

Article

Labour market economic commentary: June 2017

Additional economic analysis of the latest UK labour market headline statistics and long-term trends.

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1 . Main points

- The UK unemployment rate was 4.6% in the 3 months to April 2017, down from 5.0% a year earlier, and is now at its equal lowest since 1975.
- The fall in the unemployment rate relative to a year ago reflects an increase in the employment rate, which remained at a record high of 74.8%.
- The number of vacancies remained broadly unchanged in the 3 months to May 2017.
- The rate of wage growth slowed in the 3 months to April 2017; adjusted for inflation, annual growth in total average weekly earnings turned negative for the first time since 2014.

2 . UK economy continues to add full-time jobs in the 3 months ending April 2017

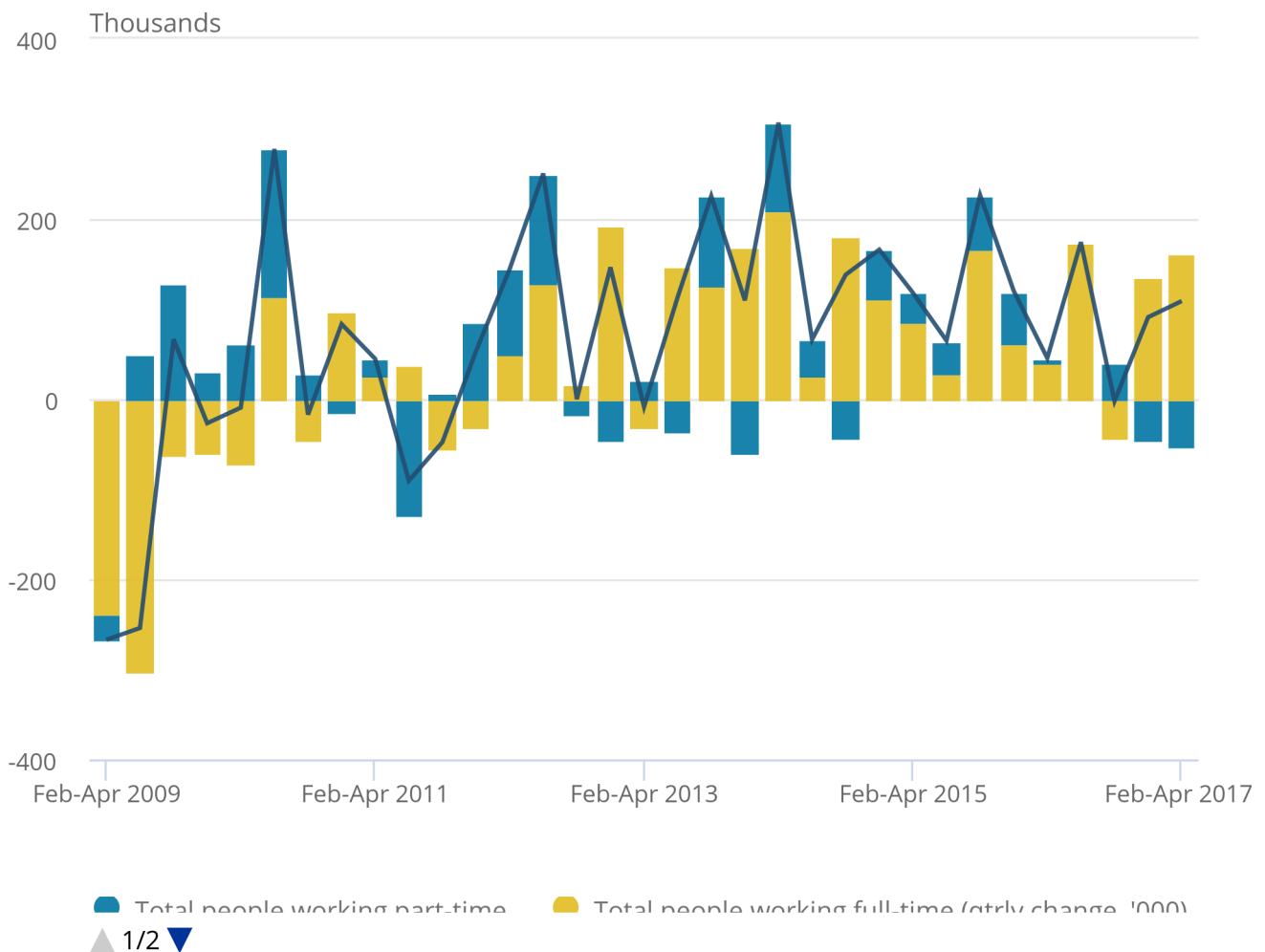
The number of people in work increased by 109,000 in the 3 months to April 2017 compared with the previous 3 months, to 31.95 million, with an increase in full-time employment (162,000) partly offset by a fall in part-time employment (53,000) (Figure 1). The employment rate reached a joint record high of 74.8%.

