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## EMPLOYMENT IS AT RECORD HIGH, UNEMPLOYMENT RETURNS TO ITS LOWEST, AND PAY GROWTH STRENGTHENS

The ONS's latest labour market data paints a familiar picture—employment is at a record high and unemployment remains low.

The employment rate returns to a record high, with employment growth picking up from a mid-year lull and matching the relatively strong rates seen over most of 2018.

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

A record employment rate and an increasing difficulty filling jobs are further signs that the labour market is tightening.

The increasing tightness in the labour market seems to be fuelling pay growth, which edged higher once again. But while pay rose at the quickest pace in a decade, growth was still weak relative to pre-crisis norms.

The route to stronger pay growth remains a sustained increase in productivity growth, not the fits and starts we've seen. Thus, the enduring weakness of productivity growth through to the third quarter of 2018 is concerning and underlines the need for the government to work with business to encourage more investment in new technologies, skills and infrastructure.

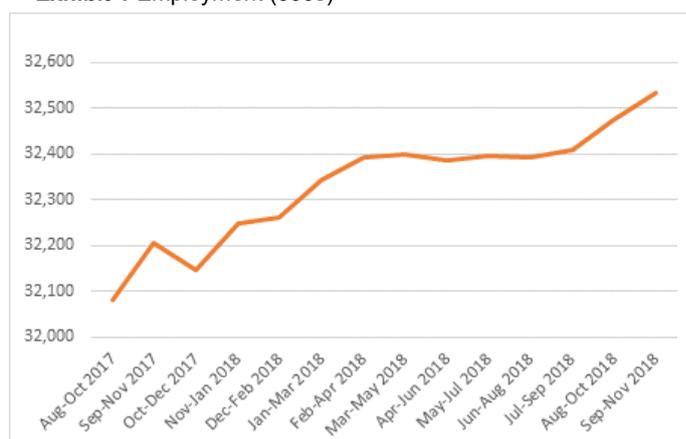
Across the UK, most regions and nations have seen an increase in employment, while unemployment presents a mixed picture.

### Employment returns to record high...

The rise in employment in the quarter to November 2018 was mainly driven by an increase among the younger population—those aged 16-24 years old and those aged 25-34 years old.

- Employment increased by 141,000 in the three months to November 2018 and was up by 328,000 compared with the same period one year earlier.
- The employment rate was 75.8%, 0.2% points higher than in the period from August to October 2018, and the joint-highest since comparable estimates began in 1971.
- Male employment increased by 118,000 on the quarter, while female employment rose by 23,000. Both groups saw rising employment year-on-year, with male employment rising by 187,000, and female employment by 141,000.
- The increase in employment was greatest among the younger population - those aged 25-34 years old (+48,000) and those aged 16-24 years old (+36,000). It also increased among those aged 65+ years old (+30,000) and those aged 50-64 years old (+21,000).

Exhibit 1 Employment (000s)



Source: ONS January 2019 labour market statistics

Headline figures	Rate	Number (000s)	Change on quarter (% change)	Change on year (% change)
Employment* (ILO)	75.8%	32,535	+141,000 (+0.4%)	+328,000 (+1.0%)
Unemployment** (ILO)	4.0%	1,372	+8,000 (+0.6%)	- 68,000 (-4.7%)
Youth unemployment (16-24)	11.7%	511	+47,000 (+10.1%)	- 60,000 (-11.7%)

Source: ONS January 2019 labour market statistics, September to November 2018 data \*Rate for those aged 16-64 \*\*Rate for those aged 16 and over

It remained broadly unchanged among those aged 35-49 years old (+5,000).

- The number of people working full-time increased by 126,000 over the quarter, while the number of people working part-time increased by 15,000. On a year-on-year basis, the number of people working full-time increased by 367,000, while the number of part-time workers was down by 39,000.
- In the three months to November 2018, the number of vacancies grew by 13,000 to stand at 851,000. And the number of unemployed people per vacancy remained at a historic low of 1.6 job seekers per vacancy.

**...and unemployment to its lowest**

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

- In the three months to November 2018 unemployment remained broadly unchanged (+8,000) on the quarter (1.37 million). On a year-on-year basis, the number of unemployed people was down by 68,000.
- The unemployment rate stood at 4.0%, its joint-lowest since 1975.
- Male and female unemployment also remained broadly unchanged (+4,000 each) in the three months to November. Both groups saw unemployment fall over the year: female unemployment declined by 37,000, and male unemployment by 31,000.
- The number of those registered as economically inactive (not available and/or not looking for work)

dropped by 100,000 compared with the previous quarter, and by 86,000 on a year earlier.

