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SPERI British Political Economy Brief No. 10

Public and private sector employment across the UK since the financial crisis.

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In this Brief, the Sheffield Political Economy Research Institute (SPERI) considers how public sector job losses have been distributed across the UK's regions and devolved nations since the 2008 recession. One of the justifications for austerity has been that public sector jobs tend to 'crowd out' jobs in the private sector. It is claimed, therefore, that cuts to public sector employment will facilitate private sector job creation and help to 'rebalance' the UK's economy. However, the Brief shows that public sector job losses have been spread very unevenly across the UK and that private sector job creation has in fact grown fastest in London – the region which has lost the smallest proportion of its public sector jobs relative to other regions since 2008.

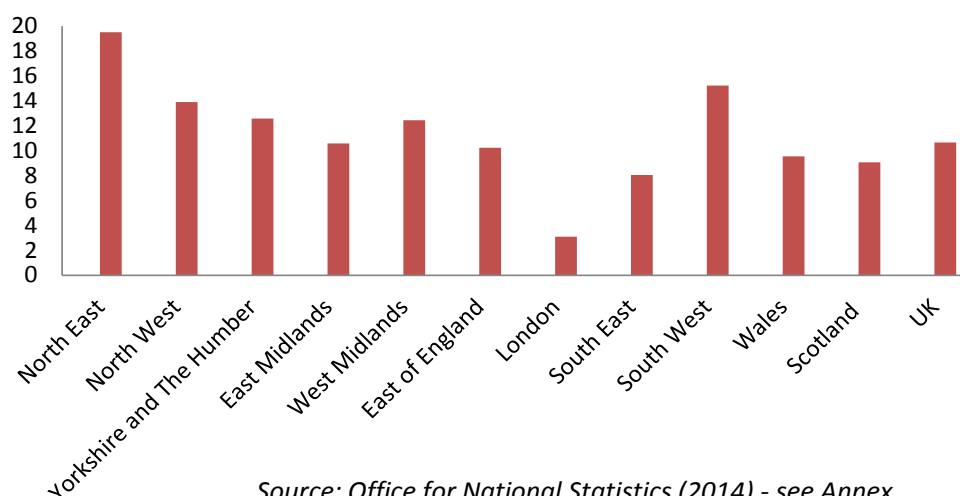
Background

- The regions and devolved nations outside of London and the South East have historically had a higher proportion of their workforces employed in the public sector than the capital.
- Since 2010, departmental budget cuts have led to around 631,000 job losses in the public sector.
- On current projections based on HM Treasury spending plans, a further 1 million public sector jobs are likely to be cut in the coming Parliament.
- Another key goal of the Coalition Government has been to 'rebalance' the UK economy and thus ensure that economic activity is not disproportionately concentrated in London and the South East.
- In this regard, as indicated above, a key claim of the Coalition has been that reducing public sector employment will help to facilitate jobs growth in the private sector since the former tends to 'crowd out' the latter.

Evidence

- This Brief addresses some of these issues by looking at net job creation in the public and private sectors across the UK regions from the first quarter of 2008 to the third quarter of 2014. It also analyses some key trends in public and private sector employment since the Coalition government came to power in May 2010.
- From the first quarter of 2008 to the third quarter of 2014, 10.7% of jobs in the public sector were lost in the UK. However, across the UK regions the impact of this varied widely.

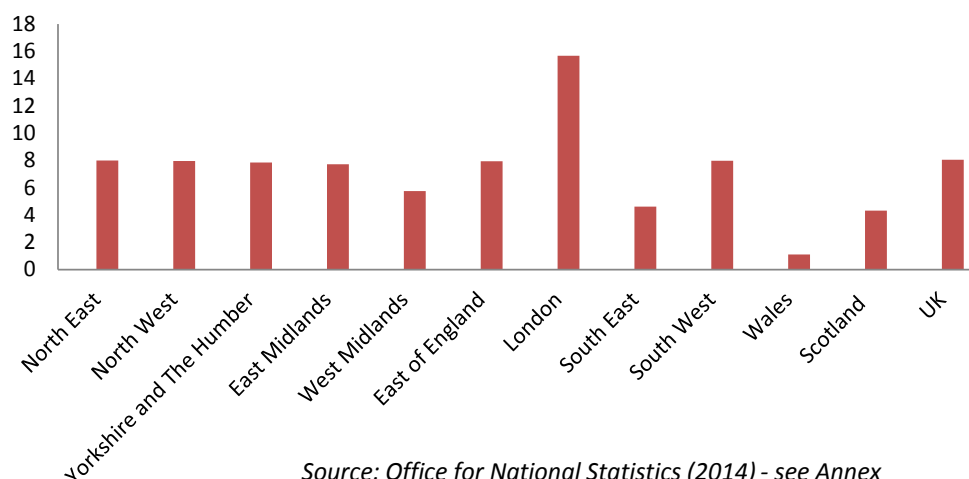
Proportion of Public Sector Jobs Lost by Region/Nation 2008 Q1 - 2014 Q3



