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EMPLOYMENT IS AT RECORD HIGH, UNEMPLOYMENT REMAINS LOW, AND PAY GROWTH STRENGTHENS FURTHER

The ONS's latest labour market data saw employment rising, with unemployment remaining low.

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

The unemployment rate ticked up slightly and stands now at 4.1%, but a faster rise in vacancies means that there are the fewest job seekers per vacancy (1.6) since records began.

A record employment rate and an increasing difficulty filling jobs are further signs that the labour market is tightening.

The increasing tightness in the labour market seems to be fuelling pay: pay growth has edged higher once again and is the strongest it has been in a decade, although still weak relative to pre-crisis norms.

The route to sustainable pay growth remains better productivity growth, not the fits and starts we've seen. There has been some progress towards boosting the growth potential of the UK's regions and nations since the launch of the industrial strategy a year ago, but the government needs to focus more on providing a compelling vision for the coming years and tangible outcomes in each region.

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

Workforce jobs saw few changes across the different industries with professional scientific & technical, real estate human health & social work activities registering the highest increases in the three months to September.

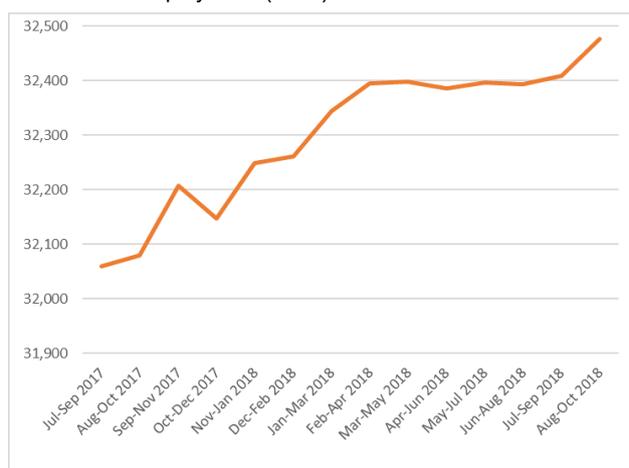
Employment returns to record high...

The rise in employment this quarter was mainly driven by an increase among those aged 25-34 and those aged 50-64 years old.

- Employment increased by 79,000 in the three months to October 2018 and was up by 396,000 compared with the same period one year earlier.

- The employment rate was 75.7%, 0.2% points higher than in the period from July to September 2018, and the joint-highest since comparable estimates began in 1971.
- Male employment increased by 70,000 on the quarter, while female employment remained broadly unchanged (+9,000). Both groups saw rising employment year-on-year, with male employment rising by 265,000, and female employment by 131,000.
- Employment growth was strongest among those aged 25-34 years old (+50,000) and aged 50-64 years old (+48,000). It remained broadly unchanged among those aged 35-49 years old (+2,000) and those aged 16-24 years old (-3,000). Employment fell among those aged 65+ years old (-18,000).
- The number of people working full-time increased by 110,000 over the quarter, while the number of people working part-time dropped by 31,000. On a year-on-year basis, the number of people working full-time

Exhibit 1 Employment (000s)



Source: ONS December 2018 labour market statistics

Headline figures	Rate	Number (000s)	Change on quarter (% change)	Change on year (% change)
Employment* (ILO)	75.7%	32,476	+79,000 (+0.2%)	+396,000 (+1.2%)
Unemployment** (ILO)	4.1%	1,380	+20,000 (+1.4%)	- 49,000 (-3.4%)
Youth unemployment (16-24)	11.5%	499	+10,000 (+2.2%)	- 84,000 (-16.8%)

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

increased by 428,000, while the number of part-time workers was down by 32,000.

- In the three months to October 2018, the number of vacancies grew by 18,000 to stand at 849,000. A similar sized increase in unemployment, left the number of unemployed people per vacancy at a historic low of 1.6 job seekers per vacancy.

...while unemployment remains low

The unemployment rate ticked up in the three months to October, while inactivity decreased to the joint-lowest since 1971.

- The three months to October 2018 saw an increase in unemployment of 20,000 on the quarter (to 1.38 million). On a year-on-year basis, the number of unemployed people was down by 49,000.
- The unemployment rate was 4.1%, virtually unchanged compared with May to July 2018, but lower than for a year earlier (4.3%).
- Male unemployment grew by 27,000 in the three months to October, while the number of unemployed women remained broadly unchanged (-8,000). Both groups saw unemployment fall over the year: male unemployment declined by 36,000, and female unemployment by 13,000.
- Employment and unemployment both rose as the number of those registered as economically inactive (not available and/or not looking for work) dropped by 95,000 compared with the previous quarter, and by 195,000 on a year earlier.
- The inactivity rate stood at 21.0%, a decrease of 0.2% points on the quarter and the joint-lowest since comparable estimates began in 1971.

Exhibit 2 Unemployment (%)



Source: ONS December 2018 labour market statistics

Regions saw a mixed picture in employment...

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

- In the three months to October 2018, the largest increases in employment were in London (+61,000) followed by the North West (+35,000), East Midlands (+27,000), the South East (+20,000), the North East (+17,000) and Yorkshire and the Humber (+12,000).
- Employment declined in the West Midlands (-45,000), the South West (-25,000), Northern Ireland (-15,000) and the East (-12,000).
- Employment remained broadly unchanged in Wales (+4,000) and Scotland (-1,000).

