



labour market update

Labour market makes continued mild improvement

Unemployment fell for the second consecutive month in the three months to March. It now stands at 8.2 percent, 0.1 percentage points lower than last month and 0.2 percentage points lower than two months ago.

The outlook remains fragile – this improvement is driven by part time working and self employment, while full time employment continues to fall. But the mild improvement continues to suggest that the

economy may be growing once more after dipping back into recession.

Despite the improvement, the rate of pay growth continued to fall, meaning that the growth in wages continues to be well below inflation (see Figure 3). This reflects weak productivity growth in the UK economy, which was just 0.2 percent higher in Q4 2011 than a year earlier.

Table 1: Key statistics

	Reference Period	Rate
Unemployment (ILO)	Jan 12-Mar 12	8.2%
Claimant Count	April 12	4.9%
Employment	Jan 12-Mar 12	70.5%
Y-o-Y Average Weekly Wage Growth	Jan 12-Mar 12	0.6% inc bonus 1.6% exc bonus

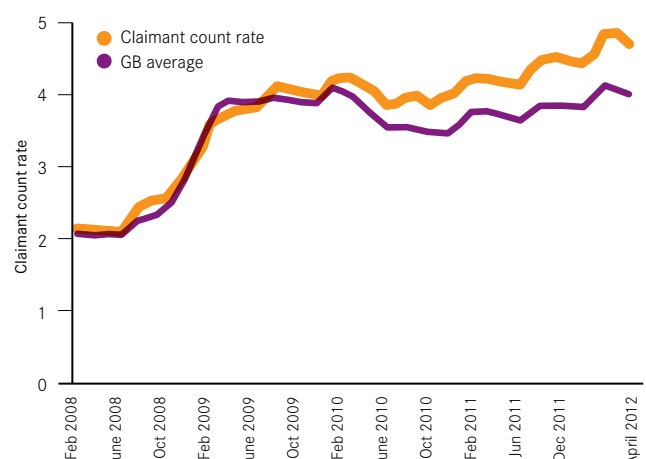


Spotlight on Cardiff

The claimant count rate in Cardiff has decoupled from Great Britain's claimant count rate over the last two years. Figure 1 shows that the city's claimant count was around the national average at the beginning of the recession. And the subsequent increase in the early stages of the downturn was also in line with the national picture.

Interestingly the claimant count in Cardiff and the UK have diverged since the beginning of 2010. It is now 0.6 percentage points higher than that for Great Britain, suggesting the Welsh capital is being hit disproportionately by the national economy's continued weakness.

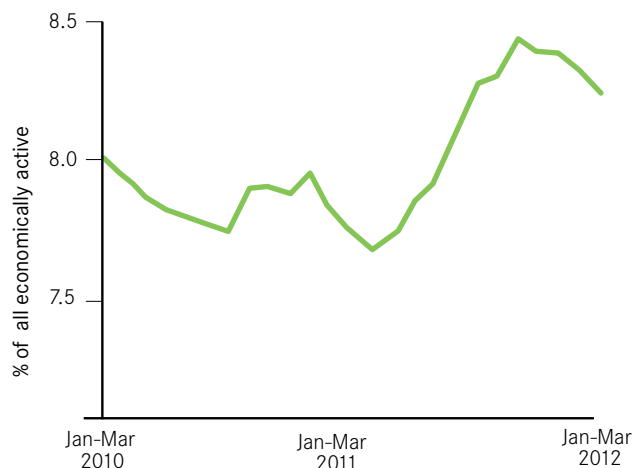
Figure 1: Claimant count in Cardiff



Unemployment continues to fall

Unemployment has **fallen by 0.2 percentage points since the turn of the year, following an increase of 0.7 percentage points between June and December 2011.** This reversal is positive, although the decrease is relatively small given the previous rise.

Figure 2: UK unemployment rate



Source: ONS

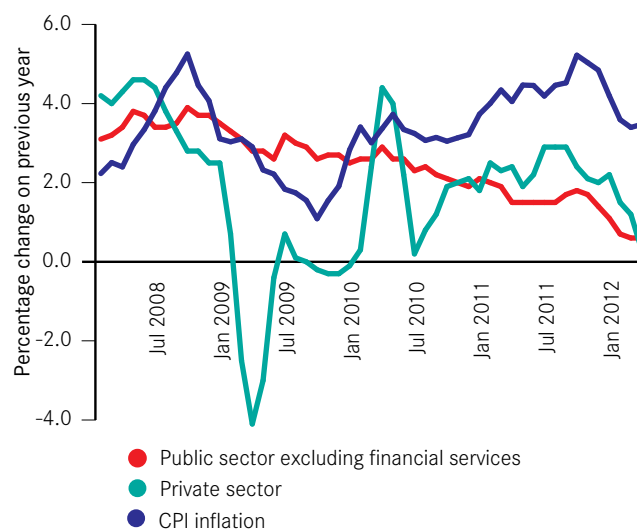
Wage growth falls sharply

Despite inflation continuing to squeeze living standards, wage growth fell sharply in the 12 months to March 2012 relative to the 12 months to February. Total pay fell by 0.5 percentage points to 0.6 percent. **This was even more pronounced in the private sector – total pay increased by just 0.3 percent.**

Much of the slowdown in wage growth was driven by lower bonus payments. This was most marked in the financial and business services and construction sectors, where bonuses fell by 16.2 percent and 18.2 percent respectively.

