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LABOUR MARKET SEES CONTINUOUS FALL IN EMPLOYMENT, BUT REMAINS RELATIVELY RESILIENT

The latest ONS data covers the period from November 2020 to January 2021, providing a snapshot of labour market activity during a period of renewed restrictions and lockdowns. The latest data shows a further sharp decrease in employment, a very small increase in unemployment (with the unemployment rate reaching 5.0%), and continuously high (but falling) redundancies. The further deterioration in the labour market was relatively modest, particularly in light of the much larger economic hit from the pandemic so far. This is in large part due to the Job Retention Scheme, which continues to support people in work and limit the impact of coronavirus on the labour market. Businesses appreciate the Chancellor's move to extend and taper the scheme in the March Budget, as it will help support many jobs as the roadmap for reopening the economy gets underway.

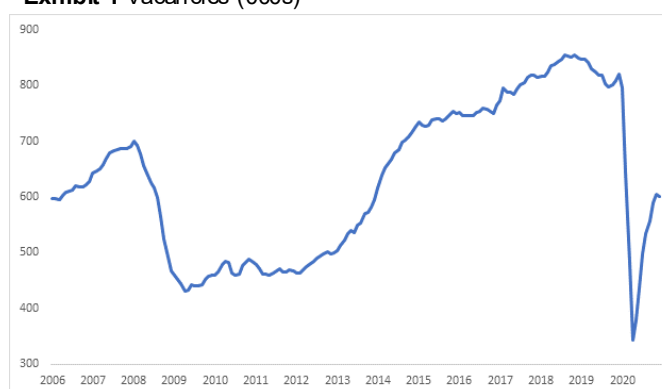
Real time Pay-As-You-Earn data shows that by February 2021, 693,000 people had left company payrolls compared with February 2020 (i.e. prior to the pandemic) – though encouragingly, payrolls themselves rose for the third month running in February. But analysis by age band shows that the under 25-year-olds contributed over 60% of the fall in payroll employees seen since February 2020 – the disproportionate impact on the employment prospects of the young reinforces the need to extend the deadline for the Kickstart scheme by another six months. The recovery in vacancies continued, but slowed in November to January, remaining far below the levels seen before the coronavirus pandemic. Similarly, total hours worked rose again over November to January, but at a slower rate, and were still exceptionally low as compared to before the pandemic.

The Prime Minister's roadmap offers optimism that the country can get back to business in the coming months. And continuing good progress on the vaccine rollout, combined with accelerating workplace testing, will help ensure that the UK is best-placed to recover in the second half of this year.

Employment continues to fall sharply...

- The official measure of employment shows a fall of 147,000 in the three months to January 2021, compared with the previous quarter, and was 611,000 down on the same period a year earlier. The employment rate fell by 0.3% points to stand at 75.0%.
- Male employment fell by 73,000 over the quarter to January, while female employment fell by 74,000. On the year male employment decreased by 438,000 while female employment decreased by 173,000.
- Almost all age groups saw a decline in employment, with those aged 35 to 45 years old (-61,000) and those aged 65+ years old (-49,000) seeing the largest drop.
- The number of self-employed decreased sharply (by 124,000) in the three months to January. Also, the number of people working part-time fell significantly,

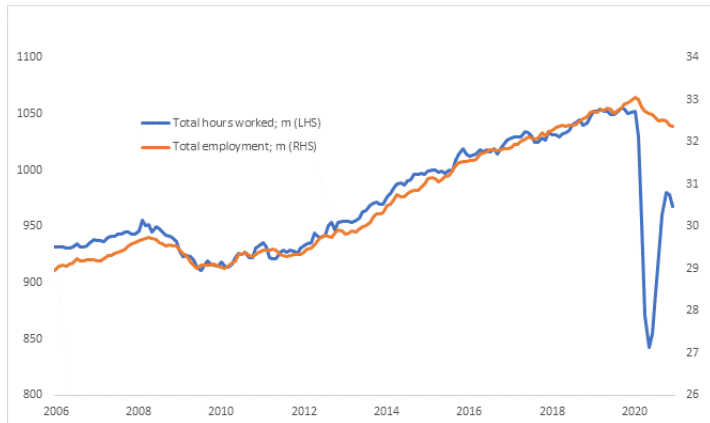
Exhibit 1 Vacancies (000s)



