PRESS RELEASE
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THE LABOUR MARKET IN WINTER:
Assessing the UK’s performance on jobs and inequality
before, during and after the recession

The overall performance of the UK labour market before the recession of 2008-09 was good; and even during the recession, aggregate outcomes were not as bad as many feared. These are among the conclusions of a new book to be launched today by the Centre for Economic Performance (CEP) at a public event with guest speaker, the shadow chancellor Ed Balls MP.

The Labour Market in Winter: The State of Working Britain edited by Professors Paul Gregg and Jonathan Wadsworth brings together the UK’s leading labour market analysts to explore the key trends, policies and impacts over the past 15 years. The result is a comprehensive analysis of the Labour government’s record on employment, and of the labour market in good times and bad. Among the findings:

- The 15 years of output expansion from 1993 to 2008, the longest period of continuous growth in modern times, helped ease many of the labour market problems that had emerged after the deep recessions of the 1980s and 1990s.
- Undoubted labour market progress during this time was brought to a grinding halt with the collapse of the speculative financial bubble that pushed the UK and much of the industrialised world into the deepest recession seen for 80 years.
- The recession of 2008-09 inflicted a larger cumulative loss of UK output than any of the previous post-war recessions, yet there has been a relatively low loss of employment, at least so far.
- Going into the recession, policy-makers here and elsewhere dusted off interventionist economic policy tools that for 30 years had seemed discredited. These policies have helped make the labour market consequences of the recession more benign than they otherwise would have been.
- The unprecedented increase in the number of immigrants in recent years appears to have been absorbed without large-scale effects on the wages and employment of UK-born individuals. Unlike in previous recessions, immigrants have not borne the brunt of the downturn.
- Older workers, on average, have done relatively well unlike in previous downturns, and younger workers have not been disproportionately hit.
- But it is not all good news on jobs. Youth unemployment and inactivity were high going into the recession. As a result, joblessness among youth has ratcheted up to levels not seen for a very long time.
- Inactivity among men, particularly older less skilled men, remains stubbornly high. And workless household rates have also ratcheted up once again after falling to fall much during the recovery.
- The quality and nature of jobs is another cause for concern. While comments about the end of ‘jobs for life’ have been exaggerated, stability in average job tenure over time disguises a sharp fall in average job tenure among men and an equally sharp rise in job tenure among women.
- The labour market has performed well on a range of measures but there is a huge variation around the average. For example, at the height of the boom in 2007, unemployment was just under 5%. At the same time, the unemployment rate was 1.7% in Rutland and 10.5%, in Hartlepool, five times higher.
- Similarly, the employment rate at the height of a boom was 72% – but it was 60% in Ceredigion and 82% in West Berkshire. One in two men without qualifications were not in work and two in every three men over 50, without qualifications and living in Tyne and Wear were jobless.
- In the past, the UK has managed to combine good performance with much lower levels of inequality and opportunity. Yet for the last 30 years, wage inequality has first grown rapidly and then stubbornly refused to fall, despite the undoubted effects of the minimum wage in shoring up the bottom of the wage distribution.

The editors conclude:

‘The immediate task following a recession is to ensure that recovery in output is accompanied by recovery in employment.

(1 of 2 pages)
‘But the level of inequality in the UK labour market, along several dimensions, remains the outstanding area of concern. ‘

‘The basis for targeted, costed, policy intervention that will help to address concerns about marginalised groups is in place. All that is needed is the willingness to direct policy accordingly.’

ENDS

Notes for Editors:
1. The Centre for Economic Performance is an independent ESRC funded research centre based at the London School of Economics. Its members are from the LSE and a wide range of universities within the UK and around the world.
2. Details of the book launch event for The Labour Market in Winter: The State of Working Britain can be found at: http://cep.lse.ac.uk/_new/events/event.asp?id=129
3. For more information, contact Romesh Vaitilingam, email: romesh@vaitilingam.com or tel: 07768661095 or Helen Durrant, email: h.durrant@lse.ac.uk or tel: +44 (0)20 7955 7395.