- The inactivity rate stood at 21.0%, a decrease of 0.3% points on the quarter and the joint-lowest 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 and the East Midlands.

- In the three months to November 2018, the largest increases in employment were in the South East (+68,000) followed by the East Midlands (+32,000), the East (+31,000), the North West (+19,000) the South West (+13,000), Wales (+13,000), London (+12,000) and Yorkshire and the Humber (+12,000).
- Employment declined in the West Midlands (-55,000).
- Employment remained broadly unchanged in Scotland (+6,000), Yorkshire and The Humber (+3,000), Northern Ireland (+2,000) and the North East (-3,000).

**... while the picture was mixed for unemployment**

- In the three months to November unemployment grew in Yorkshire and The Humber (+16,000), the North East (+14,000), the South West (+13,000) and the West Midlands (+11,000).
- Unemployment declined in the South East (-28,000), and in London (-11,000).

**Exhibit 2** Unemployment (%)



Source: ONS January 2019 labour market statistics

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



Source: ONS January 2019 labour market statistics

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



Source: ONS January 2019 labour market statistics

- There was no significant change in: Northern Ireland (-9,000), the North West (-8,000), Scotland (-7,000), Wales (+3,000), the West Midlands (+5,000) and East Midlands (+9,000).

**Pay growth is the strongest in a decade, but still weak relative to pre-crisis norms**

Nominal regular pay increased at the strongest pace in a decade. In the private sector, services saw the strongest nominal pay growth, with pay growth in manufacturing continuing to slow.

- Nominal regular pay growth (excl. bonuses and before adjusting for inflation) was 3.3% on the year in the three months to November 2018, unchanged from the three months to October.
- Nominal regular pay growth in the private sector was broadly unchanged at 3.4% in the three months to

November 2018 (the highest since mid-2015), and edged up in the public sector by 0.2% points to 2.9%.

- Looking at the private sector in more detail, services saw the strongest nominal regular pay growth (+3.5% - broadly unchanged on the previous rolling quarter), ahead of construction (+3.4% - up by 0.1% points), and manufacturing (2.0%, down by 0.1% points). Within services, pay growth in finance and businesses services accelerated (+3.3% – up by 0.3% points), but slowed sharply in wholesaling, retailing & hospitality (3.3% down by 0.6% points).
- Real regular pay (excl. bonuses and adjusting for CPIH inflation) increased by 1.1% on a year ago (on the less volatile three-month rolling basis) – the strongest growth in almost two years, but still weak relative to pre-crisis norms.

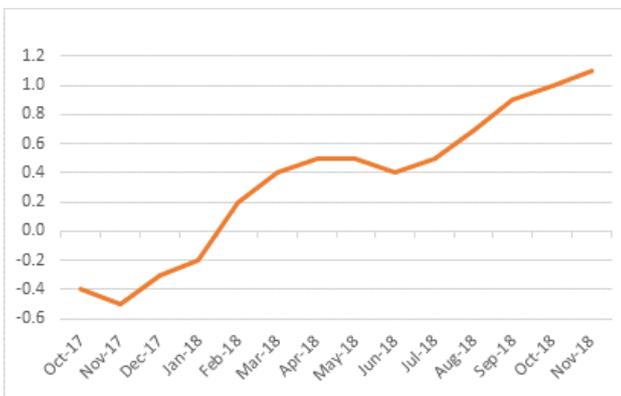
**Productivity growth remains weak**

Data published earlier this month showed that productivity growth in Q3 2018 was the weakest since 2016. It also remained well below the growth rates seen prior to 2008. Productivity growth also varied across industries.

- Labour productivity on an output per hour basis decreased by 0.4% over the quarter in Q3 (July to Sept 2018) and grew by just 0.2% compared with the same quarter a year earlier. Annual productivity growth therefore remained well below the pre-financial crisis trend rate of almost 2% per year.
- Labour productivity in the services industries decreased by 0.7% in Q3 of 2018 compared with the previous quarter, while productivity in manufacturing industries decreased by 0.3% over the same period.

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

**Exhibit 5** Real regular pay growth (%)



Source: ONS January 2019 labour market statistics



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