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EMPLOYMENT FALLS, BUT SO DOES UNEMPLOYMENT, WITH A RECORD NUMBER OF OPENINGS FOR JOB SEEKERS

As 2017 draws to a close, the latest ONS release paints a very mixed picture of the state of the UK labour market.

Employment has fallen for the second consecutive rolling quarter, but follows a sustained period of growth: despite recent falls, employment remains 325,000 up on the year.

Vacancies have reached an all-time high, though new workforce data shows not all industries have seen jobs growth.

Unemployment fell on the quarter, with the rate still at a 42-year low. But a small margin of slack in the labour market remains.

Real wages continue to fall as nominal pay growth remains below inflation and has now been falling for eight months in a row.

Looking across the UK's regions and nations, only a couple of areas saw employment increase in the quarter, but no areas saw unemployment grow.

Employment is down this quarter, but year on year still looks strong...

In the three months to October 2017, employment fell by 56,000 to 32.080 million (**Exhibit 1**). While this is the second consecutive rolling quarter in which employment has fallen, it follows a long run of strong growth. Indeed, employment remained up on the year by 325,000.

The employment rate fell back slightly to 75.1%, down 0.2% pts on the quarter. But compared to the same point last year, is up by 0.7% pts.

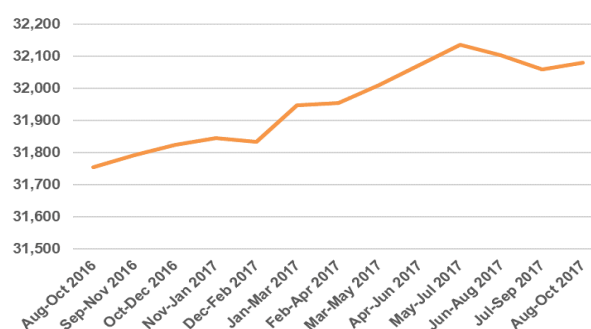
Male employment fell on the quarter, by 50,000, while there was no real change in female employment (-6,000). However, in both cases, employment remains up on the year, with women doing better (+218,000) than men (+107,000).

In the three months to October, there was a small fall in the number of employees (-14,000) but a bigger fall in those registered as self-employed (-41,000). There was no real change in either unpaid family workers (-3,000) or those on government supported training and employment programmes (+3,000).

In terms of the age breakdown, employment growth was strongest for those aged 50-64 (+46,000) and 65+ (+14,000), while it fell most for those aged 16-24 (-79,000) and 25-34 (-37,000). There was no change for those aged 35-49 years (0).

Although there has been a fall in the number of people working full-time this quarter, year on year it has increased by 337,000, driving overall employment growth. This quarter saw the number of people working full-time fall by 55,000, with those working part-time seeing no real change (-1,000). There was a small increase (+11,000) in full-time employees, but a big fall in self-employed people working full-time (-65,000). Meanwhile, the number of part-time employees fell by 25,000, matched by a similar rise in the number of self-employed people working part-time (+24,000).

Exhibit 1 Employment (000s)



Source: ONS December 2017 labour market statistics

Headline figures	Rate	Number (000s)	Change on quarter (% change)	Change on year (% change)
Employment* (ILO)	75.1%	32,080	-56,000 (-0.2%)	+325,000 (+1%)
Unemployment** (ILO)	4.3%	1,429	-26,000 (-1.8%)	-182,000 (-11.3%)
Youth unemployment (16-24)	12%	523	-5,000 (-0.9%)	-60,000 (-10.3%)

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

The industry mix of jobs in the UK continues to change...

