

EMBARGO 00.01 hours, 29th July 2013

Job creation and destruction in the UK

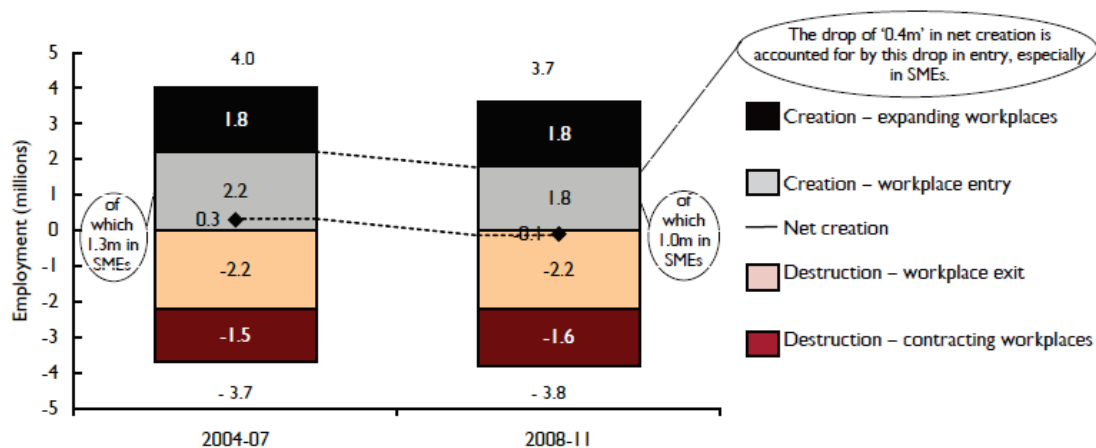
In a new paper to be published in the National Institute Economic Review, Bob Butcher and Matt Bursnall from the National Institute of Economic and Social Research and the department for Business Innovation and Skills use workplace level data to look behind the headline employment figures at the total amount of job creation and destruction in the private sector. In particular they show that net fall in employment after the recession was not the result of more people losing their jobs, but of lower job creation in new workplaces.

Jobs are created when workplaces expand or new ones are established, and are lost or destroyed when workplaces contract or close down. Before the recession, jobs were created at a rate of 4.0 million per year, and were lost at a rate of 3.7 million, resulting in annual job creation of 300,000.

So job churn far outweighs the net change - looking at just the net figures conceals this very high level of dynamism in the labour market. Even during the recession and subsequent period of extended economic stagnation overall, the UK private sector has been creating well over 3.5 million jobs a year.

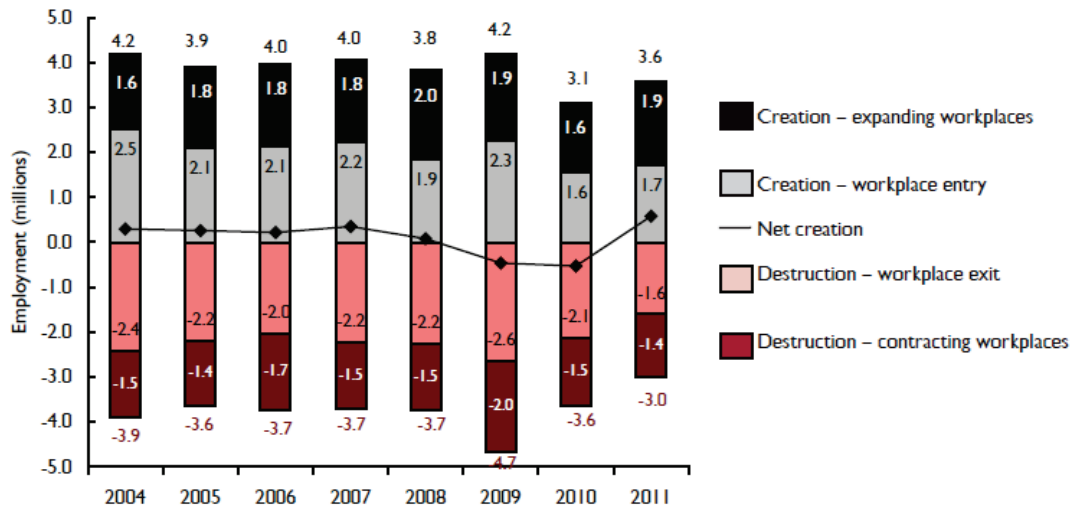
The paper also shows that the net fall in private sector employment during the period 2008-11 was the result of reduced job creation through reduced workplace entry, primarily in small and medium sized enterprises. This is in contrast to previous experience elsewhere when recessions usually lead to an increase in job destruction.

Figure 1. Components of job creation and destruction, 2004-2011



Each year after the recession shows a different picture. In 2008 there is a reduction in entry, in 2009 a sharp spike in job destruction, and in 2010 and 2011 continued reduced levels of entry, with 2011 showing especially low exit rates, leading to a net positive increase in job creation in that year.

Figure 2. Gross job creation and loss from 2004 to 2011



The analysis in figures 1 and 2 is consistent with reduced investment in new workplaces as a result of lack of confidence and/or constrained credit especially for SMEs. The evidence does not, however, support the hypothesis of labour hoarding (which would lead to reduced levels of contraction in workplaces).

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Notes:

The job creation paper is published in the *National Institute Economic Review*, no. 225, August 2013. This issue was edited by Professor E. Philip Davis.

For full copies of the job creation paper, please contact the NIESR Press Office:

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NIESR's latest quarterly forecasts for the UK and world economies will be launched at a press conference on Thursday, 1st August 2013 at 11am at NIESR's offices in Westminster.

The National Institute Economic Review is the quarterly journal of the National Institute of Economic and Social Research (NIESR). Published in February, May, August and November, it is available from Sage Publications Ltd

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