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CONTINUING STRONG EMPLOYMENT GROWTH IS TAINTED BY FALLING REAL WAGES, REDUCING HOUSEHOLD SPENDING POWER

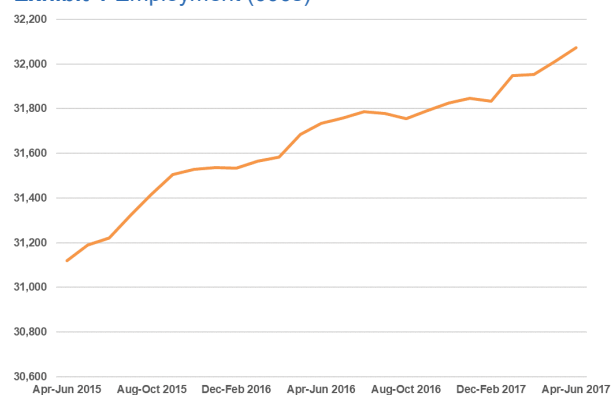
The good news is a continuation of healthy employment growth, with employment levels and the employment rate setting new record highs.

There is also good news on the unemployment rate which has fallen to a 42-year low. And job opportunities remain at high levels.

However, the success of the UK labour market in creating employment opportunities is tainted by a continual decline in real wages, which is hampering consumer spending power.

A separate release today confirmed that productivity has been falling throughout 2017 – this matters as rising productivity is the only sustainable route to higher wages and better living standards.

Exhibit 1 Employment (000s)



Source: ONS August 2017 labour market statistics

Employment continues to grow strongly...

In the three months to June 2017, employment continued to increase, up 125,000 on the last quarter. The number of people in work is now 32.073 million, the highest it has ever been (**Exhibit 1**).

The employment rate is also now at a record high, standing at 75.1%, up from 74.8% in the previous quarter.

The growth in employment was primarily driven by an increase in the number of employees, which rose by 134,000. Those who work on a self-employed basis went up by 21,000.

In terms of breakdown by age, there was robust growth in employment for those aged 25-34 years (+88,000), 35-49 years (+49,000), and those 50-64 years (+47,000).

Employment declined for those aged 16-24 years (-25,000) and those aged 65+ (-34,000).

During this period, the number of people working full-time increased by 91,000 and those working part-time also went up, by 34,000.

...as inactivity and underemployment fall

There continues to be some 'slack' in the UK labour market, but this is gradually being eroded with falls in inactivity, part-time workers wanting a full-time job, and temporary workers wanting a permanent job.

In the three months to June 2017, the number of people who are economically inactive (not looking, or available for work) fell by 64,000. The inactivity rate now stands at

Headline figures	Rate	Number (000s)	Change on quarter (% change)	Change on year (% change)
Employment* (ILO)	75.1%	32,073	+125,000 (+0.4%)	+338,000 (+1.1%)
Unemployment** (ILO)	4.4%	1,484	-57,000 (-3.7%)	-157,000 (-9.5%)
Youth unemployment (16-24)	12.2%	545	-17,000 (-3%)	-78,000 (-12.5%)

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

21.3%, a fall of 0.2pp. That is the lowest since records began in 1971.

While part-time work is increasing, the proportion of people working in this way because they could not find a full-time job continued to decline, (-0.1pp).

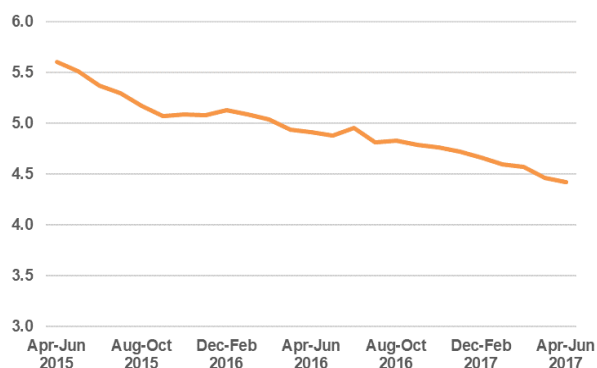
The number of temporary workers has not changed in this period, while the proportion who do so because they could not find a permanent job has fallen, (-0.3pp).

Unemployment rate falls to its lowest level since 1975

In the three months to June 2017, unemployment fell by 57,000, to 1.485 million.

The unemployment rate also decreased, from 4.6% to 4.4% (**Exhibit 2**). This is the lowest it has been since 1975.