Source: ONS March 2021 labour market statistics

| Headline figures | Rate | Number (000s) | Change on quarter (% change) | Change on year (% change) |
|----------------------------|-------|---------------|------------------------------|---------------------------|
| Employment* (ILO) | 75.0% | 32,374 | -147,000 (-0.5%) | -611,000 (-1.9%) |
| Unemployment** (ILO) | 5.0% | 1,703 | +11,000 (+0.7%) | +360,000 (+26.8%) |
| Youth unemployment (16-24) | 14.2% | 581 | -16,000 (-2.6%) | +81,000 (+16.2%) |

Source: ONS March 2021 labour market statistics, November 2020 to January 2021 data *Rate for those aged 16-64 **Rate for those aged 16 and over

Exhibit 2 Employment vs actual weekly hours worked (millions)

Source: ONS March 2021 labour market statistics

(by 159,000) on the quarter. These were the main drivers of falling employment on the quarter.

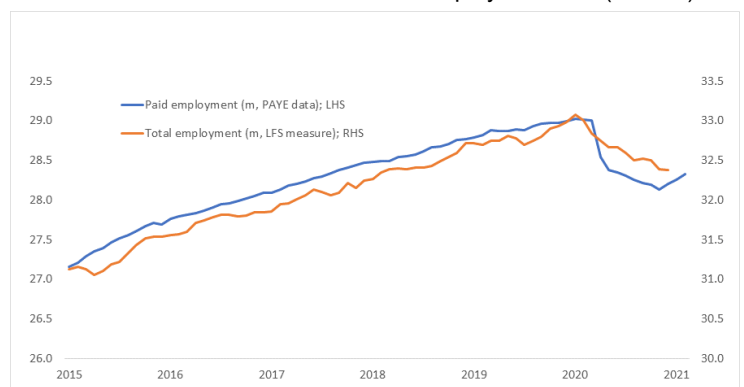
- ONS estimates that between August to October 2020 and November 2020 to January 2021, total actual weekly hours worked in the UK saw an increase of 8.0 million, or 0.8%, but are still far below the pre-pandemic level. In addition, the rate of increase slowed for third rolling quarter.
- The ONS estimates that the number of people temporarily away from work has fallen since its peak in April and May 2020, although it has increased slightly in December and January. There were also around 300,000 people away from work because of the pandemic and receiving no pay in December 2020. This represents a decrease from the peak of about half a million in April and May 2020.
- Experimental Pay-As-You-Earn (PAYE) data shows that in February the number of employees in the UK on payrolls was down by 693,200 compared with February 2020 (this figure does not capture the 300,000 people who identified themselves as being employed, but temporarily away from their jobs because of the pandemic, but who were receiving no pay). But encouragingly, the number of employees on payroll actually rose on the month (by almost 68,000), marking the third consecutive increase.
- For December 2020 to February 2021, there were an estimated 601,000 vacancies, which is a quarterly increase of 44,000, but still 220,000 fewer vacancies than a year ago. Despite the increase, the recovery in vacancies has slowed and remains far below the pre-coronavirus pandemic levels. The number of job vacancies in December 2020 to February 2021 was 26% lower than a year ago.

...while unemployment and redundancies remain high

- Official data shows that in the three months to January 2021 unemployment increased by 11,000 and stood at 1.7 million, the highest level since mid-2015. On a year-on-year basis, the number of unemployed people increased by 360,000. The unemployment rate stood at 5.0%, an increase of 0.1% points on the previous quarter.
- Redundancies decreased by 62,000 on the quarter but increased by 202,000 on the year. This means that the redundancy rate now stands at 11.0 per thousand – below its peak in the three months to November (14.2%), but still historically high.
- The number of those who are economically inactive has increased sharply (+108,000) on the previous quarter and on the year (+279,000). The inactivity rate now stands at 21.0%.

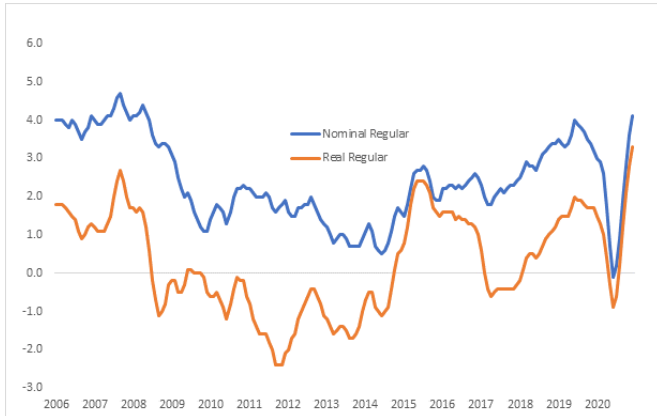
Pay growth continued strengthening in the three months to January, but remains subdued

