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EMPLOYMENT RATE IS AT RECORD HIGH, UNEMPLOYMENT FALLS, BUT SIZE OF UK WORKFORCE IS SHRINKING

The ONS' latest labour market data paints a familiar picture —strong employment growth and falling unemployment. This continuous job creation shows that flexibility in the labour market is a key strength of the UK economy. However, these figures also show that the size of the UK workforce is shrinking at the same time as vacancies for skills and labour remain high.

The employment rate remains at a record high, with employment growth similar to the relatively strong rates seen over most of 2017.

Unemployment has decreased once again and is now at 4.0%, the joint lowest rate since 1975. However, the inactivity rate has risen for the first time this year.

Meanwhile, the tightness of the labour market has still not stimulated stronger and more sustained real wage growth. Pay growth has remained at a six-month low maintaining the pressure on people's living standards.

Across the UK, regions and nations have seen a mixed picture in employment, while unemployment levels have remained broadly unchanged.

Separate figures published today on UK employment by nationality show a record annual drop of 86 thousand in EU nationals (the data began in 1997). Although the number of non-EU nationals has risen on the year, the 74 thousand rise does not fully plug the gap left by EU nationals.

With little labour available in the domestic labour market, and a decline in numbers employed from abroad, skills and labour shortages are already hampering firms' ability to compete and create jobs, so it is vital that the UK pursues an open and controlled post-Brexit immigration policy.

The Government needs to guarantee that EU workers can continue to work in the UK even in a 'no deal' scenario. And putting migration and mobility on the table when negotiating a new relationship with the EU will help secure

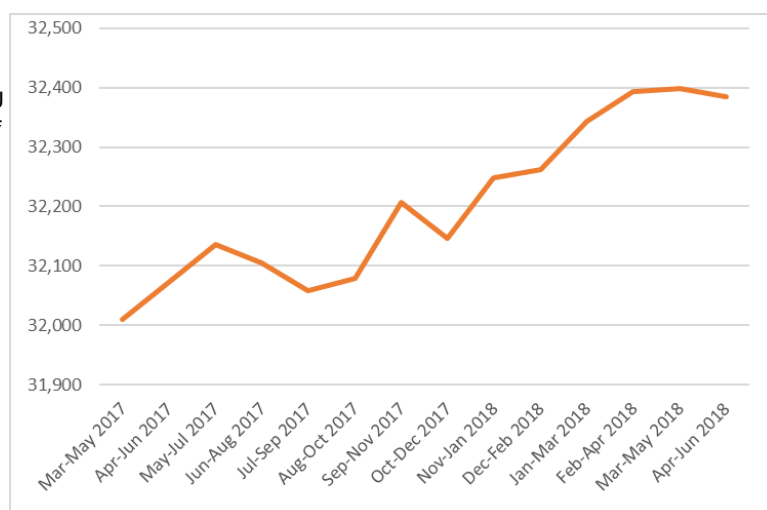
the best deal for the UK while ensuring companies can access the people and skills they need to succeed.

The employment rate remains at a record high...

The rise in employment was mainly driven by an increase in those aged 50-64 years old.

- Employment rose by 42,000 to 32.39 million in the three months to June 2018. On a year-on-year basis, employment rose by 313,000.
- The employment rate was 75.6%, unchanged compared with January to March 2018, but higher than a year earlier (75.1%).
- Male employment increased by 34,000 on the quarter, while female employment was broadly unchanged (+8,000). Both posted an increase year-

Exhibit 1 Employment (000s)



Source: ONS August 2018 labour market statistics

Headline figures	Rate	Number (000s)	Change on quarter (% change)	Change on year (% change)
Employment* (ILO)	75.6%	32,386	+42,000 (+0.1%)	+313,000 (+1.0%)
Unemployment** (ILO)	4.0%	1,360	-65,000 (-4.5%)	- 124,000 (-8.4%)
Youth unemployment (16-24)	11.3%	492	-39,000 (-7.3%)	- 132,000 (-21.1%)

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

on-year, with male employment rising by 141,000, and female employment by 172,000.

