

Global employment

Earlier than anticipated turnaround in worldwide labour markets, but recovery likely to be slow

Employment stabilising in developed economies

Latest labour market data from around the globe provided positive surprises. Most notably, US non-farm payrolls showed a decline of only 11k in November compared with analysts' expectations of a 125k drop. Japan and Germany both saw falls in unemployment, as hiring was boosted by export-sector recoveries and government support policies. The UK meanwhile posted a return to employment growth during the three months to October for the first time since July 2008.

A turning point in the labour market has been signalled in advance by the Global PMI's Employment Index, which held broadly steady at 46.2 in November, a level indicative of a much slower pace of job shedding than the steep falls seen at the height of the downturn. We estimate that the monthly rate of job losses in the US, UK, Japan and Eurozone combined was around 10-20k in November – a stark turnaround from March, when around 1.7 million jobs were cut.

The short-term outlook for employment remains broadly positive as recovering workloads prompt firms to hire more staff. The ratio of the PMI New Orders to Employment Indices remained at a historically strong level in November, suggesting considerable scope for employment to rise during the coming months.

Gradual recovery appears likely

Although global labour markets appear to be stabilising, the recovery phase is likely to be long and slow. This is highlighted by the latest KPMG Business Outlook Survey, compiled by Markit, which shows that both manufacturers and service providers worldwide expect growth of employment to be much more subdued than that of business activity during the next twelve months¹.

¹ See [here](#) or, for a copy of the full Outlook Report, visit [here](#).

Chart 1: US, UK, Eurozone and Japan employment

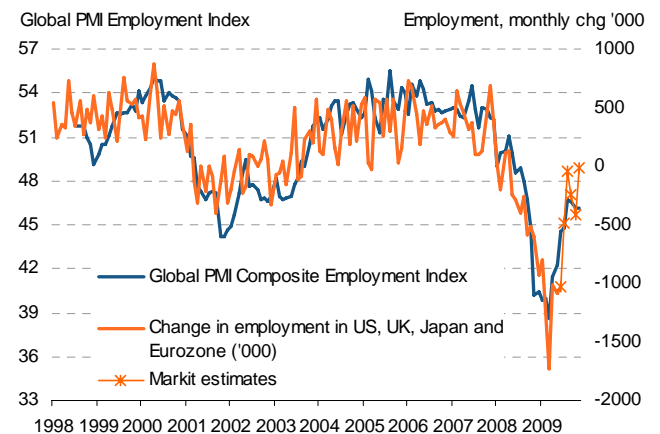


Chart 2: Global employment and order books

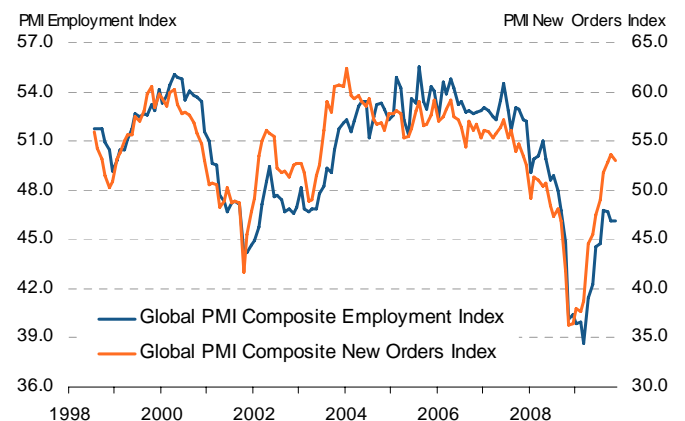
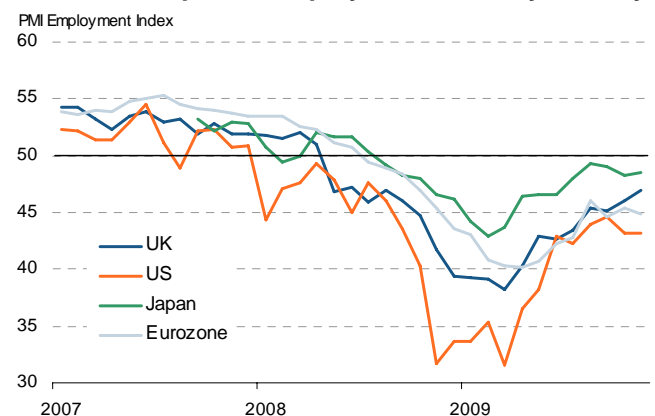


Chart 3: Composite Employment Index by country



Sources: Markit, ISM, Ecowin.

