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## REAL PAY GROWTH AT ITS SLOWEST RATE FOR TWO YEARS

Today's figures show that pay growth in the UK continues to disappoint. In the three months to January 2017, real wages (which strip out the effects of inflation) are now growing at the slowest rate for two years. This underlines the importance of increasing productivity, which remains the only sustainable route to higher wages, and therefore increased living standards.

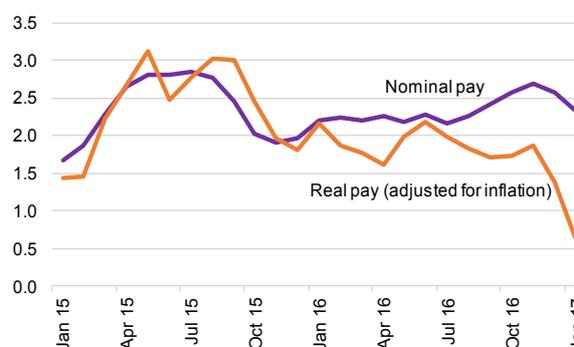
More positively, employment once again increased over the quarter with more people moving into work. Alongside this, unemployment continues to fall and the unemployment rate is now at its joint lowest level since 1975.

### Real pay growth falls to its lowest level for almost two years

Today's data shows that pay growth in the UK remains weak:

- Across the whole economy real regular (excl. bonuses) average pay growth (earnings stripping out growth in inflation) fell from 1.4% in the three months to December to 0.8% in the three months to January. This is the slowest rate of real pay growth since December 2014. (**Exhibit 1**)
- Nominal regular pay growth in the whole economy (pay not adjusted to take account of changes in inflation) also fell slightly in the three months to January from 2.6% to 2.3%
- Inflation is expected to rise further in the coming months from its current rate (1.8% in January), and if nominal earnings growth does not pick up over the coming months, real earnings growth is likely to fall back further. With the savings ratio already very low, this is expected to dampen consumer spending, causing overall economic growth to slow.

**Exhibit 1** Annual growth in regular pay, whole economy (%)



Source: ONS 2017, March labour market statistics

### Employment levels continue to strengthen...

More positively, the statistics released today show that employment growth in the UK was strong:

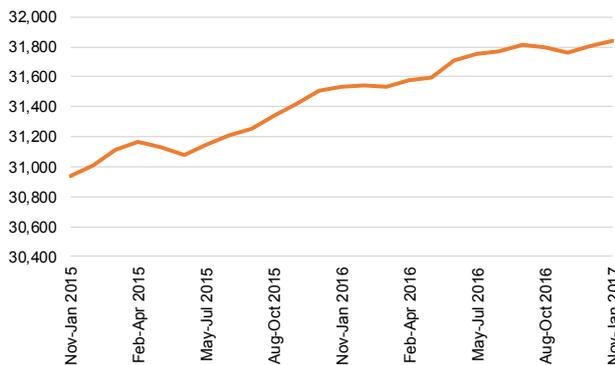
- In the three months to January 2017, there were 31.9 million people in work in the UK, an increase on the previous quarter (+92,000) (**Exhibit 2 overleaf**).
- The employment rate for those aged 16 to 64 remains at a historic high of 74.6%, up slightly from 74.4% on the previous quarter.
- Increasing employment can be attributed to rises in the number of people working for a business (+17,000) and a larger increase in the number of self-employed people (+49,000). The number of people on a government supported training or employment schemes (+23,000) while unpaid family workers remained broadly unchanged (+3,000).

Headline figures	Rate	Number	Change on quarter in 000s	Change on year in 000s
Employment* (ILO)	74.6%	31,854	92 (0.3%)	315 (1.0%)
Unemployment** (ILO)	4.7%	1,584	-31 (-1.9%)	-106(-6.3%)
Youth unemployment (16-24)	12.3%	554	-33 (-5.7%)	-78 (-12.4%)

Source: ONS 2017 March labour market statistics, Nov - Jan 2017 data \*Rate for those aged 16-64 \*\*Rate for those aged 16 and over

- While growth in self-employment outpaced growth of employees, the majority of people in employment - 26.8 million - work for a business.

**Exhibit 2 UK employment (000s)**



Source: ONS 2017, March labour market statistics

- A separate dataset on zero-hours contracts (ZHC) was also released today showing there were 905,000 people on a ZHC during October-December 2016, an increase (+101,000) on the same period a year earlier.
- Importantly, the data also shows that 68% of people working this way do not want to work more hours than they currently are.
- It is worth noting that in recent years, increases in the number of people reporting that they were on a ZHC was likely to have been affected by greater awareness and recognition of the term.

