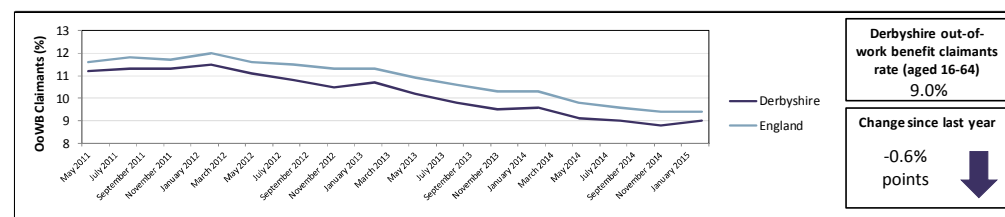
Derbyshire Observatory Link: <http://tinyurl.com/lea2012-unemploy>

Source: Claimant Count, July, 2015, ONS (Nomis) © Crown Copyright.

## Labour Market

Youth unemployment rates have been declining since early 2012, when the youth unemployment rate locally was 1.0% points higher than England's. However, the county's youth unemployment rate (1.9%) is now only marginally higher than the national average (1.8%)<sup>13</sup>. All districts have shown a decline in youth unemployment, with the greatest annual percentage decline in South Derbyshire (-55.1%), and the smallest in North East Derbyshire (-23.3%).

As the county's youth unemployment rate continues to fall, so does the proportion of young claimants who are long-term unemployed, with the level now 12.4%, below the peak of 21.0% in November 2013. Additionally, since the end of 2014, the proportion has been lower than England, which is currently 13.5%. However, there is a wide variation, from 19.0% in Chesterfield down to 4.5% in South Derbyshire. Recent analysis by the Joseph Rowntree Foundation<sup>14</sup> of labour market outcomes by age outlines that people with no educational qualifications generally face greater disadvantage than previous generations. This is particularly the case for those under 25, for whom labour market entry and progression is a real challenge. DCC's emerging Youth Employment Strategy is therefore important in this context.



Derbyshire Observatory Link: <http://tinyurl.com/lea2012-oowbc>

The proportion of residents claiming an Out-of-Work Benefit (OoWB) continues to fall as the economic recovery progresses. In February 2015, there were 2,750 fewer county residents (9.0%) claiming an OoWB<sup>15</sup> than the year before, lower than the England average of 9.4%<sup>16</sup>. Despite the fall, in six wards there are more than 20.0% of 16-64 year olds claiming an OoWB. These were also the wards with the highest levels in the previous Derbyshire Economic Review and are Gamesley in High Peak; Rother, Middlecroft and Poolsbrook, and Loundsley Green in Chesterfield; Shirebrook North West in Bolsover; and Ilkeston North in Erewash.

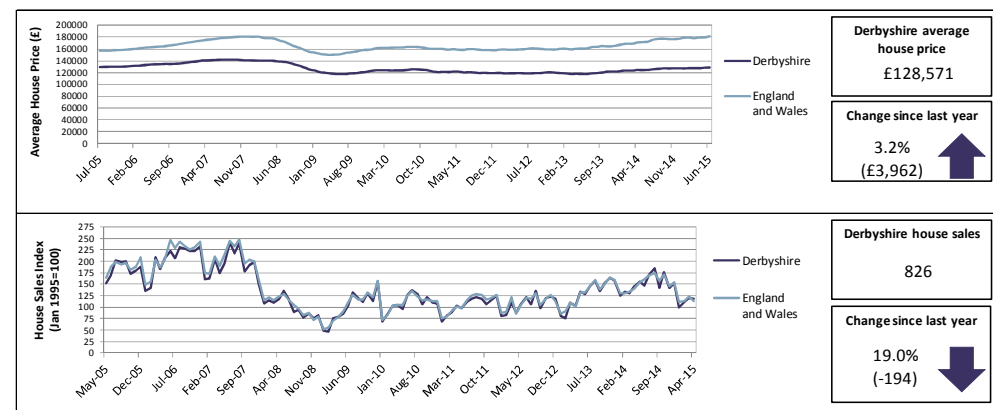
The table below provides data for some of the key benefits available.

