

# **JOBS AUDIT**

UK employment rates since 2008

The JOBS  
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The number of people employed in the UK has reached a record level. In autumn 2012 there were 29.6 million people in work, around 30,000 more than the pre-2008 recession peak (table 1).

**Table 1 UK labour market parameters, 000s and % seasonally adjusted**

|                              | <i>Pop<br/>16+</i> | <i>Econ<br/>active</i> | <i>Emp</i> | <i>Unemp</i> | <i>Econ<br/>inactive</i> | <i>Econ<br/>Active<br/>%</i> | <i>Emplo<br/>%</i> | <i>Unemp<br/>%</i> | <i>Econ<br/>inactive<br/>%</i> |
|------------------------------|--------------------|------------------------|------------|--------------|--------------------------|------------------------------|--------------------|--------------------|--------------------------------|
| <b>Mar-<br/>May<br/>2008</b> | 49008              | 31186                  | 29572      | 1614         | 17823                    | 63.6                         | 60.3               | 5.2                | 36.4                           |
| <b>Mar-<br/>May<br/>2009</b> | 49366              | 31347                  | 28970      | 2377         | 18019                    | 63.5                         | 58.7               | 7.6                | 36.5                           |
| <b>Mar-<br/>May<br/>2010</b> | 49738              | 31421                  | 28930      | 2491         | 18317                    | 63.2                         | 58.2               | 7.9                | 36.8                           |
| <b>Mar-<br/>May<br/>2011</b> | 50107              | 31718                  | 29248      | 2470         | 18390                    | 63.3                         | 58.4               | 7.8                | 36.7                           |
| <b>Mar-<br/>May<br/>2012</b> | 50472              | 31955                  | 29378      | 2577         | 18517                    | 63.3                         | 58.4               | 8.1                | 36.7                           |
| <b>Aug-<br/>Oct<br/>2012</b> | 50625              | 32111                  | 29601      | 2510         | 18514                    | 63.4                         | 58.5               | 7.8                | 36.7                           |

Source: ONS

However, the period since 2008 has also witnessed a continued net rise in the UK population averaging around 330,000 per year, due mainly to inward migration. The employment rate (i.e. the number of people in work as a percentage of the population aged 16 and over) has thus fallen from 60.3% to 58.5%. Given that over the same period the economic activity rate (i.e. the propensity of people to participate in the labour market) has fallen only very slightly from 63.6% to 63.4%, the lower employment rate indicates an increased and substantial jobs shortfall in the UK economy. This *Jobs Audit* therefore looks at what's happened to employment rates for various demographic groups, regions and nations of the UK since the 2008 peak and assesses how long it will take to eliminate the post-recession jobs shortfall.

### Employment rates by gender

The Office for National Statistics (ONS) publishes two employment rate measures. Table 2 shows total UK employment by gender as a percentage of the total population aged 16 and over, covering the period since the peak in spring 2008. Table 3 is similar but only includes people of working age (16-64). The ONS considers the working age employment rate, rather than the number of people in work, to be its headline measure of employment.

**Table 2 UK employment rate by gender (people aged 16+), seasonally adjusted %**

|                     | <i>All</i> | <i>Men</i> | <i>Women</i> |
|---------------------|------------|------------|--------------|
| <i>Mar-May 2008</i> | 60.3       | 67.0       | 54.1         |
| <i>Mar-May 2009</i> | 58.7       | 64.6       | 53.1         |
| <i>Mar-May 2010</i> | 58.2       | 63.7       | 52.9         |
| <i>Mar-May 2011</i> | 58.4       | 64.1       | 52.9         |
| <i>Mar-May 2012</i> | 58.2       | 64.0       | 52.7         |
| <i>Aug-Oct 2012</i> | 58.5       | 64.2       | 53.0         |

Source: ONS

The employment rate fell sharply between 2008 and 2010, stabilized between 2010 and 2011 but despite subsequent improvement remains 1.8 percentage points below the pre-2008 recession peak. The overall decline in the employment rate is about two and a half times greater for men (down from 79% to 76.5%) than for women (down from 67.1% to 66.1%), though men have seen a bigger improvement since the trough in 2010, the female employment rate having remained broadly stable.

