

What the labour market shows: challenges for employment and skills

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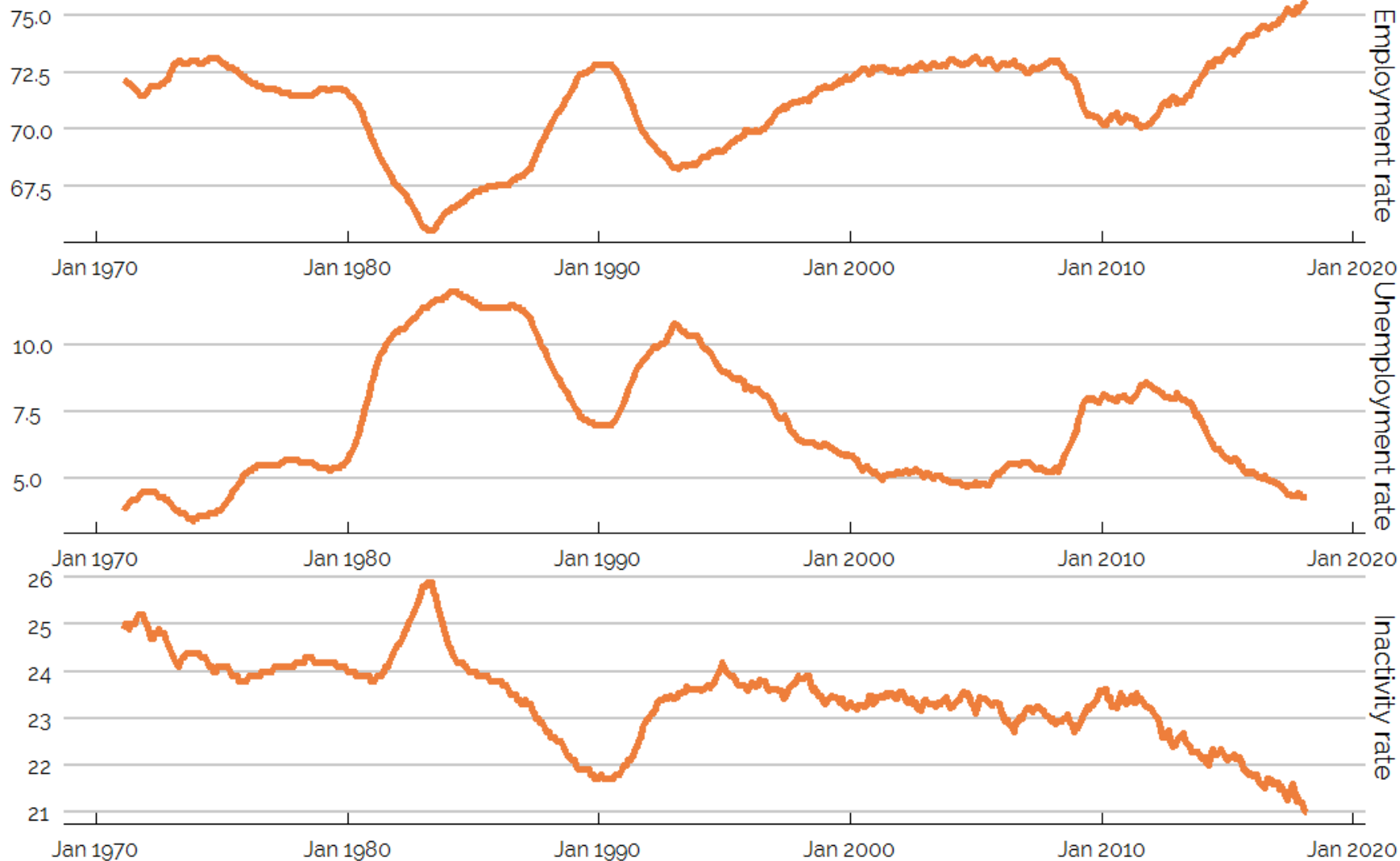
Duncan Melville

Chief Economist, Learning & Work Institute

06 July, 2018

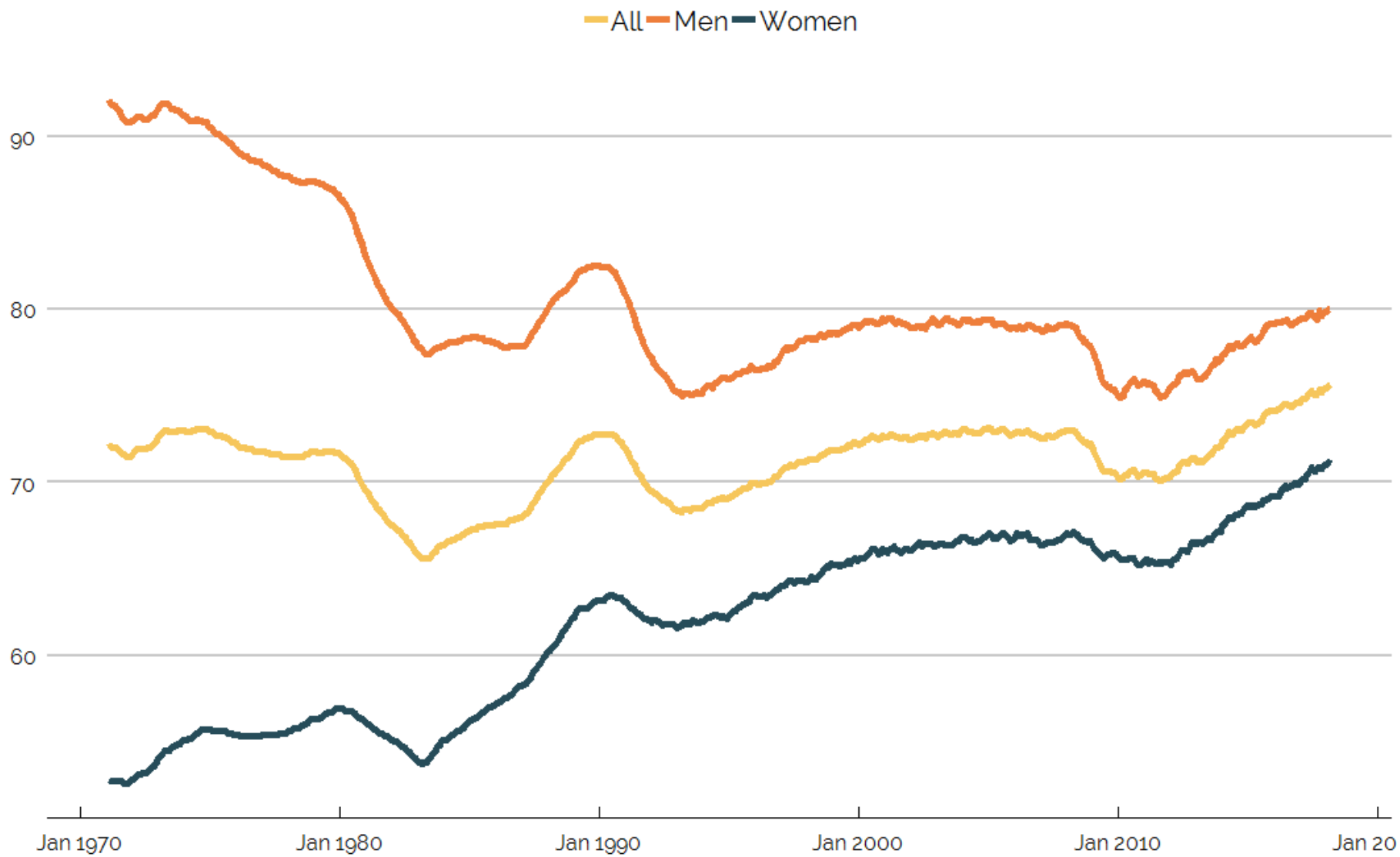
WHAT THE LABOUR MARKET SHOWS: 2018

Employment, unemployment and inactivity rates (aged 16-64)



