

# UK labour market

## UK unemployment falls for first time in 18 months

- Unemployment down by 7,000 in three months to November.
- But labour market continues to face significant challenges in 2010.

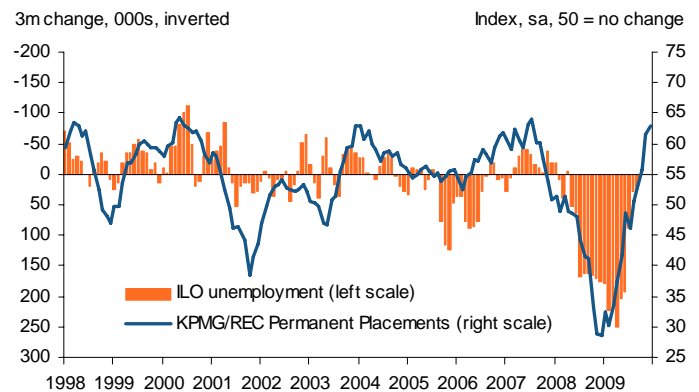
The number of people unemployed in the UK declined by 7,000 to 2.46 million in the three months to November, according to the latest data from the Office for National Statistics (ONS). That was the first drop since February 2008 and another indication that the labour market has stabilised earlier than was widely anticipated at the start of the recession. The claimant count also showed a fall, with December's reduction of 15,200 the biggest since April 2007.

The brighter jobs picture echoes signs of improvement reported by the recruitment industry in recent months. The KPMG/REC Report on Jobs, compiled by Markit, signalled that the number of people placed in permanent jobs rose for the fifth month running in December, and at the fastest pace since July 2007. Furthermore, agencies' temporary/contract staff billings grew at the strongest pace for two-and-a-half years.

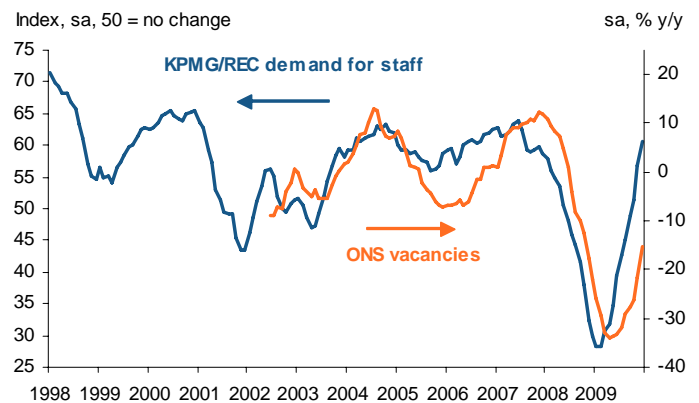
However, other facets of the latest ONS release sounded a note of caution about the underlying strength and sustainability of the recent improvement. Overall employment dipped by 14,000 in November compared with the previous three months, following a strong gain of 52,000 reported for the period to October. Meanwhile, average weekly earnings, excluding bonuses, rose by just 1.1% on a year earlier, the lowest annual growth rate since comparable records began in 2001.

Pay restraint – alongside shorter working hours – has helped cushion the labour market in this downturn compared with previous recessions in the early 1980s and 1990s. However, the disparity between the public sector, where total pay rose by 3.8% annually, and the private sector, where it declined by 0.1%, underscored

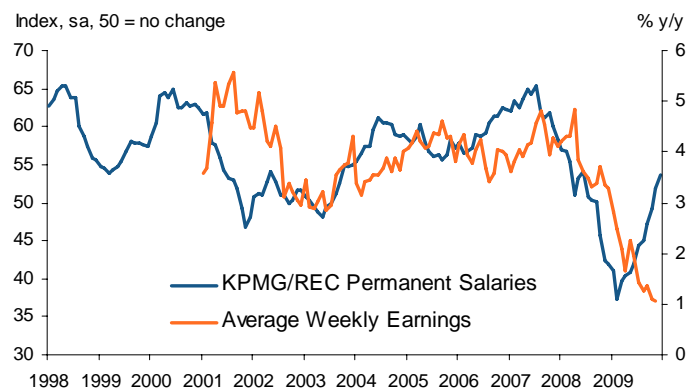
Change in jobless v permanent placements



Vacancies v demand for staff



Average weekly earnings (ex. bonus) v perm salaries



Sources: Office for National Statistics, Markit Economics.

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the two-track nature of the current labour market situation.

The job market remains vulnerable to further setbacks, not least because cutbacks to public spending are widely expected to loom later in the year. But the data so far suggest that the labour market may have escaped

relatively lightly in the UK, given the length and depth of the recession.

The next snapshot of labour market conditions will be provided by the Report on Jobs, released 3<sup>rd</sup> February 2010, covering January 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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