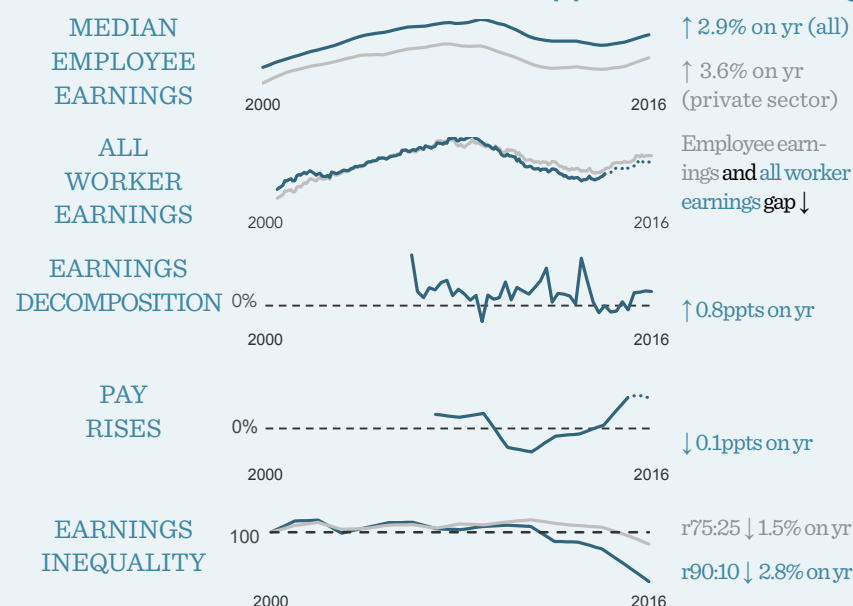


THE RF EARNINGS OUTLOOK

The Scorecard: Q3 2016

What's happened: The earnings breakdown



Real pay growth has been fairly strong, driven by low inflation. Private sector growth is now outperforming the overall figure, due in part to public sector pay restraint.

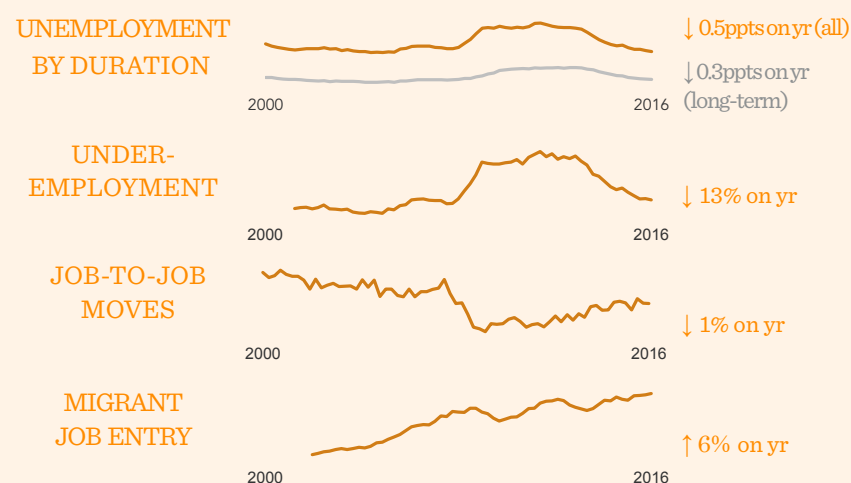
Strong self-employed earnings growth in 2014-15 narrowed the gap between the employee average and the all worker measure, with the estimated gap staying the same since then.

The compositional effect of a changing workforce on average weekly pay has risen on the year, but has been flat – around its long-term average – over the past 9 months.

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. It is currently 2.7%.

Hourly pay inequality between the upper- and lower-middle (r75:25) has fallen. There was a sharper fall between top and bottom (r90:10), largely due to the National Living Wage.

What's round the corner: Pay pressures and slack



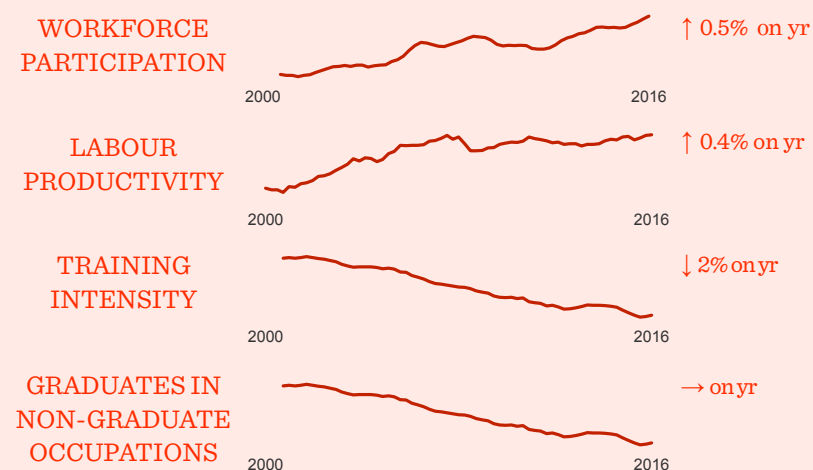
The unemployment rate has fallen to 4.8%, just above its post-2000 low (4.7%). Long-term unemployment (6 months+) is back to pre-crisis levels but above its low-point.

Underemployment (net hours desired by those in work as well as the unemployed) has been falling steadily for more than two years. It remains 36% 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 38% below their post-2000 peak.

Employment from abroad expands labour supply, dampening pay's sensitivity to falls in domestic slack. The share of job entries made up by migrants has increased slightly.

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 a new high of 75.1%.

Labour productivity is the main long-term driver of real pay. Growth has stagnated after modest (below trend) increases, with provisional Q3 calculations showing no sign of change.

Training can boost individual productivity and may reflect employer confidence. 'Off-the-job' training rates have been on a long-term downward path, but show signs of stabilising.

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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