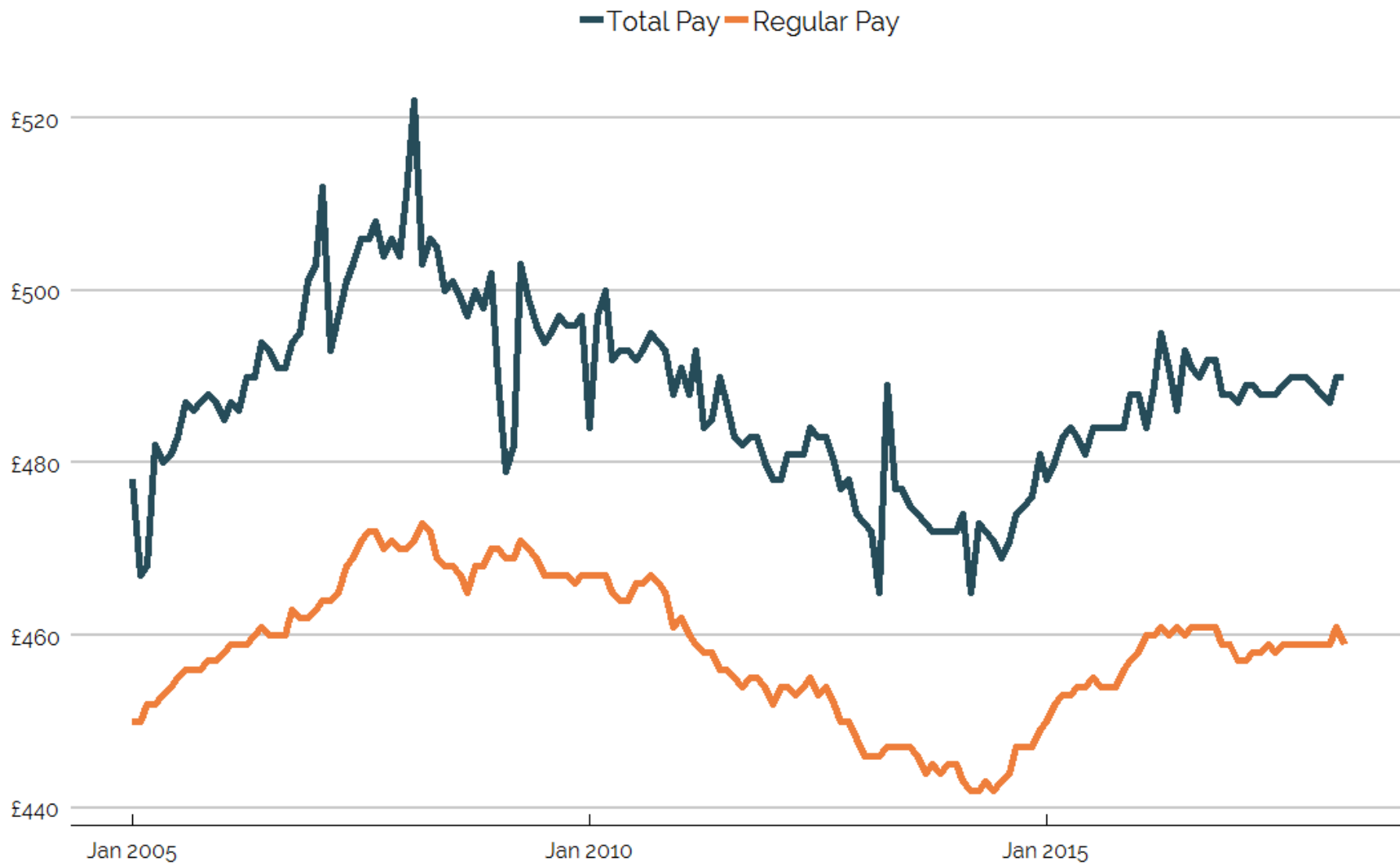
**THERE'S SOMETHING ODD
ABOUT MALE EMPLOYMENT
RATES**

Long term

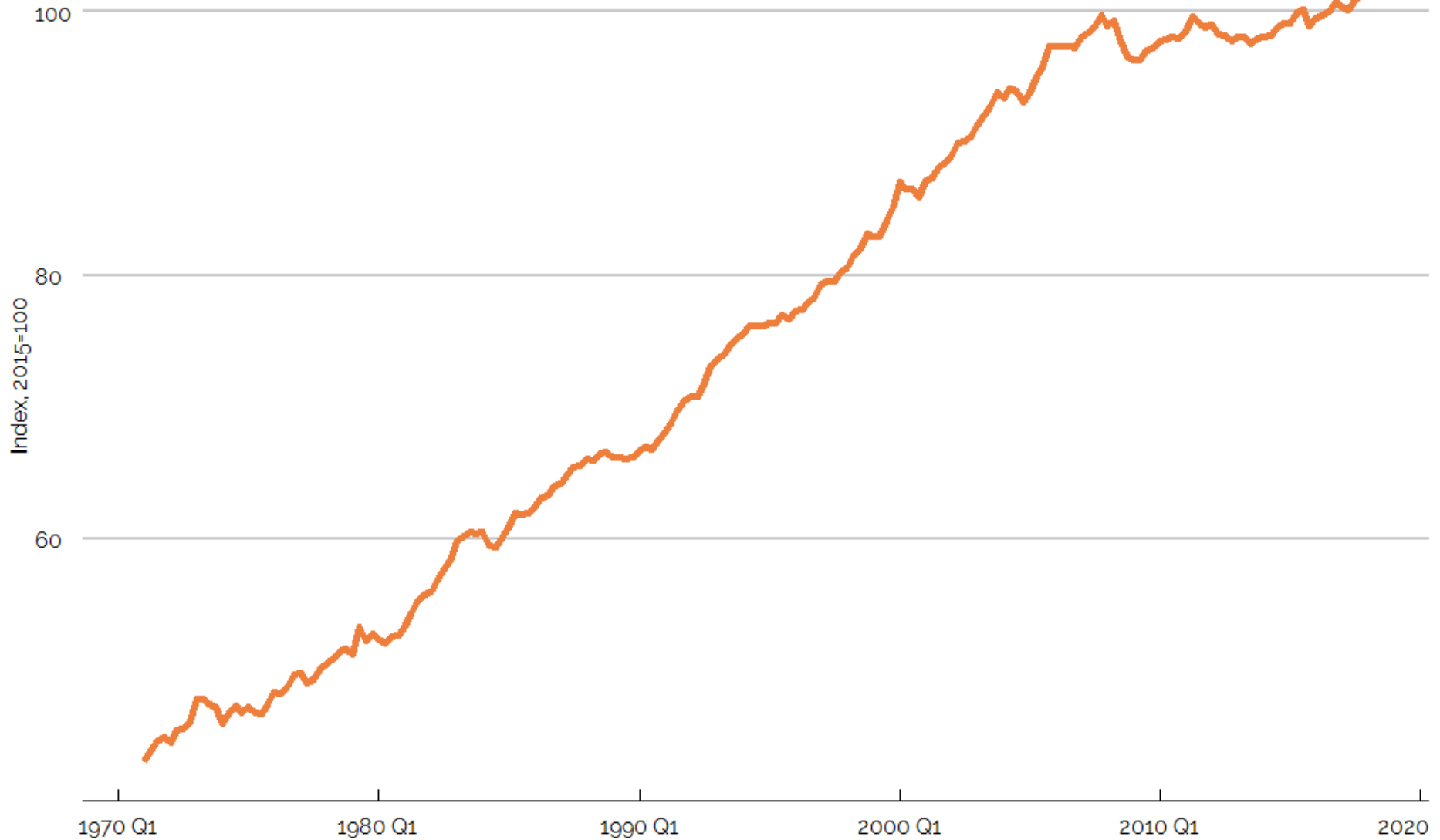


**REAL WAGES ARE FLATLINING –
PRODUCTIVITY IS FLAT – BUT
LABOUR COSTS HAVE BEEN
RISING**

Real wages

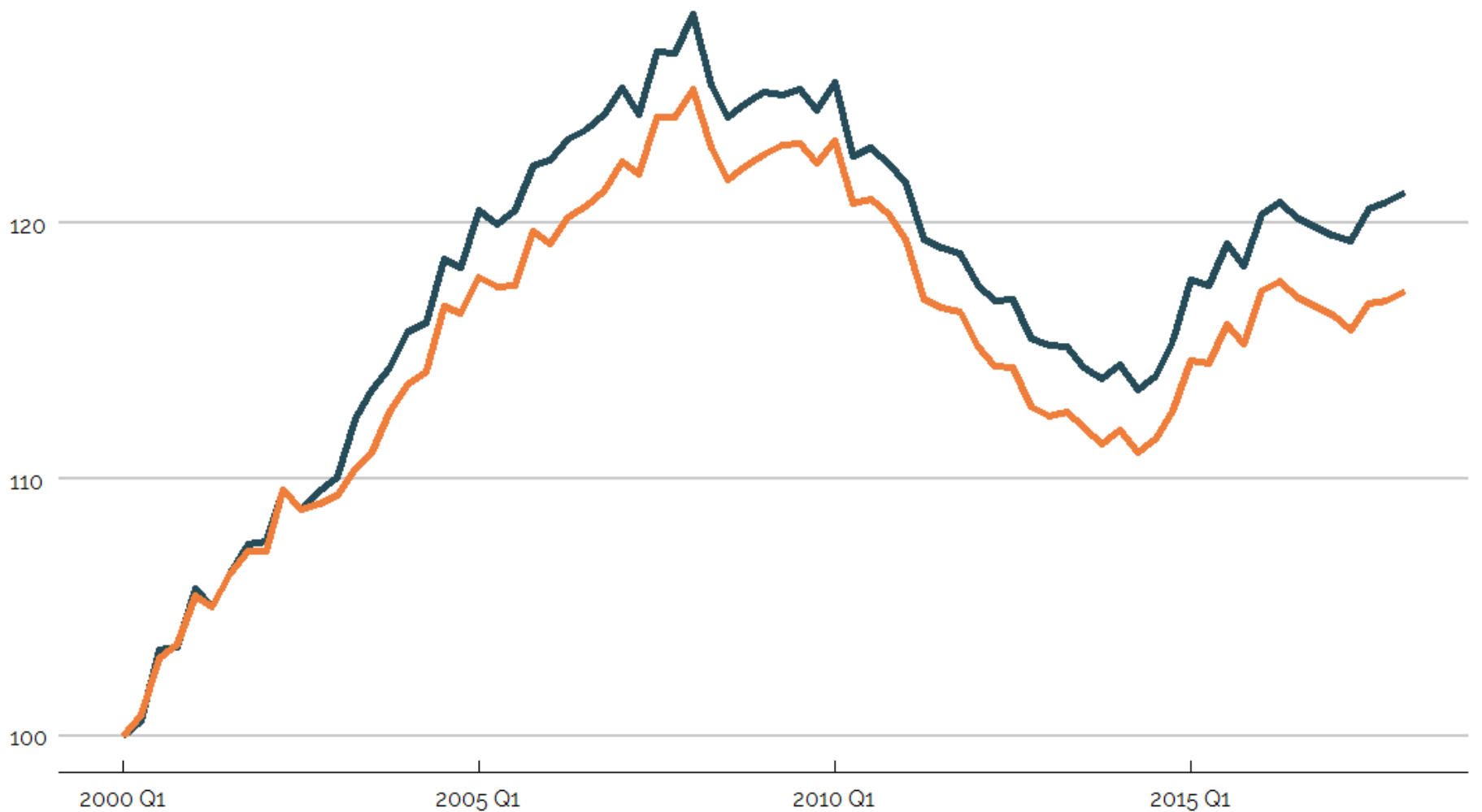


Productivity per hour worked



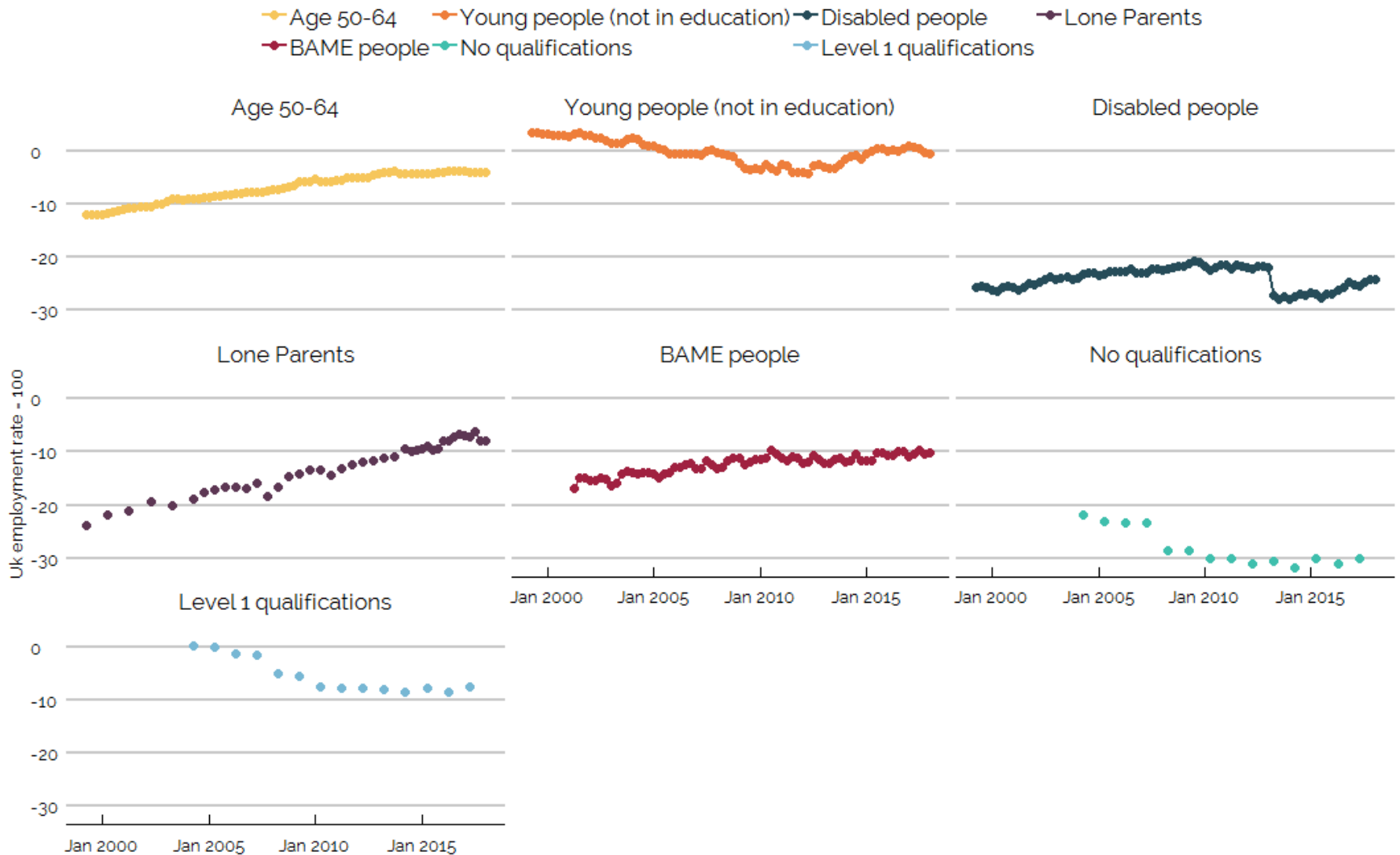
Labour costs

— Real Labour Costs per Hour — Real Wage Costs per Hour



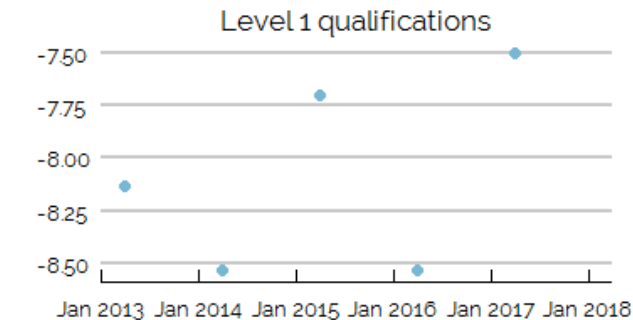
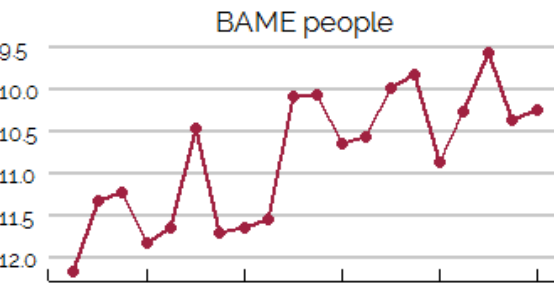
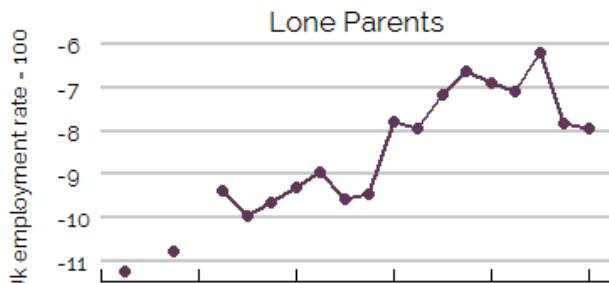
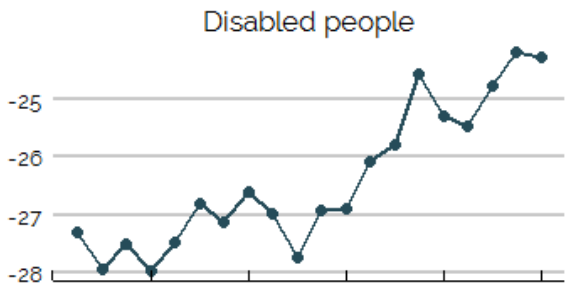
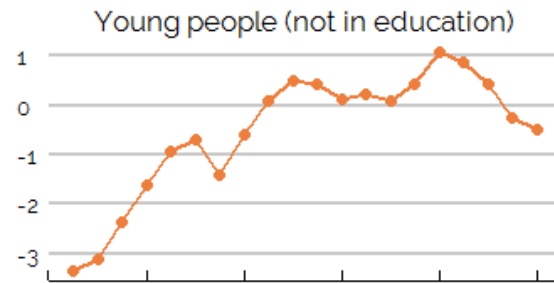