**Table 3 UK employment rate by gender (people aged 16-64), seasonally adjusted %**

|                     | <i>All</i> | <i>Men</i> | <i>Women</i> |
|---------------------|------------|------------|--------------|
| <b>Mar-May 2008</b> | 73.0       | 79.0       | 67.1         |
| <b>Mar-May 2009</b> | 71.1       | 76.4       | 65.8         |
| <b>Mar-May 2010</b> | 70.4       | 75.3       | 65.5         |
| <b>Mar-May 2011</b> | 70.7       | 75.8       | 65.5         |
| <b>Mar-May 2012</b> | 70.8       | 76.0       | 65.7         |
| <b>Aug-Oct 2012</b> | 71.2       | 76.5       | 66.1         |

**Source: ONS**

Without any further rise in population the total number of people in work would have to increase by 950,000 for the employment rate to return to the 2008 peak, thus providing a static measure of the UK jobs shortfall. Were employment growth to continue at the surprisingly fast pace achieved in 2012 this would occur within two years, with four years being more likely assuming the pace of net employment growth slows to a more normal rate of around 250,000 per year. However, continued growth in population will raise the required amount of employment growth and prolong the return to the pre-2008 employment rate. On current official population projections the estimated required net increase in employment is 2.2 million, which can be considered the dynamic measure of the UK jobs shortfall.

Adjusting for the projection of the Office for Budget Responsibility (OBR) that public sector employment will fall by a further 600,000 between the start of 2013 and the start of 2018 this implies a required net increase in private sector employment of 2.8 million. With a normal pace of employment growth this is unlikely to be achieved before 2020 even if the economy avoids further shocks before the end of the decade. This timescale is consistent with the OBR projection that by the start of 2018 the UK employment rate will still be 1.5 percentage points below the 2008 peak.

In simple arithmetical terms the net employment requirement could be eased by much tighter controls on inward migration in order to slow the pace of population growth. However, this would probably have negative consequences for the overall dynamism of the UK economy and diminish future employment growth prospects. Alternatively, more could be done to ensure that non-migrants are better equipped and incentivized to fill job vacancies as they arise so as to reduce over dependence on migrant workers.

## Employment rates by age

The jobs shortfall is clearly greatest for the under-25s, for whom employment rates are still much lower than before the 2008-recession, though it is also apparent for the 25-49 year age group (table 4). By contrast employment rates are now higher for the over-50s, in particular those above the current state pension age. In other words, there is no jobs shortfall for older workers relative to the pre-2008 recession peak. For these older age groups the jobs challenge is instead one of raising employment rates still higher so that the economy adapts better to population ageing, though this of course will further increase the net employment growth requirement for the economy as a whole.

**Table 4 UK employment rate by age, seasonally adjusted %**

|                | <b>16-17</b> | <b>18-24</b> | <b>25-34</b> | <b>35-49</b> | <b>50-64</b> | <b>65+</b> |
|----------------|--------------|--------------|--------------|--------------|--------------|------------|
| <b>Mar-May</b> |              |              |              |              |              |            |
| <b>2008</b>    | 34.2         | 64.7         | 80.9         | 82.7         | 65.6         | 7.3        |
| <b>Mar-May</b> |              |              |              |              |              |            |
| <b>2009</b>    | 28.8         | 59.7         | 78.2         | 81.5         | 65.2         | 7.5        |
| <b>Mar-May</b> |              |              |              |              |              |            |
| <b>2010</b>    | 25.4         | 58.4         | 77.9         | 81.0         | 64.8         | 8.2        |
| <b>Mar-May</b> |              |              |              |              |              |            |
| <b>2011</b>    | 23.7         | 58.2         | 78.7         | 81.1         | 65.2         | 8.9        |
| <b>Mar-May</b> |              |              |              |              |              |            |
| <b>2012</b>    | 23.8         | 56.9         | 78.4         | 81.7         | 65.7         | 9.0        |
| <b>Aug-Oct</b> |              |              |              |              |              |            |
| <b>2012</b>    | 23.7         | 58.1         | 78.5         | 82.0         | 66.3         | 9.2        |

Source: ONS

## **Employment rates by country of birth**

The working age employment rate for people born in the UK remains well below the 2008 peak while the rate for foreign born people has returned to the previous peak (table 5). Interestingly, while the employment rate for people born in the so-called A8 central and eastern European countries that joined the EU in 2004 is relatively high, it has fallen substantially from 84% to 80% since 2008. It is not clear from published data to what extent this reflects greater difficulty in finding employment by A8 born people or a reduced propensity to participate in the labour market (possibly due to increasing numbers settling and starting to raise families in the UK). By contrast, employment rates have increased for people born in India or Pakistan/Bangladesh. The employment rate for Pakistani/Bangladeshi born people, while still very low, has now for the first time risen above 50%.

