GREATER MANCHESTER INDEPENDENT PROSPERITY REVIEW

EVIDENCE UPDATE: THE LABOUR MARKET

A research report for the
Greater Manchester Prosperity Review: Evidence Update
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Greater Manchester Combined Authority Research Team produces high quality research and intelligence to form the evidence base underpinning policy and strategy for the city region.

The Greater Manchester Independent Prosperity Review was commissioned by a panel of distinguished experts, chaired by Professor Diane Coyle, to provide a detailed and rigorous assessment of the current state, and future potential, of Greater Manchester's economy. Commencing ten years on from the path-breaking Manchester Independent Economic Review, it provides a fresh understanding of what needs to be done to improve productivity and drive prosperity across the city region.

This latest update, the Greater Manchester Independent Prosperity Review: Evidence Update is a key part of the sustained work done by researchers at the Greater Manchester Combined Authority – with input and challenge from experts. The update explores seven inter-connected thematic areas: carbon neutrality, health inequalities, productivity and the business base, the labour market, skills utilisation and employer investment in skills, trade, and transport in light of the significant economic developments experienced since 2019 (Covid-19, UK's exit from the European Union and the energy and inflation shock).

This report, alongside the six other research reports on the thematic areas listed above, forms part of a suite of work from which the summary, the Evidence Update: Reflections Report is drawn. The evidence update will be used to inform the refresh of the Local Industrial Strategy.

Contents

Executive Summary

- This paper aims to analyse the effect of the Covid-19 pandemic on the labour market of Greater Manchester (GM); and to test whether the findings of the Prosperity Review (GMCA, 2019; 2020) remain appropriate in the economic landscape of 2022 and beyond.

- The impact of the Covid-19 pandemic on the labour market reveals mixed signals from different indicators. To some extent, the worst fears were avoided. For example, unemployment never rose close to the rates that were initially forecast. However, other data (for instance, on inactivity rates in some districts of GM, and the rise in Universal Credit claims more generally) suggest a weakening of the social fabric. These have worrying implications for how the city region will weather the effects of escalating living costs.

- Although unemployment and economic inactivity (referring to people neither working nor looking for work) both rose, while employment fell, at a GM city region level the effects of the pandemic were not as debilitating as those experienced after the last major recession of 2009, which turned out to be deep and long-lasting. Government intervention to support employment via such programmes as the furlough and self-employment schemes are likely to be important explanations.

- Nationally, attention has focussed on a rise in inactivity, as people have left the labour market in the pandemic. GM fits this pattern with a larger increase in inactivity (up by +4.9%) than unemployment (+0.6%) between the end of 2019 and the end of 2021. Among the main reasons for the rise in inactivity are health-related issues. This fits with other evidence about the economic impact of poor health in the conurbation identified previously by the Prosperity Review (GMCA, 2019).

- However, there were divergent patterns in the experiences of GM's districts. For example, economic activity in GM's largest district by population, Manchester, *increased* over the course of the pandemic: it experienced gains in both total employment and unemployment up to the end of 2021. Manchester had an unemployment rate of 8.8% at the end of 2021, which

placed it in the top 10 local authorities in the country for unemployment (among others, Birmingham had a higher unemployment rate at 9.4%).

- The move to inactivity has affected some parts of northern and eastern GM in serious ways: at the end of 2021 not far off a third of the population of Oldham (32.1%), Rochdale and Bolton were economically inactive.
- In the cases of Oldham and Rochdale, inactivity was driven by falls in employment. In both, this was due largely to men leaving employment. Oldham experienced a large drop in employment of 9% (15% among men).
- However, the reliability of some of these figures derived from the main UK labour market surveys is subject to a degree of uncertainty. There are wide error margins for national surveys at local authority level (especially apparent among districts with smaller populations). In addition, certain findings (for example, on joblessness) are undermined and contradicted by different datasets. Administrative data drawn from the benefits system suggests a much more severe labour market fallout from the pandemic than survey data.
- Some closely watched local indicators (for example, the claimant count, which measures people claiming unemployment benefits, such as Universal Credit and Job Seekers Allowance, and is more reliable for small local geographies) more than doubled in the early months of 2020 in response to the first lockdown. It has fallen since but remains at high levels.
- Various explanations for the divergence between the claimant count and official unemployment data have been put forward, but do not fully account for the discrepancy. The report argues that benefits data should not be ignored as a source of intelligence on the interaction between poverty and the labour market in sub-national geographies. These datasets tell a story of the rapid growth of poverty and dependence on the state for support through the pandemic – including among many who are in work (38% of UC claimants in GM are in work).
- Wages in GM are consistently below the national average – a point made in the Prosperity Review (GMCA, 2019). Full time workers in GM in 2021 earned £567 a week compared with £611 in the UK (a £44 weekly difference or

7.5%). Understanding the effect of the pandemic on the behaviour of wages is complicated by the impact of furlough, however. Furthermore, the shutting down of certain sectors which normally account for a sizable section of low paid work (such as hospitality and leisure) may have temporarily lifted average pay in late 2020. Such evidence as exists at this stage suggests that pay has been broadly flat throughout most of the pandemic with a gradual downward trend since late 2021 as the first signs of rising inflation began to take hold.

- One of the most striking demonstrations of labour market resilience through the pandemic was heightened employer recruitment activity. The numbers of job adverts have repeatedly set new records. The recruitment activity appears to be broad-based – with growth in high-paying jobs (over £50,000 a year), as well as a rise in 'mid-paying' work (the proportion of jobs paying between £20,000 and £30,000 rose from 32% to 37%).
- The main issues and priorities for the labour market identified by the Independent Prosperity Review and One Year On reports (GMCA, 2019; 2020) remain relevant as the pandemic recedes. The principal labour market problems of GM are: an interlinked combination of poor productivity, sub-optimal skills demand, low pay, poor job quality, lower population skills, as well as higher unemployment and inactivity. However, the caveat to this assessment concerns economic inactivity. There may be a need for further programmes that seek to improve labour market participation in certain parts of GM (especially districts in the north east and north of GM). Further research to understand the drivers associated with inactivity may be necessary.

1. Introduction and scope

1.1 This paper has two purposes: first, to explore what impact the Covid-19 pandemic has had on the labour market of Greater Manchester; and second to help decide whether the suite of policies and programmes GM has adopted to help support its labour market following the Prosperity Review of 2019 (the evidence base for its Local Industrial Strategy) is still appropriate to the economic context of 2022, with cost-of-living pressures and possible further recessions dominating the headlines (GMCA, 2019).

1.2 The Covid-19 pandemic certainly felt like an economic event quite unlike any other. The scale and speed of events in early 2020, as well as the momentous nature of the policies introduced in response – at its height the UK government was effectively paying the wages of 13 million people – seemed at the time to represent a once-in-a-lifetime jolt to normal working life. During 2020 GDP fell by 9.7% - the steepest drop since consistent records began in 1948. Given such a plunge in output some kind of epochal labour market fall-out would be a logical expectation. Every recession tends to be different. After the financial crisis of 2008 the most famous consequence was flat wages for a decade afterwards, while the 1980s left bitter memories of deindustrialisation and high unemployment, notably in the north of England. What can we tell of Covid-19 consequences so far?

1.3 No forecast should be expected to be wholly accurate, but it seems fair to say that labour market predictions made in the early stages of the pandemic have proved too gloomy. In one ‘downside scenario’ issued by the Office for Budget Responsibility, for example, it was suggested that unemployment might peak at 13 per cent in early 2021 (OBR, 2020). The significance of that figure – noted in commentary at the time - was that it would have meant the Covid-19 pandemic would be as bad for jobs as the 1980s recession when three million people were unemployed. Even the OBR’s ‘upside’ anticipated an unemployment rate of 10%. In the event unemployment in the UK came nowhere close. As time wore on and the impact of the policy response could be discerned, OBR forecasts evolved to be more in line with what transpired, although they were still perhaps somewhat prone to underestimate resilience.

The OBR has acknowledged it was “consistently more pessimistic than most other forecasters” (OBR, 2021, p4).

1.4 Central to any explanation of why the loss of jobs was more modest than forecast must be the scale of government intervention in the economy. The furlough, self-employment support schemes, and assorted business loans turned the government into an emergency social insurance provider[1]. In GM, 485,600 people drew on furlough support at some point in the pandemic – roughly 38% of the total labour force. A further 107,300 made claims to the scheme for the self-employed. Protecting employment assumed primary importance – not always the priority in a crisis. Economic forces were not left to do their worst.

1.5 Yet if a jobs meltdown was largely avoided that is completely different from saying little has changed. Assessing the labour market that has emerged from the Covid-19 pandemic is complicated by the drastically different stories that can be told depending on the data in question. For instance, the official unemployment rate was much less affected than claimant unemployment (the numbers claiming benefit when unemployed – see section 3). Similarly, datasets on employment levels do not necessarily agree with each other – the origin of political rows over whether total employment is higher or lower than before the pandemic[2].

1.6 There seem to have been phases of the pandemic. For example, in the early months, as sectors such as hospitality, accommodation and retail, were largely shut, it appeared that the employment of young people was being disproportionately affected and ‘lost generations’ were talked of. Then focus subsequently shifted to a rise of economic inactivity among the over 50s (ONS, 2022). Picking a path through competing narratives is one of the purposes of this report.

[1] The furlough scheme was introduced in March 2020 and ended on the 30th September 2021. It covered 80% of wages (70% from July 2021; 60% in August). In November 2021 11.7 million jobs were furloughed at a cost of £70 billion. See

[2] See, for example, the statistics watchdog’s correction of claims by then Prime Minister, Boris Johnson. BBC News. Boris Johnson makes incorrect claim on jobs - BBC News

1.7 The report is focussed on the needs and issues of GM. As such, compromises have had to be made regarding the timeliness of data. The principal source for much local labour market data, the Annual Population Survey (APS) – a local 'boost' to the Labour Force Survey (LFS) - is updated quarterly for local authorities with the most recent data at the time of writing reporting the twelve months to December 2021. This unsatisfactory lag is unavoidable if a sub-regional focus is to be maintained. However, on occasion, reference is made to national and regional trends to supply a more up-to-date view on the likely trends in GM.

1.8 The paper is structured as follows. In the next three sections we review some of the principal labour market indicators. There is a very wide variety of metrics that could potentially be included in this exercise, but we endeavour to focus on the most significant, namely unemployment, employment, and economic inactivity ('inactive' refers to those not participating in the labour market in that they are neither working nor seeking work; the unemployed are 'active'). In the section after that we examine pay trends against the background of rises in the cost-of-living, while section 6 contains data on vacancies. A conclusion offers some final remarks on the labour market that lies ahead.

2. The labour market in longer term perspective

2.1 We begin this analysis by demonstrating that in long-term perspective the Covid-19 pandemic did not hit the labour market with the force of previous recessions. Saying such things is not to minimise or discount individual experiences which in some cases will have been personally devastating; nor is it to ignore the vast differences between sectors and occupations from Covid-19's fall-out. Nevertheless, in macroeconomic terms, Covid-19 was a more modest economic affair than feared. Doubtless this was because a package of policies including the job retention and self-employment income protection schemes helped to buffer the labour market from the potentially calamitous fall in output.

2.2 There will be some debate about when the pandemic can be seen to have 'begun' and when it may be said to have receded, but in the broadest terms the labour market has not fared as badly as it did in the aftermath of previous labour market setbacks. Naturally, however, it remains impossible to say if the cost-of-living crisis will cause labour market damage that the pandemic only presaged. A natural point of contrast is with the financial crisis and subsequent recession of more than a decade ago.

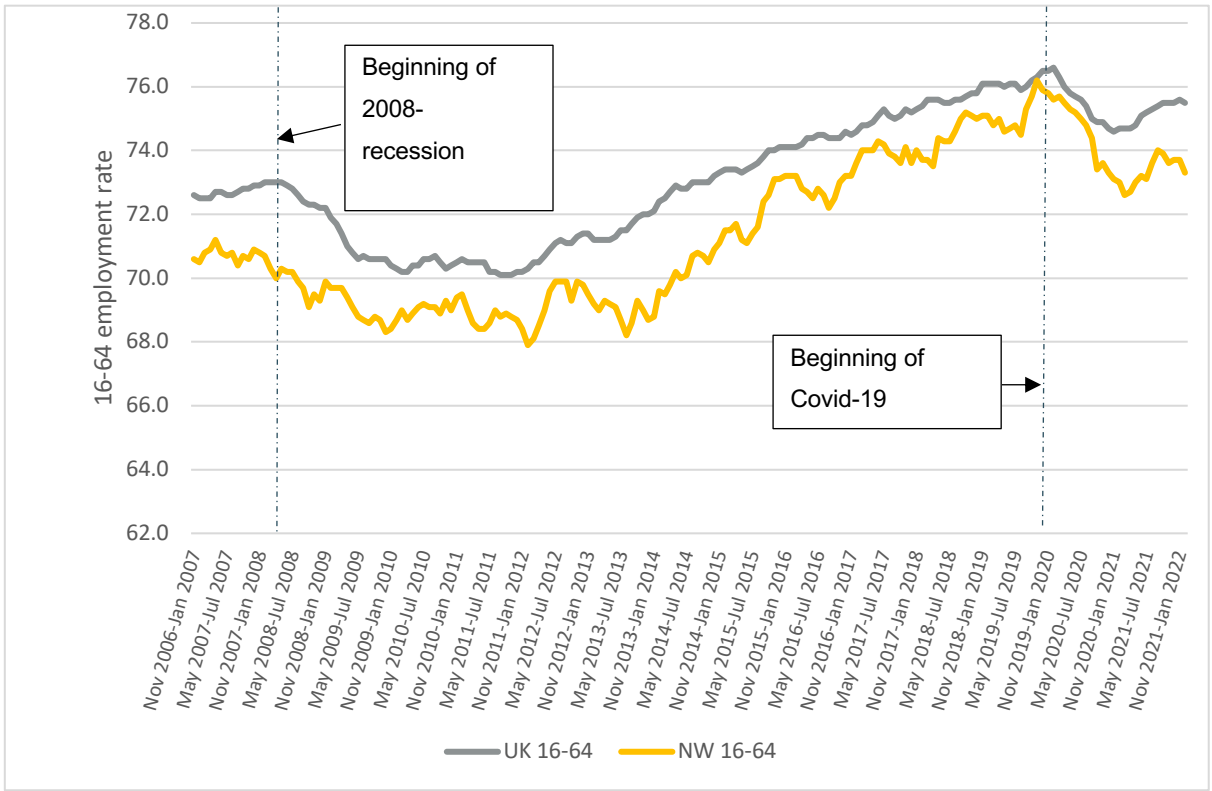
2.3 Various different indicators could be examined to help make the same point, but consider working age employment rates, as shown in the chart below[3]. Total employment declined in the wake of Covid-19 and its associated lockdowns. The impact was sharper in the North West than in the UK. Between the three months to March 2020 – roughly the start of the pandemic - and the three months to April 2021, the North West shed over 150,000 jobs, a fall of 4.4% compared with a drop of 2.3% in the UK. Yet employment rates

[3] Regions are used in this section, while the rest of the report refers to city regions and local authorities. The LFS at regional level enables more up to date analysis than the APS at sub regional level, hence the different time periods in later sections.

never fell anywhere close to levels seen in the aftermath of the 'Great Recession'. In the North West the lowest point for employment in the last decade was in the three months to February 2012 when the employment rate in the North West dipped below 68% (70% in the UK). The Covid-19 pandemic low point in the North West for total employment was 72.7% in the three months to April 2021. The rate has improved since but the trend has been erratic.

2.4 A further point to note from the chart is that the gap between the North West and the UK appears to have widened. Once again, it is not as wide as after the Great Recession (it hit 3.3ppts in 2013), but the difference in performance is clear. This trend is the opposite of what would be the logical desire under levelling-up.

Figure 1: Employment rate, UK and NW, 16-64 year olds, 2006-2022

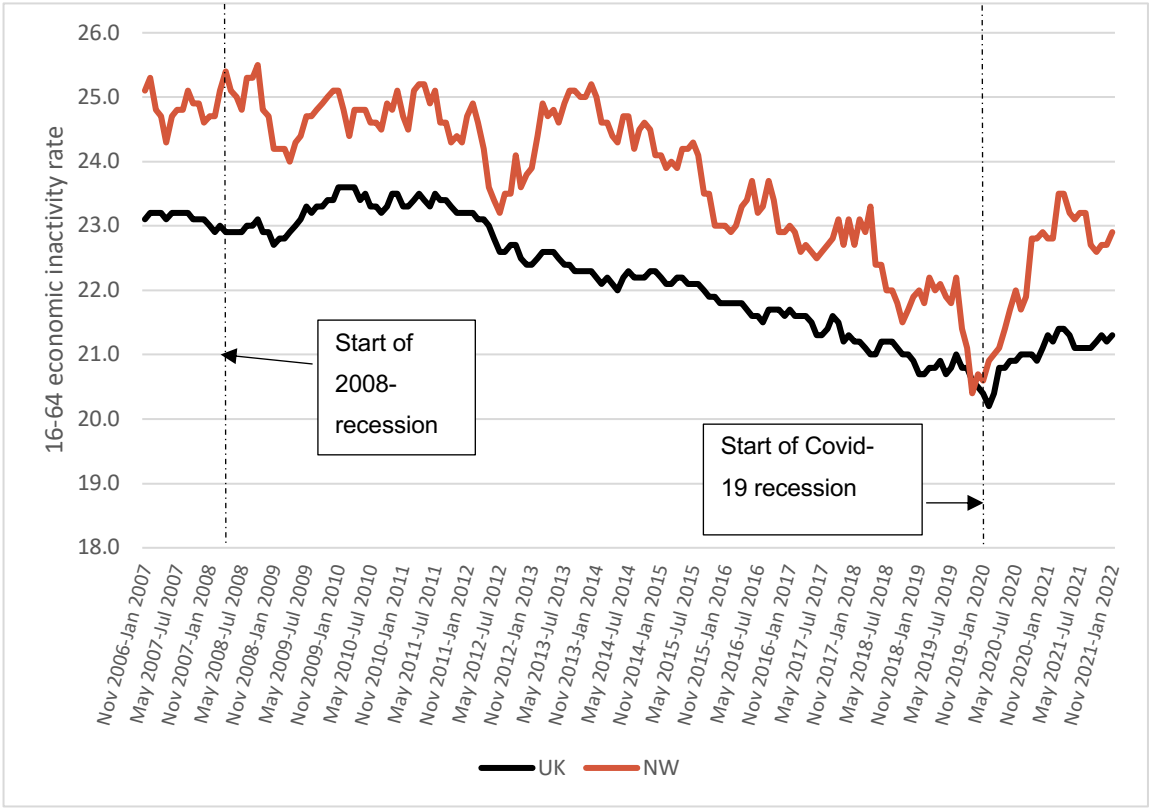


Source: Labour Force Survey

2.5 Employment is the main way in which people are 'economically active' with the other being unemployment. Those who are neither working nor looking for work are known as the 'economically inactive' – a very mixed group, as we explore further later in this report. The point to note here is that although there

was a pronounced Covid-19 effect on working age inactivity rates in the North West (much more apparent than in the UK as a whole), once again inactivity rates remained below those seen in the aftermath of the financial crisis-induced recession of 2008 onwards. Up to 2013 there were several occasions when about a quarter of the working age population in the North West were inactive. During the pandemic and since, heightened working age inactivity in the North West was and is clearly an important issue, but has been less acute than it was a decade ago.

