

UK jobs: Turbulence lies ahead despite recent recovery

Things are looking up in the UK jobs market, though the remaining months of 2021 are likely to be turbulent. Unemployment is likely to rise again as wage support ends, though assuming the four-week delay to ending restrictions isn't extended further, the spike is likely to be more muted than it might have been had furlough ended earlier



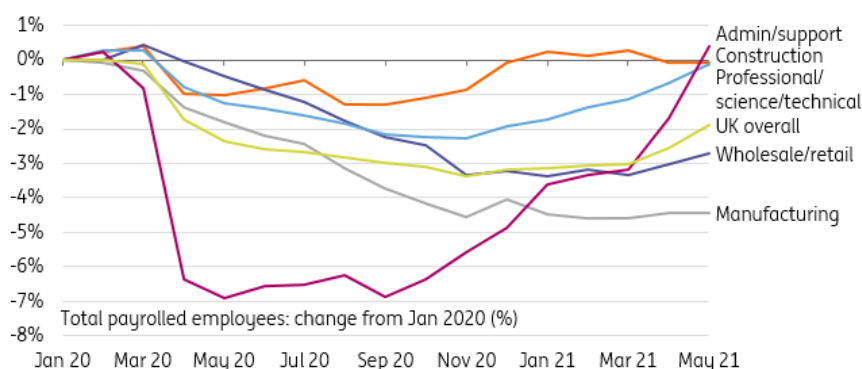
A Job Centre in Cambridge, UK

Source: Shutterstock

The UK jobs market has regained some poise through the first through months of 2021. The furlough scheme has helped stabilise the situation in stressed sectors – and indeed the experimental payroll data indicates that the decline in hospitality/recreation roles may have finally bottomed out. Meanwhile there has been a gradual recovery in other, lesser affected areas, as the chart below shows.

In fact despite the lockdowns through the first quarter, the unemployment rate has gradually ticked lower, hitting 4.7% in the Feb-April period. Indeed looking at the weekly version of the data, the average jobless rate was down at 4.5% in the latest six weeks of figures.

Outside of hospitality, many sectors are seeing a gradual recovery in hiring



Source: ONS PAYE data

But this relative calm is unlikely to last and the remaining months of 2021 are likely to be turbulent for the UK jobs market. Unemployment is set to rise come the end of the furlough scheme in September, though many forecasters, including ourselves, now believe the spike will be considerably less pronounced than it might have been had support ended earlier.

Will the delay to the ending of restrictions make a difference here? Really this depends on whether there is still a reasonable gap between the remaining restrictions easing – allowing large event venues, among other things, to reopen – and the end of wage subsidies. A short extension to the furlough scheme may be needed if the four-week delay to ending restrictions needs to be extended further.

One of the lessons from last autumn was that firms will take action weeks before the formal end of support, if they believe they won't be able to viably support workers back to their role. Redundancies peaked in mid-September 2020, six weeks or so before the 31 October when wage support was originally slated to end.

The better news is that the hardest-hit sectors appear to be in the early stages of recovery. Job adverts in the hospitality sector are now well above pre-virus levels. While this 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. This is one of the reasons why we think the overall UK jobs market will be quicker to return to pre-virus levels of employment than after past recessions/crisis, and indeed unemployment may be falling again by the turn of the year.

Author

James Smith

Developed Markets Economist, UK

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.