The JOBS ECONOMIST NEWS

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3.5 million people made redundant since start of recession but redundancy rate generally lower than a decade ago

In its latest **Jobs Audit** report, published today, The Jobs Economist looks at redundancies in the UK before, during and since the recession hit in 2008

- **3.5 million people have been made redundant since 2008** – **1 in 7 employees** in work at the start of the recession.

- **Of those made redundant in the past five years 63.3% are men and 36.7% women**. For both men and women 2009 was the peak year for redundancies, although **in terms of share of total redundancies 2011 and 2012 have been the two worst years for women, reflecting public sector job cuts.**

- The **share of total redundancies accounted for by the public administration, education and health sectors increased from 8% to 25% between 2009 and 2011**, before falling back to 16% in 2012.

- Although the rate of redundancy in the past five years has been higher than the previous five years, **redundancy rates since 2008 have generally been lower than in the late 1990s and early 2000s** when the economy was enjoying a healthy rate of growth (see figure, below). **Remarkably therefore the total number of people made redundant since the start of the deepest and longest economic**

crisis since the 1930s is the same as the number made redundant in the five years to 2003

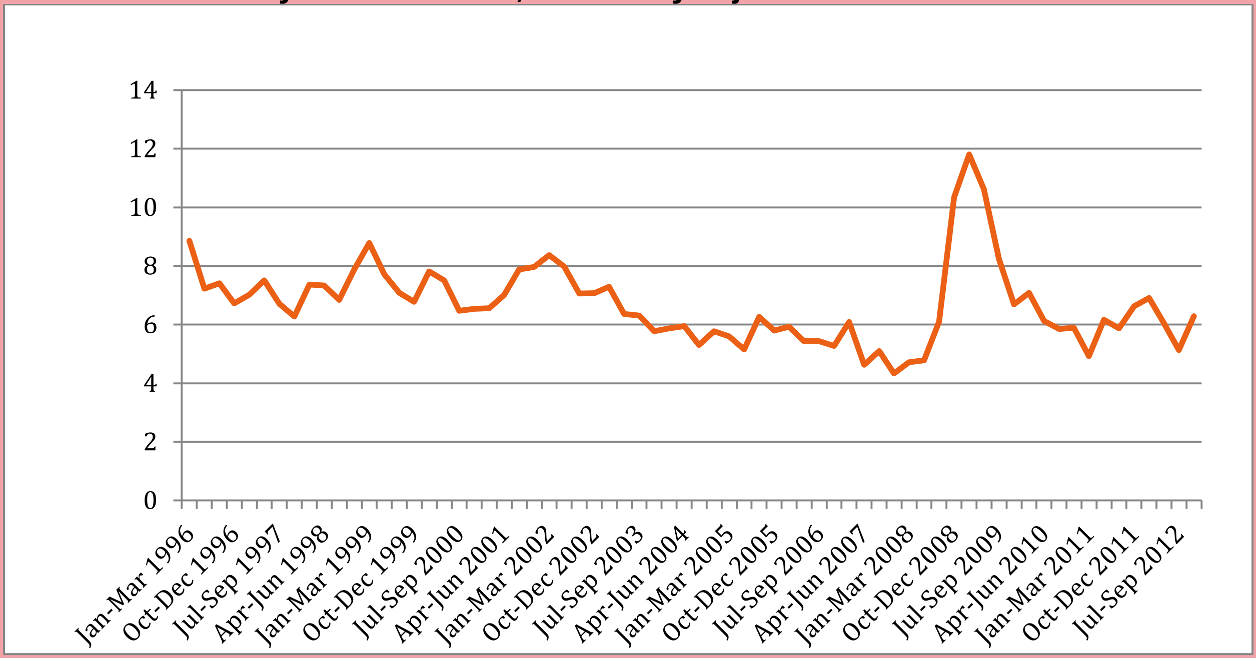
- **The 1990s and early 2000s was a period of considerable organizational restructuring and relatively strong real wage growth which raised the redundancy rate to around 7% to 8% per quarter. But 2002 marked the start of a downward shift in the redundancy rate to the range of 4% to 6%, with the start of an era of weak growth in real pay key amongst the causal factors**. And although the deep recession in 2008-9 triggered a sharp spike in redundancies, the redundancy rate has subsequently fallen back and at present shows no sign of rising substantially above the pre-recession rate.

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

“The observation that what might be called the UK’s ‘normal’ (i.e. core underlying) redundancy rate fell well before the recession suggests that the lower than expected level of redundancies in recent years, which is often partly attributed to more cooperative employment relations and pay restraint triggered by the financial crisis, labour hoarding by employers, or ‘zombie’ companies kept alive by very low interest rates since 2009, is in fact symptomatic of a longer term structural change in the economic and business climate which has resulted in a lower propensity to make staff redundant.

“The causes of the fall in the normal redundancy rate, including a long-term squeeze on real pay which has made labour relatively cheap and slowed the pace of business restructuring, are also likely to be related to the fall in labour productivity since the start of the recession. Insofar as the so-called ‘productivity puzzle’ is at least partly a reflection of underlying structural weakness in the UK economy rather than merely a symptom of deficient demand, the fall in the normal rate of redundancy might therefore indicate that the current productivity malaise is not merely a consequence of the financial crisis and resulting major recession but has its roots in economic developments prior to the crisis, which bodes ill for future growth prospects.”

The UK redundancy rate 1996-2012, seasonally adjusted



Source: Office for National Statistics

Note: The redundancy rate is the ratio of the redundancy level for the given quarter to the number of employees in the previous quarter, multiplied by 1,000.

Notes to Editors:

John Philpott is available for interview

A copy of ***The trend in UK redundancies*** is available on request

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