Figure 2: Economic inactivity, UK and NW, 16-64 year olds, 2006-2022



Source: Labour Force Survey

2.6 Such longer-term national and regional labour market analysis helps to set the scene prior to turning to the situation in GM.

3. Unemployment and employment

Unemployment: what does it mean?

3.1 The most closely watched labour market indicator in any economic crisis is almost certainly unemployment. It is well-established that unemployment has a range of serious psycho-social impacts on people and communities, ranging from health declines (physical and mental) to poverty, deprivation and crime[4]. At the time of writing a further rise in unemployment is expected in response to cost-of-living pressures.

3.2 Yet unemployment is not always understood in the same way. The common-sense view of unemployment - not having a job – does not always fit well with technical classifications. The definition endorsed by the International Labour Organisation for international comparisons, referring to economically active people not working in the past four weeks and available to start work in the next two weeks, delivers an unemployment rate in the UK that is low by international standards. Rates below 4% are widely regarded as consistent with 'full employment'. Such a performance has often been taken as substantiating claims about the merits of the UK's flexible labour market.

3.3 However, if a slightly different definition was chosen – for instance, by including people who are classified as 'economically inactive' but who would like to have a job - a higher unemployment rate would result[5]. It's also worth remembering that any national survey that produces estimates at local geographical levels will contain error margins, and these will be wider in districts with smaller populations.

3.4 Meanwhile, a further understanding of unemployment might be to count the numbers who are claiming benefits because they do not have a job (the

[4] Research ever since the 1930s has tended to reinforce this view. See, for example, Jahoda et al, 1972.
[5] A debate among specialists on this idea can be read here

claimant count). Arguably, the claimant count may not be a measure of labour market performance so much as a measure of access to welfare. Nevertheless, because data is produced monthly, at a local authority level, and from a count of administrative data rather than a survey, the claimant count has assumed a position of great prominence in local economic development discussions - even though it no longer carries the stamp of being a national statistic.

3.5 Finally, it has been noted that the explosion of people on health-related benefits in the late 1980s, 1990s and beyond, especially in the de-industrialising north and midlands, looks suspiciously as if it might indicate something other than simply worsening health (at this time health levels in general were improving). If some of the people classified as having 'health barriers' and placed on inactive benefits were instead seen as being merely unemployed, then the official unemployment rate would be notably higher than it has been for the last decade or two. According to Beatty et al's reworking of the official data, the 'real unemployment rate' in most GM districts was above 8% in 2021. In a series of reports they have argued that areas that have suffered rapid structural adjustments since the 1980s as manufacturing and heavy industry declined are the same areas that continue to have higher 'real' unemployment problems - albeit often masked by the fashion for health-related explanations and mis-classifications (Beatty et al, 2022; see also Beatty et al, 2000, Beatty et al, 1997).

3.6 The deeper point that underlies some of these debates is that the traditional distinction between employment and unemployment is eroding. Today there is a range of short-hours, ultra-flexible, precarious employment situations – 'grey-area jobs', as it were - that arguably straddle both statuses and reinforce the sense that the labour market is no longer 'splitable' into a binary classification (Giupponi and Machin, 2022). Recognition that the flexible labour market creates problems for the accurate measurement of unemployment and underemployment is not new (Bartholomew, 1995). This phenomenon also ties together debates about job quality that have assumed increasing prominence in local economic development in recent years with much older debates about job quantity. It is also practically very significant as well. As we discuss below,

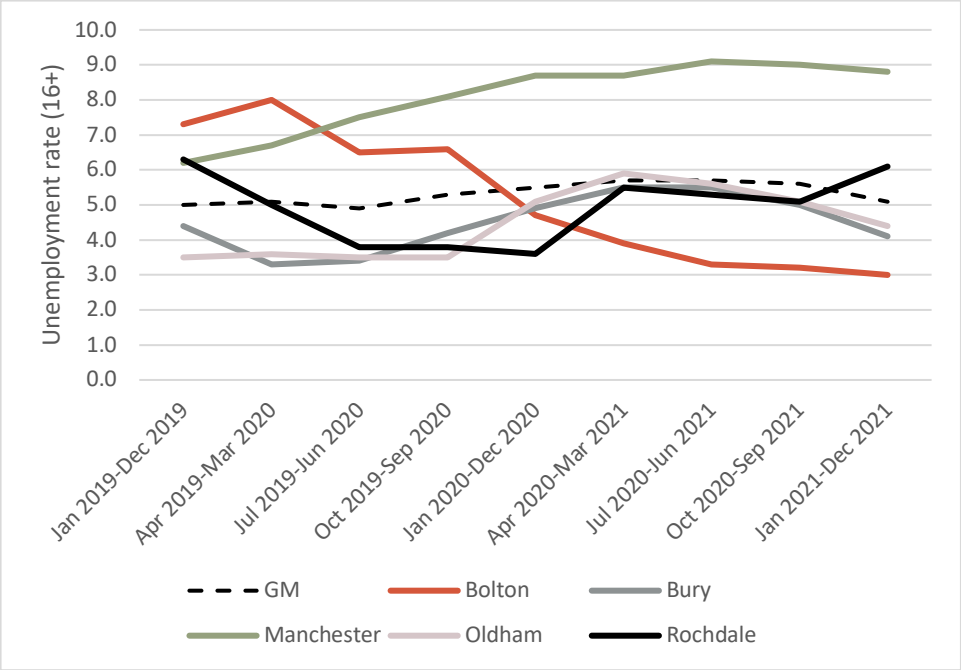
the claimant count today captures some people who are working but required to ‘search for work’ (ie. increase their hours) under benefit conditionality requirements – thereby making the data rather confused.

Unemployment: GM and districts

3.7 In this paper we rely on two unemployment measures despite their shortcomings. This section discusses the ‘official’ ILO measure of unemployment, the measure preferred by the Office for National Statistics (ONS), before moving on to look at the claimant count and Universal Credit (UC) trends.

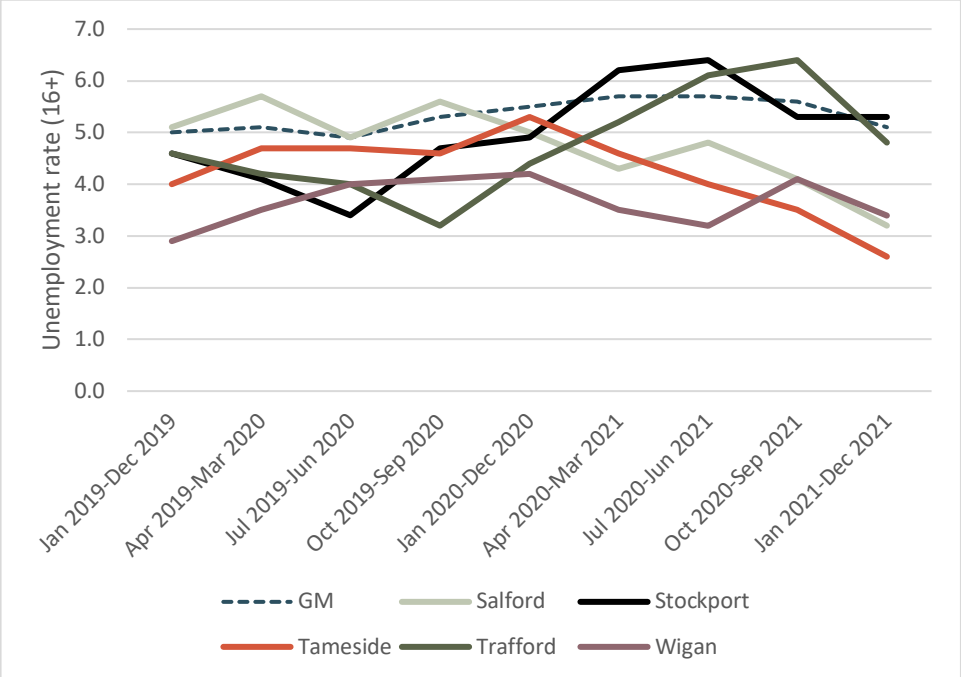
3.8 The highest point for Covid-19 unemployment in GM on the ILO measure was September 2021 at 5.6%. After the financial crisis it was close to 10% in 2012. As ever, however, the picture for GM masks a good deal of variation among the constituent districts. The two following charts show the district patterns. This data is less reliable at local authority level than it is at city regional level due to smaller sample sizes. Still, the point that emerges is how different district labour market patterns have been. The stand-out example is Manchester’s unemployment rate which rose to the highest level in the conurbation during the Covid-19 pandemic (9.1% in the summer of 2021). By contrast, some districts have seen unemployment *decrease* over the period of the pandemic. Bolton’s performance in this regard is especially striking: its unemployment rate fell from 8% to 3% over the period examined (confidence intervals for Bolton are notably wider than for Manchester given population differences); but other districts that have also emerged from Covid-19 with a lower unemployment rate include Tameside and Salford.

Figure 3: Unemployment rate (16+) GM and selected districts, Jan-Dec 2019 – Jan-Dec 2021



Source: Annual Population Survey

Figure 4: Unemployment rate (16+) GM and selected districts, Jan-Dec 2019 – Jan-Dec 2021



Source: Annual Population Survey

Claimant count unemployment

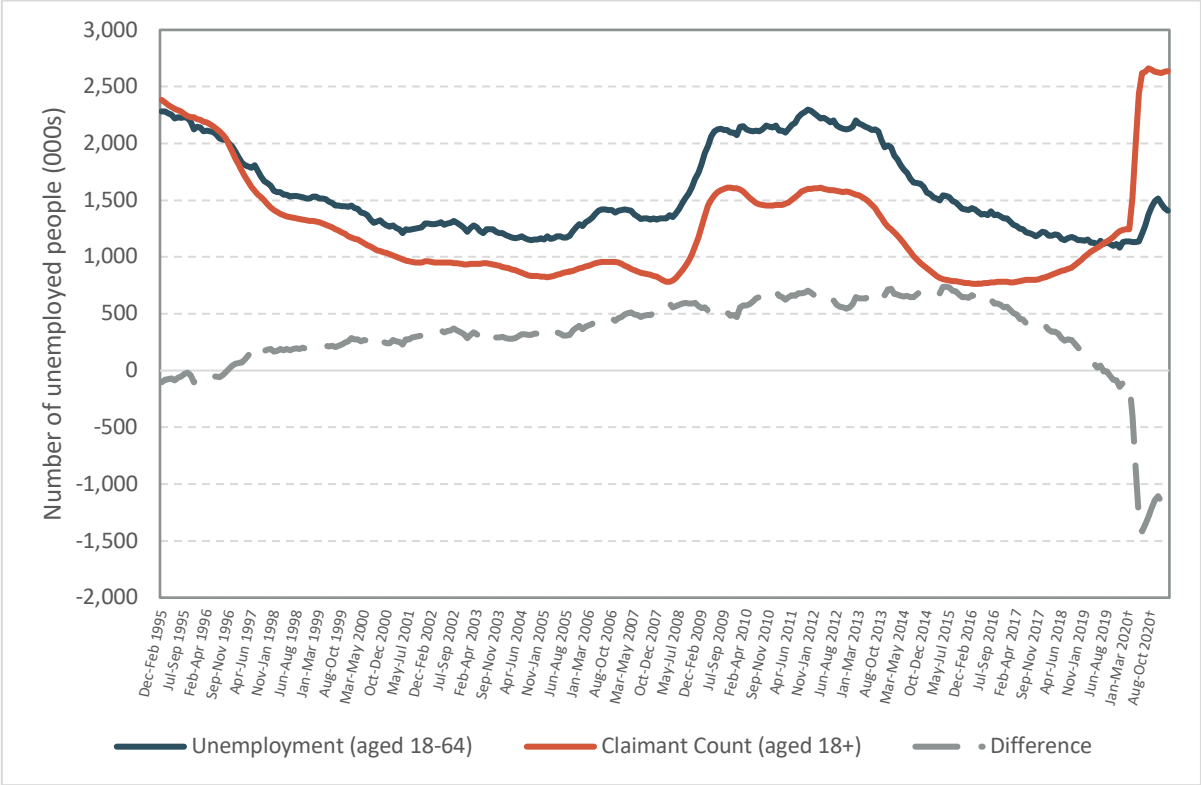
3.9 Although this 'official' unemployment rate data points to a varied, but generally fairly modest, overall impact on joblessness at a GM level that has followed the pandemic, it is important to note the very different story that has been told by the claimant count.

3.10 The claimant count is normally seen as the second-best measure of unemployment (the ONS prefers the ILO-derived measure applied to the Labour Force Survey/Annual Population Survey). Unlike the data explored so far, which involves the usual paraphernalia of surveys (samples, weightings, confidence intervals and so on), the claimant count is a straightforward tally on a particular day in the month of the number of people claiming either Jobseekers Allowance or the unemployment elements of Universal Credit[6]. The introduction of UC, which unites several different types of benefit claim into one payment, has complicated the task of separating those who claim solely for the reason of not having a job from small volumes who work very low hours. However, it is much more up-to-date than LFS/APS data.

3.11 Back in the 1980s and 1990s the difference between the claimant count and ILO unemployment was almost zero. Since repeated changes to the benefits system they started to diverge in the 1990s and at some points major gaps have open up. Then Covid-19 struck. Covid-19 seems to have pushed the two far apart. This movement can be seen in national level data in the following chart. The difference line measures the claimant count subtracted from the total ILO unemployed. In September-November 2020 the difference between the two measures was not far off 1.5 million people (1.49m) – a massive difference in terms of the scale of UK unemployment. As can be seen, the claimant count points to a very dramatic Covid-19 impact on jobs, whereas the official unemployment rate suggests the effect was more muted.

[6] The definition of the claimant count is "claimants of Jobseekers Allowance (JSA) and some Universal Credit (UC) Claimants. The UC claimants that are included are 1) those that were recorded as not in employment (May 2013-April 2015), and 2) those claimants of UC who are required to search for work, ie. within the Searching for Work conditionality regime as defined by the Department for Work & Pensions (from April 2015 onwards)."

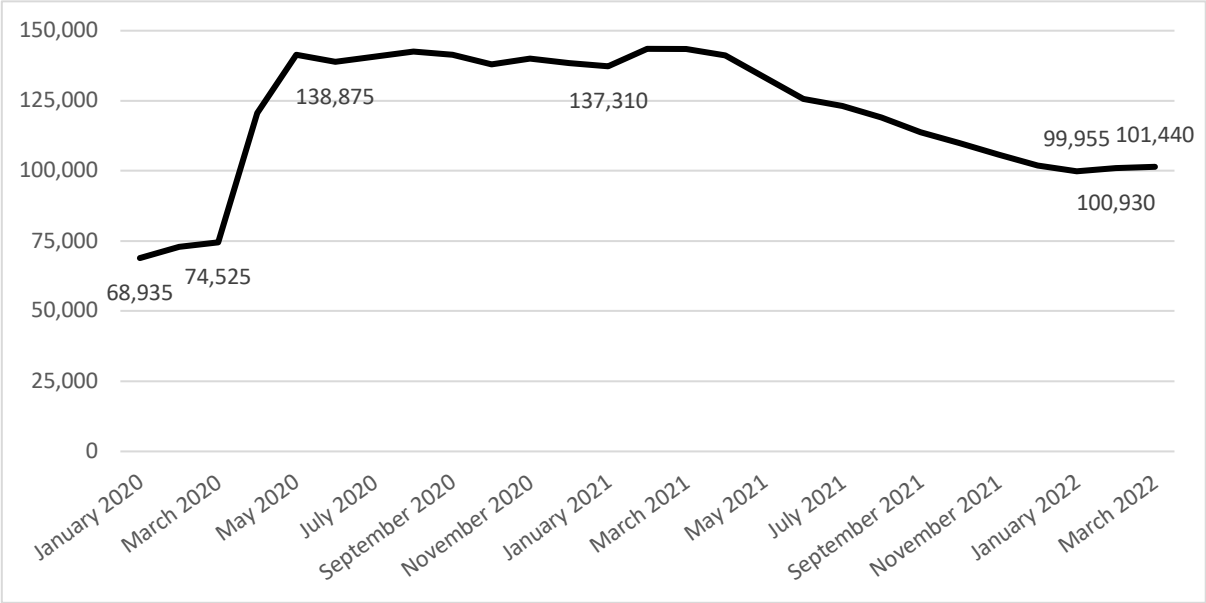
Figure 5: Comparison of the unemployment rate with the claimant count, UK, 1992-2021



Source: ONS (Table X05)

3.12 Claimant unemployment grew at an unprecedented rate in the early months of the pandemic in GM. In fact, claimant volumes more or less doubled. Although claimant unemployment has fallen since 2021 it has remained at elevated levels.