Source: Office for National Statistics (2014) - see Annex

- As the Chart shows, the North East of England lost 19% of its public sector jobs in this period, the West Midlands lost 12.4% and Yorkshire lost 12.6%. Scotland and Wales both lost 9.1% and 9.5% of their public sector jobs respectively.
- This contrasts markedly with London which lost only 3.1% of public sector jobs throughout this same period.
- The data show that, since the recession broke in 2008, London and the South East have increased their share of public sector employment from 23.7% to 25.1% of the UK total. By contrast, the North of England has seen its share of public sector employment decline from 25.2% to 24.2% over the same period.¹
- Under the Coalition Government, this trend is also in evidence. From the second quarter of 2010 up to the third quarter of 2014, London and the South East increased their share of public sector employment from 24.4% to 25.1% of the UK total.
- Between the first quarter of 2008 and the third quarter of 2014, all UK regions experienced positive jobs growth in the private sector. However, the impact of these changes varied markedly across the regions.

Private Sector Jobs Growth 2008 Q1 - 2014 Q3



Source: Office for National Statistics (2014) - see Annex

- While the size of the private sector in London increased by 15.7%, in Wales the figure was only 1.1%. Similarly, private sector job growth has been sluggish in the West Midlands (5.7%), Scotland (4.3%) and Yorkshire and the Humber (7.8%), at least relative to the capital.
- The result is that London now accounts for a larger proportion of jobs in the private sector than when the crisis first broke in 2008. While in 2008 the figure stood at 29.2%, today London accounts for 29.8% of total private sector employment. In contrast, the regions outside of London have seen a decline in their private sector jobs as a proportion of the national total, with the figure falling from 67.7% in 2008 to 66.9% in 2014.
- Since the Coalition came to power in 2010, this trend has continued. Since then, London has increased the number of employees working in its private sector by 20.3%. This contrasts markedly with the UK average, which is 10.8%.
- As such, it is worth noting that London, the region with the lowest proportionate level of public sector job losses, enjoys at the same time the fastest rate of private sector job growth.
- Contrastingly, regions which lost a high proportion of their public sector jobs – such as the North East, North West and Yorkshire and Humber – have seen private sector jobs grow at a rate approximately half that of the capital.

- Across the UK, private sector employment has grown faster than public sector employment has declined between 2008 and 2014. However, again, the data varies markedly across the regions.
- For example, there are now 532,000 more jobs in London in the private and public sectors than in 2008. This contrasts with Wales, for example, where the figure has dropped by 22,000.
- Over recent years, the public and private sector employment series have been affected by a series of major re-classifications. For example, Further Education corporations and sixth form colleges were re-classified from the public to private sector in Q2 2012. We include a table in the annex which shows net job creation figures if these major re-classifications are excluded.
- As can be seen in this table, when we exclude the effect of major re-classifications, London and the South East have both increased the size of their public sectors by 2.3% and 2.1% between 2008 and 2014. This contrasts with all other regions which continue to show substantial declines in their public sector employment figures.
- Excluding major re-classifications, London and the South East have also increased their share of national public sector employment from 24.3% in 2008 to 26.1% in 2014. Conversely, the North of England has seen its share drop from 26.3% to 24.2% over the same period.

Analysis

- The assumption that the public sector 'crowds out' jobs growth in the private sector is highly questionable. Indeed, the area which has had by far the fastest private sector job growth since the onset of the 2008 crisis – London – has also been the region which has lost the smallest proportion of its public sector jobs. This suggests that public sector employment can be complementary to, rather than in conflict with, the goal of creating jobs in the private sector.
- Conversely, regions which have seen a rapid decline in their public sector employment – such as the North East of England at 19% – have not seen private sector jobs grow at the same rate as the capital.
- A number of factors explain this dynamic. For example, central government has been relatively protected from budget cuts relative to local government. Since a disproportionately large number of central government jobs are located in the capital, public sector job cuts have had less of an impact there.
- In addition, cuts to the budgets of local authorities have impacted more heavily on councils based in the North as opposed to the South of England (Berry & White, 2014). This implies that pressure on public sector employment has been more intense in regions outside of London.
- Simultaneously, 84% of planned spending on transport has been targeted at London and the South East whilst the bulk of spending on the arts and culture is also focused on the capital (IPPR North, 2011). This, along with other benefits, may be a contributing factor to the relative protection of public sector jobs in the capital.
- One of the main goals of the Coalition Government has been to 'rebalance' the UK economy and ensure that economic activity is not concentrated in and around London. However, the data show that London continues to expand its private sector at a far faster rate than other regions in the UK.

