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EMPLOYMENT RATE RETURNS TO RECORD HIGH, UNEMPLOYMENT FALLS, AND REAL PAY STRENGTHENS

The April ONS release paints a healthy picture of the UK labour market as nominal and real pay increase for the second month in a row, outstripping the inflation rate. This could signal the beginning of a real improvement in living standards.

Employment rebounded to growth on the quarter after a brief period of weakness, with growth similar to the relatively strong rates seen over most of 2017, bringing the employment rate back to a joint record high since 1971.

Unemployment decreased slightly, returning the rate to a 42-year low. A small margin of slack in the labour market remains among those who would prefer to work longer hours or in permanent employment.

These figures could herald the return to positive real wage growth. However, this is not yet strong enough to recover the real value lost over the last year.

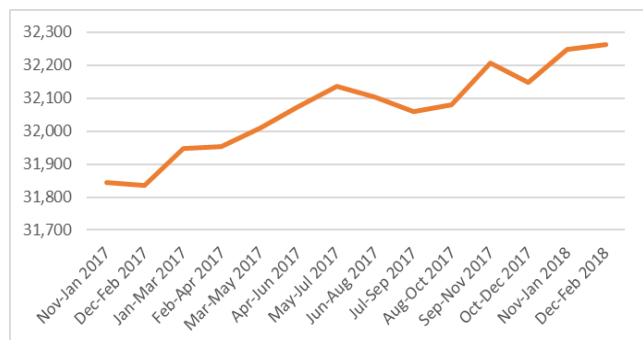
Looking across the UK's regions and nations, there have been more significant changes in employment while unemployment levels have remained broadly unchanged in most regions and nations.

- Male employment was broadly unchanged (+8,000) on the quarter, while female employment increased by 47,000. Both also posted an increase in employment year-on-year, with male employment increasing by 176,000, and female employment rising by 251,000.
- In terms of age breakdown, employment growth was strongest for those aged 50-64 (+28,000), 25-34 (+21,000), 35-49 (+19,000), and 65+ (+16,000). Meanwhile, employment among those aged 16-24 fell (-29,000).
- The number of people working full-time increased by 25,000 over the quarter, while the number of people working part-time rose by 29,000. On a year-on-year basis, the number of people working full-time increased by 280,000, while the number of part-time workers increased by 146,000.
- In the three months to March 2018, the number of vacancies was 815,000, broadly unchanged from the previous quarter.

Employment rate returns to record high...

- Employment rose by 55,000 to 32.26 million in the three months to February 2018. On a year-on-year basis, employment rose by 427,000.
- The employment rate increased to 75.4%, up 0.1% points on the quarter, bringing it back to the joint highest since comparable records began in 1971.
- The number of employees increased by 103,000 while the number of self-employed decreased by 18,000. On a year-on-year basis the number of employees rose by 497,000 and the number of self-employed declined by 30,000.

Exhibit 1 Employment (000s)



Source: ONS April 2018 labour market statistics

Headline figures	Rate	Number	Change on quarter	Change on year
Employment* (ILO)	75.4%	32,262	+55,000 (+0.1%)	+427,000 (+1.3%)
Unemployment** (ILO)	4.2%	1,423	-16,000 (-1.1%)	-136,000 (-8.7%)
Youth unemployment (16-24)	12.0%	524	-14,000 (-2.6%)	-33,000 (-2.5%)

Source: ONS April 2018 labour market statistics, December 2017 to February 2018 data *Rate for those aged 16-64 **Rate for those aged 16 and over

...while unemployment continues to fall

The fall in unemployment this quarter has been mainly driven by a fall in youth unemployment while the number registered as economically inactive has remained broadly the same compared with the previous quarter.

- The three months to February 2018 saw a drop in unemployment of 16,000 on the quarter and the number of unemployed people reached 1.42 million. On a year-on-year basis, the number of unemployed people was down 136,000.
- The unemployment rate was at 4.2%, down by 0.1% point compared to last quarter and once again at the lowest level since 1975.
- Although youth employment fell, falling youth unemployment was the primary driver of the decline in unemployment this quarter (-13,000). Unemployment among other age groups was largely unchanged: 25-49 years old (+1,000) and those aged 50 and over (-4,000).
- The three months to February have seen a decrease in male unemployment (-17,000), with the number of unemployed women remaining broadly unchanged (+1,000). The year-on-year change saw a greater decrease of male unemployment (-104,000) than for female unemployment (-32,000).

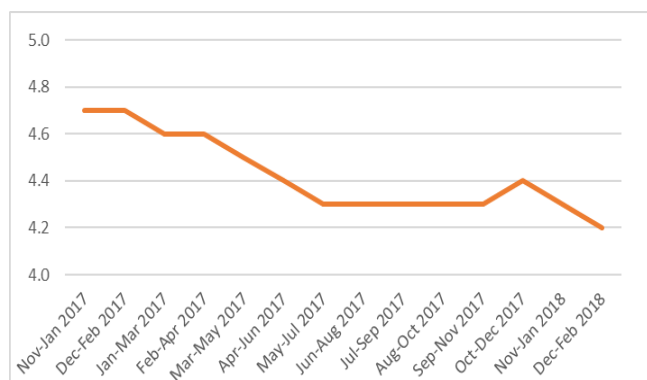
- Those registered as economically inactive (not available and/or looking for work) remained largely unchanged compared with the previous quarter and, following falls recorded in recent months, that means that the number of economically inactive people is the lowest since the three months to January 2001. The inactivity rate remained at 21.2% for the three months to February 2018, the joint lowest since comparable records began in 1971.

