April 2013

labour market update

Inactivity down, unemployment up

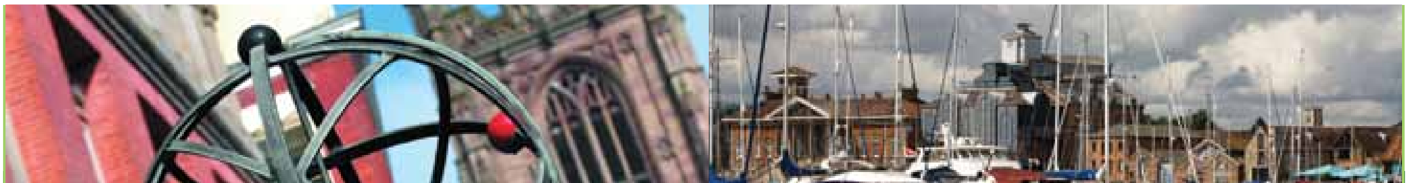
This month's data release suggests that after many months of good news, the labour market is beginning to weaken. Unemployment increased by 0.2 percentage points between December and February compared to the previous three months, youth unemployment also rose while employment fell slightly.

However, the main reason for the increase in unemployment was due to a number of people who were previously not looking for work ('inactive') now searching for a job, rather than a significant rise in people losing their jobs.

The inactivity rate fell by 0.2 percentage points over the quarter accounting for 81 per cent of the total increase in unemployment over the quarter. At 22.2 per cent the inactivity rate is now at its lowest point since 1991.

Table 1: Key statistics

	Reference Period	Rate
Unemployment (ILO)	Dec 12-Feb 13	7.9%
Claimant Count	March 13	4.6%
Employment	Dec 12-Feb 13	71.4%
Y-o-Y Average Weekly Wage Growth	March 13	0.8% inc bonus 1.0% exc bonus

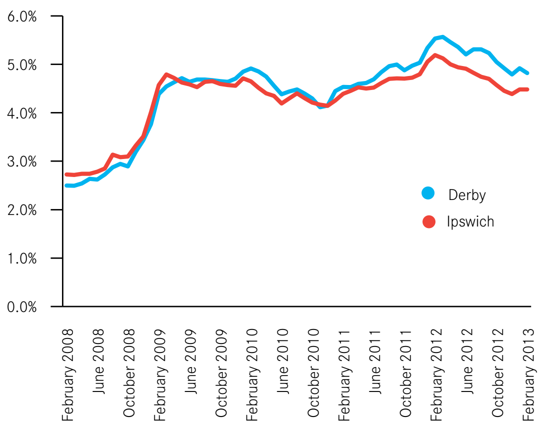


Spotlight on Derby and Ipswich

Derby and Ipswich have seen the largest declines of all cities in their claimant count rate in the last year – a fall of 0.7 percentage points in each city.

But this recent fall in the claimant count rate has only offset the increase both cities experienced throughout 2011, rather than eroding the sharp increases seen at the start of the downturn. And at 4.8 per cent and 4.5 per cent respectively, their claimant rates are still above the national average of 3.8 per cent.

Figure 1: Claimant count rate in Derby and Ipswich



Source: Nomis

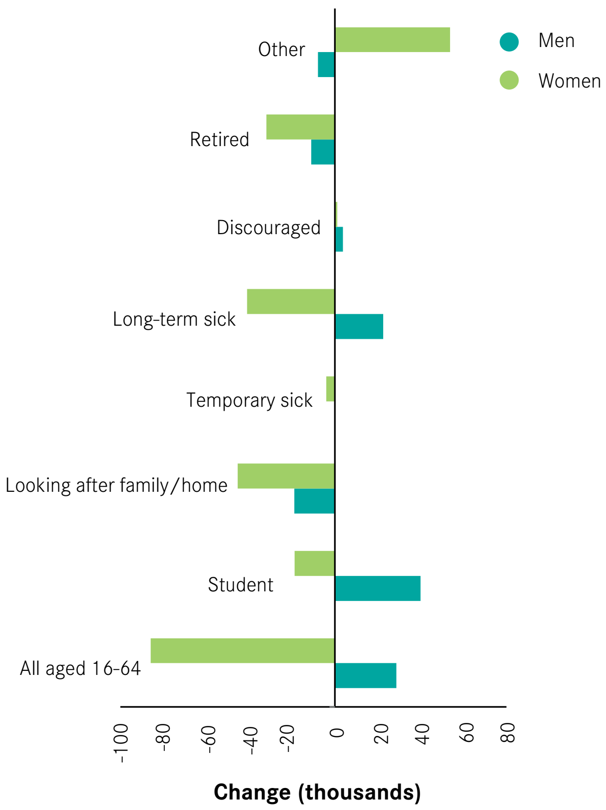
See more city by city comparisons at www.citiesoutlook.org.

Homemakers return to the labour market

As noted above, the main contributing factor to the increase in unemployment in the three months to February 2013 was because of an increase in the activity rate, rather than a weakening of the labour market.

Figures 2 and 3 show how inactivity changed by age group, gender and reason for inactivity. Women more than fully accounted for the overall increase in activity – there was a net fall in the number of men in the labour market. A reduction in the number of women looking after the family or home was the main reason for this, followed closely by a reduction in those not looking for work because of long-term sickness.

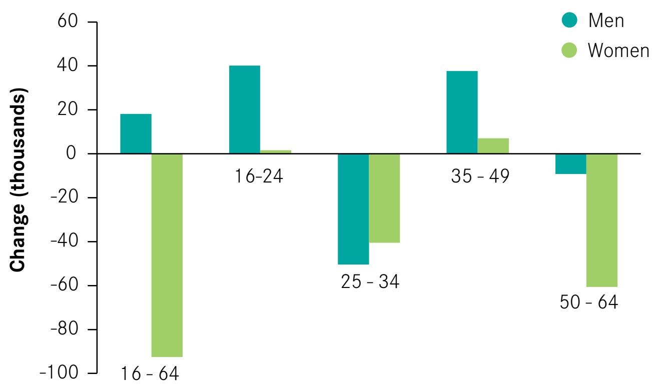
Figure 2: Change in inactivity by reason and gender



Source: ONS

The biggest change by age group overall was in the 25-34 category. But for women the biggest change was in the 50-64 age group, in part reflecting the recent changes in pension age for women. There was a slight increase, on the other hand, in inactivity for females aged under 25.

Figure 3: Change in inactivity by age and gender



Source: ONS

Pay growth remains weak

The ITEM Club this week forecasted that consumer spending will rise in 2013 on the back of wages increasing more strongly than inflation.

This is a bold claim. As shown in last month's Labour Market Update, wage growth has lagged behind price growth almost continuously since the start of the downturn. And real wages are now more than 12 per cent lower than February 2008.

The latest release of wage growth data also offers little hope of a reversal of this trend. Excluding bonuses, the 1 per cent increase in wages in the three months to February was the lowest increase since records began in 2001. When including bonuses, wage growth was even weaker at 0.8 per cent, 2 percentage points lower than inflation. This continued weakness in pay growth does not bode well for consumer spending growth in the coming months.

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