Public sector dependency and an assessment of the effects of public sector job cuts in Kent

January 2011

The coalition government is focusing on reducing the fiscal deficit and as a result has proposed substantial reductions in public sector spending. This will inevitably mean job losses in the public sector and initial estimates by the Office for Budget Responsibility (OBR) suggested that this could mean as many as 610,000 jobs lost.

However, in its November 2010 Outlook, the OBR revised its forecasts for public sector job loses in a downward direction and is currently estimating 330,000 losses by 2014/15 and that the policy to freeze public sector spending in real terms in 2015/16 would result in a further loss of 80,000 public sector jobs, giving a total of 410,000 jobs lost.

Whilst it is not yet possible to see in detail what these cuts will be, or where exactly they will take place, this bulletin sets out the existing level of dependency on the public sector within each of the local authority economies in the south east. Potentially, this could indicate those areas likely to be hit the hardest by cuts in public spending. In addition, indicative forecasts for each of the Kent districts are presented to show how this level of job loss nationally, could affect Kent.

Summary

- Public sector dependency varies greatly across the South East region, with the percentage of public sector employees ranging from 6.8% to 28.3%, suggesting that potential job losses through public sector cuts could affect some areas more than others.
- The Kent areas appearing in the top quintile (top 20% with the highest proportion of public sector employees) include; Maidstone, Medway, Dover and Shepway.
- Using the estimated number of jobs lost nationally and the distribution of public sector employment across the country, this would imply losses of 9,920 direct jobs in Kent (including Medway) by 2015, of which 8,380 would be lost in the KCC Area.
- Using the Kent Economic Forecasting Model (KEFM - © Experian), it is possible to estimate the number of indirect jobs that would also be lost through multiplier and supply chain linkages. It is estimated that an additional 2,880 indirect jobs would be lost in the KCC Area and 3,410 indirect jobs in total in Kent (including Medway), giving estimated total jobs lost of 11,260 and 13,330 respectively.

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Analysis

Two data sources have been used for this analysis.

1. 2008 public sector employee data released by ONS, based on the 2008 Annual Business Inquiry (ABI).

2. The Kent Economic Forecasting Model (KEFM), produced on behalf of Kent County Council, by Experian.

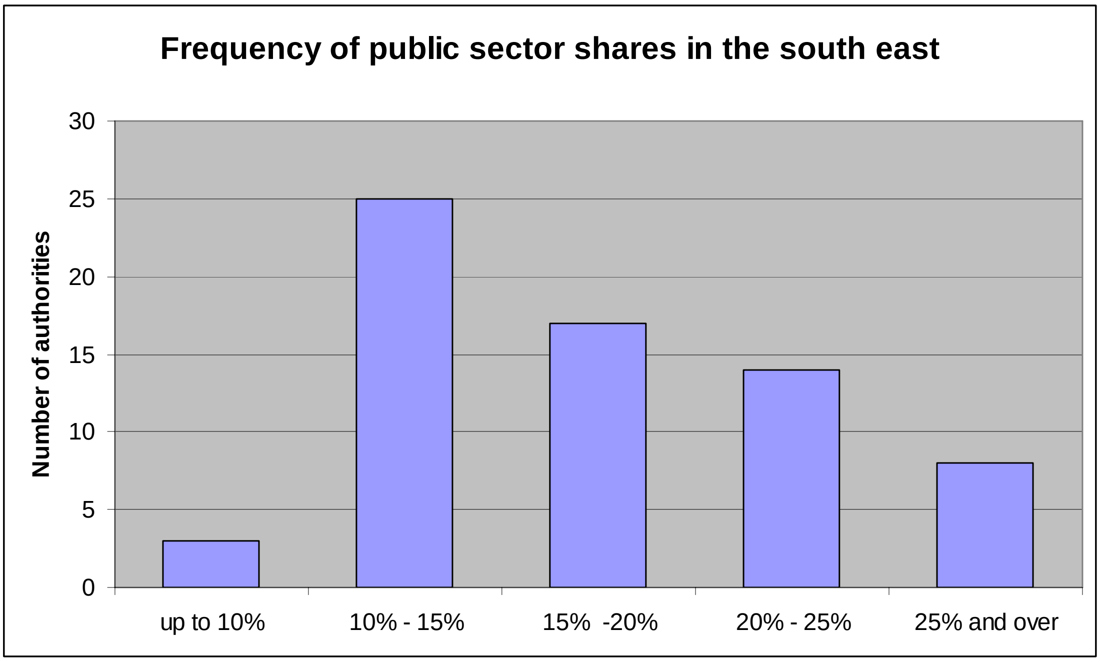
Note:
Both data sources are workplace based and are classified using the Standard Industrial Classification (SIC) 2003.

