

## UK jobs data: Calm before the storm?

Despite new restrictions and mounting cashflow issues among firms, the extension of the UK furlough scheme helped add some stability to the jobs market at the end of 2020/start of 2021. However as the wage support is tapered later this year, we'd expect the unemployment rate to rise towards 6-6.5%



Source: Shutterstock

### Stability has returned to the jobs market after a turbulent autumn

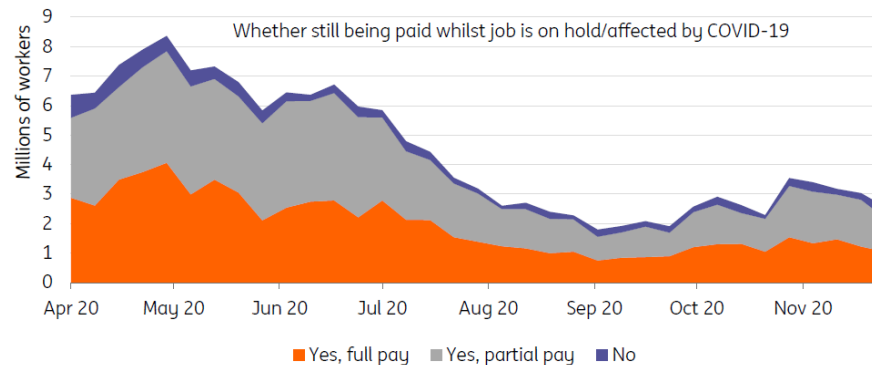
The latest UK jobs data provides further evidence that the jobs market stabilised in the final weeks of 2020, following a turbulent autumn.

Redundancies had spiked towards the end of the summer, no doubt as businesses began preparations for the removal of wage support, which was original due to be heavily reduced at the end of October. But the furlough scheme was subsequently fully extended, and this latest data shows that this helped the unemployment rate to settle slightly above 5% - around a percentage point above its pre-virus level.

We suspect we'll see a similar pattern when we get the data covering the first few months of 2021, and in fact the latest real-time payrolls data suggests employment actually notched marginally higher in January. While recent ONS survey data indicates over half of hospitality/consumer-services businesses have less than four months of cash reserves, so far this doesn't appear to be

translating into job losses.

## Around 300k employees away from work but not being paid due to Covid-19



Source: ONS weekly employment data

## Unemployment rate could rise to 6-6.5% this year

However, with wage support set to be unwound over coming months, it is inevitable that the unemployment rate will increase again over coming months, but by how much?

We'll find out more about the plan for the furlough scheme in the budget next week, but an extension beyond the end of April seems inevitable. We may also see extended or more generous support provided to the hardest-hit sectors, to give them time to get back on their feet. A policy that incentivises businesses to bring workers back from furlough also feels likely, akin to the 'Jobs Support Scheme' that was originally planned for the winter, and would have provided subsidies for firms that were able to bring staff back part-time.

But whichever way an extension is structured, there will inevitably be some jobs that are no longer viable as a result of the pandemic. The latest weekly jobs data indicates there are just shy of a million workers who have been 'temporarily away from their job' for at least three months, a rough proxy for those who either work in sectors that have never reopened, or whose jobs aren't likely to come back.

While this is probably an overestimate of future job losses, the weekly data also shows there are roughly 300,000 workers who say their job is 'on hold' but aren't being paid. This could represent workers that have been technically laid off but believe their employer will take them back on when restrictions ease, though in practice we could see these workers begin to reclassify as unemployed over coming months.

These figures give a rough idea of how far unemployment could rise when job support is tapered. We suspect that the unemployment rate will rise to around 6-6.5% through the middle of the year, and potentially higher if wage support is removed fairly abruptly in the second quarter.

## Author

### James Smith

Developed Markets Economist, UK

[james.smith@ing.com](mailto:james.smith@ing.com)

## Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. (“ING”) solely for information purposes without regard to any particular user’s investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit [www.ing.com](http://www.ing.com).