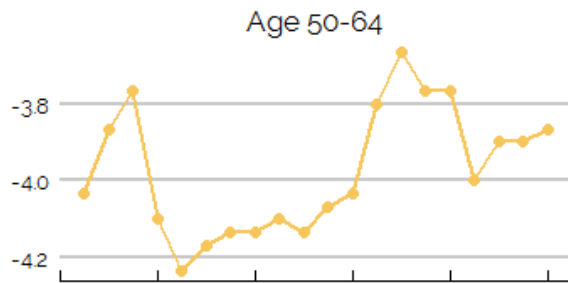
**ARE DISADVANTAGED
EMPLOYMENT GAPS CLOSING?**

Overall - the gaps are closing - but big gaps remain

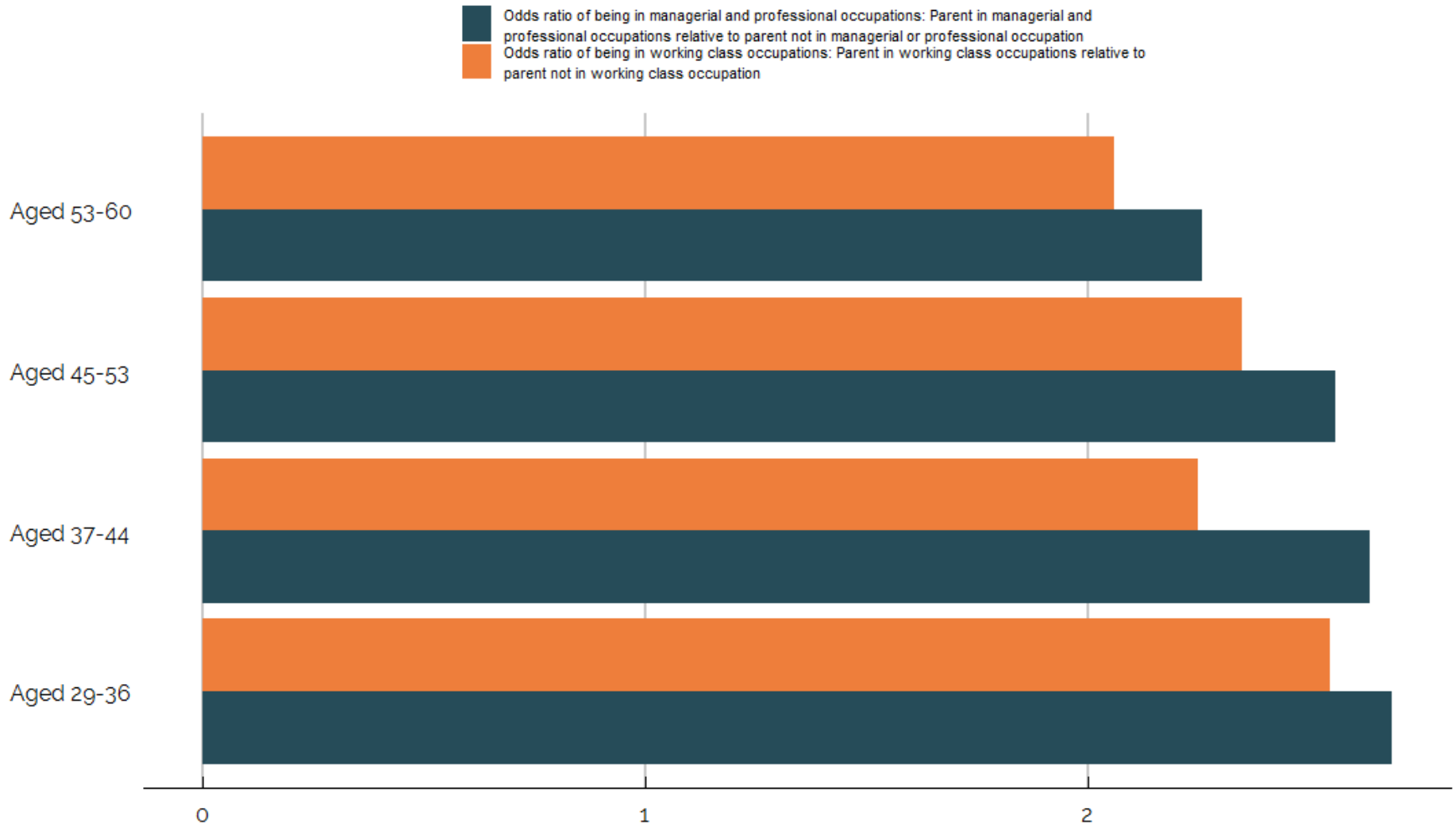


Just looking at the last five years - focusing on changes

● Age 50-64
 ● Young people (not in education)
 ● Disabled people
 ● Lone Parents
● BAME people
● No qualifications
● Level 1 qualifications



Social mobility appears to decline with age



Source: Table 3, page 12 in Friedman, S., Laurison, D., and Macmillan, L., 'Social Mobility, the Class Pay Gap and Intergenerational Worklessness: New Insights from the Labour Force Survey', a report for the Social Mobility Commission, January 2017.

