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EMPLOYMENT BACK TO RECORD HIGH WHILE PAY GROWTH IS STABLE

Latest data from the ONS painted a familiar picture of the UK labour market. The employment rate stood at a record high, with the unemployment rate remaining close to record low. At the same time the employment rate has flattened over the past quarters which could be a sign that employment growth is tailing off.

Vacancies have declined again and the labour market remains tight on the whole. The fact that the proportion of temporary employees who couldn't find a permanent job is close to the lowest since 2008 evidences this tightness.

This tightness of the labour market has also been feeding through to earnings over the past months, with nominal pay growth remaining stable.

The only route to stronger and sustainable pay growth is a revival in productivity, which continues to disappoint. Reinvigorating efforts to boost productivity is critical to living standards and future economic growth.

Across the UK, employment and unemployment have remained broadly unchanged in the regions and nations.

The employment rate at record high, but broadly flat over last few quarters...

The decrease in employment in the quarter to October 2019 was driven by those aged 25-34 and 35-49 years old.

- Employment increased by 24,000 in the three months to October 2019, compared with the previous quarter, and is 309,000 higher than during the same period a year earlier.
- The employment rate remained broadly unchanged and stood at 76.2%.
- Male employment increased by 54,000, while female employment decreased by 30,000 on the quarter. Both groups saw rising employment year-on-year, with male employment rising by 74,000, and female employment by 235,000.
- Employment grew among those aged 25-34 years old over the quarter (+34,000) and those aged 35-49 years

old (+25,000). It remained broadly unchanged among those aged 65+ years old (-5,000) and those aged 50-64 years old (-8,000). And it dropped among those 16-24 years old (-21,000).

- The number of people working full-time increased by 66,000 over the quarter, while the number of people working part-time decreased (-41,000). On a year-on-year basis, the number of people working full-time increased by 272,000, while the number of part-time workers increased by 38,000. The number of employees decreased (-11,000) in the three months to October. The proportion of temporary employees who couldn't find a permanent job has remained broadly unchanged (+8,000) on the quarter, but dropped by 47,000 on the year.
- Indeed, in the three months to November 2019, the number of vacancies dropped further by 20,000 to 794,000 – continuing the decline in the number of vacancies since the beginning of 2019. The number of unemployed people per vacancy stood at 1.6 job seekers per vacancy in the quarter to October 2019 – unchanged on the quarter from May to July 2019.

Exhibit 1 Employment (000s)



Source: ONS December 2019 labour market statistics

Headline figures	Rate	Number (000s)	Change on quarter (% change)	Change on year (% change)
Employment* (ILO)	76.2%	32,801	+24,000 (+0.1%)	+309,000 (+1.0%)
Unemployment** (ILO)	3.8%	1,281	-13,000 (-1.0%)	-93,000 (-6.8%)
Youth unemployment (16-24)	11.5%	500	-15,000 (-3.07%)	-47,000 (-9.03%)

Source: ONS December 2019 labour market statistics, August to October 2019 data *Rate for those aged 16-64 **Rate for those aged 16 and over

A decreasing number of vacancies signals a tight labour market.

...with the unemployment rate remaining close to a record low

Both the unemployment rate and the inactivity rate have remained broadly unchanged on the previous quarter.

- In the three months to October 2019, unemployment decreased by 13,000 on the quarter to 1.28 million. On a year-on-year basis, the number of unemployed people was down by 93,000.
- The unemployment rate was broadly unchanged and stood at 3.8%.
- Male unemployment remained broadly unchanged (+4,000) while female unemployment decreased by (-18,000) in the three months to October. Both male and female unemployment decreased on the year, with male unemployment declining by -29,000 and female unemployment declining by -64,000.
- The number of those registered as economically inactive (not available and/or not looking for work) has increased (+19,000) compared with the previous quarter, and decreased by 60,000 on a year earlier.
- The inactivity rate remained broadly unchanged and stood at 20.8%.

Employment remained broadly unchanged in the regions...

In the last quarter employment has remained broadly unchanged in the regions and nations with only few experiencing increases and decreases.

- In the three months to October 2019, employment increased in London (+58,000) and the North West (+36,000).

Exhibit 2 Unemployment (%)



Source: ONS December 2019 labour market statistics

- Employment remained broadly unchanged in the North East (-10,000), Wales (-8,000), the East (-4,000), Yorkshire and The Humber (-1,000), the West Midlands (+5,000), the East Midlands (+6,000) and Northern Ireland (+8,000).
- Employment decreased in the South East (-27,000), Scotland (-21,000), and the South West (-18,000).