Figure 6: Claimant count in GM, January 2020-March 2022



Source: Claimant count/ONS

3.13 The claimant count has risen in all districts of GM. But the scale of the increase varied by district – and these differences remain. At the time of writing Wigan was the district that has seen the least claimant unemployment impact (a 14% increase between March 2020 and March 2022). At the opposite end of the spectrum, Manchester's increase in claimant unemployment was close to a 50% increase (47%). Several other districts have also undergone large increases in claimant volumes (for example, Oldham, Rochdale and Salford). For districts such as Manchester the story of rising unemployment can be seen to be consistent between the LFS/APS data and claimant count. But in general the two datasets are not easy to reconcile. It's also important to remember that a percentage increase may mask what are relatively low rates of benefit claiming (GMCA, 2020).

Table 1: Claimant volumes, March 2020 and March 2022

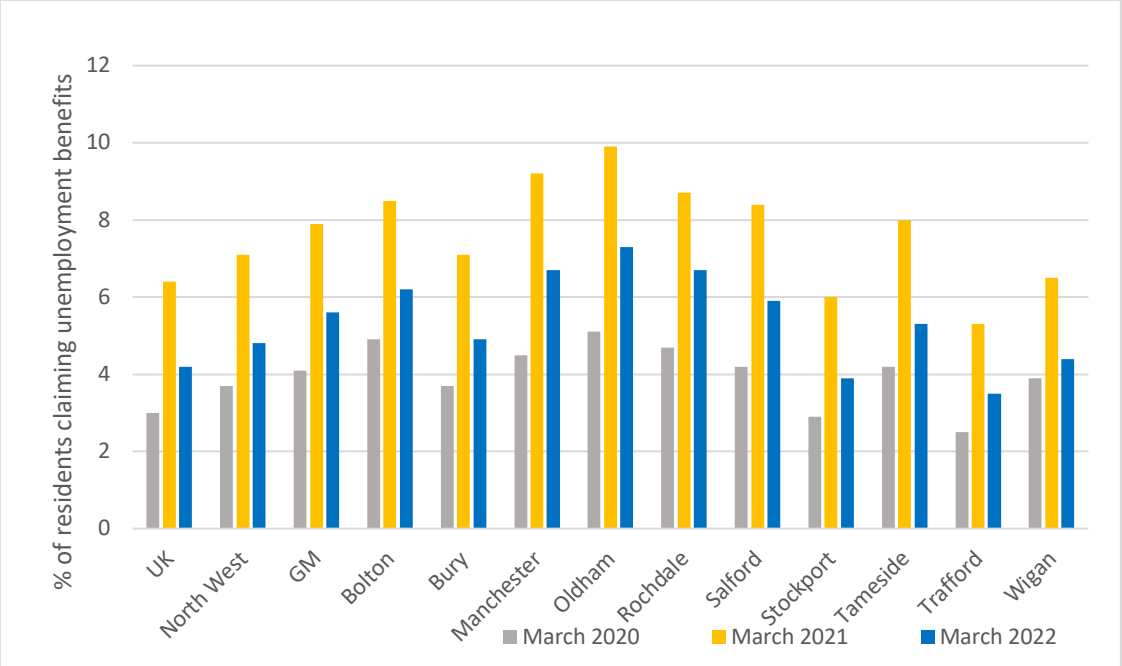
	Mar-20	Mar-22	% change
UK	1,268,620	1,753,090	38%
North West	169,865	219,925	29%
GM	74,525	101,440	36%
Bolton	8,570	10,950	28%
Bury	4,340	5,715	32%
Manchester	17,740	26,070	47%

Oldham	7,470	10,680	43%
Rochdale	6,465	9,250	43%
Salford	7,225	10,255	42%
Stockport	5,225	6,940	33%
Tameside	5,895	7,435	26%
Trafford	3,615	5,020	39%
Wigan	7,980	9,125	14%

Source: ONS/Claimant count

3.14 For this reason it is advisable to compare claimant rates as well as the increase in claimant numbers. The chart below supplies this information. It confirms that GM's claimant rate has consistently been above the national average – it was just under 8% in March 2021; this is despite GM experiencing a *lower increase* in claimant volumes (36% compared with 38% nationally).

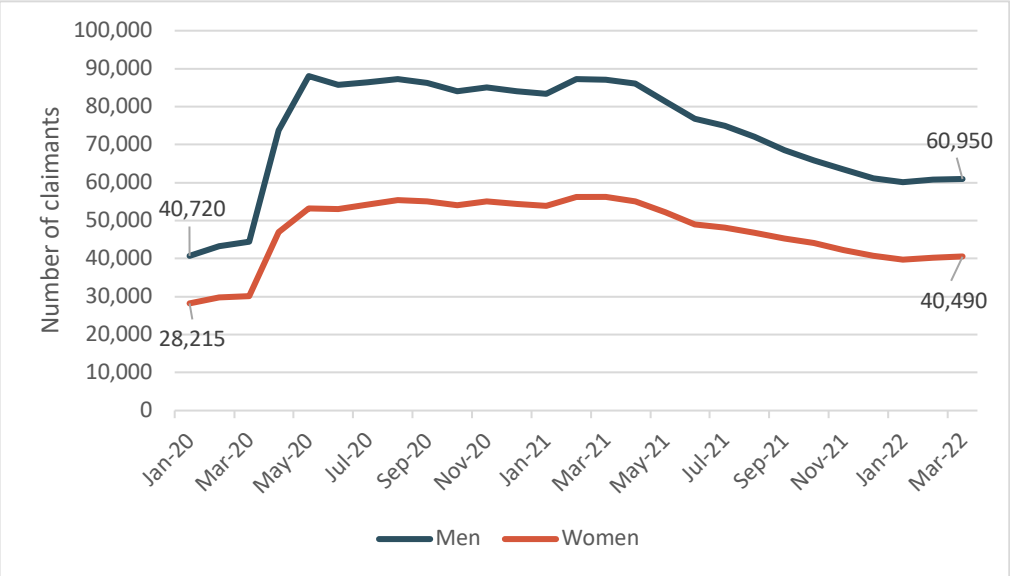
Figure 7: Claimant count rate, March 2020, 2021, 2022



Source: ONS/Claimant count

3.15 Patterns for men and women appear similar. In the early rush of claims, it seems that men accounted for a disproportionate share. Yet as time wore on benefit dependency evolved into 'normal' gender patterns. By March 2022 claims from men were 50% higher than in January 2020; claims from women were 44% up. By the end of the charted period men accounted for 60% of claims overall – almost exactly the same as in January 2020.

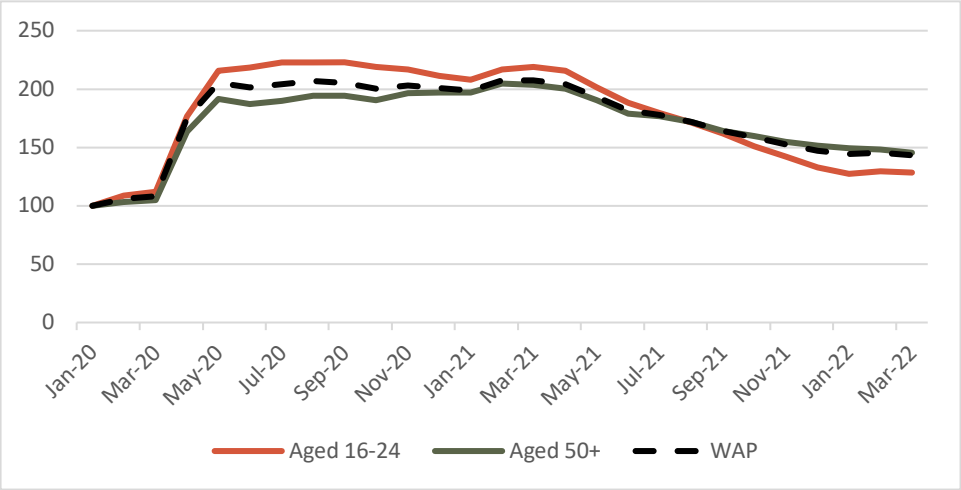
Figure 8: Claimant count by gender, GM, Jan 2020-March 2022



Source: Claimant count/ONS

3.16 The consensus in the early part of the pandemic, as sectors such as retail and hospitality closed during the first lockdown, was that younger people were absorbing a disproportionate impact of the Covid-19 labour market shock. This was reflected in claimant unemployment data as young people submitted large numbers of claims during the early months. However, that judgement seemed more doubtful over subsequent months. As the chart below shows during 2021 claims from younger people fell faster than from other age cohorts, including those aged over 50. The chart supports the notion of 'phases' of the pandemic with different groups impacted at different stages.

Figure 9: Claimant count by age, indexed, Jan 2020-March 2022



Source: Authors calculations from Claimant count, ONS

Notes: WAP refers to Working Age Population

Sources and differences on unemployment

3.17 So which 'version' of Covid-19 unemployment is most reliable? And how should we explain the discrepancies? To the first question the received wisdom is that the LFS/APS data is probably the best available. This dataset offers the internationally standard definition of unemployment; and doubts about the claimant count and what it is actually counting imply the LFS/APS needs to be taken as the primary measure, despite its imperfections. However, as noted, there is a significant time-lag in LFS/APS data, confidence intervals mean local area data need to be treated with scepticism, and there may be something of a tendency for the LFS/APS to underestimate unemployment because certain groups who would like to work but are counted as inactive are misclassified (as discussed previously).

3.18 Turning to the second question, the claimant count appears to have been inflated by groups who may not be conventionally unemployed. For example, those who did not classify themselves as being unemployed may have been claiming unemployment related benefits if they were temporarily away from work due to the pandemic or if their income fell below certain thresholds (during the pandemic this group grew due to a reduction in working

hours and the job retention scheme) (House of Commons Library, 2021). According to an analysis by the Resolution Foundation, the pandemic coincided with the roll-out of UC in many areas and this led to an increase in new claims as people changed circumstances. Furthermore, the Foundation cited evidence that some people on furlough or the scheme for the self-employed also made claims for unemployment benefits, while the pandemic meant the usual contact between claimants and work coaches was paused. It argued that up to 27% of the claims nationally between March and May of 2020 may have been driven by such people who, in effect, were temporarily in the wrong part of the benefits system, and that the numbers should be "corrected downwards" by the autumn of 2020 (Resolution Foundation, 2020, p5).

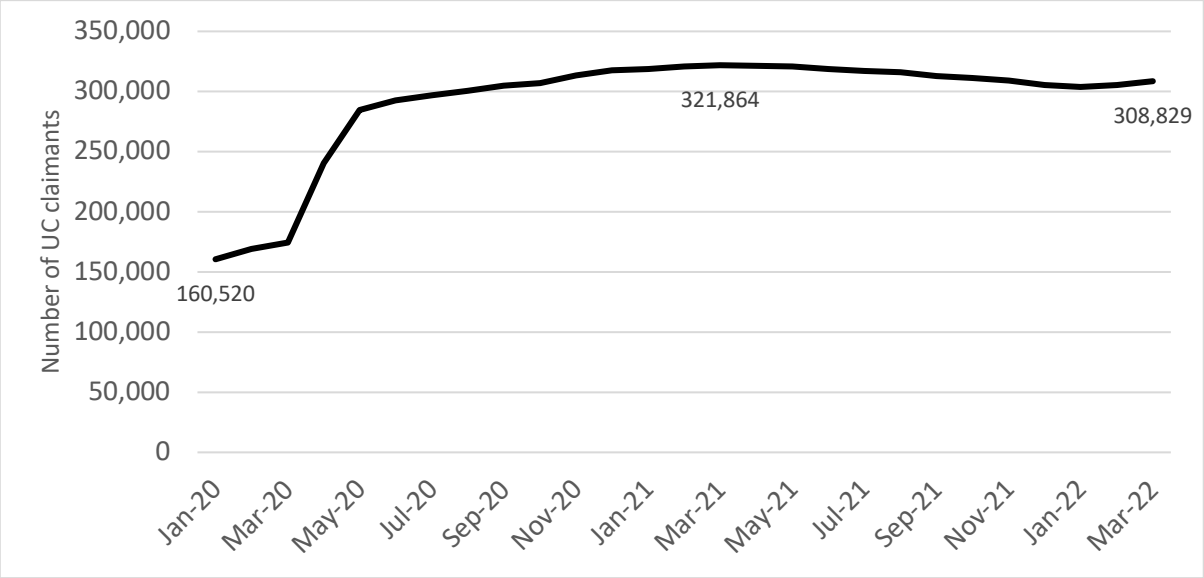
3.19 As shown in figure 6 above, there is no evidence that this was the case in GM, which had moved fully to UC earlier than most other places. Actually, the claimant count remained high throughout 2020 and peaked in the Spring of 2021. This 'working out' of misplaced claimants that explained the inflated claimant count in the early stages of the pandemic does not appear to have happened in GM with numbers only starting to come down from Spring-summer 2021 when the economy was improving. There is therefore still a need to explain why the two unemployment measures remain so far apart from each other. Until a more solid explanation is advanced it makes sense not to simply discount benefits data as a source of valuable information on the labour market.

Universal Credit and in-work poverty

3.20 Continuing this theme of the interaction of the labour market with the benefits system it may also be worth noting that UC claims overall (ie. not just unemployment related elements but the combination of all the different aspects of UC) have remained at high levels throughout the pandemic and ever since. The chart below shows total UC claims in GM. The main point is that state transfers have been needed beyond the pandemic and lockdown periods and that these claims are a marker of social distress quite apart from the effect on the labour market. As with the claimant count, a very slight uptick in UC claims is also evident in the Spring of 2022 – that is, supposedly in the 'opened up'

recovery phase. This reinforces the argument that damage to the social fabric will not simply evaporate.

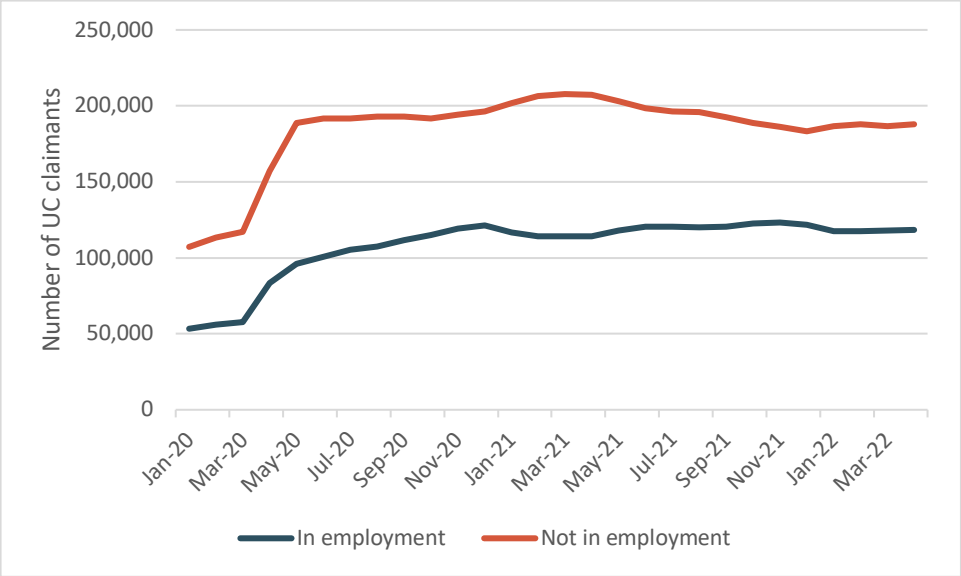
Figure 10: Total Universal credit claims, GM, January 2020-March 2022



Source: DWP Stat-Xplore

3.21 A substantial minority of UC claimants are in work. The rise of in-work poverty is a trend that predates the pandemic. However, it is striking that in-work claimants of UC rose very rapidly over the course of the pandemic. Between January 2020 and March 2022 in-work UC claimants rose by 122%. The out-of-work rose by 74%. (The combined total rose by 90%). The chart below splits UC claimants into in-work and out-of-work. As a share of UC claimants the in-work accounted for 38% of claims in March 2022 compared with 33% at the start of the pandemic. This accounts for 118,200 people out of the 306,000 on UC.

Figure 11: Claimants of UC by employment status, GM, Jan 2022-March 2022



Source: DWP/Stat-Xplore

Employment

3.22 For information on employment patterns it is necessary to revert back to the source and time-periods used to discuss ILO unemployment, namely the LFS/APS.

3.23 Common sense might anticipate that the places that experienced the largest increases in unemployment would also be those that lost the most jobs. The labour market does not work like that. Some places in which rises in unemployment occurred *also* saw simultaneous increases in employment. While this might outrage the natural expectation, the explanation is due to changes in overall economic activity and inactivity; falls in inactivity rates may thus mean both unemployment and employment go up because more people are participating in the labour market in different ways.