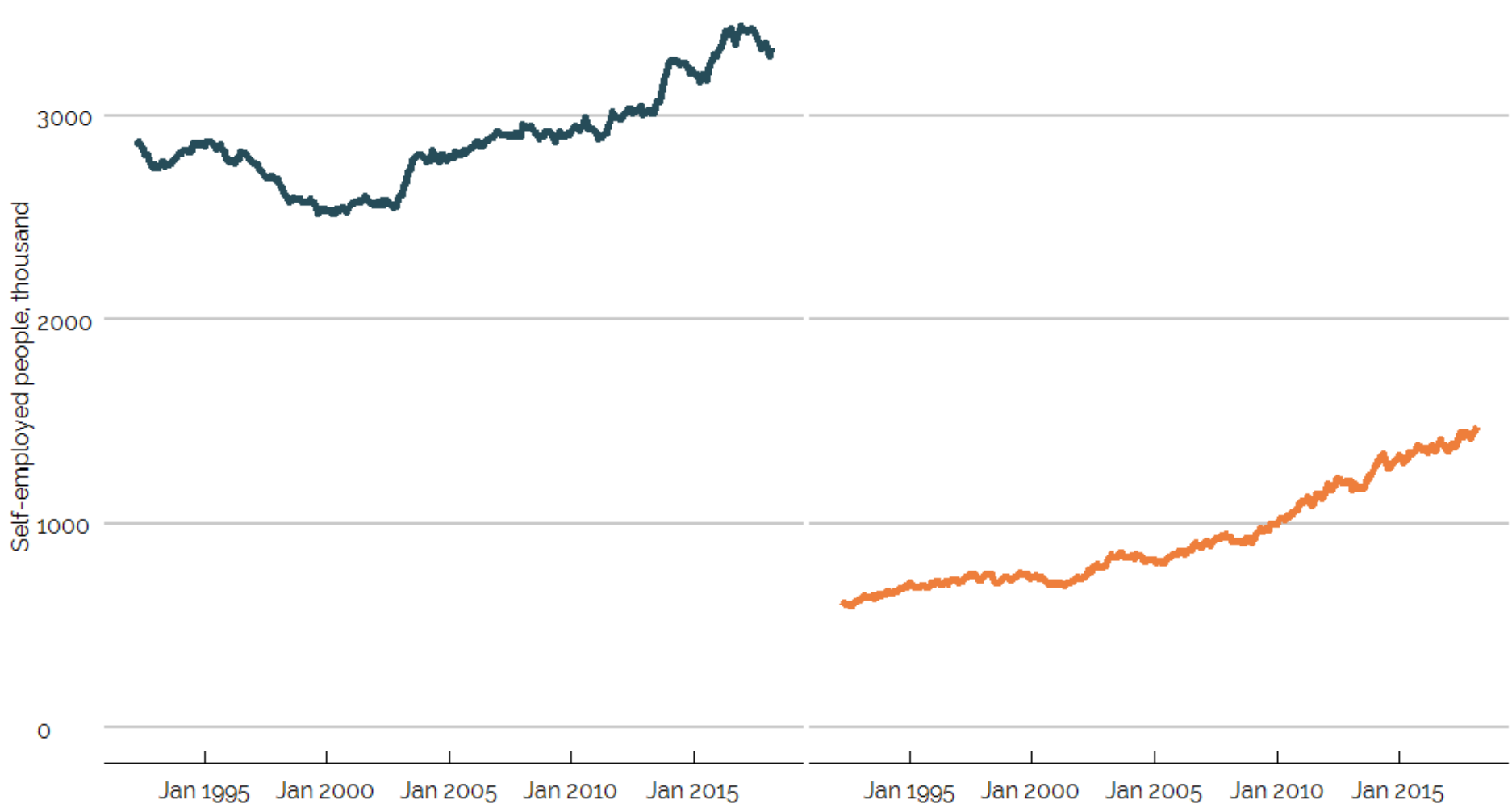
**INSECURE WORK - ARE
PATTERNS CHANGING?**

Self-employment rising over time

— Full time self-employed — Part time self-employed

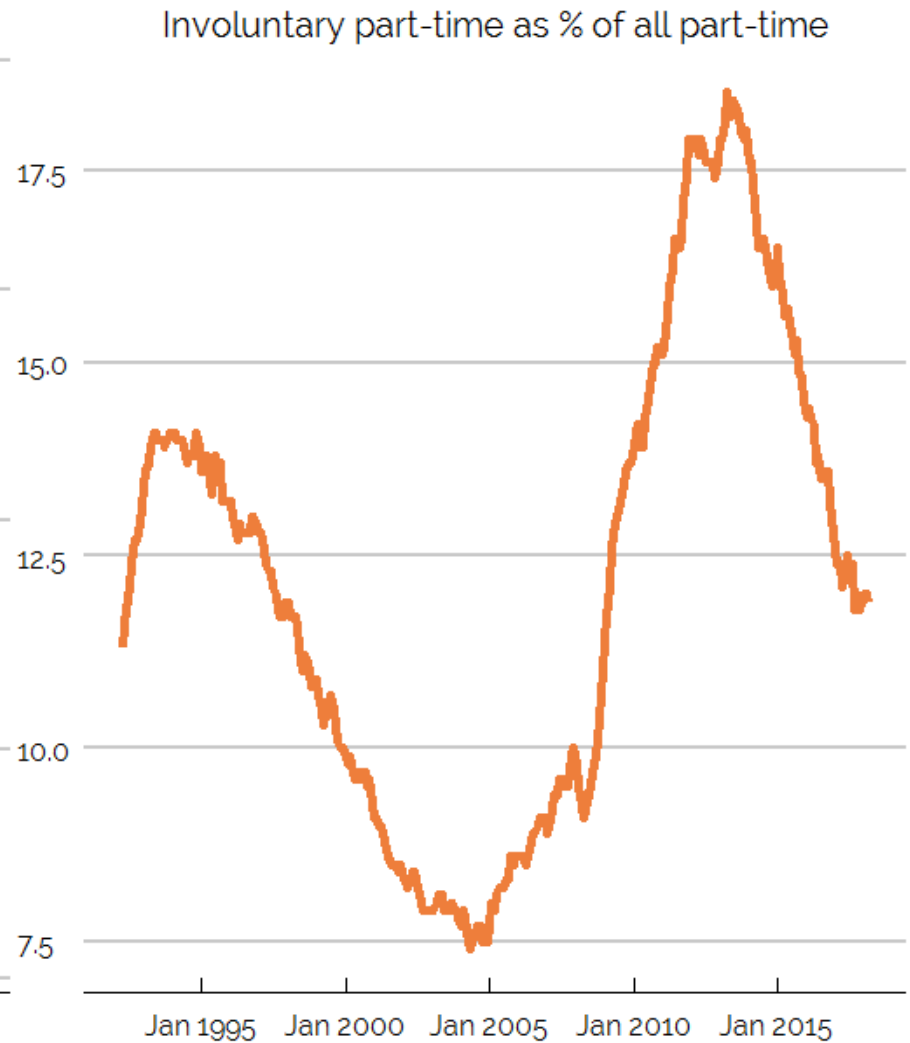
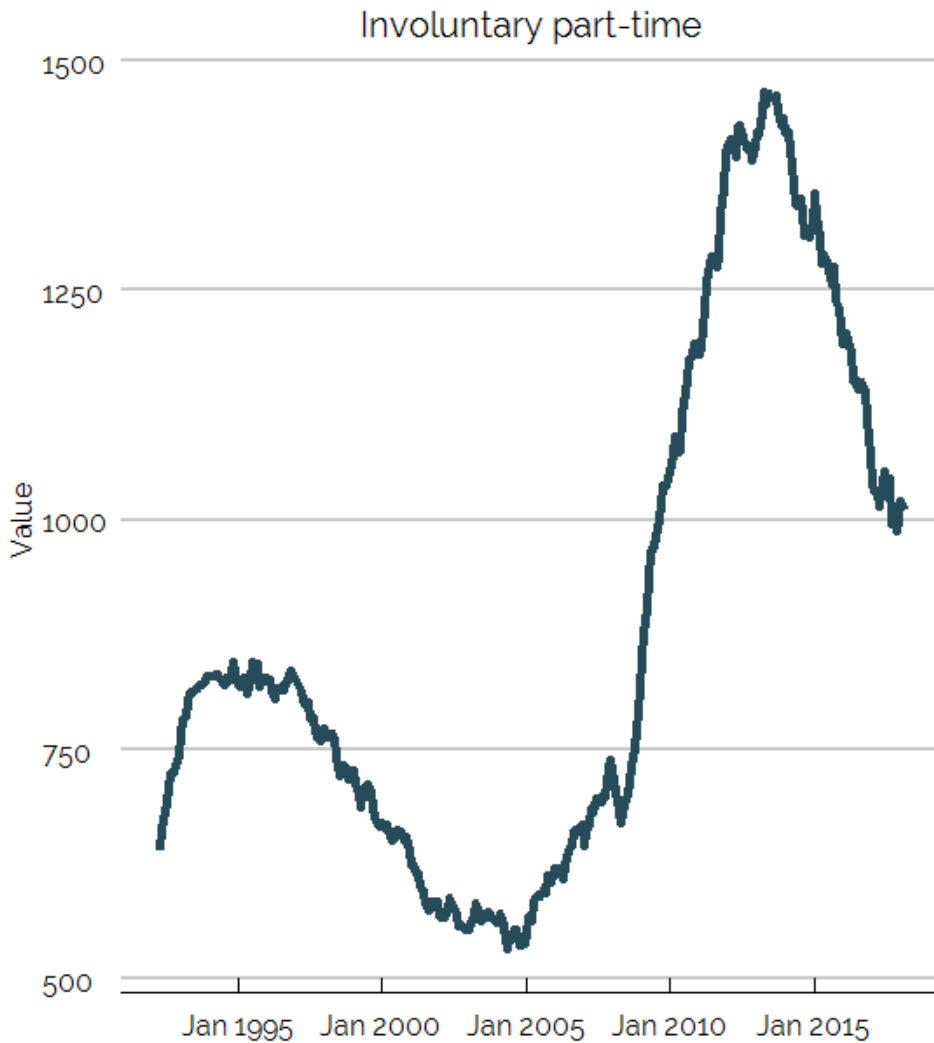
Full time self-employed

Part time self-employed



Involuntary part-time working

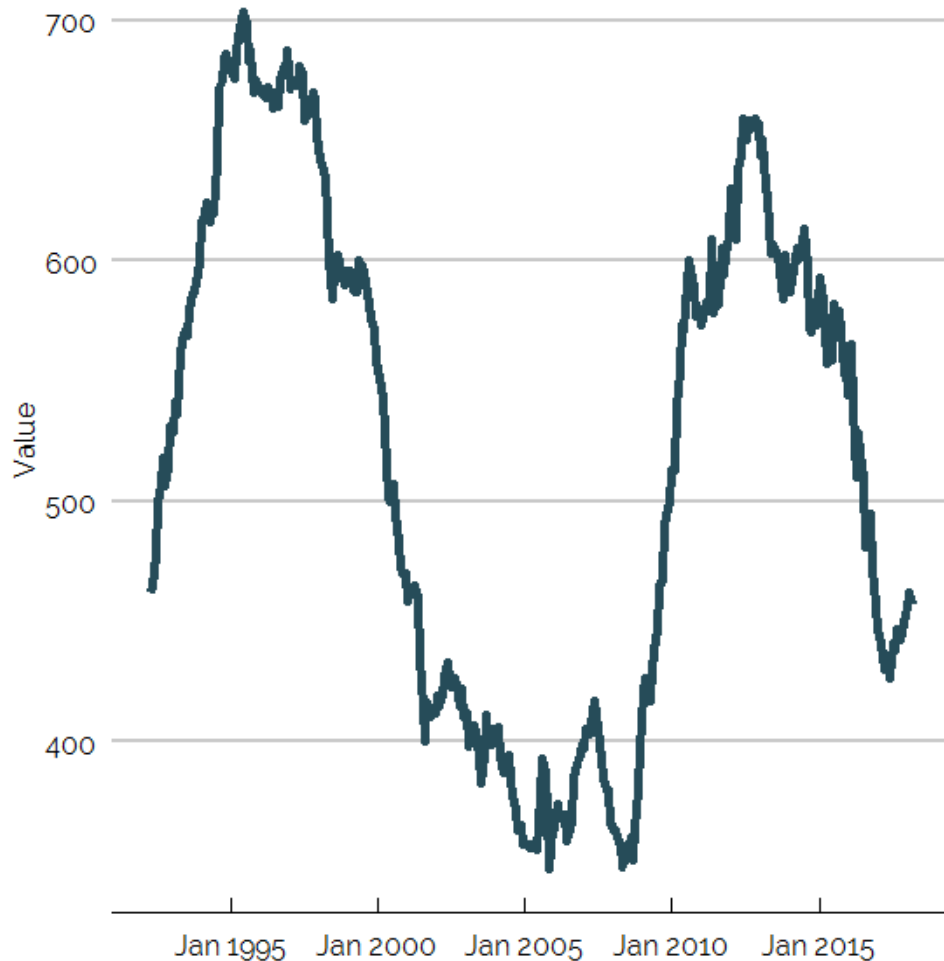
— Involuntary part-time — Involuntary part-time as % of all part-time