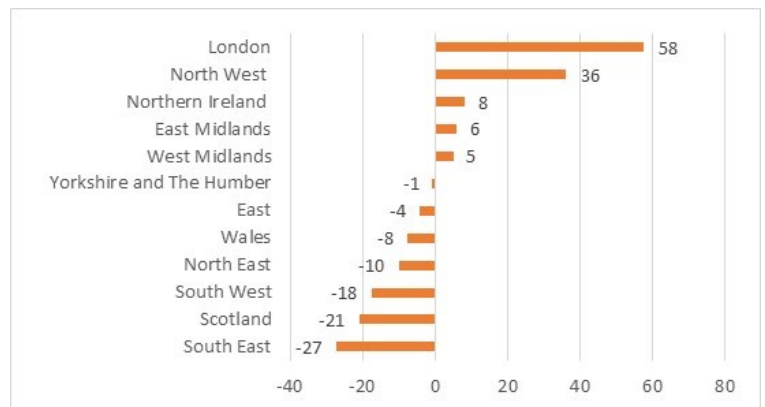
... as well as unemployment

- In the three months to October 2019, unemployment increased in the North East (+15,000) and the South East (+14,000).
- Unemployment remained broadly unchanged in the North West (-10,000), Scotland (-9,000), Yorkshire and The Humber (-6,000), Northern Ireland (-5,000), Wales (-4,000), London (-4,000), the East (+3,000), the South West (+8,000) and the West Midlands (+10,000).
- Unemployment decreased in the East Midlands (-25,000).

Pay growth remains stable

- Nominal regular pay growth (excl. bonuses and before adjusting for inflation) was 3.5% on the year in the three months to October 2019, down by 0.1% points on September, still close to its strongest since mid-2008 (3.9% in June/July).
- In the three months to October, nominal regular pay remained broadly unchanged in the public sector to 3.3% and slowed in the private sector to 3.5% (down by 0.2% points).
- Looking across the private sector, pay growth was strongest in construction (+5.4% - down by 0.2%

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



Source: ONS December 2019 labour market statistics, shown as quarter on quarter changes

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



Source: ONS December 2019 labour market statistics, shown as quarter on quarter changes

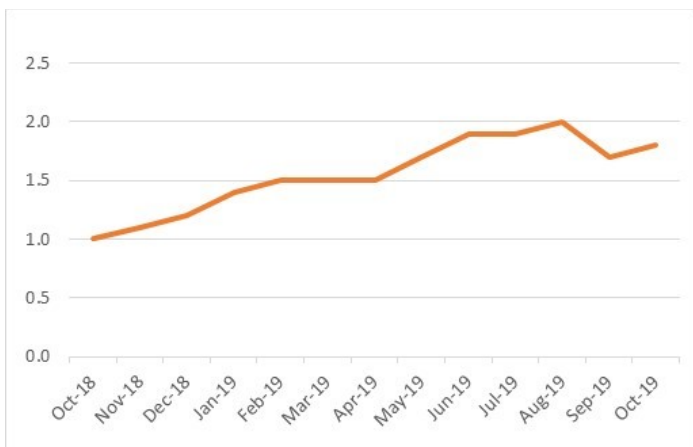
points) and finance and business services (+4.6% - up by 0.1% points), followed by services (+3.5% - down by 0.2% points), manufacturing (+2.7% - unchanged) and wholesaling, retailing & hospitality (+2.5% - down by 0.6% points).

- Real regular pay (excl. bonuses and adjusting for CPIH inflation) increased by 1.8% on a year ago (on the less volatile three-month rolling basis) – unchanged on September.

Jobs growth was concentrated in a few industries in Q3 2019

- Human health & social work (+23,000), real estate activities (+22,000) and education (+21,000)

Exhibit 5 Real regular pay growth (%)

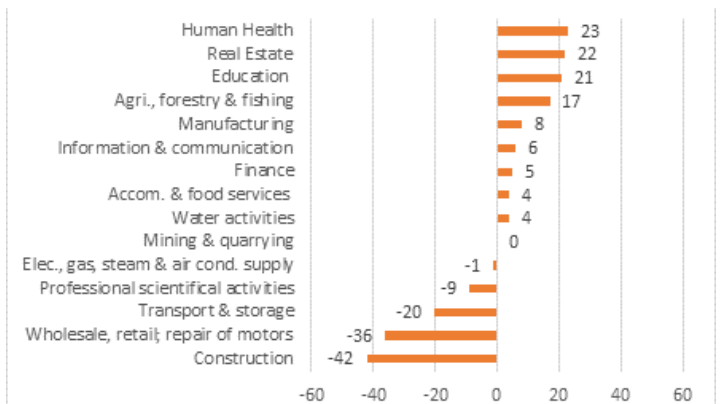


Source: ONS December 2019 labour market statistics

registered the largest increase in workforce jobs in the three months to September 2019. Workforce jobs also rose in agriculture, forestry & fishing (+17,000).

- The number of jobs in the construction (-42,000), wholesale & retail trade (-36,000) and the transport & storage sector (-20,000) declined on the quarter, with all other sectors remaining broadly unchanged.
- Looking at the change in jobs compared to a year ago, professional scientific & technical activities and human health & social work have seen substantial increases of 149,000 and 136,000 respectively. Construction (-59,000) saw the largest decreases in workforce jobs on a year ago.

Exhibit 6 Workforce jobs by industry (000s)



Source: ONS December 2019 labour market statistics

The next labour market update will be published on **21st January 2020**.



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ABOUT THE SPONSOR

“We are finding that businesses remain slightly cautious about hiring in the current environment but, in the main, are continuing to invest in creating permanent and interim opportunities. The jobs market therefore remains stable compared to previous months. The short-term increased by 1% for permanent staff, and by 2% for agency workers, despite concerns raised regarding the UK's economy.”

Carmen Watson, Chairperson, Pertemps Ltd

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