3.24 In the table below we consider the changes in employment that have occurred in various geographies. The district of GM that has experienced the sharpest drop in total employment was Oldham (a fall of 9% or 9000 jobs). Neighbouring Rochdale was not far behind with a drop of 7% in employment and Salford also witnessed a substantial drop of 4%. This data strongly

endorses findings elsewhere that the labour market impacts of the pandemic affected some of the poorest places the most (for example, Bambra and Munford, 2020).

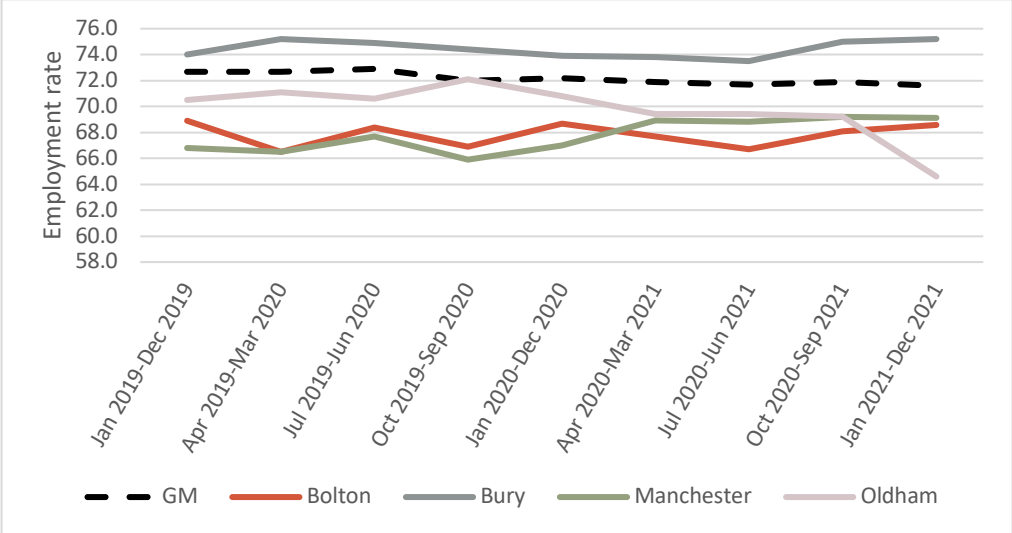
3.25 Yet Manchester has actually and surprisingly grown its labour force by more than 10,400 jobs. Bury was the only other district which has increased its employment rate over the period of the pandemic.

Table 2: Comparison of employment rates, 16-64 year olds, Jan-Dec 2019 – Jan-Dec 2021

	% residents employed (Jan-Dec 2019)	% residents employed Jan 2021-Dec 2021)	Change in jobs (n)	Change in jobs (%)
GM	72.7	71.6	-19,500	-2%
Bolton	68.9	68.6	-1,800	-1%
Bury	74.0	75.2	1,900	2%
Manchester	66.8	69.1	10,400	4%
Oldham	70.5	64.6	-9,000	-9%
Rochdale	70.2	65.8	-6,200	-7%
Salford	76.6	72.6	-5,900	-5%
Stockport	76.7	74.2	-3,100	-2%
Tameside	75.0	74.6	-500	0%
Trafford	78.6	76.3	-3,400	-3%
Wigan	77.2	77.1	-1,800	-1%
UK	75.6	74.7	-426,500	-1%

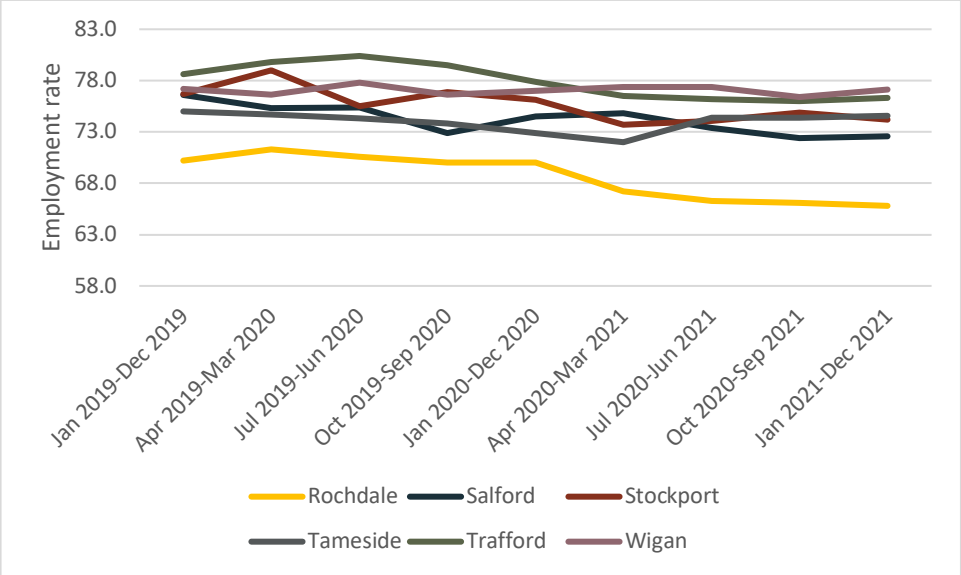
Source: Annual Population Survey

Figure 12: Employment rates, 16-64 year olds, selected GM districts, Jan-Dec 2019 – Jan-Dec 2021



Source: Annual Population Survey

Figure 13: Employment rates, 16-64 year olds, selected GM districts, Jan-Dec 2019 – Jan-Dec 2021



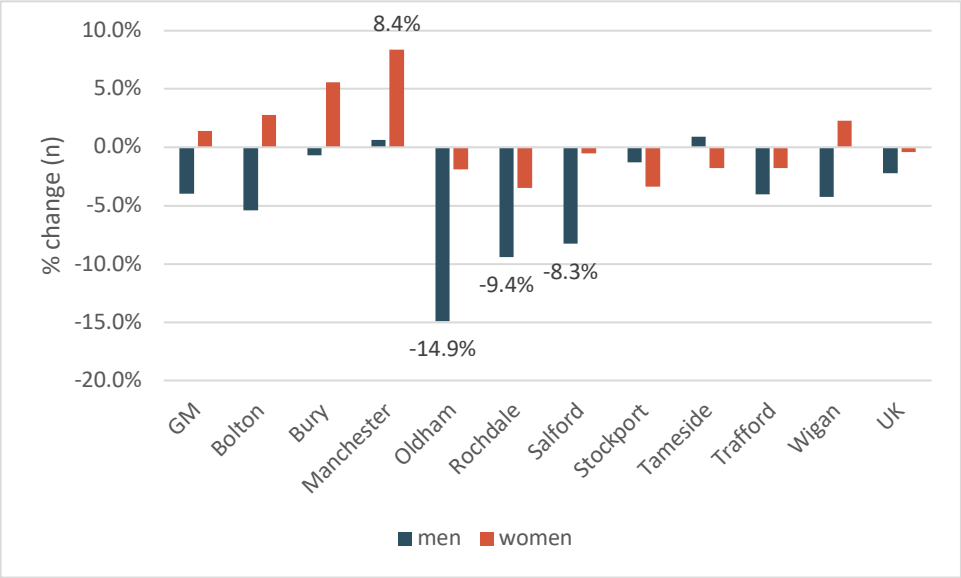
Source: Annual Population Survey

3.26 It is the employment of men that has been most significantly affected by the pandemic. Male employment in GM fell by 4% between the end of 2019 and the end of 2021 (compared with a 2% fall for all workers). For women in GM, the Covid-19 era saw a rise in employment (of 1.4%). The large falls in the jobs of Oldham, Rochdale and Salford were emphatically driven by male employment. Oldham experienced a very large 14.9% drop in male employment over the course of the pandemic. For Rochdale the fall among men was 9.4% and for Salford 8.3%.

3.27 For women the picture was more mixed. Changes in four districts led to the rise in female employment overall (Bolton, Bury, Manchester, Wigan). Of these the gain in employment for women was by far the largest in Manchester (an 8.4% increase).

3.28 The following charts help to visualise some of these patterns. Figure 14 demonstrates different pandemic experiences – both in terms of gender and place. It shows serious falls in jobs for men in Oldham, Rochdale and Salford.

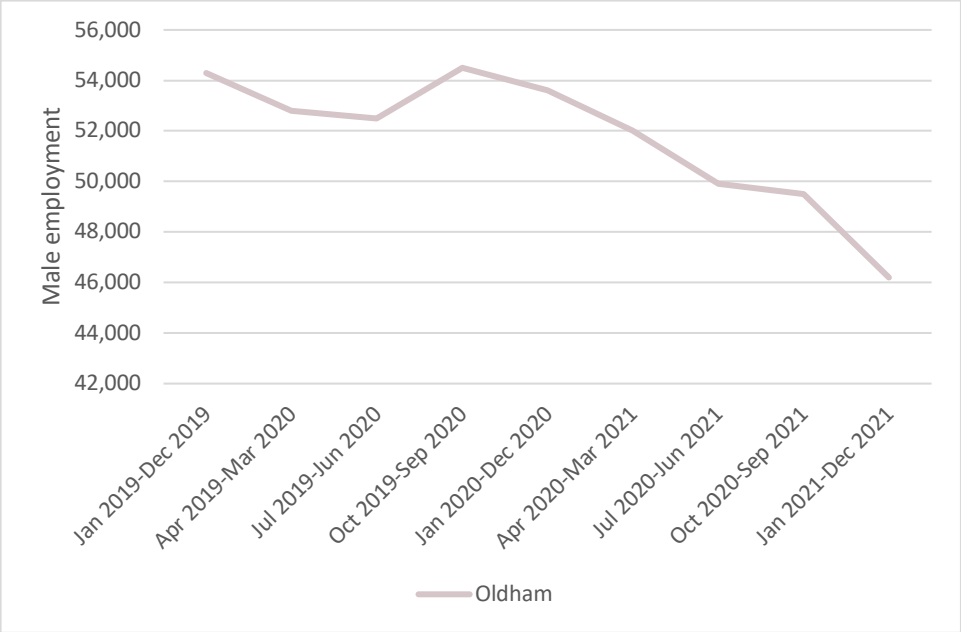
Figure 14: Change in employment, Jan-Dec 2019 – Jan-Dec 2021



Source: Annual Population Survey

3.29 In many districts the data is erratic with large fluctuations between data points (not to mention wide confidence intervals). However, the data for some districts appears to paint a striking picture of decline - with Oldham being a case in point. The chart below plots Oldham's male employment volumes over time. Over the charted period the district lost 8,100 jobs. This represents a hollowing out of the jobs market in a short period of time. It demonstrates the profound importance of exploring the place dimensions of the pandemic.

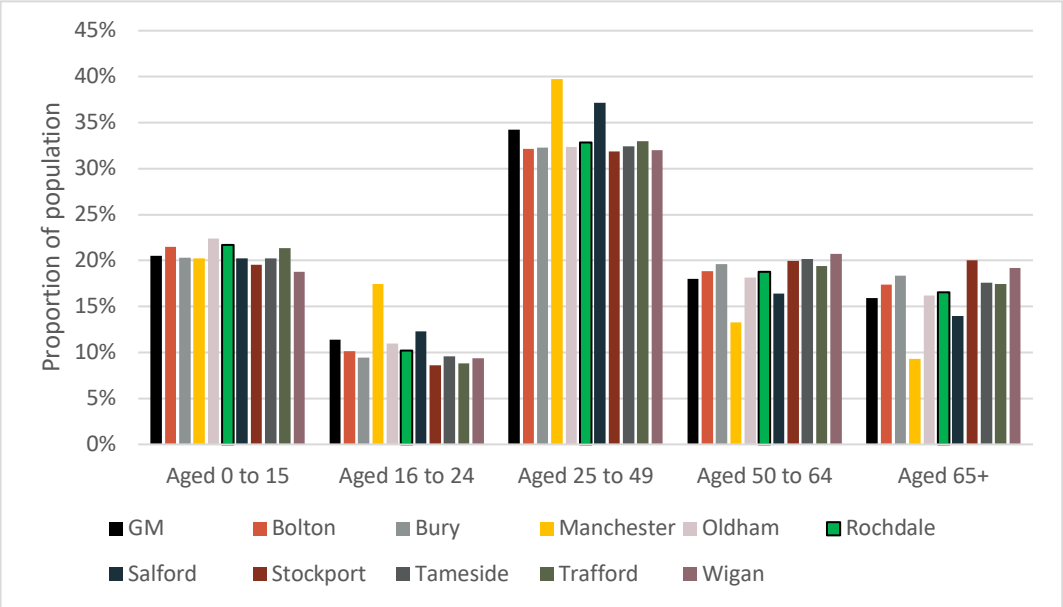
Figure 15: Male employment in Oldham, 16-64 year olds, Jan-Dec 2019 – Jan-Dec 2021



Source: Annual Population Survey

3.30 Why should neighbouring districts be so different from each other on the labour market impact of Covid-19? Unfortunately, beyond providing some initial clues, the data doesn't offer neat explanations. Part of the reason could be population dynamics. For example, Manchester's unemployment and employment performance is probably related to its population profile. As the chart below demonstrates, Manchester has a younger population than other parts of the conurbation. This also helps contextualise Manchester's lower inactivity rate as well (see next section). Yet the age of the population as a reason is not so clear-cut in respect of some of the experiences of other districts with a 'bad pandemic'. More research needs to be done to explain in more depth why areas near to each other appear to have alternative pandemic stories.

Figure 16: Population by age band, GM and districts, 2020



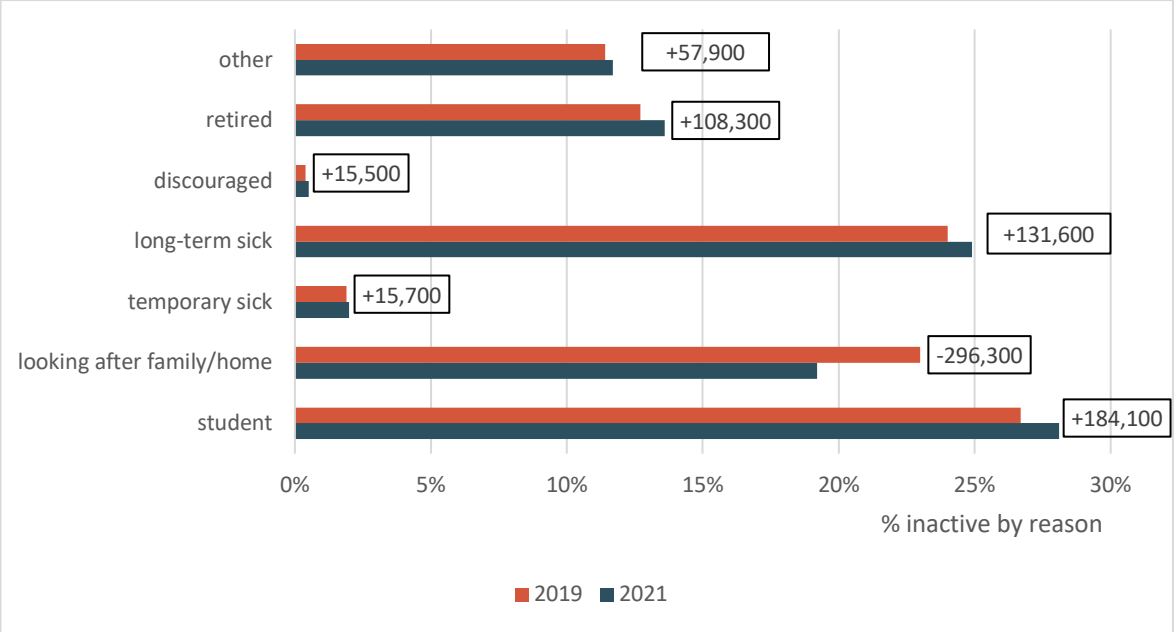
Source: ONS Population Estimates

4. Economic Inactivity

About economic activity in the UK

4.1 Economic inactivity refers to the state of not participating in the labour market; people are neither working nor seeking work. There are several different reasons for being inactive – being a student, retired or unwell, for example. In the UK, over 9 million people were inactive in the summer of 2022 compared with 8.4 million prior to the pandemic. Although there has been talk of a 'missing million' of economic participation in the UK, a labour force shrinkage of this scale relies on trend growth assumptions (IES, 2020). Nevertheless, increased inactivity appears to be the principal labour market story of the pandemic. The chart below shows inactivity by reason for the UK. As can be seen students and the retired account for large shares of the inactive, but the rise of health conditions as a reason seems to be driven by the pandemic (as well as the mysterious 'other' category which by definition we know little about).

