

Embargoed until 00.01 Wednesday 16 October 2013

Recent pattern of UK employment growth having only limited impact on rate at which jobless find work – much higher level of recruitment needed to cut youth unemployment

Analysis of official labour market statistics, published today by The Jobs Economist consultancy, finds that the growth in employment in the past three years has so far done little to increase the rate at which people leave unemployment for work, the pattern of growth in particular accounting for the stubbornly high level of youth joblessness:

- The rate at which people move from unemployment to employment in the UK (which has averaged around 23% per quarter since the start of 2012) remains much lower than the pre-recession rate of around 30%. The rate fell to a post-recession low of 20% in Q1 2010 before subsequently improving but has not risen above 24% in the past three years despite the substantial growth in employment during that period.
- Limited improvement in job prospects for the unemployed is related to a fall in the quarterly rate at which people leave employment and become economically inactive. This rate averaged above 2% per quarter in the five years prior to the recession but has averaged below 2% during the period of the employment recovery. From what is known about the overall pattern of employment growth in recent years these 'job limpets' holding onto employment are older experienced workers who in previous decades would have left the labour market for retirement.

- Retention of 'job limpets' reduces the need for employers to recruit replacements. This enables even a modest level of recruitment to substantially increase total employment in the economy but in a way that does relatively little to increase prospects for jobseekers. This explains why the employment recovery has not been accompanied by a surge in the level of job vacancies - which remains around 25% lower than before the recession – and accounts in part for the persistence of youth unemployment because young entrants to the labour market are those most dependent on vacancy led rather than retention led employment growth.

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

“This analysis of flows through the labour market indicates that in order to achieve a more rapid fall in unemployment the UK economy needs a different kind of employment growth than we’ve seen in the past three years, in particular a much stronger rise in entry level recruitment to provide job opportunities for young people.

“While today’s very high level of youth unemployment is undoubtedly partly related to lack of employability and skills, the bigger and more immediate cause is a simple shortage of job opportunities, the only solution to which is a further substantial boost to demand for labour. In the absence of this, welcome palliative efforts to encourage employers to hire and retain young jobless people, such as the government’s Youth Contract wage subsidies, will continue to disappoint.

“There are encouraging signs from recent employer surveys that the rate of recruitment is now speeding up and the level of job vacancies has started to rise more strongly this year. But considerable uncertainty remains over whether the emerging economic recovery will prove to be ‘vacancies rich’ or instead ‘vacancies light’ with employers seeking to increase productivity by increasing hours for existing employees before taking on additional staff.”

ends

Notes to Editors:

John Philpott is available for interview

A copy of ***UK labour market flows before and since the 2008-9 recession***, 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

www.thejobseconomist.org