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## MIXED PICTURE AS EMPLOYMENT INCREASES AND UNEMPLOYMENT DECREASES, BUT REAL WAGES CONTINUE TO FALL

Today's data shows that the UK labour market continues to create jobs, with employment rising, albeit at a slower pace. Employment growth on the quarter was primarily down to an increase in self-employment, bucking the recent trend of employment rising as a result of a higher number of employees.

Our unemployment rate remains at a 42-year low, but the numbers of temporary workers unable to find permanent work and part-time workers looking for full-time hours suggests that there is still some slack in the labour market.

Real wages have now been falling for 6 consecutive months, hitting peoples' living standards. In the three months to August 2017, real regular pay (excl. bonuses and adjusting for inflation) fell by 0.4% on the year.

Not for the first time, employment gains were not shared widely across the country, though no area saw a rise in unemployment.

### Employment continues to grow, albeit at a slower pace

In the three months to August 2017, employment increased by 94,000 to 32.1 million (**Exhibit 1**).

Compared to the same point a year ago, employment is 317,000 higher.

The growth in employment over the quarter was principally driven by women (+78,000) while the number of men in employment also grew (+16,000). This reflects the trend over the past year, where employment among women has increased by 246,000 compared to a rise of 71,000 among men.

The strong employment growth in the quarter was primarily down to an increase in self-employment (+57,000 compared to +39,000 employees). This is a reversal of the

trend seen during 2017 where growth in the number of employees had driven overall employment growth.

The numbers of unpaid family workers and those registered on government supported training and employment programmes were largely unchanged.

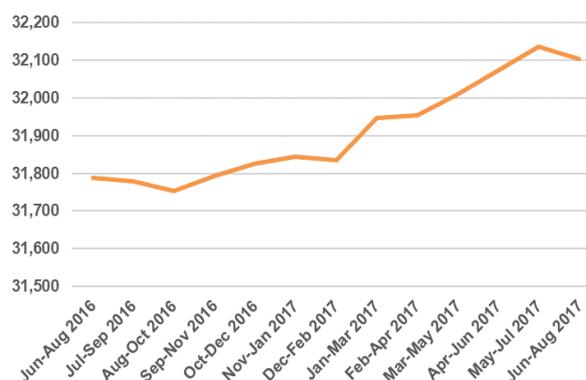
The growth in employment was driven by growth in the numbers working part-time (+69,000), compared to a 25,000 increase in those working full-time. Again, this is a change in the trend seen during 2017 where growth in full-time employment had been the bigger driver of overall employment growth.

The employment rate was 75.1%, up 0.2% pts on the quarter and unchanged on last month.

In terms of the age breakdown, employment growth was strongest for those aged 25-34 years, (+69,000), with strong growth also for those aged 50-64 years (+50,000) and those aged 35-49 years (+42,000).

Employment fell among workers aged 65+ (-14,000), and among young people aged 16-24 years (-53,000).

**Exhibit 1** Employment (000s)



Source: ONS October 2017 labour market statistics

Headline figures	Rate	Number (000s)	Change on quarter (% change)	Change on year (% change)
Employment* (ILO)	75.1%	32,105	+94,000 (+0.3%)	+317,000 (+1%)
Unemployment** (ILO)	4.3%	1,443	-52,000 (-3.5%)	-215,000 (-13%)
Youth unemployment (16-24)	11.9%	524	-38,000 (-6.8%)	-97,000 (-15.6%)

Source: ONS 2017 October labour market statistics, June to August 2017 data \*Rate for those aged 16-64 \*\*Rate for those aged 16 and over

### Unemployment rate remains at 42 year low...

In the three months to August 2017, unemployment declined by 52,000 on the previous quarter to 1.44 million (**Exhibit 2**).

Compared to the same point a year ago, unemployment is 215,000 lower.

The unemployment rate was 4.3%, down 0.2% pts on the quarter and unchanged on last month's figure. Over the year, it has fallen by 0.7% pts.

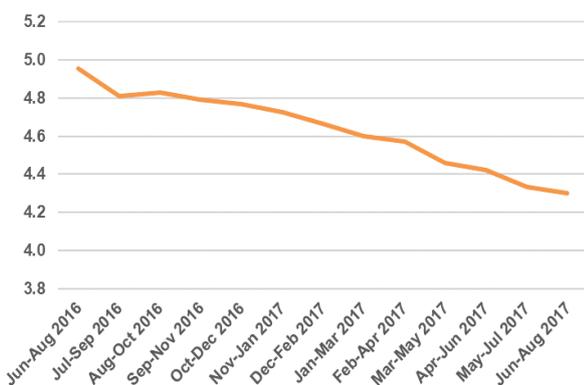
The overall fall in unemployment reflected a fall in the number of unemployed men, which declined by 56,000 on the quarter. In contrast, there was little change in the number of unemployed women (+4,000).

In terms of the age breakdown, in the three months to August 2017, unemployment fell most among those aged 16-24 (-38,000), followed by those aged 25-34 (-16,000), and those aged 35-49 (-13,000).

There was a rise in unemployment of 11,000 among those aged 65+. There was no real change among those aged 50-64 (+4,000).

Unemployment fell most sharply among those on shorter unemployment durations. Among those out of work for up to 6 months, unemployment fell by 37,000, while there was a decline of 15,000 among those unemployed for 6-12 months. In contrast, there was a slight increase in the numbers out of work over 24 months (+12,000).

