Earnings, Employment, Productivity and Consumption

Understanding the Great Recession: From Micro to Macro

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In contrast to previous recessions, **real output per hour** remained largely stagnant since 2008.
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Changes to total output, employment and hours worked since 2008Q1

Indexed to 100 2008 Q1

Output
Total hours
Employment

Source: Cribb and Joyce (IFS, 2015)
Mean weekly real earnings fell strongly adjusted for RPIJ inflation and indexed to 100 in 2008Q1.

Source: Cribb and Joyce (IFS, 2015), and Jin (2015)
Earnings and productivity growth
Output per hour compared to mean hourly earnings in LFS (GDP deflated) since 2008Q2

Source: Cribb and Joyce (2015), and Jin (2015)
Change in real median hourly wages by age group since 2008

Cumulative change in real median hourly wages from 2008 to 2014

Source: Cribb and Joyce (2015)
Change in real median hourly wages by sex since 2008

Cumulative change in real median hourly wages from 2008 to 2014

-7.3% for Men
-2.5% for Women

Source: Cribb and Joyce (2015)
Female employment stronger than male employment since the recession

Source: Cribb and Joyce (2015)
Employment rate for older workers: women aged 60-64

Source: Blundell, Green and Jin (2014)
Falls in Real Earnings even greater after allowing for composition changes in mean real hourly earnings

Source: Cribb and Joyce (IFS, 2015) and Blundell, Green and Jin (2014)
Household earnings and net incomes 2007–08 to 2013–14 (non-pensioners in working households, by percentile point)

Source: Living Standards, Poverty and Inequality: IFS, 2015
90/10 ratio and top 1% income share

Source: Living Standards, Poverty and Inequality: IFS, 2014
Non- and semi-durables per head

Source: Crossley, Low & O'Dea (2015)
Durables per head

Source: Crossley, Low & O'Dea (2015)
Business investment has been very slow to pick up.
Prospects

- Younger workers and families are acting as if they expect a long-run fall in relative living standards
  - evidence from consumption and saving.

- Real wages, productivity (and investment) have been slow to pick up
  - we can expect the pattern of lower real wages at the bottom to continue, but with fairly buoyant employment due to increased supply.

- Most actual falls in real earnings have happened
  - but continuing strain on the tax-credit and benefit system
  - and fiscal contraction implies large benefit cuts
Prospects (cont.)

• Little evidence of earnings progression for lower skilled and part-time workers
  
  • longer term earnings growth will mostly come from high-skilled occupations, with perhaps some at the very bottom.

• Increasing inequality across the earnings distribution, and increasing pressure on the tax and benefit system.

• Still much to do in focussing on older workers in general, on return to work for parents/mothers, and on entry into work. There are still some potential big gains here,
  
  – for example, as (higher skilled) women age in the workforce.

• Productivity (and human capital) is still the key.
Remarkably... no cohort effects! BA premium stayed constant, even through the recession.
Business investment has been very slow to pick up
Percentage Change in Food Expenditure: 2010-2012 UK

Change in Food Expenditure by Centile and HH type: 2010 to 2012

Notes: Understanding Society
Source: Blundell and Etheridge, 2014
Self-employment as a share of total employment

Source: Authors’ calculations using Labour Force Survey (ONS series MGRQ and MGRZ).
Earnings for employees and the self employed

Source: Figure 2.14 of Cribb and Joyce (2015) “Earnings since the recession”
Employment and unemployment rates since 2007

Source: Fig 2.1 of Cribb and Joyce (2015) “Earnings since the recession”
Particularly strong growth in private sector

Source: Fig 2.2 of Cribb and Joyce (2015) “Earnings since the recession”
NEET rate among young people

**Source:** Blundell, Green and Jin (2014)
Recent cohorts are also less likely to own a home

Source: Figure 3.13 of Living Standards, Poverty and Inequality: 2014