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EMPLOYMENT RETURNS TO GROWTH, BUT REAL PAY CONTINUES TO FALL

The January ONS release paints a healthier picture of the UK labour market. However, the squeeze on wages continues.

Employment returned to growth on the quarter after a brief period of weakness, with growth similar to the relatively strong rates seen over most of 2017.

Unemployment was broadly unchanged on the quarter, with the rate still at a 42-year low. But a small margin of slack in the labour market remains.

Real wages continued to fall as nominal pay growth remains below inflation: living standards have now been deteriorating for nine months in a row.

Looking across the UK's regions and nations, two-thirds of the country saw a rise in employment and most saw broadly unchanged unemployment numbers.

Employment returns to growth...

In the three months to November 2017, employment rose by 102,000 to 32.2 million (**Exhibit 1**). This marks a return to growth, following a decline in employment in the previous two months. The pace of growth was similar to the relatively strong rates seen over most of 2017. Additionally, employment continued to increase year on year, by 415,000.

The employment rate is at 75.3%, up 0.2% pts on the quarter and up 0.8% pts on the year.

Male employment rose by 83,000 on the quarter while female employment rose by 19,000. Both also saw an increase in employment year on year, with male employment (+209,000) increasing slightly more than female employment (+206,000).

The rise in headline employment in the three months to November, was largely driven by a rise in the number of

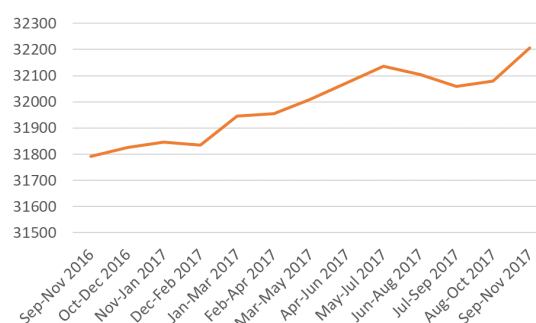
employees (+166,000), which also followed falls in the last two months. However, the number registered as self-employed continued to fall (-82,000). The number of unpaid family workers rose slightly (+11,000) while the number on government supported training was largely unchanged (+7,000).

In terms of age breakdown, in the three months to November 2017, employment growth was strongest for those aged 50-64 years old (+82,000), 35-49 years old (+18,000) and 25-34 (+10,000). Meanwhile, 16-24 year olds (-6,000) and those aged 65+ saw no real change in employment (-1,000).

This quarter saw the numbers of people working full-time rise by 97,000 and those working part-time rise by 6,000. Year on year, the number of people working full time rose by 401,000, while the number working part time increased by 14,000.

Growth in full-time employment was driven entirely by employees - the number of employees working full-time rose by 173,000 on the quarter. In contrast, self-employed people working full-time fell by 80,000,

Exhibit 1 Employment (000s)



Source: ONS January 2018 labour market statistics

Headline figures	Rate	Number	Change on quarter	Change on year
Employment* (ILO)	75.3%	32,207	+102,000 (+0.2%)	+450,000 (+0.9%)
Unemployment** (ILO)	4.3%	1,439	-3,000 (0.0%)	-160,000 (-0.5%)
Youth unemployment (16-24)	12.2%	538	+14,000 (-2.7%)	-33,000 (-5.8%)

Source: ONS 2018 January labour market statistics, September to November 2017 data *Rate for those aged 16-64 **Rate for those aged 16 and over

marking the fourth consecutive rolling quarter of falling employment.

Within part-time employment, the number of part-time employees (-7,000) and the number of self-employed working part-time (-2,000) were largely unchanged.

The unemployment rate stays low...

In the three months to November 2017, unemployment was little changed compared with the previous quarter at 1.439 million. However, year on year, the number of unemployed people is down by 161,000.

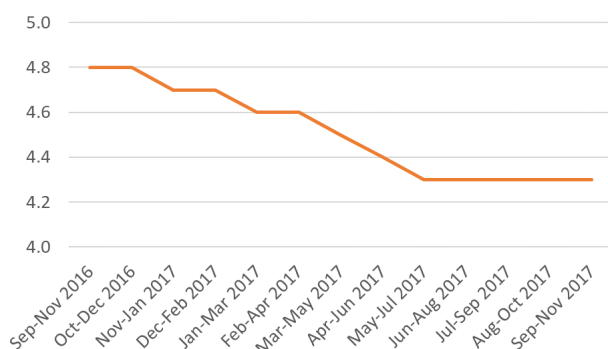
The unemployment rate remains at 4.3% (**Exhibit 2**), unchanged from the previous quarter - the lowest level since 1975. Compared to the same point last year, it has fallen by 0.5% pts.

The number of both unemployed men and women were largely unchanged compared with the previous quarter. However, the fall in year on year unemployment was driven by a fall of 112,000 in unemployed men and 48,000 in unemployed women.

The age breakdown was mixed in the three months to November 2017: unemployment fell most among those aged 35-49 (-14,000) but remained largely unchanged among those aged 25-34 (+3,000), 50-64 (-4,000) and 65+ (-2,000). Unemployment among those aged 16-24 years increased (+14,000).