- Annual growth in employee pay continued to strengthen, possibly in part reflecting more employees returning to work from furlough. Growth in average pay was also impacted by compositional effects from fall in the number and proportion of lower-paid employee jobs, so it's likely that the underlying picture on pay is weaker than the headline data suggests.
- Nominal regular pay growth (excl. bonuses and before adjusting for inflation) picked up, to 4.2% on the year in the three months to January 2021 (on the less volatile three-month rolling basis), up by 0.1% points from December 2020.
- In the three months to January, nominal regular pay growth stood at 4.0% in the private sector (up by 0.1% points on December) and at 4.7% in the public sector (up by 0.5% points on December). The improvement in

Exhibit 3 PAYE real time data vs official employment data (millions)

Source: ONS March 2021 labour market statistics

Exhibit 4 Real regular pay and nominal regular pay growth (%)

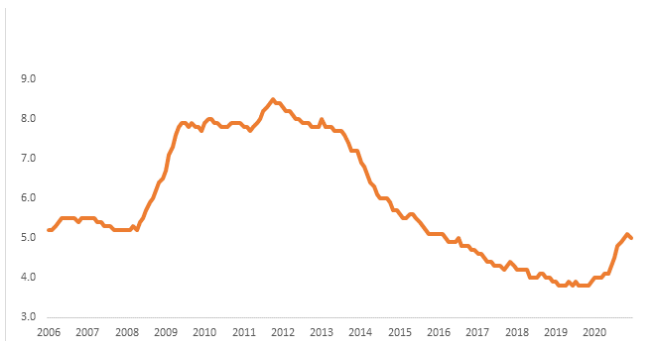


Source: ONS March 2021 labour market statistics

the private sector at least partly reflects the fact that some employees have been moved off furlough between November and January, and wages have again increased from 80% of normal levels under the Job Retention Scheme.

- Across the different sectors, nominal annual regular pay growth was strongest in finance (+6.2% - up by 0.8% points) and services (+4.8% - up by 0.1% points), followed by wholesaling, retailing & hospitality (+2.8% - down by 0.9% points), manufacturing (1.9% - up by 0.2% points) and construction (1.5% - up by 0.2% points).
- Real regular pay (excl. bonuses and adjusting for CPIH inflation) increased by 3.4% on a year ago (on the less volatile three-month rolling basis) – up by 0.1% points from December 2020.

Exhibit 5 Unemployment rate (%)



Source: ONS March 2021 labour market statistics

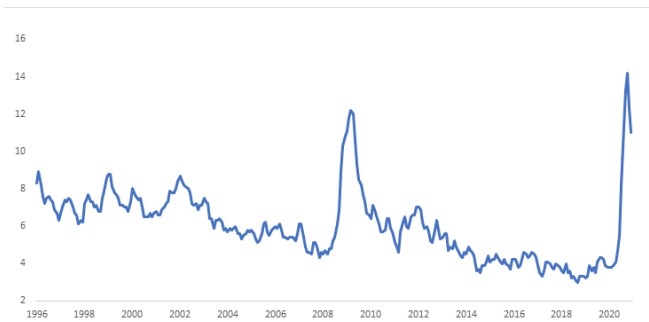
Most regions and nations saw a decline in employment...

- In the three months to January 2021, employment increased in the East Midlands (+13,000).
- Employment remained broadly unchanged in Yorkshire and The Humber (-7,000), in Wales (-6,000), in the East (+5,000) and the North East (+7,000).
- Employment decreased in the West Midlands (-43,000), South East (-23,000), North West (-23,000), South West (-21,000), London (-19,000), Scotland (-16,000) and Northern Ireland (-14,000).

... and a mixed picture on unemployment

- In the three months to January 2020, unemployment increased in London (+44,000), the West Midlands (+16,000) and the North West.
- Unemployment remained broadly unchanged in the North East (-5,000), the East Midlands (-4,000), Scotland (-4,000), Yorkshire and The Humber (-2,000), Wales (-2,000), Northern Ireland (-2,000) and the South West (-1,000).
- Unemployment decreased in the South East (-25,000) and the East (-20,000).

Exhibit 6 Redundancy rate (%)



Source: ONS March 2021 labour market statistics

The next labour market update will be published on **20th April 2021**.

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