

# **JOBS AUDIT**

## The fall in public sector employment

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It's almost three years since the coalition government began its fiscal deficit reduction programme. One of the most noticeable impacts has been on public sector employment, which has already fallen by more than 600,000 and is projected by the independent Office for Budget Responsibility (OBR) to fall by 1.2 million between 2010 and 2018. If correct, this means that the public sector workforce will have been cut by a fifth while the share of public sector employment in total employment will have fallen from 21.7% to 15%. On this projection, by 2018 the proportion of people employed in the public sector will be lower than at any time since before World War II.

The scale of public sector job cuts has been overshadowed by the corresponding strength of net private sector job creation, which has exceeded 1 million since the middle of 2010. This Jobs Audit therefore takes a closer look at what's happened to employment in the public sector.

### **The scale and pace of public sector job cuts**

In the final quarter of 2012 5.72 million people were employed in the UK public sector, comprising 5.24 million in 'general government' (i.e. central and local government) and 0.48 million in public corporations (table 1, note that the most recent estimates are as always subject to revision). This total is around 0.25 million higher than in 1999 when the current Office for National Statistics (ONS) consistent public sector employment series begins but 0.64 million lower than the series peak in q3 2009 and 0.60 million lower than q1 2010, which was the final full quarter before the coalition government was formed. At 19.2% the share of public sector employment in total employment is now lower than at any time since 1999.

The net fall in total public sector employment between q1 2010 and q4 2012 represents a percentage reduction of 9.6%. However, part of this fall is accounted for by a statistical reclassification of people employed in English Further Education (FE) Colleges and Sixth Form Colleges from the public to the private sectors. This took effect in Q2 2012 and reduced measured public sector employment at a stroke by 196,000. Adjusting for this the underlying reduction in

public sector employment between q1 2010 and q4 2012 is 410,000 (6.5%). This is a better indicator of the net impact of public sector job cuts on the overall labour market.

Interpretation of the underlying trend is also slightly confused by the inclusion in the public sector employment total of employees of financial institutions that were nationalized following the banking crises of 2007/8. The number of these employees, which are included within the broader sub-category Public Corporations, peaked at around 0.25 million at q4 2008 before falling to around 0.18 million at q4 2012.

**Table 1 Change in public sector employment, UK (000s, seas adj)**

	<b>General Government</b>	<b>Public Corporations</b>	<b>Total Public Sector</b>
1999 q2	<b>5106</b>	<b>361</b>	<b>5467</b>
2009 q2	<b>5752</b>	<b>571</b>	<b>6323</b>
2009 q3	<b>5805</b>	<b>560</b>	<b>6365</b>
2009 q4	<b>5812</b>	<b>550</b>	<b>6362</b>
2010 q1	<b>5783</b>	<b>545</b>	<b>6328</b>
2010 q2	<b>5764</b>	<b>547</b>	<b>6311</b>
2011 q2	<b>5587</b>	<b>515</b>	<b>6102</b>
2012 q1	<b>5509</b>	<b>490</b>	<b>5999</b>
2012 q2	<b>5286</b>	<b>483</b>	<b>5769</b>
2012 q3	<b>5264</b>	<b>478</b>	<b>5742</b>
2012 q4	<b>5243</b>	<b>479</b>	<b>5722</b>
Raw Change 2010 q1 to 2012 q4	<b>-540 (-9.3%)</b>	<b>-66 (-12.1%)</b>	<b>-606 (-9.6%)</b>
Adjusted Change 2010 q1 to 2012 q4	<b>-344 (-5.9%)</b>	<b>-66 (-12.1%)</b>	<b>-410 (-6.7%)</b>

**Source: ONS**

Most analysis of the trend in public sector employment, including that undertaken by the OBR, focuses on general government employment. This fell by 0.54 million (9.3%) between q1 2010 and q4 2012, or by an underlying 0.34 million (5.9%) adjusting for the statistical reclassification of employment in FE and sixth form colleges. In its first projection using the current methodology, in which the change in employment is determined by projected growth in the paybill and paybill by headed, the OBR projected that general government employment would fall by 0.39 million in the current Parliament. The actual underlying fall in the first half of the current Parliament is therefore already 90% of what the OBR initially projected for the entire Parliament.

