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LABOUR MARKET CONTINUES TO OUTPERFORM, BUT PRODUCTIVITY LAGS BEHIND

According to the ONS, the UK labour market continues to outperform the rest of the economy. But while securing a Brexit extension means we have averted an economic crisis, politicians must now come together and avoid a no deal scenario or risk impacting the UK's stellar labour market.

The employment rate remains at a record high, with the unemployment rate at a record low.

The unemployment rate stood at 3.9% in the three months to February 2019. Meanwhile the number of vacancies was little changed, and the number of job seekers per vacancy (1.6) remains the lowest since records began. These are signs that the labour market remains tight.

Pay growth is the strongest it has been in two and a half years, giving some relief to households' budgets. But wage growth remains below pre-crisis norms. The only route to stronger pay growth remains a revival in productivity, rather than the fits and starts that we've seen since the financial crisis.

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

Employment remains at record high...

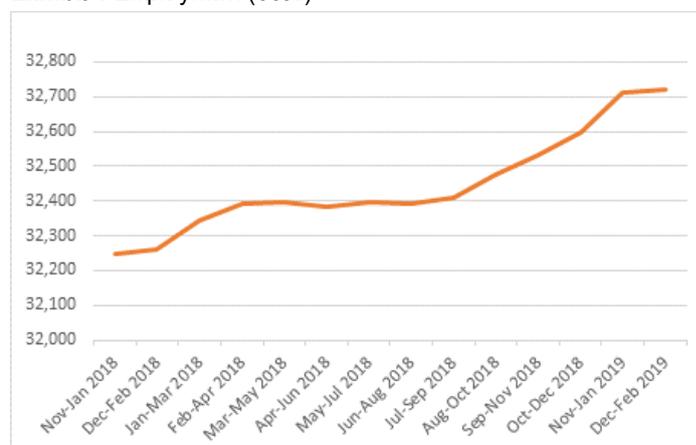
The rise in employment in the quarter to February 2019 was broad based across gender and almost all age groups.

- Employment increased by 179,000 in the three months to February 2019 and was up by 457,000 compared with the same period a year earlier.
- The employment rate was 76.1%, 0.4% points higher than in the period September to November 2018, and the joint-highest since comparable estimates began in 1971.
- Male employment increased by 37,000 on the quarter, while female employment rose by 142,000. Both

groups saw rising employment year-on-year too, with male employment rising by 221,000, and female employment by 236,000.

- Employment growth was strongest among those aged 50-64 years old (+90,000) and those aged 25-34 years old (+65,000). Employment also rose among those aged 65+ years old (+12,000). It remained broadly unchanged among those aged 16-24 years old (+6,000) and among those aged 35-49 years old (+5,000).
- The number of people working full-time increased by 138,000 over the quarter, while the number of people working part-time increased by 41,000. On a year-on-year basis, the number of people working full-time increased by 473,000, while the number of part-time workers has dropped by 15,000. The number of women working part-time has increased over the quarter (+66,000) while the number of men working part-time has fallen (-25,000).

Exhibit 1 Employment (000s)



Source: ONS April 2019 labour market statistics

| Headline figures | Rate | Number (000s) | Change on quarter (% change) | Change on year (% change) |
|----------------------------|-------|---------------|------------------------------|---------------------------|
| Employment* (ILO) | 76.1% | 32,721 | +179,000 (+0.5%) | +457,000 (+1.4%) |
| Unemployment** (ILO) | 3.9% | 1,343 | -27,000 (-2.0%) | -76,000 (-5.4%) |
| Youth unemployment (16-24) | 11.3% | 492 | -19,000 (-3.7%) | -30,000 (-11.6%) |

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

- In the three months to March 2019, the number of vacancies remained broadly unchanged and stood at 852,000. But the number of unemployed people per vacancy remained at a historic low of 1.6 job seekers per vacancy in the quarter to February 2019.

...while unemployment remained at record 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 February 2019, unemployment decreased by 27,000 on the quarter and is now at 1.34 million. On a year-on-year basis, the number of unemployed people was down by 76,000.
- The unemployment rate fell to 3.9%, 0.1% points lower than in the period from September to November 2018 and is at its joint-lowest since 1975.
- Female unemployment decreased by 20,000 in the three months to February, and male unemployment was broadly unchanged (-7,000). Both groups saw unemployment fall over the year: female unemployment declined by 59,000, and male unemployment by 18,000.
- The number of those registered as economically inactive (not available and/or not looking for work) dropped by 114,000 compared with the previous quarter, and by 213,000 on a year earlier. The decrease in the number of those who are economically inactive was mainly driven by a drop in

female inactivity (-90,000), with the decline in male inactivity was significantly smaller (-24,000).

- The inactivity rate stood at 20.7%, a decrease of 0.3% points and the lowest figure since comparable estimates began in 1971.

Most regions saw employment increasing...

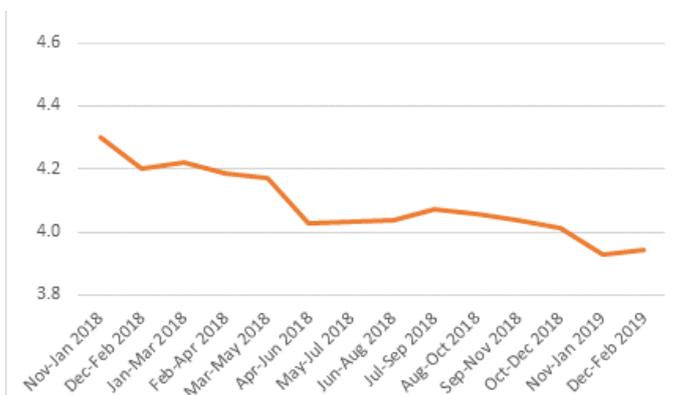
The latest quarter saw an increase in employment in most regions—with the greatest increase in the East Midlands.

