

12 June 2014

Employment rate projections in the 2014 and 2015 *Fiscal sustainability reports*

The OBR are releasing the information below following a request for further detail underlying the June 2015 *Fiscal sustainability report* (FSR).

We have received a number of questions about the comparison of employment rates between our latest FSR published on 11 June 2015 and last year's report.

While our judgements on employment rates are unchanged between the reports, the illustrations of them in Chart 3.5 this year and Chart 3.5 last year are materially different. This reflects the mis-labelling of last year's chart, which showed employment rates for the 16-89 year old population (which are derived from our long-term model) rather than the entire 16+ population, as stated (for which the population aged 90 and over is added to the denominator of the employment rate calculation). This year's chart shows employment rates for the 16+ population, as stated in the chart.

The charts below present our latest and previous projections on a 16+ basis. Sources of change include updates to our medium-term forecast (leading to stronger employment growth) and revisions to the Labour Force Survey (LFS) estimates that underlie our computations (which now take on board 2011 Census data).

The judgements that underpin our projections were explained in paragraph 3.25 of this year's report:

"We adjust participation rates for changes in the SPA [State Pension Age]. Although most individuals will choose to exit the labour market before or after they reach the SPA, exit rates do spike around that point. In order to capture the effect on participation rates of raising the SPA, we assume in effect that exit rates move with changes in the SPA, so that a 65 year old when the SPA is 66 has the equivalent exit rate to a 64 year old when the SPA is 65. As in last year's report, we smooth this transition over earlier periods, as individuals would be expected to adapt their labour market participation choices over a longer period."