**Table 5 UK employment rate by country of birth, not seasonally adjusted %**

|                              | <i>UK<br/>born</i> | <i>Non<br/>UK<br/>born</i> | <i>EU</i> | <i>EU/A8</i> | <i>Africa/Not<br/>South<br/>Africa</i> | <i>South<br/>Africa</i> | <i>India</i> | <i>Pak/Bangla</i> | <i>US</i> | <i>Aus/NZ</i> |
|------------------------------|--------------------|----------------------------|-----------|--------------|--|-------------------------|--------------|-------------------|-----------|---------------|
| <b>Jul-<br/>Sep<br/>2008</b> | 73.5               | 68.1                       | 73.8      | 84.0         | 64.2                                   | 84.9                    | 68.9         | 48.1              | 65.7      | 82.5          |
| <b>Jul-<br/>Sep<br/>2009</b> | 71.6               | 66.6                       | 72.2      | 82.5         | 59.3                                   | 76.8                    | 68.1         | 44.8              | 70.3      | 84.6          |
| <b>Jul-<br/>Sep<br/>2010</b> | 71.6               | 67.8                       | 70.6      | 82.2         | 62.3                                   | 79.5                    | 73.8         | 46.2              | 69.8      | 83.6          |
| <b>Jul-<br/>Sep<br/>2011</b> | 70.5               | 67.3                       | 72.0      | 82.4         | 61.9                                   | 82.5                    | 71.0         | 49.3              | 67.0      | 85.0          |
| <b>Jul-<br/>Sep<br/>2012</b> | 71.5               | 68.2                       | 73.1      | 80.0         | 63.3                                   | 79.6                    | 71.7         | 51.4              | 71.9      | 81.0          |

Source: ONS

### **Employment rates by English regions and UK nations**

Although the number of people in work is above the pre-2008 recession level in Eastern England, Yorkshire and Humberside, the North East, North West, London, Wales and Northern Ireland, working age employment rates remain lower than in 2008 in each of the regions and nations of the UK (tables 6 and 7). The English regions and UK nations experiencing the biggest falls in



employment rate tend to be those where employment rates are relatively high, probably because these are the regions and nations likely to be most attractive to migrant workers. Consequently, these regions have to run faster simply to stand still in terms of employment rates. By the same token, however, the biggest employment rate reductions are in regions/nations which have also seen the largest net falls in the number of people in work: Scotland (down 4 percentage points), South East England (down 3 percentage points) and the East Midlands (down 2.6 percentage points).

**Table 6 UK employment rate by English region, seasonally adjusted %**

|                              | <i>East</i> | <i>Emid</i> | <i>Wmid</i> | <i>Nwest</i> | <i>Yorks/Humber</i> | <i>Neast</i> | <i>London</i> | <i>Seast</i> | <i>Swest</i> |
|------------------------------|-------------|-------------|-------------|--------------|---------------------|--------------|---------------|--------------|--------------|
| <i>Feb-<br/>Apr<br/>2008</i> | 76.1        | 73.9        | 70.8        | 69.9         | 71.5                | 68.7         | 70.6          | 77.7         | 76.4         |
| <i>Feb-<br/>Apr<br/>2009</i> | 75.1        | 73.0        | 68.9        | 69.6         | 69.3                | 67.1         | 68.9          | 75.9         | 75.1         |
| <i>Feb-<br/>Apr<br/>2010</i> | 73.0        | 70.8        | 68.9        | 68.7         | 69.0                | 67.0         | 67.9          | 74.9         | 73.2         |
| <i>Feb-<br/>Apr<br/>2011</i> | 75.0        | 71.9        | 68.1        | 68.7         | 67.9                | 65.9         | 68.6          | 74.8         | 73.6         |
| <i>Feb-<br/>Apr<br/>2012</i> | 75.0        | 72.0        | 68.9        | 68.7         | 69.0                | 66.6         | 67.8          | 75.0         | 73.4         |
| <i>Aug-<br/>Oct<br/>2012</i> | 74.7        | 71.3        | 70.0        | 69.2         | 70.6                | 67.9         | 69.1          | 74.7         | 74.7         |

Source: ONS

Table 7 UK employment rate by UK nation, seasonally adjusted %

|                              | <i>England</i> | <i>Wales</i> | <i>Scotland</i> | <i>N<br/>Ireland</i> |
|------------------------------|----------------|--------------|-----------------|----------------------|
| <i>Feb-<br/>Apr<br/>2008</i> | 73.1           | 70.0         | 74.4            | 68.8                 |
| <i>Feb-<br/>Apr<br/>2009</i> | 71.7           | 67.7         | 72.7            | 64.4                 |
| <i>Feb-<br/>Apr<br/>2010</i> | 70.6           | 67.0         | 69.9            | 66.1                 |
| <i>Feb-<br/>Apr<br/>2011</i> | 70.8           | 68.7         | 71.0            | 67.3                 |
| <i>Feb-<br/>Apr<br/>2012</i> | 70.9           | 68.1         | 71.3            | 67.1                 |
| <i>Aug-<br/>Oct<br/>2012</i> | 71.6           | 69.2         | 70.4            | 67.5                 |

Source: ONS