Part 1 – regional overview of public sector dependency in the south east

The public sector definition covers all employees in; public administration (central and local government), defence (the armed forces), emergency services (police, fire & rescue and ambulance services), education (schools and universities) and health (hospitals, residential care and social work). It is a large employment sector, which nationally accounts for 20.4% of all employees and in the south east 17.2%.

This analysis will show that there is great variation across the south east region in terms of "public sector dependency" within local economies, with percentages ranging from 6.8% to 28.3% of all employee jobs.

Chart 1



The distribution of proportion of public sector employees across the south east is shown in chart 1.

The chart shows that of the 67 south east district/unitary authorities only 3 have a public sector dependency of up to 10%. 25 authorities have between a 10% and 15% share of public sector employment.

The largest public sector dependency rates are of 25% or more – and there are 8 authorities in the south east in this category. See tables 1-3 for more detail.

Those with the highest dependency on the public sector are shown in table 1 and those with the lowest dependency are shown in table 2. These two tables show the authorities that fall within the highest/lowest quintiles.

Table 1 – top quintile (top 20%)

Local authority	Percentage
Hastings	28.3%
Maidstone	27.9%
Winchester	27.5%
Oxford	27.2%
Portsmouth	26.3%
Gosport	25.9%
Worthing	25.1%
Isle of Wight	25.1%
Medway Towns	23.9%
Dover	23.7%
Lewes	23.6%
Shepway	23.4%
Eastbourne	23.0%

Source: Annual Business Inquiry, 2008

Table 2 – bottom quintile (bottom 20%)

Local authority	Percentage
Woking	11.6%
Wycombe	11.6%
Horsham	11.3%
Windsor & Maidenhead	11.3%
Waverley	11.2%
Hart	11.1%
Mole Valley	10.8%
Crawley	10.5%
East Hampshire	10.3%
Bracknell Forest	10.0%
Wokingham	10.0%
Elmbridge	8.5%
South Buckinghamshire	6.8%

