

## UK: Jobs market turns a corner as unemployment rate falls

Green shoots in the jobs market suggest the forthcoming peak in unemployment - linked to the ending of wage support - may not be as high as first feared. And a rebound in job adverts in some of the hardest-hit sectors suggests the increase in the jobless rate may be fairly short-lived

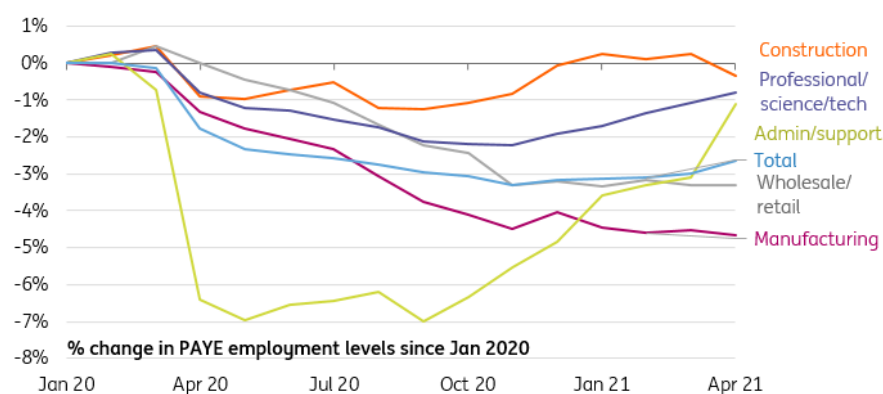


A Job Centre in Cambridge, UK

Source: Shutterstock

The latest UK employment data provides further signs that the jobs market has begun to turn a bit of a corner since the turn of the year. Despite the recent lockdown, the unemployment rate slipped to 4.8% in the three months to March. And actually if we look at more timely weekly data, the rate averaged 4.6% in the last six weeks of the first quarter – going briefly as low as 3.9% (though this data is pretty noisy).

While the furlough scheme has succeeded in stemming the tide of redundancies we saw in the hard-hit sectors last autumn, we're seeing some tentative improvement elsewhere. Admin and support roles, for instance, have seen a strong rebound according to payroll data.



Source: ONS PAYE data

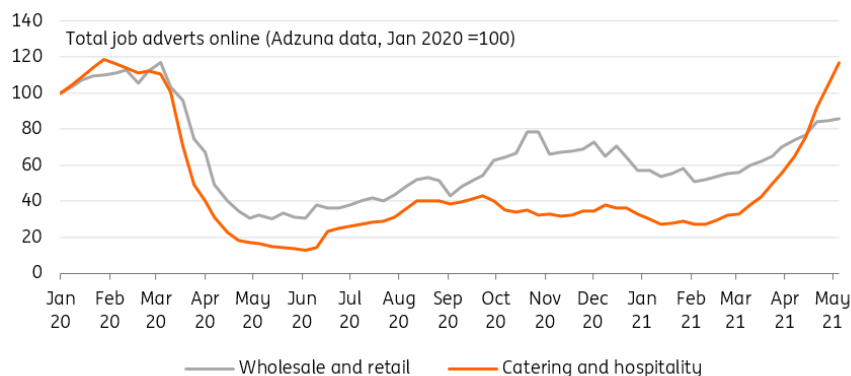
Having said that, there is little doubt that we will see a rise in the jobless rate when the furlough scheme ends in September, though the peak is likely to be significantly lower than feared a few months ago. Barring a return to tighter Covid-19 restrictions, the fact that the job support is being offered until well after the April/May reopening phases should give firms enough time to rebuild their finances to be able to return most, if not all, of their staff from furlough. Where jobs are lost, it's likely to be largely where roles no longer exist, for example because of structural change created by the pandemic.

It's hard to tell how many roles might fall into this category, although one encouraging detail in the latest jobs figures is that the number of people whose job is on hold due to Covid-19 and not being paid, has fallen.

We expect the jobless rate to peak at around 6% in the autumn, though we think things are likely to be improving again by year-end.

This crisis is unusual in that such a high proportion of jobs already lost are in the hospitality/consumer services sectors, which has tended to see [hiring rebound after past unemployment spikes faster than the wider jobs market](#). Jobs tend to be created more quickly/easily, perhaps because hiring tends to be in less secure and lower-paid forms of work. Employee turnover is also typically above average in hospitality/entertainment etc.

Indeed, we can already see signs of a rapid turnaround in the hospitality sector over recent weeks, where online job adverts have returned quickly to pre-virus levels since the reopening road-map was announced. While this is a 'flow' measure and clearly isn't the same as saying employment has returned to where it was before the pandemic, it does suggest some of the past employment losses we've seen over recent months could be quickly reversed over coming months.



Source: ONS/Adzuna data

## Author

**James Smith**

Developed Markets Economist

[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 <http://www.ing.com>.