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EMPLOYMENT IS AT RECORD HIGH, UNEMPLOYMENT REMAINS LOW, AND PAY GROWTH IS STRONGEST IN ALMOST A DECADE

According to the ONS, the UK labour market continued to grow strongly at the end of 2018, against a backdrop of tepid economic growth and heightened uncertainty.

The employment rate stood once again at a record high, and unemployment remained low.

The unemployment rate remained broadly unchanged, standing at 4.0%. And a faster rise in vacancies means that the number of job seekers per vacancy (1.6) is the lowest since records began.

A record employment rate and an increasing difficulty to fill jobs are further signs that the labour market remains tight.

Despite the increasing tightness in the labour market, pay growth stalled. But it is still stronger than it has been for almost a decade, giving some relief to households' budgets. The route to sustaining stronger pay growth remains a revival in productivity growth, rather than the fits and starts that we've seen since the financial crisis.

The UK's weak productivity underlines the need for the government to work with business to encourage more investment in new technologies, skills and infrastructure. With the fog of political and economic uncertainty remaining thick, it's important that politicians do not lose sight of this major challenge to the UK economy.

Across the UK, most regions and nations have seen an increase in employment, while unemployment has remained broadly unchanged.

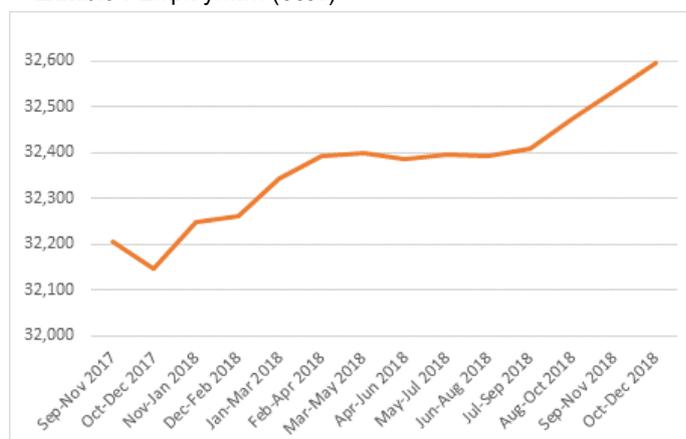
Employment is once again at record high...

The rise in employment in the quarter to December 2018 was driven by increases among all age groups with the strongest increase among those aged 25-34 years old.

- Employment increased by 167,000 in the three months to December 2018 and was up by 444,000 compared with the same period one year earlier.

- The employment rate was 75.8%, 0.3% points higher than in the period from July to September 2018, and the joint-highest since comparable estimates began in 1971.
- Male employment increased by 89,000 on the quarter, while female employment rose by 78,000. Both groups saw rising employment year-on-year too, with male employment rising by 255,000, and female employment by 188,000.
- Employment increased across all age groups. The increase was strongest among those aged 25-34 years old (+56,000) and those aged 65+ years old (+36,000). Employment also rose among those aged 16-24 years old (+29,000), those aged 35-49 years old (+27,000) and among those aged 50-64 years old (+19,000).
- The number of people working full-time increased by 108,000 over the quarter, while the number of

Exhibit 1 Employment (000s)



Source: ONS February 2019 Labour market statistics

Headline figures	Rate	Number (000s)	Change on quarter (% change)	Change on year (% change)
Employment* (ILO)	75.8%	32,597	+167,000 (+0.5%)	+444,000 (+1.4%)
Unemployment** (ILO)	4.0%	1,363	-14,000 (+1.0%)	-100,000 (-6.8%)
Youth unemployment (16-24)	11.8%	510	+33,000 (+6.4%)	-52,000 (-12.2%)

Source: ONS February 2019 Labour market statistics, October to December 2018 data *Rate for those aged 16-64 **Rate for those aged 16 and over

people working part-time increased by 59,000. On a year-on-year basis, the number of people working full-time increased by 426,000, while the number of part-time workers was up by 17,000.

- In the three months to January 2019, the number of vacancies grew by 16,000 to stand at 870,000. And the number of unemployed people per vacancy remained at a historic low of 1.6 job seekers per vacancy in the quarter to December 2018.

...while unemployment remains low

The unemployment rate remains at its joint-lowest since 1975, with the inactivity rate also being at its joint-lowest since 1971.

- In the three months to December 2018 unemployment decreased by 14,000 on the quarter and is now at 1.36 million. On a year-on-year basis, the number of unemployed people was down by 100,000.
- The unemployment rate stood at 4.0%, its joint-lowest since 1975.
- Male unemployment remained broadly unchanged in the three months to December, with female unemployment decreased by 12,000. Both groups saw unemployment fall over the year: female unemployment declined by 68,000, and male unemployment by 32,000.
- The number of those registered as economically inactive (not available and/or not looking for work)

dropped by 94,000 compared with the previous quarter, and by 153,000 on a year earlier.

- The inactivity rate stood at 20.9%, a decrease of 0.2% points and the lowest figure since comparable estimates began in 1971.

Most regions saw employment increasing...

The latest quarter saw an increase in employment in most regions—with the greatest increase in the South East.

