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## EMPLOYMENT GROWTH TAILS OFF, UNEMPLOYMENT FALLS, AND PAY GROWTH IS THE STRONGEST IN A DECADE

The ONS's latest labour market data saw employment growth tailing off. The labour market remains tight, with unemployment still at its lowest since 1975.

The employment rate remains close to record high, with employment growth similar to the relatively strong rates seen over most of 2017.

The unemployment rate continues to be at 4.0%, the joint lowest rate since 1975. However, the inactivity rate has risen for a second quarter in a row.

Pay growth is the strongest it has been in a decade, which is a step in the right direction, but household budgets remain under pressure with inflation remaining well above the Bank of England's 2% target.

Across the UK, regions and nations have seen a mixed picture in employment and in unemployment levels.

Figures published on productivity earlier this month showed a small improvement, but subdued productivity growth remains the UK economy's Achilles' heel. The Chancellor's forthcoming Budget is an opportunity to encourage greater business investment in training, equipment and, crucially, digital and new technologies, which would help raise productivity and pay over the medium term.

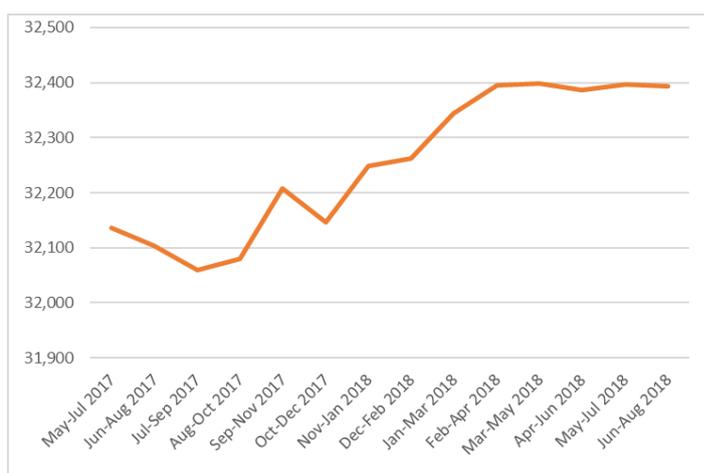
### Employment continues to be strong but growth tails off...

The rise in employment this quarter was mainly driven by an increase among older workers - those aged 50-64 and 64+ years old.

- Total employment was largely flat (falling by just 5,000 to 32.39 million) in the three months to August 2018. But employment was still up by 289,000 compared with the same period one year earlier.

- The employment rate was 75.5%, slightly lower than for March to May 2018 (75.7%), but also higher than a year earlier (75.1%).
- Male employment increased by 19,000 on the quarter, while female employment decreased (-24,000). Both groups saw rising employment year-on-year, with male employment rising by 153,000, and female employment by 137,000.
- Employment growth over the quarter was concentrated among older workers, rising among those aged 50-64 years old (+45,000) and aged 65+ years old (+33,000), but falling for those aged 35-49 years old (-45,000), 25-34 years old (-27,000) and 16-24 years old (-10,000).
- The number of people working full-time increased by 39,000 over the quarter, while the number of people

Exhibit 1 Employment (000s)



Source: ONS October 2018 labour market statistics

Headline figures	Rate	Number (000s)	Change on quarter (% change)	Change on year (% change)
Employment* (ILO)	75.5%	32,394	-5,000 (+0%)	+289,000 (+0.9%)
Unemployment** (ILO)	4.0%	1,363	-47,000 (-3.4%)	- 79,000 (-5.5%)
Youth unemployment (16-24)	10.8%	464	-60,000 (-8.73%)	- 60,000 (-10.3%)

Source: ONS October 2018 labour market statistics, June to August 2018 data \*Rate for those aged 16-64 \*\*Rate for those aged 16 and over

working part-time dropped by 43,000. On a year-on-year basis, the number of people working full-time increased by 338,000, while the number of part-time workers dropped by 48,000.

- In the three months to August 2018, the number of vacancies remained broadly unchanged at 833,000. The ratio of vacancies to unemployed people is now at 1.6%, the lowest since records began in 2001.

**...while unemployment continues to fall**

The unemployment rate continued to stand at a record low, while inactivity ticked up for a second quarter running.

- Unemployment fell by 47,000 over the quarter in the three months to August (to 1.36 million). On a year-on-year basis, the number of unemployed people was down by 79,000.
- The unemployment rate was 4.0%, unchanged compared with the previous quarter, at the lowest level since 1975.
- Male unemployment fell by 23,000 in the three months to August, and the number of unemployed women dropped by 24,000. Both groups saw unemployment fall over the year: male unemployment declined by 42,000, and female unemployment by 38,000.
- The number of people registered as economically inactive (not available and/or looking for work)

increased by 103,000 compared with the previous quarter, but dropped by 65,000 on a year earlier.

