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Jobs Outlook 2013: UK workforce facing a 'hard slog year' of higher unemployment, longer hours, and continued real pay squeeze

In its Jobs Outlook report, published today, The Jobs Economist forecasts that **the UK will create fewer new jobs in 2013 than in 2012** despite somewhat stronger economic growth. And although there will be only a modest rise in unemployment, **people in work can expect longer hours but will have to work harder for no extra real reward.**

- Although GDP is forecast to increase by only 1% in 2013, **private sector employment (including self-employment) is forecast to grow by 200,000, more than offsetting a fall in public sector employment of 120,000.** The forecast net increase in total employment (80,000), which reflects surveys of employers' hiring intentions, is slightly more optimistic than the Office for Budget Responsibility (OBR) forecast of no net employment growth in 2013. **However, the forecast net increase in total employment (80,000) is less than a fifth of the net increase in 2012** in the expectation that employers act to improve productivity and curb acceleration in unit labour costs.
- With somewhat stronger economic growth helping to improve business confidence in 2013 **increased hours of work and greater work intensity**, rather than job cuts or further pay restraint, are forecast **to be the main drivers of higher productivity and unit labour cost control.**

- **Unemployment is forecast to rise by 120,000 to 2.63 million** because growth in the size of the workforce will exceed the more moderate pace of employment growth. The **unemployment rate is forecast to reach 8.1% by the end of 2013, up from 7.8% at the end of 2012**. However, this is below the previous peak of 8.3% in 2011 and, in line with our slightly more optimistic view of the employment outlook, below the OBR forecast of 8.3% for 2013.
- Policy effects, notably the impact of the government's Youth Contract and the Work Programme, are forecast to help unemployed youths and the long-term unemployed relative to older people and the short-term unemployed. **Youth unemployment is forecast to fall below 900,000 while the number of people long-term unemployed is forecast to remain broadly stable** and thus fall slightly as a proportion of total unemployment.
- A forecast of more full-time jobs and increased hours for people already in work points to an increase in the annual rate of growth in average earnings to 2.2% by the end of 2013. However, **pay settlements will continue to be dampened by high and rising unemployment and growth in average earnings will continue to lag behind price inflation** (forecast to still be running at 2.3% by the end of 2013). **2013 will be another year of real pay cuts** although the squeeze will be less severe than in 2010, 2011 or 2012.
- Job insecurity is forecast to remain at the heightened levels prevailing since the financial crisis first struck in 2008. People in work will maintain 'a grin and bear it' attitude to their jobs and work as hard as required by their employers, indeed in many cases welcoming the opportunity of longer hours to support squeezed incomes. As a result we expect only limited active support on the part of private sector workers for public sector trade union opposition to government austerity measures even though the latter is likely to be more widespread and potentially more rancorous in 2013 than in 2012.

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

“Economists were as bad at forecasting the UK jobs market in 2012 as Mayan calendar doomsters were at predicting the end of the world. Yet while this shows why economic forecasts must always be treated with caution, reasoned expectations of what might lie ahead provide a useful benchmark against which to assess what actually happens.

“Our jobs outlook for 2013 is relatively optimistic in that we expect only a modest rise in unemployment. However, the fact that this can be considered good news merely underlines the harsh reality of current economic austerity. GDP may grow somewhat faster but 2013 will be another year of hard slog, with longer hours for those lucky enough to have jobs and a further squeeze on living standards for workers and the jobless alike.

“Hard pressed private sector workers are likely to keep their heads down and get on with the job rather than actively stand shoulder to shoulder with striking public sector trade unionists. Workplace disgruntlement in the private sector will instead take the form of simmering distrust of bosses, especially those who adopt the trendy management speak mantra of ‘employee engagement’ while piling the pressure on overstretched staff.”

Notes to Editors:

John Philpott is available for interview

A copy of ***Jobs Outlook 2013*** 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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