- Employment only grew in the group aged 50-54 years old (+49,000) and the group aged 65+ years old (+35,000). Employment fell for those aged 35-49 years old (-20,000), 16-24 years old (-13,000) and was little changed for those aged 25-34 years old (-9,000).
- The number of people working full-time increased by 105,000 over the quarter, while the number of people working part-time dropped by 64,000. On a year-on-year basis, the number of people working full-time increased by 270,000, while the number of part-time workers increased by 42,000.
- In the three months to June 2018, the number of vacancies reached 829,000, up by 20,000 and is now the joint highest since comparable records began in 2001.

...while unemployment continues to fall, but inactivity rate rises

- The three months to June 2018 saw a drop in unemployment of 65,000 on the quarter (to 1.36 million). On a year-on-year basis, the number of unemployed people was down by 124,000.
- The unemployment rate fell to 4.0%, down by 0.2% points compared to last quarter and once again is the lowest since 1975.
- Male unemployment fell by 35,000 in the three months to June and the number of unemployed women declined by 30,000. The year-on-year change saw a

decrease in male unemployment (-97,000) and female unemployment (-27,000).

- The number of those registered as economically inactive (not available and/or looking for work) increased by 77,000 compared with the previous quarter but fell by 31,000 on a year earlier. The inactivity rate is now at 21.2% for the three months to June 2018, up by 0.2% points on the quarter.

Regions saw a mixed picture in employment...

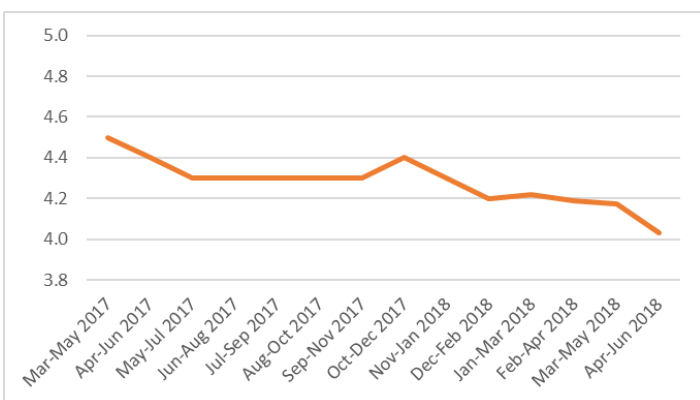
This quarter saw an increase in employment in some regions—with the greatest increase in the West Midlands and the East.

- In the three months to June 2018, employment grew in the West Midlands (+57,000), the East (+32,000), the North West (+20,000), in Wales (+13,000) and in Scotland (+12,000).
- It declined in the North East (-37,000), London (-29,000) and the East Midlands (-19,000).
- And remained broadly unchanged in the South West (+7,000), the South East (-3,000), Northern Ireland (-3,000) and Yorkshire and the Humber (-8,000).

... and little change in unemployment

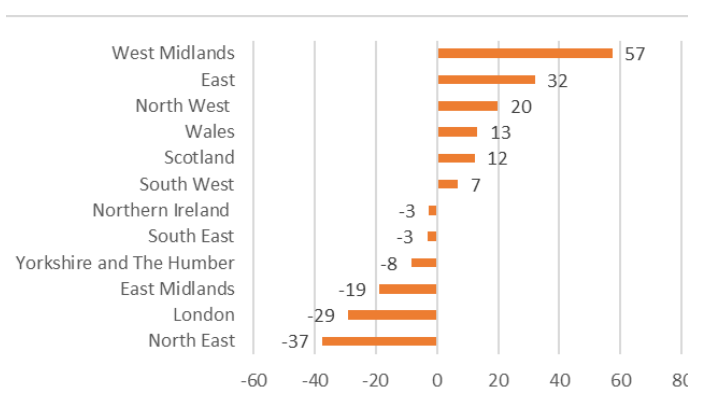
- The South East saw a small rise in unemployment (+11,000). Meanwhile unemployment fell in the East (-21,000), the South West (-19,000) and Yorkshire and the Humber (-12,000).