Chart 1: Employment rate projections – low and central migration scenarios

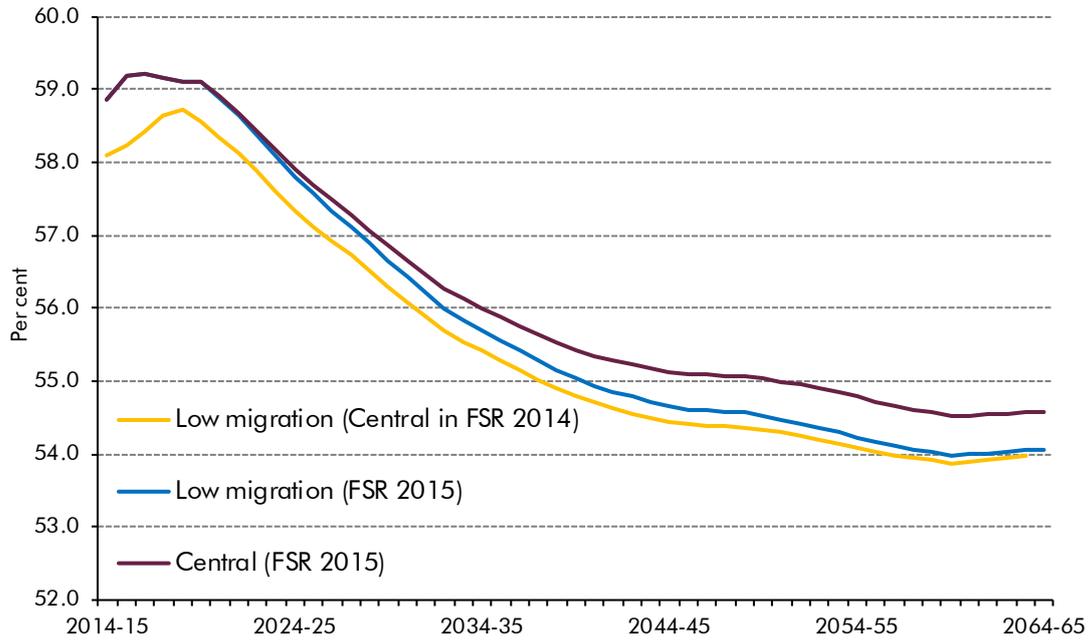


Chart 2: Employment rate projections – high migration scenario

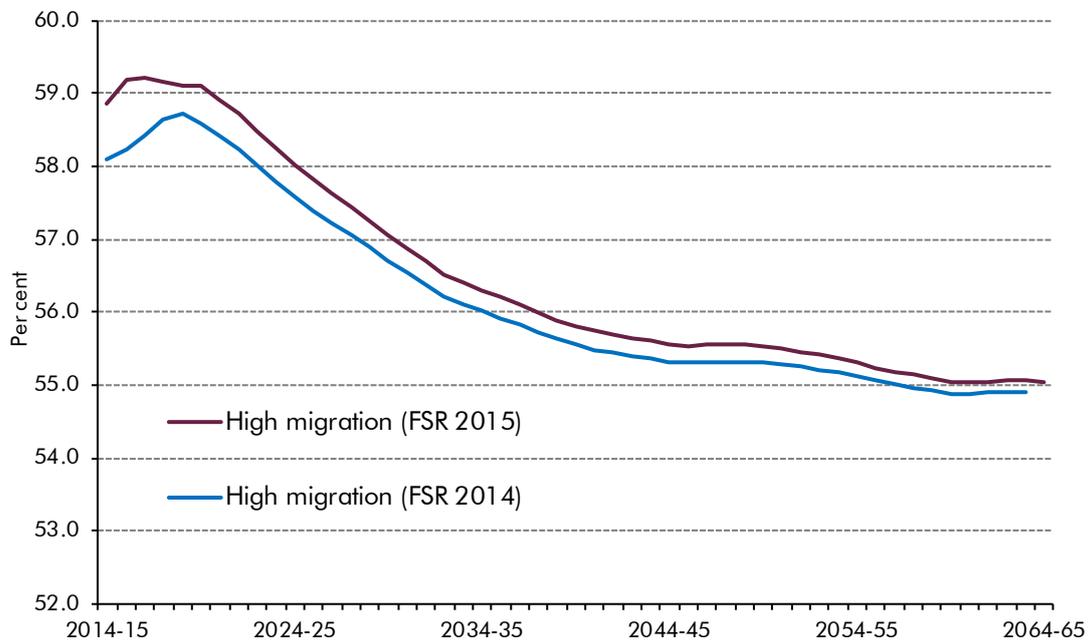
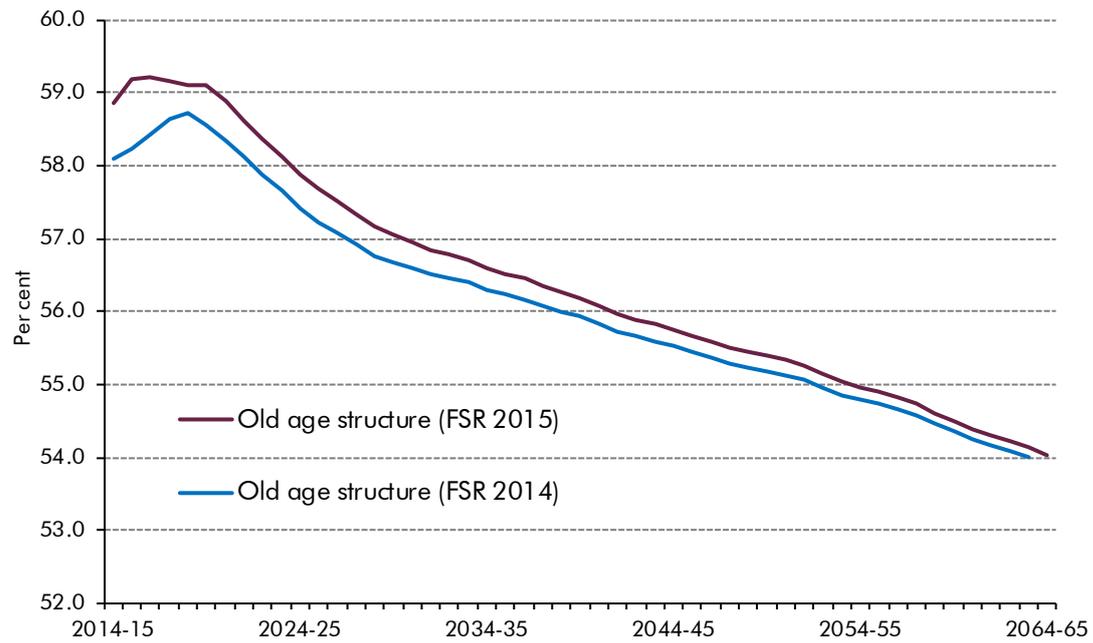
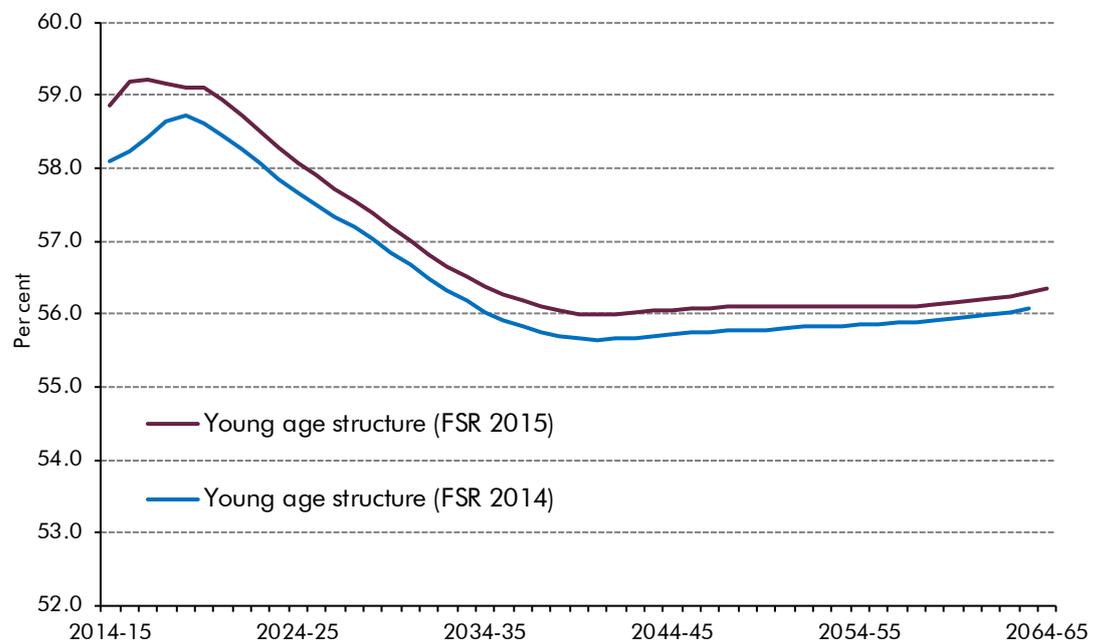


Chart 3: Employment rate projections – old age structure scenario



Source: OBR

Chart 4: Employment rate projections – low age structure scenario



Source: OBR

Data for these charts are available on request.