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EMPLOYMENT RATE RETURNS TO RECORD HIGH, AND REAL PAY INCREASES FOR THE FIRST TIME IN A YEAR

The March ONS release paints a healthier picture of the UK labour market. However, while nominal and real pay continue to improve gradually, we remain a long way from strong and sustained real wage growth.

Employment returned to growth on the quarter after a brief period of weakness, with growth similar to the relatively strong rates seen over most of 2017, bringing the employment rate back to a joint record high.

Unemployment rose slightly on the quarter, but not sufficiently to shift the rate which remained at a 42-year low. A small margin of slack in the labour market remains among those who would prefer to work longer hours or in permanent employment.

These figures show another tentative sign of a return to positive real wage growth. However, this is not yet strong enough, or sustained enough to end the squeeze on wages that has lasted almost a year.

Looking across the UK's regions and nations, two-thirds of the country saw a rise in employment.

This release also includes data on workforce jobs which reveal an increase in the number of jobs in human health and social care, and decreases in accommodation and food services, and administrative and support services.

Employment rate returns to record high...

Employment rose by 168,000 to 32.3 million in the three months to January 2018. This marks a third quarter of growth for employment, and the fastest quarter-on-quarter growth since April-June 2017. On a year-on-year basis, employment rose by 402,000.

The employment rate increased to 75.3%, up 0.5% on the quarter, bringing it back to the joint highest since comparable records began in 1971.

Male employment was up by 131,000 on the quarter, while female employment increased by 38,000. Both also posted

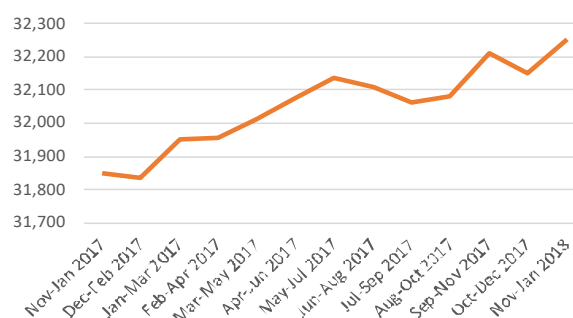
an increase in employment year-on-year, with males recording a 168,000 increase, and female employment rising by 234,000.

The increase in headline employment in the three months to January was driven by a rise in the number of employees (+190,000). The number of registered self-employed continued to fall (-27,000), for the fifth consecutive rolling quarter. The number of unpaid family workers rose by 14,000, while the number on government supported training was largely unchanged (-9,000).

In terms of age breakdown, employment growth was strongest for those aged 25-34 (+72,000), 50-64 (+44,000), 65+ (+38,000), and 35-49 (+12,000). Meanwhile, those aged 16-24 (+2,000) saw no real change in employment.

The number of people working full-time increased by 175,000 over the quarter, while the number of people working part-time remained broadly unchanged (-6,000). On a year-on-year basis, the number of people working

Exhibit 1 Employment (000s)



Source: ONS March 2018 labour market statistics

Headline figures	Rate	Number (000s)	Change on quarter (% change)	Change on year (% change)
Employment* (ILO)	75.3%	32,248	+168,000 (+0.5%)	+402,000 (+1.3%)
Unemployment** (ILO)	4.3%	1,453	+24,000 (1.7%)	-127,000 (-8.0%)
Youth unemployment (16-24)	12.3%	537	+15,000 (+2.7%)	-17,000 (-3.1%)

Source: ONS 2018 March labour market statistics, November 2017 to January 2018 data *Rate for those aged 16-64 **Rate for those aged 16 and over

full-time increased by 377,000, while the number of part-time workers increased by 25,000.

...while unemployment picks up

The three months to January 2018 saw a rise in unemployment, related in part to the fall in inactivity (see below): the number of unemployed people reached 1.453 million, up 24,000 on the quarter. However, on a year-on-year basis, the number of unemployed people was down 127,000.