- The inactivity rate stood at 21.2% for the three months to August 2018, up by 0.2% points on the quarter.

**Regions saw a mixed picture in employment...**

The latest quarter saw an increase in employment in some regions—with the greatest increase in Wales and in London.

- In the three months to August 2018, employment grew in Wales (+35,000), London (+28,000) and the North West (+25,000), and the North East (10,000).
- Employment declined in the South East (-36,000), the East (-21,000), the East Midlands (-20,000) and in Scotland (-11,000).
- Employment remained broadly unchanged in Yorkshire and the Humber (+2,000), the West Midlands (-1,000), the South West (-7,000) and Northern Ireland (-9,000).

**... and in unemployment**

- The North West and South East saw rising unemployment (of +10,000 and +15,000 respectively).

**Exhibit 2** Unemployment (%)



Source: ONS October 2018 labour market statistics

**Exhibit 3** Employment change by regions & nations (000s)



Source: ONS October 2018 labour market statistics

**Exhibit 4** Unemployment change by regions & nations (000s)



Source: ONS October 2018 labour market statistics

- Meanwhile unemployment fell in London (-18,000), the East (-17,000), the South West (-16,000), Scotland (-14,000) and Wales (-10,000).
- There was no significant change elsewhere: Northern Ireland (+7,000), East Midlands (+2,000), Yorkshire and the Humber (-1,000), West Midlands (-2,000) and the North East (-4,000).

**Pay growth is the strongest in a decade**

Nominal regular pay increased at the strongest pace in a decade. In the private sector, construction saw the strongest nominal regular pay growth in the three months to August, followed by wholesaling, retailing & hospitality.

- Nominal regular pay growth (excl. bonuses and before adjusting for inflation) increased by 3.1% year

-on-year in the three months to August 2018, up by 0.2% points from the three months to on July.

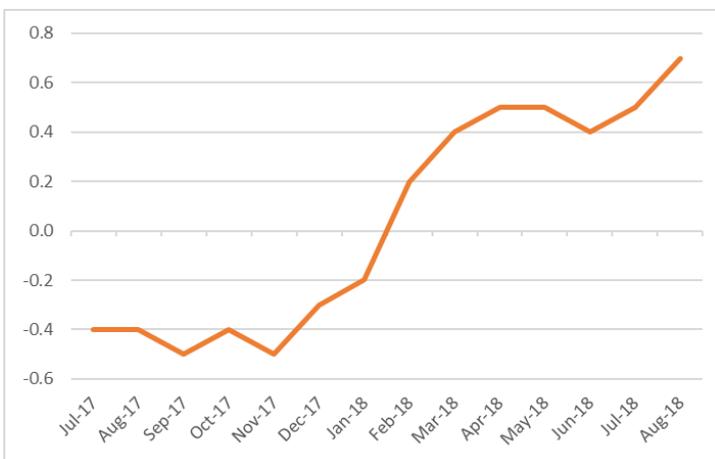
- Nominal regular pay growth rose by 0.1% in the private sector and by 0.3% in the public sector in the three months to August 2018: private sector pay increased by 3.1% (with growth inching to its highest since the end of 2015), while public sector pay rose by 2.7% (the highest since end 2012).
- Looking at the private sector in more detail, the construction sector continued to experience the strongest nominal regular pay growth in the three months to August 2018 (+4.6% - nonetheless down by 0.6% points on the previous rolling quarter), followed by wholesaling, retailing & hospitality (+4.1% - up by 0.5%), services (+3.1% - up by 0.3%), finance (2.7% up by 0.2%) and manufacturing (+2.3% - down by 0.1%).
- Real regular pay (excl. bonuses and adjusting for CPIH inflation) increased by 0.7% on a year ago (on the less volatile three-month rolling basis) - with growth still weak relative to pre-crisis norms.

**Productivity growth ticks up but remains the UK economy's Achilles' heel**

Data published on productivity growth earlier this month showed a small improvement, but it remained well below the growth rates seen prior to 2008. Productivity growth also varied significantly across industries.

- Labour productivity on an output per hour basis grew by 0.5% over the quarter in Q2 (April to June 2018), or 1.4% compared with the same quarter a year earlier. It remained below the long-term trend observed before 2008 when productivity growth averaged nearly 2% per year.
- Labour productivity in the services industries grew by 0.9% in Q2 of 2018 compared with the previous quarter, while productivity in manufacturing industries decreased by 0.1% over the same period.

**Exhibit 5** Real regular pay growth (%)



Source: ONS October 2018 labour market statistics

The next labour market update will be published on 13th November 2018.



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