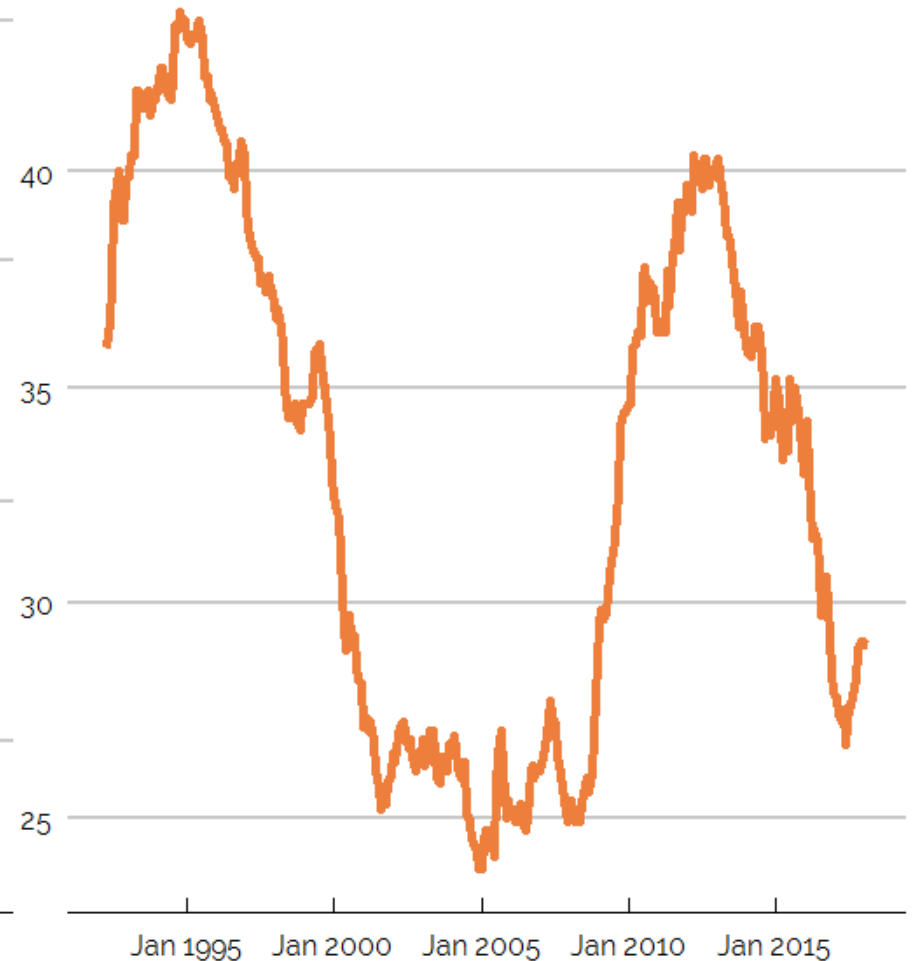
Involuntary temporary working

— Involuntary temporary workers — Involuntary temporaries as % of all temporaries

Involuntary temporary workers

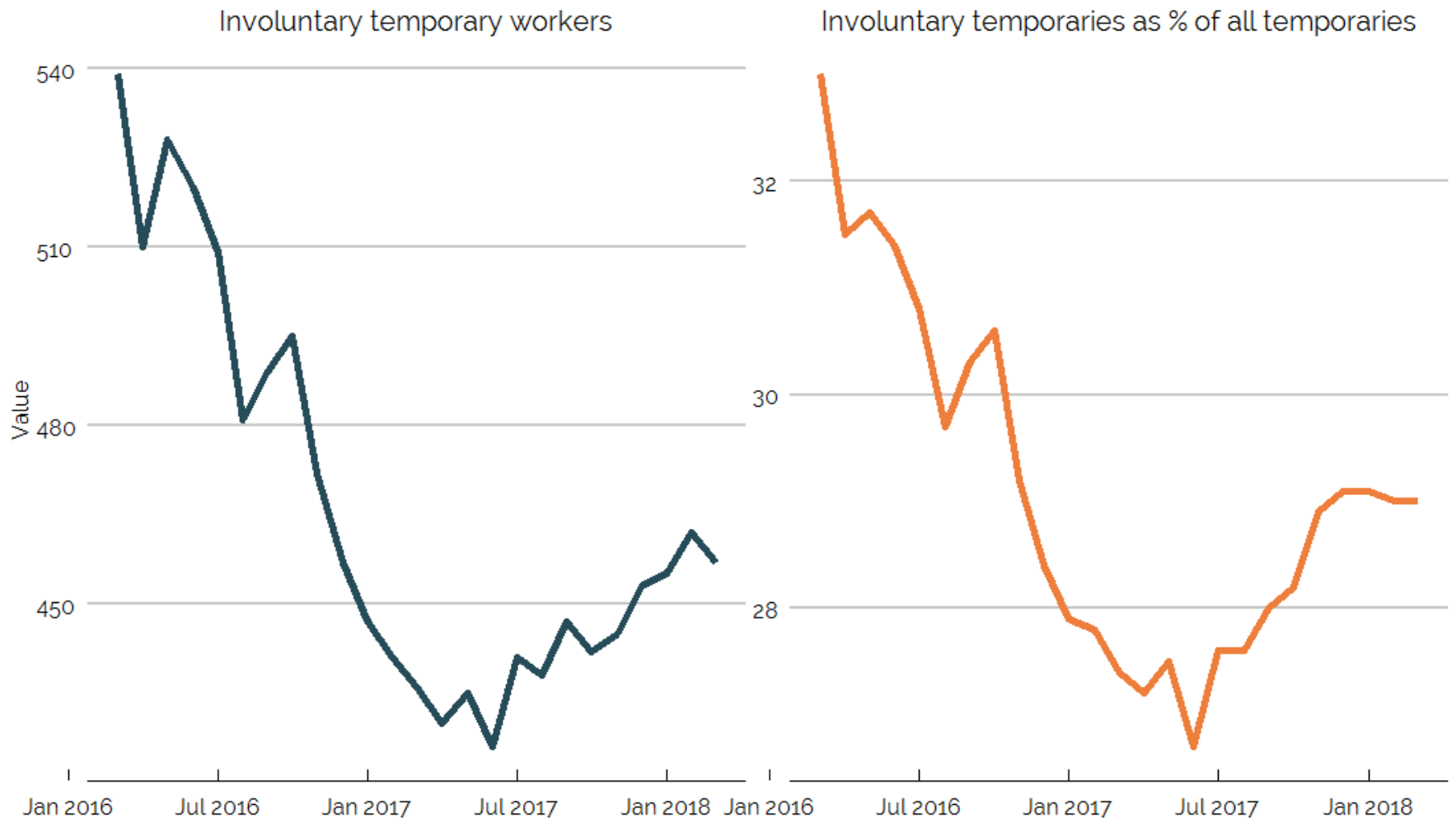


Involuntary temporaries as % of all temporaries



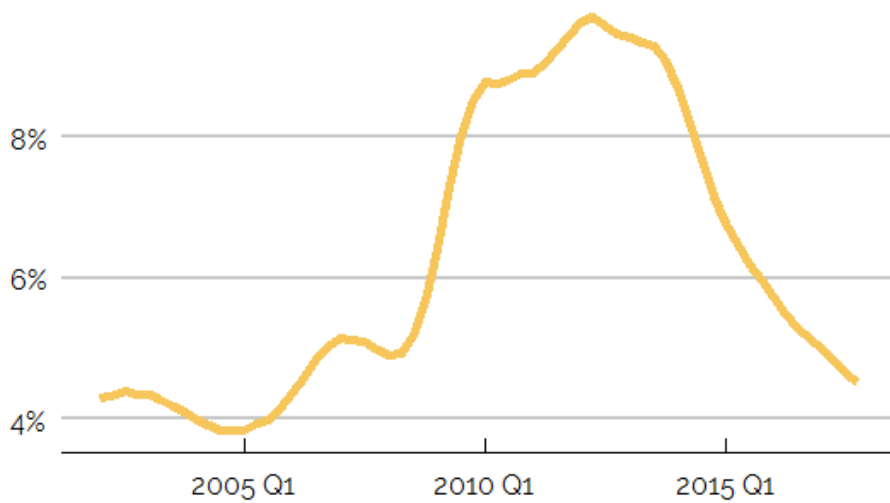
Involuntary temporaries over the last two years

— Involuntary temporary workers — Involuntary temporaries as % of all temporaries