Conclusion

Since 2008 job cuts in the public sector have fallen disproportionately on the regions and devolved nations outside of London. As a result of this, London and the South East have increased their share of public sector jobs as a proportion of the national total. Interestingly, however, London has also been the region with the fastest rate of private sector job growth in this period. This suggests that simplistic assertions about the public sector 'crowding out' private sector job creation need to be challenged if we are to build a more sustainable and equitable economic settlement for the UK.

Notes

1. The North of England here comprises the North East, North West, and Yorkshire and Humber regions according to the ONS classifications.

References

Berry C. & White L. (2014), 'Local authority spending cuts and the 2014 local elections', Sheffield Political Economy Research Institute (SPERI) Brief, at <http://speri.dept.shef.ac.uk/wp-content/uploads/2014/07/Brief6-local-authority-spending-cuts.pdf>

IPPR North (2011), On the Wrong Track: An Analysis of the Autumn Statement Announcements on Transport Infrastructure, at http://www.ippr.org/assets/media/images/media/files/publication/2011/12/wrong-track_Dec2011%201_8411.pdf

Office for National Statistics (2014), Public Sector Employment: Q3 2014 Dataset, at <http://www.ons.gov.uk/ons/rel/pse/public-sector-employment/q3-2014/index.html>

Annex

Public and Private Sector Net Job Creation (Headcount thousands)

	North East	North West	Yorkshire and the Humber	East Midlands	West Midlands	East of England	London	South East	South West	Wales	Scotland	UK
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Public Sector Net Job Creation: 2008 Q1 - 2014 Q3

2008 Q1	292	698	533	378	514	459	745	684	519	346	596	6031
2014 Q3	235	601	466	338	450	412	722	629	440	313	542	5388
% Jobs lost*	19.52	13.90	12.57	10.58	12.45	10.24	3.09	8.04	15.22	9.54	9.06	10.66

Private Sector Net Job Creation: 2008 Q1 - 2014 Q3

2008 Q1	838	2488	1887	1646	2000	2102	3542	3339	2043	1004	1964	23596
2014 Q3	905	2686	2035	1773	2115	2269	4097	3493	2206	1015	2049	25496
% Jobs Created*	8	7.96	7.84	7.72	5.75	7.94	15.67	4.61	7.98	1.10	4.33	8.05

Public Sector Net Job Creation: 2010 Q2 - 2014 Q3

2010 Q2	294	724	566	395	531	478	818	720	547	353	627	6315
2014 Q3	235	601	466	338	450	412	722	629	440	313	542	5388
% Jobs lost*	20.07	16.99	17.67	14.3	15.25	13.81	11.74	12.64	19.56	11.33	15.56	14.68

Private Sector Net Job Creation: 2010 Q2 - 2014 Q3

2010 Q2	816	2440	1796	1571	1907	2037	3405	3230	1932	967	1830	23001
2014 Q3	905	2686	2035	1773	2115	2269	4097	3494	2206	1015	2049	25496
% of jobs created*	10.91	10.08	13.31	12.86	10.91	11.39	20.32	8.14	14.18	4.96	11.97	10.85

*—Author calculations.

2008 Q1 - 2014 Q3, *Excluding major re-classifications* (Headcount thousand)**Public and Private Sector Employment across the UK regions**

	North East	North West	Yorkshire and the Humber	East Midlands	West Midlands	East of England	London	South East	South West	Wales	Scotland	UK
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Public Sector *Excluding major re-classifications

2008 Q1	267	645	492	348	472	432	688	611	477	337	578	5348
2014 Q3	233	593	462	335	445	407	704	624	437	312	531	5083
Net Job Creation	-34	-52	-30	-13	-27	-25	16	13	-40	-25	-47	-265
% Jobs Lost/ Gained	-12.73	-8.06	-6.10	-3.74	-5.72	-5.79	2.33	2.13	-8.39	-7.42	-8.13	-4.96

Private Sector *Excluding major re-classifications

2008 Q1	863	2541	1928	1676	2042	2129	3598	3412	2085	1012	1982	23268
2014 Q3	907	2695	2039	1776	2120	2273	4115	3498	2209	1017	2060	24707
Net Job Creation	44	154	111	100	78	144	517	86	124	5	78	1439
% Jobs Gained	5.10	6.06	5.76	5.97	3.82	6.76	14.37	2.52	5.95	0.49	3.94	6.18

*—Author calculations.

Source: Office for National Statistics (2014)



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February 2015

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