Muted expectations for employment growth reflect a combination of factors. Firstly, companies remain wary of the strength and durability of economic recoveries, and appear reluctant to commit to additional costs. Secondly, many countries (with the notable exception of the US) have seen much sharper declines in output relative to employment during the current downturn. This suggests that higher workloads can be met in part through increased productivity and a return to longer average working hours. Subdued growth of private sector employment is also likely to be accompanied by pressure to cut public sector payrolls as necessary

action by governments to rein in fiscal deficits is set to place a squeeze on public sector employment.

Return of confidence is key

Nevertheless, there have been recent signs of an increased willingness to hire amongst employers. In the UK, the latest KPMG/REC Report on Jobs (also compiled by Markit) signalled the fastest rise in recruitment consultancies' permanent staff placements for over two years in November. As confidence grows regarding the sustainability of the upturns being experienced in many developed economies, it is likely that similar trends will emerge elsewhere.

Chart 3: US employment

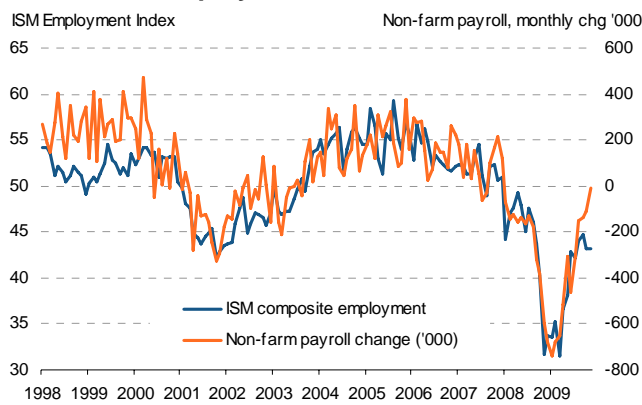


Chart 4: Eurozone employment

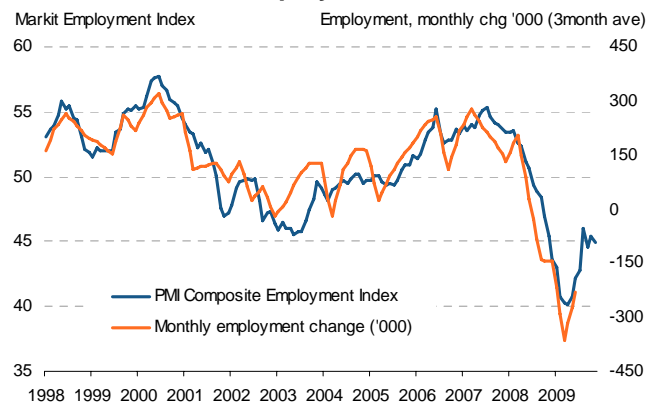


Chart 5: UK employment

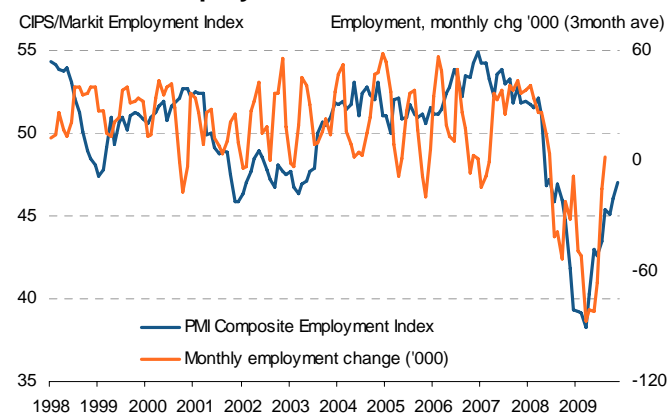
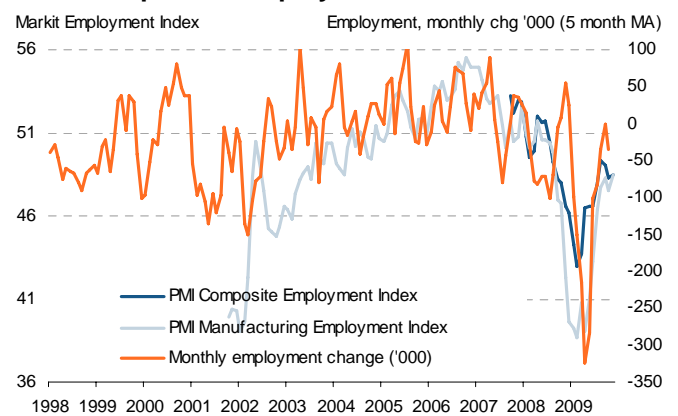


Chart 6: Japanese employment



Jack Kennedy

Economist

Markit

Tel: +44 1491 418687

Email: jack.kennedy@markit.com

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