Indicator	Number	Rate (%)		Annual change		Annual trend
		Derbyshire	England	Number	%	
Individual benefits (Feb 2015 except PIP, UC and JSA sanctions*)						
All Benefit Claimants	58,650	12.1	12.2	-2,620	-4.3	↓
Out-of-Work Benefit Claimants	43,610	9	9.4	-2,750	-5.9	↓
Employment Support Allowance (ESA)	28,120	5.8	5.6	2,580	10.1	↑
- Long term claimants (1yr or more)	20,530	73.0	70.7	5,840	39.8	↑
- 18 to 24 year old claimants	2,420	8.6	8.2	400	19.8	↑
Lone Parent Income Support (LPIS)	4,590	0.9	1.1	-300	-6.1	↓
- 18 to 24 year old claimants	1,400	30.5	27.7	-260	-15.7	↓
Personal Independence Payments (PIP)	6,906	1.1	0.8	No trend data		
Universal Credit (UC)	307	Numbers too small		No trend data		
JSA sanctions	497	Numbers too small		-686	-58	↓
Household benefits (May 2015)						
Housing Benefit claimants	49,754	14.8	18.5	-1,222	-2.4	↓
Households affected by removal of Spare Room Subsidy	5,203	10.5	8.7	-174	-3.2	↓
- 1 Bedroom	4,284	82.3	81.4	-117	-2.7	↓
- 2 or more bedrooms	919	17.7	16.8	-57	-5.8	↓
Benefit Cap	101	Numbers too small		-24	-19.2	↓

Source: Department for Work and Pensions (DWP)/ONS (Nomis) © Crown Copyright.

Notes: \* PIP April 2015, UC July 2015 and JSA sanctions March 2015.

There are 12.1% of Derbyshire residents claiming benefits, including 5.8% ESA and 0.9% LPIS, similar to England. However, the proportion of residents aged 18-24 claiming LPIS and long-term ESA claimants are higher in Derbyshire. There are a lower proportion of households claiming housing benefit (14.8%) than England (18.5%) but a higher proportion of claimants have been affected by removal of the spare room subsidy<sup>17</sup>. PIPs are in the process of replacing Disability Living Allowance, so the rates are currently low. This is also the case for Universal Credit, which is in the process of replacing six main benefits/tax credits, including income-based JSA and working tax credit. The majority of benefits in Derbyshire have seen a reduction in claimants, the exception being ESA which has seen an increase, in part reflecting that ESA is in the process of replacing Incapacity Benefit. The benefit showing the greatest decline (-58.0%) is for people who have had their benefit stopped or reduced through sanctions. This is linked to the downward trend in JSA claimants.



Source: House Price Index, Land Registry, June 2015, © Crown Copyright

The average house price in Derbyshire was £128,571<sup>18</sup> in June 2015, significantly lower than the £181,619 across England and Wales. Over the last year there has been a slight slowing in the growth rate since the peak in Summer 2014. National growth has stabilized at 5.4%, and locally at 3.2%. The latest data has seen house prices nationally exceed their pre-recession peak for the first time, but prices in the county are still 9.5% below their high point of £142,024 in September 2007, meaning that people who bought houses around this time may find it difficult to move.

Although annual house price growth has slowed in London, to 9.2%, there remain divisions across the county, with an increase of just 1.4% in Yorkshire and Humber. However, demand for homes remains strong and there is a feeling that the housing market will pick up due to recent increases in people's spending power and continued lower mortgages whilst interest rates remain low.

There has though been a fall in the numbers of people moving and it is the shortage of housing supply in some areas that continues to be pushing prices up, albeit at a lower rate. In April 2015, there were a total of 826 property transactions in Derbyshire, lower (-19.0%) than the 1,020 a year earlier. Uncertainty in the property market in the run-up to the election is thought to be a factor in the decrease, as well as the growing cost of moving home, with rising prices pulling more and more home buyers into paying stamp duty.

