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## EMPLOYMENT CONTINUES TO STRENGTHEN, BUT WEAK PAY GROWTH REMAINS A WORRY

Data released today shows that the number of people in work has risen once again. Alongside this, the employment rate remained at a joint record high of 74.8%. This points to the past strength of the economy and underlines the importance of maintaining a flexible and fair labour market.

There are also fewer people out of work, with unemployment remaining at 4.6%, the joint lowest since 1975.

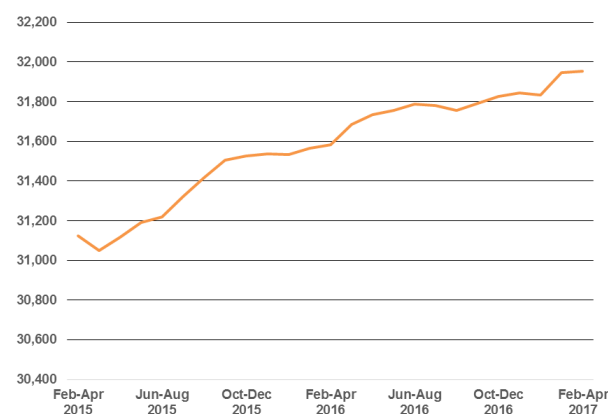
However, despite this, pay growth continues to struggle. This, combined with rising prices means that people's pay packets aren't stretching as far, hitting living standards. Given this, there must be a real focus on raising productivity growth - through real change on the ground on skills, infrastructure and innovation - as this is the key to unlocking sustainable faster pay growth.

### Employment growth remains decent

Today's data shows that employment growth in the UK continued to strengthen (**Exhibit 1**):

- In the three months to April 2017, employment grew by 109,000, bringing total employment to 31.95 million.
- The employment rate remained at a joint record high of 74.8%.
- The increase in employment was down to more people finding work with a business, (+127,000). In contrast, the number of people classifying themselves as self-employed, saw no real change (+3,000).
- The age group seeing the most significant employment growth in the three months to April 2017 were those aged 25-34 (+55,000) and 50-64 (+48,000).

**Exhibit 1: UK employment (000s)**



Source: ONS 2017, June labour market statistics

- Today's data also showed that more people continue to move into full-time work, with 162,000 more people working full-time in the three months to April 2017. In contrast, the number of people working part-time fell, by 53,000.
- This reflects the trend over the past year, which has seen the number of people working full-time increase by 427,000, whereas the number working part-time has fallen by 55,000.

### Jobs growth spread across a number of sectors

A separate dataset looking at the number of jobs in different sectors of the economy was also released today. Data on jobs is different to that on employment as while a person is either in employment or not, they can have more than one job.

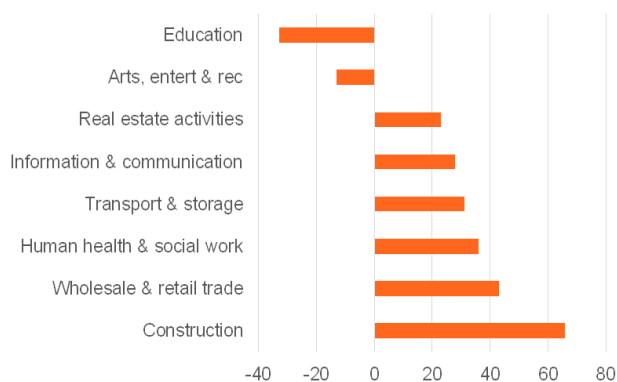
Headline figures	Rate	Number (000s)	Change on quarter (% change)	Change on year (% change)
Employment* (ILO)	74.8%	31,954	+109,000 (+0.3%)	+372,000 (+1.2%)
Unemployment** (ILO)	4.6%	1,530	-50,000 (-3.2%)	-145,000 (-8.7%)
Youth unemployment (16-24)	12.5%	564	+10,000 (+0.2%)	-57,000 (-9.2%)

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

As **Exhibit 2** shows:

- It was the construction (+66,000) and wholesale & retail trade (+43,000) sectors that led the way on jobs growth in the first quarter of 2017.
- The human health & social work (+36,000), transport & storage (31,000), information & communication (+28,000) and real estate (+23,000) sectors also added a healthy number of jobs.
- At the opposite end of the spectrum, the number of jobs in education (-33,000) and arts, entertainment & recreation (-14,000) fell.

**Exhibit 2: UK jobs growth by sector (000s, Q4 16 - Q1 17)**



Source: ONS 2017, June labour market statistics

### The labour market tightens a little further

There is an ongoing debate amongst economists around how tight the UK labour market is. The labour market is considered tight when unemployment is close to its natural rate and there are a higher number of job vacancies. However, it is normally associated with rising pay growth, which is not currently the case.

Data released by the ONS today reveals some signs that the labour market has tightened a little bit more:

- The inactivity rate, which looks at the proportion of people who are not working and who are not available or do not want to work, fell to 21.5%, the joint lowest rate since 1971.
- The number of workers in temporary roles who could not find permanent roles also continued to fall. In the three months to April 2017, the number of temporary employees who could not find a permanent job fell - by 21,000 on the quarter and 103,000 on the year.
- At the same time, the number of part-time workers who couldn't find full-time work also fell - by 39,000 in the quarter, and by 163,000 on the year.

