LABOUR MARKET STATISTICS: Three months to April 2015

Quantities[(a)(b)]

	Employment rate (16+)		Unemployment rate		Inactivity rate (16+)		Average hours (per week)		Change in employment
Feb-Apr	↓↓	59.9	↑	5.5	↑↑	36.7	=	32.1	↓↓ 114,000
Nov-Jan		59.7		5.7		36.7		32.2	143,000

Annual earnings growth[(a)(b)]

	Whole economy total pay		Whole economy regular pay		Whole economy 3 month mean settlements
Feb-Apr	↑↑	2.7	↑	2.7	2.1
Nov-Jan		1.9		1.6	1.9

Heatmap key

Max.	
Min.	

(a) Arrows indication direction of news relative to expected outturn (double arrows indicate substantial news, '=' indicates no news).

(b) Colours indicate level relative to highest and lowest outturns since 1990 (2002 for hours), heat map based on AEI growth pre March 2001.

Key message: Unemployment at 5.5% and inactivity at 36.7% were slightly higher than forecast. Employment was weaker than expected, mainly due to a fall in participation. Regular pay growth was slightly above expectations at 2.7% and Total pay growth was well above our 2.0% forecast at 2.7%. This was driven mainly by upside news on bonuses as well as strong private sector regular pay growth and revisions to previous data.

Chart 1: LFS unemployment rate

Chart 2: Unemployment rate by duration

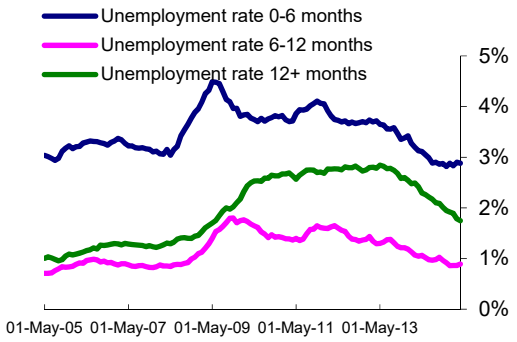
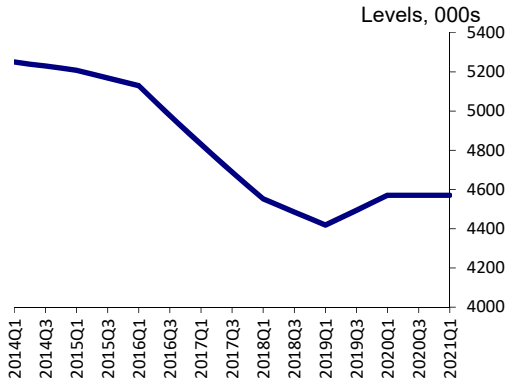


Chart 3: Current OBR public sector employment forecast



Unemployment

The headline unemployment rate remained at 5.5% in the three months to April (Chart 1), whereas we had anticipated a slight fall to 5.4%. The level of unemployment was still down by 44,000 on three months earlier.

The unemployment rate of the long term unemployed (over 12 months) continues to decline as well (Chart 2), falling to 1.7% from 1.9% three months earlier, although this still remains significantly above 1.3% pre-crisis average. In contrast the unemployment rates for those unemployed for 0-6 months and 6-12 months have levelled off in recent months, with both being unchanged from three months previously at 2.9% and 0.9% respectively.

Participation

The 16+ labour force participation rate was 0.1pp lower than expected at 63.3% in the latest outturn. The fraction of the working age population who are inactive but say they would like a job rose slightly from 5.5% to 5.7%. The economic activity rate for those aged 65 and over continued its trend upwards, increasing by 0.3pp over the past three months to 10.6%.

Employment and Hours

The employment rate was 59.9%, increasing by 0.2pp relative to the previous three non-overlapping months. This was 0.2pp below our forecast. Full time employees increased by 120,000 in this period, while the number of self-employed workers declined by 54,000.

