

JOBS AUDIT

The 2012 jobs boom

The JOBS
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With the UK economy at risk of a triple dip recession, around 10,000 public sector jobs being shed each month, around 2.5 million people unemployed, and the employment rate still well short of the pre-recession peak, it sounds odd to suggest that we've just been through a jobs boom. Yet as this Jobs Audit shows that's exactly what's happened. 2012 really was a year of extraordinarily strong employment growth.

The anatomy of the 2012 jobs boom

In the year to the final quarter of 2012 the number of people employed in the UK increased by 584,000 (2%), table 1. This took the level of employment to a record high of 29.73 million, 158,000 above the pre-2008 recession peak, though due to population growth in the intervening years the working age employment rate remains 1.4 percentage points below the previous peak. The corresponding fall in unemployment of 156,000 was comparatively modest because the rise in employment had to offset growth of 428,000 in the size of the workforce. The rate of employment growth was faster for men than women but growth in the male workforce was slower. Consequently, the fall in the number of unemployed women was comparatively small

Table 1 UK employment growth, by gender year to October-December 2012

	All		Men		Women	
	000s	%	000s	%	000s	%
Employment	584	2.0	329	2.1	255	1.9
Unemployment	-156	-5.9	-127	-8.3	-29	-2.6
Economically active	428	1.3	202	1.2	226	1.5

Source: ONS, Labour Force Survey, seasonally adjusted

Table 2 UK employment growth by age, year to October-December 2012

Age group	Employment change 000s	Employment change %
16-17	-18,000	-5.3
18-24	93,000	2.8
18-24 in full time education	-7,000	-1.1
18-24 not in full time education	100,000	3.7
25-34	252,000	3.9
35-49	-58,000	-0.5
50-64	216,000	2.9
65 and over	99,000	11.4
All	584,000	2.0

Source: As table 1

People aged 65 and over enjoyed by the fastest rate of employment growth (a rise of 99,000 representing growth of more than 11%, table 2). However, young people were not by-passed by the jobs boom. There number of employed 18-24 year olds not in full-time education increased sharply (by 100,000 or 3.7%).

However, looked at geographically it's clear the 2012 jobs boom was confined to England (table 3). By contrast there was a Celtic jobs drought. Scotland saw a negligible increase in employment, Wales no increase, and Northern Ireland a fall. The UK jobs boom is thus more accurately described as England's jobs boom. Within England although every region registered some employment growth London stands out as the biggest gainer with an increase of more than 5%, clearly assisted by the Olympic and Paralympic games.

Table 3 UK employment growth by region/nation, year to October-December 2012

Region/nation	Employment change 000s	Employment change %
North East	21,000	1.8
North West	44,000	1.4
Yorkshire and Humberside	78,000	3.3
East Midlands	15,000	0.7
West Midlands	107,000	4.4
East Anglia	39,000	1.4
London	192,000	5.1
South East	65,000	1.6
South West	24,000	0.9
Wales	No change	No change
Scotland	2,000	0.01
Northern Ireland	-2,000	-0.3
UK	584,000	2.0

What types of jobs?

There is a widespread perception that employment growth in 2012 was confined to part-time jobs, temporary jobs, self-employment and people working on government schemes. But while some of these latter types of employment have been a significant source of employment in recent years, and continued to grow relatively quickly in 2012, full-time employees accounted for half the total increase in employment last year (table 4).

With public sector employment continuing to fall the jobs boom is entirely due to more people working in the private sector (employees and self-employed). Full year figures for employment by sector for 2012 are not available at the time of writing. Adjusting for the effect of a statistical reclassification which at a stroke shifted 196,000 public sector jobs to the private sector there was an underlying increase in private sector employment of 550,000 (2.4%) in the first three quarters of the year. The final outturn is likely to be around 730,000 (an increase of 3.1%).

Table 4 UK employment growth by employment status, year to October-December 2012

Employment status	Employment change 000s	Employment change %
Employees	373,000	1.5%
Self-employed	140,000	3.4%
Unpaid family workers	3,000	2.5%
Government programme	69,000	2.8%
Total	584,000	2.0%
Full-time employees	296,000	1.5%
Part-time employees	77,000	1.2%
Total	373,000	1.5%
Temporary employees	109,000	7.1%

Source: As table 1

There is controversy over the magnitude of the increase in private sector employment in recent years, notably over the claim by government ministers that more than 1 million private sector jobs have been created since the coalition was established in May 2010. Adjusting for statistical reclassification, by September 2012 there were 1,179,000 more people employed in the private

sector than at the trough in December 2009 and 142,000 more than at the start of the recession in 2008 (table 5).

Of this total increase around 300,000 (28%) occurred in the period before the coalition was established. Strictly speaking therefore the increase in private sector employment under the coalition is around 850,000 rather than 1 million, although the ‘1 million private sector jobs’ claim will almost certainly have been validated by the end of 2012.

Table 5 Level and underlying net change in UK private sector employment

	Private sector employment, 000s
March 2008	23,518,000
December 2009	22,481,000
March 2010	22,514,000
June 2010	22,807,000
December 2011	23,109,000
March 2012	23,325,000
June 2012	23,595,000
September 2012	23,660,000
Net Change Dec 2009-Sep 2012	1,179,000
Net Change March 2010-September 2012	1,146,000
Net Change June 2010-September 2012	853,000

Source: ONS, adjusted by The Jobs Economist for effect of reclassification of employees of further education institutions from public to private sector in June 2012

Was 2012 really a year of jobs boom?