Figure 17: Proportion of inactive people, by reason for inactivity, UK, Jan-Dec 2019 – Jan-Dec 2021



Source: Annual Population Survey

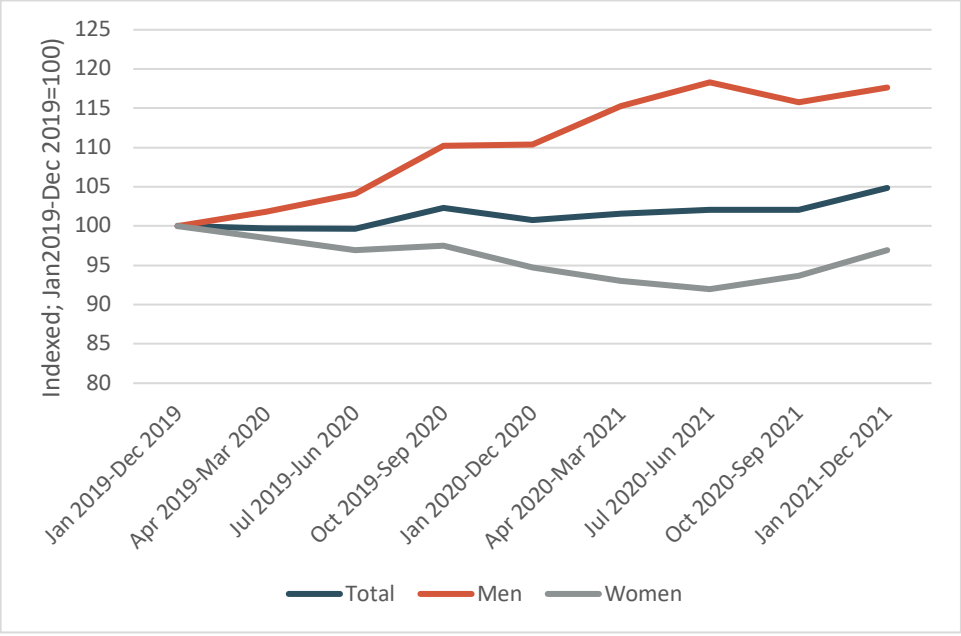
Note: The figures at the end of the bar show the difference in numbers between the two time periods.

Economic inactivity in GM

4.2 Overall, GM had higher rates of inactivity prior to the pandemic than most of the UK. And it has seen a sharper rise during it. In GM, the pandemic brought a rise of about 20,300 inactive people (a 4.9% rise in GM compared with 2.3% nationally; GM's rise was in line with the NW (5%). GM's inactivity rate rose from 23.4% prior to the pandemic up to 24.5% by the end of 2021. This compared with a national inactivity rate of 21.8% and a North West rate of 23.5%.

4.3 The increase has principally affected men. Inactive men in GM rose from 159,500 in the year to December 2019 (prior to the pandemic) to 187,700 in the year to December 2021, a rise of 28,200 (or 18%). Before the pandemic men accounted for 38% of the inactive in GM; by the end of 2021 they made up 43%. Meanwhile, among women, inactivity initially fell before beginning to increase in the later months of 2021.

Figure 18: Economic inactivity by gender, GM, Jan-Dec 2019 – Jan-Dec 2021; indexed (2019=100)

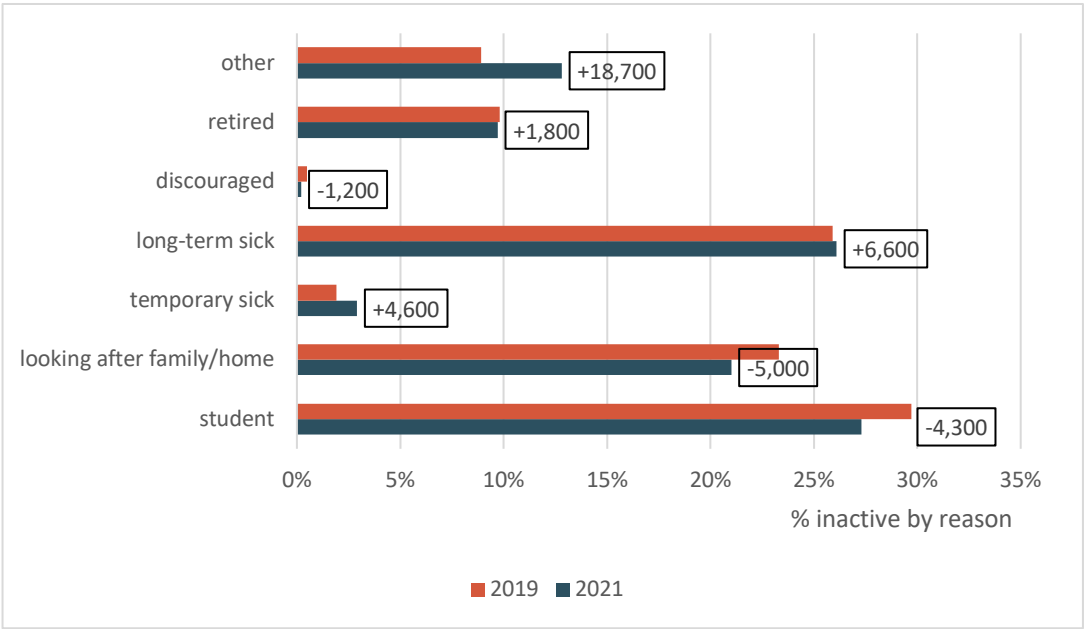


Source: Authors' calculations from APS

4.4 The increase in inactivity in GM has been driven by a rise in the number of people who are inactive but do not want a job. The GM pattern has been slightly different to the national norm. In the UK the principal reasons for the increase in inactivity are an increase in long term sickness, students,

retirements and the 'other' category. For GM the key reasons are an increase in sickness (both temporary and longer term), and an increase in the 'other' group, as well as a very small rise in retirements. However, students account for a lower share of the inactive post Covid-19 in GM. This pattern suggests that health reasons (both physical and mental) may be important drivers for the rise in inactivity in GM. This would fit with other evidence about the economic impact of poor health in the conurbation identified previously by the Prosperity Review (GMCA, 2019; GMCA, 2020). According to a Resolution Foundation survey, the rise of health-related inactivity is associated both with the pandemic itself and the psycho-social effects of lockdown. It found that in 2020 around 600,000 adults nationally left the workforce or were working fewer hours because of long Covid-19 or fear of the virus, while a further 600,000 were working less because of poor mental health (Resolution Foundation, 2020).

Figure 19: Change in inactivity rates by reason, GM, Jan-Dec 2019-Jan-Dec 2021

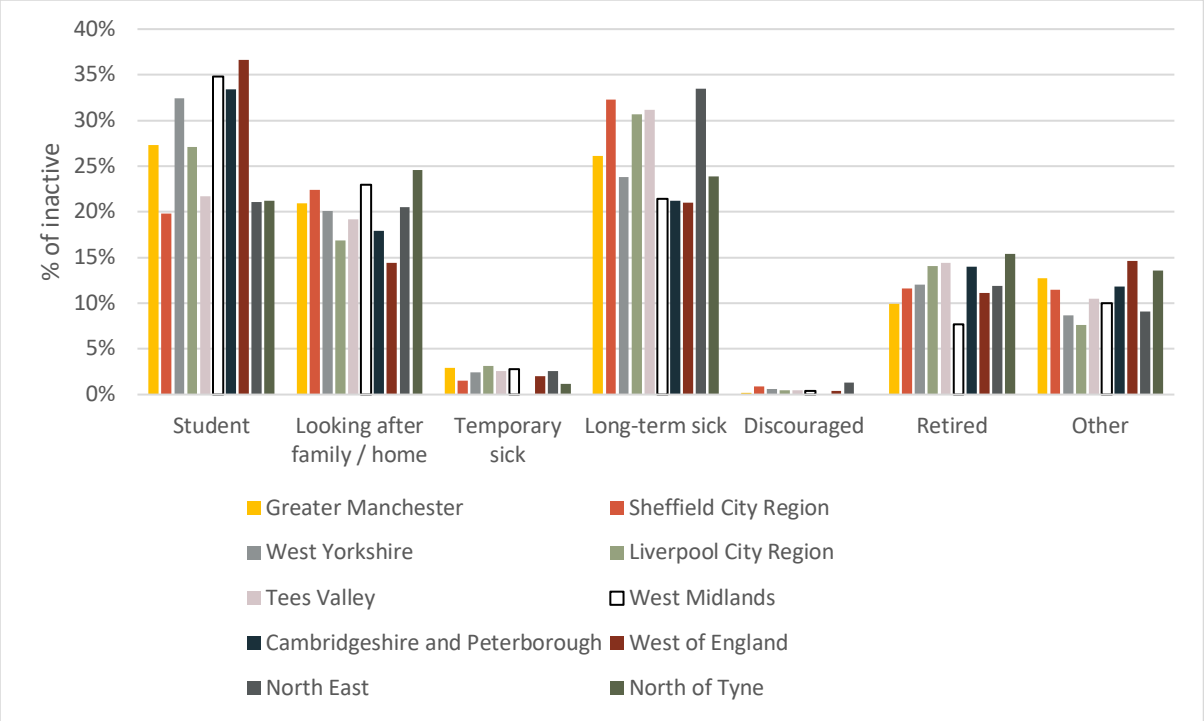


Source: Annual Population Survey

4.5 The increase in ill-health driven inactivity is a national phenomenon and not particular to GM. GM's situation regarding long-term health-related inactivity

can be seen as common to many other city regions[7], especially in the north (Liverpool, Sheffield, the North East etc tend to have relatively high numbers of people whose reason for being inactive is long-term sickness). GM is positioned towards the middle of the comparator group on inactivity across many of the principal reasons.

Figure 20: Economic inactivity by reason among English city regions, 2021



Source: Annual Population Survey

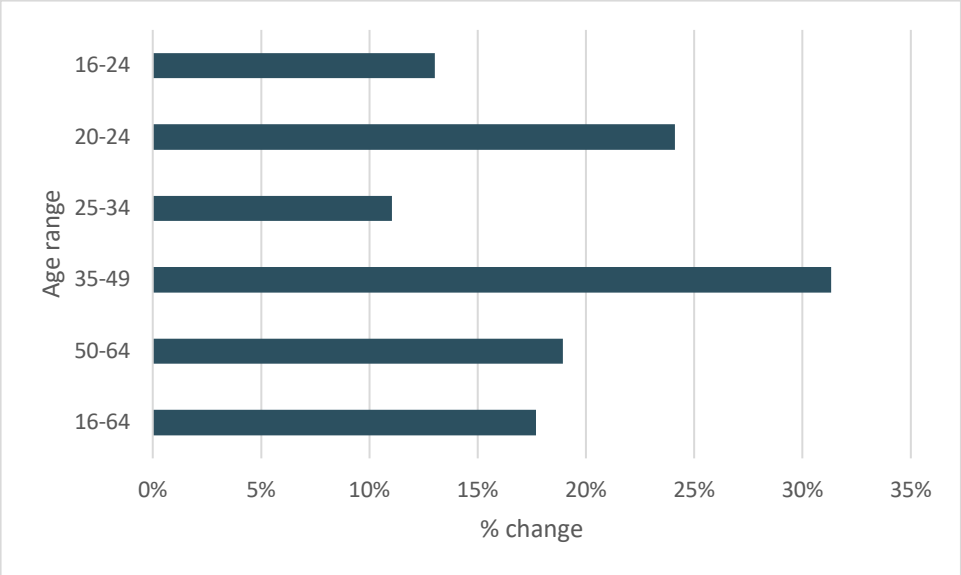
Inactivity and the over 50s

4.6 Nationally, discussion has concentrated on inactivity amongst people over 50. In this group, the flow to inactivity seems to be related largely to early retirements among better-educated degree holders in full-time professional occupations (in the early phases of the pandemic, self-employment accounted for disproportionate flows to inactivity, but in the latter pandemic stages this switched to employees) (ONS, 2022). However, once again, GM can be seen to differ slightly from national patterns. Using data from the APS, it is by no means self-evident that older men are demonstrably the demographic priority

[7] The chart refers to Mayoral Combined Authorities

group linked to the rise in inactivity. In fact, increases in male inactivity can be seen in several different age brackets, including 'older' and 'younger' workers, but also those in 'mid career'.

Figure 21: Increase in male inactivity by age cohort, GM, Jan-Dec 2019 – Jan-Dec 2021



Source: Authors' calculations from APS

How the districts of GM differ on economic inactivity

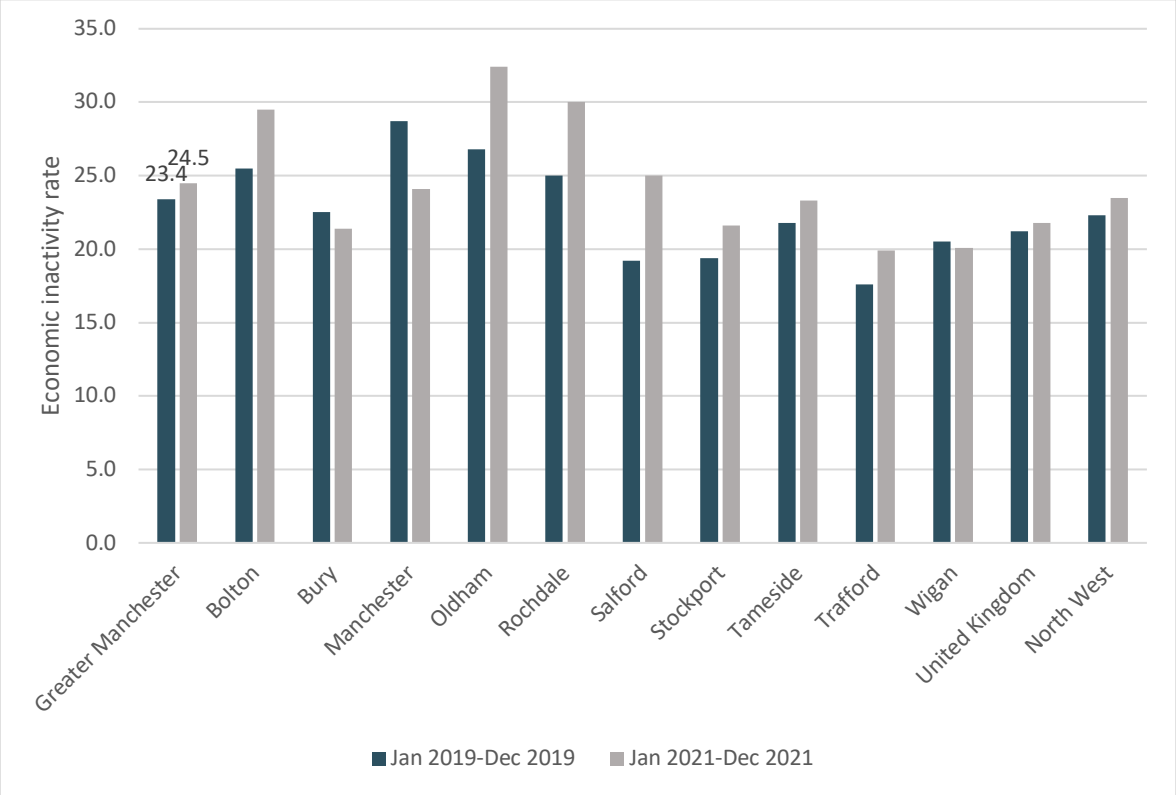
4.7 Although economic inactivity has risen in GM overall over the course of the pandemic, there are some startlingly divergent patterns among individual districts. Certain districts – notably those in the north and north east of GM – have experienced a significant expansion of inactivity. In the year to December 2021 economic inactivity in Oldham was 32.4% (although it is worth noting error margins for districts for APS data can be large). The neighbouring district of Rochdale had inactivity rates that were similar (30%), just above the rate in Bolton (29.5%). Areas where close to a third of the population are economically inactive are likely to experience substantial economic distress and hardship.

4.8 The chart below aims to show changes in the scale of economic inactivity. The first column displays data for the year to December 2019 – pre Covid-19. The second bar shows data for the year to December 2021, capturing the effect of

a couple of years of the pandemic. The district that has experienced the sharpest rise in inactivity was Salford (up by 5.8ppts). Salford was followed by Oldham (5.6ppts), Rochdale (5ppts) and Bolton (4ppts). Such leaps in inactivity are far higher than the national average and demonstrate the different labour market impacts felt around the UK.

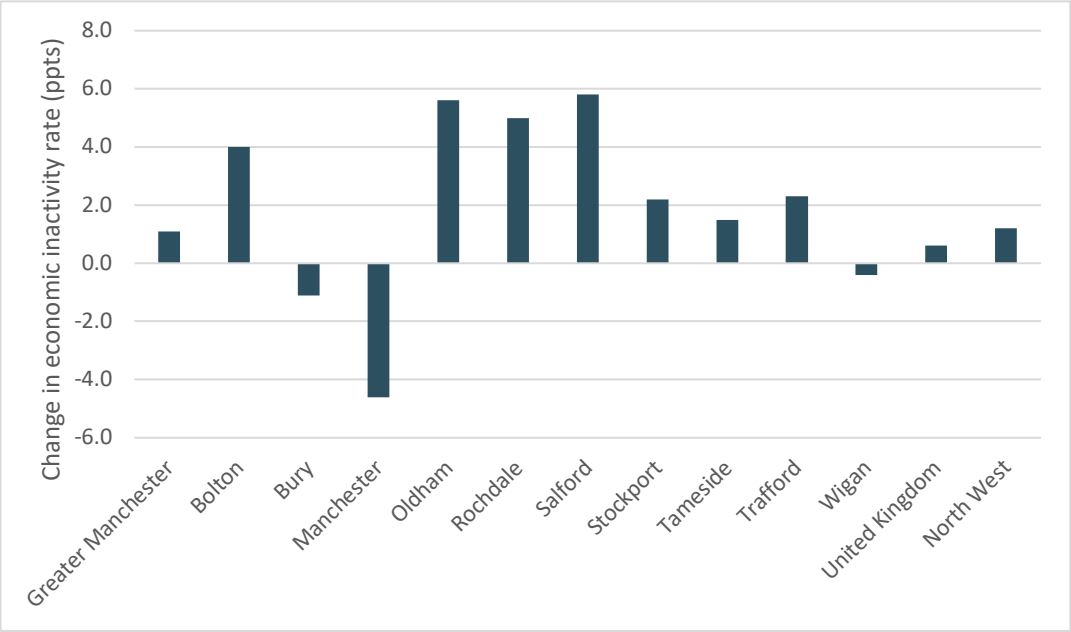
4.9 The other finding that stands out, however, is the performance of Manchester through the pandemic. It has *reduced* its inactivity rate (by a margin of -4.6ppts). The other districts to experience a reduction in inactivity are Bury and Wigan (although in both cases by much smaller margins than Manchester). The chart below shows the change in economic activity in percentage points between the year to December 2019 and the year to December 2021.