Figure 1:Quarterly change in employment (thousands)

UK, between February to April 2009 and February to April 2017

Figure 1:Quarterly change in employment (thousands)

UK, between February to April 2009 and February to April 2017



Source: Office for National Statistics, Labour Force Survey

Source: Office for National Statistics, Labour Force Survey

Other indicators of labour market activity were relatively stable in the 3 months ending April 2017. Average hours worked per week decreased slightly from 32.3 to 32.2 compared with the previous 3 months. Similarly, the number of vacancies remained close to a record high in the 3 months to May 2017, while the number of unemployed people per vacancy remained at 2.0 in the 3 months to April 2017, the lowest on record.

3 . UK unemployment rate at 4.6%

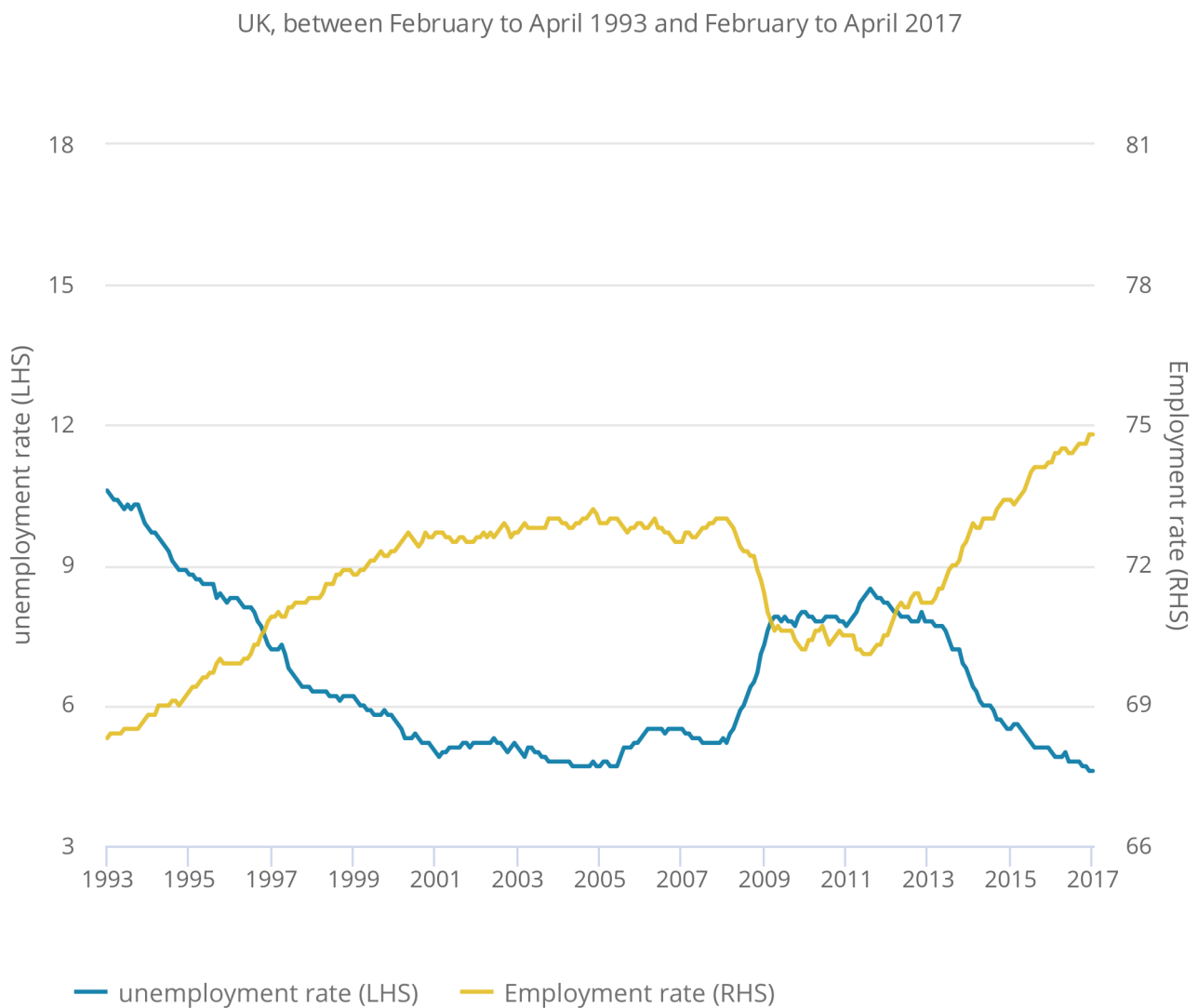
The unemployment rate was 4.6% in the 3 months ending April 2017, down from 5.0% a year earlier. The unemployment rate can be expressed as a function of the employment rate and the participation rate (the proportion of people aged over 16 who were economically active). Consistent with recent periods, the fall in the unemployment rate compared with a year ago reflects an increase in the employment rate (from 74.2% to 74.8%) alongside a largely unchanged participation rate (Figure 2).

