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## RECORD EMPLOYMENT PERFORMANCE CONTINUES ALONGSIDE MODEST IMPROVEMENT IN REAL PAY GROWTH

ONS release paints a healthier picture of the UK labour market in May, as nominal and real pay continue to modestly increase. This is a welcome development after a year in which wage growth has not kept pace with inflation. However, further wage rises can only be sustained if productivity increases.

Employment remains at a record high, with growth similar to the relatively strong rates seen over most of 2017, bringing the employment rate back to a joint record high (since 1971).

Unemployment decreased, returning the rate to a 42-year low. A very small margin of slack in the labour market remains among those who would prefer to work longer hours or in permanent employment.

A sustained period of real wage growth is needed to recover the real value lost over the last year.

Looking across the UK's regions and nations, most have experienced a significant improvement in employment while unemployment levels have remained broadly unchanged.

- Male employment rose by 90,000 on the quarter, while female employment increased by 108,000. Both also posted an increase year-on-year, with male employment increasing by 163,000, and female employment rising by 234,000.
- In terms of age breakdown, employment grew in all age groups. The rise was strongest among those aged 50-64 years old (+76,000), 35-49 (+65,000) and 16-24 (+26,000). It also rose for those aged 25-34 years old (+18,000) and for those aged 65+ (+13,000).
- The number of people working full-time increased by 133,000 over the quarter, while the number of people working part-time rose by 64,000. On a year-on-year basis, the number of people working full-time increased by 256,000, while the number of part-time workers increased by 140,000.
- In the three months to April 2018, the number of vacancies was 806,000, which marked a decrease on the previous quarter (-16,000). Nonetheless, the number of vacancies remains close to its record high.

### The employment rate is at a record high...

- Employment rose by 197,000 to 32.34 million in the three months to March 2018. On a year-on-year basis, employment rose by 396,000.
- The employment rate increased to 75.6%, up 0.4% points on the quarter, bringing it back to the joint highest since comparable records began in 1971.
- Growth was driven largely by the number of employees, which increased by 271,000, while the number of self-employed decreased by 33,000, falling for the sixth consecutive rolling quarter. On a year-on-year basis the number of employees rose by 480,000 and the number of self-employed declined by 38,000.

Exhibit 1 Employment (000s)



Source: ONS May 2018 labour market statistics

Headline figures	Rate	Number (000s)	Change on quarter (% change)	Change on year (% change)
Employment* (ILO)	75.6%	32,344	+197,000 (+0.6%)	+396,000 (+1.2%)
Unemployment** (ILO)	4.2%	1,425	-46,000 (-3.1%)	-116,000 (-7.5%)
Youth unemployment (16-24)	12.1%	531	-16,000 (-2.9%)	- 32,000 (-5.6%)

Source: ONS May 2018 labour market statistics, January to March 2018 data \*Rate for those aged 16-64 \*\*Rate for those aged 16 and over

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

The fall in unemployment this quarter has been mainly driven by a fall in youth unemployment and among those aged 35-49 years old. The number registered as economically inactive is now at its joint lowest since comparable records began in 1971.

- The three months to March 2018 saw a drop in unemployment of 46,000 on the quarter and the number of unemployed people fell to 1.42 million. On a year-on-year basis, the number of unemployed people was down 116,000.
- The unemployment rate was at 4.2%, down by 0.2% points compared to last quarter and once again at the lowest level since 1975.
- Unemployment dropped in almost all age groups. The fall was largest for those aged 35-49 years old (-27,000), followed by those aged 16-24 years old (-16,000) and those aged 25-34 (-13,000). Meanwhile, unemployment rose slightly among those aged 50-64 years old (+11,000) and remained broadly unchanged among those aged 65+ (+1,000).
- The three months to March have seen a decrease in male unemployment (-26,000), with the number of unemployed women declining (-20,000) as well. The year-on-year change saw a larger decrease in male unemployment (-96,000) than in female unemployment (-20,000).
- The number of people registered as economically inactive (not available and/or looking for work) decreased by 115,000 compared with the previous quarter. Following falls recorded in recent months, the

number of economically inactive people is the lowest since mid-2000. The inactivity rate is now at 21.0% for the three months to March 2018, down by 0.3% points on the quarter and the joint lowest since comparable records began in 1971.