**...with jobs growing across a range of sectors**

Newly released data looking at the number of jobs created in different sectors of the economy was also published today.

Data on jobs is different to employment as it looks at the number of filled jobs in the economy. Employment on the other hand, is an estimate of people in work and some people have more than one job. The jobs statistics also refer to a different time period. The jobs data published today reveals that:

- In the three months to December 2016, businesses in the administrative & support service activities and construction sectors were key drivers of jobs growth (+38,000 and +36,000 respectively). (**Exhibit 3**).
- The agriculture, forestry & fishing sector (+21,000) also made a solid contribution to jobs growth in the UK.
- In contrast, the number of jobs in the financial & insurance activities sector (-19,000) and wholesale &

retail trade sector (-12,000) fell in the final quarter of 2016.

**Exhibit 3 Change in UK workforce jobs (000s, Q3-Q4 2016)**



Source: ONS 2017, March labour market statistics

**The unemployment rate falls to its lowest level since 1975...**

Alongside this welcome employment growth, unemployment has also continued on its downward path:

- In the three months to January 2017, unemployment declined (-31,000) compared to the previous three months. As a result, 1.58 million people are now out of work and looking for work (**Exhibit 4**).
- Alongside this, the unemployment rate now stands at 4.7% compared to 4.8% in the previous quarter. This is the joint lowest rate of unemployment in the UK since 1975.

**Exhibit 4 Unemployment in the UK (000s)**



Source: ONS 2017, March labour market statistics

This decline in the number of people looking for a job was mainly due to a fall in the number of people who had been looking for work for longer periods of time:

- In the three months to January, the number of people long-term unemployed (unemployed for over 12 months), and generally considered to be further away from the labour market, fell (-24,000).
- While short-term unemployment (unemployed for up to six months) also fell by 11,000 on the previous quarter.
- In contrast, the number of people unemployed for over six and up to 12 months remained broadly unchanged (+4,000).
- Meanwhile, the number of people economically active rose by 61,000. This indicates that more people are moving into, or looking for, work. Economically active people are those who are in employment or are actively seeking and able to start work within the next two weeks.

### ...as youth unemployment continues to decline

Positively, today's fall in unemployment was largest among young people:

- In the three months to January, the number of 16 to 24 year olds unemployed fell by 33,000. As a result, 554,000 young people are now looking for work in the UK.
- The youth unemployment rate is now 12.3%, down 0.8 percentage points on the previous quarter. The rate is continuing to decline from the highs it reached during the financial crisis and is now steadily approaching the pre-crisis low of 11.6%.

### As employment grows in half of the UK's nations and regions...

Turning to the outlook in the regions and nations, employment growth in half of the nations and regions of the UK in the three months to January drove the national increase (**Exhibit 5**)

- Positively, employment rose in the South West (+32,000), North West (+29,000), Scotland (+16,000) London and the South East (both +15,000) and the East (+11,000).
- Employment was broadly unchanged in Wales and the East Midlands (both +2,000) and North East and Northern Ireland (+1,000).
- There were falls in employment in the West Midlands (-18,000) and Yorkshire and the Humber (-14,000).

**Exhibit 5** Quarterly change in employment (Jun- Aug 2016-Sep-Nov 2016), 000s



Source: ONS 2017, March labour market statistics

### ...while unemployment remains broadly unchanged in most areas.

While employment was rising across the nations and regions of the UK, unemployment remained broadly unchanged.

- In the three months to January, the North West saw the most substantial fall in unemployment (-17,000) followed by Scotland (-16,000).
- Unemployment was broadly unchanged in the East Midlands and East (both -9,000), South West (-3,000), South East and Yorkshire and Humber (both 0), West Midlands and London (both +9,000), North East (+4,000), Wales and Northern Ireland (both +1,000),

The next labour market update  
will be published on **12 April**

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To achieve this, we campaign in the UK, the EU and internationally for a competitive business landscape.

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*“As the CBI/Pertemps Employment Trends Survey showed, businesses are keen to expand their workforces this year, particularly on a permanent basis.*

*We are continuing to hear this from our clients so anticipate jobs growth. Yes, skills shortages remain but I believe that through greater partnership working these shortages can be addressed to improve job skills and employability.”*

**Carmen Watson, Chairperson, Pertemps Ltd**

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