Figure 22: Economic inactivity, 16-64 year olds



Source: Annual Population Survey

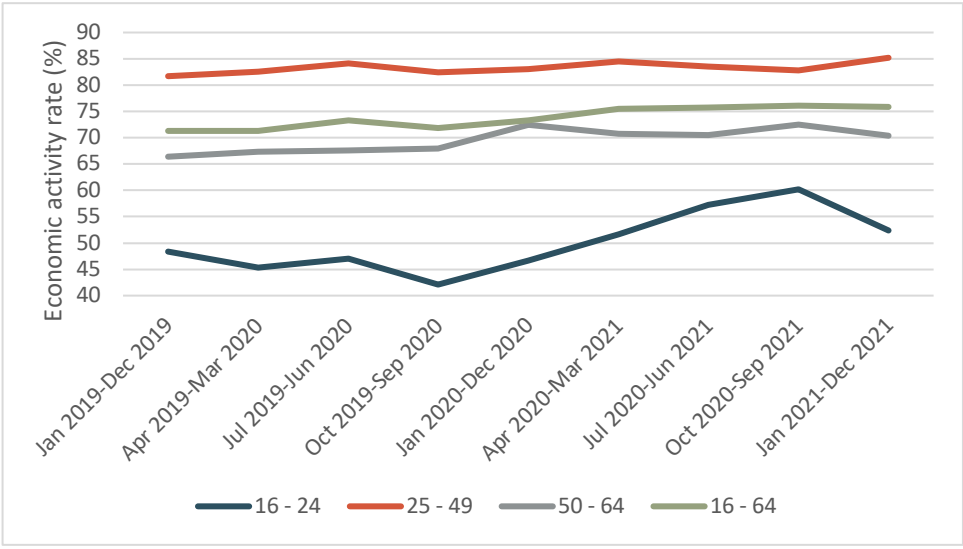
Figure 23: Change in economic inactivity (ppts), Jan-Dec 2019-Jan-Dec 2021



Source: Annual Population Survey

4.10 The previous section noted that Manchester's population differs from others in that it is generally younger. This may also offer some insight into why its inactivity rate has fallen against the background of rises elsewhere (both employment and unemployment have risen in Manchester). The chart below demonstrates that the economic activity of relatively young people has been the most volatile over the Covid-19 pandemic.

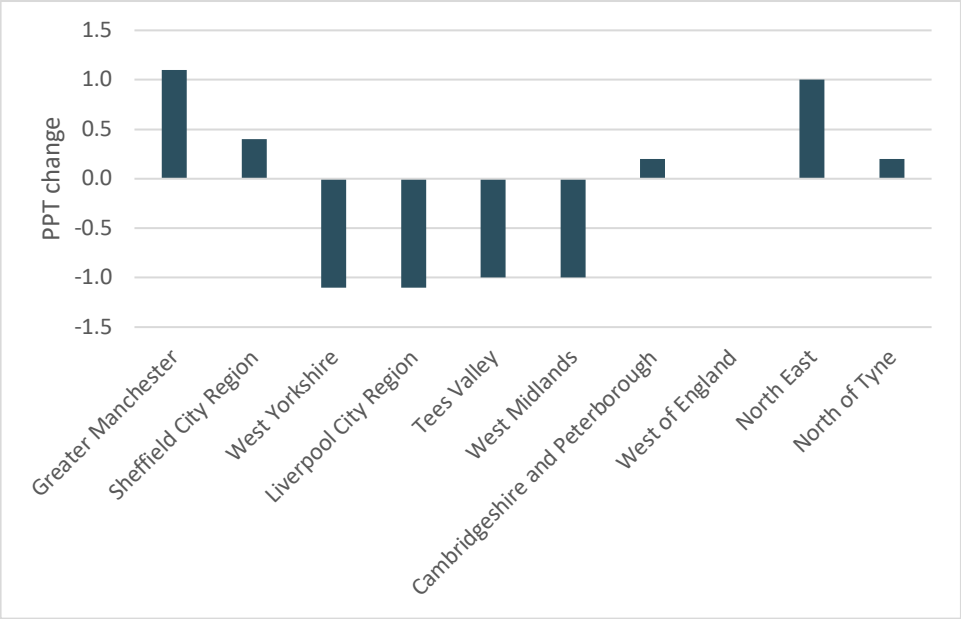
Figure 24: Economic activity rate in Manchester by age cohort, Jan-Dec 2019 – Jan-Dec 2021



Source: Annual Population Survey

4.11 How aberrant is Manchester's trend-bucking on inactivity? The answer is 'not particularly'. Plenty of other areas have also seen drops in inactivity over this data period in contrast to the general national pattern. Consider the data for Mayoral Combined Authorities in the chart below. It shows the percentage point change in inactivity rates between the end of 2019 and the end of 2021. Four MCAs have experienced a drop and four a rise (one has not changed). Experience has clearly been rather varied – and perhaps more varied than the general narrative on inactivity suggests.

Figure 25: Percentage point (ppt) change, economic inactivity, Jan-Dec 2019 – Jan-Dec 2021

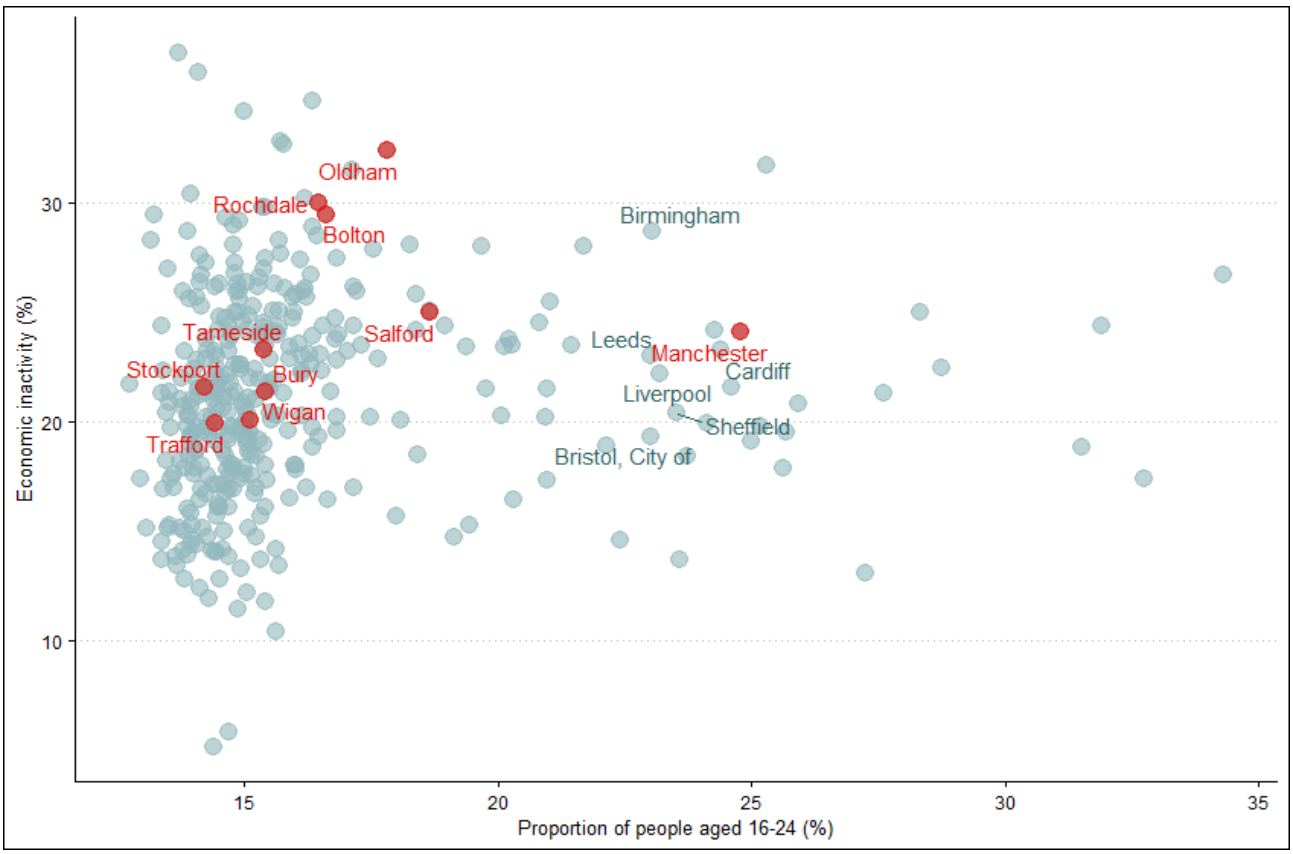


Source: Annual Population Survey

4.12 The divergent patterns in the city region on inactivity can be very clearly seen in the chart below which examines British local authorities. The y-axis plots the scale of inactivity at the end of 2021. It shows Oldham, Rochdale and Bolton to have among highest rates of economic inactivity in the UK. Other parts of GM – Trafford and Wigan in particular – have rates of economic inactivity that are below average. The x-axis, meanwhile, exploits the insight from the previous section regarding the relatively young population profile of

Manchester. Manchester's inactivity rate remains on the high side, even after the surprising falls of the Covid-19 pandemic period (24.1% were inactive in the year to December 2021). But Manchester stands out in that it is among a group of major English cities with relatively youthful populations. Although it is hardly definitive that one is the cause of the other, it is this comparative youthfulness that offers probably the best insight so far as to why Manchester has had a different labour market experience from other parts of GM.

Figure 26: Proportion of working age population who are inactive, and proportion of total population aged between 16 and 24, 2021, 2020



Source: APS/ONS

Note: APS data on inactivity refers to Jan-Dec 2021; population data refers to 2020

Discussion and section summary

4.13 From the examination of economic inactivity in this section, it is possible to make a few observations about the current debate. First, the rise in inactivity that can be attributed to the Covid-19 pandemic, while readily

apparent, has not reached the scale of the last major recessionary period. It represents a deterioration, but not yet a national crisis. Opinion is mixed on the permanence of the shift. The Office for Budget Responsibility has suggested the rise in inactivity may settle in and become embedded in the labour market (OBR, 2021); the Bank of England has been more optimistic, contending participation will recover as Covid-19 recedes (BoE, 2021) (although this was prior to the Ukraine crisis, energy price spikes, cost-of-living anxieties, and financial difficulties of 2022).

4.14 On the basis of previous experience, it would seem likely that trends in inactivity will be affected by the overall conditions in the economy. Depending on labour market improvements and the absence of further health scares, inactivity may resume its long-term trend of a gradual downwards taper – although this may be wishful thinking in the economic environment of 2022. For clarity, though, it is worth emphasising that 'labour market conditions' refer to the nature of work as much as the number of jobs available: poor job quality in many areas of GM may offer limited signals and incentives in respect of 'participation'.

4.15 Second, the rise in inactivity is geographically dispersed. Some parts of GM have experienced startling rises in inactivity (Oldham and Rochdale, for example). Yet some parts of GM have experienced a surprising and unexpected fall in inactivity. As highlighted above, Manchester, and to a lesser extent Bury and Wigan, have experienced declines in inactivity during the pandemic – counter to the patterns nationally and in most other areas. These place-related trajectories are more mixed than national debate allows for. Explaining these trends is challenging. Indications so far are that the comparatively youthfulness - and perhaps the effect of being a major city centre – may help illuminate why inactivity has fallen in Manchester (and unemployment and employment have risen).

4.16 Third, when there is a discussion about the rise in economic inactivity, it is important to stress that men are the principal cohort affected. There is a further puzzle here in that it is difficult to understand why men should be so much more affected by inactivity than women (indeed, inactivity among women has declined in GM). In so far as poor health has driven increases in inactivity,

why should men be more affected by pandemic-related ill-health than women? Or have changes in working practices (such as hybrid working) affecting men and women differently, enabling the participation of more women through flexibility? Much more remains to be discovered on such questions. That said, heightened rates of economic inactivity make the case that there could be a need for additional programmes seeking to reduce inactivity in the city region, especially in towns towards the north east and north.

4.17 As this report has covered some complex labour market trends and interactions, the following table aims to precis the main labour market data used in this section and in section 2 above. The main points it makes can be summarised as follows:

- Unemployment: Comparatively modest change at the city region level, with district level variations. Manchester experienced a rise in unemployment.
- Economic Inactivity: Increases in inactivity above national average for GM. However, significant differences among districts. The largest district, Manchester, experienced a large fall in inactivity.
- Employment: Above average falls in employment in GM (although below the decine in the NW). However, again, there is a mixed picture in the districts. Mancester has seen a rise in employment, as has Bury.

Table 3: Summary: change in main labour market indicators, Jan-Dec 2019 – Jan-Dec 2021

	Unemployment (16+)			Inactivity (16-64)			Employment (16-64)		
	Change (n)	Change (%)	Change (ppts)	Change (n)	Change (%)	Change (ppts)	Change (n)	Change (%)	Change in rate(ppts)
GM	400	0.6%	0.1	20,300	4.9%	1.1	-19,500	-1.5%	-1.1
Bolton	-6,000	-60.6%	-4.3	6,500	14.4%	4.0	-1,800	-1.5%	-0.3
Bury	-100	-2.5%	-0.3	-1,100	-4.3%	-1.1	1,900	2.2%	1.2
Manchester	9,100	52.3%	2.6	-17,600	-15.8%	-4.6	10,400	4.0%	2.3
Oldham	600	15.8%	0.9	7,800	20.3%	5.6	-9,000	-8.9%	-5.9
Rochdale	-600	-9.4%	-0.2	6,300	18.9%	5.0	-6,200	-6.7%	-4.4
Salford	-2,800	-40.6%	-1.9	9,800	31.2%	5.8	-5,900	-4.7%	-4.0
Stockport	900	13.2%	0.7	4,300	12.6%	2.2	-3,100	-2.3%	-2.5
Tameside	-1,600	-35.6%	-1.4	2,200	7.2%	1.5	-500	-0.5%	-0.4
Trafford	100	1.8%	0.2	3,300	12.8%	2.3	-3,400	-3.0%	-2.3
Wigan	1,000	21.3%	0.5	-1,200	-2.9%	-0.4	-1,800	-1.1%	-0.1
NW	15,800	10.7%	0.5	50,300	5.0%	1.2	-89,500	-2.7%	-1.6
UK	172,700	13.2%	0.5	205,900	2.3%	0.6	-426,500	-1.4%	-0.9

Source: Annual Population Survey

5. Pay

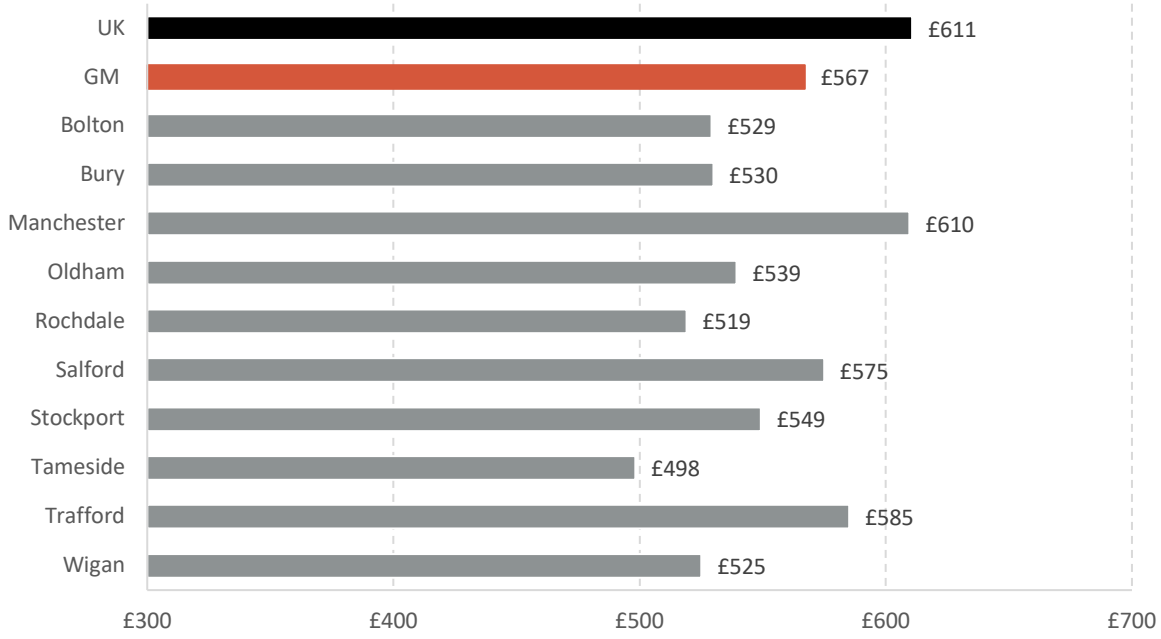
5.1 The cost-of-living crisis, driven by higher rates of inflation, is emerging as the most significant economic story of 2022 and follows hot-on-the-heels of the Covid-19 pandemic. Everyone will be affected by it in some way. Yet the pressures fall disproportionately on those on lower incomes. Many people are likely to seek to increase their earnings - if they are able to - in order to try to keep up with increasing costs, in turn risking applying inflationary pressure. In this section we discuss the effect of the pandemic on pay.

5.2 At the time of writing the Bank of England's Monetary Policy Committee has suggested a 10% inflation rate towards the end of 2022 (BoE, 2022). Other forecasters vary slightly as to the timing and scale of the peak. Cost-of-living pressures follow on from a period that was once called a 'lost decade' in that wages stayed flat or fell amid ongoing problems with growth and productivity that have dogged the economy ever since the financial crisis and recession of 2008-9.

