

# UK labour market

## Mixed official data highlight fragility of job market recovery

- **One definition of unemployment falls for second month running, but another one hits a 13-year high.**

This morning's official data from the Office for National Statistics was a mixed bag for the UK labour market. Headline unemployment, based on the International Labour Organization (ILO) definition, declined for the second consecutive month and employer vacancy levels rose, but an increase in the claimant count and a fall in total employment sounded notes of caution as to the underlying strength of the recovery.

The jobless total fell 3,000 to 2.46m in the three months to December, leaving the unemployment rate unchanged at 7.8 per cent of the workforce. However, the number claiming jobseekers' allowance rose 23,500 to 1.64m in January, the highest since April 1997.

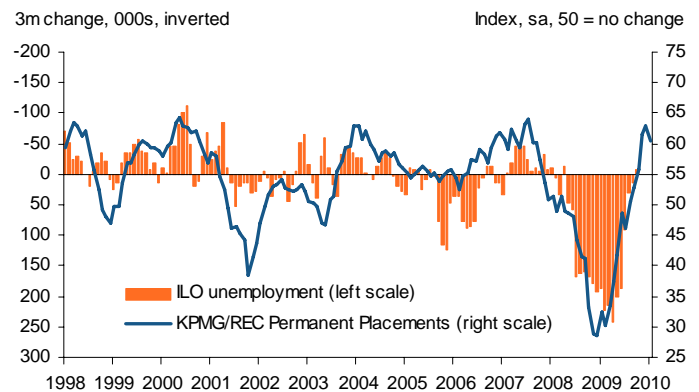
The unexpected rise in the dole queue suggests that the job market remains fragile, despite the signs of stabilisation evident throughout the second half of 2009.

Survey data from the recruitment sector, on the other hand, continue to suggest improving conditions. The KPMG/REC Report on Jobs, compiled by Markit, signalled a sixth consecutive rise in permanent placements during January, although growth eased from December's high.

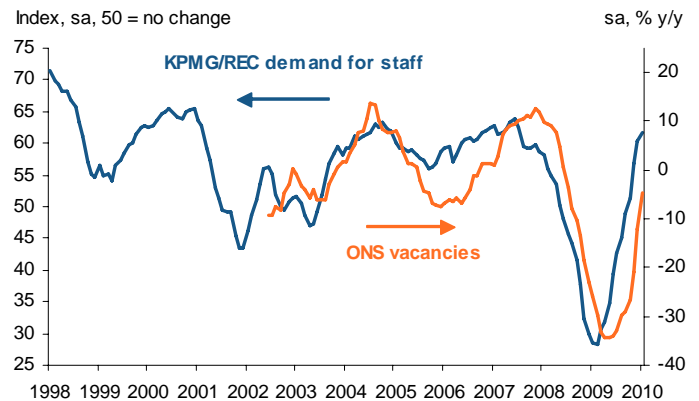
Furthermore, overall demand for staff increased at the fastest pace for two-and-a-half years. This tallies with recent ONS figures, which have shown an uplift in vacancy levels from last October's low to the highest for almost a year in January.

Nevertheless, there remain a number of clouds on the horizon. Official data show that much of the recent rise in employment has been driven by an increase in part-time jobs, masking a continued decline in full-time roles, whilst underemployment (the number of people working fewer hours than they would like to) reached 9.9% of the

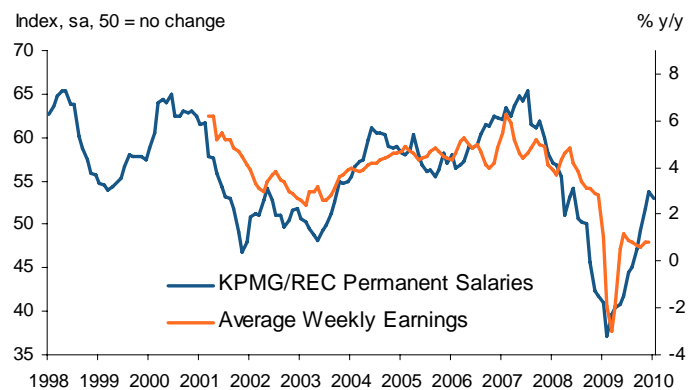
**Change in jobless v permanent placements**



**Vacancies and the demand for staff**



**Employee pay rates**



Sources: Office for National Statistics, Markit Economics.

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total workforce in the three months to last September, up 2.2% on a year earlier. Additionally, economic inactivity has risen to a record level, in part reflecting a surge in young people opting to study amid scarce job opportunities.

With many employers still in wait-and-see mode regarding the state of the economy, and the prospect of substantial fiscal policy tightening following the general

election, it would be no surprise to see renewed signs of weakness emerge in the labour market during 2010, especially in relation to the public sector.

The next snapshot of labour market conditions will be provided by the Report on Jobs, released 3<sup>rd</sup> March 2010, covering February data. To find out how to receive the report, and also for enquiries relating to the PMI surveys, please contact **economics@markit.com**.

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## Jack Kennedy

### Economist

Markit

Tel: +44 1491 461 087

Email: [jack.kennedy@markit.com](mailto:jack.kennedy@markit.com)

For further information, please visit [www.markit.com](http://www.markit.com)

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