- In the three months to December 2018, the largest increases in employment were in the South East (+71,000) followed by the East (+39,000), Wales (+32,000), the South West (+30,000), Scotland (+21,000), the East Midlands (+21,000) and Northern Ireland (+12,000).
- Employment declined in the West Midlands (-42,000) and London (-27,000).
- Employment remained broadly unchanged in Yorkshire and The Humber (+8,000), the North East (+4,000) and the North West (0).

... while unemployment remained broadly unchanged

- In the three months to December unemployment rose in East Midlands (+11,000).
- Unemployment declined in the South East (-27,000).

Exhibit 2 Unemployment (%)



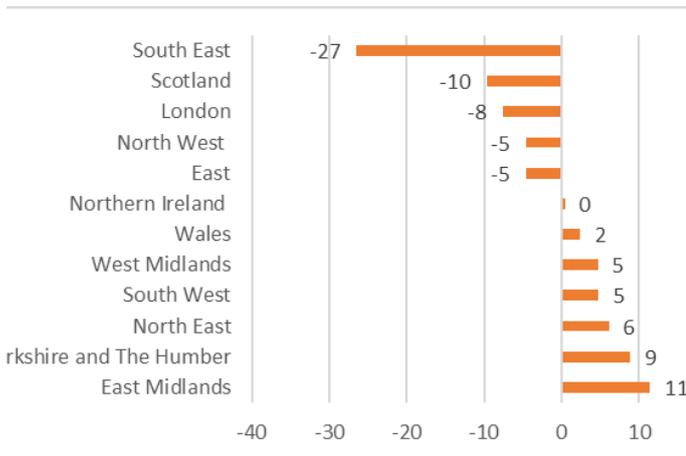
Source: ONS February 2019 Labour market statistics

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



Source: ONS February 2019 Labour market statistics

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



Source: ONS February 2019 labour market statistics

- There was no significant change in: Yorkshire and The Humber (+9,000), the North East (+6,000), the South West (+5,000), the West Midlands (+5,000), Wales (+2,000), Northern Ireland (0), the North West (-5,000), the East (-5,000), London (-8,000) and Scotland (-10,000).

Pay growth is the strongest in a decade

Nominal regular pay remains stronger than it has been for almost a decade, albeit stalling in the three months to December. In the private sector, construction has overtaken the other industries and is once again the industry with the strongest nominal pay growth.

- Nominal regular pay growth (excl. bonuses and before adjusting for inflation) was 3.4% on the year in the three months to December 2018, unchanged on November but remaining at its strongest since mid-2008.

- Nominal regular pay growth in the private and public sectors was broadly unchanged, at 3.5% in the three months to December 2018 in the private sector, and at 2.9% in the public sector.
- Looking at the private sector in more detail, construction returned to being the leading industry for pay growth with nominal regular pay rising by +3.9% (up by 0.3% points on the previous rolling quarter), followed by services (+3.5% - broadly unchanged), finance (+3.5% - up by 0.2% points), wholesaling, retailing & hospitality (3.2% - down by 0.1% points) and manufacturing (+1.9%, down by 0.2% points).
- Real regular pay (excl. bonuses and adjusting for CPIH inflation) increased by 1.2% on a year ago (on the less volatile three-month rolling basis) - growth remained at its strongest in almost two years, but was still weak relative to pre-crisis norms.

Exhibit 6 Nominal regular pay by sector (%)

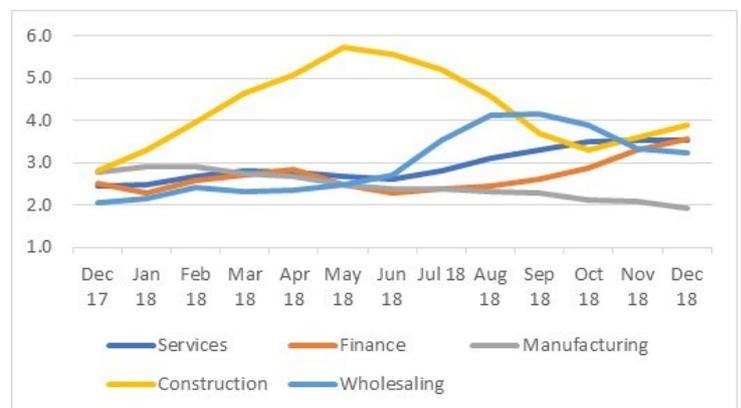
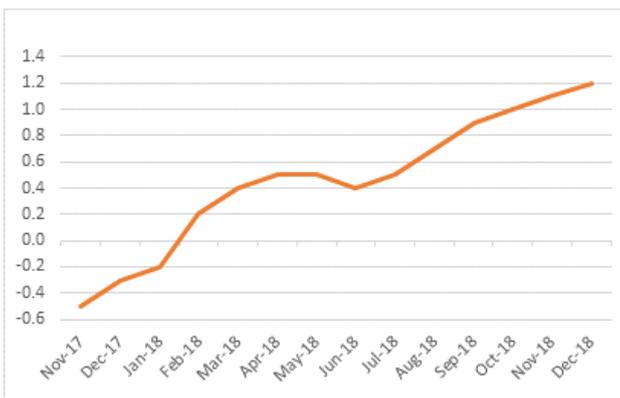


Exhibit 5 Real regular pay growth (%)



Source: ONS February 2019 labour market statistics

The next labour market update will be published on **19th March 2019**.



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Carmen Watson, Chairperson, Pertemps Ltd

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