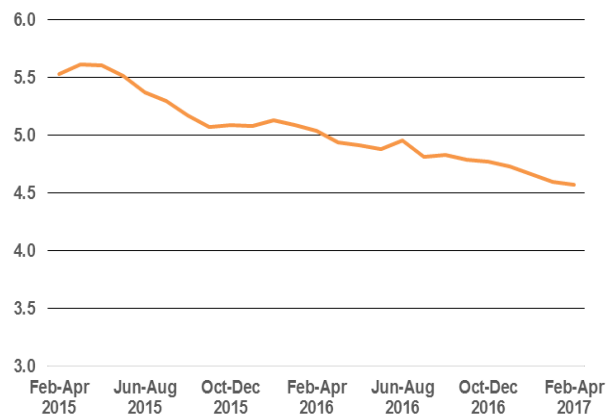
- Businesses are still looking to take on more staff, with 770,000 registered job vacancies in the three months to May 2017 (+9,000 change on the quarter).

### Fewer people are out of work and looking for work

Today's data showed that unemployment in the UK continued to fall in the three months to April (**Exhibit 3**):

- Unemployment fell by 50,000 in the three months to April 2017, bringing the total number of people unemployed to 1.53 million.
- The unemployment rate remained at 4.6%, the joint lowest since 1975.
- Looking at the data more closely, male and female unemployment fell by 26,000 and 24,000, respectively.
- Those aged between 25-34 years old were also the main winners from the fall in unemployment (-28,000).
- The numbers of young people (16-24 years old) out of work increased slightly by 10,000 in the three months to April 2017, bringing their unemployment rate to 12.5%, a 0.2% point increase on the quarter. This increase was solely down to more young women becoming unemployed (+21,000), while the number of unemployed young men fell (-11,000).

**Exhibit 3: UK unemployment (%)**



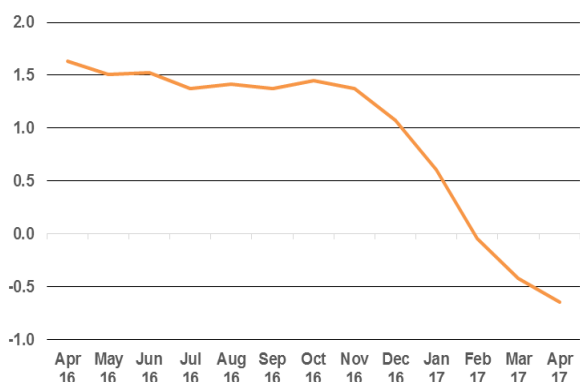
Source: ONS 2017, June labour market statistics

### ...but once again, pay growth is weak

- Today's data show that real pay growth in the UK continues to struggle and remains negative (**Exhibit 4 overleaf**):
- In the three months to April 2017, real regular pay (excluding bonuses and stripping out inflation) across the economy as a whole continued to fall on the year – real regular pay growth was -0.6%.

- This is down to a combination of increasing inflation (CPIH 2.7%) and slower nominal pay growth (1.7% in the three months to April) - the latter has eased for the fifth month running.
- Private sector regular pay growth was unchanged at 2.0% in the three months to April on the year, while public sector pay growth weakened again to 1.1%.
- But pay growth varies considerably from sector to sector. For instance, regular pay growth in the three months to April 2017 was only 1.1% on the year in the finance and business services sector. In contrast, it was 2.4% in wholesaling, retailing, hotels and restaurants
- Weak pay growth, against the backdrop of rising inflation, means that people’s pay packets won’t stretch as far, which is already hitting living standards.

**Exhibit 4: Real growth in regular pay (excludes bonuses)**



Source: ONS 2017, June labour market statistics

Therefore, we must focus on raising productivity growth as this is the key to faster affordable pay growth.

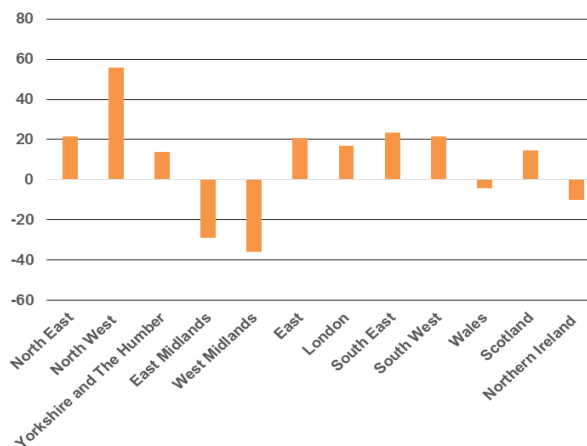
**Employment rises in two thirds of UK nations and regions...**

Today’s data showed that employment in the UK continued to fall in the three months to April, but not in all regions (**Exhibit 5**):

Reflecting the national picture on employment, most of the UK’s nations and regions saw the number of people in employment rise.

- In the three months to April 2017, employment increased in the North West (+56,000), South East (+23,000), South West (+21,000), North East (+21,000), East (+20,000), London (+17,000), Scotland (+14,000), Yorkshire and the Humber (+14,000).
- Employment remained unchanged in Wales (-4,000).

**Exhibit 5: Employment by UK nations & regions (000s)**



Source: ONS 2017, June labour market statistics

- But, the number of people in work fell in the West Midlands (-36,000), East Midlands (-29,000), and in Northern Ireland (-10,000).

**...while unemployment fell in just a quarter of nations and regions**

While employment rose in a large proportion of UK nations and regions the fall in unemployment was more concentrated.

- In the three months to April 2017, unemployment fell in only three locations: the North West (-20,000), North East (-18,000) and Scotland (-17,000).
- In contrast, unemployment remained broadly flat in the East (-8,000), Wales (+7,000), West Midlands (+6,000), East Midlands (-5,000), Yorkshire and Humber (-5,000), Northern Ireland (-4,000), South East (+3,000), and the South West (-3,000).
- The only location to see unemployment increase was London (+15,000).

The next labour market update will be published on 12th July.

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#### Carmen Watson, Chairperson, Pertemps Ltd

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