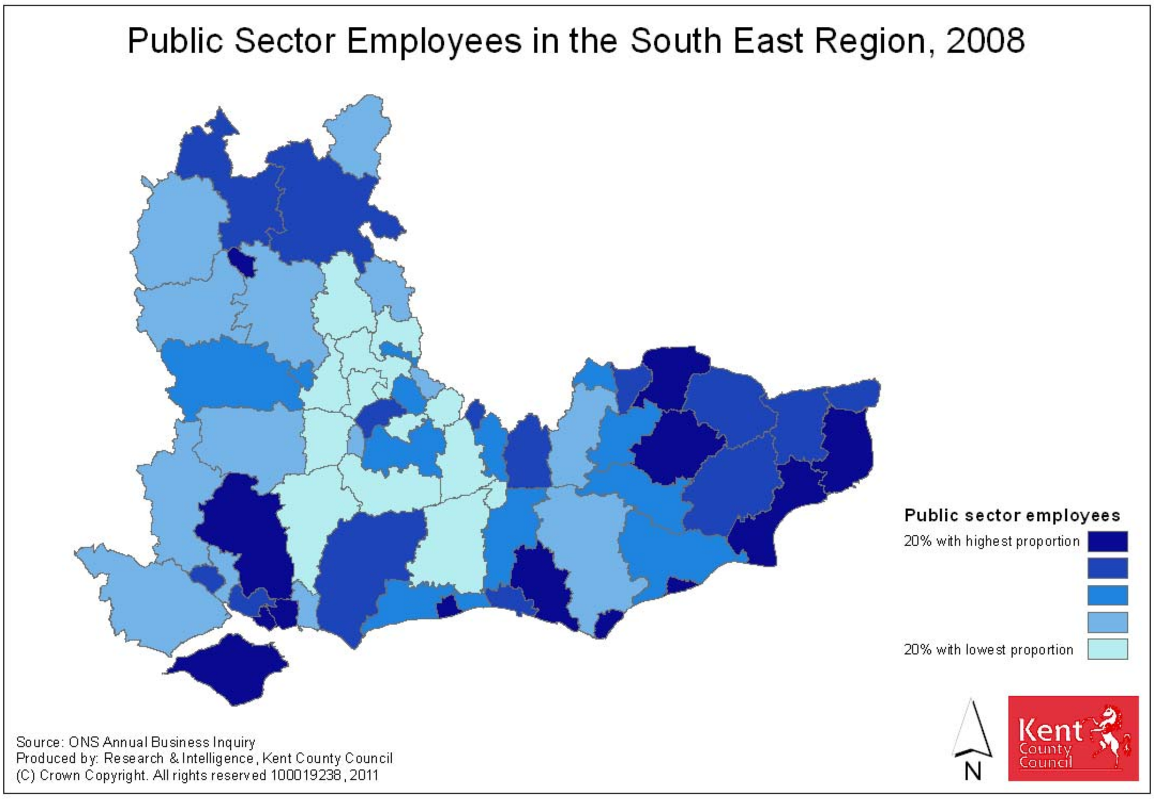
Source: Annual Business Inquiry, 2008

As the public sector is so broad in its coverage, some of the areas appearing in the top quintile (top 20%) do so as a result of the concentration of particular industries within the public sector definition. The coastal areas of Hastings and Eastbourne reflect the impact that their comparatively elderly population has on the demand for healthcare provision and therefore higher employee numbers. Maidstone, Winchester, Oxford and Lewes are the “county towns” for Kent, Hampshire, Oxfordshire and East Sussex respectively, so reflect the concentration of employees in local government within the local economy of these areas.

Of those in the bottom quintile, two authorities have percentages that fall below 10%; South Buckinghamshire (6.8%) and Elmbridge (8.5%). The remaining authorities within the bottom quintile are much closer in their proportions of public sector employees than the spread within the upper quintile, and vary by only 1.6% across 11 authorities. These are a mixture of areas; where some are predominantly rural, with slightly lower overall employment levels, while others are those whose economic "specialism" is not within the public sector but in either the provision of major business services or manufacturing. In Crawley, for example, the economy is dominated by employment based at Gatwick Airport.

Map 1 highlights the different proportions across the south east and table 3 provides the data upon which the map is based.

Map 1



Public sector dependency - January 2011

Table 3 – public sector shares in the south east

Public sector employees, 2008

(Kent Districts and Medway are show shaded)