Public sector employment fell by 22,000 in Q1. While this is significant, this is less than 50,000 per quarter decline that we expect based on the OBRs forecast,

Chart 4: Employment change by industry

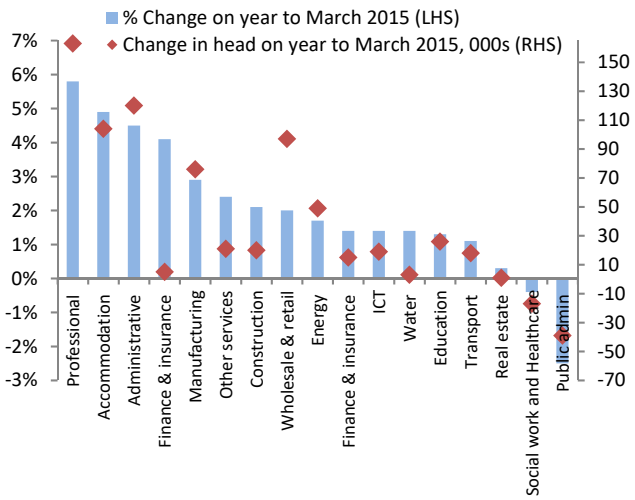


Chart 5: Pay growth

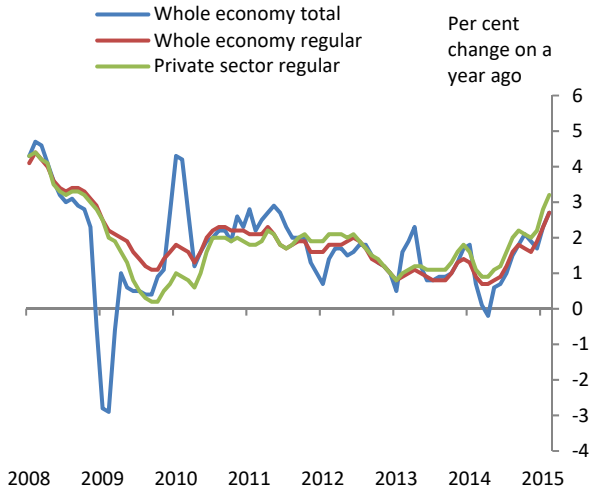
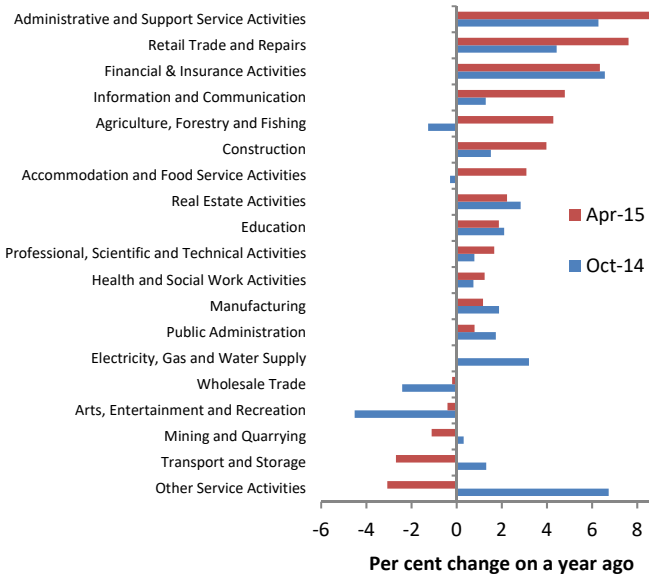


Chart 6: Regular Pay growth by sector



over the next three years. The OBR's projections will be updated alongside the upcoming budget on July 8th.

This weakness in public sector employment is reflected in **Chart 4,** which shows the dispersion in jobs growth across industries over the past year. Employment growth has been negative or weak in public administration, Education and Social Work/Healthcare. In contrast employment rose at both ends of the skill spectrum in the professional, accommodation and administrative sectors.

Average hours remained at 32.1 as expected. Total weekly hours increased to 998.3 million (0.1% on the quarter); some 0.3% lower than expected.

Pay

Whole economy total pay growth was 2.7% on a year ago, much higher than we had expected (Chart 5). Whole economy regular pay was also higher than expected (2.7% compared to our forecast of 2.6%) as was private sector regular pay (3.2% compared to 3.0%).

Part of this surprise was due to upward revisions for pay growth in March.

Bonuses clearly surprised very strongly to the upside with whole economy bonus pay increasing by 0.7% compared to our forecast of -9.4% (reflecting an anticipated unwinding of tax related timing effects). While we do not forecast wages by sector (so we cannot attribute the news to particular sectors), bonus pay growth was particularly strong in Wholesaling, Construction and Finance.

Chart 6 shows annual regular pay growth by sector, compared to six months ago. In general pay growth has either increased or remained broadly stable relative to the levels seen in October, with only four sectors (Electricity/water, Mining, Transport/storage and Other services), seeing a substantial slowdown in pay.