Those registered as economically inactive (not available and/or looking for work), decreased by 79,000 compared with the previous quarter, following large increases over the last few rolling quarters. The inactivity rate fell to 36.4%, down 0.1% from the preceding quarter (16+).

Exhibit 2 Unemployment (%)



Source: ONS January 2018 labour market statistics

...but a small margin of slack in the labour market remains

In the three months to December 2017, the number of recorded vacancies was 810,000, up 17,000 on the quarter and the highest figure since comparable records began in 2001.

The proportion of workers in temporary jobs because a permanent one was not available increased on the quarter by 0.6% pts to 28.2%, but remained lower than a year ago by 2.4% points.

But the proportion of people working part-time because they couldn't find a full-time job decreased on the quarter by 0.3% pts to 12.0%, and remains lower than a year ago (by -1.6% pts), but above the pre-crisis average (9.3% between 1997 and 2007).

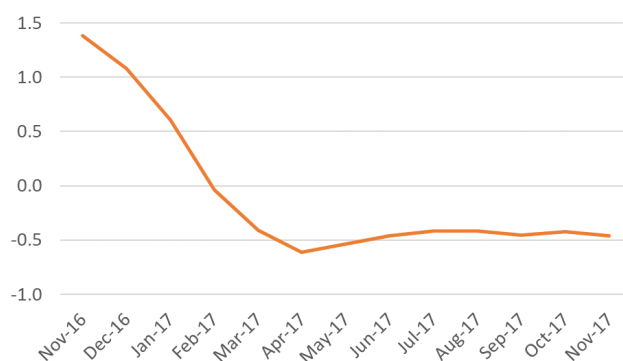
Real pay has fallen for the ninth consecutive month...

Nominal regular pay growth (excl. bonuses and before adjusting for inflation) was 2.4% on the year in the three months to November 2017, up marginally (by 0.1% pts) on October.

Nominal regular pay growth in the private sector was 2.5% on the year in the three months to November 2017, unchanged from October. In the public sector, pay growth was 1.9% on the year in the three months to November 2017, unchanged from October.

Looking in more detail at the private sector, financial and business services registered the strongest nominal regular pay growth in the three months to November 2017 (+2.6% on the year), while manufacturing (2.4%), and construction (2.3%) followed closely behind. The weakest growth was recorded in wholesaling, retailing, hotels and restaurants, which saw a rise of 1.8% (though this was still up 0.2% pts on October).

But real wages continued to fall as nominal pay growth remains below inflation: real regular pay (excl. bonuses and adjusting for CPIH inflation) fell by 0.5% on a year ago, having now declined for the ninth month in a row (**Exhibit 3**).

Exhibit 3 Real terms regular pay growth (%)

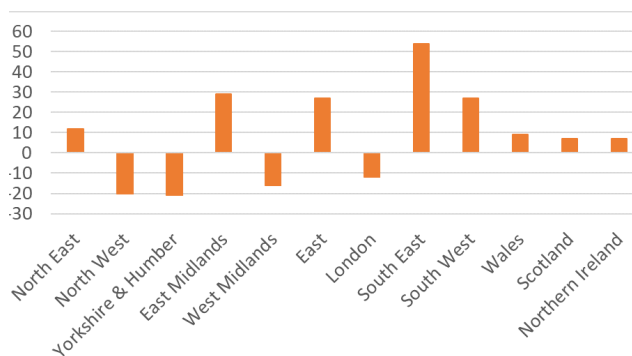
Source: ONS January 2018 labour market statistics

Two-thirds of the country saw a rise in employment...

In the three months to November 2017, employment grew in the North East (+12,000), East Midlands (+29,000), East (+27,000), South East (+54,000) and the South West (+27,000) (**Exhibit 4**).

It declined in the North West (-20,000), Yorkshire and Humber (-21,000), West Midlands (-16,000) and London (-12,000).

There was no real change in Wales (+9,000), Scotland (+7,000) or Northern Ireland (+7,000).

Exhibit 4 Employment change by regions and nations (000s)

Source: ONS January 2018 labour market statistics (comparing quarter to quarter).

...and most saw broadly unchanged unemployment numbers

In the three months to November 2017, unemployment declined in the North West (-15,000) and South East (-13,000). London (+14,000) and Wales (+13,000) saw a rise in unemployment.

There was no real change in the North East (-7,000), Yorkshire & Humber (+6,000), East Midlands (-1,000), West Midlands (+6,000), East (-3,000), South West (+4,000), Scotland (-1,000) and Northern Ireland (-8,000).

The next labour market update will be published on **21st February 2018**.

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ABOUT THE SPONSOR

"Businesses have indicated that they will continue to create both permanent and temporary roles in 2018, which is pleasing news for people seeking work. However, whilst unemployment remains low, the demand for companies to recruit and retain staff will only intensify. Recruiters will need to come up with innovative ways to attract talent in what will be a highly challenging market."

Carmen Watson, Chairperson, Pertemps Ltd

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