

# UK labour market

## UK claimant count falls further as labour market recovery continues

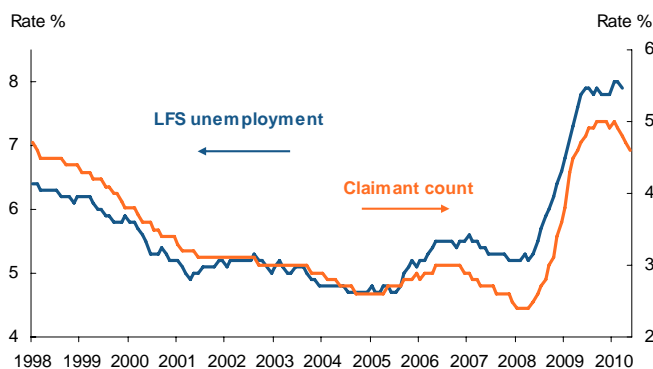
- Official data consistent with improving job market conditions.
- Private sector jobs rising, but public sector shrinkage has begun.

At first glance, the latest data from the Office for National Statistics (ONS) provided mixed signals as to UK labour market developments. On the one hand, the number of people claiming jobless benefits continued to fall, dropping by 30,900 to 1.48 million in May. On the other hand, the Labour Force Survey measure of unemployment showed a rise of 23,000 to 2.47 million in the three-month period to April.

However, unemployment actually dropped in April itself from 2.51 million, while the three-monthly rise was the smallest since January. The unemployment rate eased from 8.0% in March to 7.9%.

Looking at the claimant count figures, an improving trend has been apparent since the start of 2010. The claimant count rate has dropped from 5.0% in January to 4.6% in May.

### LFS unemployment v claimant count



Source: ONS

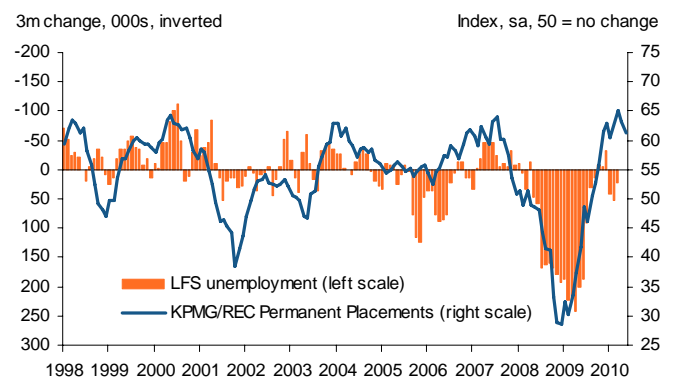
Other data were also encouraging, as total employment rose slightly by 5,000 to 28.87 million in the three months to April, while the number of job vacancies increased by 7,000 to 492,000 in the period to May.

### Recruiters continue to report improving conditions

The positive trends apparent in the official labour market data corroborate recent survey evidence from the recruitment industry. The KPMG/REC Report on Jobs, compiled by Markit, signalled that permanent staff placements increased for a tenth consecutive month in May.

The placements series has a good track record as an advance indicator of job market trends, having signalled major turning points well in advance of official data, such as the steep post-financial crisis downturn and subsequent recovery. Although still signalling strong growth of placements in May, the index eased further from March's 12-year high, suggesting that the pace of expansion may have peaked at the end of Q1.

### Recruitment activity and unemployment



Sources: ONS, Markit

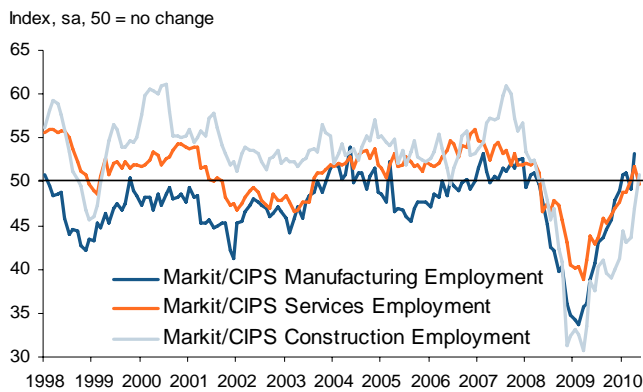
### Fall in public sector employment highlights threat to job market recovery

The latest official data showed that employment growth was driven by the private sector, where there was an increase of 12,000 jobs, more than offsetting a decline of 7,000 in the public sector. The fall in government employment was the first since March 2008 and

suggests that a new era of tighter public spending is starting to hit the labour market.

Other survey data produced by Markit underline that a disparity in labour market performance between the private and public sectors is likely to be a prominent theme in coming months. First, the Markit/CIPS PMI surveys are consistent with an ongoing recovery in private sector jobs. The All-Sector Employment Index, which covers manufacturing, services and construction, signalled a second successive monthly rise in staffing levels during May, albeit at a slower rate than in April.

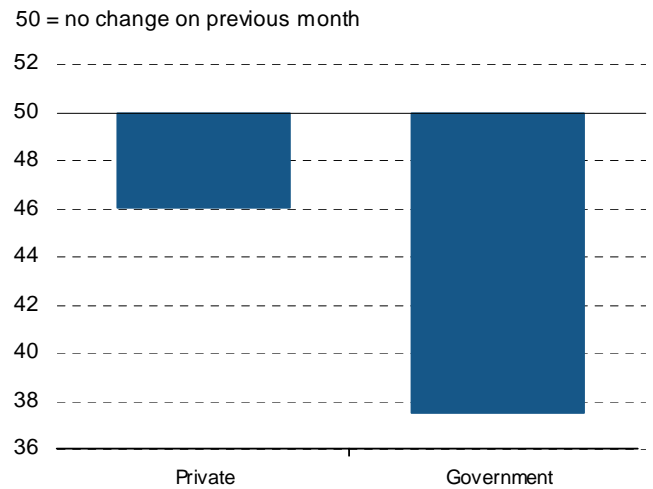
**PMI employment data**



Source: Markit

Second, the Household Finance Index (HFI) produced by Markit in association with YouGov, illustrates the extent to which public sector workers' perceptions of their job security have deteriorated recently. The relevant index dropped to a series-low of 37.5 in May and was well below the equivalent indicator for the private sector (46.0).

**Household finance survey: job security by sector**



Source: Markit

The next snapshot of labour market conditions will be provided by the Report on Jobs, released 7<sup>th</sup> July, covering June data. To find out how to receive the report, and also for enquiries relating to the PMI surveys, please contact [economics@markit.com](mailto:economics@markit.com).

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