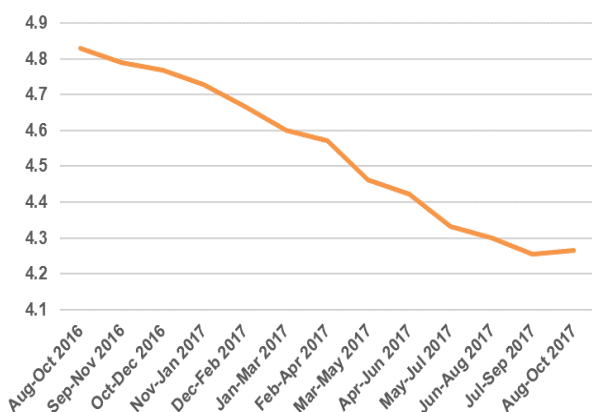
New data released today on workforce jobs by industry enriches our understanding of how the UK's labour market is changing. When analysing these figures, it is important to remember that workforce jobs is a measure of the total number of jobs and is therefore higher than the number of people in employment (who may have more than one job).

In the three months to September 2017, the industries which saw the number of jobs grow on the quarter were: administrative and support service activities (+87,000); professional scientific and technical activities (+55,000); arts, entertainment and recreation (+52,000); real estate activities (+18,000); agriculture, forestry and fishing (+18,000); construction (+17,000); other service activities (+16,000); education (+12,000).

In some other industries though, the number of jobs fell, including: wholesale and retail trade; repair of motor vehicles and motor cycles (-38,000); human health and social work activities (-36,000); information and communication (-36,000); transport and storage (-10,000); financial and insurance activities (-10,000).

There was no statistically significant change in other industries: people employed by households etc. (+9,000), mining and quarrying (-1,000), electricity, gas, steam and air conditioning supply (-1,000), water supply, sewerage, waste, and remediation, activities (0), accommodation and food service activities (0), and public admin and defence; compulsory social security (+2,000).

Exhibit 2 Unemployment (%)



Source: ONS December 2017 labour market statistics

The unemployment rate fell again...

In the three months to October, unemployment fell by 26,000 to 1.429 million. Year on year, the number of unemployed people is down by 182,000.

The unemployment rate is now 4.3% (**Exhibit 2**), down 0.1% pts on the quarter and remaining at the lowest level since 1975. Compared to the same point last year, it has fallen by 0.6% pts.

The overall fall in unemployment this quarter can be largely attributed to the number of unemployed women (-21,000) with male unemployment little changed (-5,000).

In terms of age breakdown, unemployment fell most among those aged 35-49 (-26,000), 50-64 (-13,000), while it remains largely unchanged for those aged 16-24 (-5,000), and those aged 65+ (-3,000). Meanwhile, there was an increase in the number of unemployment people aged 25-34 (+21,000).

The largest fall in unemployment was among those who had been seeking work for 6-12 months (-17,000). Unemployment among other durations was largely unchanged.

Falls in both employment and unemployment were more than matched by a rise in the number of inactive individuals (i.e. those not available and/or looking for work), which rose by 157,000, leaving inactivity levels up 177,000 on the year and the inactivity rate at 36.6%.

...but a small margin of slack in the labour market remains

Despite falling unemployment and a record number of vacancies (798,000, up 14,000 on the quarter), there remains some slack in the labour market.

The proportion of workers in temporary jobs because a permanent one was not available increased on the quarter by 1.3% pts to 28.0%, but remained lower than a year ago by 2.3% points.

But the proportion of people working part-time because they couldn't find a full-time job decreased on the quarter by 0.7% pts to 11.8%, and remains lower than a year ago (by -1.8% pts), but above the pre-crisis average (9.3% between 1997 and 2007).

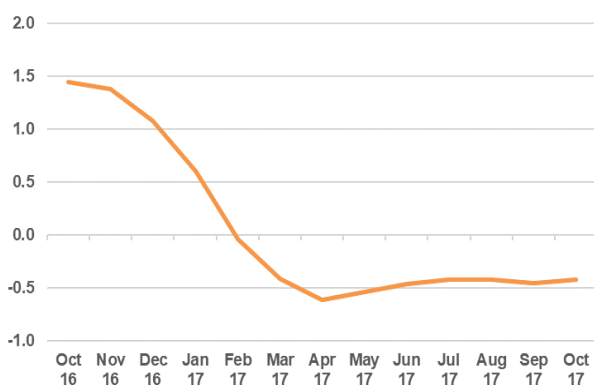
Real pay has fallen for an eighth consecutive month...