An historical comparison demonstrates that the answer is yes. The ONS publishes a series of annualized employment data (i.e. the average number of people employed in each year) stretching back to the early 1970s (table 6). 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.

This outcome can't be explained solely by more people working short-hours and thus sharing a smaller amount of available employment. On the contrary, 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 (table 7).

A jobs boom without economic growth is unprecedented in recent UK economic history. The downside is of course a fall in labour productivity and a continued real pay squeeze. The squeeze on earnings is well documented but the pressure on employees is equally clear from the weakness of 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), which has been growing at historically low rates during the past five years and only in 2009 outpaced price inflation (table 8). Labour is thus cheap by historical standards, not in the sense that all new jobs are low paid but because workers in most types of jobs are seeing limited improvement in reward.

'Cheap labour' might be justifiably 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 and not necessarily a signal that the economy is heading in the right direction.

Table 6 Growth in GDP and employment, UK 1972-2012, seasonally adjusted

	GDP Growth %	Employment Growth %		GDP Growth %	Employment Growth %
1972	3.9	0.3	1993	3.1	-0.9
1973	7.4	1.6	1994	4.6	0.8
1974	-1.1	0.3	1995	3.2	1.3
1975	-0.5	-0.4	1996	3.1	0.9
1976	2.6	-0.6	1997	3.9	1.8
1977	2.4	0.1	1998	3.5	1.0
1978	3.3	0.6	1999	3.2	1.3
1979	2.8	1.0	2000	4.2	1.2
1980	-2.0	-0.4	2001	2.9	0.8
1981	-1.3	-2.6	2002	2.4	0.8
1982	2.2	-2.0	2003	3.8	0.9
1983	3.8	-0.7	2004	2.9	1.0
1984	2.9	2.1	2005	2.8	1.0
1985	3.9	1.3	2006	2.6	0.9
1986	4.3	0.6	2007	3.6	0.7
1987	5.2	2.0	2008	-1.0	0.7
1988	5.6	3.3	2009	-4.0	-1.6
1989	2.6	2.6	2010	1.8	0.2
1990	1.8	0.5	2011	0.9	0.5
1991	-1.8	-2.3	2012	0.2	1.2
1992	0.9	-2.4			

Source: ONS

Table 7 Growth in total weekly hours worked, annual year to October-December, seasonally adjusted

	Growth in total weekly hours worked %		Growth in total weekly hours worked %
1972	2.3	1993	-0.1
1973	1.3	1994	2.6
1974	1.1	1995	0.7
1975	-2.3	1996	0.7
1976	-0.1	1997	1.6
1977	0.5	1998	0.4
1978	1.0	1999	1.6
1979	0.3	2000	0.7
1980	-4.0	2001	0.1
1981	-3.8	2002	0.1
1982	-2.0	2003	0.2
1983	0.8	2004	2.1
1984	2.4	2005	0.5
1985	0.7	2006	0.6
1986	0.6	2007	0.7
1987	3.3	2008	-0.5
1988	3.4	2009	-2.5
1989	2.0	2010	1.6
1990	1.8	2011	0.1
1991	-4.5	2012	2.6
1992	-2.2		

Table 8 Growth in total employee compensation and RPI inflation, UK 1972-2012

	(1)	(2)	1-2		(1)	(2)	1-2
	Employee	RPI			Employee	RPI	
	compensation				compensation		
	%	%	%		%	%	%
1972	13.0	7.1	5.9	1993	2.6	1.6	1.0
1973	15.9	9.2	6.7	1994	3.5	2.4	1.1
1974	19.5	16.0	3.5	1995	4.6	3.5	1.1
1975	30.8	24.2	6.6	1996	4.6	2.4	2.2
1976	13.8	16.5	-2.7	1997	6.4	3.1	3.3
1977	10.9	15.8	-4.9	1998	8.3	3.4	4.9
1978	14.1	8.3	5.8	1999	6.6	1.5	5.1
1979	17.2	13.4	3.8	2000	7.2	3.0	4.2
1980	18.9	18.0	0.9	2001	6.1	1.8	4.3
1981	8.6	11.9	-3.3	2002	4.0	1.7	2.3
1982	6.1	8.6	-2.5	2003	4.9	2.9	2.0
1983	7.1	4.6	2.5	2004	4.8	3.0	1.8
1984	6.9	5.0	1.9	2005	4.9	2.8	2.1
1985	8.5	6.1	2.4	2006	5.4	3.2	2.2
1986	7.9	3.4	4.5	2007	5.6	4.3	1.3
1987	8.2	4.2	4.0	2008	2.3	4.0	-1.7
1988	11.7	4.9	6.8	2009	0.8	-0.5	1.3
1989	11.3	7.8	3.5	2010	2.4	4.6	-2.2
1990	10.4	9.5	0.9	2011	2.4	5.2	-2.8
1991	6.2	5.9	0.3	2012	2.7	3.2	-0.5
1992	3.5	3.7	-0.2				

Source: ONS