The OBR has subsequently revised its projections and now expects an underlying fall in general government employment of 0.7 million (12.1%) in this Parliament. On the OBR projection general government employment is set to fall by a further 0.36 million between q4 2012 and the next General Election due in 2015. This implies a fall of 0.34 million in the two years to q1 2015, assuming the rate of reduction in q1 2013 is similar to that seen in q3 and q4 2012 (i.e. roughly 20,000 per quarter). The projected fall in the next two years is therefore almost as large as the actual underlying fall experienced in the past three years. The total projected fall is equal to the rise in general government employment from its previous trough in q2 1999 to the previous peak in q4 2009. On the OBR projection the coalition will therefore within the five years 2010 to 2015 cut as many general government jobs as the previous Labour Government created in the decade to the end of 2009.

A point of comparison is offered by the most recent previous period of UK fiscal consolidation in the 1990s. ONS figures covering that period show that general government employment fell by a total of 0.59 million (10.8%) between 1991 and start of the renewed expansion of public sector employment in 1999, an average reduction of 75,000 per year. The annual average projected fall in general government employment between 2010 and 2015 is 140,000. On the current OBR projection the coalition government is therefore cutting general government employment at almost double the annual amount achieved in the 1990s.

The projected average reduction in general government of almost 43,000 per quarter between now and the General Election due in 2015 is also considerably higher than the average reduction of 30,000 per quarter since the 2010 General Election. However, although this points to a quickening in the pace of public sector downsizing, the actual underlying quarterly reduction in general government employment has slowed to around 20,000 since mid-2012. The reasons for this are not yet entirely clear though it is suggested that some employers might have sacked too many staff and are either rehiring or at least becoming more cautious about further job cuts.

This raises the possibility that the OBR, which in 2010 greatly underestimated the scale of public sector job cuts in 2011 and 2012, may now be overestimating the scale of future cuts. If the current actual quarterly rate of reduction were to persist, the fall in general government employment between now and 2015 would be 160,000, limiting the total fall between 2010 and 2015 to 520,000.

### **The impact on central and local government**

The statistical reclassification of employment in FE and sixth form colleges has had a far bigger impact on central government employment than local government employment, reducing the former by 176,000 and the latter by 20,000. Adjusting for this, local government accounts for the entire underlying fall in general government employment between q1 2010 and q4 2012 (table 2).

**Table 2 Change in employment in central and local government, UK (000s, seas adj)**

	Central Government	Local Government	Civil Service
1999 q2	2346	2760	504
2009 q2	2817	2935	527
2009 q3	2868	2937	534
2009 q4	2883	2929	533
2010 q1	2870	2913	528
2010 q2	2883	2931	522
2011 q2	2804	2783	488
2012 q1	2863	2646	464
2012 q2	2694	2592	458
2012 q3	2708	2556	455
2012 q4	2719	2524	451
Raw Change 2010 q1 to 2012 q4	-151 (-5.3%)	-389 (-13.4%)	-77 (-14.6%)
Adjusted Change 2010 q1 to 2012 q4	+25 (+0.9%)	-369 (-12.7%)	n/a

**Source: ONS**

The underlying fall in local government employment of 0.37 million (12.6%) is equivalent to 1 in 8 local government jobs in q1 2010. By contrast the corresponding underlying change shows a slightly higher number of people employed in central government in q4 2012 than in q1 2010. Indeed, in a break from previous tradition, 2012 was the first year in which more people were employed in central government than in local government. However, this outcome is also affected by a statistical classification effect. When local authority maintained schools become Academy

schools those they employ are classified within central government rather than local government. The ONS does not provide an estimate of this effect other than to say that there are now around 0.25 million people employed by Academy schools. Adjusting for this the underlying fall in public sector employment is shared roughly equally between central and local government.