**Despite more significant changes in regional employment ...**

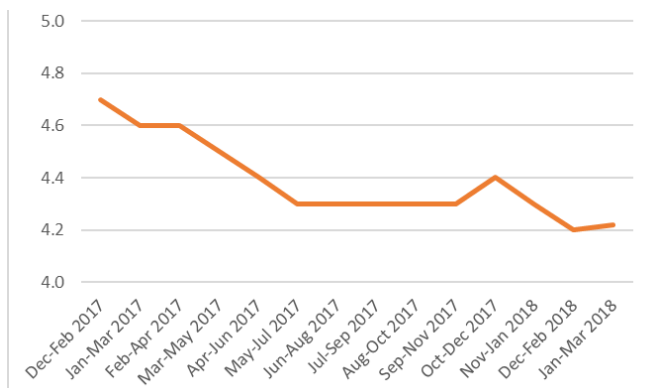
This quarter saw a mixed picture in the regions with some significant decreases and increases in employment.

- In the three months to March 2018, employment grew in London (+71,000), Yorkshire and The Humber (+57,000), the West Midlands (+57,000), the South West (+21,000), the East Midlands (+19,000), Wales (+19,000), North East (+14,000), and Northern Ireland (+13,000).
- It declined in the South East (-89,000) and remained broadly unchanged in Scotland (-2,000).

**... most saw little change in unemployment**

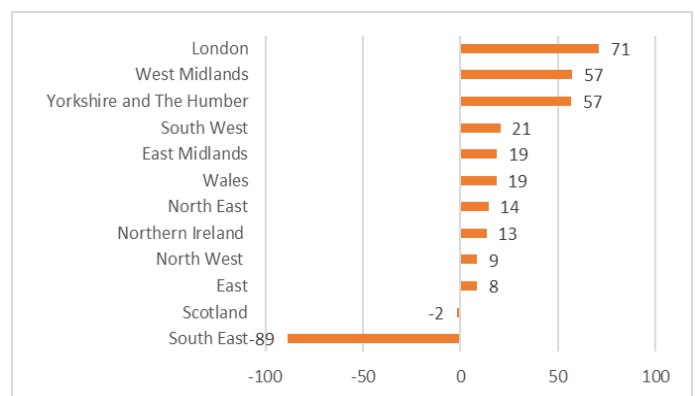
- The South East saw a rise in unemployment (+13,000) while the West Midlands (-14,000) and the East (-11,000) saw a decrease.
- There was no significant change elsewhere: North West (+8,000), London (+1,000), East Midlands (-1,000), North East (-6,000), Scotland (-6,000), South West (-6,000), Northern Ireland (-7,000), Wales (-9,000), Yorkshire and the Humber (-9,000).

**Exhibit 2** Unemployment (%)



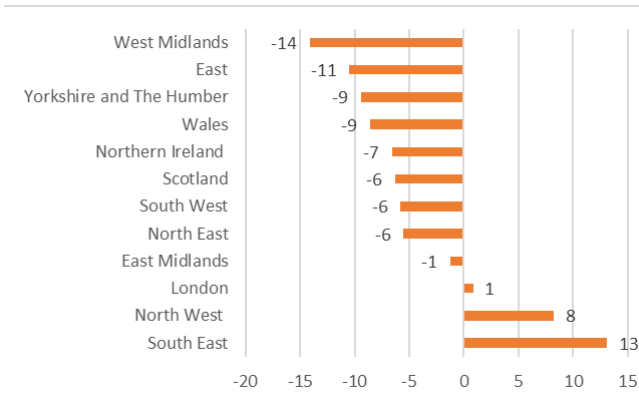
Source: ONS May 2018 labour market statistics