Exhibit 2 Unemployment (%)



Source: ONS August 2017 labour market statistics

Looking at the figures more closely, the age group that saw the biggest fall in unemployment was those aged 25-34 years (-32,000), 16-24 years (-17,000), and those aged 35-49 years (-15,000).

There was not a statistically significant change for those aged 50-64 years (+1,000), and those aged 65+ (+7,000).

The biggest fall in unemployment took place among those who had been out of work for up to 6 months (-31,000).

Vacancies remain high for the period April-June 2017, but have fallen slightly on the previous quarter (-16,000) to 768,000.

In terms of types of business, the only statistically significant change was among micro-businesses

(employing between 1-9 people) which saw a fall of 22,000 in the number of vacancies. That's a 16.2% fall on the previous quarter.

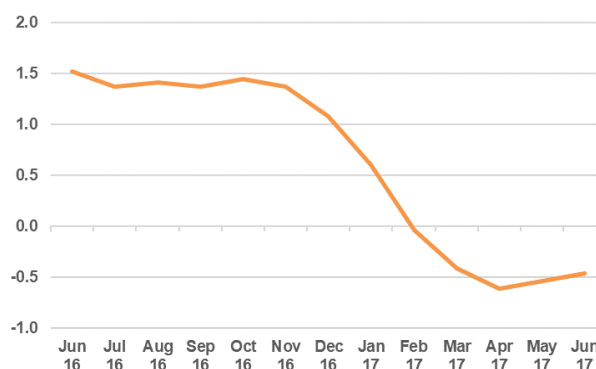
Real wages continue to fall, with separate figures showing the UK economy hampered by declining productivity

Real pay has now fallen for four consecutive months. In the three months to June 2017, regular pay (excl. bonuses) fell by 0.5% on the year as prices rose more quickly than wages (**Exhibit 3**).

Nominal annual regular pay growth (excl. bonuses and before adjusting for inflation) went up slightly to 2.1% in the three months to June 2017, from 2.0% in the three months to May 2017.

Taking a broader look across the economy, nominal annual regular pay growth, increased to 2.3% from 2.2% in the private sector.

Exhibit 3 Real terms regular pay growth (%)



Source: ONS August 2017 labour market statistics

Pay continues to rise fastest in the services sector (2.2%), but with pay growth picking up in construction (1.9%), pay is now increasing slowest in manufacturing (1.2%).

In separate figures, productivity (on an output per hour basis) fell by 0.1% in Q2 (Apr-June 2017) following a fall of 0.5% in Q1 (Jan-Mar 2017).

Strong growth in employment was not shared by all...

In the three months to June 2017 (**Exhibit 4**), employment increased in, London (+78,000), South East

(+43,000), West Midlands (+32,000), Scotland (+30,000), North West (+13,000), and Northern Ireland (+10,000).

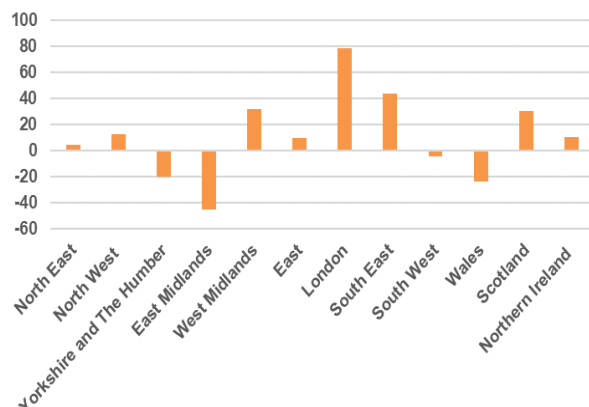
But it dropped in East Midlands (-45,000), Wales (-24,000), and Yorkshire and Humber (-21,000).

There was no statistically significant change in the East (+9,000), South West (-5,000), and North East (+4,000).

...while only some saw meaningful falls in unemployment

In the three months to June 2017, unemployment went down in London (-25,000), South East (-10,000), and Scotland (-12,000).

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



Source: ONS August 2017 labour market statistics

There was not a statistically significant change in levels in North West (-8,000), East (+7,000), Wales (-6,000), Yorkshire and Humber (-5,000), West Midlands (-3,000), South West (-1,000), East Midlands (-1,000), North East (+1,000), and in Northern Ireland (0).

The next labour market update will be published on **13th September 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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