THE RF EARNINGS OUTLOOK

The Scorecard: Q2 2016



1.2% on yr (all) Real pay growth has been helped by low inflation, but typical hourly pay is still 7% below its historic peak.

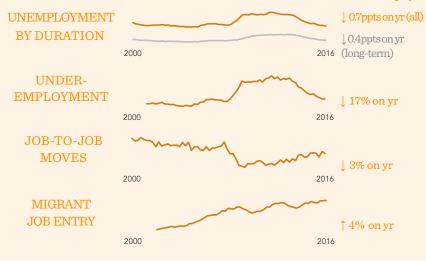
Strong self-employed earnings growth in 2014-15 narrowed the gap between the employee average and an all worker measure but the estimated gap has since grown.

The effect of compositional changes on average weekly pay has risen again. This boosting effect is now just above its long-term average.

The typical real hourly pay change for employees staying in work over a year (both job stayers and job changers) has remained broadly stable at 2.8%.

r75:25 \downarrow 0.7% on yr Hourly pay inequality between the upper-middle and lower-r90:10 \downarrow 1.0% on yr middle (r75:25) and the top and bottom (r90:10) has fallen, and the figures do not yet reflect the National Living Wage.

What's round the corner: Pay pressures and slack



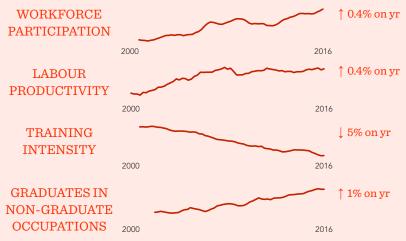
The unemployment rate has fallen to 4.9%: just above its post-2000 low (4.7%). Long-term unemployment (6 months+) is back to pre-crisis levels but above its low-point.

Underemployment (net hours desired by those in work as well as the unemployed) has been falling steadily for more than two years. It remains 40% above its post-2000 low.

Job-to-job moves, which are a key mechanism of pay progression and can reflect worker confidence, have changed little recently. They remain 38% 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 increased only 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 again to a new high of 75%.

Labour productivity is the main long-term driver of real pay. Growth has stagnated after modest (below trend) increases, with provisional Q2 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 trajectory.

Grads in non-grad roles may reflect mismatches between qualifications and jobs. The rate of established grads in such jobs has risen over time but been stable over the last year.

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