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



Source: ONS May 2018 labour market statistics

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



Source: ONS May 2018 labour market statistics

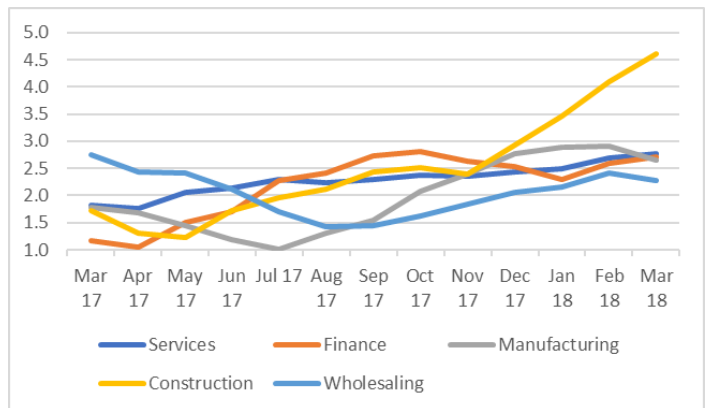
**Modest improvement in real pay continues**

- Nominal regular pay growth (excl. bonuses and before adjusting for inflation) was 2.9% on the year in the three months to March 2018, up marginally (by 0.1% points) on February and the highest since August 2015.
- Nominal regular pay growth rose 0.1% points in both the private and public sectors in the three months to March 2018: private sector pay increased by 3.0% (the fastest since Q4 2016), while public sector pay rose by 2.4% (the fastest since the end of 2012).
- Looking at the private sector in more detail, construction registered the strongest nominal regular pay growth in the three months to March 2018 (+4.6% on the year – the fastest since mid-2008). This faster pay growth could be linked to the growing skill and

labour shortages in the sector. The services sector has followed a similar path to the private sector average over the last 12 months, steadily rising to the current rate of (+2.8%). Manufacturing (+2.6) and wholesaling, retail & hospitality (+2.3%) have seen pay growth pick up over the last six months, while pay growth in finance (+2.7%) has remained more steady over that period.

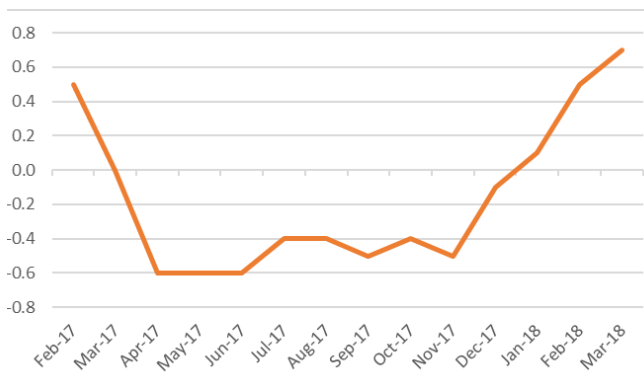
- For the economy as a whole, real wages ticked up for the second month in a row, building on the modest growth seen last month. Real pay (excl. bonuses and adjusting for CPIH inflation) grew by 0.4% on the year (on the less volatile three-month rolling basis).
- However, real pay growth remains weak by historical standards.

**Exhibit 6** Nominal regular pay growth (%) by sector



Source: ONS May 2018 labour market statistics

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



Source: ONS May 2018 labour market statistics

The next labour market update will be published on **12th June 2018**.



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#### ABOUT THE SPONSOR

“Businesses have indicated that they will continue to create both permanent and temporary roles in 2018, which is pleasing news for people seeking work. However, whilst unemployment remains low, the demand for companies to recruit and retain staff will only intensify. Recruiters will need to come up with innovative ways to attract talent in what will be a highly challenging market.”

**Carmen Watson, Chairperson, Pertemps Ltd**

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