5.3 GM is known to generally experience lower wages than are typical nationally, in line with productivity performance that lags national norms. Figure 27 below shows weekly earnings for full time employees. The average (median) full-timer in GM earned £44 less a week than the national average in 2021.

5.4 Gross median weekly pay for full-time workers in 2021 varied within GM, with a gap of £111 between people working in Tameside (earning an average of £498 a week) and those working in Manchester (£610). Note that this data is reported by the location of workplaces – hence Manchester and Salford are among the highest paying parts of GM because of the effect of the city centre pulling commuters in. Were the data to be shown according to the location of residence the chart might look rather different with Manchester and Salford residents earning typical weekly pay rates below those for its workplaces.

Figure 27: Gross weekly pay, full time workers (workplaces), 2021

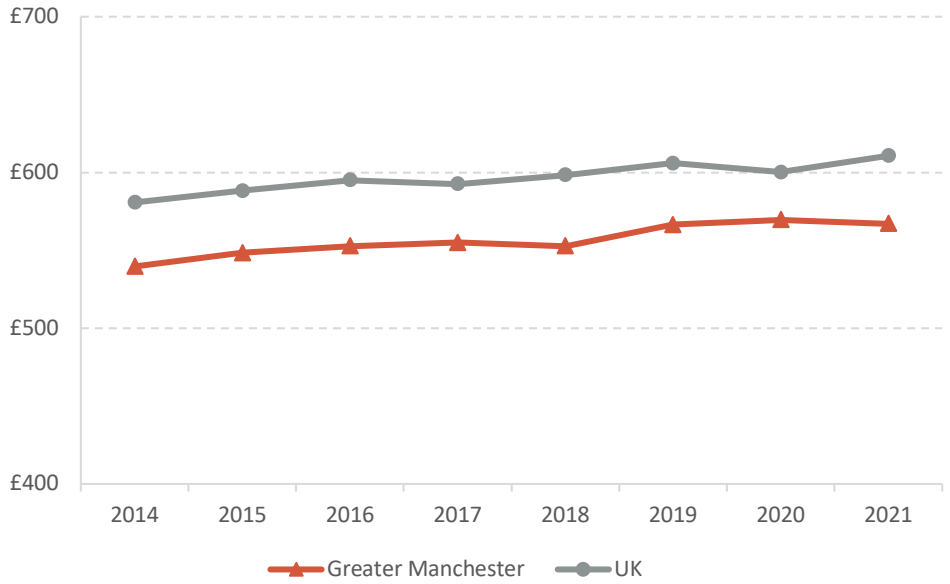


Source: Annual Survey of hours and earnings, workplace analysis

Pay trends adjusted for inflation

5.5 Over the seven years to 2021, after adjustment for inflation to show trends in pay in 2021 prices, gross median weekly pay for full-time workers in GM grew by 5.1%, which is very similar to the increase for the UK as a whole (5.2%). This sluggish rate of increase averages at 0.6% a year – historically an extremely low rate of wage growth, which many are likely to experience as running to stand still. GM consistently underperformed typical national rates across the period shown in the chart below, with the gap ranging from £31 in 2020 to £46 in 2018, and standing at £44 in 2021.

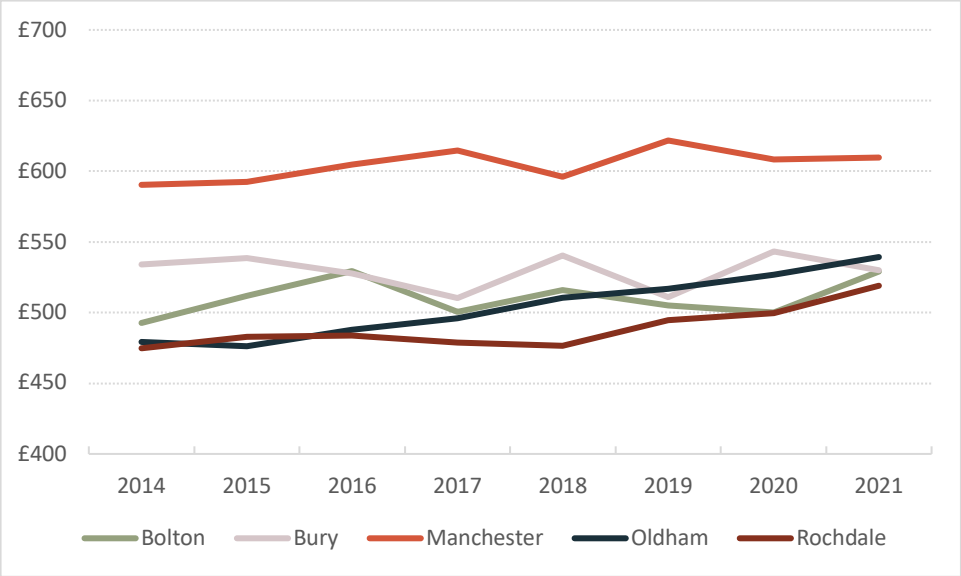
Figure 28: Gross weekly pay, full-time workers, GM and UK 2014-21



Source: Annual Survey of hours and earnings, workplace analysis

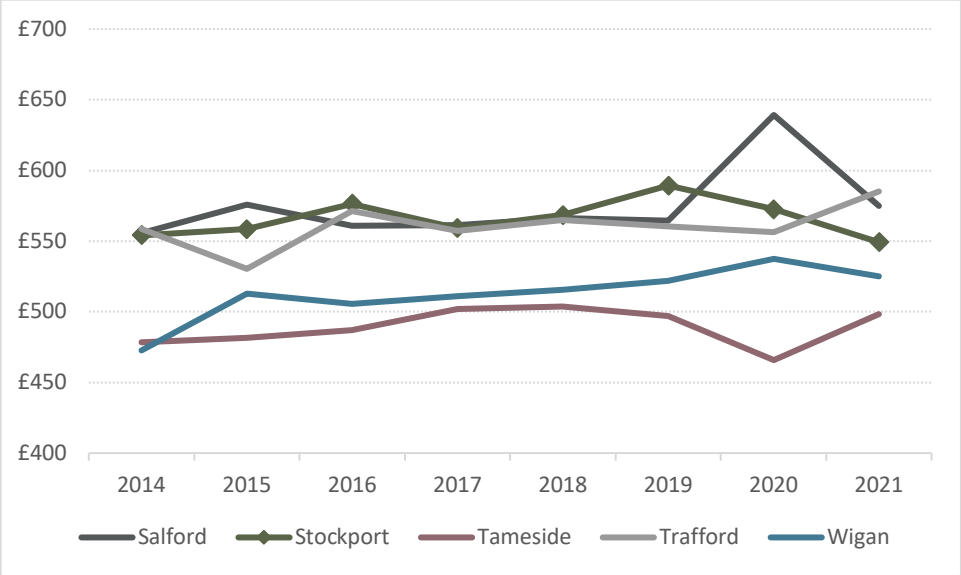
5.6 Among GM's districts, recent trends in median pay are markedly different once adjustments are made for inflation. Manchester has workplaces that pay by some way above what is 'normal' for GM - as might be expected given it holds the city centre and draws in commuters from far away. Yet the rate of increase over the charted period is below par (3.3%). Meanwhile, some of the districts with the lowest paying workplaces, such as Oldham and Rochdale, have nevertheless made relative gains over the period (12.5% for Oldham; 9.3% for Rochdale). By contrast Stockport and Bury have both experienced pay falls over the years in question (-0.9% and -0.8% respectively).

Figure 29: Gross weekly pay, full-time workers, Bolton, Bury, Manchester, Oldham Rochdale, 2014-21, inflation adjusted



Source: Annual Survey of Hours and Earnings

Figure 30: Gross weekly pay, full-time workers, Salford, Stockport, Tameside, Trafford, Wigan, 2014-21, inflation adjusted



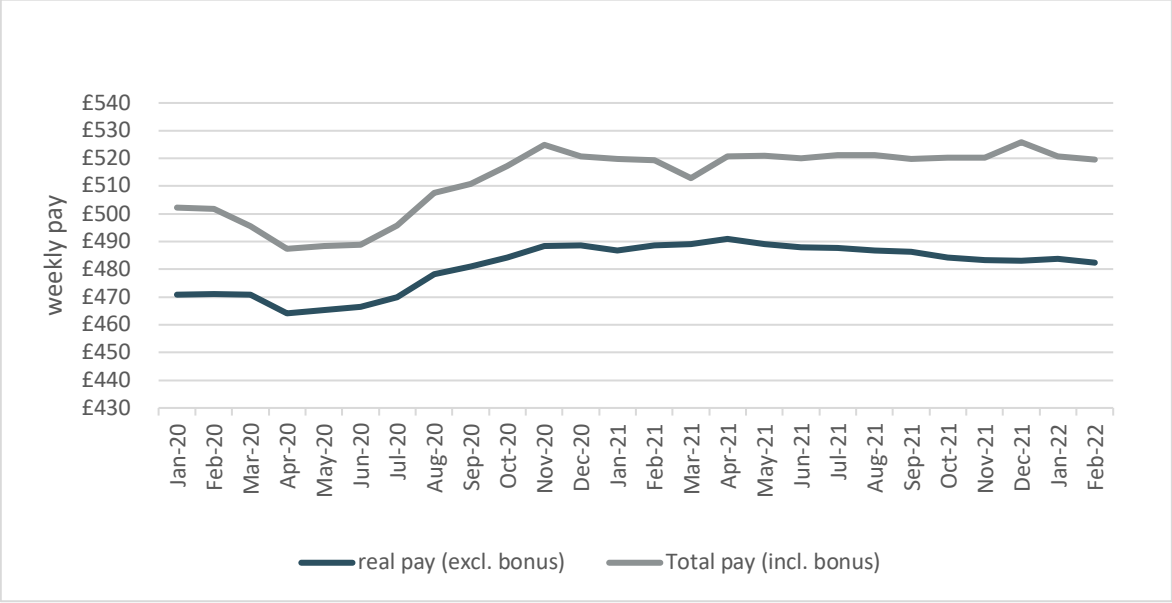
Source: Annual Survey of Hours and Earnings

Covid-19 and pay

5.7 The source from which the data used so far in this section derives (ASHE) is an annual survey carried out among employers in April of every year. Aside from the fact that ASHE ignores the self-employed, its annual nature means it is unsuitable for monitoring the effect of Covid-19 (the point at which the April 2021 survey was carried out was a time when many workers were furloughed). For this reason it is necessary to look to other data sources to understand the effect on wages of Covid-19 and the related lockdowns.

5.8 The ONS reports pay trends each month at national level through its average weekly earnings series (using the reference year of 2015 for the inflation adjustment). Using this data series it is possible to derive some insight into the effect of Covid-19 on median pay rates. Overall, it appears that median pay has been falling slightly since the Spring of 2021, reflecting the worsening increases in inflation. Total pay, which includes bonuses, has held up a little better and is broadly flat.

Figure 31: Average weekly earnings, UK, January 2020-February 2021



Source: Average Weekly Earnings/ONS

5.9 The AWE data reports UK trends. Unfortunately, therefore, we lack a comparable official dataset that would enable tracking of the fortunes of GM median pay in a way that allows for the effect of inflation.

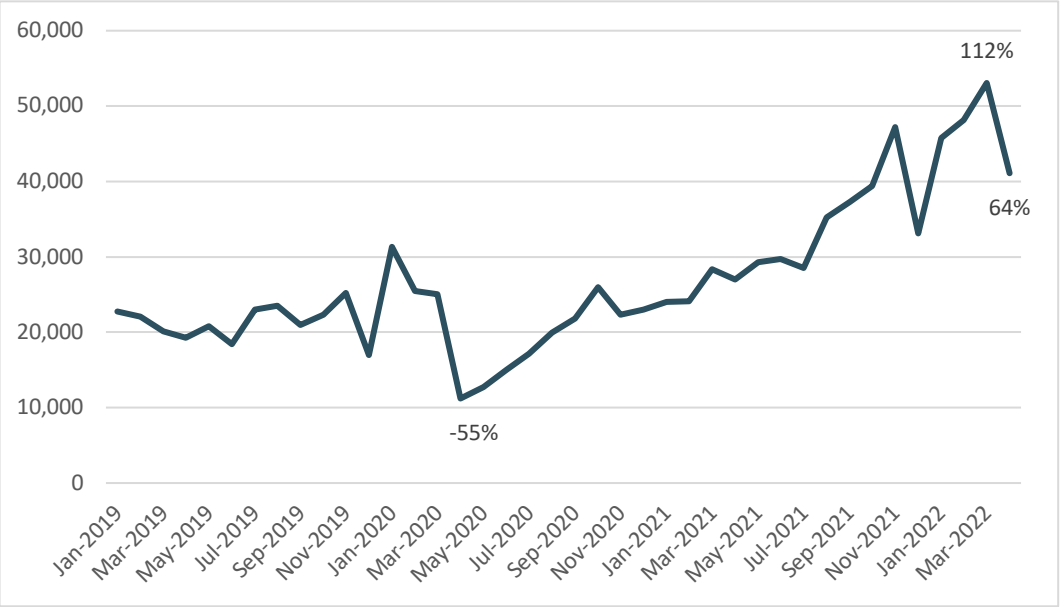
5.10 The Prosperity Review and Industrial Strategy (GMCA, 2019) made frequent reference to GM as a place where workers tended to earn less than national norms and where low pay was entrenched, in turn creating issues with low skills demand and sub-optimal skills utilisation. That assessment remains valid. The gap between GM and the UK fluctuates a little year-to-year, but broadly remains consistent: GM is neither gaining nor losing ground. However, among the districts of GM divergent patterns become more apparent. Although pay is better towards the regional centre, parts of GM have low median wages. Such evidence as exists at this stage suggests that pay has been flat-ish through most of the pandemic with a gradual downward trend since the Spring of 2021 as the signs of rising inflation began to take hold. If forecasts are to be believed, inflation rates of 10% suggest pressure on wage rates will be extremely high by the end of 2022. If employers are unwilling or unable to lift pay rates in response, falls in real pay will be the outcome.

6. Vacancies

6.1 An increase in recruitment activity among employers is a typical part of economic recovery after a recession. What was not foreseen at the height of labour market Covid-19 anxieties was the unprecedented surge in job vacancies that has been a significant part of the economic story of the pandemic. New records have been set repeatedly for the total number of jobs postings to hit the internet. The very strong desire to hire staff can be seen as an assertion of economic resilience. Yet difficulties in recruitment can also impede growth.

6.2 The chart below tracks total monthly job postings and shows a peak of just over 53,000 job openings in GM in March 2022. In fact, the growth of vacancies seems go back as far as May 2020 during the first lockdown. The immediate effect of the lockdown can be seen in the -55% drop in vacancies between January and May. Ever since, despite some monthly fluctuations, job openings have grown. By March 2022, vacancies were 112% above the level of March 2020. It is impossible to know whether this scale of recruitment activity is sustainable or whether demand will dry up amid inflationary pressures and renewed fear of recession in the second half of 2022 and beyond.

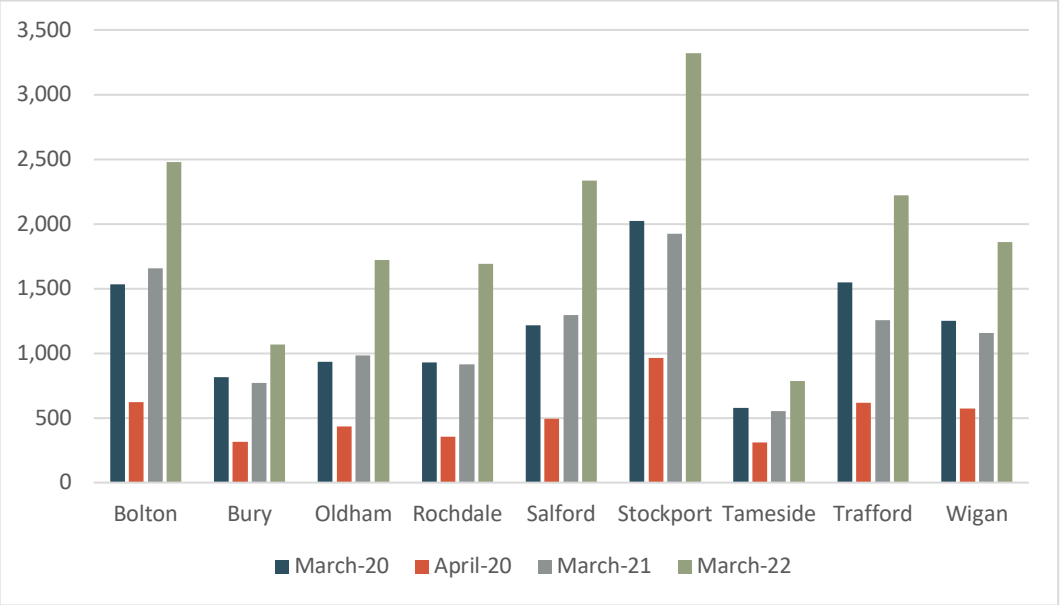
Figure 32: Monthly Online Job Postings in GM, January 2019 – April 2022



Source: Labour Insight/Burning Glass

6.3 Obviously, in a city region such as GM, recruitment does not occur evenly. Manchester, the regional centre, accounts for more jobs than any other part of the conurbation (Manchester is excluded from the chart below for this reason). However, all districts have seen broadly the same patterns, with a marked fall in recruitment in the early months of 2020, the attainment of pre-pandemic levels by March 2021, and then a sharp increase to new peaks by March 2022.