Exhibit 2 Unemployment (%)



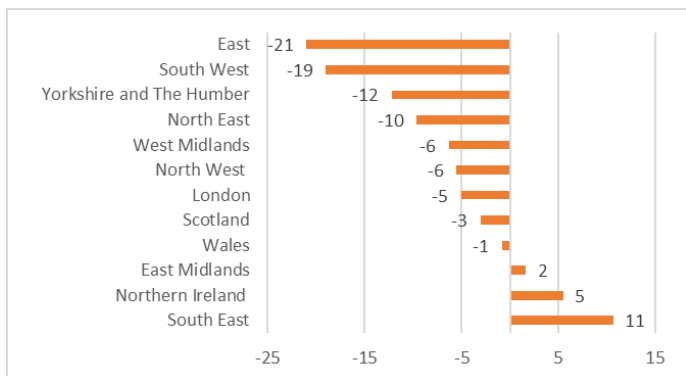
Source: ONS August 2018 labour market statistics

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



Source: ONS August 2018 labour market statistics

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



Source: ONS August 2018 labour market statistics

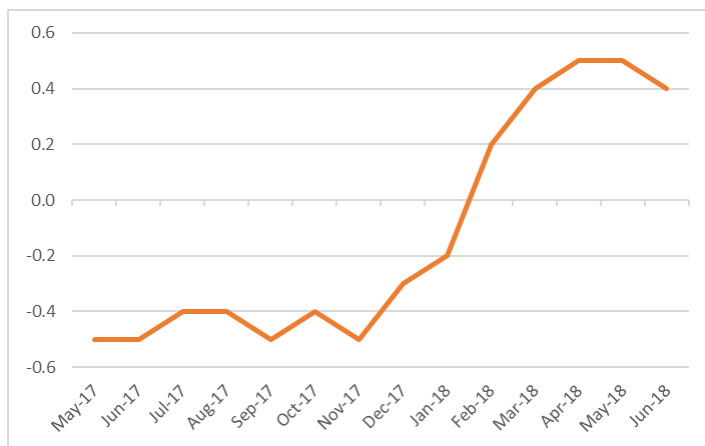
- There was no significant change elsewhere: North East (-10,000), North West (-6,000), West Midlands (-6,000), London (-5,000), Scotland (-3,000), Wales (-1,000), East Midlands (+2,000) and Northern Ireland (+5,000).

Pay growth remains at six-month low

Nominal regular pay growth has dropped marginally. In the private sector construction saw the strongest nominal regular pay growth in the three months to June. But this cannot gloss over the slip in real regular pay.

- Nominal regular pay growth (excl. bonuses and before adjusting for inflation) was 2.7% on the year in the three months to June 2018, down marginally (by 0.1% pts) on May.

Exhibit 5 Real regular pay growth (%)



Source: ONS August 2018 labour market statistics

- Nominal regular pay growth remained unchanged in the public sector and dropped by 0.1% in the private sector in the three months to June 2018: public sector pay increased by 2.2%, while private sector pay rose by 2.8%.
- Looking at the private sector in more detail, the construction sector continues to have the strongest nominal regular pay growth in the three months to June 2018 (+5.6% on the year – the fastest since mid-2008), followed by wholesaling (+2.7% - up by 0.2%), services (+2.6% – down by 0.1%), finance (+2.4% – down by 0.1%) and manufacturing (+2.3% – down by 0.2%). The continued strengthening in pay growth in construction could be linked to the acute skills shortages in the sector.
- Real regular pay growth (excl. bonuses and adjusting for CPIH inflation) dropped to 0.4% on a year ago (on the less volatile three-month rolling basis), slipping to a six-month low.

UK employment by nationality sees record annual drop in EU nationals

UK employment of non-UK nationals fell on the year, driven by a record fall in the employment of EU nationals. Alongside the tightness in the domestic labour market, this highlights the difficulty firms are having in hiring skills and labour, so it is vital that the UK pursues an open and controlled post-Brexit immigration policy as has been highlighted in the [CBI's latest report](#).

- UK nationals working in the UK increased by 332,000 to 28.76 million.
- The number of EU nationals working in the UK fell by 86,000 to 2.28 million people, the largest annual drop since comparable records began in 1997.
- Non-EU nationals increased by 74,000 to 1.27 million, the highest number since comparable records began in 1997.

The next labour market update will be published on **11th September 2018**.



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The CBI is the UK's premier lobbying organisation, providing a voice for employers at a national and international level. Our mission is to promote the conditions in which businesses of all sizes and sectors in the UK can compete and prosper for the benefit of all.

To achieve this, we campaign in the UK, the EU and internationally for a competitive business landscape.

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Carmen Watson, Chairperson, Pertemps Ltd

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