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## UNEMPLOYMENT RISES, AS MORE INACTIVE PEOPLE LOOK FOR WORK

The February ONS labour market release shows the highest rise in unemployment levels in five years and continued employment growth. This is possible because a large number of people who were economically inactive became employed or began looking for work.

The unemployment rate increased on the quarter, but remains close to a 42-year low. Employment continued to rise on the quarter, with growth similar to the relatively strong rates seen over most of 2017.

Although real wages continue to fall as nominal pay growth remained below inflation for an eleventh month, the decline was the smallest over that period as nominal regular pay growth rose to 2.5%.

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

### Employment continues growing...

Employment rose by 88,000 to 32.1 million in the three months to December 2017 (**Exhibit 1**). This marks a second quarter of growth for employment, with the pace of growth similar to the average recorded over 2017. On a year-on-year basis, employment rose by 321,000.

The employment rate increased to 75.2%, up 0.2% points on the quarter, and up 0.6% points on the year.

Male employment was up by 55,000 on the quarter, while female employment increased by 33,000. Both also posted an increase in employment year-on-year, with males recording a 143,000 increase, and female employment rising by 178,000.

The increase in headline employment in the three months to December was driven almost entirely by a rise in the number of employees (+85,000). The number of registered self-employed continued to fall (-31,000), for the fourth consecutive rolling quarter. The number of unpaid family

workers rose by 31,000, while the number on government supported training was largely unchanged (+2,000).

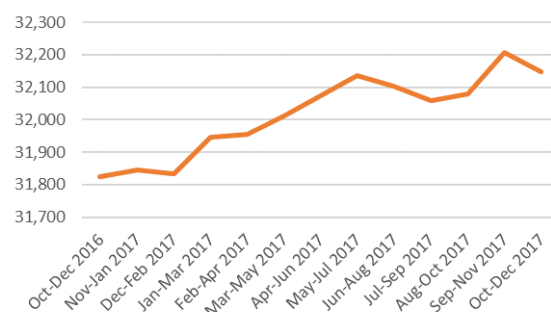
In terms of age breakdown, employment growth was strongest for those aged 50-64 (+42,000), 35-49 (+29,000), and 16-24 (+12,000). Meanwhile, 25-34 year olds (+4,000), and 65+ (+1,000) saw no real change in employment.

The number of people working full-time increased by 95,000 over the quarter, while the number of people working part-time remained broadly unchanged (-8,000). On a year-on-year basis, the number of people working full-time increased by 323,000, while the number of part-time workers was unchanged (-2,000).

### While unemployment picks up...

The three months to December 2017 saw the biggest rise in unemployment in five years, related in part to the fall in inactivity (see below): the number of unemployed people reached 1.470 million, up 46,000 on the quarter.

**Exhibit 1** Employment (000s)



Source: ONS February 2018 labour market statistics

| Headline figures           | Rate  | Number | Change on quarter | Change on year   |
|----------------------------|-------|--------|-------------------|------------------|
| Employment* (ILO)          | 75.2% | 32,147 | +88,000 (+0.3%)   | +321,000 (+1.0%) |
| Unemployment** (ILO)       | 4.4%  | 1,470  | +46,000 (3.2%)    | -123,000 (-7.7%) |
| Youth unemployment (16-24) | 14.3% | 547    | +10,000 (+1.8%)   | -20,000 (-3.6%)  |

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

However, on a year-on-year basis, the number of unemployed people was still down 123,000.

The unemployment rate increased slightly to 4.4% (**Exhibit 2**), compared to 4.3% in the previous quarter, remaining very close to the lowest level since 1975. Compared to the same point in 2016, the unemployment rate in October-December 2017 fell by 0.4% points.

The sharp increase in the number of unemployed people for the three months to December was primarily driven by a strong rise in the number of unemployed women (+35,000), with the number of unemployed men increasing by 11,000. The year-on-year change followed a similar pattern, with a greater decline in the number of unemployed men (-94,000) than women (-30,000).

In terms of the age breakdown, people aged 16-24 (+30,000) were the main contributors to the increase in the overall level of unemployment, followed by those aged 35-49 (+11,000). The number of unemployed people aged 25-34 (-2,000), aged 50-64 (+7,000) and 65+ (no change) was largely unchanged.

Those registered as economically inactive (not available and/or looking for work) decreased by 109,000 compared with the previous quarter, marking the second rolling quarter of decrease and the sharpest drop in over two years. The inactivity rate decreased to 21.3% for the three months to December 2017, 0.3% lower compared to July-September 2017.

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

In the three months to January 2018, the number of vacancies reached 823,000, another new record-high since comparable records began in 2001 (the last record-

high was for the three months to December 2017). The number of vacancies was up 24,000 on the quarter.