Despite more significant changes in regional employment

This quarter saw a mixed picture in the regions with some significant decreases and increases in employment.

- In the three months to February 2018, employment grew in Yorkshire and The Humber (+42,000), the East Midlands (+21,000), the West Midlands (+34,000), London (+51,000), the South West (+20,000) and Wales (+11,000).
- It declined in the North West (-15,000), in the East (-16,000), the South East (-87,000) and Scotland (-17,000).
- There was no real change in the North East (+2,000) and Northern Ireland (+8,000).

Exhibit 2 Unemployment (%)

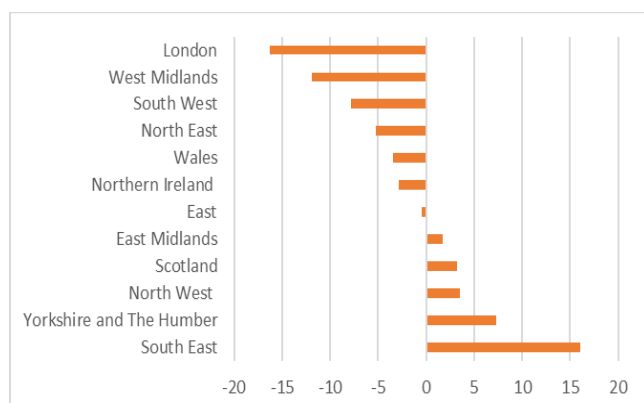


Source: ONS April 2018 labour market statistics

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



Source: ONS April 2018 labour market statistics

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

Source: ONS April 2018 labour market statistics

... most saw little change in unemployment

- The South East saw a rise of unemployment (+16,000) while the West Midlands (-12,000) and London (-16,000) saw a decrease in unemployment.
- There was no significant change in the North East (-5,000), the North West (+3,000), Yorkshire and the Humber (+7,000), the East Midlands (+2,000), the East (0), the South West (-8,000), Wales (-3,000), Scotland (+3,000) and Northern Ireland (-3,000).

A second positive month confirms strengthening real pay outlook

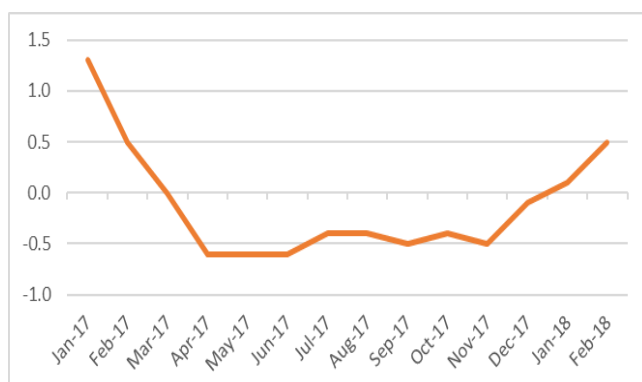
- Nominal regular pay growth (excl. bonuses and before adjusting for inflation) was 2.8% on the year in the three months to February 2018, up marginally (by 0.2% pts) on January and the highest since August 2015.

- Nominal regular pay growth rose 0.2% pts in both the private and public sectors in the three months to February 2018 on the year: private sector pay increased by 2.9%, while public sector pay rose by 2.3%.
- Looking at more detail in the private sector, construction registered the strongest nominal regular pay growth in the three months to February 2018 (+4.2% on the year), while manufacturing (+2.9%), and finance and business services (+2.6%) followed. The weakest growth was recorded in wholesaling and retailing which saw a rise of 2.4%.
- Real wages increased for the second month in a row, confirming the strengthening performance reported last month. Real pay (excl. bonuses and adjusting for CPIH inflation) grew by 0.2% on a year ago (on the less volatile three-month rolling basis) and the first time this measure has been in positive territory since January 2017.

Labour productivity up for a second quarter in a row...

Updated productivity data for Q4 was published on the 6th April.

- Labour productivity on an output per hour basis grew by 0.7% on the year in Q4 (October to December 2017). This was the second quarterly increase in a row, leaving the level productivity 1.8% above its previous peak (Q4 2007). However, growth in output per hour largely reflected a decline in average hours worked rather than an improvement in output growth.
- At a sector level, output per hour in Q4 was strongest in manufacturing (2.8% on the year), with productivity growth in services at 0.6% on the year.

Exhibit 5 Real regular pay growth (%)

Source: ONS April 2018 labour market statistics

The next labour market update will be published on **15th May 2018**.



For further information or a copy in large text format, please contact:

Anna Koch
Policy Adviser
T: 44 (0)20 7395 8107
E: anna.koch@cbi.org.uk

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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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For further information about Pertemps Network Group, please contact:

Kevin Cooke
PR and Communications Manager
T: 01676 525250
E: Kevin.Cooke@pertemps.co.uk
W: <http://www.pertemps.co.uk/>