SOA Code	District Name	Total	Public	% Public Sector	Quintile
21UD	Hastings	29,000	8,200	28.3%	1
29UH	Maidstone	70,700	19,700	27.9%	1
24UP	Winchester	66,200	18,200	27.5%	1
38UC	Oxford	107,800	29,300	27.2%	1
00MR	Portsmouth	99,600	26,200	26.3%	1
24UF	Gosport	20,500	5,300	25.9%	1
45UH	Worthing	43,800	11,000	25.1%	1
00MW	Isle of Wight	50,200	12,600	25.1%	1
00LC	Medway Towns	84,000	20,100	23.9%	1
29UE	Dover	35,800	8,500	23.7%	1
21UF	Lewes	31,800	7,500	23.6%	1
29UL	Shepway	35,500	8,300	23.4%	1
21UC	Eastbourne	38,200	8,800	23.0%	1
29UN	Thanet	40,100	9,100	22.7%	2
00MS	Southampton	109,500	24,700	22.6%	2
29UG	Gravesham	27,000	6,000	22.2%	2
24UE	Fareham	52,600	11,100	21.1%	2
43UC	Epsom and Ewell	27,200	5,700	21.0%	2
43UK	Tandridge	34,900	7,300	20.9%	2
45UD	Chichester	49,700	10,100	20.3%	2
29UC	Canterbury	61,000	12,300	20.2%	2
11UB	Aylesbury Vale	69,000	13,900	20.1%	2
29UM	Swale	41,200	8,100	19.7%	2
43UJ	Surrey Heath	42,200	8,000	19.0%	2
38UB	Cherwell	66,600	12,400	18.6%	2
00ML	Brighton and Hove	119,200	22,000	18.5%	2
29UB	Ashford	48,400	8,800	18.2%	2
43UD	Guildford	71,500	13,000	18.2%	3
43UF	Reigate and Banstead	61,700	11,000	17.8%	3
45UB	Adur	18,100	3,200	17.7%	3
00MC	Reading	97,300	17,000	17.5%	3
43UG	Runnymede	48,800	8,300	17.0%	3
00MB	West Berkshire	83,700	13,800	16.5%	3
29UQ	Tunbridge Wells	47,500	7,600	16.0%	3
45UC	Arun	40,700	6,300	15.5%	3
00MD	Slough	75,400	11,600	15.4%	3
45UG	Mid Sussex	54,000	8,300	15.4%	3
29UP	Tonbridge and Malling	54,700	8,400	15.4%	3
29UD	Dartford	51,600	7,800	15.1%	3
21UG	Rother	24,700	3,700	15.0%	3
24UJ	New Forest	66,400	9,700	14.6%	4
24UH	Havant	39,300	5,700	14.5%	4
24UL	Rushmoor	46,000	6,500	14.1%	4
38UD	South Oxfordshire	52,600	7,300	13.9%	4
38UE	Vale of White Horse	53,900	7,400	13.7%	4
21UH	Wealden	44,300	6,000	13.5%	4
29UK	Sevenoaks	42,700	5,700	13.3%	4
38UF	West Oxfordshire	38,400	5,000	13.0%	4
24UN	Test Valley	48,200	6,200	12.9%	4
11UC	Chiltern	31,100	4,000	12.9%	4
24UD	Eastleigh	59,900	7,700	12.9%	4
43UH	Spelthorne	36,600	4,700	12.8%	4
00MG	Milton Keynes	142,600	17,600	12.3%	4
24UB	Basingstoke and Deane	83,100	10,100	12.2%	4
43UM	Woking	45,700	5,300	11.6%	5
11UF	Wycombe	75,900	8,800	11.6%	5
45UF	Horsham	48,500	5,500	11.3%	5
00ME	Windsor and Maidenhead	75,000	8,500	11.3%	5
43UL	Waverley	49,800	5,600	11.2%	5
24UG	Hart	35,100	3,900	11.1%	5
43UE	Mole Valley	41,800	4,500	10.8%	5
45UE	Crawley	78,200	8,200	10.5%	5
24UC	East Hampshire	45,500	4,700	10.3%	5
00MA	Bracknell Forest	62,700	6,300	10.0%	5
00MF	Wokingham	68,000	6,800	10.0%	5
43UB	Elmbridge	54,000	4,600	8.5%	5
11UE	South Buckinghamshire	31,100	2,100	6.8%	5

Part 2 – Kent Districts

Each of the Kent Districts is very different in terms of the proportion of industries represented within their respective economies and this is also true in terms of the proportion of public sector employees.