The proportion of workers in temporary jobs because a permanent one was not available increased on the quarter by 1.2% pts to 28.9%, but remained lower than a year ago by 0.3% pts.

But the proportion of people working part-time because they couldn't find a full-time job decreased on the quarter by 0.6% pts to 11.8%, and remains lower than a year ago (by -1.4% pts), but above the pre-crisis average (9.3% between 1997 and 2007).

### Real pay has fallen for the eleventh consecutive month...

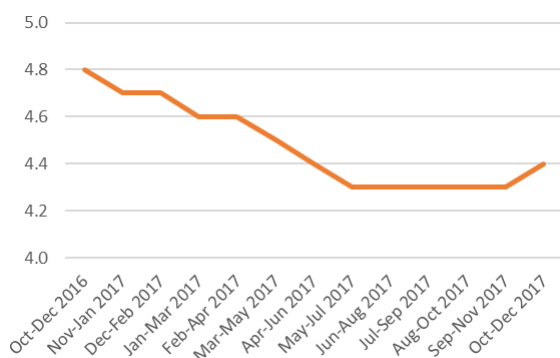
Nominal regular pay growth (excl. bonuses and before adjusting for inflation) was 2.5% on the year in the three months to December 2017, up marginally (by 0.2% pts) on November and the highest in a year.

Nominal regular pay growth rose 0.1% pts in both the private and public sectors in the three months to December 2017 on the year: private sector pay increased by 2.6%, while public sector pay rose by 2.0%.

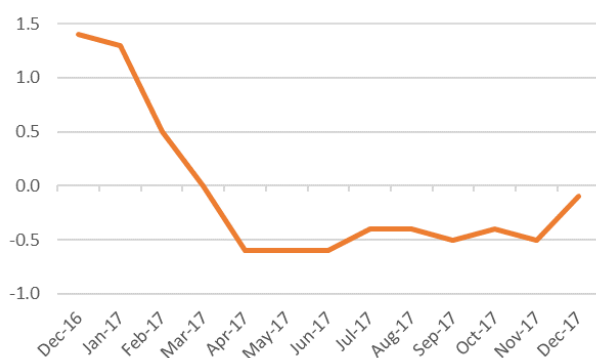
Looking at more detail in the private sector, construction registered the strongest nominal regular pay growth in the three months to December 2017 (+2.9% on the year), while manufacturing (2.7%), and finance and business services (2.5%) followed. The weakest growth was recorded in wholesaling, retailing, hotels and restaurants, which saw a rise of 2.1% (though this was still up 0.3% pts on November).

Real wages continued to fall for the eleventh consecutive month, as nominal pay growth remained below inflation: real regular pay (excl. bonuses and adjusting for CPIH inflation) fell by 0.1% on a year ago. However, the decline was also the smallest recorded since real pay began to fall (**Exhibit 3**).

**Exhibit 2** Unemployment (%)



Source: ONS February 2018 labour market statistics

**Exhibit 3** Real terms regular pay growth (%)

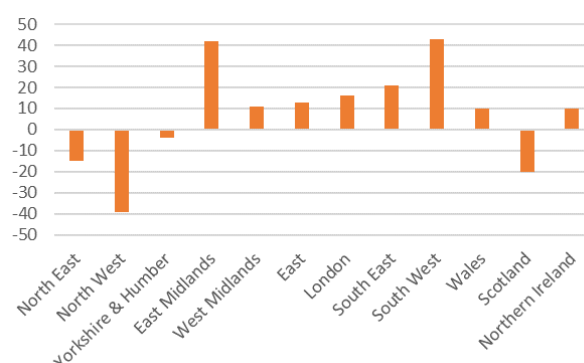
Source: ONS February 2018 labour market statistics

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

In the three months to December 2017, employment grew in the East Midlands (+42,000), West Midlands (+11,000), in the East (+13,000), London (+16,000), South East (+21,000), South West (+43,000), Wales (+10,000), and Northern Ireland (+10,000) (**Exhibit 4**).

It declined in the North East (-15,000), North West (-39,000), and Scotland (-20,000).

There was no real change in Yorkshire and The Humber (-4,000).

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

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

### ...and most saw little change in unemployment

The East (+19,000), Wales (+14,000), and Scotland (+14,000) saw a rise in unemployment in the three months to December 2017.

There was no significant change in the North East (-3,000), the North West (-9,000), Yorkshire and The Humber (+5,000), the East Midlands (+4,000), the West Midlands (-2,000), London (+1,000), the South East (-3,000), the South West (+5,000), and Northern Ireland (-1,000).

The next labour market update will be published on **21st March 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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