Interestingly the part of the banking sector that is under public ownership did not see similar falls in its bonus payments. While public sector bonus pay excluding financial services fell by 2.4 percent, total public sector bonus pay increased by 15 percent. Figure 3 compares the growth in wages with inflation.

Figure 3: Wage growth and inflation



Source: ONS

Wage growth remains much weaker than the growth in prices, meaning that the real value of take home pay continues to fall. As a result living standards continue to be substantially squeezed by relatively high inflation.

Women in the labour force reaches new record

The number of women either in work or looking for work is now at its highest since records began in 1971. In the three months to March 2012, 71 percent of women were either employed or searching for a job, up 0.1 percentage points on the previous quarter and up 15.5 percentage points from January-March 1971.

The patterns of economic activity for men and women since the beginning of the downturn run counter to each other. While female activity has continued its upward trend over recent years, male activity is 0.7 percentage points lower than it was at the beginning of 2008.

This may help partly explain the patterns seen in male and female unemployment in the last year. While male unemployment has increased by 5.4 percent, the increase in the number of women either in work or looking for work is likely to have contributed to the much higher increase of 9 percent in female unemployment.

City labour markets show tentative signs of stabilising but the gap between cities continues to widen

Following national trends, the majority of cities have seen a fall from peak claimant rates over the last month. To some extent this fall reflects seasonal variations as the claimant rate remains higher than April last year in the majority of cities.

The latest regional data combined with longer term change suggests the recovery is likely to remain highly uneven. Figures adjusted to take account of seasonal variations indicate the **claimant rate has fallen in**

recent months in the South and Midlands. It has also decreased over the last month in Scotland.

In contrast, **the claimant rate remains unchanged in the North and Wales and is higher than at the end of 2011.** The claimant rate also continues on an upward trend Northern Ireland.

Recovery has also been uneven across city labour markets

Comparison between April 2009 and April 2012 (Figure 4) reveals that cities in the South East and part of the Midlands have seen the largest reductions in claimant rates.

The claimant rate in Swindon has fallen by 1.3 percentage points from 5 percent and in Stoke by 0.8 percentage points from 5.4 percent in April 2009.

In other cities, such as Belfast and Newport, the claimant rate remains high and continues to rise.

Figure 4: Change in claimant rate, April 2009 to April 2012

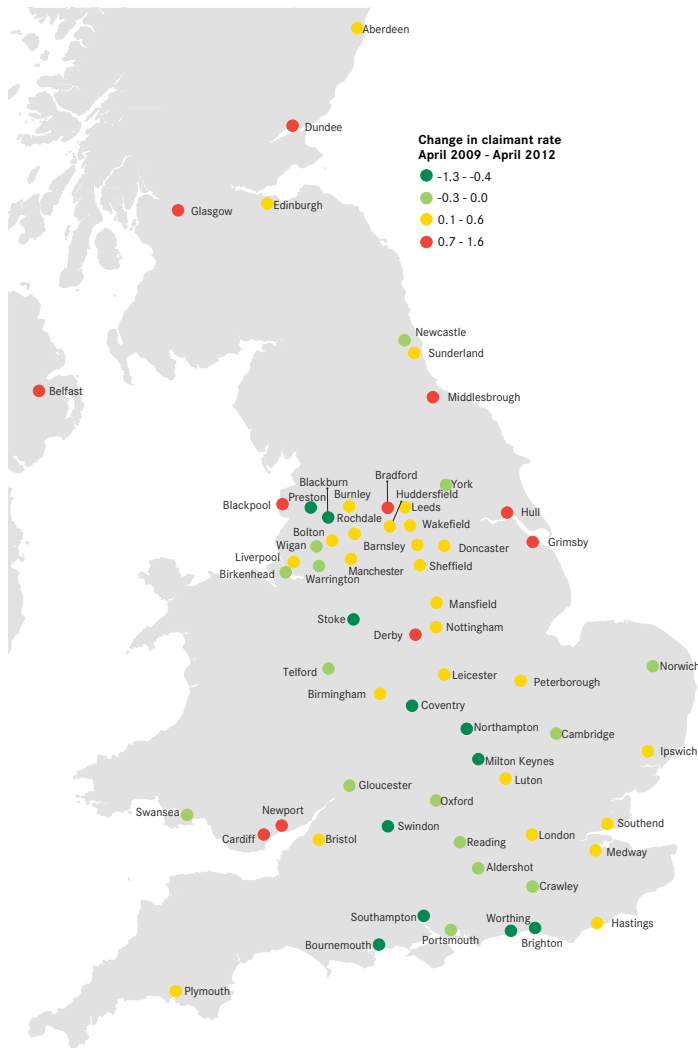


Figure 5: Change in claimant rate by region, March 2008 to April 2012 (seasonally adjusted)