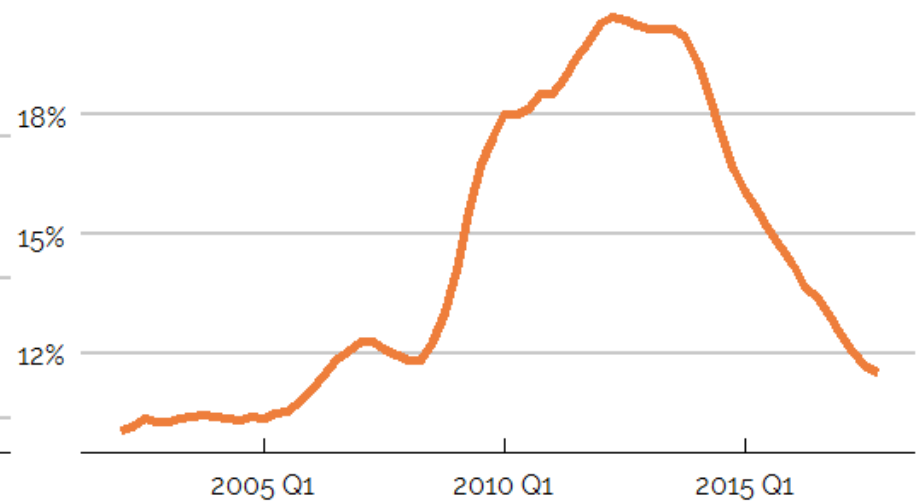


Underemployment - falling

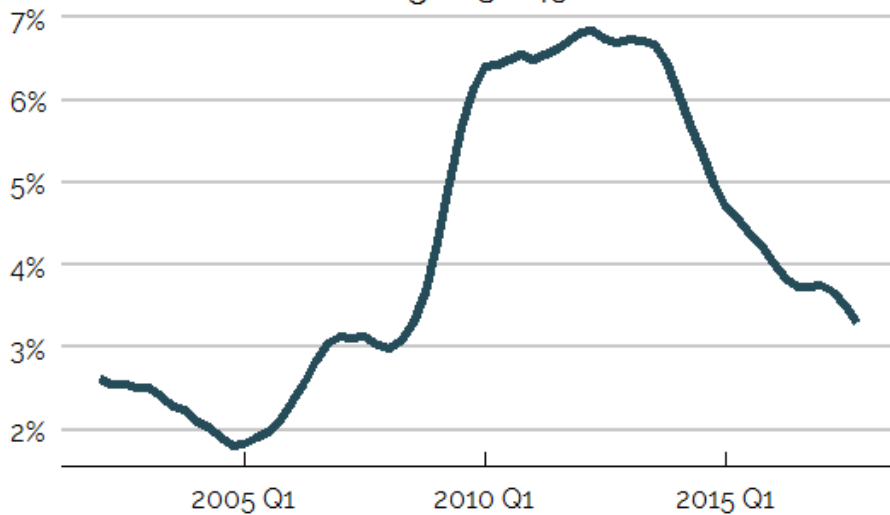
All



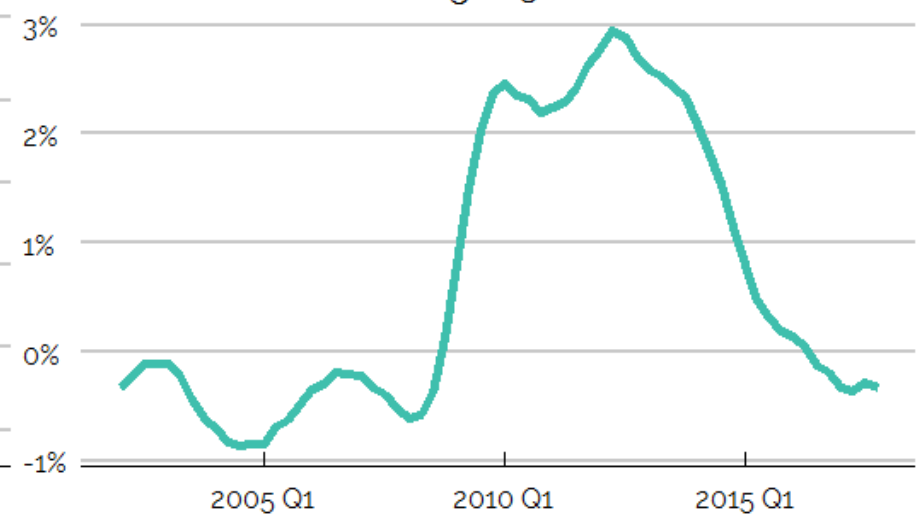
Aged 18-29



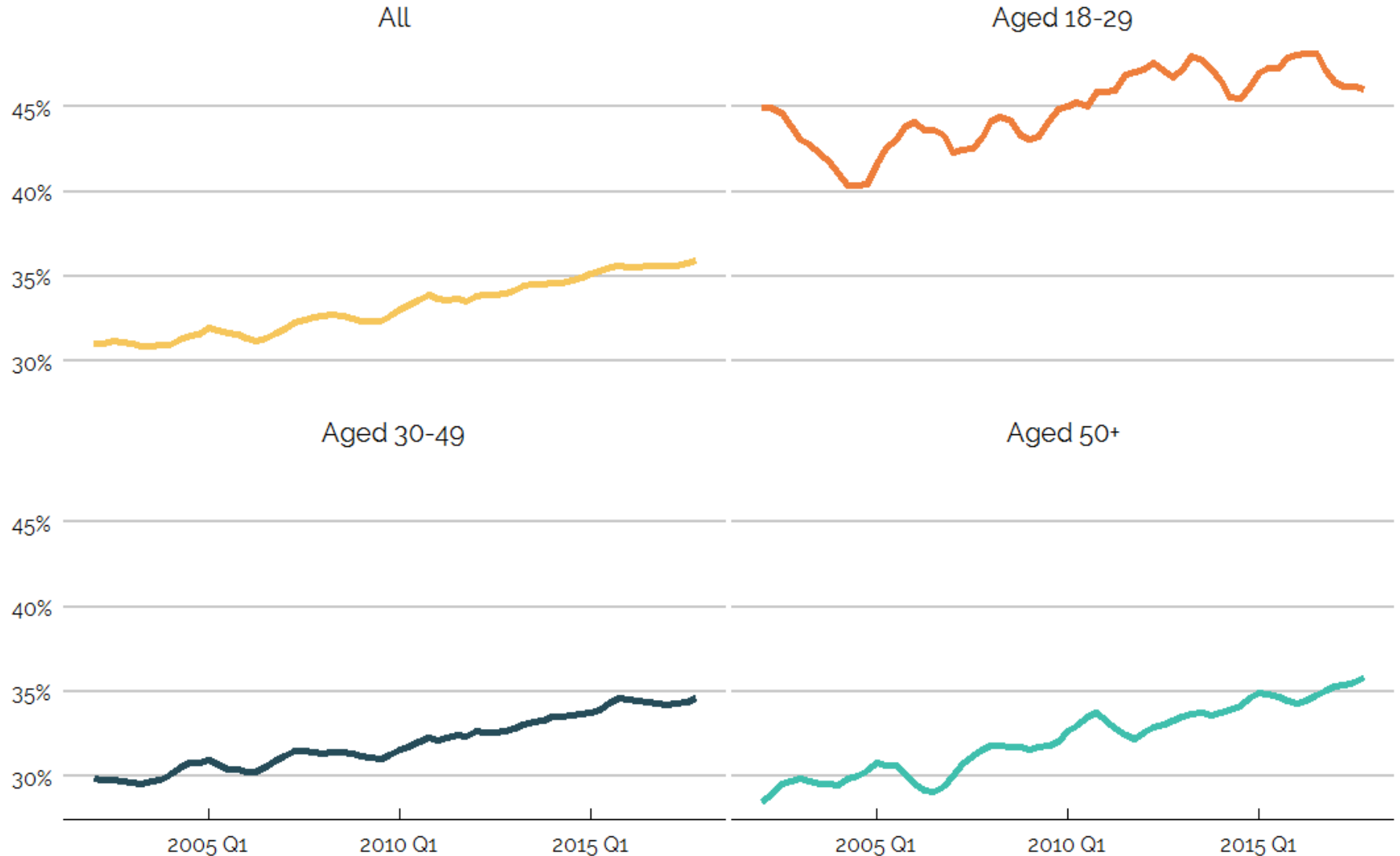
Aged 30-49



Aged 50+

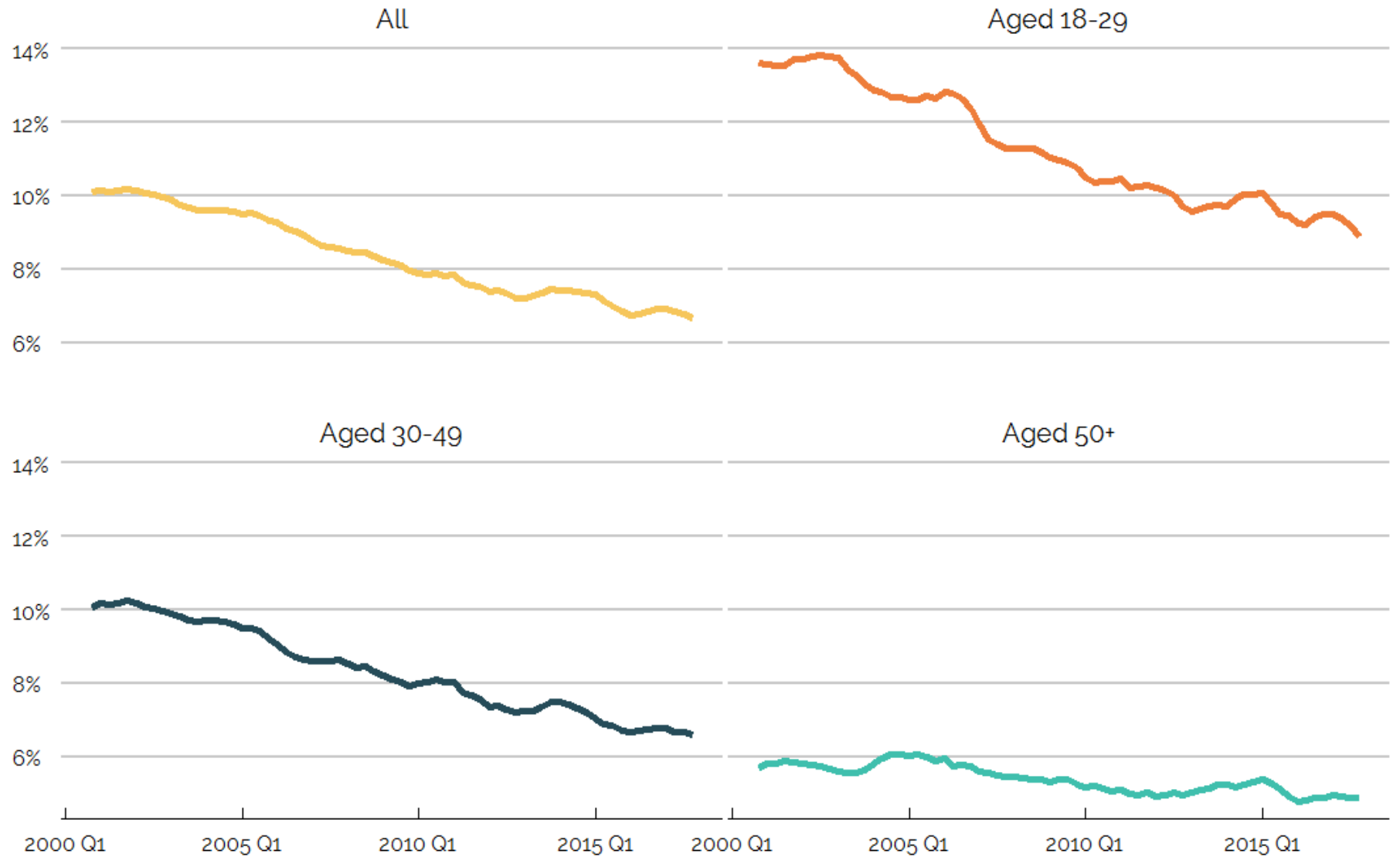


Underemployment - graduates in non-graduate jobs



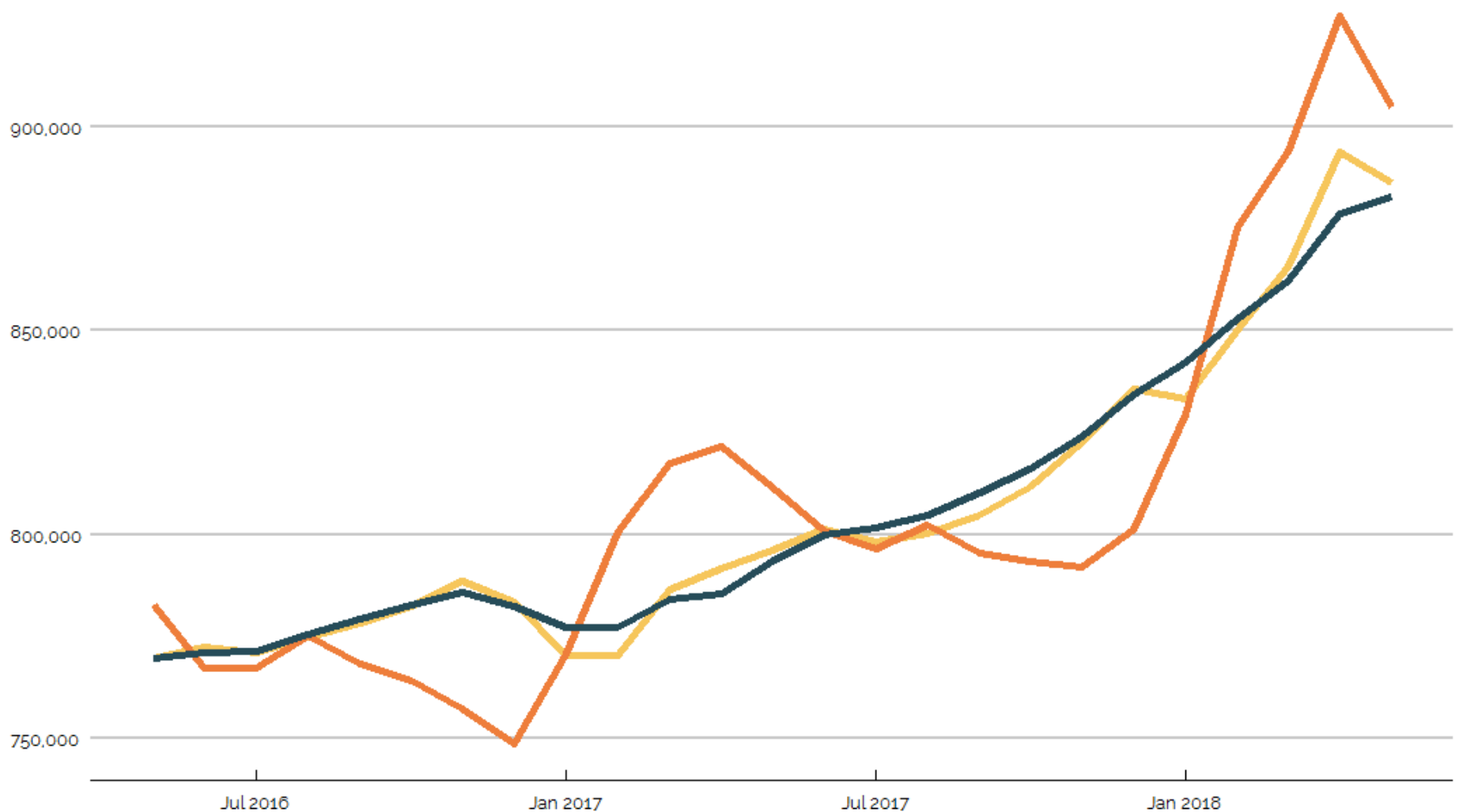
EMPLOYMENT & SKILLS POLICIES

Workplace training - by age



Claimant count rising - a UC effect