### ‘Hidden’ Unemployment

Unemployment rates are amongst the lowest they have been for many years. Such progress is welcome and has led some economists to talk about full employment being a real possibility. However, the labour market is changing, for example through zero hours contracts, whereby employees work only when they are needed. Currently 2.3% of people in employment are estimated to be on a zero hours contract in the UK<sup>19</sup>, with some business leaders suggesting they have protected the UK from higher unemployment levels. Additionally, underemployment is recognized as an issue, with 5.9% of employees in the UK thought to be working fewer hours than they would like, greater than the EU average of 4.5%<sup>20</sup>.

Although unemployment statistics appear to show the majority of people benefiting, they do not tell the whole story. This spotlight looks into what has been termed ‘hidden’ unemployment and explores whether unemployment is underestimated by official figures (the Claimant Count and the headline estimate of ILO unemployment discussed earlier in this bulletin). Sheffield Hallam University has been investigating the concept of hidden unemployment for many years, and the most recent data suggests that the ‘real’ level of unemployment locally is more than twice that of claimant unemployment<sup>21</sup>. The Sheffield report, the ‘Real Level of Unemployment’, draws on the two official measures of unemployment but also factors in a proportion of individuals claiming incapacity benefit (IB).

The report uses data from April 2012, prior to the replacement of IB with Employment Support Allowance (ESA), and argues that there are likely to be IB claimants who could potentially secure employment, but with the IB benefit payment rate being higher than JSA, individuals on IB can feel trapped, concerned that if they were to secure a job but then find their health prevents them from sustaining this, they may no longer be eligible for IB. The Sheffield Hallam analysis asserts that in a competitive labour market, where discrimination remains a factor, people can also be put off looking for work because they don’t feel there is any suitable work available or employers may not want to take them on.

The analysis estimates that in April 2012, the ‘real’ level of unemployment in the county was 8.2%, slightly lower than the 8.8% nationally. This comprises 3.5% points from the claimant count, and 2.4% points respectively from ILO unemployment and IB claimants. ‘Real’ unemployment levels within the county were highest in Bolsover and Chesterfield (both 11.1%), reflecting that areas with the highest levels of real

Unemployment, tend to be in former industrial areas.

The introduction of ESA has seen a tightening of the application process for claimants, and although there is no data on the extent to which those claiming ESA could potentially access the labour market, more recent analysis further supports ‘real’ unemployment being underestimated. In November 2014, there were 6,810 (26.9%) ESA claimants in Derbyshire falling into the Work Related Activity Group (WRAG)<sup>22</sup>, where work is seen as feasible in the short/medium term. However, these individuals will not appear on the JSA claimant count and if they are not actively looking for work they will not feature on the ILO measure either. It is also possible that there has been some displacement of long-term unemployment claimants into ESA, where health problems bring individuals legitimate ESA entitlement. Certainly, in some areas, e.g. parts of Shirebrook, Chesterfield, Langley Mill and Clay Cross, there has been a marked decline in levels of long-term unemployment as the recovery has taken hold, and movement into ESA may be a factor in this.

Another area whereby individuals who are out of work may not appear in the main measures of unemployment is through sanctions imposed if a claimant is deemed not to have followed the rules. In 2014, more than 500 JSA or ESA claimants per month in the county had their benefit stopped or cut after receiving a sanction<sup>23</sup>. There are three levels of sanctions, with benefits usually being stopped for a month, but potentially up to three years. Although there may be hardship payments available to those sanctioned, poverty is an issue and as a result it is also thought that residents who receive a sanction have looked to the Derbyshire Discretionary Fund for support. Whilst there is no information on the degree to which sanctioned claimants will cease being claimant unemployed, Citizen’s Advice has identified that many clients can be forced to turn to food banks or payday loan companies as a result of sanctions, distracting them from looking for a job. DCC’s welfare rights team are in the process of exploring the impact of the sanctions process locally.

There has always been debate about the true level of unemployment, but Derbyshire County Council is focused on addressing the barriers individuals face, whether they are officially unemployed or not. The priorities to ‘tackle disadvantage and help hard to reach individuals/communities into economic activity’ in the proposal for a Combined Authority for Derby and Derbyshire, and to ‘ensure that disadvantaged communities/those living in poverty experience the benefits of economic growth’ identified in the Derbyshire Anti-Poverty Strategy 2014-2017 both aim to play a part.

