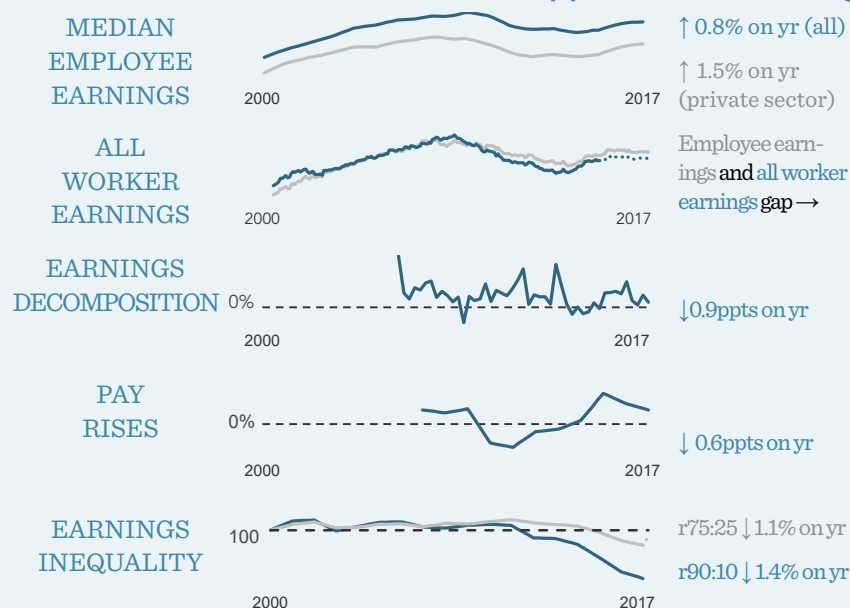


## THE RF EARNINGS OUTLOOK

## The Scorecard: Q4 2017

## What's happened: The earnings breakdown



Although real pay continued to fall in Q4 2017, the pay squeeze began to ease and averaged over three quarters there was positive (if muted) year-on-year pay growth.

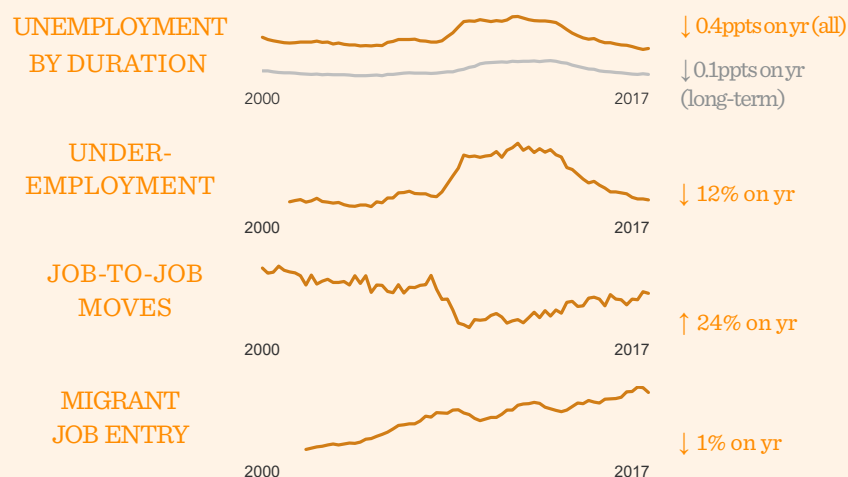
Following strong self-employed earnings growth in 2015-16 the difference between the employee average and the all worker measure has remained relatively constant.

The compositional boost to pay associated with a changing workforce remains low by historical levels and continued to fall this quarter.

Median year-on-year real hourly pay growth for employees in work over a year (both job stayers and changers) remains below the levels of 2015 but above those of the pre-crisis.

The NLW and poor pay growth at the top means that hourly pay inequality between the upper- and lower-middle (r75:25) and the top and bottom (r90:10) continues to fall.

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



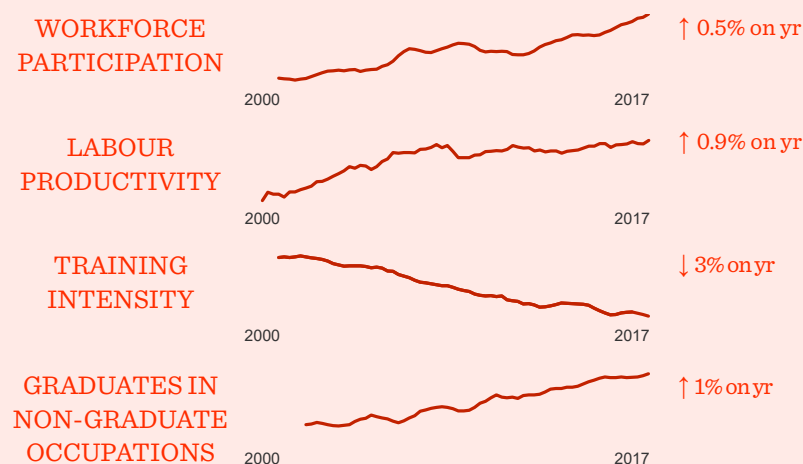
The unemployment rate ticked up in Q4 but continues to fall compared to a year ago. Long-term unemployment also continues to fall, but with signs that levels are plateauing.

There have been further falls in underemployment (net hours desired by those in work as well as the unemployed) and is back at pre-crisis levels.

Voluntary job-to-job moves continue to rise, although they are still 14 per cent below the average levels from the pre-crisis (2000-07) period.

With net migration down by nearly 100 thousand since mid-2016, this may be starting to be felt in the rate at which migrants fill vacancies, with the first drop since 2013.

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



The 18-69 participation rate has risen to another new high of 75.5%, and although signs of a slowdown are evident, participation does not appear to be plateauing yet.

The end of 2017 bought the first successive two quarters of relatively strong growth in labour productivity since the financial crisis.

'Off-the-job' training continues to decline, albeit at a slower rate than in the mid-2000s.

Grads in non-grad roles reflect mismatches between qualifications and jobs, and may constrain productivity. It has risen over time and ticked up again over the past year.

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