Figure 33: Monthly Online Job Postings by district (exc. Manchester), selected months since March 2020



Source: Labour Insight/Burning Glass

6.4 The source we use for recruitment data is known to be less reliable for sectoral information than for total postings and occupational breakdowns. However, to offer some indication of the pandemic and its effects the two tables below show the most impacted industries in two different time periods. The first table attempts to capture the most affected sectors in the immediate period of the first lockdown. As might be expected the hospitality sector experienced the largest change. Between the first and second quarters of 2020 online job adverts fell by 82%. Several other major sectors including leisure and logistics also saw a dramatic reduction in hiring activity.

6.5 Some of the same sectors experienced the sharpest bounce-back as well (the second table compares a far longer time period of two years). The hospitality and logistics sectors grew strongly after shrinking previously. Also notable in the second table is that the public services and the health and social care sector (straddling private and public sectors as it does) are among the most staff-hungry parts of the economy, perhaps reflecting the economic needs of a society emerging from a pandemic.

Table 4: Industries with the largest decrease in online postings in Greater Manchester, Q1 – Q2 2020

Industry	Percentage change
Accommodation and food service activities	-82%
Administrative and support service activities	-76%
Arts, entertainment and recreation	-73%
Transportation and storage	-73%
Real estate activities	-66%

Table 5: Industries with the largest increase in online postings in Greater Manchester, Q1 2020 – Q1 2022

Industry	Percentage change
Water supply; sewerage, waste management and remediation activities	174%
Transportation and storage	118%
Public administration and defence; compulsory social security	103%
Accommodation and food service activities	98%
Human health and social work activities	98%

Source: Labour Insight/Burning Glass

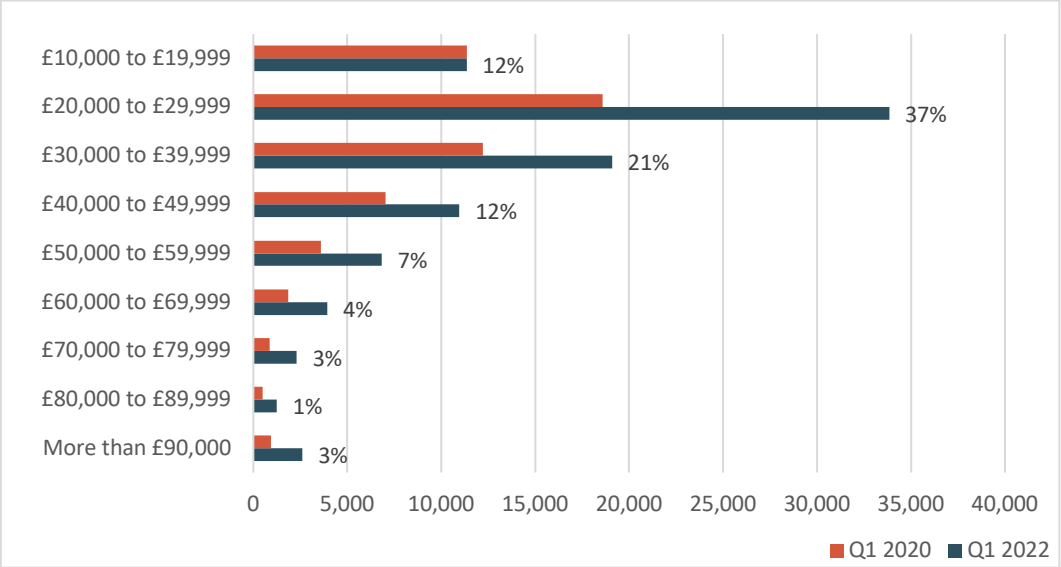
6.6 Labour Insight data is also an imperfect source for information on salaries. The data skews towards professional and managerial jobs that are inherently more likely to be advertised online (this is especially the case with digital and technology-related jobs). Furthermore, many jobs do not advertise salary levels, often preferring terms such as “negotiable” or “competitive”. In the first quarter of 2022, about 40% of job adverts did not specify a salary. Among the

jobs that did, it is possible to draw some conclusions about the post-Covid-19 labour market.

6.7 Job adverts have grown across all salary levels, with the exception of jobs advertised at salary levels below £20,000. Jobs paid between £20,000 and £30,000 per year accounted for 37% of all postings in Q1 2022, compared with 32% in the first quarter of 2020. There were over 33,800 job postings at this salary level, an increase of more than 15,000 compared to Q1 2020 (+82%). In percentage terms, the highest salaried jobs saw the biggest increase in postings over this time. The number of jobs posted with salaries over £60,000 more than doubled, although as a proportion of vacancies, jobs at this salary level are comparatively few. In the first quarter of 2022 jobs paying above £50,000 a year accounted for 18% of all jobs which publicised a salary. This compares with the first quarter of 2020 when they accounted for just under 14%.

6.8 In general, then, it seems to be a reasonable conclusion that the hiring boom is not concentrated at any particular space in the jobs market, but is fairly broad-based. Certainly, there does not seem to be a greater profusion of low-paying job adverts (remembering these are less likely to be advertised online in the first place). There is some bunching around the middle of the distribution, with median salaried jobs accounting for a larger share (a little under 40%). However, there has also been growth in well-paying work as well.

Figure 34: Monthly Online Job Postings in GM by advertised salary, Q1 2020 – Q1 2022



Source: Labour Insight/Burning Glass

6.9 This salary information can also be cross-checked against occupational classifications. The charts below show the broadest level of occupational divisions in nine groupings running from 'managers, directors and senior officials' to 'elementary occupations. We split these across three charts for clarity.

6.10 Sales and customer service occupations experienced an especially precipitous decline in postings at the start of the pandemic, followed by administrative and secretarial occupations. Yet both have recovered strongly since. Professional occupations, meanwhile, the largest occupational grouping in GM, have also experienced very robust growth. In most cases there has been some volatility in job adverts despite the growth overall (for instance, late in 2021). Such fluctuations most likely coincide with lockdown impositions and the news about the pandemic and its effects

Figure 35: Monthly Online Job Postings in GM, 'High Skill Occupations', January 2019 – April 2022

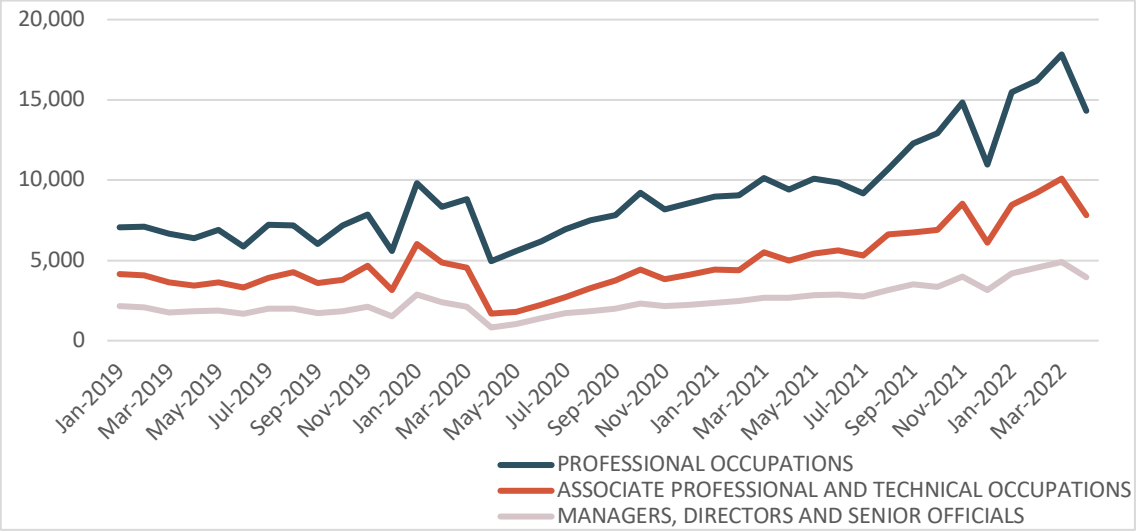
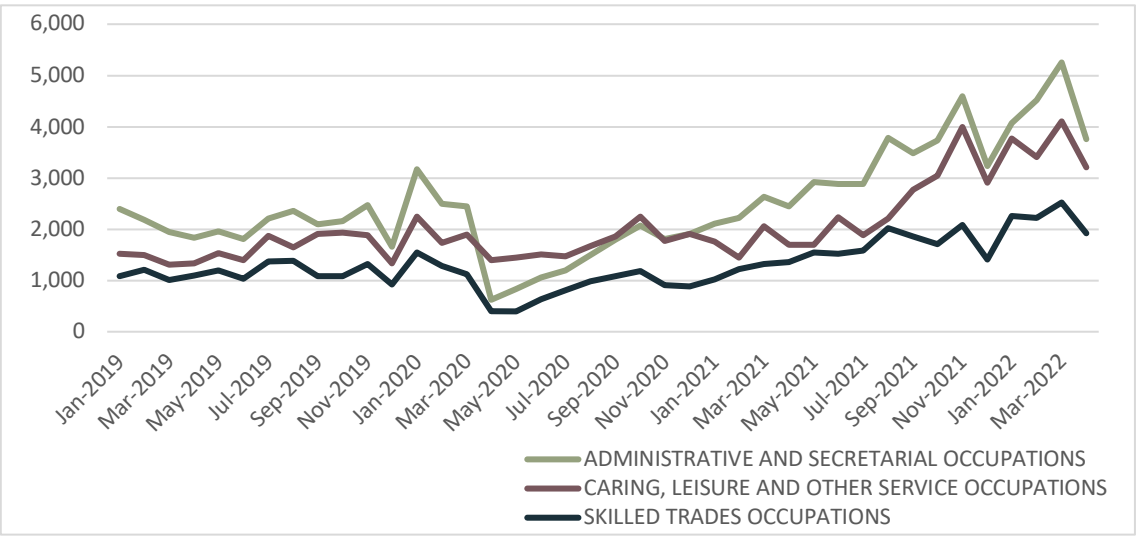
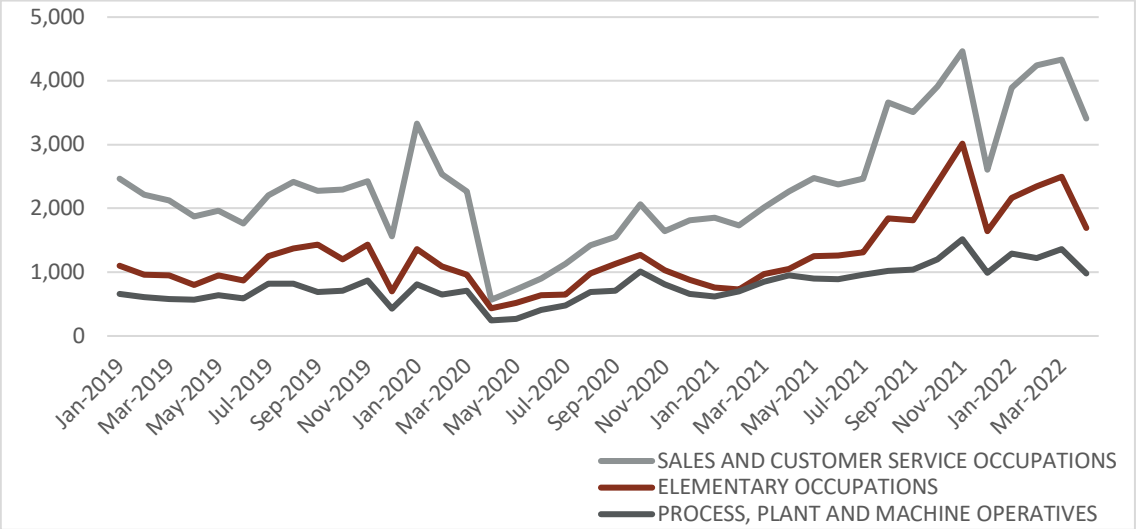


Figure 36: Monthly Online Job Postings in GM, 'Medium Skill Occupations', January 2019 – April 2022



Source: Labour Insight/Burning Glass

Figure 37: Monthly Online Job Postings in GM, 'Low Skill Occupations', January 2019 – April 2022



Source: Labour Insight/Burning Glass

6.11 The buoyant recruitment is one of the main demonstrations of labour market resilience that has been a marked feature of the pandemic. The appetite among employers for new staff, and the concomitant complaints of labour shortages, reflect a robust response to the opening up of the economy as the pandemic has receded – and the main alternative strand of the labour market narrative to rises in unemployment and inactivity. So many employers with jobs to offer can be difficult reconcile with such high levels of unemployment benefit claiming reported in the previous section.

7. Conclusion

7.1 As this report has covered complex trends we begin this section with a reprise of the main points before moving on to consider the overall story – or perhaps stories – of the GM labour market in the pandemic

7.2 Unprecedented government intervention in the labour market prevented the Covid-19 pandemic becoming a true employment crisis. Although the Covid-19 pandemic often felt like it had dramatic effects on the world of work, the main indicators registered some impacts, but many of these were comparatively modest at GM level – at least in the longer-term perspective. For example, although economic inactivity has risen as a result of the pandemic the rise has not yet reached levels seen after the 2008-9 financial crisis, nor is it universal among GM districts.

7.3 District patterns have been surprisingly varied. The most populous district, Manchester, experienced a decline in inactivity and related rises in both employment and unemployment. The Covid-19 experiences of Manchester and Oldham offer a startling contrast. In Oldham, Covid-19 pushed the economic inactivity rate to just under a third of the working age population (32.4% were inactive in 2021, compared with 26.4% in 2019). The rise in inactivity flowed from largescale declines in employment, especially among men. In this respect parts of GM, especially its north-eastern towns, conform to the argument that Covid-19 has hit the poorest places hardest. Yet this is not the uniform pattern across the city region where there is considerable variation in the data.

7.4 The main labour market surveys used to discuss the world of work nationally – the LFS/APS – seem at odds with data derived from the benefits system, which offer more detail for sub-national geographical areas (such as the claimant count and UC counts). This data paints a picture of severe and ongoing disruption caused by the pandemic. The differences between surveys and administrative data are yet to be fully explained.

7.5 The impact of higher inflation appears as if it is starting to feed through, with median salaries beginning to register a fall towards the end of 2021.

Throughout most of the pandemic it appears as if salaries were in general relatively unchanged, but the shutting down of certain sectors which tend to pay relatively low wages (notably retail and hospitality) may have helped support the median. In general, GM remains a city region with lower average salaries than national norms.

7.6 The pandemic also demonstrated evidence of deep, surprising resilience in the labour market. Employers stepped up their recruitment activity through 2021 and into 2022 with new records being set for vacancies as they sought to hire staff. The buoyancy of the recruitment market applied to multiple levels of the workforce and was spread across sectors and occupations. Labour and skills shortages have evolved into a significant problem for large number of businesses.

7.7 In general, the issues and emphases of the Prosperity Review of 2019 (and the One Year On report that followed) still seem relevant to GM's post Covid-19 labour market. The key challenges of poor productivity, low pay, health problems and skills supply and demand issues endure. The possible exception to this position is that there may be a case for additional programmes to address rises in working age inactivity in parts of GM.

7.8 So what overall story should be told of the impact of Covid-19 on the GM labour market? Consider three possibilities.

7.9 Story one is an intriguing blend of the state and the market. In the pandemic the unthinkable became normalised. The government adopted the role of wage-payer-of-last-resort. As a result, an unprecedented fall in output and demand was mitigated into relatively undramatic, and geographically varied, rises in unemployment and inactivity. The jobs market also showed its underlying energy as employers kept labour demand high through 2021 – an appetite fed by post Brexit labour shortages. The Covid-19 recession was short and sharp, but labour market shifts that emerged were perhaps more subdued than initially expected.

7.10 Story two looks to other indicators for its warrant. True, the 'official' measures of labour market health moved a little. But both the claimant count and UC data have born witness to rapid and extreme changes brought on by

the pandemic. The claimants of unemployment benefit more or less doubled in the early months of 2020 and stayed at high levels before beginning to decline fairly slowly only since the summer of 2021. UC claimant volumes, meanwhile, have remained extremely high long after Covid-19 retreated from the headlines (above 300,000 people or 17% of the working age population of GM). These administrative counts tell a story of the rapid growth of poverty and dependence on the state for support among many in work, as well as those who are looking for work or are disabled and unwell (38% of UC claimants in GM are in work). While the pandemic ruffled the labour market in general it prompted major fall-out for some of the poorest in society. The UK, and GM as a relatively disadvantaged part of it, face the cost-of-living crisis with many poverty indicators flashing red as a result of the pandemic.

7.11 The third story is more concerned with what happens next. Galloping inflation, led by food and fuel, and the prospect of a new recession, is again leading to 1980s-inflected talk of the need to tame inflation through measures that are likely to hit the labour market and trigger unemployment. There may have been a brief moment when the Covid-19 period was seen by a few as a self-contained blip on ‘normality’, but that view may look very naïve in a few years time. The question now confronting the economy is whether the ill-effects of the pandemic will be more delayed than avoided.

7.12 From the evidence explored in this report it would appear there is some merit in all three accounts. It would be rash to try and choose between them or cherry-pick favoured bits of data. Instead, a more rounded view must acknowledge the way that mainstream labour market indicators (reliant on surveys) seem to have parted company to some degree with administrative, but poverty-focussed data (owned by the DWP). This makes assessing the strength of the labour market as it confronts the worrying economic trends of the second half of 2022 very difficult. ‘Too soon to tell’ is the timorous, inadequate judgement of much research down the ages. Unfortunately, it is probably apposite in the case of the labour market and the pandemic.

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