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The ‘truly extraordinary’ 2012 jobs boom: ‘cheap labour’ fuels fastest rate of UK employment growth since 2000 and one of best years for jobs in four decades

With the latest unemployment figures and the Budget set to put jobs in the economic spotlight, The Jobs Economist today looks at recent UK employment growth in historical perspective:

- **2012 was the best year for employment growth since 2000 and surpassed by only nine other years in the previous four decades.** What makes the 2012 jobs boom truly extraordinary is that **all the other jobs booms since the 1970s occurred during periods of economic boom**, with GDP growing well above the underlying trend rate, rather than stagnation.
- The 2012 jobs boom can't be explained solely by more people working short-hours. Full-time employees account for half the total increase in employment. **Only in two years since the early 1970s has the volume of work undertaken in the UK economy as measured by total weekly hours worked increased at a faster annual rate than in 2012.**
- Adjusting for the effect of a statistical reclassification **there was an underlying increase in private sector employment of 550,000 in the first three quarters of 2012.** The final outturn is estimated to be around 730,000 which will be enough to

validate the government's claim that more than 1 million private sector jobs have been created since the coalition was formed.

- **In a stagnant economy the jobs boom has been fueled by cheap labour**, by which is meant not a disproportionate rise in low paid jobs but limited improvement in reward for most types of jobs. **Total employee compensation (i.e. the sum of all employee income including wages, salaries, employers' pension and national insurance contributions, bonuses and benefits in kind) has been growing at historically low rates during the past five years and only in 2009 outpaced price inflation.**
- **The 2012 'UK jobs boom' is more accurately described as 'England's jobs boom'. By contrast there was a 'Celtic jobs drought'.** Scotland saw a negligible increase in employment, Wales no increase, and Northern Ireland a fall.

Dr John Philpott, Director of The Jobs Economist, comments:

"With the UK economy at risk of a triple dip recession, around 10,000 public sector jobs being shed each month and 2.5 million people unemployed it sounds odd to suggest that we've just been through a jobs boom. Yet believe it or not 2012 really was a year of extraordinarily strong employment growth.

"A jobs boom without economic growth is unprecedented in recent UK economic history. The downside of course is a fall in labour productivity and a continued real pay squeeze. 'Cheap labour' might justifiably be deemed a price worth paying for more jobs. But a jobs boom that doesn't deliver improved living standards is like nothing we've seen before in the UK and not necessarily a signal that the economy is heading in the right direction. The extraordinary jobs boom may console the Chancellor but doesn't lessen the onus on him to deliver a Budget for growth."

Notes to Editors:

John Philpott is available for interview

A copy of *The 2012 jobs boom* is available on request

The Jobs Economist is an independent consultancy specializing in analysis of employment and pay trends and related public policy issues

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