The unemployment rate remained unchanged on the quarter at 4.3% and at the lowest level since 1975. Compared to the same point in 2017, the unemployment rate in November-January 2018 fell by 0.4% points.

The small rise in the number of unemployed people in the three months to January was primarily driven by a rise in the number of unemployed women (+49,000), with the number of unemployed men falling by 25,000. The year-on-year change followed a similar pattern, with a greater decline in unemployment for men (-109,000) than for women (-18,000).

In terms of the age breakdown, people aged 35-49 (+18,000) were the main contributors to the increase in the overall number of unemployed, followed by those aged 16-24 (+15,000) and those aged 50-64 (+15,000). People aged 25-34 largely contributed to a decrease in unemployment (-18,000), while the number of unemployed people aged 65+ (-5,000) was largely unchanged.

Encouragingly for those businesses struggling to fill acute labour and skill shortages, there has been a significant rise in the number of people becoming active in the labour market. The number registered as economically inactive (not available for and/or looking for work) decreased by 136,000 compared with the previous quarter, marking the

third rolling quarter of decrease and the sharpest drop since May-July 2012. The number of inactive people was the lowest since November 2000 to January 2001. The inactivity rate decreased to 21.2% for the three months to January 2018, 0.3% points lower compared to August-October 2017, and the joint lowest since comparable records began in 1971.

A small margin of slack in the labour market remains

In the three months to January 2018, the number of vacancies reached 816,000, broadly unchanged from the record-high recorded last month (824,000). The number of vacancies was down 10,000 on the quarter.

The proportion of workers in temporary jobs because they could not find a permanent one increased on the quarter by 1.2% pts to 29.1%, and was higher than a year ago by 0.7% pts.

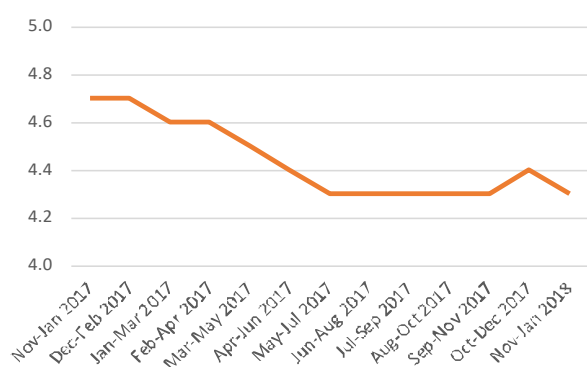
In addition, the proportion of people working part-time because they couldn't find a full-time job increased on the quarter by 0.1% pts to 11.9%. This is lower than a year ago (by -0.9% pts), but above the pre-crisis average (9.3% between 1997 and 2007).

Real pay increases for the first time in a year

Nominal regular pay growth (excl. bonuses and before adjusting for inflation) was 2.6% on the year in the three months to January 2018, up marginally (by 0.1% pts) on December and the highest since November 2016. Growth picked up by 0.1% pts in both the private and public sectors in the three months to January 2018 on the year: private sector pay increased by 2.7%, while public sector pay rose by 2.1%.

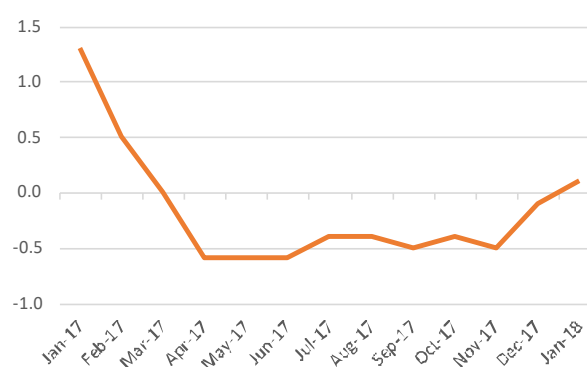
Looking in more detail at the private sector, construction registered the strongest nominal regular pay growth in

Exhibit 2 Unemployment (%)



