



The State of Working Britain

Friday, 4 March 2016

SWOB 6: Record Employment in the UK? Well yes but.....

Common Mis-Perceptions About Recent UK Labour Market Performance No 1. *A Record number of people in work*

The opening sentence of the latest DWP press release on the state of the labour market [trumpets](#) that there are "a record 31.4 million people in work" While this is true, it should not be taken as a measure of employment performance (and beware of anyone who claims it is) for the simple fact that the UK population is also at a record high and growing. Just as it would not make sense to compare the sizes of the workforce in Norway and Spain and conclude that Spain was doing better simply because it has more people in work. The respective sizes of the populations make such a comparison of employment levels meaningless. While not on the same scale, UK population growth (currently around 250,000 a year - caused now principally by immigration, though in the past caused by baby boomers entering the labour force) is a major contributor to growing numbers in work. Rising populations tend to generate more demand (more people means more food, clothes etc) so it should not be too surprising that the numbers in work are rising when the population is. The UK working age population (16-64) has grown by around 1 million since the end of 2007 (source: [ONS labour market statistics](#)). the employment rate was 70% then we might expect 70% (700,000) of that extra 1 million to be in work, notwithstanding the performance of the economy.

So we should be cautious about pronouncements of record levels of employment. (just as we should with comments about GDP growth rather than G per capita growth for the same reasons)

The numbers in work are also rising partly because the retirement age (for women) is rising and partly because more people are in work beyond pensionable age. This makes cross-time comparisons harder. In the years when women retired at the age of 60 we should not expect the numbers in work to be as large as now, other things equal.

Conversely, most people entered work at age 16 in the 1970s and 1980s. Fewer people now leave school or find work at age 16. This would tend to reduce numbers in work (but then part-time work among students is counted).

So..... it is all a bit tricky to compare employment levels over the long-term.

What is to be done?

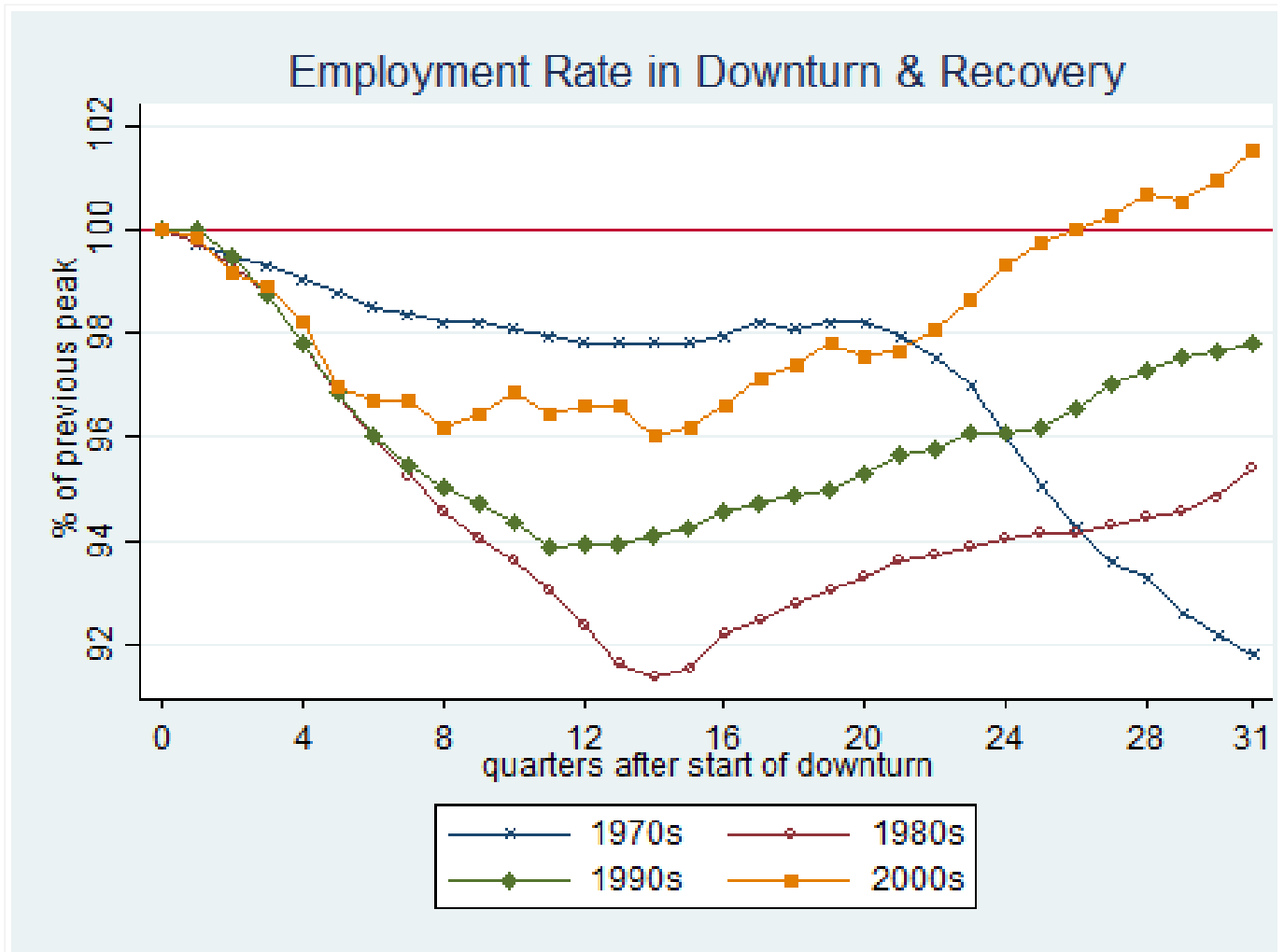
A better - though not perfect - test of performance is to look at the employment rate (as the DWP also do). This is the number in work divided by the population of working age. Much of the change in employment caused by changes in population will be netted out by doing this. Most but not all. Cross time comparisons of the employment rate will still be influenced by things like changes in the retirement age and staying on rates at school and college over time.