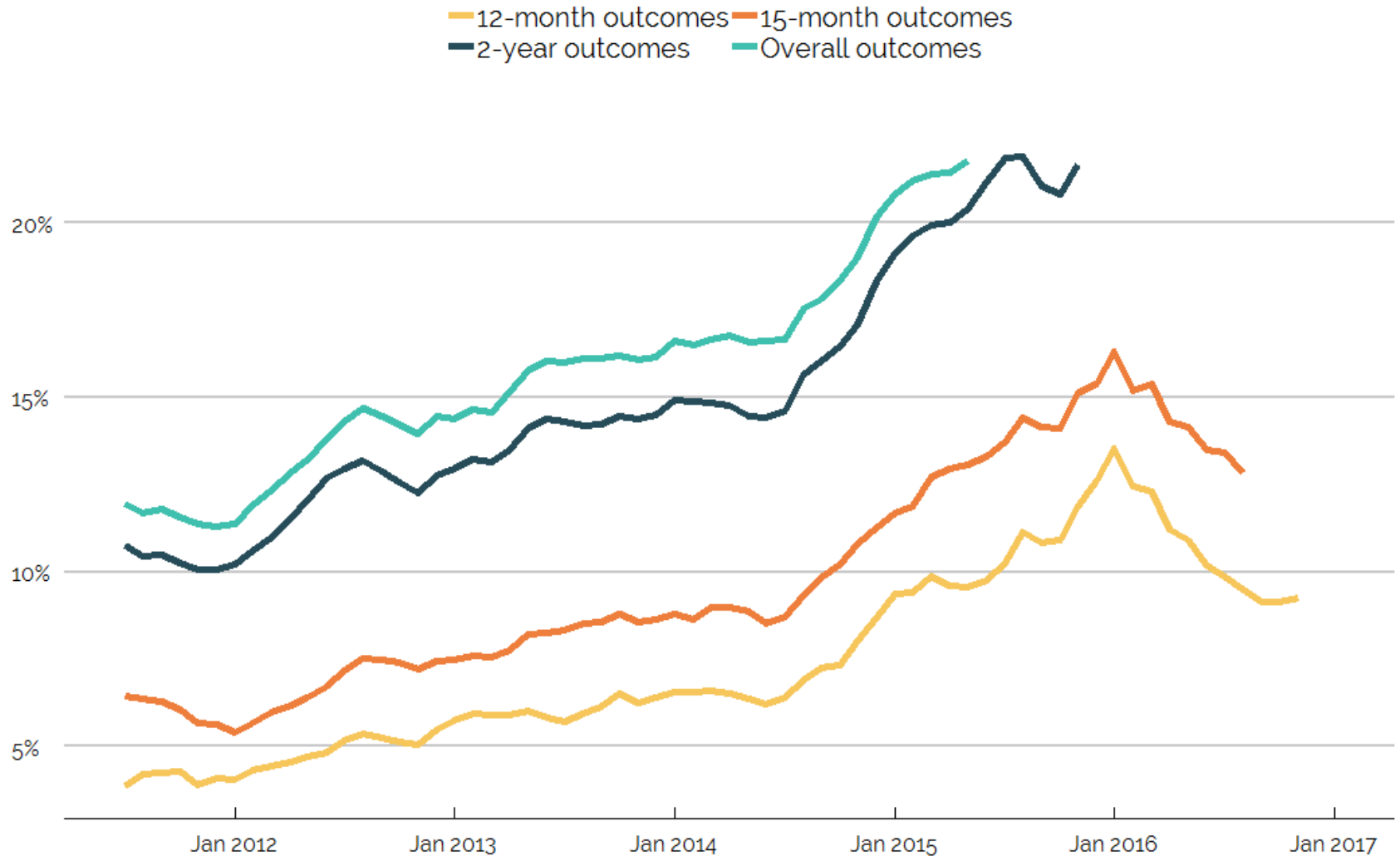
— ONS claimants — ONS NSA — L&W adjusted



Work Programme performance - a close to final view

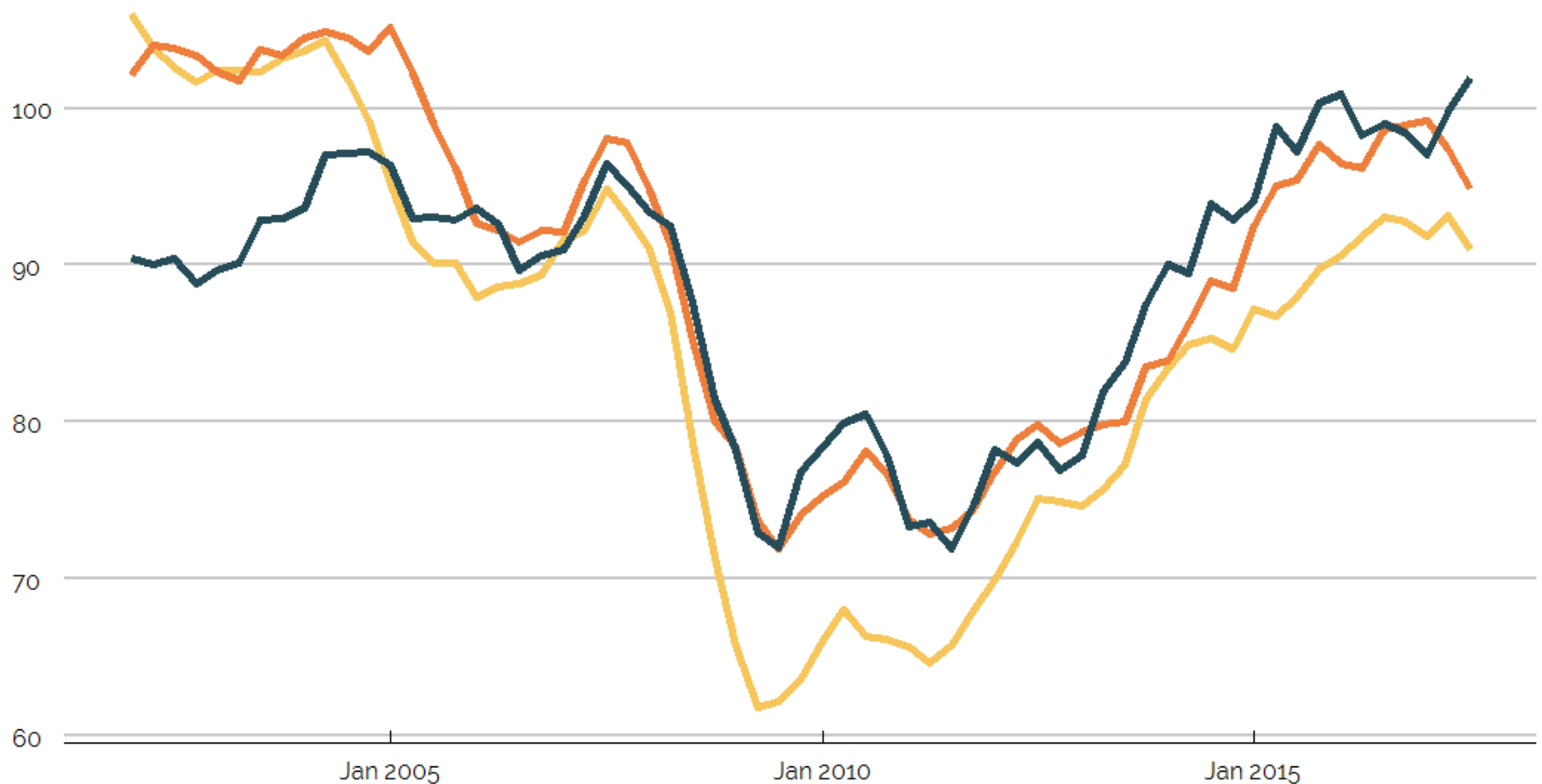
- Referrals from June 2011 to March 2017
- Payment by results
- 40 contracts
- 1.95 million referrals
- Two-year support period (out of work) +
- In-work support (sustainment payments latest year 80% of payments)
- 612,700 sustained job outcomes

WP for ESA new claimants - can Work & Health programme do better?