Compared with the over-16s' participation rate, the headline economic activity rate features only those aged 16 to 64 and is now 78.5%, the equal highest since records began in 1971. Since mid-2011, the economic activity rate has exhibited an increasing trend.

Figure 2: Headline unemployment rate, and employment rate

UK, between February to April 1993 and February to April 2017

Figure 2: Headline unemployment rate, and employment rate



Source: Office for National Statistics, Labour Force Survey

Source: Office for National Statistics, Labour Force Survey

4 . Total real wage growth turns negative

Figure 3 shows rates of nominal and real wage growth since 2006. Wages have been adjusted for inflation using the Consumer Prices Index including owner occupiers' housing costs (CPIH). These data show that regular weekly earnings for employees (excluding bonuses) in Great Britain increased by 1.7% in the February to April 2017 period compared with a year earlier. This is the weakest rate of growth since the November to January 2015 period.

Average weekly earnings, including bonuses, grew by 2.1% in the same period and are the weakest since the December to February 2016 period. Taking into account recent increases in inflation, real average weekly earnings decreased by 0.4% including bonuses and by 0.6% excluding bonuses in the 3 months to April 2017 compared with the same period a year earlier. This is the first annual decline in total real average weekly earnings since 2014.

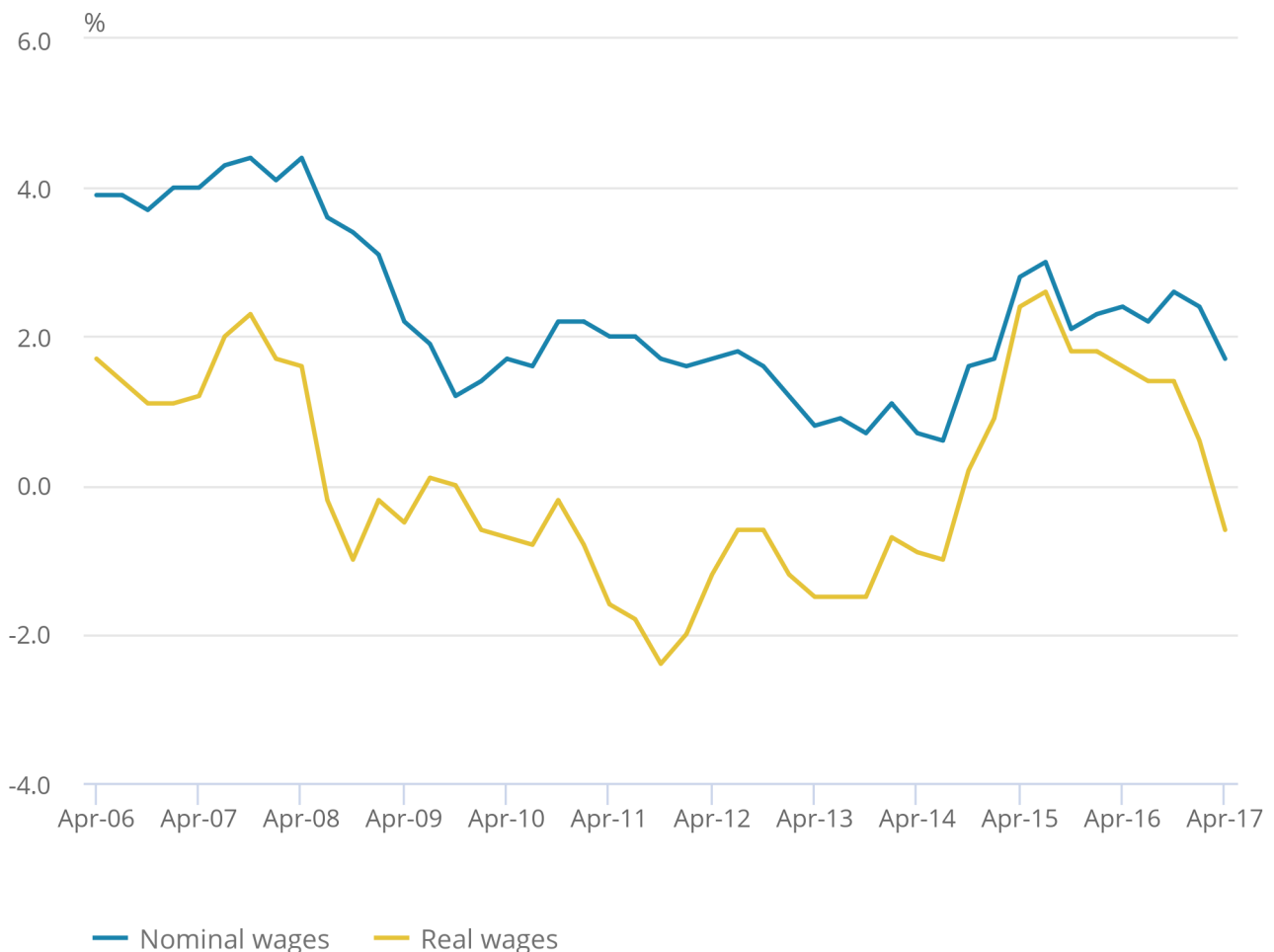
In the private sector, nominal average weekly earnings (excluding bonuses) increased by 2.0%, compared with a 1.1% increase for the public sector. Adjusted for inflation, real average weekly earnings fell by 0.5% in the private sector and by 1.2% in the public sector.

Figure 3: Regular average weekly earnings growth: real and nominal

UK, seasonally adjusted, 3 month on 3 month a year ago, April 2006 to April 2017

Figure 3: Regular average weekly earnings growth: real and nominal

UK, seasonally adjusted, 3 month on 3 month a year ago, April 2006 to April 2017



Source: Office for National Statistics, Labour Force Survey

Source: Office for National Statistics, Labour Force Survey

5 . Author

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