Within total public sector employment the number of civil servants in employment fell by 77,000 (14.6%) from 528,000 to 451,000 between q1 2010 and q2 2012. Since q1 2011 the ONS has also been publishing figures for people employed in some Executive Non-Departmental Public Bodies (NDPBs, sometimes referred to as 'quangos'). Employment in the NDPBs covered by the ONS figures was 7,960 lower at q4 2012 than at q1 2010 (a reduction of 9.4%, from 85,070 to 77,110).

### **The impact on public sector activity sub-categories**

In terms of activity, the NHS and Education are the biggest single categories of public sector employment, together accounting for over half the total public sector workforce (table 3). However, these sectors have been spared the worst effect of real cuts in public expenditure. Consequently, the NHS registered only a relatively small fall in employment between q1 2010 and q4 2012 (43,000, 2.3%), while the fall in employment in Education is negligible (13,000, 0.8%) having adjusted for the reclassification of FE and Sixth Form colleges to the private sector. The big losers are Other Health and Social Work (a fall of -15.9%), Construction (-12.2%), Public administration (-11.4%), Police, including civilian roles (-11.2%) and HM Forces (-10.6%).

**Table 3 Change in public sector employment by activity sub-category, UK (000s, seas adj)**

	Construction	HM Forces	Police	Public Admin	Education	NHS	Other Health/Social Work
2010 q1	49	199	294	1223	1679	1603	359
2012 q1	42	187	266	1093	1692	1561	321
2012 q2	43	186	264	1093	1495	1556	314
2012 q3	43	183	263	1082	1486	1553	305
2012 q4	43	178	261	1083	1470	1560	302
Change	-6	-21	-33	-140	-209	-43	-57
2010q1- 2012 q4	(-12.2%)	(-10.6%)	(-11.2%)	(-11.4%)	(-12.4%)	(-2.6%)	(-15.9%)

**Source: ONS**

### **Regional and national impact**

The published ONS public sector employment data for the regions and nations of the UK are not seasonally adjusted. To avoid the effect of seasonal factors, comparison is here made between q4 2009 and q 4 2012.

Within England the fall in public sector employment has been relatively larger in regions which have a higher share of public sector employment than the English average (table 4). The North East, for example, saw its public sector workforce shrink by 13.4% between q4 2009 and q4 2012, although the South West suffered the largest percentage fall (14%). By contrast, London and the South East have been hit less relatively less hard.



**Table 4 Change in public sector employment by region, England (000s, not seas adj)**

	East	Emid	Wmid	Nwest	Yorks/Humber	Neast	London	Seast	Swest
<b>2009</b>									
<b>q4</b>	479	403	535	735	575	297	820	727	561
<b>2012</b>									
<b>q4</b>	429	368	477	648	510	257	747	664	482
<b>Change</b>									
<b>000s</b>	-50	-35	-58	-87	-65	-40	-73	-63	79
<b>Change</b>									
<b>%</b>	-10.4	-8.7	-10.8	-11.8	-11.3	-13.4	-8.9	-8.6	-14.0
<b>Public</b>									
<b>sector</b>									
<b>employment</b>									
<b>Share %</b>	16.3	18.0	19.2	20.4	20.8	22.6	16.8	16.8	19.0

**Source: ONS**

However, the pattern is slightly different in the other nations of the UK with Scotland suffering a bigger percentage loss of public sector employment (8.7%) than either Wales (6.5%) or Northern Ireland (6.0%) which have slightly higher shares of public sector employment in their total employment pools (table 5).

**Table 5 Public sector employment by Nation (000s, not seas adj)**

	England	Wales	Scotland	N Ireland
<b>2009 q4</b>	5133	355	635	230
<b>2012 q4</b>	4582	332	580	216
<b>Change 000s</b>	-551	-23	-55	-14
<b>Change %</b>	-10.7	-6.5	-8.7	-6.0
<b>Public sector employment Share %</b>	18.4	25.9	23.5	28.2

**Source: ONS**