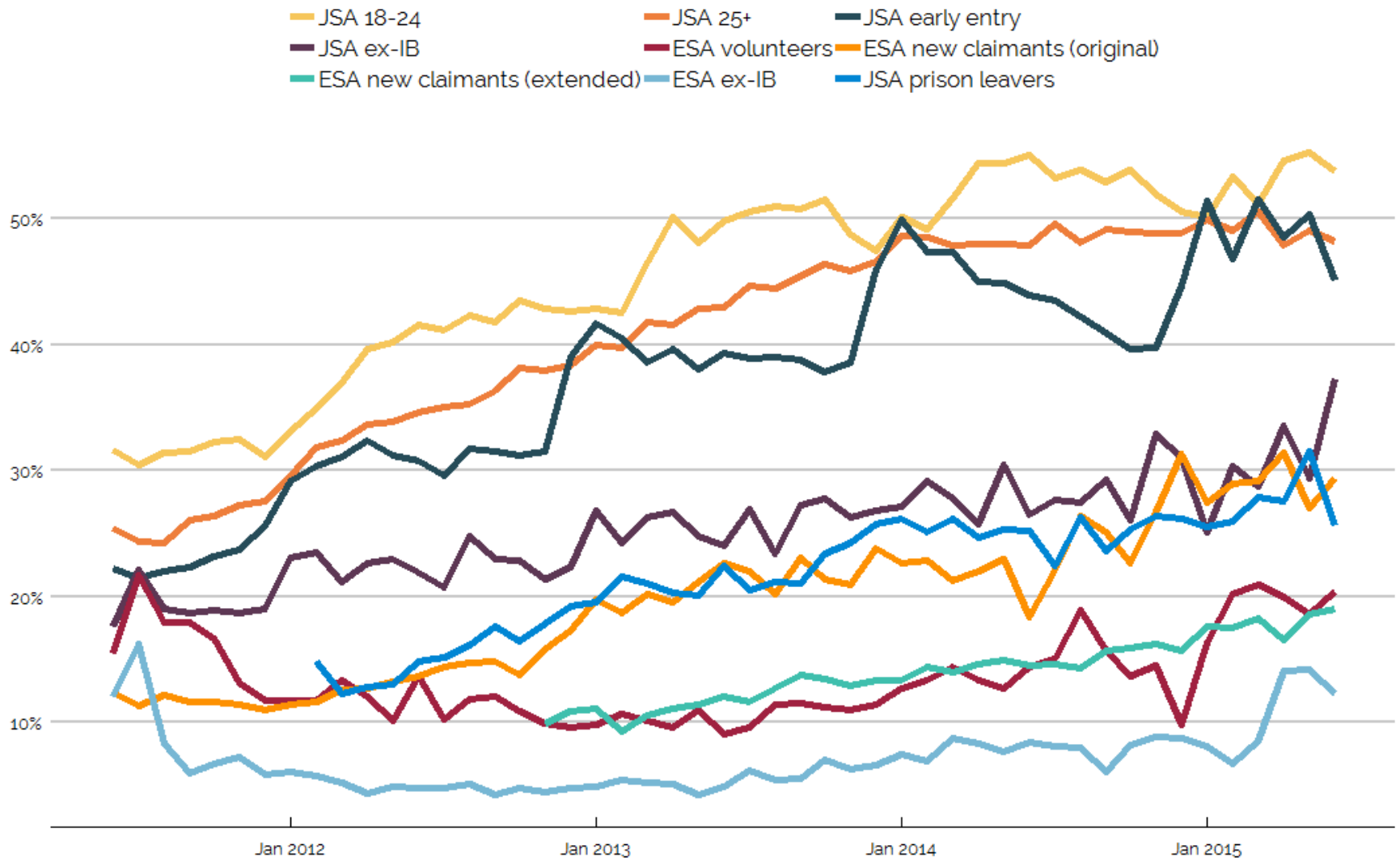


Job starters from unemployment or inactivity - survey data

- Job to Job flow rate
- Unemployment to employment rate
- Inactivity to employment rate



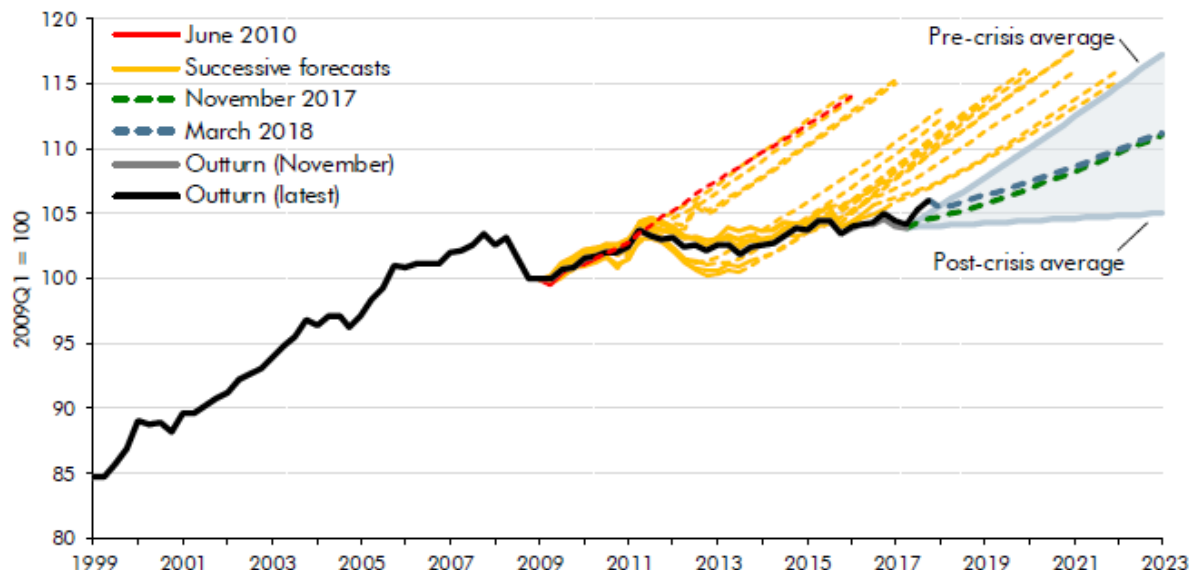
Work Programme performance for different groups



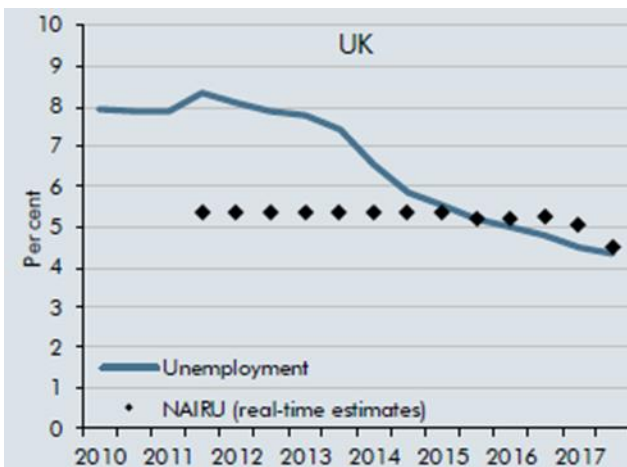
WHAT IS COMING NEXT?

Forecasts for the UK economy

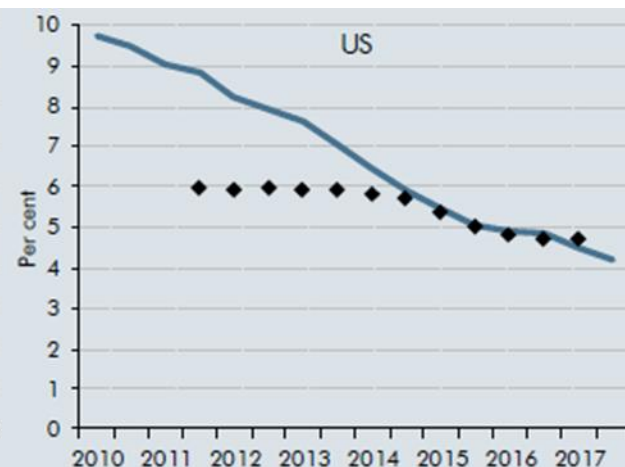
- OBR forecasts for productivity show that forecasts can be useful, but may not happen
- Unemployment forecasts tend to move towards NAIRU estimate in medium term



Note: Solid lines represent the outturn data that underpinned the forecast.
Source: ONS, OBR



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Source: Bureau of Labor Statistics, Congressional Budget Office

Summary of OBR (official) forecast

	Percentage change on a year earlier, unless otherwise stated						
	Outturn	Forecast					
	2016	2017	2018	2019	2020	2021	2022
Labour market							
Employment (millions)	31.7	32.1	32.2	32.4	32.5	32.6	32.7
Productivity per hour	0.3	0.6	0.8	0.9	1.0	1.1	1.2
Wages and salaries	3.7	3.8	3.4	2.7	2.7	2.9	3.1
Average earnings ⁴	2.7	2.6	2.7	2.4	2.5	2.8	3.0
LFS unemployment (% rate)	4.9	4.4	4.4	4.5	4.6	4.6	4.6

⁴ Wages and salaries divided by employees.

Risks of disorderly Brexit

- No deal
- Divorce plus WTO rules
- Limited free trade deal
- Wide-ranging free trade deal
- Customs union
- Inside the single market

– Highest economic cost



– Lowest economic cost

Rise of Protectionism

- Since global financial crisis, G20 countries use of trade limiting measures has more than quadrupled and trade growth has slowed.
- Strong correlation between global output and global trade growth.
- Trump: withdrawal from TPP, NAFTA ‘worst trade deal in history’, steel and aluminium tariffs
- Retaliation from EU, China, Mexico and Canada
- Escalation: Trump threatened tariffs on European cars
- 1929-32: world trade declined by nearly 30%