**Exhibit 2** Unemployment (%)



Source: ONS October 2017 labour market statistics

### ...but slack in the labour market remains

The proportion of workers in temporary jobs because a permanent one was not available has increased slightly on the quarter by 0.4% pts to 27.6% , but remains lower than a year ago (30.8%).

The proportion of people working part-time because they couldn't find a full-time job increased slightly on the quarter by 0.2% pts to 12.3%, but likewise remains lower than a year ago (13.5%).

### Productivity remains an intractable problem, with growth well below the pre-recession trend

Robust and continued growth in labour productivity – the amount of output we produce from each hour of work – is integral to securing sustainable growth in pay.

The most recent data though shows productivity declining by 0.1% in the second quarter following a decline of 0.5% in the first quarter of 2017.

This fall leaves productivity slightly below the pre-financial crisis peak in Q4 2007.

Productivity is 17.2% below a continuation of the pre-financial crisis trend.

### Wages fail to keep pace with inflation, hitting living standards

Real wages have now been falling for 6 straight months (**Exhibit 3**).

In the three months to August 2017, real regular pay (excl. bonuses and adjusting for inflation) fell by 0.4% on the year.

The single month fall on the year was slightly greater at 0.5%.

Nominal regular pay growth (excl. bonuses and before adjusting for inflation) was 2.1% in the three months to August 2017 on the year, down 0.1% pts on July and the same as in June.

Nominal regular pay growth in the private sector was 2.3% on the year in the three months to August 2017, unchanged on July.

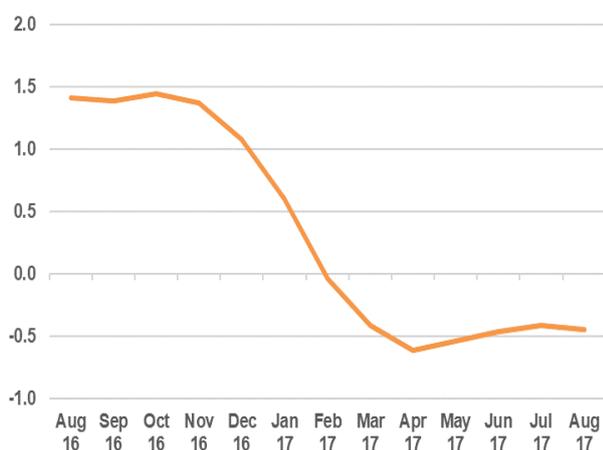
In the public sector, pay growth was 1.6% in the three months to August 2017, down 0.1% pts on July.

Looking in more detail at the private sector, financial and business services registered the strongest nominal regular pay growth in the three months to August 2017 (+2.4% on the year).

The weakest growth was in manufacturing (1.2%), with wholesaling, retailing, hotels and restaurants seeing a 1.3% rise.

The construction sector saw growth of 1.9%.

**Exhibit 3** Real terms regular pay growth (%)



Source: ONS October 2017 labour market statistics

**Once again, employment gains were not shared equally across the country**

In the three months to August 2017 (**Exhibit 4**), employment grew strongest in the West Midlands (+58,000), London (+53,000), Scotland (+35,000), and the South East (+22,000).

Employment declined in the South West (-21,000), East Midlands (-16,000), Wales (-13,000), and Yorkshire and Humber (-10,000).

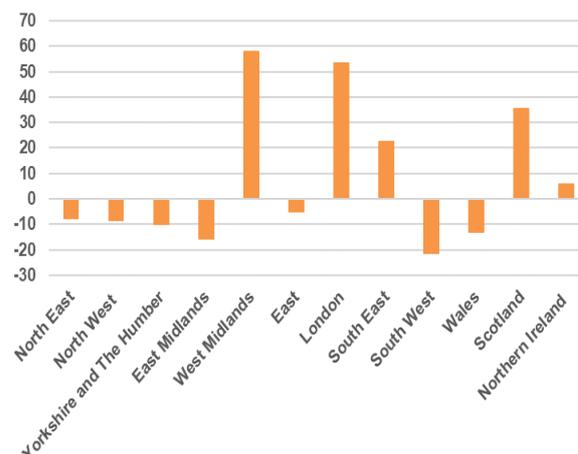
There was no real change in the North East (-8,000), North West (-8,000), East (-5,000) and Northern Ireland (+6,000).

**No area saw a rise in unemployment**

In the three months to August 2017, unemployment declined by 30,000 in London, 17,000 in the West Midlands and by 11,000 in Wales.

There was little change in unemployment in Scotland (+9,000), East Midlands (+8,000), Northern Ireland (-5,000), East (-5,000), North West (+4,000), North East (-3,000), Yorkshire and Humber (-2,000), South East (-1,000), and South West (0).

**Exhibit 4** Employment change in quarter in the regions and nations (000s)



Source: ONS October 2017 labour market statistics

The next labour market update will be published on **15th November 2017**.

A CBI/Pertemps update will follow in due course.

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#### ABOUT THE SPONSOR

“Nationally, pay growth is not keeping pace with inflation. But despite that, there has been robust growth in jobs. This shows that businesses are continuing to create new opportunities in the face of challenging operating conditions. This is good news. But we need to work on improving productivity and addressing skills shortages to unlock sustainable and stronger pay growth.”

#### Carmen Watson, Chairperson, Pertemps Ltd

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