... as well as in unemployment

- In the three months to October unemployment grew by 16,000 in both the North East and the West Midlands, and by 11,000 in both Yorkshire and the Humber, and the South West.
- Unemployment declined in the South East (-16,000), the North West (-14,000) and in Scotland (-13,000).
- There was no significant change in the East (-5,000), Northern Ireland (-2,000), London (+1,000), Wales (+6,000) and the East Midlands (+7,000).

Pay growth is the strongest in a decade, but still weak relative to pre-crisis norms

Nominal regular pay increased at the strongest pace in a decade. In the private sector, wholesaling, retailing & hospitality and services are now the sectors with the strongest nominal regular pay growth, after construction was in the lead for most of 2018.

- Nominal regular pay growth (excl. bonuses and before adjusting for inflation) was 3.3% on the year

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



Source: ONS December 2018 labour market statistics

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

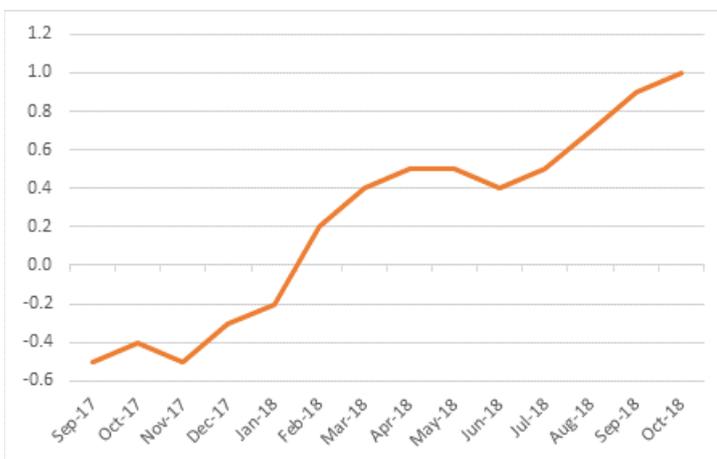


Source: ONS December 2018 labour market statistics

in the three months to October 2018, up by 0.1% points on September.

- Nominal regular pay growth in the private sector edged up by 0.1% points to 3.4% in the three months to October 2018 (the highest since mid-2015), but in the public sector it edged down by 0.1% points to 2.7%.
- Looking at the private sector in more detail, wholesaling, retailing & hospitality saw the strongest nominal regular pay growth (+3.9% - down by 0.3% points on the previous rolling quarter), followed by services (+3.5% - up by 0.2% points), construction (+3.4% - down by 0.3% points), finance (2.8% up by 0.2% points) and manufacturing (+2.2%, down by 0.1% points).
- Real regular pay (excl. bonuses and adjusting for CPIH inflation) increased by 1.0% on a year ago (on the less volatile three-month rolling basis) – the

Exhibit 5 Real regular pay growth (%)



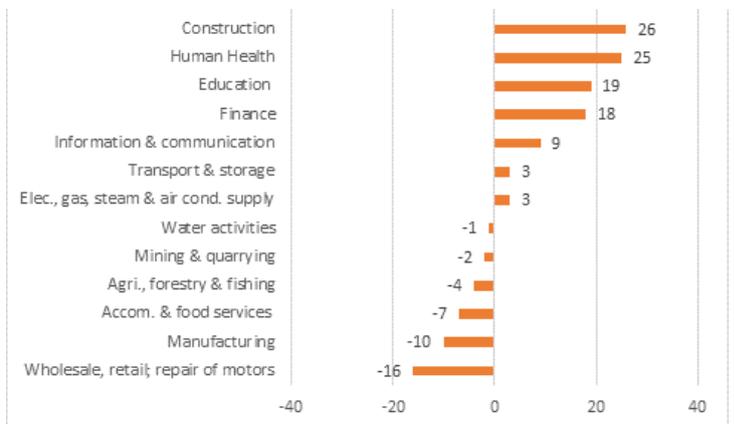
Source: ONS December 2018 labour market statistics

strongest growth in almost two years, but still weak relative to pre-crisis norms.

Jobs growth was concentrated in a few industries in Q3 2018

- Professional scientific & technical activities (+34,000) and real estate activities (+30,000) registered the largest increase in workforce jobs in the three months to September 2018. Workforce jobs also rose in human health & social work activities (+25,000) and education (+19,000).
- Jobs in the wholesale & retail trade sector declined (-16,000) on the quarter, with all other sectors remaining broadly unchanged.
- Looking at the change in jobs compared to a year ago, information & communication and human health & social work have seen substantial increases of 79,000 and 76,000 respectively. Administrative & support services (-61,000) and agriculture, forestry & fishing (-34,000) saw the largest decreases in workforce jobs on a year ago.

Exhibit 6 Change in workforce jobs by industry (000s)



Source: ONS December 2018 labour market statistics

The next labour market update will be published on **22nd January 2019.**



For further information or a copy in large text format, please contact:

Anna Koch
Policy Adviser
T: 44 (0)20 7395 8107
E: anna.koch@cbi.org.uk

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Carmen Watson, Chairperson, Pertemps Ltd

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For further information about Pertemps Network Group, please contact:

Kevin Cooke
Head of PR and Communications
T: 01676 525250
E: Kevin.Cooke@pertemps.co.uk
W: <http://www.pertemps.co.uk/>