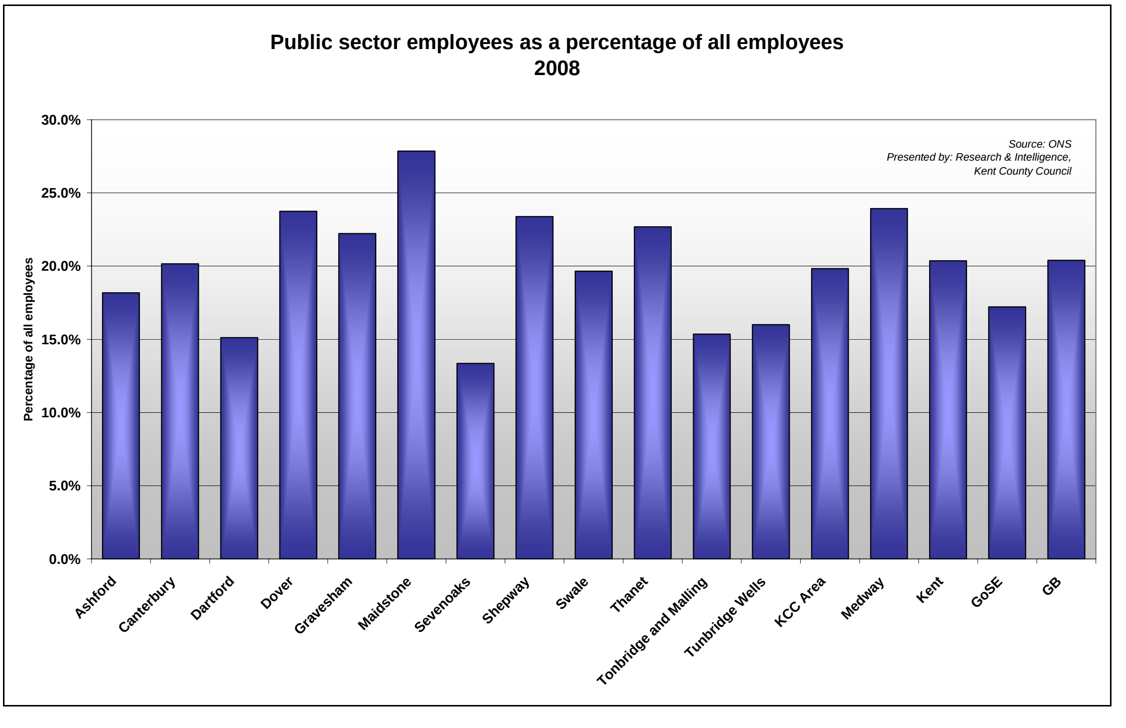
Table 4

SOA Code	District Name	Total	Public	% Public Sector	Quintile
29UH	Maidstone	70,700	19,700	27.9%	1
00LC	Medway Towns	84,000	20,100	23.9%	1
29UE	Dover	35,800	8,500	23.7%	1
29UL	Shepway	35,500	8,300	23.4%	1
29UN	Thanet	40,100	9,100	22.7%	2
29UG	Gravesham	27,000	6,000	22.2%	2
29UC	Canterbury	61,000	12,300	20.2%	2
29UM	Swale	41,200	8,100	19.7%	2
29UB	Ashford	48,400	8,800	18.2%	2
29UQ	Tunbridge Wells	47,500	7,600	16.0%	3
29UP	Tonbridge and Malling	54,700	8,400	15.4%	3
29UD	Dartford	51,600	7,800	15.1%	3
29UK	Sevenoaks	42,700	5,700	13.3%	4

Source: Office for National Statistics

More than half of the Kent districts and Medway Unitary authority appear in the top two quintiles, with none appearing in the bottom quintile. Those with the highest public sector dependency, appearing in the top quintile, are Maidstone (with the second highest percentage in the South East), Medway Dover and Shepway. Sevenoaks has the lowest level of public sector dependency of all the Kent districts and falls within the 4th quintile.

Chart 2



Part 3 of this bulletin will examine the effects of the estimated loss of public sector jobs nationally, on the Kent districts and Medway. This assesses the impact of the actual number of jobs lost within the public sector of each district. It is not possible to break these assessments down into sub-sectors, so it is based on the public sector in total.

Part 3 – Kent forecasts

The Office for Budgetary Responsibility (OBR) has produced a new set of forecasts predicting job losses in the public sector reaching 330,000 by 2015 with a further 80,000 being lost the year after. The latest estimates from the Office for National Statistics, of public sector employment, indicate that there were just over 5.4 million people employed in the public sector in Great Britain in 2008. The means that, in percentage terms, the job losses forecast by the OBR are around 6.1% by 2014 and a further 1.5% by 2015.

The OBR openly admit to the “lack of certainty” with regard to these forecasts, so these estimates should be used with caution.

The ONS estimates suggest that there were 110,300 public sector employees in the KCC Area in 2008. Therefore, the proportion of jobs that could be lost, based on the national figure should be 8,380, with an equivalent figure for Kent (including Medway) of 9,920. Assuming equal phasing each year 2011-2014 and then applying the 2015 proportion separately, the overall impact is set out in table 5.

