



Three for one

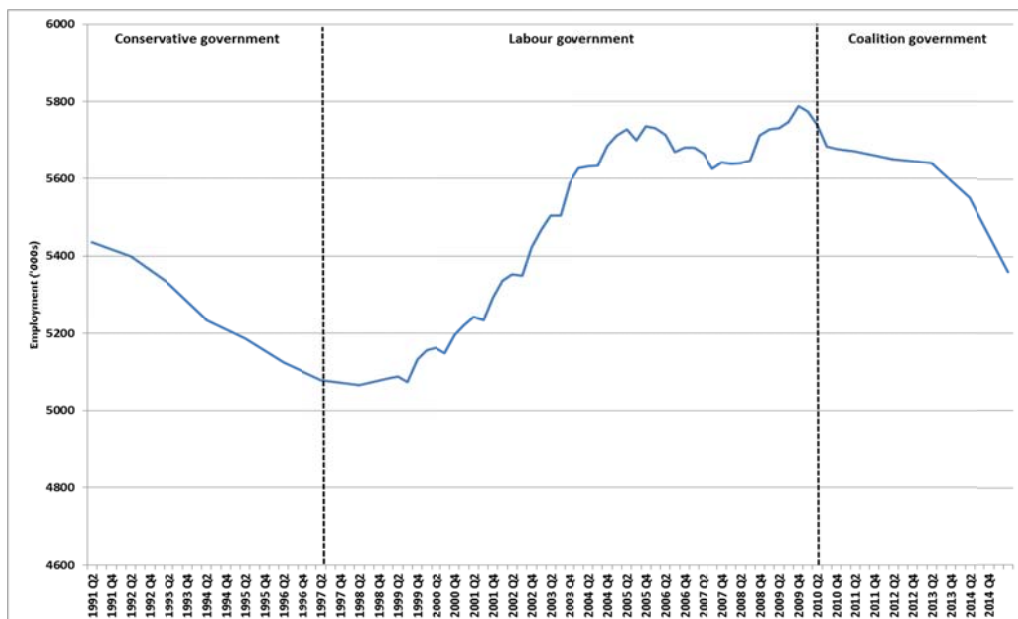
It is reasonable to expect job increases in the private sector to compensate for public sector job losses

- According to the ONS, there were 29.14 million people employed in the UK in 2011 Q1. Of these, 5.65 million were officially defined as being employed in general government functions (19.4% of the total workforce). A further 0.52 million were defined as working for public corporations. Together, official state employment was therefore 6.17 millionⁱ or 21.2% of total UK employment.
- Many more people are employed in outsourced public services. We estimate that there are 1.37 million people employed in such industries.ⁱⁱ The total number of people employed by the state is therefore estimated as:

No of employees in General Government + public corporations:	6.17 million
No of employees in outsourced public services:	1.37 million
Total:	7.53 million.ⁱⁱⁱ

- The largest area of state employment is in health. In Q1 2011 there were 1.60 million people officially employed in the NHS, with a further 0.37 million employed in 'Other Health and Social Work'.^{iv} In addition, evidence from outsourced services suggests that there are 0.27 million private sector workers engaged in state-funded health services. This suggests that 2.24 million people are employed in state-funded health and social services.
- The Coalition's fiscal consolidation programme is expected to lead to job losses in the public sector. The Office for Budget Responsibility (OBR) estimates that employment in general government functions will fall by 6.5% from 5.65 million in 2011 Q1 to 5.28 million by the end of 2015/16.^v This 370,000 reduction in public sector jobs over five years is equivalent to 1.26% of current UK employment.
- Over the same period, the OBR expects an increase in private sector employment of 1.3 million. In other words, it is forecast that, for every job lost in the public sector, more than three will be created in the private sector.
- Recent data suggest that it is reasonable for the Coalition to expect private sector job increases to be far larger than the reduction in the number of public sector employees, in the years ahead. From Q1 2010 to Q1 2011, total official public sector employment (including corporations) fell by 143,000. Over the same period, private sector employment increased by 517,000.^{vi}
- Losing a job can of course be a personal tragedy for those concerned. However, the Coalition plans will simply take official state employment back to the levels seen in 2001/02. The extent to which outsourced employment will be affected is unclear. But evidence suggests that total private sector job growth will outstrip job losses in the public sector by a ratio greater than three to one.

Figure 1 – Total General Government Employment (Central + Local Government) time series



Estimates of outsourced state employment by industry

The calculations for the number of outsourced public sector funded jobs are made using data provided by Oxford Economics. Their report into outsourcing provides information on the total number of employees within each industry in the outsourcing sector (Column 1 below).

We discussed with them the most accurate means of estimating total employment in outsourced industries for which the public sector is the customer, which was beyond the scope of their initial work. They advised us that the most accurate estimate could be obtained by splitting employment according to the public sector share of value added (Column 2 in the table below).

Therefore, estimates of outsourced employment for the public sector in each industry are calculated by multiplying the total number of employees in the industry by the public sector share of value added (Column 3).

For example:

Public sector outsourced employment in IT = 340,000 x 16.2% = 55,061

Table 1

	Column 1 Total employees	Column 2 Public sector share of value added	Column 3 Estimate of public sector outsourced employment
IT and data-related services	340000	16.2%	55061
Catering (food services management)	90000	53.8%	48462
Combined facilities management	70000	14.0%	9767
Property services/maintenance/cleaning	590000	41.2%	242941
Property portfolio/real estate management	200000	9.1%	18182
Security services	20000	62.3%	12453
Warehousing/storage	20000	9.1%	1818
Employment placement/agency activities	30000	14.7%	4400
Call centre operations/customer care	530000	11.1%	58889
Other office/ administrative support services	30000	14.9%	4474
Business consultancy/advisory services	240000	8.1%	19459
Technical/engineering scientific services	60000	34.7%	20816
Waste management	80000	100%	80000
Services related to public transport	70000	100%	70000
Educational services	20000	100%	20000
Health-related services	270000	100%	270000
Residential care and social work	430000	100%	430000
TOTAL			1366722

ⁱ ONS, *Public Sector Employment by Sector: Total General Government* – June 2011 release

ⁱⁱ Figures calculated using Oxford Economics report, *The size of the UK outsourcing market – across the public and private sectors*, April 2011.

ⁱⁱⁱ This figure is likely to be inflated due to the classification of RBS Group and Lloyds Banking Group re-classification as public sector in Q4 2008, which contributed to a large jump in the publication corporations component by 0.24 million workers.

^{iv} ONS, *Public Sector Employment by Industry; NHS + Other Health and Social Work* – June 2011 release

^v OBR, *Economic and Fiscal Outlook*, March 2011.

^{vi} ONS, *Public Sector Employment: Private Sector Employment* – June 2011 release