Nominal regular pay growth (excl. bonuses and before adjusting for inflation) was 2.3% on the year in the three months to October 2017, 0.1% pts up on September.

Nominal regular pay growth in the private sector was 2.5% on the year in the three months to October 2017, up 0.1% pts on September. In the public sector, pay

growth was 1.8% on the year in the three months to October 2017, up 0.1% pts on September.

Exhibit 3 Real terms regular pay growth (%)



Source: ONS December 2017 labour market statistics

Looking in more detail at the private sector, financial and business services registered the strongest nominal regular pay growth in the three months to October 2017 (+2.8% on the year) with the construction sector seeing growth of 2.5%. Manufacturing saw growth of 2.1%, with the weakest growth recorded in wholesaling, retailing, hotels and restaurants, which only saw a 1.5% rise.

But real wages continue to fall as nominal pay growth remains below inflation and has been for eight months in a row. In the three months to October 2017, real regular pay (excl. bonuses and adjusting for CPIH inflation) fell by 0.4% (**Exhibit 3**).

Only two areas of the country saw employment gains...

In the three months to October 2017, employment grew in the North East by 17,000 and 16,000 in the South East (**Exhibit 4**).

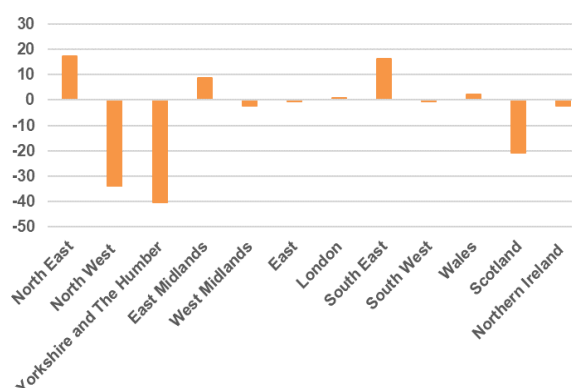
Employment declined in Yorkshire and Humber (-40,000), North West (-34,000), and Scotland (-21,000).

There was no real change in East Midlands (+9,000), Wales (+2,000), London (+1,000), East (0), South West (-1,000), and Northern Ireland (-2,000).

Comparing the same three month period with a year ago, employment increased most in London (+128,000), South East (+109,000), Scotland (+59,000), North West (+53,000), East (+40,000), South West (+30,000), and in the North East (+28,000).

It fell most in Yorkshire and Humber (-48,000), East Midlands (-27,000), West Midlands (-21,000), Northern Ireland (-13,000), and Wales (-12,000).

Exhibit 4 Employment change by regions and nations (000s)



Source: ONS December 2017 labour market statistics (comparing quarter to quarter).

...but no area saw unemployment increase

In the three months to October 2017, unemployment declined in the West Midlands (-14,000), London (-13,000), and Northern Ireland (-12,000).

There was no real change in Scotland (+8,000), East Midlands (+7,000), Wales (+6,000), North West (+5,000), Yorkshire and Humber (+4,000), South East (-8,000), East (-7,000), South West (-1,000), and North East (0).

Comparing the same three month period with a year ago, unemployment declined in the North West (-37,000), Scotland (-32,000), East (-30,000), London (-23,000), and the South East (-19,000), Yorkshire and Humber (-12,000) and East Midlands (-12,000).

There was no real change in the North East (-7,000), Wales (+6,000), South West (+2,000), and West Midlands (-1,000).

The next labour market update will be published on 24th January 2018.

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“Although pay growth is not keeping in pace with inflation, businesses are continuing to create new opportunities and prospects nationwide. This is positive news, however we now 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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