Table 5 – phased job losses 2001-2015

	2011	2012	2013	2014	2015	Total
Ashford	-130	-130	-130	-130	-130	-650
Canterbury	-190	-190	-190	-190	-180	-940
Dartford	-120	-120	-120	-120	-120	-600
Dover	-130	-130	-130	-130	-130	-650
Gravesham	-90	-90	-90	-90	-90	-450
Maidstone	-300	-300	-300	-300	-290	-1,490
Sevenoaks	-90	-90	-90	-90	-80	-440
Shepway	-130	-130	-130	-130	-120	-640
Swale	-120	-120	-120	-120	-120	-600
Thanet	-140	-140	-140	-140	-130	-690
Tonbridge and Malling	-130	-130	-130	-130	-120	-640
Tunbridge Wells	-120	-120	-120	-120	-110	-590
KCC Area	-1,690	-1,690	-1,690	-1,690	-1,620	-8,380
Medway	-310	-310	-310	-310	-300	-1,540
Kent	-2,000	-2,000	-2,000	-2,000	-1,920	-9,920

Source: Research & Intelligence, Kent County Council

To fully asses the impact of these job losses, these figures were entered into the KEFM to determine the level of indirect jobs that would be lost.

A summary of the direct and indirect job losses is shown in table 6, based on full-time equivalents.

Table 6 – direct and indirect job loses

	Direct losses	Indirect losses	Total losses
Kent county council	-8,380	-2,880	-11,260
Kent	-9,920	-3,410	-13,330
Ashford	-650	-220	-870
Canterbury	-940	-320	-1,260
Dartford	-600	-210	-810
Dover	-650	-220	-870
Gravesham	-450	-150	-600
Maidstone	-1,490	-510	-2,000
Sevenoaks	-440	-150	-590
Shepway	-640	-220	-860
Swale	-600	-210	-810
Thanet	-690	-240	-930
Tonbridge and Malling	-640	-220	-860
Tunbridge Wells	-590	-200	-790
Medway Towns	-1,540	-530	-2,070

Source: KEFM, Research & Intelligence, Kent County Council

The Kent Economic Forecasting Model (KEFM) uses different measures of employment than the ABI, in that its standard measures are Full-time equivalents (where all part time jobs are considered as .6 of a part-time job).

The analysis shows that Medway (-2,070), Maidstone (-2,000) and Canterbury (-1,260) are likely to be hit hardest by the potential job losses that may result from cuts in public sector spending.

The lowest impacts are expected to be felt in Sevenoaks (-590) and Gravesham (-600).

The remaining districts are likely to experience similar levels of impact; between -800 and -900 jobs.

In addition to the impact on jobs, the KEFM allows the impact to be assessed in terms of its effect on gross value added (GVA) – a measure of economic output.

Table 7 sets out the reduction in GVA likely to be experienced due to this level of job loss.

Table 7 - impact on GVA

	Reduction in GVA (£m)
Kent county council	-472
Kent	-558
Ashford	-37
Canterbury	-53
Dartford	-34
Dover	-37
Gravesham	-25
Maidstone	-84
Sevenoaks	-25
Shepway	-36
Swale	-34
Thanet	-39
Tonbridge and Malling	-36
Tunbridge Wells	-33
Medway Towns	-87

Source: KEFM, Research & Intelligence, Kent County Council

The impacts in each area are in proportion to the job losses, with the main impacts being felt in Medway (-£87m), Maidstone (-£84m) and in Canterbury (-£53m) by 2015/16.

Overall, the effect of this level of job loss will result in a reduction in GVA of £472m in the KCC Area and £558m in Kent (including Medway) by 2015/16.

Conclusion

This bulletin has provided a basis for estimating the potential impact of job losses in the public sector, based on the latest data available. These are intended as indicative forecasts to inform Members and Officers of the County Council.

Despite the high level of uncertainty regarding the scale and location of the actual losses that will take place, these estimates provide a reasonably robust estimation of the potential effects on Kent.

There is an expectation by the coalition government that an expansion of jobs in the private sector will mitigate the job losses in the public sector but this is not universally accepted. For this reason, this bulletin has focussed solely on the impact of public sector job losses, without making any assumptions about compensatory public/private sector shifts. However, as this analysis has shown, the multiplier effects associated with the loss of public sector jobs are significant and will, inevitably, have a negative effect on the private sector. This makes the concept of public/private sector shifts a complex issue to determine but it would seem to be doubly difficult to achieve if the reduction in public sector jobs also reduces demand within the private sector, through reduced public sector spending.

For further information regarding this document please contact:

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