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## **A further 340,000 public sector jobs to be cut by 2015 General Election – underlying pace of job downsizing to quicken, if OBR projection proves correct**

In a report published today The Jobs Economist finds that on the current Office for Budget Responsibility (OBR) projection almost as many government jobs will be cut in the next two years as have already been cut in the three years since 2010, indicating acceleration in the underlying pace of public sector downsizing:

- At the end 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. This total is 640,000 lower than the peak in q3 2009 and 600,000 lower than q1 2010, the final full quarter before the Coalition Government was formed.
- Part of the total fall in public sector employment is due to a statistical reclassification of people employed in English Further Education (FE) Colleges and Sixth Form Colleges from the public to the private sectors. 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.
- The OBR projections relate only to general government employment. Adjusting for statistical reclassification there was an underlying fall in general government

employment of 340,000 (-5.9%) between q1 2010 and q4 2012, slightly less than half the total underlying fall of 700,000 (-12.1%) the OBR projection implies for q1 2010 to q1 2015. Given the current quarterly rate of decline in general government employment the OBR projection points to a further total reduction of 340,000 between q1 2013 and q1 2015.

- If the OBR projection proves correct the total fall in general government employment of 700,000 between 2010 and 2015 will match the rise in general government employment from its previous trough in q2 1999 to the previous peak in q4 2009. Consequently the Coalition will in five years cut as many general government jobs as the former Labour Government created in the decade to the end of 2009.
- As a point of comparison, during the most recent previous period of UK public sector downsizing in the 1990s, general government employment fell by a total of 590,000 (10.8%) with 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 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 reduction in general government employment has slowed to around 20,000 per quarter since mid-2012.
- 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.

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

“If the OBR is right, almost half the pain of public sector jobs cuts expected in the current five year Parliament is still to be felt. This will almost certainly further exacerbate tension between the government and public sector trade unions at a time when talk of a general strike is in the air. However, the OBR methodology for projecting public sector employment, which takes no account of what’s happening on the ground in public sector workplaces, greatly underestimated the scale of job cuts in in 2011 and 2012 but may now be overestimating what will happen in the next two years. If so, the worst of the public sector job cuts in this Parliament are already behind us.”

Notes to Editors:

### **John Philpott is available for interview**

A copy of ***The fall in public sector employment*** is available on request

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

#### **Enquiries**

**Tel: 07907 211150**

Email: [john.philpott@thejobseconomist.org](mailto:john.philpott@thejobseconomist.org)

[www.thejobseconomist.org](http://www.thejobseconomist.org)