Source: ONS March 2018 labour market statistics

Exhibit 3 Real terms regular pay growth (%)

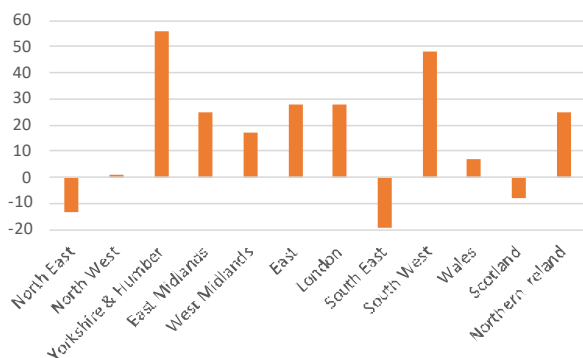


Source: ONS March 2018 labour market statistics

the three months to January 2018 (+3.5% on the year), while manufacturing (+2.9%), and finance and business services (+2.3%) followed. The weakest growth was recorded in wholesaling, retailing, hotels and restaurants, which saw a rise of 2.1% (unchanged from December).

A full year of falling real wages was narrowly avoided as real regular pay grew by 0.1% compared to a year ago. On the less volatile three-month rolling average however, real pay growth remains negative at -0.2%.

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



Source: ONS March 2018 labour market statistics (comparing quarter to quarter).

Two-thirds of the country saw a rise in employment...

In the three months to January 2018, employment grew in Yorkshire and The Humber (+56,000), the South West (+48,000), London (+28,000), the East (+28,000), Northern Ireland (+25,000), the East Midlands (+25,000), and the West Midlands (+17,000).

It declined in the South East (-19,000) and the North East (-13,000).

There was no real change in Wales (+7,000), Scotland (-8,000), and North West (+1,000).

...and most saw little change in unemployment

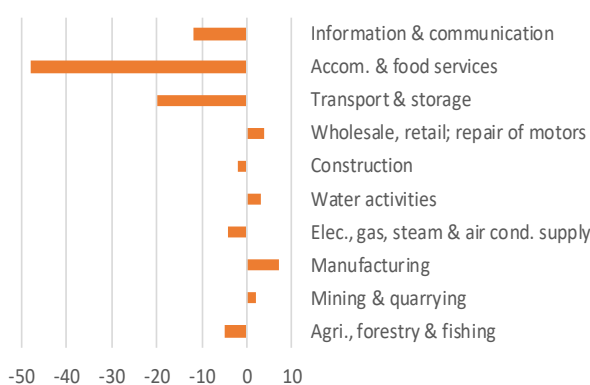
The East (+17,000), the South East (+14,000), and the North East (-10,000) saw a rise in unemployment.

There was no significant change in London (+7,000), Scotland (+5,000), Yorkshire and the Humber (+5,000), Wales (+3,000), the South West (+1,000), the East Midlands (0), the North West (-2,000), Northern Ireland (-6,000), and the West Midlands (-9,000).

Workforce jobs decrease in Q4

This month, additional data was published on workforce jobs and public sector employment. The number of workforce jobs decreased by 64,000 in the three months to December 2017, the first decrease in the number of

Exhibit 5 Change in Workforce jobs by industry (000s)



Source: ONS March 2018 labour market statistics

jobs since the last quarter of 2012. Self-employment jobs (-43,000) contributed most to the decrease, followed by government-supported trainees (-15,000). On the year, the number of workforce jobs increased by 407,000.

Looking at the sectors, accommodation and food services saw the biggest fall in jobs (-48,000), followed by administrative and support services (-31,000), with small job falls among people employed by households (-14,000), arts, entertainment and recreation and ICT (-12,000 respectively). The only sector to see a significant increase in jobs was human health and social work (+53,000).

The number of people working for the public sector (excluding the impact of major reclassifications) was little changed on the quarter in the three months to December 2017 (+9,000) at 5.23 million.

The next labour market update will be published on **17th April 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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