- In the three months to February 2019, the largest increases in employment were in the East Midlands (+43,000) followed by the West Midlands (+40,000), the East (+28,000), Yorkshire and The Humber (+27,000), Scotland (+17,000), Northern Ireland (+16,000), the South West (+15,000), the South East (+12,000), and the North West (+12,000).
- Employment remained broadly unchanged in London (-8,000) and fell in the North East (-11,000) and in Wales (-12,000).

... while unemployment remained broadly unchanged

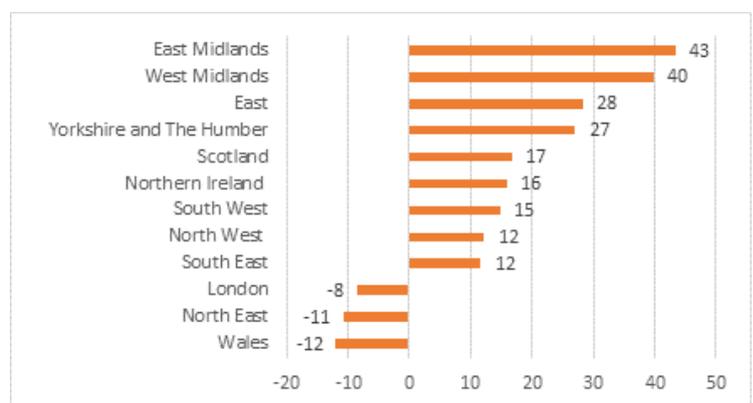
- In the three months to February, unemployment declined in the East Midlands (-12,000) and in the South East (-12,000).

Exhibit 2 Unemployment (%)



Source: ONS April 2019 labour market statistics

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



Source: ONS April 2019 labour market statistics, shown as quarter on quarter changes

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



Source: ONS April 2019 labour market statistics, shown as quarter on quarter changes

- There was no significant change in: the West Midlands (+7,000), Wales (+6,000), the South East (+5,000), the East (+3,000), the North East (+1,000), Yorkshire and The Humber (-2,000), the North West (-4,000), Northern Ireland (-4,000), London (-6,000) and Scotland (-8,000).

Pay growth is the strongest in two and a half years, but still weaker than pre-crisis norms

Nominal regular pay growth has dropped in the public sector. In the private sector, nominal regular pay growth was strongest in the construction sector.

- Nominal regular pay growth (excl. bonuses and before adjusting for inflation) was 3.4% on the year in the three months to February 2019, down by 0.1%

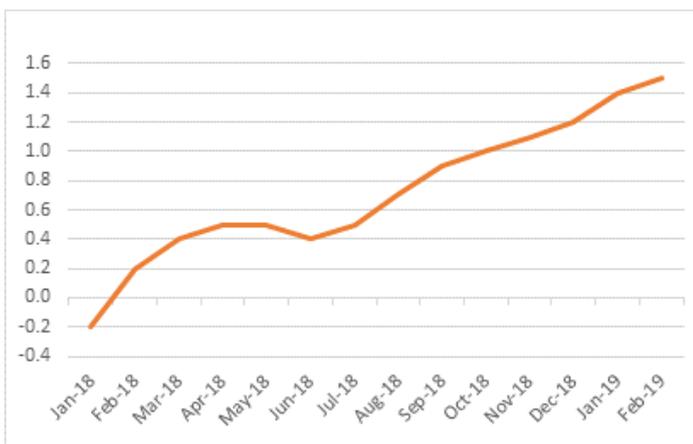
points on January, but remaining within the narrow range that it has occupied over the last few months.

- In the three months to February nominal regular pay growth was broadly unchanged in the private sector, standing at 3.6%. But it dropped by 0.3% points in the public sector, to stand at 2.6%.
- Looking at the private sector in more detail, pay growth was strongest in construction (+4.2% (broadly unchanged), followed by finance (+3.8% - down by 0.2% points), services (+3.5% - down by 0.1% points), wholesaling, retailing & hospitality (2.8% - down by 0.3% points) and manufacturing (+2.0% - up by 0.1% points).
- Real regular pay (excl. bonuses and adjusting for CPIH inflation) increased by 1.5% on a year ago (on the less volatile three-month rolling basis) – with growth remaining at its strongest in almost two years, but still weaker than pre-crisis norms.

Productivity remains weak

- Data published on productivity for Q4 2018 earlier this month showed that productivity (on an output per hour basis) decreased by 0.1% on the year. This is also the second successive y/y fall, following a 0.2% decline in Q3 2018. Productivity also remains well below the growth rates seen prior to 2008.
- Labour productivity in the services industries increased by 0.4% in Q4 of 2018 compared with the previous quarter, while productivity in manufacturing industries decreased by 1.1% over the same period (the largest decline since the end of 2015).

Exhibit 5 Real regular pay growth (%)



Source: ONS April 2019 labour market statistics

The next labour market update will be published on 14th May 2019.

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Carmen Watson, Chairperson, Pertemps Ltd

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