

Article

GDP and the labour market: Q2 2015 quarterly update

We look at the developments in GDP and the labour market since the economic downturn in Quarter 1 (Jan to Mar) 2008. During this period, GDP has grown by a similar amount to both employment and total hours worked. This implies a relatively flat productivity growth.

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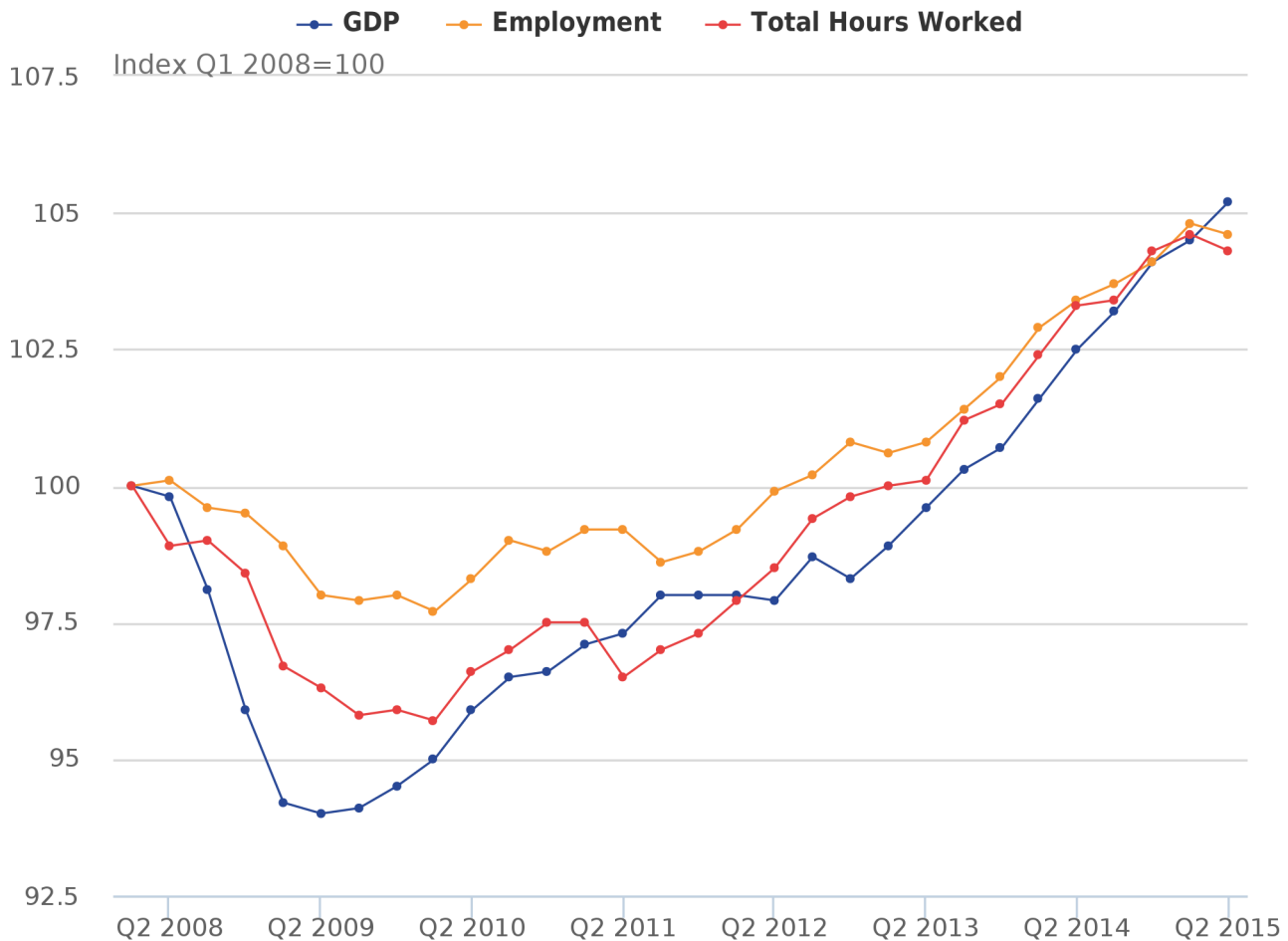
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1 . Quarter 2 (Apr to Jun) quarterly update

Figure 1: Index of GDP (chained volume measure), employment and hours since Quarter 1 (Jan to Mar) 2008, seasonally adjusted



Source: Office for National Statistics

During the 2008 to 2009 economic downturn Gross Domestic Product (GDP) fell by around 6% and did not return to its pre-downturn levels until mid-2013, as shown in Figure 1. The number of people employed also fell following the downturn, but by just 2.3%. As employment proved more resilient than GDP during the downturn, the UK produced less output on average per worker employed. Output per worker is one way of measuring productivity, indicating that the productivity of the UK's economy fell immediately following the downturn.

Employment is one measure of an economy's labour input, but it does not capture changes in working patterns, which are reflected in the total hours worked measure. While employment fell following the onset of the economic downturn, total hours worked fell further because those who were in employment worked fewer hours on average. Total hours worked fell 4.3% following the downturn – less than GDP, but more than employment. In more recent periods, growth in both total employment and average hours has pushed up on total hours worked.

Looking at the entire period since the pre-downturn peak, from Quarter 1 (Jan to Mar) 2008 to Quarter 2 (Apr to June) 2015, GDP has grown by a similar amount to both employment and total hours worked. This implies relatively flat productivity growth: a marked deviation from its long-run trend. This has led to what is known as the "[Productivity Puzzle](#)".

2. Background notes

1. Details of the policy governing the release of new data are available by visiting www.statisticsauthority.gov.uk/assessment/code-of-practice/index.html or from the Media Relations Office email: media.relations@ons.gov.uk