## THE RF EARNINGS OUTLOOK

## The Scorecard: Q4 2016



Real pay growth was strong in 2016 as a whole though, as our Spotlight (back page) highlights, this period of strong growth may now be coming to an end.

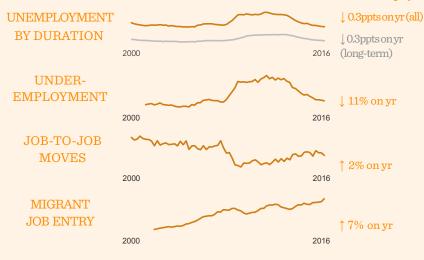
Strong self-employed earnings growth in 2014-15 narrowed the gap between the employee average and the all worker measure, with the estimated gap staying the same since then.

The compositional effect of a changing workforce on average weekly pay has risen, with occupational mix and qualification levels remaining the most important factors.

The typical real hourly pay change for employees staying in work over a year (both job stayers and job changers) has remained stable over the past year.

r75:25  $\downarrow$  3.7% on yr Hourly pay inequality between both the upper- and lower-r90:10  $\downarrow$  2.8% on yr middle (r75:25) and the top and bottom (r90:10) has fallen sharply, in part reflecting the new National Living Wage.

## What's round the corner: Pay pressures and slack



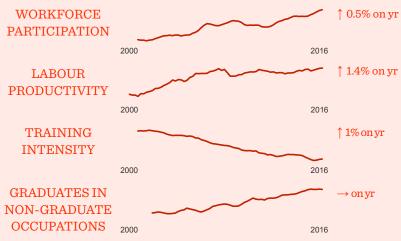
The unemployment rate has fallen to 4.8%, just above its post-2000 low (4.7%). Long-term unemployment (6 months+) is back to pre-crisis levels but above its low-point.

Underemployment (net hours desired by those in work as well as the unemployed) has continued to fall but remains 33% above its post-2000 low.

Job-to-job moves, which are a key mechanism of pay progression and can reflect worker confidence, have flattened. They remain 44% below their post-2000 peak.

Employment from a broad expands labour supply, dampening pay's sensitivity to falls in domestic slack. The share of job entries made up by migrants has continued to grow.

## What's in the pipeline: Longer-term labour market health and efficiency



Boosting participation is key to full employment (although it can constrain pay growth in the short term). The 18-69 participation rate has risen to another new high of 75.2%.

Labour productivity is the main long-term driver of real pay. Provisional Q4 calculations show a much needed rise in year-on-year growth, but still well below the pre-crisis norm.

Training can boost individual productivity and may reflect employer confidence. 'Off-the-job' training rates have been on a long-term downward path but stabilised in 2016.

Grads in non-grad roles reflect mismatches between qualifications and jobs, and may constrain productivity. The rate has risen over time but been stable over the past year.

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