<sup>1</sup>Data for Derbyshire in the review does not include Derby City unless otherwise stated.

<sup>2</sup>Gross Domestic Product (GDP) Preliminary Estimate, Quarter 2 2015, ONS © Crown Copyright. Published June 2015.

<sup>3</sup>Statistical Bulletin, Quarterly National Accounts, Quarter 1 2015, ONS © Crown Copyright. Published July 2015.

<sup>4</sup>Statistical Bulletin, Consumer Price Inflation (CPI), July 2015, ONS © Crown Copyright. Published August 2015.

<sup>5</sup>Bank of England, Monetary Policy Committee Decisions, August 2015. Published August 2015. Note, this indicator is known as 'the bank rate'.

<sup>6</sup>Bank of England Agents' Summary of Business Conditions, July 2015. Published July 2015.

<sup>7</sup>East Midlands Chamber of Commerce, Quarterly Economic Survey, Q2 2015. Published July 2015.

<sup>8</sup>Derbyshire Economic Partnership, 2014-2015. Published August 2015.

<sup>9</sup>The economic activity rate is the percentage of the working age population (age 16-64) who are employed or International Labour Organisation (ILO) unemployed.

<sup>10</sup>The employment rate is the percentage of the working age population (age 16-64) who are employed including the self employed.

<sup>11</sup>The ILO defines the unemployed as people who are without work, are available to start work within the next two weeks, and have actively sought work within the previous four weeks. This is used in the Annual Population Survey and is not compatible with the claimant count unemployment noted below.

<sup>12</sup>Claimant count unemployment is derived from administrative data generated by the system of benefits paid to people who are out of work. It is a different definition and measure of unemployment than the ILO unemployment noted above.

<sup>13</sup>Youth unemployment relates to people aged 16-24. The rates at ward level are unofficial and have been calculated using population figures from the 2013 Mid-Year Population Estimates.

<sup>14</sup>The Joseph Rowntree Foundation, Understanding Age and the Labour Market, published June 2015.

<sup>15</sup>Out of Work Benefits relates to the population claiming Job Seekers Allowance, Employment Support Allowance, Incapacity Benefit, lone parents and others on income related benefits.

<sup>16</sup>DWP Benefits, February 2015, ONS (Nomis) © Crown Copyright. Published August 2015.

<sup>17</sup>Housing benefit spare room subsidy is shown as a % of those households claiming housing benefit.

<sup>18</sup>House Price Index, Land Registry, June 2015, © Crown Copyright. Published July 2015.

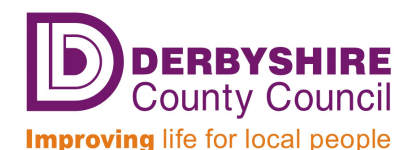
<sup>19</sup>The Real Level of Unemployment 2012, Sheffield Hallam University. Published September 2012.

<sup>20</sup>Contracts with no guaranteed hours, Zero Hours Contracts, 2014, ONS © Crown Copyright. Published February 2015.

<sup>21</sup>Underemployment and Potential Additional Labour Force Survey Statistics, Eurostat, 2014. Published July 2015.

<sup>22</sup>DWP Benefits, February 2015, ONS (Nomis) © Crown Copyright. Published August 2015.

<sup>23</sup>DWP Benefits, March 2015, ONS (Nomis) © Crown Copyright. Published August 2015.



Policy and Research Division  
Chief Executive's Office  
Derbyshire County Council  
County Hall  
Matlock  
Derbyshire  
DE4 3AG  
Email: [research@derbyshire.gov.uk](mailto:research@derbyshire.gov.uk)

Version	Author	Date	Contact
0.06 CONTROLLED	Policy and Research, Chief Executive's Office	24/09/2015	<a href="mailto:research@derbyshire.gov.uk">research@derbyshire.gov.uk</a>
Source	Geography		
Various, see End Notes	Derbyshire, East Midlands, England		