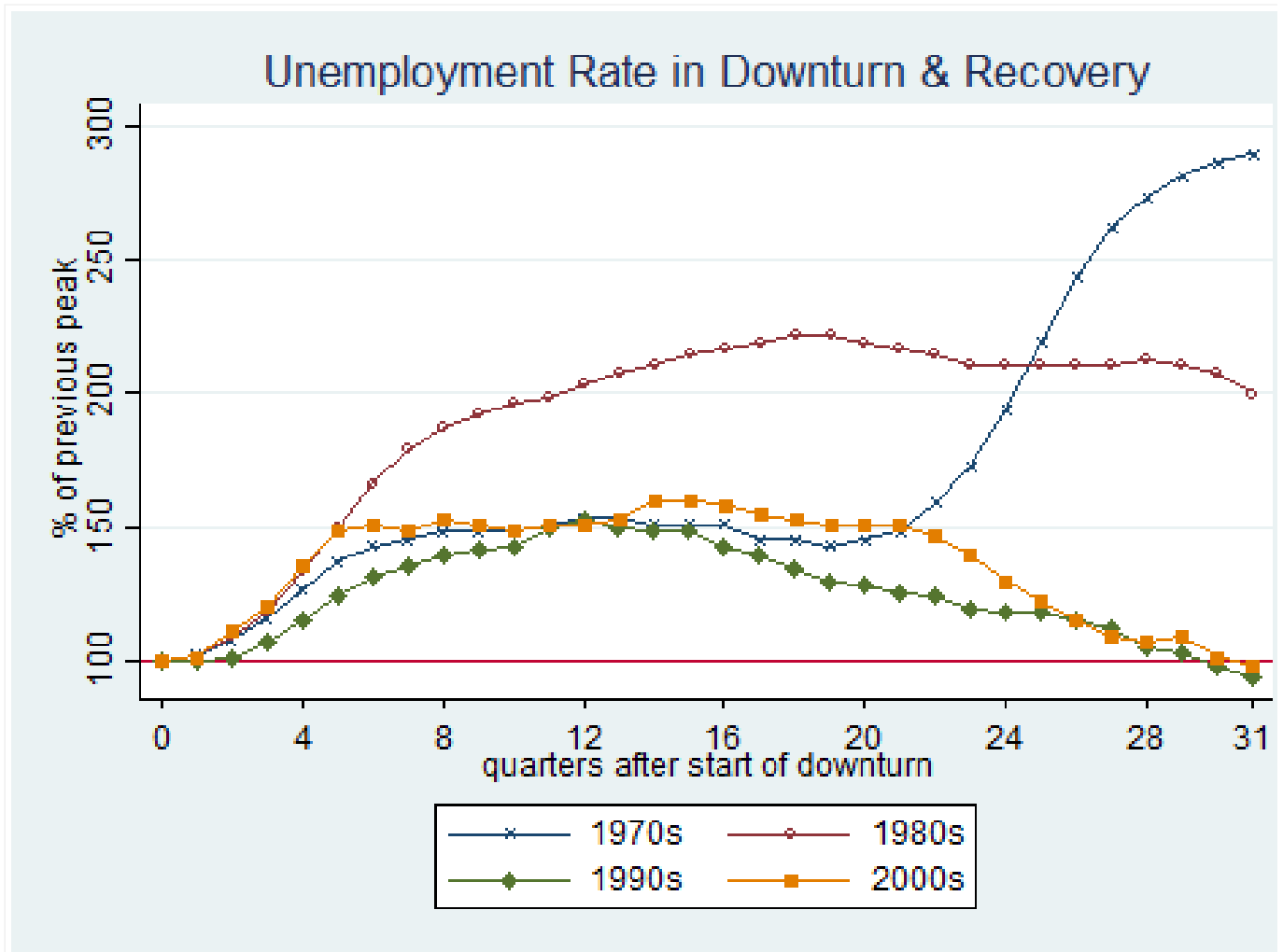
Possibly one way forward is to compare how long it took for the employment rate to get back to its level before any downturn. In other words look at the relative performance of the employment rate across different recessions and subsequent recovery. That way the problems of comparing the rate itself over longer periods of time are reduced and it is easier to see how this recovery compares with previous ones.

The figure below looks at the relative performance of the employment rate (16-64 year olds) in the last 4 downturns. So the employment rate is now, at 8 years, around 2% higher than it was before the downturn of 2008.

On this basis it is indeed true that a) the time taken to get back to where things started was quicker this time round but that b) the fall in employment was not as large as in previous downturns and c) the 3 years of stagnation at the bottom of the peak is unusual in the latest downturn compared to the downturn of the 1980s & 1990s (the 1970s recovery in employment rates never got going much before it ran into the 1980s recession)

If we do the same with the unemployment rate then the 1990s recovery looks to be stronger than the current one (though the 1980s and 1970s look much worse on this basis)





Of course the nature of the jobs being created is another matter as is the issue of whether there was a trade off of jobs for lower pay growth. We return to this in a future blog

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Posted by [jonathan wadsworth](#) at [Friday, March 04, 2016](#)

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